General Purposes and Audit Committee Agenda

To: Councillor Karen Jewitt (Chair)
Vacancy (Vice-Chair)
Councillors: Jeet Bains, Jan Buttinger, Jason Cummings, Sherwan Chowdhury, Mike Fisher, Patricia Hay-Justice, Bernadette Khan and Joy Prince

Independent non-voting Members: Mr Muffaddal Kapasi and Vacancy

Reserve Members: Councillors: Carole Bonner, Pat Clouder, Maddie Henson, Steve Hollands, Humayun Kabir, Dudley Mead, Andrew Rendle, Donald Speakman, James Thompson and John Wentworth.

A meeting of the **GENERAL PURPOSES AND AUDIT COMMITTEE** which you are hereby summoned to attend, will be held on **Wednesday 20th September 2017** at **6:30pm** in **The Council Chamber, The Town Hall, Katharine Street, Croydon CR0 1NX**

JACQUELINE HARRIS-BAKER
Director of Law and Monitoring Officer
London Borough of Croydon
Bernard Weatherill House
8 Mint Walk, Croydon CR0 1EA

Stephanie Davis
Democratic Services Officer
020 8760 6000 ext. 84384
stephanie.davis@croydon.gov.uk
www.croydon.gov.uk/agenda
12 September 2017

Members of the Public are welcome to attend this meeting. If you require any assistance, please contact Stephanie Davis, as detailed above.

AGENDA - PART A

1. Appointment of Vice-Chair

To appoint the Vice-Chair of the General Purpose and Audit Committe for the 2017/2018 municipal year.

2. Apologies for absence

3. Minutes (Page 1)

To agree the minutes of the meeting held on 29 June 2017 as an accurate record.

4. Disclosure of Interest

In accordance with the Council's Code of Conduct and the statutory provisions of the Localism Act, Members and co-opted Members of the Council are reminded that it is a requirement to register disclosable pecuniary interests (DPIs) and gifts and hospitality in excess of £50. In addition, Members and co-opted Members are reminded that unless their disclosable pecuniary interest is registered on the register of interests or is the subject of a pending notification to the Monitoring Officer, they are required to disclose those disclosable pecuniary interests at the meeting. This should be done by completing the Disclosure of Interest form and handing it to the Business Manager at the start of the meeting. The Chairman will then invite Members to make their disclosure orally at the commencement of Agenda item 3. Completed disclosure forms will be provided to the Monitoring Officer for inclusion on the Register of Members' Interests

5. Urgent Business (if any)

To receive notice from the Chair of any business not on the Agenda which should, in the opinion of the Chair, by reason of special circumstances, be considered as a matter of urgency

6. Exempt Items

To confirm the allocation of business between Part A and Part B of the Agenda

7. Committee Membership

(To Follow)

8. Minor Amendments to the Constitution (Page 11)

This report seeks approval to make three minor amendments to Part 4L of the Constitution, the Rules of Procedure of the Health and Wellbeing Board and one minor clarification regarding the Pension Committee.

9. Audit Findings reports for Croydon Council and the Croydon Pension Fund 2016-17 Accounts (Page 21)

The Auditors have issued the ISA 260 Reports for the 2016/17 final accounts for the Council and for the Pension Fund, which includes the Value for Money report prepared for the Council. The reports are specifically aimed at those charged with governance. The reports include the Council's management responses to the recommendations.

10. Internal Audit Update Report April to July 2017
(Page 255)

This report details the work completed by Internal Audit so far during 2017/18 and the progress made in implementing recommendations from audits completed in previous years.

11. Anti-Fraud Update Report April – July 2017 (Page 281)

This report details the performance of the Council's Corporate Anti-Fraud Team (CAFT) and includes details of the team's performance together with an update on developments during the period 1 April 2017 – 31 July 2017.

12. Treasury Annual Review 2016/2017 (Page 287)

The Council's treasury management activities for the previous year are reviewed on an annual basis to take account of changes and updates in treasury practices and to ensure that best practice is incorporated within all areas of treasury management.

13. Corporate Risk Register (Page 305)

The report updates the General Purposes & Audit Committee Members on the corporate risk register (the register) as at 20 September 2017.

14. Local Government Ombudsman (Page 317)

The report outlines the Council's response to the findings of the Local Government Ombudsman.

15. Exclusion of the Press & Public

The following motion is to be moved and seconded as the "camera resolution" where it is proposed to move into part B of a meeting:
"That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following item of

business on the grounds that it involves the likely disclosure of exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended"

AGENDA - PART B

None

General Purposes and Audit Committee

Meeting held on Thursday 29 June 2017 at 6:30pm in Council Chamber, Town Hall, Katharine Street, Croydon

MINUTES - PART A

Present:	Councillor Karen Jewitt (Chair) Councillor Kathy Bee (Vice Chair) Councillors Jeet Bains, Jan Buttinger, Sherwan Chowdhury, Patricia Hay-Justice, Steve Hollands, Bernadette Khan, and Joy Prince
Also present:	Councillor Simon Hall, Cabinet Member for Finance and Treasury Malcolm Davies, Head of Risk & Corporate Programme Office Chris Long and Jamie Bewick, Grant Thornton, External Auditors Simon Maddocks, Director of Governance Dave Philips, Mazars Richard Simpson, Executive Director Resources and S.151 Officer Lisa Taylor, Director of Finance and Deputy S.151 Officer
Apologies:	Councillors Jason Cummings and Mike Fisher Mr Muffaddal Kapasi and Mr Nero Ughwujabo

MINUTES - PART A

A13/17 Minutes

RESOLVED: That the Minutes of the meetings held on 22 March 2017 and 22 May 2017 be signed by the Chair as correct records.

A14/17 Disclosure of Interest

There were no disclosures of interest.

A15/17 Urgent Business (if any)

There were no urgent items of business.

A16/17 Grant Thornton reports – External Audit Progress Report

The Chair thanked Chris Long of Grant Thornton for all of his work with the London Borough of Croydon ahead of him moving to a new position.

Chris Long, Grant Thornton, presented the report outlining that the accounts had been presented for audit on 20 June 2017, which was before the deadline, and that the audit had begun shortly after the accounts were received. The Committee were informed that in 2018 the accounts would need to be read by the end of May and Grant Thornton were working with the council to ensure the deadline was achieved.

The Committee noted that it had been the intention of the council to submit the accounts by the earlier deadline that was required in 2018, however they were submitted 20 calendar days later in 2017. The Director of Finance confirmed the council was confident that the earlier deadline would be met as measures had been put in place.

The Executive Director of Resources informed the Committee that in April 2018 a new external audit contract would be in place following the appointment through the Public Sector Audit Appointments Ltd (PSAA), however the council did not yet know who would be the external auditors from April 2018. The Executive Director of Resources confirmed that the Committee would be updated when the external auditors were appointments, however the PSAA had looked to ensure continuity in service and avoid any possible conflicts.

RESOLVED: That the Progress Report be noted.

A17/17 **Financial Performance Report for 2016/2017**

The Cabinet Member for Finance and Treasury presented the report outlining that the financial performance of the council was set with the backdrop of another challenges, including cuts and additional pressures on services. It was stated that the performance of the pension fund and capital expenditure reflected the excellent work of the administration and officers.

The Executive Director Resources informed the Committee that the report gave an overview of the financial performance of the council for 2016/17 and noted that there had been a £50,000 revenue underspend that had been managed and reported throughout the year. It was noted that the People's Department budget had remained challenging, however it was forecast that in London overspend on adult social care would be £250million. It was noted that Croydon was significantly underfunded in comparison to other boroughs which were overspending. High levels of demand and demographic changes continued to provide challenges for the department. Work had continued with the department to manage the spend effectively, including better commissioning and improved prevention work, however it was anticipated that it would take time for the benefits to be realised from these initiatives.

In response to Member questions the Executive Director of Resources confirmed that the Committee would receive figures at the next meeting which outlined the extent of overspend within the People department being due to demand being higher than anticipated and how much was due to meeting the required savings.

The Cabinet Member noted that significant cultural change had been required to achieve savings and had proved difficult, however demand was had also been difficult to effectively budget for. In previous years the number of looked after children had decreased so the budget had been amended to reflect the previous level, however the number of children had increased in the last year which had not been budgeted.

The Executive Director of Resources informed the Committee that positive outcomes had been seen in the other two departments which had delivered savings and had continued to support the council. Furthermore, payback from investments such as the Real Lettings Fund was starting to be received.

It was noted that there had been an underspend of the capital budget, however significant investment had been programmed and the budget continued for those projects. The Executive Director of Resources stated that underspend was due to some overoptimistic timescales for projects and informed the Committee that project planning would be reviewed to ensure slippage was programmed to mitigate underspend in future years.

The Committee congratulated officers for coming within £50,000 of the forecast outturn and that the pension fund was at £1billion.

In response to Member questions the Executive Director of Resources acknowledged the budget was challenging for the People department however it was expect to be at the same level in future years.

The Director of Finance informed the Committee that the children's social care legal costs were in relation to an increase in the number of cases which had required legal review, which had been in relation to the backdrop of a rise in the number of looked after children.

The Committee were informed that the council had continued to use agency staff to fill posts that were difficult to fill, however a recruitment drive had been undertaken to increase the number of permanent social care staff. It was noted that the difficulty to recruit permanent staff was reflected across the London and had been driven by people earning more if they were to work on an interim basis, however councils had worked on establishing a cap on interim staff payments. Furthermore, the council had looked to sell the benefits of being a permanent member of staff more effectively.

The Executive Director of Resources informed the Committee that the level of agency staff was a KPI that was monitored by Cabinet. The bulk of agency staff was in social care, however often agency staff were introduced for capacity reasons or the difficulties associated to recruiting good officers in certain services such as Planning. The council had not only conducted a campaign to encourage agency staff to become permanent members of staff, but the authority had reviewed the Apprenticeship Levy as it was desirable to grow its own workforce.

The Committee queried what work had been done to raise the council's concerns in regards to the inequality of funding for social care and were informed that the funding formula had been set in 2013 based on outdated census data. The council had been clear that it would like to see a change in the formula which was due to be released in 2020. The Executive Director of Resources stated that it was expected that London as an area would suffer but it was hoped that Croydon would comparatively benefit. The Cabinet Member for Finance and Treasury further noted that Wandsworth, which was the lowest funded inner London borough, had received £28million more per annum and so work had begun with outer London boroughs to encourage a more equitable revised formula.

The Executive Director of Resources stated that spend within the People department had been driven by the rise in demand and work had been initiated to transform the services to respond to the challenges as the alternative would have been to cut discretionary services in other departments. The Executive Director further identified the risk of changes in funding from government leading to uncertainty and possible annual budget setting as opposed to medium term financial planning.

In response to Member questions the Executive Director clarified legal services had been a mixture of in house and outsourced contracts. It was intended to move more legal work in house and to use a legal firm for large work, such as Compulsory Purchase Orders or Judicial Reviews, and it was anticipated significant savings would be achieved when fully implemented.

Members queried the suggested improved commissioning and contract management and were informed that work had begun to utilise the skills within the Resources department more effectively and to invest in contract management expertise. With regards to improvements in commissioning the Committee were informed that work had been undertaken to ensure the outcomes were clearer and that services were assessed as to whether they could be delivered better in house or outsourced.

In response to Member queried the Committee were informed that work had been done on in house fostering which had saved the council money. The Cabinet Member went on to state that the council were ensuring that the right providers were in place and that long and short term placements were distinguished as to rate paid rather than the previous set rate.

The Cabinet Member noted the improvements made to the Facilities Management team, from being a single contract that had been changed to a number of contracts that were delivered in house or outsourced. It was stated that the mixed economy had not only saved the council around £2million per annum but had also delivered an improved service.

In response to questions the Executive Director of Resources confirmed that the council had written to the Secretary of State to request support for the funding for sprinklers in tower blocks and other safety measures, and the removal of the borrowing cap on the HRA. It was stated that while the works could be funded through the reserves it would impact investment in the HRA capital programme in future years.

The Committee noted that the council had experienced an increase in waste tonnage and were informed that a reduction in recycling had not been noted and it was due to an increase in waste that had been experienced by a number of boroughs.

In response to Member questions the Executive Director informed Members that the General Fund pays the Pension Fund and that a transfer had been made in one go which had provided the council with a discount of around £600,000.

RESOLVED: That

1. The levels of reserves and provisions set out in section 7.4 of the report, as recommended by the Section 151 Officer be approved;

2. The Council's outturn position, and the progress of the Council's current Financial Strategy objectives be noted;

3. The departmental outturn variances as contained with Table 2 and Appendix 1 of the report be noted; and

4. A report seeking final approval of the accounts following their review by external audit will be presented the General Purposes and Audit Committee prior to the deadline of 30 September 2017.

A18/17 Anti-Fraud Annual Report 1 April 2016 – 31 March 2017

The Director of Governance presented the anti-fraud annual report for 1 April 2016 to 31 March 2017 and informed Members that a mistake had been identified in Table 2 of the report in that the outcomes associated with stopping Right to Buy amounted to £405,000, which made the total value of the work of the Anti-Fraud team amount to £1,382,348.

A significant amount of work had been undertaken on blue badges, including cautioning some people where appropriate. Safeguarding referrals were also reviewed and included incidences where relatives were taking the money that had been allocated rather that it being spent on the individual. Work had also been undertaken on the Landlord Licensing Scheme and had led to six further licences being issued to landlords that had previously avoided paying.

In response to Member questions the Director of Governance stated that it was difficult to compare performance with other councils as they had different ways of recording performance, however future reports would include a year on year internal comparative data. It was hoped that the work of the London Counter-Fraud Hub would enable a standardised way of working and thus comparative data with councils in future years.

The Executive Director of Resources confirmed that the team were successful and saved, or recovered funds for the council through the Proceeds of Crime Act, which more than covered the team costs. The council sought to recover losses from fraud and used the most appropriate action to recover or seize assets.

The Committee queried whether the Anti-Fraud team undertook work in relation to illegal subletting which had come to light following the Grenfell disaster, and in response the Director of Governance stated that the team had recovered properties where there had been instances of illegal subletting. Furthermore, the Director of Governance informed the Committee that cases had been referred to the Home Office when appropriate. The Chair requested that a future report to the Committee included some outline case history for Members information.

Members raised concerns that work within the London Counter Fraud Hub would detract from the work undertaken by Croydon's officers and in response the Director of Governance stated that it was not foreseen that work would be stopped but rather enhanced due to the sharing of data. Furthermore it was hoped that the Hub would have investigative opportunities and the council would be able to utilise the resource if required.

RESOLVED: That the Anti-fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2016 – 31 March 2017 be noted.

A19/17 **Internal Audit Review of Effectiveness 2016/2017**

The Executive Director of Resources presented the Internal Audit Review of Effectiveness 2016/17 and directed Members to Table 2 of the report which showed that delivery remained highly effective. The Committee were further informed that the contract for internal audit had been put out to tender.

In response to Member questions the Executive Director confirmed that a rating of generally conforms was the highest that could be received as the other ratings were partial or do not conform.

The Director of Governance informed the Committee that Priority 1 recommendations were followed up one month after the report had been finalised and continued to be followed up until implemented. Priority 2 recommendations were followed up three months after the final report. The Committee were assured that recommendations had not been made easier to implement, however not all follow ups had been conducted as the follow up period after the final reports had been issued had not yet passed.

In response to Member questions the Executive Director of Resources confirmed that the external audit was the best review of internal audit work.

RESOLVED: That the report of the Internal Audit Function 2016/17 be noted.

A20/17 Head of Internal Audit Annual Report

The Director of Governance introduced internal audit annual report and informed the Committee that internal audit had given a substantial assurance based on 86% of audits receiving substantial or full assurance.

In light of the Grenfell Tower disaster Members queried whether work was undertaken with regards to risk management in general. The Executive Director of Resources confirmed that the Council was undertaking a large volume of work around fire safety in general, not just concentrating on council owned and managed tower blocks, focussing on processes and systems and ensuring the authority was working well with the London Fire Brigade. Furthermore it was noted that the internal audit report on fire safety had received full assurance.

Members were assured that the council was assessing whether health and safety had full visibility and that the Head of Risk regularly attended Directorate Management Team meetings to review the risk register to ensure it reflected the current climate, however work would be undertaken to think wider around the risk register what needed to be included.

In response the Member concerns in regards to the control weaknesses identified at paragraph 3.7 of report the Director of Governance informed Members that the concerns were in regards to a number of concerns raised over several audits and was an accumulation of a number of small things. Members were informed that when audits had requested to view contracts a number could not be found and it had also been found that some contracts had been initiated prior to being signed. Due to the control weakness identified work was had begun on contract management to professionalise contract management, and it had been transferred to the Annual Governance Statement to ensure it was reviewed. Where issues with contracts had been identified work had been undertaken to find or replicate the contract.

The Director of Governance confirmed that there were four categories for assurance within audit and that in 2016/17, 14% of internal audits were given limited assurance and so had priority 1 recommendations.

In response to Member concerns the Director of Governance confirmed that the external auditors reviewed the work of the council in a different way and so there was not a complete reliance.

The Director of Governance conceded that perhaps the improvement in performance had not been achieved, however investment in contract management and procurement capacity had been increased to mitigate the risks.

Members raised concerns that the audit report of Octavio suggested that the right controls were not in place, and in response the Director of Governance confirmed that there had been an opportunity for the council to learn lessons when setting up new organisations however it was felt that the authority had improved. It was furthermore confirmed that a follow-up audit of Octavio had been completed and the issues had been largely resolved.

RESOLVED: That the Head of Internal Audit Report 2016/17, at Appendix 1 of the report, and the overall Substantial level of assurance of the Council's systems of internal control.

A21/17 **Annual Governance Statement 2016/17**

The Head of Risk and Corporate Programme Office introduced the annual governance statement for 2016/17 informing the Committee that appendix 1 of the report set out the detail of the risks which had been collated from the corporate risk register and internal audits.

Following Member requests the Executive Director of Resources confirmed that the report on the risk register at the next meeting of the General Purposes and Audit Committee would include details around the thinking around the developing the risk register and assessing risks.

RESOLVED: That

1. The Annual Governance Statement for the year 2016/17, at appendix 1 of the report, in relation to scope of responsibility, purpose of the framework, governance framework detail and review of its effectiveness be agreed;

2. The statement on 'outcomes' in relation to 'Issues raised in 2015/16 Statement and progress to date be agreed; and

3. The significant governance issues identified in relation to 2016/17 and the actions being taken to mitigate those risks be agreed.

A22/17 **[The following motion is to be moved and seconded as the "camera resolution" where it is proposed to move into part B of a meeting]**

The Chair informed the Committee that there was no business to be conducted in Part B of the agenda, in accordance with the Council's openness and transparency agenda.

MINUTES - PART B

None

The meeting ended at 20.18pm

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For General Release

REPORT TO:	**GENERAL PURPOSES AND AUDIT COMMITTEE** **20 SEPTEMBER 2017**
AGENDA ITEM NO:	**8**
SUBJECT:	**MINOR AMENDMENTS TO THE CONSTITUTION**
LEAD OFFICER:	**JACQUELINE HARRIS-BAKER, DIRECTOR OF LAW AND MONITORING OFFICER**
CABINET MEMBER:	**COUNCILLOR SIMON HALL, CABINET MEMBER FOR FINANCE & TREASURY**
WARDS:	**ALL**

CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:

Article 15 of the Constitution provides that the Council shall monitor and review its operation to ensure that its aims and principles are given full effect. In that context the recommendations in this report are designed to further improve the efficiency of the Council's decision making processes.

FINANCIAL IMPACT

There are no financial implications arising from this report.

1. RECOMMENDATIONS

To consider the proposals contained in this report and:

1.1 Approve the amendments to the Constitution detailed in sections 4 and 5 of this report and detailed more specifically in Appendix 1; and

1.2 Subject to the approval of the proposed change to the Health & Wellbeing Board membership, direct in accordance with the provisions of the Local Authority (Public Health, Health and Wellbeing Boards and Health Scrutiny) Regulations 2013 that the additional Member of the Health & Wellbeing Board specified in paragraph 4.1 of the report be a non-voting member.

2. EXECUTIVE SUMMARY

2.1 This report seeks approval to make three minor amendments to Part 4L of the Constitution, the Rules of Procedure of the Health and Wellbeing Board and one minor clarification regarding the Pension Committee.

3. BACKGROUND

3.1 At its meeting on 26 June 2017, the Council resolved to make a number of amendments to various elements of the Constitution, including the Responsibility for Functions and the Rules of Procedure of the Health and Wellbeing Board.

3.2 Following the June meeting of the Council, the most recent meeting of the Health and Wellbeing Board Executive Group has suggested that a small number of further amendments to this part of the Constitution be made.

3.3 Similarly, additional clarity is suggested regarding the election and appointment of some members of the Pension Committee.

3.4 Paragraph 2.3(4) of Part 3 of the Constitution permits the General Purposes and Audit Committee to make amendments to the Constitution on the recommendation of the Monitoring Officer as a matter of urgency. As the next meeting of the Health and Wellbeing Board takes place before the next meeting of the Council, which in conjunction with the meeting scheduled for October would represent one third of the Board's meetings this municipal year, this is being treated as an urgent matter. While the point of clarification on the Pension Committee can be dealt with under delegated powers, it is included in this report in the spirit of openness and transparency.

4 PROPOSED AMENDMENTS REGARDING THE HEALTH AND WELLBEING BOARD

4.1 It is proposed that part 4L of the Constitution be amended to:

- i) Place public questions at the Board on a Constitutional footing, providing clear and fair opportunities for public participation in the work of the Board;
- ii) Ensure voluntary sector representation in the work of the Board by adding Croydon Voluntary Action as a non-voting Member; and
- iii) Clarify that representatives from bodies and groups that are invited to attend the Board will also receive copies of the agenda as a matter of course.

4.2 The full wording of the proposed changes is attached at Appendix A to this report.

4.3 As a corollary of the proposed change to the membership of the Board, Article 8 of the Constitution and Part 3 (Responsibility for Functions) will also be updated to reflect this change.

5 PROPOSED AMENDMENT REGARDING THE PENSION BOARD

5.1 In Part 3 of the Constitution, Responsibility for Functions, paragraph 2.8 states that "*Staff side and Pensioners' side members are appointed on an annual basis following consultation with the Staff side and Pensioners of the Pension Fund"*.

5.2 While this is technically correct, as all members of every non-executive committee are appointed at Annual Council every year, it does not explicitly reflect that the Pensioners' side appointments are made in accordance with the outcome of an election held amongst their members for a term of four years.

5.3 In order to make the distinction between the election of Pensioners' side members and their appointment to the committee at Annual Council each year explicitly clear, it is proposed that the wording in paragraph 2.8 of Part 3 of the Constitution be amended to read as follows:

"*Staff side and Pensioners' side members are appointed on an annual basis following consultation with the Staff side and Pensioners of the Pension Fund.* ***Pensioners' side members are appointed in keeping with the outcome of an election by ballot of Pensioners of the Fund, normally for a term of four years****"*.

6. CONSULTATION

6.1 Before the Council is permitted to direct that certain non-councillor members of the Health and Wellbeing Board are to be non-voting, the Council is required by statute to consult the members of the Health and Wellbeing Board. Accordingly the Members of the Health and Wellbeing Board have been consulted on the proposed changes to its Membership and terms of reference.

CONTACT OFFICER: Jacqueline Harris-Baker**, Director of Law and Monitoring Officer.**

APPENDICES TO THIS REPORT
Appendix 1 – detailed changes to Part 4L of the Constitution

BACKGROUND DOCUMENTS: This report is not dependent upon any previously unpublished documents.

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CONSTITUTION OF THE

LONDON BOROUGH OF CROYDON

Part 4.L – TERMS OF REFERENCE HEALTH AND WELLBEING BOARD

1. FUNCTIONS OF THE CROYDON HEALTH AND WELLBEING BOARD

The Health and Wellbeing Board's terms of reference are, without prejudice to any statutory provisions,:

1. To encourage, for the purpose of advancing the health and wellbeing of people in Croydon, persons who arrange for the provision of any health or social care services in Croydon to work in an integrated manner.

2. To provide such advice, assistance or other support as appropriate for the purpose of encouraging partnership arrangements under section 75 of the National Health Service Act 2006 between the Council and NHS bodies in connection with the provision of health and social care services.

3. To encourage persons who arrange for the provision of health-related services (i.e. services which are not health or social care services but which may have an effect on the health of individuals) to work closely with the Board and with persons providing health and social care services.

4. To exercise the functions of the Council and its partner Clinical Commissioning Groups in preparing a joint strategic needs assessment under section 116 of the Local Government and Public Involvement in Health Act 2007 and a joint health and wellbeing strategy under section 116A of that Act.

5. To give the Council the opinion of the Board on whether the Council is discharging its duty to have regard to the joint strategic needs assessment and joint health and wellbeing strategy in discharging the Council's functions.

6. To exercise such other Council functions which are delegated to the Board under the Constitution.

2. MEMBERSHIP, QUORUM AND VOTING RIGHTS

Membership

2.1 Subject to the provisions of Article 13, the Board shall comprise of the following members:

- 5 Majority Group Members (voting) such members to include the

Cabinet Member for Families Health and Social Care and the Cabinet Member for Children, Young People and Learning ,

- 2 Minority Group Members (voting),
- The Executive Director People (non-voting),
- The Director of Public Health (non-voting),
- 1 Croydon Clinical Commissioning Group (CCG) Representative (voting),
- The Croydon University Hospital Chair (non-voting),
- 1 Healthwatch Representative (voting)
- 1 SLAM representative (non-voting)
- 1 Croydon Voluntary Action representative (non-voting)

2.2 The Chair shall be appointed by full Council and shall be a Majority group member. The Vice Chair shall be the CCG Representative. In the absence of the Chair, the Vice chair shall fulfil the role of Chair of the Board.

2.3 The below mentioned parties shall be invitees to attend the Health and Wellbeing Board meetings. ~~but shall have no voting rights and no additional rights than those accorded to members of the public to receive agenda papers, reports and background documentation.~~ While these parties will not be members of the Board, they will, subject to requirements around confidential and exempt information:

- receive copies of agenda papers;
- receive copies of Board reports;
- At the Chair's discretion, be invited to participate in discussions and submit information for consideration by the Board.

~~At the Chair's discretion, and subject to the requirements around Confidential and exempt information, they may be invited to participate in discussions and submit information for consideration by the Board if invited to do so.~~

- National Commissioning Board Representative x 1
- Croydon University Healthcare NHS Trust representative x1
- South London & the Maudsley NHS Trust representative x1
- Croydon Voluntary Sector Alliance representative x2
- BME Forum representative x1
- Croydon Charity Services Delivery Group representative x1
- ~~Croydon Voluntary Action representative x1~~
- Police Service x1
- Croydon College representative x 1
- London Fire and Rescue Service representative x1
- London Probation Service representative x1
- Chairs of Partnership Groups representatives x3
- Faiths Together in Croydon representative x1
- Pharmacist Representative x1

2.4 The term of office of Board members, other than ex officio members shall normally be one year from the date of appointment (or reappointment), provided that, for the duration of that period, they remain a Member or duly nominated representative of their appointing body and have been appointed by that body to be or remain a member of the Board.

2.5 Except where a person is appointed or nominated as an individual each appointing or nominating body shall notify the Clerk of the Board of the name and contact details of their appointed or nominated members of the Board.

2.6 Nominating Bodies who have a nominated representative on the Board may change their appointed or nominated Board representative members at any time provided that written notice of any such change is given to the Clerk. Such change shall not take effect until acknowledgement of receipt is sent to the nominating body by the Clerk

2.7 Each appointing and nominating body shall, as far as possible, ensure that the persons appointed as members have the skills and qualities required to fulfil the role of a Board member.

2.8 Each appointing or nominating body may send appropriate officer(s) to meetings of the Board to support their Board Members. Any such officers shall have no voting or speaking rights.

Voting Rights and Voting Procedures

2.9 Each of the voting Board members shall have one vote with all decisions being made through simple majority of those voting members present. The Chair shall have a casting vote.

2.10 All voting shall be by a show of hands but recorded votes shall be taken if requested by any Voting member, and any such Voting member shall have the right to have the way he/ she voted (or abstained) recorded in the minutes.

Putting items on the agenda

2.11 Any Board member may request through the Chair that any matter relevant to the functions of the Board is placed on the board agenda.

2.12 Where a relevant overview and scrutiny committee have resolved that an item be considered by the Board, the Clerk will, subject to consultation with the Chair, place that item on the agenda of the next available meeting of the Board.

2.13 The Council Solicitor, and/or the Chief Financial Officer or Section 151 Officer of the Council may include an item for consideration on the agenda of a Board meeting and may require the Chair to call such a meeting in pursuance of their statutory duties.

Public Questions

2.14 Public questions can be asked of the Board on issues pertaining to the policy and business of the Health and Wellbeing Board due to be conducted at the Meeting in question, as set out within these Terms of Reference. Any questions of a purely factual or of a detailed nature shall be noted and shall receive a written response within 3 weeks following the meeting. .

2.15 Questions which relate to a current planning, licensing, safeguarding or enforcement matter, any confidential matter or any matter relating to an individual or entity in respect of which that individual or entity has a right of recourse to a review, or right of appeal conferred by or under any enactment shall not be permitted. In addition, questions shall not be received or responded to where they pertain to anticipated or on-going litigation, conciliation or mediation or any employment or personnel related issues or disputes. A named member of staff shall not be the subject of a question. If necessary, the Council Solicitor shall provide guidance for members of the public and staff on the above.

2.16 Questions shall be directed through the Chair and shall only be taken at the Chair's discretion and subject to the parameters set out herein. Any period allowed for questions shall not exceed a total time of 15 minutes. This time frame shall include both the questions and responses by the relevant Board Member.

2.17 The Chair has absolute discretion to decline to allow any question to be dealt with under this procedure on the grounds that it addresses matters that would be inappropriate to consider at the meeting, including where the questions being asked are repetitive, inappropriate, relate to confidential matters or have already been addressed.

2.18 Any questions for the Board meeting must be received by the relevant Committee Clerk not later than noon, on the third working day prior to the meeting date. Questions shall be dealt with in the order in which they are received, although the Chair has discretion, where a number of queries relate to the same matter, to address them (or direct that they be addressed) in a single response.

3. PROCEDURES AT MEETINGS AND QUORUM

3.1 The meetings of the Board will be governed by the Non-Executive Committee Procedure Rules Part 4F

3.2 The quorum shall be three voting members two of whom shall be a majority group members.

3.3 Meetings of the Board will be open to the public and press except during consideration of items containing confidential or exempt information within the meaning of the Local Government Act 1972 (as amended).

3.4 The Access to Information procedure rules in Part 4B of the Constitution shall apply to the Board as a non-executive committee of the Council. Minutes of the Board shall be available to the public and press as though they were minutes of a meeting of the Council.

3.5 The Chair may invite any person to attend a meeting of the Board for the purpose of making a presentation, or participating in discussion, on any item relevant to the Board's functions where that person is able to provide a professional or user viewpoint, which the Chair considers would be of assistance to the Board.

4. ROLE OF A BOARD MEMBER

The responsibilities of a Board Member are as follows:-

- To be committed to, and act as a champion for the achievement, of the Objectives;
- To be a good ambassador for the Board;
- To attend Board meetings regularly, vote on items of business (as required) and make a positive contribution to the achievement of the Objectives;
- To be and to remain acquainted with key current issues in the area of health and social care locally and nationally.
- To act as an advocate for the Board in seeking any necessary approval of their nominating body to the Draft Business Plan and Annual Action Plan.
- To report back to the appointing body after every meeting and to ensure that the views of the appointing body are made known to the Board in respect of any matter under consideration by the Board or under consultation by the Board. To suggest items of business for the consideration of the Board via the Chair.
- To comply with the Members' Code of Conduct set out in Part 5I of the Constitution (all voting members of the Board) or the Code of Conduct for Non-voting Co-opted members of the Council (all non-voting members of the Board) as adopted and updated by the Council from time to time.

5. SCRUTINY ARRANGEMENTS

5.1 The decisions, actions and activities of the Board shall be subject to the Scrutiny Arrangements of the Council.

5.2 Decisions (including recommendations) of the Board shall be notified to all those to whom agenda papers etc are despatched within seven working days of the decision being reached The Board, its Members and its Officer advisors, shall fully co-operate with the Scrutiny and Strategic Overview Committee of the Council.

5.3 The Overview and Scrutiny Procedural Rules set out in the Council constitution shall apply but as a non-executive committee the decisions of the Board shall not be subject to the call-in procedure.

6. EXPENSES OF MEMBERS

6.1 Each appointing or nominating member shall be responsible for meeting any expenses to which any Board member , is entitled as a result of their attendance at duly authorised meetings in accordance with each appointing or nominating organisations own rules regarding such matters.

7. ACCESS TO INFORMATION RULES

7.1 The provisions of the Access to information Procedure Rules in Part 4B of the Constitution shall apply to the meetings of the Board and its sub-committees in the same manner as they apply to non-executive committees of the Council.

For General Release

REPORT TO:	**GENERAL PURPOSES & AUDIT COMMITTEE** **20 SEPTEMBER 2017**
AGENDA ITEM NO:	**9**
SUBJECT:	**AUDIT FINDINGS REPORTS FOR CROYDON COUNCIL AND THE CROYDON PENSION FUND 2016-17 ACCOUNTS**
LEAD OFFICER:	**RICHARD SIMPSON EXECUTIVE DIRECTOR OF RESOURCES** **(Section 151 Officer)**
CABINET MEMBER:	**COUNCILLOR SIMON HALL, CABINET MEMBER FOR FINANCE AND TREASURY**
WARDS:	**ALL**

CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:

The preparation and publication of the Council's final accounts provides assurance that the Council's overall financial position is sound. This underpins service delivery that enables the achievement of the Council's priorities and forms a key strand to the Council's overall Financial Strategy.

Strong financial governance and stewardship ensures that the Council's resources are aligned to enable the priorities, as set out in the Corporate Plan 2015 -2018, to be achieved for the residents of our borough and further enables medium to long term strategic planning considerations based on this strong financial foundation and stewardship.

FINANCIAL IMPACT:

There are no direct financial implications arising from this report.

FORWARD PLAN KEY DECISION REFERENCE NO.:

Not a key decision

1. RECOMMENDATIONS

The Committee is asked to:

1.1 Note the ISA 260 (International Standards on Auditing) Reports for the Council and the Pension Fund issued by the Council's external auditors, Grant Thornton (Appendix 1 and 2 respectively).

1.2 Approve the letters of representation (in Appendix 3 and 4) on behalf of the Council and the Pension Fund.

1.3 Approve the final accounts (Appendix 5) based on the adjustments recommended in the Audit Findings report for the Council (set out in Appendix 1).

1.4 Delegate authority to the Executive Director Resources (S151 Officer) and Chair of General Purposes and Audit Committee to sign off the Council's 2016/17 accounts in respect of any changes identified between this meeting date and the 30th September 2017, in consultation with the Cabinet Member for Finance and Treasury.

1.5 Note that the Annual Governance Statement that was agreed by this Committee on the 29th June 2017 has now been signed by the Chief Executive and Leader of the Council (Appendix 6).

2. EXECUTIVE SUMMARY

2.1 The Auditors have issued the ISA 260 Reports for the 2016/17 final accounts for the Council and for the Pension Fund, which includes the Value for Money report prepared for the Council. The reports are specifically aimed at those charged with governance. The reports include the Council's management responses to the recommendations.

3. INTERNATIONAL STANDARD ON AUDITING (ISA) 260 REPORTS

3.1 Grant Thornton have now completed their audit of the accounts for the Council and for the Pension Fund and have produced ISA 260 Reports for each, which they are required to issue to General Purposes & Audit Committee as the Council Committee charged with governance for the organisation.

The principle purposes of the reports are:

- to reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and General Purposes & Audit Committee;
- to share information to assist both the auditor and those charged with governance to fulfil their respective responsibilities; and
- to provide General Purposes & Audit Committee with recommendations for improvement arising from the audit process.

The ISA 260 Reports are attached as Appendix 1 and 2 for the Council and Pension Fund respectively.

Financial Statements

3.2 Grant Thornton is anticipating being able to issue unqualified opinions on both the Council's Accounts and the Pension Fund Accounts for 2016/17 by the end of September, by which time the Accounts and the Letters of Representation will have been signed by the Executive Director of Resources (Section 151 Officer) on behalf of the Council.

3.3 The ISA 260 Reports detail the matters arising from the audit of the financial statements that the auditor is required to report upon to the General Purposes & Audit Committee.

3.4 There were no adjustments resulting from the audits that impacted upon the available revenue reserves of the Council as reported in the financial statements.

Value for Money Report

3.5 The Value for Money report for the Council sets out the Auditors' conclusion on the Council's arrangements for securing value for money. The judgement covers three themes; Strategic Financial Planning; Financial Governance and; Financial Control. This report is part of the overall Audit Findings report.

3.6 The report comments that in all significant respects except Children's Social Care, as a result of the recent Ofsted inspection the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in the Council's use of resources for the year ending 31 March 2017. The report does note that the Council faces significant financial pressures in the coming years, but confirmed that the Council has strong plans in place for significant growth within the borough and is developing innovative mechanisms to fund and deliver projects.

Auditor Recommendations

3.7 The Auditor has set out 10 recommendations as a result of their review of the Council's accounts, which are set out in Appendix A to the ISA 260 report. They cover readiness for next years closing and auditing of the accounts, a review of the Council Tax system and general ledger, improved process for elected Members declaration of interest returns, a review of debtor balances VAT, a review of bad debt and IT controls and improving the processes for bank reconciliations. There were no recommendations in relation to the Pension Fund accounts.

Adjustments to the Draft Accounts

3.8 The review of the draft Accounts has identified one non material change to be made to the accounts, in relation to internal recharges, this has no net impact on the general fund.

4 CONSULTATION

4.1 The accounts were place on the Council's website stating that the Accounts were open to public scrutiny during the period from 21st June 2017 to 2nd August 20167 The community had the opportunity with this arrangement to look at the accounts and raise queries with the auditors. Additionally the community had the

4.2 opportunity to raise queries with the auditors directly, which was publicised in the same notice.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 There are no direct financial considerations arising from this report.

5.2 There are no implications arising from this report of new policy or spending decisions.

Approved by Lisa Taylor –Director of Finance, Investment and Risk and Deputy S151 Officer.

6. COMMENTS OF THE BOROUGH SOLICITOR AND MONITORING OFFICER

6.1 The Accounts and Audit (England) Regulations 2015 requires the Statement of Accounts to be considered and approved by way of a committee resolution and thereafter published by no later than the 31st of July each year from 2018. Under the transitional arrangements, these are required to be approved and published by no later than 30 September for the financial years beginning in 2015 and 2016.

Approved by Jacqueline Harris-Baker Director of Law and Monitoring Officer.

7. HUMAN RESOURCES IMPACT

7.1 There are no immediate Human Resources considerations that arise from the recommendations of this report for London Borough of Croydon staff.

Approved by Sue Moorman – Director of Human Resources

8. EQUALITIES IMPACT

8.1 An Equalities Impact Assessment has not been carried out as this report does not require a new policy or spending decision. The contents of this report do not have any equalities implications.

9. ENVIRONMENTAL IMPACT

9.1 There are no implications arising from this report.

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 There are no implications arising from this report.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1 This is a statutory requirement.

12. OPTIONS CONSIDERED AND REJECTED

12.1 None.

CONTACT OFFICER:	Richard Simpson, Executive Director of Resources (Section 151 Officer) X 61848
APPENDICES:	Appendix 1 Audit Findings Report Appendix 2 Pension Fund AFR Appendix 3 Croydon Letter of Representation Appendix 4 Croydon Fund Letter of Rep Appendix 5 Statement of Accounts Appendix 6 Annual Governance Statement
BACKGROUND PAPERS	None

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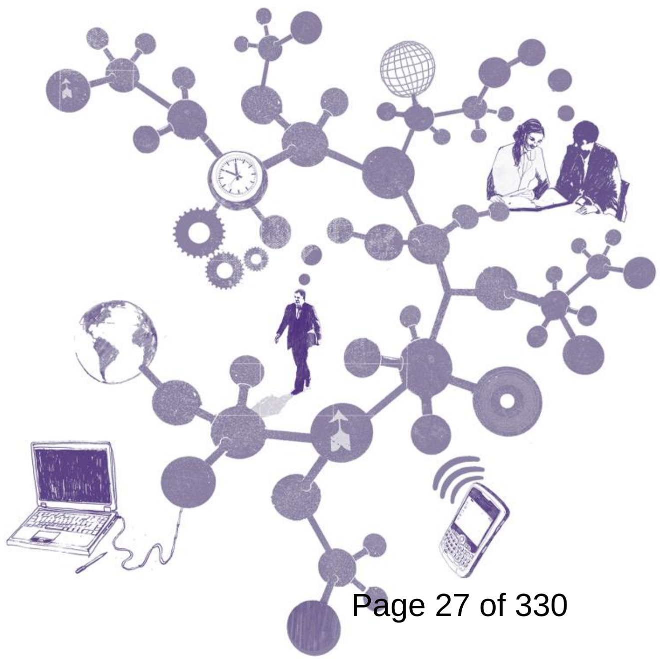
The Audit Findings for the London Borough of Croydon

Year ended 31 March 2017

September 2017



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September 2017

Dear Members of the General Purposes and Audit Committee

Audit Findings for the London Borough of Croydon for the year ending 31 March 2017

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of the London Borough of Croydon the General Purposes and Audit Committee), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with the Director of Finance and Assets.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by management, the finance team and other staff during our audit.

Yours sincerely

Paul Grady
Engagement Lead

Contents

Section 1: Executive summary

Purpose of this report

This report highlights the key issues affecting the results of the London Borough of Croydon ('you' or 'the Council') and the preparation of your financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, your financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. .

We are also required to consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of you acquired in the course of performing our audit; or otherwise misleading.

We are required to carry out sufficient work to satisfy ourselves on whether you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources ('the value for money (VFM) conclusion').
Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether, in all significant respects, you have put in place proper arrangements to secure value for money through economic, efficient and effective use of your resources for the year.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by you or brought to the public's attention (section 24 of the Act);
- statutory written recommendations which should be considered by you and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, as communicated to you in our Audit Plan dated 22 March 2017.

Our audit is substantially complete, subject to the satisfactory completion of the following procedures:

- receipt and review of evidence to enable the completion of the following procedures:
    - debtors – evidence for one samples item outstanding
    - cash – review of reconciliations
    - debt queries
    - housing benefit queries
    - provisions queries
- receipt and review of the final version of the financial statements;
- obtaining and reviewing the management letter of representation;
- review of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion;
- completion of Whole of Government Accounts work; and
- senior management quality and file reviews.

Key audit and financial reporting issues

Financial statements opinion

The draft financial statements for the year ended 31 March 2017 recorded a deficit on provision of services of £70,386k and show no net change in the general fund balance for 2016/17. As at the date of our report we have identified no adjustments to this draft position.

The key messages arising from our audit of your financial statements are:

- The draft financial statements and supporting working papers were prepared to a good standard of quality as in previous years, with few issues arising during the audit process.
- The volume of error in the accounts was reduced compared to previous years, demonstrating improvements in the accuracy and quality of the accounts submitted for audit.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

Achievement of early close

For 2017/18, the statutory deadline for issue of the draft accounts will be 31 May, with the deadline for completion of the audit coming forward two months from 30 September to 31 July.

You originally intended to deliver draft accounts and working papers for us in line with the forthcoming earlier close timetables, but were not able to achieve this. Your draft financial statements for the year ended 31 March 2017 were not approved and issued for audit until 20 June 2017. The absence of a 'trial run' increases the risk of missing the earlier statutory deadlines next year.

Achieving earlier closure of the audit will be challenging given your current performance and may require fundamental change in some of your internal processes for preparing the accounts and supporting the audit process. You should also undertake a review of this year's closedown to understand the reasons for the inability to prepare accounts by the early close deadline and plan to mitigate these factors for next year.

It will be vital to the success of achieving early close to ensure that all officers involved in the process for preparation are aware of their responsibilities for supporting the earlier closure of the audit. Achieving such a significant earlier signoff of the audit is not something that can be achieved by the finance team alone and will require all staff involved in posting year end journals and adjustments to bring their work forward.

The challenge you face is to reduce the time taken to close the accounts by almost a third, without any reduction or deterioration in the quality and accuracy of the draft accounts submitted for audit. This represents a significant challenge and will require you to understand and mitigate the factors which prevented you from achieving the early close ambitions in the current and previous year.

Capacity of the finance team to respond to the audit on top of their existing, significant, workload remains an issue, and will be compounded during a more intense early close audit cycle. In planning for the early close and the re-engineering of processes to achieve the earlier deadlines, you should consider the mitigating steps that can be taken to release capacity into the finance team, reduce potential bottlenecks, and reduce the time taken to facilitate the audit and respond to queries.

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes assessing whether the Annual Governance Statement (AGS) and Narrative Report are misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of your Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to you.

Findings

Our work has identified the following control weakness which we wish to highlight for your attention:

- We have noted a variance of £1.6m in respect of Council tax revenues for the Collection Fund between the Northgate revenues system and the general ledger. Management was not aware of this discrepancy, and it has yet to be reconciled by management.
- The review of IT system controls by our IT auditors highlighted weakness in access controls and IT security.
- Management did not obtain five annual member declarations prior to preparing the accounts, though all were subsequently obtained.
- VAT was incorrectly not included within one year end debtor balance.
- The process for estimating the Housing Revenue Account bad debt provision does not reflect actual rates of collection.
- Your finance team does not have a clear process for identifying fully depreciated plant and equipment and infrastructure assets that have been taken out of use. The bank reconciliation as at 31 March 2017 was not documented in a format suitable for audit review.
- A copy of the data used in all areas of the Council Tax base calculation for 2016/17 was not maintained.

Further details are provided within section two of this report.

Value for Money

Overall conclusion

Based on our review of your arrangements to secure economy, efficiency and effectiveness in your use of resources we have considered the following issue which we anticipate that will give rise to a qualified Value for Money conclusion.

This qualification relates only to the issues noted within the September 2017 Ofsted report on children's services, as is set out below. In all other respects we are satisfied that you have demonstrated that you have in place appropriate arrangements in place for securing economy, efficiency and effectiveness.

We have reviewed your budget position and medium term financial planning and note that you have forecast the attainment a balanced budget over the period to 2019/20. We are satisfied that this is based upon reasonable assumptions, but note that in common with other local authorities nationally you face challenging savings requirements over the next few years as a result of demand pressures at a time of reductions in central government funding for local government.

Basis for qualified Value for Money conclusion

On 4 September 2017, Ofsted published a report on their findings from inspection of your services for children in need of help and protection, children looked after and care leavers and review of the effectiveness of the Local Safeguarding Children Board that rated you as "inadequate". The report highlighted that there has been a significant deterioration in the quality of service provision in relation to children's services since the previous inspection in 2012. Ofsted highlighted that there was weak management oversight of social care practice and that the failings identified left some children at risk of severe harm.

In response to the outcome of the Ofsted inspection, you have issued a Transitional Action Plan setting out key actions to be taken over the three months following the inspection.

We consider that the findings from the Ofsted inspection indicate weaknesses in relation to your arrangements for ensuring economy, efficiency and effectiveness in relation to your arrangements for management of children's services.

Based on our review, with the exception of the matter set out above in relation to arrangements for management of children's services, we are satisfied that in all significant respects you have put in place proper arrangements to secure economy, efficiency and effectiveness in your use of resources for the year ended 31 March 2017.

Further detail of our work on Value for Money are set out in section three of this report.

Other statutory powers and duties

We have received an objection from a local elector under Section 27 of the Act. As a result we cannot formally conclude our audit and issue an audit certificate for the year ended 31 March 2017 in accordance with the requirements of the Act and the Code of Audit Practice until we have completed our review of this matter.

We have not identified any other issues that have required us to apply our statutory powers and duties under the Act.

Further details of our work on other statutory powers and duties is set out in section four of this report.

Grant certification

In addition to our responsibilities under the Code, we are required to certify your Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2017. We will report the outcome of this certification work through a separate report to General Purposes and Audit Committee once this work is complete.

The way forward

Matters arising from the financial statements audit and our review of your arrangements for securing economy, efficiency and effectiveness in your use of resources have been discussed with the Executive Director of Resources.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by management, the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2017

Section 2: Audit findings

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall **materiality** to be **£22,349k** (being 1.95% of gross revenue expenditure as per the audited 2015/16 accounts). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be **clearly trivial** to be **£1,000k**. This remains the same as reported in our audit plan.

As we reported in our audit plan, we have identified no areas where we would consider separate materiality levels to be required.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards. These are set out below. We identified two further significant risks, which are set out on the next page.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
The revenue cycle includes fraudulent transactions Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the London Borough of Croydon, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including the London Borough of Croydon, mean that all forms of fraud are seen as unacceptable. Though we have not identified revenue recognition as a significant risk we have nevertheless tested the occurrence of revenue for all of your material revenue streams.	Subject to the satisfactory resolution of outstanding matters set out on page 5, our audit work has not identified any issues in respect of revenue recognition.
The expenditure cycle includes fraudulent transactions Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered.	We considered the expenditure cycle risk and do not consider it to require additional audit procedures. The lack of specific financial performance targets which you are required to meet means there is limited incentive for fraudulent manipulation. Your culture means that such manipulation would be seen as unacceptable. The nature of expenditure streams also means that material expenditure recognition fraud would be difficult to perpetrate and conceal. Our normal substantive procedures, including the work done in relation to the risk of management override of controls, operating expenses and employee remuneration adequately address the risk of fraud through provisions and accruals.	Subject to the satisfactory resolution of outstanding matters set out on page 5, our audit work has not identified any issues in respect of fraudulent expenditure recognition.

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against significant risks (continued)

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Management over-ride of controls Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.	We have completed the following work in respect of this risk: • walkthrough of systems and controls relating to the posting of journal entries; • review of journal entry process and selection of unusual journal entries for risk-based testing back to supporting documentation; • review of accounting estimates, judgements and decisions made by management; and • review of unusual significant transactions.	Subject to the satisfactory resolution of outstanding matters set out on page 5, our audit work has not identified any issues in respect of management over-ride of controls.
Valuation of property, plant and equipment You revalue your land and building assets on a rolling basis over a five year period. The Code requires that Councils ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.	We have completed the following work in respect of this risk: • review of the competence, expertise and objectivity of management experts used; • testing of revaluations made during the year to ensure they are consistent with underlying valuer information and have been input correctly into your asset register; • review of your processes and assumptions for the calculation of the estimate; • review of the instructions issued to valuation experts and the scope of their work; • discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions; and • evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.	Subject to the satisfactory resolution of outstanding matters set out on page 5, our audit work has not identified any issues in respect of valuation of property, plant and equipment.

Audit findings against significant risks (continued)

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Valuation of pension fund net liability Your pension fund asset and liability as reflected in your balance sheet represent significant estimates in the financial statements.	We have completed the following work in respect of this risk: • identification of the controls put in place by management to ensure that the pension fund liability is not materially misstated and assessment whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement; • review of the competence, expertise and objectivity of the actuary who carried out your pension fund valuation; • gained an understanding of the basis on which the valuation is carried out; • undertook procedures to confirm the reasonableness of the actuarial assumptions made; and • review of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.	Subject to the satisfactory resolution of outstanding matters set out on page 5, our audit work has not identified any other issues in respect of valuation of the pension fund net liability.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors related to core activities (e.g. supplies) understated or not recorded in the correct period (Operating expenses understated)	We have undertaken the following work in relation to this risk: • Identification of controls and walkthrough of operating expenses system; • unrecorded liabilities testing to assess whether transactions are recorded in the correct period; and • testing of the year end reconciliation of operating expenditure recorded in the general ledger to the subsidiary system.	Subject to the satisfactory resolution of outstanding matters set out on page 5, our audit work has not noted any other issues in respect of the risk identified.
Employee remuneration expenditure	Employee remuneration and benefit obligations and expenses understated (Remuneration expenses not correct)	We have undertaken the following work in relation to this risk: • identification of controls and walkthrough of employee remuneration system; • substantive procedures to confirm the completeness of payroll transactions; and • testing of the year end reconciliation of payroll expenditure recorded in the general ledger to subsidiary system.	Subject to the satisfactory resolution of outstanding matters set out on page 5, our audit work has not noted any issues in respect of the risk identified. financial statements.

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Changes to the presentation of local authority financial statements	CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice. The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.	We have undertaken the following work in relation to this risk: • documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements; • reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with your internal reporting structure; • review of the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS); • testing of the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES; • testing of the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger; • testing of the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements; and • review of the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.	Subject to the satisfactory resolution of outstanding matters set out on page 5, our audit work has not noted any issues in respect of the risk identified.
First year accounting and consolidation of Brick by Brick Croydon Ltd	This is the first year that you have prepared consolidated accounts to include Brick by Brick, and it is expected to be a material subsidiary undertaking. There is the risk of inappropriate accounting treatment.	We have undertaken the following work in relation to this risk: • review of outputs from statutory audit of Brick by Brick performed by Grant Thornton in respect of the year ended 31 December 2016; • review of accounting estimates, judgments and decisions made by management during the preparation of the financial statements; • review of unusual significant transactions; and • review of disclosures against requirements.	Subject to the satisfactory resolution of outstanding matters set out on page 5, our audit work has not noted any issues in respect of the risk identified.

Group audit scope and risk assessment

ISA (UK&I) 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

For 2016/17, management have concluded that Brick by Brick Croydon Ltd is a material group component and has prepared group financial statements consolidating this company for the first time. None of the other group interests set out below have been consolidated on grounds of materiality.

Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed	Assurance gained & issues raised
Brick by Brick Croydon Ltd (subsidiary)	Yes	Targeted	First year consolidation	We have reviewed the consolidation adjustments made by management when preparing the group accounts and have completed targeted testing of largest balances for the company as at 31 March 2017.	Subject to the satisfactory resolution of outstanding matters set out on page 5, our audit work has not identified any issues in respect of the consolidation of Brick by Brick Croydon Ltd.
CCURV LLP (50% joint venture)	No	Analytical	No specific risks identified	Desktop review performed by GT UK	Our audit work has not identified any issues in respect of the judgement of the client not to consolidate this entity.
Croydon Care Solutions Ltd (subsidiary)	No	Analytical	No specific risks identified	Desktop review performed by GT UK	Our audit work has not identified any issues in respect of the judgement of the client not to consolidate this entity.
Octavo Partnership (associate)	No	Analytical	No specific risks identified	Desktop review performed by GT UK	Our audit work has not identified any issues in respect of the judgement of the client not to consolidate this entity.
Croydon Enterprise Loan Fund (subsidiary)	No	Analytical	No specific risks identified	Desktop review performed by GT UK	Our audit work has not identified any issues in respect of the judgement of the client not to consolidate this entity.

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	The Council has three principal revenue streams: • taxation revenues in respect of council tax and business rates are recognised in the year that the tax was levied; • grant income is recognised in accordance with the terms of the grant, whether specific or non-specific; and • income from fees and charges in the provision of services is recognised when the service has been provided or when the title to goods has passed.	We have no concerns with your revenue recognition policies or with the application of those policies. The revenue recognition policies adopted are in line with the CIPFA Code of Practice.	● Green
Going concern	The s151 officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed your assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	● Green

Assessment
- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements (continued)

Accounting area	Summary of policy	Comments	Assessment
Bad debt provision	An allowance for doubtful debts is estimated based upon past experience.	• Allowance for doubtful debt of £62.1m has been recognised, of which £4.8m relates to the Housing Revenue Account. • Last year the bad debt provision for housing rent arrears was reduced due to a new business plan being implemented whereby more resources would be injected into collecting the debt. This led to a lower provision being recognised due to the expectation that more debt would be collected. However data from the current year shows that this plan has not had the desired effect, and debt and collection rates have not significantly changed. • The provision rates used are not reflective of actual collection rates and we do not have assurance that collection rates will increase soon. The estimated impact of this is that the bad debt provision is not sufficient by around £1-2m.	● Amber
Judgements - changes to the presentation of local authority financial statements	• For 2016/17, the Council has restated the format of the "cost of services" section of the comprehensive income and expenditure statement to present service income and expenditure on a segmental basis rather than in line with the CIPFA service reporting code as has been done in previous years. • This is as a result of the "Telling the Story" changes implemented by CIPFA for local authorities for 2016/17 in order to enhance the usability of the financial statements.	• You have opted to identify nine separate service segments in the comprehensive income and expenditure statement, based on services areas reported separately to members for budget setting and budget monitoring purposes. • We have verified that the approach adopted is appropriate to the circumstances of the Council and is consistent with the requirements of the CIPFA Code of Practice.	● Green

Assessment
- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements (continued)

.Accounting area	Summary of policy	Comments	Assessment
Other judgements and estimates	• Other key estimates and judgements include: – Useful life of PPE – Revaluations and impairments – Expenditure accruals – Accounting for PFI schemes – Financial instrument fair value disclosures – Judgements around which entities to consolidate within the group accounts – Judgements around recognition of schools land and buildings on the Balance Sheet	We have not identified any issues in relation to any of the other areas of estimate and judgement reflected within the financial statements.	● Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	We have reviewed your policies against the requirements of the CIPFA Code of Practice. Your accounting policies are appropriate and consistent with previous years.	● Green

Assessment
- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Regulatory and Audit Committee in our Audit Plan dated 22 March 2017 and been made aware of minor low-level frauds identified from the work of internal audit. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	**Matters in relation to related parties**	• From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	**Written representations**	• A standard letter of representation has been requested from the Council, which is included in the General Purposes and Audit Committee papers alongside this report
5.	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests in respect of the Council's bank balances, investments and loans as at 31 March 2017. This permission was granted and the requests were sent. The majority of these requests have been returned with positive confirmation. However, at the time of the drafting of our report we have received no response to our main bank confirmation request and a number of our investment confirmation requests. These collectively represent material unconfirmed cash and investment balances and we will need to obtain the outstanding confirmations in order to have sufficient assurance to conclude our audit. We are continuing to chase these outstanding confirmations and are currently in discussion with management to pursue these with the relevant bodies. We will consider alternative procedures to independently verify these balances should the confirmations not be received.
6.	**Disclosures**	• We identified that the draft financial statements did not provide disclosure of income and expenditure on a subjective basis as is a requirement of IFRS 8. • Our review found no other material omissions in the financial statements

Other communication requirements continued

	Issue	Commentary
7.	**Matters on which we report by exception**	We are required to report on a number of matters by exception in a number of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • If the information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of you acquired in the course of performing our audit, or otherwise misleading. Our work to date has not identified any issues we would be required to report by exception in relation to these areas.
8.	**Specified procedures for Whole of Government Accounts**	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold set by the NAO we are required to examine and report on the consistency of the WGA consolidation pack with your audited financial statements. This work will be undertaken after the completion of the audit, in line with the national timetable for WGA reporting.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

	Assessment	Issue and risk	Recommendations
1.	● Deficiency	• There is a variance of £1.6m between Council tax revenues for the Collection Fund between the Northgate revenues system and the general ledger. • If reconciling differences between Northgate and the general ledger are not resolved this could lead to misstatement of Collection Fund revenues recognised within the accounts.	• Undertake a review to identify how the variance arose and bring the two systems back into balance. Ensure reconciliation discrepancies are identified and resolved prior to the submission of accounts for audit.
2.	● Deficiency	• Our review of annual member declarations identified that declarations for five members had not been obtained by your central finance team at the time of commencement of the audit. These were subsequently located and shared with the audit team. • If annual declarations are not obtained then there is a risk that potential related party transactions could remain undisclosed in the financial statements.	• Ensure that annual declarations are obtained for all members and that any missing declarations are appropriately followed up prior to the submission of the draft accounts for audit.
3.	● Deficiency	• Our testing of debtors identified one debtor balance where VAT had been incorrectly excluded. Further investigation showed that this arose in an extremely rare set of circumstances.in that it was a manual debtor in a wholly owned subsidiary. We therefore concluded it was not appropriate to extrapolate the error. • If the VAT treatment is not correctly recorded for all debtors then this could lead to misstatement of the accounts and non-compliance with tax legislation.	• Ensure that the correct VAT treatment is applied for all debtor balances.

Assessment
- ● Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

The matters we have reported here are limited to only deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

"The purpose of an audit is for the auditor to express an opinion on the financial statements.
Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Internal controls (continued)

	Assessment	Issue and risk	Recommendations
4.	Deficiency	• The bad debt provision for Housing Revenue Account rent arrears debtors does not reflect the actual rates of collection of HRA rent arrears experienced in 2016/17 and recent years. • We estimate that were the bad debt provision recalculated based on actual rates of collection then an increase in the provision of between £1m and £2m would be required. • If bad debt provisions are not estimated on an accurate basis then this could lead to misstatement of the accounts.	• Review arrangements for estimating the Housing Revenue Account rent arrears bad debt provision and the process for writing off outstanding HRA debt.
5.	Deficiency	• Our IT auditors performed a review of IT security controls at the Council and at the interface with the shared service provider. Their work highlighted a number of issues. Which are summarised below. A number of default accounts and passwords were in place, and excessive privileges were assigned to those accounts. A review of access rights highlighted a number of separation of duties risks. Users are assigned default or excessive user rights Gaps or weaknesses in audit logs Excessive responsibilities given to system administrator accounts. • We have shared the detailed findings in a separate document to management.	• Review the detailed findings from our IT systems review with a view to strengthening IT security and access controls

Internal controls (continued)

	Assessment	Issue and risk	Recommendations
6.	Deficiency	• Your finance team does not have a clear process for identifying fully depreciated plant and equipment and infrastructure assets that have been taken out of use. • The Council's policy has been to write out of the gross cost and accumulated balance values for such assets once they are fully depreciated, in cases where they do not hold the detailed asset level records to determine whether they are still in use or not. • This is not an approach that is compliant with the CIPFA Code of Practice as it is a requirement to hold assets on the Fixed Asset Register until they are taken out of use rather than until they are fully depreciated. • If assets are written out of the Fixed Asset Register when they are fully depreciated rather than when they are disposed of then this could lead to misstatement in the disclosure note to the accounts, although there is no effect on the main statements	• Introduce a clear process to identify whether fully depreciated equipment or infrastructure assets are still in use by the Council.
7.	Deficiency	• We noted some differences between the draft bank reconciliation working paper supplied and the cash balance in the accounts. During the audit process your finance team updated the bank reconciliation to provide us with sufficient evidence. • If the bank reconciliation is not clearly documented when initially completed this could lead to errors going unnoticed and lead to delays in the audit process.	• Ensure that the year end bank reconciliation is documented in a clear format that is suitable for audit review.
8.	Deficiency	• Supporting documentation was not obtained to support all areas of the Council Tax base calculation for 2016/17. This data is drawn from a live database and no download from the live system of the data used was retained. • We have compared the calculation of the Council Tax base to live data from the Council Tax system and note no material differences, and we are satisfied that the Council tax base calculation was materially correct. • If supporting data for the Council Tax base is not maintained then this could leave the calculation open to challenge.	• Ensure that a copy of the data used to perform the Council Tax base calculation is kept.

Adjusted misstatements

One adjustment to the draft accounts have been identified during the audit process. We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The table below summarises the adjustments arising from the audit which management has agreed to correct in the final version of the financial statements. There are no un-adjusted misstatements.

Impact of adjusted misstatements

There is one adjusted misstatement for 2016/17 which is set out in detail below along with the impact on the key statements and the reported deficit on provision of services for the year.

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on deficit on provision of services £000
1	Adjustment to remove internal recharges from gross income and gross expenditure: - DR gross income - £1,939k - CR gross expenditure - £1,939k There is no net impact on the Comprehensive Income and Expenditure Statement or on the General Fund	£ -	£ -	£ -
	Overall impact	**£ -**	**£ -**	£ -

Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The General Purposes and Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
1				
	Overall impact	**£nil**	**£nil**	

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which management has agreed to make in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Classification	£247,503k	Property, plant and equipment	The main disclosure table in Note 12 Property, Plant and Equipment showed an impairment reversal of £247,503k posted to the gross book value and accumulated depreciation for Council dwellings.
2	Disclosure	N/A	Main financial statements	The 2015/16 comparative figures in the main financial statements should be marked as "restated" to highlight that these were restated as a result of the "Telling the Story" changes to the accounts format
3	Group accounting	N/A	Accounting policies	The accounting policies disclosed that group accounts were not required however group accounts have been prepared. The policy should be updated to reflect accounting practice.
4	Disclosure	Various	Subjective analysis disclosures	No disclosure was provided of the breakdown of gross income and gross expenditure on a segmental basis as is required by IFRS 8
5	Disclosure	Various	Various	We have agreed a number of other minor disclosure changes

Section 3: Value for Money

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that you have put in place proper arrangements for securing economy, efficiency and effectiveness in your use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 identifies one single criterion for auditors to evaluate:

> *In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in early 2017 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 22 March 2017 2017. The risks identified were as follows:

- Budget position and medium term financial planning
- Health & social care integration

We have continued our review of relevant documents up to the date of giving our report, and have identified one further significant risks where we need to perform further work:

- Ofsted inspection of children's services

We carried out further work only in respect of the two significant risks we identified from our initial risk assessment and the one additional risk that we noted subsequently in respect of children's services. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of your arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in your arrangements. We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 31 to 36.

In seeking to satisfy ourselves that you have made proper arrangements for securing economy, efficiency and effectiveness in your use of resources, we have considered reports issued by regulators. During the year of audit, in September 2017 a report on the inspection of services for children in need of help and protection, looked after children and care leavers, and review of effectiveness of the Local Safeguarding Children Board concluded that, overall, children's services in the London Borough of Croydon were judged to be inadequate.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- with the exception of the matter set out above in relation to arrangements for management of children’s services, we are satisfied that in all significant respects you have put in place proper arrangements to secure economy, efficiency and effectiveness in your use of resources for the year ended 31 March 2017.

The text of our report, which confirms this can be found at Appendix B.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Budget position and medium term financial planning Your 2016/17 forecast outturn at the end of Quarter 3 was a £0.7m overspend, meaning you are broadly consistent with your planned budget outturn. However, the underlying service related overspend is forecast to be £10.3m. This has been primarily driven by continued demand led pressures in Adult Social Care and Children's Social Care, with offsetting underspends within Non-Departmental items such as additional grant and capital charge reductions. Your medium term financial planning identifies significant budget gaps over the coming years, totalling £60.5m from 2017/18 to 2019/20, which are planned to be closed by savings and council tax growth. You have set a balance budget for 2017/18, incorporating over £16m of growth, primarily focussed on resolving ongoing budget pressures in the People department. However, this will also require the delivery of £19.5m of savings across the organisation. You have also balanced the budget position to 2019/20, with over £39m of savings schemes identified across a number of key headings such as commissioning/contract management, demand management, prevention and early intervention, integration of Health and Social Care, growth, commercial approach and digital enabling. A balanced budget forecast to 2019/20 is an impressive achievement and the results of your work to identify savings in the medium term and the growth you are pursuing which will increase your council tax base. However, the savings targets remain challenging and will require substantial oversight and review, and must be underpinned by robust assumptions. Failure to deliver on your plans presents a serious risk to your overall financial health.	We will reviewed your arrangements in setting and controlling the budget position. We will reviewed your processes to control and challenge budget overspends where they materialise. We will reviewed the adequacy of your underlying budget assumptions and your plans to address the budget gaps to 2019/20.	**Summary findings** • 2015/16 outturn position of £0.05m underspend consisting of a significant departmental overspend of £10.4m (largely in demand led services), offset by non-departmental underspends of £10.5m. • No guarantee non-departmental underspends will continue, so vigilance over future positions is critical. Failure to deliver to budget could have a significant impact on your financial health. • For 2017/18, you have set a balanced budget, with generally robust underlying assumptions. • You have increased Croydon's share of council tax by 4.99% but, as service pressures are expected to grow, substantial efficiency and transformation savings will continue to be required across the organisation. • Medium term financial plans show budget has been balanced for 3 years, an impressive achievement. Incorporates assumptions around council tax growth. • Vigilance over the position and risks is still required to address future uncertainties. Longer term growth assumptions are lower than that experienced to date, so the forecast may need to be revised should growth exceed expectation. **2016/17 Financial Performance** You have delivered a small underspend against budget of £0.05m in 2016/17. In challenging times, you have been able to achieve your budgeted financial position. This represents an improvement on the £0.7m overspend forecast at Quarter 3 and is reflective of the control and challenge embedded within the financial monitoring process to bring budgets into line. However, there continues to be substantial departmental overspends primarily within the People department (£10m overspend). Overspends appear to be a continuation of the demand led activity growth noted in the previous few years. Children's Social Care caseloads and placement costs have contributed to £5.5m overspends, as well as temporary accommodation costs (£1.9m) and adult service demand (£2.1m). In line with what we reported last year, demand growth has continued apace. In 2016/17, you incorporated around £9m of growth in the People department, but this was still not sufficient to address the challenge. You are taking action to address the medium and long term impact, and are supporting the position through cost control and transformation initiatives such as the Gateway service – which brings together services to comprehensively address issues over housing, welfare and debt management. This has been successful in helping families within the borough and prevents duplication of service provision across the council. You also have in place the Family Link Team and Think Family panel to consider the costs and needs of select target groups to best manage the response needed and reduce costs.

Key findings (continued)

Significant risk	Findings and conclusions (continued)
Budget position and medium term financial planning (continued)	Demand led growth looks unlikely to let up. You have incorporated growth of £11.9m in the People department in the 2017/18 budget. Much of this is designed to address the historic demand issues. While this is more than last year, it does remain to be seen whether even this level of growth is sufficient to deal with continuing demand increases. To offset the departmental overspends, underspends continue to relate to non-departmental items. The most significant is additional government grant received totalling £5.9m (including New Homes Bonus, Section 31 Grants and an NNDR Safety Net payment that related to 2015/16). Underspends on your capital programme total a substantial £94m (45%) on the general fund alone, and this has contributed to a reduction in Minimum Revenue Provision (MRP) contribution of £1.9m. While capital underspends provide short term relief in terms of avoided interest and MRP charges, it can place additional pressures on service delivery, savings and transformation plans through non-delivery of supporting schemes. You have a number of large-scale projects over the coming years to achieve your growth strategy, so delivering the expanded capital programme in accordance with the planned timetable will be critical to enabling the growth expected for Croydon. We continue to note that your recent re-analysis of your MRP charges have reduced your contribution in the short term to around £7.4m. While the provision remains materially prudent, reducing this expenditure in the short term serves only to defer costs to future years, and the model assumes a substantial increase in costs in the medium term that will need to be addressed by future budgets. Overall, your financial monitoring is robust and reflects the financial challenges you face. Budgets are controlled and challenged adequately. However, pressures are managed through corporate items. There is no guarantee these will materialise in future years to bring down the departmental overspends. You therefore need to ensure that budget assumptions, especially growth, are adequate to deliver a balanced position. If overspends continue at the current level, and the corporate offsetting underspend amounts do no re-occur, the deficit position could exceed your general fund balance and seriously harm your financial health. **Looking towards 2017/18 and beyond** You set a balanced budget for 2017/18 in February 2017. Reductions in funding, inflation and service growth presented an overall budget gap of £31m. You have closed this through an increase in Croydon's share of council tax of 4.99%, combining a 1.99% increase and an additional 3% for the Social Care Precept (total £7.3m), council tax base increases (£4.2m) and planned savings (£19.5m). In the three year period to 2019/20, you have also been able to close a projected budget gap of around £60m. This is an impressive achievement, and is a substantial improvement compared to the significant unresolved 3-year budget gaps seen in previous years. However, given the longer timeframe, assumptions will still need to be revised in future periods. In particular, given the potential impact and uncertainties around Brexit and government policy as well as the impact of the substantial population growth in Croydon, some assumptions may change. The plans for 2018/19 appear to show 'growth' requirements tailing off from £16m increase in 2017/18 to £2.2m increase in 2018/19. While the 2017/18 budget has incorporated additional growth to address historic overspends, if demand does continue to the same extent as previously, more growth may be needed. It will be imperative to align the medium term planning with the growth assumptions in the wider borough context going forward.

Key findings (continued)

Significant risk	Findings and conclusions (continued)
Budget position and medium term financial planning (continued)	Savings planning has been enhanced, with £19.5m due to be delivered in 2017/18, rising to a cumulative £39.2m by 2019/20, which closes your 3 year projected budget gap. Your savings plans are principles based, across 8 areas of focus; getting the most out of assets, better commissioning and contract management, managing demand, prevention and early intervention, integration of Health and Social Care, delivering growth, commercial approach and digital. Schemes are reasonably well developed, and have been put in place for 2017/18. The principle based structure enables you to focus on key streams and supports cross-cutting initiatives rather than top-slices to budgets. To maximise the impact of savings plans, project review should be incorporated more closely into the budget monitoring and outturn reports to ensure planned savings are delivering the desired effect. It is currently unclear from the budget report the extent to which overspends are being driven by purely demand led increases, against the success or failure of savings initiatives. Overall, the budget plans for 2017/18 are robust, with reasonable assumptions. The medium term planning shows an improving outlook which is broadly in line with your high level thinking over council tax and growth plans, and more savings are proposed to 2019/20 than have been in place in previous years. However, there are longer term pressures from demand led services that could continue to manifest in 2017/18 and beyond. Vigilance is still required to make sure that you meet the budget expectations and work should not let up on ensuring robust assumptions are included and savings are identified, delivered and implemented in order to secure your financial future. **On that basis we concluded that the risk was sufficiently mitigated and you have proper arrangements.**

Key findings (continued)

Significant risk	Work to address	Findings and conclusions
Health & Social Care Integration You are seeking to deliver wide ranging changes and greater integration to ensure the financial sustainability of adult health and social care services. Working with partners, including Croydon CCG, local NHS providers and other wider organisations, there are potentially conflicting priorities. The project is complex and high profile, but there are significant benefits to improved service delivery and financial savings.	We reviewed your progress to date in implementing the planned integration and considered your arrangements to monitor/manage risks and ensure benefits from the project are realised.	**Summary findings** • Both health and social care face enormous pressure and greater integration is needed to relieve financial pressures and deliver a more effective service. The position in Croydon is particularly challenging. • You are working with the NHS and other providers through the STP and the Outcomes Based Commissioning model to foster greater integration and improve outcome. • Plans are in early stages, however, arrangements appear reasonable. There are a number of risks that you have identified and are appropriately monitoring, which will be critical to ensuring future success. Health and social care services both in Croydon and nationwide face enormous pressure. There are a number of initiatives to bring together services in new ways and deliver genuine and effective collaboration between the NHS, local authorities and other providers. The challenge faced by Croydon is particularly acute. The local hospital trust, Croydon Health Services NHS Trust, is in severe financial difficulties and the local CCG is in deficit. Given the challenges faced by you as well, the financial flexibility in being able to deliver sustainable adult health and social care services is not necessarily present. We have considered below some of the key initiatives you are participating in to deliver an integrated service. **Sustainability and Transformation Plans (STP)** You are part of the South West London STP. This aims to bring together the various organisations and ensure the delivery of quality services, address future health challenges and deliver within the limited resources available. The STP plan was submitted on 21 October 2016. It reflects the challenges you face and proposes a number of solutions to deal with these at both the South West London level and the Croydon level. Failures within one part of the system can easily have a knock on implication for another part, so it is critical that all work together effectively to deliver for the areas. The plans are moving into the implementation stage. There have been a number of reports to the Health and Wellbeing Board and the Health and Social Care Scrutiny Sub-Committee detailing the work to date and the plans in place. The overall governance arrangements appear sound. It is not clear at this stage how effective they will be at delivering genuine joined up care. The STP requires much closer working between the NHS and local authorities, and the following sections set out some of the other ways you are pursuing this. The continued provision of effective social care is critical to preventing people from needing hospital stays and reducing delayed transfers of care. Balancing the financial challenge with ongoing increases in demand is a recognised national issue, and additional funding is being earmarked. However, it will be critical to ensure funds are appropriately targeted, and that both yourselves and the NHS consider the holistic picture when making financial and non-financial decisions over service provision. This is challenging, particularly in light of NHS England's increasing focus on short term, year end deficit positions.

Key findings (continued)

Significant risk	Findings and conclusions (continued)
Health & Social Care Integration (continued)	**Outcomes Based Commissioning** You have commissioned, jointly with Croydon CCG, a 10 year contract to develop an Integrated Health and Social Care system for the over 65s population in Croydon. This involves an overall budget of around £220m p/a, of which £41m will come from yourselves. The Croydon Outcomes Based Commissioning (OBC) Alliance Agreement awards service contracts to a variety of providers. You are unique in that you act as both a commissioner and provider of services. The aim is for all partners to come together and provide high quality, safe, seamless and personalised care to older people in Croydon to help them stay independent. The service is commissioned based on outcomes that you are looking to see delivered, and these are a key measure in determining the contract pricing and structure. Croydon as an area faces particular challenges, including a growing and ageing population, and the financial challenges already mentioned. The model is planned to deliver substantial savings and ensure services are commissioned effectively within available resources. The plans have been appropriately approved by Cabinet and relevant committees, and are in line with the overall integration aims. Given your dual roles as provider and commissioner, you have put in place appropriate safeguards to ensure this is managed effectively. A separate SLA will be entered into, for around £9m p/a, between the council as Commissioner and as a Provider to hold the Adult Social Care service to account for quality and delivery of services. You have appropriately identified the key risks to the project, including the financial position and recovery plans for the CCG and Croydon Health Services NHS Trust, the pressures within Adult Social Care that already exist, the risk sharing process (including proportionate risk sharing arrangements), and ensuring you are not exposed to financial risks from the CCG or CHS overspends. The OBC model is new and remains in an early stage. It will take some time to see the true impact of the changes, but the plans do demonstrate the work you are doing to deliver services differently and work in partnership with other providers. Success factors will be not only the achievement of challenging financial targets, but delivering a truly integrated and effective service, however, there are clear risks to the position that have been appropriately identified and must be robustly monitored. **On that basis we concluded that the risk was sufficiently mitigated and you have proper arrangements**

Key findings (continued)

Significant risk	Work to address	Findings and conclusions
Ofsted inspection of children's services Ofsted issued a report on the Council's children's services in September 2017 which gave an overall rating of 'inadequate'.	We reviewed the report of Ofsted and considered the response of the Council to the report.	**Summary findings** • On 4 September 2017, Ofsted published a report on their findings from inspection of your services for children in need of help and protection, children looked after and care leavers and review of the effectiveness of the Local Safeguarding Children Board that rated you as "inadequate". • We are required to issue a qualified Value for Money conclusion as a result of the issues set out within the report. On 4 September 2017, Ofsted published a report on their findings from inspection of your services for children in need of help and protection, children looked after and care leavers and review of the effectiveness of the Local Safeguarding Children Board that rated you as "inadequate". This included sub-ratings of The key findings of the report are as follows: - there has been a significant deterioration in the quality of service provision in relation to children's services since the previous inspection in 2012; - management oversight of social care practice is weak; - the workloads of social workers in some teams are high; - There has been a lack of challenge from the Local Safeguarding Children Board; - the failings identified left some children at risk of severe harm including risk of sexual exploitation. Following the publication of the report, the Secretary of State for Education concluded that you failing to deliver children's services to an adequate standard and issued a statutory direction under section 497A(4B) of the Education Act 1996 to appoint a commissioner who will undertake a review as to whether the most effective way of securing and sustaining improvement in Croydon is to remove the control of children's social care from the Council for a period of time. In response to the outcome of the Ofsted inspection, you have issued a Transitional Action Plan setting out key actions to be taken over the three months following the inspection. The Plan sets out key actions to be taken to in the short term to improve child safety and the quality of service provided. A formal Improvement Plan is currently being developed and is required to be submitted to Ofsted by 11 September. We consider that this matter is evidence of weaknesses in proper arrangements for understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management, and for planning, organising and developing the workforce effectively to deliver strategic priorities. **On that basis we concluded that you do not have proper arrangements in relation to the risk identified.**

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements for ensuring value for money which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Section 4: Other statutory powers and duties

Other statutory powers and duties

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	**Public interest report**	• We have not identified any matters that would require a public interest report to be issued
2.	**Written recommendations**	• We have not made any written recommendations that the Council is required to respond to publicly
3.	**Application to the court for a declaration that an item of account is contrary to law**	• We confirm that we have not had need to use this duty.
4.	**Issue of an advisory notice**	• We confirm that we have not had need to use this duty.
5.	**Application for judicial review**	• We confirm that we have not had need to use this duty.
6.	**Objections from local electors**	• We have received an objection from a local elector under Section 27 of the Act. We are currently investigating this matter and do not expect to respond to it until after the planned date for signing of the audit. As a result we cannot formally conclude our audit and issue an audit certificate for the year ended 31 March 2017 in accordance with the requirements of the Act and the Code of Audit Practice until we have completed our review of this matter. • We are satisfied that this matter does not have a material effect on the financial statements or on our conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources for the year ended 31 March 2017.

Section 5: Fees, non-audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Proposed fee £	Final fee £
Council audit	172,860	172,860
Audit of Brick by Brick Croydon Ltd	30,000	TBC
Grant certification	25,755	TBC
Total audit fees (excluding VAT)	**228,615**	**TBC**

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. There are no fees in respect of other grant work.

Independence and ethics

- Ethical Standards and ISA (UK&I) 260 require us to give you timely disclosure of matters relating to our independence.
- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table below summarises all other services which were identified:

Fees for other services

Service	Fees £
Audit related services: No audit related services provided	
Non-audit services • Financial resilience capacity building programme • CFO Insights subscription	 3,500 10,000

Independence and other services

We have considered whether other services might be perceived as a threat to our independence as the group's auditor and have ensured that appropriate safeguards are put in place

	Service provided to	Fees £	Threat?	Safeguard
Non-audit services				
Financial resilience capacity building programme A series of workshops were held to help finance officers to develop by learning new leadership skills, listening to guest speakers and networking with their peers.	London Borough of Croydon	3,500	• No threats noted	The facilitators for the programme were separate to the audit team. The work was structured so as not to make any recommendations in relation to strategic decision making or partnership working or on the deployment of resources.
CFO Insights subscription CFO Insights is an online software service offering that enables users to rapidly analyse, segment and visualise all the key data relating to the financial performance of a local authority.	London Borough of Croydon	10,000	• Self interest threat	The fee is a recurrent subscription and thus gives high self-interest threat. However, the fee for this work is negligible in comparison to the total fee for the audit and in particular Grant Thornton UK LLP's turnover overall. It is also a fixed fee with no contingent element. We consider that these factors all mitigate the perceived self-interest threat to an acceptable level. CFO Insights does not provide any advice; the tool provides only information and insight that to help inform decision making by officers. It is the responsibility of your officers who use this service to undertake informed interpretation of the information provided. The team that operates this service is separate to the audit team.
	TOTAL	13,500		

Section 6: Communication of audit matters

Communication to those charged with governance

ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (https://www.nao.org.uk/code-audit-practice/about-code/). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓
Matters in relation to the group audit including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud.	✓	✓

Appendices

A. Action plan

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1.	Ensure that appropriate steps are taken to reduce the time taken to prepare the draft financial statements in future periods so that the earlier closure of the audit for 2017/18 is achieved. This may require re-engineering of existing processes to reduce the time taken to close the accounts by one third.	High	The 2016/17 draft financial statements were prepared in a shorter time frame than previous years. The Council recognises that the 2016/17 draft financial statements were not completed in accordance with the new regulations that come in to effect for the 2017/18 Audit and the Director of Finance, Investment and Risk and the Head of Accountancy are working with officers to review processes to ensure the new deadlines are achieved. The Interim Audit will also be key to achieving an earlier close and the Council is continuing to work with the external auditors to scope and mange this audit.	On going throughout the year. Director of Finance, Investment and Risk and the Head of Accountancy
2.	Ensure that appropriate steps are taken to improve the response time to requests for information from the audit team in future audits. This will require both our audit team and your finance team to identify ways to work together more efficiently and effectively. This may require consideration of capacity within the finance team and mitigating steps that are needed to increase capacity and response times.	Medium	The Council will continue to work with the Auditors to improve response times and recognise that this is especially important next year with the reduced timetable. To aid this process it has been suggested to the Auditors that a comprehensive timetable of audit activity is provided so we can ensure that the correct staff are available at the appropriate times. A 20161/7 audit debrief and lessons learnt meeting with the auditors is scheduled to take place in October 2017 to discuss where the delays arose and how these can be mitigated in the future. In addition the finance team will be undertaking a comprehensive internal review of the 2016/17 audit to identify where improvements can be made and where staff skills need to be deployed next year.	On going from October 2017 to March 2018. Head of Accountancy.
3.	Undertake a review to identify how the £1.6m variance in Council tax revenues between the Northgate system and the general ledger arose and bring the two systems back into balance. Ensure reconciliation discrepancies are identified and resolved prior to the submission of accounts for audit.	Medium	The Council will undertake a review of activity within its collection fund and Northgate system to determine the cause and time frame of the variance occurring. Depending on what is identified, action will be taken to resolve it prior to the submission of the 2017/18 accounts	Review completed by November 2017, resolution agreed by February 2018. Head of Accountancy

Controls
- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

4.	Ensure that missing annual declarations are followed up in a more timely manner.	**Medium**	Declarations were received from all Members, we agree that a couple were received after the accounts were submitted to the auditors and are revising the declaration form, guidance note and submission process for next year, working more closely with democratic services colleagues.	Declaration forms to be distributed to members by 26th February 2018. Head of Accountancy and Head of Democratic Services and Scrutiny
5.	Ensure that the correct VAT treatment is applied for all debtor balances.	**Medium**	Guidance to staff will be reissued to ensure that the correct VAT treatment is applied on debtor balances, and that all debtors should be issued via an appropriate billing system	September 2017, Head of Accountancy
6.	Review arrangements for estimating the Housing Revenue Account rent arrears bad debt provision and the process for writing off outstanding HRA debt.	**Medium**	Work is underway already to review income and debt across the whole Council and there is a specific income and Debt board reviewing debt collection, provision and write off.	On going. Director of Housing Need.

A. Action plan

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
7.	Review the detailed findings of our review of IT controls, with a view to strengthening IT security arrangements.	Medium	A review of the IT controls review is taking place during September by relevant colleagues across the Council. Action will be undertaken to implement the actions and a management response will be provided to the review by the end of September 2017.	A response to the review will be made by the 30th September 2017. Responsibility for the submission of the management response will be for the Director of Finance, Investment and Risk.
8.	Introduce a clear process to identify whether fully depreciated equipment or infrastructure assets are still in use by the Council.	Medium	A clear process will be established to ensure that the operational status of fully deprecated equipment or infrastructure assets is known, and will inform our decision on subsequent treatment.	By end of January 2018, Head of Accountancy
9.	Ensure that the year end bank reconciliation is documented in a clear format that is suitable for audit review.	Low	The necessary bank reconciliation paperwork will be completed and reviewed regularly during 2017/18, and ahead of the audit period..	Ongoing throughout 2017/18, and by the end of May 2018, Head of Accountancy
10.	Ensure that a copy of the data used to perform the Council Tax base calculation is kept.	Medium	Data used to perform this calculation will be retained.	January 2018, Head of Accountancy

Controls
- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report.

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

We have audited the financial statements of the London Borough of Croydon (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Housing Revenue Account – Comprehensive Income and Expenditure Statement, the Movement on the HRA Statement, the Collection Fund, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow 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 2016/17.

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

Respective responsibilities of the Executive Director of Resources and auditor

As explained more fully in the Statement of Responsibilities, the Executive Director of Resources 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 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 Executive Director of Resources and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Statement, and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 present a true and fair view of the financial position of the Authority and Group as at 31 March 2017 and of the Authority's and Group's expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Statement and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

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

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements for securing 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 20(1)(c) of the Act to be satisfied that the Authority has made 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 the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that 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 2017.

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 has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Basis for qualified conclusion

In considering the Authority's arrangements for securing economy, efficiency and effectiveness we identified the following matter:

In September 2017, Ofsted issued its report on the inspection of the Authority's services for children in need of help and protection, children looked after and care leavers and review of the effectiveness of the Local Safeguarding Children Board. The overall judgement was that children's services were rated as inadequate.

Following consideration of Ofsted's report, the Secretary of State for Education concluded that the Authority was failing to deliver children's services to an adequate standard and issued a statutory direction under section 497A(4B) of the Education Act 1996 to appoint a commissioner who will undertake a review as to whether the most effective way of securing and sustaining improvement in Croydon is to remove the control of children's social care from the Council for a period of time.

This matter is evidence of weaknesses in proper arrangements for understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management, and for planning, organising and developing the workforce effectively to deliver strategic priorities.

Qualified conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, except for the effects of the matter described in the Basis for qualified conclusion paragraphs above, we are satisfied that, in all significant respects, the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2017 in accordance with the requirements of the Act and the Code of Audit Practice until we have completed our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Act. We are satisfied that this matter does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

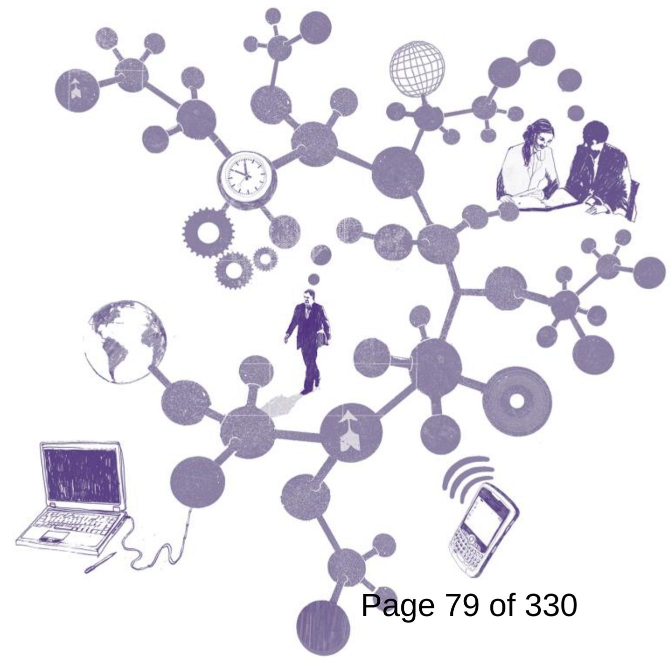
30 Finsbury Square
London
EC2P 2YU

[Date]

The Audit Findings for London Borough of Croydon Pension Fund

Year ended 31 March 2017

20 September 2017



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20 September 2017

Dear Sirs

Audit Findings for the London Borough of Croydon Pension Fund for the year ending 31 March 2017

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of the London Borough of Croydon Pension Fund, the General Purposes and Audit Committee), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents will be discussed with officers.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Elizabeth Jackson

Engagement lead

Contents

Section 1: Executive summary

Purpose of this report

This report highlights the key issues affecting the results of Croydon Pension Fund ('the Fund') and the preparation of the Fund's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Fund's financial statements give a true and fair view of the financial position of the Fund.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 22 March 2017.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- review of the Pension Fund Annual Report
- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion

We received draft financial statements and accompanying working papers at the commencement of our work in line with the agreed timetable. Working papers were of a good quality and officers were responsive to our audit requests for additional information. This enabled us to complete the audit in a timely manner and gives us assurance that the pension fund finance team is ready for the early closedown and opinion deadline in 2018.

Key audit and financial reporting issues

Financial statements opinion

We have identified one adjustments affecting the Fund's reported financial position (details are recorded in section two of this report). The draft financial statements for the year ended 31 March 2017 recorded net assets of £1,094m; the audited financial statements show net assets of £1,103m. The change relates to an understatement of infrastructure and private equity investments which officers made us aware of before submitting the draft financial statements for audit. The level 3 investment year end final valuation figures were not made available to officers until after the draft financial statements were completed. Officers expect to receive the information by the end of June and by mid July at the latest so they do not envisage this being a problem for the early opinion deadline of 31 July in 2018. Officers will continue to liaise with the fund managers to ensure information is received in line with the deadlines next year.

We have also recommended a small number of adjustments to improve the presentation of the financial statements. Further details are set out in section two of this report.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix A).

Controls

Roles and responsibilities

The Fund's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Fund.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

The way forward

Matters arising from the financial statements audit of the Fund have been discussed with the Executive Director of Resources and Section 151 Officer.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Executive Director of Resources and Section 151 Officer and the finance team.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2017

Section 2: Audit findings

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £8,770k (being 1% of net assets). We have considered whether this level remained appropriate during the course of the audit and identified the value of the fund had increased to £1.094 billion at the year end that led us to revise our overall materiality to £10,949k (being 1% of net assets).

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £547k. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation.

As reported in our audit plan, we did not identify any specific items at that stage where we decided that separate materiality levels were appropriate. However, following receipt of the draft financial statements we have identified management expenses as an item where we have set a lower materiality level.

Balance/transaction/disclosure	Explanation	Materiality level
Management expenses	Due to public interest in these disclosures	£547k

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
The revenue cycle includes fraudulent transactions Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the London Borough of Croydon Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including the London Borough of Croydon Council as the administering body, mean that all forms of fraud are seen as unacceptable.	Although we have rebutted this risk, our audit work performed on material revenue streams has not identified any issues in respect of revenue recognition.
Management over-ride of controls Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.	Work performed: • review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • review of accounting estimates, judgements and decisions made by management • review of unusual significant transactions.	Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgements.

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against significant risks (continued)

We have also identified the following significant risk of material misstatement from our understanding of the entity. We set out below the work we have completed to address this risk.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Level 3 Investments (Valuation is incorrect) Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.	• Updated our understanding of the processes and control in place to estimate the valuation of these assets. • For a sample of investments we tested valuations by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to fund manager reports at that date. Reconciliation of those values to the values at 31st March with reference to known movements in the intervening period. • We reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuation provided for these type of investments. • Reviewed the competence, expertise and objectivity and objectivity of management experts used. • Reviewed the qualifications of the fund managers as experts to value the level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached.	We are currently finalising our review of the assumptions used by management and the fund managers to value the level 3 investments. Our audit testing of the figures in the accounts identified that infrastructure and private equity investments are understated in the financial statements by £9,155k. This is due to the audited final valuation data not being available at the time of compiling the draft financial statements This is purely a timing issue for the finance team receiving the information. No other significant issues were identified in our testing.

Audit findings against other risks

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Investment purchases and sales **AND** **Investment values – Level 2 investments**	Investment activity not valid. Investment valuation not correct (Accuracy) AND Valuation is incorrect (Valuation net)	• We have undertaken a walkthrough of the controls in place over investments. • We have reviewed the reconciliation between information provided by the fund managers, the custodian and the Fund's own records and investigated any variances. • For unquoted investments we have critically assessed the assumptions used in the valuation and checked valuations to the latest audited financial statements of the respective investment fund. • We have confirmed the existence of investments directly to relevant documentation. • We have tested a sample of purchases and sales during the year back to detailed information provided by the fund managers. • We have completed a predictive analytical review for the different types of investments.	Our audit work has not identified any significant issues in relation to the investment risks.
Contributions	Recorded contributions not correct (Occurrence)	• We have undertaken a walkthrough of the controls in place over contributions. • We substantively tested contribution deductions from the Administering Authority. • We also reviewed contributions received with reference to changes in member body payrolls and numbers of contributing members to ensure that any unexpected trends are satisfactorily explained.	Our audit work has not identified any significant issues in relation to contributions.

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Benefits payable	Benefits improperly computed/claims liability understated. (Completeness, accuracy and occurrence)	• We have confirmed through walkthrough testing the existence of controls operated by the Fund to ensure that all benefits are correctly calculated and that the appropriate payments are generated and recorded. • We have tested a sample of individual transfers, pensions in payment (new and existing), lump sum benefits and refunds and test them by reference to member files. • We have completed a rationalisation of pensions paid with reference to changes in pensioner numbers and increases applied in the year together with comparing pensions paid on a monthly basis to ensure that any unusual trends are satisfactorily explained.	Our audit work has not identified any significant issues in relation to benefits payable.
Member Data	Member data not correct. (Rights and Obligations)	• We have performed walkthrough testing over the controls that are in place over member data. • We conducted controls testing of changes to member data made during the year to source documentation. • We performed a reconciliation of the member data as at year end to the accounts note.	Our testing of member data found that the draft figure used for deferred pensioners included in the accounts was incorrect and related to the prior year. The impact is the deferred pensioners membership is under recorded by 62 pensioners see page 19 of this report. Our work has not identified any further significant issues in relation to the risk identified.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK&I) 570).

We reviewed the management's assessment of the going concern assumption and the disclosures in the financial statements and concluded that there are no issues arising for the Fund in 2016/17.

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Fund's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• Income to the fund is accounted for on an accruals basis	• The Fund's accounting policies are appropriate under IAS 18 Revenue and the Code of Practice on Local Authority Accounting. • Accounting policies are adequately disclosed in the financial statements. • The revenue recognition policies are considered to be in line with other Local Government Pension Funds.	● Green
Judgements and estimates	• Key estimates and judgements include: – Valuation of level 3 investments – Valuation of fund	We reviewed the key estimates and judgements made by management within the material notes to the accounts. For the disclosures listed, we concluded they appear to be consistent in all material aspects with the guidance set out in the Code of Practice of Local Authority Accounting.	● Green
Going concern	The Executive Director of Resources and Section 151 officer has a reasonable expectation that the Fund will continue for the foreseeable future. Members concur with this view. For this reason, the Fund continue to adopt the going concern basis in preparing the financial statements.	We have reviewed officer's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	● Green
Other accounting policies	We have reviewed the Fund's policies against the requirements of the CIPFA Code of Practice.	We have reviewed the Fund's policies against the requirements of the CIPFA Code of Practice. The Fund's accounting policies are appropriate and consistent with previous years.	● Green

Assessment

- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the General Purpose and Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	**Matters in relation to related parties**	• From the work we carried out, we have not identified any related party transactions which have not been disclosed. Two declarations have not been received at the time of writing the report but we have reviewed the declarations from 2015/16 and do not believe that there are missing disclosures from the note.
3.	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	**Written representations**	• A standard letter of representation has been requested from the Fund, which is included in the General Purpose and Audit Committee papers.
5.	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to the fund managers, custodian and banks where the Fund holds the accounts. This permission was granted and the requests were sent. All confirmations requested have been received.
6.	**Disclosures**	• Our review found no material omissions in the financial statements
7.	**Matters on which we report by exception**	• We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until the 1st December 2017 but officers have decided to prepare this alongside the financial statements. We have received the draft Annual Report and will be able to issue the separate opinion at the same time as the opinion on the financial statements.

Adjusted misstatements

One adjustment to the draft accounts has been identified during the audit process. We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The table below summarises the adjustment arising from the audit which has been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported total net assets for the year.

	Detail	Pension Fund Account £'000	Net Asset Statement £'000
1	Our testing confirmed that infrastructure and private equity investments are understated in the financial statements. This is due to audited final valuation data not being available at the time of compiling the draft financial statements and this is purely a timing issue. Officers made us aware of the delay in receiving final information for these investments before submitting the draft financial statements for audit. The level 3 investment year end final valuation figures were not made available to officers until after the draft financial statements were completed. Officers expect to receive the information by the end of June and by mid July at the latest so they do not envisage this being a problem for the early opinion deadline of 31 July in 2018. Officers will continue to liaise with the fund managers to ensure information is received in line with the deadlines next year.	Cr Changes in the market value of investments 9,155	Dr Investments held by Fund Managers (Private Equity and Infrastructure) 9,155
	Overall impact	**(£9,155)**	**£9,155**

Unadjusted misstatements

There are no adjustments identified during the audit which we request be processed, but which have not been made within the final set of financial statements.

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Presentation and disclosure	N/A	N/A	We have made a small number of suggested presentational and disclosure changes to aid users' understanding of the financial statements.
2	Presentation and disclosure	N/A	Fund membership numbers	We have amended the number of deferred pensioners from 8,799 to 8,861 to reflect the fund membership as at 31 March 2017.

Section 3: Fees, non-audit services and independence

We confirm below our final fees charged for the audit and there were no fees for the provision of non audit services.

Fees

	Proposed fee £	Final fee £
Pension fund audit	21,000	21,000
Total audit fees (excluding VAT)	**21,000**	**21,000**

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to London Borough of Croydon Pension Fund and confirm that no non-audit or audited related services have been undertaken for the Fund.

Section 4: Communication of audit matters

Communication to those charged with governance

ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (https://www.nao.org.uk/code-audit-practice/about-code/). Our work considers the Fund's key risks when reaching our conclusions under the Code.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

Appendices

A. Audit Opinion

A: Audit opinion

We anticipate we will provide the Fund with an unmodified audit report

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

We have audited the pension fund financial statements of the London Borough of Croydon (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). 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 2016/17.

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

Respective responsibilities of the Executive Director of Resources and Section 151 Officer and auditor

As explained more fully in the Statement of Responsibilities, the Executive Director of Resources 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 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Resources and Section 151 Officer; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts and Annual Governance Statement and the Annual Report to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion:

- the pension fund financial statements present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and of the amount and disposition at that date of the fund's assets and liabilities; and
- the pension fund financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts and Annual Governance Statement and the Annual Report for the financial year for which the financial statements are prepared is consistent with the audited pension fund financial statements.

Elizabeth Jackson
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
30 Finsbury Square
London
EC2P 2YU

September 2017

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Appendix 3

RESOURCES DEPARTMENT

Bernard Weatherill House
8 Mint Walk
Croydon CR0 1EA

Tel : 020 8726 6000
Email: Contact-the-Council@croydon.gov.uk
Website: www.croydon.gov.uk

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1RR

Our ref:
Date: 20 September 2017

Dear Sirs

London Borough of Croydon
Financial Statements for the year ended 31 March 2017

This representation letter is provided in connection with the audit of the financial statements of London Borough of Croydon ("the Council") for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.
We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i We have fulfilled our responsibilities for the preparation of 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 2016/17 ("the Code"); which give a true and fair view in accordance therewith.

ii We have complied with the requirements of all statutory directions affecting the London Borough of Croydon and these matters have been appropriately reflected and disclosed in the financial statements.

iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

vii Except as disclosed in the financial statements:

- a there are no unrecorded liabilities, actual or contingent
- b none of the assets of the Council has been assigned, pledged or mortgaged
- c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

xi Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xiii We have no unadjusted misstatements and therefore have no acion to take. The financial statements are free of material misstatements, including omissions.

xiv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xv We believe that the Council’s financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council’s needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xvi We have provided you with:

a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
b additional information that you have requested from us for the purpose of your audit; and
c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

xvii We have communicated to you all deficiencies in internal control of which management is aware.

xviii All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xx We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:

a management;
b employees who have significant roles in internal control; or
c others where the fraud could have a material effect on the financial statements.

xxi We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council’s financial statements communicated by employees, former employees, regulators or others.

xxii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiv We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Statement

xxvi The disclosures within the Narrative Statement fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the General Purposes and Audit Committee at its meeting on 20 September 2017.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position…………………………

Date…………………………….

Signed on behalf of the Council

CROYDON
www.croydon.gov.uk

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Bernard Weatherill House
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Croydon CR0 1EA

Tel/Typetalk: 020 8726 6000 ext 61848
Email: lisa.taylor@croydon.gov.uk
Website: www.croydon.gov.uk

Please ask for/reply to Lisa Taylor

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1RR

Our Ref: 001/LT/MG
Date: 20 September 2017

Dear Sirs

London Borough of Croydon Pension Fund
Financial Statements for the year ended 31 March 2017

This representation letter is provided in connection with your audit of the financial statements of London Borough of Croydon Pension Fund ('the Fund') for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2017, and of the amount and disposition at that date of its assets and liabilities in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ('the Code').

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

1 We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the Code; which give a true and fair view in accordance therewith, and for keeping records in respect of contributions received in respect of active members.

2 We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.

3 The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

4 We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

5 Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

6 We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to the Fund's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.

7 We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

8 Except as disclosed in the financial statements:
a there are no unrecorded liabilities, actual or contingent
b none of the assets of the Fund have been assigned, pledged or mortgaged
c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

9 Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

10 Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

11 All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

12 We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Fund and its financial position at the year-end and it is not appropriate to adjust the financial statements based on an extrapolation.

The financial statements are free of material misstatements, including omissions.

13 We believe that the Fund's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Fund's needs. We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

14 We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Information Provided

15 We have provided you with:
- a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- b additional information that you have requested from us for the purpose of your audit; and
- c unrestricted access to persons from whom you determined it necessary to obtain audit evidence.

16 We have communicated to you all deficiencies in internal control of which management is aware.

17 We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

18 All transactions have been recorded in the accounting records and are reflected in the financial statements.

19 We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Fund involving:
- a management;
- b employees who have significant roles in internal control; or
- c others where the fraud could have a material effect on the financial statements.

20 We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by employees, former employees, analysts, regulators or others.

21 We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

22 There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

23 We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

24 We have disclosed to you the identity of all the Fund's related parties and all the related party relationships and transactions of which we are aware.

25 We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval

The approval of this letter of representation was minuted by the General Purposes and Audit at its meeting on 20 September 2017.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position………………………….

Date…………………………….

Signed on behalf of London Borough of Croydon as administering body of the Pension Fund.

Statement of Accounts 2016/17

20 September 2017

CROYDON
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

[illegible] **020 8726 6000.**

Chinese

[illegible] **020 8726 6000** [illegible]

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

[illegible] **020 8726 6000** [illegible]

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

[illegible]
தொ. **020 8726 6000.**

Turkish

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

Urdu

[illegible]
020 8726 6000.

CONTENTS

CONTENTS

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 Executive Director of Resources and Section 151 Officer;
- ► to approve the Statement of Accounts.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTOR OF RESOURCES AND SECTION 151 OFFICER

The Executive Director of Resources 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 2017.

In preparing the Statement of Accounts, the Executive Director of Resources 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 EXECUTIVE DIRECTOR OF RESOURCES AND SECTION 151 OFFICER

LONDON BOROUGH OF CROYDON AND LONDON BOROUGH OF CROYDON PENSION FUND
FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

CERTIFICATE of the Executive Director of Resources 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 2016/17 prepared in accordance with the accounting policies stated.

Richard Simpson,
Executive Director of Resources and Section 151 officer

Cllr Karen Jewitt
Chair, General Purposes & Audit Committee

NARRATIVE STATEMENT 2016/17

INTRODUCTION

I am pleased to introduce the Council's Statement of Accounts for 2016/17. This statement summaries the Council's financial performance during 2016/17 showing expenditure on all services during the year and the Council's financial position as at 31 March 2017.

PERFORMANCE

The Council has met the challenge of reducing grant since 2010 and maintained a robust financial position. 2016/17 was the first year of a four year funding agreement agreed with the government. The purpose of this agreement which was accepted by Croydon was to help local authority prepare to become more self sufficient by 2020 which will mark the end of current comprehensive spending review. The multi year settlements would provide funding certainty and stability and would enable the authority to plan more proactively. The grant received in 2016/17 resulted in a £17.4m (13.2%) reduction compared to the previous year.

During 2016/17 the Council continued to experience an increase in demand for Services, particularly in the people departments. Significant efforts also made early on to identify potential pressures and bring them under control without bringing in short term measures that could have an adverse impact on long term costs.

As a results of there actions , the final budget positon of the Council for 2016/17 was an underspend of £0.050m, which had allowed additional funds to be added to the Councils general reserves.

During 2016/17 some of the key major achievements are:

Education and Learning

- ► Croydon's performance in the Early Years Foundation Stage at age 5 improved significantly (by 5.7%) from 2015 to 70.4% higher than the national average of 69.3%.
- ► 86% of our secondary schools are judged to be Good or Outstanding by Ofsted, which is higher than the national average, a substantial improvement from 71% last academic year.

Roads, Transport and Streets

- ► Town centre improvements including works to improve East and West Croydon bus stations, a new crossing on Wellesley Road
- ► Opening of the new bus station at West Croydon, increasing capacity by 21% and can accommodate 23,000 passengers a day. £6m investment to include changing road layouts around the bus station, upgrading traffic lights to improve traffic flow, widening the pavement in certain areas to make the area more pedestrian friendly
- ► Completion of the street lighting programme with 23,630 street lights replaced so the borough has modern cost efficient infrastructure which will make our roads brighter and safer.

Independence

- ► Helped over a 1,000 of Croydon's most severely affected families avoid homelessness
- ► Assisted more than 8000 residents become more financially independent and supported over 180 into employment

Clean and Green/Don't Mess with Croydon

- ► Croydon continues its efforts in creating and maintaining a cleaner, greener environment, with the Don't Mess With Croydon campaign continuing to impact on waste crime and street cleanliness. The dedicated Street Champions team has now reached 330, and in 2016/17 they undertook 67 Community Clean-ups, an increase of 18 on the previous year. Along with the campaigning, we have seen an increase in the number of fly-tips collected within 48 hours.

GOING CONCERN

Accounts drawn up under the Code assume that a Local Authority's services will continue to operate for the foreseeable future. The Council maintained strong financial controls, which have been has demonstrated by the achievement of a favourable outturn position despite several 'significant in-year pressures being identified.
A balanced budget has been set for 2017/18. Despite the tough financial climate, the Council continues to deliver against its financial targets and will continue to do so in accordance with its medium term financial strategy.

GENERAL FUND RESERVES AND BALANCES 2016/17

Table 1 shows the Council's balances, reserves and provisions at 31 March 2017 compared with the previous two years. Earmarked Reserves are held to fund specific projects, and decreased from £40.1m to £30.1m during 2016/17. Further details about reserves can be found in Note 8 and Provisions in Note 21.

Table 1 - Movement in Reserves and Balances

Reserves and Balances	2014/15 £m	2015/16 £m	2016/17 £m
General Fund Balances	10.7	10.7	10.7
Earmarked Reserves excluding schools	29.5	40.1	30.1
General Fund Provisions	33.5	36.3	37.1
Total	**73.7**	**87.1**	**77.9**

HOUSING REVENUE ACCOUNT (HRA)

The final outturn shows a surplus of £0.737m which has been transferred to HRA reserves. The variances to budget that are on-going will be included in the budget planning for 2017/18. Capital expenditure totalled £24.313m.

To maintain financial stability an HRA Contingency Reserve was created in 2012/13 with a target of 5% of total income, identical to the General Fund, over the period of the financial strategy. However, having reviewed the previous years performance against budget and considered the level of risk within the HRA income and expenditure it is now considered that the level of appropriate level of revenue balances to maintain financial stability can be reduced to 3% of total income with the balance being transferred to the earmarked reserve for new housing supply.

Table 2 below shows the HRA balances and reserves as at 31 March 2017 compared with previous years:

Table 2 - Housing Revenue Account Balances and Reserves

Balances and reserves	2014/15 £m	2015/16 £m	2016/17 £m
New Build Housing	15.267	11.817	12.555
Major Repairs Reserve	1.425	1.785	1.290
Total	**16.692**	**13.602**	**13.845**

CAPITAL

The original approved capital programme (excluding the Housing Revenue Account) totalled £142.563m, which was increased during the year to £206.675m to reflect both programme slippage and additional government grants. Outturn capital spend was £113.005m, with the resultant underspend of £93.670m (45%) mainly attributable to slippage in programme the delivery of schemes. The impact of slippage from 2016/17 into the 2017/18 capital will be considered as part of the first Financial Performance report for 2017/18 to Cabinet.

Capital schemes in 2016/17 included the delivery of:

- ► Refurbishment Programme for Fairfield Halls
- ► Meeting the needs of the Education Estates Strategy;
- ► Continuing the drive to meet the Decent Homes Standard;
- ► Improvements to the Public Realm as part of the Connected Croydon Programme.
- ► The commencement of the refurbishment of Fairfield Halls
- ► Surrey Street Market

PENSION FUND

The Council's Pension Fund increase in value during 2016/17 by 20.2%. Table 3 below shows the change in the value of the Council's Pension Fund in 2016/17:

Table 3 – Pension Fund Performance 2016/17

Detail of Composition of Net Assets	2015/16 £m	2016/17 £m	Net Increase / (Decrease) £m	Change %
Total Investments	872.477	1,037.031	164.554	18.9%
Other balances held by Fund Managers	1.501	-	(1.501)	(100.0%)
Debtors	4.464	-	(4.464)	(100.0%)
Cash Held by:				
Fund Managers	4.310	17.460	13.150	305.1%
London Borough of Croydon	2.522	-	(2.522)	(100.0%)
Creditors	(8.248)	-	8.248	(100.0%)
Net Assets at Year End	**877.026**	**1,054.491**	**177.465**	**20.2%**

Other balances held by Fund Managers comprises outstanding trades, outstanding dividends and tax reclaimable. The net value of the Fund has increased by 20.2% over the reporting period. The diversified nature of the investment strategy has ensured that the fund has been able to deliver growth throughout the year, albeit in aggregate, performance was marginally below the benchmark set. In response to a changing macro-economic landscape, the strategic asset allocation has been reviewed. The process of restructuring the asset allocation is ongoing.

COLLECTION FUND

The Collection Fund is a ring-fenced account into which all sums relating to Council Tax and Business Rates are paid. Any deficits on the Fund, in relation to Council Tax or Business Rates, must be met by the precepting bodies. Any surpluses can be used by those bodies to fund expenditure within their own organisation. The Collection Fund reported a surplus of £12.190m as at 31st March 2017. This was due in part to a reduction in business rates appeals evident during the year, which allowed the authority to reduce the provision that had been made in earlier years. The overall surplus was also a result of continued buoyancy in the council tax base, and continued. Improvements in collection rates.

A council tax surplus of £7.150m and business rates deficit of £7.260m was declared in January 2017, as this was set before the improved position on business rates appeals was evident. The un-declared surplus of £12.300m will therefore be carried into 2017/18, and will be distributed to preceptors as part of the 2018/19 budget cycle.

COUNCIL TAX

The surplus balance on the Collection Fund assumes an overall Council Tax collection rate of 96.75% of bills raised. Collection will take place over several years as various recovery methods are used to maximise cash income. The Council monitors performance targets in relation to the amount of debt collected in the initial year of billing (2016/17 debt collected in 2016/17). The target set for 2016/17 was 96.75% and the actual performance was confirmed as 96.85%, a gain of 0.10%.

COUNCIL TAX (continued)

The net collectable debt for council tax in 2016/17 was £179.8 million, an increase of £3.9 million on the previous year. Table 4 shows the impact of actual performance against the target in cash terms.

Table 4 – Council Tax Collection performance against target

	Target – 2016/17	Actual – 2016/17	Variance
Percentage	96.75%	96.85%	(0.10%)
Cash - £m	179.611	179.790	0.179

Note: These figures relate to amounts collectable for 2016/17 only; the amounts shown in the Collection Fund include variations to the debit for all past years up to and including 2016/17

NATIONAL NON-DOMESTIC RATE (NNDR) COLLECTION

The target set for 2016/17 was 98.75% and the actual performance was confirmed at 99.10%, an increase of 0.35%.
The collectable debt for business rates in 2016/17 was £115.9m. The table below shows the impact of actual performance against the target in cash terms.

Table 5 – NNDR Collection performance against target

	Target – 2016/17	Actual – 2016/17	Variance
Percentage	98.75%	99.10%	0.35%
Cash - £m	115.569	115.973	0.404

Conclusion

The report presented to the Council's General Purposes and Audit Committee on 29th June 2017 provides further details on the Council's financial performance and delivery against our Financial Strategy. The report can be found online here:

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
Executive Director Resources
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

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement

Balance Sheet

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

Expenditure and Funding Analysis

The Expenditure and Funding Analysis is a new note that shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council’s directorates/ /services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

MOVEMENT IN RESERVES STATEMENT

2016/17	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	Total Unusable Reserves Balance £000	Total Authority Reserves Balance £000
Balance b/f at 1 April 2016	**10,677**	**11,817**	**47,520**	**31,777**	**8,377**	**1,785**	**111,953**	366,709	478,662
Movement in reserves during 2016/17:									
Surplus or (deficit) on provision of services	(84,357)	13,971					(70,386)	0	(70,386)
Other Comprehensive Expenditure and Income							0	458	458
Total Comprehensive Expenditure and Income	(84,357)	13,971	0	0	0	0	(70,386)	458	(69,928)
Adjustments between accounting basis and funding basis under regulations	70,313	(13,233)	0	14,222	2,451	(495)	73,258	(73,258)	0
Net increase/Decrease before Transfers to Earmarked Reserves	(14,044)	738	0	14,222	2,451	(495)	2,872	(72,800)	(69,928)
Transfers to/(from) Earmarked Reserves	14,094	0	(14,094)	0	0	0	0	0	0
Net increase/(decrease) in reserves for the year	50	738	(14,094)	14,222	2,451	(495)	2,872	(72,800)	(69,928)
Balance c/f at 31 March 2017	10,727	12,555	33,426	45,999	10,828	1,290	114,825	293,909	408,734

2015/16	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	Total Unusable Reserves Balance £000	Total Authority Reserves Balance £000
Balance b/f at 1 April 2015	**10,677**	**15,267**	**39,283**	**18,100**	**3,620**	**1,424**	**88,371**	273,759	362,131
Movement in reserves during 2015/16:									
Surplus or (deficit) on provision of services	(105,925)	13,958					(91,967)		(91,967)
Other Comprehensive Expenditure and Income								208,498	208,498
Total Comprehensive Expenditure and Income	(105,925)	13,958	0	0	0	0	(91,967)	208,498	116,531
Adjustments between accounting basis and funding basis under regulations	114,162	(17,408)	0	13,677	4,757	361	115,549	(115,548)	1
Net increase/Decrease before Transfers to Earmarked Reserves	8,237	(3,450)	0	13,677	4,757	361	23,582	92,950	116,532
Transfers to/(from) Earmarked Reserves	(8,237)	0	8,237	0	0	0	0	0	0
Net increase/(decrease) in reserves for the year	0	(3,450)	8,237	13,677	4,757	361	23,582	92,950	116,532
Balance c/f at 31 March 2016	10,677	11,817	47,520	31,777	8,377	1,785	111,953	366,709	478,662

Further details about the movements in earmarked reserves can be found in Note 8, and details around movements in all reserves can be found in Note 22 and 23.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Note/Page No.	2016/17 Gross £000	2016/17 Income £000	2016/17 Net £000	Restated 2015/16 Net £000
Gross expenditure, income and net expenditure of continuing operations					
Place		100,694	(57,579)	43,115	42,344
People		561,298	(367,334)	193,964	211,499
Resources		391,841	(340,920)	50,921	53,039
HRA		77,600	(93,823)	(16,223)	(20,536)
Exceptional Items					0
Net cost of services		1,131,433	(859,656)	271,777	286,346
Other operating expenditure	9			55,305	56,054
Financing and Investment Income and Expenditure	10			48,122	47,045
Taxation and Grant Income	11			(304,818)	(297,475)
(Surplus) or Deficit on Provision of Services				70,386	91,970
(Surplus) or deficit on revaluation of non-current assets				(124,201)	(129,401)
Remeasurement of the net defined benefit liability				123,743	(79,097)
Other Comprehensive Income and Expenditure				(458)	(208,498)
Total Comprehensive Income and Expenditure				69,928	(116,528)

BALANCE SHEET

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

	Note/ Page No.	31 March 2017 £000	£000	31 March 2016 £000
Operational Assets (Property, Plant and Equipment)	12			
Council dwellings		907,057		827,968
Other land and buildings		710,716		751,095
Vehicles, plant, furniture and equipment		2,193		534
Infrastructure		141,717		134,283
Community assets		5,205		5,565
Total Operational Assets (Property, Plant and Equipment)			1,766,888	1,719,445
Non-Operational Assets (Property, Plant and Equipment)				
Assets under construction		1,101		5,037
Surplus assets not held for sale		19,947		21,927
Total Non-Operational Assets (Property, Plant and Equipment)			21,048	26,964
Heritage Assets	13	3,153		3,153
Investment Porperties				
Investment Porperties	14	24,498		11,325
Intangible Assets	15			
Software		5,331		8,555
Assets under construction				
Long-term Investments				
Non-property investments	16	31,501		30,001
Investments in Associates and Joint Ventures				
Long-term Debtors	16	22,619		7,949
Long-term Assets			1,875,038	1,807,392
Short-term Investments				
Non-property investments excluding cash equivalents	16	95,000		120,000
Assets held for sale (< 1 year)	19	16,261		11,519
Inventories		78		155
Debtors, Payments In Advance (PIA) And Allowance For Doubtful Debt	17	118,398		126,870
Cash and cash equivalents	18	9,745		1,125
Current Assets			239,482	259,669
Bank overdraft	18	(19,165)		(28,847)
Short-term borrowing	16	(119,194)		(73,276)
Short-term creditors and receipts in advance	20	(113,416)		(118,183)
Short-term provision	21	(5,004)		(717)
Current Liabilities			(256,779)	(221,023)
Long-term Creditors				
Provisions	21	(9,722)		(14,166)
Long-term borrowing	16	(848,748)		(808,633)
Deferred capital creditors		(10,785)		(11,127)
Other non-current liabilities				
Net pensions liability	42	(561,060)		(493,412)
Capital grants receipts in advance	31	(18,692)		(40,038)
Long-term Liabilities			(1,449,007)	(1,367,376)
Net Assets			408,734	478,662
Usable reserves				
General Fund	22.1	10,727		10,677
Housing Revenue Account	22.2	12,555		11,817
Earmarked reserves	8	33,426		47,520
Capital receipts reserve	22.4	45,999		31,777
Capital grants unapplied	22.5	10,828		8,377
Major repairs reserve	HRA 3	1,290		1,785
			114,825	111,953
Unusable reserves				
Revaluation reserve	23.1	627,439		530,668
Capital adjustment account	23.2	258,732		330,958
Financial Instruments adjustment account	23.3	(1,531)		(1,716)
Pensions reserve	23.4	(594,252)		(493,412)
Deferred capital receipts	23.5	4		17
Collection Fund adjustment account	23.6	7,289		2,431
Short-term accumulating compensated absences account	23.7	(3,772)		(2,237)
			293,909	366,709
Total Reserves			408,734	478,662

Signed: Richard Simpson,
Executive Director of Resources and Section 151 officer

20 September

CASH FLOW STATEMENT

OPERATING ACTIVITIES	Note No.	2016/17 £000	2016/17 £000	2015/16 £000	2015/16 £000
The cash flows for operating activities include the following, memorandum, items:					
Interest Paid		36,739		34,748	
Interest and investment property rental income Received		(4,505)		(5,088)	
Net (surplus) or deficit on the provision of services	1A & 7		70,386		91,968
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements					
Depreciation	7,12 &32.2	(43,159)		(47,152)	
Impairment and downward valuations	7 & 9	(13,115)		(9,478)	
Amortisations	7,15 & 23.2	(3,762)		(3,996)	
(Increase)/decrease in creditors		5,109		7,779	
Increase/(decrease) in debtors		(8,472)		8,960	
Increase/(decrease) in inventories		(77)		(31)	
Movement in pension liability	1B,7 & 23.4	22,903		(15,884)	
Carrying amount of non-current assets sold	23.2	(63,347)		(64,506)	
Provisions		157		(7,508)	
Movements in the value of investment properties	7,10,14 & 23.2	815		361	
Other non-cash movements		(10,197)		(18,345)	
			(113,145)		(149,800)
Items included/excluded from net surplus or deficit on the provision of services:					
Pension deficit pre-payment	5	33,192		-	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	22.4	24,627		21,431	
Any other items for which the cash effects are investing or financing cash flows		65,469		58,204	
			123,288		79,635
Net cash (inflow)/outflow from operating activities			80,529		21,803
INVESTING ACTIVITIES					
Purchase of property, plant and equipment, investment property and intangible assets		60,669		72,612	
Purchase of short-term and long-term investments		112,852		108,208	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(24,627)		(21,431)	
Capital grants		(40,027)		(38,975)	
Proceeds from short-term and long-term investments		(121,682)		(70,379)	
Net cash (inflow)/outflow from investing activities			(12,815)		50,035
FINANCING ACTIVITIES					
Cash receipts from short-term and long-term borrowing		(138,944)		(63,783)	
Cash payments for the reduction of the outstanding liabilities to finance leases and on-Balance Sheet PFI contracts (Principal)		1,569		1,211	
Repayments of short-term and long-term borrowing		51,359		5,000	
Net cash (inflow)/outflow from financing activities			(86,016)		(57,572)
Net (increase)/decrease in cash and cash equivalents			(18,302)		14,266
Cash and cash equivalents at the beginning of the reporting period			27,722		13,456
Cash and cash equivalents at the end of the reporting period			9,420		27,722
Cash held	18		70		105
Bank current accounts	18		(19,235)		(28,952)
Short-term deposits with building societies and Money Market Funds	18		9,745		1,125
Cash and cash equivalents as at 31 March			(9,420)		(27,722)

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 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom (the 2016/17 Code), and the Service Reporting Code of Practice (SeRCOP), both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The 2016/17 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 2016/17 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 2016/17 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.

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council’s directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement

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.

The single entity financial statements are also defined as including the income, expenditure, assets, liabilities, reserves and cash flows of the local authority maintained schools in England and Wales within the control of the local authority.

Group Accounts - Recognition of Group Entities and Basis of Consolidation

The Council has no material interests in the companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities during the 2016/17 financial year. The Council prepared a review of group activities in 2016/17 that concluded the interests in subsidiaries and other entities are not material. Therefore, there is no requirement to prepare group accounts. The Council has non material group interests:

- Croydon Care Solutions Ltd (CCS) - 100% control and ownership by Croydon Council would otherwise be accounted for as a subsidiary under IFRS10.
- Brick By Brick Croydon Limited - 100% control and ownership by Croydon Council would otherwise be accounted for as a subsidiary under IFRS10.
- CCURV LLP - A 50% joint venture with John Laing Projects and Development (Croydon) Limited, which would otherwise be accounted for using the equity method under IFRS 11.
- Octavo Partnership - the Council has 40% ownership of this Partnership, and would otherwise be accounted for as an associate under IFRS12
- Omission of 100% stake in Croydon Enterprise loan Fund which has been disclosed along with the other stake holding in Note 40. This should be included as part of the disclosure in accounting policies so that ' it is seen to be complete. See Note 40 for further details on the Council's Group Interests.

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 2016/17 Code permits a choice of accounting policy the selection has been made to facilitate a true and fair presentation of the Authority's results.

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

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- ► Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority
- ► Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority
- ► Revenue from non-exchange transactions shall be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority, and the amount of the revenue can be measured reliably.
- ► Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- ► Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- ► Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure or the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- ► Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

1. ACCOUNTING POLICIES (continued)

1.1. BASIS OF PREPARATION - SINGLE ENTITY AND GROUP ACCOUNTS (continued)

Principal and Agent

The majority of transactions the Council undertakes it is acting entirely on its own behalf and completely owns any risks and rewards of the transaction. This is known as the Council acting as a Principal. However there are some situations whereby the Council is acting as an Agent, where the Council is acting as an intermediary for all or part of a transaction or service. The two main instances where this occurs are in relation to Council Tax and Business Rates whereby the Council is collecting Council Tax and Business Rates income on behalf of itself and preceptors (Greater London Authority in relation to Council Tax and the Department for Communities and Local Government (CLG) and Greater London Authority in relation to Business Rates). The implications for this is that any Balance Sheet transactions at the year end, in relation to these Agent relationships, are split between the principal parties and, therefore, the balances contained on the Balance Sheet for a particular debt are the Council's own proportion of the debt and associated balances. The proportions of transactions that relate to the other parties to the relationship are shown as debtors or creditors due from/to these parties.

1.2. ACCOUNTING REQUIREMENTS

Financial Performance Reflected by Accrual Accounting

The Authority has prepared its financial statements, except for the Statement of Cash Flow, using the accruals basis of accounting, i.e. the Authority recognises items as assets, liabilities, income and expenses when they satisfy the definitions and recognition criteria for those elements in the 2016/17 Code. The accruals basis of accounting requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid. Where revenue and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet

Underlying Assumption - Going Concern

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

1.3. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

1. ACCOUNTING POLICIES (continued)

1.4. NON-CURRENT ASSETS

Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- ► Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- ► Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- ► Level 3 - unobservable inputs for the asset or liability

1.4.1. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

1. ACCOUNTING POLICIES (continued) - POLICIES 1.5 to 1.8 RELATE TO THE BALANCE SHEET

1.4. NON-CURRENT ASSETS (continued)

1.4.1. Property, Plant and Equipment (continued)

The authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been Account. Where gains are credited to the Comprehensive Income and Expenditure made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

► infrastructure, community assets, vehicles, plant and equipment and assets under construction – depreciated historical cost

► Council dwellings – current value, determined using the basis of existing use value for social housing (EUV–SH)

► other land and buildings – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), or at depreciated replacement cost (DRC), which is also known as instant build, as an estimate of current value

► surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. [Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.]

Where decreases in value are identified, they are accounted for by:

► „where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

► „where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

1. ACCOUNTING POLICIES (continued) - POLICIES 1.5 to 1.8 RELATE TO THE BALANCE SHEET

1.4. NON-CURRENT ASSETS (continued)

1.4.1. Property, Plant and Equipment (continued)

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

► „where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

► „where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not 'been recognised.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain community assets) and assets that are not yet available for use (ie assets under construction).

Deprecation is calculated on the following bases:

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

► vehicles, plant, furniture and equipment – they are depreciated on a straight line basis over their useful life which is determined at the time of purchase. These assets include all items except fixtures and fittings to a building.

► infrastructure – they are depreciated on a straight line basis over their useful life. Some expenditure on infrastructure assets prior to 2009/10 did not separately identify the specific asset. The council has decided to depreciate the balance of these items over 10 years.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

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

The Authority's policy is to recognise three components:
► Structure
► Mechanical and electrical
► Outside space.

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

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. ACCOUNTING POLICIES (continued) - POLICIES 1.5 to 1.8 RELATE TO THE BALANCE SHEET

1.4.1a. School Land & Buildings

School land and 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)
- ► Voluntary controlled and voluntary aided schools where the assets are vested in the school's trustees.

Each school is assessed on a case by case basis. See accounting policy 1.21for further information.

1.4.2 Heritage Assets

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

The Authority presents Heritage Assets as a separate line item within the Balance Sheet. Assets are held at a valuation, but where obtaining a valuation would not be commensurate with the benefit to the users of the accounts, they are held at cost.

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

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

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

1.4.3. Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated.
Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.4.4. Intangible Assets

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

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

The Authority's intangible assets are its purchased software licences and its in house developed software. These are measured on initial recognition at cost and subsequently at cost less accumulated amortisation and any impairment loss. 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. ACCOUNTING POLICIES (continued) - POLICIES 1.5 to 1.8 RELATE TO THE BALANCE SHEET

1.4.5. Investments in Associates

The Authority's single entity financial statements record the actual dividend received or receivable. The interest in associates is set out in Note 40 Group Interests

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

1.4.6. Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the government [England only]. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the authority’s underlying need to borrow (the capital financing requirement) (England and Wales)]. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of noncurrent assets is fully provided for under separate arrangements for capital financing.

Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance 'in the Movement in Reserves Statement.

1.5. CURRENT ASSETS

1.5.1. Inventories

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

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

1.5.2. 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. ACCOUNTING POLICIES (continued) - POLICIES 1.5 to 1.8 RELATE TO THE BALANCE SHEET

1.5. CURRENT ASSETS (continued)

1.5.3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the authority's cash management.

1.6. CURRENT LIABILITIES

1.6.1. Short Term Creditors

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

1.7. USABLE AND UNUSABLE RESERVES

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

Usable Reserves

These are reserves created by the Authority and earmarked for future policy purposes or to provide for contingencies. The reserves are created and employed by transfers through the Movement in Reserves Statement. See Note 22 for further details.

Unusable Reserves

These are established by the impact of accounting and statutory arrangements and are kept to manage the accounting process; they do not represent usable resources for the Authority. See Note 23 for further details.

1.8. GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the authority when there is reasonable assurance that:

- the authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

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

1.9. LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or thepresent value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- ► a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- ► „a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- ► a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- ► finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

1.9. LEASES (continued)

The Council as Lessor (continued)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal isnot permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to [the Deferred Capital Receipts Reserve (England and Wales) or Capital Receipts Reserve (Scotland)] in the Movement in Reserves Statement. [When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve (England and Wales).]

The written-off value of disposals is not a charge against council tax, as the cost of noncurrent assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.10. EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits for current employees as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment Benefits

Employees of the authority are members of two19 separate pension schemes:

- ► the Teachers' Pension Scheme,
- ► the Local Government Pensions Scheme, administered by London Borough of Croydon.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The People Department line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

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

1.10. EMPLOYEE BENEFITS (continued)

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

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

► „Liabilities are discounted to their value at current prices, using a discount rate of 2.5% (based on the indicative rate of return on high quality corporate bond).

► „The assets of London Borough of Croydon pension fund attributable to the authority are included in the Balance Sheet at their fair value:
► quoted securities – current bid price
► unquoted securities – professional estimate
► unitised securities – current bid price
►property – market value.

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

► „Service cost comprising:

► current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

► past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

►net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

► „Remeasurements comprising:

► the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

► actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

► Contributions paid to the London Borough of Croydon pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

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

1.11. FINANCIAL INSTRUMENTS

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the authority.

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

1.11. FINANCIAL INSTRUMENTS (continued)

Available-for-Sale Assets (continued)

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- ► instruments with quoted market prices – the market price
- ► other instruments with fixed and determinable payments – discounted cash flow analysis
- ► equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach).

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- ► Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- ► Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- ► Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the relevant Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the relevant Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.
Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

1.12. PRIVATE FINANCE INITIATIVE (PFI) CONTRACTS

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the authority at the end of the contracts for no additional charge, the authority carries the assets used under the contracts on its Balance Sheet as part of property, plant and equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the authority.

The amounts payable to the PFI operators each year are analysed into five elements:

- ► **fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- ► **finance cost** – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- ► **contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- ► **payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- ► **lifecycle replacement costs** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

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

1.13. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the authority has an obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Contingent Liabilities

A contingent liability 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.

1.14. VAT

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

1.15. FOREIGN CURRENCY TRANSLATION

Where the authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

1.16. OPERATING SEGMENTS

Segmental information is provided to enable users of the financial statements to evaluate the nature and financial effects of the activities in which the Authority engages and the environments in which it operates. This is achieved by providing financial performance data according to how the Authority has been managed, with information corresponding to that used by management in making decisions. For Croydon Council, these segments are the People Department, Place Department Resources Department, as well as the Housing Revenue Account (HRA).

1.17. STATUTORY PROVISION FOR THE REPAYMENT OF DEBT

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

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

► Regulatory Method, which is used for inherited debt pre 2007,and is based on fixed payments of 2% of the balance, payable over 50 years, which is commensurate with the asset lives.

► Anuity method for unsupported borrowing and PFI debt, over a repayment period of 50 years

1.18. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

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

Expenditure of this kind is charged to the Comprehensive Income and Expenditure Statement in accordance with the general requirements of the 2016/17 Code. Any statutory provision that allows capital resources to meet the expenditure is accounted for by charging it to the Capital Adjustment Account and crediting the General Fund Balance and showing it as a reconciling item in the Movement in Reserves Statement.

1.19. BORROWING COSTS

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

1.20. OVERHEADS

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

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.

1.21. SCHOOLS

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

1A. Expenditure Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the Authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices.The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Authority's directorates. Income expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17	Net Expenditure Chargeable to the GF and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
People	189,771	4,192	193,963
Place	34,817	8,298	43,115
Resources	35,644	15,277	50,921
HRA	(19,759)	3,536	(16,223)
Non service related	4,590	(4,590)	0
Net cost of services	**245,063**	**26,713**	**271,776**
Other operating expenditure	1,426	53,879	55,305
Financing and Investment Income and Expenditure	49,626	(1,504)	48,122
Taxation and Non-Specific Grant Income	(282,809)	(22,008)	(304,817)
(Surplus)/Deficit	**13,306**	**57,080**	**70,386**
Opening GF and HRA Balance	(22,494)		
Add Surplus on General Fund and HRA Balance in year	13,306		
Transfers to/from Earmarked Reserves	(14,094)		
Closing General Fund and HRA balance 31 March 2017	**(23,282)**		

2015/16	Net Expenditure Chargeable to the GF and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
People	191,599	19,900	211,499
Place	21,405	20,938	42,343
Resources	24,254	20,460	44,714
HRA	(25,639)	5,103	(20,536)
Non service related	12,595	(4,270)	8,325
Net cost of services	**224,214**	**62,131**	**286,345**
Other operating expenditure	1,433	54,621	56,054
Financing and Investment Income and Expenditure	59,176	(12,132)	47,044
Taxation and Non-Specific Grant Income	(289,611)	(7,865)	(297,476)
Other Income and Expenditure	**(229,002)**	**34,624**	**(194,378)**
(Surplus)/Deficit	**(4,788)**	**96,755**	**91,967**
Opening GF and HRA Balance	(25,944)		
Add Surplus on General Fund and HRA Balance in year	(4,787)		
Transfers to/from Earmarked Reserves	8,237		
Closing General Fund and HRA balance 31 March 2016	**(22,494)**		

1B Note to the Expenditure and Funding Analysis

This note provides further analysis of the adjustments between funding and accounting basis shown in Note 1A.

2016/17	Adjustments for Capital Purposes £000	Net change for the pensions adjustments £000	Other Differences £000	Total Adjustments between funding and Accounting basis £000
People	17,697	(14,929)	1,424	4,192
Place	13,503	(5,236)	31	8,298
Resources	25,780	(10,559)	55	15,276
HRA	7,192	(3,681)	25	3,536
Non Service Related	0	(4,590)	0	(4,590)
Net cost of services	**64,172**	**(38,995)**	**1,535**	**26,712**
Other Income and Expenditure				
Other operating expenditure	53,879	0	0	53,879
Financing and Investment Income and Expenditure	(17,411)	16,092	(185)	(1,504)
Taxation and Non-Specific Grant Income	(17,150)	0	(4,857)	(22,007)
Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit	**83,490**	**(22,903)**	**(3,507)**	**57,080**

2015/16	Adjustments for Capital Purposes £000	Net change for the pensions adjustments £000	Other Differences £000	Total Adjustments between funding and Accounting basis £000
People	19,145	1,401	(646)	19,900
Place	20,391	543	4	20,938
Resources	19,338	1,111	10	20,459
HRA	5,225	(128)	6	5,103
Non Service Related	0	(4,269)	0	(4,269)
Net cost of services	**64,099**	**(1,342)**	**(626)**	**62,131**
Other Income and Expenditure				
Other operating expenditure	54,621	0	0	54,621
Financing and Investment Income and Expenditure	(28,950)	17,226	(408)	(12,132)
Taxation and Non-Specific Grant Income	(13,602)	0	5,737	(7,865)
Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit	**76,168**	**15,884**	**4,703**	**96,755**

1D. Prior Period Restatement Of Service Expenditure And Income

This note restates the 2015/16 Consolidated Income and Expenditure Statement into the headings presented in the 2016/17 Expenditure Funding Analysis headings.

Net Expenditure SERCOP service line	As reported in the Comprehensive Income and Expenditure Statement 2015/16 £'000	Adjustments between SERCOP classifications and internal reporting classifications £'000	As restated 2015/16 £'000
Central Services to the Public	7,447	(7,447)	0
RESOURCES		44,714	44,714
Cultural and Related Services	14,033	(14,033)	(0)
Enviromental and Regulatory services	32,436	(32,437)	(1)
Planning Services	(1,934)	1,934	(0)
Public Health	736	(736)	0
PEOPLE	0	211,499	211,499
Education Services	35,764	(35,764)	0
PLACE	0	42,343	42,343
Highways Transport Services	29,777	(29,777)	(0)
Local Authority Housing (HRA)	(20,536)	0	(20,536)
Other Housing Services	10,765	(10,765)	1
Social Care	153,651	(153,650)	1
Corporate and Democratic Core	29,048	(29,049)	(1)
Non-Distributed Costs	(1,709)	10,034	8,325
Cost of Services	**289,478**	**(3,134)**	**286,344**

Gross Expenditure SERCOP service line	£'000	£'000	£'000
Central Services to the Public	13,842	(13,842)	0
RESOURCES	0	363,928	363,928
Cultural and Related Services	19,222	(19,222)	0
Enviromental and Regulatory services	44,426	(44,427)	(1)
Planning Services	13,641	(13,641)	0
Public Health	21,951	(21,951)	0
PEOPLE	0	583,865	583,865
Education Services	299,947	(299,947)	0
PLACE	0	119,106	119,106
Highways Transport Services	60,732	(60,732)	0
Local Authority Housing (HRA)	72,691	0	72,691
Other Housing Services	308,190	(308,190)	0
Social Care	235,738	(235,737)	1
Corporate and Democratic Core	59,243	(59,243)	0
Non-Distributed Costs	(3,508)	10,034	6,526
Cost of Services	**1,146,115**	**1**	**1,146,116**

Gross Income SERCOP service line	£'000	£'000	£'000
Central Services to the Public	(6,395)	6,395	0
RESOURCES	0	(319,214)	(319,214)
Cultural and Related Services	(5,189)	5,189	0
Enviromental and Regulatory services	(11,990)	11,990	0
Planning Services	(15,575)	15,575	0
Public Health	(21,215)	21,215	0
PEOPLE	0	(372,366)	(372,366)
Education Services	(264,183)	264,183	0
PLACE	0	(76,763)	(76,763)
Highways Transport Services	(30,955)	30,955	0
Local Authority Housing (HRA)	(93,227)	0	(93,227)
Other Housing Services	(297,425)	297,425	1
Social Care	(82,087)	82,087	0
Corporate and Democratic Core	(30,195)	30,194	(1)
Non-Distributed Costs	1,799	0	1,799
Cost of Services	**(856,637)**	**(3,135)**	**(859,772)**

2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2017/18 Code:

- Amendment to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration (see paragraph 6.5.5.1 (m) of the 2017/18 Code)

The Code requires implementation form 1 April 2017. Therefore there is no impact on the 2016/17 Statement of Accounts.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

Local Government Funding

There is a high degree of uncertainty about future levels of funding for Local Government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Business Rates

Income from Business Rates will be affected in part by outstanding appeals that have been lodged, or may be lodged in the future. Appeals are made in respect of the rateable value (RV) given to the hereditaments by the Valuation Office Agency (VOA) for the 2010 rating list. The outcomes of appeals on valuation (including both appeals in progress and an estimate of potential future appeals) can only be estimated using methodologies and vulnerability of some types of property to a wide range of valuation opinion and assumptions. The property diversity and the scale of the estimating process therefore carry a degree of risk regarding the accuracy of the resulting appeals provision computed for the Collection Fund within the Statement of Accounts.

Pension Liabilities

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

Details of the Pension Fund liability are provided in Note 42 (Pensions - IAS19 and Accounting Code of Practice disclosure notes).

Schools Ownership

As set out in accounting policy 1.21, the Council has reviewed control of schools on a case by case basis, and recognised only those schools where the Council has the balance of control, as shown in the table below:

	number of schools	Value of Land & Buildings recognised £'000
Community Schools, Foundation Schools, Nursery Schools, Special Schools	42	326,513
Voluntary aided and Voluntary Controlled Faith Schools	16	nil

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 2017 for which there is a risk of adjustment in the forthcoming financial year are as follows:

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

Liabilities are discounted to their present value, using a discount rate of 2.5% (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 difference between the two, the net liability, is a notional figure; the result of applying the measurement rules within IAS19. Their purpose is to provide a consistent framework of measurement for all Pension Funds to facilitate comparability. The result from the measurement rules would only become a reality if a Pension Fund invested all of its funds in high quality corporate bonds. This is not the case; the Pension Fund invests in a wide portfolio of assets utilising the skills of professional fund managers with the objective of securing a return sufficient to meet the obligations of the Fund as they fall due.

IAS19 requires the disclosure of the sensitivity of the results to the methods and assumptions used.
The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:
Change in assumptions at 31 March 2017:

	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	9%	139,159
0.5% increase in the Salary Increase Rate	1%	15,131
0.5% increase in the Pension Increase Rate	8%	122,354

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 and formal review of valuation changes each year is being undertaken to minimise the risk of asset values being mis-stated on the Balance Sheet.

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

Fair Value Measurement

When the fair values of financial assets and liabilities cannot be measured based on quoted process in active markets, their fair value is measured using valuation techniques, such as quoted prices for similar assets, or a discounted cash flow model. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.

Allowance for 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 during the year are highlighted to help the reader understand movements in the Consolidated Income and Expenditure Statement. For the purposes of this note, materiality is set at £15m.

Schools converting to academies

During 2016/17 four schools transferred from London Borough of Croydon ownership to academies owned by private organisations, and a further one school with Foundation status transferred to Academy status. These schools were transferred as finance leases and as a result their net book value of £45.16m has been de-recognised from property, plant and equipment. This has resulted in a deficit of £45.16m in the Consolidated Income and Expenditure Statement, though this is reversed back out through the MIRS to ensure a nil bottom line impact.

Pensions

The net liability on the Pension Fund has increased by £100.8m as a result of a periodic actuarial review. It should be noted that this is not an assessment of the cash value of the funding difference; it is a notional sum that is reversed out through the Local Government accounting mechanism.

Pension Deficit Pre-payment

During 2016-17 the Council took the decision to make a £33.192m pre-payment towards the LGPS pension deficit, which reduced the Council's liability shown in the "long term liabilities" section of the balance sheet. By making an early payment to the pension fund, revenue savings will be achieved by the council during the subsequent three year period, reducing the deficit contribution amount required from the Council over this period.

This pre-payment has resulted in the pension liability being lower than the pensions reserve sum held in the "unusable reserves" section of the balance sheet. This is because the charge from the Council's income & expenditure account to the unusable reserve will still be made over the next three year valuation period (2017/18, 2018/19 and 2019/20). Because the payment of liability was made ahead of the charge to the income & expenditure account, a difference is therefore created between these two pension items, which is represented by a reduction in the council's cash.

	2016/17 £'000
Pension Liability	(561,060)
Pension Reserve	(594,252)
Difference - reduction in cash	**33,192**

National Non-Domestic Rates (NNDR) - provision for appeals

The Council is a billing authority, and maintains a Collection Fund for the receipts and payments relating to Council Tax and Business Rates. During late 2014/15 and early 2015/16, the Council experienced a significant rise in appeal volumes due to changes in national guidance on the back dating of business rate appeals by the Valuation Office Agency (VOA), and was holding a provision for appeals of £26.5m. However, during 2016/17 the Council has observed a much lower volume of successful appeals, which has allowed the Council to reduce it's appeal provision by £15m to £11.5m.

See the Collection Fund and associated notes for further information.

Cash Flow Statement

The layout of the cash flow statement was altered from the 2015-16 accounts in order to assist its transparancy and to more closely reflect the CIPFA Code of Practice. This has led to some of the 2015-16 values being amended to reflect the new categories. The overall cash balance for 2015-16 remained at £27.722m

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Executive Director of Resources and Section 151 officer on 20 September. Other than the item identified below, there were no events affecting the 2016/17 accounts that occurred between 1 April and the date of signing the accounts.

On 11 May 2017, the Council received notification from the Valuation Office Agency that Virgin Media networks had withdrawn their request to merge their ratable value in the 2010 list, which would have caused their rateable value to be retrospectivaly transferred out of Croydon's local list. This loss had been provided for at 100% within Croydon's collection fund, and was calculated at £8m for the period 2010 - 2016. Although the notification was received after the year-end, the provision for this loss was released back into the 2016/17 collection fund.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note provides further details as to the make up of the relevant line in the Movement In Reserves Statement (Page 14)

2016/17	General Fund Balance £'000	HRA Balance £'000	Earmarked Reserves Balance £'000	Capital Receipts Balance £'000	Capital Grants Unapplied Balance £'000	Major Repairs Reserve Balance £'000	Total Usable Reserves Balance £'000
Balances b/f at 1 April 2016	**10,677**	**11,817**	**47,520**	**31,777**	**8,377**	**1,785**	**111,953**
Movement in reserves during 2016-17	0	0	0	0	0	0	0
Surplus or deficit on the provision of services	(84,357)	13,971	0	0	0	0	(70,386)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0
Impairment / Revaluation gains and losses chargable to	0	0	0	0	0	0	0
General Movement in available for sale financial instruments	0	0	0	0	0	0	0
Movement in pensions reserve	0	0	0	0	0	0	0
Total Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0
Total Comprehensive Expenditure and Income	**(84,357)**	**13,971**	**0**	**0**	**0**	**0**	**(70,386)**
Adjustments between accounting basis and funding basis							
Depreciation	24,388	1,639	0	0	0	17,131	43,158
Impairment and revaluation gains and losses chargeable to CI&E	13,099	16	0	0	0	0	13,115
Amortisation of intangible assets	3,716	46	0	0	0	0	3,762
Movements in the fair value of investment properties	(815)	0	0	0	0	0	(815)
Capital grants and contributions	(73,585)	0		0	(58)	0	(73,643)
Revenue expenditure funded from capital under statute	85,310	5,507	0	0	0	0	90,817
Net gain / loss on sale of non-current assets	50,281	(11,519)	0	24,624	0	0	63,386
Amount by which finance costs charged to the CI&E are different from finance costs chargable in the year in accordance with statutory requirements	(86)	(98)	0	0	0	0	(184)
Reversal of items relating to retirement benefits debited or credited to the Expenditure Statement throughout for consistency	(20,741)	(2,162)	0	0	0	0	(22,903)
Employer's pensions contributions and direct payments to pensioners payable in the year	0	0	0	0	0	0	0
Amount by which Council Tax and NNDR income credited to the CI&E is different from the amount taken to the General Fund in accordance with statutory requirements	(4,855)	0	0	0	0	0	(4,855)
Business Rate Supplement Revenue Account	0	0	0	0	0	0	0
Statutory provision for the repayment of debt	(7,428)	0	0	0	0	0	(7,428)
Capital expenditure charged to General Fund and HRA balances		(6,687)	0	0	0	0	(6,687)
Transfers in respect of Community Infrastructure Levy receipts	(2,509)	0	0	0	2,509	0	0
Transfer from Capital Receipts Reserve to Housing Capital Receipts Pool	2,028	0	0	(2,028)	0	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	0	0	(17,626)	(17,626)
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(8,374)	0	0	(8,374)
Compensated absences	1,510	25	0	0	0	0	1,535
Total Adjustments between accounting basis and funding basis under regulations	70,313	(13,233)	0	14,222	2,451	(495)	73,258
2016-17 Net Increase / Decrease before Transfers to / from Earmarked Reserves	(14,044)	738	0	14,222	2,451	(495)	2,872
Transfers to / from Earmarked Reserves	10,060	0	(10,060)	0	0	0	0
Other movements in reserves	4,034	0	(4,034)	0	0	0	0
Net Increase / (decrease) in reserves for the year	50	738	(14,094)	14,222	2,451	(495)	2,872
Balances c/f at 31 March 2017	**10,727**	**12,555**	**33,426**	**45,999**	**10,828**	**1,290**	**114,825**

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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
530,668	**330,958**	**(1,716)**	**(493,412)**	**17**	**2,431**	**(2,237)**	**366,709**	**478,662**
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	**(70,386)**
0	0	0	0	0	0	0	0	0
124,201	0	0	0	0	0	0	124,201	**124,201**
0	0	0	0	0	0	0	0	0
0	0	0	(123,743)	0	0	0	(123,743)	**(123,743)**
124,201	0	0	(123,743)	0	0	0	458	458
124,201	**0**	**0**	**(123,743)**	**0**	**0**	**0**	**458**	(69,928)
(7,035)	(36,124)	0	0	0	0	0	(43,159)	**(1)**
0	(13,115)	0	0	0	0	0	(13,115)	**0**
	(3,762)	0	0	0	0	0	(3,762)	**0**
0	815	0	0	0	0	0	815	**0**
	73,643	0	0	0	0	0	73,643	**0**
0	(90,817)	0	0	0	0	0	(90,817)	**0**
(20,395)	(42,978)	0	0	(13)	0	0	(63,386)	**0**
0	0	185	0	0	0	0	185	**1**
0	0	0	22,903	0	0	0	22,903	**0**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	4,858	0	4,858	**3**
0	0	0	0	0	0	0	0	**0**
0	7,425	0	0	0	0	0	7,425	**(3)**
0	6,687	0	0	0	0	0	6,687	**0**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**0**
0	17,626	0	0	0	0	0	17,626	**0**
0	8,374	0	0	0	0	0	8,374	**0**
0	0	0	0	0	0	(1,535)	(1,535)	**0**
(27,430)	(72,226)	185	22,903	(13)	4,858	(1,535)	(73,258)	0
								0
96,771	(72,226)	185	(100,840)	(13)	4,858	(1,535)	(72,800)	(69,928)
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
96,771	(72,226)	185	(100,840)	(13)	4,858	(1,535)	(72,800)	(69,928)
627,439	**258,732**	**(1,531)**	**(594,252)**	**4**	**7,289**	**(3,772)**	**293,909**	408,734

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note provides further details as to the make up of the relevant line in the Movement In Reserves Statement (Page 14)

2015/16	General Fund Balance £	HRA Balance £	Earmarked Reserves Balance £	Capital Receipts Balance £	Capital Grants Unapplied Balance £	Major Repairs Reserve Balance £	Total Usable Reserves Balance £
Balances b/f at 1 April 2015	**10,677**	**15,267**	**39,284**	**18,100**	**3,620**	**1,425**	**88,373**
Movement in reserves during 2015-16	0	0	0	0	0	0	0
Surplus or deficit on the provision of services	(105,925)	13,958	0	0	0	0	(91,967)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0
Impairment / Revaluation gains and losses chargable to Revaluation Reserve	0	0	0	0	0	0	0
General Movement in available for sale financial instruments	0	0	0	0	0	0	0
Movement in pensions reserve	0	0	0	0	0	0	0
Total Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0
Total Comprehensive Expenditure and Income	**(105,925)**	**13,958**	**0**	**0**	**0**	**0**	**(91,967)**
Adjustments between accounting basis and funding basis under regulations							
Depreciation	30,377	(569)	0	0	0	17,344	47,152
Impairment and revaluation gains and losses chargeable to CI&E	9,478	0	0	0	0	0	9,478
Amortisation of intangible assets	3,962	34	0	0	0	0	3,996
Movements in the fair value of investment properties	(361)	0	0	0	0	0	(361)
Capital grants and contributions	(53,125)	0	0	0	(322)	0	(53,447)
Revenue expenditure funded from capital under statute	63,810	5,760	0	0	0	0	69,570
Net gain / loss on sale of non-current assets	52,591	(9,491)	0	21,448	0	0	64,548
Amount by which finance costs charged to the CI&E are different from finance costs chargable in the year in accordance with statutory requirements	(86)	(98)	0	0	0	0	(184)
Reversal of items relating to retirement benefits debited or credited to the CI&E	14,366	1,518	0	0	0	0	15,884
Employer's pensions contributions and direct payments to pensioners payable in the year	0	0	0	0	0	0	0
Amount by which Council Tax and NNDR income credited to the CI&E is different from the amount taken to the General Fund in accordance with statutory requirements	5,737	0	0	0	0	0	5,737
Business Rate Supplement Revenue Account	0	0	0	0	0	0	0
Statutory provision for the repayment of debt	(6,875)	0	0	0	0	0	(6,875)
Capital expenditure charged to General Fund and HRA balances		(16,635)	0	0	0	0	(16,635)
Transfers in respect of Community Infrastructure Levy receipts	(5,079)	0	0	0	5,079	0	0
Transfer from Capital Receipts Reserve to Housing Capital Receipts Pool	0	2,067	0	(2,067)	0	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	0	0	(16,983)	(16,983)
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(5,704)	0	0	(5,704)
Compensated absences	(633)	6	0	0	0	0	(627)
Total Adjustments between accounting basis and funding basis under regulations	114,162	(17,408)	0	13,677	4,757	361	115,549
2015-16 Net Increase / Decrease before Transfers to / from Earmarked Reserves	8,237	(3,450)	0	13,677	4,757	361	23,582
Transfers to / from Earmarked Reserves	(10,597)	0	10,597	0	0	0	0
Other movements in reserves	2,360	0	(2,360)	0	0	0	0
Net Increase / (decrease) in reserves for the year	0	(3,450)	8,237	13,677	4,757	361	23,582
Balances c/f at 31 March 2016	**10,677**	**11,817**	**47,521**	**31,777**	**8,377**	**1,786**	**111,955**

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note provides further details as to the make up of the relevant line in the Movement In Reserves Statement (Page 14)

Revaluation Reserve Balance £	CAA Balance £	Financial Instruments Adjustment Account Balance £	Pensions Reserve Balance £	Deferred Capital Receipts Balance £	Collection Fund Adjustment Account Balance £	STACA Balance £	Total Unusable Reserves Balance £	Total Authority Reserves Balance £
416,640	**410,306**	**(1,901)**	**(556,625)**	**34**	**8,168**	**(2,864)**	**273,758**	**362,131**
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	(91,967)
0	0	0	0	0	0	0	0	
129,401	0	0	0	0	0	0	129,401	129,401
0	0	0	0	0	0	0	0	0
0	0	0	79,097	0	0	0	79,097	79,097
129,401	0	0	79,097	0	0	0	208,498	208,498
129,401	**0**	**0**	**79,097**	**0**	**0**	**0**	**208,498**	**116,531**
(5,572)	(41,579)	0	0	0	0	0	(47,151)	1
0	(9,478)	0	0	0	0	0	(9,478)	0
0	(3,996)	0	0	0	0	0	(3,996)	0
0	361	0	0	0	0	0	361	0
0	53,447	0	0	0	0	0	53,447	0
0	(69,570)	0	0	0	0	0	(69,570)	0
(9,801)	(54,730)	0	0	(18)	0	0	(64,549)	(1)
0	0	185	0	0	0	0	185	1
0	0	0	(15,884)	0	0	0	(15,884)	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	(5,737)	0	(5,737)	0
0	0	0	0	0	0	0	0	0
0	6,875	0	0	0	0	0	6,875	0
0	16,635	0	0	0	0	0	16,635	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	16,983	0	0	0	0	0	16,983	0
0	5,704	0	0	0	0	0	5,704	0
0	0	0	0	0	0	627	627	0
(15,373)	(79,348)	185	(15,884)	(18)	(5,737)	627	(115,548)	1
114,028	(79,348)	185	63,213	(18)	(5,737)	627	92,950	116,532
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
114,028	(79,348)	185	63,213	(18)	(5,737)	627	92,950	116,532
530,668	**330,958**	**(1,716)**	**(493,412)**	**16**	**2,431**	**(2,237)**	**366,708**	**478,663**

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 2016/17.

	Balance at 1 April 2015 £000	Movement In 2015/16 £000	Balance at 31 March 2016 £000	Movement In 2016/17 £000	Balance at 31 March 2017 £000
General Fund - Non Schools					
Growth Zone	0	7,000	7,000	0	7,000
Street Lighting PFI Sinking Fund Reserve	8,731	(721)	8,010	(1,697)	6,313
Selective Licensing	0	6,208	6,208	(1,654)	4,554
Transformation Fund	3,941	(266)	3,675	(1,522)	2,153
Best Start Transformation Programme	113	1,608	1,721	(521)	1,200
Revolving Investment Fund Reserve	2,106	(980)	1,126	(208)	918
Community Priority Fund	2,235	(884)	1,351	(465)	886
Troubled Families Grant Reserve	1,527	(600)	927	(162)	765
New Homes Bonus	0	657	657	0	657
Croydon Enterprise Loan Fund Limited	0	750	750	(139)	611
Care Act	0	0	0	550	550
Unaccompanied Asylum Seekers Grant	1,216	(185)	1,031	(1,031)	0
Health Transformation	2,254	(689)	1,565	(1,565)	0
TRASC	0	552	552	(552)	0
Other Reserves under £0.5m	5,967	(359)	5,608	(1,094)	4,514
Reablement Reserve	755	(755)	0	0	0
Insurance Reserve	739	(739)	0	0	0
Sub-total Non Schools	29,584	10,597	40,181	(10,060)	30,121
General Fund - Schools:					
Balances held by schools under a scheme of delegation	9,700	(2,361)	7,339	(4,034)	3,305
Total Earmarked Reserves	39,284	8,236	47,520	(14,094)	33,426

	Balance at 1 April 2015 £000	Movement In 2015/16 £000	Balance at 31 March 2016 £000	Movement In 2016/17 £000	Balance at 31 March 2017 £000
HRA:					
New Build Housing	11,272	(1,852)	9,420	0	9,420
Housing Repairs Fund	0	0	0	0	0
Major Repairs Reserve	1,425	360	1,785	(495)	1,290
Contingency Reserve	3,995	(1,598)	2,397	738	3,135
Total	16,692	(3,090)	13,602	243	13,845

8. TRANSFERS TO / FROM EARMARKED RESERVES (continued)

8.1 Earmarked Reserves - Explanations

The Council has established various reserves for specific purposes. The amounts, purposes and objectives of these reserves are summarised below for all reserves over £0.5m:

School Balances (£3.305m)
School balances have decreased by £4.034m to £3.305m. The decrease in reserves is largely due to a number of schools converting to academy status. There are four schools with a revenue deficit. Action plans are agreed with schools in deficit to ensure that they return to a balanced position.

Growth Zone Reserve (£7m)
Funding has been received from the DCLG to fund initial set up and early life costs of Croydon's proposed Growth Zone. This funding will be used to meet borrowing costs of up-front investment until the Growth Zone can be supported by it's own revenue generation.

Street Lighting PFI Sinking Fund (£6.314m)
This balance is held to manage the costs and income of the PFI contract over the duration of its life.

Selective Licensing (£4.555m)
This reserve holds income from Croydon's Selective Licensing scheme, and will be used over the life of the license to improve the standards of private rented housing within the Borough.

Transformation Reserve (£2.153m)
The Transformation Fund is to support the delivery of the transformation programme. These projects have made significant contributions towards the delviery of revenue savings during the life of Croydon Challenge.

Best Start (£1.200m)
Best Start builds on the Council's primary prevention and Family Engagement Partnership work by bringing together midwives, health visitors, early years and other practitioners alongside children’s centres and family support teams to work with and support families from pregnancy through to when the children start school.

Revolving Investment Fund Reserve (£0.918m)
The Revolving Investment Fund is set aside to fund the up-front costs of the schemes within the investment fund.

Community Priority Fund (£0.886m)
This reserve is set aside to support key initiatives of the administration.

Troubled Families Programme (£0.765m)
The troubled family programme continues to support families within the Borough. As there is a timing difference between income and expenditure, these balances need to be carried forward to support the Programme's delivery.

New Homes Bonus (£0.657m)
The Council has top sliced a portion of it's New Homes Bonus revenue grant to fund capital investment within the Borough.

Croydon Economic Loan Fund (£0.611m)
This reserve has been created to improve the access of Croydon Businesses to an economic loan fund

Care Act (£0.550m)
This reserve is held to implement services associated with the Care Act

Other Reserves (£4.514m)
This includes other reserves with a balance of less than £0.500m as at 31st March 2017.

9. OTHER OPERATING EXPENDITURE

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

	2016/17 £000	2015/16 £000
Levies	1,426	1,433
Payments of Housing capital receipts to Government pool	2,028	2,067
(Gain)/loss on disposal of non-current assets	38,735	43,076
(Gain)/loss on revaluation of non-current assets	13,115	9,478
Total	55,304	56,054

A levy is the act of an imposing or collecting an amount of money, as of a tax, by an authority. The money raised is used to meet expediture on various projects. Some of the levies are often apportioned between various authorities. Levies are owed to the following authorities: the Financial Reporting Council - Preparers Levy; London Councils - London Boroughs Grants Scheme; Environment Agency; Lee Valley Regional Park Authority; and the London Pensions Fund Authority.

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

	2016/17 £000	2015/16 £000
Interest payable and similar charges	37,049	34,950
Interest receivable and similar income	(4,190)	(3,886)
Premium on early repayment of debt	134	120
Changes in fair value of investment properties	(815)	(361)
Rent received from investment properties	0	(983)
Net Interest on the net defined liability	41,496	39,381
Expected Return on Pension Assets	(25,404)	(22,155)
Interest received on finance leases (lessor)	(222)	(223)
(Surplus) / deficit on trading undertakings	72	202
Total	48,120	47,045

11. TAXATION AND NON-SPECIFIC GRANT INCOME

	2016/17 £000	2015/16 £000
Credited to Taxation and Non-Specific Grant Income		
Recognised Capital Grants and Contributions	17,150	13,601
Council Tax Income	147,997	141,821
National Non-Domestic Rates (NNDR)	70,346	59,289
Revenue Support Grant	46,801	61,367
Non-service Related Government Grants (see Note 31)	22,523	21,397
Taxation and Non-Specific Grants	304,817	297,475

12. PROPERTY, PLANT AND EQUIPMENT

2016/17	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 2016	827,968	751,095	534	134,283	5,565	21,927	5,036	1,746,408	87,684
Gross Book Value at 1 April 2016	1,077,689	754,090	41,438	240,399	8,363	22,035	5,036	2,149,050	89,758
Additions	18,803	15,494	1,758	17,361	228	0	405	54,049	8,134
Revaluation increase/(decrease) recognised in the Revaluation Reserve	67,638	28,552	0	0	0	779	0	96,969	(1,046)
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	0	(17,700)	0	0	0	(744)	0	(18,444)	297
Derecognition - Disposals	(9,571)	0	0	0	0	0	0	(9,571)	0
Derecognition - Other	0	(52,374)	(40,846)	(65,394)	0	0	0	(158,614)	0
Assets reclassified (to)/from held for sale	0	(7,361)	0	0	0	(1,800)	0	(9,161)	0
Transfers/Reclassifications	0	(7,809)	0	0	0	(210)	(4,340)	(12,359)	0
Other Movements in cost or valuation	(247,503)	0	0	0	0	0	0	(247,503)	0
Gross book value 31 March 2017	907,056	712,892	2,350	192,366	8,591	20,060	1,101	1,844,416	97,143
Accumulated Depreciation and Impairment at 1 April 2016	249,721	2,995	40,904	106,116	2,798	108	0	402,642	2,074
Depreciation for year	18,399	14,063	99	9,927	588	83	0	43,159	3,191
Depreciation written out to the Revaluation reserve	(18,399)	(8,819)	0	0	0	(13)	0	(27,231)	(1,059)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(5,268)	0	0	0	(61)	0	(5,329)	(467)
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	(2,218)	0	-	0	0	0	0	(2,218)	0
Derecognition - Other	0	(800)	(40,846)	(65,394)	0	0	0	(107,040)	0
Transfers/Reclassifications	0	5	0	0	0	(5)	0	0	0
Other movements in Depreciation and Impairment	(247,503)	0	0	0	0	0	0	(247,503)	0
Accumulated Depreciation and Impairment 31 March 2017	0	2,176	157	50,649	3,386	112	0	56,480	3,739
Net book value 31 March 2017	907,056	710,716	2,193	141,717	5,205	19,948	1,101	1,787,936	93,404

12. PROPERTY, PLANT AND EQUIPMENT

This note sets out the changes in gross and net book value of the above groups of assets during 2015/16.

2015/16	**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 2015	907,056	710,716	2,193	141,717	5,205	19,948	1,101	1,787,936	93,404
Gross Book Value at 1 April 2015	990,371	780,167	41,349	209,571	8,204	15,501	9,161	2,054,324	71,294
Additions	27,791	10,351	89	30,828	158	0	4,205	73,422	18,038
Revaluation increase/(decrease) recognised in the Revaluation Reserve	67,446	34,164	0	0	0	1,090	0	102,700	698
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	0	(20,292)	0	0	0	(192)	0	(20,484)	(272)
Derecognition - Disposals	(7,919)	0	0	0	0	0	0	(7,919)	0
Derecognition - Other	0	(44,929)	0	0	0	(6,264)	(8,330)	(59,523)	0
Assets reclassified (to)/from held for sale	0	(4,419)	0	0	0	0	0	(4,419)	0
Transfers/Reclassifications	0	(953)	0	0	0	11,900	0	10,947	0
Other Movements in cost or valuation	0	0	0	0	0	0	0	0	0
Gross book value 31 March 2016	1,077,689	754,089	41,438	240,399	8,362	22,035	5,036	2,149,048	89,758
Accumulated Depreciation and Impairment at 1 April 2015	251,734	9,682	40,139	92,184	2,223	170	0	396,132	1,131
Depreciation for year	16,414	15,395	765	13,932	575	71	0	47,152	2,225
Depreciation written out to the Revaluation reserve	(16,283)	(10,316)	0	0	0	(101)	0	(26,700)	(717)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(10,974)	0	0	0	(32)	0	(11,006)	(565)
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	(2,144)	0	0	0	0	0	0	(2,144)	0
Derecognition - Other	0	(792)	0	0	0	0	0	(792)	0
Transfers/Reclassifications	0	0	0	0	0	0	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0	0
Accumulated Depreciation and Impairment 31 March 2016	249,721	2,995	40,904	106,116	2,798	108	0	402,642	2,074
Net book value 31 March 2016	827,968	751,094	534	134,283	5,564	21,927	5,036	1,746,406	87,684

Council Dwellings

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

Depreciation

The depreciation policy is set out under the Statement of Accounting Policies.

12. PROPERTY, PLANT AND EQUIPMENT (continued)

REVALUATIONS

The Authority carries out a rolling programme to ensure all Property, Plant and Equipment required to be measured is revalued at least every five years. Valuation of Other Land and Buildings were carried out by external valuers Kier. Additionally, an internal annual review was undertaken to determine if there were any material changes to Property, Plant and Equipment as at 31 March 2017 for assets not revalued in 2016/17.

Using the valuation data from the rolling programme, as well as additional specific external revaluations obtained during 2016/17 the internal review identified there had been a material increase in the value of Land and Buildings. Consequently, the Council's Internal valuations team carried out a desk top review of relevant asset categories, to calculate the revaluation changes needed to ensure assets remain stated at current value.

All valuations were carried out in accordance with the methodologies and bases for estimation set in the professional standards of the Royal Institution of Chartered Surveyors. All valuations were as at 31 March 2017.

The valuations of Council dwellings were undertaken externally by Kier as at 31 March 2017. These valuations were carried out in accordance with the methodologies and bases for estimation set out in:

- the professional standards of the Royal Institution of Chartered Surveyors; and
- the Stock Valuation for Resource Accounting Guidance for Valuers 2016 from the Department for Communities and Local Government.

FAIR VALUE HIERARCHIES

The council's investment properties and surplus assets not held for sale has been assessed as Level 2 for valuation purposes (see Note 1.5, Accounting Policies, for explanation of Fair Value levels)

Valuation Techniques Used To Determine Level Two Fair Value

Investment properties and surplus assets have been valued using either the Market or Income approaches to Fair Value. The valuations were carried out by external valuers Kier Business Services.

Valuations have taken into account the following factors:

- existing lease terms and rentals relating to each property, including income produced
- independent research into market evidence including market rentals and yields, adjusted to reflect the nature of each tenancy or void

Highest and Best Use of Investment Properties

In estimating the fair value of Croydon's investment properties and surplus properties, the highest and best use of the properties is deemed to be their current use.

Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

12. PROPERTY, PLANT AND EQUIPMENT (continued)

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- ► Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- ► Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- ► Level 3 - unobservable inputs for the asset or liability

Measurement of fair value of non-financial assets

The following table shows the Levels within the hierachy of non-financial assets measured at fair value on a recurring basis at 31 March 2017. Note, that the majority of Property, Plant and Equipment is carried at current value in accordance with IAS 16 adaptation., and are not carried at fair value.

	Level 1 £000	Level 2 £000	Level 3 £000	31 March 2017 Total £000
Surplus Assets	0	19,947	0	19,947
Investment Properties	0	24,498	0	24,498
Assets held for Sale	0	16,261	0	16,261
Total non-financial assets held at Fair Value	**0**	**60,706**	**0**	**60,706**

CAPITAL COMMITMENTS

Capital schemes with significant contractual commitments for future capital expenditure in 2017/18:

Department	Capital Scheme	Estimated Total Cost 2017-18 £000	Estimated Total Cost 2016-17 £000
People	Primary Capital Programme	43,698	74,060
	Special Educational Needs Capital Programme	13,500	16,444
	Secondary Schools	6,533	8,500
	Acadamies Programme	0	0
Place	New Addington Regeneration	8,500	7,830
	Other Public Realm and infrastructure	22,200	0
	Fairfield Halls refurbishment	0	4,000
	East Croydon Link Bridge	0	0
	College Green	14,000	0
	Brick By Brick Croydon L see note below	274,217	0
Resources	ICT equipment and technical refresh	4,126	6,219
	Total Cost	**386,774**	**117,053**

Note: The Council has made a commitment to provide funding to Brick By Brick Croydon Limited to enable residential le
This will not produce an asset in Croydon's single entity accounts, but will be shown within Croydon's group statements.

13. HERITAGE ASSETS

The carrying value of heritage assets held by the authority is no longer judged to be material, and consequently the Heritage Assets note will no longer be prepared as part of the authority's finanical statements.

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.

	2016/17 Total £000	2015/16 Total £000
Rental income from investment property:		
Commercial rents - other than finance leases	0	175
Commercial rents - finance leases:		
Interest received on finance leases	222	223
Regulation 4 mitigation on finance lease capital receipts	23	25
Net gain/(loss)	245	423

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:

	2016/17 Total £000	2015/16 Total £000
Balance at start of the year	11,325	21,912
Additions:		
Purchases	0	0
Construction	0	0
Subsequent expenditure	0	0
Disposals	0	0
Net gains/losses from fair value adjustments	815	361
Transfers:		
to/from Property, Plant and Equipment	12,359	(10,948)
Other changes	0	0
Balance at end of the year	24,499	11,325

15. INTANGIBLE ASSETS

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

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

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

	2016/17			2015/16		
	Internally Generated Assets	**Other Assets**	**Total**	**Internally Generated Assets**	**Other Assets**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at start of year:						
Gross carrying amounts	0	25,998	25,998	0	25,853	25,853
Accumulated amortisation	0	(17,443)	(17,443)	0	(13,448)	(13,448)
Net carrying amount at start of year	0	8,555	8,555	0	12,405	12,405
Additions:						
Purchases	0	538	538	0	145	145
Amortisation for the period	0	(3,762)	(3,762)	0	(3,996)	(3,996)
Other changes - cost	0	(8,037)	(8,037)	0	0	0
Other changes - amortisation	0	8,037	8,037	0	0	0
Net carrying amount at end of year	0	5,331	5,331	0	8,554	8,554
Comprising:						
Gross carrying amounts	0	18,499	18,499	0	25,998	25,998
Accumulated amortisation	0	(13,168)	(13,168)	0	(17,444)	(17,444)
	0	5,331	5,331	0	8,554	8,554

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

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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

	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000
Financial Liabilities				
	Non-Current		Current	
Borrowings				
Financial liabilities at amortised cost	768,061	729,061	117,503	77,031
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)	80,687	79,572	1,691	(3,755)
Total borrowings	848,748	808,633	119,194	73,276
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities carried at contract amount (see Note 20)	0	0	90,081	87,167
Creditors that are not a financial instrument	0	0	23,335	31,016
Total Creditors	0	0	113,416	118,183
Financial liabilities at amortised cost - cash and cash equivalents	0	0	19,165	28,847

Financial Assets

	Non-Current		Current	
Investments				
Loans and debtors	0	0	95,000	120,000
Available-for-sale financial assets	0	0	0	0
Fair value through profit and loss	31,501	30,001	0	0
Unquoted equity available-for-sale	0	0	0	0
Total Investments	31,501	30,001	95,000	120,000
Loans and debtors	22,619	7,949		0
Financial assets carried at contract amounts (including PFI)	0	0	165,909	126,398
Debtors that are not financial instruments	0	0	(47,511)	472
Total Debtors	22,619	7,949	118,398	126,870
Loans and debtors - cash and cash equivalents	0	0	9,745	1,125

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 increased to £82.378m in 2016/17 (£75.817M in 2015/16)

Financial Instruments - Gains / Losses	Financial Liabilities	Financial Assets			2016/17	2015/16
	Liabilities Measured at Amortised Cost £000	Loans and Debtors £000	Available -for-sale Assets £000	Fair Value Through P&L £000	Total £000	Total £000
Interest expense	37,049	0	0	0	37,049	34,950
Losses on derecognition	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0
Interest payable and similar charges	37,049	0	0	0	37,049	34,950
Interest Income	0	(4,412)	0	0	(4,412)	(4,109)
Gains on derecognition	0	0	0	0	0	0
Interest and investment income	0	(4,412)	0	0	(4,412)	(4,109)

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. Please see Note 1.4 in the Accounting Policies section for further information.

Methods and Assumptions in Valuation Technique

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

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

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

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

The fair values are calculated as follows:

FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	Fair Value Hierarchy	31 March 2017 Carrying Amount £000	31 March 2017 Fair Value £000	31 March 2016 Carrying Amount £000	31 March 2016 Fair Value £000
PWLB - maturity	level 2	614,926	771,122	598,365	690,620
Lender Option Borrower Options (LOBOs)	level 2	139,500	210,683	140,494	178,597
Stock issues	level 1	315	1,309	318	318
Bank overdraft	level 1	19,165	19,165	28,847	28,847
Other borrowings	level 2	130,823	127,382	66,915	67,037
Non-current creditors	-	0	0	0	0
Financial Liabilities		904,729	1,129,661	834,939	965,419

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

	Fair Value Hierarchy	31 March 2017 Carrying Amount £000	31 March 2017 Fair Value £000	31 March 2016 Carrying Amount £000	31 March 2016 Fair Value £000
Cash		0	0	0	0
Money Market Loans	level 1	9,745	9,745	1,125	1,173
Deposits with banks and other Local Authorities	level 1	95,000	95,331	120,000	120,551
Long-term debtors	level 2	22,619	22,619	7,949	7,949
Financial Assets		127,364	127,695	129,074	129,673

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

16. FINANCIAL INSTRUMENTS (continued)

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement as follows:

- Level 1: quoted process (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted process included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 March 2017.

	Level 1 £000	Level 2 £000	Level 3 £000	31 March 2017 Total £000
Financial Assets				
Investments and cash and cash equivalents	105,076	0	0	105,076
Long Term debtors	0	22,619	0	22,619
Total Financial Assets	**105,076**	**22,619**	**0**	**127,695**
Financial Liabilities				
PWLB Loans	0	771,122	0	771,122
LOBO Loans	0	210,683	0	210,683
Long term creditors	20,474	127,382	0	147,856
Total Financial Liabilities	**20,474.0**	**1,109,187.0**	**0**	**1,129,661**

There were no transfers between Level 1 and Level 2 in 2016/17.

Measurement of fair value of financial instruments

The Council's finance team performs valuations of financial items for financial reporting purposes in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly into the Executive Director and Section 151 Officer and to the General Purposes and Audit Committee. Valuation processes and fair value changes are discussed among the General Purposes and Audit committee and the valuation teach at least every year, in line with the Council's reporting date.

The valuation techniques used for material instruments categorised in Levels 2 and 3 are described below:

PWLB and LOBO Loans (Level 2)

The Council's treasury management advisors, Capita Asset Services, carry out an assessment of the fair values of the PWLB and LOBO loans. These are estimated using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market interest rates of similar loans with similar risk. Capita Asset Services have the discount rate based on the equivalent new loan rate for the type of borrowing.

As the fair values have been calculated from observable market data, other than process for identical instruments, these are classified as level 2.

17.Debtors, Payments In Advance (PIA) And Allowance For Doubtful Debt

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

	2016/17 Debtors	2016/17 PIA	2016/17 Allowance for Doubtful Debt	2016/17 Total	2015/16
	£000	£000	£000	£000	£000
Central Government bodies	12,039	0	0	12,039	18,165
Other Local Authorities	134	16	0	150	22,072
NHS bodies	28	0	0	28	4,558
Public corporations and trading funds	0	0	0	0	0
Other entities and individuals	165,909	2,348	(62,076)	106,181	82,075
Total	178,110	2,364	(62,076)	118,398	126,870

18. CASH AND CASH EQUIVALENTS

	2016/17 £000	2015/16 £000
Cash held	69	105
Bank current accounts	(19,235)	(28,952)
Short-term deposits with building societies and Money Market Funds	9,745	1,125
Total	(9,421)	(27,722)

19. ASSETS HELD FOR SALE

	2016/17 £000	2015/16 £000
Balance at start of the year	11,519	7,100
Assets Sold	(4,419)	0
Transfers from / (to) Property, Plant and Equipment	9,161	4,419
Balance outstanding at year end	16,261	11,519

The site of the original Taberner House was revalued internally as part of the 2016-17 revaluations. Using Fair Value (Market value) it was revalued at £12.6m. However, under the CIPFA 2016-17 Code of Practice on Local Authority Accounting, Assets Held For Sale are held at the lower of their Carrying Value (£7.1m) or their Fair Value (£12.6m)

20. CREDITORS AND RECEIPTS IN ADVANCE (RIA)

	2016/17 Creditors	2016/17 RIA	2016/17 Total	2015/16
	£000	£000	£000	£000
Central Government bodies	11,344	1,098	12,442	11,926
Other Local Authorities	12,534	2,482	15,016	9,304
NHS bodies	1,412	0	1,412	2,006
Public corporations and trading funds	323	0	323	239
Other entities and individuals	64,468	19,755	84,223	94,708
Total	90,081	23,335	113,416	118,183

21. PROVISIONS

	Insurance £000	NNDR Appeals £000	HRA Water £000	Other Provisions £000	Total £000
Balance at 1 April 2016	4,811	7,950	0	2,122	14,883
Amounts used in 2016/17	(485)	0	0	(1,346)	(1,831)
Additional provisions made in 2016/17	254	0	4,227	1,693	6,174
Provisions released in 2016/17	0	(4,500)	0	0	(4,500)
Balance at 31 March 2017	4,580	3,450	4,227	2,469	14,726

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 development and sharing of risk management information and associated policies and procedures, the Consortium is creating best practice in this area and looking to reduce the burden of self-insured losses (the majority of cost and losses).

NNDR Appeals
The National Non-Domestic Rates (NNDR) appeals relate to appeals made by businesses to the Valuation Office Agency (VOA) to have their local rateable values reduced which in turn reduces the NNDR collectable by the Council. Croydon Council has a 30% share of all NNDR income after all relevant allowances, reliefs and costs of collection. The NNDR appeal provision is therefore Croydon's share of the expected loss in NNDR net income due to VOA appeals. The level of provision has been released due to lower observed appeal success rates by businesses, and the withdrawl by Virgin Media PLC of a request to have their NNDR liability transferred to another Local Authority area, which Croydon was providing for within the NNDR appeals provision.

HRA Water

A potential liability has arisen concerning the repayment of water charges for the period 2010-2016. The exact amount and timing is not yet known, but an amount has been set aside based on an initial estimate of costs, which is likely to be settled within the next 3 years.

Other Provisions
Other provisions are shown under this heading. No individual provision in this category exceeds £1.0m.

22. USABLE RESERVES

This section provides details of the Council's Usesable Reserves, summarised below:

	2016/17 £000	2015/16 £000
General Fund	10,725	10,677
Housing Revenue Account	12,555	11,817
Earmarked reserves	33,426	47,520
Capital receipts reserve	45,999	31,777
Capital grants unapplied	10,828	8,377
Major repairs reserve	1,290	1,785
	114,823	111,953

22.1. General Fund
The General Fund Balance at 31 March 2017 is £10.727m (31 March 2016 was £10.677m)

22.2. Housing Revenue Account and Major Repairs Reserve
The Housing Revenue Account Balance at 31 March 2017 is £ 13.845m (31 March 2016 is £13.602m). This figure is made up of the surplus of £ 12.555m (31 March 2016: £ 11.817m) and the Major Repairs Reserve of £ 1.290m (31 March 2016: £ 1,785m). Further detail are given in the HRA Statements

22.3. Earmarked Reserves

The Council keeps a number of reserves on the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans. See Note 8 for further details of earmarked reserves.

22.4. Capital Receipts Reserve

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

	General Fund £000	Housing Revenue Account £000	2016/17 Total £000	2015/16 Total £000
Balance brought forward	10,000	21,778	31,778	18,101
Mortgage repayments	0	12	12	18
Net surplus for year	10,000	21,790	31,790	18,119
Receipts from sales of assets during the year	5,755	18,872	24,627	21,430
Cost of disposals	(16)	0	(16)	-
Transfer to Housing Capital Receipts Pool	(2,028)	0	(2,028)	(2,067)
Transfer between General Fund & HRA to offset transfer to Housing Capital Receipts Pool	2,028	(2,028)	0	0
Balance of receipts after transfer	5,739	16,844	22,583	19,363
Balance on account before application of receipts	15,739	38,634	54,373	37,482
Financing of capital expenditure	(8,374)	0	(8,374)	(5,704)
Balance carried forward	7,365	38,634	45,999	31,778

22.5. Capital Grants Unapplied

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

23. UNUSABLE RESERVES

	2016/17 £000	2015/16 £000
Revaluation reserve	627,439	530,668
Capital adjustment account	258,732	330,958
Financial Instruments adjustment account	(1,531)	(1,716)
Pensions reserve	(594,252)	(493,412)
Deferred capital receipts	4	17
Collection Fund adjustment account	7,289	2,431
Short-term accumulating compensated absences account	(3,772)	(2,237)
	293,909	366,709

23.1. Revaluation Reserve

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

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

23. UNUSABLE RESERVES (continued)

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

	2016/17		2015/16
	£000	£000	£000
Balance at 1 April		530,668	416,640
Revaluations upward	137,775		142,151
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(13,574)		(12,750)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		124,201	129,401
The difference in depreciation arising from a revaluation gain and the depreciation charged on the historic cost	(7,035)		(5,572)
Accumulated gain or loss on assets sold or scrapped	(20,395)		(9,801)
Amount written off to the Capital Adjustment Account		(27,430)	(15,373)
Balance at 31 March		627,439	530,668

23.2. 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.

	2016/17		2015/16
	£000	£000	£000
Balance at 1 April		330,958	410,306
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 (including HRA)	(43,159)		(47,151)
Revaluation losses on Property, Plant and Equipment	(21,162)		(22,936)
Impairment/revaluation gains reversing losses previously charged to Comprehensive Expenditure and Income	8,046		13,458
Amortisation of intangible assets	(3,762)		(3,996)
Revenue expenditure funded from capital under statute	(90,817)		(69,570)
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	(63,347)		(64,506)
		(214,201)	(194,701)
Adjusting amounts written out of the Revaluation Reserve		27,430	15,373
Net written out amount of the cost of non-current assets consumed in the year		(186,771)	(179,328)
Capital financing applied in the year:			
Use of the Capital Receipts Reserve to finance new capital expenditure	8,374		5,704
Use of the Major Repairs Reserve to finance new capital expenditure	17,626		16,983
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	73,585		53,125
Application of grants to capital financing from the Capital Grants Unapplied Account	58		322
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	7,428		6,875
Capital expenditure charged against the General Fund and HRA balances	6,687		16,635
		113,758	99,644
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		815	361
Lessor Leases - Regulation 4 Mitigation		(28)	(25)
Balance at 31 March		258,732	330,958

23. UNUSABLE RESERVES (continued)

23.3. 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 2017 shows a balance of £1.5m (£1.7m in 2015/16) 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.

	2016/17 £000	2016/17 £000	2015/16 £000
Balance at 1 April		(1,716)	(1,901)
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	185		185
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		185	185
Balance at 31 March		(1,531)	(1,716)

23.4. 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.

	2016/17 £000	2015/16 £000
Balance at 1 April	(493,412)	(556,625)
Actuarial gains or losses on pensions assets and liabilities	(123,743)	79,097
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	22,903	(15,884)
Balance at 31 March	(594,252)	(493,412)

23.5. 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.

	2016/17 £000	2015/16 £000
Balance at 1 April	17	35
Transfer to the Capital Receipts Reserve upon receipt of cash	(13)	(18)
Balance at 31 March	4	17

23. UNUSABLE RESERVES (continued)

23.6. Collection Fund Adjustment Account

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

	2016/17 £000	2015/16 £000
Balance at 1 April	2,431	8,168
Amount by which Council Tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	4,858	(5,737)
Balance at 31 March	7,289	2,431

23.7. 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.

	2016/17 £000	2016/17 £000	2015/16 £000
Balance at 1 April	(2,237)		(2,868)
Settlement or cancellation of accrual made at the end of the preceding year	2,237		2,868
Amount accrued at the end of the current year	(3,772)		(2,237)
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		(1,535)	631
Balance at 31 March		(3,772)	(2,237)

24. TRADING OPERATIONS

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

25. AGENCY SERVICES

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

The Council currently acts as an agent for three bids:

The Croydon Town Centre bid was incorporated as under Croydon Town Centre Bid Limited from 1 April 2007. Their tenure was extended to 31 March 2022, following al ballot of local businesses during 2016.

The New Addington Business Improvement District 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.

The Purlrey BID was established from the 1st March 2016 following a sucessful ballot of local businesses.

26. POOLED BUDGETS

The Council has entered into three agreements for pooled budgets under Section 75 of the National Health Service Act 2006 All agreements have been documented, approved by Cabinet and the Croydon Clinical Commissioning Group (CCG) and signed.

The first two 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 CCG.

	2016/17			2015/16		
	£000 Council	**£000 Partner**	**£000 Total**	**£000 Council**	**£000 Partner**	**£000 Total**
Croydon's Community Equipment Service						
Funding provied to the pooled budget	(969)	(978)	(1,947)	(948)	(917)	(1,865)
Expeniture met from the pooled budget	1,966	0	1,966	989	1,055	2,044
Net Expenditure	997	(978)	19	41	138	179
Croydon's Community Occupational Therapy Service						
Funding provied to the pooled budget	(264)	(1,515)	(1,779)	(258)	(1,504)	(1,762)
Expeniture met from the pooled budget	925	637	1,562	932	414	1,346
Net surplus/(deficit) arising on the Pooled budget during the year	661	(878)	(217)	674	(1,090)	(416)

26. POOLED BUDGETS (continued)

The most recent agreement is in relation to the Better Care Fund (BCF). This agreement commenced on 1st April 2014 and is hosted by the Croydon Clinical Commissioning Group.

Funding pooled by Croydon Council includes Disabled Facilities Grant and Adult Social Care grant monies. Additional funding is received by the Council from the pool to fund the delivery of agreed objectives set by the BCF Executive Group.

Any surplus or deficit is shared between the pool members pro rata'd on the proportion of funding they contributed to the pool.

	2016/17				2015/16		
	£000 Council	£000 Partner	£000 Unallocated	£000 Total	£000 Council	£000 Partner	£000 Total
Better Care Fund							
Gross Income	(10,474)	(13,836)	(207)	(24,517)	(10,345)	(13,043)	(23,388)
Gross Expenditure	10,018	13,526	0	23,544	10,185	13,203	23,388
Net Expenditure	(457)	(310)	(207)	(974)	(160)	160	0

27. MEMBERS' ALLOWANCES

Total allowances paid to the Members of the Council was £1.475m in 2016/17 (£1.476m in 2015/16). The Council pays employer's national insurance on Members allowances, taking the total cost to £1.607m in 2016/17 (£1.601m in 2015/16)

28. OFFICERS' REMUNERATION

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

Remuneration Band	2016/17 Schools	2016/17 Non-Schools	2015/16 Schools	2015/16 Non-Schools
£185,000 - £189,999	0	0	0	1
£180,000 - £184,999	0	1	0	0
£175,000 - £179,999	0	0	0	0
£170,000 - £174,999	0	0	0	0
£165,000 - £169,999	0	0	0	0
£160,000 - £164,999	0	0	0	1
£155,000 - £159,999	0	1	0	0
£150,000 - £154,999	0	0	0	2
£145,000 - £149,999	0	1	0	0
£140,000 - £144,999	0	0	1	0
£135,000 - £139,999	0	0	0	0
£130,000 - £134,999	2	0	0	0
£125,000 - £129,999	1	2	0	1
£120,000 - £124,999	0	1	1	1
£115,000 - £119,999	0	2	0	1
£110,000 - £114,999	0	5	0	3
£105,000 - £109,999	2	3	1	5
£100,000 - £104,999	2	2	3	0
£95,000 - £99,999	1	3	1	2
£90,000 - £94,999	1	0	2	1
£85,000 - £89,999	1	8	3	7
£80,000 - £84,999	3	7	2	7
£75,000 - £79,999	4	12	6	19
£70,000 - £74,999	14	9	10	10
£65,000 - £69,999	14	20	15	20
£60,000 - £64,999	21	30	27	32
£55,000 - £59,999	37	19	41	22
£50,000 - £54,999	35	74	58	79

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

29. OFFICERS' REMUNERATION (continued)

Executive Leadership Team	Nathan Elvery* Chief Executive	Jo Negrini *** Chief Executive	Jo Negrini *** Executive Director, Place	Richard Simpson**** Assistant Chief Executive, Corporate Resources and Section 151 officer	Richard Simpson**** Executive Director of Resources and Section 151 officer	Barbara Peacock***** Executive Director, People	Paul Greenhalgh** Executive Director, People	Shifa Mustafa****** Executive Director, Place
Start date		29/04/2016			06/09/2016	25/07/2016		15/11/2016
Leave Date	24/06/2016		28/04/2016	05/09/2016			31/07/2016	
	£	£	£	£	£	£	£	£
2016/17								
Basic Salary and allowances	70,555	168,675	12,500	60,901	87,478	113,105	50,000	56,667
Total Remuneration excluding Pension Contributions	**70,555**	**168,675**	**12,500**	**60,901**	**87,478**	**113,105**	**50,000**	**56,667**
Employer's Pension Contributions	6,493	25,470	1,888	9,154	13,197	17,079	7,550	0
Total Remuneration including Pension Contributions	**77,048**	**194,145**	**14,388**	**70,055**	**100,675**	**130,184**	**57,550**	**56,667**
2015/16								
Basic Salary and allowances	189,445	0	150,000	125,000	0	0	150,000	0
Total Remuneration excluding Pension Contributions	**189,445**	**0**	**150,000**	**125,000**	**0**	**0**	**150,000**	**0**
Employer's Pension Contributions	25,380	0	21,150	17,625.0	0	0	21,150	0
Total Remuneration including Pension Contributions	214,825	0	171,150	142,625	0	0	171,150	0

The Council's Executive Leadership team replaced the Corpoate Mangement Team at the start of 2015/16.
***Nathan Elvery left the Council on 24th June 2016. Nathan's pay includes payment as Returning Officer for GLA elections and EU referendum.**
****Paul Greenhalgh left the Council on 31st July 2016**
*****Jo Negrini became Chief Executive on 19th July 2016 .She commenced in acting Chief Executive role on 29th April 2016**
****** Richard Simpson become Executive Director of Resources and Section 151 officer on 6th September 2016**
*******Barbara Peacock become Executive Director of People on 25th July 2016**
********Shifa Mustafa became Executive Director of Place on 15th November 2016**

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

28. OFFICERS' REMUNERATION (continued)

Exit Costs

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

2016/17	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	0	1	1	0	119,287	119,287
£80,000 - £99,999	1	2	3	90,000	184,907	274,907
£60,000 - £79,999	1	7	8	61,247	472,022	533,269
£40,000 - £59,999	0	4	4	0	193,125	193,125
£20,000 - £39,999	1	23	24	31,125	623,284	654,409
£0 - £19,999	8	65	73	96,162	546,477	642,639
Total	11	102	113	278,534	2,139,103	2,417,637

2015/16	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 - £249,998	2	0	2	431,570	0	431,570
£150,000 - £199,999	0	1	1	0	186,557	186,557
£100,000 - £149,999	2	2	4	242,087	259,545	501,632
£80,000 - £99,999	2	0	2	164,370	0	164,370
£60,000 - £79,999	0	7	7	0	496,570	496,570
£40,000 - £59,999	3	7	10	171,949	336,261	508,210
£20,000 - £39,999	6	24	30	180,081	680,758	860,839
£0 - £19,999	42	69	111	292,829	540,720	833,549
Total	57	110	167	1,482,886	2,500,411	3,983,298

29. EXTERNAL AUDIT COSTS

	2016/17 £000	2015/16 £000
Other fees	6	45
Grant Thornton fees payable:		
Audit of annual accounts	173	173
Certification of grant claims	26	48
Audit of 13/14 annual accounts - additional fee		29
Total External Audit Costs	205	295

30. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. Details of the deployment of DSG receivable for 2016/17 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total DSG 2016/17 £000
Final DSG for 2016/17 before academy recoupment			315,417
Academy figure recouped for 2016/17			(142,995)
Total DSG after academy recoupment for 2016/17			172,422
Plus: Brought forward from 2015/16			3,838
Less: Carry-forward to 2017/18 agreed in advance			0
Agreed initial budget distribution in 2016/17	10,151	166,109	176,260
In year adjustments			0
Final budget distribution for 2016/17	10,151	166,109	176,260
Less: actual central expenditure	(9,775)		(9,775)
Less: actual ISB deployed to schools		(166,821)	(166,821)
Carry-forward to 2017/18	376	(712)	(336)

31. GRANT INCOME

This note sets out the grants and contributions the Authority credited to the Comprehensive Income and Expenditure Statement. It includes the funding body, and a description of how the grant was used:

	2016/17 £000	2015/16 £000
Credited to Taxation and Non-Specific Grant Income		
Council Tax Income	147,997	141,821
Revenue Support Grant	46,801	61,367
National Non-Domestic Rates (NNDR)	70,346	59,289
Recognised Capital Grants and Contributions	17,150	13,601
Non-service Related Government Grants (page 67)	22,523	21,397
	304,817	297,475
Taxation and Non-Specific Grants Credited to Services		
Home Office - contribution towards Unaccompanied Asylum Seeking Children costs	19,153	18,725
Communities and Local Government - includes Growth Zone, Troubled Families, Care Act	1,736	12,122
Department for Education - Dedicated Schools Grant	173,921	185,017
Department for Education - includes SEN reform grant and leaving care support	0	1,474
Department of Health - Public Health Grant	22,466	20,285
Department for Work and Pensions - funding for welfare reform and reducing fraud and error	664	1,284
Home Office - Leaving Care support	2,450	2,635
Education Funding Agency - Sixth Form Funding	0	5,861
Electoral Commission	640	0
Private Finance Initiative (PFI) - contribution from Central Government towards PFI costs	8,509	8,509
PE and Sport Grant	457	0
Education Funding Agency - Pupil Premium Grant	9,005	12,601
Skills Funding Agency - Adult Education	3,862	4,370
Department of Education -Staying Put Grant	515	0
Education Funding Agency - Universal Infant Free School Meals	2,637	0
Youth Justice Board - Youth Offending Services	673	0
Home Care Packages	1,058	0
Other Grants	1,934	1,310
Sub Total - Service Grants and Contributions	249,680	274,193
Total Grants Income	554,497	571,668

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

	2016/17 £000	2015/16 £000
Capital Grants Receipts in Advance		
Department for Education - Targeted Basic Needs for School Places	0	15,856
Department for Education - Basic Needs funding for School Places	5,844	13,048
Section 106 allocated receipts in advance	2,818	3,308
Department for Transport - Local Pinch Point Funding to improve the highways network	1,800	1,800
Department for Education - Schools capital maintenance	0	1,420
Department for Education - Schools Condition Funding	3,260	0
Transport for London - Local Implementation Plan	1,229	1,229
Department of Health - Adult Social Care	769	769
Heritage Lottery Fund - Wandle Park	844	844
Department for Education - Universal Free School Meals	182	182
Department for Education - Childrens Centres and Early Years	132	132
Homes & Communities Agency - Council New Build Funding	540	540
Public Health - Food Flagship Programme	780	780
Other grants and contributions	494	130
Total	18,692	40,038

32. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or significantly influence the Council or to be controlled or significantly influenced by the Council. Disclosure of these independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

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

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

Croydon Care Solutions Ltd, Brick By Brick Croydon Limited , Croydon Enterprise Loan Fund Limited and Octavo Schools Partnership:
Further information regarding Croydon's influence over these organisations can be found in the Group Interests section to these accounts, in Note 40.

During the year no Council Members, Executive Directors 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 by issuing a form at the end of the financial year requesting the disclosure of any related party transactions that had taken place within the year.
Members of the Executive Leadership Team were issued with standard letters any potential related party transactions.

The note below has been prepared on a cash basis using the Council's payments system, as it is believed that any accruals are not of a material value. The amounts in the note below represent sums paid by the Council to the 3rd party. Only related party transactions totalling over £100,000 for any individual organisation are considered material and are detailed below:

Organisation	Related Party	Related Party Transaction 2015/16	2016/17 £'000	2015/16 £'000
Academy Schools Wolsey Junior Academy Byron Oasis Academy John Ruskin College Quest Academy Oasis Academy Coulsdon Applegarth Academy	Cllr Carole Bonner - Governor Cllr Jason Perry - Governor Cllr Helen Pollard - Governor Cllr Andy Stranack - Governor Cllr Christoper Wright - Governor Cllr Simon Hall - Partner is a governor	Croydon Council is responsible for passing on various funding streams to Acadamies which are regulated by the Schools funding formula. The council also sells support services to various academies which include utilities and other services.	822	1,486
Brick By Brick Croydon Limi Ltd	Colm Lacey - Director Lisa Taylor - Director	Brick By Brick Croydon Limited is a private, company with the council acting as sole shareholder. The Council has provided funding for residential-led development across a range of sites through a combination of debt and equity.	12,115	0
CACFO Education Centre	Cllr Callton Young - Chair of Trustees	Croydon Council is responsible for delegating a range of education funding in accordance with agreed funding formulas	131	0
Croydon Care Solutions Ltd	Lisa Taylor - Director Pratima Solanki - Director Sarah Ireland - Director Rachel Soni -Director	Croydon Care Solutions Ltd is a wholly owned Local Authority Trading Company (LATC) which provides adult social care services. The payments shown include Council purchases relating to Daycare Opportunities and equipment services, as well as income received by Croydon Council on behalf of CSS for sales to other Local Authorities.	11,664	14,717

32. RELATED PARTY TRANSACTIONS CONTINUED

Organisation	Related Party	Related Party Transaction	2016/17 £'000	2015/16 £'000
Croydon Drop In Centre	Cllr Oliver Lewis - unpaid Director	Purchase of services from this charity by the Council, including the talkbus outreach service, funding healthy lifestyles and councilling services	171	118
Croydon, Sutton, Merton Credit Union	Mark Fowler - board member Graham Cadle - board member Cllr Mark Watson - board member	Commerical loan made to CSMCU to ensure they remain sufficiently capitalised. (£100k) and contribution of funding to enable the Credit Union to review their business model and processes (£20k)	0	120
Fairfield (Croydon) Ltd	Cllr Dudley Mead - Director (until July 2015)	Transfer of funding to facilitate capital works at the Fairfield Halls venue. Note: the venue closed for refurbishment during 2016.	0	811
Fairfield (Services) Ltd	Cllr Dudley Mead - Director Cllr Lynne Hale - Member	Payment of grant funding, hire of premises and facilities use. Note: the venue closed for refurbishment during 2016.	0	147
The Learning Tree Pre School	Cllr Carole Bonner Cllr Simon Hall - Partner is a trustee	Croydon Council is responsible for delegating various funding streams to the Early Years Providers, as determined by the relevant sections of the Schools	247	234
Octavo Partnership	Emma Lindsell - Director	Transfer of education funding for the delivery of specific projects, as well as purchase of schools services and consultancy.	1,291	2,251
Purley BID Community Interest company	Cllr Simon Brew - Board member	Collection and payment of a BID levy on business rates by the Council to the BID company	105	0
Stanley People's Initiative	Cllr Kathy Bee - Trustee Cllr Paul Scott - Trustee	Voluntary sector loan granted by Croydon Council to facilitate the refurbishment of the Stanley Halls arts venue	117	0

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:

	2016/17 £000	2015/16 £000
Receipts		
Pension Contributions - from the Council (employer's contributions)	60,713	29,847
Pension Contributions - from employees (deductions paid over)	7,396	7,861
Total Receipts	68,109	37,708

The employer's contribution includes the effect of Croydon's £33m pre-payment of the pension fund deficit, explained in Note 5.

33. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	General Fund £000	Housing Revenue Account £000	2016/17 Total £000	2015/16 Total £000
EXPENDITURE:				
Property, Plant and Equipment	27,112	18,803	45,915	55,383
Property, Plant and Equipment - PFI	8,134	0	8,134	18,038
Revenue expenditure funded from capital under statute	85,310	5,507	90,817	69,571
Intangible assets	535	3	538	145
	121,091	24,313	145,404	143,137
FINANCED BY:				
Borrowing approvals	30,940	0	30,940	32,330
PFI assets delivered by contractor (repaid through unitary charge)	8,134	0	8,134	18,038
Capital receipts	8,374	0	8,374	5,704
Government grants and other contributions	73,643	0	73,643	53,447
Direct revenue contributions	0	6,687	6,687	10,186
Direct revenue contributions financed from reserves	0	0	0	6,449
Major Repairs Reserve	0	17,626	17,626	16,983
	121,091	24,313	145,404	143,137

EXPLANATION OF MOVEMENTS IN YEAR:	General Fund £000	Housing Revenue Account £000	2016/17 Total £000	2015/16 Total £000
Opening Capital Financing Requirement	558,216	322,497	880,713	843,989
Increase in underlying need to borrow (unsupported by Government financial assistance)	30,940	0	30,940	32,330
MRP / Loans fund principal	(7,428)	0	(7,428)	(5,606)
Property Fund Investment (unsupported by government financial assistance)	1,500	0	1,500	10,000
Closing Capital Financing Requirement	583,228	322,497	905,725	880,713

34. LEASES

A review of accounting disclosures has been undertaken to simplify the accounts and make them more understandable. During the review it was decided that the disclosure of both operating leases and finance leases where the Council is the lessee and lessor would be discontinued. The amounts were not considered to be material to a proper understanding of the accounts together with any narrative of immaterial transactions.

A review will be carried out each year to ensure that the position remains accurate.

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

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

Adults Homes For The Future (formerly New4Old)

Two of the homes opened during 2010 and the other two homes opened during 2011. The care services to the users and residents of the facilities were outsourced to Care UK Limited during 2011/12. The facilities, including management of all soft faci are fully maintained by Caring 4 Croydon Limited, a subsidiary of Care UK Limited . In 2016-17 the payment to Caring 4 Croydon Li comprising 2.56m Annual Unitary Payment (AUP) and 1.3m lease payments; PFI credits of £2.868m were received. The annual payment to Caring 4 Croydon Limited is index-linked to the Retail Price (RPI) index and consequently, will increase each ye until contract expiration in 2038/39.

Ashburton Learning Village

The Ashburton Learning Village incorporates an eight form entry (1,200 capacity) secondary school (Oasis Academy Shirley Park) together with a new purpose built library and a headquarters for the Housebound Library service. The village also houses office and teaching space for the Music Service. The Authority's Community Strategy states the Council's commitment to make Croydon a learning place by recognising the importance of ensuring good education and lifelong learning opportunities for everyone living and working in Croydon. Ashburton Learning Village is an important part of the Community Strategy and fulfils a commitment within the strategy to rebuild Ashburton High School. The Authority has entered into a 30 year contract with Norwest Holst on a design, build and operate basis, that includes enhanced facilities, improved ICT and access to the National Grid for Learning. This is supported through the Government's PFI scheme. The PFI credits include £17.1m from the Department for Education and £4.7m from the Department for Culture, Media and Sport; depending on usage, the Council may pay £53m over the remaining 19 years of the contract.

Street Lighting

The Croydon and Lewisham Street Lighting PFI is a joint procurement project that has been developed to replace the ageing street lighting stock of both London Boroughs. The 25 year contract with Skanska-Laing started in August 2011. In 2016/17 the Annual Unitary Payment to Skanska-Laing was £10.1m; 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	Street Lighting £000	2016/17 Total £000	2015/16 Total £000
Net book value as at 31 March 2016	22,581	23,485	41,618	87,684	70,163
Gross book value as at 31 March 2016	22,581	23,485	43,692	89,758	71,294
Additions	0	0	8,134	8,134	18,038
Revaluation	(923)	174	0	(749)	426
Gross book value as at 31 March 2017	21,658	23,659	51,826	97,143	89,758
Depreciation as at 1 April 2016	0	0	(2,074)	(2,074)	(1,131)
Depreciation for year	(743)	(784)	(1,665)	(3,191)	(2,225)
Deprecation written out after revaluation	743	784	0	1,527	1,282
Net book value as at 31 March 2017	21,658	23,659	48,087	93,404	87,684

Value of Liabilities	Ashburton Learning Village	Adult Homes For The Future	Street Lighting	2016/17 Total £000	2015/16 Total £000
Creditors as at 31 March 2016	(15,343)	(21,610)	(38,662)	(75,615)	(58,861)
"Drawdown" at start of operational period	0	0	(8,134)	(8,134)	(18,038)
Capital repayment	456	483	629	1,568	1,284
Lump sum contribution	0	0	0	0	0
Creditors as at 31 March 2017	(14,887)	(21,127)	(46,167)	(82,181)	(75,615)

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS (continued)

Repayment of Liabilities	Ashburton Learning Village £000	Adult Homes For The Future £000	Street Lighting £000	2016/17 Total £000	2015/16 Total £000
Within one year	481	512	979	1,972	1,569
Within two to five years	2,193	2,377	4,868	9,438	8,794
Within six to ten years	3,470	3,871	8,952	16,293	15,165
Within 11 to 15 years	4,502	5,186	13,705	23,393	21,750
Within 16 to 20 years	4,241	6,947	17,663	28,851	31,067
Within 21 to 25 years	0	2,233	0	2,233	5,402
Within 26 to 30 years					
Total	14,886	21,127	46,167	82,180	83,748

Interest Payments	Ashburton Learning Village £000	Adult Homes For The Future £000	Street Lighting £000	2016/17 Total £000	2015/16 Total £000
Within 1 year	796	1,272	4,105	6,173	6,283
Within 2 to 5 years	2,912	4,762	15,470	23,144	23,788
Within 6 to 10 years	2,913	5,053	16,470	24,436	25,563
Within 11 to 15 years	1,881	3,738	11,716	17,335	18,978
Within 16 to 20 years	546	1,977	4,342	6,865	9,348
Within 21 to 25 years	0	146	0	146	422
Within 26 to 30 years					
Total	9,048	16,948	52,103	78,099	84,381

Service Charge Payments	Ashburton Learning Village £000	Adult Homes For The Future £000	Street Lighting £000	2016/17 Total £000	2015/16 Total £000
Within 1 year	864	1,730	1,433	4,027	4,221
Within 2 to 5 years	3,785	7,467	6,257	17,509	16,941
Within 6 to 10 years	5,530	10,671	9,145	25,346	24,541
Within 11 to 15 years	6,528	12,340	10,877	29,745	28,814
Within 16 to 20 years	5,633	14,228	11,165	31,026	33,339
Within 21 to 25 years	0	4,154	0	4,154	8,172
Within 26 to 30 years					
Total	22,340	50,590	38,877	111,807	116,027

Lifecycle Payments	Ashburton Learning Village £000	Adult Homes For The Future £000	Street Lighting £000	2016/17 Total £000	2015/16 Total £000
Within 1 year	411	405	0	816	816
Within 2 to 5 years	1,643	1,621	0	3,264	3,264
Within 6 to 10 years	2,054	2,026	0	4,080	4,080
Within 11 to 15 years	2,054	2,026	0	4,080	4,080
Within 16 to 20 years	1,541	2,026	0	3,567	3,977
Within 21 to 25 years	0	540	0	540	945
Within 26 to 30 years					
Total	7,703	8,644	0	16,347	17,162

Contingent Rent	Ashburton Learning Village £000	Adult Homes For The Future £000	Street Lighting £000	2016/17 Total £000	2015/16 Total £000
Within 1 year	0	0	81	81	19
Within 2 to 5 years	0	0	399	399	371
Within 6 to 10 years	0	0	563	563	562
Within 11 to 15 years	0	0	441	441	484
Within 16 to 20 years	0	0	39	39	168
Within 21 to 25 years	0	0	0	0	(62)
Within 26 to 30 years	0	0	0	0	0
Total	0	0	1,523	1,523	1,542

36. IMPAIRMENT LOSSES

There were no impairments to assets in 2016/17 (£nil in 2015/16).

37. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The following items have been identified in accordance with accounting policy 1.14:

Municipal Mutual Insurance (MMI) - potential for future claims
In 1993, MMI ceased to accept new business, due to changes in insurance industry requirements. The appointed administrator has set a levy rate of 15%, and London Borough of Croydon is liable for this proportion of any future claim that pre-dates 1993. A likely amount cannot be estimated reliably, and the possibility does remain for the administrator to revise the levy rate, should the company's assets prove insufficient to meet liabilities.

38. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

The annual treasury management strategy for 2016/17 which incorporates the prudential indicators was approved by Council on 22 February 2016 and is available on the Council's website. The key issues within the strategy were:

1. The Authorised Borrowing Limit for 2016/17 was set at £1,132.6 m. This is the maximum limit of external borrowings or other long term liabilities.
2. The Operational Boundary was set at £1,092.7 m. 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 £1,092.7m and £40 m 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

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.

	Amounts at 31 March 2017 £000	Historical Experience of Default %	Estimated Maximum Exposure to Default £000
Deposits with banks and other financial institutions	104,745	Nil	0
Bonds and other securities	0	Nil	0
Customers	0	Nil	0
Total	104,745	Nil	0

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

Liquidity Risk

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

The sum owing of £104.745m has been invested in the banking sector and with other local authorities, and £168m is due to be repaid in less than one year.

Refinancing and Maturity Risk

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

	At 31 March 2017 £000	At 31 March 2016 £000
Loans outstanding:		
PWLB	614,926	594,926
Market debt / LOBOs	213,135	206,320
Temporary borrowing	53,000	0
Local bonds	0	0
Deferred purchases	82,378	0
Other	4,503	338
Total	967,942	801,584
Less than 1 year	80,972	72,523
Between 1 and 2 years	12,888	46,000
Between 2 and 5 years	37,550	71,000
Between 5 and 10 years	61,868	40,575
More than 10 years	774,664	571,486
Total	967,942	801,584

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.

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

According to this assessment strategy, at 31 March 2017, if interest rates had been 1% higher, the financial effect would be:

	At 31 March 2017 £000	At 31 March 2016 £000
Increase in interest payable on variable rate borrowings	0	725
Increase in interest receivable on variable rate investments	0	(1,211)
Increase in Government grant receivable for financing costs	0	0
Impact on Comprehensive Income and Expenditure Statement	0	(486)
Decrease in fair value of fixed rate borrowing liabilities	(164,958)	(121,897)
Impact on CI&E Statement or Movement in Reserves Statement	(164,958)	(121,897)

Note: the council does not hold any variable rate borrowings or investments at the end of the last reporting period.

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

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

39. TRUST FUNDS

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

- ► The Church Tenements Charities: Educational and Church Branches, which provides grants to young people for education purposes (£0.949m)
- ► The Frank Denning Memorial Charity, which provides travelling scholarships (£0.303m).

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

40. GROUP INTERESTS

The Council reviewed its group activities during 2016/17, including a review of the nature of the risks it was exposed to through its group trading activities and the amounts involved after eliminating intragroup transactions. The Council concluded that its group activities were sufficiently material to justify the preparation of Group Accounts this year, but only with respect to one group entity: Brick by Brick (Croydon) Limited. Full details can be found in the "Group Accounts" section.

Group interests are detailed below:

Croydon Council owns a 100% stake in the new development company Brick By Brick Croydon Limited , which has been establi deliver housing across a number of Council owned sites in the Borough. Activity in 2016/17 is considered to be material, and group accounts have been prepared within this statement that include Brick By Brick Croydon Limited activity in this financia

Croydon Council owns a 100% stake in Croydon Care Solutions Ltd (CCS). CCS is therefore a subsidiary of Croydon Council. The Company began operations on 8 March 2011, but ceased trading on 30 November 2016. The value of activity with entities other than Croydon is not judged to be material.

Croydon Council holds 40% of control of the board of Octavo Partnership, which was created to deliver School Improvement services across the Borough of Croydon and beyond, and sells discretionary support services to schools directly whilst delivering statutory services on behalf of Croydon Council. Financial activity in 2016/17 is not considered material.

Croydon also owns a 100% stake in Croydon Enterprise Loan Fund Limited , which is a growth programme designed to support businesses in Croydon to access finance in order to start or grow a business. Group activity is not judged to be material.

The Council 50% stake in CCURV LLP ended during 2016/17, following a voluntary winding up declaration of that entity.

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

This Statement of Accounts was issued on 20 September 2017 by Richard Simpson, Executive Director of Resources and Section 151 officer

42. PENSIONS - IAS19 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES

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

The Teachers' Pension Scheme, administered by Capita Asset Services Teachers' Pensions on behalf of the Department for E
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 2016/17, the Council paid £ 8.532m (2015/16: £9.003m) to Capita Asset Services Teachers' Pensions in respect of teachers' r benefits, representing 16.48 % (2015/16: 15.4%) of pensionable pay.

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

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

Liabilities are discounted to their present value, using a discount rate of 2.5% (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

- 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.

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

Actuarial valuations are carried out every three years as required by legislation. The most recent valuation was undertaken by Hymans Robertson as at 31 March 2016. This identified a funding level of 73% which equates to a deficit of £326m.
The actuary set contribution rates for each employer, after consideration of their relative risk profiles and with the objective of the Fund achieving full funding over a 22 year period.

Discretionary Benefits

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

Actuarial Assumptions	31 March 2017	31 March 2016
Financial assumptions		
Rate of increase in salaries *	2.90%	3.10%
Rate of increase of pensions	2.40%	2.10%
Discount rate	2.50%	3.40%
Split of assets between investment categories		
Equities	53.00%	50.00%
Debt Securities	0.00%	0.00%
Private Equity	8.00%	6.00%
Real Estate	10.00%	11.00%
Investment Funds and Unit Trusts	27.00%	32.00%
Cash / Liquidity	1.00%	1.00%
Life expectancy		
of a male (female) future pensioner aged 65 in 20 years time	24.0 (26.2) years	24.4 (26.7) years
of a male (female) current pensioner aged 65	22.3 (24.4) years	22.3 (24.4) years

Commutation of pension for lump sum at retirement	take 50% of additional tax-free cash up to HMRC limits for pre-April 2008 and 75% of the maximun tax-free cash for post-April 2008 service
Market value of total funds (£ millions)	1,070 as at 31 Mar 2017

* Salary increases are assumed to be 1% until 31 March 2018 reverting to the long term assumption shown thereafter.

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

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability

	31 March 2017			31 March 2016		
	Assets £000	Obligations £000	Net (Liability) /Asset £000	Assets £000	Obligations £000	Net (Liability) /Asset £000
Fair value of employer assets	734,070	0	734,070	716,110	0	716,110
Present value of funded liabilities	0	1,217,902	(1,217,902)	0	1,262,547	(1,262,547)
Present value of unfunded liabilities	0	9,580	(9,580)	0	10,188	(10,188)
Opening Position as at 31 March 2016 and 31 March 2015	**734,070**	**1,227,482**	**(493,412)**	**716,110**	**1,272,735**	**(556,625)**
Service cost:						
Current service cost *	0	31,568	(31,568)	0	33,354	(33,354)
Past service cost (including curtailments)	0	890	(890)	0	1,211	(1,211)
Effect of settlements	(255)	(6,213)	5,958	(54)	(5,986)	5,932
Total Service Cost	**(255)**	**26,245**	**(26,500)**	**(54)**	**28,579**	**(28,633)**
Net interest:						
Interest income on plan assets	25,404	0	25,404	22,155	0	22,155
Interest cost on defined benefit obligation	0	41,496	(41,496)	0	39,381	(39,381)
Impact of asset ceiling on net interest						
Total Net Interest	**25,404**	**41,496**	**(16,092)**	**22,155**	**39,381**	**(17,226)**
Total Defined Benefit Cost Recognised in Profit or (Loss)	**25,149**	**67,741**	**(42,592)**	**22,101**	**67,960**	**(45,859)**
Cashflows:						
Plan participants' contributions	8,190	8,190	0	7,840	7,840	0
Employer contributions	64,312	0	64,312	29,259	0	29,259
Contributions in respect of unfunded benefits	1,183	0	1,183	716	0	716
Benefits paid	(44,800)	(44,800)	0	(39,925)	(39,925)	0
Unfunded benefits paid	(1,183)	(1,183)	0	(716)	(716)	0
Expected Closing Position	**786,921**	**1,257,430**	**(470,509)**	**735,385**	**1,307,894**	**(572,509)**
Remeasurements:						
Changes in demographic assumptions	0	(12,961)	12,961	0	0	0
Changes in financial assumptions	0	270,300	(270,300)	0	(64,033)	64,033
Other experience	0	29,972	(29,972)	0	(16,379)	16,379
Return on assets excluding amounts	163,568	0	163,568	(1,315)	0	(1,315)
included in net interest	0	0	0	0	0	0
Changes in asset ceiling	0	0	0	0	0	0
Total remeasurements recognised in Other Comprehensive Income (OCI)	**163,568**	**287,311**	**(123,743)**	**(1,315)**	**(80,412)**	**79,097**
Exchange differences	0	0	0	0	0	0
Effect of business combinations and disposals	0	0	0	0	0	0
Fair value of employer assets	950,489	0	950,489	734,070	0	734,070
Present value of funded liabilities	0	1,525,973	(1,525,973)	0	1,217,902	(1,217,902)
Present value of unfunded liabilities **	0	18,768	(18,768)	0	9,580	(9,580)
Closing Position as at 31 March 2017 and 31 March 2016	**950,489**	**1,544,741**	**(594,252)**	**734,070**	**1,227,482**	**(493,412)**

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

** (31 March 2017) This liability comprises of approximately £17,231,000 in respect of LGPS unfunded pensions and £1537,000 in respect of Teachers' unfunded pensions. For unfunded liabilities as at 31 March 2017, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension of 50% of the member's pension as at the date of the member's death.

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

The valuation of employer assets used in this analysis differs from the figures presented in the Pension Fund Statements in that it uses an estimate of returns (-0.1%) because it has to be prepared in advance of the year end, whereas the Pension Fund Accounts are prepared on the basis of actual and not assumed figures after the year's end. Regardless of this detail the movement in the value of these assets reflects the stagnation of the financial markets over the reporting period and beyond, a consequence of the continued global financial crisis. The schedule on the previous page shows an decrease in the funding level; the net liability has increased from £493 million to £594 million. The principle driver for this movement is the increase in the present value of funded liabilities, relating to employee members of the scheme, deferred pensioners and pensioners.

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

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

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

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

Fair value of employers assets

The below asset values are at bid value as required under IAS19. Please note, where IAS19 asset splits were not available at the exact start and end dates, we have used the nearest IAS19 assets split prior to these dates.

	Period Ended 31 March 2017				Period Ended 31 March 2016			
Asset Category	**Quoted Prices in Active Markets £000**	**Quoted Prices not in Active Markets £000**	**Total £000**	**Percentage of Total Assets %**	**Quoted Prices in Active Markets £000**	**Quoted Prices not in Active Markets £000**	**Total £000**	**Percentage of Total Assets %**
Equity Securities:								
Consumer	60,429		60,429	6.4	45,401		45,401	6.2
Manufacturing	55,008		55,008	5.8	35,281		35,281	4.8
Energy and Utilities	37,217		37,217	3.9	21,673		21,673	3.0
Financial Institutions	114,687		114,687	12.1	83,091		83,091	11.3
Health and Care	83,404		83,404	8.8	63,184		63,184	8.6
Information Technology	97,011		97,011	10.2	71,114		71,114	9.7
Other	61,025		61,025	6.4	43,436		43,436	5.9
Debt Securities:								
Other								
Private Equity:								
All		76,905	76,905	8.1		45,198	45,198	6.2
Real Estate:								
UK Property	69,198	23,817	93,015	9.8		78,105	78,105	10.6
Overseas Property								
Investment Funds and Unit Trusts:								
Equities	23,585		23,585	2.5	63,812		63,812	8.7
Bonds		175,793	175,793	18.5	149,230		149,230	20.33
Hedge Funds								
Commodities								
Infrastructure		64,845	64,845	6.8		27,906	27,906	3.8
Other								
Derivatives	124		124					
Equivalents:								
All	7,435		7,435	0.8	6,640	0	6,640	.9
Totals	**609,123**	**341,360**	**950,483**	**100**	**582,862**	**151,209**	**734,071**	**100**

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

Key Financial Data Relating to the Current and Four Previous Periods

	31 March 2017 £000	31 March 2016 £000	31 March 2015 £000	31 March 2014 £000	31 March 2013 £000
Present value of benefit obligations	(1,544,741)	(1,227,482)	(1,272,735)	(1,140,775)	(1,200,316)
Fair value of Fund assets	950,489	734,070	716,110	628,335	666,396
Surplus / (Deficit) of the Fund	(594,252)	(493,412)	(556,625)	(512,440)	(533,920)
Experience adjustments on Fund liabilities	(287,311)	(80,412)	100,357	(87,322)	118,656
Expressed as a percentage	18.60%	6.55%	(7.89%)	7.65%	(9.89%)
Experience adjustments on Fund assets	(163,568)	(1,315)	69,873	(50,187)	34,152
Expressed as a percentage	(17.21%)	(0.18%)	9.76%	(7.99%)	5.12%

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.

	Note No.	2016/17 £000	2015/16 £000
Income			
Dwelling rents		(78,196)	(78,389)
Non-dwelling rents		(1,535)	(1,529)
Charges for services and facilities		(13,943)	(13,239)
Contributions towards expenditure		(18)	(70)
Capital grants and contributions receivable		0	0
Total Income		(93,692)	(93,227)
Expenditure			
Repairs and maintenance		12,278	12,167
Supervision and management		37,163	34,155
Rents, rates, taxes and other charges		3,528	3,423
Allowance for debtors		168	827
Depreciation of non-current assets	2.1 & 3	18,771	16,774
Impairment of non-current assets		0	0
Amortisation of intangible assets	2.1	46	34
Revenue expenditure funded from capital under statute	3 & 4	5,507	5,760
Total Expenditure		77,461	73,140
Net cost of HRA services as included in the whole-Authority Comprehensive Income and Expenditure Statement		(16,231)	(20,087)
HRA services share of Corporate and Democratic Core		489	0
HRA share of Pensions Reserve contributions not allocated to specific services	5	(478)	(451)
Net cost of HRA services		(16,220)	(20,538)
Gain or loss on sale of HRA non-current assets		(11,519)	(9,491)
Gain or loss on revaluation of non-current assets		16	0
Housing pooled capital receipt			2,067
Interest payable and similar charges		12,236	12,404
Interest and investment income		(2)	(48)
Pensions interest costs and expected return on pensions assets		1,519	1,646
Capital Grants & Contributions Receivable		0	0
(Surplus)/ deficit for the year on HRA services		(13,970)	(13,960)

THE MOVEMENT IN RESERVES ON THE HRA STATEMENT

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

	Note No.	2016/17 £000	2015/16 £000
HRA surplus balance brought forward		(11,817)	(15,267)
(Surplus)/deficit for the year on the HRA Comprehensive Income and Expenditure Statement		(13,970)	(13,960)
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	(1,639)	569
Amortisation of intangible assets	2.1	(46)	(34)
Impairment of non-current assets	2.1		
Gain or loss on revaluation of non-current assets		(16)	
Gain or loss on sale of HRA non-current assets		11,519	9,491
Capital Grants & Contributions Receivable		0	0
Revenue expenditure funded from capital under statute	3 & 4	(5,507)	(5,761)
Net charges made for retirement benefits in accordance with IAS19		2,162	(1,518)
		6,473	2,747
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		98	98
Capital expenditure funded by the Housing Revenue Account	3	6,687	16,635
Housing pooled capital receipt			(2,067)
		6,785	14,666
Contributions to/from reserves			
Short-Term Accumulating Compensated Absences (STACA)		(25)	(6)
Transfer to/from HRA Balances			0
		(25)	(6)
Net additional amounts		13,233	(6)
(Increase)/decrease in HRA balance for the year		(737)	3,450
HRA balance carried forward		(12,554)	(11,817)

1. NUMBER AND TYPE OF DWELLINGS IN THE HOUSING STOCK

Types of Property	2016/17	2015/16
Houses	**5,273**	5,323
Flats	8,373	8,470
Relocatable Homes	14	14
Total Dwellings	13,660	13,807

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

2016/17	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant Furniture and Equipment £000	Surplus Assets £000	Investment Property £000	Assets Held For Sale £000	Total £000
Net book value as at 1 April 2016	827,969	11,318	0	770	180	0	840,237
Gross book value as at 1 April 2016	1,077,690	11,335	195	770	180	0	1,090,170
Additions	18,803	0	0	0	0	0	18,803
Revaluation increase/(decrease) recognised in the Revaluation Reserve	67,638	7,379	0	0	0	0	75,017
Revaluation increase/(decrease) recognised in Income and Expenditure	0	(16)	0	0	0	0	(16)
Derecognition - Disposals	(9,571)	0	0	0	0	0	(9,571)
Transfers/Reclassifications	0	(7,181)	0	0	(180)	7,361	
Other movements in cost or valuation	(247,503)	0	0	0			(247,503)
Gross book value as at 31 March 2017	907,057	11,517	195	770	0	7,361	926,900
Accumulated Depreciation and Impairment							
At 1 April 2016	249,721	17	195	0	0	0	249,933
Depreciation for year	18,399	355	0	17	0	0	18,771
Depreciation written out to the Revaluation Reserve	(18,399)	(326)	0	0	0	0	(18,725)
Depreciation written out to Income and Expenditure	0	0	0	0	0	0	0
Derecognition - Disposals	(2,218)	0	0	0	0	0	(2,218)
Transfers/Reclassifications							
Other movements in depreciation and impairment	(247,503)	0	0	0	0	0	(247,503)
Accumulated Depreciation and Impairment at 31 March 2017	0	46	195	17	0	0	258
Net book value as at 31 March 2017	907,057	11,471	0	753	0	7,361	926,642

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.

2.2. PROPERTY, PLANT AND EQUIPMENT ASSETS CATEGORY VALUES

The depreciation charge in respect of HRA dwellings is a real charge in the HRA. Unlike depreciation charges in respect of other Local Authority assets, it is not offset against Minimum Revenue Provision (MRP) or reversed out (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. In 2016/17 the Major Repairs Allowance (MRA) for Croydon was £17.626m. The annual 2016/17 HRA depreciation charge was £18.771m, split between dwellings depreciation of £18.399m and non dwellings depreciation of £0.372m. 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 £1.641m - please see Note 3.

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

	31 March 2017	**31 March 2016**
Total Dwellings	13,660	13,807
Leaseholds	2,350	2,152
Garages	2,705	3,190
Parking Spaces	99	95
	18,814	19,244
	£M	**£M**
Vacant possession value of dwellings at 31 March 2017	£3,626	
Vacant possession value of dwellings at 31 March 2016	£3,310	£3,310
Vacant possession value of dwellings at 31 March 2015		£2,952

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

For the Balance Sheet, Council dwellings are required, by the Housing Revenue Account (Accounting Practices) Directions 2007, to be valued in a way that reflects their occupation by sitting tenants enjoying rents at less than open market rents and tenants' rights including the Right to Buy. This reduction from vacant possession values is achieved by the application of an adjustment, known as Existing Use Value - Social Housing (EUV-SH) factor. It is calculated by Government at 25% giving a value of £3,310m x 25% = £828m as at 31 March 2017

The valuation of council dwellings as at 31 March 2017 was undertaken by Kier. This led to an increase in the vacant possession value of £316m to £3,626m. The EUV-SH value was £3,623m x 25% = £907m as at 31 March 2017.

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

	2016/17 £000	2015/16 £000
Expenditure		
Non-current assets (buildings)	18,803	27,791
Revenue expenditure funded from capital under statute	5,507	5,760
Intangible assets	3	67
	24,313	33,618
Financed By		
Borrowing approvals	0	0
Capital receipts	0	0
Government grants and other contributions	0	0
Direct revenue contributions	6,687	10,186
- Direct revenue contributions financed from reserves		6,449
Major Repairs Reserve	17,626	16,983
	24,313	33,618

Capital Receipts

	2016/17 £000	2015/16 £000
Balance brought forward	21,778	8,562
Mortgage repayments	12	18
Other capital receipts	0	0
Net surplus for year	12	18
Receipts from sales of assets during the year	18,872	15,265
Transfer to Housing Capital Receipts Pool (via General Fund)	(2,028)	(2,067)
Balance of receipts after transfer	16,844	13,198
Balance on account before application of receipts	38,634	21,778
Financing of capital expenditure	0	0
Balance carried forward	38,634	21,778

Major Repairs Reserve	2016/17 £000	2015/16 £000
Opening balance as at 1 April	1,786	1,425
Depreciation charge to HRA	18,771	16,775
Capital expenditure during the year	(17,626)	(16,983)
Other reserve adjustments	(1,641)	569
Closing balance as at 31 March	1,290	1,786

4. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue expenditure funded from capital under statute relates to expenditure on assets that do not belong to the Council. The amounts are written out in the movement in reserves statement within the HRA.

5. HRA SHARE OF CONTRIBUTIONS TO THE PENSIONS RESERVE

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

6. DEBTORS AND ALLOWANCE FOR DOUBTFUL DEBT

	2016/17		2015/16	
	Debtors	Allowance for Doubtful Debt	Debtors	Allowance for Doubtful Debt
	£000	£000	£000	£000
Housing Revenue Account rents	7,856	(4,469)	6,172	(4,567)
Housing Revenue Account lease holder service charges/major works	4,896	(332)	5,684	(164)
Housing Revenue Account other debtors	21	0	31	0
	12,773	(4,801)	11,887	(4,731)

INCOME AND EXPENDITURE ACCOUNT

	Note No.	2016/17 Business Rates £000	2016/17 Council Tax £000	2016/17 Total £000	2015/16 Total £000
INCOME DUE					
Council Tax-payers	2		185,855	185,855	178,230
Business Rates	1(a)	111,798		111,798	110,153
Crossrail Business Rate Supplement	1(b)	3,590		3,590	3,287
Total Income		115,388	185,855	301,243	291,670
EXPENDITURE					
Charges to the Collection Fund:					
- Changes in Provision for Bad and Doubtful Debts		531	2,777	3,308	(623)
- Write-offs of Bad Debt		2,125	1,580	3,705	3,574
- Changes in Provision for Appeals		(15,000)	0	(15,000)	19,700
- Cost of Collection		427	0	427	428
- Cost of Collection - Crossrail		9	0	9	11
		(11,908)	4,357	(7,551)	23,090
Total Income less Charges		127,296	181,498	308,794	268,580
Precepts, Demands and Shares:	3				
- London Borough of Croydon		32,732	143,490	176,222	167,882
- Greater London Authority (GLA)		21,821	32,511	54,332	56,577
- Communities and Local Government (CLG)		54,553	0	54,553	57,448
- Communities and Local Government (Crossrail)	1(b)	3,581	0	3,581	3,276
(Surplus)/Deficit for year		(14,609)	(5,497)	(20,106)	16,603
Distribution of Previous Year's Collection Fund Surplus:					
- London Borough of Croydon		(5,224)	9,257	4,033	6,009
- Greater London Authority (GLA)		(3,483)	2,331	(1,152)	105
- Communities and Local Government (CLG)		(8,708)	0	(8,708)	(5,789)
Total Distribution of Previous Year's Collection Fund Surplus		(17,415)	11,588	(5,827)	325
Movement of Collection Fund in the Year		(32,024)	6,091	(25,933)	0
Balance brought forward (surplus)/deficit		26,883	(13,140)	13,743	(3,185)
Balance carried forward (surplus)/deficit		(5,141)	(7,049)	(12,190)	13,743
Allocation of surplus					
Surplus declared in the January Delegation report to be distributed in the following year:					
- London Borough of Croydon		2,178	(5,829)	(3,651)	(3,748)
- GLA		1,452	(1,321)	131	1,299
- CLG		3,630	0	3,630	9,141
Fund balance and deficit carried forward:					
- London Borough of Croydon		(3,721)	81	(3,640)	1,342
- GLA		(2,480)	20	(2,460)	1,408
- CLG		(6,200)	0	(6,200)	4,301
		(5,141)	(7,049)	(12,190)	13,743

INTRODUCTION

This account summarises the transactions of the Collection Fund, the purpose of which is to receive Council Tax and Non-Domestic Rates and apply the proceeds. The Council, together with the Greater London Authority and the Department of Communities and Local Government, demands/precepts upon the Fund to meet its expenditure, from both Council Tax and Non-Domestic Rates. The amounts of the demands/precepts are set at the beginning of the year and cannot vary.

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

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

1 (a) NON-DOMESTIC RATES COLLECTABLE

The Council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform basis set nationally by Central Government. Prior to 1st April 2013, the total amount due, less certain allowances, was paid to a central pool administered by Central Government, which, in turn, paid Local Authorities their share of the pool, such shares being based on a standard amount per head of population.

In 2013/14, the administration of NDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NDR to the central pool, local authorities retain a proportion of the total collectable rates due with the rest distributed to preceptors as follows:

- ► Central Government - 50%
- ► London Borough of Croydon - 30%
- ► Greater London Authority - 20%

The total Non Domestic Rateable Value as at 31 March 2017 was £280,258,828 (£277,153,124 at 31 March 2016). The multiplier for 2016/17 was set at 49.7p (49.3 for 2015/16) and the multiplier for small businesses was set at 48.4p (48.0p for 2015/16).

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, £1,494.13 for 2016/17 (£1,466.39 for 2015/16) 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 2016/17

Valuation Band	Number of Chargeable Dwellings	Band D Proportion	Band D Equivalent Dwellings	Council Tax £.pp	Council Tax Income £000
Band A	1,963	6/9	1,309	996.09	1,955
Band B	12,677	7/9	9,860	1,162.10	14,732
Band C	33,417	8/9	29,704	1,328.12	44,382
Band D	30,058	9/9	30,058	1,494.13	44,911
Band E	18,878	11/9	23,073	1,826.16	34,474
Band F	10,487	13/9	15,148	2,158.19	22,633
Band G	6,909	15/9	11,515	2,490.22	17,205
Band H	573	18/9	1,146	2,988.26	1,712
Total			121,813		182,004
Multiplied by estimated collection rate			97%		
Number of Band D equivalent dwellings			117,793		
Total of Demands/Precepts for year			175,998		
Adjustments during the year (including prior years)					3,851
Final collectable amount					185,855
Income per Collection Fund:					
Council Tax collectable					185,855
Council Tax benefits					0
Final collectable amount					185,855

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 Ltd.

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.

	2016/17 £.pp	2015/16 £.pp
Band D equivalent Council Tax charge	1,494.13	1,466.39
Split thereof:		
Croydon	1,218.13	1,171.39
Greater London Authority	276.00	295.00
Total	1,494.13	1,466.39
Payment to Croydon		
Share of Band D equivalent Council Tax charge	1,218.13	1,171.39
Number of Band D equivalent dwellings	117,795	113,893
Total	143,489,623.35	133,413,121.27
Rounded to £000's	143,490	133,413
Payment to the Greater London Authority		
Share of Band D equivalent Council Tax charge	276.00	295.00
Number of Band D equivalent dwellings	117,795	113,893
Total	32,511,420.00	33,598,435.00
Rounded to £000's	32,511	33,598

GROUP MOVEMENT IN RESERVES STATEMENT

2016/17	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	Total Unusable Reserves Balance £000	Total Authority Reserves Balance £000
Balance b/f at 1 April 2016	**10,677**	**11,817**	**47,520**	**31,777**	**8,377**	**1,785**	**111,953**	366,707	478,660
Movement in reserves during 2016/17:									
Surplus or (deficit) on provision of services	(85,198)	13,971	0	0	0	0	(71,227)		(71,227)
Other Comprehensive Expenditure and Income	(93)	0	0	0	0	0	(93)	458	365
Total Comprehensive Expenditure and Income	(85,291)	13,971	0	0	0	0	(71,320)	458	(70,862)
Adjustments between accounting basis and funding basis under regulations	70,311	(13,233)	0	14,222	2,451	(495)	73,256	(73,256)	0
Net increase/Decrease before Transfers to Earmarked Reserves	(14,980)	738	0	14,222	2,451	(495)	1,936	(72,798)	(70,862)
Transfers to/(from) Earmarked Reserves	14,094	0	(14,094)	0	0	0	0	0	0
Net increase/(decrease) in reserves for the year	(886)	738	(14,094)	14,222	2,451	(495)	1,936	(72,798)	(70,862)
Balance c/f at 31 March 2017	9,791	12,555	33,426	45,999	10,828	1,290	113,889	293,909	407,798

2015/16	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	Total Unusable Reserves Balance £000	Total Authority Reserves Balance £000
Balance b/f at 1 April 2015	**10,677**	**15,267**	**39,284**	**18,100**	**3,620**	**1,425**	**88,373**	273,758	362,131
Movement in reserves during 2015/16:									
Surplus or (deficit) on provision of services	(105,925)	13,958	0	0	0	0	(91,967)		(91,967)
Other Comprehensive Expenditure and Income								208,498	208,498
Total Comprehensive Expenditure and Income	(105,925)	13,958	0	0	0	0	(91,967)	208,498	116,531
Adjustments between accounting basis and funding basis under regulations	114,162	(17,408)	0	13,677	4,757	361	115,549	(115,548)	1
Net increase/Decrease before Transfers to Earmarked Reserves	8,237	(3,450)	0	13,677	4,757	361	23,582	92,950	116,532
Transfers to/(from) Earmarked Reserves	(8,237)	0	8,237	0	0	0	0	0	0
Net increase/(decrease) in reserves for the year	0	(3,450)	8,237	13,677	4,757	361	23,582	92,950	116,532
Balance c/f at 31 March 2016	10,677	11,817	47,521	31,777	8,377	1,786	111,955	366,708	478,663

Further details about the movements in earmarked reserves can be found in Note 8, and details around movements in all reserves can be found in Note 22 and 23.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Note/Page No.	2016/17 Gross £000	2016/17 Income £000	2016/17 Net £000	2015/16 Net £000
Gross expenditure, income and net expenditure of continuing operations					
Place		100,694	(56,738)	43,956	42,344
People		561,298	(367,334)	193,964	211,499
Resources		391,841	(340,920)	50,921	53,039
HRA		77,600	(93,823)	(16,223)	(20,536)
Exceptional Items					0
Net cost of services		1,131,433	(858,815)	272,618	286,346
Other operating expenditure	9			55,305	56,054
Financing and Investment Income and Expenditure	10			48,215	47,045
Taxation and Non-Specific Grant Income	11			(304,818)	(297,475)
(Surplus) or Deficit on Provision of Services				71,320	91,970
(Surplus) or deficit on revaluation of non-current assets				(124,201)	(129,401)
Remeasurement of the net defined benefit liability				123,743	(79,097)
Other Comprehensive Income and Expenditure				(458)	(208,498)
Total Comprehensive Income and Expenditure				70,862	(116,528)

GROUP BALANCE SHEET

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

	Note/ Page No.	31 March 2017 £000	£000	31 March 2016 £000
Operational Assets (Property, Plant and Equipment)	12			
Council dwellings		907,057		827,968
Other land and buildings		711,214		751,095
Vehicles, plant, furniture and equipment		2,193		534
Infrastructure		141,717		134,283
Community assets		5,205		5,565
Total Operational Assets (Property, Plant and Equipment)			1,767,386	1,719,445
Non-Operational Assets (Property, Plant and Equipment)				
Assets under construction		11,784		5,037
Surplus assets not held for sale		19,947		21,927
Total Non-Operational Assets (Property, Plant and Equipment)			31,731	26,964
Heritage Assets	13	3,153		3,153
Investment property				
Investment property	14	24,498		11,325
Intangible Assets	15			
Software		5,331		8,555
Assets under construction				
Long-term Investments				
Non-property investments	16	19,346		30,001
Investments in Associates and Joint Ventures				
Long-term Debtors	16	22,619		7,949
Long-term Assets			1,874,064	1,807,392
Short-term Investments				
Non-property investments excluding cash equivalents	16	95,000		120,000
Assets held for sale (< 1 year)	19	16,261		11,519
Inventories		78		155
Short-term debtors, payments in advance and provision for doubtful debts	17	118,398		126,870
Cash and cash equivalents	18	9,745		1,125
Current Assets			239,482	259,669
Bank overdraft	18	(19,165)		(28,847)
Short-term borrowing	16	(119,194)		(73,276)
Short-term creditors and receipts in advance	20	(113,416)		(118,183)
Short-term provision	21	(5,004)		(717)
Current Liabilities			(256,779)	(221,023)
Long-term Creditors				
Provisions	21	(9,722)		(14,166)
Long-term borrowing	16	(848,708)		(808,633)
Deferred capital creditors		(10,785)		(11,127)
Other non-current liabilities				
Net pensions liability	42	(561,060)		(493,412)
Capital grants receipts in advance	31	(18,692)		(40,038)
Long-term Liabilities			(1,448,967)	(1,367,376)
Net Assets			407,800	478,662
Usable reserves				
General Fund	22.1	9,791		10,677
Housing Revenue Account	22.2	12,555		11,817
Earmarked reserves	8	33,426		47,520
Capital receipts reserve	22.4	45,999		31,777
Capital grants unapplied	22.5	10,828		8,377
Major repairs reserve	HRA 3	1,290		1,785
			113,889	111,953
Revaluation reserve	23.1	627,439		530,668
Capital adjustment account	23.2	258,732		330,958
Financial Instruments adjustment account	23.3	(1,531)		(1,716)
Pensions reserve	23.4	(594,252)		(493,412)
Deferred capital receipts	23.5	4		17
Collection Fund adjustment account	23.6	7,291		2,431
Short-term accumulating compensated absences account	23.7	(3,772)		(2,237)
			293,911	366,709
Total Reserves			407,800	478,662

Signed: Richard Simpson,
Executive Director of Resources and Section 151 officer

20 September 2017

GROUP CASH FLOW STATEMENT

	Note No.	2016/17 £000	2016/17 £000	2015/16 £000	2015/16 £000
OPERATING ACTIVITIES					
The cash flows for operating activities include the following, memorandum, items:					
Interest Paid		36,832		34,748	
Interest and investment property rental income Received		(4,505)		(5,088)	
Net (surplus) or deficit on the provision of services	1A & 7		71,320		91,968
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements					
Depreciation	7,12 &32.2	(43,159)		(39,286)	
Impairment and downward valuations	7 & 9	(13,115)		(9,117)	
Amortisations	7,15&23.2	(3,762)		(3,996)	
(Increase)/decrease in creditors		5,109		7,779	
Increase/(decrease) in debtors		(8,472)		8,960	
Increase/(decrease) in inventories		(77)		(31)	
Movement in pension liability	1B,7 & 23.4	22,903		(15,884)	
Carrying amount of non-current assets sold	23.2	(63,347)		(64,506)	
Provisions		157		(7,508)	
Movements in the value of investment properties	7,10,14 & 23.2	815		361	
Other non-cash movements		(10,196)		16,290	
			(113,144)		(106,938)
Items included/excluded from net surplus or deficit on the provision of services:					
Pension deficit pre-payment	5	33,192		0	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	22.4	24,627		(21,431)	
Any other items for which the cash effects are investing or financing cash flows		65,469		58,204	
			123,288		36,773
Net cash (inflow)/outflow from operating activities			81,464		21,803
INVESTING ACTIVITIES					
Purchase of property, plant and equipment, investment property and intangible assets		71,851		72,612	
Purchase of short-term and long-term investments		100,736		108,208	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(24,627)		(21,431)	
Capital grants		(40,027)		(38,975)	
Proceeds from short-term and long-term investments		(121,682)		(70,379)	
Net cash (inflow)/outflow from investing activities			(13,749)		50,035
FINANCING ACTIVITIES					
Cash receipts from short-term and long-term borrowing		(138,944)		(63,783)	
Cash payments for the reduction of the outstanding liabilities to finance leases and on-Balance Sheet PFI contracts (Principal)		1,569		1,211	
Repayments of short-term and long-term borrowing		51,359		5,000	
Net cash (inflow)/outflow from financing activities			(86,016)		(57,572)
Net (increase)/decrease in cash and cash equivalents			(18,301)		14,266
Cash and cash equivalents at the beginning of the reporting period			27,722		13,456
Cash and cash equivalents at the end of the reporting period	18		9,421		27,722
Cash held	18		69		105
Bank current accounts	18		(19,235)		(28,952)
Short-term deposits with building societies and Money Market Funds	18		9,745		1,125
Cash and cash equivalents as at 31 March			(9,421)		(27,722)

NOTES REGARDING THE GROUP ACCOUNTS

The Group Accounting Policies
The Group Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2016/17 and using the line-by-line consolidation method for subsidiaries under IFRS 10, Consolidated Financial Statements There are no material subsidiaries or associated organisations excluded from the Group Accounts. There are no material differences in the accounting policies of the Council or any of the companies or organisations forming part of the Group Accounts

Basis of Consolidation
The group financial statements have been prepared by consolidating Croydon Council's single entity accounts with Brick by Brick (Croydon) Limited, a separate development company that is a 100% subsidiary of the Council.

During the course of 2016/17, a material amount of activity has been undertaken by Brick By Brick Croydon Limited , that required group accounts to be prepared. There are no material amounts of activity with other group entities ommitted from the Council's group financial statements.

Brick By Brick Croydon Limited - Loans between the parties
The Council has provided funding to Brick By Brick Croydon Limited to undertake development activity relating to a variety of sites arour borough, as well as working capital for the operation of the company. Loan balances, interest owed on these balances, and the provision of support services by Croydon Council to Brick By Brick Croydon Limited have been eliminated from the group statements.

At 31 March 2017, the balance of loans outstanding from Brick By Brick Croydon Limited to Croydon Council was:

	£'000
Site aquisition	499
Development Costs	12,768
Working capital and interest	933
Total loans to Brick by Brick	**14,200**

Co-terminus accounting statements
Brick by Brick's accounting period runs from January to December. To ensure accounting data is co-terminus, accounting data for the period April 2016 to December 2016 has been added to the period January 2017 - March 2017 to ensure that these group statements are co-terminus.

Croydon Pension Fund 2016/17

September 2017

CROYDON
www.croydon.gov.uk

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

We have audited the pension fund financial statements of London Borough of Croydon (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). 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 2016/17.

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

Respective responsibilities of the Executive Director of Resources and Section 151 Officer and auditor

As explained more fully in the Statement of Responsibilities, the Executive Director of Resources 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 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Resources and Section 151 Officer; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion:

► the pension fund financial statements present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and of the amount and disposition at that date of the fund's assets and liabilities; and

► the pension fund financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the audited pension fund financial statements.

Elizabeth Jackson
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

(date)

CROYDON'S ROLE AS A PENSION ADMINISTERING AUTHORITY

In addition to acting as a Local Authority, Croydon Coucil administers the Local Government Pension Scheme. As a Local Authority it is accountable to the residents of the London Borough of Croydon for its stewardship of public funds. As an administering authority for the LGPS it is accountable both to employees who are members of the Pension Fund, and to past employees in receipt of a pension, for its stewardship of pension assets. The two roles, and the relevant interest groups, are significantly different. Consequently, the Pension Fund accounts are presented in an appendix to clearly demonstrate the distinction.

FUND'S OPERATIONS AND MEMBERSHIP

The London Borough of Croydon Pension Fund (the Fund) operates a contributory defined benefit scheme whose purpose is to provide benefits to all of the Council's employees, with the exception of teaching and NHS staff, and to the employees of admitted and scheduled bodies who are members of the Fund. These benefits include retirement pensions and lump sums, ill-health retirement benefits and payment of death benefits where death occurs either in service or in retirement. The benefits payable in respect of service from 1st April 2014 are based on career average revalued earnings and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index.

The Fund is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:
the Local Government Pension Scheme Regulations 2013, (as amended);
the Local Government Pension Scheme Transitional Provisions, Savings and Amendment) Regulations 2014, (as amended);
the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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

Admitted:
AXIS Europe plc (Housing Repairs), BRIT School, Cabrini Children's Society, Capita Secure Information Solutions Limited Carillion Integrated Services Limited, Churchill Services Limited, Croydon Citizen's Advice Bureau, Croydon Care Solutions Limited, Croydon Community Mediation, Croydon Voluntary Action, Eldon Housing Association Limited, Kier Highways Limited, Fairfield (Croydon) Limited, Fusion Lifestyle, Ground Control Limited, Impact Group Limited, Interserve plc, Keyring Living Support Networks, London Hire Services Limited, Octavo Partnership Limited, Olympic (South) Limited, Quadron Services Limited, Roman Catholic Archdiocese of Southwark, Skanska Construction UK Limited, Sodexo Limited Turning Point, Veolia Environmental Services (UK) Recycling Limited (Croydon), Vinci Facilities Limited, Veolia Environmental Services (UK) Recycling Limited (SLWP1), Wallington Cars & Couriers Limited, Westgate Cleaning Services Limited.

Scheduled:
Meridan (Addington) High Academy, Aerodrome Primary Academy, Applegarth Academy, The Archbishop Lanfranc School, ARK Oval Primary Academy, Atwood Primary School, Beulah Infants School, Broadmead Primary Academy, Castle Hill Academy, Chesnut Park Primary School, Chipstead Valley Primary School, Coulsdon College, Crescent Primary Academy, Croydon College, David Livingstone Academy, Edenham High School, Fairchildes Primary, Forest Academy, Gonville Academy, Good Shepherd Catholic Primary, Harris Academy (Purley), Harris Academy (South Norwood), Harris Academy (Upper Norwood), Harris City Academy (Crystal Palace), Harris Primary Academy (Benson), Harris Primary Academy (Kenley), Harris Invictus Academy Croydon,Harris Primary Academy Haling Park,Heathfield Academy John Ruskin College, New Valley Primary, Norbury Manor Business and Enterprise College, Oasis Academy Byron, Oasis Academy Arena, Oasis Academy Coulsdon, Oasis Academy Ryelands, Oasis Academy Shirley Park, Pegasus Academy, Quest Academy, Riddlesdown Collegiate, Robert Fitzroy Academy, Rowdown Primary School, Shirley High School Performing Arts College, South Norwood Academy, St Chad's Catholic Primary School, Davidson Primary Academy Krishna Avanti Primary School, St Cyprian's Greek Orthodox Primary School Academy, St James the Great RC Primary and Nursery School, St Joseph's College, St Mark's COE Primary School, St Mary's Infants School, St Mary's Junior School St Thomas Becket Catholic Primary School, Winterbourne Junior Boys, West Thornton Primary Academy, Wolsey Junior Academy, Paxton Academy, Woodcote High School, The Woodside Academy, Kingsley Primary Croydon, STEP Academy Trust.

Management of the Fund
The London Borough of Croydon has a statutory responsibility to administer and manage the London Borough of Croydon Pension Fund on behalf of all the participating employers of the Fund in Croydon and the past and present contributing members and their dependents.

The Council is also responsible for making decisions governing the way the Fund is invested. In this respect, the Council delegates responsibility for making investment decisions and monitoring arrangements to the Pension Committee. The Pension Committee's responsibilities include reviewing and monitoring the Fund's investments; selecting and deselecting investment managers and other relevant third parties and establishing investment objectives and policies. The Pension Committee is made up of eight voting Members of the Council, two non-voting pensioner representatives, one co-opted non-voting member and a non-voting employee representative. In addition, the Committee is supported by officers and external advisors.

FUND ACCOUNT

	Notes	2016/17 £'000	2015/16 £'000
Dealings with members, employers and others directly involved in the fund			
Contributions	8	87,205	52,518
Individual Transfers in from Other Pension Funds		4,684	1,429
		91,889	**53,947**
Benefits			
Pensions	9	40,424	39,792
Commutation, Lump Sum Retirement and Death Benefits	9	10,214	10,326
Payments to and on Account of Leavers			
Individual Transfers Out to Other Pension Funds		4,162	1,727
Refunds to Members Leaving Service		78	127
		54,878	**51,972**
Net additions from dealings with members		**37,011**	**1,975**
Management Expenses	10	**6,466**	**3,031**
RETURNS ON INVESTMENTS			
Investment Income	11	17,367	14,460
Taxes on Income (Irrecoverable Withholding Tax)	11	(795)	(648)
		16,572	**13,812**
Profit and loss on disposal of investments and changes in the market value of investments	13	**179,912**	**3,671**
Net returns on investments		**196,484**	**17,483**
Net increase in the Fund during the year		**227,029**	**16,427**
Net assets at the start of the year		877,026	860,599
Net assets at the end of the year		**1,104,055**	**877,026**

NET ASSETS STATEMENT

	Notes	31 March 2017 £'000	31 March 2016 £'000
Investments held by the Fund Managers:			
Global equities - segregated funds	13	575,427	435,188
Global equities - pooled funds	13	-	61,962
Private equity	13	92,584	59,534
Infrastructure	13	83,247	43,373
Fixed Interest	13	191,155	179,915
Property	13	103,621	92,431
Derivatives	13	152	74
Total Investments held by the Fund Managers		1,046,186	872,477
Other Balances held by the Fund Managers			
Cash held by the Fund Managers	13	17,460	4,310
Investment income due	13	2,738	2,295
Amounts payable for purchases	13	(41)	(794)
Total Other Balances held by the Fund Managers		20,157	5,811
Total Assets held by the Fund Managers		1,066,343	878,288
Current Assets	17	39,254	6,986
Current Liabilities	18	(1,542)	(8,248)
Net Assets of the fund available to fund benefits		**1,104,055**	**877,026**

NOTES TO THE PENSION FUND ACCOUNTS

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 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code of Practice on Local Authority Accounting in the United Kingdom is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and the net assets available to pay pension benefits. They do not take account obligations to pay pensions and benefits which fall due after the accounting year. The actuarial position of the fund which does take into account such obligations is dealt with in note 23.

2. INVESTMENT STRATEGY STATEMENT

This is published on the Croydon Pension Scheme web page
http://www.croydonpensionscheme.org/croydon-pension-fund/about-us/forms-and-publications

3. BASIS OF PREPARATION

Going Concern
The Pension Fund Accounts have been prepared on a going concern basis. That is the accounts assume that the Fund will continue in operational existence for the foreseeable future. This means, in particular, that the accounts assume that there is no intention to curtail significantly the scale of operations.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management expenses
Pension fund management expenses are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

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

Oversight and Governance costs
All oversight and governance expenses are account for on an accruals basis. All staff costs associated with oversight and governance are charged to the Fund.

The cost of obtaining investment advice from the external advisors is included in oversight and governance costs.

Investment management expenses
All investment management expenses are accounted for 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. Quoted securities and Pooled Investment Vehicles have been valued at bid price. Quoted securities are valued by the Fund's custodian; Bank of New York Mellon. Pooled Investments, Private Equity, Infrastructure and Pooled Property Investments are as quoted by their fund managers.

Derivatives
Derivatives are valued at fair value on the following basis: assets at bid price and liabilities at offer price.
Changes in the fair value are included in the change in market value in the Fund account.
The value of open futures contracts is determined using exchange prices at the reporting date.

Foreign currency transactions
Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the year end.

Cash and cash equivalents
Cash comprises cash in hand and 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 by the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 23).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Additional voluntary contributions
The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential plc as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 22).

5. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Pension fund liability
The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 23. This estimate is subject to significant variances based on changes to the underlying assumptions.

Unquoted private equity and infrastructure investments
It is important to recognise the highly subjective nature of determining the fair value of many private equity and infrastructure investments. They are inherently based on forward-looking estimates and judgements involving factors which include the valuations of companies deemed comparable to the asset being valued, the future cash flow expectations and discount factors used.

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

The statement of accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different in the forthcoming year.

Actuarial present value of promised retirement benefits
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the fund managers with expert advice about the assumptions to be applied.

The effects on the net pension liability can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liablity of £163m. A 0.5% increase in the salary increase assumption would result in a £26m increase in the pension liability. A 0.5% increase in the pension increase assumption would result in a £136m increase to the pension liability.

7. FUND INFORMATION

The last full triennial Actuarial Valuation was completed as at 31 March 2016 which calculated the total accrued liabilities to be £1,203m (2013: £1,064m). The market value of the Fund's assets at the valuation date was £877m (2013: £705m). The Fund deficit was therefore £326m (2013: £359m) producing a funding level of 73% (2013: 66.3%). The next triennial valuation is due effective 31 March 2019.

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

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

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

	Contribution rate required as a percentage of pay (Primary Rate from 17/18)		Plus Additional Payment (Secondary rate from 17/18)		
	2016/17 % of pay	2017/18 % of pay	2016/17 £'000	2017/18 £'000/%	
London Borough of Croydon Pool					
London Borough of Croydon	15.1	17.6	11,594	-2.5%	*
Octavo Partnership Limited	24.2	16.6	-	-2.5%	plus 6
Fairfield (Croydon) Limited	15.1	ceased	22	ceased	
Croydon Care Solutions Limited	15.1	ceased	201	ceased	

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

	2016/17 % of pay	2017/18 % of pay	2016/17 £'000	2017/18 £'000/%
Further Education Bodies				
Croydon College	15.1	17.5	393	530
Coulsdon College	15.1	18.3	84	57
John Ruskin College	15.1	18.1	55	82
(Community) Admission Bodies				
Croydon Voluntary Action	20.4	18.9	76	36
Croydon Citizens Advice Bureau	20.4	30.6	6	6
Croydon Community Mediation	20.4	18.0	2	4
Admission Bodies				
Kier Highways Limited	23	27.2	-	-20.4%
Impact Group Limited	19.6	30.1	-	-10.5%
London Hire Services Limited	19.2	28.6	-	-9.4%
Churchill Services Limited	16.6	28.4	-	-8.7%
Veolia Environmental Services (UK) Recycling Limited (Croydon)	24.3	26	28	-4.3%
Fusion Lifestyle	13.6	23.6	2	-1.1%
Olympic South Limited	20.4	29.8	-	5
Wallington Cars & Couriers Limited	15.5	29	-	-13.5%
Vinci Facilities Limited	19.9	32.3	-	-32.3%
Skanska Construction UK Limited	24.7	31.6	-	-10.4%
Sodexho Limited	18.2	29.9	-	-14.9%
Ground Control Limited	23.6	22.2	-	-22.2%
Carillion Integrated Services Limited	20.7	29	-	-8.3%
Quadron Services Limited	27.1	27.3	-	-0.2%
AXIS Europe plc (Housing Repairs)	25.5	27.5	-	-2.0%
Capita Secure Information Solutions Limited	24.6	28.0	-	-3.4%
Keyring Living Support Networks	25.6	29.4	-	-0.8%
Westgate Cleaning Services Limited	27	30.0	-	-
Interserve plc	23.2	ceased	78	ceased
Veolia Environmental Services (UK) Recycling Limited (SLWP1)	15.5	25.4	-	-9.9%
Roman Catholic Archdiocese of Southwark	18.7	31.4	4	4

	Contribution rate required as a percentage of pay (Primary Rate)		Plus Additional Payment (Secondary Rate)	
	2016/17	2017/18	2016/17	2017/18
Academies	% of pay	% of pay	£'000	£'000 /%
Harris Academy (South Norwood)	15.1	16.8	6	11
BRIT School	17.9	16.6	38	21
Harris City Academy (Crystal Palace)	13	15.4	-	-0.2%
St Joseph's College	20.9	18.7	57	30
St Cyprian's Greek Orthodox Primary School	17.8	18.7	16	7
Norbury Manor Business and Enterprise College	18.3	18.2	53	28
Woodcote Academy	19.3	18.8	80	38
St James the Great R.C Primary	24.9	20.0	60	39
Meridian (Addington) High Academy	18.5	18.5	52	28
Riddlesdown Collegiate	17.3	18.1	88	54
Shirley High School	19.6	18.3	53	32
Oasis Academy Byron	18.6	18.7	16	7
Robert Fitzroy Acadmey	11.5	15.5	-	0.3
St Thomas Becket RC Primary	21.2	19.6	24	14
Aerodome Primary Academy	18.1	17.7	15	11
Oasis Academy Coulsdon	20.8	18.0	68	46
Oasis Academy Shirley Park	18.1	18.0	132	79
Harris Academy (Purley)	17.5	17.3	53	34
The Quest Academy	20.4	17.4	49	31
ARK Oval Primary Academy	15.3	18.2	7	2
Pegasus Academy Trust	18.7	17.2	96	49
Gonville Academy	19.9	18.4	18	12
West Thornton Primary Academy	16.8	18.1	44	25
David Livingstone Academy	16.0	18.0	1	0.8%
Applegarth Academy	18.3	18.2	23	10
Harris Primary Academy Benson	18.4	19.9	33	21
Harris Academy Kenley	16.0	18.5	11	7
Forest Academy	16.9	18.1	11	9
Castle Hill Academy	16.5	18.5	25	17
Wolsey Junior Academy	20.4	18.1	30	23
Atwood Primary School	17.3	19.1	17	20
Winterbourne Junior Boys	19.1	19.8	27	18
Oasis Academy Ryelands	16.3	18.1	36	30
Chipstead Valley Primary School	19.8	18.7	40	30
Fairchildes Primary School	15.7	17.8	76	58
Broadmead Primary Academy	18.8	18.1	79	53
Rowdown Primary School	24.6	18.9	26	18
St Mark's COE Primary School	21.2	17.8	17	10
New Valley Primary	20.7	18.5	15	10
Archbishop Lanfranc School	23.8	19.4	124	101
Harris Invictus Academy Croydon	16.5	17.4	-	-
Harris Primary Academy Haling Park	16.5	16.0	-	-0.8%
Paxton Academy	16.1	15.7	-	-0.7%
Edenham High School	23.5	18.6	101	111
St Mary's Infants School	24.1	19.1	52	33
St Mary's Junior School	24.1	18.5	24	16
Heathfield Academy	22.1	16.8	1	-
Crescent Primary Academy	19.5	16.6	13	15
Oasis Academy Arena	17.1	15.9	3	2
Good Shepherd Catholic Primary	21.4	17.5	38	28
South Norwood Academy	14.1	17.9	-	35
Chesnut Park Primary School	16.4	15.9	-	-
St Chad's Catholic Primary School	26.9	26.9	-	-
St Aidan's Catholic Primary School	23.2	23.2	-	-
Davidson Primary School	26.0	26.0	-	-
Krishna Avanti Primary School	19.1	19.1	-	-
The Woodside Academy	29.4	29.4	-	-
Kingsley Primary Croydon	19.2	19.2	-	-
STEP Academy Trust	18.3	18.3	-	-

Employees in the scheme are required by the Local Government Pension Scheme Transitional Regulations 2014 to make contributions to the Fund by deductions from earnings. The contribution rate payable is determined by the pay band applicable to each individual employee.
The pay bands for 2016/17 remained the same as 2015/16 and are detailed below:

Band	2016/17 Range £	Contribution Rate %
1	0 -13,600	5.5%
2	13,601-21,200	5.8%
3	21,201-34,400	6.5%
4	34,401-43,500	6.8%
5	43,501-60,700	8.5%
6	60,701-86,000	9.9%
7	86,001-101,200	10.5%
8	101,201-151,800	11.4%
9	151,800+	12.5%

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

	2016/17	2015/16	% change
Contributing members	9,462	8,757	8.1%
Deferred pensioners	8,861	8,676	2.1%
Pensioners	7,292	7,103	2.7%
Total	25,615	24,536	4.4%

8. CONTRIBUTIONS

By Authority:	2016/17 £'000	2015/16 £'000
Administering Authority	71,374	37,751
Scheduled bodies	12,561	10,598
Admitted bodies	3,270	4,169
	87,205	52,518

By Type	2016/17 £'000	2015/16 £'000
Employees normal contributions	11,263	10,964
Employers:		
Normal contributions	26,915	24,952
Deficit recovery contributions	47,839	14,353
Augmentation contributions	1,188	2,249
	87,205	52,518

9. BENEFITS

	2016/17 £'000	2015/16 £'000
Pensions	40,424	39,792
Commutation and lump sum retirement benefits	8,779	9,166
Lump sum death benefits	1,435	1160
	50,638	50,118

10. MANAGEMENT EXPENSES

	2016/17	2015/16
	£'000	£'000
Administration	1,340	1,323
Oversight and Governance	618	492
Investment management	4,508	1,216
	6,466	3,031

Included in oversight and governance expenses is £21k (2016: £21k) in respect of audit fees. Some investment managers charge fees within the fund's net asset value and these (implicit) fees are not easily identifiable. For 2016/17 invesment management fees have been adjusted to reflect the implicit fees charged by managers and a corresponding adjustment has been made to the change in market value. For 2016/17 the implicit fee was £3,452k and for 2015/16 the charge would have been £2,786. Included in the investment mangement expenses are £58k (2016: £52k) in respect of transaction costs.

11. INVESTMENT INCOME

	2016/17	2015/16
	£'000	£'000
Equity dividends	13,995	11,834
Property funds	3,343	2,578
Interest on cash deposits	29	46
Other income	-	2
Total before taxes	17,367	14,460
Taxes on income	(795)	(648)
Total	16,572	13,812

12. INVESTMENTS

The Fund used the following investment managers during the year.

Asset Category	**Fund Managers**
Equities	Legal and General Investment Management Limited (LGIM)
Private equity	Knightsbridge Advisors LLC, Pantheon Ventures LLP, Access Capital Partners, North Sea Capital and Markham Rae LLP
Infrastructure	Equitix Limited, Temporis Capital Limited and UK Green Investment Bank
Fixed Interest	Standard Life plc and Wellington Management Company LLP
Property	Schroder Investment Management Limited and M&G Investment Management Limited
Cash	Cash is invested by the in-house team

All managers have discretion to buy and sell investments within the constraints set by the Pension Committee and their respective Investment Management Agreements. Each manager has been appointed with clear strategic benchmarks which place maximum accountability for performance against that benchmark on the investment manager.
The Pension Committee has authorised the Executive Director of Resources and Section 151 Officer to exercise delegated powers to vary the Pension Fund's target asset allocation between asset classes as is deemed necessary.

The market value and proportion of investments managed by each fund manager at 31 March 2017 was as follows

	2017		2016	
	Market	Market	Market	Market
	£'000	%	£'000	%
Legal and General Investment Management Limited	575,429	55.0%	497,224	57.0%
London LGPS CIV Limited (London CIV)	150	0.0%	-	-
Pantheon Ventures LLP (Pantheon)	63,400	6.1%	43,435	5.0%
Knightsbridge Advisors LLC (Knightsbridge)	18,865	1.8%	14,081	1.6%
Access Capital Partners (Access)	9,465	0.9%	2,018	0.2%
North Sea Capital	855	0.1%	-	-
Markham Rae LLP	(1)	0.0%	-	-
Equitix Limited	47,706	4.6%	37,779	4.3%
Temporis Capital Limited (Temporis)	9,705	0.9%	5,594	0.6%
UK Green Investment Bank (GIB)	25,836	2.5%	-	-
Standard Life plc	128,077	12.2%	120,792	13.9%
Wellington Management Company LLP (Wellington)	63,078	6.0%	59,123	6.8%
Schroder Investment Management Limited (Schroders)	94,128	9.0%	92,431	10.6%
M&G Investment Management Limited (M&G)	9,493	0.9%	-	-
Total investments	**1,046,186**	**100.0%**	**872,477**	**100.0%**

13. RECONCILIATION IN MOVEMENT IN INVESTMENTS

	Market value 01 April 2016	Purchases and derivative payments	Sales and derivative receipts	Change in market value	Market value 31 March 2017
	£'000	£'000	£'000	£'000	£'000
Global equities - segregated funds	435,188	67,805	(56,165)	128,599	575,427
Global equities - pooled funds	61,962	0	(74,220)	12,258	-
Private equity	59,534	21,947	(9,174)	20,277	92,584
Infrastructure	43,373	40,518	(6,672)	6,028	83,247
Fixed Interest	179,915	55	(662)	11,847	191,155
Property	92,431	17,203	(5,956)	(57)	103,621
Derivatives	74	71	(467)	474	152
	872,477	**147,599**	**(153,316)**	**179,426**	**1,046,186**
Cash deposits	4,310			486	17,460
Amounts receivable for sales	-				-
Investment income due	2,295				2,738
Amounts payable for purchases	(794)				(41)
Net investment assets	**878,288**	**147,599**	**(153,316)**	**179,912**	**1,066,343**

	Market value 01 April 2015	Purchases and derivative payments	Sales and derivative receipts	Change in market value	Market value 31 March 2016
	£'000	£'000	£'000	£'000	£'000
Global equities - segregated funds	430,301	62,548	(43,105)	(14,556)	435,188
Global equities - pooled funds	50,438	40,000	(29,627)	1,151	61,962
Private equity	45,248	12,958	(4,412)	5,740	59,534
Infrastructure	29,485	11,785	(2,079)	4,182	43,373
Fixed Interest	178,717	49	-	1,149	179,915
Hedge funds	32,398	-	(32,228)	(170)	-
Property	77,346	10,765	(1,768)	6,088	92,431
Derivatives	36	297	(167)	(92)	74
	843,969	**138,402**	**(113,386)**	**3,492**	872,477
					-
Cash deposits	10,118			179	4,310
Amounts receivable for sales	-				-
Investment income due	1,205				2,295
Amounts payable for purchases	(39)				(794)
Net investment assets	**855,253**	**138,402**	**(113,386)**	**3,671**	**878,288**

14. ANALYSIS OF INVESTMENTS

		2017			2016		
		UK £'000	Foreign £'000	Total £'000	UK £'000	Foreign £'000	Total £'000
Global equities-segregated funds							
LGIM	Quoted	54,468	520,809	575,277	47,805	387,233	435,038
London CIV	Unquoted	150	-	150	150	-	150
Total equities		54,618	520,809	575,427	47,955	387,233	435,188
Global equities - pooled funds							
LGIM	unit trust	-	-	-	61,962	-	61,962
Total pooled investments		-	-	-	61,962	-	61,962
Private Equity							
Pantheon	managed fund	-	63,400	63,400	-	43,435	43,435
Knightsbridge	managed fund	-	18,865	18,865	-	14,081	14,081
Access	managed fund	-	9,465	9,465	-	2,018	2,018
North Sea Capital	managed fund	-	855	855	-	-	-
Markham Rae LLP	managed fund	-	(1)	(1)	-	-	-
Total private equity		-	92,584	92,584	-	59,534	59,534
Infrastructure							
Equitix Limited	managed fund	47,706	-	47,706	37,779	-	37,779
Temporis	managed fund	9,705	-	9,705	5,594	-	5,594
GIB	managed fund	25,836	-	25,836	-	-	-
Total Infrastructure		83,247	-	83,247	43,373	-	43,373
Fixed Interest							
Standard Life plc	unit trust	128,077	-	128,077	120,792	-	120,792
Wellington	managed fund	-	63,078	63,078	-	59,123	59,123
Total Fixed Interest		128,077	63,078	191,155	120,792	59,123	179,915
Property							
Schroders	managed fund	94,128	-	94,128	92,431	-	92,431
M&G	managed fund	9,493	-	9,493			
Total Property		103,621	-	103,621	92,431	-	92,431
Derivatives (Quoted) LGIM		-	152	152	-	74	74
Total investments		**369,563**	**676,623**	**1,046,186**	**366,513**	**505,964**	**872,477**

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

	2017		2016	
	Market £'000	Market %	Market £'000	Market %
Standard Life SLI Absolute Return Global Bond Strategies	66,349	6.4%	64,972	7.4%
Standard Life Corporate Bond	61,728	6.0%	55,820	6.4%
Wellington Sterling Core Bond Plus Portfolio	63,078	6.1%	59,123	6.8%
LGIM World Equity Index	-	0.0%	61,962	7.1%
Total value of investments	**191,155**	**18.5%**	**241,877**	**27.7%**

16. ANALYSIS OF DERIVATIVES

LGIM use derivatives in South Korean markets in order to maintain equity exposure in line with the FTSE 4Good Index rather than trading directly in this market.

Type	Expires	2017 Economic Exposure £'000	2017 Market £'000	2016 Economic Exposure £'000	2016 Market £'000
Assets					
Overseas Equity	less than 1 year	3,853	152	3,298	74
Total value of investments		3,853	152	3,298	74

17. CURRENT ASSETS

	2016/17 £'000	2015/16 £'000
Cash balances	36,164	2,522
Other Local Authorities - Croydon Council	894	2,357
Other Entities and Individuals	2,196	2,107
	39,254	6,986

18. CURRENT LIABILITIES

	2016/17 £'000	2015/16 £'000
Other Local Authorities - Croydon Council	-	(5,976)
Other entities and individuals	(1,542)	(2,272)
	(1,542)	(8,248)

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.

19. INFORMATION IN RESPECT OF MATERIAL TRANSACTIONS WITH RELATED PARTIES

Related Parties

Related parties include:

a. councillors and their close families
b. certain Officers and Managers
c. entities controlled by, and associates and joint ventures of, the scheme itself
d. companies and businesses controlled by the Councillors or their close families

Three members of the Pensions Committee or their close family members had positions with employers in the fund. The details of their interests are outlined below.

Councillor	Fund Employer	Contributions payable by Fund Employer £	Amount Outstanding at 31 March 2017 £	Date of Payment
Cllr Buttinger	Hayes School Kenley	Part of Council payroll	-	
Cllr Hall	Wolsey Junior Academy	125,999	-	
Cllr Hall	Applegarth Academy	130,984	23,000	11 May 2017
Cllr Wentworth	St James the Great School	143,836	66,516	£6,156 paid 19/04/17
Cllr Wentworth	STEP Academy Trust	649,815	24,030	11 May 2017
Cllr Mead	Forestdale Primary	Part of Council payroll	-	
Cllr Mead	Courtwood Prmary School	Part of Council payroll	-	

Officers and Managers

Related parties under this heading include:

a. key management (senior officers) of the Fund and their close families
b. companies and businesses controlled by the key management of the Fund, or their close families.

The key mangement personnel of the fund are the Executive Director of Resources (Section 151 Officer), the Director of Finance (Deputy Section 151 Officer) and the Head of Pensions and Treasury.
During the year a charge of £123k (2016: £103.5k) was made to the Fund for their services.

The only other financial relationship that either councillors or officers and managers have with the Fund is as prospective or actual pensioners for those who are scheme members. For further details please refer to Note 33 of the London Borough of Croydon's Statement of Accounts 2016/17.

20. 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.

21. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

The Fund had outstanding capital commitments of £164.7m at 31 March 2017(2016:£113.8m) based on:

USD 91.5m at exchange rate 1.25 equals £73.2m (2016: £40.9m)
EUR 35.5m at exchange rate 1.17 equals £30.4m (2016: £21.3m)
GBP £61.1m (2016: £51.5m)

These commitments related to outstanding call payments due on Private Equity, Infrastructure and Property investments. The amounts 'called' by these funds are both irregular in size and timing over a period of usually 3 to 6 years from the date of the original commitment.

22. 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 £254.9k for 2016/17 (£265k in 2015/16), are sent directly to the relevant AVC provider.
The value at 31 March 2017 of separately invested additional voluntary contributions was £2.17m (£1.98m in 2015/16).

23. PENSION FUND ACCOUNTS REPORTING REQUIREMENTS

Actuary's Statement

International Financial Reporting Standards require a disclosure of the Fund's past service liabilities in a manner consistent with International Accounting Standard 19 (IAS19), and the requirements of International Accounting Standard 26 (IAS26). It should be noted that some of the assumptions used when calculating liabilities under IAS19 are different compared to those when producing an on-going funding valuation under the Local Government Pension Scheme (Administration) Regulations 2014.

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2016/17 requires administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Croydon Pension Fund ('the Fund').

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in pension fund accounts:

► showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;

► as a note to the accounts; or

► by reference to this information in an accompanying actuarial report.

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

Present value of promised retirement benefits

Year ended	31 Mar 2017 £m	31 Mar 2016 £m
Active members	630	631
Deferred members	439	324
Pensioners	710	508
Present Value of Promised Retirement Benefits	1,779	1,463

The promised retirement benefits have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016 (2013). The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Furhter I have not made any allowance for unfunded benefits.

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

23. PENSION FUND ACCOUNTS REPORTING REQUIREMENTS (continued)

Assumptions
The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2017 and 31 March 2016. I estimate that the impact of the change in financial assumptions to 31 March 2017 is to increase the actuarial present value by £294m. I estimate the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £19m.

Financial Assumptions

Year ended	31 Mar 2017 %p.a.	31 Mar 2016 %p.a.
Pensions Increase Rate	2.4%	2.2%
Salary Increase Rate	3.0%	3.2%
Discount Rate	2.6%	3.5%

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

	Males	Females
Current Pensioners	22.3 years	22.3 years
Future Pensioners (assumed to be age 45 at the latest formal	24.0 years	24.4 years

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation Assumptions
An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis
CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used.The sensitivies regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2017	Approximate increase to pension liabilities (%)	Approximate increase to pension liabilities (£m)
0.5% increase in pensions increase rate	8%	136
0.5% increase in salary increase rate	1%	26
0.5% decrease in the discount rate	9%	163

The principal demopgraphic assumption is the longevity assumption. For sensitivity purposes, I estimate tha a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional Notes
This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2016 for IAS19 purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:- Rich Wa.

Richard Warden FFA

8 May 2017

For and on behalf of Hymans Robertson LLP

24. EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period

25. FINANCIAL INSTRUMENTS

Below is the target asset allocation agreed by Pension Committee and in force during 2016/17

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

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

25. FINANCIAL INSTRUMENTS (Continued)

Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and Net Assets Statement heading.

	Designated as fair value through profit and loss £'000	Loans and Debtors £'000	Financial assets and liabilities at amortised cost £'000
Financial Assets			
Fixed interest securities	191,155	-	-
Global equities	575,427	-	-
Pooled property investments	103,621	-	-
Private equity	92,584	-	-
Infrastructure	83,247	-	-
Derivatives	152	-	-
Other investment balances	-	20,198	-
Current Assets	-	39,254	-
Total Financial Assets	**1,046,186**	**59,452**	**-**
Financial Liabilities			
Other investment balances	-		(41)
Current liabilities	-	-	(1,542)
Total Financial Liabilities	**-**	**-**	**(1,583)**
Net Assets	**1,046,186**	**59,452**	**(1,583)**

Net Gains and Losses on Financial Instruments	**31 March 2017 £'000**
Financial assets	
Fair value through profit and loss	179,912
Loans and debtors	-
Financial assets measured at amortised cost	-
Financial liabilities	
Fair value through profit and loss	-
Loans and debtors	-
Financial liabilities measured at amortised cost	-
Total	**179,912**

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	1,046,186	1,046,186
Loans and Debtors	59,452	59,452
Total Financial Assets	**1,105,638**	**1,105,638**
Financial Liabilities		
Fair value through profit and loss	-	-
Financial liabilities at amortised cost	**(1,583)**	(1,583)
Total Financial Liabilities	**(1,583)**	**(1,583)**

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 various unquoted equity investments 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 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 2017	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial Assets				
Financial assets at fair value through profit and loss	766,734	103,621	175,831	1,046,186
Loans and Debtors	59,452	-	-	59,452
Financial Liabilities				
Loans and Debtors	**(1,583)**	-	-	**(1,583)**
Net financial assets	824,603	103,621	175,831	1,104,055

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.

Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuers or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by fair value of the financial instruments. Possible losses from shares sold short is unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the fund investment strategy.

Price risk - sensitivity analysis

The following table demonstrates the change in net assets available to pay benefits if the market price had increased or decreased by 10%. The analysis excludes cash, debtors, creditors, other investment balances and forward foreign exchange, as these financial instruments are not subject to price risk.

Assets exposed to price risk	Value £'000	Value on Increase £'000	Value on Decrease £'000
At 31 March 2016	872,477	959,725	785,229
At 31 March 2017	**1,046,186**	**1,150,805**	**941,567**

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.

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.

Assets exposed to interest rate risk	Value £'000	Value on Increase £'000	Value on Decrease £'000
At 31 March 2016	186,747	205,422	168,072
At 31 March 2017	**244,779**	**269,257**	**220,301**

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.

Currency exposure - asset type	Asset Value as at 31 March 2017 £'000
Overseas quoted securities	520,809
Overseas un-quoted securities	92,584
Overseas bonds	63,078
Overseas derviatives	152
Total overseas assets	676,623

Currency risk - sensitivity analysis
The following table demonstrates the change in value of overseas assets had there been a 10% strengthening/weakening of the pound against foreign curreinces.

Assets exposed to currency risk	Value £'000	Value on 10% weakening of pound £'000	Value on 10% strengthening of pound £'000
At 31 March 2016	567,926	624,719	511,133
At 31 March 2017	**676,623**	**744,285**	**608,961**

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

Credit risk
Credit risk is the risk that parties in whom the Fund invests may fail to pay amounts that are due to the Pension Fund. For example an entity in which the Pension Fund invests may fail. This risk is minimised by investing in specialist fund managers across different asset classes and geographical regions. Additionally there is a risk that an admitted body will be unable to meet it's contributions obligations. Contribution receipts are monitored monthly and, if necessary, remedial action is taken.

Credit risk also represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council investments in money market funds with a AAA rating from a leading rating agency.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past six financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2017 was £36.2m (£2.5m at 31 March 2016). This was held with the following institutions:

Summary	Rating at 31 March 2017	Balances as at 31 March 2017 £'000
Money Market Funds	AAA	
Goldman Sachs Sterling Liquid Reserves Fund		15,019
Balance held with Local Authorities		15,000
Current Account Royal Bank of Scotland		6,145
Total		36,164

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 2017 are due within one year.

Refinancing risk
The key risk is that the Council will be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

ACCOUNTING POLICIES
Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements. Accounting 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. It is set by both the billing and precepting Authorities at a level determined by the Council Tax base for the area.

COUNCIL TAX BASE
An amount calculated by the billing authority, by applying the band proportions to the total properties in each band in order to ascertain the number of band D equivalent properties in the Authority's area. The Tax base is also used by the precepting and some levying bodies in determining their charge to the area.

CREDITORS
Amounts owed by the Authority for goods and services received where payment has not been made at the date of the Balance Sheet.

DEBTORS
Amounts owed to the Authority for goods and services provided at the date of the Balance Sheet.

DEDICATED SCHOOLS GRANT (DSG)
Funding received by Local Authorities to meet specific school related costs. Much of this funding is delegated directly to schools, and managed by schools locally.

DEPRECIATION
A provision made in the accounts to reflect the value of assets used during the year. Depreciation forms part of the capital charge made to service revenue accounts and is covered by International Accounting Standard (IAS) 16.

EARMARKED RESERVES
Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish a provision.

EVENTS AFTER THE REPORTING PERIOD
Events after the Reporting Period are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

FAIR VALUE
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FINANCE AND OPERATING LEASES
A finance lease is one that transfers a substantial proportion of the risks and rewards of a non-current asset to the lessee. With a finance lease the present value of the lease payments equates to substantially all of the value placed on the leased asset. For an operating lease a rental payment is payable to the lessor for the use of the asset and the ownership reverts to the owner when the lease is terminated.

FINANCIAL INSTRUMENT
A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

GENERAL FUND (GF)
The Council's main revenue account that covers the net cost of all services other than the provision of Council housing for rent.

GOVERNMENT GRANTS
Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an Authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

GROSS EXPENDITURE, GROSS INCOME AND NET EXPENDITURE
Gross Expenditure and Gross Income arise from the provision of services as shown in the General Fund and exclude the Direct Services/Labour Organisation accounts. Net Expenditure is the cost of service provision after the income is taken into account.

HERITAGE ASSETS
These are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

HOUSING REVENUE ACCOUNT (HRA)
A statutory account that contains all expenditure and income on the provision of Council housing for rent. The HRA must be kept entirely separate from the General Fund and the account must balance. Local Authorities are not allowed to make up any deficit on or transfer any surplus to the HRA from the General Fund.

IAS19
The International Accounting Standard is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

IMPAIRMENT
This is where the value of an asset falls below the carrying value in the accounts and so to reflect the commercial reality of the situation a charge is made in the running costs.

INFRASTRUCTURE ASSETS
Non-current assets that cannot be easily disposed of, expenditure on which is only recovered by continued use of the asset. Examples include highways and footpaths.

INTANGIBLE ASSETS
Non-current assets, which do not have a physical form but provide an economic benefit for a period of more than one year. Examples include software licences.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
International Financial Reporting Standards (IFRS) is a set of accounting standards, developed by the International Accounting Standards Board (IASB). Local Authorities moved to accounting on an IFRS basis in 2010/11, a year after Central Government and the National Health Service.

INVESTMENT PROPERTIES
Interest in land and/or buildings in respect of which construction work and development have been completed and which is held for its investment potential, with any rental income being negotiated at arm's length.

LEVIES
Payments to London-wide bodies such as the London Pension Fund Authority. The cost of these bodies is borne by Local Authorities in the area concerned, based on their Council Tax base and is met from the General Fund.

MINIMUM REVENUE PROVISION (MRP)
The minimum amount that the Council must charge to the revenue account in the year in respect of the repayment of principal of borrowing for capital purposes. In the accounts the MRP is included within capital financing charges.

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 is allocated between central government, the Greater London Authority and Croydon council in accordance with the business rates retention regulations.

NET BOOK VALUE
The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET REALISABLE VALUE
The open market value of an asset less the expenses to be incurred in realising the asset.

NON-CURRENT ASSETS
These are tangible and intangible assets that yield benefit to the Council and the services it provides for a period of more than a year.

NON-OPERATIONAL ASSETS
Non-current assets held by the Council but not used or consumed in the delivery of services. Examples include investment properties and assets that are surplus to requirements.

OPERATIONAL ASSETS
Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.

OUTTURN
Actual income and expenditure for a financial year.

PAST SERVICE COST
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.

PRECEPT
A charge raised by another Authority to meet its net expenditure. The precepting Authority for this Council is the Greater London Authority (GLA). The GLA calculates its total spending needs for the year and sets its own Council Tax in the same way as a London Borough. Croydon then collects the Tax for them.

PRIVATE FINANCE INITIATIVE (PFI)
Government initiative under which the Council buys the services of a private sector to design, build, finance and operate a public facility.

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

PUBLIC WORKS LOAN BOARD (PWLB)
A Central Government agency which provides long and medium-term loans to Local Authorities at interest rates only slightly higher than those at which the Government itself can borrow. Local Authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

RELATED PARTIES
Related Parties are those individuals and entities that the Council either has the ability to influence, or to be influenced by. Related parties include the Government, subsidiary and associated companies, the Pension Fund, Councillors and senior officers.

RESERVES
The amounts held by way of balances and funds that are free from specific liabilities or commitments. The Council is able to earmark some of its reserves towards specific projects, whilst leaving some free to act as a working balance.

REVENUE EXPENDITURE
The regular day to day running costs incurred in providing services. Examples include salaries, wages and running costs.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)
Expenditure that is treated by the regulations as capital expenditure but which does not meet the definition of capital expenditure in the Statement of Recommended Practice.

REVENUE SUPPORT GRANT (RSG)
The main grant payable to support Local Authorities' revenue expenditure. A Local Authority's RSG entitlement is intended to make up the difference between a Council's Retained Business Rates and it's Settlement Funding Assessment.

RIGHT TO BUY
The Council is legally required to sell Council homes to tenants, at a discount, where the tenant wishes to buy their home. The money received from the sale is a capital receipt of which only 25% can be spent on capital expenditure. The remaining 75% must be paid over to Communities and Local Government (CLG) under pooling arrangements.

SETTLEMENT FUNDING ASSESSMENT
The main channel of Government funding which includes Retained Business Rates and Revenue Support Grant. There are no restrictions on what Local Authorities can spend it on.

SORP
The Statement of Recommended Practice. Its aims are to specify the principles and practices of accounting required to prepare a Statement of Accounts which represents a 'true and fair view' of the financial position and transactions of a Local Authority.

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.

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GOVERNANCE STATEMENT 2016/17

Scope of responsibility

Croydon Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Croydon Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Croydon Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes effective arrangements for the management of risk.

Croydon Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the authority's code can be obtained from governance@croydon.gov.uk. This statement explains how Croydon Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6 (1), which requires all relevant bodies to prepare and approve an annual governance statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled as well as the activities through which it accounts to, engages with and leads its communities. The framework enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. Internal controls evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Croydon Council for the year ended 31 March 2017 and up to the date of approval of the annual report and statement of accounts.

The governance framework

- "Croydon's Community Strategy 2016-21" is the overarching strategy of the Local

Strategic Partnership, including the Council, in support of delivery of the borough's ambitious 30 year vision, "We are Croydon". The Community Strategy is supported by the Council's corporate plan and service plans for each department and team. These are reviewed and updated annually. In addition, the Council has its own Vision and Corporate Values statement developed after extensive consultation amongst staff to ensure there is effective management of change and transformation.

- The Council's Constitution sets out how decisions are made and the procedures that are followed to evidence open and transparent policy and decision making that ensures compliance with established policies, procedures, laws and regulations. The Council's policy and decision making is conducted through the Cabinet process, with the exception of non-executive matters and the Policy framework, which is set by full Council. These meetings are open to the public, except where personal or confidential matters are being discussed. In addition, the Chief Executive and senior officers make decisions under their relevant Scheme of Authorisations. The Council publishes a Forward Plan that details the key decisions to be made by the Leader Cabinet, Cabinet Committees or officers in relation to executive matters.

- The Council has a designated Director of Law & Monitoring Officer, who shall, after consulting with the Head of Paid Service and Chief Finance Officer, report to the Full Council, or the Leader in relation to an executive function, if they consider that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission would give rise to unlawful action. The Director of Law & Monitoring Officer also conducts investigations into matters referred by the Ethics Committee and delivers reports and recommendations in respect of those investigations to the Ethics Committee.

- The financial management of the Council is conducted in accordance with the Financial Regulations set out in the Constitution (4H). The Council has designated the Executive Director of Resources (& Section 151 Officer) as the Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a three year financial strategy that is updated annually supporting the Council's strategic objectives. The financial strategy ensures the economical, effective and efficient use of resources including a financial management process for reporting the Council's financial standing.

- The Council's financial management arrangements conform to the requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government (2010).

- The Council maintains an effective Internal Audit service that has operated, in accordance with the Public Sector Internal Audit Standards. The Council's assurance arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2010). As required by the Accounts and Audit (England) Regulations, the Executive Director of Resources (& Section 151 Officer) has reviewed the effectiveness of the Internal Audit service and reported this to the General Purposes & Audit Committee which has concluded that the Internal Audit service is satisfactory and fit for purpose. This undertaking is part of the core functions of the General Purposes & Audit Committee, as set out in CIPFA's *Audit Committees: Practical Guidance for Local Authorities* and applied in the Council.

- Croydon Council has adopted strategies, policies and practices that are consistent with the principles of the CIPFA/SOLACE Framework *Good Governance in Local Government.*

- The Council has a performance planning process supplemented by detailed business planning to establish, monitor and communicate Croydon Council's objectives. This includes a performance management system that sets key targets and reports on performance monitoring to Cabinet each quarter. The performance management framework is utilised to measure the quality of services for users, to ensure that they are delivered in accordance with the Council's objectives and that these services represent the best use of resources and value for money.

- The Council has a robust risk management process to identify, assess and manage those significant risks to the Council's objectives including the risks of its key strategic partnerships. The risk management process includes a risk management policy statement, corporate and departmental risk registers, risk management steering group, and appropriate staff training. The Cabinet Member for Finance & Treasury champions risk management which is at the heart of the Council's decision making, with each Cabinet Member having access to the risks relating to their portfolio. Key corporate risks are regularly reviewed by the Divisional and Departmental Management Teams and by the General Purposes & Audit Committee.

- The Council has adopted codes of conduct for its staff and its Members, including co-opted members. These are introduced to all staff as they are inducted into the organisation and they are given their own copies. Members and co-opted members sign an undertaking to abide by their Code of Conduct at the point of their election or appointment. These Codes are available for reference at all times and reminders and training are provided as necessary.

- To ensure that concerns or complaints from the public can be raised, the Council has adopted a formal complaints policy which sets out how complaints can be made, what should be expected and how to appeal. In addition, the Council has adopted a fraud hotline.

- A whistle-blowing policy has been adopted to enable staff, partners and contractors to raise concerns of crime or maladministration confidentially. This has been designed to enable referrals to be made without fear of being identified. In addition, the Council has adopted a whistle blowing hotline supported by a third sector partner. These arrangements are part of ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained in the Council.

- The Council's control framework extends to partnerships and other joint working and this is reflected in the Council's overall governance arrangements.

- Many of the Council's services are delivered in partnership with commercial organisations. Where this is the case, the Council ensures that proper governance is maintained by closely following procurement procedures when awarding contracts and then robustly monitoring those contracts. Increasingly, Council services are delivered in partnership with other local public sector organisations. The most significant arrangements are grouped under the umbrella of the Local Strategic Partnership (LSP) which is led by a board made up of relevant Chief Executives. Each of the themes within the LSP is overseen by its own board.

- The Strategic Partnership seeks to address community engagement by, amongst other methods, involving representatives from themed partnerships, cabinet road shows, business development partnerships and the community voluntary sector alliance. The Local Strategic Partnership hosts a congress for key stakeholders from community, voluntary, business and the public sector which contribute to and influence strategy and policy of the local area. The thematic partnerships undertake a range of consultation exercises to enable all residents and customers to contribute to; and shape the strategic themed plans such as the Safer Croydon Partnership Community Safety Strategy 2014-17 or Children and Family Partnership plan. In addition, the Council undertakes surveys with a representative sample of its residents who provide the Council with reliable feedback on important issues that help improve services as part of establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

- Members' induction training is undertaken after each local government election. In addition, an on-going programme of training and awareness is available for Members with formal and informal events each year, including all major changes in legislation and governance issues.

- A corporate induction programme, 'Inspire', is delivered to all new staff joining the Council, supplemented by department specific elements. In addition, further developmental needs are identified through the Council's Appraisal Scheme. The Council's Organisational Development service delivers its own suite of courses covering core personal competencies. Other training solutions are provided as required. The Council has also developed a "Leading the Croydon Way" Programme to improve leadership and management competencies across the organisation. In addition, a programme entitled 'Doing the Right Thing' is run to strengthen the governance processes and procedures of the Council.

Review of effectiveness

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

This review process includes:

- The Director of Law & Monitoring Officer's annual review of the constitution to ensure its aims and principles are given full effect. This includes a review of the financial regulations by the Executive Director of Resources (& S151 Officer)

- The Scrutiny and Strategic Overview Committee's ability to "call in" the Council's key decisions prior to implementation to consider the appropriateness of the decision.

- The General Purposes & Audit Committee's responsibility for discharging the functions of an audit committee, including reviewing the risk management process, the performance of Internal Audit and agreeing the external audit plan.

- Internal audit is responsible for monitoring the quality and effectiveness of internal controls. Using the Council's risk registers and an audit needs assessment, a plan of internal audit work is developed. The outcome of the internal audit risk-based work is reported to all relevant Executive Directors and Directors and regularly to the General Purposes & Audit Committee. Implementation of recommendations is monitored and progress reported. The work of the Internal Audit function is reviewed regularly by the external auditors who place reliance on the work completed. The Executive Director of Resources (& Section 151 Officer) has reviewed the effectiveness of the Internal Audit service and reported this to the General Purposes & Audit Committee which has concluded that the Internal Audit service is satisfactory and fit for purpose.

- The assurance provided by Members and the assurance of senior managers through the Council's Executive Leadership Team in developing departmental and corporate risk registers and agreeing annual departmental assurance statements.

- The opinion of the external auditors in their reports and annual letter.

- Other review agencies, through their inspection arrangements, such as the Care Quality Commission and Ofsted.

The Council has been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the General Purposes & Audit Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Table 1

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

Key Risks	Action	Responsible Officer	Responsible Cabinet Member
1. The Council faces significant reductions in its grant funding, during the period 2016 to 2020. At the same time, the Council has a rising demand for services and growth in population. The risk is that the demand/budget gap is not bridged without the Council having to introduce cuts to services.	The Council is continuing to manage and monitor budgets closely. High risk areas are being monitored on a monthly basis. The Managing Demand Programme is also looking at ways to manage costs by changing behaviours of both residents and staff. The council is also exploring increasing commercial opportunities particularly through its Development Company Brick by Brick and Croydon Equipment Services, but this itself brings with it an element of debt risk/commercial risk.	Executive Director of Resources (& Section 151 Officer)	Cabinet Member for Finance & Treasury
2. Care market management; providers cannot meet the Council's demands at the costs available and budgeted for. The demand for residential and nursing placements and homecare (domiciliary care) for Older People (OP) outstrips supplier capacity and capability to offer / deliver. Croydon commissions the highest number of Learning Disability placements across London and has the second largest care home market in London. Our capacity to	Two market management strategies for domiciliary care and residential and nursing care are in development. Detailed plans for market management will come from these. A 3 year inflation strategy for Adult Social Care is in place with provider engagement and processes for looking at market pricing issues. The Improved Better Care funding released for social care will contribute to support the stabilisation of the care market. Plans are being developed to support the market where needed. A market facilitation plan is in place for learning disabilities to support providers to transform their business models to support	Executive Director of People	Cabinet Member for Families, Health & Social Care

effectively manage this market is limited compared to its size and the pressure placed upon the health economy by the size of this market is often greater than the markets ability to supply and therefore becomes unsustainable.	new ways of working that will support our ability to keep the market as stable as possible with a move to more personalised commissioning and purchasing of services. Strategic partnerships in older people and learning disabilities are being sought to ensure sufficient capacity as well as looking at in-house provision and re sophisticated pricing models.		

3. The integration of Health & Social Care could fail to progress leading to significant problems including failure to provide joined up services for the over 65's, silo working and the prospect of cost shunting between agencies.	The Alliance Agreement for Outcomes Based Commissioning (OBC) is now live. This agreement will:
	
	• Deliver and expand on the new models of care for the over 65's, in particular Living Independently for Everyone (LIFE) & Integrated Community Networks (ICN's) through the 'Out of Hospital' Plan;
	• Support integration of social care services with Croydon Health Services (hospital and community provider) and ensure appropriate funding sources; and
	• Deliver the transition plan leading to a decision to extend the Alliance in December 2017, including:
	    o Developing the 10 year financial model; and
	    o Agreeing risk and benefit share.
		Executive Director of People	Cabinet Member for Families, Health & Social Care

4. A lack of supply of temporary accommodation and affordable accommodation increases the Council's need to use emergency accommodation results in increased costs, budget pressures, pressures on gateway services, reputational damage and the potential for legislative action.	The following activities are being undertaken to address the lack of supply in respect of temporary accommodation: • Re-negotiation of the leases to Concord House, Sycamore House and Windsor House; • A paper is being submitted to Cabinet to seek approval to increase the Council's strategy of purchasing properties in order to expand the portfolio of temporary accommodation; • Review of the landlord incentive payment for the Private Rental Sector offer to remain competitive; • Regular reporting on status to the Gateway & Housing Transformation Board; • Revision of the housing allocation scheme; • Launch of Choice Based Lettings; and • Recruitment of additional staff particularly Lettings Negotiators.	Executive Director of People	Cabinet Member for Homes, Regeneration & Planning
5. During the course of internal audit work during the year, a number of significant issues were identified arising from non-compliance with the Councils Contracts and Tenders Regulations.	The main issues identified related to low value spend (under £100k) and operational contract management. During 2017/18 the Council is looking to develop a new approach to low value spend and the buying process called "Easy buy". This will seek to maximise local spend, making buying simpler with greater clarity around governance and take an approach which will help mitigate the issues raised. The Council's focus in 2016/17 has been on strategic contract management of the tier 1(highest value) service type contracts by value and risk. Most of the issues raised relate to tier 2 (medium to high value) contracts or construction type projects. The new operational contract management toolkit will provide a consistent way of doing things as well as tools and support to ensure governance compliance.	Executive Director of Resources (& Section 151 Officer)	Cabinet Member for Finance & Treasury

Table 2 Issues raised in 2015/16 Statement and progress to date

Key Risks	Action	Progress	Responsible Cabinet Member & Responsible Officer
1. The Council faces continued significant reductions in its grant funding, over the period 2016 to 2020 further confirmed by the Spending Review in November 2015. This is at the same time as significantly rising demand for services and growth in population. Risk that demand/budget gap is not bridged without the need for cuts to services.	The Council is building on its track record of delivering significant savings since 2010 by continuing work on transformation and demand management projects for the period 2017/20. Savings for 17/18 have been signed off by Cabinet as part of the 2016/17 budget setting report with a remaining gap of £26m for the 2017/20 period. Further work is being carried out on the savings options to bridge this gap which will have oversight by the Executive Leadership Team and Cabinet. Managing Demand will be a key part of that programme including Croydon Challenge projects such as People Gateway and Digital & Enabling. The Executive Leadership Team and Cabinet have sight of the quarterly monitoring of in-year financial performance, and the Corporate Plan has been aligned to the budget to ensure priorities align with resources.	Progress has been made to manage the 2016/17 budget, year-end underspend on £0.05m reported. Work is underway to ensure the savings are delivered in 2017/18 and that any overspends are reported and managed.	Cabinet Member for Finance & Treasury Executive Director of Resources (& Section 151 Officer)

2. There is a risk that the delivery of Outcomes Based Commissioning could fail to realize the full potential benefits of the integration of Health and Social Care provision for the over 65's	The 5 providers within the Accountable Provider Alliance (APA) have been meeting regularly, through the APA Executive Board, and there is now a clear integrated Model of Care that commissioners from Croydon Council and the Clinical Commissioning Group have approved. The Model of Care is closely aligned with the key workstreams of the transformation of adult social care programme and this synergy will ensure demand management and the best outcomes for our residents. Provider Capability Assessments have been developed to ensure that Providers are deemed capable of providing the necessary services. The Programme is ensuring links are made with other relevant strategies such as the Clinical Commissioning Group primary care development strategy and is working with the Corporate Programme Office in Croydon to ensure sufficient governance and risk management is in place. The pause to allow commissioner / provider alliance model to be fully developed and embedded is designed to ensure that the longer term benefits of Health & Social Care Integration are	The APA has now been transitioned into a Commissioner / Provider Alliance with the Alliance Agreement and associated service contracts commenced on 1 April 2017. The pause was lifted. The models of care - ICN's (Integrated Community Networks) and LIFE (Living Independently for Everyone) have been approved and signed off and are being delivered. A full transition plan is in place to deliver integration and a full transformation business case for a decision to extend in December 2017. The transition sign off will include provider capability assessment and organisational development work as well as other enablers such as IM&T and estates rationalisation etc. There is a new Alliance Programme Director (in post from 5th June 2017) to continue to lead and drive the programme forward. Internal council governance, including a Cabinet Member group has been established.	Cabinet Member for Families, Health & Social Care Executive Director of People

	realised.		
3. Risk that that the impact of new Housing and Planning Bill and government policy will reduce resources and force sales to the point that the HRA is no longer viable. And in the meantime will not be able to sustain either services or investment in stock and certainly not to the current level of expectations and targets.	The 30 year business plan of the Housing Revenue Account had previously factored in an assumed increase in rents (equal to increases in the consumer price index +1%). Government policy now requires social landlords to commit to decreasing rent by 1% from 16/17 over four years. This effectively reduces resources by £3m pa against the original business planning model. In addition introduction of "Pay to Stay" the forced sale of higher value council owned properties is likely to significantly exacerbate this negative impact. The impact on Croydon will not be known until the Government issues detailed regulations later this year. A programme of work is underway to review the current expenditure commitments and investigate efficiency savings that can be identified within the Housing Revenue Account, as well as an assessment of the impact of various options to ensure tenants' interests are protected. There are ongoing discussions regarding the potential for efficiencies and savings/cuts to spending from	The council has reduced rents by 1% for the past two years and will need to continue to cut them in the next two years. The government has withdrawn the 'pay to stay' measure and has not so far announced details of the levy however our 30/40 year HRA business plan assumes that we will need to sell about 60 properties a year to fund the levy. The council has instigated a programme of reductions in expenditure. In 2016/17, we reduced the stock investment capital programme by £3m. Further capital savings, amounting to £570,000, have been secured in 2017/18. The housing service is also implementing a range of revenue spending reductions and income-generating measures in 2017/18 amounting to £808,000. The council is currently working on the establishment of an independent charitable vehicle which we will be able to support, through the use of right to buy receipts matched by borrowing through the general fund (the level of match as required under government regulations), for acquiring new affordable homes including those developed by Brick by Brick, in return for nomination rights to enable the council to meet housing need and rehouse households on the housing	Cabinet Member for Homes, Regeneration and Planning & Deputy Leader. Cabinet Member for Finance & Treasury Executive Director of Place

	across the housing service (Place & People) e.g. repairs and maintenance, general housing management, new build schemes and 'housing plus' services such as Community Development. The Council is also investigating in detail the use of Right to Buy receipts and the policy of selling Council homes in order to understand the best financial approach for Croydon. The formation of Brick by Brick, a development company, will also allow provision of further affordable housing outside the borrowing restrictions of the Housing Revenue Account.	register. This vehicle would also purchase homes in the HRA stock which the council is forced to sell. Paper to propose an affordable rents scheme via Croydon Homes company to be considered by Cabinet June 2017. Brick by Brick is on track to deliver approximately 1,000 units of mixed tenure housing (50% affordable). Planning permission has to date been granted on about 30 of the proposed sites with more at pre-application stage. This new supply will ensure that the council can meet its obligation to replace homes sold under RTB on a two for one basis.	
4. Risk of continued shortage of affordable housing to meet urgent housing needs and increasing use of temporary accommodation and B&B for homeless households	To reduce the use of temporary accommodation and Bed and Breakfast costs, changes are being made to processes with interventions by the Gateway service actively reducing homelessness, by focusing on preventative measures. The establishment of a Homelessness Task Group provides additional challenge to the decision making process from when customers enter temporary accommodation to when a decision is made about eligibility for housing support.	A prevention team has been established within the Gateway Service which aims to keep people in their homes wherever possible and or find alternative homes. Work is also progressing on the Council's Demand Management initiative through a detailed focus on messaging to impact on behaviour. The Homelessness Task Group has been established and meets every fortnight. A Pan-London rate has been agreed and	Cabinet Member Families, Health & Social Care Executive Director of People

	A Pan London initiative has been developed through London Councils to achieve value for money on Bed & Breakfast rates. The Council is actively maintaining and strengthening partnership arrangements with Registered Providers and enabling Registered Providers of social housing to bid for sites. The development of a council-wide Compulsory Purchase Order Strategy will consider the use of powers to support priority areas and schemes. The development of proposals for a site acquisition and capital funding programme will enable a number of stalled sites to come forward for affordable housing through the Housing Investment Fund. The formation of Brick by Brick, a development company, will also allow provision of further affordable housing as part of Croydon's supply strategy.	implemented for nighty let accommodation to control and prevent authorities outbidding each other. There is continued working with the Greater London Authority and the London Mayor to support the provision of affordable housing in the borough. Brick by Brick is on course to develop identified sites. A number of sites are currently undergoing the planning process.	
5. Risk that a reduction in home Office funding for Unaccompanied Asylum Seekers will lead to additional budget pressures.	Croydon is treated as a Gateway authority due to the position of the Home Office in Lunar House. Based on the numbers of Unaccompanied Asylum Seeking Children supported by Croydon, the potential loss in funding equated to just under £4m.	The Home Office agreed to maintain the 15-16 rates in 16-17 given Croydon's unique position with regard to Unaccompanied Asylum Seekers. The Cabinet Member for Finance has written to the Home Office requesting clarification	Cabinet Member for Children, Young People & Learning Executive Director of People

	The Council held meetings with the Immigration Minister and others in the Home Office and entered in ongoing correspondence, conversations and clarifications with them. In the short-term, grant funding has been agreed with the Home Office and for the longer term, the Government is now putting in place a new policy that will encourage the distribution of Unaccompanied Asylum Seeking Children more evenly across local authorities across the United Kingdom. There remains a risk, however, that grant funding is reduced more rapidly than the redistribution of children to other local authority areas.	regarding the rates for 17-18. To date no confirmation has been received. We are currently working on the assumption that rates will be maintained at the current rate, although this remains insufficient to meet current needs. An application has been made to the Controlling Migration Fund regarding the additional costs that are not covered by the main grant. The response to this bid has been delayed by the General Election. The Immigration Act 2016 would have led to a reduction in the commitment to Care Leavers who have no recourse to public funds. However, there is a delay in implementing the relevant aspects of the Act, which leads to an annual spend of approximately £2.5m.	
6. There is a risk that the scale of redevelopment anticipated in the borough over the next five years could have an adverse effect on the borough's highways and transport infrastructure, and existing business base, particularly within the metropolitan center.	There is an unprecedented amount of redevelopment in the borough over the next five years which includes Transport for London capital investment, schools development, public realm improvement projects and specific projects such as the Croydon Partnership redevelopment of the shopping centre. The programme of works continues to be managed through the Investment Delivery & Scheduling Group (MIDAS) which reviews plans to minimize disruption and uses a sophisticated Five	A Construction & Logistics Sub-Group has been established chaired by the Director of Streets which replaces MIDAS. This sub-group is one of eight forming part of the governance of Croydon's Growth Zone. It is attended by TfL and GLA bringing experience of managing the impact of construction related traffic created in other large regeneration areas in London. The Croydon Strategic Metropolitan Board has been replaced by a Major Projects and Growth Zone Board with a Steering Group reporting to this. Both joint chaired by the	Cabinet Member for Homes, Regeneration and Planning & Deputy Leader. Cabinet Member for Transport & Environment Cabinet Member for Economy & Jobs Executive Director of Place

	Year Integrated Delivery Plan tool to do this. Challenge is provided by the Growth Board, Connected Croydon Board and tributary boards. Relevant Boards are attended by key external officers from Tramlink and Transport for London. The Croydon Strategic Metropolitan Board has been created and meets bi-monthly. This board is chaired by the Chief Executive and attended by relevant parties such as the Greater London Authority and has oversight of delivery of the Delivery Plan. The five year Delivery Plan is a roadmap for delivery of the whole town center redevelopment and sets out a series of outcomes and actions which the Council and partners will use to manage impact and measure success. Alongside the Plan sits a Dashboard tool which can be used to assess impact of the various developments and developments in combination. The tool can be used to effectively schedule works and manage communications. All groups and boards are working together to manage the schedule of works as well as deliver a joined up communications campaign to residents and businesses.	GLA and LBC. As part of the Construction & Logistics Sub-Group a number of workstreams are now active including a forum whereby all the main developers that have a presence in central Croydon attend to co-ordinate their activity. Several initiatives are also being planned that will reduce their impact including establishing HGV holding areas to manage the volume of HGV's entering the centre, particularly during peak times and appointing a specialist utility co-ordination company to liaise and plan the utility works. The integrated development dashboard will be used to plan and monitor the status of all the development sites ad enable appropriate traffic mitigation measures be put into effect. Temporary Variable Message Signs will be used to inform drivers of potential delays on key routes. Alongside this, local businesses will be engaged and kept informed of any planned disruption and at the same time be encouraged to reduce the number of staff they have driving in by car and use sustainable transport modes instead. This technique, known as Construction Travel Demand Management has been used effectively alongside major sporting events such as the Olympic Games in 2012 and the Commonwealth Games in Glasgow.	

7. Significant internal audit recommendations were raised due to a lack of compliance with the Councils Contracts and Tenders Regulations, including contract formalities and the retention and availability of key documents.	The Council's contract management transformation programme will provide a framework for ensuring effective contract management arrangements are in place. As a part of developing this new approach all the Council's contracts have been identified and assessed for current levels of performance and contract management assurance. A process for the electronic retention of contracts is also being developed which will ensure that officers are readily able to access contracts in order to support commercial contract management arrangements. The new tenders and contracts regulations have been agreed and these seek to clarify the roles and responsibilities of everyone involved in commissioning and procurement. An organizational wide engagement process is now underway to ensure officers are aware of the changes.	The new tender contracts regulations were agreed and implemented. This implementation includes developing a new approach to electronic document retention.	Cabinet Member for Finance & Treasury Director of Commissioning & Improvement (Executive Director of Resources (& S151 Officer)
8. Internal audit work revealed on-going late commitments being raised and authorized for adult social community care payments, which are impacting financial and budgetary control.	Improvements have been made to the commitment and prior authorization process resulting in a significant improvement to the late commitment report. The report is run and examined by the Senior Management Team on a weekly basis. There is a review of the People	Late commitments continue to be monitored by the senior management team with reports run periodically and recorded through the management team minutes. This remains a high priority and has highlighted a number of financial risks to managing the budget. To further strengthen arrangements across a number of financial areas including late commitments we have agreed to bring a	Cabinet Member for Finance & Treasury Director of Adult Social Care (Executive Director People)

	Department IT systems which will recommend a change to the Adult Social Care case management system and improve the commitment and payment process. As this will take time to implement, measures taken in the interim are: a review of the business process within hospital discharges to simplify the process, a further commitment check process will be in place for emergency placements, Care Act facilitators will ensure the system process is in place before the case is presented to the panel and further training has been provided to practitioners.	number of financial teams or individuals under a single finance manager which will sit in the service and report to the Assistant Directors for both under and over 65s. This post is currently getting evaluated and will go out to advert in June 2017. This will provide strengthened oversight to late commitments and to the practice and systems issues and the disproportionate amount of time spent rectifying the current practices.	
9. Significant internal audit recommendations were raised relating to contract management, including weaknesses in active monitoring and physical checking.	The Council's contract management transformation is still in the process of being implemented. This will develop a centre of contract management excellence and provide targeted corporate support for all tier one contracts (high risk, high value). This will be supported by clear contract management guidance and tools that make clear roles and responsibilities in regards to contract management, provides contract managers with tools to ensure contracts are actively managed and, ensures greater corporate visibility of overall contract portfolio performance through greater reporting requirements. This will also be supported by a	In 2016/17 the Council's process has been focused on tier 1 service contracts by value and risk. The new Chief Executive made contracts review a key priority and has had an independent review of how contracts are managed. This has reinforced many approaches for tier 1 contracts but also suggested further framework developments to support contract management for 2017/18.	Cabinet Member for Finance & Treasury Director C&I (Executive Director of Resources (& S151 Officer)

	programme of learning and development opportunities for those involved in managing contracts.		

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

Jo Negrini
Chief Executive

Date..6.9.17........

Tony Newman
Leader of the Council

Date....12.9.2017........

For General Release

REPORT TO:	**GENERAL PURPOSES & AUDIT COMMITTEE** **20 September 2017**
AGENDA ITEM:	**10**
SUBJECT:	**Internal Audit Update Report** **April to July 2017**
LEAD OFFICER:	**Simon Maddocks, Director of Governance**
CABINET MEMBER:	**Councillor Simon Hall** **Cabinet Member for Finance and Treasury**
WARDS:	**ALL**
CORPORATE PRIORITY/POLICY CONTEXT: **Internal Audit's work helps the Council to improve its value for money by strengthening financial management and supporting risk management. Strengthening value for money is critical in improving the Council's ability to deliver services which, in turn helps the Council achieve all its visions and aims. The external auditor relies on the work from the internal audit programme when forming opinions and assessments of the Council's performance.**	
FINANCIAL IMPACT **The Internal Audit contract for 2017/18 is a fixed price contract of £333,000 and appropriate provision has been made within the budget for 2017/18.**	

1. RECOMMENDATIONS

1.1 The Committee is asked to note the Internal Audit Report for April to July 2017 (Appendix 1).

2. EXECUTIVE SUMMARY

2.1 This report details the work completed by Internal Audit so far during 2017/18 and the progress made in implementing recommendations from audits completed in previous years.

3. DETAIL

3.1 The Internal Audit report (Appendix 1) includes the following:

- a list of all audits completed so far in 2017/18;
- a list of audits relating to 2016/17, but finalised after the annual report, and
- lists of follow up audits completed and the percentage of priority one, and other audit recommendations implemented.

3.2 Internal Audit is responsible for conducting an independent appraisal of all the Council's activities, financial and otherwise. It provides a service to the whole Council, including Members and all levels of management. It is not an extension of, nor a substitute for, good management. The Internal Audit Service is responsible for giving assurance on all control arrangements to the Full Council through the General Purposes & Audit Committee and the Chief Financial Officer (also known as the Section 151 Officer), who is currently the Executive Director of Resources. It also assists management by evaluating and reporting to them the effectiveness of the controls for which they are responsible.

3.3 At this stage in the year there is insufficient evidence (3 final reports) on which to give an overall assurance level for the Council.

4. FOLLOW-UP REVIEWS

4.1 When Internal Audit identifies risks, recommendations are made and agreed with service managers to mitigate these. The Council then needs to ensure that action is taken to implement audit recommendations. The Council's targets for audit recommendations implemented are 80% for all priority 2 and 3 recommendations and 90% for priority 1 recommendations. The performance in relation to the targets set for 2012/16 audits are shown Table 1.

Table 1: Implementation of Audit Recommendations

	Target	2013/14	2014/15	2015/16	2016/17
Implementation of priority one recommendations at follow-up	90%	100%	100%	65%	69%
Implementation of all recommendations at follow-up	80%	95%	93%	82%	87%

5. PROGRESS AGAINST THE AUDIT PLAN

5.1 By 31 July 2017 **30%** (28% last year) of the 2017/18 planned audit days had been delivered and **17%** (17% last year) of the draft audit reports due for the year had been issued. The contractor has given assurances that the necessary resources are available to deliver the internal audit plan in-year as usual.

6. PUBLICATION OF INTERNAL AUDIT REPORTS

6.1 Following a decision at the June 2015 meeting of this committee, all finalised internal audit reports from the year 2015/16 onwards are published on the Council's public internet site.

7. CONSULTATION

7.1 The outcome of all audit work is discussed and agreed with the lead service managers. The final reports and audit recommendations are sent for consideration by Departmental Management Teams (DMT). Details are circulated and discussed with Directors on a quarterly basis.

8. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

8.1 The fixed price for the Internal Audit Contract is £333,000 for 2017/18 and there is adequate provision within the budget. There are no additional financial considerations relating to this report

8.2 Internal Audit's planning methodology is based on risk assessments that include using the Council risk registers processes.

(Approved by: Luke Chiverton, Head of Finance)

9. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

9.1 The Solicitor to the Council comments that information provided in this report is necessary to demonstrate the Council's compliance with requirements imposed by Regulation 5 of the Local Government Accounts and Audit (England) Regulations 2015. The Council is required to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

(Approved by: Jessica Stockton, Interim Manager Corporate Legal Team, for and on behalf of Jacqueline Harris-Baker, Director of Law and Monitoring Officer)

10. HUMAN RESOURCES IMPACT

10.1 There are no immediate human resources issues arising from this report for LBC staff, however the internal audit programme has a positive contribution to performance management across the council.

(Approved by: Sue Moorman, Director of Human Resources)

11. EQUALITIES, ENVIRONMENTAL AND CRIME AND DISORDER REDUCTION IMPACTS

11.1 When Internal Audit is developing the Annual Audit Plan or individual audit programmes the impacts of the issues above are considered depending on the nature of the area of service being reviewed. Issues relating to these impacts would be reflected in the audit reports and recommendations.

CONTACT OFFICER: Simon Maddocks, Director of Governance

APPENDICES: Appendix 1 Internal Audit report for the period 1 April to 31 July 2017

BACKGROUND DOCUMENT: None

London Borough of Croydon

Internal Audit Report for the period

1 April 2017 to 31 July 2017

Internal Audit activity

1. During the first four months of the 2017/18 financial year the following work has been delivered:

- 30% of the 2017/18 planned audit days have been delivered
- 47 planned audits (excluding ad hoc and fraud work) commenced, either by setting up the files, attending scope meetings or by performing the audits. This was made up of:-
- 33 system audits commenced and/or were completed;
- 7 probity audits commenced and/or were completed; and,
- 7 computer audits commenced and/or were completed.

In addition:

- 4 new ad hoc or fraud investigations commenced and/or were completed.

Internal Audit Performance

2. To help ensure that the internal audit plan supported the Risk Management Framework and therefore the Council Assurance Framework, the 2017/18 internal audit plan was substantially informed by the risk registers. The 2017/18 internal audit plan was presented to the General Purposes and Audit Committee on 22 March 2017.

3. Work on the 2017/18 audit plan commenced in April 2017 and delivery is now well underway.

4. Table 1 details the performance for the 2017/18 audit plan against the Council's targets. At 31 July 2017 Internal Audit had delivered 30% of the planned audit days and 17% of the planned draft reports and is on target for completing 100% of the audit plan by 31 March 2018.

Table 1: Performance against targets

Performance Objective	Annual Target	Year to Date Target	Year to Date Actual	Performance
% of planned 2017-18 audit days delivered	100%	26%	**30%**	▲
Number of 2017-18 planned audit days delivered	1037	270	**301**	▲
% of 2017-18 planned draft reports issued	100%	17%	**17%**	-
Number of 2017-18 planned draft reports issued	103	18	**18**	-
% of draft reports issued within 2 weeks of exit meeting with the Client	85%	85%	**89%**	▲
2016/17 % of priority one recommendations implemented at the time of the follow up audit	90%	90%	**69%**	▼
2016/17 % of all recommendations implemented at the time of the follow up audit	80%	80%	**87%**	▲
2015/16 % of priority one recommendations implemented at the time of the follow up audit	90%	90%	**65%**	▼
2015/16 % of priority all recommendations implemented at the time of the follow up audit	80%	80%	**82%**	▲

Performance Objective	Annual Target	Year to Date Target	Year to Date Actual	Performance
2014/15 % of priority one recommendations implemented at the time of the follow up audit	90%	90%	**100%**	▲
2014/15 % of all recommendations implemented at the time of the follow up audit	80%	80%	**93%**	▲
% of qualified staff engaged on audit	40%	40%	**41%**	▲

Audit Assurance

5. Internal Audit provides four levels of assurance as follows:

Full	The systems of internal control are sound and achieve all systems objectives and that all controls are being consistently applied.
Substantial	The systems of internal control are basically sound, there are weaknesses that put some of the systems objectives at risk and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk. (*Note - Substantial assurance is provided on School audits.)
Limited	Weaknesses in the systems of internal control are such as to put the systems objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
No	The system of internal control is generally weak leaving the system open to significant error or abuse and /or significant non-compliance with basic controls leaves the system open to error or abuse.

6. Table 2 lists the 2016/17 audits for which final reports were not finalised in time for the annual Head of Internal Audit report and have now been subsequently issued. Details of the key issues arising from these reports are shown in Appendix 1.

Table 2: 2016/17 Final audit reports issued since the Head of Internal Audit Report (June 2017) to 31 July 2017

Audit Title	Risk Level	Assurance Level	Planned Year
Non-school audits			
Adult Care packages	High	Limited	2016/17
Procurement of Consultants, Caterham Bourne Flood Alleviation Scheme	High	Limited	2016/17
Citrix Security Operating System	High	Substantial	2016/17
Cloud Services (Azure)	High	Substantial	2016/17
Windows Operating System Security	High	Substantial	2016/17
Bring Your Own Device	High	Substantial	2016/17
Service Desk (Capita)	High	Substantial	2016/17
WAN Connectivity	High	Substantial	2016/17
Windows Gold Build Operating System Security	High	Substantial	2016/17

Audit Title	Risk Level	Assurance Level	Planned Year
Procurement of Consultants – Thornton Heath Building Front Improvement	High	Full	2016/17
School audits			
St Andrew's C of E High School	Medium	Limited	2016/17
Selhurst Children's Centre	Medium	Limited	2016/17
Virgo Fidelis Convent Senior School	Medium	Limited	2016/17

7. Table 3 lists the 2017-18 audits for which final reports were issued during the first four months from 1 April to 31 July 2017. Details of the key issues arising from these reports are shown in Appendix 2.

Table 3: 2017-18 Final audit reports issued from 1 April to 31 July 2017

Audit Title	Risk Level	Assurance Level	Planned Year
Non-school audits			
Deprivation of Liberty Safeguards	High	Limited	2016/17
Registrars	High	Limited	2016/17
Food Safety	High	Limited	2016/17
School audits			
Elmwood Junior School	Medium	Substantial	2016/17

<u>Follow-up audits – effective implementation of recommendations</u>

8. During 2017/18 in response to the Council's follow-up requirements, Internal Audit has continued following-up the status of the implementation of the 2013/14, 2014/15, 2015/16 and 2016/17 audits.

9. Follow-up audits are undertaken to ensure that all the recommendations raised have been successfully implemented according to the action plans agreed with the service managers. The Council's target for audit recommendations implemented at the time of the follow-up audit is 80% for all priority 2 & 3 recommendations and 90% for priority 1 recommendations.

Performance Objective	Target	Performance (to date*)				
		2012/13	2013/14	2014/15	2015/16	2016/17
Percentage of priority one recommendation implemented at the time of the follow up audit	90%	100%	100%	100%	65%	69%
Percentage of all recommendations implemented at the time of the follow up audit	80%	93%	95%	93%	82%	87%

The follow ups for 2012/13 are now complete. The results of those for 2013/14, 2014/15, 2015/16, and 2016/17 audits that have been followed up are included in Appendixes, 3, 4, 5 and 6 respectively. Follow up audits have commenced for 2017/18 but at the time of writing the responses are not yet back.

10. Appendix 3 shows the last remaining follow-up of the 2013/14 audits undertaken and the number of recommendations raised and implemented. 95% of the total recommendations were found to have been implemented and 100% of the priority 1 recommendations which have been followed up have been implemented.

11. Appendix 4 shows the follow-up audits of 2014/15 audits undertaken to date and the number of recommendations raised and implemented. 93% of the total recommendations were found to have been implemented and 100% of the priority 1 recommendations which have been followed up have been implemented.

12. Appendix 5 shows the follow-up audits of 2015/16 audits undertaken to date and the number of recommendations raised and implemented. 82% of the total recommendations were found to have been implemented and 65% of the priority 1 recommendations which have been followed up have been implemented. The outstanding priority 1 recommendations are detailed below:

Audit Title	Executive Director Responsible	Risk Level	Assurance Level	Summary of issues arising in priority 1 recommendations
Contract Management and Governance of Croydon Care Solutions	Barbara Peacock	High	Limited	A recommendation was raised as a final and definitive pooled budget agreement with Croydon Clinical Commissioning Group or Croydon Health Services in respect of Croydon Equipment Solutions could not be provided and thus there is no evidence of this existing. The current pooled budget arrangement operating is not considered to be favourable to the Council.
Contract Management & Governance of Adult Social Care Providers	Barbara Peacock	High	Limited	A recommendation was raised ensure that individual placement agreements are agreed with service providers, that legacy placements are reviewed to ensure these are supported by an individual placement agreement and that the individual placement agreements are reviewed to ensure that these are appropriate. The response confirmed that the standard individual placement agreement had been reviewed and updated, but although a Placements Team, established in July 2016, had taken over the management of the issuing and obtaining signed copies of the individual placement agreements this process was still embedding.
Use of Pool Cars (Zipcar)	Richard Simpson	High	Limited	A recommendation was raised as whilst individual users have signed 'User Agreements', appropriate guidance, in particular for the enforcement of the scheme by their line managers was not in place. A recommendation was raised as some users had incurred four or more penalty charges (for non-usage, late return or to cover the administrative charge of fines) over the three-month period examined with no recovery action taken.
EMS Application	Richard Simpson	High	Limited	A recommendation was raised due to the absence of an effective disaster recovery plan for the EMS application.
Adoption	Barbara Peacock	High	Limited	A recommendation was raised as the weekly adoption payment runs were not being checked for accuracy and to ensure no inappropriate payments made.
ICT ~Service Delivery ITIL Framework	Richard Simpson	High	Limited	A recommendation was raised as it was identified that the development of an appropriate Business Impact Review (BIR) to assist in the design of both the IT Service Disaster Recovery Plan (DRP) and the associated Business Continuity Plan (BCP) are currently at an embryonic stage and no DRP or BCP solutions have been recently tested as effective.

13. Appendix 6 shows the 2016/17 follow-up audits undertaken to date and the number of recommendations raised and implemented. 87% of the total recommendations were found to have been implemented and 69% of the priority 1 recommendations which have been followed up have been implemented. The outstanding priority 1 recommendations are detailed below:

Audit Title	Executive Director Responsible	Risk Level	Assurance Level	Summary of issues arising in priority 1 recommendations
Disabled Facilities Grants	Barbara Peacock	High	Limited	A priority 1 recommendation was raised as although the works for each disabled facility grant is awarded through a mini-tender exercise, due to the value of the annual aggregated expenditure with some contractors, there is noncompliance with the Councils Tenders and Contracts regulations,
Pathways to Employment – Jobs Brokerage	Shifa Mustafa	High	Limited	A priority 1 recommendation was raised as although personal data is collected, processed and shared, appropriate data sharing agreements and fair processing notices were not in place in order to comply with the Data Protection Act 1998,

Appendix 1 - Key issues from 2016/17 finalised audits

(issued since Head of Internal Audit Report in June 2017 to 31st July 2017)

Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised.
Non School Audits			
Adult Care packages	High	Limited (Three priority 1 and 4 priority 2 recommendations)	Priority 1 recommendations were raised in relation to agreement and approval of care packages. A priority 1 recommendation was also raised as there were some cases without evidence of appropriate reviews.
Procurement of Consultants – Caterham Bourne Flood Alleviation Scheme	High	Limited (Five priority 2, two priority 2 and one priority 3 recommendations)	A priority 1 recommendation was raised as it could not be confirmed how the four bidders invited to tender were selected and whether this complied with the Tenders and Contracts Regulations. The CCB report stated that they were selected from an Environment Agency WEM Framework and were therefore competent, however the successful bidder was not an approved supplier in respect of Lot 1 Modelling, Mapping and Data services. A priority 1 recommendation was raised as financial appraisals of the consultants invited to tender could not be provided and this was not compliant with the Tenders and Contracts Regulations. A priority 1 recommendation was raised as evidence of the tender evaluation results being reviewed by the Service Director was not available. It is acknowledged the Director was involved in the execution of the consultancy agreement. A priority 1 recommendation was raised as a contract variation document extending the scope and value of the initial consultancy agreement could not be provided. A priority 1 recommendation was raised as a purchase order in respect of the extension was raised and approved prior to CCB approval being sought for the extension.
Citrix Security Operating System	High	Substantial (Two priority 2 recommendations)	No priority 1 recommendations raised.
Cloud Services and Solutions (Azure)	High	Substantial (Two priority 2 and one priority 3 recommendations)	No priority 1 recommendations raised.
Windows Operating System Security	High	Substantial (One priority 2 and four priority three recommendations)	No priority 1 recommendations raised.
Bring Your Own Device	High	Substantial (Two priority 2 and one priority 3 recommendations)	No priority 1 recommendations raised.
Service Desk (Capita)	High	Substantial (Five priority 2 and one priority 3 recommendations)	No priority 1 recommendations raised
WAN Connectivity	High	Substantial (Two priority 2 and four priority 3 recommendations)	No priority 1 recommendations raised.

Windows Gold Build Operating System Security	High	Substantial (One priority 2 recommendation)	No priority 1 recommendations raised.
Procurement of Consultants – Thornton Heath Building Front Improvement	High	Full (No recommendations raised)	No recommendations raised.
Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised.
School Audits			
Selhurst Children's Centre	Medium	Limited (Four priority 1, nine priority 2 and seven priority 3 recommendations)	A priority 1 recommendation was raised as evidence to demonstrate that the payroll was checked monthly was not available. In addition, one of the three new starters sampled was being paid off payroll. A priority 1 recommendation was raised as two written references were not retained on file for any of the three new starters sampled. A priority 1 recommendation was raised as one governor did not have a DBS clearance. A priority 1 recommendation was raised as goods received checks had not been evidenced for eight out of the sample of 15 transactions examined.
St Andrew's C of E High School	Medium	Limited (Six priority 1, nine priority 2 and four priority 3 recommendations)	A priority 1 recommendation was raised as the School had a deficit budget but did not have an action plan agreed with the Council to eliminate this deficit within a specified period. A priority 1 recommendation was raised as The Schools approved annual budget did not include the carry forward deficit balance. A priority 1 recommendation was raised as the DBS checks for 3 governors who started in 2016 were not requested within the statutory required period of 21 days. A priority 1 recommendation was raised as none of the orders for the sample of 15 transactions sampled had been evidenced as agreed by the budget holders. Furthermore, 5 of these orders were raised after the invoice dates. A priority 1 recommendation was raised as the invoices for 12 out of the sample of 15 transactions sampled had been authorised by staff without delegated authority to do so. A priority 1 recommendation was raised as the School's procurement card had been used to pay for the staff Christmas meal at Zizzi restaurant.
Virgo Fidelis Convent Senior School	Medium	Limited (Three priority1, five priority 2 and four priority 3 recommendations)	A priority 1 recommendation was raised as the pupil numbers and some of the estimates of costs and income in the Schools 10 year budget plan need to be critically reviewed. A priority 1 recommendation was raised as it is held that the Interim Bursar would be deemed an employee by HMRC; however, NI and PAYE deductions were not being made for payments to the Interim Bursar. A priority 1 recommendation was raised as loans from the 'Priv/Gov Account' and from the Convent have been made to the School without Secretary of State approval being sought.

Appendix 2 - Key issues from 2017/18 finalised audits

Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised.
Non School Audits			
Deprivation of Liberty Safeguards (DoLS)	High	Limited (Two priority 1 and Two priority 2 recommendations)	A priority 1 recommendation was raised as the statutory requirement to complete MCA DoLS assessments within 21 days was not being met. A priority 1 recommendation was raised as the DoLS Year 8 tracker for 2016/17 cases was not up-to-date, including incomplete or blank data fields.
Registrars	High	Limited (One priority 1, two priority 2 and three priority 3 recommendations	A priority 1 recommendation was raised as appropriate records of stock issued, income collected and refunds issued were not being maintained by all of the Registrars and independent reconciliations of the records to the daily cash summary sheets was not being conducted.
Food Safety	High	Limited (Three priority 1, six priority 2 and two priority 3 recommendations)	A priority 1 recommendation was raised as examination of the documentation for a sample of ten new establishments found that seven had not been sent a data collection form, one had the form sent 113 days after registering and another 102 days after registering. A priority 1 recommendation was raised as nine out of the ten new establishments sampled had not yet been inspected and the remaining establishment was only inspected 59 days after it opened. A priority 1 recommendation was also raised as four out of six establishments with a high risk rating (A) and 30 out of 63 with a B rating were not inspected within the required timeframes set by the Food Standards Authority. It was further noted that 612 establishments were registered and due an inspection but these had not been conducted.
Procurement of Consultants – Thornton Heath Building Front Improvement	High	Full (No recommendations raised)	No recommendations raised.
Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised.
School Audits			
Elmwood Junior School	Med	Substantial (1 priority 2 and 2 priority 3 recommendations)	No priority 1 recommendations raised.

Appendix 3 - Follow-up of 2013/14 audits (with outstanding recommendation only)

<table>
<tr><th rowspan="2">Financial Year</th><th rowspan="2">Audit Followed-up</th><th rowspan="2">Executive Director Responsible</th><th rowspan="2">Risk Level</th><th rowspan="2">Assurance Level & Status</th><th rowspan="2">Total Raised</th><th colspan="2">Implemented</th></tr>
<tr><th>Total</th><th>Percentage</th></tr>
<tr><td colspan="3">Non School Audits</td><td colspan="5"></td></tr>
<tr><td>2013/14</td><td>Procurement – Strategy, Governance and Communication</td><td>Richard Simpson</td><td>High</td><td>Substantial
(3rd follow up in progress)</td><td>3</td><td>1</td><td>33%</td></tr>
<tr><td colspan="5">Non School Audits Sub Total:
Recommendations and implementation from audits that have had responses</td><td>165</td><td>162</td><td>98%</td></tr>
<tr><td colspan="5">Non School Audits Sub Total:
Priority 1 Recommendations from audits that have had responses</td><td>25</td><td>25</td><td>100%</td></tr>
<tr><td colspan="5">School Audits Sub Total:
Recommendations and implementation from audits that have had responses</td><td>359</td><td>318</td><td>89%</td></tr>
<tr><td colspan="5">School Audits Sub Total:
Priority 1 Recommendations from audits that have had responses</td><td>30</td><td>30</td><td>100%</td></tr>
<tr><td colspan="5">Recommendations and implementation from audits that have had responses</td><td>524</td><td>499</td><td>95%</td></tr>
<tr><td colspan="5">Priority 1 Recommendations from audits that have had responses</td><td>55</td><td>55</td><td>100%</td></tr>
</table>

Appendix 4 - Follow-up of 2014/15 audits (with outstanding recommendations only)

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
Non School Audits							
2014/15	Corporate and Departmental Asset Management	Richard Simpson	High	Limited (3rd follow up in progress)	9	7	78%
2014/15	Substance Misuse	Barbara Peacock	High	Limited (1st follow up in progress)	7	-	-
2014/15	Programme and Projects Management – New Addington Phase 2	Shifa Mustafa	High	Substantial (2nd follow up in progress)	2	1	50%
2014/15	Agency Use and the New Recruitment Drive	Barbara Peacock	High	Substantial (2nd follow up in progress)	3	1	33%
2014/15	Contract Management Framework	Richard Simpson	High	Substantial (2nd follow up in progress)	7	0	0%
2014/15	AIS Application	Richard Simpson	High	Substantial (3rd follow up in progress)	6	4	67%
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses					**255**	**242**	**99%**
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					**26**	**26**	**100%**
School Audits Sub Total: Recommendations and implementation from audits that have had responses					**271**	**248**	**92%**
School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					**29**	**29**	**100%**
Recommendations and implementation from audits that have had responses					**526**	**490**	**93%**
Priority 1 Recommendations from audits that have had responses					**55**	**55**	**100%**

Appendix 5 - Follow-up of 2015/16 audits

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
Non School Audits							
2015/16	Contract Management & Governance of Croydon Care Solutions	Barbara Peacock	High	No (2nd follow up in progress)	9	8	89%
2015/16	Contract Management & Governance of Adult Social Care Providers	Barbara Peacock	High	Limited (1st follow up completed)	6	4	66%
2015/16	Performance Monitoring Adult Social Care	Barbara Peacock	High	Limited (1st follow up in progress)	9	-	-
2015/16	Food Flagship Initiative	Barbara Peacock	High	Limited (No further follow up planned)	9	8	89%
2015/16	Staff Car parking and Corresponding Allowances	Richard Simpson	High	Limited (No further follow up planned)	6	5	84%
2015/16	Use of Pool Cars (Zipcar)	Richard Simpson	High	Limited (3rd follow up in progress)	4	1	25%
2015/16	Employee Expenses (via One Oracle)	Richard Simpson	High	Limited (No further follow up planned)	6	6	100%
2015/16	Adoption	Barbara Peacock	High	Limited (2ndt follow up in progress)	4	1	25%
2015/16	Fostering	Barbara Peacock	High	Limited (3rd follow up in progress)	5	2	40%
2015/16	Software Licensing	Richard Simpson	High	Limited (No further follow up planned)	8	8	100%
2015/16	EMS Application	Richard Simpson	High	Limited (4th follow up in progress)	4	1	25%
2015/16	Old Town Building Frontages	Shifa Mustafa	High	Limited (1st follow up in progress)	5	-	-
2015/16	ICT Service Delivery ITIL Framework	Richard Simpson	High	Limited (2nd follow up in progress)	2	1	50%
2015/16	ICT Mobile Devices	Richard Simpson	High	Limited (3rd follow up in progress)	8	6	75%
2016/16	Cyber Security	Richard Simpson	High	Limited (No further follow up planned)	2	2	100%
2015/16	Council Tax	Richard Simpson	High	Substantial (No further follow up planned)	4	4	100%
2015/16	NDR – Non Domestic Rates	Richard Simpson	High	Substantial	3	3	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
				(No further follow up planned)			
2015/16	Payments to Schools	Richard Simpson	High	Substantial (No further follow up planned)	3	3	100%
2015/16	Cultural Direction	Richard Simpson	High	Substantial (2nd follow up in progress)	1	-	0%
2015/16	Locality Early Help	Barbara Peacock	High	Substantial (No further follow up planned)	9	8	89%
2015/16	Looked After Children (placed in another LA area)	Barbara Peacock	High	Substantial (1st follow up in progress)	7	-	-
2015/16	Youth Offending Service	Barbara Peacock	High	Substantial (No further follow up planned)	4	4	100%
2015/16	Care Act 2014	Barbara Peacock	High	Substantial (1st follow up in progress)	2	-	-
2015/16	Better Care Fund	Barbara Peacock	High	Substantial (No further follow up planned)	7	7	100%
2015/16	Childcare Provision	Barbara Peacock	High	Substantial (4th follow up in progress)	6	4	67%
2015/16	Integrated Commissioning	Barbara Peacock	High	(3rd follow up in progress)	3	2	66%
2015/16	Gifts and Hospitality	Richard Simpson	High	Substantial (1st follow up in progress)	3	-	-
2015/16	Member Ethics and Transparency	Richard Simpson	High	Substantial (No further follow up planned)	2	2	100%
2015/16	Connected Croydon – Programme and Project Management	Shifa Mustafa	High	Substantial (2nd follow up in progress)	4	2	50%
2015/16	People Gateway Programme	Barbara Peacock	High	Substantial (No further follow up planned)	4	4	100%
2015/16	NHS Partnership with Public Health	Barbara Peacock	High	Substantial (No further follow up planned)	6	5	84%
2015/16	Asset Sales	Richard Simpson	High	Substantial (2nd follow up in progress)	6	3	50%
2015/16	Croydon Challenge (Programme Management)	Richard Simpson	High	Substantial (No further follow up planned)	6	5	84%
2015/16	Risk Management	Richard Simpson	High	Substantial (No further follow up planned)	1	1	100%
2015/16	EMS Data Quality	Shifa Mustafa	High	Substantial	4	4	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
				(No further follow up planned)			
2015/16	Pension Fund Admitted Bodies	Richard Simpson	High	Substantial (No further follow up planned)	1	1	100%
2015/16	Interserve – Fire Safety and Health and Safety Assessments	Richard Simpson	High	Substantial (No further follow up planned)	11	10	90%
2015/16	Public Consultations	Richard Simpson	High	Substantial (No further follow up planned)	1	1	100%
2015/16	Street Lighting	Shifa Mustafa	High	Substantial (No further follow up planned)	3	3	100%
2015/16	Waste Contract Management	Shifa Mustafa	High	Substantial (No further follow up planned)	3	3	100%
2015/16	Planning Enforcement	Shifa Mustafa	High	Substantial (1st follow up in progress)	2	-	-
2015/16	School Capital Delivery	Shifa Mustafa	High	Substantial (No further follow up planned)	5	4	80%
2015/16	Housing Capital Delivery	Shifa Mustafa	High	Substantial (No further follow up planned)	4	4	100%
2015/16	Waste Recycling	Shifa Mustafa	High	Substantial (3rd follow up in progress)	3	0	0%
2015/16	One Oracle Back Office	Richard Simpson	High	Substantial (2nd follow up in progress)	2	0	0%
2015/16	Internal Network	Richard Simpson	High	Substantial (2nd follow up in progress)	2	1	50%
2015/16	Procurement of Consultants – South Norwood Public Realm Lead Design	Shifa Mustafa	High	Substantial (No further follow up planned)	1	1	100%
2015/16	Clocktower and Town Hall Replacement Works	Richard Simpson	High	Substantial (No further follow up planned)	6	5	84%
2015/16	Wandle Park pavilion Works	Shifa Mustafa	High	Substantial (No further follow up planned)	4	4	100%
2015/16	EU Procurement Directives	Richard Simpson	High	Substantial (1st follow up in progress)	2	-	-
2015/16	SEN Transport Contract	Richard Simpson	High	Substantial (No further follow up planned)	6	6	100%
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses					**198**	**157**	**79%**
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					**20**	**13**	**65%**

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
School Audits							
2015/16	Margaret Roper	Barbara Peacock	Medium	Limited (1st follow up in progress)	15	-	-
2015/16	St Mary's RC High	Barbara Peacock	Medium	Limited (1st follow up in progress)	7	-	-
2015/16	Beaumont Primary School	Barbara Peacock	Medium	Substantial (1st follow up in progress)	2	-	-
2015/16	Beulah Junior	Barbara Peacock	Medium	Substantial (No further follow up planned)	4	4	100%
2015/16	Elmwood Infants	Barbara Peacock	Medium	Substantial (1st follow up in progress)	5	-	-
2015/16	Elmwood Junior	Barbara Peacock	Medium	Substantial (No further follow up planned)	1	1	100%
2015/16	Gilbert Scott	Barbara Peacock	Medium	Substantial (No further follow up planned)	1	1	100%
2015/16	Howard Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	4	4	100%
2015/16	Kinglsley	Barbara Peacock	Medium	Substantial (No f/up - recs implemented at final report)	4	4	100%
2015/16	The Minster Junior	Barbara Peacock	Medium	Substantial (2nd follow up in progress)	2	0	0%
2015/16	Purley Oaks Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	6	6	100%
2015/16	Rockmount	Barbara Peacock	Medium	Substantial (No f/up recs implemented at final report)	1	1	100%
2015/16	Selsdon	Barbara Peacock	Medium	Substantial (No further follow up planned)	4	4	100%
2015/16	St Chad's RC Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	10	10	100%
2015/16	Winterbourne Infant & Nursery	Barbara Peacock	Medium	Substantial (No further follow up)	4	4	100%
2015/16	Winterbourne Junior Girls	Barbara Peacock	Medium	Substantial (No further follow up)	2	2	100%
2015/16	Wolsey Infants	Barbara Peacock	Medium	Substantial	4	-	-

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
				(1st follow up in progress)			
2015/16	St Joseph's RC Federation	Barbara Peacock	Medium	Substantial (No further follow up)	3	3	100%
School Audits Sub Total: Recommendations and implementation from audits that have had responses					**46**	**44**	**96%**
School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					**0**	**0**	**N/a**
Recommendations and implementation from audits that have had responses					**244**	**201**	**82%**
Priority 1 Recommendations from audits that have had responses					**20**	**13**	**65%**

Appendix 6 - Follow-up of 2016/17 audits

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
Non School Audits							
2016/17	Creditors (including P2P)	Richard Simpson	High	Limited (2nd follow up in progress)	5	3	60%
2016/17	Adult Care Packages	Barbara Peacock	High	Limited (1st follow up in progress)	7	-	-
2016/17	ASC Caseload Management	Barbara Peacock	High	Limited (1st follow up in progress)	7	-	-
2016/17	Adult Self-Funding and Deferred Payments	Barbara Peacock	High	Limited (2nd follow up in progress)	8	5	63%
2016/17	Client Management of Octavo Partnership	Barbara Peacock	High	Limited (No further follow up)	6	6	100%
2016/17	Disabled Facilities Grants	Barbara Peacock	High	Limited (3rd follow up in progress)	12	11	92%
2016/17	Pathways to Employment – Jobs Brokerage	Shifa Mustafa	High	Limited (2nd follow up in progress)	8	4	50%
2016/17	Facilities Management – Contract Cleaning	Richard Simpson	High	Limited (No further follow up)	7	7	100%
2016/17	Council tax	Richard Simpson	High	Substantial (3rd follow up in progress)	3	2	66%
2016/17	Debtors – Accounts Receivable	Richard Simpson	High	Substantial (2ndt follow up in progress)	9	7	78%
2016/17	Housing Benefits	Richard Simpson	High	Substantial (No further follow up)	4	4	100%
2016/17	Housing Rents and Accounting	Barbara Peacock	High	Substantial (1st follow up in progress)	7	-	-
2016/17	Housing Repairs	Shifa Mustafa	High	Substantial (1st follow up in progress)	4	-	-
2016/17	Main Accounting System	Richard Simpson	High	Substantial (1st follow up in progress)	4	-	-
2016/17	Payments to Schools	Richard Simpson	High	Substantial (No further follow up)	4	4	100%
2016/17	Payroll	Richard Simpson	High	Substantial (No further follow up)	3	3	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
2016/17	Pension Administration	Richard Simpson	High	Substantial (1st follow up in progress)	4	-	-
2016/17	Pension Fund Investments	Richard Simpson	High	Substantial (2nd follow up in progress)	4	3	75%
2016/17	Declarations of Interests, Gifts and Hospitality	Richard Simpson	High	Substantial (No further follow up)	7	7	100%
2016/17	HMRC Compliance	Richard Simpson	High	Substantial (2nd follow up in progress)	5	2	40%
2016/17	Empty Property Grants	Barbara Peacock	High	Substantial (No further follow up)	6	6	100%
2016/17	Housing Registration and Allocation	Barbara Peacock	High	Substantial (3rd follow up in progress)	8	6	75%
2016/17	Top 50 Families Review	Barbara Peacock	High	Substantial (No further follow up)	3	3	100%
2016/17	Flood Management Plan	Shifa Mustafa	High	Substantial (No further follow up)	7	6	86%
2016/17	Licensing Income	Shifa Mustafa	High	Substantial (2nd follow up in progress)	2	1	50%
2016/17	Prevent Agenda	Shifa Mustafa	High	Substantial (2nd follow up in progress)	1	0	0%
2016/17	Project Assurance (Place)	Shifa Mustafa	High	Substantial (1st follow up in progress)	3	-	-
2016/17	Regeneration Partnership	Shifa Mustafa	High	Substantial (1st follow up in progress)	2	-	-
2016/17	Selective Licensing	Shifa Mustafa	High	Substantial (No further follow up)	5	5	100%
2016/17	Clinical Governance	Barbara Peacock	High	Substantial (1st follow up in progress)	3	-	-
2016/17	Commercial use of Bernard Weatherill House	Richard Simpson	High	Substantial (1st follow up in progress)	3	-	-
2016/17	MOU _ Clinical Commissioning Group	Barbara Peacock	High	Substantial (1st follow up in progress)	4	-	-
2016/17	Public Health Integration Funding	Barbara Peacock	High	Substantial (1st follow up in progress)	5	-	-
2016/17	Hyperion Application	Richard Simpson	High	Substantial	9	-	-

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
				(1st follow up in progress)			
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses					**117**	**95**	**81%**
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					**12**	**8**	**67%**
School Audits							
2016/17	The Hayes Primary	Barbara Peacock	Medium	Limited (1st follow up in progress)	12	-	-
2016/17	Regina Coeli RC primary	Barbara Peacock	Medium	Limited (No further follow up)	7	6	86%
2016/17	Selhurst Children's Centre	Barbara Peacock	Medium	Limited (1st follow up in progress)	20	-	-
2016/17	St Andrew's C of E High	Barbara Peacock	Medium	Limited (1st follow up in progress)	19	-	-
2016/17	Virgo Fidelis Convent Senior Scchool	Barbara Peacock	Medium	Limited (1st follow up in progress)	12	-	-
2016/17	Bensham Manor MLD Secondary	Barbara Peacock	Medium	Limited (1st follow up in progress)	15	-	-
2016/17	Christ Church CE Primary	Barbara Peacock	Medium	Substantial (No further follow up)	4	4	100%
2016/17	Coulsdon C of E Primary	Barbara Peacock	Medium	Substantial (No further follow up)	2	2	100%
2016/17	Courtwood Primary	Barbara Peacock	Medium	Substantial (No further follow up)	2	2	100%
2016/17	Forestdale Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	3	3	100%
2016/17	Greenvale Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	6	6	100%
2016/17	Kenley Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	7	7	100%
2016/17	Kensington Avenue Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	6	5	83%
2016/17	Keston Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	13	11	84%
2016/17	Monks Orchard Primary School	Barbara Peacock	Medium	Substantial (No further follow up planned)	2	2	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
2016/17	Orchard Way Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	12	10	83%
2016/17	Park Hill Junior	Barbara Peacock	Medium	Substantial (No further follow up planned)	1	1	100%
2016/17	Park Hill Infants	Barbara Peacock	Medium	Substantial (No further follow up planned)	1	1	100%
2016/17	Ridgeway Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	3	3	100%
2016/17	Smitham Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	6	6	100%
2016/17	St Peters Primary	Barbara Peacock	Medium	Substantial (1st follow up in progress)	9	-	-
2016/17	Archbishop Tenison's Cof E	Barbara Peacock	Medium	Substantial (1st follow up in progress)	8	-	-
2016/17	Thomas More	Barbara Peacock	Medium	Substantial (1st follow up in progress)	7	-	-
2016/17	Redgates SLD & Autism	Barbara Peacock	Medium	Substantial (1st follow up in progress)	11	-	-
2016/17	St Giles School	Barbara Peacock	Medium	Substantial (No further follow up)	9	9	100%
2016/17	St Nicholas MLD & Autism Primary	Barbara Peacock	Medium	Substantial (No further follow up)	6	6	100%
2016/17	Gresham Primary	Barbara Peacock	Medium	Full (No further follow up)	1	1	100%
2016/17	St John's C of E Primary	Barbara Peacock	Medium	Full (No further follow up)	2	2	100%
2016/17	Beckmead School	Barbara Peacock	Medium	Full (No further follow up)l	4	4	100%
School Audits Sub Total: Recommendations and implementation from audits that have had responses					**97**	**91**	**94%**
School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					**1**	**1**	**100%**
Recommendations and implementation from audits that have had responses					**214**	**186**	**87%**
Priority 1 Recommendations from audits that have had responses					**13**	**9**	**69%**

Appendix 7 - Statement of Responsibility

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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REPORT TO:	**GENERAL PURPOSES AND AUDIT COMMITTEE** **20 September 2017**
AGENDA ITEM:	**11**
SUBJECT:	**Anti-Fraud Update Report April – July 2017**
LEAD OFFICER:	**Simon Maddocks, Director of Governance**
CABINET MEMBER	**Councillor Simon Hall** **Cabinet Member for Finance and Treasury**
WARDS:	**All**
CORPORATE PRIORITY/POLICY CONTEXT: **The work of the Audit & Anti-Fraud service helps the Council to improve its value for money by strengthening financial management and further embedding risk management. Improving value for money ensures that the Council delivers effective services contributing to the achievement of the Council vision and priorities. The detection of fraud and better anti-fraud awareness contribute to the perception of a law abiding Borough.**	
FINANCIAL SUMMARY: **The budget provision for the Anti-Fraud service for 2017/18 is £423,000 and the service is on target to be delivered within budget.**	
FORWARD PLAN KEY DECISION REFERENCE NO: N/A	

For general release

1. RECOMMENDATIONS

1.1 The Committee is asked to note the Anti-fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2017 – 31 July 2017.

2. EXECUTIVE SUMMARY

2.1 This report details the performance of the Council's Corporate Anti-Fraud Team (CAFT) and includes details of the team's performance together with an update on developments during the period 1 April 2017 – 31 July 2017.

3. DETAIL

Performance 1 April 2017 to 31 July 2017

3.1 The CAFT comprises 12 staff (11.4 FTEs), including investigators an Intelligence Officer and an Investigation Manager, in addition the team receives support from Mazars PSIA Ltd, the Council's external strategic partner. The CAFT investigates allegations of fraud which affect the Council's business. In addition the team provides a service to the London Borough of Bexley to investigate allegations of fraud against them and support to the fraud team at the London Borough of Lambeth. It also provides Financial Investigation services to the LB Waltham Forest as well as the Merton/Kingston/Sutton Trading Standards partnership. Statistics related to the other councils that CAFT supports are not included in the figures below.

3.2 It has been reported previously to this committee that the team was selected as a pilot to take part and help develop the London Counter Fraud Hub (LCFH), alongside Ealing, Camden, Islington and Hackney councils. The ambition of the project is to see all of London matching datasets to identify discrepancy. Examples of these could be people registering housing need in more than one borough, claiming small business rate relief on more than one business or registering to vote in more than one borough. Data has now been submitted to the project and we will feedback again once the pilot phase draws to a close in autumn 2017

3.3 There are local performance indicators that relate to the Council's anti-fraud work. The two indicators shown in table 1 below reflect the focus of the team. Table 2 shows a breakdown of these figures.

Table 1 – Key performance indicators

	ANNUAL TARGET 16/17	ANNUAL TARGET 17/18	17/18 YTD PERFORMANCE
Successful Outcomes	100	120	49
Identified Overpayments & Savings	£1,250,000	£1,250,000	£481,680

Table 2 - Breakdown of Outcomes from 1 April 2017 – 31 July 2017 compared to the same period in 2016

2016		2017	
Area	**Value £**	**Area**	**Value £**
Housing 8 Recovered Properties 1 Right to Buy stopped 1 Removed from Temp Accommodation 1 Removed from Housing list** 1 Succession Stopped 2 Notices/Orders*	 £144,000 £95,700 £18,000 £18,000 £18,000	**Housing** 9 Recovered Properties 1 Right to Buy stopped	 £162,000 £103,900
Other 4 Cautions 4 Disciplinary Action 2 Council Tax Discounts 5 Blue Badges Abuse 1 Insurance Claim Stopped 2 Care Package Stopped 3 Safeguarding Referrals 1 Audit recommendations	£32,123	**Other** 5 Cautions 9 Dismissal/Resignation 3 Council Tax Discounts 10 Blue Badge Abuse 1 Insurance Reviewed 3 Care Package Stopped 1 Direct Payment 5 Audit recommendations 1 Landlord licence 1 NRPF deportation	£215,780
Total	£325,823	**Total**	£481,680

*****Includes: Notice Seeking Possession, Notice to Quit and Possession Orders
** Non-cashable saving, as cost to the council only arises when someone moves from the list to a tenancy.

3.4 **Social Housing Case study 1**

This investigation resulted from enquiries made with the Corporate Anti-Fraud Team by the Metropolitan Police. They were looking for assistance in locating a wanted offender, who had absconded from a trial before sentence, relating to the supply of drugs in London. The offender had been found guilty in their absence of possession with intent to supply, and was sentenced to 7 years imprisonment.

The offender in this case turned out to be a Council tenant in Davidson Road, who had occupied this one bedroomed flat since 2008. Investigators moved quickly to establish who exactly was living at the flat and established that it was occupied by a male who claimed to be not living there but staying their while he decorated the property for the tenant. Benefits paid at the address were therefore suspended.

As we were unable to make contact with our tenant and with concerns the flat was sublet in his absence, we moved immediately to serve notices to bring their tenancy to an end.

On the 9th June 2017 we gained a Possession Order in Croydon County Court, for outright possession of the property. At this point it became clear that the male that investigators found 'decorating' the property was in fact living there. Following a wait for court appointed bailiffs the occupant was finally evicted on 31 July 2017 and the property repossessed. At the time of writing this report it is being prepared, including redecoration, for a new tenant providing a fresh start for someone on the council's waiting list.

3.5 **Social Housing Case study 2**

Katrin Butu, a Turkish national, entered the UK in 2001 seeking asylum. This was refused and in 2002 she claimed support from the council's No Recourse to Public Funds team pending her departure from the UK. In 2003 she claimed social housing using the name Katherine Butun but this was denied as it was clear she had no recourse to public funds. Undeterred she set about the creation of an identity that would get her access to public funds and in 2004 she hijacked the identity of a person born in Helensborough in Scotland. In June 2004 she successfully changed her name by deed poll to her new identity and in August 2004 she managed to obtain a UK passport. The next natural move was to apply again for social housing and she wasted no time, applying again in September 2004. She received an offer for a property in Bramley Hill in May 2005. She perpetuated her fraud by explaining that the reason she didn't speak any English and needed all transactions with council services dealt with through a translator was due to the fact that her mother had taken her to Turkey as a child and she never really learned to speak English

Following a tip off the council investigated with the Department for Work and Pensions as by now she had for over ten years been defrauding the DWP out of state benefits as well as occupying a badly needed council home. Croydon Tenancy Investigators found a history of complaints, Anti-Social Behaviour, noise and rubbish nuisance all of which had to be dealt with with the assistance of interpreters, incurring additional expense for the council.

On the first day of her five day trial for fraud in August 2016 she had an alleged fit in court and was removed by ambulance for hospital treatment only to be discharged with nothing wrong with her. There followed many delays in getting her into court but eventually, on 31st January this year she was sentenced to 2 and half years in prison. The Tenancy Investigator recovered the house on 20/11/16 which, following a quick turnaround, was offered to a deserving family from the waiting list on 23/11/16.

4. FINANCIAL INVESTIGATIONS

4.1 The Council employs two Financial Investigators to undertake cash seizures and other financial investigations, in addition to the work undertaken for

Croydon, the Council's Financial Investigators are also undertaking work for Waltham Forest and have recently been commissioned by Merton Trading Standards to provide additional support. Their investigations relate to various departments within the Councils including:

- Housing Benefit – legacy cases;
- Trading Standards - trademark and rogue trader cases;
- Planning – enforcement case;
- Licensing; and
- Internal cases

4.2 At the time of writing the Financial Investigators have 10 cases under investigation involving a total of 19 defendants. These investigations relate not only to Croydon cases, but also to a case for another council.

4.3 Financial Investigators are empowered to apply for restraint orders, which is a type of court order agreed by a judge. The order has the effect of freezing property, including money and assets anywhere in the world that may be liable to confiscation following the trial. The aim of the order is to strike a balance between keeping the defendant's assets available to satisfy any confiscation order which may be made in the event of conviction and meeting the defendant's reasonable requirements in the meantime. In these cases if there is a successful prosecution then a portion of these restrained assets will be returned to the Council. The Council's Financial Investigators currently have £110,000 of cash detained as well as 64 restraint orders in place as follows:

- 49 Bank Accounts
- 13 Properties
- 2 Cars

5. LOCAL GOVERNMENT TRANSPARENCY CODE

5.1 Members will be aware of the Local Government Transparency Code which requires Councils to publish data about various areas of their activities. Included in the 2014 code is detail on Counter Fraud work, most of this information has always been reported to committee; however there are some new areas which now need to be made public. These are detailed below:

Number of occasions the Council has used powers under the Prevention of Social Housing Fraud Act	42
Total number of employees undertaking investigations and prosecutions relating to fraud	12.0
Total number of full time equivalent employees undertaking investigations and prosecutions of fraud	11.4
Total number of employees undertaking investigations and prosecutions of fraud who are professionally accredited counter fraud specialists	11.0

Total number of full time equivalent employees undertaking investigations of and prosecutions who are professionally accredited counter fraud specialists	10.6
Total number of fraud cases investigated*	93

*The number of investigations that have been closed during the period April '17 to July '17.

6. FINANCIAL AND RISK ASSESSMENTS

6.1 The budget provision for the audit and anti-fraud service for 2017/18 is £423,000 and the service has been delivered within budget.

6.2 There are no further risk assessment issues than those already detailed within the report.

(Approved by: Luke Chiverton, Head of Finance)

7. COMMENTS OF THE SOLICITOR TO THE COUNCIL

7.1 The Solicitor to the Council advises that there are no additional legal implications arising from this report

(Approved by Jessica Stockton, Interim Manager Corporate Legal team, for and on behalf of Jacqueline Harris-Baker, Director of Law and Monitoring Officer)

8. HUMAN RESOURCES IMPACT

8.1 There are no immediate human resource considerations arising from this report for LBC staff or workers.

(Approved by: Sue Moorman, Director of Human Resources)

9. CUSTOMER FOCUS, EQUALITIES, ENVIRONMENTAL, CRIME AND DISORDER REDUCTION & HUMAN RIGHTS IMPACTS

9.1 There are no further considerations in these areas.

10. EQUALITIES IMPACT ASSESSMENT

10.1 An initial screening equalities impact assessment has been completed for the Anti-fraud and Corruption Policy. No further action was found to be necessary.

CONTACT OFFICER: David Hogan (Head of Anti-Fraud)

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REPORT TO:	**General Purposes and Audit Committee 20 September 2017**
AGENDA ITEM:	**12**
SUBJECT:	**Treasury Annual Review 2016/2017**
LEAD OFFICER:	**Richard Simpson Executive Director of Resources (Section 151 Officer)**
CABINET MEMBER:	**Councillor Simon Hall, Cabinet Member for Finance & Treasury**
WARDS:	**All**

CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management. This report details the Council's Treasury Management activities during 2016/2017 and the Council's compliance with the Prudential Code for Capital Finance.

FINANCIAL SUMMARY: This report details the Treasury Management activities in 2016/2017 and demonstrates the Council's compliance with the Prudential Code.

FORWARD PLAN KEY DECISION REFERENCE NO.: N/A

For general release

1. RECOMMENDATIONS

1.1. The Committee are asked to note the contents of this report and to:

Endorse the Treasury Annual Review 2016/2017 and the continued implementation of the Council's Treasury Strategy 2017/2018 by the Executive Director of Resources (Section 151 Officer).

2. EXECUTIVE SUMMARY

2.1. The Council's treasury management activities for the previous year are reviewed on an annual basis to take account of changes and updates in treasury practices and to ensure that best practice is incorporated within all areas of treasury management. This report:-

- Reviews the Council's treasury management activities for the year 2016/2017;
- Detail those areas of activity that formed the basis of the Treasury Strategy Statement and Annual Investment Strategy 2016/2017 received by Full Council **on 29 February 2016 (Minute A19/16 refers)** ; and
- Demonstrates the Council's compliance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance and adherence with the Prudential Indicators set.

3. BACKGROUND

3.1. The Council has adopted a Treasury Policy Statement, which sets out the basis on which treasury activities are to be conducted. This document is incorporated as part of the Council's Financial Regulations.

3.1.1. The Treasury Policy Statement sets out the minimum reporting requirements to Members as being the following reports:

- An annual treasury strategy report prior to the commencement of each financial year (a statutory requirement) on treasury strategy for the year ahead.
- A mid-year treasury update report.
- An annual review of the previous year's treasury activities.

3.1.2. The Council's treasury management objectives are to manage the cash flows, borrowing and investment requirements of the Authority with minimum risk and to achieve this by minimising the Council's exposure to adverse movements in interest rates whilst maximising investment yield to enhance the Council's finances.

3.1.3. The Council's treasury management activities are regulated by statute, the CIPFA Code of Practice for Treasury Management and official guidance.

3.1.4. This report presents a review of 2016/2017's activities based on the following:-

- The Economy and Interest Rates;
- Lending;
- Performance Targets;
- Borrowing;
- Compliance with Prudential Indicators; and
- Repayment of Debt and Debt Rescheduling.

3.1.5. A glossary of the terms and abbreviations used in this report is attached at **Appendix D.**

3.2. The Economy and Interest Rates

3.2.1. The market expectation at the beginning of the financial year 2016/2017 was for the UK's Bank Rate to increase. However, following the unexpected referendum result on 23 June 2016 (a victory for the leave campaigners) the Bank of England thought it necessary to decrease interest rates to 0.25%. Interest rates have stayed at this point ever since and the general consensus is that interest rates will remain at current levels until the conclusion of the Brexit negotiations in Q2 2019.

3.3. Lending

3.3.1. The Council's investment policy is governed by the Communities and Local Government Office (CLG) guidance. It had been drawn up to provide maximum security for the Council's funds. As set out in the strategy, the criteria for the investment of the Council's surplus funds are based on formal credit ratings issued by the FITCH International Rating Agency and supplemented by additional market data such as rating outlooks, credit default swaps and bank share prices. The prime aim is to obtain capital security and then to secure the best rate of return. In addition to the FITCH rated institutions, all UK local authorities, and some public bodies comprise the Council's Approved Lending List. The rating criteria for approved counterparties is as follows:

Lending List Criteria

List	Credit Ratings Criteria
A	**FITCH rating in each of the following categories:-** F1+ on Short Term AA or above Long Term aa- or above Viability Rating 1 for Support Rating AA or above Sovereign Rating
B	**FITCH Rating in each of the following categories:-** F1+ on Short Term AA- or above on Long Term a+ or above Viability Rating 1 for Support Rating AA or above Sovereign Rating
	Approved Organisations that meet the credit ratings set out above. All Non-UK Banks that meet the FITCH ratings set out above All UK Building Societies that meet the FITCH ratings set out above UK Banks that meet the FITCH ratings set out above **Approved Organisations not meeting the above credit ratings** Part Nationalised UK Banks All UK Local Authorities AAA rated Money Market Funds as rated by FITCH & one other rating agency. Debt Management Office

The Council's revised Lending List Criteria and the authorised list of counterparties as at **31 August 2017**, which incorporates the new ratings, is detailed in **Appendix A.**

3.3.2. The principle of obtaining capital security and then of securing the best rate of return underpins all treasury investment decisions. The market that exists to support local authorities understands this and has evolved to develop products to match these requirements. Without in any way compromising the commitment to these principles the treasury team has begun a process of engagement to explore the merits and associated risks of alternatives to plain time- and call-deposits that match their security characteristics. There is a growing concern that a reducing pool of quality counter-parties, such as banks, is increasing the level of risk for the Authority and one possible response to this might be to develop the number of high-grade deposit takers, to increase diversification of investments and thereby reduce the overall concentration of risk of default.

3.3.3. The financial year 2016/2017 continued the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk.

3.3.4. Investment activity in 2016/2017 conformed to the approved strategy and the Council experienced no liquidity issues in the year with an average monthly balance of £**128.312m** being maintained in temporary investments during the year. Part of this sum is made up of core balances such as provisions and reserves set aside and cash balances that can if necessary be invested for longer periods to take advantage of favourable interest rates and to hedge against future rate movements.

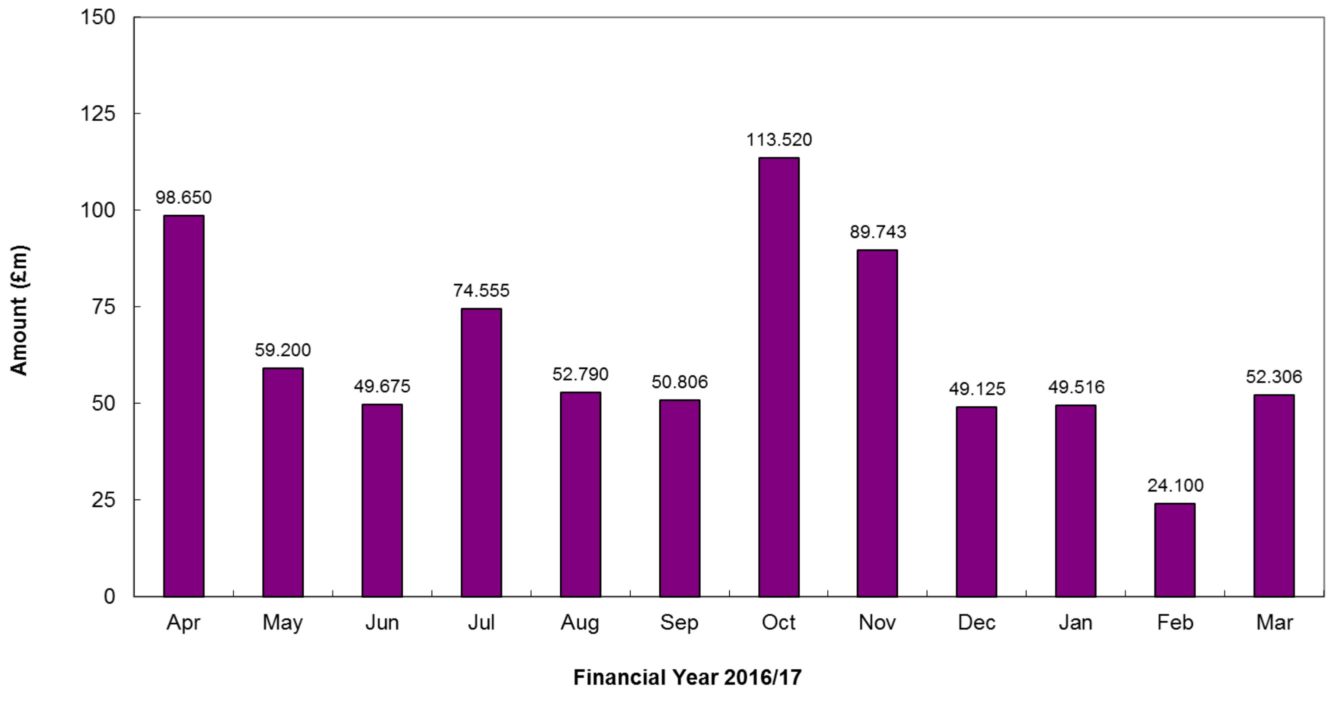
3.3.5. Available funds were invested for differing periods, to match anticipated movements in the Council's daily cash flows commensurate with achieving best value and based on forecasts of interest rate trends. The primary aim is to ensure the capital security of the Council's investments and then to secure the best rate of return.

3.3.6. Investment of the Council's cash balances is governed by the Guidance on Local Government Investments which has been issued by the Communities and Local Government Office.

3.3.7. The guidance requires certain investment policy parameters to be set within the annual Treasury Management Investment Strategy approved by Council. Investment activity during the year conformed to this approved strategy and sufficient liquidity was maintained for the Council's cash flow requirements.

3.3.8. For the year April 2016 to March 2017, deposits totalling £763.986m were invested at an average investment rate of 0.30% compared to the benchmark rate of 0.20% for the year. During the year the Council maintained an average monthly balance of £128.312m and the investments outstanding at 31st March 2017 were £104.745m. These were invested as follows: banks £65.0m; UK local authorities £30.0m and AAA rated Money Market Funds £9.745m.

Investments made in 2016/2017



3.3.9. In placing these deposits, the treasury team will speak to a number of money brokers and institutions to secure the best deals. The bulk of these deals were made directly with the deposit taking bank, other local authorities or placed with one of the AAA rated Money Market Funds.

3.3.10. In 2016/2017, the Council made a commitment of £15m to the second Real Lettings Property Fund Limited Partnership and £1.5m was drawn. This fund is similar to the first fund which the Council has £30m in. Both funds have a 7-year life offering investors the opportunity to invest in a diversified portfolio of London residential property and aims to deliver a minimum return of 5% per annum. For Croydon, this investment will also provide added benefit in that the properties purchased would offer affordable accommodation for former homeless people or those at risk of homelessness, who cannot access social housing. Returns generated by the investment will serve to boost the Council's overall income in the future.

3.4 Performance Targets

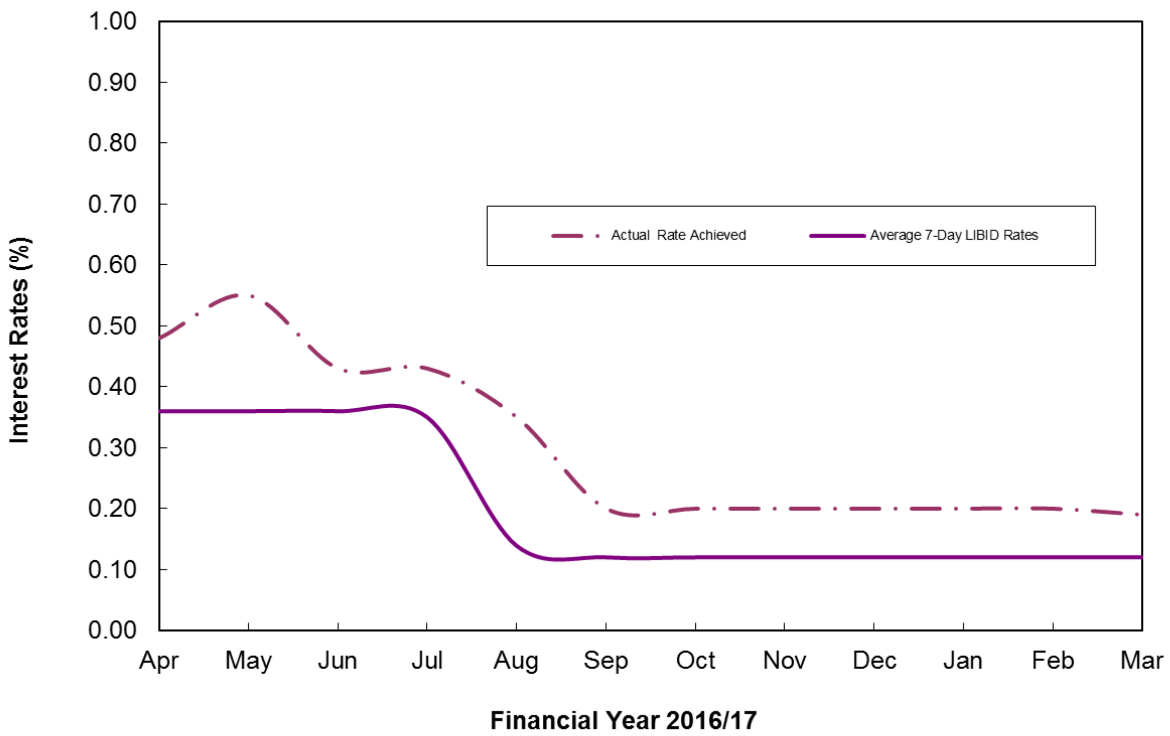
3.4.1 The gross investment income earned by the Council for the financial year 2016/2017 was £0.919m. This sum included interest accrued on investments made in 2015/2016 that matured in 2016/2017, representing an overall return of 0.72% for the financial year.

3.4.2 The average 7-day London Interbank Bid (LIBID) can be used as a benchmark against which investment returns can be measured. This is generally accepted as a reasonable proxy for cash. Investments were restricted to the duration limits recommended by the Council's Treasury Advisers, Capita Asset Services and only made with institutions on the Council's authorised lending list.

3.4.3 The graph below details the rate of investment returns achieved on investments made each month in 2016/2017 compared to the benchmark average 7-day LIBID rate for the month.

3.4.4 This financial environment remains challenging. With interest rates in the UK, Europe and the US remaining at historically low levels returns on investments are paltry. On the other hand the cost of debt is low and the cost of the debt portfolio is one of the lowest across London. There still remains a margin between the interest payable and receivable, known as the cost of carry. In order to mitigate this cost as far as is possible cash balances have been run down and borrowing therefore only taking up as required.

<u>Actual investment rates achieved compared to the average 7-Day LIBID rates 2016/2017</u>



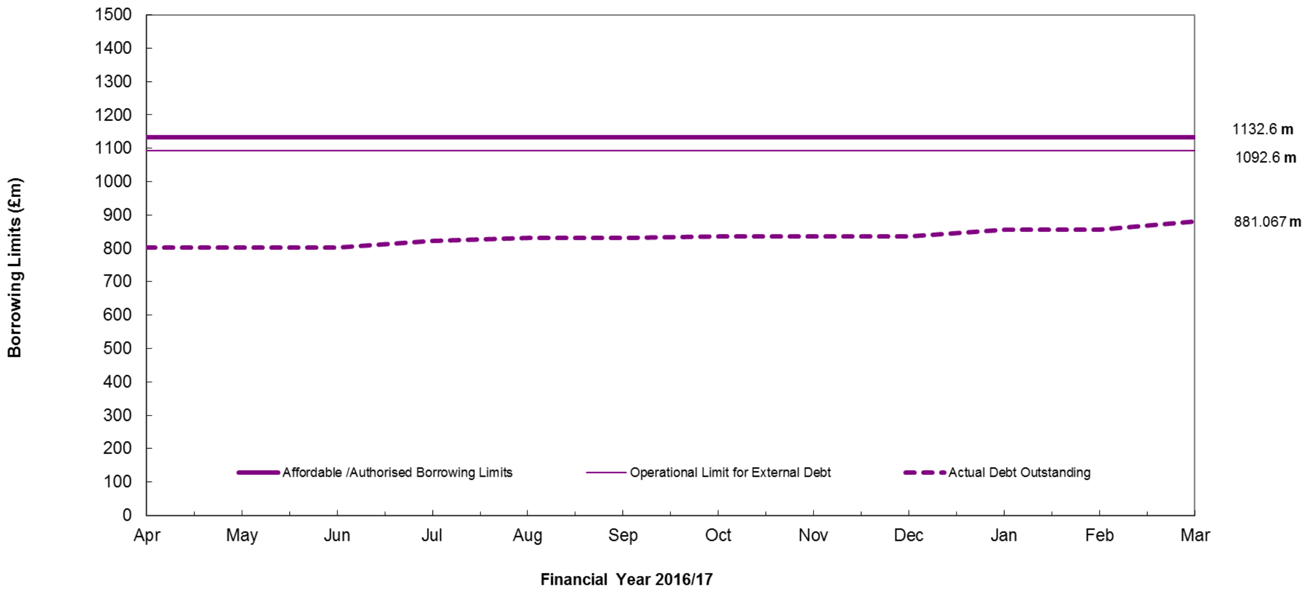
3.5 Borrowing

3.5.1 The Council set borrowing limits that were approved by **Full Council on 29 February 2016 (Minute A19/16 refers)** for the year 2016/2017 as part of the legislative constraints specified in Section 3 of the Local Government Act 2003 which requires the Council to determine and keep under review how much it can afford to borrow. These sums were:

Operational Limit for External Debt	£1,092.6m
Affordable Borrowing Limit	£1,132.6m
Authorised Borrowing Limit	£1,132.6m

3.5.2 The chart below shows the actual debt in 2016/2017 in comparison to the above borrowing limits.

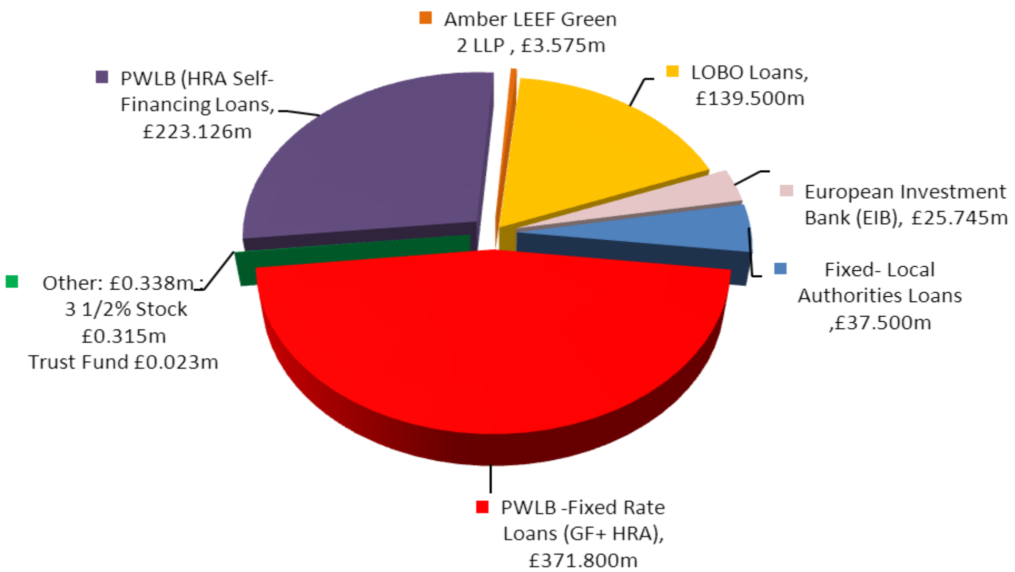
Actual Debt in 2016/2017 in comparison to the Operational, Affordable and Authorised Borrowing Limits for the year



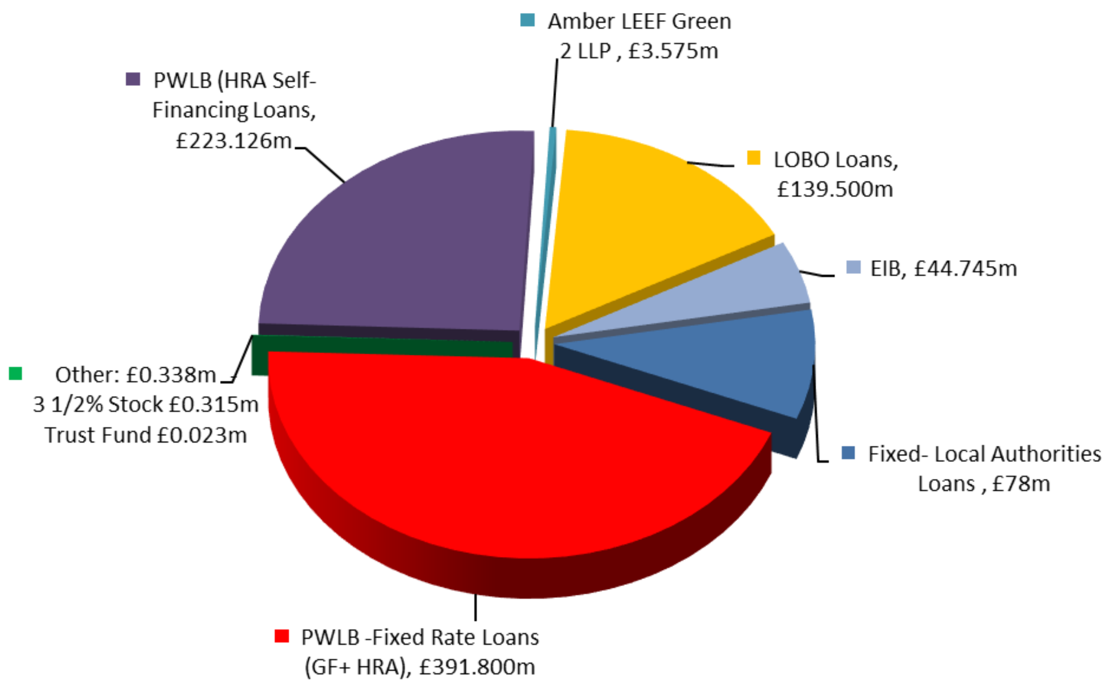
3.5.3 The Authorised Limit sets the maximum amount that the Council can borrow for capital and revenue purposes. This ceiling was not exceeded and the Council's overall borrowing as at 31 March 2017 stood at £881.067m. The Operational Limit was also observed.

The Council's external debt at 1st April 2016 and 31st March 2017 is detailed graphically as follows:

External Debt as at 1 April 2016 (£801.584m)



External Debt as at 31 March 2017 (£881.067m)



3.5.4 In 2016/2017, the Council took up £39m of new long term borrowing at historically low interest rate levels, representing real savings in the Authority's cost of borrowing. The limits set allow for £79m additional debt, however, to manage costs, internal cash balances have been used instead of borrowing more. Of the £39m borrowed, £19m was taken as two maturity loans from the European Investment Bank (EIB) to fund Education schemes within the Capital Programme. These loans were £10m for 15 years at 1.759% and £9m for 13 years at 1.378%. Interest rates secured were lower than the comparable Public Works Loan Board (PWLB) interest rate on the days these were agreed. The loans taken from the EIB now total £44.745m of the loan facility of £102m negotiated between the Council and the EIB in July 2015. This facility will offer cheaper alternative sources of long term funding generating substantial savings of interest payable on the Authority's overall debt in the future.

3.5.5 In 2012, the Government introduced a 20 basis points discount on loans from the PWLB for those authorities providing improved information and transparency on their locally determined long-term borrowing and associated capital spending plans. This special rate was termed the 'certainty rate'. The Council applied to HM Treasury to be eligible for this rate to finance its prudential borrowing and also to refinance maturing long term debt over the next three financial years. The application was successful and the Authority took up a new £20m maturity loan from the PWLB at this lower rate in June 2016. The loan was over 46 years at a rate of 2.49%. The 'certainty rate' facility remains in place for future borrowing.

3.5.6 The Council's treasury strategy for 2016/17 was approved by Full Council **on 29 February 2016 (Minute A19/16 refers)**. Within the report were detailed the different borrowing strategies available, of which temporary borrowing and borrowing from other local authorities were options. Borrowing undertaken for up to 364 days is termed temporary borrowing and this form of borrowing is also being offered by other local authorities at rates between 0.16% for one month to 0.45% for 364 days. Temporary borrowing can be used for cash flow purposes pending a more advantageous time to borrow long term. To maximise savings on the interest payable on the Council's external debt, the Treasury Section has in 2016/17 utilised a combination of temporary borrowing, PWLB borrowing for longer periods and the loan facilities provided by the EIB as detailed in 3.5.4 as well as internal cash balances whenever possible.

3.5.7 The interest rate payable on the Council's long term fixed rate debt has remained consistently below the average of all non-debt free London Boroughs. This has been independently verified by CIPFA and is detailed below. To provide some context if the Council's long term cost of debt was at the London average an additional £6m would need to be found each year. Currently the Council can borrow at levels below the average rate, and therefore the cost of new debt and of refinancing debt as it matures lowers the average rate payable. The average rate payable is likely to continue to fall until interest rates move to an upward path.

<u>Interest rate payable on long term fixed rate external debt</u>

	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017
	%	%	%	%	%	%	%	%	%	%	%
Croydon	4.64	4.77	4.6	4.42	4.32	4.36	4.06	3.97	3.84	3.8	3.69
London Boroughs (Average)	5.66	5.9	5.82	5.65	5.11	4.39	4.55	4.53	4.51	4.43	not available

The above data is attached as a chart in **Appendix B**.

3.6 **Compliance with Prudential Indicators**

3.6.1 The Prudential Code for Capital Finance in Local Authorities serves as a professional code of practice to support local authorities in complying with Part 1 of the Local Government Act 2003. The Code required the continual monitoring of the Prudential Indicators set by the Council.

3.6.2 The purpose of the Prudential Indicators set is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position.

3.6.3 The Prudential Indicators set by this Authority for 2016/2017 and the actual outturn figures are detailed in **Appendix C.**

3.7 Repayment of Debt and Debt Rescheduling

3.7.1 In 2016/2017, as a result of both the high premiums attached to the premature repayment of debt there were minimal opportunities for the rescheduling of the Council's long term debt and therefore none was undertaken.

3.7.2 The borrowing strategy adopted in 2016/2017 ensures that debt will mature over a spread of future years so as to avoid 'clustering' and thus exposure to any future in-year events.

3.8 Markets in Financial Instruments Directive

3.8.1 The introduction of the second Markets in Financial Instruments Directive may impact on the treasury activities of the authority. It is possible that, for certain listed financial instruments, counterparties might have to undertake an assessment of the Council, to form a view as whether to treat it as a professional or retail client. In order to continue to effectively implement the authority's treasury strategy after 3rd January 2018, the date from which the Directive takes effect, applications for election to be treated as a professional clients should be submitted to all financial institutions with whom the authority has an existing or potential relationship in relation to its treasury functions. This process should commence as soon as possible in order to ensure completion in good time and avoids the need for appropriate action to be taken by institutions in relation to the authority's treasury. The Executive Director of Resources (Section 151 Officer) is granted delegation to make applications on the authority's behalf.

4 CONSULTATION

4.1 Full consultation has taken place with the Council's Treasury Management advisers, Capita Asset Services in the preparation of this report.

5. FINANCIAL CONSIDERATIONS

5.1 Revenue and Capital consequences of this report are dealt within this report. There are no additional financial considerations other than those identified in this report.

The effect of the decision

5.2 Approval of this report will endorse the continued implementation of the Council's Treasury Management Strategy by the Executive Director of Resources (Section 151 Officer).

Risks

5.3 There are no further risks issues other than those already detailed in this report**.**

Options

5.4 These are fully dealt with in this report

Savings/ future efficiencies

5.5 This report sets out the treasury activities in 2016/2017 and demonstrates the Council's compliance with the Prudential Code and the limits set in both the Code and the Treasury Strategy Statement and the Annual Investment Strategy 2016/2017 report presented to Members **on 29 February 2016 (Minute A19/16 refers)**

Approved by: Lisa Taylor, Director of Finance, Investment and Risk

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

6.1 The Solicitor to the Council comments that there are no legal considerations arising from the recommendations within the report.

Approved by: Jacqueline Harris-Baker Director of Law and Monitoring Officer

7. HUMAN RESOURCES IMPACT

7.1 There are no immediate HR considerations that arise from the recommendations of this report for LBC staff or workers.

Approved by: Sue Moorman, Director of Human Resources.

8. CUSTOMER IMPACT

8.1 There are no Customer impacts arising from this report.

9. EQUALITIES IMPACT ASSESSMENT (EIA)

9.1 Consistent with the requirements of equal opportunities legislation including the Disability Equality Duty, the Council carries out an equality impact assessment on new policies, or existing policies which are the subject of major change.

9.2 The Council's Capital and Revenue Budget 2016/2017 is not subject to an equality impact assessment. However, in those areas where the setting of the capital and revenue budget result in new policies or policy change, then it is the responsibility of the relevant service department to carry out an equality impact assessment which evaluates how the new or changed policy will impact on disadvantaged sections of the community, including disabled people. The impact assessment includes consultation with disabled people and user-led disabled people organisations.

10. ENVIRONMENT AND DESIGN IMPACT

10.1 There are no Environment and Design impacts arising from this report.

11. CRIME AND DISORDER REDUCTION IMPACT

11.1 There are no Crime and Disorder reduction impacts arising from this report.

12. HUMAN RIGHTS IMPACT

12.1 There are no Human Rights impacts arising from this report.

13. FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

13.1 There are no specific Data Protection or Freedom of Information considerations arising from this report.

BACKGROUND DOCUMENTS:

CIPFA's Prudential Code for Capital Finance in Local Authorities Fully Revised Edition 2009 and updated 2011 edition.
CIPFA's Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes – Fully Revised Second Edition 2009 and updated 2011 edition.
CLG's Guidance on Local Government Investments March 2004.

CONTACT OFFICER:

Nigel Cook, Head of Treasury and Pensions Ext. 62552

APPENDICES:

Appendix A – Authorised Lending List Criteria as at 31 August 2017
Appendix B – London Borough of Croydon - Average Rate of Long Term Fixed Rate Debt 2006/07– Present
Appendix C – Prudential Indicators for 2016/2017
Appendix D – Glossary of Terms used in the Treasury Annual Review report

LONDON BOROUGH OF CROYDON

Authorised Lending List Criteria as at 31 August 2017 (Criteria as per FITCH)

Lending List Criteria

List	Credit Ratings Criteria
A	**FITCH rating in each of the following categories:-** F1+ on Short Term AA or above Long Term aa- or above Viability Rating 2 or lower for Support Rating AA or above Sovereign Rating
B	**FITCH Rating in each of the following categories:-** F1+ on Short Term AA- or above on Long Term a+ or above Viability Rating 2 or lower for Support Rating AA or above Sovereign Rating
	Approved Organisations that meet the credit ratings set out above. All Non-UK Banks that meet the FITCH ratings set out above All UK Building Societies that meet the FITCH ratings set out above UK Banks that meet the FITCH ratings set out above **Approved Organisations not meeting the above credit ratings** Part Nationalised UK Banks All UK Local Authorities AAA rated Money Market Funds – as rated by FITCH & one other rating agency. Debt Management Office

LONDON BOROUGH OF CROYDON
Authorised Lending List as at 31 August 2017 (Criteria as per FITCH)

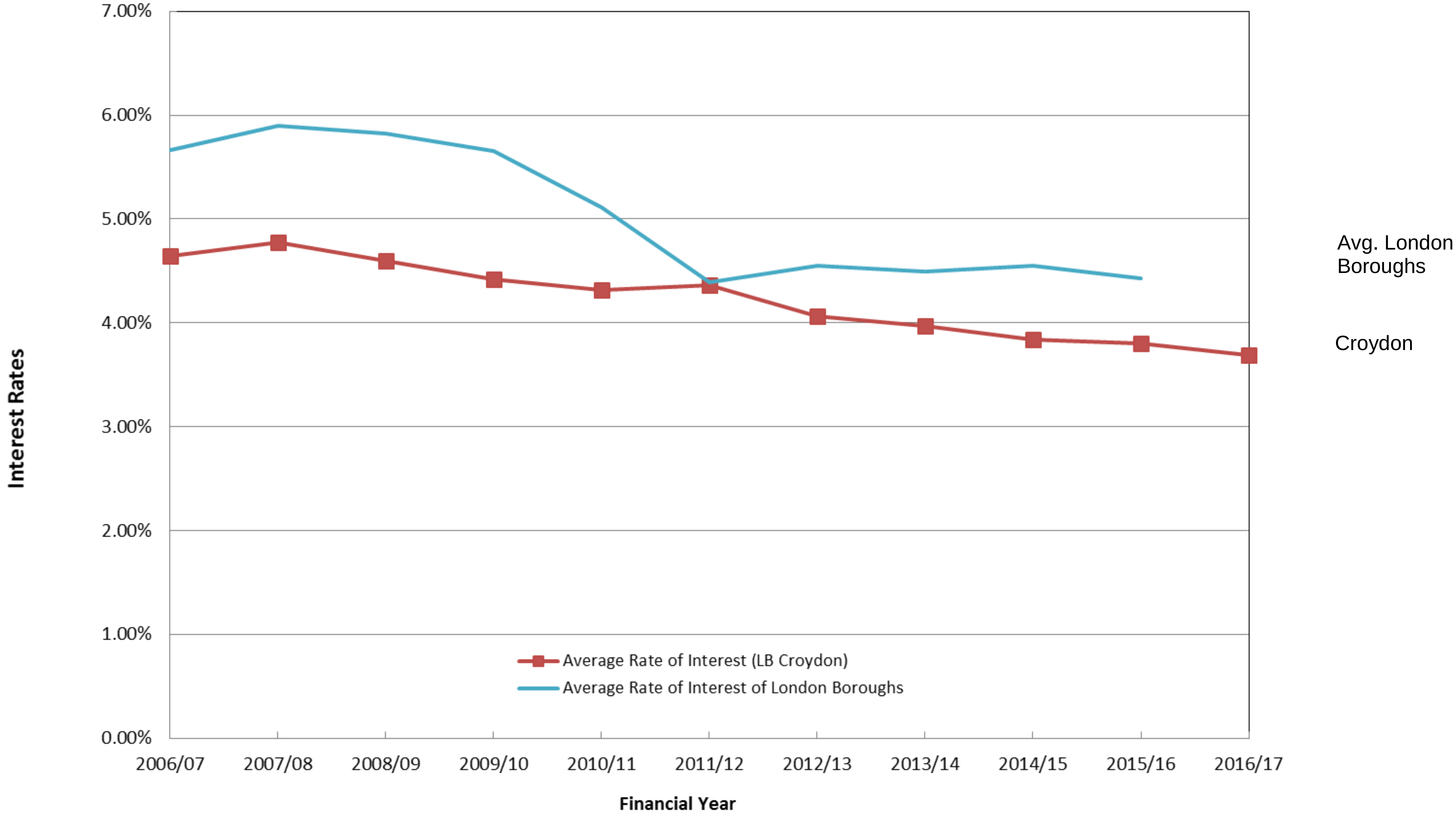
LIST A

Name	Credit Limit £	Long Term Rating	Short Term Rating	Viability Rating	Support Rating	Sovereign Rating
Royal Bank Of Canada **(Canada)**	20,000,000	AA	F1+	aa	2	AAA
Goldman Sachs Money Market Fund	15,000,000	AAA				
JP Morgan Money Market Fund	15,000,000	AAA				
Morgan Stanley Money Market Fund	15,000,000	AAA				
Insight Money Market Fund	15,000,000	AAA				
Deutsche Money Market Fund	15,000,000	AAA				
Royal Bank of Scotland Plc **(Part Nationalised) (UK)**	25,000,000	BBB+	F2	bbb+	5	AA
Debt Management Account **(UK Government Body)**	No Limits					

LIST B

Name	Credit Limit £	Long Term Rating	Short Term Rating	Viability Rating	Support Rating	Sovereign Rating
Australia & New Zealand Banking Group **(Australia)**	10,000,000	AA-	F1+	aa-	1	AAA
Bank Of Montreal **(Canada)**	10,000,000	AA-	F1+	aa-	2	AAA
Bank Of Nova Scotia **(Canada)**	10,000,000	AA-	F1+	aa-	2	AAA
Canadian Imperial Bank Of Commerce **(Canada)**	10,000,000	AA-	F1+	aa-	2	AAA
Commonwealth Bank Of Australia **(Australia)**	10,000,000	AA-	F1+	aa-	1	AAA
DBS Ltd **(Singapore)**	10,000,000	AA-	F1+	aa-	1	AAA
HSBC Bank Plc **(UK)**	10,000,000	AA-	F1+	a+	1	AA
National Australia Bank **(Australia)**	10,000,000	AA-	F1+	aa-	1	AAA
Overseas Chinese Banking Corporation Ltd **(Singapore)**	10,000,000	AA-	F1+	aa-	1	AAA
Toronto-Dominion Bank **(Canada)**	10,000,000	AA-	F1+	aa-	2	AAA
United Overseas Bank Ltd **(Singapore)**	10,000,000	AA-	F1+	aa-	1	AAA
Westpac Banking Corporation **(Australia)**	10,000,000	AA-	F1+	aa-	1	AAA
All UK Local Authorities	10,000000					

London Borough of Croydon - Average Rate of Long Term Fixed Rate Debt 2006/07– Present



Appendix B

Appendix C

PRUDENTIAL INDICATORS FOR 2016/2017

		2016/17	2016/17	Notes
	PRUDENTIAL INDICATORS	**Revised Budget** **£'000**	**Actual** **£'000**	1
1.	**Prudential Indicators for Capital Expenditure**			
1.1	Capital Expenditure			
	General Fund	208,284	113,005	
	HRA	42,960	24,313	
	Total	251,245	137,318	
1.2	In year Capital Financing Requirement			
	General Fund	54,722	25,012	
	HRA	0	0	
	Total	54,722	25,012	2
1.3	Capital Financing Requirement as at 31 March 2017 – **balance sheet figures**			
	General Fund (net of Minimum Revenue Provision (MRP) costs)	600,653	583,228	
	HRA	338,688	322,497	
	Total	939,341	905,725	3
2	**Prudential Indicators for Affordability**			
2.1	Ratio of financing costs to net revenue stream			
	General Fund	10.00%	9.25%	4
	HRA	16.50%	13.06%	5
2.2	General Fund impact of Prudential (unsupported) borrowing on Band D Council Tax levels (per annum).			
	- In year increase	£4.00	£1.96	6
2.3	HRA impact of Prudential (unsupported) borrowing on housing rents (per annum)	0	0	
3	**Prudential Indicators for External Debt**			
3.1	Borrowing Requirement			
	External Debt brought forward 1 April	801,584	801,584	
	External Debt carried forward 31 March	858,242	881,061	7
	Additional borrowing requirement/undertaken	49,609	79,477	

4	**Prudential Indicators for Treasury Management**			
4.1	Borrowing limits - upper limit for fixed interest rate exposure expressed as:-			
	Net principal re fixed rate borrowing / investments	927,354	726,584	
4.2	Borrowing limits - upper limit for variable rate exposure expressed as:-			
	Net principal re variable rate borrowing / investments	20%	6.5%	
4.3	Lending limits - upper limit for total principal sums invested for over 364 days expressed as a % of total investments	30%	0%	

Notes:

1. Actual is based upon draft accounts 2016/2017 which are yet to be audited.

2. Long term funding of £42.330m was used to finance capital expenditure in the year all of which was for the General Fund (GF).

3. The Capital Financing Requirement (CFR) reflects the local authority's underlying need to borrow for a capital purpose. The CFR as 31 March 2017 included the further £1.5m investment in the Real Lettings Property Fund 2.

4. This reflects the impact on the GF of the Council's external debt. The GF's net revenue stream consists of the amount to be met from government grants and local taxpayers. The GF's ratio of financing cost was lower than estimated as a result of the new borrowing undertaken at lower than estimated interest rates.

5. This reflects the impact on the HRA of the Council's external debt. The HRA's net revenue stream consists of rental income received and other income as shown in the HRA accounts.

6. This represents the extra annual levy on a Band D tax bill arising from the take up of GF unsupported borrowing.

7. The external debt brought forward as at 1 April 2017 includes the £223.126m that the Council's HRA borrowed on 28/3/2012 to exit the national HRA Subsidy system. This amount, known as the HRA Self Financing settlement sum, was paid over by the Council to the Government.

Appendix D

GLOSSARY OF TERMS USED IN THE TREASURY ANNUAL REVIEW REPORT

Affordable Borrowing Limit and Authorised Limit for external debt	The maximum amount the Council can borrow for capital and revenue purposes, allowing a prudent margin for unexpected events. The Affordable Borrowing Limit reflects a level of borrowing which, while not desirable, is affordable in the short term. The Council does not have the power to borrow above the Authorised Limit.
Capital Financing Requirement	A calculated notional figure that represents the authority's underlying need to borrow to finance capital expenditure. Note that this does not necessarily mean that this is the sum borrowed.
CIPFA	The Chartered Institute of Public Finance and Accountancy. The leading professional accountancy body for the public services.
CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes Fully Updated Edition 2011	The professional code governing treasury management, which was approved by Full Council on 29 February 2016 (Minute A19/16 refers).
Debt Management Office (DMO)	The Debt Management Office (DMO) is an Executive Agency of Her Majesty's Treasury. The DMO's responsibilities include debt and cash management for the UK Government, lending to local authorities and managing certain public sector funds. The majority of the Council's debt is arranged through the DMO (see PWLB below).
European Central Bank (ECB)	The European Central Bank (ECB) is the central bank for Europe's single currency, the Euro. The ECB's main task is to maintain the Euro's purchasing power and thus price stability in the Eurozone. The ECB also sets the bank lending rate across the Eurozone.
European Union (EU)	The European Union (EU) is a politico- economic union of 28 member states that are primarily located in Europe.
European Investment Bank (EIB)	The European Investment Bank (EIB) is owned by the 28 EU countries. It borrows money on the capital markets and lends it at a low interest rate to projects that improve infrastructure, energy supply or environmental standards both inside the EU and in neighbouring or developing countries.

FITCH	An internationally recognised rating agency which is used and approved by the Council's Treasury Advisers, Capita Asset Services. Standard & Poor's and Moody's are also rating agencies.
Gross Domestic Product (GDP)	Gross Domestic Product (GDP) is a measure of a country's economic activity, including all the services and goods produced in a year within that country.
Lenders Option / Borrowers Option Loans (LOBO's)	A form of borrowing where loans run at a fixed rate of interest for a fixed period of time, after which the Lender has the option to ask for repayment or change the interest rate on pre-determined dates. If the Lender decides to exercises the option to change the interest rate the borrower can then decide whether to accept the new terms or repay the loan. These can offer more attractive rates to the borrower than conventional lending.
London Interbank Bid Rate (LIBID)	The interest rate at which major banks in London are willing to borrow (bid for) funds from each other.
Minimum Revenue Provision (MRP)	The amount which must be set aside from revenue each year to cover future repayment of loans. There is no MRP requirement for HRA borrowing.
Monetary Policy Committee (MPC)	Interest rates are set by the Bank of England's Monetary Policy Committee (MPC). The MPC sets an interest rate it judges will enable the inflation target to be met (2% per annum currently). The Bank's Monetary Policy Committee (MPC) is made up of nine members - the Governor, three Deputy Governors for Monetary Policy, Financial Stability and Markets & Banking, the Bank's Chief Economist and four external members appointed directly by the Chancellor.
Operational boundary for external debt	The maximum amount of external debt according to probable events and consistent with the level of external debt projected in the estimates.(see Affordable & Authorised limits above).
Public Works Loan Board (PWLB)	Part of the Government's Debt Management Office, making long-term funds available to local authorities on prescribed terms and conditions.

REPORT TO:	**GENERAL PURPOSES AND AUDIT COMMITTEE** **20 September 2017**
AGENDA ITEM:	**13**
SUBJECT:	**Corporate Risk Register**
LEAD OFFICER:	**Executive Director Resources & S151 Officer**
CABINET MEMBER	**Councillor Simon Hall, Cabinet Member for Finance and Treasury**
WARDS:	**All**
CORPORATE PRIORITY/POLICY CONTEXT: **This report presents the corporate risk register as at 20 September 2017 as part of the General Purposes and Audit Committee's role of overseeing the risk management framework and receiving assurance that significant corporate (Red) risks are identified and mitigated by the organisation. This process will ensure that the risk management function will continue to contribute to the achievement of the Council's vision, key priorities and objectives.** **In line with the Council's commitment to openness and transparency, the corporate risk report will appear in Part A of the agenda unless there is specific justification for any individual entries being considered under Part B (set out under Paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended).**	
FINANCIAL SUMMARY: No additional direct financial implications.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATIONS

The Committee is asked to note the contents of the corporate risk register as at 20 September 2017

2. EXECUTIVE SUMMARY

2.1 The report updates the General Purposes & Audit Committee Members on the corporate risk register (the register) as at 20 September 2017.

3. DETAIL

Risk Register Report

3.1 The register presented details all the current corporate risks rated at a total risk score of 20 and above (Red Risks).

3.2 Since the register was last considered by Members, the following risk(s) have been escalated

- **RCSP0120: In year budget and future demand pressure in relation to SEN Transport. Independent travel programme not achieving projected cost avoidance and cost reduction target.**

  The risk was reviewed at Departmental Management Team (DMT) meeting on 01/08/2017 and assessed at a risk score of 20 and is now scored at 25. The decision to increase the risk rating was deemed necessary as the forecasting and controls mechanism for Special Educational Needs transport requirements was not substantial enough to support the service where increased demands (including appeals) were being experienced in terms of volumes and requirements of 'statemented' SEN category children / young persons.

  The following risk(s) have been de-escalated since the report was last considered by Members

- **RCSCFS0094: Britain's EU referendum (23/06/2016) resulted in the decision for the UK to exit membership from the EU. Article 50 (Treaty of Lisbon) was triggered by the UK Government on 29/03/2017 formalising the process for exit negotiations for the UK with the remaining EU member countries and must be completed no later than April 2019.**

  The risk was reviewed at Resources Department Leadership Team (DLT) meeting on 01/08/2017 and assessed as high amber (risk score of 15, previously scored at 20) in light of the commencement of negotiations and the ongoing process of organisational preparedness in respect of the exit schedule.

- **SASHHN0043: Affordable housing: Challenge to future supply due to:**

  (i) Changes in housing market resulting in new developments not including housing/affordable housing element.
  (ii) Reduced levels of affordable housing achieved through planning obligations (such as s106s and CIL) because of difficulty with viability issues.
  (iii) Reduced ability to deliver affordable housing through the new Homes & Community Agency Funding and delivery model due to reduced grant funding.
  (iv) Local market dynamics whereby private sector landowners/developers may follow alternative development uses, e.g., commercial uses or temporary uses.

(v) **Housing and Planning Act implications still not completely clear for example 'higher value levy' on council owned housing stock may result in housing being sold off.**
The risk was reviewed by the Director of Housing Needs on 08/09/2017 and assessed as high amber (risk score of 16, previous scored at 20) as the activities undertaken by partner organization's such as Brick by Brick, LLP Croydon Affordable Homes and the Croydon Hub would alleviate some of the issues identified in respect of supply.

- **DASSHN0039: Lack of supply of temporary accommodation and affordable private and public sector accommodation worsens, increasing use and costs of emergency accommodation and resulting in further budget pressures.**

  The risk was reviewed by the Director of Housing Needs on 08/09/2017 and assessed as high amber (risk score of 16 previously scored at 20) as the activities undertaken by the Council in terms of:

  - Housing stock purchases (ETA 2);
  - Concord, Windsor and Sycamore House leases have been re-geared to ensure longevity of Council use at a more economically viable rate incorporating more favourable terms and conditions.

3.3 In line with the Council's commitment to openness and transparency, the register will appear with the corporate risk report in Part A of the agenda unless, in accordance with the Access to Information Procedure Rules in the Council's Constitution there is specific justification for any individual entries being considered under Part B (set out under Paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended).

3.4 It should be noted that some of the grounds for exemption from public access are absolute. However, for others such as that in para.3, 'Information relating to the financial or business affairs of any particular person (including the authority holding that information)', deciding in which part of the agenda they will appear, is subject to the further test of whether, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

4. FINANCIAL CONSIDERATIONS

4.1 There are no additional financial considerations arising from this report.

(Approved by Lisa Taylor – Director of Finance, Investment & Risk and Deputy S151 Officer)

5. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

5.1 The Council Solicitor advises that there are no additional legal considerations arising from this report.

(Approved by: Jacqueline Harris-Baker, Director of Law & Monitoring Officer)

6. HUMAN RESOURCES IMPACT

6.1 There are no additional Human Resources implications arising from this report.

(Approved by: Sue Moorman, Director of HR)

7. EQUALITIES, ENVIRONMENTAL AND CRIME AND DISORDER REDUCTION IMPACTS

7.1 None

8. RISK ASSESSMENT

8.1 No further risk issues other than those detailed in the report.

8.2 The corporate Risk Management Team (RMT) incorporates a **'horizon scan'** strategy in respect of the risk management activities undertaken as part of the Council's Risk Management Framework.

The horizon scan strategy is implemented through the distillation of cross – organisational & external professional networks maintained by the RMT. This strategy incorporates a multi-faceted approach including:

- Intelligence sharing (especially in respect of significant events / incidents) with other local authorities such as the Local Government Association;
- Collaborative working particularly the London Boroughs network, London Councils and the Greater London Authority;
- Research conducted via professional and generic media mechanisms for example The Association of Local Authority Risk Mangers, CIPFA;
- Regular attendance at DMT's / DLT's on a quarterly basis;
- Participation in the relevant 'working group' activities / projects for example major systems implementation such as Oracle Cloud, or policy/legislative change implementation such as IR35 compliance; and
- The ability to 'add value' and strategic direction and guidance is an integral aspect of the risk management consultancy available to senior officers.

9. FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

9.1 Information contained in the Council's Risk register or held in relation to the Council's risk management procedures may be accessible under the Freedom of Information Act subject to the application of any relevant exemptions, such as commercial sensitivity and whether disclosure was in the 'public interest'.

CONTACT OFFICER:	Malcolm Davies, Head of Risk & Corporate Programme Office Ext 50005
BACKGROUND DOCUMENTS:	None.
APPENDICES:	Appendix 1 Corporate Risk Register

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Corporate Risk Register

	Risk Scenario				Current Risk Rating				Future Risk Rating		
Risk Ref	**Risk**	**Impact**	**Exec Director**	**Existing Controls**	**Impact**	**L'hood**	**Total**	**Future Controls**	**Impact**	**L'hood**	**Total**
EHCSC0012 Peacock, Barbara	The OFSTED (June/July 2017) inspection of 'Services for children in need of help and protection, children looked after and care leavers' has categorised the Council's Children's Services function as 'inadequate'. Following publication (04/09/2017) of the inspection report, the Council fails to action the recommendations raised or to address the findings of the report resulting in central government intervention, more frequent unannounced inspections and the removal of direct control by the Council for its Children's Services function within the borough. (Risk reviewed and amended 04/09/2017).	- Reputational damage. - Government intervention. - Financial cost of implementing wide ranging changes - Legislative action arising. - Difficulty in recruiting and retaining experienced and effective workforce. - Media scrutiny. - Political scrutiny and activity.	Peacock, Barbara People Department	Children's Improvement Board structure and governance review. Detailed planning with People Dept. Implementation of Children's improvement plan including: * recruitment and retention * improved performance management * strengthen quality of practice * embed systemic approach * improve early help arrangements * project accuracy	5	5	25	Ongoing improvement identification.	5	4	20

	Risk Scenario				Current Risk Rating				Future Risk Rating		
Risk Ref	**Risk**	**Impact**	**Exec Director**	**Existing Controls**	**Impact**	**L'hood**	**Total**	**Future Controls**	**Impact**	**L'hood**	**Total**
RCSCFS0001 Simpson, Richard	Demand/budget gap is not bridged without the need for additional cuts to services as the Council faces continued significant reductions in its grant funding, during the period 2017 to 2020. These reductions are imposed whilst the Council experiences a continuous rising demand for services provision and growth in population. The results of the Children's Services OFSTED inspection (June / July 2017) places greater risk on Council budgets due to the need for greater investment in this service. (Risk reviewed, amended and accepted at DLT 01/08/2017).	- Insufficient resources may lead to inability to meet community needs and political aspirations. Potential inability to meet statutory responsibilities in times of increasing demand through changing demographics, for example mental health services, older people's services, children's services and housing. - Increasing demands for services and support, for example the Council Tax support scheme arrangements (ASC & CSC). - Damage to reputation and service risk. - Reduction in resources. - Risk of failure to balance Budget and Failure to maintain capital investment strategy in infrastructure. (Strategic objective alignment: Enabling)	Simpson, Richard Resources Department	Corporate Plan aligned to Ambitious for Croydon to ensure priorities align with resources Quarterly monitoring implemented and reported with additional control in respect of the People Dept. where the high risk areas monitored monthly. Quarterly monitoring of 'in year' financial performance to Corporate Leadership Team and Cabinet Regular monitoring of the Managing Demand Projects for both service delivery and financial savings. Savings for 17/18 signed off by Cabinet as part of 2017/20 budget setting report. Q1 monitoring to cabinet in September 2017. Implementation on agreed management actions to manage and control budgets ongoing work underway on 2018/20 budget. Departments working on 5% savings targets, to be presented to cabinet members in October 2017.	5	5	25	Continue to develop and evaluate Managing Demand projects to ensure delivery. Continued work on 17/20 savings options with CLT / ELT and Cabinet. Input to government review as part of 100% business rates retention and fair funding review to ensure needs analysis part of the formula reflects the pressures faced by Croydon. There is continued engagement with government on future changes including business rates, schools funding to ensure needs of Croydon are met.	5	4	20

	Risk Scenario				Current Risk Rating				Future Risk Rating		
Risk Ref	Risk	Impact	Exec Director	Existing Controls	Impact	L'hood	Total	Future Controls	Impact	L'hood	Total
DASHPD0043 Solanki, Pratima	The delivery of Outcomes Based Commissioning could be disrupted on the grounds that: - The new alliance structure and form implementation is not extended. - Financial improvements in the health economy are not signed off by regulators. - Risk share model not agreed, particularly whilst CCG and CHS remain in special measures process and pending turn around outcome. - A model of system delivery which incorporates a full range of social care providers is not developed. (Risk presented, reviewed and accepted at DLT 11/07/2017). Risk reviewed for Q2 (2017/18) at DMT 24/08/2017 and amendment required - Matt White, Rachel Soni and Pratima Solanki to action.	Inability to deliver 10 Year Outcomes Based Commissioning could result in major benefits for residents who are over 65 in Croydon not being realised and adversely affect the delivery of a sustainable health and social care economy. (Risk jointly owned with Sarah Ireland, Director C & I)	Peacock, Barbara People Department	Controls and resource in place to manage delivery of TRASC programme. Engagement of Social Care Commissioners in model of care development programme. Financial Improvement Process in place by CCG and CHS. Council Officer are linked into this process. Focussed Council and CCG savings process in place with transparency. OBC programme management in place and review of existing planned transition arrangements. Ongoing development of the inclusion of OBC as Croydon sub-set of SW London Sustainability Transformation planned involvement in health devolution piloting. Ongoing dialogue through Board to Board meetings to agree new structural and contractual model which involves Alliance Partnership including Providers and Commissioners.	5	4	20	Active participation at a wider level of social care commissioners in development of Care Model Bring forward benefits in the existing Model of care Initiatives and work up new initiatives at pace, pilot, test and scale up Contingency plans include use of system integrator service or open procurement Embed alliance working via one team approach Finalise risk share and content of alliance agreement with full leadership sign up Legal teams to provide options appraisal of structural and contractual models proposed by Commissioners and Providers.	5	3	15

	Risk Scenario				Current Risk Rating				Future Risk Rating		
Risk Ref	**Risk**	**Impact**	**Exec Director**	**Existing Controls**	**Impact**	**L'hood**	**Total**	**Future Controls**	**Impact**	**L'hood**	**Total**
DASHPD0044 Solanki, Pratima	Failure to manage the market for care services effectively. Provider market capacity cannot meet our demands at the cost budgeted for Care Market management incorporating: - Demand for residential and nursing placements and homecare (domiciliary care) for Older People (OP) outstrips supply. - Disability placements continue to be made in residential settings at cost; Croydon commissions the highest number of LD placements across London. Particular pressures around provider capacity particularly in relation to dementia services. Providers withdrawing from the market particularly due to national minimum wage issues. (Risk reviewed, amended and accepted at DMT 24/08/2017)	- Budget pressure to ASC due to rising pricing as supply outstrips demand in London. The Council makes approx. 1000 placements per year. - Inability to divert budget to prevention due to the need to fund rising costs of care. - Decrease in available OP placements resulting in delayed discharge from hospital, and subsequent Delayed Transfer Of Care costs on ASC and our partners. - Managing the quality of providers as we are less able to be selective which providers we use. Pressure on our resources to contract monitor and conduct market management activities. - The cost of disability placements in residential settings is significant; resources are needed to identify and manage the local market to meet LD needs in community settings. - Supply in Croydon does not meet Croydon's needs- which leads to high number of external placements. - Reputational damage to the council for not meeting the needs of vulnerable people. - Likely increase in reported safeguarding incidents. - Inappropriate response to market failure. - Supply in Croydon does not meet Croydon's needs there is a high number of out of borough placements. - There is a very high number of provider relationships to be managed compared to other London Boroughs.	Peacock, Barbara People Department	3-year Inflation Strategy to enable financial planning and market stability has been agreed. A review of Learning Disability high needs placements resulting in more appropriate services to meet needs with reduced costs. Adult Social Care Market Statement. Position Statement and engagement with provider market advising of Croydon's requirements. Brokerage team actively managing market Demand management programme to focus on better outcomes for clients Have maximised OP block contracts through increasing nursing beds, and reducing voids. More monitoring officers have been recruited and provide better market intelligence and oversight. Placements team manage the OP residential and nursing placements; team have identified nursing placement capacity issues and sourced providers that increase the capacity in the system and ensured short term measures implemented, including rate management and block contract maximisation.	5	4	20	Continuation of the Learning Disability high need placement review Continuing to manage the market through the monitoring team Different models of service delivery being developed including preventing the demand for beds arising in the first instance Dynamic Purchasing System for procurement of care to be developed. Embedding of the Market Position Statement and market management strategy. Older People OBC Alliance that integrates health and social care will enable more efficient use of resources and the care market	5	3	15

	Risk Scenario				Current Risk Rating				Future Risk Rating		
Risk Ref	**Risk**	**Impact**	**Exec Director**	**Existing Controls**	**Impact**	**L'hood**	**Total**	**Future Controls**	**Impact**	**L'hood**	**Total**
DASHPD0044 (cont.) Solanki, Pratima			Peacock, Barbara People Department	The monitoring team is actively managing the care home and homecare market through quality monitoring, joint working with safeguarding, managing providers in provider concerns (and those in pre-provider concern. Transfer of existing beds in block arrangements from residential to nursing care to add capacity where needed. Use of own council bed capacity							

	Risk Scenario				Current Risk Rating				Future Risk Rating		
Risk Ref	**Risk**	**Impact**	**Exec Director**	**Existing Controls**	**Impact**	**L'hood**	**Total**	**Future Controls**	**Impact**	**L'hood**	**Total**
RCSP0120 Ireland, Sarah	In year budget and future demand pressure in relation to SEN Transport. Independent travel programme not achieving projected cost avoidance and cost reduction target. (Risk reviewed and amended by owner 10/08/2017).	- Financial and Service impact. - Reputational damage.	Simpson, Richard Resources Department	Focus of programme is adjusted in line with areas of growth in demand and cost Financial models and associated trackers have been developed to monitor financial targets. Operating as part of the corporate Demand Management programme. Robust monitoring and governance in place through monthly boards attended by Members and chaired by the Exec Director of Resources and bi-monthly programme boards. Areas of focus: -Financial monitoring -Cost mitigation plans -Demand management -Alternative travel -Effective framework management and future procurement options -Integration of Adult Services	5	4	20	Development and implementation of full cost savings programme including policy change where the Council has discretion. Identify impact from SEN 5 year projection modelling. Improved partnership work with SEN and Adult Social Care. Review data to inform growth projections and future changes in demand and cost Tighter panel review and governance processes for all travel needs, with a particular focus on high cost cases	5	3	15

REPORT TO:	**GENERAL PURPOSES AND AUDIT COMMITTEE** **20 September 2017**
AGENDA ITEM:	**14**
SUBJECT:	**Local Government Ombudsman**
LEAD OFFICER:	**Barbara Peacock, Executive Director of People**
CABINET MEMBER	**Cllr Alisa Fleming** **Cabinet Member for Children,Young People & Learning**
WARDS:	**All**
CORPORATE PRIORITY/POLICY CONTEXT:	
FINANCIAL SUMMARY: This case has resulted in a financial cost to the Council of £12,250 which has been funded form existing social care budgets.	
FORWARD PLAN KEY DECISION REFERENCE NO: N/A	

1. RECOMMENDATIONS

1.1 The Committee is asked to note the Council's response to the Local Government Ombudsman report.

2. EXECUTIVE SUMMARY

2.1 A complaint came in to the Council from a service user which escalated to the Local Government Ombudsman (LGO). After the investigation was completed, The LGO asked the Council to view the draft decisions and recommendations. The Council accepted the report with no disagreement to the recommendations that were advised by the LGO. The Council expressed the view that it accepts the investigation findings and recommendations and the service team have formulated a timetable of actions in line with these recommendations and these have been completed (or are in progress) in line with the time scales given. (See appendix 1)

3. DETAIL

3.1 Findings of the Ombudsman

3.1.1 In July 2017 the Local Government Ombudsman published a report detailing significant failings around the support provided to a young person (DM) with disabilities and special educational needs over a number of years (commencing from 2011). The report clearly outlined the areas of failing and made clear recommendations as to how these problems can be avoided in the future. The new leadership of the services involved have taken the issues that have been identified very seriously and have implemented the recommendations as directed by the LGO with respect to DM and his Grandmother Ms P who are the subject of the LGO report. The service has also taken action to learn from this case and ensure that measures are put in place to avoid similar issues from arising in the future.

3.1.2 The key findings and recommendations by the LGO are detailed in Appendix 1.

3.2 Actions taken by the Council

3.2.1 The actions the Council have taken are as follows:

- Apologised to DM and his Grandmother for its failure to start transition planning from 2011 (school Year 9) and for the resultant delays in providing suitable assessments and plans for DM's move into adult life
- Apologised to Ms P for the related failure to properly assess her carer's needs within the transition process;
- Apologised to Ms P and DM for failing to provide suitable alternative respite provision from February 2015 and for the considerable adverse impacts this has had on DM and Ms P;
- Apologised for failing to ensure the annual discretionary holiday payment was paid in a timely way, causing Ms P additional and unnecessary anxiety;
- Apologised for failing to complete the Transfer process under the 2014 Special Educational Needs (SEN) Regulations within the statutory timescales;
- Paid Ms P and DM each £5,000 in recognition of the harm caused to each of them by the lack of suitable respite for two years;
- Paid Ms P a further £1,250 to recognise the distress caused to her from having to pursue these matters over two years without a suitable resolution and for the impact of the delay of the Transfer process.
- Issued DM's Final Education, Health and Care Plan (EHCP), providing DM and Ms P with certainty about its provisions.

3.2.2 The above actions were completed within one month of the report being published.

3.2.3 The following recommendations made by the LGO are currently being worked on:

- Completion of the Transition Assessment for DM and preparation of a Transition Plan. This is in progress. The Transition Assessment will take full account of DM's wishes, feelings and aspirations) and with her full involvement and co-operation.
- A further £1,000 discretionary annual holiday payment has been made to allow Ms P to plan holidays with her family.
- It was recommended by the LGO that the Council urgently reviewed its Transition to Adulthood policies and procedures. A task and finish group has been set up to complete this piece of work it will be completed by December 2017. The Council will provide the LGO updates at two monthly intervals until it is completed. The review will look at embedding the requirement for transition work to start in the school Year 9 for all children with assessed care needs. It will also link fully into the statutory SEN Education Health and Care (EHC) plan process set out in the 2014 Regulations, where social care forms a defined element of the plan

3.3 Lessons Learnt, Improvement and Prevention

3.3.1 The All Age Disability Service apologises unreservedly for the poor experience provided to DM and his Grandmother and is committed to ensure that situations like this do not arise again.

3.3.2 There are a number of lessons learnt from this case and we are ensuring that these mistakes are avoided in the future as follows:-

- We have joined up the SEND service, the Children with Disabilities social care service, the transitions service and the 25 to 65 disabilities service under the All Age Disability Service. This provides a seamless journey and fewer handoffs for children with disabilities moving into adulthood. We have also increased managerial capacity to improve quality.
- We are developing a new Transitions Policy that sets out to service users what they can expect. It will also provide Council staff with clear timelines and procedures to follow. The policy will require officers to evidence the basis for deciding when they consider it is 'of benefit' to the young person to start the Transition Assessment. Robust monitoring processes and management oversight will ensure that the delays experienced in this case do not happen in future.
- Training and lessons learned sessions are being held with staff and managers to ensure that poor performance and service delivery is improved significantly.
- Quality assurance and data monitoring is more robust. Managers have been trained and held to account in terms of improving front line practice alongside driving service improvement
- The new senior management of the service is committed to improving the customer experience and now have robust oversight of all complaints and or concerns raised by clients and are working much more closely with the Complaints Manager and team

3.3.3 See Improvement Action Timetable – Wider Learning (appendix 2) which details key service quality monitoring, training and improvement actions. All teams are expected to adhere to these new guidelines.

4. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

4.1 The financial recommendations made by the LGO were:

- pays Ms P and DM, each £5,000 in recognition of the harm caused to each of them by the lack of suitable respite for two years;
- pays Ms P a further £1,250 to recognise the distress caused to her from having to pursue these matters over two years without a suitable resolution and for the impact of the delay of the Transfer process
- A further £1,000 discretionary annual holiday payment has been made to allow Ms P to plan holidays with her family.

4.2 These payments have been made and funded from the 0 to 25 Disability Services Budget.

Approved by Lisa Taylor – Director of Finance, Investment and Risk.

5. COMMENTS OF THE SOLICITOR TO THE COUNCIL

5.1 The Solicitor to the Council comments that by presenting the Local Government Ombudsman's findings to this meeting of GPAC, the Council has fulfilled its obligations under section 31(2) of the Local Government Act 1974.

Approved by: Roy Nunes, Interim Head of Social Care and Education law on behalf of the Director of Law and Monitoring Officer

6. HUMAN RESOURCES IMPACT

6.1 None

CONTACT OFFICER: Pratima Solanki, Director of Adult Social Care and All-Age Disability

BACKGROUND PAPERS: None

APPENDICES: Appendix 1- Actions timetable – DM case
Appendix 2- Actions timetable- Wider Learning

Priority	Outcome	Actions	Success measure(s)	Lead	Time	RAG 24th July 2017	RAG 4th August 2017	RAG 4th January 2018	Progress update
Apologise in writing to Ms P	Ms P receives in writing a letter of apology from the LA	Letter to be drafted and agreed Letter to be sent out	Ms P in receipt of letter of apology	CD/CB/PS	31st July	G			CB to liaise with Complaints Dept 26.7.17 as to who will send this. Sent out by Complaints Dept.
Preparation of timetable of actions in response to recommendations from within the LGO report	Timetable completed and issued to LGO and Ms P	Timetable to be drafted and signed off by Director of ASC/AAD	Timetable issued to LGO and Ms P	CD/CB/PS	31st July	G			Timetable drafted awaiting Directorial sign off.
Respond in writing to LGO with respect to actions and planning	Letter to be sent To LGO by 20th July	Letter to be drafted By Complaints and ASC/AAD Service and sent by 20th July	Letter agreed by ASC/AAD Director Letter agreed by Complaints Dept Management Letter sent	CD/CB/PS	20th July	G	N/A	N/A	Letter sent on 20th July
Issue of public notice with respect to LGO report and copies available for public perusal	Public notice to be written and published via local media by 24th July	Public notice to be drafted. Public notice to be published via local media	Public Notice published in local papers and on council website	CB/VB	24th July	G			Public notice on local media websites from 24th July and in hard copy papers when

	Copies of the report to be available in LA buildings for review.	Copies of LGO report available for perusal at Bernard Weatherill House and the Town Hall for 3 weeks Copies to take away to be available at a small charge.	Copies in situ at BWH and Town Hall.						they go to print later in week. Public notice on LBC website Copies available in BWH and Town Hall from 24th July for 3 weeks.
Monies identified in the report to be paid to Ms P	Ms P to receive funds Identified in report	ASC/AAD to arrange and authorise payments 2 x £5,000 1 x £1,250 1 x £1,000	Monies owing transferred To Ms P's accounts	CB/PS	17th July	G	N/A	N/A	£11,250 transferred on 13th July £1,000 transferred on 17th July
Final draft of DM's EHCP issued	Ms P to receive copy of final EHCP	Final EHCP to be completed and to include amendments made by Ms P. Final EHCP to be issued	Document completed and issued	DJ/AF	21st July	G	N/A	N/A	EHCP issued on 20th July.
Transition Assessment and Plan to be completed in	Ms P to be in receipt of agreed completed transition	Assessment completed by allocated Social Worker	Documents completed, agreed and shared with Ms P	NL/LF/GR	4th September				Allocated worker is now in contact and meeting with

agreement with Ms P for DM.	assessment and planning documentation.	Plan to be completed by Allocated Social Worker Both documents to be agreed by Ms P. Both documents to be signed off/authorised by 16-25 Unit Manager				A			Miss P regularly. Further respite options being explored with Ms P.
Review of Transition to Adulthood Policy	Review completed, actions identified and work allocated	Review other Transition Policies Draft new version Consult/co produce with stakeholders Directorial and governance sign off	New Policy drafted Evidence of consultation and co-production Communications plan Directorial and governance sign off.	CB/16-25 Service/ AF/GR/RE/ VB	December 2017	A			Task and finish group has been set up to research and draft new policy. Managers attended a presentation from Enfield council who are recognised for having high quality transition processes
Draft of new Transition to Adulthood Policy	New Policy drafted and published	Publish signed off policy on LA website/Local Offer Website	New policy written, signed off and published.	CB/16-25 Service/ AF/GR/RE/ VB	January 2018	R			Task and finish group has been set up to draft new policy

RED	**The action has not yet started or there is significant delay in implementation. The action must be prioritised to bring it back on track to deliver agreed work.**
AMBER	**The action has started but there is some delay in implementation. The action must be monitored to ensure the required action is delivered.**
LIGHT GREEN	**The action is on track to be completed by the agreed date. Action must be monitored to ensure work is completed in a timely manner.**
GREEN	**The action has been completed and there is evidence to that effect.**

RESPONSIBLE OFFICERS:

PS	Pratima Solanki	Director of All Age Disability and Adult Social Care
CB	Caroline Baxter	Assistant Director of Disability 0-65
GR	George Riley	Team Manager: Social Care – Children with Disabilities Team
AF	Alison Farmer	Head of 0-25 Service
LF	Lorraine Falconer	Unit Manager 16-25 Service
NL	Natasha Lingard	16-25 Social Worker
RE	Richard Eyre	Project Office Lead Manager

VB	Victoria Blinks	Project Office – Communications Lead
CD	Clare Davis	Manager – Complaints Department.
DJ	Deidre John	EHCP Co-ordinator

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Priority	Outcome	Actions	Success measure(s)	Lead	Time	RAG 30th Sept 2017	RAG 31st December 2017	RAG 31st March 2018	Progress update
Task and Finish Group Re Lessons Learned from LGO work to be set up.	Practice/policy models In place with respect To responding to LGO complaints	Meetings To identify work streams and responsibilities Lead Officers identified Policy in place Training put in place	Task and Finish Group Completes work Lead Officers to manage future LGO work.	CB	April 2018			A	Members of Task and Finish Group identified and first meeting in diary.
Training	Training around Managing LGO work embedded	Training programme developed Training commenced in May 17 – dedicated training commissioned from the LGO Training embedded in induction of relevant posts	Training embedded as part of induction into the service. Policy embedded in the SOPS re managing LGO work	TG	April 2018			A	Dedicated Management oversight on complaints and prep for frontline training processes
Policy and Procedures	Policy and procedures around LGO work developed and publicised	Policy and procedures drafted Policy embedded in the SOPS	Signed off by Director Policy embedded in the SOPS re managing LGO work All staff have been	PS RE/TG VB	April 2018			A	Work has commenced to support front line staff. LGO training to be repeated for managers

		Communications to all staff with respect to LGO work							and front line staff
Interdepartmental Working practices	Strong links between ASC/AAD service and Complaints Team Mutual understanding of process and practice Shared Training	Identify leads from each service to manage and identify tasks around complaints	Leads identified Mutual training Joint regular meetings	CB/CD/KHK	October 2017			A	First meeting between the services has happened and Lead Officers identified.

RED	**The action has not yet started or there is significant delay in implementation. The action must be prioritised to bring it back on track to deliver agreed work.**
AMBER	**The action has started but there is some delay in implementation. The action must be monitored to ensure the required action is delivered.**
LIGHT GREEN	**The action is on track to be completed by the agreed date. Action must be monitored to ensure work is completed in a timely manner.**
GREEN	**The action has been completed and there is evidence to that effect.**

RESPONSIBLE OFFICERS:

PS Pratima Solanki Director of All Age Disability and Adult Social Care

CB	Caroline Baxter	Assistant Director of Disability 0-65
RE	Richard Eyre	Project Office Lead Manager
VB	Victoria Blinks	Project Office – Communications Lead
CD	Clare Davis	Manager – Complaints Department.
KH-K	Kay Hefferman-King	Care-Act Planning Co-ordinator
TG	Tim Gray	Advanced Social Worker

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