Statement of Accounts 2016/17

20 September 2017

CROYDON
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COMMUNITY LANGUAGES

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Bengali

যদি ইংরাজী ছাড়া অন্য কোনো ভাষায় আপনার যোগাযোগ করতে সুবিধে হয় তাহলে তাই করবেন। দোভাষী এবং অনুবাদকের (ট্রান্সলেটর) ব্যবস্থা করা যেতে পারে। টেলিফোন করুন 020 8726 6000.

Chinese

如果你覺得使用英語以外的另一種語言能夠更容易溝通的話，可作這樣選擇的。請告訴我們，我們可以為你安排傳譯員及翻譯員的幫助。請撥打電話號碼 020 8726 6000 查詢。

Francais

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Gujarati

અંગ્રેજી સિવાયની બીજી કોઈ એક ભાષામાં તમે આસાનીથી વાતચીત કરતા હો તો એવું કરવા વિનંતી છે. દુભાષિયાની અને ભાષાંતરકારની વ્યવસ્થા કરાવી શકાય છે. આ માટે ટેલિફોન નંબર 020 8726 6000 ઉપયોગ કરો.

Hindi

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

Punjabi

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

Somali

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

Tamil

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

Turkish

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

Urdu

اگر آپ انگریزی کے علاوہ کسی اور زبان میں بات کرنے میں آسانی محسوس کرتے ہیں تو ایسا کریں۔ ایسا بھی کیجئے۔ آپ کیلئے ترجمان اور مترجم کی خدمات کا انتظام کیا جا سکتا ہے۔ ٹیلیفون نمبر

020 8726 6000.

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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.

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

REPORT OF THE AUDITOR

REPORT OF THE AUDITOR

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

	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		36,739		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)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1. BASIS OF PREPARATION - SINGLE ENTITY AND GROUP ACCOUNTS

Basis of Preparation

The financial statements have been prepared in accordance with the 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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**

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Credited to Taxation and Non-Specific Grant Income	2016/17 £000	2015/16 £000
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.

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:

<u>PWLB and LOBO Loans (Level 2)</u>

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 £000	2016/17 £000	2015/16 £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 £000	2016/17 £000	2015/16 £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		2015/16
	£000	£000	£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	£000	£000	£000	£000	£000	£000
Better Care Fund	Council	Partner	Unallocated	Total	Council	Partner	Total
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:

	2016/17		2015/16	
Remuneration Band	**Schools**	**Non-Schools**	**Schools**	**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.

Asset Category	Period Ended 31 March 2017				Period Ended 31 March 2016			
	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)

NOTES TO THE HOUSING REVENUE ACCOUNT

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

NOTES TO THE HOUSING REVENUE ACCOUNT

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)

COLLECTION FUND

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)

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

NOTES TO THE PENSION FUND ACCOUNTS

	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 £'000	2015/16 £'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 £'000	2015/16 £'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 £'000	Market %	Market £'000	Market %
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 UK £'000	2017 Foreign £'000	2017 Total £'000	2016 UK £'000	2016 Foreign £'000	2016 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 Market £'000	2017 Market %	2016 Market £'000	2016 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:-

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.

GLOSSARY OF TERMS

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

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

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

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

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

AMORTISATION
The equivalent of depreciation for intangible assets.

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

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

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

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

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

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

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

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

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

COUNCIL TAX
A system of local taxation on domestic property introduced from 1st April 1993. 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.