Public Document Pack

General Purposes & Audit Committee Supplementary Agenda

4.	**Brick by Brick Audit Report** (Pages 3 - 30) The draft Brick by Brick Director's Report and Financial Statements 2018-19 are attached at Appendix 1.
5.	**Financial Performance Report** (Pages 31 - 72) This report presents to the Committee progress on the delivery of the Council's Financial Strategy.
6.	**Audit Findings Report** (Pages 73 - 266) The reports include the Council's management responses to the recommendations.
7.	**Annual Governance Statement** (Pages 267 - 296) This report details the Annual Governance Statement (AGS), for 2018/19 at Appendix 1.

JACQUELINE HARRIS BAKER
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REPORT TO:	**GENERAL PURPOSES & AUDIT COMMITTEE** **23 JULY 2019**
SUBJECT:	**AUDIT REPORT FOR BRICK BY BRICK CROYDON LTD 2018-19 ACCOUNTS**
LEAD OFFICER:	**JACQUELINE HARRIS-BAKER** **EXECUTIVE DIRECTOR OF RESOURCES**
CABINET MEMBER:	**COUNCILLOR ALISON BUTLER CABINET MEMBER FOR HOMES AND GATEWAY SERVICES AND DEPUTY LEADER (STATUTORY)** **COUNCILLOR SIMON HALL CABINET MEMBER FOR FINANCE AND RESOURCES**
WARDS:	**ALL**

CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:

The preparation and publication of the Brick by Brick Croydon Ltd (BBB) final accounts provides assurance that the company's overall financial position is sound. This underpins the delivery of the company's business plan and the achievement of its key corporate objectives.

Strong financial governance and stewardship ensures that the company's resources are allocated in an effective and responsible way that enables it to deliver multi-tenure housing across the borough in a manner that is commercially efficient, and thereby maximizes the return to the company's sole shareholder, the London Borough of Croydon.

FINANCIAL IMPACT:

There are no direct financial implications arising from this report.

FORWARD PLAN KEY DECISION REFERENCE NO.:

Not a key decision

1 RECOMMENDATIONS

The Committee is asked to:

1.1 Note the draft Brick by Brick Croydon Ltd Director's Report and Financial Statements for the period ended 31st March 2019 (Appendix 1).

2 EXECUTIVE SUMMARY

2.1 The draft Brick by Brick Director's Report and Financial Statements 2018-19 are attached at Appendix 1.

2.2 The audit of the financial statements has recently been concluded, with the final sign-off of the accounts to be issued before the end of July. This should confirm that the statements:

- give a true and fair view of the state of the company's affairs as at 31st March 2019;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

3 INDEPENDENT AUDITOR'S REPORT

3.1 This independent auditor's report is made solely to the company's members, as a body, and provides assurance that the financial statements are free from material misstatement.

3.2 Grant Thornton completed their audit of the 2018-19 accounts for BBB at the end of June 2019.

The principal responsibilities of the auditor are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error;
- execute their responsibilities in accordance with the International Standards on Auditing (UK) and applicable law in providing their opinion on the company's financial statements.

4 CONSULTATION

4.1 The company's accounts will be filed at Companies House in accordance with requirements. The director's report and financial statements are therefore publicly available.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

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

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

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

6 LEGAL CONSIDERATIONS

6.1 The Director of Law and Governance comments that there are no direct legal implications arising from the recommendations within this report.

(Approved by Sean Murphy, Director of Law and Governance and Deputy Monitoring Officer)

7 HUMAN RESOURCES IMPACT

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

Approved by Sue Moorman – Director of Human Resources

8 EQUALITIES IMPACT

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

9 ENVIRONMENTAL IMPACT

9.1 There are no implications arising from this report.

10 CRIME AND DISORDER REDUCTION IMPACT

10.1 There are no implications arising from this report.

11 REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1 None.

12 OPTIONS CONSIDERED AND REJECTED

12.1 None.

CONTACT OFFICER:	Jacqueline Harris-Baker, Executive Director of Resources
BACKGROUND PAPERS	None

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Directors' Report & Financial Statements

For the 15 month period ended 31 March 2019

Issued 15.07.19 revision: **DRAFT**

Brick by Brick Croydon Limited

Registered Number: 09578014

Company Information

Directors	Colm Lacey (appointed 26 January 2016) Martyn Evans (appointed 29 January 2019) Shifa Mustafa (appointed 29 January 2019)
Registered number	09578014
Registered office	62 George Street Croydon CR0 1PD

Contents

Directors' Report

For the year ended 31 March 2019

The Directors present their report and the financial statements for the 15 month period ended 31 March 2019.

Results and Dividends

The loss for the period, after taxation, amounted to £774,952.

Directors

The following directors served during 2018/19:

Colm Lacey (appointed 26 January 2016)
Martyn Evans (appointed 29 January 2019)
Shifa Mustafa (appointed 29 January 2019)
Jayne McGivern (appointed 26 January 2016, resigned 29 January 2019)
Lisa Taylor (appointed 26 January 2016, resigned 29 January 2019)
Jeremy Titchen (appointed 26 January 2016, resigned 31 December 2018)

Annual Report

Throughout 2018/19, Brick by Brick Croydon Ltd (BBB) has continued to progress its significant programme of residential development. The company continues to play a key role in increasing the supply of new homes across the wider borough of Croydon, and remains committed to its core principles of combining high quality design with the delivery of high levels of affordable housing (with 47% of units in the existing programme due to be affordable).

In this period, a significant number of schemes which had achieved planning consent by the end of 2017 have started on site and are making strong progress towards completion. The company now has 20 schemes on site, of which 9 are forecast to deliver completed units by the end of 2019. In total, BBB now has 39 schemes with planning consent, delivering c.1,250 units (of which 47% are affordable).

In tandem with this construction progress, BBB was delighted to open its marketing suite at 62 George Street to launch its first units for sale in March 2019. A combination of private and shared ownership units were made available on the Auckland Rise and Ravensdale Gardens developments (comprising apartments and houses). Since then, further shared ownership homes at Flora Court, in Thornton Heath, have also been put on the market. Interest in BBB homes has been encouraging and the company is pleased to report a healthy number of reservations to date.

The company's development model continues to operate on the basis of identifying land with development potential onto which viable schemes can be developed by BBB upon acquisition from LB Croydon. The terms of the purchase of these sites are designed to ensure that the Council secures best consideration in terms of the value of the land, including the capture of land value from favourable future market conditions via overage arrangements that guarantee that the Council gets 100% of any increase.

The Council provides development finance to BBB at market rates on a scheme-by-scheme basis, where BBB can clearly demonstrate financial viability (as would be the norm for any borrowing facility). The company accrues interest on these loans. All of this allows the Council to generate **THREE** income streams from the use of its land: land value (as a capital receipt), alongside interest and profit (as sole shareholder) which can both be used to support the Council's revenue budget, and therefore frontline services. The critical feature of this model is that it allows the Council to generate revenue returns from the development of land where it would otherwise only generate a capital receipt from the sale of the land (which has limited use in terms of what the money could be used to fund).

In the 15 month period ended 31 March 2019 the company recognised a loss of £774,952. This reflects the fact that most of the company's expenditure continues to be invested in the development of housing schemes which have not yet reached completion (and are therefore unable to release their value until sales are completed, many of which are scheduled for completion in 2019/20). It also reflects the fact that BBB became an employing entity in 2018/19 and significantly beefed up its staffing establishment in order to deliver what has grown into a substantial programme of construction activity and also begin to develop a new raft of sites for planning (the BBB pipeline programme).

Programme Update

BBB's programme of development activity continued to move at pace during 2018/19, with a series of very significant milestones being reached by the company in this period.

BBB Smaller Sites

- Construction commenced on site for 18 schemes
- A further 4 schemes with an appointed contractor ready to commence
- Planning permission granted for a further 8 schemes (84 units), in addition to the 26 schemes that had achieved planning consent in 2017 (for 539 units)
- A further 8 schemes submitted for planning (delivering 77 units)

College Green

- Substantial progression of works on the Fairfield Halls refurbishment in preparation for an August 2019 completion
- Demolition of the existing car park in preparation for the Fairfield Homes development
- Preparation of a revised Fairfield Homes planning application seeking increased units
- Successful appointment of a car park operator for the new underground car park on the College Green site

BBB Larger Sites Programme

- Planning permission granted on the Wandle Road Car Park (128 units) and Belgrave & Grosvenor (102 units) to complement the 158 unit Lion Green Road scheme
- Planned delivery of 387 units, of which 50% will be affordable in line with BXB policy
- Works commenced at Wandle Road and contractor appointed for Belgrave & Grosvenor

BBB Sales

In 2018/19, BBB completed the fit-out of a brand new marketing suite at 62 George Street. This will act as the base for the company's sales function which was also mobilised over the course of the last financial period.

The marketing suite opened for business in March 2019 and BBB has since launched 3 schemes for sale: Ravensdale Gardens, Auckland Rise and Flora Court, which offer a mix of houses and apartments available for both private and shared ownership sale. The company currently has a total of 111 units on the market, and a further 6 schemes are expected to be launched across the Summer and Autumn, offering a further 100 homes. Local residents are being invited to register their interest in purchasing these units before they launch so that the BBB sales team can prioritise once the developments are made available to the market.

BBB also fitted out the floors above the marketing suite as offices to enable the company to move out of Bernard Weatherill House and free up valuable office space for the Council. This also enables the wider business to maintain a valuable and important link to the sales function as it grows in prominence over the next 12 months.

BBB Staff Growth

At the end of 2017, the company had just 14 staff, most of whom were employed by the Council and re-charged to BBB under the terms of a services agreement. Most of these were concentrated in a single Development function that was helping to drive sites through the planning process. This structure had achieved considerable success in gaining planning consent for 28 schemes at the end of the last BBB financial year, and providing the company with the foundation for hitting its ambitious delivery targets.

However, as the company transitioned into the construction phase for most of these schemes (as well as continuing to gain planning consents across other sites) it was apparent that such a lean establishment would be insufficient to support the on-going growth, and ultimate success, of the business.

In June 2018, the company registered itself as an employing entity and began to recruit directly to grow its capacity. In addition, it also transferred all staff employed by the Council but whom worked exclusively for the company to be employed by BBB under a TUPE process. At 31st March 2019, the company had grown to an establishment of 33 staff. The structure of the company has also matured to reflect the changing aspects of delivery, with the Development function (still bringing new sites forward for development) now supported by a Construction team tasked with delivering schemes with planning. Common Ground Architecture was also expanded to increase the capacity it has to deliver services both internally for BBB (which are better value for money) and also external clients. Finally, a Marketing team was created to support the company's transition from development focus to sales.

Common Ground Architecture

2018/19 was an important year for the company's in-house architecture practice, Common Ground Architecture (www.commongroundarchitecture.com) which started to properly establish itself following its formation as a commercial practice in 2017.

The team has grown to 10 architects, and in this financial year the practice delivered a number of critical schemes for BBB (as an internal client), most notably:

- Station Road (which is now on site and due for completion in October 2019)
- Coombe Road
- Avenue Road
- Fairfield Homes Block E (part of the exciting revised Fairfield Homes scheme)
- Fit-out of BBB offices at 62 George St (completed as the practice's first built project)

Excitingly, the practice also achieved its first external instructions and corresponding fees revenue, delivering 4 commissions for external clients. It also continued to support the development of BBB pipeline schemes and has been instrumental in terms of its input into the Council's Community Led Housing initiative (for which it will provide architectural support for community led groups).

The practice won Best Masterplan at the 2019 Architecture Journal awards, and also had a model of its superb Station Road design exhibited at the "Future Starts Here" exhibition at the V&A (an exhibition which is also now on a global tour).

Recognition

BBB is proud that the progress it has made since it started operating in mid-2016 has been widely recognised in 2018-19 with a series of awards recognising the impact that the company continues to make and the quality of its contribution to delivering homes in London.

Key recognition in the period includes the following:

- Best Masterplan (for Smaller Sites Programme) – Architecture Journal Architecture Awards 2018
- Best Development Team (under 20 people) – Inside Housing Awards 2018
- Project Winner for Smaller Sites Programme – Housing Design Awards 2018
- Gold Award for Fairfield Halls – Considerate Constructors Scheme

Future Outlook

The outlook for the business remains positive, with completion of schemes set to come through from Summer 2019 onwards and rolling completions planned right to the end of 2019/20 (a total of 14 completions are scheduled by the end of the next financial year). Each of these completions will be proceeded by a sales launch, with 6 new developments being launched for sale before Christmas 2019.

These completions represent a mixture of private and shared ownership homes. Furthermore, BBB is scheduling the completion of 27 affordable rent units on its Flora Court and Longheath Gardens developments before the end of 2019. These units will be transferred to the Council's housing vehicle, Croydon Affordable Homes, who will manage tenancies.

Finally, the commitment from the Council as funder to support the BBB programme remains strong. The company's updated five-year business plan was approved by the London Borough of Croydon's Cabinet in February 2019 and loan agreements are in place across the board for the company's ongoing development activity.

For more information on BBB, see www.bxbdevelopment.com.

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company Law requires the directors to prepare financial statements for each financial year. Under that Law, the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial

Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company Law, the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume Brick by Brick Croydon will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

The Directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company’s auditor is unaware and that each Director has taken all steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company’s auditor are aware of that information.

Small companies exemption

In preparing this report, the directors have taken advantage of the small companies exemption in part 15 of the Companies Act 2006.

Post balance sheet events

There have been no significant events affecting the Company since the year end. This report was approved by the board on 25th July 2019 and signed on its behalf.

25th July 2019

Colm Lacey

Director

Independent auditor's report to the members of Brick By Brick Croydon Limited

Opinion

We have audited the financial statements of Brick By Brick Croydon Limited (the 'company') for the year ended 31 December 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of

accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the directors' report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Richard Hagley BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
25 July 2018

Statement of Comprehensive Income

For the 15 month period ended 31 March 2019

	Notes	Period ended 31 Mar 2019 (15-months)	Year ended 31 Dec 2017
		£	**£**
Turnover		13,750	0
Cost of Sales		(200,507)	(131,347)
Gross Loss		**(186,757)**	**(131,347)**
Administrative Expenses		(434,856)	(101,099)
Operating Loss		**(621,613)**	**(232,447)**
Interest Payable	13	(153,339)	(34,605)
Loss before Tax		**(774,952)**	**(267,052)**
Tax on Loss	14	0	0
Loss and total comprehensive income for the year		**(774,952)**	**(267,052)**

The notes on pages 15 to 23 form part of these financial statements.

Statement of Financial Position

As at 31 March 2019

	Notes	As at 31 Mar 2019	As at 31 Dec 2017
		£	£
Fixed Assets	5	2,519,813	491,807
Current Assets			
Work in Progress	7	110,207,756	32,622,752
Inventories	7	0	0
Debtors	8	1,323,531	409,960
Pre-Payments	8	140,000	0
Cash and Cash Equivalents	9	2,428,483	506,844
		114,099,770	33,539,556
Creditors falling due within one year	10	(14,321,397)	(3,256,886)
Net Current Assets		**99,778,373**	**30,282,670**
Total Assets less Current Liabilities		**102,298,186**	**30,774,477**
Creditors falling due after more than one year	11	(103,585,210)	(31,286,549)
Net (Liabilities)		**(1,287,024)**	**(512,072)**
Capital and Reserves			
Share Capital	12	100	100
Retained Loss		(1,287,124)	(512,172)
Capital and Reserves		**(1,287,024)**	**(512,072)**

In preparing these financial statements, the directors have taken advantage of the small companies exemption in part 15 of the Companies Act 2006.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 25th July 2019.

25th July 2019

Colm Lacey
Director

The notes on pages 15 to 23 form part of these financial statements.

Statement of Changes in Equity

For the 15 month period ended 31 March 2019

	Called-up share capital £	Profit and loss account £	Total £
At 31 December 2016	**100**	**(245,120)**	**(245,020)**
Profit (+) / Loss (-) and total comprehensive income for the year	0	(267,052)	(267,052)
At 31 December 2017	**100**	**(512,172)**	**(512,072)**
Profit (+) / Loss (-) and total comprehensive income for the year	0	(774,952)	(774,952)
At 31 March 2019	**100**	**(1,287,124)**	**(1,287,024)**

The notes on pages 15 to 23 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2019

1 General Information

Brick by Brick Croydon Limited ("the Company") is a private limited company. The company was incorporated on 6 May 2015 and began trading in 2016. This is the fourth period in which the financial statements have been prepared, and cover the period from 1 January 2018 to 31 March 2019. The company has opted to move its financial year end to 31st March, meaning that this financial period covers a 15-month period.

The company is incorporated and domiciled in England. The address of the Company's registered office is 62 George Street, Croydon, United Kingdom, CR0 1PD.

The Company is a development company established by the London Borough of Croydon to deliver housing led development across the borough.

The Company's accounts are prepared on a single entity basis.

2 Accounting Policies

2.1 Basis of Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102, Section 1A Small Entities, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006. In preparing the financial statements, the directors have taken advantage of the small companies exemption in part 15 of the Companies Act 2006 which allows a cash flow statement to be omitted.

The financial statements are presented in Sterling (£) and are rounded to the nearest pound

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going Concern

The London Borough of Croydon have provided a letter of support confirming they will continue to provide finance to Brick by Brick Croydon up to June 2022.

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

2.3 Fixed Assets

The company holds a mix of land, building, equipment and leasehold fixed assets. These are classed as Property, Plant and Equipment which are recognised under FRS 102 as assets which:

(a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
(b) are expected to be used during more than one period.

Recognition & Measurement

Expenditure on the acquisition, creation or enhancement of fixed assets 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 company 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 (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to operate.

Depreciation

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

Assets are depreciated from the year that they are brought into use and are depreciated on a straight-line basis over their useful economic life as follows for property, plant and equipment:

a) Buildings – 50 years
b) Leasehold Improvements – 10 years
c) ICT Equipment – 5 years
d) Furniture, Fixtures & Fittings – 10 years

Impairment

Assets will be assessed at least every 2 years to assess whether there is any indication that the 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.

2.4 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. All other leases are classified as operating leases. Classification is made at the inception of the lease.

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

2.6 Debtors

Debtors are recognised in relation to income due to the business as a consequence of activity in a prior period. This mainly relates to the recovery of VAT from HMRC and is measured based on the balance of the VAT account still to be reclaimed at the end of the company's financial year.

2.7 Pre-payments

Pre-payments cover expenditure incurred in one accounting period for which the underlying asset will not be consumed until a future period.

2.8 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 no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.9 Financial Instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the transaction price which is deemed to be the fair value and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the fair value discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Finance Costs

Finance costs are capitalised according to Section 25 of FRS 102 to reflect the fact that loans to Brick by Brick are aligned to specific development schemes. Interest is apportioned to individual schemes and then charged to WIP using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Interest incurred on borrowing to fund operating expenditure is also apportioned accordingly and charged to the Statement of Comprehensive Income.

2.12 Taxation

A tax liability will be recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

A deferred tax liability or asset is recognised for the additional tax that will be incurred or deductible in the future based on assets and liabilities that are recognised in a business combination.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

2.13 Inventories and Work in Progress

Work in progress comprises direct materials, labour costs, site overheads, associated professional charges, loan interest and other attributable overheads. It is held at the historical cost of bringing the buildings to their present location and condition.

Upon the completion of a building, it is transferred from work in progress to inventory. At this point it is valued and then held at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and overheads.

Regular reviews are carried out to identify any impairment in the value of inventory and work in progress. Where an impairment is identified, it is charged as a finance expense in the Statement of Comprehensive Income in the year.

Regular reviews of schemes are carried out to ensure they are still active, and that activity will result in an asset. Where a scheme is no longer likely to proceed, costs are charged as a cost of sales in the Statement of Comprehensive Income in the relevant year.

3 Critical accounting judgments and key sources of estimation uncertainty

In applying the Group's accounting policies which are described in note 2, the Directors have made no individual judgements that have a significant impact upon the financial statements, excepting those involving estimation which are dealt with below. Actual results may differ from these estimates.

The key sources of estimation uncertainty at the balance sheet date are:

Deferred tax asset in respect of tax losses

At the balance sheet date, the Directors decided they were unable to completely demonstrate there would be sufficient future taxable profits against which current taxable losses could be set against. As a result, it was decided not to recognise a deferred tax asset in respect of tax losses.

4 Events after the reporting period

There were no events after the reporting period that would cause these statements to be adjusted. Development activity has continued into 2019, with significant activity in the first quarter being comprised of:

	£
Acquisition of property	1,459,595
Drawdown of development funding	18,760,560
Development expenditure	17,585,246

5 Fixed Assets

In 2018/19 the company purchased a further 3 properties in support of the delivery of its developments. It also took out a 10 year lease on retail/office premises (where the company is now based) and purchased furniture and equipment required to bring these premises into use.

	Land	Buildings	Leasehold Improvements	ICT Equipment	Furniture, Fixture & Fittings	TOTAL
	£	£	£	£	£	£
Cost						
At 1st January 2018	166,976	331,460	0	0	0	498,436
Additions	480,058	955,382	515,234	166,573	23,705	1,435,440
At 31st March 2019	647,034	1,286,842	515,234	166,573	23,705	2,100,449
Depreciation						
At 1st January 2018	0	(6,629)	0	0	0	(6,629)
Provided in period	0	(25,737)	(51,523)	(33,315)	(2,371)	(112,945)
At 31st March 2019	0	(32,336)	(51,523)	(33,315)	(2,371)	(119,574)
NBV @ 31st Mar 2019	647,034	1,254,476	463,710	133,258	21,335	2,519,813
NBV @ 31st Dec 2017	166,976	324,831	0	0	0	491,807

6 Leases

In 2018/19 the company entered into an operating lease for the building that it now uses as its main office premises and marketing suite. The lease has a break clause at 5 years. The total value of future lease payments are summarised below.

	2019/20	5 years	10 years
	£	£	£
62 George Street	41,250	202,500	427,500

7 Inventories and Work in Progress

	2018/19	2017
	£	£
Completed Inventories	0	0
Work in Progress	110,207,756	32,622,752
	110,207,756	32,622,752

The Directors consider all inventories to be essentially current in nature although the Group's operational cycle is such that a proportion of inventories will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised as this is subject to a number of issues, including consumer demand and planning permission delays.

8 Short-Term Debtors

	2018/19	2017
	£	£
Other Receivables	1,323,531	409,960
Pre-Payments	140,000	0

Other receivables includes £1,323,531 in relation to VAT recoverable from HMRC (for March 2019 expenditure) and £100 in relation to called-up share capital. The pre-payment relates to the purchase of site adjacent to an existing scheme for which a £140,000 deposit was paid pending completion in early 2019/20.

9 Cash and Cash Equivalents

	2018/19	2017
	£	£
Cash at Bank	2,427,983	506,844
Soldo (P-Card)	500	0
	2,428,483	506,844

Brick by Brick Croydon had a bank balance of £2,427,983 at the 31 March 2019. It also held a balance of £500 on its Soldo account, which provide the company's purchasing cards.

10 Creditors falling due within one year

	2018/19	2017
	£	£
Payable to LB Croydon	3,764,367	916,529
Trade Creditors	10,557,030	2,340,357
	14,321,397	3,256,886

Brick by Brick Croydon owes £3,764,367 to the London Borough of Croydon in relation to reclaimed VAT that was paid by the Council on its behalf. The remaining creditors relate to on-going development and operating activity.

11 Financial Instruments

The maturity profile of the total contracted payments in respect of financial liabilities is as follows:

	Balance at 31 Mar 2019	Less than 1 year	1-2 years	2-5 years	Over 5 years
	£	£	£	£	£
Loans from LB Croydon	107,349,576	3,764,367	0	103,585,210	0

Loan terms and risks

In 2016 Brick by Brick Croydon arranged an unsecured loan facility with the London Borough of Croydon, which could be drawn against for five years, until 2021, up to a total loan value of £10,061,091, of which a total of £9,104,466 was drawn down in 2016. The remainder of this loan was drawn down in 2017.

Repayment of the principal is required no later than five years after each loan has been drawn down, or the agreement's termination date of 2021. The interest rate charged for the loan is 5%. Interest is payable in full upon completion of the loan.

Individual loan agreements have been signed for the purchase of the company's land and building fixed assets. In 2017 this covered the purchase of 2 Cargreen Road (up to a maximum of £498,611) for which the loan must be re-paid within 5 years with interest of 5% payable. In 2018/19 this included the purchase of a further 3 properties totalling £1,433,370. These loans must be re-paid within 5 years with interest of 6.25% payable.

Since 2017, loan agreements have also been agreed on a scheme-by-scheme basis for each development that Brick by Brick is progressing. A total of 30 loan agreements have been agreed with the maximum borrowing facility capped at the estimated gross development cost included in the company's financial appraisal (and approved by its board). These loans must be re-paid by the long-stop estimate for each development (usually 12 months after planned practical completion) and an interest rate of 6.25% is applied to each loan.

The "less than 1 year" balance of £3,764,367 represents VAT incurred on expenditure funded by loans from LB Croydon, and does not form part of any loan facility. This amount is matched by a short term debtor from HMRC and amounts already reclaimed from HMRC in the company's bank account which will be repaid to the Council.

12 Share Capital

The Company has one class of ordinary shares (nominal value 100p). The shareholders are entitled to one vote per share at meetings of the Company.

	2018/19 (15-months)	2017
	£	£
100 Ordinary Shares (100p each)	100	100

13 Interest Payable

Loans made to the company have been apportioned between those that directly support specific schemes (which are capitalised as WIP) and those that fund operating expenditure (which are charged to the income statement). For loan drawdowns to 31st March 2017 an interest rate of 5% is applied. All subsequent loans accrue interest at a rate of 6.25%.

	2018/19 (15-months)	2017
	£	£
Interest capitalised as WIP	3,662,870	889,570
Interest charged to Statement of Comprehensive Income	153,339	34,605
Total Interest payable on loans from LB Croydon	3,816,209	924,175

14 Taxation

The Company has made the following tax losses:

	2018/19 (15-months)	2017	2016	Accumulated Loss
	£	£	£	£
Tax Losses	(4,324,877)	(1,149,992)	(499,211)	**(5,974,081)**

A deferred tax asset has not been recognised in respect of accumulated tax losses. At the balance sheet date, the Directors decided they were unable to completely demonstrate there would be sufficient future taxable profits against which current taxable losses could be set against. As a result, it was decided not to recognise a deferred tax asset in respect of tax losses.

15 Auditors' Remuneration

	2018/19 (15-month)	2017
	£	£
Grant Thornton UK LLP Audit Fee	28,000	24,000

16 Employees

In 2018/19, Brick by Brick Croydon Ltd became an employing entity for the first time. It employed a total of 25 staff onto BBB contracts in 2018/19, and also TUPE'd 9 staff from the London Borough of Croydon (who worked directly for the company) in October 2018.

The company employed an average of 11 staff over the 15 month period, with a total cost as follows:

	2018/19 (15-months)	2017
	£	£
Wages & Salaries	729,584	0
National Insurance	82,096	0
Pension Contributions	65,734	0
	877,414	0

Two of the directors that served on the Board in 2018/19 were employees of the London Borough of Croydon and one was an employee of the Council for part of the year. A total of four directors serving on the Board in 2018/19 were externally appointed in 2018/19.

The directors of Brick by Brick Croydon received the following remuneration directly from Brick by Brick Croydon in 2018/19.

	2018/19 (15-months)	2017
	£	£
Wages & Salaries	122,166	36,000
National Insurance	9,998	0
Pension Contributions	15,592	0
	147,756	36,000

17 Ultimate Controlling Party

Brick by Brick Croydon Limited is 100% owned by the London Borough of Croydon, which is the immediate and ultimate controlling party.

18 Related Party Transactions

The company has taken advantage of the exemption conferred by FRS 102 not to disclose transactions with group undertakings which are part of the 100% owned group.

The company has determined that key management includes all directors:

	2018/19 (15-months)	2017
	£	£
Remuneration paid to key management	122,398	0
	122,398	0

REPORT TO:	**GENERAL PURPOSES AND AUDIT COMMITTEE** **23rd JULY 2019**
SUBJECT:	**FINANCIAL PERFORMANCE REPORT FOR 2018/19**
LEAD OFFICER:	**LISA TAYLOR** **DIRECTOR OF FINANCE, INVESTMENT AND RISK** **(INTERIM SECTION 151 OFFICER)**
CABINET MEMBER:	**COUNCILLOR SIMON HALL CABINET MEMBER FOR FINANCE AND RESOURCES**
WARDS:	**ALL**

CORPORATE PRIORITY/POLICY CONTEXT:

The report is a statutory requirement and communicates to our key stakeholders the Council's financial performance and outcome for the period 1 April 2018 to 31 March 2019. This reporting requirement is a key stage in the communication of the delivery of the Council's Financial Strategy and maps progress in the achievement of the objectives contained within the strategy.

FINANCIAL SUMMARY:

This report sets out the financial performance of the Council for the period 1 April 2018 to 31 March 2019, which showed an overspend of £5.466m, including exceptional items of £5.121m.

FORWARD PLAN KEY DECISION REFERENCE No.:

RECOMMENDATIONS

The Committee(s) is asked to:

1.1 Approve the levels of reserves and provisions set out in section 8 of the report, as recommended by the Interim Section 151 Officer;

1.2 Note the Council's outturn position, and the progress of the Council's current Financial Strategy objectives;

1.3 Note the departmental revenue budget outturn variances as contained within Table 1 and 2 and Appendix 1 of the report;

1.4 Note the capital budget outturn as detailed in section 4 and Appendix 2 of this report.

1.5 Note that a report seeking final approval of the accounts following their review by external audit is a separate item on this agenda

1.6 Note that work has commenced to review the MTFS which was approved at full Council in October 2018 and will be presented to Cabinet as part of the budget 2020/21 report in February 2020 with a report on the budget setting process also being presented to Scrutiny and Overview Committee in September 2019.

2. EXECUTIVE SUMMARY

2.1 This report presents to the Committee progress on the delivery of the Council's Financial Strategy. The final budget position of the Council for 2018/19 was an overspend of £5.466m, made up of pre-exceptional overspend of £345k and exceptional items of £5.121m., which has been funded from our earmarked reserves and Council tax surplus. The Council's collection fund is currently in surplus as a result of cash collected in 2018/19. However due to accounting restrictions the surplus isn't released until the year following the year in which it is achieved. A surplus of in excess of the overspend is available in 2019/20, and £5.466m will go into reserves to replace the amounts used in 2018/19.

2.2 The Council has met the challenge of reducing grant since 2010 and maintained a robust financial position. The Financial Strategy for 2018/22, which was approved on a recommendation of Cabinet 24th September 2018 to full Council (Minute A33/18, Council Meeting 8th October 2018), sets out the strategy for managing the significant financial challenge for the medium term and will be refreshed as part of the 2020/21 budget setting process.

2.3 The 2018/19 budget was set with the inclusion of growth to help manage pressures as well as significant savings targets. Despite this growth there continues to be increasing demand for the services in the key areas of adult and children's social care and temporary and emergency accommodation.

2.4 These pressures are mainly demand related, and are a continuation of pressures experienced in previous years, although the scale has been limited by a combination of improved demand management, and growth awarded in the 2018/19 budget.

2.5 Work has been ongoing to try and reduce the impact of the pressures which includes: -

- The continued integration between health and social care through the One Croydon Alliance.
- Greater governance for all Adult Social Care placements.
- Continuation of the Gateway service to provide more support at the front door to prevent service users coming in later with more complex and expensive issues.

- Continuation of the Think Family programme – focusing on cohorts of the most expensive households who use multiple council services to make efficiencies through a joined up approach.

- Continued implementation of the recommendations from the Children's Social Care Ofsted Inspection.

- The implementation of Adult Social Care fees and charges from 2019/20.

- Recognising the impact of parking income increase.

- A review of the SEN travel policy and the type of provision.

- Continued lobbying of Government to fully fund services, especially in relation to UASC and NRPF.

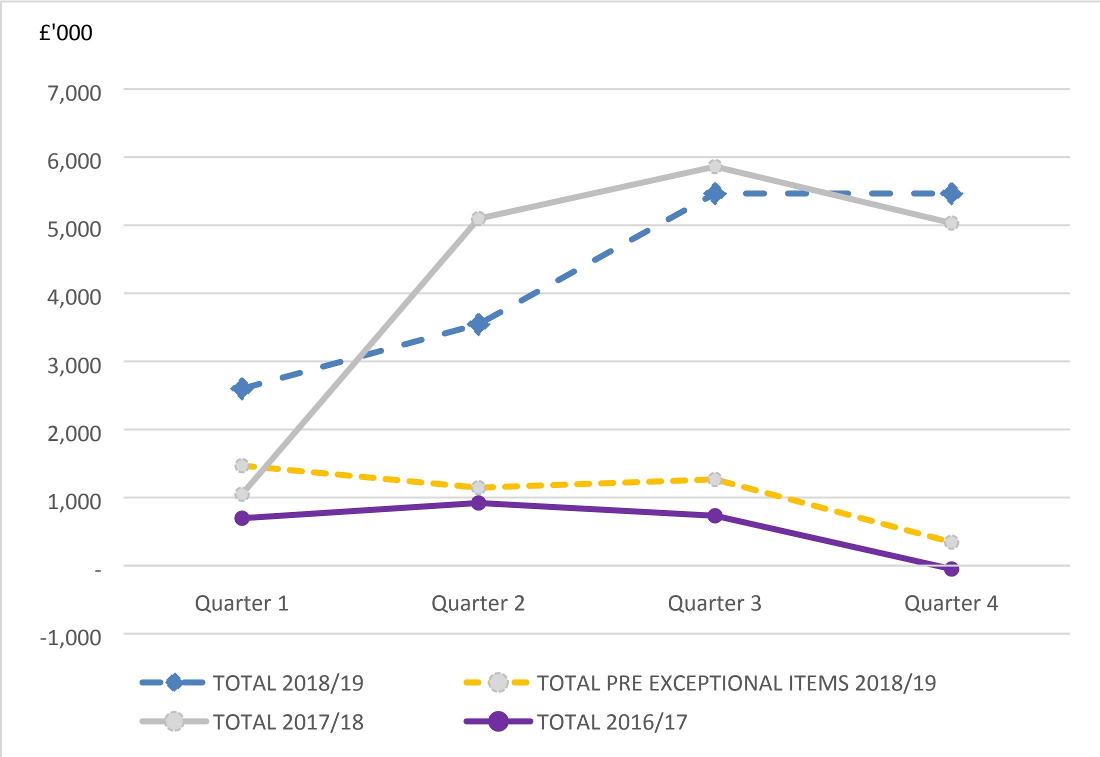
- A review of services provided by external contractors.

- Gains available from the London Business Rates pool.

2.6 Throughout the year, through the quarterly monitoring reports, Cabinet have been kept updated on areas of the Council's budget that have been impacted on heavily and have led to significant pressures during the year. These include Adult Social Care demands, Children Social Care demand and the impact following the recent OFSTED inspection, UASC and NRPF.

2.7 Through strong financial management the revenue budget has been carefully managed and the outturn for 2018/19 was an overspend of £5.466m. This is as forecast at quarter 3 for the 2018/19 financial year. This is shown in Graph 1.

Graph 1 – Forecast Revenue outturn for 2016/17 - 2018/19 by quarter.



2.8 The target set out in the Financial Strategy is to hold General Fund balances of 5% of the council's net budget requirement. For 2018/19 this would equate to balances of £13m (currently £10.4m). The Financial strategy made clear that although 5% remains a target there are no plans to actively move towards the target in cash terms over the medium term. It should be noted that, because of the decline in net budget requirement, the target has reduced in 2019/20, where the target will be £12.5m.

2.9 The 2018/19 overspend of £5.466m is made up of Departmental over spends of £6.998m, offset by non-departmental underspends of £6.653m and exceptional items of £5.121m. Details are provided in Table 1, of this report.

2.10 The Council's earmarked reserves have decreased by £1.519m to £14.228m. A number of targeted funding streams have continued to be drawn out of reserves in 2018/19 to support delivery, mainly around the transformation agenda.

2.11 General Fund Schools' reserves have increased by £1.325m to £3.732m.

2.12 The Council's General Fund Provisions have increased from £41.2m to £41.5m as at 31st March 2019.

2.13 The Collection Fund has an overall surplus of £5.409m which has been carried forward in to 2019/20. Croydon's share of this is a surplus of £6.938m, which is greater than the overall surplus because of the way NNDR retention percentages with the MHCLG have changed between 2017/18 and 2018/19.

Croydon's share is comprised of a Council Tax surplus of £4.676m and a Business / Rates surplus of £2.262m. £5.466m of this balance has been transferred to earmarked reserves on 1 April 2019 in order to fund the 2018/19 deficit.

2.14 The HRA final outturn is a surplus of £0.736m which has been transferred to HRA reserves.

2.15 The Council's Pension Fund increased in value in 2018/19 by £111.6m to a value of £1.25bn.

2.16 The draft accounts have been prepared and have been presented to the Council's external auditors in line with the statutory deadline of 31st May 2019. This is the second year of the faster closedown requirement, and the council achieved this date, some 20 working days faster than accounts preparation in previous years. There are a number of assumptions and estimates used in the preparation of the draft accounts, which are set out in Section 8 of this report.

2.17 The Accounts and Audit Regulations 2015 no longer require the draft accounts to be approved by those charged with governance, and the draft accounts do not form an appendix to this report, instead they are an appendix to the audit findings report, which is a separate report on this agenda. However, this report does summarise the Council's financial position at the end of 2018/19, and provides an update on progress towards the Council's financial strategy objectives. The council's draft accounts have been published on the Council's website. This is in addition to the statutory public inspection periods, which ran from 3 June to 12 July 2019.

2.18 The draft accounts will be subject to external audit. If there are any significant changes to the draft accounts, they will be set out within the Grant Thornton external audit report, which will be presented to the General Purposes and Audit Committee as a separate item on this agenda. This report will also summarise the outcome of the audit, along with the report to Members charged with Governance as per established good governance practice in previous years.

3. GENERAL FUND REVENUE ACCOUNT OUTTURN 2018/19

3.1 Departmental spend was £6.998m more than budgeted in 2018/19. The areas of overspend are those that have in the main been reported to Cabinet throughout the year and reflect the areas of the council's budget that is impacted heavily by demand and our statutory responsibilities. Growth had been built into the 2018/19 to reflect a new achievable budget for these areas. The main overspends were on placement costs in relations to looked after children and children with disabilities.

3.2 Despite the financial pressures placed on the budget, the Council has maintained strong financial controls throughout the year. As shown in Table 1, underspends on non-departmental spend enabled the council to make £6.653m of savings to offset departmental pressures and exceptional items, which total £5.121m and include costs from UASC, NRPF, and Universal Credit.

Table 1 - Revenue Outturn Summary for 2018/19

Quarter 3 forecast outturn variance £'000	Department	Revised Budget £'000	Outturn 2018/19 £'000	Variation from Revised Budget £'000	Variation from Revised Budget %
2,099	Health, Wellbeing and Adults	105,409	107,140	1,731	1.64%
9,131	Children, Families and Education	68,354	77,886	9,532	13.95%
(5,350)	Place	48,430	43,020	(5,410)	-11.17%
1,002	Gateway, Strategy and Engagement	31,434	31,410	(24)	-0.08%
2,018	Resources	28,439	29,608	1,169	4.11%
8,900	**Departmental Total**	**282,066**	**289,064**	**6,998**	**2.48%**
(6,100)	Non-Departmental Items	(282,066)	(288,719)	(6,653)	
2,800	**Revenue Total before Exceptional Items**	**0**	**345**	**345**	
2,666	Exceptional items	0	5,121	5,121	
5,466	**Total transfer from balances**	**0**	**5,466**	**5,466**	

3.3 The main variances over £500k that contributed to the departmental overspend are summarised in Table 2 below. A complete breakdown of all variances is shown in Appendix 1.

Table 2 - Analysis of departmental variances 2018/19 (+/- £500k)

HEALTH, WELLBEING AND ADULTS	Explanation of variance	Underspend (£'000)	Overspend (£'000)
Adults Social Care and All-Age Disability Directorate	Savings not achieved relating to ICT transformation project		622
	Improved Better Care Funding	(2,000)	
OBC Provider Services - Social Care	Nursing care – increase in client numbers		2,790
	Staff savings to fund move to locality working	(1,250)	
	Overspend on residential care primarily due to increase in client numbers		624
	Risk share contribution from CCG	(500)	
	Use of Transformation funding to deliver service changes	(5,250)	
25-65 Disability	Increase package costs		2,848
Transformation and Clienting	Use of Transformation funding to deliver service changes	(1,529)	
0-25 Send Service SWD	Increase in family supports and high placement costs		1,607
Public Health	Increase in costs due to higher than anticipated demand for out of borough genitourinary medicine services (GUM)		843
	Variances Below £500k	(536)	
	SUB TOTAL	(11,065)	9,334
	Total Variance - HEALTH, WELLBEING AND ADULTS		**1,731**

GATEWAY, STRATEGY AND ENGAGEMENT	Explanation of variance	Underspend (£'000)	Overspend (£'000)
Housing Need	Increase in the number of households being placed in the Private Rental Sector. And an increase in costs associated with voids, repairs and agency staff		659
	Variances Below £500k	(683)	
	SUB TOTAL	(683)	659
	Total Variance - GATEWAY, STRATEGY AND ENGAGEMENT		(24)

CHILDREN, FAMILIES AND EDUCATION	Explanation of variance	Underspend (£'000)	Overspend (£'000)
Early Help and Children's Social Care Directorate	Legal fees to external providers		531
Care Planning Service	Increase in costs in relation to Section 17 expenditure due to increased demand		1,002
Corporate Parenting	An increase in the number of external placements, court driven assessments and supervised contacts		6,353
	Variances Below £500k		**1,646**
	SUB TOTAL	0	**9,532**
	Total Variance - CHILDREN, FAMILIES AND EDUCATION		**9,532**

RESOURCES	Explanation of variance	Underspend (£'000)	Overspend (£'000)
Facilities Management and Support Services	Increased rental income and reduced rent costs	(1,883)	
	Business Support – Increased staffing levels		506
Commissioning and Procurement	SEN – increased transport costs due to service demand		2,089
Director of Finance, Investment and Risk	Shortfall in Housing Benefit subsidy		1,510
Croydon Digital Service	A saving on the cost of the ICT contract and capitalisation of salaries	(561)	
Director of Law and Governance	Over achievement of legal income	(520)	
	Electoral services		605
	Variances Below £500k	(577)	
	SUB TOTAL	(3,541)	**4,710**
	Total Variance - RESOURCES		**1,169**

PLACE	Explanation of variance	Underspend (£'000)	Overspend (£'000)
Public Realm	Street lighting – increased energy costs		784
	Savings due to reduced unit cost of landfill during the Energy Recovery Facility commissioning phase	(1,205)	
	Additional Pay and Display and PCN income	(3,819)	
	Capitalisation of Highways and Road enhancement costs	(580)	
	Variances Below £500k	(590)	
	SUB TOTAL	(6,194)	784
	Total Variance - PLACE		(5,410)
	TOTAL DEPARTMETNAL OVERSPEND		**6,998**

3.4 Table 3 below shows the major variances relating to non-departmental expenditure. It should be noted that our budgeting methodology means that there will always be a number of favourable non-departmental items that will help cover departmental pressures.

Table 3 - Analysis of non-departmental variances 2018/19 (+/- £500k)

Explanation of variance	Underspend (£000)	Overspend (£000)
Use of contingency budget	(2,000)	
Revolving Investment Fund gains	(1,873)	
Additional income and grants: Section 31 funding and London Pool gains	(3,531)	
Unachievable contract review savings		763
Unachievable digital advertising income target		750
Other variances	(763)	
Sub-total	**(8,167)**	**1,514**
TOTAL	(6,653)	

3.5 Table 4 below gives details of all the exceptional items. These exceptional costs relate to additional costs associated with Unaccompanied Asylum Seeking Children (UASC) over and above the burden on Croydon council taxpayers assumed in the 2018/19 budget, the impact of the failure of Central Government to implement the provisions of the Immigration Act as far as they would impact on No Recourse to Public Funds costs for UASC and the impact of Universal Credit in Croydon. It should be noted that the overall shortfall on government funding in respect of this is some £10.6m, £5,1m more than was budgeted.

Table 4 – Exceptional Items

Explanation of variance	Underspend (£000)	Overspend (£000)
Additional Costs in relation to Unaccompanied Asylum Seeking Children (UASC)	-	3,071
No Recourse to Public Funds costs for UASC	-	2,050
	-	**5,121**

3.6 Table 5 below shows the position of the Council's balances and reserves as at 31 March 2019, compared with previous years. This table excludes Locally Managed Schools (LMS) reserves, as they are controlled by Schools.

Table 5 - Analysis of Reserves and Balances

Balances and Reserves	2016/17 £m	2017/18 £m	2018/19 £m
General Fund Balances	10.7	10.4	10.4
Earmarked Reserves	30.1	15.7	14.2
General Fund Provisions	37.1	41.2	41.5
Capital Receipts	7.40	11.0	0
Right to Buy Receipts	38.6	44.4	32.6
Total	**123.9**	**122.7**	**98.7**

3.7 Further details of earmarked reserves are provided in Section 8 of this report.

3.8 **REVENUE BUDGET MANAGEMENT**

3.8.1 The overall revenue outturn position for 2018/19 is a £5.466m overspend. The past few financial years have been very challenging both due to financial constraints and increased demand for Council services. The Council has in place a strong financial management framework, and has continued to rigorously monitor, manage and control spending within the framework of the Financial Strategy. .

3.8.2 The Council continues to face increasing pressures in the delivery of services. The pressures in terms of grant loss and massive increase in demand experienced by the Council have continued into the current year. The Council has required the use of non-departmental savings to ensure budget delivery within resources available. Table 6 shows the overall Council position including non-departmental savings over the last 3 years.

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Table 6 – Council quarterly forecast outturn

Quarter	TOTAL 2018/19 £'000	TOTAL 2017/18 £'000	TOTAL 2016/17 £'000
Quarter 1	2,599	1,049	696
Quarter 2	3,545	5,097	920
Quarter 3	5,466	5,861	732
Quarter 4	5,466	5,032	(50)

TRANSFORMATION

3.8.3 The Council has continued to make use of new guidance on the use of flexible capital receipts which were published by the MHCLG in March 2016. This allows local authorities to use capital receipts to fund the up-front set up or implementation costs of projects that will generate future ongoing savings and/or transform service delivery. Table 7 below provides details of the transformation projects that have been funded from capital receipts during 2018/19.

3.8.4 The Council presented a strategy to Cabinet on 11th December 2017 (Min 98/17) that set out the intended usage of flexible capital receipts. Table 7 below gives details of the projects funded from the capital receipts in 2018/19, these total £29.306m.

Table 7 – Transformation Projects

	£m
Housing Initiatives	3.092
Adult Social Care new Initiatives	11.847
Children's Services	9.810
Demand Management	0.203
Transformation programme including ICT	4.354
Total	**29.306**

3.8.5 To enable the continued delivery of our transformation programme we will continue to use this approach to the flexible use of Capital Receipts in 2019/20. Further reports on progress of these projects will be presented to Cabinet as part of the quarterly financial monitoring report.

4. CAPITAL OUTTURN 2018/19

4.1 The original approved capital programme totalled £345m, which was increased during the year to £449m to reflect both programme slippage and re-profiling of schemes. Total 2018/19 capital spend was £355m, with the resultant underspend of £94m (21%) mainly attributable to slippage in the delivery of schemes. Table 8 below, shows spending against budget by Department in 2018/19 and Appendix 2 provides a detailed breakdown of spend against budget for the capital programme.

Table 8 – Capital Outturn Variances for 2018/19

Department	Original Budget £'000s	Budget Adjustments £'000s	Revised Budget £'000s	Outturn £'000s	Outturn Variance £'000s
Health, Wellbeing and Adults	0	579	579	245	(334)
Children, Families and Education	35,527	(1,192)	34,335	20,387	(13,948)
Place	224,984	(87,095)	137,889	107,788	(30,101)
Gateway, Strategy and Engagement	33,850	94,718	128,568	98,997	(29,571)
Resources	19,105	91,664	110,769	98,105	(12,664)
General Fund	313,466	98,674	412,140	325,522	(86,618)
Housing Revenue Account	32,385	4,715	37,100	30,058	(7,042)
Total Capital	345,851	102,149	449,240	355,580	(93,660)

4.2 The impact of slippage from 2018/19 into the 2019/20 capital programme was considered as part of the July Financial Review Cabinet report. Capital schemes in 2018/19 included the following:

- Education Estates Strategy
- Progression of New Addington Leisure Centre
- Improvement to the New Waste Collection Service
- Improvements to the Public Realm
- Commencement of Growth Zone
- House building by the councils wholly owned development company Brick by Brick Croydon Limited
- Refurbishment of the Fairfield Halls
- Financing for Affordable Homes
- Investment in ICT
- Assets Acquisitions Fund

5 HOUSING REVENUE ACCOUNT (HRA)

5.1 The final HRA outturn was a surplus of £0.736m which has been transferred to HRA reserves. The variances to budget that are on-going will be included in the budget planning for 2019/20.

5.2 The main variances of HRA revenue spend against budget are set out in Table 9 below.

Table 9- Analysis of Housing Revenue Account Variances 2018/19

Division	Variance	Detailed explanation

	£'000s	
HRA – Housing Needs	1,171	Overspend on leased properties used for the provision of temporary accommodation and staffing costs as a result of carrying out fire safety assessments.
HRA – Council Homes, Districts & Regeneration	(1,907)	Underspends due to vacancies within the team. Repairs costs being lower than budgeted for.
Total HRA underspend	(736)	

5.3 HRA capital expenditure totalled £30.058m. Expenditure was lower than the revised budget of £37.100m by £7.042m, due principally on reduced spending on the major repairs programme.

5.4 The Contingency reserve is set at 3% of total income, which is viewed to be appropriate to the level of risk within HRA income. The balance of the under-spend has been transferred to the HRA earmarked reserve. Table 10 below shows the position on the HRA balances and reserves at 31 March 2019 compared with the previous year.

Table 10 – Movement in HRA reserves and balances

HRA	Balance at 01-Apr-18 £'000	HRA Outturn 2018/19 £'000	Balance at 31-Mar-19 £'000
Reserves	**(14,535)**	**(0,736)**	**(15,271)**
Major Repairs Reserve	(1,929)	1,929	0
Total	**(16,464)**	**1,193**	**(15,271)**

6. PENSION FUND AND TREASURY MANAGEMENT

6.1 The accounts for the Pension Fund are included, as a separate set of accounts, within the published Croydon Council's annual accounts. Table 11 below shows the change in the value of the Croydon Pension Fund during 2018/19: -

Table 11 - Pension Fund Performance 2018/19

Detail of Composition of Net Assets	2017/18 £m	2018/19 £m	Net Increase / (Decrease) £m	Change %
Total Investments	1,114.702	1,230.117	115.415	10.35
Other balances held by Fund Managers	1.465	1.557	0.092	6.28
Debtors	4.052	9.536	5.484	135.34
Cash Held by:				
Fund Managers	8.603	6.452	(2.151)	(25.00)
London Borough of Croydon	17.380	5.528	(11.852)	(68.19)
Creditors	(6.759)	(2.147)	4.612	68.23
Net Assets at Year End	**1,139.443**	**1,251.043**	**111.600**	**9.80**

6.2 For the year ending 31 March 2019, the Fund produced an investment return of 10.4% which along with net cash outflow of £5.68m from the Fund, meant the net value increased by 9.80% 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. The Fund performed 4.5% above the benchmark for the year and has exceeded the return assumed by the actuaries. Over a 5 year period the Fund has returned 10.7% p.a. which is 5.3% above the benchmark return. This is despite the Fund continuing the process of restructuring the asset allocation to optimise the position.

6.3 A critical function of the Pensions Committee is to ensure that the Asset Allocation Strategy matches the current economic climate in order to stabilise returns and reduce portfolio volatility whilst closing the funding gap. In the long-term, this will allow the Fund to meet its current and future liabilities to pensioners and stabilise employer contribution rates, without putting an additional burden on council tax payers. The economic outlook suggests slow growth in the developed world and further uncertainty in the euro zone. Table 12 below shows annualised performance by asset class over the 12 months to 31 March 2019.

Table 12 – Performance by asset class for the year end 31/03/19

Asset Class	Value at 31-3-19 £m	Return %	Benchmark %	Over / Under performance %
Global Equities	457.993	11.9	11.9	-
Emerging Market Equities*	58.044	6.1	11.5	(5.4)
Global Bonds**	84.066	5.5	4.9	0.6
UK Corporate Bonds	65.007	3.7	3.7	-
Sterling Bonds	67.125	5.4	3.9	1.5
Absolute Return Bonds	66.221	1.1	0.8	0.3
Private Equity	109.991	16.9	6.9	7.0
Infrastructure	142.954	9.1	6.9	2.2
Property	178.566	5.5	5.2	0.3
Cash & other		-	-	-
Total Fund	**1,131.361**	**10.4**	**5.9**	**4.5**

***Emerging Market Equities the return quoted is from the inception date 26/10/2018.**

****Global Bonds the return quoted is from the inception date 30/11/2018.**

Treasury Management

6.4 The Director of Finance, Investment and Risk and Interim Section 151 Officer is responsible for setting and monitoring the Prudential Indicators in accordance with the Council's Capital Strategy and Treasury Management Strategy.

6.5 The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The Code was updated in 2017 and the Council has adopted this updated Code of Practice on 4 March 2019 (Minute 20/17).

6.6 The Prudential Indicators set will continue to be monitored throughout the year and will be reported to Cabinet on a quarterly basis. The indicators break down into four blocks relating to capital expenditure, the affordability of that investment programme, debt and treasury management as follows:

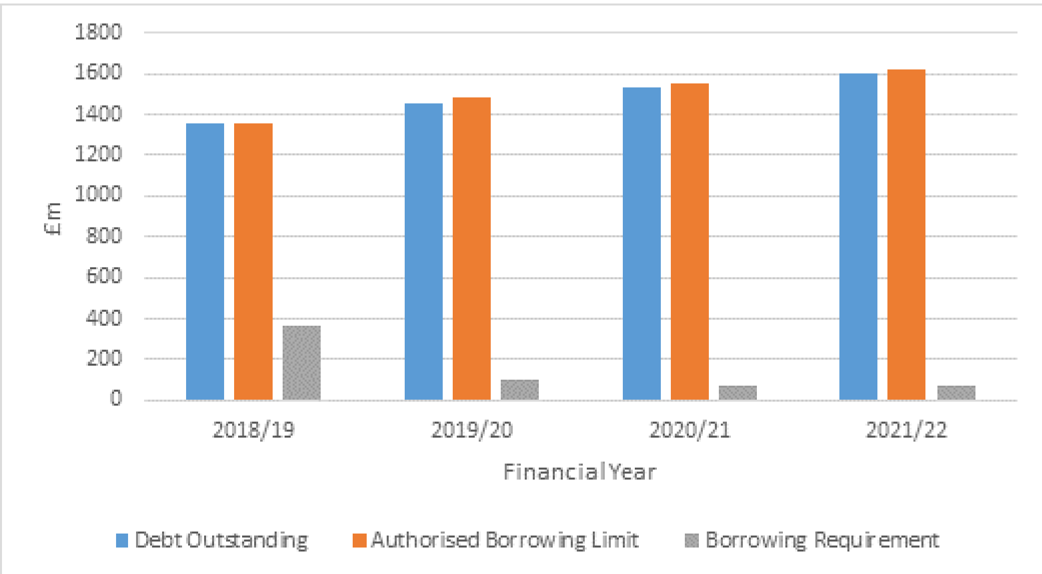
- The capital investment indicators reflect the Authority's future plans to undertake capital works, and the extent to which these will be funded through borrowing. Hence, in the budget for 2019/20, £221.9m of investment is planned, £139.2m of which is to be financed from borrowing.

- Apart from borrowing that is supported by government grant funding, the cost of new prudential borrowing to the Authority will be £45.77 per Band D council taxpayer in 2019/20. This Prudential Indicator reflects the impact of funding decisions relating to capital investment in Croydon. The Prudential Code specifically indicates that it is not appropriate to compare this indicator with other authorities.

- The external debt indicators illustrate the calculation of the affordable borrowing limit. The treasury indicators show that the Authority will limit its exposure to variable rate debt to no more than 20% of total debt and will only invest up to 30% of the total investments for periods in excess of one year for reasons of limiting exposure to risk and guaranteeing adequate liquidity.

- The final indicator in graph 2 below shows a comparison of new debt against Prudential Limits. In order to take advantage of low borrowing costs, the Authority borrowed £40m from the PWLB on 25 March 2019, in advance of need. This meant the Authority temporarily exceeded the agreed authorised borrowing limit.

Graph 2: Comparison of Debt against Prudential Limits for 2018 to 2022



Borrowing

6.7 As part of its Treasury management framework the Council agreed a set of Prudential Indicators covering 2018/19 and the next three years on a rolling programme. These indicators relate to capital investment and the treasury function to provide a level of assurance that investment and borrowing decisions are sustainable, affordable and prudent, and are shown in Table 13 below:

Table 13 - Prudential Indicators 2018/19 – 2021/2022

PRUDENTIAL INDICATORS	2018/19 Actual Outturn £m	2019/20 Forecast £m	2020/21 Forecast £m	2021/22 Forecast £m
1. Prudential Indicators for Capital Expenditure				
1.1. Capital Expenditure				
- General Fund	295.193	183.474	95.818	87.497
- HRA	30.059	38.451	26.951	26.951
Total	**325.252**	**221.925**	**122.769**	**114.448**
1.2. In year Capital Financing Requirement				
- General Fund - gross of MRP costs	188.012	139.219	73.949	75.097
- HRA	0.000	0.000	0.000	0.000
Total in year Capital Financing Requirement	**188.012**	**139.219**	**73.949**	**75.097**
1.3. Capital Financing Requirement as at 31st March – **balance sheet figures**				
- General Fund (net of MRP costs)	988.459	1,142.854	1,207.103	1,272.20
- HRA	322.497	322.497	322.497	322.497
Total	**1,310.956**	**1,465.351**	**1,529.60**	**1,594.697**

2. Prudential Indicators for Affordability 2.1. Ratio of financing costs to net revenue streams - General Fund	8.6%	9.1%	9.1%	9.1%
- HRA	13.25%	13.25%	13.2%	13.2%
2.2. General Fund impact of Prudential (unsupported) borrowing on Band D Council Tax levels (per annum)				
- In year increase	£45.77	£33.89	£18.00	£18.28
- Cumulative increase (includes MRP costs).		£145.91	£163.91	£182.19
2.3. HRA impact of additional borrowing (unsupported) on housing rents (per annum)	0	0	0	0
[The HRA's additional £223.1m debt costs are reflected in these ratios.]				
3. Prudential Indicators for Long External Debt				
3.1. Debt brought forward 1st April	986.98	1,357.113	1,456.332	1,530.281
Debt carried forward 31st March (Includes the £223.1m debt for the HRA self- financing settlement sum plus RIF & Growth Zone borrowings in future years).	1,357.113	1,456.332	1,530.281	1,605.378
Additional Borrowing	**370.133**	**99.219**	**73.949**	**75.097**

PRUDENTIAL INDICATORS	2018/19 Forecast Outturn £m	2019/20 Forecast £m	2020/21 Forecast £m	2021/22 Forecast £m
3.2. Operational boundary for external debt (excludes revenue borrowing) Borrowing	1,220.11	1,351.129	1,415.378	1,480.500
Other long term liabilities	84.920	84.920	84.920	84.920
3.3. Total operational debt (excludes revenue borrowing)	1,220.11	,351.129	1,415.378	1,480.475
Add margin for cash flow contingency	50.00	50.00	50.00	50.00
Authorised limit for external debt (includes revenue borrowing)	1,270.11	1,401.129	1,465.378	1,530.475
Other long term liabilities	84.920	84.920	84.920	84.920
Authorised Borrowing Limit	**1,355.030**	**1,486.049**	**1,550.298**	**1,615.395**
4. Prudential Indicators for Treasury Management				
4.1. Lending limits - upper limit for total principal sums invested for over 365 days expressed as a % of total investments	30%	30%	30%	30%

	Lower limit	Upper limit
4.2. Maturity structure of new fixed rate borrowing, if taken, during 2018/19		
- Under 12 months	0	20%
- 12 months to 24 months	0	20%
- 24 months to 5 years	0	30%
- 5 years to 10 years	0	30%
- 10 years and above	0	100%

£223.126m of debt carried forward relates to long term loans taken up from the PWLB on 28/3/12 for the HRA Self Financing settlement payment. This sum was paid to the Government to exit the national HRA Subsidy system.

7. PROGRESS AGAINST THE CURRENT FINANCIAL STRATEGY

7.1 The current Financial Strategy that was approved on a recommendation of Cabinet to full Council (Minute A33/18, Council Meeting 8 October 2018), and this established the approach that the council would be taking to ensuring the overall financial health of the organisation remained strong over the medium term and the financial assumptions of the council that align to the Corporate Plan. Detailed below are the key priorities on how we will manage the medium term positon:

(a) Delivering our Corporate Plan
(b) Secure Medium to long term revenue from sound property investment
(c) Investment in the borough through the Revolving Investment Fund and delivery of our Growth Promise
(d) Improving children's services and the implementation of the children's improvement plan
(e) Transformation of Adult Social Care Provision

Delivering our Corporate Plan

7.2 It is crucial that the financial strategy is completely aligned with the Corporate Plan. The corporate plan sets out the key priorities for the next four years and identifies the need to drive even harder the approach to:

- supporting residents and families
- tackling issues before they reach crisis
- delivering creative solutions to deliver better outcomes

• overcome the challenges presented by ongoing reductions to funding an increasing need for Council services

7.3 Building on the approach already established in the Gateway Service, the Corporate Plan will drive, a total place based approach that uses business intelligence to design new preventative services and programmes tailored to local need and delivered close to home. Working in partnership, notably with health, police and the voluntary sector, we will look to design holistic and integrated services based on a system-wide approach, with joint pooled resources and pathways operating across organisational boundaries and maximising the use of digital technology.

7.4 A key element of delivering the corporate plan priorities and securing better outcomes requires us to recognise the variations in assets and needs within the different localities across the borough. Providing the right services closer to home, and developing preventative programmes in conjunction with communities and families who need them is central to the new approach. This reflects approaches already underway in the Gateway Service and through our work with Health in the One Alliance. Trialling different approaches in different areas will enable us to test the impact of this approach.

7.5 This is an approach not driven by saving money but driven by improving outcomes for residents. However we do believe it will lead to a more effective use of our resources and increase the opportunity to reduce the amount of the council's resources spent on acute need which can be both expensive and not lead to the best outcome for our residents

Sound Property investment

7.6 The Council has an aspiration to secure medium to long term revenue returns from sound property investment principally within the Borough. If chosen carefully the revenue returns should be consistent and less prone to fluctuation due to the protection within the lease agreements. These returns will be key to our future revenue income and enable expenditure on key services. We will be principally looking at the opportunity that property investment offers to help generate a secure revenue stream over the medium to long term. In order to complete in the market a £100m asset acquisition fund was created.

7.7 During 2018/19 Council has purchased the Colonnades Retail and Leisure Park on the Purley Way, which is estimated to provide revenue savings to the Council of around £1.4m a year net of interest and other costs, and help protect the delivery of core services to residents. Additionally Croydon Park Hotel was also purchased which is estimated of around £1m a year.

RIF

7.8 The Revolving Investment Fund (RIF) is key to our financial strategy and enables investment in the borough and supporting the delivery of Growth within the borough. RIF acts as a funder to the Council's wholly owned development company Brick by Brick, the Housing LLP, Box Park and

Taberner House.

7.9 The RIF lends at commercial rates whilst borrowing at the lower rates which are available to the Council. The net returns estimated over the next 3 years are between £1m and £2m per annum, and have been included in the revenue budget for 2019/20.

Children's Services

7.10 Improving Children's services continues to be a key priority and the implementation of the Children's Improvement plan following the Ofsted inspection in the summer of 2017 remains a key priority. Our aim is to deliver good services for children and young people. We recognise that this is likely be a three year journey. The plan will continue to focus on the child's experience and will continue to require close working with partners to implement our vision.

7.11 To implement improvements we are investing in our staff to ensure they are stable and skilled and their case loads are manageable. We are strengthening our strategic commissioning to ensure efficient and effective services are delivered and that children are at the forefront of service delivery.

7.12 We invested over £10m in 2018/19 and £11m in 2019/20.

7.13 The implementation of our Early Help Strategy is also key to delivering service improvement and we are working with partners to deliver a joined up service offer for children aged 0-18 and their families. Services will be provided on a locality basis and be evidence based. The aim is to develop a service that builds sustainability in Croydon enabling more families to be self-sufficient and less reliant on council services, generating a better outcome for the family, which will also be at a lesser cost

Adults Services

7.14 The Transformation of Adult Social Care is key to enabling us to deliver personalised services, as well as a financially sustainable adult social care system. It has been developed as a response to reducing budgets and increasing demand arising from an aging population and an increase in clients with increasingly complex. The programme has enabled:-

- People will have better access to advice, information and targeted prevention that will help them to live their lives without support from the Council;
- People will be supported through re-ablement to be as independent as possible;
- People will have more choice and control, leading to higher satisfaction levels;
- More people will be supported to live independently.
- In line with the Care Act we are moving toward delivering services through an Asset Based Approach.

7.15 This will deliver better outcomes for our residents, at a lower cost. Integration of our services with our health partners is a key priority and the One Croydon Alliance has been and will continue to be key in delivering services working together with the hospital, borough GP'S, CCG, Mental Health Trust and Age UK.

8.0 STRONG FINANCIAL MANAGEMENT AND RESERVES

8.1 Over the last five years the council has worked hard to maintain financial stability. Given the turbulent economic environment faced, maintaining financial stability will be essential in order to continue to maintain a medium to long term strategic focus for the Borough and its priorities.

8.2 The level of general fund balances as at 31st March 2019 is £10.4m. This represents 3.9% of 2018/19's net budget requirement against a Financial Strategy target of 5%. Table 14 below sets out actual general fund balances against the targeted level.

Table 14 – Comparison of General Fund Target Balance with Actual Balances

Year	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Target 5% (£m)	13.9	13.4	13.0	12.9	12.5	12.4
General Fund balance (£m)	10.7	10.7	10.7	10.4	10.4	n/a

8.3 The Council has a General Fund balance of £10.4m as at 31st March 2019 and earmarked reserves of £14.2m excluding Schools reserves.

8.4 The General Fund balances are in place to meet unanticipated costs arising in the year or budget overspends. The appropriate level of the General Fund balances has regard to assessment of risks from the external environment that may result in overspending and impact on the Council's financial position in the context of the overall arrangements that the Council has for mitigating risks, including earmarked reserves detailed in table 15 below. Through the review that will be taking place of the medium term financial strategy and the continuation of strong and robust financial management the plan is to increase the reserves in 2021/22.

Table 15 – Analysis of earmarked reserves (greater than £0.5m)

Reserves	Balance 31/03/2019	Balance 31/03/2018
	£m	£m
NON DEPARTMENTAL		
Revolving Investment Fund - set aside to fund the up-front costs of the schemes within the investment fund.	2.897	3.199
DEPARTMENTAL - PLACE		
Growth Zone funding received from the DCLG to fund early life of zone. This now includes income earned	9.512	7.000
Selective Licencing - income from private rental licencing scheme to be used over the life of the licence to improve the standards of private rental housing within the Borough. 2019/20 is the last year of this scheme	1.718	2.884
Street Lighting PFI sinking fund – will be used to match operational requirements.	0	1.555
Other (only identified if over £0.5m as at 31 March)	5.567	5.810
Draw Down of Reserves budgeted to be replaced on 1 April	-5.466	-4.700
TOTAL EARMARKED RESERVES	**14.228**	**15.748**

SCHOOLS RESERVES

8.5 The overall value of school reserves have increased from £2.4m, by £1.3m to £3.7m.

8.6 Six schools have converted to academies during the financial year. The balances of the closing schools are not included in the totals, as they are transferred to the academy.

8.7 The government allows Schools' Forums to set their own policy on reviewing levels of balances held by schools. The Schools Forum agreed a maximum of 4% for Secondary Schools and 6% for all other schools of revenue reserves as a percentage of annual funding received. The review is carried out on the schools quarter 2 returns. In 2018/19 there were no schools that held balances above the thresholds.

8.8 Table 16 below shows the percentage of deficits in maintained schools.

Table 16 - Schools deficits balances

Type of School	Number of schools	Number of schools in deficit	% of Schools in deficit
Nursery Schools	5	0	0
PRU	1	0	0
Primary Schools	33	7	21%
Secondary Schools	6	3	50%
Special Schools	5	0	0
Total	**50**	**10**	

Note: Values in the above table excludes community reserves and Capital reserves held by schools, and includes all maintained schools at the end of March 2019.

General Fund Provisions

8.9 The General Fund provisions are analysed in table 17 below. A provision is a sum of money held for a specific purpose to cover a potential cost, where the amount or timing is not certain.

Table 17 - General Fund Provisions

Provisions	Balance 31/03/2017 £m	Balance 31/03/2018 £m	Balance 31/03/2019 £m
Provision for Doubtful debts	30.458	34.393	34,746
Insurance Fund	4.850	4.580	4.850
Other provisions	2.034	3.909	3.928
Total	**37.072**	**43.152**	**43.524**

8.10 Table 18 below shows the combined total of general fund balances and earmarked reserves. Overall, general fund and earmarked reserves represent around 16% of the Council's net budget requirement.

Table 18: Reserves and Budgeted Net Operational Expenditure

Balances and reserves	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
General Fund balance	10.677	10.727	10.394	10.394
Earmarked reserves	32.171	30.124	15.746	14.227
Total	**42.848**	**40.851**	**26.140**	**24.621**
Net Budget Requirement	**259.999**	**258.55**	**266.898**	**270.365**
General Funds Balances% of net budget requirement	4.11%	4.15%	3.89%	3.84%

9.0 FINANCIAL SERVICES, SYSTEMS, PROCESSES AND GOVERNANCE

9.1 Financial management continues to be an area of strength for the organisation. Despite this strong performance it is clear that the challenge for the public sector will become greater over the coming years.

9.2 Grant Thornton are presenting their Audit Findings Report to this General Purposes & Audit Committee with an unqualified audit opinion on the Council's Financial Statements.

9.3 The Council delivers a comprehensive internal audit plan through a contract with Mazars Public Sector Internal Audit Ltd. The plan includes key financial systems, risk based audits from across the organisation as well as probity audits in schools and other establishments. The internal audit plan has been delivered in full with all field work completed. The detailed audit outcomes for the key financial audits are shown in Table 19 below.

9.4 From all audits finalised to date, 60% have been given a full or substantial assurance level. After each audit is finalised there is a robust follow-up procedure to ensure that agreed recommendations are implemented. At this point in the year, 58% of recommendations made in audits for 2017/18 and 72% of followed-up recommendations made in 2018/19 have been implemented. Internal audit will continue to follow-up on these until the vast majority have been implemented, including all high priority recommendations.

Table 19 – 2018/19 Audit Plan

2018-19 Audit Plan	Assurance
Business Rates	Substantial
Community Care Payments	Limited
Council Tax	Substantial
Creditors (inc P2P)	Substantial
Debtors (Accounts Receivable)	Substantial
Housing Benefits	Substantial
Housing Rents & Accounting (Reduced Scope)	Limited
Housing Repairs	Limited
Main Accounting System (Reduced Scope)	Substantial
Parking Enforcement & Tickets	Report in draft
Payments to Schools	Substantial
Payroll	Report in draft
Pensions Administration	Limited
Treasury Management (Reduced Scope)	Full

ANNUAL GOVERNANCE STATEMENT (AGS)

9.5 The Accounts and Audit Regulations 2015 require the Council to review, at least annually the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS) each year with the financial statements. The AGS is a separate item on this agenda.

The information for the AGS has been collected from the following sources;-

- External Audit;
- Internal Audit;
- Risk Management Process;
- Executive Directors Assurance Statements; and
- Performance Management.

9.6 There are detailed actions to manage and mitigate the risks identified within the Annual Governance Statement, which will be monitored by the Corporate

Leadership Team on a quarterly basis to ensure appropriate action is taken in-year.

Financial Performance Data

9.7 Table 20 below sets out sundry debt collection performance for 2018-19. Collection rates remained strong throughout the year, although collection of up to 30 days and 60-90 day debt were below expected rate due to several high value invoices raised for NHS and other London Authorities. These organisations take longer to pay, on average 50-60 days from the receipt of the invoice.

Table 20 – Sundry debt collection performance in 2018-19

Age of debt	Debt Issued £m	Debt Outstanding at 31-3-201 £m	Actual Collection Rate at 31-3-2019	Target Collection Rate
2 months (31-60days)	12.927	5.434	57.96%	80%
3 months (61-90days)	5.682	1.487	73.82%	90%
4 to 6 months (91-120days)	12.276	0.592	95.17%	95%
7 to 12 months (121-365days)	82.311	1.624	98.03%	97.50%

Collection Fund

9.8 The Collection Fund is a ring-fenced account into which all sums relating to Council Tax and Business Rates are paid. Surpluses or deficits within the fund are split between the precepting bodies in accordance with pre-determined percentages, which for Council Tax is Croydon Council and the Greater London Authority (GLA), and for Business Rates includes the GLA was well as the Ministry of Housing Communities and Local Government (MHCLG).

9.9 Deficits within the fund must be met by the precepting bodies, but any surpluses can be used by those bodies to fund expenditure within their own organisation. Table 21 below sets out the position of the Collection fund at the end of 2018/19.

Table 21 – Collection Fund at 31 March 2019

	Council Tax £'000	Business Rates £'000	Total Collection Fund £'000	Total Collection fund at 31.3.18 £'000
Overall (surplus) / deficit	(5,702)	293	(5,409)	(12,050)
Croydon Council - share	82%	variable	-	-
Croydon Council – Amount	**(4,676)**	**(2,262)**	**(6,938)**	**(6,823)**

9.10 The Council Tax surplus of £5.702m was due primarily to growth in the council tax base, as well as stronger collection than budgeted. The predicted surplus declared in January 2019 was £4.951m (Croydon's share £4.059m) which will be distributed in 2019/20, and is very close to the outturn value achieved.

9.11 For Business Rates there is a small deficit of £0.293m. The declaration made in January 2018 was to distribute a surplus of £0.067m (Croydon's share being £2.519m). The reason Croydon's share is greater than the overall surplus is due to the change in business rates retention share between 2017/18 and 2018/19. Croydon is repaying 30% of a £5.8m deficit from 2017/18, but is gaining 64% of a £6.1m surplus in 2018/19, hence the gain.

9.12 Croydon's combined share of the Collection Fund is therefore a credit of £6.938m, of which £6.578m has been considered as part of the 2019/20 budget setting process.

9.13 The net collectable debt for council tax in 2018/19 was £211.1m, an increase of £13.5m on the previous year due to an increase in property within the borough.

9.14 The Ambitious for Croydon target relates to the amount of income collected in the initial year of billing (2018/19 debt collected in 2018/19). The target set for 2018/19 was 97.25% and the actual performance was 97.25%. Table 22 below shows the performance against the target.

Table 22 – Collection target and performance for Council Tax Collection

	2018/19		
	Target	**Actual**	**Variance**
% collection	97.25%	97.25%	0.0%
£m's collection	£204m	£204m	(£0m)

National Non Domestic Rate (NNDR) Collection –

9.15 The target set for NNDR collection in 2018/19 was 98.75% and the actual performance was 99.25%, an increase of 0.50% over the target. The collectable income for business rates in 2018/19 did fall during the year compared to the target. This was as a result of appeal decisions reducing what businesses owed in NNDR during 2018/19. Therefore, although the Council increased its rate of collection, the amounts that businesses needed to pay was reduced, resulting in less overall income. It should be noted that this reduction in collectable income was offset by releasing funds from the NNDR bad debt and appeal provisions, meaning the overall NNDR position at year-end was a small deficit of £293k. See Table 21 above for more details. Table 23 below shows the impact of actual performance against the target in cash terms.

Table 23 – Collection target and performance for NNDR Collection

	2018/19		
	Target £000	**Actual £000**	**Variance £000**
% collection	98.75%	99.25%	0.50%
£ collection	£128m	£124m	(£4m)

10. FORMAT AND PREPERATION OF THE ACCOUNTS

10.1 There are no significant changes to the format of accounts in 2018/19. The council continues to prepare group financial statements that include the activity of Brick by Brick (Croydon) Limited. The group statements are included at the end of the Council's main statements, and will combine the activity of Croydon Council and Brick by Brick into a "single entity" set of statements, once activity between the two organisations has been removed. These group accounts will reflect the circa £98m of expenditure undertaken by Brick by Brick towards the construction of new homes in the Borough.

10.2 In preparing the accounts, it is necessary to make judgements about uncertainty of future events, and to make estimates based on assumptions. The key areas are set out below:

10.3 Properties are valued based on valuations prepared by the Council's external professional valuers. They are then depreciated over the useful economic life of the asset based on the asset category. Variations in property valuations and useful economic life estimates could have a major impact on the total comprehensive income and expenditure and the balance sheet net balances value.

10.4 Estimates are used in the preparation of the provision for doubtful debt. The Council uses historical collection rates when estimating these provisions

10.5 Changes in the collection rates of key revenue streams could have an impact on the total comprehensive income and expenditure position.

10.6 The Council aims to take a prudent approach when making estimates to ensure that they do not overstate their position. Where possible the Council uses professional guidance in calculating the value of its assets.

EXTERNAL AUDIT OF THE ACCOUNTS

10.7 The audited of the Council's accounts is under way, and this will be completed by the end of July 2019 in line the statutory deadlines. The duties and powers of auditors appointed by the Public Sector Audit Appointments are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the National Audit Office Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

10.8 Audit in the public sector is under-pinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- Auditors may report aspects of their work widely to the public and other key stakeholders.

10.9 Auditors are required by the statutory Code of Audit Practice for Local Government bodies (the Code) to issue a report to those charged with governance summarising the conclusions from the audit work. This is called the International Standard on Auditing (ISA) 260 Report and can be found elsewhere on this meeting's agenda for consideration by the General Purposes Audit and Advisory Committee. The principal purposes of the report are:

- to reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and those charged with governance;

- to share information to assist both the auditor and those charged with governance to fulfil their respective responsibilities; and
- to provide recommendations for improvements arising from the audit process.

10.10 Those charged with governance will be required to review this report in order to:

- consider the statement of accounts before the financial statements are approved and certified; and
- ensure the representation letter can be signed on behalf of the authority by the Director of Finance, Investment and Risk (Interim Section 151 Officer) and those charged with governance before Grant Thornton issues its opinion on the financial statements.
- give the opportunity for those charged with governance to amend the financial statements for the unadjusted misstatements/significant qualitative aspects of financial reporting issues identified above.

10.11 Should Members choose not to amend the financial statements, in accordance with ISA 260, the Auditors will request that members extend the representation letter to explain why adjustments are not being made to the financial statements.

10.12 Lisa Taylor Director of Finance, Investment and Risk, Interim Section 151 Officer will advise Members of the Committee accordingly throughout this process.

PUBLIC ACCESS

10.13 The Council has improved Public Access and awareness of the Council's Accounts through its Public Access Strategy. The Council's accounts will be available for public inspection for a period of 30 working days, which commences the day after the Council's accounts are signed and published on the Council's internet site. This period began on Monday 3rd June and ran until Friday 12 July 2019. During this time, the Accounts were available via the Council's website as well as at Bernard Wetherill House.

10.14 The Accounts and Audit (England) Regulations 2015 also require publication (including on the Council's website) of the statement of accounts together with any certificate, opinion, or report issued, given or made by the auditor, which will be completed ahead of the statutory deadline of 31st July.

11. FINANCIAL CONSIDERATIONS

11.1 The body of the report sets out the 2018/19 outturn in the context of the Council's Financial Strategy as approved by Cabinet on the 24th September 2018.

12. LEGAL CONSIDERATIONS

12.1 The Council Solicitor comments on behalf of the Director of Law and Governance and Deputy Monitoring Officer that the Council are obliged to prepare a statement of accounts in accordance with the Accounts and Audit (England) Regulations 2015 and proper accounting practices.

12.2 Under paragraph 17.9 of the Financial Regulations which form part of the Constitution, the Chief Financial Officer is responsible for:

- the proper administration of the Council's financial affairs;
- setting and monitoring compliance with financial management standards;
- amendments to the Financial Regulations;
- advising on the corporate financial position and on the key financial control necessary to secure sound financial management;
- providing financial information;
- approval of financial schemes of delegation;
- preparing the revenue budget and capital programme;
- Treasury management;
- Internal Audit;
- Anti-Fraud;
- Risk Management; and
- Insurance.

Approved by: Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance & Deputy Monitoring Officer

12.3 The Council Solicitor comments that the Council are obliged to prepare a statement of accounts in accordance with the Accounts and Audit (England) Regulations 2015 and proper accounting practices.

12.4 Under the Financial Regulations which form part of the Constitution, the Chief Financial Officer has the delegated responsibility to spend balances and reserves in accordance with the final accounts that are received at General Purposes & Audit Committee. However, the General Purposes & Audit Committee is required to sanction any changes to the agreed amounts if they differ.

Approved by: Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance & Deputy Monitoring Officer)

13. OTHER CONSIDERATIONS

13.1 There are no immediate human resource impacts.

Approved by: Sue Moorman, Director of HR.

Report Author	Lisa Taylor Director of Finance, Investment and Risk (Interim Section 151 Officer)

Contact Officer	Lisa Taylor Director of Finance, Investment and Risk (Interim Section 151 Officer)

<u>Appendices</u>
Appendix 1 – Revenue Outturn Variances
Appendix 2 – Capital Outturn

General Purposes and Audit Committee 23rd July 2019 **APPENDIX ONE**

HEALTH, WELLBEING AND ADULTS

Division	Explanation of variance	Outturn Variance (£'000)
Adults Social Care and All-Age Disability Directorate	Savings not achieved relating to ICT transformation project	622
	Additional Staffing Costs	142
	Improved Better Care Funding	(2,000)
	Overspend in Care Act Responsibilities	135
	Other Minor Variances < £100k	93
	Sub-Total Adults Social Care and All-Age Disability Directorate	(1,008)
OBC Commissioning	Higher than anticipated contract costs	209
	Income shortfall from residential homes	200
	Savings from Special sheltered units	(265)
	Extra care overspend primarily due to increased contractor cost	421
	Other Minor Variances < £100k	(182)
	Sub-Total OBC Commissioning	383
OBC Provider Services - Social Care	Nursing care - increase in client numbers	2,790
	Overspend on residential care primarily due to increase in client numbers	624
	Use of Transformation funding to deliver service changes	(5,250)
	Staff savings to fund move to locality working	(1,250)
	Risk share contribution from CCG	(500)
	Other Minor Variances < £100k	1,831
	Sub-Total OBC Provider Services - Social Care	(1,755)
20-65 Disability	Increased package costs	2,848
	Additional Staffing costs	235
	Other Minor Variances < £100k	432
	Sub-Total 20-65 Disability	3,515
Disability Commissioning and Brokerage	Other Minor Variances < £100k	(52)
	Sub-Total Disability Commissioning and Brokerage	(52)
Adult Mental Health Social Care	Increased Service Demand	184
	Other Minor Variances < £100k	600
	Sub-Total for Adult Mental Health Social Care	784
Adult Safeguarding and Quality Assurance	Other Minor Variances < £100k	(260)
	Sub-Total Adult Safeguarding and Quality Assurance	(260)
Day and Employment Services	Staff Savings	(250)
	Other Minor Variances < £100k	(154)
	Sub-Total Day and Employment Services	(404)
Transformation and Clienting	Commissioning Savings	(264)
	Transformation funding	(1,529)
	Other Minor Variances < £100k	2
	Sub-Total Transformation and Clienting	(1,791)
0-25 Send Service SWD	Increase in family supports and high placement costs	1,607
	Other Minor Variances < £100k	(113)
	Sub-Total 0-25 Send Service CWD	1,494
Public Health	Increase in costs due to higher than anticipated demand for out of borough genitourinary medicine services (GUM)	843
	Other Minor Variances < £100k	(18)
	Sub-Total for Public Health	825
	Total Variance - HEALTH, WELLBEING AND ADULTS	1,731

General Purposes and Audit Committee 23rd July 2019 **APPENDIX ONE**

GATEWAY, STRATEGY AND ENGAGEMENT

Division	Explanation of variance	Outturn Variance (£'000)
Housing Need	Increase in the number of households being placed in the Private Rental Sector. And an increase in costs associated with voids, repairs and agency staff	659
	Other Minor Variances < £100k	(683)
	Total Variance - GATEWAY, STRATEGY AND ENGAGEMENT	**(24)**

General Purposes and Audit Committee 23rd July 2019 **APPENDIX ONE**

RESOURCES

Division	Explanation of variance	Outturn Variance (£'000)
Facilities Management and Support Services	Increased rental income and reduce rent costs	(1,883)
	Reductions in reactive maintenance costs	(409)
	Business Support - increased Staffing levels	506
	Other Minor Variance < £100k	(167)
	Sub-Total for Facilities Management and Support Services	**(1,953)**
Commissioning and Procurement	Overachievement of agency rebate	(266)
	Community Fund overspend	375
	SEN – increased transport costs due to service demand	2,089
	Other Minor Variance < £100k	(116)
	Sub-Total for Commissioning and Procurement	2,082
Human Resources	Capitalisation of project work on My Resources	(217)
	Other Minor Variance < £100k	(70)
	Sub-Total for Director of Human Resources	**(287)**
Resources Directorate Summary	Unachieved saving target	325
	Unbudgeted staff costs and unbudgeted legal costs	411
	Sub-Total for Resources Directorate Summary	**736**
Director of Finance, Investment and Risk	Shortfall in Housing Benefit subsidy	1,510
	Underspend on insurance premiums and costs	(487)
	Other Minor Variance < £100k	16
	Sub-Total for Director of Finance, Investment and Risk	**1,039**
Croydon Digital Service	Saving on the cost of the ICT contract and capitalisation of salaries	(561)
	Sub-Total for Croydon Digital Service	**(561)**
Director of Law and Governance	Over achievement of legal income	(520)
	Electoral services	605
	Other Minor Variance < £100k	28
	Sub-Total for Director of Law and Governance	**113**
	Total Variance - RESOURCES	**1,169**

General Purposes and Audit Committee 23rd July 2019 **APPENDIX ONE**

PLACE

Division	Explanation of variance	Outturn Variance (£'000)
Council Homes, Districts and Regeneration	Other Minor Variances < £100k	(60)
	Sub-Total for Council Homes, Districts and Regeneration	**(60)**
Planning	Building control trading income down against budget due to reduced development activity	243
	Underspend on Development Management due to capital charges and an increase in income	(388)
	Other Minor Variances < £100k	(38)
	Sub-Total for Planning	**(183)**
Culture	Other Minor Variances < £100k	14
	Sub-Total for Culture	**14**
Economic Growth	Unachievable Apprenticeship Levy and Discretionary Learner income	310
	Other Minor Variances < £100k	(34)
	Sub-Total for Economic Growth	**276**
Development	Other Minor Variances < £100k	90
	Sub-Total for Development	**90**
Growth Zone	Other Minor Variances < £100k	1
	Sub-Total for Growth Zone	**1**
Public Realm	Street lighting – increased energy costs	784
	Waste Collection Savings	(551)
	Savings due to reduced unit cost of landfill during the Energy Recovery Facility commissioning phase	(1,205)
	Capitalisation of Highways and Road enhancement costs	(580)
	Additional Pay and Display and PCN income	(3,819)
	Licensing - under recovery of licencing income	100
	Shortfall in street trading and market trading fees	104
	Minor variations	(381)
	Sub-Total for Public Realm	**(5,548)**
	Total Variance - PLACE	**(5,410)**

CHILDREN, FAMILIES AND EDUCATION

Division	Explanation of variance	Outturn Variance (£'000)
Quality Assurance and Safeguarding	Additional cost of locums in permanent posts	144
	Other Minor Variances < £100k	96
	Sub-Total for Quality Assurance and Safeguarding	**240**
Early Help and Children's Social Care Directorate	Unachievable savings partly offset by underspends in staffing	400
	Legal fees to external providers	531
	Sub-Total for Early Help and Children's Social Care Directorate	**931**
Care Planning Service	Increase in costs in relation to Section 17 expenditure due to increased demand	1,002
	No Recourse to Public Funds overspend due to funding Placements and Staffing	332
	Other Minor Variances < £100k	37
	Sub-Total for Care Planning Service	**1,371**
Corporate Parenting	Corporate Parenting - an increase in the number of external placements and court driven assessments, supervised contact overspend due to court driven cases	6,353
	Increase in payments for birthdays, holidays, subsistence care and fostering costs	299
	Increase in the number of agency and supernumerary staff in looked after children	370
	Other Minor Variances < £100k	(116)
	Sub-Total for Corporate Parenting	**6,906**
SPOC and Assessments	Section 17 overspend due to increased demand	182
	Other Minor Variances < £100k	73
	Sub-Total for SPOC and Assessments	**255**
Early Years Services	Other Minor Variances < £100k	(83)
	Sub-Total for Early Years Services	**(83)**
Best Start Family Solutions Service	Staff vacancies	(137)
	Sub-Total for Best Start Family Solutions Service	**(137)**
Adolescent Services	Unbudgeted costs in relation to the Safer London Contract	126
	Staff Vacancies	(138)
	Other Minor Variances < £100k	(92)
	Sub-Total for Adolescent Services	**(104)**
Children, Families and Education Directorate	Staffing overspend	111
	Other Minor Variances < £100k	42
	Sub-Total for Children, Families and Education Directorate	**153**
	Total Variance - CHILDREN, FAMILIES AND EDUCATION	**9,532**

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Capital Outturn 2018/19			General Purposes and Audit Committee - Appendix Two		
Description	**Original budget 2018/19 £000's**	**In Year Adjustments £000's**	**Revised budget 2018/19 £000's**	**Outturn 2018/19 £000's**	**Outturn Variance 2018/19 £000's**
Adults Social Care ICT	0	579	579	245	(334)
Health Wellbeing and Adults Sub Total		579	579	245	- 334
Education - Academies Programme	0	38	38	37	(1)
Education – DDA	0	6	6	13	7
Education - Fixed Term Expansions	0	1,993	1,993	613	(1,380)
Education - Major Maintenance and Fire Safety	5,020	633	5,653	3,009	(2,644)
Education - Miscellaneous	2,118	(956)	1,162	103	(1,059)
Education - Permanent Expansion	11,639	(888)	10,751	7,126	(3,625)
Education - Secondary Estate	0	151	151	219	68
Education - SEN	16,750	(7,347)	9,403	6,236	(3,167)
Education - SEN Centre of Excellence	0	1,750	1,750	0	(1,750)
Onside Youth Zone	0	3,428	3,428	3,031	(397)
Children Families and Education Sub Total	35,527	(1,192)	34,335	20,387	(13,948)
Bereavement Services	1,360	1,323	2,683	108	(2,575)
Disabled Facilities Grant	2,400	1,094	3,494	1,515	(1,979)
Affordable Housing	30,090	92,301	122,391	97,374	(25,017)
Gateway Strategy and Engagement Sub Total	33,850	94,718	128,568	98,997	(29,571)
Blackhorse Lane Bridge	1,755	1,900	3,655	831	(2,824)
Brick by Brick programme	164,839	(89,699)	75,140	60,721	(14,419)
Community Ward Budgets	576	120	696	0	(696)
Devolution initiatives	782	0	782	0	(782)
Empty Homes Grants	500	0	500	91	(409)
Fairfield Halls - Council	0	721	721	495	(226)
Feasibility Fund	330	275	605	387	(218)
Fieldway Cluster (Timebridge Community Centre)	4,000	0	4,000	702	(3,298)
Fiveways junction	0	0	0	0	0
Growth Zone	4,000	574	4,574	2,792	(1,782)
Highways	5,000	0	5,000	5,195	195
Highways - flood water management	410	0	410	161	(249)
Highways - bridges and highways structures	793	0	793	593	(200)
Highways - Tree works	179	0	179	145	(34)
Measures to mitigate travellers in parks and open spaces	0	95	95	22	(73)
Leisure centres equipment upgrade	1,315	976	2,291	770	(1,521)
Libraries investment - general	130	82	212	50	(162)
Libraries investment - South Norwood library	555	0	555	16	(539)
New Addington Leisure Centre	24,386	(11,689)	12,697	12,363	(334)
New Addington wellbeing centre - borrowing element	200	0	200	38	(162)
New waste contract - vehicles	7,106	1,940	9,046	6,267	(2,779)
Old Ashburton Library	0	0		138	138
P&D Machine Replacement Programme	0	20	20	0	(20)
Parking	600	(200)	400	473	73
Public Realm	0	1,737	1,737	1,688	(49)
Salt Barn	0	524	524	615	91
Safety - digital upgrade of CCTV	500	0	500	42	(458)
Section 106 Schemes	0	2,637	2,637	518	(2,119)
Signage	25	0	25	0	(25)
South Norwood regeneration	500	0	500	0	(500)
Surrey Street Market	0	92	92	0	(92)
Thornton Heath Public Realm	0	1,254	1,254	1,479	225
TFL - LIP	2,462	0	2,462	5,481	3,019
Unsuitable Housing Fund	0	250	250	93	(157)
Walking and cycling strategy	1,381	0	1,381	1,110	(271)
Waste and Recycling Investment	2,660	300	2,960	3,460	500
Waste and Recycling - Don't Mess with Croydon	0	996	996	1,052	56
Place sub-total	224,984	(87,095)	137,889	107,788	(30,101)
Asset Acquisition Fund	100	84,300	84,400	78,507	(5,893)
Asset strategy - Cavendish House	0	100	100	0	(100)
Asset strategy - Stubbs Mead	1,650	283	1,933	137	(1,796)
Asset strategy - BWH	50	50	100	0	(100)
Asset strategy - Family Justice Centre	200	1,350	1,550	1,733	183
Asset strategy - Capita Davis House relocation	50	50	100	0	(100)
Asset strategy - Heathfield House	100	60	160	0	(160)
Corporate Property Programme	2,000	361	2,361	3,383	1,022
Crossfield (relocation of CES)	0	2,600	2,600	235	(2,365)
Emergency Generator (Data Centre)	0	1,200	1,200	0	(1,200)
Finance and HR system	4,055	320	4,375	3,931	(444)
ICT	7,400	990	8,390	8,785	395
People ICT	3,500	0	3,500	1,394	(2,106)
Resources sub-total	19,105	91,664	110,769	98,105	(12,664)
General Fund Total	313,466	98,674	412,140	325,522	(86,618)
Housing Revenue Account (HRA)					
Asset management ICT database	434	0	434	0	(434)
Fire safety programme	5,000	0	5,000	4,239	(761)
Larger Homes	0	62	62	0	(62)
Major Repairs and Improvements Programme	26,771	4,147	30,918	25,804	(5,114)
Special Transfer Payments	180	506	686	15	(671)
HRA Total	32,385	4,715	37,100	30,058	(7,042)
Capital Programme Total	345,851	103,389	449,240	355,580	(93,660)

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REPORT TO:	**GENERAL PURPOSES & AUDIT COMMITTEE** **23 JULY 2019**
SUBJECT:	**AUDIT FINDINGS REPORTS FOR CROYDON COUNCIL AND THE CROYDON PENSION FUND 2018-19 ACCOUNTS**
LEAD OFFICER:	**LISA TAYLOR, DIRECTOR OF FINANCE, INVESTMENT AND RISK (INTERIM S151 OFFICER)**
CABINET MEMBER:	**COUNCILLOR SIMON HALL, CABINET MEMBER FOR FINANCE AND RESOURCES**
WARDS:	**ALL**

CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:

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

Strong financial governance and stewardship ensures that the Council's resources are aligned to enable the priorities, as set out in the Corporate Plan 2018 -2022, to be achieved for the residents of our borough and further enables medium to long term strategic planning considerations based on this strong financial foundation and stewardship.

FINANCIAL IMPACT:

There are no direct financial implications arising from this report.

1. RECOMMENDATIONS

The Committee is asked to:

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

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

1.3 Approve the final accounts (Appendix 5) based on the adjustments recommended in the Audit Findings report for the Council and Pension fund (set out in Appendix 1 and 2), together with any minor changes identified under recommendation 1.4.

1.4 Authorise the Director of Finance, Investment and Risk (interim S151 Officer) and Chair of General Purposes and Audit Committee to sign off the Council's 2018/19 accounts and agree any changes identified between this meeting date and the 31st July 2019, as detailed in paragraph 3.4 of this report.

2. EXECUTIVE SUMMARY

2.1 The Auditors (Grant Thornton) have issued the ISA 260 Reports for the 2018/19 final accounts for the Council and for the Pension Fund, the Value for Money Conclusion is still being finalised and will be reported at a later date. The ISA 260 reports are specifically aimed at those charged with governance. The reports include the Council's management responses to the recommendations.

3. INTERNATIONAL STANDARD ON AUDITING (ISA) 260 REPORTS

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

The principle purposes of the reports are:

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

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

Financial Statements

3.2 Grant Thornton is anticipating being able to issue unqualified opinions on both the Council's Accounts and the Pension Fund Accounts for 2018/19 by the end of July, by which time the Accounts and the Letters of Representation will have been signed by the Director of Finance, Investment and Risk (Interim Section 151 Officer) on behalf of the Council.

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

3.4 Due to the timetable for completing the accounts, external audit of the accounts and presentation to this General Purposes and Audit Committee the adjustments to the accounts detailed in the ISA 260 reports will be undertaken post this committee and before the statutory deadline of the 31st July 2019. The committee can see the adjustments to be made in the ISA 260 reports as summarised in appendix C of the ISA 260 report for the General Fund and appendix B of the ISA 260 report for the Pension Fund. If there are any further adjustments identified post this Committee the Chair and Vice Chair of this Committee will be briefed accordingly and any such adjustments will be made in accordance with recommendation 1.4.

3.5 There is one adjustment resulting from the audit that has impacted upon the available revenue reserves of the Council as reported in the financial statements. This is in relation to the implementation of the London Business Rate's Pool as detailed in appendix C of the General Fund ISA 260 report, and has resulted in an increase in the proportion of income due to the Council.

3.6 There is one adjustment to the Pension Fund accounts arising as a result of the Fund Manager Results being received after the draft accounts have been published for audit on the 31st May 2019. As a result the investment values will be updated in the final accounts as detailed in appendix B of the Pension Fund ISA 260 report.

Value for Money Report

3.7 The Value for Money report in the ISA 260 report for the Council sets out the Auditors' conclusion on the Council's arrangements for securing value for money.

3.8 At this date the Auditor has not completed their work in respect of Value For Money and anticipate issuing their Value Money Conclusion at a later date. This will comprise of a supplementary Value for Money report detailing their work in this area and the proposed conclusion.

Auditor Recommendations

3.9 The Auditor has set out 1 recommendation as a result of their review of the Council's accounts, which is set out in Appendix A to the General Fund ISA 260 report. This covers accounting for Accruals and recommends a review of our accruals process to ensure items are correctly treated during the preparation of the accounts.

3.10 There was 1 recommendation in relation to the Pension Fund accounts relating to new starters statutory notification letters. This is set out in Appendix A to the Pension Fund ISA 260 report.

Adjustments to the Draft Accounts

3.11 The review of the draft Accounts has identified a number of non material changes to be made to the accounts, these are detailed in appendix C of the General Fund ISA 260 Report and will be made to the draft accounts presented to this Committee at appendix 5 before the statutory deadline of the 31st July 2019.

4 CONSULTATION

4.1 The accounts were place on the Council's website stating that the Accounts were open to public scrutiny during the period from 3rd June 2019 to 12th July 2019. The community had the opportunity with this arrangement to look at the accounts and raise queries with the Council. Additionally the community had the opportunity to raise queries with the auditors directly, which was publicised in the same notice.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

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

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

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

6. LEGAL IMPLICATIONS

6.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that the Accounts and Audit (England) Regulations 2015 requires the Statement of Accounts to be considered and approved by way of a committee resolution and thereafter published by no later than the 31st July each year from 2018.

Approved by Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance & Deputy Monitoring Officer

7. HUMAN RESOURCES IMPACT

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

Approved by Sue Moorman – Director of Human Resources

8. EQUALITIES IMPACT

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

9. ENVIRONMENTAL IMPACT

9.1 There are no implications arising from this report.

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 There are no implications arising from this report.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1 This is a statutory requirement.

12. OPTIONS CONSIDERED AND REJECTED

12.1 None.

CONTACT OFFICER: Lisa Taylor Director of Finance, Investment and Risk (Interim S151 Officer)

APPENDICES TO THIS REPORT:

Appendix 1 – Audit Findings Report – General Fund
Appendix 2 – Audit Findings Report – Pension Fund
Appendix 3 – Letter of Representation – General Fund
Appendix 4 – Letter of Representation – Pension Fund
Appendix 5 – Draft Accounts 2018/19

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The Audit Findings Report for the London Borough of Croydon

Year ended 31 March 2019

23 July 2019

Contents

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of the London Borough of Croydon ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the group and Council's financial statements: • give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Our audit work was completed on site during June and July. Our findings are summarised on page 4 to 13. To date we have identified one amendment to the overall financial position reported within the Statement of Comprehensive Income and Expenditure. A number of other audit adjustments have been identified and are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. Our work is substantially complete, subject to the following outstanding matters; - completion of our testing in a few areas (refer to the following page for more detail) - completion of our internal quality review process; - receipt of management representation letter; - review of the final set of financial statements; - completion of our work on the Whole Government Accounts (WGA) Exercise. We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited. Our anticipated audit report opinion will be unmodified.
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	Members will be aware that we identified two significant VFM risks as part of our Audit Plan for 2018-19, which were as follows: • The Council's Financial Sustainability, including the Council's arrangements for addressing the risks arising from Brexit • OFSTED Inspection of Children's Services At this date we have not completed our work in respect of these areas, and thus anticipate issuing our Value for Money Conclusion at a later date. When we do so, we will issue a supplementary Value for Money Report detailing our work in this area and our proposed conclusion.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code but are unable to issue our completion certificate until we complete our work on the Council's Whole of Government Accounts (WGA) Return, and the Pension Fund Annual Report.

Acknowledgements

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

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Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

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

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group and Council's internal control environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that an audit of Brick by Brick Croydon Ltd, which was completed by a separate audit team within Grant Thornton; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our audit plan, as communicated to you on 11 February 2019

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion on your financial statements following the General Purposes and Audit Committee meeting on 23 July 2019, as detailed in Appendix E. These outstanding items include:

- completion of our testing in the following areas: Pension Liability – including the impact of McCloud and GMP, Debtors, Creditors, Income and Expenditure
- completion of our internal quality review process;
- receipt of management representation letter;
- review of the final set of financial statements;
- completion of our work on the Whole Government Accounts (WGA) Exercise.

Our approach to Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Our assessment of materiality and related measures has been adjusted to reflect the change in Gross Expenditure in 2018/19, when compared to the spend incurred in the previous year. We detail in the table below our assessment of materiality for the London Borough of Croydon and the Group.

	Council Amount (£) – Planning Stage	Council Amount (£) – Final Accounts	Qualitative factors considered
Materiality for the financial statements	£22.572m	£25.323m	As mentioned above, the value of our overall Materiality threshold increased from the planning stage to the final Accounts stage due to the increase in expenditure incurred during the course of the year.
Performance materiality	£16.929m	£18.992m	Performance Materiality is based on a percentage of the overall materiality, hence an increase in this value has increased Performance Materiality in line with this.
Trivial matters	£1.129m	£1.266m	As above, Triviality is based on a percentage of the overall materiality, hence a increase in this value has increased Triviality.
Materiality for specific transactions, balances or disclosures – Senior Officer Remuneration	£100,000	£100,000	We selected a value of £100,000 for this area as an error of this size would impact on the banding within which these Managers would sit, which we have determined is something that the users of the Accounts would be interested in.

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	Group Amount (£) – Planning Stage	Group Amount (£) – Final Accounts	Qualitative factors considered
Materiality for the financial statements	£23.483m	£38.000m	As mentioned above, the value of our overall Materiality threshold increased from the planning stage to the final Accounts stage due to the increase in expenditure incurred during the course of the year.
Performance materiality	£17.612m	£28.500m	Performance Materiality is based on a percentage of the overall materiality, hence an increase in this value has increased Performance Materiality in line with this.
Trivial matters	£1.174m	£1.900m	As above, Triviality is based on a percentage of the overall materiality, hence a increase in this value has increased Triviality.

Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
1 **Improper revenue recognition** Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	**Auditor commentary** Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including the London Borough of Croydon, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for the London Borough of Croydon. To support this assessment, we have completed the following work in respect of this risk: • reviewed and tested the Council's revenue recognition policies • performed testing on material revenue streams Our audit work to date has not identified any significant issues in relation to the risk identified.
2 **Management override of controls** Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We identified management override of controls as a risk requiring special audit consideration.	**Auditor commentary** We have undertaken the following work in relation to this risk: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determine the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our audit work to date has not identified any significant issues in relation to the risk identified.

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Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
3	**Valuation of Property, Plant and Equipment** The Council revalues its land and buildings on an rolling five-year basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements. As mentioned earlier in the Plan, the potential impact of Brexit may also have an impact on the valuations included within the Accounts, and the Council will need to work closely with their experts to ensure any impact is reflected within the Accounts. We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration, and a key audit matter.	**Auditor commentary** We have undertaken the following work in relation to this risk: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. This will include ensuring the impact of Brexit is considered as part of this assessment; • evaluated the competence, capabilities and objectivity of the valuation experts; • written to the valuer to confirm the basis on which the valuation was carried out; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • tested revaluations made during the year to see if they had been input correctly into the Council's asset register; • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. The work completed to date has not identified any issues in respect of this area. Should any issues be identified from our outstanding work, then we will provide an update to Management and the Committee.

Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
4 **Valuation of Pension Fund net liability** The Council's Pension Fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£646 million in the Council's Statement of Financial Position) and the sensitivity of the estimate to changes in key assumptions. Again Brexit could have an impact on the values included within the Accounts at year end so this will need to be factored into the considerations as well. We therefore identified valuation of the Council's Pension Fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	**Auditor commentary** We have undertaken the following work in relation to this risk: • updated our understanding of the processes and controls put in place by management to ensure that the Council's Pension Fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the assumptions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the Pension Fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. We have also ensured that Brexit has been considered when arriving at the values included within the Accounts. **McCloud** The Court of Appeal ruled that there age discrimination in the judges and firefights pension schemes where transitional protections were given to scheme members. During the course of the audit, the Government was refused leave to appeal clarifying the legal status. The ruling is applicable to other transitional schemes including the Local Government Pensions Scheme of which the Council is part of. As a result of the judgement an increase in the pension liability is expected to exist. The Council have obtained an updated valuation from their Actuary, Hymans Robertson, which has increased the Past Service Cost by **£6.7m**, which has been updated in the revised Accounts. Should any further issues be identified from our outstanding work, then we will provide an update to Management and the Committee.

Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
5	**Transfer of Properties from Council to the Pension Fund** During the course of the year, the Council has agreed to transfer 346 houses into the Pension Fund, between November 2057 and April 2059. As a result of this pledge, the Council is seeking a reduced contribution rate over the course of the 40 years, which would be set by the Council's Actuary, Hymans Robertson LLP.	**Auditor commentary** During the course of our work in this area, we identified that this transaction had not taken place during the course of the 2018/19, and therefore there is no impact on the 2018/19 Statement of Accounts. We will continue to monitor progress on this proposed transaction in future financial years.

Significant findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Brick by Brick Croydon Limited	Grant Thornton UK LLP	During the testing on Unrecorded Liabilities, it was identified that £1.672m of expenditure had been excluded from the draft Accounts, which has subsequently been amended in the revised Brick by Brick Accounts.	This will impact the overall Group position by the £1.672m identified from the testing performed.
		It was also identified that there no formal loan agreements in place between Brick by Brick and the Council for some of the balances drawn down by Brick by Brick during the course of the year to start development.	No overall impact on our Group Audit – noted for reporting purposes

Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Provisions for NNDR Appeals - £7,649k	The Council is responsible for repaying a proportion of successful rateable value appeals. The calculation for the Provision is performed internally by the team responsible for monitoring Business Rate collection across the Borough. The Council's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. The Provision included within the Accounts has increased significantly in 2018/19 due to the Council taking part in the Business Rate Retention Scheme across London, which whilst increasing the level of income the Council receives, also means the Council takes on more of the risk of non-collection.	• Based on the work performed, we have gained assurance with the approach taken by management in calculating this Provision. • The methodology used by the Council is consistent with that used in previous years, and is based on the latest appeals notified to the Council by the VOA, and an assessment of the likelihood of success of the outstanding appeals.	● Green
Land and Buildings – Council Housing - £954m	The Council owns 13,475 dwellings and is required to revalue these properties in accordance with MHCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged its internal valuer to complete the valuation of these properties. The year end valuation of Council Housing was £954m, a net decrease of £36m from 2017/18 (£990m).	• From the work performed in this area, we have gained assurance over the valuation of the Council's Housing Stock included within the Accounts. • The valuer has correctly prepared the valuation using the Stock Valuation Guidance issued by MHCLG, and has ensured the correct factor has been applied when calculating the Existing Use Value – Social Housing (EUV-SH) value disclosed within the Accounts. • The valuation has been prepared as at 31 March 2019, which removed the need for any additional exercise to assess any movement between the date of the valuation and the balance sheet date.	● Green

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Assessment

- ● - Red - We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● - Amber - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● - Yellow - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● - Green - We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Other - £766m	Other land and buildings comprises £583m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£183m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged the internal valuer to complete the valuation of properties as at 31 March 2019 on a five yearly cyclical basis. 88% of total assets were revalued during 2018/19. The valuation of properties valued by the valuer has resulted in a net decrease of £10m. Management has considered the year end value of non-valued properties, to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties value recorded within the Accounts. . The total year end valuation of Other land and buildings was £766m, a net decrease of £33m from 2017/18 (£799m).	• From the work performed in this area, we have gained assurance over the valuation of the Council's Other Land and Buildings included within the Accounts. • The valuer has agreed clear terms of reference for this work with the Council in advance of the work being performed, including the assumptions that were going to be applied to this work. • We have reviewed the assumptions applied by the Valuer, and have confirmed they are reasonable and appropriate given the nature of the assets held by the Council. • We have considered the work which the valuer has done on those assets not valued as at the 31st of March 2019 to confirm that their fair value is not materially different to their carrying value included within the Accounts. From the work performed, we were able to gain assurance over the assessment made by the valuer in this area, which provides us with sufficient assurance over the values included within the Accounts.	● Green

Assessment

- ● - Red - We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● - Amber - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● - Yellow - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● - Green - We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Net pension liability – £646m	The Council's total net pension liability at 31 March 2019 is £646m (PY £594m), comprising the London Borough of Croydon Pension Fund Local Government and unfunded defined benefit pension scheme obligations. The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £6.3m net actuarial gain during 2018/19.	• The Council has used Hymans Robertson as their Actuary for a number of years, and thus we gained an understanding of their competence and capability to provide the valuations required by the Council in respect of the net pension fund liability as at the 31 March 2019. • We have reviewed the assumptions made by the actuary when calculating the IAS26 costs included within the Accounts to confirm their reasonableness. We made use of PwC, as an Auditor's Expert to obtain assurance over this area. A summary of the work performed can be seen in the table below:	● Green

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.4%	2.4-2.5%	●
Pension increase rate	2.5%	2.4-2.5%	●
Salary growth	3.0%	1-3.5%	●
Life expectancy – Males currently aged 45	24.0	23.7 – 24.4	●
Life expectancy – Females currently aged 45	26.2	26.2 – 26.9	●
Life expectancy – Males currently aged 65	22.3	21.5 – 22.8	●
Life expectancy – Females currently aged 65	24.4	24.1 – 25.1	●

• Based on the table above, we were able to gain assurance over the assumptions applied by Hymans Robertson to value the Council's Pension Fund Liability as at the 31st of March 2019, subject to the consideration of the McCloud issue mentioned elsewhere in the Report, along with the impact of GMP Equalisation, which is likely to have impact on the Fund in following years.

Assessment

● - Red - We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
● - Amber - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
● - Yellow - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
● - Green - We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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Other communication requirements

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

	Issue	Commentary
1	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the General Purposes and Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	**Matters in relation to related parties**	• We are not aware of any related parties or related party transactions which have not been disclosed.
3	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	**Written representations**	• A letter of representation has been requested from the Council, which is included in the papers for this Committee.
5	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to all of the Council's counter parties. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation. • We requested management to send letters to those solicitors who worked with the Council during the year. All responses have been received and no issues have been identified.
6	**Disclosures**	• Our review identified a number of disclosures which required amendment or expansion, and management agreed to amend all of the items identified. Further detail is provided within the Misclassifications and disclosure changes page, which is included later in the Report.
7	**Audit evidence and explanations/significant difficulties**	• As can be seen within the Report, we have identified several issues with the draft accounts, some of which are due to the pressures of preparing accounts of this scale within a reduced timeframe. The Council should look to ensure that there are sufficient resources available to support the preparation of the accounts to help reduce the number of audit adjustments identified from our work.

Other responsibilities under the Code

	Issue	Commentary
1	**Other information**	• We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We identified a couple of areas where management has agreed to include additional narrative to enhance the transparency of the disclosures. We plan to issue an unmodified opinion in this respect – refer to appendix E
2	**Matters on which we report by exception**	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters.
3	**Specified procedures for Whole of Government Accounts**	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold of £500m we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. At the date of issuing this Report our work in this area had yet to be started, and we will complete this once we have completed our work on the Council's Accounts.
4	**Certification of the closure of the audit**	We are unable to certify the closure of the 2018/19 audit of the London Borough of Croydon in the audit opinion, as detailed in Appendix E. This is due to the work on the Pension Fund Annual Report, for which the deadline is the end of November 2019.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	£	Threats	Safeguards
Non-audit related			
CFO Insights Subscription	10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this subscription is £10,000 in comparison to the total fee for the audit of £133,102 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Subscription to the Adult Social Care Index	0	Self-Interest (because this is a recurring fee)	As this is the first year of this Index, the Council is being provided with a free Subscription, which would have a value of £12,500+VAT if a fee was charged. In comparison to the total fee for the audit of £133,102 and in particular relative to Grant Thornton UK LLP's turnover overall, this fee is not considered a significant threat. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the General Purposes and Audit Committee. None of the services provided are subject to contingent fees.

Action plan

We have identified one recommendation for the group as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on this recommendation during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1	Amber	**Incomplete Accruals of Income and Expenditure** During the course of our work on Income and Expenditure, we identified several items which had either been incorrectly accrued, or had not been accrued, both from an income and expenditure perspective. Whilst we were able to gain assurance that the impact of these errors was not material, the Council should look to strengthen its controls in this area to ensure the Accounts contain all of the relevant items in following years.	• Revisit the Council's Accruals processes to ensure that items are correctly treated during the accounts preparation process. The Council should consider whether any deminimus limits are set appropriately to ensure time is focused on those areas which could have a material impact on the Accounts. **Management response** • The Council will review its accrual process during 2019/20 ready for closing the accounts. This will focus on areas where accruals are likely to be material.

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Controls

- Red - High – Significant effect on control system
- Amber - Medium – Effect on control system
- Green - Low – Best practice

Follow up of prior year recommendations

We identified the following issues in the audit of the London Borough of Croydon's 2017/18 financial statements, which resulted in four recommendations being reported in our 2017/18 Audit Findings Report relating to the accounts audit. We have followed up on the implementation of our recommendations and note two of these are still in progress, and will be carried forward to next year's audit.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	X	**Accounting for new arrangements** In the prior year, we raised a recommendation in respect of the need for the Council to consider the accounting arrangements for the new ventures which the Council is embarking on during the development process, rather than once the arrangement is in place. This mainly related to the setting up of Croydon Affordable Homes LLP, where due consideration was not given to the reverse lease premium the Council benefitted from under this arrangement. We highlighted that unless this was given appropriate consideration during the development process, then the Council could experience some unforeseen circumstances when preparing the financial statements at year end.	Based on our work in 2018/19, it is clear that there is further work for the Council to do in this area. We held a number of discussions over the potential transfer of Council Properties to the Pension Fund to reduce the Contribution Rate the Council needs to pay over to the Pension Fund. A significant number of discussions were required to determine that there was no financial reporting impact on the 2018/19 accounts as the transaction was not completed within the financial year.
2	✓	**Valuation of Property every Five Years** During the course of our audit work in 2017-18 we identified there were some assets held by the Council which had not been revalued in the course of the rolling five year cycle which is employed by the Council. We highlighted that if all assets are not considered on a regular basis then there is a risk that the carrying value in the Accounts may be materially misstated.	Our work on PPE Revaluations during 2018-19 has highlighted that all assets (to a trivial level) have been revalued over the course of the last five years, and therefore satisfied this issue has now been resolved.
3	X	**Incorrect Data shared with the Valuer** In the prior year we identified some issues with the integrity of the data passed to the Valuer ahead of the revaluation exercise, which could have potentially resulted in errors in the valuations performed by the Valuer. We highlighted the need for the Council to ensure the integrity of the data based to the Valuer ahead of the annual revaluation exercise.	During our work on the Council's valuations in 2018-19, we identified one property included in the valuation schedule which had been disposed by the Council in previous years and thus shouldn't have been revalued. We also identified a second property where the whole property was valued but the Council only owns a percentage of this property, and thus the whole value should not have been included in the accounts.

Assessment
✓ Action completed
X Not yet addressed

Follow up of prior year recommendations

We identified the following issues in the audit of the London Borough of Croydon's 2017/18 financial statements, which resulted in four recommendations being reported in our 2017/18 Audit Findings Report relating to the accounts audit. We have followed up on the implementation of our recommendations and note three of these are still in progress, and will be carried forward to next year's audit.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
4	✓	**Declarations from Members and Senior Officers** In previous years we have identified that the Council has not be able to obtain all of the returns from either Members or Senior Officers, which increases the risk of potential Related Party Transactions not being identified and disclosed in the Accounts. Thus there is a need for the Council to ensure that all of these returns are obtained to ensure they have a complete picture of all potential Related Parties.	We have not identified any issues with these returns from the work performed in 2018/19, so therefore we are satisfied this issue has been resolved.

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Assessment

✓ Action completed

X Not yet addressed

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

	Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
1	**Incorrect Treatment of NNDR Surplus** Due to the implementation of the London Business Rates Pool, which has increased the proportion of income which is due to the Council, the Council has incorrectly treated the change in Surplus, which means that MHCLG owe the Council an additional £2.45m more than disclosed in the Collection Fund.	Cr NNDR Income 2,450	Dr Debtors – 2,450 Cr Collection Fund Adjustment Account – 2,450	• Reduced by 2,450
2	**Updated Pension Costs - McCloud and GMP** As mentioned earlier in the Report, the client updated their IAS19 figures to reflect the impact of McCloud and GMP on the Past Service Costs, which have increased by **£6.7m**. However the impact of these costs is reversed out via the Movement in Reserves Statement to the Pensions Reserve.	Dr Past Service Costs 6,760 Cr MIRS 6,760	Dr Pensions Reserve 6,760 Cr Pensions Liability 6,760	Nil impact
	Overall impact	**£2,450**	**£2,450**	**(£2,450)**

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The General Purposes and Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

	Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1	**Incorrect Treatment of Dedicated Schools Grant (DSG) Deficit** Due to pressures within the High Needs Block within DSG the Council has provided additional funding in excess of the government grant to meet local needs and as a result has a cumulative DSG deficit of £9.3m at the end of 2018/19. Our audit views is that this amount should be recorded as a charge against the General Fund. The Council has shown the deficit amount as a Debtor indicating that the Council believes this amount is recoverable. Our audit view is that it is unlikely that this amount will be repaid and we consider the debtor should be impaired in full which would generate a charge on the General Fund.	Dr Expenditure - 9,193	Cr Debtors – 9,193	• An increase of £9,193k	The Council has shown the DSG deficit as a debtor as we believe the DfE should correctly fund Council's, their guidance says that Council's should not have to cover shortfalls. We have submitted our recovery plan to the DfE and have confidence in our ability to deliver to it.
	Overall impact	£9,193	£9,193	£9,193	

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Audit Adjustments

Misclassification and disclosure changes

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

Disclosure omission	Value (£000)	Impact on the Accounts	Adjusted?
Note 13 – Heritage Assets	Various	The Heritage Assets Note was incorrectly omitted from the draft Accounts, and thus has been reinstated in the revised Accounts.	✓
Note 28 – Exit Packages	465	Our testing identified that the one of the Exit Packages paid by the Council had been included in the incorrect banding, which has subsequently been updated.	✓
Note 31 – Grant Income	1,117	During the course of our testing of this Note, we identified that £1,117k of National Domestic Rates Income had been included twice in the Note, leading to an overstatement of the total Grant Income received. The revised note has updated the balance from £715,510k to £714,383k	✓
Note 32 – Related Party Transactions	n/a – narrative	A number of Related Parties have been omitted from the draft Accounts, which have subsequently been reflected in the revised Accounts.	✓
Note 34 – Leases	5,418	During our testing of the Dwellings sold during the course of the year we have identified that the Net Book Value shown in the Note is overstated by £5,418k, with the correct value being updated to £52,155k	✓
Note 42 – Fair Value of Employers Assets	Various	Within this Note, the Private Equity Balance of £85,827k has been incorrectly omitted from the 'Quoted Prices not in Active Markets' Column. This will then also change the total of this Column at the bottom of the Note. Both of these have been updated in the revised Accounts.	✓
Various Notes	Various	A number of minor presentational and disclosure amendments have been made to the Accounts to enhance the transparency of the disclosures within the Accounts.	✓

Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit Fees	Proposed fee (£)	Final fee (£)
Council Audit	133,102	TBC
Audit of Brick by Brick Croydon Limited	26,000	TBC
Total audit fees (excluding VAT)	**£159,102**	**TBC**

Due to the issues in respect of McCloud mentioned earlier in the Report, and other challenges encountered during the course of the audit we are unable to confirm our final Audit Fee at this stage of proceedings. However we will provide an update to the Committee once we have agreed the final position with the Council and Public Sector Audit Appointments, who are responsible for approving fee variations across the Local Government Sector.

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Non Audit Fees

Fees for other services	Fees £
Audit related services:	
None	n/a
Non-audit services:	
• CFO Insights Subscription	10,000
• Adult Social Care Index	0
Total	**10,000**

As this is the first year of the Adult Social Care Index, the Council is being provided with a free Subscription, which would have a value of £12,500+VAT if a fee was charged

The Audit Findings Report for the London Borough of Croydon Pension Fund

Year ended 31 March 2019

23 July 2019

Contents

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of the London Borough of Croydon Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Pension Fund's financial statements: • give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.	Our audit work was completed on site during June and July. Our findings are summarised on pages 4 to 9. To date we have not identified any adjustments which impact on the Net Assets of the fund available to fund benefits reported in the draft Accounts. Some minor adjustments have been identified in respect of some of the disclosures in the Accounts, which are documented in Appendix A. Our work is substantially complete, subject to the following outstanding matters: - completion of our outstanding testing in the following areas: Investments, IAS26 Disclosures and the work of the Actuary - receipt of management representation letter; - receipt and review of the Annual Report; and - review of the final set of financial statements. Our anticipated audit report opinion will be unmodified.

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Acknowledgements

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

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

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

Audit approach

Our audit approach was based on a thorough understanding of the Authority's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, which are detailed on the previous page, we anticipate issuing an unqualified audit opinion following the General Purposes and Audit Committee meeting on 23 July 2019, as detailed in Appendix C.

Our approach to materiality

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Our assessment of materiality and related measures for the Pension Fund has been adjusted to reflect the change in the Fund’s Net Asset Value in 2018/19, when compared to the spend incurred in the previous year. We detail in the table below our assessment of materiality for the Pension Fund.

	Pension Fund Financial Statements – Draft (£)	Pension Fund Financial Statements – Final (£)	Qualitative factors considered
Materiality for the financial statements	11,394,000	12,510,000	As mentioned above, the value of our overall Materiality threshold increased from the planning stage to the final Accounts stage due to the increase in Net Assets incurred during the course of the year.
Performance materiality	8,545,000	9,382,000	Performance Materiality is based on a percentage of the overall materiality, hence an increase in this value has increased Performance Materiality in line with this.
Trivial matters	569,700	625,000	As above, Triviality is based on a percentage of the overall materiality, hence an increase in this value has increased Triviality in line with this.
Materiality for Related Party Transactions	500,000	500,000	We selected a value of £500,000 for this area as this is another area where the users of the Accounts would have a particular interest in the transactions being undertaken, and thus feel that this lower benchmark will provide additional scrutiny in this area.

Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
1	**Improper revenue recognition** Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	**Auditor commentary** Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the London Borough of Croydon Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including the Pension Fund, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for the London Borough of Croydon Pension Fund. Due to the fact that some of the Pension Fund's revenue streams are material, we have undertaken testing on them to gain assurance over the balances included within the Accounts. From the work performed to date, no issues have been identified from the testing performed. Should any issues be identified from our outstanding work, then we will provide an update to Management and the Committee.
2	**Management override of controls** Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. Management over-ride of controls is a risk requiring special audit consideration.	**Auditor commentary** We have undertaken the following work in relation to this risk: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determine the criteria for selecting high risk unusual journals; • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our audit work to date has not identified any significant issues in relation to the risk identified.

Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
3	**The valuation of Level 3 investments is incorrect** The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£343 million) and the sensitivity of this estimate to changes in key assumptions Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2019. We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	**Auditor commentary** We have undertaken the following work in relation to this risk: • gained an understanding of the Authority's process for valuing Level 3 investments and evaluate the design of the associated controls; • reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; • undertaken consideration of the competence, expertise and objectivity of any management experts used; • reviewed the qualifications of the expert used to value Level 3 investments at year end and gained an understanding of how the valuation of these investments has been reached; and • tested the valuations by obtaining and reviewing audited accounts at the latest date for individual investments and agreeing these to the Authority fund manager reports at that date then rationalising those values to the values at 31 March 2019 with reference to known movements in the intervening period. Our audit work to date has not identified any significant issues in relation to the risk identified.

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Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Level 3 investments	The Pension Fund has investments in several Private Equity and Infrastructure Funds that in total are valued on the balance sheet as at 31 March 2019 at £432m. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management rely on the valuations provided by the Fund Manager, which are usually based on an audited value of the fund as at 31 December 2018, with the valuation then rolled forward to March 2019, considering any cash movements which have taken place in the intervening period. The value of the investments in the draft accounts had increased by £88.2m in 2018/19.	• Based on the work performed to date, we have been able to obtain sufficient assurance over the Level 3 valuations included within the Accounts. • We have, on a sample basis, reviewed the basis on which the valuation of the Funds/Investments has been prepared, and where appropriate, considered the Audited Accounts of the Funds/Investments as well. To date, no issues have been identified from the work performed in this area.	● Green

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Assessment

- ● - Red - We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● - Amber - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● - Yellow - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● - Green - We consider management's process and key assumptions to be reasonable

Other communication requirements

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

	Issue	Commentary
1	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the General Purposes and Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	**Matters in relation to related parties**	• We are not aware of any related parties or related party transactions which have not been disclosed.
3	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	**Written representations**	• A letter of representation has been requested from the Pension Fund, which is included within the General Purposes and Audit Committee papers.
5	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to all of the Fund's counter parties. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
6	**Disclosures**	• A handful of minor disclosure amendments were identified in the draft accounts, but overall the draft accounts were of a good standard.
7	**Audit evidence and explanations/significant difficulties**	• All information and explanations requested from management was provided in a timely manner, and the working papers provided by the client were of a good standard as well.
8	**Matters on which we report by exception**	• We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until the 1st December 2019 and therefore this report has not yet been produced. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C

Audit and Non-audit related services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. No non-audit services were identified which were charged from the beginning of the financial year to the end of July 2019.

Follow up of prior year recommendations

We identified the following issues in the audit of the London Pension Fund Authority's Pension Fund's 2017/18 financial statements, which resulted in two recommendations being reported in our 2017/18 Audit Findings report. We have followed up on the implementation of our recommendations and note both are still to be completed.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	X	**Statutory Notifications for New Members** In the previous year we identified from our controls testing that the statutory notifications of joining the scheme had been sent to two new starters who joined the scheme in April and September 2017 respectively. The reason that the notifications were not sent were because the individuals in question were employed via external payrolls and the payroll providers in question had not notified the Council that they had joined the scheme.	From the Member Data Testing performed in 2018-19, we identified another two starters for whom we were able to confirm that they were valid starters, but had not had the appropriate notification sent out to them upon joining the Scheme. Thus this recommendation will be carried forward to next year's audit.

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Assessment
✓ Action completed
X Not yet addressed

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

	Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000
1	**Updated Fund Manager Reports** The Pension Fund received a number of updated Fund Manager Reports after the draft accounts had been published for audit, and thus the investment values in the final accounts have been updated for the updated Reports. The changes in value by Fund Manager are as follows: - Access Capital Partners – an increase from £26,568k to £28,095k - GIGM – an increase from £24,155k to £25,007k - I-Squared – an increase from £6,807k to £7,133k - Knightsbridge – an increase from £29,219k to £30,692k - Temporis – an decrease from £34,530k to £34,367k - Pantheon – an increase from £64,552k to £66,559k - Equitix – an increase from £64,045k to £65,139k	Cr Change in Market Value – 7,116	Dr Net Assets – 7,116	An increase of £7,116
	Overall impact	£7,116	£7,116	£7,116

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

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

Disclosure omission	Value (£000)	Impact on the Accounts	Adjusted?
Note 20 – Contingent Liabilities and Contractual Commitments	£92,500	Our work on Contractual Commitments identified that some of the values were recorded based on Quarter 3 valuations, which is all that was available at the date of the draft accounts being published. We also identified a couple of values where the calculation was incorrect and needed to be revisited. All of the affected balances have been updated in the revised accounts.	✓

Fees

We confirm below our final fees charged for the audit

Audit Fees	Proposed fee	Final fee
Pension Fund Audit	£16,170	TBC
Total audit fees (excluding VAT)	**£16,170**	**TBC**

Due to the issues in respect of McCloud mentioned earlier in the Report, and other challenges encountered during the course of the audit we are unable to confirm our final Audit Fee at this stage of proceedings. However we will provide an update to the Committee once we have agreed the final position with the Council and Public Sector Audit Appointments, who are responsible for approving fee variations across the Local Government Sector.

Audit opinion

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

Independent auditor's report to the members of the London Borough of Croydon on the pension fund financial statements of the London Borough of Croydon Pension Fund

Opinion

We have audited the financial statements of the London Borough of Croydon Pension Fund (the 'pension fund') administered by the London Borough of Croydon (the 'Authority') for the year ended 31 March 2019 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. 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 2018/19.

In our opinion, the financial statements:

• give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and of the amount and disposition at that date of the fund's assets and liabilities;

• have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and

• have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

• the Director of Finance, Investment and Risk and S151 Officer's use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or

• the Director of Finance, Investment and Risk and S151 Officer has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

Other information

The Director of Finance, Investment and Risk and S151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund's financial statements or our knowledge of the pension fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund's financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund's financial statements and our knowledge of the pension fund the other information

Audit opinion (continued)

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

published together with the pension fund's financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the pension fund's financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority, the Director of Finance, Investment and Risk and S151 Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on pages 5 and 6, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance, Investment and Risk and S151 Officer. The Director of Finance, Investment and Risk and S151 Officer is responsible for the preparation of the Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance, Investment and Risk and S151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's financial statements, the Director of Finance, Investment and Risk and S151 Officer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The General Purposes and Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions

Audit opinion (continued)

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

we have formed.

[Signature]

Sarah Ironmonger, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bishopsgate, London

xx July 2019

grantthornton.co.uk

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Grant Thornton UK LLP
110 Bishopsgate
London
EC2N 4AY

Our Ref: 003/GT/LT/TH
Date:23 July 2019

Dear Sirs

London Borough of Croydon
Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of the London Borough of Croydon and its subsidiary undertaking, Brick by Brick Croydon Limited, for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the group and parent Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

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

Group Financial Statements

We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

i. We have fulfilled our responsibilities for the preparation of the group and parent Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/19 ("the Code"); in particular the group and parent Council financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and parent Council and these matters have been appropriately reflected and disclosed in the group and parent Council financial statements.

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

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

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

vi. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the Council has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

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

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the group and parent Council financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent Council financial statements have been amended for these misstatements, misclassifications and disclosure changes.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and Appendix A attached. We have not adjusted the group and parent Council financial statements for these misstatements brought to our attention as they are immaterial to the results of the group and parent Council and its financial position at the year-end. The group and parent Council financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

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

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

Information Provided

xv. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the group and parent Council financial statements such as records, documentation and other matters;

   b. additional information that you have requested from us for the purpose of your audit; and

   c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

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

xvii. All transactions have been recorded in the accounting records and are reflected in the group and parent Council financial statements.

xviii. We have disclosed to you the results of our assessment of the risk that the group and parent Council financial statements may be materially misstated as a result of fraud.

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and parent Council and involves:

   a. management;

   b. employees who have significant roles in internal control; or

   c. others where the fraud could have a material effect on the group and parent Council financial statements.

xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the group and parent Council's financial statements communicated by employees, former employees, analysts, regulators or others.

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

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

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

Annual Governance Statement

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

Narrative Report

xxv. The disclosures within the Narrative Report fairly reflect our understanding of the group and parent Council's financial and operating performance over the period covered by the group and parent Council financial statements.

Approval

The approval of this letter of representation was minuted by the Council's General Purposes and Audit Committee at its meeting on 23 July 2019.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position………………………….

Date…………………………….

Signed on behalf of the Governing Body

Appendix A – Schedule of Unadjusted Misstatements

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The General Purposes and Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

	Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1	**Incorrect Treatment of Dedicated Schools Grant (DSG) Deficit** Due to pressures within the High Needs Block within DSG the Council has provided additional funding in excess of the government grant to meet local needs and as a result has a cumulative DSG deficit of £9.3m at the end of 2018/19. Our audit views is that this amount should be recorded as a charge against the General Fund. The Council has shown the deficit amount as a Debtor indicating that the Council believes this amount is recoverable. Our audit view is that it is unlikely that this amount will be repaid, and we consider the debtor should be impaired in full which would generate a charge on the General Fund.	Dr Expenditure - 9,193	Cr Debtors – 9,193	• An increase of £9,193k	The Council has shown the DSG deficit as a debtor as we believe the DFE should correctly fund Council's, their guidance says that Council's should not have to cover shortfalls. We have submitted our recovery plan to the DFE and have confidence in our ability to deliver to it.
	Overall impact	**£9,193**	**£9,193**	**£9,193**	

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lisa.taylor@croydon.gov.uk
Website: www.croydon.gov.uk

Grant Thornton UK LLP
110 Bishopsgate
London
EC2N 4AY

Our Ref: 004/GT/LT/TH
Date:23 July 2019

Dear Sirs

London Borough of Croydon Pension Fund
Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of the London Borough of Croydon Pension Fund ('the Fund) for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Fund financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

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

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

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

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

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

vii. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent none of the assets of the Council has been assigned, pledged or mortgaged

   b. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

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

xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

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

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

Information Provided

xiv. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Fund financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. unrestricted access to persons within the Fund from whom you determined it necessary to obtain audit evidence.

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

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

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

xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

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

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

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

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

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

Approval

The approval of this letter of representation was minuted by the Council's General Purposes and Audit Committee at its meeting on 23 July 2019.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position………………………….

Date…………………………….

Signed on behalf of Council as administering body of the Pension Fund

Draft Statement of Accounts 2018/19

31 May 2019

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www.croydon.gov.uk

COMMUNITY LANGUAGES

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

Bengali

যদি ইংরাজী ছাড়া অন্য কোনো ভাষায় সহজে যোগাযোগ করতে পারেন তবে তাই করুন। দোভাষী এবং অনুবাদকের ব্যবস্থা করা যেতে পারে। টেলিফোন করুন 020 8726 6000.

Chinese

如果你覺得使用除英語以外的另一種語言溝通更容易溝通的話，可作這樣選擇的。若是需要，你可以得到安排傳譯員及翻譯員的幫助，請撥打電話號碼 020 8726 6000 查詢。

Francais

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

Gujarati

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

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 ہی کیجئے۔ آپ کیلئے ترجمان اور تحریری ترجمہ کرنے والے کا انتظام کیا جا سکتا ہے۔ ٹیلیفون نمبر
020 8726 6000.

CONTENTS

CONTENTS

STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

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

► to approve the Statement of Accounts.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTOR OF RESOURCES AND SECTION 151 OFFICER

The Director of Finance, Investment & Risk 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 2019.

In preparing the Statement of Accounts, the Director of Finance, Investment & Risk and Section 151 Officer has:

► selected suitable accounting policies and then applied them consistently;

► made judgements and estimates that were reasonable and prudent;

► complied with the Code of Practice;

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

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

CERTIFICATE OF THE DIRECTOR OF FINANCE, INVESTMENT & RISK AND SECTION 151 OFFICER

LONDON BOROUGH OF CROYDON AND LONDON BOROUGH OF CROYDON PENSION FUND
FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019

CERTIFICATE of the Director of Finance, Investment & Risk and Interim 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 2018/19 prepared in accordance with the accounting policies stated.

Lisa Taylor
Director of Finance, Investment & Risk
Interim S151 Officer

Cllr Karen Jewitt
Chair, General Purposes and Audit Committee

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

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INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF CROYDON (CONTINUED)

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

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

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INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF CROYDON (CONTINUED)

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

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NARRATIVE STATEMENT 2018/19

INTRODUCTION

I am pleased to introduce the Council's Statement of Accounts for 2018/19. This statement summarises the Council's financial performance during 2018/19 showing expenditure on all services during the year and the Council's financial position as at 31 March 2019. 2018/19 is the second year local authorities are required to complete their accounts by 31 May and publish them by 31 July.

CHALLENGES

The Council has met the challenge of reductions in grant since 2010 and maintained a robust financial position. 2018/19 was the third year of a four year funding agreement agreed with government. The purpose of this agreement which was accepted by Croydon was to help local authorities 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 therefore enable the authority to plan more proactively. The grant received in 2018/19 resulted in a £6.5m (6.5%) reduction compared to the previous year.

Whilst the budget was set to include growth that had been previously identified there has continued to be an increase in demand for services, particularly within Adults and Children's social care,
Significant effort has been made to manage these pressures and bring them under control.

The council has also continued to fund a number of exceptional items which we believe should be funded by the government including Unaccompanied Asylum Seeking Children, no recourse to public funds and costs associated with appeal rights exhausted. Lobbying with the government still continues in these areas in relation to fairer funding.

As a result the final budget position for the Council is an over spend of £5.4m.

The Council still continues to face a number of financial challenges, a selection of which are shown below:

► Chronic underfunding of adults and children's social care
► Significant growth in demand for services, both from demographic pressures, such as an aging population and changes to the make-up of the Croydon population
► Impact of welfare reform
► Underfunding of new duties, such as Health Visiting, Deprivation of Liberty, the Homelessness Reduction Act and Universal Credit
► Failure to properly fund the direct and indirect costs of Croydon's status as the gateway authority for Unaccompanied Asylum Seeking Children (UASC)
► The delivery of the outcomes from a recent Ofsted inspection in Children's Social Care which has required significant investment in services for children in need of help and protection, children looked after and care leavers.

MEDIUM TERM FINANCIAL STRATEGY

The Medium Term Financial Strategy 2018/22 was approved at full council in October 2018.
This detailed he Council's financial position over the 4 years, detailing expenditure, income, subsequent budget gap and the strategy for closing the gap. The Councils report on the General Fund and HRA budget 2019/20 which was approved by full Council in March 2019 detailed how the budget was balanced for 2019/20.
2019/20 is the last year of the four year funding agreement with the government.

There are uncertainties around local authority funding posed by the forthcoming fair funding review, the impact of Brexit and the changes to business rates which may impact on the Council.

To set a balanced budget for 2019/20 the council made a number of key assumptions around the level of growth for areas where demand and costs have increased alongside savings to offset this growth.

Part of these assumptions include the continued delivery of our transformation programme and the use of capital receipts to fund transformation projects. Detail of some projects that have taken place can be seen in Table 2 of this narrative statement.

The Council also approved and Efficiency Strategy in October 2016. This sets out the key principles and programmes that will be targeted to deliver savings. The key principle and areas of focus continue to be:-

- Getting the most out of our assets
- Better commissioning and contract management
- Managing Demand
- Prevention and early intervention
- Integration of Health and Social care
- Delivering Growth
- Commercial Approach
- Digital

In addition the council has have been in a position over the last 5 years to declare a council tax surplus as a result of tax base growth and improved collection rates. This trend is expected to continue and this has been built in to the 2019/20 budget.

The Council continues to make improvements in its financial standing, which has been demonstrated through progress towards a targeted level of general fund balances and the Councils ability to manage the significant in year risks in a corporate and planned way.

Clearly delivering against a budget with a significant amount of savings whilst coping with an increased population driving further pressures on services is demanding. Despite this the council has managed to maintain balances at an appropriate level .

PERFORMANCE

During 2018/19 the council has made significant improvements in a number of service areas. Below are examples of our key major achievements and improvements :

Education and Learning

- Standards in Croydon’s schools are now above the national average at the end of Early Years Foundation Stage, phonics screening check, Key Stage 1 and Key Stage 2, building on improvements seen in recent years. At Key Stage 4 (GCSE) the attainment of our pupils is above the England average and progress outcomes are positive. At Key Stage 5 vocational outcomes are good but A- Level performance continues to be an area for development.
- 84.5% of children attend a good or better secondary school, with 45.7% of pupils attending an outstanding school, compared to 25.7% nationally.
- 81.5% of children attend a good or better primary school, with 21.8% of pupils attending an outstanding school, compared to 18.7% nationally.

Roads, Transport and Streets

- The completion of the 20mph speed limits into all residential areas across the Borough
- Continuation of our public realm programme to enhance and improve the public space including the cycle network
- The 3 pilot School Street schemes installed in Sep 2017, and Driver compliance near schools is continually improving and the schemes have reduced car use, improved health and safety for school children and and access for local residents.
- The project for implementing 8 new School Street during the period Sep 2019 to Apr 2020 commenced in early November 2018.

Growth Zone

- ► Croydon's Growth Zone went live from 1st April 2018 allowing the Council to retain business rate uplift in Central Croydon for the next 16-19 years to fund infrastructure.
- ► Feasibility work started on expanding transport capacity on our tram and rail networks whilst designs for better cycle infrastructure were produced.
- ► The High street was closed under an experimental traffic order and a summer of activities held which saw more people visit the High street and partake in a range of cultural and fun activities and events. Whilst these plans and studies went on the town centre saw a large increase in construction activity and the Growth Zone's construction logistics programme kicked in to help mitigate the impacts of the construction related traffic.
- ► Early business rates gains have seen the Growth Zone retain over £2.5m of funding within its first year.

Housing

- ► Selective licensing continues to be successful, with over 34,000 privately rented properties licensed since the scheme was implemented in October 2015. Almost 3,500 privately rented properties were inspected in 2018/19 with 250 of these requiring enforcement action to ensure they were improved to an acceptable standard.
- ► From April 2018 we have helped 917 of Croydon's most severely affected families and vulnerable adults to sustain their tenancies, thereby avoiding homelessness costs of over £6.1m
- ► Successful prevention work has reduced the number of new placements in B&B which has fallen by 24 % from 108 per month a year ago to 82. Intervention events held for households in (B&B) have resulted in 81 households moving out of B&B to other housing solutions.
- ► Brick by Brick Croydon Limited (BXB), the independent housing development company established by the Council, has now achieved planning consents on 39 different schemes across the borough (which are delivering 48% affordable housing overall). There are a further 7 schemes submitted for planning. Construction work is underway on site for 18 developments, with a further 6 schemes in contract and mobilising. Completion on a number of residential schemes is scheduled from Summer 2019.
- ► The first four schemes are scheduled for completion in June/July 2019 offering a range of private, shared ownership and affordable rent units. Two of these schemes were launched for sale in March 2019 (Auckland Rise and Ravensdale Gardens) with the next two scheduled for launch in May 2019 (Flora Court and Windmill Place
- ► Croydon Affordable Housing charity was set up to oversee our LLP, Croydon Affordable Tenures. Croydon Affordable Tenures acquired 167 of the planned 250 two & three bedroomed properties in 2018/19 to create a portfoilio of affordable accommodation for homeless families. The balance to acquire 250 will be completed in early 2019/20.
- ► Investment has allowed the council to assess and improve fire safety by working closely with the fire brigade, with 100% of blocks of flats now complying with regulations. The council has fire risk assessments on all blocks that require them. Remedial works are planned where issues have been identified through fire risk assessments or from London Fire Brigade.

Independence

'►Independence – We have successfully trained 62 people to travel independently through the Council's Independent Travel Training service. This mitigates against the expenditure that would otherwise have been incurred for their transport (both in year and going forwards) and has provided the individuals with a skill to travel for the rest of their lives. This is a 13% increase in numbers since 2015, and a 9% increase over the previous year.

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. Local residents and Business continue to work closely with the Council to improve their local environment. At the end of March 2019, the Council had successfully prosecuted 220 offenders under the Don't Mess with Croydon clampdown.
- ► The team of dedicated Street Champions continues to grow and numbers over 375.The number of community Clean-ups has increased to over 100 this year and we have encouraged over 300 people to sign up as community champions.
- ► The rectificaiton time for removing fly tips has reduced from 48 to 24 hours and over 90% of fly tips are collected within this timeframe, representing a big improvement in the clearnce of fly-tipping

► To enhance future service delivery the Council has introduced a major new service change aimed at minimising residual ‘landfill’ waste and increasing the amount of waste recycled. This was rolled out in September 2018 and involved a 78% day change across the borough. The Council is on track to achieve a 50% recycling rate by 2019/20.

Leisure and Culture

► ‘The Leisure Services Contract which commenced in March 2018 completed its first full year of operation in 2018/19

► £1.8m of capital investment has been made in the centres which have substantially improved the service to residents. This has included new gym equipment, aerobics equipment refurbished fitness rooms at all sites, new football pitches at Monks Hill, tennis court refurbishments in parks and various other improvements.

► Since the commencement of the new contract the centres has see 768,943 users and a 30% increase in centre Membership.

► Over 17,000 children and young adults have accessed the Councils free swimming initiative

► 2018/19 was a successful year for Croydon in terms of the performance of its broader cultural programme. Croydon was successful in gaining 2 large scale funding bids: becoming one of 6 of London’s first Creative Enterprise Zones and securing £1m from the Arts Council for the Youth Partnership Performance Fund, the only one to be allocated in London. Our Cultural Partnership Grants fund of £100k secured additional funding from other funders of just under £327,000 in what is the fifth year of an increasing amount of Arts Council lottery funding coming in to the borough. In addition we secured £42,500 in the first full year of our Cultural Partnership Sponsorship scheme.

► 2018/19 has seen an increasingly vibrant arts and cultural scene with an ever growing range of events and programmes for Croydon, building audiences and our reputation prior to the opening of Fairfield Halls due in September 2019.

Health and Social Care Integration: One Croydon Alliance

► The Council has developed an in-house community reablement team as part of a wider transformation of the way the Council provides reablement and other support services for older people. Our performance in enabling older people leaving hospital to remain at home is now well above target and exceeds the London and England averages.

► 38 Additional housing units, 3 Council owned properties and 8 new houses have been made available for supported living, giving people with disabilities their own home door rather than living in a residential home

► One Croydon Alliance has been awarded the Local Government Chronical Award for Integrating Health and Health and Social Care, demonstrating the leadership role the Council has played in achieving integration

► Emergency admissions were down 17% compared to the previous year for One Croydon Transformation (Out of Hospital) targeted conditions

► 1218 people have been discharged from hospital to reablement and 47% of all of these have been successfully reabled

► Modernisation of Cherry Orchard to provide an all-age disability resource centre

► New Outreach service to support people aged 25-65 to live independently

► Customised version of AskSARA released for Croydon, using the Disabled Living Foundation’s tool to support residents with understanding and accessing equipment that will improve their daily life.

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 early identification and management of financial risks during the year. A balanced budget has been set for 2019/20, and 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 2018/19

Table 1 below shows the Council's balances and useable reserves at 31 March 2019 compared with the previous two years. The Council holds Useable Reserves to support the provision of its activity, as well as to mitigate risk and account for timing differences between receipt of funds and delivery. During 2018/19, overall useable reserves have reduced by £22.1m, general fund reserves have remined stable as set out below:

Table 1 - Movement in Reserves and Balances

Reserves and Balances	2016/17 £m	2017/18 £m	2018/19 £m
General Fund Balances	10.7	10.4	10.4
Earmarked Reserves excluding schools	30.1	15.7	14.2
Capital Receipts Reserve	46	55.4	32.6
Capital Grants Unapplied	10.8	14.3	17.7
Housing Revenue Account including major repairs reserve	13.8	16.4	15.2
Total	**111.4**	**112.2**	**90.1**

TRANSFORMATION

The Council has continued to make use of guidance on use of flexible capital receipts which were published by the MHCLG in March 2016. This allows local authorities to use capital receipts to fund the up-front set up or implementation costs of projects that will generate future ongoing savings and/or transform service delivery.

Table 2 below provides details of the transformation projects that have been funded from capital receipts during 2018/19

Table 2 - Transformation Projects

	2018/19 £m
Housing Initiatives	3.092
Adult Social Care new Initiatives	11.847
Childrens Services	9.810
Demand Management	0.203
Transformation programme including ICT	4.354
Total	**29.306**

To date £43.8m of projects have been funded from the flexible capital receipts. Further details about the projects Further details about the projects will be provided in the outturn report to the General Purpose and Audit Committee

HOUSING REVENUE ACCOUNT (HRA)

The final outturn shows a surplus of £0.736m which has been transferred to HRA reserves. The variances to budget that are on-going will be included in the budget planning for 2019/20. Capital expenditure totalled. £30.058m.

Despite income reducing due to the 4 year period of enforced 1% rent reduction a surplus position has been reached in 2018/19. The increase in the reserve balances is expected to prove essential over 2019/20 due to the loss as a result of reducing rents.

New affordable housing for Croydon is underway with 167 properties already having been delivered by partner organisations Brick by Brick Croydon Limited and Croydon Affordable Homes LLP. Table 3 below shows the HRA balances and reserves as at 31 March 2019 compared with previous with previous years:

Table 3 - Housing Revenue Account Balances and Reserves

Balances and reserves	2016/17 £m	2017/18 £m	2018/19 £m
Housing Revenue Account balances	12.555	14.535	15.271
Major Repairs Reserve	1.29	1.929	1.929
Total	**13.845**	**16.464**	**17.2**

CAPITAL

The original approved capital programme (excluding the Housing Revenue Account) totalled £313m, which was amended during the year to £410m to reflect both programme slippage and re-profiling of schemes. Outturn capital spend was £325m, with the resultant underspend of £85m (20%) mainly attributable to slippage in the delivery of schemes. The impact of slippage from 2018/19 into the 2019/20 capital programme will be considered as part of the first Financial Performance report for 2019/20 to Cabinet.

Capital schemes in 2018/19 included the delivery of:

- ► Education Estates Strategy
- ► Progression of New Addington Leisure Centre
- ► Improvement to the New Waste Collection Service
- ► Improvements to the Public Realm
- ► Commencement of Growth Zone
- ► House building by the councils wholly owned development company Brick by Brick Croydon Limited
- ► Refurbishment of the Fairfield Halls
- ► Financing for Affordable Homes
- ► Investment in ICT
- ► Assets Acquisitions Fund

PENSION FUND

The Council's Pension Fund increased in value during 2018/19 by 9.8%. Table 4 below shows the change in value of the Council's Pension Fund in 2018/19:

Table 4 – Pension Fund Performance 2018/19

Detail of Composition of Net Assets	2017/18 £m	2018/19 £m	Net Increase / (Decrease) £m	Change %
Total Investments	1,114.70	1,230.12	115.415	10.40%
Other balances held by Fund Managers	1.465	1.557	0.092	6.30%
Debtors	4.052	9.536	5.484	135.30%
Cash Held by:				
Fund Managers	8.603	6.452	-2.151	-25.00%
London Borough of Croydon	17.38	5.528	-11.852	-68.20%
Creditors	-6.759	-2.147	4.612	-68.20%
Net Assets at Year End	**1,139.44**	**1,251.04**	**111.6**	**9.80%**

Other balances held by Fund Managers comprises outstanding trades, outstanding dividends and tax reclaimable. The net value of the Fund has increased by 9.8% 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, and the increase of the fund is higher than the benchamrk 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, but any 'surpluses can be used by those bodies to fund expenditure within their own organisation. The Collection Fund holds a surplus of £5.409m as at 31st March 2019. The overall surplus was a result of of continued buoyancy in the tax base, continued improvements in collection rates plus a more favourable outlook on Business rates appeals.

A council tax surplus of £4.951m and business rates surplus of £0.067m was declared in January 2019. The difference between the amount declared in January 2019 and the year-end position will be carried into 2019/20 and will be distributed to preceptors as part of the 2020/21 budget cycle.

COUNCIL TAX

The Council monitors performance targets in relation to the amount of debt collected in the initial year of billing (2018/19 debt collected in 2018/19). The target set for 2018/19 was 97.25% and the actual performance was 97.25%, an increase of 0.18%.

Table 5 shows the impact of actual performance against the target.

Table 5 – Council Tax Collection performance against target

	Target – 2018/19	Actual – 2018/19	Variance
Percentage	97.25%	97.25%	0.18%
Cash - £m	210	204	-5.790

NATIONAL NON-DOMESTIC RATE (NNDR) COLLECTION

The target set for 2018/19 was 98.75% and the actual performance was 99.25%, an increase of 0.08%

Table 6 – NNDR Collection performance against target

	Target – 2018/19	Actual – 2018/19	Variance
Percentage	98.75%	99.25%	0.08%
Cash - £m	125	124	-0.942

LONDON BUSINESS RATES POOL PILOT

In addition to the surpluses available from the Council's collection fund, additional gains are available as a result of the London wide Business Rates pool pilot. Councils across London collectively pooled their business rates income and shared between them the gains of not paying a growth levy to the Ministry of Housing, Communities & Local Government (MHCLG). At the same time, Councils retained 100% of business rates income between them. Croydon's share of this gain was £6.4m, which has been used to support service delivery within the year. Pooling arrangements will continue in 2019/20, but Councils will only retain 75% of business rates income, as the MHCLG will again start to retain a share (25%).

NARRATIVE STATEMENT 2018/19

BASIS AND PREPERATION

Further information about the basis and preparation of these accounts can be found in Note 1.1, which set out that these statements have been prepared in accordance with the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom (the 2018/19 Code),and is issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Council has also prepared Group Accounts with Brick by Brick Croydon Limited.
as a review of control determined we have a material interest in this organisation. Further information can be found in Note 40

Conclusion

An outturn report will be presented to the Council's General Purposes and Audit Committee in July 2019. This will provide further details on the Councils financial performance and delivery against our Financial Strategy.

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

Lisa Taylor
Director of Finance, Investment and Risk
Interim 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' reserves.

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 matched by reserves that are reported within two categories:

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

Cash Flow Statement

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

MOVEMENT IN RESERVES STATEMENT

2018/19	General Fund Balance £000	Earmarked GF Reserves Balance £000	Total General Fund Balance £000	HRA 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 2018	**10,393**	**18,153**	**28,546**	**14,535**	**55,423**	**14,307**	**1,928**	**114,739**	388,028	502,767
Movement in reserves during 2018/19:										
Surplus or (deficit) on provision of services	(220,671)		(220,671)	11,948				(208,723)	0	(208,723)
Other Comprehensive Expenditure and Income								0	(21,030)	(21,030)
Total Comprehensive Expenditure and Income	(220,671)	0	(220,671)	11,948	0	0	0	(208,723)	(21,030)	(229,753)
Adjustments between accounting basis and funding basis under regulations	220,477	0	220,477	(11,211)	(22,824)	3,372	(1,929)	187,885	(187,883)	2
Net increase/Decrease before Transfers to Earmarked Reserves	(194)	0	(194)	737	(22,824)	3,372	(1,929)	(20,838)	(208,913)	(229,751)
Transfers to/(from) Earmarked Reserves	194	(194)	0	0	0	0	0	0	0	0
Net increase/(decrease) in reserves for the year	0	(194)	(194)	737	(22,824)	3,372	(1,929)	(20,838)	(208,913)	(229,751)
Balance c/f at 31 March 2019	10,393	17,959	28,352	15,272	32,599	17,679	(1)	93,901	179,115	273,016

2017/18	General Fund Balance £000	Earmarked GF Reserves Balance £000	Total General Fund Balance £000	HRA 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 2017	**10,727**	**33,426**	**44,153**	**12,555**	**45,999**	**10,828**	**1,290**	**114,825**	293,909	408,734
Movement in reserves during 2017/18:										
Surplus or (deficit) on provision of services	(96,386)		(96,386)	12,227				(84,159)	0	(84,159)
Other Comprehensive Expenditure and Income								0	178,193	178,193
Total Comprehensive Expenditure and Income	(96,386)	0	(96,386)	12,227	0	0	0	(84,159)	178,193	94,034
Adjustments between accounting basis and funding basis under regulations	80,779	0	80,779	(10,247)	9,424	3,479	638	84,073	(84,074)	(1)
Net increase/Decrease before Transfers to Earmarked Reserves	(15,607)	0	(15,607)	1,980	9,424	3,479	638	(86)	94,119	94,033
Transfers to/(from) Earmarked Reserves	15,273	(15,273)	0	0	0	0	0	0	0	0
Net increase/(decrease) in reserves for the year	(334)	(15,273)	(15,607)	1,980	9,424	3,479	638	(86)	94,119	94,033
Balance c/f at 31 March 2018	10,393	18,153	28,546	14,535	55,423	14,307	1,928	114,739	388,028	502,767

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 No	2018/19 Gross £000	2018/19 Income £000	2018/19 Net £000	Restated 2017/18 Gross £000	Restated 2017/18 Income £000	Restated 2017/18 Net £000
Gross expenditure, income and net expenditure of continuing operations							
Place		115,421	(68,631)	46,790	121,553	(70,581)	50,972
Children, Families & Education		357,500	(251,033)	106,467	331,635	(246,273)	85,362
Health, Wellbeing & Adults		197,697	(82,521)	115,176	180,789	(77,486)	103,303
Gateway, Strategy & Engagement		102,908	(42,042)	60,866	75,586	(38,087)	37,499
Resources		420,751	(315,046)	105,705	343,890	(307,912)	35,978
HRA		71,864	(91,561)	(19,697)	75,137	(92,396)	(17,259)
Net cost of services		1,266,141	(850,834)	415,307	1,128,590	(832,735)	295,855
Other operating expenditure	9			32,439			34,085
Financing and Investment Income and Expenditure	10			52,729			45,288
Taxation and Grant Income	11			(291,752)			(291,069)
(Surplus) or Deficit on Provision of Services				208,723			84,159
(Surplus) or deficit on revaluation of non-current assets				27,321			(152,929)
Remeasurement of the net defined benefit liability				(6,291)			(25,263)
Other Comprehensive Income and Expenditure				21,030			(178,192)
Total Comprehensive Income and Expenditure				229,753			(94,033)

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-Mar-19 £000	£000	31 March 2018 £000
Operational Assets (Property, Plant and Equipment)	12			
Council dwellings		954,042		989,648
Other land and buildings		765,930		799,247
Vehicles, plant, furniture and equipment		12,255		3,406
Infrastructure		147,841		142,336
Community assets		4,325		4,947
Total Operational Assets (Property, Plant and Equipment)			1,884,393	1,939,584
Non-Operational Assets (Property, Plant and Equipment)				
Assets under construction		16,765		4,402
Surplus assets not held for sale		6,493		2,181
Total Non-Operational Assets (Property, Plant and Equipment)			23,258	6,583
Total Property, Plant and Equipment			1,907,651	1,952,750
Heritage Assets	13	3,696		3,696
Investment Properties				
Investment Properties	14	98,979		29,714
Intangible Assets	15			
Software		8,880		5,062
Assets under construction				
Long-term Investments				
Non-property investments	16	45,000		45,001
Investments in Associates and Joint Ventures				
Long-term Debtors	16	170,056		54,895
Long-term Assets			2,234,262	2,084,535
Short-term Investments				
Non-property investments excluding cash equivalents	16	30,000		5,000
Assets held for sale (< 1 year)	19	8,328		16,329
Inventories		771		689
Debtors, Payments In Advance (PIA) And Allowance For Doubtful Debt	17	178,972		140,664
Cash and cash equivalents	18	88,701		29,000
Current Assets			306,772	191,682
Bank overdraft	18	(61,651)		(20,311)
Short-term borrowing	16	(225,198)		(107,204)
Short-term creditors and receipts in advance	20	(158,801)		(134,461)
Short-term provision	21	(3,529)		(3,424)
Current Liabilities			(449,179)	(265,400)
Long-term Creditors				
Provisions	21	(13,332)		(11,900)
Long-term borrowing	16	(1,131,916)		(879,776)
Deferred capital creditors		(11,656)		(10,504)
Other non-current liabilities				
Net pensions liability	42	(646,194)		(593,911)
Capital grants receipts in advance	31	(15,743)		(11,959)
Long-term Liabilities			(1,818,841)	(1,508,050)
Net Assets			273,014	502,767
Usable reserves				
General Fund	22.1	10,395		10,395
Housing Revenue Account	22.2	15,271		14,535
Earmarked reserves	8	17,959		18,153
Capital receipts reserve	22.4	32,599		55,422
Capital grants unapplied	22.5	17,677		14,305
Major repairs reserve	HRA 3	-		1,929
			93,901	114,739
Unusable reserves				
Revaluation reserve	23.1	677,685		739,063
Capital adjustment account	23.2	169,364		260,492
Financial Instruments adjustment account	23.3	(32,021)		(1,347)
Pensions reserve	23.4	(657,258)		(616,039)
Deferred capital receipts	23.5	20,826		2,463
Collection Fund adjustment account	23.6	4,483		6,824
Short-term accumulating compensated absences account	23.7	(3,966)		(3,428)
			179,113	388,028
Total Reserves			273,014	502,767

Signed: Lisa Taylor

Director of Finance, Investment & Risk and Interim Section 151 officer

31 May 2019

CASH FLOW STATEMENT

	Note No.	2018/19 £000	2018/19 £000	2017/18 £000	2017/18 £000
OPERATING ACTIVITIES					
The cash flows for operating activities include the following,					
Net surplus or (deficit) on the provision of services	1A & 7		(208,723)		(84,159)
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements					
Depreciation	7,12 &32.2	37,217		34,519	
Impairment and downward valuations	7 & 9	12,168		(45,454)	
Amortisations	7,15 & 23.2	2,077		3,161	
Increase/(decrease) in creditors		25,491		22,280	
(Increase)/decrease in debtors		38,308		(22,266)	
(Increase)/decrease in inventories		(81)		(613)	
Movement in pension liability	1B,7 & 23.4	47,510		47,050	
Carrying amount of non-current assets sold	23.2	122,280		69,581	
Provisions		1,538		598	
Movements in the value of investment properties	7,10,14 & 23.2	355		(5,416)	
Other non-cash movements		(39,664)		389	
			247,199		103,829
Items included/excluded from net surplus or deficit on the provision of services:					
Pension deficit early payment	5			-	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	22.4	(75,071)		(36,407)	
Payment of local taxation to major preceptors				(119,718)	
Any other items for which the cash effects are investing or financing financing cash flows		(15,618)		(22,154)	
			(90,689)		(178,279)
Net cash (inflow)/outflow from operating activities			(52,213)		(158,609)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment, investment property		(231,238)		(64,573)	
Purchase of short-term and long-term investments		(148,775)		(65,774)	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets		75,071		36,407	
Capital grants		9,014		1,915	
Proceeds from short-term and long-term investments		8,618		109,997	
Net cash inflow/(outflow) from investing activities			(287,310)		17,972
FINANCING ACTIVITIES					
Cash receipts from short-term and long-term borrowing		466,000		179,500	
Payment of local taxation to major preceptors				119,718	
Cash payments for the reduction of the outstanding liabilities to finance leases and on-Balance Sheet PFI contracts (Principal)		(2,116)		(1,972)	
Repayments of short-term and long-term borrowing		(106,000)		(138,500)	
Net cash inflow/(outflow) from financing activities			357,884		158,746
Net increase/(decrease) in cash and cash equivalents			18,361		18,109
Cash and cash equivalents at the beginning of the reporting period			8,689		(9,420)
Cash and cash equivalents at the end of the reporting period			27,050		8,689
Cash held	18	34			145
Bank current accounts	18	(61,685)			(20,456)
Short-term deposits with building societies and Money Market Funds	18	88,701			29,000
Cash and cash equivalents as at 31 March			27,050		8,689

Memorandum Items: the cash flows for operating activities include the following items:

Interest Paid	40,201	36,954
Interest and investment property rental income Received	(4,775)	(2,579)

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 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom (the 2018/19 Code), and is issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The 2018/19 Code includes the statutory provisions for the preparation of financial statements and the requirements of existing International Financial Reporting Standards (IFRS) pronouncements, except to the extent that they conflict with statute. Additional guidance within the 2018/19 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 2018/19 Code. Different rules are applied to measure the results for the purpose of setting Council Tax. The accumulated amount of the differences are set out in the Movement in Reserves Statement (MIRS) and explained in the notes to the financial statements.

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

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

Single Entity Financial Statements

The financial statements presented by a parent, an investor in an associate or a venturer in a joint venture (joint arrangement (joint venture) 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 prepared a review of group interests in the companies and other entities that have the nature of subsidiaries. associates and jointly controlled entities during the 2018/19 financial year. It has concluded that there are material interests in subsidiaries, and that Group Accounts will be prepared. Group interests are:

► Brick By Brick Croydon Limited - 100% control and ownership by Croydon Council, and will be accounted for as a subsidiary under IFRS10.

► Croydon Affordable Housing - Croydon holds 1% voting rights for this charity, and does not have control.

► Croydon Affordable Homes LLP - the Council holds 10% voting shares in this company. An assessment of economic control has determined that the Council does not have control of Croydon Affordable Homes LLP.

► Croydon Affordable Tenures LLP - the Council holds 10% voting shares in this company. An assessment of economic control has determined that the Council does not have control of Croydon Affordable Tenures LLP.

► Croydon Affordable Homes (Taberner House) LLP - the Council holds 10% voting shares in this company. The Council does not have control of this entity, which has not yet begun trading.

► Octavo Partnership - the Council has 40% ownership of this Partnership, and would otherwise be accounted for as an associate under IFRS12 were the interest material

► Croydon Enterprise Loan Fund - 100% control, although assessed as non material. It would otherwise be accounted for as an associate under IFRS12.

► Croydon Care Solutions Ltd, Croydon Equipment Solutions Ltd, Daycare Opportunities Ltd - 100% ownership and control by Croydon Council. However, activity within all companies has ceased, following the transfer of and control activity back to the Council. The companies are in the process of being wound up, and activity is not material.

1. ACCOUNTING POLICIES (continued)

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

- Yourcare (Croydon) Ltd - 100% control and ownership by Croydon Council. Activity within this company began during 2018/19, which comprises retail sales of aids to daily living. Activity is not material.

See Note 40 for further details on the Council's Group Interests.

The Selection of Accounting Policies

In those instances where the 2018/19 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 it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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 on 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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

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.

1. ACCOUNTING POLICIES (continued)

The three main instances where this occurs are in relation to Council Tax and Business Rates whereby the Council is collecting Council Tax, Business Rates and Community Infrastructure Levy income on behalf of itself and the Greater London Authority. The implications for this is that any Balance Sheet transactions at the year end, in relation to 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 2018/19 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.

1.4. 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.

1. ACCOUNTING POLICIES (continued)

1.4. NON-CURRENT ASSETS (continued)

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.

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 (i.e. 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 made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are creditied to the Comprehensive Income and Expenditure 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. This includes council offices and school buildings
- ► 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.

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)

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.

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 (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. 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.

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

Following the end of the HRA self financing transitional period, Council dwellings are now depreciated on a componentisation basis, which is in accordance with proper accounting practice. The components are:.

- Kitchen
- Bathroom
- Windows and doors
- Structure
- Roof

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.

1.4.1a. 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 1.21 for further information.

Where a community school transfers to academy status during the year, the value of the land and buildings are derecognised from the balance sheet and treated as a loss on disposal.

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.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. 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.

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

1.4.4. Intangible Assets (continued)

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.

1.4.5. 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

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

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

1.5. CURRENT ASSETS (continued)

1.5.2. Debtors

Debtors are recognised when the ordered goods have been delivered or the services rendered, and are measured at the amortised cost of the consideration to be received. An allowance for doubtful debts is estimated based upon past experience.

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 amortised cost 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 by transferring amounts out of the General Fund Balance. It is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back to the General Fund Balance so that there is no net charge against council tax for the expenditure.

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

1.8. GOVERNMENT GRANTS AND CONTRIBUTIONS (continued)

Community Infrastructure Levy

The authority has elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable developr in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges may be used to fund revenue expenditure.

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

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

1.9. LEASES (continued)

The Council as Lessor (continued)

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).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not 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 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

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 two separate pension schemes:
- ► the Teachers' Pension Scheme,
- ► the Local Government Pensions Scheme, administered by London Borough of Croydon.

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

1.10. EMPLOYEE BENEFITS (continued)

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.

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.

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

1.10. EMPLOYEE BENEFITS (continued)

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.

1.11. 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:
- ► amortised cost
- ► fair value through profit and loss (FVPL)
- ► fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 (CIES) 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 financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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.

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

1.11. FINANCIAL INSTRUMENTS (continued)

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit and Loss (FVPL)

Financial assets that are measured at FVPL 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. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets 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
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.

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.

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 arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably

Contingent liabilities are not recognised in the Balance Sheet, but are disclosed in the notes to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet, but are disclosed in the notes to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

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 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.

1.16. 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 Children, Families and Education Department; Health Wellbeing and Adults Department; Place Department; Gateway, Strategy & Engagement Department; Resources Department and the Housing Revenue Account (HRA)

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

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.

- Annuity 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 2018/19 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.

1.21. SCHOOLS

In line with accounting standards and the Code on group accounts and consolidation, all maintained schools in the Borough are considered to be entities of the Council. Rather than produce group accounts the income, expenditure, current assets, current liabilities, reserves and cash flows of each school are recognised in the Council's single entity accounts. The Council has the following types of maintained schools under its control:

Community schools
Foundation Schools

School Non-Current Assets are recognised on the Balance Sheet where the Council directly owns the assets and where the Council holds the balance of control of the assets. Community schools and foundation schools are owned by the Council and both the buildings and land are, therefore, recognised on the Balance Sheet.

Non-current assets for Voluntary Aided and Academy schools are not directly owned by the Council and are not considered to be controlled by the Council as no formal rights to use the assets through a licence arrangement are passed to the School or Governing Bodies. As a result the buildings and land of these schools are not recognised on the Balance Sheet.

1A. Expenditure Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is unded 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 Authority's directorates. Income expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2018/19	Net Expenditure Chargeable to the GF and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£000	£000	£000
Place	22,792	23,998	46,790
Children, Families & Education	73,408	33,059	106,467
Health,Wellbeing and Adults	107,108	8,068	115,176
Gateway,Strategy and Engagement	29,494	31,372	60,866
Resources	40,701	65,004	105,705
HRA	(23,126)	3,429	(19,697)
Net cost of services	**250,377**	**164,930**	**415,307**
Other operating expenditure	1,342	31,097	32,439
Financing and Investment Income and Expenditure	32,977	19,752	52,729
Taxation and Non-Specific Grant Income	(285,238)	(6,514)	(291,752)
(Surplus)/Deficit	**(542)**	**209,265**	**208,723**
Opening GF and HRA Balances and Reserves	(43,083)		
Add Surplus on General Fund in year	193		
Add Surplus on HRA Balance in year	(736)		
Transfers to/from Earmarked Reserves			
Closing General Fund and HRA balance 31 March 2019	**(43,626)**		

2017/18	Net Expenditure Chargeable to the GF and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£000	£000	£000
Place	31,183	19,788	50,971
Children, Families & Education	69,110	16,252	85,362
Health,Wellbeing and Adults	97,568	5,734	103,302
Gateway,Strategy and Engagement	33,142	4,357	37,499
Resources	18,755	17,223	35,978
HRA	(29,401)	12,142	(17,259)
Net cost of services	**220,357**	**75,496**	**295,853**
Other operating expenditure	1,356	32,730	34,086
Financing and Investment Income and Expenditure	68,714	(23,426)	45,288
Taxation and Non-Specific Grant Income	(276,804)	(14,265)	(291,069)
(Surplus)/Deficit	**13,623**	**70,535**	**84,158**
Opening GF and HRA Balances and Reserves	(56,708)		
Add Surplus on General Fund in year	332		
Add Surplus on HRA Balance in year	(1,980)		
Transfers to/from Earmarked Reserves	15,273		
Closing General Fund and HRA balance 31 March 2018	**(43,083)**		

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.

2018/19	**Adjustments for capital purposes**	**Net change for the pensions adjustments**	**Other differences**	**Total adjustments between funding and accounting basis**
	£000	**£000**	**£000**	**£000**
Place	18,456	5,527	15	23,998
Children, Families & Education	24,813	7,792	454	33,059
Health,Wellbeing and Adults	2,113	5,916	38	8,067
Gateway,Strategy and Engagement	29,557	1,794	21	31,372
Resources	57,368	7,630	6	65,004
HRA	992	2,434	2	3,428
				0
Net cost of services	**133,299**	**31,093**	**536**	**164,928**
Other Income and Expenditure	31,097			31,097
Other operating expenditure	3,335	16,417	0	19,752
Financing and Investment Income and Expenditur	(8,854)		2,341	(6,513)
Taxation and non-specific grant income				0
Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit	**158,877**	**47,510**	**2,877**	**209,264**

2017/18	**Adjustments for capital purposes**	**Net change for the pensions adjustments**	**Other differences**	**Total adjustments between funding and accounting basis**
	£000	**£000**	**£000**	**£000**
Place	13,688	6,109	(8)	19,789
Children, Families & Education	8,218	8,316	(281)	16,253
Health,Wellbeing and Adults	580	5,162	(8)	5,734
Gateway,Strategy and Engagement	2,635	1,710	12	4,357
Resources	9,492	7,781	(49)	17,224
HRA	9,403	2,745	(8)	12,140
Net cost of services	**44,016**	**31,823**	**(342)**	**75,497**
Other Income and Expenditure				
Other operating expenditure	32,730	-	-	32,730
Financing and Investment Income and Expenditur	(38,469)	15,228	(185)	(23,426)
Taxation and non-specific grant income	(14,731)	-	465	(14,266)
Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit	**23,546**	**47,051**	**(62)**	**70,535**

Adjustments for Capital purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service line. For other operating expenditure, it adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets. For financing and investment income and expenditure, it adjusts for the statutory charges for capital financing and investment i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure a: these are not chargeable under income and expenditure. Taxation and non specific grant income and expenditure - capital grants, with no outstanding conditions are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions wer satisifed in year.

Net change for the pensions adjustments

Net change for the renewal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income. For services, this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs. For financing and investment income and expenditure, the net interest on the defined benefit liability is charged to the CIES.

1B Note to the Expenditure and Funding Analysis (continued)

Other differences

Other differences between amounts debited / credited to the CIES and amounts payable / receivable to be recognised under statute. For services, this represents removal of the annual leave accrual adjustment. For financing and investment income and expenditure the other differences column recognises adjustments to General Fund for the timing differences for premiums and discounts and financial instruments.The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable regulations under statutory for Council Tax and Non-Domestic Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference, as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

1C Expenditure and Income Analysed by Nature

	2018/19	2017/18
Expenditure	**£000**	£000
Employee benefits expenses	369,284	345,289
Other service expenses	980,854	973,897
Depreciation amortisation and impairment	51,461	-45,454
Loss on disposal of non-current assets	29,083	30,715
Interest payments	40,819	37,601
Precepts and Levies	1,344	1,356
Total	1,472,845	1,343,404
Income		
Fees and charges and other service income	(417,950)	(387,480)
Income from Council tax and Business Rates	(255,441)	(225,505)
Government grants and contributions	(586,312)	(638,574)
Interest and investment income	(4,419)	(7,687)
Total	**(1,264,122)**	(1,259,246)
Deficit on provision of services	**208,723**	**84,158**

Segmental Income

Income received on a segmental basis is analysed below:

	2018/19	2017/18
	£000	£000
Place	(68,631)	(70,581)
Children, Families & Education	(369,743)	(246,273)
Health,Wellbeing and Adults	(82,521)	(77,486)
Gateway,Strategy and Engagement	(42,042)	(38,087)
Resources	(315,046)	(305,912)
HRA	(91,561)	(92,396)
Total Income Analysed on a segmental basis	(969,544)	(830,735)

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 following new or amended standards have been published but not yet adopted by the 2018/19 code:

- **IFRS 16 Leases** - this will require local authorities that are lessees to recognise most leases on their balance sheet as
- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

These changes are not expected to have a material impact on the Council's single entity statements or group statements.

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).

Croydon Affordable Housing - long term lease of properties

During 2018/19, the Council entered into an 80 year lease with Croydon Affordable Tenures LLP regarding 167 properties owne by the Council. The Council's judgement is that this lease resulted in the transfer of control of these properties to Croydon Affordable Housing.

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	**35**	306,736
Voluntary aided Faith Schools	**16**	0

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 2019 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 2019:

	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	10%	166,589
0.5% increase in the Salary Increase Rate	1%	16,046
0.5% increase in the Pension Increase Rate	9%	148,351

Property, Plant and Equipment and Investment Properties
Property, Plant and Equipment and Investment Properties 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.

Revaluations of property, plant and equipment and investment properties were provided by the Council's external valuers as part of the five year rolling programme. The remaining balance of operational properties was also reviewed to ensure values reflect current values. All valuations were as at 31 March 2019. Further details on revaluation methods can be found in Accounting Policies 1.4.1 (Property, Plant and Equipment) and 1.4.3 (Investment Properties)

Estimated values may vary from the actual prices that could be achieved if an asset was disposed at the reporting date.

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 Comprehensive Income and Expenditure Statement. For the purposes of this note, materiality is set at £15m.

Schools converting to academies
During 2018/19 five schools transferred from London Borough of Croydon ownership to academies owned by private organisations, These schools were transferred as finance leases and as a result their net book value of £53.61m has been de-recognised from property, plant and equipment.
This has resulted in a deficit of £53.61m in the Comprehensive 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 Early Payment
During 2016/17 the Council took the decision to make an early payment of £33.192m towards the LGPS pension deficit. By making an early payment to the pension fund, revenue savings will be achieved by the council over the three year valuation period, reducing the deficit contribution amount required from the Council over this period.

This early 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 to the Council's other comprehensive income & expenditure account to the unusable reserve will still be made over the three year valuation period (2017/18, 2018/19 and 2019/20).

Because the payment of liability was made ahead of the charge being made to the other comprehensive income & expenditure account, a difference is therefore created between these two pension items, which is represented by a reduction in the council's cash.
This difference has reduced by a further £11.064m in 2018/19, and will be reduced to £nil by 31 March 2020.

	2018/19 £'000
Pension Liability	(646,194)
Pension Reserve	(657,258)
Difference - reduction in cash	**11,064**

Flexible Capital Receipts
The Secretary of State for Housing, Communities & Local government issued guidance in March 2016, giving local authorities greater freedoms with how capital receipts can be used to finance expenditure

This Direction allows for the following expenditure to be treated as capital:
"expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners."

The Council reviewed the Flexible Use of Capital Receipts guidance in its 2018/19 budget report, and recommended that full use of this flexibility is fully adopted, and that capital receipts are used to fund expenditure that generates an ongoing saving.
These schemes to be funded are encapsulated within the Efficiency Strategy and are forecast to generate on-going revenue savings through reducing costs of service delivery.

During 2018/19, the Council progressed its efficiency strategy and delivered projects totalling £29.3m , which has been capitalised, and financed from flexible capital receipts. Further information can be found in the Narrative Statement section of this document.

Refinancing of Long Term Debt
The Council holds a range of long term debt instruments including Lender Option Borrower Offer (LOBO) loans. The opportunity arose to re-finance this debt at a lower rate of interest. LOBO loans to the value of £100m were repaid, incurring a premium of £31.1m. Becaus the premium is lower than the interest cost saving, the premium will not be charged to the general fund in 2018/19; but will be held as an unusable reserve and charged to the general fund over the term of the loans (between 41 and 48 years). See note 23.3 for further details.

Acquisition and sale of Emergency Temporary Accommodation (ETA) Properties
Continued delivery of the Council's affordable housing strategy saw the purchase of houses during 2018/19. 167 of these properties were leased to Croydon Affordable Tenures LLP on 80 year lease terms, yielding a premium of £58.8m. Legislation requires the Council to recognise this sum as a capital receipt. The remaining houses, along with further purchases in 2019/20 will be leased during 2019/20.

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Director of Finance, Investment & Risk and Interim Section 151 officer on 31 May 2019. There were no events affecting the 2018/19 accounts that occurred between 1 April and the date of signing the draft accounts.

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

2018/19	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 2018	**10,393**	**14,535**	**18,153**	**55,423**	**14,307**	**1,928**	**114,739**
Movement in reserves during 2018-19	0	0	0	0	0	0	0
Surplus or deficit on the provision of services	(220,671)	11,948	0	0	0	0	(208,723)
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	**(220,671)**	**11,948**	**0**	**0**	**0**	**0**	**(208,723)**
Adjustments between accounting basis and funding basis							
Depreciation	24,426	0	0	0	0	12,791	37,217
Impairment and revaluation gains and losses chargeable to CI&E	12,035	133	0	0	0	0	12,168
Amortisation of intangible assets	2,034	43	0	0	0	0	2,077
Movements in the fair value of investment properties	356	0	0	0	0	0	356
Capital grants and contributions	(11,491)	0		0	92	0	(11,399)
Revenue expenditure funded from capital under statute	96,450	816	0	0	0	0	97,266
Net gain / loss on sale of non-current assets	34,711	(5,628)	0	74,834	0	0	103,917
Amount by which finance costs charged to the CI&E are different from finance costs chargable in the year in accordance with statutory requirements	30,773	(98)	0	0	0	0	30,675
Reversal of items relating to retirement benefits debited or credited to the Expenditure Statement	43,790	3,720	0	0	0	0	47,510
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	2,341	0	0	0	0	0	2,341
Revaluation of investment property, transferred between reserves							
Business Rate Supplement Revenue Account	0	0	0	0	0	0	0
Statutory provision for the repayment of debt	(8,941)	0	0	0	0	0	(8,941)
Capital expenditure charged to General Fund and HRA balances		(10,199)	0	0	0	0	(10,199)
Transfers in respect of Community Infrastructure Levy receipts	(8,555)	0	0	0	3,280	0	(5,275)
Transfer from Capital Receipts Reserve to Housing Capital Receipts Pool	2,013	0	0	(2,013)	0	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	0	0	(14,720)	(14,720)
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(95,645)	0	0	(95,645)
Compensated absences	535	2	0	0	0	0	537
Total Adjustments between accounting basis and funding basis under regulations	220,477	(11,211)	0	(22,824)	3,372	(1,929)	187,885
2018-19 Net Increase / Decrease before Transfers to / from Earmarked Reserves	(194)	737	0	(22,824)	3,372	(1,929)	(20,838)
Transfers to / from Earmarked Reserves	1,519	0	(1,519)	0	0	0	0
Other movements in reserves	(1,325)	0	1,325	0	0	0	0
Net Increase / (decrease) in reserves for the year	0	737	(194)	(22,824)	3,372	(1,929)	(20,838)
Balances c/f at 31 March 2019	**10,393**	**15,272**	**17,959**	**32,599**	**17,679**	**(1)**	**93,901**

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

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
739,064	260,491	(1,346)	(616,039)	2,463	6,824	(3,429)	388,028	481,929
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	(208,723)
0	0	0	0	0	0	0	0	0
(27,321)	0	0	0	0	0	0	(27,321)	(27,321)
0	0	0	0	0	0	0	0	0
0	0	0	6,291	0	0	0	6,291	6,291
(27,321)	0	0	6,291	0	0	0	(21,030)	(21,030)
(27,321)	0	0	6,291	0	0	0	(21,030)	(229,753)
(8,676)	(28,540)	0	0	0	0	0	(37,216)	1
0	(12,168)	0	0	0	0	0	(12,168)	0
	(2,077)	0	0	0	0	0	(2,077)	0
0	(356)	0	0	0	0	0	(356)	0
	11,400	0	0	0	0	0	11,400	1
0	(97,266)	0	0	0	0	0	(97,266)	0
(24,743)	(97,537)	0	0	18,363	0	0	(103,917)	0
0	0	(30,675)	0	0	0	0	(30,675)	0
0	0	0	(47,510)	0	0	0	(47,510)	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	(2,341)	0	(2,341)	0
(637)	637						0	0
0	0	0	0	0	0	0	0	0
0	8,941	0	0	0	0	0	8,941	0
0	10,199	0	0	0	0	0	10,199	0
0	5,275	0	0	0	0	0	5,275	0
0	0	0	0	0	0	0	0	0
0	14,720	0	0	0	0	0	14,720	0
0	95,645	0	0	0	0	0	95,645	0
0	0	0	0	0	0	(537)	(537)	0
(34,056)	(91,127)	(30,675)	(47,510)	18,363	(2,341)	(537)	(187,883)	2
								0
(61,377)	(91,127)	(30,675)	(41,219)	18,363	(2,341)	(537)	(208,913)	(229,751)
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
(61,377)	(91,127)	(30,675)	(41,219)	18,363	(2,341)	(537)	(208,913)	(229,751)
677,687	169,364	(32,021)	(657,258)	20,826	4,483	(3,966)	179,115	273,016

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

2017/18	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 2017	**10,727**	**12,555**	**33,426**	**45,999**	**10,828**	**1,290**	**114,825**
Movement in reserves during 2017-18	0	0	0	0	0	0	0
Surplus or deficit on the provision of services	(96,386)	12,227	0	0	0	0	(84,159)
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	**(96,386)**	**12,227**	**0**	**0**	**0**	**0**	**(84,159)**
Adjustments between accounting basis and funding basis							
Depreciation	22,876	0	0	0	0	11,643	34,519
Impairment and revaluation gains and losses chargeable to CI&E	(45,454)	0	0	0	0	0	(45,454)
Amortisation of intangible assets	3,125	36	0	0	0	0	3,161
Movements in the fair value of investment properties	(5,416)	0	0	0	0	0	(5,416)
Capital grants and contributions	(23,685)	(236)		0	(294)	0	(24,215)
Revenue expenditure funded from capital under statute	63,178	9,369	0	0	0	0	72,547
Net gain / loss on sale of non-current assets	38,946	(8,230)	0	36,407	0	0	67,123
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)	(99)	0	0	0	0	(185)
Reversal of items relating to retirement benefits debited or credited to the Expenditure Statement	61,193	5,778	0	0	0	0	66,971
Employer's pensions contributions and direct payments to pensioners payable in the year	(18,202)	(1,719)	0	0	0	0	(19,921)
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	465	0	0	0	0	0	465
Business Rate Supplement Revenue Account	0	0	0	0	0	0	0
Statutory provision for the repayment of debt	(7,996)	0	0	0	0	0	(7,996)
Capital expenditure charged to General Fund and HRA balances		(15,138)	0	0	0	0	(15,138)
Transfers in respect of Community Infrastructure Levy receipts	(9,843)	0	0	0	3,773	0	(6,070)
Transfer from Capital Receipts Reserve to Housing Capital Receipts Pool	2,014	0	0	(2,014)	0	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	0	0	(11,005)	(11,005)
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(24,969)	0	0	(24,969)
Compensated absences	(336)	(8)	0	0	0	0	(344)
Total Adjustments between accounting basis and funding basis under regulations	80,779	(10,247)	0	9,424	3,479	638	84,073
2017-18 Net Increase / Decrease before Transfers to / from Earmarked Reserves	(15,607)	1,980	0	9,424	3,479	638	(86)
Transfers to / from Earmarked Reserves	14,376	0	(14,376)	0	0	0	0
Other movements in reserves	897	0	(897)	0	0	0	0
Net Increase / (decrease) in reserves for the year	(334)	1,980	(15,273)	9,424	3,479	638	(86)
Balances c/f at 31 March 2018	**10,393**	**14,535**	**18,153**	**55,423**	**14,307**	**1,928**	**114,739**

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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
627,439	**258,732**	**(1,531)**	**(594,252)**	**4**	**7,289**	**(3,772)**	**293,909**	**408,734**
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	**(208,723)**
0	0	0	0	0	0	0	0	0
152,930	0	0	0	0	0	0	152,930	**152,930**
0	0	0	0	0	0	0	0	0
0	0	0	25,263	0	0	0	25,263	**25,263**
152,930	0	0	25,263	0	0	0	178,193	178,193
152,930	**0**	**0**	**25,263**	**0**	**0**	**0**	**178,193**	(30,530)
(5,273)	(29,246)	0	0	0	0	0	(34,519)	**2,698**
0	45,454	0	0	0	0	0	45,454	**57,622**
	(3,161)	0	0	0	0	0	(3,161)	**(1,084)**
0	5,416	0	0	0	0	0	5,416	**5,772**
	24,215	0	0	0	0	0	24,215	**12,816**
0	(72,547)	0	0	0	0	0	(72,547)	**24,719**
(36,032)	(33,550)	0	0	2,459	0	0	(67,123)	**36,794**
0	0	185	0	0	0	0	185	**30,860**
0	0	0	(66,971)	0	0	0	(66,971)	**(19,461)**
0	0	0	19,921	0	0	0	19,921	**19,921**
0	0	0	0	0	(465)	0	(465)	**1,876**
0	0	0	0	0	0	0	0	**0**
0	7,996	0	0	0	0	0	7,996	**(945)**
0	15,138	0	0	0	0	0	15,138	**4,939**
0	6,070	0	0	0	0	0	6,070	**795**
0	0	0	0	0	0	0	0	**0**
0	11,005	0	0	0	0	0	11,005	**(3,715)**
0	24,969	0	0	0	0	0	24,969	**(70,676)**
0	0	0	0	0	0	343	343	**880**
(41,305)	1,759	185	(47,050)	2,459	(465)	343	(84,074)	103,811
								0
111,625	1,759	185	(21,787)	2,459	(465)	343	94,119	73,281
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
111,625	1,759	185	(21,787)	2,459	(465)	343	94,119	73,281
739,064	**260,491**	**(1,346)**	**(616,039)**	**2,463**	**6,824**	**(3,429)**	**388,028**	481,929

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 2018/19.

	Balance at 1 April 2017 £000	Movement In 2017/18 £000	Balance at 31 March 2018 £000	Movement In 2018/19 £000	Balance at 31 March 2019 £000
General Fund - Non Schools					
Growth Zone	7,000	0	7,000	2,512	9,512
Revolving Investment Fund Reserve	918	2,281	3,199	(302)	2,897
Selective Licensing	4,554	(1,671)	2,883	(1,166)	1,717
Other Reserves under £0.5m	17,649	(10,285)	7,364	(1,797)	5,567
Sub-total Non Schools	30,121	(9,675)	20,446	(753)	19,693
Draw Down of Reserves budgeted to be replaced on 1 April	0	(4,700)	(4,700)	(766)	(5,466)
General Fund - Schools:					
Balances held by schools under a scheme of delegation	3,305	(898)	2,407	1,325	3,732
Total Earmarked Reserves	33,426	(15,273)	18,153	(194)	17,959

	Balance at 1 April 2017 £000	Movement In 2017/18 £000	Balance at 31 March 2018 £000	Movement In 2018/19 £000	Balance at 31 March 2019 £000
HRA:					
New Build Housing	9,420	1,980	11,400	(1,980)	9,420
Major Repairs Reserve	1,290	639	1,929	(1,929)	0
Contingency Reserve	3,135	0	3,135	2,716	5,851
Total	13,845	2,619	16,464	(1,193)	15,271

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:

Growth Zone Reserve (£9.5m)
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. 2018/19 saw the first tranche of retained business rates added to this reserve.

Draw down of reserves (£-5.4m)
The Council has budgeted to add £5.4m of funds to its earmarked reserves in the financial year commencing 1 April 2019. This enabled the council to release an equivalent sum in the 2018/19 financial year, which be replaced when the new financial year commences.

Revolving Investment Fund Reserve (£2.897m)
The Revolving Investment Fund is set aside to fund the up-front costs of the schemes within the investment fund.

Selective Licensing (£1.717m)
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. 2018/19 is year four of five.

School Balances (£3.732m)
School balances have increased by £1.325m to £3.732m. The number of schools have added sums to their reserves during this financial year. There are eight schools with a revenue deficit. Action plans are agreed with schools in deficit to ensure that they return to a balanced position.

Other Reserves (£5.567m)
This includes other reserves with a balance of less than £0.500m as at 31st March 2019.

9. OTHER OPERATING EXPENDITURE

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

	2018/19 £000	2017/18 £000
Levies	1,343	1,356
Payments of Housing capital receipts to Government pool	2,013	2,013
(Gain)/loss on disposal of non-current assets	29,083	30,716
Total	32,439	34,085

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.

	2018/19 £000	2017/18 £000
Interest payable and similar charges	40,201	37,376
Interest receivable and similar income	(4,775)	(2,271)
Premium on early repayment of debt	618	225
Changes in fair value of investment properties	355	(5,415)
Interest Cost on defined benefit obligation	41,055	38,763
Expected Return on Pension Assets	(24,638)	(23,535)
(Surplus) / deficit on trading undertakings	(87)	145
Total	52,729	45,288

11. TAXATION AND NON-SPECIFIC GRANT INCOME

	2018/19 £000	2017/18 £000
Credited to Taxation and Non-Specific Grant Income		
Recognised Capital Grants and Contributions	(8,854)	(14,967)
Council Tax Income	(171,813)	(160,200)
National Non-Domestic Rates (NNDR)	(83,628)	(65,306)
Revenue Support Grant	0	(32,578)
Non-service Related Government Grants (see Note 31)	(27,457)	(18,018)
Taxation and Non-Specific Grants	(291,752)	(291,069)

12. PROPERTY, PLANT AND EQUIPMENT

2018/19	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 2018	989,648	799,247	3,406	142,336	4,947	2,181	4,402	1,946,167	111,232
Gross Book Value at 1 April 2018	989,648	802,269	4,013	202,404	8,946	2,181	4,402	2,013,863	116,975
Additions	29,256	82,993	9,943	11,885	20	0	12,363	146,460	-
Revaluation increase/(decrease) recognised in the Revaluation Reserve	(58,320)	12,767	0	0	0	(398)	0	(45,951)	2,433
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	0	(22,799)	0	0	0	(44)	0	(22,843)	(971)
Derecognition - Disposals	(6,194)	(52,328)	0	0	0	0	0	(58,522)	0
Derecognition - Other	(349)	(54,442)	0	0	0	0	0	(54,791)	0
Assets reclassified (to)/from held for sale	0	(733)	0	0	0	0	0	(733)	0
Transfers/Reclassifications	0	2,030	0	0	0	4,810	0	6,840	0
Other Movements in cost or valuation	0	0	0	0	0	0	0	0	0
Gross book value 31 March 2019	954,041	769,757	13,956	214,289	8,966	6,549	16,765	1,984,323	118,437
Accumulated Depreciation and Impairment at 1 April 2018	0	3,022	607	60,068	3,999	0	0	67,696	5,743
Depreciation for year	12,327	16,752	1,094	6,379	642	22	0	37,216	4,128
Depreciation written out to the Revaluation reserve	(12,327)	(6,294)	0	0	0	(10)	0	(18,631)	(829)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(8,564)	0	0	0	(44)	0	(8,608)	(1,294)
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	0	(173)	-	0	0	0	0	(173)	0
Derecognition - Other	0	(830)	0	0	0	0	0	(830)	0
Transfers/Reclassifications	0	(88)	0	0	0	88	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0	0
Accumulated Depreciation and Impairment 31 March 2019	0	3,825	1,701	66,447	4,641	56	0	76,670	7,748
Net book value 31 March 2019	954,041	765,932	12,255	147,842	4,325	6,493	16,765	1,907,653	110,689

12. PROPERTY, PLANT AND EQUIPMENT

2017/18	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 2017	907,057	710,716	2,193	141,717	5,205	19,947	1,101	1,787,936	93,404
Gross Book Value at 1 April 2017	907,057	712,892	2,350	192,367	8,591	20,060	1,101	1,844,418	97,143
Additions	23,484	22,778	1,663	10,037	355	2,324	3,631	64,272	-
Revaluation increase/(decrease) recognised in the Revaluation Reserve	65,165	68,158	0	0	0	435	0	133,758	17,073
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	0	49,497	0	0	0	(7,586)	0	41,911	2,759
Derecognition - Disposals	(6,058)	(28,677)	0	0	0	(4,245)	0	(38,980)	0
Derecognition - Other	0	(24,679)	0	0	0	0	0	(24,679)	0
Assets reclassified (to)/from held for sale	0	(585)	0	0	0	(6,452)	0	(7,037)	0
Transfers/Reclassifications	0	2,885	0	0	0	(2,355)	(330)	200	0
Other Movements in cost or valuation	0	0	0	0	0	0	0	0	0
Gross book value 31 March 2018	989,648	802,269	4,013	202,404	8,946	2,181	4,402	2,013,863	116,975
Accumulated Depreciation and Impairment at 1 April 2017	0	2,176	157	50,649	3,386	112	0	56,480	3,739
Depreciation for year	11,270	12,711	450	9,419	613	57	0	34,520	3,502
Depreciation written out to the Revaluation reserve	(11,270)	(7,270)	0	0	0	(173)	0	(18,713)	(1,498)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(3,665)	0	0	0	0	0	(3,665)	0
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	(723)	-	0	0	0	0	(723)	0
Derecognition - Other	0	(203)	0	0	0	0	0	(203)	0
Transfers/Reclassifications	0	(4)	0	0	0	4	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0	0
Accumulated Depreciation and Impairment 31 March 2018	0	3,022	607	60,068	3,999	0	0	67,696	5,743
Net book value 31 March 2018	989,648	799,247	3,406	142,336	4,947	2,181	4,402	1,946,167	111,232

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.

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 Wilks Head & Eve. .Additionally, an internal annual review was undertaken to determine if there were any material changes to Property Plant and Equipment as at 31 March 2019 for assets not revalued in 2018/19.

Using the valuation data from the rolling programme, as well as additional specific external revaluations obtained during

12. PROPERTY, PLANT AND EQUIPMENT (continued)

2018-19 the internal review identified there had been a material increase in the value of Land and Buildings. Consequently, the Council's internal valuations team and Wilks Head & Eve 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 2019.

The valuations of Council dwellings were undertaken externally by Wilks Head & Eve as at 31 March 2019.
These valuations were carried out in accordance with the methodologies and bases for estimatation 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 MHCLG

The significant assumptions applied in estimating the current values are:

- ► There are no onerous conditions or restrictions which might affect the valuations
- ► Operational assets are valued using Depreciated Replacement Cost (DRC) for specialised properties, or Existing Use Value (EUV) for other proprties
- ► Non operational properties are valued using fair value (FV)
- ► The external valuer uses a single, average rate to value land across the borough.

	Council Dwellings	Other Land & Buildings	Vehicles & Plant	Infrastructure	Community	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost		327	12,255	147,842	4,325		16,765	181,514
Valued at current value as at:								
31/03/2019	954,041	671,271				6,493		1,631,805
31/03/2018		24,096						24,096
31/03/2017		47,711						47,711
31/03/2016		17,706						17,706
31/03/2015		4,821						4,821
Total cost or valuation (NBV)	954,041	765,932	12,255	147,842	4,325	6,493	16,765	1,907,653

Other Land and Buildings are carried at historical cost relates to a property purchased during 2018-19

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 Wilks Head & Eve.

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.

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

12. PROPERTY, PLANT AND EQUIPMENT (continued)

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 2019. 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 2019 Total £000
Surplus Assets	0	6,493	0	6,493
Investment Properties	0	98,979	0	98,979
Assets held for Sale	0	8,328	0	8,328
Total non-financial assets held at Fair Value	**0**	**113,800**	**0**	**113,800**

	Level 1 £000	Level 2 £000	Level 3 £000	31 March 2018 Total £000
Surplus Assets	0	2,181	0	2,181
Investment Properties	0	29,714	0	29,714
Assets held for Sale	0	16,329	0	16,329
Total non-financial assets held at Fair Value	**0**	**48,224**	**0**	**48,224**

CAPITAL COMMITMENTS

Capital schemes with significant contractual commitments for future capital expenditure in 2019/20:

Department	**Capital Scheme**	**Estimated Total Cost**	
		2018-19 £000	**2017-18 £000**
Childrens, Families and Education	Special Educational Needs Capital Programme	24,534	19,150
	Primary Capital Programme		18,777
	Academies Programme		1,360
Place	New Addington Regeneration	5,796	24,586
	Other Public Realm and infrastructure	10,559	21,793
	College Green		-
	Growth Zone Programme	8,000	4,000
	Waste Programme		9,766
Gateway, Strategy and Engagement	Affordable Housing LLP	7,273	30,090
Resources	ICT equipment and technical refresh	12,961	14,955
	Asset Strategy Programme	45,000	4,150
	Total Cost	**114,123**	**148,627**

14. INVESTMENT PROPERTIES

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 income 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.

Investment property is measured at fair value. Valuation techniques and inputs into calculating the fair value of investment properties can be found in Note 12, Page 53. The following table summarises the movement in the fair value of investment properties over the year:

	2018/19 Total £000	2017/18 Total £000
Balance at start of the year	29,714	24,498
Acquisitions	75,631	
Net gains/losses from fair value adjustments	(356)	5,416
Transfers:		
to/from Property, Plant and Equipment	(6,840)	(200)
from assets held for sale	830	
Other changes		0
Balance at end of the year	98,979	29,714

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:

	2018/19 Intangible Assets £000	2017/18 Intangible Assets £000
Balance at start of year:		
Gross carrying amounts	20,336	18,499
Accumulated amortisation	(15,274)	(13,168)
Net carrying amount at start of year	5,062	5,331
Additions:		
Purchases	5,895	2,892
Amortisation for the period	(2,077)	(3,161)
Other changes - cost	0	(1,055)
Other changes - amortisation	0	1,055
Net carrying amount at end of year	8,880	5,062
Comprising:		
Gross carrying amounts	26,231	20,336
Accumulated amortisation	(17,351)	(15,274)
	8,880	5,062

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

16. FINANCIAL INSTRUMENTS

The following categories of financial instrument (investments, lending and borrowing) are carried in the Balance Sheet:

FINANCIAL INSTRUMENTS BALANCES

	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 Restated £000
Financial Liabilities	Non-Current	Non-Current	Current	Current
Borrowings				
Financial liabilities at amortised cost	1,055,316	801,060	223,507	105,514
Service concessions and finance lease liabilities	76,600	78,716	1,691	1,690
Total borrowings	1,131,916	879,776	225,198	107,204
Creditors				
Financial liabilities at amortised cost	0	0	120,262	93,777
Creditors that are not a financial instrument	0	0	38,539	40,684
Total Creditors	0	0	158,801	134,461

Financial Assets

Financial Assets at Amortised Cost	Non-Current		Current	
Investments			30,000	5,000
Loans and Receivables	169,976	54,895		
Debtors			161,918	135,714
Cash and cash equivalents			88,701	29,000
Fair value through profit and loss				
Investments	45,000	45,001		
Debtors				
Debtors that are not financial instruments			17,054	4,950
Total Financial Assets	214,976	99,896	267,673	169,664

Financial Instruments Designated at Fair Value through Profit or Loss

Croydon Council holds £45m shares in a property fund, principially to secure service savings in relation to temporary accomodation. As this instrument in not structured to repay principal and interest, it is necessary to hold it at Fair Value.

Notes

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

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

3. Total PFI and finance lease liabilities has decreased to £78.290m in 2018/19 (£80.406m in 2017/18)

16. FINANCIAL INSTRUMENTS (continued)

Income, Expense, Gains and Losses

	2018/19 Surplus or Deficit on the Provision of Services £'000	2018/19 Other Comprehensive Income and Expenditure £'000	2017/18 Surplus or Deficit on the Provision of Services £'000	2017/18 Other Comprehensive Income and Expenditure £'000
Net gains/losses on:				
Financial assets measured at FVPL	0		0	
Financial assets measured at amortised cost	0		0	
Investments in equity instruments designated FVOCI		0		0
Financial assets measured at FVOCI		0		0
Financial liabilities measured at FVPL	0		0	
Financial liabilities measured at amortised cost	0		0	
Total net gains/losses	0	0	0	0
Interest revenue:				
Financial assets measured at amortised cost	(4,775)		(2,271)	
Other financial assets measured at FVOCI	(890)		(890)	
Total interest revenue	**(5,665)**	-	**(3,161)**	-
Interest expense	**40,201**		**2,271**	
Fee income				
Financial assets or financial liabilities that are not at fair value through profit or loss	0		0	
Trust and other fiduciary activities	0		0	
Total fee income	0	-	0	-
Fee expense				
Financial assets or financial liabilities that are not at fair value through profit or loss	618		225	
Trust and other fiduciary activities				
Total fee expense	618	-	225	-

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The fair value of each class financial assets and liabilities which are carried in the Balance Sheet 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, Link Asset Services (UK) Ltd, 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.

16. FINANCIAL INSTRUMENTS (continued)

The fair values are calculated as follows:

FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	Fair Value Hierarchy	31 March 2019 Carrying Amount £000	31 March 2019 Fair Value £000	31 March 2018 Carrying Amount £000	31 March 2018 Fair Value £000
PWLB - maturity	level 2	857,926	1,258,823	683,926	837,490
Lender Option Borrower Options (LOBOs)	level 2	39,500	65,184	139,500	205,160
Stock issues	level 1	315	318	315	318
Bank overdraft	level 2	61,651	61,651	20,311	20,311
Private Finance Initiative (PFI) Liability	level 2	76,600	60,731	78,320	69,922
Non-current creditors	-	0	0	0	0
Financial Liabilities		1,035,992	1,446,707	922,372	1,133,201

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.The Fair value of the PFI liability is lower as the discount rate used is lower then the implicit rate used in the PFI models

FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	Fair Value Hierarchy	31 March 2019 Carrying Amount £000	31 March 2019 Fair Value £000	31 March 2018 Carrying Amount £000	31 March 2018 Fair Value £000
Cash				0	0
Money Market Loans	level 1	88,701	88,701	29,000	29,000
Deposits with banks and other Local Authorities	level 1	30,000	30,000	5,000	5,000
Long-term debtors	level 2	169,976	192,769	54,895	54,895
Financial Assets		288,677	311,470	88,895	88,895

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.

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.

16. FINANCIAL INSTRUMENTS (continued)

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 2019.

	Level 1 £000	Level 2 £000	Level 3 £000	31 March 2019 Total £000
Financial Assets				
Investments and cash and cash equivalents	118,701	0	0	118,701
Long Term debtors	0	192,769	0	192,769
Total Financial Assets	**118,701**	**192,769**	**0**	**311,470**
Financial Liabilities				
PWLB Loans	0	1,258,823	0	1,258,823
LOBO Loans	0	65,184	0	65,184
Long term creditors	0	122,700	0	122,700
Total Financial Liabilities	**-**	**1,446,707**	**0**	**1,446,707**

There were no transfers between Level 1 and Level 2 in 2018/19.

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 Interim 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 team at least every year, in line with the Council's reporting date.

The valuation techniques used for material instruments categorised in Levels 2 and 3 are described below:

PWLB and LOBO Loans (Level 2)

The Council's treasury management advisors, Capita Asset Services (UK) Ltd, 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. Link Asset Services (UK) Ltd have calculated 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.

Reconciliation of liabilities arising from financing activities

2018-19

	01 April 2018 £'000	Financing cash flows £'000	Acquistions £'000	Other non-cash changes £'000	31 March 2019 £'000
Long-term borrowings	801,060	330,856			1,131,916
Short-term borrowings	105,514	117,993			223,507
Lease and PFI liabilities	80,406	(2,115)			78,291
Total liabilities from financing activiti	**986,980**	**446,734**	**0**	**0**	**1,433,714**

17. DEBTORS

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

	2018/19 £000	2017/18 £000
Trade receivables	161,918	135,724
Prepayments	9,187	9,034
Other receivable amounts	7,867	(4,094)
Total	178,972	140,664

The aged debt status of debt arising from local taxation is not judged to be material.

18. CASH AND CASH EQUIVALENTS

	2018/19 £000	2017/18 £000
Cash held	34	145
Bank current accounts	(61,685)	(20,456)
Short-term deposits with building societies and Money Market Funds	88,701	29,000
Total	27,050	8,689

19. ASSETS HELD FOR SALE

	2018/19 £000	2017/18 £000
Balance at start of the year	16,329	16,261
Revaluation decrease recognised in the Surplus/Defict	(133)	(122)
Reversal of loss recognised in the Surplus / Deficit	2,200	0
Assets Sold	(9,971)	(6,847)
Transfers to investment properties	(830)	0
Transfers from / (to) Property, Plant and Equipment	733	7,037
Balance outstanding at year end	8,328	16,329

20. CREDITORS AND RECEIPTS IN ADVANCE (RIA)

	2018/19 £000	2017/18 £000
Trade payables	136,543	110,317
Other payables	22,258	24,144
Total	158,801	134,461

21. PROVISIONS

	Insurance £000	HRA Water £000	NNDR Appeals £000	Other Provisions £000	Total £000
Balance at 1 April 2018	4,850	3,030	5,100	2,344	15,324
Amounts used in 2018/19	(1,151)	0	(2,722)	0	(3,873)
Additional provisions made in 2018/19	1,151	0	5,271	161	6,583
Provisions released in 2018/19	0	0	0	(1,173)	(1,173)
Balance at 31 March 2019	4,850	3,030	7,649	1,332	16,861

Provisions that are expected to be settled within 1 year are held as short term, with the remainder being held as long term:

	Short term £000	Long term £000	Total £000
Balance at 1 April 2018	3,424	11,900	15,324
Balance at 31 March 2019	**3,529**	**13,332**	**16,861**

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.

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 64% 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 continues to be reviewed in relation to uncertainty around outstanding appeals, as well as future risk of appeals that could be in relation to the 2017 Valuation list.

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:

	2018/19 £000	2017/18 £000
General Fund	10,395	10,395
Earmarked reserves including Schools	17,959	18,153
Sub-total General Fund Balances	28,354	28,548
Housing Revenue Account	15,271	14,535
Capital receipts reserve	32,599	55,422
Capital grants unapplied	17,677	14,305
Major repairs reserve	-	1,929
Total Useable Reserves	93,901	114,739

22.1. General Fund
The General Fund Balance at 31 March 2019 is £10.395m (31 March 2018 was £10.395m)

22.2. Housing Revenue Account and Major Repairs Reserve
The Housing Revenue Account Balance at 31 March 2019 is £15.271 (31 March 2018: 16.464m). This is made up of the HRA surplus of £15.271m (31 March 2018: £ 14.535m) and the Major Repairs Reserve of £nil (31 March 2018: £1.929m). 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	2018/19 Total £000	2017/18 Total £000
Balance brought forward	11,023	44,400	55,423	45,999
Mortgage repayments	0	0	0	1
Net surplus for year	11,023	44,400	55,423	46,000
Receipts from sales of assets during the year	61,294	13,777	75,071	36,407
Cost of disposals	0	(237)	(237)	(2)
Transfer to Housing Capital Receipts Pool	(2,013)		(2,013)	(2,014)
Transfer between General Fund & HRA to offset transfer to Housing Capital Receipts Pool	2,013	(2,013)	0	0
Balance of receipts after transfer	61,294	11,527	72,821	34,391
Balance on account before application of receipts	72,317	55,927	128,244	80,391
Financing of capital expenditure	(72,317)	(23,328)	(95,645)	(24,969)
Balance carried forward	0	32,599	32,599	55,422

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

	2018/19 £000	2017/18 £000
Revaluation reserve	677,685	739,063
Capital adjustment account	169,364	260,492
Financial Instruments adjustment account	(32,021)	(1,347)
Pensions reserve	(657,258)	(616,039)
Deferred capital receipts	20,826	2,463
Collection Fund adjustment account	4,483	6,824
Short-term accumulating compensated absences account	(3,966)	(3,428)
	179,113	388,028

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.

	2018/19		2017/18
	£000	£000	£000
Balance at 1 April		739,063	627,439
Revaluations upward	58,060		200,124
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(85,381)		(47,195)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(27,321)	152,929
The difference in depreciation arising from a revaluation gain and the depreciation charged on the historic cost	(8,676)		(5,273)
Accumulated gain or loss on assets sold or scrapped	(24,743)		(36,032)
Write out revaluation reserve following transfer from investment property to Property Plant and Equipment	(638)		
Amount written off to the Capital Adjustment Account		(34,057)	(41,305)
Balance at 31 March		677,685	739,063

28.2 Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are reversed. The reserve currently holds no balances.

23.3. 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.

23. UNUSABLE RESERVES (continued)

	2018/19 £000	2018/19 £000	2017/18 £000
Balance at 1 April		260,492	258,732
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)	(37,217)		(34,519)
Revaluation losses on Property, Plant and Equipment	(37,483)		(13,100)
Impairment/revaluation gains reversing losses previously charged to Comprehensive Expenditure and Income	25,315		58,555
Amortisation of intangible assets	(2,077)		(3,161)
Revenue expenditure funded from capital under statute	(97,266)		(72,547)
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	(122,281)		(69,581)
		(271,009)	(134,353)
Adjusting amounts written out of the Revaluation Reserve		34,057	41,305
Net written out amount of the cost of non-current assets consumed in the year		(236,952)	(93,048)
Capital financing applied in the year:			
Use of the Capital Receipts Reserve to finance new capital expenditure	95,645		24,969
Use of the Major Repairs Reserve to finance new capital expenditure	14,720		11,004
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	11,399		23,902
Application of grants to capital financing from the Capital Grants Unapplied Account	5,275		6,383
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	8,941		7,996
Capital expenditure charged against the General Fund and HRA balances	10,199		15,138
		146,179	89,392
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(355)	5,416
Balance at 31 March		169,364	260,492

23.4. Financial Instruments Adjustment Account

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

The Balance Sheet at 31 March 2019 shows a balance of £32.0m (£1.3m in 2017/18) representing the remaining premiums paid in respect of debt restructuring exercises carried out in 2003/04,2009/10 as well as in 2018/19. 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.

	2018/19 £000	2018/19 £000	2017/18 £000
Balance at 1 April		(1,347)	(1,531)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(30,859)		0
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	185		184
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		(30,674)	184
Balance at 31 March		(32,021)	(1,347)

23.5. 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.

23. UNUSABLE RESERVES (continued)

	2018/19 £000	2017/18 £000
Balance at 1 April	(616,039)	(594,252)
Actuarial gains or losses on pensions assets and liabilities	6,291	25,263
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	(47,510)	(47,050)
Balance at 31 March	(657,258)	(616,039)

23.6. 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.

	2018/19 £000	2017/18 £000
Balance at 1 April	2,463	4
Transfer to the Capital Receipts Reserve upon receipt of cash	0	(1)
Additional Deferred Capital Receipts relating to disposal of the former Taberner House site	18,363	2,460
Balance at 31 March	20,826	2,463

23.7. 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.

	2018/19 £000	2017/18 £000
Balance at 1 April	6,824	7,289
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	(2,341)	(465)
Balance at 31 March	4,483	6,824

23.8. 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.

	2018/19		2017/18
	£000	£000	£000
Balance at 1 April	(3,428)		(3,772)
Settlement or cancellation of accrual made at the end of the preceding year	3,428		3,772
Amount accrued at the end of the current year	(3,966)		(3,428)
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		(538)	344
Balance at 31 March		(3,966)	(3,428)

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 materiial 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 Croydon Town Centre Bid Limited from 1 April 2007. Their tenure was extended to 31 March 2022, following a ballot of local businesses during 2016.

The New Addington Business Improvement District is a private sector initiative led by the Central Parade Business Partnership Limited. The New Addington BID is funded by local businesses; it was approved by ballot in December 2012 and commenced on 4 February 2013.

The Purley BID was established from the 1st March 2016 following a sucessful ballot of local businesses.

26. POOLED BUDGETS

Community Equipment Service
This agreements has been documented, approved by Cabinet and the Croydon Clinical Commissioning Group (CCG) and signed. The agreement commenced on 1 April 2004 for Croydon's integrated community equipment service (CCES).
This agreement is hosted by the council.

	2018/19			2017/18		
	£000 Council	£000 Partner	£000 Total	£000 Council	£000 Partner	£000 Total
Croydon's Community Equipment Service						
Funding provided to the pooled budget	(1,184)	(992)	(2,176)	(1,019)	(981)	(2,000)
Expenditure met from the pooled budget	2,254		2,254	2,159	0	2,159
Net Expenditure	1,070	(992)	78	1,140	(981)	159

26. POOLED BUDGETS (continued)

Better Care Fund
This agreement commenced on 1st April 2014 and is hosterd 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.

	2018/19				2017/18			
	£000 Council	£000 Partner	£000 Unallocat	£000 Total	£000 Council	£000 Partner	£000 Unallocated	£000 Total
Better Care Fund								
Gross Income	(14,738)	(8,552)		(23,290)	(15,803)	(13,845)	(963)	(30,611)
Gross Expenditure	14,392	8,468		22,860	15,764	13,562	637	29,963
Net Expenditure	(346)	(84)	0	(430)	(39)	(283)	(326)	(648)

27. MEMBERS' ALLOWANCES

Total allowances paid to the Members of the Council was £1.516m in 2018/19 (£1.475m in 2017/18). The Council pays employer's national insurance on Members allowances, taking the total cost to £1.648m in 2018/19 (£1.601m in 2017/18)

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:

	2018/19		2017/18	
Remuneration Band	**Schools**	**Non-Schools**	**Schools**	**Non-Schools**
£200,000 - £204,999	0	1		
£195,000 - £199,999	0	0	0	1
£190,000 - £194,999	0	0	0	0
£185,000 - £189,999	0	0	0	0
£180,000 - £184,999	0	0	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	1
£160,000 - £164,999	0	0	0	0
£155,000 - £159,999	0	0	0	0
£150,000 - £154,999	0	1	0	2
£145,000 - £149,999	0	0	0	0
£140,000 - £144,999	0	1	0	0
£135,000 - £139,999	0	0	0	1
£130,000 - £134,999	1	0	0	1
£125,000 - £129,999	0	1	1	2
£120,000 - £124,999	1	2	0	0
£115,000 - £119,999	0	1	1	2
£110,000 - £114,999	0	0	0	0
£105,000 - £109,999	4	5	3	8
£100,000 - £104,999	0	4	1	1
£95,000 - £99,999	1	3	0	3
£90,000 - £94,999	0	2	2	3
£85,000 - £89,999	1	10	1	2
£80,000 - £84,999	4	17	4	9
£75,000 - £79,999	6	10	7	12
£70,000 - £74,999	14	9	12	8
£65,000 - £69,999	16	25	19	28
£60,000 - £64,999	28	26	19	17
£55,000 - £59,999	26	62	38	35
£50,000 - £54,999	64	130	64	100

The table above includes the members of the Executive Leadership Team listed on the following page.

28. OFFICERS' REMUNERATION (continued)

Executive Leadership Team	Jo Negrini Chief Executive	Shifa Mustafa Executive Director, Place	Richard Simpson Executive Director of Resources and Section 151 officer	Lisa Taylor Director of Finance ,Investement and Risk and Interim S151 Officer	Barbara Peacock Executive Director, People	Jacqueline Harris-Baker Director of Law and Monitoring Officer	Jacqueline Harris-Baker Executive Director of Resources and Monitoring Officer	Julian Ellerby Director, Strategy and Partnerships	Robert Henderson Executive Director of Children, Families & Education	Eleni Loannides Executive Director (Interim) Children ,Familiesand Education	Guy Van Dichele Executive Director (Interim) of Health, Wellbeing & Adults	Hazel Simmonds Executive Director of Gateway, Strategy & Engagement
Start date	29/04/2016	15/11/2016	06/09/2016	01/02/2019	25/07/2016	01/04/2017	01/02/2019	24/04/2017	27/11/2018	01/06/2018	01/06/2018	01/01/2019
Leave Date			06/03/2019		31/05/2018	31/01/2019		31/07/2018		29/11/2018		
	£	£	£	£	£	£	£	£	£	£	£	£
2018/19												
Basic Salary and allowances	188,700	153,000	143,892	19,500	67,837	95,175	24,905	59,712	50,151	150,000	215,444	33,750
Compensation for loss of Office					53,808			30,000				
Total Remuneration excluding Pension Contributions	**188,700**	**153,000**	**143,892**	**19,500**	**121,645**	**95,175**	**24,905**	**89,712**	**50,151**	**150,000**	**215,444**	**33,750**
Employer's Pension Contributions	28,494	23,103	21,550	2,945	4,228	14,371	3,761	5,904	7,573	0	0	5,096
Total Remuneration including Pension Contributions	**217,194**	**176,103**	**165,442**	**22,445**	**125,873**	**109,546**	**28,666**	**95,616**	**57,724**	**150,000**	**215,444**	**38,846**
2017/18												
Basic Salary and allowances	185,000	153,000	153,085		168,088	104,168	108,828					
Total Remuneration excluding Pension Contributions	**185,000**	**153,000**	**153,085**		**168,088**	**104,168**	**108,828**					
Employer's Pension Contributions	27,935	21,178	23,103		25,368	15,729	16,433					
Total Remuneration including Pension Contributions	**212,935**	**174,178**	**176,188**		**193,456**	**119,897**	**125,261**					

Remuneration total is gross payable before individuals' contribution to the Pension Fund. This includes basic salary and any contracted additions where applicable.

<u>Jo Negrini -Returning Officer</u>	2018-19 £	2017-18 £
Salary	12,745	12,952
Pensions Employers Contribution	1,925	1,956
Excluded from amounts shown above	**14,670**	**14,908**

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.

2018/19	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 £
£400,000 - £449,999	1	0	1	465,184	0	465,184
£100,000 - £149,999	0	1	1	0	101,049	101,049
£80,000 - £99,999	1	2	3	87,881	182,373	270,254
£60,000 - £79,999	1	0	1	77,952	0	77,952
£40,000 - £59,999	5	4	9	253,182	195,671	448,853
£20,000 - £39,999	2	3	5	52,476	93,175	145,651
£0 - £19,999	17	15	32	170,759	124,366	295,125
Total	27	25	52	1,107,435	696,633	1,804,068

2017/18	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	1	0	1	102,863	0	102,863
£80,000 - £99,999	0	1	1	0	80,777	80,777
£60,000 - £79,999	0	2	2	0	134,686	134,686
£40,000 - £59,999	2	2	4	100,014	108,966	208,980
£20,000 - £39,999	0	6	6	0	161,598	161,598
£0 - £19,999	10	13	23	97,733	148,286	246,020
Total	13	24	37	300,610	634,314	934,924

29. EXTERNAL AUDIT COSTS

	2018/19 £000	2017/18 £000
Fees payable for other services during the year	10	10
Fees payable with regard to external audit services for London Borough of Croydon	133	173
Fees payable in response to Public Objection to 2016-17 accounts	(3)	40
Fees Payable for teachers pension claim and pooling of housing capital receipts	7	0
Fees payable for the certification of HB returns for the year	11	25
Total for Croydon Council	158	248
Fees payable by Brick by Brick Croydon Limited for external audit services	24	24
Total Audit fees for the group	182	272

A free subscription to Adult social care index has been provided free as it is the first year

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 2018/19 are set out in the following table:

30. DEDICATED SCHOOLS GRANT (continued)

	Central Expenditure £000	Individual Schools Budget £000	Total DSG 2018/19 £000
Final DSG for 2018/19 before academy recoupment			335,549
Academy figure recouped for 2018/19			(166,889)
Total DSG after academy recoupment for 2018/19			168,660
Plus: Brought forward from 2017/18			(964)
Less: Carry-forward to 2018/19 agreed in advance			0
Agreed initial budget distribution in 2018/19	9,240	158,456	167,696
In year adjustments	0		
Final budget distribution for 2018/19	9,240	158,456	167,696
Less: actual central expenditure	(9,240)		(9,240)
Less: actual ISB deployed to schools		(167,649)	(167,649)
Carry-forward to 2019/20	0	(9,193)	(9,193)

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:

	2018/19 £000	2017/18 £000
Credited to Taxation and Non-Specific Grant Income		
Council Tax Income	171,813	160,200
Revenue Support Grant	-	32,578
National Non-Domestic Rates (NNDR)	83,628	65,306
Recognised Capital Grants and Contributions	8,854	14,967
Non-service Related Government Grants	27,457	18,018
	291,752	291,069
Taxation and Non-Specific Grants Credited to Services		
Home Office - contribution towards Unaccompanied Asylum Seeking Children costs	11,449	15,015
MHCLG - Growth Zone, Troubled Families, Care Act, Better Care Fund	11,917	14,058
Department for Education - Dedicated Schools Grant	168,660	172,430
Department of Health - Public Health Grant	22,129	21,912
Department for Work and Pensions - Housing Benefit Subsidy	172,122	187,026
Department for Work and Pensions - funding for welfare reform and reducing fraud and error	1,577	2,861
Home Office - Leaving Care support	2,779	2,545
Private Finance Initiative (PFI) - contribution from Central Government towards PFI costs	8,509	8,509
PE and Sport Grant	770	647
Education Funding Agency - Pupil Premium Grant	7,330	7,346
Skills Funding Agency - Adult Education	7,543	7,658
Department of Education -Staying Put Grant	540	531
Education Funding Agency - Universal Infant Free School Meals	2,044	2,929
Department of Education -Other	5,484	-
Youth Justice Board - Youth Offending Services	771	649
Other Grants	134	1,365
Sub Total - Service Grants and Contributions	423,758	445,481
Total Grants Income	715,510	736,550

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:

	2018/19 £000	2017/18 £000
Capital Grants Receipts in Advance		
Ministry of Housing, Communities & Local Governnment - Disabled Facilities Grant	2,275	1,050
Department for Transport - Local Pinch Point Funding to improve the highways network	1,800	1,800
Department for Transport - Main Pothole Action Fund	957	0
Department for Education - Schools Condition Funding	5,481	4,941
Transport for London - Local Implementation Plan	0	13
Department of Health - Adult Social Care	769	769
Department for Education - Universal Free School Meals	182	182
Department for Education - Childrens Centres and Early Years	129	132
Department for Education - Special Provision Capital Fund	969	0
Homes & Communities Agency - Council New Build Funding	339	429
Public Health - Food Flagship Programme	0	780
Section 106 allocated receipts in advance	2,292	1,613
Other grants and contributions	550	250
Total	15,743	11,959

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 and Directors or their close relations or 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 Corporate Leadership Team were issued with standard letters requesting declaration of 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 Transactions	2018/19 £'000	2017/18 £'000
Academy Schools				
Byron Oasis Academy	Cllr Jason Perry - Governor	Croydon Council is responsible for	1,160	1,267
	Cllr Margaret Bird			
John Ruskin College	Cllr Helen Pollard - Governor	passing on various funding streams to		
	Cllr Tim Pollard			
Quest Academy	Cllr Andy Stranack - Governor	Acadamies which are regulated by the		
Oasis Academy Coulsdon	Cllr Christoper Wright - Governor	Schools funding formula. The council		
Woodcote High	Cllr Ian Parker-Chair of Governors	also sells support services to various		
Applegarth Academy	Cllr Simon Hall - Partner is Goverr	academies which include utilities and		
Wolsey Academy	Cllr Simon Hall - Partner is Goverr	other services.		
Fairchildes Academy	Cllr Oliver Lewis - Governor			
New Valley Primary School	Cllr Steve O'Connell			
Pegasus Academy Trust	Cllr David Wood - Member			
Brick By Brick Croydon Limited	Colm Lacey - Director Shifa Mustapha - Director	Brick By Brick Croydon Limited is a private independent company with the council as sole shareholder. The Council has provided funding for residential-led development across a range of sites through a combination of debt and equity.	659,002	40,468
		The Council charges Brick by Brick for services, planning fees, staffing and interest costs	4,043	2,638
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	157	167

32. RELATED PARTY TRANSACTIONS CONTINUED

Organisation	Related Party	Related Party Transaction	2018/19 £'000	2017/18 £'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	326	288
Coast to Capital Board	Cllr Tony Newman	Local Enterprise Partnership awarding grants to business and public sector organisations.	266	0
London LGPS CIV Limited	Cllr Simon Hall	The collective investment vehicle for London Local Authority pension funds.	100	0
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	239	267
Octavo Partnership Limited	Emma Lindsell - Director	Transfer of education funding for the delivery of specific projects, as well as purchase of schools services and consultancy.	1,258	1,083
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	179	137
Stanley People's Initiative	Cllr Paul Scott - Trustee	Voluntary sector loan granted by Croydon Council to facilitate the refurbishment of the Stanley Halls arts venue		14
Whitgift Foundation	Cllr Dudley Mead (No longer a councillor)	Croydon Council is responsible for delegating various funding streams to the Early Years Providers, as determined by the relvant sections of the School.		251
Project Centre Ltd (part of NSL group)	Lee Parker	Streetscape design company which helped create advertisements as well as concept designs for popular streets in Croydon such as Wellesley Road and George Street.	0	258
OnSide	David Butler-Trustee (No Longer a Director)	Grant payment to Croydon OnSide Youth Zone for a project for a purpose built facility f 8-19 years olds and up to 25 for people with disabilities.	25	100

	2018/19 £000	2017/18 £000
Receipts		
Pension Contributions - from the Council (employer's contributions)	21,702	16,427
Pension Contributions - from employees (deductions paid over)	7,889	7,534
Total Receipts	29,591	23,961

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	2018/19 Total £000	2017/18 Total £000
EXPENDITURE:				
Property, Plant and Equipment	117,297	29,163	146,460	64,274
Acquisition of investment properties	75,631	0	75,631	0
Revenue expenditure funded from capital under statute	67,143	816	67,959	58,044
Transformation Expenditure	29,307	0	29,307	14,503
Heritage Assets	0	0	-	84
Intangible assets	5,815	80	5,895	2,893
	295,193	30,059	325,252	139,798
FINANCED BY:				
Borrowing approvals	188,012	0	188,012	58,401
Capital receipts	90,506	5,139	95,645	24,969
Government grants and other contributions	16,675	0	16,675	30,285
Direct revenue contributions	0	10,200	10,200	15,138
Major Repairs Reserve	0	14,720	14,720	11,005
	295,193	30,059	325,252	139,798

EXPLANATION OF MOVEMENTS IN YEAR:	General Fund £000	Housing Revenue Account £000	2018/19 Total £000	2017/18 Total £000
Opening Capital Financing Requirement	694,042	322,497	1,016,539	905,725
Increase in underlying need to borrow (unsupported by Government financial assistance)	188,012	0	188,012	58,401
MRP / Loans fund principal	(8,941)		(8,941)	(7,996)
Development Loans (unsupported by goivernmment financial assistance)	115,346			46,909
Property Fund Investment (unsupported by government financial assistance)			-	13,500
Closing Capital Financing Requirement	988,459	322,497	1,195,610	1,016,539

34. LEASES

Council as lessor - operating leases

During 2018-19, the council purchased the freeholds of the Croydon Park Hotel and the Colonnades Retail and Leisure Park. Both sites were subsequently let as operating leases.

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

	2018/19 Total £000	2017/18 Total £000
Investment Property - Net Book Value	**74,379**	**0**
Future minimum lease payments receivable at Balance sheet date		
Within One Year	4,059	0
Later than one Year but within five years	17,131	0
Later than five years	24,141	0

Council as lessor - finance leases

The transfer of 167 properties to Croydon Affordable Tenures LLP by the council on an 80 year requires disclosure as a finance lease. The properties transferred for an upfront premium (treated as a capital receipt) but the future minimum amounts anticipated to be paid to the Council over the life of the non cancellable portion of the lease (40 years)

	2018/19 Total £000	2017/18 Total £000
Sale of Dwellings - Net Book Value	**57,573**	**0**
Future minimum lease payments receivable at Balance sheet date		
Within One Year	208	0
Later than one Year but within five years	905	0
Later than five years	16,097	0

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 during 2011/12. The facilities, including management of all soft facilities, are fully maintained by Caring 4 Croydon, a subsidiary of Care UK. In 2018-19 the payment to Caring 4 Croydon was £5.4m comprising £2.73m Annual Unitary Payment (AUP) and £1.2m lease payments; PFI credits of £2.868m were received. The annual payment to Caring 4 Croydon is index-linked to the Retail Price (RPI) index and consequently, will increase each year until contract expiration in 2038/39.

Ashburton Learning Village

The Ashburton Learning Village 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 £48m over the remaining 17 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 2018/19 the Annual Unitary Payment to Skanska-Laing was £11.0 m; 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**	**2018/19 Total £000**	**2017/18 Total £000**
Net book value as at 31 March 2018	31,324	33,826	46,084	111,234	93,405
Gross book value as at 31 March 2018	31,324	33,826	51,826	116,976	97,144
Additions	0	0	0	0	-
Revaluation	790	672	0	1,462	19,832
Gross book value as at 31 March 2019	32,114	34,498	51,826	118,438	116,976
Deprecation written out after revaluation	1,021	1,103	0	2,124	1,497
Depreciation as at 1 April 2018	0	0	(5,742)	(5,742)	(3,739)
Depreciation for year	(1,021)	(1,103)	(2,004)	(4,128)	(3,501)
Net book value as at 31 March 2019	32,114	34,498	44,080	110,692	111,233

Value of Liabilities	**Ashburton Learning Village**	**Adult Homes For The Future**	**Street Lighting**	**2018/19 Total £000**	**2017/18 Total £000**
Creditors as at 31 March 2018	(14,406)	(20,614)	(45,188)	(80,209)	(82,181)
"Drawdown" at start of operational period	0	0	0	0	-
Capital repayment	506	543	1,066	2,115	1,972
Lump sum contribution	0	0	0	0	0
Creditors as at 31 March 2019	(13,900)	(20,071)	(44,122)	(78,094)	(80,209)

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS (continued)

Repayment of Liabilities	Ashburton Learning Village £000	Adult Homes For The Future £000	Street Lighting £000	2018/19 Total £000	2017/18 Total £000
Within one year	533	576	1,161	2,270	2,115
Within two to five years	2,434	2,672	5,772	10,878	10,132
Within six to ten years	3,850	4,351	10,615	18,816	17,507
Within 11 to 15 years	4,996	5,829	16,251	27,076	25,164
Within 16 to 20 years	2,085	6,643	10,323	19,051	24,707
Within 21 to 25 years	-	-		0	584
Within 26 to 30 years					
Total	13,899	20,071	44,122	78,092	80,209

Interest Payments	Ashburton Learning Village £000	Adult Homes For The Future £000	Street Lighting £000	2017/18 Total £000	2016/17 Total £000
Within 1 year	743	1,209	3,923	5,875	6,030
Within 2 to 5 years	2,671	4,467	14,565	21,704	22,451
Within 6 to 10 years	2,532	4,573	14,807	21,912	23,221
Within 11 to 15 years	1,386	3,095	9,170	13,652	15,564
Within 16 to 20 years	148	1,091	1,513	2,753	4,648
Within 21 to 25 years	-	-		0	12
Within 26 to 30 years					
Total	7,481	14,434	43,980	65,895	71,926

Service Charge Payments	Ashburton Learning Village £000	Adult Homes For The Future £000	Street Lighting £000	2017/18 Total £000	2016/17 Total £000
Within 1 year	929	1,838	1,536	4,303	4,163
Within 2 to 5 years	4,059	7,927	6,706	18,692	18,091
Within 6 to 10 years	5,915	11,314	9,802	27,031	26,177
Within 11 to 15 years	6,962	13,067	11,659	31,688	30,702
Within 16 to 20 years	2,714	12,930	6,257	21,901	27,585
Within 21 to 25 years	-	-		0	1,060
Within 26 to 30 years					
Total	20,580	47,076	35,960	103,615	107,778

Lifecycle Payments	Ashburton Learning Village £000	Adult Homes For The Future £000	Street Lighting £000	2017/18 Total £000	2016/17 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	719	1,756	0	2,475	3,156
Within 21 to 25 years	-		0	0	135
Within 26 to 30 years			0		
Total	6,881	7,833	0	14,714	15,531

Contingent Rent	Ashburton Learning Village £000	Adult Homes For The Future £000	Street Lighting £000	2017/18 Total £000	2016/17 Total £000
Within 1 year	0	0	97	97	90
Within 2 to 5 years	0	0	438	438	421
Within 6 to 10 years	0	0	542	542	557
Within 11 to 15 years	0	0	324	324	388
Within 16 to 20 years	0	0	(48)	(48)	(13)
Within 21 to 25 years	0	0		0	0
Within 26 to 30 years				0	0
Total	0	0	1,352	1,352	1,443

36. IMPAIRMENT LOSSES

There were no impairments to assets in 2018/19 (£nil in 2017/18).

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.

Business Rates Appeals
When the new Business Rates retention system was introduced on 1 April 2013, the Council took on the risk and reward associated with 30% of the annual Business Rates Yield, which increased to 64% in 2018/19. As a consequence the Council is exposed to a significant risk regarding Business Rates appeals. Organisations can appeal the Rateable Value of their business premises if they believe it is incorrect. These appeals are lodged directly with the Valuation Office Agency (VOA) who then assesses the case and either reject the appeal or adjust the Rateable Value of the premises. Where appeals are successful the Council must refund any amounts that have been overcharged (backdated to the last revaluation).

The Collection Fund includes a provision of £11.9m in 2018/19, of which £7.6m or 64% is included in the Council's Accounts, to allow for backdated appeals relating to 2018/19 and prior years. This provision is based on appeals outstanding as at 31 March 2019, as advised by the VOA, and a judgement of likely future appeals.

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 2018/19 which incorporates the prudential indicators was approved by Council on 26 February 2018 and is available on the Council's website. The key issues within the strategy were:

1. The Authorised Borrowing Limit for 2018/19 was set at £1,307.067m. This is the maximum limit of external borrowings or other long term liabilities.
2. The Operational Boundary was set at £1,267.067m. This is the expected level of debt and other long term liabilities during the year.
3. The maximum amounts of variable interest rate exposure was set at 20% of total debt, or up to 30% for the purposes of securing liquidity

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 ensure lending is 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 2019 £000	Historical Experience of Default %	Estimated Maximum Exposure to Default £000
Deposits with banks and other financial institutions	118,700	0	0
Bonds and other securities		0	0
Customers		0	0
Total	118,700		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 £118.7m has been invested in the banking sector and with other local authorities, and £213m 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 2019 £000	At 31 March 2018 £000
Loans outstanding:		
PWLB	857,926	677,926
Market debt / LOBOs	217,389	203,134
Temporary borrowing	199,000	21,000
Deferred purchases	78,291	80,406
Other	4,507	4,514
Total	1,357,113	986,980
Less than 1 year	213,270	103,115
Between 1 and 2 years	42,437	27,026
Between 2 and 5 years	69,016	35,106
Between 5 and 10 years	58,816	61,081
More than 10 years	973,574	760,652
Total	1,357,113	986,980

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 instruments held at 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 instruments held at 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 2019, if interest rates had been 1% higher, the financial effect would be:

	At 31 March 2019 £000	At 31 March 2018 £000
Increase in interest payable on variable rate borrowings	0	0
Increase in interest receivable on variable rate investments	0	0
Increase in Government grant receivable for financing costs	0	0
Impact on Comprehensive Income and Expenditure Statement	0	0
Decrease in fair value of fixed rate investment assets	0	0
Impact on CI&E Statement or Movement in Reserves Statement	0	0
Decrease in fair value of fixed rate borrowing liabilities	(265,420)	(178,209)

(no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)
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 (£0.887mm)
- ► The Frank Denning Memorial Charity, which provides travelling scholarships (£0.351m).

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 2018/19, 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. The Group Accounts and notes can be found in the section entitled "Group Accounts".

Group interests are detailed below:

Croydon Council owns a 100% stake in the development company Brick By Brick Croydon Limited , which was established to deliver housing across a number of Council owned sites in the Borough. Activity in 2018/19 continues to be material, and group accounts have been prepared with Brick By Brick Croydon Limited.

Croydon Council holds 1% voting rights of the Croydon Affordable Housing, a charity which itself has 90% control of four Limited Liability Partnerships. The remaining 10% control of these is held by the London Borough of Croydon (Holdings) LLP, which is wholly controlled by the Council. A review of economic control has judged that the Council does not have control of either the Croydon Affordable Housing charity or the four Limited Liability Partnerships.

Croydon Council holds 40% of control of the board of Octavo Partnership Limited, 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 2018/19 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.

Croydon owns a 100% stake in YourCare (Croydon) Ltd, a company that will carry out sales of aids to daily living equipment to the public. Turnover and balances are not considered material.

Group accounts are not being prepared for Croydon Care Solutions Ltd, Croydon Equipment Solutions Ltd and Croydon Day Opportunities Ltd, as these companies have not traded during 2018-19, and any sums are immaterial.

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

This Draft Statement of Accounts was issued on 31 May 2019 by Lisa Taylor, Director of Finance, Investment & Risk and Interim 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 Teachers' Pensions on behalf of the Department for Education.
- The Local Government Pensions Scheme, administered by the London Borough of Croydon.

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

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

In 2018/19, the Council paid £ 7.434 m (2017/18: £7.801m) to Capita Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% (2017/18: 16.48%) 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.

42. PENSIONS - IAS19 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES (continued)

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.

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 th 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 2019**	**31 March 2018**
Financial assumptions		
Rate of increase in salaries *	3.00%	2.90%
Rate of increase of pensions	2.50%	2.40%
Discount rate	2.40%	2.60%
Split of assets between investment categories		
Equities	53.00%	53.00%
Debt Securities	0.00%	0.00%
Private Equity	8.00%	8.00%
Real Estate	10.00%	10.00%
Investment Funds and Unit Trusts	28.00%	28.00%
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	24.0 (26.2) 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 maximum tax-free cash for post-April 2008 service
Market value of total funds (£ millions)	1,230 as at 31 Mar 2019

* Salary increases are assumed to be 2% until 31 March 2019 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 2019			31 March 2018		
	Assets £000	**Obligations £000**	**Net (Liability) /Asset £000**	**Assets £000**	**Obligations £000**	**Net (Liability) /Asset £000**
Fair value of employer assets	956,337		956,337	950,489	0	950,489
Present value of funded liabilities		1,552,554	(1,552,554)	0	1,525,973	(1,525,973)
Present value of unfunded liabilities		19,822	(19,822)	0	18,768	(18,768)
Opening Position as at 31 March 2018 and 31 March 2017	**956,337**	**1,572,376**	**(616,039)**	**950,489**	**1,544,741**	**(594,252)**
Service cost:						
Current service cost *		55,460	(55,460)		53,691	(53,691)
Past service cost (including curtailments)		737	(737)		117	(117)
Effect of settlements	(969)	(3,859)	2,890	(427)	(2,492)	2,065
Total Service Cost	**(969)**	**52,338**	**(53,307)**	**(427)**	**51,316**	**(51,743)**
Net interest:						
Interest income on plan assets	24,638		24,638	23,535		23,535
Interest cost on defined benefit obligation		41,055	(41,055)		38,763	(38,763)
Impact of asset ceiling on net interest						
Total Net Interest	**24,638**	**41,055**	**(16,417)**	**23,535**	**38,763**	**(15,228)**
Total Defined Benefit Cost Recognised in Profit or (Loss)	**23,669**	**93,393**	**(69,724)**	**23,108**	**90,079**	**(66,971)**
Cashflows:						
Plan participants' contributions	8,876	8,876	0	8,256	8,256	0
Employer contributions	21,077		21,077	18,667		18,667
Contributions in respect of unfunded benefits	1,137		1,137	1,254		1,254
Benefits paid	(45,391)	(45,391)	0	(43,296)	(43,296)	0
Unfunded benefits paid	(1,137)	(1,137)	0	(1,254)	(1,254)	0
Expected Closing Position	**964,568**	**1,628,117**	**(663,549)**	**957,224**	**1,598,526**	**(641,302)**
Remeasurements:						
Changes in demographic assumptions					0	0
Changes in financial assumptions		91,799	(91,799)		(28,096)	28,096
Other experience		(1,905)	1,905		1,946	(1,946)
Return on assets excluding amounts	96,185		96,185	(887)		(887)
included in net interest						0
Changes in asset ceiling						0
Total remeasurements recognised in Other Comprehensive Income (OCI)	**96,185**	**89,894**	**6,291**	**(887)**	**(26,150)**	**25,263**
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	1,060,753		1,060,753	956,337		956,337
Present value of funded liabilities		1,700,516	(1,700,516)		1,552,554	(1,552,554)
Present value of unfunded liabilities **		17,495	(17,495)		19,822	(19,822)
Closing Position	**1,060,753**	**1,718,011**	**(657,258)**	**956,337**	**1,572,376**	**(616,039)**

* The service cost figures include an allowance for administration expenses of 1.1% of payroll.

** (31 March 2019) This liability comprises of approximately £16,903,000 in respect of LGPS unfunded pensions and £592,000 in respect of Teachers' unfunded pensions. For unfunded liabilities as at 31 March 2019, 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 a decrease in the funding level; the net liability has increased from £616 million to £657 million. The principle driver for this movement is the increase in the present value of funded liabilities, relating to employee members of the scheme, deferred pensioners and pensioners.

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

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

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

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

Fair value of employers assets

The below asset values are at bid value as required under IAS19. Please note, where IAS19 asset splits were not available at the exact start and end dates, we have used the nearest IAS19 assets split prior to these dates.

	Period Ended 31 March 2019				Period Ended 31 March 2018			
Asset Category	**Quoted Prices in Active Markets £000**	**Quoted Prices not in Active Markets £000**	**Total £000**	**Percentage of Total Assets %**	**Quoted Prices in Active Markets £000**	**Quoted Prices not in Active Markets £000**	**Total £000**	**Percentage of Total Assets %**
Equity Securities:								
Consumer	67,440		67,440	6.4	60,801		60,801	6.4
Manufacturing	61,390		61,390	5.8	55,347		55,347	5.8
Energy and Utilities	41,534		41,534	3.9	37,446		37,446	3.9
Financial Institutions	127,993		127,993	12.1	115,393		115,393	12.1
Health and Care	93,080		93,080	8.8	83,918		83,918	8.8
Information Technology	108,265		108,265	10.2	97,608		97,608	10.2
Other	68,105		68,105	6.4	61,401		61,401	6.4
Debt Securities:								
Other								
Private Equity:								
All			85,827	8.1		77,379	77,379	8.1
Real Estate:								
UK Property	77,226	26,581	103,806	9.8	69,624	23,964	93,588	9.8
Overseas Property								
Investment Funds and Unit Trusts:								
Equities	26,322		26,322	2.5	23,730		23,731	2.5
Bonds		196,187	196,187	18.5		176,875	176,875	18.5
Hedge Funds								
Commodities								
Infrastructure		72,368	72,368	6.8		65,244	65,244	6.8
Other	138		138	0.0				
Derivatives			0		124		124	
Equivalents:								
All	8,298		8,298	0.8	7,482		7,482	0.8
Totals	**679,789**	**295,136**	**1,060,752**	**100**	**612,873**	**343,462**	**956,336**	**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 2019 £000	31 March 2018 £000	31 March 2017 £000	31 March 2016 £000	31 March 2015 £000
Present value of benefit obligations	(1,718,011)	(1,572,376)	(1,544,741)	(1,227,482)	(1,272,735)
Fair value of Fund assets	1,060,753	956,337	950,489	734,070	716,110
Surplus / (Deficit) of the Fund	(657,258)	(616,039)	(594,252)	(493,412)	(556,625)
Experience adjustments on Fund liabilities	(89,894)	26,150	(287,311)	(80,412)	100,357
Expressed as a percentage	5.23%	(1.66%)	18.60%	6.55%	(7.89%)
Experience adjustments on Fund assets	(96,185)	887	(163,568)	(1,315)	69,873
Expressed as a percentage	(9.07%)	0.09%	(17.21%)	(0.18%)	9.76%

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.	2018/19 £000	2017/18 £000
Income			
Dwelling rents		(75,163)	(76,868)
Non-dwelling rents		(1,200)	(1,277)
Charges for services and facilities		(14,848)	(14,140)
Contributions towards expenditure		(53)	(13)
Capital grants and contributions receivable		-	0
Total Income		(91,264)	(92,298)
Expenditure			
Repairs and maintenance		11,733	11,581
Supervision and management		40,549	36,878
Rents, rates, taxes and other charges		4,347	4,413
Allowance for debtors		835	797
Depreciation of non-current assets	2.1 & 3	12,791	11,643
Amortisation of intangible assets		43	36
Revenue expenditure funded from capital under statute	3 & 4	816	9,369
Total Expenditure		71,114	74,717
Net cost of HRA services as included in the whole-Authority Comprehensive Income and Expenditure Statement		(20,150)	(17,581)
HRA services share of Corporate and Democratic Core		489	489
HRA share of Pensions Reserve contributions not allocated to specific services	5	(169)	(168)
Net cost of HRA services		(19,830)	(17,260)
Gain or loss on sale of HRA non-current assets		(5,864)	(8,230)
Gain or loss on revaluation of non-current assets		132	-
Housing pooled capital receipt		237	-
Interest payable and similar charges		12,093	12,187
Interest and investment income		(1)	(1)
Pensions interest costs and expected return on pensions assets		1,285	1,314
Capital Grants & Contributions Receivable		-	(236)
(Surplus)/ deficit for the year on HRA services		(11,948)	(12,226)

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.	2018/19 £000	2017/18 £000
HRA surplus balance brought forward		(14,535)	(12,555)
(Surplus)/deficit for the year on the HRA Comprehensive Income and Expenditure Statement		(11,948)	(12,226)
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		-
Amortisation of intangible assets		(43)	(36)
Gain or loss on revaluation of non-current assets		(133)	0
Gain or loss on sale of HRA non-current assets		5,865	8,230
Capital Grants & Contributions Receivable		-	236
Revenue expenditure funded from capital under statute	3 & 4	(816)	(9,369)
Net charges made for retirement benefits in accordance with IAS19		(3,720)	(4,059)
		1,153	(4,998)
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	10,199	15,138
Housing pooled capital receipt		(236)	-
		10,061	15,236
Contributions to/from reserves			
Short-Term Accumulating Compensated Absences (STACA)		(2)	8
Transfer to/from HRA Balances			
		(2)	8
Net additional amounts		11,212	10,246
(Increase)/decrease in HRA balance for the year		(736)	(1,980)
HRA balance carried forward		(15,271)	(14,535)

1. NUMBER AND TYPE OF DWELLINGS IN THE HOUSING STOCK

Types of Property	2018/19	2017/18
Houses	**5,207**	5,238
Flats	8,268	8,320
Relocatable Homes	-	14
Total Dwellings	13,475	13,572

2.1. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY ASSETS CATEGORY VALUES

2018/19	Council Dwellings £000	Other Land and Buildings £000	Surplus Assets £000	Assets Held For Sale £000	Total £000
Net book value as at 1 April 2018	989,649	14,482	698	2,849	1,007,678
Gross book value as at 1 April 2018	989,649	14,536	698	2,849	1,007,732
Additions	29,257				29,257
Revaluation increase/(decrease) recognised in the Revaluation Reserve	(58,320)	(506)			(58,826)
Revaluation increase/(decrease) recognised in Income and Expenditure				(133)	(133)
Derecognition - Disposals	(6,193)			(1,371)	(7,564)
Derecognition - Derecognitions	(349)				(349)
Transfers/Reclassifications		448	(448)		-
Other movements in cost or valuation					-
Gross book value as at 31 March 2019	954,044	14,478	250	1,345	970,117
Accumulated Depreciation and Impairment					
At 1 April 2018	0	54	0	0	54
Depreciation for year	12,327	458	6		12,791
Depreciation written out to the Revaluation Reserve	(12,327)	(435)			(12,762)
Depreciation written out to Income and Expenditure					0
Derecognition - Disposals					0
Transfers/Reclassifications					0
Other movements in depreciation and impairment					0
Accumulated Depreciation and Impairment at 31 March 2019	0	77	6	0	83
Net book value as at 31 March 2019	954,044	14,401	244	1,345	970,034

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.

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

	31 March 2019	31 March 2018
Total Dwellings	13,475	13,572
Leaseholds	2,470	2,409
Garages	2,635	2,647
Parking Spaces	108	99
	18,688	18,727
	£M	**£M**
Vacant possession value of dwellings at 31 March 2019	£3,814	
Vacant possession value of dwellings at 31 March 2018	£3,957	£3,957
Vacant possession value of dwellings at 31 March 2017		£3,626
Vacant possession value of dwellings at 31 March 2016		£3,310

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 £3,957m x 25% = £990m as at 31 March 2018

The valuation of council dwellings as at 31 March 2019 was undertaken by Wilks Head & Eve. This led to an increase in the vacant possession value of £143m to £3,814m.The EUV-SH value was £3,814m x 25% = £954m as at 31 March 2019.

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

	2018/19 £000	2017/18 £000
Expenditure		
Non-current assets (buildings)	29,163	23,485
Revenue expenditure funded from capital under statute	816	9,369
Intangible assets	80	35
	30,059	32,889
Financed By		
Borrowing approvals	0	-
Capital receipts	5,139	6,510
Government grants and other contributions	0	236
Direct revenue contributions	10,200	15,138
Major Repairs Reserve	14,720	11,005
	30,059	32,889

Capital Receipts

	2018/19 £000	2017/18 £000
Balance brought forward	44,400	38,634
Mortgage repayments	-	1
Other capital receipts	0	0
Net surplus for year	0	1
Receipts from sales of assets during the year	13,777	14,289
Transfer to Housing Capital Receipts Pool (via General Fund)	(2,250)	(2,014)
Balance of receipts after transfer	11,527	12,275
Balance on account before application of receipts	55,927	50,910
Financing of capital expenditure	(23,328)	(6,510)
Balance carried forward	32,599	44,400

Major Repairs Reserve

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

	2018/19 £000	2017/18 £000
Opening balance as at 1 April	1,929	1,290
Depreciation charge to HRA	12,791	11,644
Capital expenditure during the year	(14,720)	(11,005)
Other reserve adjustments	-	-
Closing balance as at 31 March	0	1,929

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

	2018/19		2017/18	
	Debtors	Allowance for Doubtful Debt	Debtors	Allowance for Doubtful Debt
	£000	£000	£000	£000
Housing Revenue Account rents	10,524	(6,330)	9,497	(5,498)
Housing Revenue Account lease holder service charges/major works	3,772	0	4,139	-
Housing Revenue Account other debtors	20	0	20	0
	14,316	(6,330)	13,656	(5,498)

COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

	Note No.	2018/19 Business Rates £000	2018/19 Council Tax £000	2018/19 Total £000	2017/18 Business Rates £000	2017/18 Council Tax £000	2017/18 Total £000
INCOME DUE							
Council Tax-payers	2		211,148	211,148		197,607	197,607
Business Rates	1(a)	121,185		121,185	111,578		111,578
Transition grant from MHCLG		5,317		5,317	6,774		6,774
Crossrail Business Rate Supplement	1(b)	3,514		3,514	3,396		3,396
Total Income		130,016	211,148	341,164	121,748	197,607	319,355
EXPENDITURE							
Charges to the Collection Fund:							
Changes in Provision for Bad and Doubtful Debts		(2,619)	1,594	(1,025)	(3,884)	2,043	(1,841)
Write-offs of Bad Debt		2,406	85	2,491	5,136	288	5,424
Changes in Provision for Appeals		(5,049)		(5,049)	5,500	0	5,500
Transfer to designated area (Growth Zone)		2,512		2,512	0	0	0
Cost of Collection		426		426	430	0	430
Cost of Collection - Crossrail		8		8	8	0	8
		(2,316)	1,679	(637)	7,190	2,331	9,521
Total Income less Charges		132,332	209,469	341,801	114,558	195,276	309,834
Precepts, Demands and Shares:	3						
London Borough of Croydon		78,025	167,359	245,384	35,306	155,059	190,365
Greater London Authority (GLA)		43,889	36,673	80,562	43,544	33,950	77,494
Housing, Communities and Local Government (CLG)				0	38,836	0	38,836
Greater London Authority (Crossrail)	1(b)	3,506		3,506	3,388	0	3,388
(Surplus)/Deficit for year		(6,912)	(5,437)	(12,349)	6,516	(6,267)	249
Distribution of Previous Year's Collection Fund Surplus:							
London Borough of Croydon		3,927	4,841	8,768	(2,177)	5,829	3,652
Greater London Authority (GLA)		2,735	1,060	3,795	(1,452)	1,321	(131)
Housing, Communities and Local Government (CLG)		6,427		6,427	(3,630)	0	(3,630)
Total Distribution of Previous Year's Collection Fund Surplus		13,089	5,901	18,990	(7,259)	7,150	(109)
Movement of Collection Fund in the Year		6,177	464	6,641	(743)	883	140
Balance brought forward (surplus)/deficit		(5,884)	(6,166)	(12,050)	(5,141)	(7,049)	(12,190)
Balance carried forward (surplus)/deficit		293	(5,702)	(5,409)	(5,884)	(6,166)	(12,050)
Allocation of surplus							
Surplus declared in the January Delegation report to be distributed in the following year:							
London Borough of Croydon		(2,519)	(4,060)	(6,579)	(3,927)	(4,841)	(8,768)
GLA		49	(891)	(842)	(4,843)	(1,060)	(5,903)
CLG		2,403	0	2,403	(4,319)	0	(4,319)
Fund balance and deficit carried forward:							
London Borough of Croydon		257	(616)	(359)	2,162	(217)	1,945
GLA		129	(135)	(6)	2,666	(48)	2,618
CLG		(26)	0	(26)	2,378	0	2,378
		293	(5,702)	(5,409)	(5,884)	(6,166)	(12,050)

NOTES TO THE COLLECTION FUND

INTRODUCTION

This account summarises the transactions of the Collection Fund, the purpose of which is to receive Council Tax and Non-Domestic Rates and apply the proceeds. The Council, together with the Greater London Authority and the Ministry of Housing, 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. 2018/19 saw the amount retained by Local Government increase to 100%: as London piloted a 100% retention pool. In 2019/20, the retention rate changes to 75%, which is consistent across England.

	2017-18	2018-19	2019-20
► Central Government	33%	0%	25%
► London Borough of Croydon	30%	64%	48%
► Greater London Authority	37%	36%	27%

The total Non Domestic Rateable Value as at 31 March 2019 was £319,008,438 (£323,313,283 at 31 March 2018). The multiplier for 2018/19 was set at 49.3p (47.9p for 2017/18) and the multiplier for small businesses was set at 48.0p (46.6p for 2017/18).

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, £1,636.96 for 2018/19 (£1,558.93 for 2017/18) 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 2018/19

Valuation Band	Number of Chargeable Dwellings	Band D Proportion	Band D Equivalent Dwellings	Council Tax £.pp	Council Tax Income £000
Band A	2,304	6/9	1,536	1,091.30	2,514
Band B	13,783	7/9	10,720	1,273.20	17,549
Band C	35,625	8/9	31,667	1,445.07	51,481
Band D	31,492	9/9	31,492	1,636.96	51,551
Band E	19,794	11/9	24,193	2,000.72	39,602
Band F	10,721	13/9	15,486	2,364.50	25,350
Band G	7,089	15/9	11,815	2,728.26	19,341
Band H	628	18/9	1,256	3,273.92	2,056
Total			128,165		209,444
Multiplied by estimated collection rate			97.25%		
Number of Band D equivalent dwellings			124,640		
Total of Demands/Precepts for year			203,684		
Adjustments during the year (including prior years)					1,704
Final collectable amount					211,148
Income per Collection Fund:					
Council Tax collectable					0
Council Tax benefits					0
Final collectable amount					211,148

NOTES TO THE COLLECTION FUND

3. DEMANDS AND PRECEPTS

The Collection Fund is required to meet in full during the financial year the precepts and demands made on it by precepting Authorities and its own requirement as the billing Authority. Croydon Council's only precepting body is the Greater London Authority (GLA). The GLA requirement includes the budgets of its five functional bodies i.e. the Mayor's Office for Policing & Crime the London Fire and Emergency Planning Authority, Transport for London and the London Legacy Development Corporation.

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.

	2018/19 £.pp	2018/19 £.pp
Band D equivalent Council Tax charge		
Split thereof:		
Croydon	1,342.73	1,278.91
Greater London Authority	294.23	280.02
Total	1,636.96	1,558.93
Payment to Croydon:-		
Share of Band D equivalent Council Tax charge	1,342.73	1,278.91
Number of Band D equivalent dwellings	124,641	121,243
Total	167,359,210	155,058,885
Rounded to £000's	167,359	155,059
Payment to the Greater London Authority:-		
Share of Band D equivalent Council Tax charge	294.23	280.02
Number of Band D equivalent dwellings	124,641	121,243
Total	36,673,121	33,950,465
Rounded to £000's	36,673	33,950

GROUP MOVEMENT IN RESERVES STATEMENT

2018/19	General Fund Balance £000	Earmarked GF Reserves Balance £000	Total General Fund Balance £000	HRA 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	Council's Share of ubsidiaries' Balance £000	Total Reserves Balance £000
Balance b/f at 1 April 2018	**7,738**	**18,153**	**25,891**	**14,535**	**55,422**	**14,305**	**1,929**	**112,082**	**388,028**	**500,110**	**(512)**	499,598
Movement in reserves during 2018/19:												
Surplus or (deficit) on provision of services	(223,334)		(223,334)	11,948				(211,386)	0	(211,386)	(677)	(212,063)
Other Comprehensive Expenditure and Income				0					(21,030)	(21,030)		(21,030)
Total Comprehensive Expenditure and Income	(223,334)	0	(223,334)	11,948	0	0	0	(211,386)	(21,030)	(232,416)	(677)	(233,093)
Adjustments between group accounts and authority accounts	220,477		220,477	(11,211)	(22,824)	3,372	(1,929)	187,885	(187,883)	2		2
Net increase or decrease before transfers	(2,857)	0	(2,857)	737	(22,824)	3,372	(1,929)	(23,501)	(208,913)	(232,414)	(677)	(233,091)
Adjustments between accounting basis and funding basis under regulations			0					0		0		0
Net increase/Decrease before Transfers to Earmarked Reserves	(2,857)	0	(2,857)	737	(22,824)	3,372	(1,929)	(23,501)	(208,913)	(232,414)	(677)	(233,091)
Transfers to/(from) Earmarked Reserves	194	(194)	0					0		0		0
Net increase/(decrease) in reserves for the year	(2,663)	(194)	(2,857)	737	(22,824)	3,372	(1,929)	(23,501)	(208,913)	(232,414)	(677)	(233,091)
Balance c/f at 31 March 2019	5,075	17,959	23,034	15,272	32,598	17,677	0	88,581	179,115	267,696	(1,189)	266,507

2017/18	General Fund Balance £000	Earmarked GF Reserves Balance £000	Total General Fund Balance £000	HRA 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	Council's Share of ubsidiaries' Balance £000	Total Reserves Balance £000
Balance b/f at 1 April 2017	**10,727**	**33,426**	**44,153**	**12,555**	**45,999**	**10,828**	**1,290**	**114,825**	**293,911**	**408,736**	**(936)**	407,800
Movement in reserves during 2017/18:												
Surplus or (deficit) on provision of services	(101,701)	-	(101,701)	12,227	0	0	0	(89,474)		(89,474)	424	(89,050)
Other Comprehensive Expenditure and Income	0	0		0	0	0	0	0	178,193	178,193		178,193
Total Comprehensive Expenditure and Income	(101,701)	0	(101,701)	12,227	0	0	0	(89,474)	178,193	88,719	424	89,143
Adjustments between group accounts and authority accounts	2,656		2,656					2,656		2,656		2,656
Net increase or decrease before transfers	(99,045)	0	(99,045)	12,227	0	0	0	(86,818)	178,193	91,375	424	91,799
Adjustments between accounting basis and funding basis under regulations	80,783	0	80,783	(10,247)	9,423	3,477	639	84,075	(84,076)	(1)		(1)
Net increase/Decrease before Transfers to Earmarked Reserves	(18,262)	0	(18,262)	1,980	9,423	3,477	639	(2,743)	94,117	91,374	424	91,798
Transfers to/(from) Earmarked Reserves	15,273	(15,273)	0	0	0	0	0	0	0	0		0
Net increase/(decrease) in reserves for the year	(2,989)	(15,273)	(18,262)	1,980	9,423	3,477	639	(2,743)	94,117	91,374	424	91,798
Balance c/f at 31 March 2018	7,738	18,153	25,891	14,535	55,422	14,305	1,929	112,082	388,028	500,110	(512)	499,598

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.	2018/19 Gross £000	2018/19 Income £000	2018/19 Net £000	2017/18 - Restated Gross £000	2017/18 - Restated Income £000	2017/18 - Restated Net £000
Gross expenditure, income and net expenditure of continuing operations							
Place		115,979	(69,185)	46,794	119,979	(68,548)	51,431
Children, Families & Education		357,500	(251,033)	106,467	288,623	(173,309)	115,314
Health, Wellbeing & Adults		197,697	(82,521)	115,176	173,174	(103,985)	69,188
Gateway, Strategy & Engagement		102,908	(42,042)	60,866	115,449	(69,324)	46,126
Resources		420,751	(315,196)	105,555	355,730	(323,857)	31,873
HRA		71,864	(91,561)	(19,697)	75,136	(92,396)	(17,260)
Net cost of services		1,266,699	(851,538)	415,161	1,128,091	(831,419)	296,672
Other operating expenditure	9			32,439			34,086
Financing and Investment Income and Expenditure	10			56,215			46,705
Taxation and Non-Specific Grant Income	11			(291,752)			(291,069)
(Surplus) or Deficit on Provision of Services				212,063			86,394
(Surplus) or deficit on revaluation of non-current assets				27,321			(152,929)
Remeasurement of the net defined benefit liability				(6,291)			(25,263)
Other Comprehensive Income and Expenditure				21,030			(178,192)
Total Comprehensive Income and Expenditure				233,093			(91,798)

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-Mar-19 £000	£000	Restated 31 March 2018 £000
Operational Assets (Property, Plant and Equipment)	12			
Council dwellings		954,042		989,648
Other land and buildings		767,864		799,739
Vehicles, plant, furniture and equipment		12,356		3,406
Infrastructure		147,841		142,336
Community assets		4,325		4,947
Total Operational Assets (Property, Plant and Equipment)			1,886,428	1,940,076
Non-Operational Assets (Property, Plant and Equipment)				
Assets under construction		123,218		38,899
Surplus assets not held for sale		6,493		2,181
Total Non-Operational Assets (Property, Plant and Equipment)			129,711	41,080
Total Property, Plant and Equipment			2,016,139	1,981,156
Heritage Assets	13	3,696		3,696
Investment property				
Investment property	14	98,979		29,714
Intangible Assets	15			
Software		8,880		5,062
Assets under construction				
Long-term Investments				
Non-property investments	16	45,000		45,001
Investments in Associates and Joint Ventures				
Long-term Debtors	16	66,471		19,077
Long-term Assets			2,239,165	2,083,706
Short-term Investments				
Non-property investments excluding cash equivalents	16	30,000		5,000
Assets held for sale (< 1 year)	19	8,328		16,329
Inventories		771		689
Short-term debtors, payments in advance and provision for doubtful debts	17	177,081		140,047
Cash and cash equivalents	18	90,721		29,000
Current Assets			306,901	191,065
Bank overdraft	18	(61,651)		(19,217)
Short-term borrowing	16	(225,198)		(109,434)
Short-term creditors and receipts in advance	20	(167,685)		(135,048)
Short-term provision	21	(3,529)		(3,424)
Current Liabilities			(458,063)	(267,123)
Long-term Creditors				
Provisions	21	(13,332)		(11,900)
Long-term borrowing	16	(1,131,916)		(879,776)
Deferred capital creditors		(11,656)		(10,504)
Other non-current liabilities				-
Net pensions liability	42	(646,194)		(593,911)
Capital grants receipts in advance	31	(15,743)		(11,959)
Long-term Liabilities			(1,818,841)	(1,508,050)
Net Assets			269,162	499,598
Usable reserves				
General Fund	22.1	7,732		7,738
Share of Brick by Brick reserves		(1,189)		(512)
Housing Revenue Account	22.2	15,271		14,535
Earmarked reserves	8	17,959		18,153
Capital receipts reserve	22.4	32,599		55,422
Capital grants unapplied	22.5	17,677		14,305
Major repairs reserve	HRA 3	-		1,929
			90,049	111,570
Unusable Reserves				
Revaluation reserve	23.1	677,685		739,063
Capital adjustment account	23.2	169,364		260,492
Financial Instruments adjustment account	23.3	(32,021)		(1,347)
Pensions reserve	23.4	(657,258)		(616,039)
Deferred capital receipts	23.5	20,826		2,463
Collection Fund adjustment account	23.6	4,483		6,824
Short-term accumulating compensated absences account	23.7	(3,966)		(3,428)
			179,113	388,028
Total Reserves			269,162	499,598

Signed: Lisa Taylor,
Director of Finance, Investment & Risk and Interim Section 151 officer

31 May 2019

GROUP CASH FLOW STATEMENT

	Note No.	2018/19 £000	2018/19 £000	2017/18 £000	2017/18 £000
OPERATING ACTIVITIES					
Net (surplus) or deficit on the provision of services					
Net surplus or (deficit) on the provision of services	1A & 7		(209,400)		(86,394)
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements					
Depreciation	7,12 &32.2	37,276		34,526	
Impairment and downward valuations	7 & 9	12,168		(45,454)	
Amortisations	7,15&23.2	2,077		3,161	
Increase/(decrease) in creditors		34,883		23,695	
(Increase)/decrease in debtors		36,845		(21,760)	
(Increase)/decrease in inventories		(81)		(28,672)	
Movement in pension liability	1B,7 & 23.4	47,510		47,050	
Carrying amount of non-current assets sold	23.2	122,280		69,581	
Provisions		1,538		598	
Movements in the value of investment properties	7,10,14 & 23.2	355		(5,416)	
Other non-cash movements		(39,664)		976	
			255,187		78,285
Items included/excluded from net surplus or deficit on the provision of services:					
Pension deficit pre-payment	5	-		-	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	22.4	(75,071)		(36,407)	
Payment of local taxation to major preceptors				(119,718)	
Any other items for which the cash effects are investing or financing cash flows		(15,618)		(22,154)	
			(90,689)		(178,279)
Net cash inflow/(outflow) from operating activities			(44,902)		(186,388)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment, investment property ' and intangible assets		(309,333)		(65,071)	
Purchase of short-term and long-term investments		(76,476)		(36,403)	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets		75,071		36,407	
Capital grants		9,014		1,915	
Proceeds from short-term and long-term investments		8,618		109,997	
Net cash inflow/(outflow) from investing activities			(293,106)		46,845
FINANCING ACTIVITIES					
Cash receipts from short-term and long-term borrowing		466,000		179,500	
Payment of local taxation to major preceptors		-		119,718	
Cash payments for the reduction of the outstanding liabilities to finance leases and on-Balance Sheet PFI contracts (Principal)		(2,116)		(1,972)	
Repayments of short-term and long-term borrowing		(106,000)		(138,500)	
Net cash inflow/(outflow) from financing activities			357,884		158,746
Net increase/(decrease) in cash and cash equivalents			19,876		19,203
Cash and cash equivalents at the beginning of the reporting period			9,196		(9,420)
Cash and cash equivalents at the end of the reporting period	18		29,072		9,783
Cash held	18		34		1,239
Bank current accounts	18		(59,663)		(20,456)
Short-term deposits with building societies and Money Market Funds	18		88,701		29,000
Cash and cash equivalents as at 31 March			29,072		9,783

Memorandum Items: the cash flows for operating activities include the following items:

	2018/19	2017/18
Interest Paid	40,201	36,954
Interest and investment property rental income Received	(4,775)	(1,239)

The Group Accounting Policies
The Group Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2018/19 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

Inventories Restatement to Assets Under Construction in 2017-18

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. The properties being developed for sale by Brick by Brick Croydon Limited would not constitute inventory. Accordingly, the 2017-18 balance sheet has been restated to transfer (£34.497m) from Inventories to Assets Under Construction on the group balance sheet.

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. There are no other entities controlled by Brick by Brick Croydon Limited.

Brick by Brick Croydon Limited - nature of activity and risks
In 2018 Brick by Brick Croydon Limited continued to make significant progress with is programme of development activity, aimed at increasing the supply of new homes across Croydon. The programme remains on course to deliver its target of 50% affordable housing on the residential programme, whilst maintaining the company's commitment to high quality design and maximising the profit dividend available to its sole shareholder (the London Borough of Croydon)

In 2018-19 the company recognised a loss of £677,031, which is consistent with it's position as developing sites for sale. A number of sites have now completed and are being actively marketed, whilst a pipeline of future development sites is being identified.

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 around the borough. 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 2019, the balance of loans outstanding from Brick By Brick Croydon Limited to Croydon Council are set out below, along with the financial activity between the Council and Brick by Brick Croydon Limited:

	2018/19 £'000	2017/18 £'000
Site Acquisition	499	499
Development Costs	98,086	34,746
Interest	5,000	1,600
Total loans	**103,585**	**36,845**

	2018/19 £'000	2017/18 £'000
Staff costs	540	1,050
Planning fees	-	261
Other running costs	8	6
Interest Costs	3,353	1,298
Utility costs	142	0
Total inter-group actvitity	**4,043**	**2,615**

These sums have been eliminated from the group statements.

Co-terminus accounting statements
During 2018-19, Brick by Brick Croydon Limited has changed it's accounting period to end on 31 March. This will enable it to be co-terminus with the London Borough of Croydon. Brick by Brick's accounting period therefore runs from January 2018 to March 2019, and is not co-terminus with the London Borough of Croydon. January 2018 to March 2018's activity is not considered to be

Draft Croydon Pension Fund 2018/19

31st May 2019

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

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

PENSION FUND ACCOUNTS

FUND ACCOUNT

	Notes	2018/19 £'000	2017/18 £'000
Dealings with members, employers and others directly involved in the fund			
Contributions	8	47,808	44,178
Individual Transfers in from Other Pension Funds		11,584	7,880
		59,392	**52,058**
Benefits			
Pensions	9	(43,431)	(42,381)
Commutation, Lump Sum Retirement and Death Benefits	9	(8,923)	(7,908)
Payments to and on Account of Leavers			
Individual Transfers Out to Other Pension Funds		(5,445)	(4,783)
Refunds to Members Leaving Service		(349)	(139)
		(58,148)	**(55,211)**
Net additions/(withdrawals) from dealings with members		**1,244**	**(3,153)**
Management Expenses	10	**(8,167)**	**(6,845)**
		(6,923)	**(9,998)**
RETURNS ON INVESTMENTS			
Investment Income	11	5,469	13,022
Taxes on Income (Irrecoverable Withholding Tax)	11	(1)	(361)
Profit and loss on disposal of investments and changes in the market value of investments	13	113,055	32,725
Net returns on investments		**118,523**	**45,386**
Net increase in the Fund during the year		**111,600**	**35,388**
Net assets at the start of the year		1,139,443	1,104,055
Net assets at the end of the year		**1,251,043**	**1,139,443**

PENSION FUND ACCOUNTS

NET ASSETS STATEMENT	Notes	31 March 2019 £'000	31 March 2018 £'000
Investments held by the Fund Managers:			
Global equities - segregated funds	13	150	150
Global equities - pooled funds	13	516,037	578,812
Private equity funds	13	109,991	95,253
Infrastructure funds	13	142,954	113,728
Fixed Interest funds	13	282,419	192,407
Pooled Property funds	13	178,566	134,352
Total Investments held by the Fund Managers		1,230,117	1,114,702
Other Balances held by the Fund Managers			
Cash held by the Fund Managers	13	6,452	8,603
Investment income due	13	1,557	1,465
Total Other Balances held by the Fund Managers		8,009	10,068
Total Assets held by the Fund Managers		1,238,126	1,124,770
Current Assets	16	15,064	21,432
Current Liabilities	17	(2,147)	(6,759)
Net Assets of the fund available to fund benefits		**1,251,043**	**1,139,443**

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial position of the fund which does take into account such obligations is dealt with in note 22.

NOTES TO THE PENSION FUND ACCOUNTS

1. GENERAL INFORMATION

In addition to acting as a Local Authority, Croydon Council 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.

The London Borough of Croydon Pension Fund (the Fund) operates a contributory Career Average Revalued Earnings (CA scheme whose purpose is to provide benefits to all of the Council's employees, with the exception of teaching and NHS staf 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.

The financial statements have been prepared in accordance with the 2018/19 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.

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

Admitted:
AXIS Europe plc (Housing Repairs), Brick by Brick Croydon Limited, Capita Secure Information Solutions Limited, Conway Construction Limited, Churchill Services Limited, Croydon Citizen's Advice Bureau, Croydon Equipment Services Limited, Croydon Community Mediation, Croydon Voluntary Action, Kier Highways Limited, Ground Control Limited, Impact Group Limited, Keyring Living Support Networks, London Hire Services Limited, Octavo Partnership Limited, Olympic (South) Limited, Quadron Services Limited, Olive Dining Limited Limited, Roman Catholic Archdiocese of Southwark, Skanska Construction UK Limited, Sodexo Limited, Veolia Environmental Services (UK) Recycling Limited (Croydon), Vinci Facilities Limited, Veolia Environmental Services (UK) Recycling Limited (SLWP1) & (SLWP2), Wallington Cars & Couriers Limited, Westgate Cleaning Services Limited, Arthur Mckay Limited, Greenwich Leisure Limited, Idverde Limited

Scheduled:
Meridian (Addington) High Academy, Aerodrome Primary Academy, Applegarth Academy, The Archbishop Lanfranc School, ARK Oval Primary Academy, Atwood Primary School, BRIT 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 (Purley Way) 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 Acaemy Byron, Oasis Academy Arena, Oasis Academy Coulsdon, Oasis Academy Ryelands, Oasis Academy Shirley Park, Pegasus Academy Trust, 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 Acadmey, 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, St Aidans Catholic Primary, Kingsley Primary Academy, Folio Education Trust, Coombe Wood, Courtwood Primary, Monks Orchard Primary, Keston Primary, Glibert Scott, Manor Trust

NOTES TO THE PENSION FUND ACCOUNTS

1. GENERAL PRINCIPLES (continued)

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 pensioner representatives (one voting), and a non-voting employee representative.
In addition, the Committee is supported by officers and external advisors.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 accounted 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

A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. The majority of the Fund's financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. Any gains and losses arising from changes in the fair value are recognised in the change in market value in the Fund Account.

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 Funds, Infrastructure Funds and Pooled Property Funds are quoted by their fund managers.

Loans and receivables consist of cash at bank, other balances investment balances and contributions receivable. They are initally recognised at fair value and subsequently at amoritsed cost. Impairement losses are recognised where appropriate, although no impairment has been deemed necessary.

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 term 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (see Note 22).

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 21).

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 22. 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 liability of £194m. A 0.5% increase in the salary increase assumption would result in a £22m increase in the pension liability. A 0.5% increase in the pension increase assumption would result in a £162m increase to the pension liability.

Unquoted private equity and infrastructure investments

Due to the nature of of private equity and infrastructure assets it is difficult to assess their true value until the assets are realised. Assumptions are made in the valuation of Unquoted private equities and infrastructure investments. Investment managers use the guidelines published by various bodies including the Finacial Accounting Standards Board, the British Venture Capital Association and the Institutional Limited Partners Association.
The value of unquoted private equities and infrastructure at 31 March 2019 was £253m (2018: £209m).
There is a risk that these investments may be under or overstated in the accounts, although it is considered unlikely to have a material impact on the value of the Fund.

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 will be effective as at 1 April 2020.

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 2017/18)		Plus Additional Payment (Secondary rate from 2017/18)		
	2018/19 % of pay	2019/20 % of pay	2018/19 £'000	2019/20 £'000/%	
London Borough of Croydon Pool					
London Borough of Croydon	17.6	17.6	-2.5%	-1.5%	*
Octavo Partnership Limited	16.6	16.6	-1.5%	-0.5%	

* 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.

	2018/19 % of pay	2019/20 % of pay	2018/19 £'000	2019/20 £'000/%
Further Education Bodies				
Croydon College	17.1	17.5	660	793
Coulsdon College	18.3	18.3	58	60
John Ruskin College	18.1	18.1	84	87
(Community) Admission Bodies				
Croydon Voluntary Action	18.9	18.9	37	38
Croydon Citizens Advice Bureau	30.6	30.6	6	6
Croydon Community Mediation	18.0	18.0	4	4
Admission Bodies				
Kier Highways Limited	27.2	27.2	-20.4%	-20.4%
Impact Group Limited	30.1	30.1	-10.5%	-10.5%
London Hire Services Limited	28.6	28.6	-9.4%	-9.4%
Churchill Services Limited	28.4	28.4	-8.7%	-8.7%
Veolia Environmental Services (UK) Recycling Limited (Croydon)	26	26	-4.3%	-4.3%
Fusion Lifestyle	23.6	23.6	-1.1%	-1.1%
Olympic South Limited	29.8	29.8		
Wallington Cars & Couriers Limited	29	29	-13.5%	-13.5%
Vinci Facilities Limited	32.3	32.3	-32.3%	-32.3%
Skanska Construction UK Limited	31.6	31.6	-10.4%	-10.4%
Sodexho Limited	29.9	29.9	-14.9%	-14.9%
Ground Control Limited	22.2	22.2	-22.2%	-22.2%
Carillion Integrated Services Limited	29	29	-8.3%	-8.3%
Quadron Services Limited	27.3	27.3	-0.2%	-0.2%
AXIS Europe plc (Housing Repairs)	27.5	27.5	-2.0%	-2.0%
Capita Secure Information Solutions Limited	28	28.0	-3.4%	-3.4%
Keyring Living Support Networks	29.4	29.4	-0.8%	-0.8%
Westgate Cleaning Services Limited	30	30.0	-	-
Veolia Environmental Services (UK) Recycling Limited (SLWP1)	25.4	25.4	-9.9%	-9.9%
Roman Catholic Archdiocese of Southwark	31.4	31.4	4	

	Contribution rate required as a percentage of pay (Primary Rate)		Plus Additional Payment (Secondary Rate)	
	2018/19	2019/20	2018/19	2019/20
Academies	% of pay	% of pay	£'000	£'000 /%
Harris Academy (South Norwood)	16.8	16.8	11	12
BRIT School	16.6	16.6	22	22
Harris City Academy (Crystal Palace)	15.4	15.4	-0.2%	-0.2%
St Joseph's College	18.7	18.7	31	32
St Cyprian's Greek Orthodox Primary School	18.7	18.7	7	7
Norbury Manor Business and Enterprise College	18.2	18.2	29	29
Woodcote Academy	18.8	18.8	39	40
St James the Great R.C Primary	20.0	20.0	40	41
Meridian (Addington) High Academy	18.5	18.5	29	29
Riddlesdown Collegiate	18.1	18.1	55	57
Shirley High School	18.3	18.3	33	34
Oasis Academy Byron	18.7	18.7	8	8
Robert Fitzroy Acadmey	15.5	15.5	0.3	0.3
St Thomas Becket RC Primary	19.6	19.6	14	15
Aerodome Primary Academy	17.7	17.7	12	12
Oasis Academy Coulsdon	18.0	18.0	47	48
Oasis Academy Shirley Park	18.0	18.0	81	83
Harris Academy (Purley)	17.3	17.3	35	35
The Quest Academy	17.4	17.4	32	33
ARK Oval Primary Academy	18.2	18.2	2	2
Pegasus Academy Trust	17.2	17.2	51	52
Gonville Academy	18.4	18.4	12	12
West Thornton Primary Academy	18.1	18.1	26	26
David Livingstone Academy	18.0	18.0	-0.8%	-0.8%
Applegarth Academy	18.2	18.2	11	11
Harris Primary Academy Benson	19.9	19.9	21	22
Harris Academy Kenley	18.5	18.5	7	7
Forest Academy	18.1	18.1	9	9
Castle Hill Academy	18.5	18.5	17	18
Wolsey Junior Academy	18.1	18.1	23	24
Atwood Primary School	19.1	19.1	20	21
Winterbourne Junior Boys	19.8	19.8	18	19
Oasis Academy Ryelands	18.1	18.1	31	32
Chipstead Valley Primary School	18.7	18.7	30	31
Fairchildes Primary School	17.8	17.8	59	61
Broadmead Primary Academy	18.1	18.1	55	56
Rowdown Primary School	18.9	18.9	19	19
St Mark's COE Primary School	17.8	17.8	11	11
New Valley Primary	18.5	18.5	10	10
Archbishop Lanfranc School	19.4	19.4	104	107
Harris Invictus Academy Croydon	17.4	17.4	-	-
Harris Primary Academy Haling Park	16.0	16.0	-0.8%	-0.8%
Paxton Academy	15.7	15.7	-0.7%	-0.7%
Edenham High School	18.6	18.6	114	117
St Mary's Infants School	19.1	19.1	34	34
St Mary's Junior School	18.5	18.5	16	16
Heathfield Academy	16.8	16.8	-	-
Crescent Primary Academy	16.6	16.6	16	16
Oasis Academy Arena	15.9	15.9	2	2
Good Shepherd Catholic Primary	17.5	17.5	29	30
South Norwood Academy	17.9	17.9	36	37
Chesnut Park Primary School	15.9	15.9	-	-
St Chad's Catholic Primary School	26.9	26.9	45	46
St Aidan's Catholic Primary School	23.2	23.2	14	15
Davidson Primary School	26.0	26.0	44	46
Krishna Avanti Primary School	19.1	19.1	-	-
The Woodside Academy	29.4	29.4	-	-
Kingsley Primary Croydon	19.2	19.2	75	75
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 2018/19 are detailed below:

Band	2018/19 Range £	Contribution Rate %
1	0 -14,100	5.5%
2	14,101-22,000	5.8%
3	22,001-35,700	6.5%
4	35,701-45,200	6.8%
5	45,201-63,100	8.5%
6	63,101-89,400	9.9%
7	89,401-105,200	10.5%
8	105,201-157,800	11.4%
9	157,801+	12.5%

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

	2018/19	2017/18	% change
Contributing members	9,542	9,670	(1.3%)
Deferred pensioners	10,591	9,463	11.9%
Pensioners	7,857	7,492	4.9%
Total	27,990	26,625	5.1%

8. CONTRIBUTIONS

By Authority:	2018/19 £'000	2017/18 £'000
Administering Authority	29,591	26,570
Scheduled bodies	14,242	12,915
Admitted bodies	3,975	4,693
	47,808	44,178

By Type	2018/19 £'000	2017/18 £'000
Employees normal contributions	12,746	12,038
Employers:		
Normal contributions	30,679	29,132
Deficit recovery contributions	2,488	2,253
Augmentation contributions	1,895	755
	47,808	44,178

9. BENEFITS

	2018/19 £'000	2017/18 £'000
Pensions	43,431	42,381
Commutation and lump sum retirement benefits	8,248	6,731
Lump sum death benefits	675	1,177
	52,354	50,289

10. MANAGEMENT EXPENSES

	2018/19 £'000	2017/18 £'000
Administration	1,083	1,417
Oversight and Governance	674	669
Investment management	6,410	4,759
	8,167	6,845

Included in oversight and governance expenses is £21,000 (2018: £21,000) 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. Investment 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 2019 the implicit fee was £5,776,000 (2018: £4,027,000) Included in the investment management expenses are 108,000 (2018: £286,000) in respect of transaction costs.

11. INVESTMENT INCOME

	2018/19 £'000	2017/18 £'000
Global equities dividends- segregated funds	(6)	9,143
Pooled Equity Income	152	-
Pooled Fixed Income	206	-
Pooled Property funds income	5,048	3,842
Interest on cash deposits	69	37
Total before taxes	5,469	13,022
Taxes on income	(1)	(361)
Total	5,468	12,661

12. INVESTMENTS

The Fund used the following investment managers during the year.

Asset Category	Fund Managers
Equities	Legal and General Investment Management Limited (LGIM) and London LGPS CIV Limited underlying manager Henderson Golbal Investors (LCIV Henderson)
Private equity	Knightsbridge Advisors LLC, Pantheon Ventures LLP, Access Capital Partners and North Sea Capital
Infrastructure	Equitix Limited, Temporis Capital Limited and Green Investment Group Management Limited (GIGM), Access Capital Partners, I-Squared Capital
Fixed Interest	Aberdeen Standard Investments, Wellington Management Company LLP and London LGPS CIV Limited underlying manager PIMCO (LCIV PIMCO)
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 2019 was as follows

	2019		2018	
	Market £'000	Market %	Market £'000	Market %
LGIM	457,993	37.2%	578,812	51.9%
London LGPS CIV Limited (LCIV)	150	0.0%	150	0.0%
LCIV PIMCO	84,066	6.8%	-	----
LCIV Janus Henderson	58,044	4.7%	-	----
Pantheon Ventures LLP (Pantheon)	64,552	5.2%	61,780	5.5%
Knightsbridge Advisors LLC (Knightsbridge)	29,219	2.4%	20,929	1.9%
Access Capital Partners (Access)	26,568	2.2%	22,160	2.0%
North Sea Capital	3,069	0.2%	781	0.1%
I-Squared Capital	6,807	0.6%	-	----
Equitix Limited	64,045	5.2%	57,488	5.2%
Temporis Capital Limited (Temporis)	34,530	2.8%	20,678	1.9%
Green Investment Bank (GIGM)	24,155	2.0%	25,165	2.3%
Aberdeen Standard Investments (Aberdeen)	131,228	10.7%	128,715	11.5%
Wellington Management Company LLP (Wellington)	67,125	5.5%	63,692	5.7%
Schroder Investment Management Limited (Schroders)	118,321	9.6%	109,123	9.8%
M&G Investment Management Limited (M&G)	60,245	4.9%	25,229	2.3%
Total investments	**1,230,117**	**100.0%**	**1,114,702**	**100.0%**

NOTES TO THE PENSION FUND ACCOUNTS

13. RECONCILIATION IN MOVEMENT IN INVESTMENTS

	Market value 01 April 2018	Purchases and derivative payments	Sales and derivative receipts	Change in market value	Market value 31 March 2019
	£'000	£'000	£'000	£'000	£'000
Global equities - segregated funds	150				150
Global equities - pooled funds	578,812	119,902	(251,204)	68,527	516,037
Private equity	95,253	14,160	(17,343)	17,921	109,991
Infrastructure	113,728	28,837	(13,034)	13,423	142,954
Fixed Interest	192,407	80,264	(744)	10,492	282,419
Property	134,352	49,133	(7,585)	2,666	178,566
	1,114,702	**292,296**	**(289,910)**	**113,029**	**1,230,117**
Cash deposits	8,603			26	6,452
Investment income due	1,465				1,557
Net investment assets	**1,124,770**	**292,296**	**(289,910)**	**113,055**	**1,238,126**

	Market value 01 April 2017	Purchases and derivative payments	Sales and derivative receipts	Change in market value	Market value 31 March 2018
	£'000	£'000	£'000	£'000	£'000
Global equities - segregated funds	575,427	242,260	(840,365)	22,828	150
Global equities - pooled funds	----	596,372	(110)	(17,450)	578,812
Private equity	92,584	14,905	(19,473)	7,237	95,253
Infrastructure	83,247	29,851	(9,925)	10,555	113,728
Fixed Interest	191,155	50,059	(50,710)	1,903	192,407
Property	103,621	30,586	(7,312)	7,457	134,352
Derivatives	152	0	(785)	633	-
	1,046,186	**964,033**	**(928,680)**	**33,163**	**1,114,702**
Cash deposits	17,460			(438)	8,603
Investment income due	2,738				1,465
Amounts payable for purchases	(41)				-
Net investment assets	**1,066,343**	**964,033**	**(928,680)**	**32,725**	**1,124,770**

14. ANALYSIS OF INVESTMENTS

		2019			2018		
		UK £'000	Foreign £'000	Total £'000	UK £'000	Foreign £'000	Total £'000
Global equities-segregated funds							
London CIV	Unquoted	150		150	150	-	150
Total equities		150	-	150	150	-	150
Global equities - pooled funds							
LGIM	unit trust		457,993	457,993	-	578,812	578,812
Emerging market equities - pooled funds				-			
LCIV Janus Henderson	managed fund		58,044	58,044	-	-	-
Total pooled investments		-	516,037	516,037	-	578,812	578,812
Private Equity							
Pantheon	managed fund		64,552	64,552	-	61,780	61,780
Knightsbridge	managed fund		29,219	29,219	-	20,929	20,929
Access	managed fund		13,151	13,151	-	11,763	11,763
North Sea Capital	managed fund		3,069	3,069	-	781	781
Total private equity		-	109,991	109,991	-	95,253	95,253
Infrastructure							
Equitix Limited	managed fund	64,045		64,045	57,488	-	57,488
Temporis	managed fund	34,530		34,530	20,678	-	20,678
GIGM	managed fund	24,155		24,155	25,165	-	25,165
Access	managed fund		13,417	13,417	-	10,397	10,397
I Squared	managed fund		6,807	6,807	-	-	-
Total Infrastructure		122,730	20,224	142,954	103,331	10,397	113,728
Fixed Interest							
Aberdeen	unit trust	131,228		131,228	128,715	-	128,715
Wellington	managed fund		67,125	67,125	-	63,692	63,692
LCIV PIMCO	managed fund		84,066	84,066	-	-	-
Total Fixed Interest		131,228	151,191	282,419	128,715	63,692	192,407
Property							
Schroders	managed fund	118,321		118,321	109,123	-	109,123
M&G	managed fund	60,245		60,245	25,229	-	25,229
Total Property		178,566	-	178,566	134,352	-	134,352
Total investments		**432,674**	**797,443**	**1,230,117**	**366,548**	**748,154**	**1,114,702**

15. INVESTMENTS EXCEEDING 5% OF THE MARKET VALUE OF THE FUND

	2019		2018	
	Market £'000	% of Total investments	Market £'000	% of Total investments
Standard Life SLI Absolute Return Global Bond Strategies	66,221	5.4%	65,971	5.9%
Standard Life Corporate Bond	65,007	5.3%	62,744	5.6%
Wellington Sterling Core Bond Plus Portfolio	67,125	5.5%	63,692	5.7%
LCIV PIMCO Golbal Bond Fund	84,066	6.8%	-	-
LGIM FTSE Ex Tobacco World Equity Index	457,993	37.2%	578,812	51.9%

NOTES TO THE PENSION FUND ACCOUNTS

16. CURRENT ASSETS

	2019 £'000	2018 £'000
Cash balances	5,528	17,380
Other Local Authorities - Croydon Council	6,245	1,585
Other Entities and Individuals	3,291	2,467
	15,064	21,432

17. CURRENT LIABILITIES

	2019 £'000	2018 £'000
Other Local Authorities - Croydon Council	(862)	(5,666)
Other entities and individuals	(1,285)	(1,093)
	(2,147)	(6,759)

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.

18. 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

Councillor Hall, the Vice Chair of the Pensions Committee is the Council Shareholder Representitive for the London LGPS CIV Limited and is a member of the London Councils Pensions CIV Sectoral Joint Committee.

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 management personnel of the fund are the Director of Finance, Investment and Risk (Section 151 Officer), and the Head of Pensions and Treasury.
During the year a charge of £125k (2018: £125k) 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 2018/19.

19. 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.

20. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

The Fund had outstanding capital commitments of £92.5m at 31 March 2019 (2018:£170.4m) based on:

USD 65.4m at exchange rate 1.30 equals £50.2m (2018: £62.0m)
EUR 40.8m at exchange rate 1.16 equals £35.1m (2018: £43.8m)
GBP £7.2m (2018: £64.6m)

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.

21. 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 £172,000 for 2018/19 (£220,700 in 2017/18), are sent directly to the relevant AVC provider.
The value at 31 March 2019 of separately invested additional voluntary contributions was £1.81m (£1.86m in 2017/18).

22. PENSION FUND ACCOUNTS REPORTING REQUIREMENTS

London Borough of Croydon Pension Fund ('the Fund) Actuarial Statement for 2018/19

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2017. In summary, the key funding principles are as follows:

- ► to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- ► to ensure that employer contribution rates are reasonably stable where appropriate;
- ► to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- ► to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- ► to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 22 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrates that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still around a 70% chance that the Fund will return to full funding over 22 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £877 million, were sufficient to meet 73% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £326 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2016 valuation report.

Method

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

22. PENSION FUND ACCOUNTS REPORTING REQUIREMENTS (continued)

Assumptions

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

The key financial assumptions adopted for the 2016 valuation were as follows:

Financial assumptions	31 Mar 2016
Discount rate	4.4%
Salary increase assumption	2.7%
Benefit increase assumption (CPI)	2.1%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are 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 as follows:

	Males	Females
Current Pensioners	22.3 years	24.4 years
Future Pensioners*	24.0 years	26.2 years

*Aged 45 at the 2016 Valuation

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities and there have been strong asset returns over the 3 years. Both events are of broadly similar magnitude with regards to the impact on the funding position.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.

Robert McInroy
Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB

22. PENSION FUND ACCOUNTS REPORTING REQUIREMENTS (continued)

Pension Fund Accounts Reporting Requirement
Introduction
CIPFA's Code of Practice on Local Authority Accounting 2018/19 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 2019 £m	31 Mar 2018 £m
Active members	847	705
Deferred members	485	446
Pensioners	682	688
Present Value of Promised Retirement Benefits	2,014	1,839

The promised retirement benefits have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. 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. Further 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).

22. 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 2019 and 31 March 2018. I estimate that the impact of the change in financial assumptions to 31 March 2019 is to increase the actuarial present value by £107m. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

Financial Assumptions

Year ended	31 Mar 2019 %p.a.	31 Mar 2018 %p.a.
Pensions Increase Rate	2.5%	2.4%
Salary Increase Rate	3.0%	2.9%
Discount Rate	2.4%	2.6%

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	24.4 years
Future Pensioners (assumed to be age 45 at the latest formal	24.0 years	26.2 years

Please note that the longevity assumptions have not 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 2019	Approximate increase to pension liabilities (%)	Approximate increase to pension liabilities (£m)
0.5% increase in pensions increase rate	8%	162
0.5% increase in salary increase rate	1%	22
0.5% decrease in the discount rate	10%	194

The principal demopgraphic assumption is the longevity assumption. For sensitivity purposes, I estimate that 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 2019 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:-

Robert McInroy FFA

16 May 2019

For and on behalf of Hymans Robertson LLP

23. EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period.

24. FINANCIAL INSTRUMENTS

Below is the target asset allocation agreed by Pension Committee and in force during 2018/19

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.

24. 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 by category and Net Assets Statement heading. heading. The carrying value for Pension Funds is the same as the Fair Value.

31 March 2019

	Designated as fair value through profit and loss £'000	Loans and Receivables £'000	Financial assets and liabilities at amortised cost £'000
Financial Assets			
Fixed Interest funds	282,419	-	-
Global equities - segregated funds	150	-	-
Pooled property funds	178,566	-	-
Private equity funds	109,991	-	-
Infrastructure funds	142,954	-	-
Global equities - pooled investments	516,037	-	-
Other investment balances	-	8,009	-
Current Assets	-	15,064	-
Total Financial Assets	**1,230,117**	**23,073**	**-**
Financial Liabilities			
Current liabilities	-	-	(2,147)
Total Financial Liabilities	**-**	**-**	**(2,147)**
Net Assets	**1,230,117**	**23,073**	**(2,147)**

31 March 2018

	Designated as fair value through profit and loss £'000	Loans and Receivables £'000	Financial assets and liabilities at amortised cost £'000
Financial Assets			
Fixed Interest funds	192,407	-	-
Global equities - segregated funds	150	-	-
Pooled property investments	134,352	-	-
Private equity funds	95,253	-	-
Infrastructure funds	113,728	-	-
Global equities - pooled investments	578,812	-	-
Other investment balances	-	10,068	-
Current Assets	-	21,432	-
Total Financial Assets	**1,114,702**	**31,500**	**-**
Financial Liabilities			
Current liabilities	-	-	(6,759)
Total Financial Liabilities	**-**	**-**	**(6,759)**
Net Assets	**1,114,702**	**31,500**	**(6,759)**

24. FINANCIAL INSTRUMENTS (Continued)

Net Gains and Losses on Financial Instruments

	31 March 2019 £'000	31 March 2018 £'000
Financial assets		
Designated at fair value through profit and loss	113,029	33,163
Loans and receivables	26	(438)
	113,055	**32,725**
Financial liabilities		
Designated at fair value through profit and loss	-	-
Financial liabilites at amortised cost	-	-
	-	**-**
Total	**113,055**	**32,725**

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 and quoted index linked securities.

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.
The pooled investment vehicles for global equities and fix interest funds are classified as Level 2 as the fund valuations are based on the market prices of the underlying investments using evaluated price feeds.

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, Private Equity Funds, Infrastructure Funds and Pooled Property Funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity and infrasturcture funds are based on valuations provided by the General Partners to the funds in which the London Borough of Croydon Pension Fund has invested.

The General Partners use a variety of methods and assumptions based on market conditions existing at the statement of financial position date which is usually at the end of December. Valuations are then rolled forward to the 31 March.

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.

Valuations in Pooled Property Funds are carried out by qualified surveyors with relevant qualifications from the Royal Institute of Chartered Surveyors. All assets have been classified as level 3 as the inputs are considered to be unobservable and developed by the valuer using best information available where there is little or no market activity at the valuation date.

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.

24. FINANCIAL INSTRUMENTS (Continued)

Values at 31 March 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Fixed Interest funds		282,419		282,419
Global equities - segregated funds			150	150
Pooled property investments			178,566	178,566
Private equity funds			109,991	109,991
Infrastructure funds			142,954	142,954
Global equities - pooled investments		516,037		516,037
Other investment balances	8,009			8,009
Current Assets	15,064			15,064
Total Assets	23,073	798,456	431,661	1,253,190
Financial Liabilities				
Current liabilities	**(2,147)**	-	-	**(2,147)**
Net financial assets	**20,926**	**798,456**	**431,661**	**1,251,043**

Values at 31 March 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Fixed Interest funds		192,407		192,407
Global equities - segregated funds			150	150
Pooled property funds			134,352	134,352
Private equity funds			95,253	95,253
Infrastructure funds			113,728	113,728
Global equities - pooled investments		578,812		578,812
Other investment balances	10,068			10,068
Current Assets	21,432			21,432
Total Assets	31,500	771,219	343,483	1,146,202
Financial Liabilities				
Current liabilities	**(6,759)**	-	-	**(6,759)**
Net financial assets	**24,741**	**771,219**	**343,483**	**1,139,443**

24. FINANCIAL INSTRUMENTS (Continued)

Reconciliation of Fair Value Measurements within Level 3 assets

2018/2019	Market value 01 April 2018 £'000	Transfers to Level 3 £'000	Transfers out of Level 3 £'000	Purchases £'000	Sales £'000	realised gains/losses £'000	Unrealised gains/losses £'000	Market value 31 March 2019 £'000
Private Equity Funds	95,253			14,160	(17,343)	17,343	578	109,991
Infrastructure Funds	113,728			28,837	(13,034)	13,034	389	142,954
Pooled Property Funds	134,352			49,133	(7,585)	7,585	- 4,919	178,566
Unquoted Equity	150							150
Total assets	343,483	----	----	92,130	(37,962)	37,962	(3,952)	431,661

Poooled Property Funds and the unquoted equity were transferred from level 2 to 3 due to a reappraisal of the valuation techniques.

2017/2018	Market value 01 April 2017 £'000	Transfers to Level 3 £'000	Transfers out of Level 3 £'000	Purchases £'000	Sales £'000	realised gains/losses £'000	Unrealised gains/losses £'000	Market value 31 March 2018 £'000
Private Equity Funds	92,584			14,905	(19,473)	19,473	(12,236)	95,253
Infrastructure Funds	83,247			29,851	(9,925)	9,925	630	113,728
Pooled Property Funds		103,621		30,586	(7,312)	-	7,457	134,352
Unquoted Equity		150						150
Total assets	175,831	103,771	----	75,342	(36,710)	29,398	(4,149)	343,483

Sensitivity analysis of Level 3 assets

The bid/offer spread of 5% for Pooled Property Funds has been used as a proxy to measure the sensitivity for all level 3 assets.

Level 3 Asset	Market value 31 March 2019 £'000	Value on Increase £'000	Value on Decrease £'000
Private Equity Funds	109,991	115,491	104,491
Infrastructure Funds	142,954	150,102	135,806
Pooled Property Funds	178,566	187,494	169,638
Unquoted Equity	150	158	143
Total	**431,661**	**453,244**	**410,078**

25. 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. A risk register is maintained and reviewed bi-annually.

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 yielc 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 2018	1,106,620	1,217,282	995,958
At 31 March 2019	**1,230,117**	**1,353,129**	**1,107,105**

25. 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.

Fixed interest funds, cash at bank and cash held by Fund managers are exposed to interest rate risk.

Assets exposed to interest rate risk	Value £'000	Value on Increase £'000	Value on Decrease £'000
At 31 March 2018	218,391	240,230	196,552
At 31 March 2019	**294,399**	**323,839**	**264,959**

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 (£GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than £GBP.

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.

Currency exposure - asset type	**Asset Value as at 31 March 2019 £'000**
Overseas equities securities	516,037
Overseas Private Equity and Infrastructure	130,215
Overseas fixed interest	151,191
Overseas Private Equity and Infrastructure (outstanding commitments)	85,329
Total assets	882,772

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 2018	853,932	939,325	768,539
At 31 March 2019	**882,772**	**971,049**	**794,495**

25. 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 its 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 2019 was £17.4m (£17.4m at 31 March 2018). This was held with the following institutions:

Summary	Rating at 31 March 2019	Balances as at 31 March 2019 £'000	Balances at 31 March 2018 £'000
Money Market Funds	AAA		
Goldman Sachs Sterling Liquid Reserves Fund		3,439	11,313
Current Account			
Royal Bank of Scotland		2,089	6,067
Total		5,528	17,380

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 2019 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.

GLOSSARY OF TERMS

IMPAIRMENT
This is where the value of an asset falls below the carrying value in the accounts and so to reflect the commercial reality of the situation a charge is made in the running costs.

INFRASTRUCTURE ASSETS
Non-current assets that cannot be easily disposed of, expenditure on which is only recovered by continued use of the asset. Examples include highways and footpaths.

INTANGIBLE ASSETS
Non-current assets, which do not have a physical form but provide an economic benefit for a period of more than one year. Examples include software licences.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
International Financial Reporting Standards (IFRS) is a set of accounting standards, developed by the International Accounting Standards Board (IASB). Local Authorities moved to accounting on an IFRS basis in 2010/11, a year after Central Government and the National Health Service.

INVESTMENT PROPERTIES
Interest in land and/or buildings in respect of which construction work and development have been completed and which is held for its investment potential, with any rental income being negotiated at arm's length.

LEVIES
Payments to London-wide bodies such as the London Pension Fund Authority. The cost of these bodies is borne by Local Authorities in the area concerned, based on their Council Tax base and is met from the General Fund.

MINIMUM REVENUE PROVISION (MRP)
The minimum amount that the Council must charge to the revenue account in the year in respect of the repayment of principal of borrowing for capital purposes. In the accounts the MRP is included within capital financing charges.

NATIONAL NON-DOMESTIC RATES (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 anc 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 Housing, Communities and Local Government (HCLG) 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.

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.

REPORT TO:	**GENERAL PURPOSES AND AUDIT COMMITTEE** **23 JULY 2019**
SUBJECT:	**Annual Governance Statement (AGS) 2018/19**
LEAD OFFICER:	**Jo Negrini, Chief Executive & Head of Paid Service**
CABINET MEMBER	**Councillor Simon Hall,** **Cabinet Member for Finance & Resources**
WARDS:	**All**

CORPORATE PRIORITY/POLICY CONTEXT:

The Council is required by the Audit and Account Regulations to prepare an Annual Governance Statement as part of the Annual Accounts process and in discharging this responsibility, complies with the principles laid out by the *Delivering Good Governance in Local Government: Framework* (CIPFA / SOLACE 2016), ('the framework').

FINANCIAL SUMMARY: There are no direct financial considerations arising from this report.

FORWARD PLAN KEY DECISION REFERENCE NO: N/A

1. RECOMMENDATIONS:

The General Purposes & Audit Committee are recommended to:

1.1 Approve the Annual Governance Statement for the year 2018/19 at appendix 1 to this report.

1.2 Agree the statement on 'outcomes' in relation to 'Issues raised in 2017/18 Statement and progress to date'. (Appendix 1, Table 2)

1.3 Agree the significant governance issues identified in relation to 2018/19 and the actions being taken to mitigate those risks.(Appendix 1, Table 1)

2. EXECUTIVE SUMMARY

2.1 This report details the Annual Governance Statement (AGS), for 2018/19 at Appendix 1.

3. DETAIL

3.1 The Accounts and Audit (England) Regulations 2015 (the Regulations) require the Council to review, at least annually the effectiveness of its governance arrangements and publish an AGS each year with the financial statements. This is the eighth year that the Council has produced an AGS.

3.2 Appendix 1 shows the AGS 2018/19. The information for the AGS has been generated through the Council's Governance framework including:

- External Audit
- Internal Audit
- Risk Management
- Performance Management
- Financial Management

3.3 The Council has in place a framework to manage the identified issues through the *General Purpose & Audit Committee*, where the actions reported in the AGS will be reviewed during the year. The AGS will be published as part of the Council's statutory accounts and annual report.

3.4 The identification of significant governance issues in relation to 2018/19 is drawn from a number of sources although substantially focussed around the review of the corporate risk register, in relation to red rated risks and issues raised through the Head of Internal Audit Report (HoIA).

4. FINANCIAL & RISK CONSIDERATIONS

4.1 There are no direct financial considerations relating to the recommendations in this report. There are no additional risk considerations other than those detailed in Appendix 1, AGS.

5. COMMENTS OF THE SOLICITOR TO THE COUNCIL

LEGAL CONSIDERATIONS

5.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance and Deputy Monitoring Officer that in accordance with the Account and Audit Regulations 2015:

a. The Council shall be responsible for ensuring that the financial management of the Council is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk; and

b. The Council shall conduct a review at least once in a year of the effectiveness of its system of internal control and shall publish such a statement with its statement of accounts.

5.2 The Regulations requires that the findings of the review of the system of internal control must be considered by a committee of the Council, or by members of the Council meeting as a whole and that the Council review the effectiveness of their system of internal audit once a year and that a committee of the Council, or the Council as a whole review the findings.

5.3 The preparation and publication of an Annual Governance Statement in accordance with the 2016 CIPFA / SOLACE Framework meets the statutory requirement set out in the Regulations for authorities to prepare a statement of internal control in accordance with "proper practices".

Approved by Sandra Herbert, Head of Litigation and Corporate law on behalf of the Director of Law and Governance and Deputy Monitoring Officer

6. HUMAN RESOURCES IMPACT

6.1 There are no human resource considerations relating to this report.

CONTACT OFFICER: Lisa Taylor - Director of Finance, Investment & Risk (& Interim Section 151 Officer)

APPENDICES: Appendix 1 - ANNUAL GOVERNANCE STATEMENT

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Appendix1

ANNUAL GOVERNANCE STATEMENT 2018/19

Scope of responsibility

Croydon Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Croydon Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Croydon Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes effective arrangements for the management of risk. Croydon Council acknowledges that it has an ‘arm’s length’ interest in organisations (namely Brick by Brick and Octavo) but cannot enter control arrangements in this Annual Governance Statement as such companies are separate entities and responsible for publishing their own governance statements.

Croydon Council has approved and adopted a code of corporate governance, which is consistent with the principles of the *Delivering Good Governance in Local Government: Framework* (CIPFA / SOLACE 2016), (‘the framework’). A copy of the authority’s code can be obtained from governance@croydon.gov.uk. This statement explains how Croydon Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6 (1), which requires all relevant bodies to prepare and approve an annual governance statement.

Croydon Council has determined that its Ethics Committee shall be responsible for receiving and considering reports on matters of probity and ethics and to consider matters relating to the Code of Conduct. This follows the Council’s review of its Code of Conduct and ethics arrangements and best practice suggestions set out in the review by the Committee on Standards in Public Life (the Committee). The Committee was established in 1994 and is responsible for promoting the Seven Principles of Public Life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership – commonly known as the Nolan Principles. The full report can be accessed here.

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled as well as the activities through which it accounts to, engages with and leads its communities. The framework enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. Internal controls evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Croydon Council for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

The governance framework

- "Croydon's Community Strategy 2016-21" is the overarching strategy of Croydon's Local Strategic Partnership, which includes the Council. The Community Strategy is supported by "Our Corporate Plan for Croydon 2018-2022" and delivery plans for each department and team. These are reviewed and updated annually. In addition, the Council has its own vision and corporate values statement developed after extensive consultation amongst staff to ensure there is effective management of change and transformation. The organisation is currently also engaging with all staff to develop a new Workforce Strategy.

- The Council's Constitution sets out how decisions are made and the procedures that are followed to evidence open and transparent policy and decision making that ensures compliance with established policies, procedures, laws and regulations. The Council's policy and decision making is conducted through the Cabinet process, with the exception of non-executive matters and the Policy framework, which is set by full Council. These meetings are open to the public, except where personal or confidential matters are being discussed. In addition, the Chief Executive (& Head of Paid Service) and senior officers make decisions under their relevant Scheme of Authorisations. The Council publishes a Forward Plan that details the key decisions to be made by the Leader, Cabinet, Cabinet Committees or officers in relation to executive matters.

- The Council has a designated Executive Director of Resources & Monitoring Officer, who shall, after consulting with the Head of Paid Service and Chief Finance Officer, report to the Full Council, or the Leader in relation to an executive function, if they consider that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission would give rise to unlawful action. The Executive Director of Resources & Monitoring Officer also conducts investigations into matters referred by the Ethics Committee and delivers reports and recommendations in respect of those investigations to the Ethics Committee.

- The financial management of the Council is conducted in accordance with the Financial Regulations set out in the Constitution (4H). The Council has designated the Director of Finance, Investment & Risk (& Interim Section 151 Officer) as the Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a four year medium term financial strategy that was agreed at Council in October 2018 and is updated annually supporting the Council's strategic objectives. The financial strategy ensures the economical, effective and efficient use of resources including a financial management process for reporting the Council's financial standing.

- The Council's financial management arrangements conform to the requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government (2013).

- The Council maintains an effective Internal Audit service that has operated, in accordance with the Public Sector Internal Audit Standards. The Council's assurance arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2019). As required by the Accounts and Audit (England) Regulations, the Director of Finance, Investment & Risk (& Interim Section 151 Officer) has reviewed the effectiveness of the Internal Audit service and reported this to the General Purposes & Audit Committee which has concluded that the Internal Audit service is satisfactory and fit for purpose. This undertaking is part of the core functions of the General Purposes & Audit Committee, as set out in CIPFA's *Audit Committees: Practical Guidance for Local Authorities* and applied in the Council.

- Croydon Council has adopted strategies, policies and practices that are consistent with the principles of the *Delivering Good Governance in Local Government: Framework* (CIPFA / SOLACE 2016), ('the framework').

- The Council has a performance planning process supplemented by detailed business planning to establish, monitor and communicate Croydon Council's objectives. This includes a performance management system that sets key targets and reports on performance monitoring to Cabinet. The performance management framework is utilised to measure the quality of services for users, to ensure that they are delivered in accordance with the Council's objectives and that these services represent the best use of resources and value for money.

- The Council has a robust risk management process to identify, assess and manage those significant risks to the Council's objectives including the risks of its key strategic partnerships. The risk management process includes a risk management policy statement, corporate and departmental risk registers, risk management steering group, and appropriate staff training. The Cabinet Member for Finance & Resources champions risk management which is at the heart of the Council's decision making, with each Cabinet Member having access to the risks relating to their portfolio. Key corporate risks are regularly reviewed by the Divisional and Departmental Management Teams and by the General Purposes & Audit Committee.

- The Council has adopted codes of conduct for its staff and its Members, including co-opted members. These are introduced to all staff as they are inducted into the organisation and they are given their own copies. Members and co-opted members sign an undertaking to abide by their Code of Conduct at the point of their election or appointment. These Codes are available for reference at all times and reminders and training are provided as necessary.

- To ensure that concerns or complaints from the public can be raised, the Council has adopted a formal complaints policy which sets out how complaints can be made, what should be expected and how to appeal. In addition, the Council has adopted a fraud hotline.

- A whistle-blowing policy has been adopted to enable staff, partners and contractors to raise concerns of crime or maladministration confidentially. This has been designed to enable referrals to be made without fear of being identified. In addition, the Council has adopted a whistle blowing hotline supported by a third sector partner. These arrangements are part of ensuring effective safeguarding, counter-fraud and anti-corruption arrangements are developed and maintained in the Council.

- The Council's control framework extends to partnerships and other joint working and this is reflected in the Council's overall governance arrangements.

- Many of the Council's services are delivered in partnership with commercial organisations. Where this is the case, the Council ensures that proper governance is maintained by closely following procurement procedures when awarding contracts and then robustly monitoring those contracts. Increasingly, Council services are delivered in partnership with other local public sector organisations. The most significant arrangements are grouped under the umbrella of the Local Strategic Partnership (LSP) which is led by a board made up of the Leader, relevant Cabinet Members, relevant Chief Executives or equivalent. Each of the themes within the LSP is overseen by its own board.

- The Strategic Partnership seeks to address community engagement by, amongst other methods, involving representatives from themed partnerships, business development partnerships and the community voluntary sector alliance. The Local Strategic Partnership hosts a congress twice a year for key stakeholders from community, voluntary, business and the public sector which contribute to and influence strategy and policy of the local area. The thematic partnerships undertake a range of consultation exercises to enable all residents and customers to contribute to; and shape the strategic themed plans such as the Health and Wellbeing Strategy and the Safer Croydon Partnership Community Safety Strategy. In addition, the Council undertakes surveys with a representative sample of its residents who provide the Council with reliable feedback on important issues that help improve services as part of establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

- Members' induction training is undertaken after each local government election. In addition, an on-going programme of training and awareness is available for Members with formal and informal events each year, including all major changes in legislation and governance issues.

- A corporate induction programme, 'Inspire', is delivered to all new staff joining the Council, supplemented by department specific elements. In addition, further developmental needs are identified through the Council's Appraisal Scheme. The Council's Organisational Development service delivers its own suite of courses covering core personal competencies. Other training solutions are provided as required. The Council has also developed an "Inspiring Leadership" Programme to improve leadership and management competencies across the organisation. In addition, a programme entitled 'Doing the Right Thing' is run to strengthen the governance processes and procedures of the Council.

Review of effectiveness

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

This review process includes:

- The Executive Director of Resources & Monitoring Officer's annual review of the constitution to ensure its aims and principles are given full effect. This includes a review of the financial regulations by the Director of Finance, Investment & Risk (& Interim S151 Officer)

- The Scrutiny and Strategic Overview Committee's ability to "call in" the Council's key executive decisions prior to implementation to consider the appropriateness of the decision.

- The General Purposes & Audit Committee's responsibility for discharging the functions of an audit committee, including reviewing the risk management process, the performance of Internal Audit and agreeing the external audit plan.

- Internal audit is responsible for monitoring the quality and effectiveness of internal controls. Using the Council's risk registers and an audit needs assessment, a plan of internal audit work is developed. The outcome of the internal audit risk-based work is reported to all relevant Executive Directors and Directors and regularly to the General Purposes & Audit Committee. Implementation of recommendations is monitored and progress reported. The work of the Internal Audit function is reviewed regularly by the external auditors who place reliance on the work completed. The Director of Finance, Investment & Risk (& Interim Section 151 Officer) has reviewed annually, the effectiveness of the Internal Audit service, and reported this to the General Purposes & Audit Committee which has concluded that the Internal Audit service is satisfactory and fit for purpose.

- The assurance provided by Members and the assurance of senior managers through the Council's Executive Leadership Team in developing departmental and corporate risk registers and agreeing annual departmental assurance statements.

- The opinion of the external auditors in their reports and annual letter.

- Other review agencies, through their inspection arrangements, such as the Care Quality Commission and Ofsted.

The Council has been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the General Purposes & Audit Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Table 1

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

Key Risks	Action	Responsible Officer	Responsible Cabinet Member
1. The number of unaccompanied asylum seeking children (UASC) looked after by Croydon remains significantly higher than the national average. LB Croydon plays a key role in supporting the National Transfer Scheme (NTS), a voluntary arrangement between local authorities to disperse and settle children and young people across the UK. This scheme has not had the anticipated success. The Pan London Protocol is in operation. London authorities have co-operated over many years to support each other (although primarily Croydon) by voluntarily taking new presentations of 16 and 17 year old UASCs on a rota basis with an agreed threshold of 0.07%. Those authorities that have been above the 0.07% threshold have come off the rota. They do come	The Chief Executive and senior officers continue to have a dialogue with the Home Office, other local authorities and London Leaders to encourage their participation in the NTS. It was hoped that the recent announcement by the government to increase the daily rate of payment for UASC would break down the barrier presented by those local authorities but we have yet to see any movement. Referrals to NTS are routinely made but with no response. The London Labour Group has agreed to increase the capacity of participating Labour controlled local authorities on the Pan London Rota from 0.07% to 0.08%, increasing the number of places for 16/17 year olds by approx.40 places. London Leaders have also unanimously agreed to support Croydon and other port authorities in lobbying the Government in relation to UASC.	Executive Director / DCS Children's, Families & Education.	Cabinet Member for Children, Young People & Learning.

back on when young people become 18 and they fall back beneath the threshold. However, the numbers have risen in the past year and the capacity has reduced across London. One authority has recently removed themselves from the rota.			
2. Social Care market supply disruption leading to market failure and inability to fulfil statutory requirements. Situation nationally has deteriorated so likelihood is very high. Market failure has become more common, increased by 82% nationally.	For social care providers for clients under the age of 65, the uplift strategy for this financial year will be based on taking a proportionate approach. Providers paid at the lower end will be uplifted in line with that of benchmarked averages. Providers at the higher end or who have recently had uplifts applied will not be increased. This approach will ensure greater consistency in rates paid with a view to undertaking blanket uplifts in future as currently occurs with the older people's providers. The market position statement and ongoing conversations with the provider market make it clear that we are seeking less residential care and more supported living options in Croydon. There has been a good offer of support for providers who want to pursue de-registration and have properties that can be developed into supported living. Since publishing the market position statement in 2018, there has also been a lot of work undertaken to further understand future demand including number of units required for supported living and the number of children who will transition to adult services. This will be included in the next refresh, with information about the detail of the commissioning strategy for the new dynamic purchasing system and the increase in direct payments.	Executive Director / DASS Health, Wellbeing & Adults.	Cabinet Member for Families, Health & Social Care.

	The potential for joint and integrated commissioning arrangements across health and social care will continue to develop. The One Croydon Alliance integrated contracting mechanism – the 'Service Operations Manual' can expand to include other types of provision, and joint priorities are being considered for the short and longer term. Commissioners are supporting this with the roll out of direct payments and the procurement of systems and external support including a 'personal assistants' service. The last two provider forums have had a focus on direct payments and developing services and cost models that will increase market options for residents. Overall, the monthly provider engagement meetings, which started about 18 months ago, have focused on how we work together to find good quality, affordable housing for supported living in Croydon. The first meetings were held for disability and mental health providers on the Integrated Framework Agreement. As a result we developed a 'pen portrait process' that has enabled us to establish three new supported living schemes and find new placements for over 30 people with complex health and care needs. We are now in the process of setting up 18 new flats for supported living with the providers that we have developed better relationships with. This will of course be aligned to in house provision where possible and the upcoming Council's Housing Strategy ensuring housing for all including for people with disabilities and frail elderly. As we progress, transform and integrate our provision to develop seamless care and support for our residents, we will develop new models of care that will require innovative		

	commissioning processes and development of strategic partnerships, as well as in-house provision development. There will be a new dynamic purchasing system, the system to procure all future care provision. In developing the strategy for the Dynamic Purchasing System (DPS), there has been close scrutiny of finance and performance data to inform commissioning plans. The nature of the Dynamic Purchasing System supports innovation in commissioning, in that new providers can apply to the system at any time and new 'LOTS' / service categories can be added at any time, allowing for new models of care to develop in a timely way rather than waiting for long contracts to expire. A focus on quality is imperative. Our commissioned providers will need to demonstrate how they meet the metrics in our outcomes framework.		
3. Dependency of Children's Services on interim resources. This includes the challenges of recruiting (particularly in Care Planning & Assessment Team) coupled with significant capacity and resourcing pressures and the impact of service reorganisations resulting in a lack of stable, high performing workforce.	Ongoing recruitment campaigns are in progress with specific targeting for both management and social worker roles. For the 12 months (1 June 2018 to 31 May 2019 – 92 new starters to the Division (46 being Social Workers) A review of the financial recruitment welcome offer has been implemented which maintains Croydon as an attractive employer both financially supported with a good learning and development offer and benefits.	Executive Director / DCS Children's, Families & Education.	Cabinet Member for Children, Young People & Learning.
4. Exploitation of young people in the Borough particularly in relation to peer on peer and gang	There is a new child exploitation process and meeting (Complex Adolescents Panel) which is for children who are exploited, go missing or are assessed by the Youth Offending	Executive Director / DCS Children's, Families &	Cabinet Member for Children, Young People & Learning.

activities and children missing from home and care.	Service as high risk. The gang's team have been active within schools, providing educative programmes and there is a gang's prevention worker who is part of that team.	Education.	
5.The pace of change to achieve the improvement plan outcomes and the journey to a rating of 'Good' is too slow or not achieved, following the OFSTED inspection of 'Services for children in need of help and protection and children looked after and care leavers' which judged the Council's Children's Services as 'inadequate'.	The monitoring visit in March noted improved pace. It is anticipated that the final monitoring will reach the same conclusion. Preparation is underway for the inspection which is likely to be in October / November.	Executive Director / DCS Children's, Families & Education.	Cabinet Member for Children, Young People & Learning.
6. As at the end of 2018/19, there are 9 of our 50 maintained schools in deficit potentially leading to default or an increase in arrears. The total deficit amounts to £3.7m however two of the schools are in a loan arrangement with the LA. In this context it is worthy of note that Internal audit work in schools during the year resulted in half of the schools visited receiving either Limited or No Assurance reports. Weaknesses identified included a range of issues including those that could impact	Two of the schools account for approximately £3m of the total deficit (£3.7m). There are ongoing plans in place with these schools in order to manage their positions as much as possible. Schools in deficit are required to submit a license deficit plan which is a future budget plan for how the school will return to a balanced position within a 3 - 5 year period. Each of the schools are required to report monthly and their positions are monitored to asses that they are adhering to their budget proposals. The schools senior leadership team and senior LA personnel meet regularly with the schools in deficit. These meetings are used to review plans and to monitor progress. Review of internal audit reports is carried out and issues are then used as subject topics in the termly update briefing meetings that are held with schools.	Executive Director / DCS Children's, Families & Education. Director of Finance, Investment & Risk & Interim Section 151 Officer.	Cabinet Member for Children, Young People & Learning. Cabinet Member for Finance & Resources.

on a school's financial management.			
7. Increasing population with complex learning needs and parental expectations leads to rising demand and financial pressure on SEN budgets including pressure on High Needs DSG budget. There is currently a £4.5m in year 2018/19 budget pressure and a cumulative £13m deficit on the High Needs DSG Budget resulting in a £9m overall DSG deficit.	The High Needs Block element of the Dedicated Schools Grant (DSG) is under significant pressure. Increases in expenditure in recent years as a result of demand (numbers of Education, Health & Care Plan's). The extension of EHCP responsibilities beyond 16 and the cost of fulling the requirements has not been matched by the significant increase in funding required to meet these needs. The Council is moving to ensure a more sustainable position, and has submitted a DSG deficit recovery plan to DfE as required detailing the high needs recovery plan for Croydon. The current medium Term Financial Strategy (MTFS) review will also involve a plan to increase general fund reserves to ensure any future deficit can be managed.	Executive Director / DCS Children's, Families & Education. Director of Finance, Investment & Risk & Interim Section 151 Officer.	Cabinet Member for Children, Young People & Learning. Cabinet Member for Finance & Resources.
8. The 2019/20 budget is not managed within allocated resources resulting in an overspend and therefore the need to implement additional cuts to services. Funding reductions are imposed whilst the Council experiences a continuous rising demand for service provision and growth in population. The continuing improvement of Children's Services following the OFSTED inspection (June / July 2017) has required greater investment in	The 2018/19 budget resulted in a £5.466m overspend, mainly as a result of unfunded Unaccompanied Asylum Seeking Children (UASC) costs. The 2019/20 budget included a number of growth items. This was presented to Cabinet in February 2019 and Full Council in March 2019 and was endorsed by both these bodies. This budget is designed to ensure in year delivery. The Council continues to manage and monitor budgets closely, growth has been allocated to appropriate areas and high risk areas continue to be monitored on a monthly basis with a budget monitoring report for the whole budget reported to Cabinet quarterly. The 2019/20 budget also included a number of savings options which are also being managed and closely monitored. During 2018/19 the Council moved towards delivering	Executive Director for Resources & Monitoring Officer. Director of Finance, Investment & Risk & Interim Section 151 Officer.	Cabinet Member for Finance & Resources.

this service with over £10m having been invested in Children's Services during 2018/19. A further £12m investment has been agreed in the 2019/20 budget.	services on a locality basis with a number of localities now in operation. Delivery and success of these will be measured and monitored in year and reported as part of the regular budget monitoring reports to Cabinet. The investment in Children’s Services is also monitored through monthly meetings that focus solely on this services and delivery. Work is also underway to refresh the Medium Term Financial Strategy and will be presented to Cabinet with the budget in February 2020.		
9. The Council's ability to deliver services (including all statutory requirements) are adversely / critically affected following the departure from the European Union by the United Kingdom.	This risk is closely monitored in terms of the level and likelihood of the multiple elements of impact. However the outcome of the parliamentary process, the stability and final policy of central government and the confirmed details of the UK exit conditions (including the date of parliamentary approval) cannot be determined at an organisational level. The Council has however initiated a formal ‘working group’ (incorporating senior officers) to monitor, strategise and initiate policies (where possible) to mitigate the risk. The Council will continue to react to the issues arising as a result of the status of the ongoing negotiations and central government’s approach to the 31st October deadline.	Chief Executive.	The Leader.
10. Although there continues to be improvements, during the course of internal audit work during the year, a number of issues were identified with contract monitoring and	Contracts of different sizes are monitored and managed by Officers across the Council. Supporting and enabling Contract Managers to comply and work within the councils Contract Management Framework is an ongoing focus, and performance is improving year on year.	Executive Director for Resources & Monitoring Officer. Director of Commissioning &	Cabinet Member for Finance & Resources.

management.	Throughout 2018/19, we held a series of learning and development sessions to support and improve the contract management practice across the Council. This included leading Commissioning and Contract Management Working Groups to build the capabilities of the Contract Management Community. In addition, in October 2018, we also held a Commissioning and Contract Management week which included 16 learning and development sessions that were attended by over 350 officers from across the Council. The Contracts Hub was launched in October 2017 and with this we introduced the Contract Management toolkit and the Contract Management Plan (based on National Audit Office good practice). We also began quarterly reporting on Tier one (over £1m per annum) contracts, from October 2017. As a result of this reporting, we have enforced more consistent monitoring, management and oversight of the Councils largest contracts. A similar and proportionate approach is now being implemented for Tier 2 (between £500k and £1m per annum) contracts. The Tenders & Contracts Regulations and Commissioning Framework have been updated to include a stronger emphasis on contract management. The Commissioning Framework lists contract management as one of the Councils key priorities and the Tender and Contract Regulations include a clear role for the Councils Contract and Commissioning Board to hold contract managers to account. These Regulations will form part of the Constitution once they are adopted by Full Council in July 2019. Following on from this, there will an awareness raising exercise across the Council which will include roadshows at DLT's and regular communications to staff. There will also be a new	Procurement.	

	Procurement & Contract Management Handbook developed which will be available to all staff and will support the Commissioning Framework and Social Value Policy. This handbook will give more practical tips to contract managers who are involved in contract management. A new Central Buying Team has also been established and will be leading on low value sourcing from the summer 2019. The Council's new financial system will also allow the Central Buying Team to monitor non-compliance with the Tender and Contract Regulations through providing easier access to spend analysis reports. The Central Buying Team will also have responsibility for ensuring officers in the Council are raising requisitions against a contract purchase agreement and where this isn't the case they will be reporting this to DLT's. Plans are afoot to refresh the Contract Management Framework in 2019/2020 to reflect the new practices in contract performance management.		
11. Internal audit work during the year identified a number of issues relating to financial management within the adult and children's social care teams.	**ADULTS:** The Council is implementing a series of new tools (below) that will support financial management departmentally and divisionally. • ContrOCC, the finance system that links care and support plans and costs. • MyResources, new tool for Council staff to manage staff establishments, budgets, provider payments and income. • Dynamic purchasing system, the system to procure all future care provision. In developing the strategy for the Dynamic Purchasing System (DPS), there has been close scrutiny of finance and performance data	Executive Director / DCS Children's, Families & Education. Executive Director / DASS Health, Wellbeing & Adults.	Cabinet Member for Children, Young People & Learning. Cabinet Member for Families, Health & Social Care.

	to inform commissioning plans. On monitoring care spend on domiciliary and residential care; the successful implementation of the new adult social care Liquid Logic content management system, and the linked financial system, ContrOCC, will be key drivers to achieve the improved monitoring. Additionally, the adult social care 'cost of care tool' will support the forecasting of future budget requirements through a series of scenario based tests, and set against the know efficiencies programme being tracked through the Adapt transformation programme. For Adult Social Care, Internal Audit will also deliver a quarter 2 audit on our forecasting and financial planning. **CHILDRENS:** We are continuing to experience an increase in demand for Children's Services, especially in relation to corporate parenting which is leading to the need to invest more financial resources. Finances are reviewed monthly at a departmental level at Senior Leadership Team meetings, at Departmental Leadership Team meetings and then scrutinised by lead Councillor's at monthly Children's Improvement Finance meeting before being presented to Cabinet on a quarterly basis. At the monthly Children's Improvement Finance meetings there is discussion regarding outcomes and performance to ensure the right level of investment is made. Outcomes are closely monitored to ensure value for money. To strengthen budgeting and financial management a new		

	My Finance system (part of Oracle Cloud) has been introduced in May 2019. Finance training has been provided to budget managers to help support and improve accountably and ownership of budgets going forward.		
12. An internal audit conducted during the year on energy recharges identified some significant weaknesses resulting in circa £4M of recharges being outstanding, a significant part of which related to organisation's outside of the council. This resulted in a 'No Assurance' audit report being issued.	The majority of energy usage information has now been received from the suppliers, collated into a site by site basis and reconciled against payments. The implementation of the new financial system allows invoices to be created much more quickly, and work will take place over summer to issue credit notes and new invoices to 3rd party organisations.	Executive Director for Resources & Monitoring Officer. Director of FM & Support Services. Director of Finance, Investment & Risk & Interim Section 151 Officer.	Cabinet Member for Finance & Resources.
13. Following a change in legislation during 2018, internal audit identified a number of instances where privacy notices relating to the collection of personal data were missing or were no longer fit for purpose. Also noted that agreements with 3rd parties did not always address this issue adequately.	A General Data Protection Regulation (GDPR) Project Board was established to assist the Council with compliance with the new requirements. This Project Board was active from September 2017 until December 2018. GDPR includes rules on giving privacy information to data subjects as provided under Articles 12, 13 and 14 of the GDPR. As part of the transparency requirements, Notices are required to be made available to inform data subjects as to: • how their information will be processed, and • the legal basis for this processing and their rights (i.e. subject access, right to be forgotten, correction of their information, restricting processing and portability).	Executive Director for Resources & Monitoring Officer. Director of Law & Governance and Deputy Monitoring Officer. Statutory Data Protection Officer.	Cabinet Member for Finance & Resources.

	The Notices also establish a clear understanding of the limits of processing that a data subject can expect, which the Council is required to abide by subject to the reasonable application of any exemptions within GDPR and/or the Data Protection Act 2018. To meet this requirement, a comprehensive Corporate Notice was agreed by the GDPR Project Board and published on 24 May 2018. This was followed by the publication on a rolling basis of a suite of additional service specific notices Privacy Notices, highlighting the particular operational differences that affect the processing of personal data within specific service areas. These Notices are subject to review by relevant service managers to ensure that any changes in processing are recorded within them. An e-learning module was designed and loaded onto the corporate staff electronic learning library (Croydon Learning), to reinforce the key messages and requirements brought about by the move to GDPR. At the final meeting of the GDPR Board held on 6 December 2018 it was reported that 96**%** of staff had completed the e-learning module. The Information Management (IM) Team are in the process of designing refresher training for staff one year on. Briefing sessions for staff began in January 2018 to provide information on the changes brought about by the introduction of GDPR, key issues for services to consider and the work of the Project Board. These Briefing Sessions, provided an overview of GDPR, and included specific advice around the requirement for Privacy Notices.		

	Intranet guidance and training resources for staff were created and are now co-located in a single location on the Intranet as a GDPR Resources Hub including all guidance, policy documents and communications issued in a single location which also acts as a training resource. An audit of the overarching Privacy Notice, and service specific privacy notices, will be carried out during July and August 2019, to ensure compliance with the legislation and to encourage services to update all notices necessary on any forms and applications sent on behalf of the Council. Training and communications will continue from the IM team to ensure that services are completing Privacy Notices where necessary. All new Privacy Notices are reviewed by the Council's Legal Team to ensure that they are compliant with GDPR legislation.		

Table 2 Issues raised in 2017/18 Statement and progress to date

Key Risks	Action	Progress	Responsible Cabinet Member & Responsible Officer
1. Demand/budget gap is not bridged without the need for additional cuts to services as the Council faces continued significant reductions in its grant funding, during the period 2017 to 2020. These reductions are imposed whilst the Council experiences a continuous rising demand for services provision and growth in population. The results of the Children's Services OFSTED inspection (June / July 2017) places greater risk on Council budgets due to the need for greater investment in this service. Quarter 3 (2017/18) year-end forecast overspend is £5.861m. If this is not reduced it will need to be funded from the Council's reserves which are	The 2017/18 budget resulted in a £5.032m overspend, mainly as a result of increased demand within Children's services. The 2018/19 budget, including a number of growth items to manage these increased costs alongside a council wide 2 year savings programme. This was presented to Cabinet and Full Council in February 2018 and was endorsed by both of these bodies. This budget ensures that there is a plan that the budget can be managed over the medium term. The Council is continuing to manage and monitor budgets closely, growth has been allocated to the appropriate areas and high risk areas are being monitored on a monthly basis and being reported to Cabinet on a quarterly basis. There are a number of themes that make up the savings plans, which were detailed in the Efficiency	Throughout 2018/19 the budget was managed closely resulting in a year end overspend of £5.466m of which £5.121m were exceptional items mainly Unaccompanied Asylum Seeking Children (UASC) and No Recourse to Public Funds (NRPF). Work is underway to ensure the 2019/20 savings are delivered and overspends will be reported as part of the quarterly report to Cabinet. The continued delivery of services in localities and the early intervention and prevention agenda will help ensure budgets are managed and services are delivered efficiently and effectively.	Cabinet Member for Finance & Resources. Director of Finance, Investment & Risk & Interim Section 151 Officer.

currently very low (second lowest in the London area) resulting in reduced funding in future years.	Programme approved by Cabinet in October 2016, and include improved commissioning and contract management, making better use of our assets, managing demand and early intervention and prevention as well as greater integration with health. The delivery of the 2 year £32m savings programme is the key action to ensure this risk is mitigated. Alongside this, the Council is also revising its operating model to ensure services are delivered in the right way to the right residents. This work and change to service delivery will also help manage budgets and resources.		
2. The OFSTED inspection of 'Services for children in need of help and protection, children looked after and care leavers' judged the Council's Children's Services as 'inadequate'. Following publication of the inspection report, the Council fails to action the recommendations raised or to address the findings resulting in children and	Since the publication of the Ofsted Report in September 2017 an improvement plan has been drawn up which is being overseen by an improvement Board with an independent chair. The children's commissioner appointed by the DFE has reported to the Minister recommended that Children's Services remain under the control of the Local Authority subject to our entering into a partnership arrangement with Camden Council for support and guidance. Monitoring visits are being undertaken	The Improvement Plan was refreshed in November 2018 to focus on a smaller set of key priorities for change. The peer support arrangements with Camden have sharpened their focus on targeted improvements in service areas, and a series of joint inspections have taken place leading to clear action plans to address the issues identified. The last Ofsted monitoring visit in February 2019 identified further signs of improvement although there is still much to do to secure consistently good practice across the service.	Cabinet Member for Children, Young People & Learning. Cabinet Member for Families, Health & Social Care. Executive Director / DCS Children's, Families & Education.

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young people at risk of harm, central government intervention, more frequent unannounced inspections and the removal of direct control by the Council for its Children's Services function within the borough.	by Ofsted on a quarterly basis. The most recent report from March indicates some areas of progress.		
3. Consistency in the high numbers of unaccompanied asylum seekers (minors) where there is a statutory obligation to provide care/housing and a reduction in Home Office funding for them. There are additional implications in respect of the increases in relation to trafficked children and missing children as well as the implications of placing children we do not know in placements outside of the borough. There are also challenges being faced in the successful implementation of the National Transfer Scheme	Volumes of unaccompanied asylum seeking children (UASC) have reduced since the peak of 2015/2016 but remain steady with over 300 remaining in the care of Croydon Council. The national transfer scheme has slowed down resulting in many new arrivals remaining in our care. The combination of these factors continues to cause significant financial detriment to the Council.	The number of UASC is now at 285 (as at 28/06/2019). There remains issues with the National Transfer Scheme & Immigration Act so any young person aged under 16 remains Croydon's responsibility. Funding from the Home Office remains inadequate and lobbying with the Government for fair funding continues.	Cabinet Member for Children, Young People & Learning. Executive Director / DCS Children's, Families & Education.

and Immigration Act.			
4. Social Care market supply disruption. Situation has deteriorated so risk is still very high. Market failure is more common, increased by 82% nationally.	The care market in Croydon is still very volatile with a number of recent providers serving notice on their contracts. This is reflecting the national picture. Our primary concern is continuity of care for our residents. Commissioning colleagues and operational staff work closely together to work with residents and their families on securing alternative provision. The Council are taking a more proactive approach to minimise market failure and commissioning work with the sector through provider forums to stabalise the market. This has included negotiations on inflationary uplifts, discussions re pressures such as sleep in's and support re quality and CQC concerns. A new Market Position Statement (MPS) is also underway to replace the 2015 MPS and will be ready later this year. The work in the Alliance with the over 65s and new models of care is also supporting the increase in demand and our prevention work to reduce the number of people needing ongoing care for example through our LIFE (Living	Fragility of the care market remains a concern, but work is progressing to address inequity in funding across providers. In the older people's provision, a 2% uplift was applied to all provision. The Quality Monitoring Team undertake financial checks assessing the financial stability of providers they suspect are having financial difficulties which is considered as part of wider provider intelligence. A tried and tested provider failure procedure is in place. Within the adult social care disabilities service, a 'cost of care tool' has been developed that enables adult social care to forecast future budget requirements through a series of scenario based tests. For instance, the impact of reducing the ratio of residents in residential care, moving those where appropriate, to supported living; or increasing the number of residents in receipt of a direct payment. Additionally, a market Position statement (MPS) which informs providers of the Council's commissioning intentions, is	Cabinet Member for Families, Health & Social Care. Executive Director / DASS Health, Wellbeing & Adults.

	Independently for Everyone) service which offers a greater level of support to those coming out of hospital and need reablement. We are also starting a piece of work to analyse the true cost of care and intend to use this for future budgeting of the adult social care.	available on the Croydon Observatory and has been promoted several times in conversations with providers, including at provider forums. It sets out the Council's current position and direction of travel for commissioning.	
5. Risk of exploitation of young people in the Borough particularly in relation to peer on peer activities and children missing from home and care.	A dedicated missing team has been set up as part of our improvement programme which is driving better compliance in the completion of return home interviews. Intelligence arising from these interviews is being coordinated with Police colleagues to provide a clearer oversight of risk patterns across the borough.	There is a new child exploitation process and meeting (Complex Adolescents Panel) which is for children who are exploited, go missing or are assessed by the Youth Offending Service as high risk. The gang's team have been active within schools, providing educative programmes and there is a gang's prevention worker who is part of that team.	Cabinet Member for Children, Young People & Learning. Cabinet Member for Families, Health & Social Care. Executive Director / DCS Children's, Families & Education.
6. Internal audit work during the year identified a number of issues arising from non-compliance with the Councils Contracts and Tenders Regulations and on-going contract management.	This risk has been identified through audits undertaken on contracts across the Council. The main issues identified include contract management and compliance with the tender and contract regulations. We have already begun a drive towards effective contract management across the Council. In October 2017, we launched the Contract Management Framework across the Council. This included	During the Commissioning and Contract Management week in October 2018, a session was held by Procurement Governance and Audit on the Tender and Contract Regulations. Furthermore, we have attended all DLT's in November and December 2018 to make them aware of their obligations in relation to the Regulations. The Contract Management Framework will	Cabinet Member for Finance & Resources. Director of Commissioning & Procurement.

	offering the Contract Management community some key tools, templates and guidance to enable effective contract management across all spend. We are now: • consistently collecting and reporting on Tier 1 contracts; • building the commercial capabilities of the contract management community; • identifying opportunities for synergies across divisions; • considering how technology can support improved contract/spend management across the Council. We are also updating the Tender and Contract regulations to provide clarity and address some of the issues identified. This will be followed by roadshows across the Council to build awareness about the Tender and Contract Regulations, the rules within them and the importance of compliance. This will be embedded in the Council Contract and Commissioning Board.	be updated in 2019/2020 to reflect the new practices in contract performance management. In addition, there is a monthly Category Management Forum to build the capabilities of Category Managers and Procurement Officers. The new Tender & Contract Regulations 2019 have been amended and strengthen the contract management commitments, along with the new Commissioning Framework these will be embedded in the new guidance and accompanying toolkits. Tier 1 Contracts are reported centrally and every quarter, using a balanced scorecard method, the performance of the contracts is presented to the Directorates DMTs every quarter. Under-performing contracts are supplied with a corrective action plan that is updated every quarter. The Contracts Register has gone live and new contracts are being published on the Register to comply with our duties under the Transparency Code. A new Contract Management System (Proactis S2C) is being commissioned to interface with the Purchase to Pay System (MyResources) to provide a centralised database of signed final contract paperwork during the term of the contract. The new	

		system will also allow uploads from suppliers and enable the digitalisation of the contract management process e.g. the performance scorecards will be electronic. There are training sessions planned to increase officer's contract and commercial awareness. A Contract Management Week of Events is planned for October 2019.	
7. Internal audit work during the year identified a number of issues relating to budgeting and financial management within the ex-People's department *(now restructured into the separate departments of Children's, Families & Education and Health, Wellbeing and Adults).*	Croydon has a robust and well established budgeting and financial management process. Financial management follows a risk based financial monitoring approach. Service areas considered high risk are monitored on a monthly basis, with all other areas monitored quarterly. Finances are reviewed monthly at a departmental level at Senior Management Team meetings, then at Departmental Leadership Team and then scrutinised by lead Councillor's at monthly Governance Board before being presented to cabinet on a quarterly basis. Governance Board also reviews the delivery of savings, sustainability plans, performance and managing demand projects. To strengthen budgeting and financial management in 2017/18, finance training and budget setting drop –in sessions were provided to services	Croydon has a robust and well established budgeting and financial management process. Financial management follows a risk based financial monitoring approach. Service areas considered high risk are monitored on a monthly basis, with all other areas being monitored quarterly. The separation of the People's department into the Children, Families and Education & the Health, Wellbeing and Adults departments and the consequent separation of financial management support has strengthened the focus on both areas. Finances continue to be reviewed monthly at departmental level at Senior Management Team meetings then at Department Leadership Team meeting before being presented to Cabinet on a quarterly basis. To strengthen budgeted and financial	Cabinet Member for Children, Young People & Learning. Cabinet Member for Families, Health & Social Care. Executive Director / DCS Children's, Families & Education. Executive Director / DASS for Health, Wellbeing and Adults.

	with a view to deliver more widely across the People Department in the new financial year.	management in 2019/20 finance training was provided to services in connection with the implementation of My Resources.	

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

Signed……………………..
Jo Negrini
Chief Executive

Date……………….……...

Signed……………………….
Tony Newman
Leader of the Council

Date…………….……….