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Pension Committee Agenda

To: Councillor Andrew Pelling (Chair)
Councillor Simon Hall (Vice-Chair)
Councillors Simon Brew, Robert Canning, Luke Clancy, Clive Fraser, Patricia Hay-Justice and Yvette Hopley

Co-opted Members: Gilli Driver, Peter Howard and Charles Quaye

Reserve Members: Jamie Audsley, Sherwan Chowdhury, Pat Clouder, Patsy Cummings, Steve Hollands, Vidhi Mohan and Robert Ward

A meeting of the **Pension Committee** which you are hereby summoned to attend, will be held on **Tuesday, 17 September 2019** at **10.00 am** in **Town Hall**

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

Annette Wiles 020 8726 6000 x 64877
annette.wiles@croydon.gov.uk
www.croydon.gov.uk/meetings

Monday, 9 September 2019

Members of the public are welcome to attend this meeting.
If you require any assistance, please contact the person detailed above, on the righthand side.

N.B This meeting will be paperless. The agenda can be accessed online at www.croydon.gov.uk/meetings

AGENDA – PART A

1. Apologies for Absence

To receive any apologies for absence from any members of the Committee.

2. Minutes of the Previous Meeting (Pages 5 - 8)

To approve the minutes of the meeting held on 11 June 2019 as an accurate record.

3. Disclosure of Interests

In accordance with the Council's Code of Conduct and the statutory provisions of the Localism Act, Members and co-opted Members of the Council are reminded that it is a requirement to register disclosable pecuniary interests (DPIs) and gifts and hospitality to the value of which exceeds £50 or multiple gifts and/or instances of hospitality with a cumulative value of £50 or more when received from a single donor within a rolling twelve month period. In addition, Members and co-opted Members are reminded that unless their disclosable pecuniary interest is registered on the register of interests or is the subject of a pending notification to the Monitoring Officer, they are required to disclose those disclosable pecuniary interests at the meeting. This should be done by completing the Disclosure of Interest form and handing it to the Democratic Services representative at the start of the meeting. The Chair will then invite Members to make their disclosure orally at the commencement of Agenda item 3. Completed disclosure forms will be provided to the Monitoring Officer for inclusion on the Register of Members' Interests.

4. Urgent Business (if any)

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

5. Key Performance Indicators (Pages 9 - 16)

For Members to receive a proposal on the approach to reporting on Key Performance Indicators for the Local Government Pension Scheme.

6. Progress Report to the end of June 2019 (Q1) (Pages 17 - 24)

For Members to receive the Progress Report for the first quarter of the 2019/2020 financial year.

7. Pension Committee Forward Plan (Pages 25 - 28)

For Members to consider the Forward Plan for the Committee for the remainder of the financial year.

8. **Pension Fund Annual Report 2018/2019** (Pages 29 - 206)

For Members to receive the Annual Report for the Croydon Council Pension Fund for 2018/2019.

9. **Croydon Local Pension Board Annual Report 2018/2019** (Pages 207 - 212)

For Members to receive the Annual Report prepared by the Chair of the Croydon Local Pension Board.

10. **Review of Risk Register** (Pages 213 - 218)

For Members to consider all risks assessed at amber and above.

11. **Preparing for Brexit Risks** (Pages 219 - 222)

For Members to consider possible issues arising as a result of Brexit.

12. **Review of the Investment Strategy Statement** (Pages 223 - 234)

For Members to consider the Investment Strategy Statement.

13. **Pension Committee Governance Update** (Pages 235 - 262)

For Members to consider the governance arrangements for the Local Government Pension Fund and ensure these meet the required standards.

14. **Exclusion of the Press and Public**

The following motion is to be moved and seconded where it is proposed to exclude the press and public from the remainder of a meeting:

"That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended."

PART B

15. **Minutes of the Previous Meeting (Part B)** (Pages 263 - 264)

To approve the minutes (Part B) of the meeting held on 11 June 2019 as an accurate record.

16. **Progress report to the end of June 2019 (Q1) (Part B)** (Pages 265 -

344)

For Members to receive the Progress Report of the first quarter for the 2019/2020 financial year (Part B).

Pension Committee

Meeting held on Tuesday, 11 June 2019 at 10.00 am in Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX

MINUTES

Present: Councillor Andrew Pelling (Chair);
Councillor Simon Hall (Vice-Chair);

Councillors Simon Brew, Robert Canning, Clive Fraser, Patricia Hay-Justice, Yvette Hopley and Vidhi Mohan

Co-opted Members: Peter Howard and Charles Quaye

Also Present: Nigel Cook (Head of Pensions and Treasury), Matthew Hallett (Pension Fund Investment Manager) and Lisa Taylor (Director of Finance, Investment and Risk (S151 Officer)

PART A

30/19 Minutes of the Previous Meeting

The minutes of the meeting held on 9 May 2019 were agreed as an accurate record subject to the following corrections:

- 21/19: to have the word 'response' inserted to read, "The Committee RESOLVED to note its contentment with the consultation response as submitted"; and
- 26/19 (second paragraph): to have the word "to" replaced with "in" to read, "Committee Members discussed the challenges inherent in seeking to move towards a carbon neutral approach in the Fund's overall investments".

31/19 Disclosure of Interests

There were no disclosures of interests.

32/19 Urgent Business (if any)

There were no items of urgent business.

33/19 Exclusion of the Press and Public

The following motion was moved by Councillor Pelling and seconded by Councillor Hall to exclude the press and public:

"That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended.”

The motion was put and it was agreed by the Committee to exclude the press and public for the remainder of the meeting.

The Chair reordered the business of the Committee to take all that which was exempt together. The minutes of the meeting are in the order of the original agenda.

34/19 Progress report (Q4)

RESOLVED: The Committee AGREED the following:

1. To request information from officers on how income flows from infrastructure investments are inflation linked and the industrial investments that comprise part of portfolio;
2. To request a visit for the whole Committee to Schroders with the opportunity to ask questions; and
3. To note the Progress Report.

35/19 Valuation Cycle Consultation

The Chair proposed the motion to put the meeting back into public session. This was seconded by Mr Peter Howard, put to and agreed by the rest of the Committee.

The report on the valuation cycle was introduced by the Head of Pensions and Treasury who noted the Ministry of Housing, Communities and Local Government was consulting on amendments to the rules of the Local Government Scheme 2013. Support to shift to a four year cycle was highlighted.

RESOLVED: The Committee AGREED the recommendations as detailed in the report:

- Noted the consultation form the Ministry of Housing, Communities and Local Government; and
- Noted the Council would be responding to the consultation and that the response would be made by the Director of Finance, Investment and Risk in consultation with the Chair and Cabinet Member for Finance and Resources.

36/19 Minutes of the Previous Meeting (Part B)

The minutes (Part B) of the meeting held on 9 May were agreed as an accurate reflection subject to their correction to no longer make any statement regarding the communication of the CIV with the Chair of the Pension Committee.

37/19 Progress report (Q4) (Part B)

The Committee's discussion and resolution are as noted in item 34/19.

38/19 Investment Strategy Review

The representative from Mercer, continuing the presentation from the previous meeting, introduced the report noting that it was for the Pension Committee to determine the investment strategy in order to achieve growth balanced against the appetite for risk. The various strategic approaches were discussed (Alpha, Bar Bell, Increased Diversification and Risk Management) as well as reallocating income to generate growth and to protect against inflation.

Councillor Hall left the meeting at this point (at 11:55am).

Members discussed the complexities of the investment strategy and the desire to ensure that Environmental, Social and Governance requirements were fulfilled. The opinion of officers on infrastructure holdings was requested, and discussion undertaken on the management of long and short strategies and a risk management framework covering inflation, volatility and equity risk. Members also discussed derivatives, establishing a framework for evolving the strategy to reflect changes in markets and improving the Committee's knowledge on these factors.

The timings for keeping the investment strategy under review were discussed; it was recommended that the phasing be retained as currently captured in the Forward Plan but for this to shift back by one meeting cycle.

RESOLVED: The Committee AGREED to note the report and that it had benefited from discussion of the possibilities for the investment strategy including fixed income and infrastructure portfolios.

39/19 Verbal update: London CIV Emerging Market Fund

The Director for Finance, Investment and Risk provided a verbal update on the London CIV Emerging Market Fund.

The meeting ended at 12.30 pm

Signed: ....

Date: ....

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Croydon Council

REPORT TO:	**PENSION COMMITTEE** **17 September 2019**
SUBJECT:	**Key Performance Indicator Report**
LEAD OFFICER:	**Vicki Richardson** **Head of HR & Finance Service Centre**
CABINET MEMBER	**Councillor Simon Hall** **Cabinet Member for Finance and Resources**
WARDS:	**All**
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: The Pension Committee is responsible for the effective administration of the Local Government Pension Scheme. These Key Performance indicators provide a measure of how well that administration functions.	
FINANCIAL SUMMARY: Poor administration may ultimately lead to incorrect calculation or payment of benefits or indeed financial penalties.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1	**RECOMMENDATIONS**
	1.1 The Committee is asked to discuss the proposed Key Performance Indicators set out in this report.

1 EXECUTIVE SUMMARY

1.1 This report sets out the proposed Key Performance Indicator report for the administration of the Local Government Pension Scheme for discussion.

2 DETAIL

2.1 Good governance suggests that the performance of the administration of the Local Government Pension Scheme should be monitored. The standards by which performance can be assessed are set out in the Administration Strategy and published on the Scheme's website so as to be available for scrutiny by stakeholders, who include elected Members and other Scheme employers.

2.2 This proposed report will be the first attempt to report on the LGPS administration using the guidance published by CIPFA (Administration in the LGPS: A Guide for Pensions Authorities). The indicators cover legal deadlines; team performance targets and case levels.

2.3 The intention is to start collecting the data and present the next quarter's performance to pensions committee in December.

3 CONSULTATION

3.1 Officers have consulted with the Local Pension Board in preparing this report.

4 FINANCIAL CONSIDERATIONS

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

5 COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

5.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that there are no legal considerations arising from the recommendations in this report.

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

6 OTHER CONSIDERATIONS

6.1 There are no Human Resource, Customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report.

7 FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

7.1 This report contains confidential information which could be of a sensitive nature, disclosure of which could prejudice the commercial interest of the companies involved and those of the Council's Pension Fund.

CONTACT OFFICER:

Victoria Richardson - Head of HR & Finance Service Centre
Human Resources,
Corporate Resources Department, ext. 62460.

BACKGROUND DOCUMENTS:

None

Appendices

Appendix A: Croydon Pensions Admin Template Key Performance Indicator Report

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Croydon Pensions Admin Team

Performance Report

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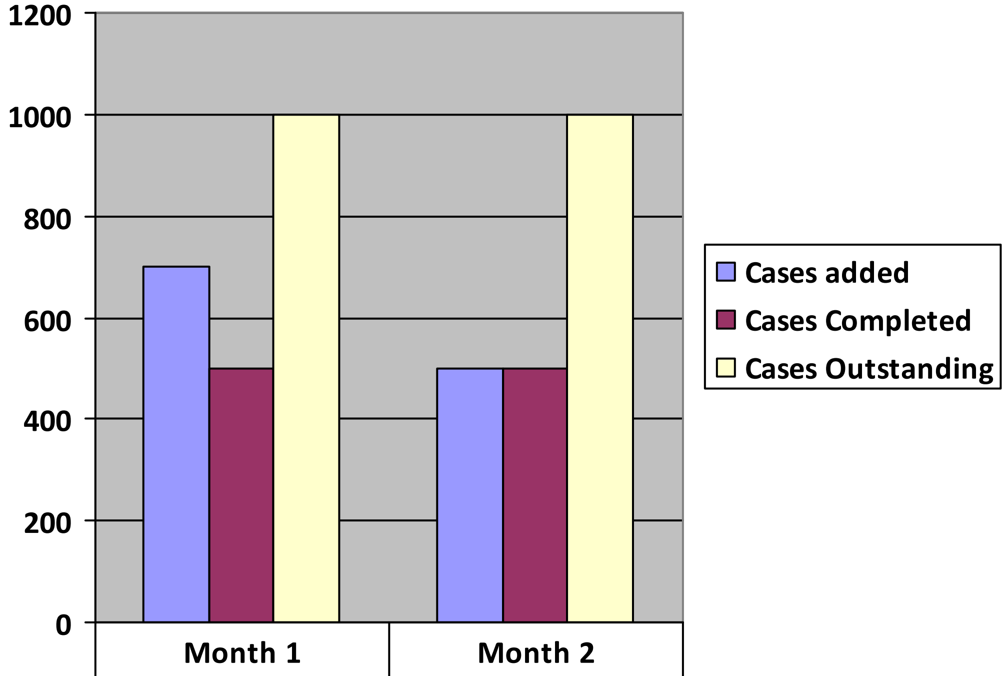
Performance Targets

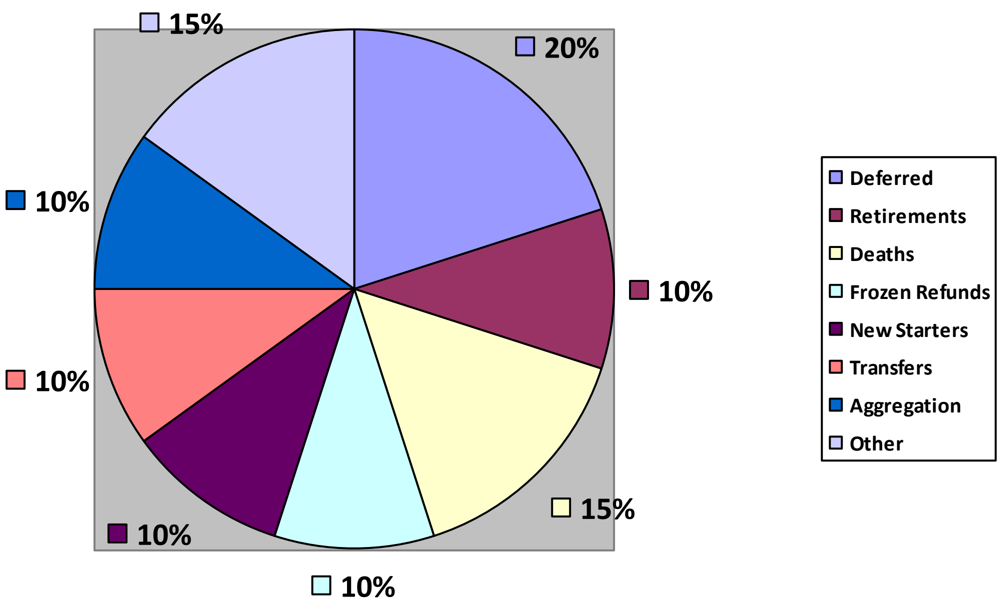
Process	Legal Requirement	Team Target
Send a notification of joining the LGPS to a scheme member	Two months from the date of joining the scheme or earlier if within one month of receiving jobholder information where the individual is being automatically enrolled/re-enrolled	30 day from date of notification of joining member
Inform a member of the scheme of their leaver rights and options	As soon as practicable and no more than two months from the date of notification (from employer or scheme member)	40 working days from date of notification (from employer or scheme member)
Inform a scheme member of their calculated benefits (refund or deferred)	As soon as practicable and no more than two months from the date of notification (from employer or scheme member)	40 working days from date of notification (from employer or scheme member)
Notify the amount of retirement benefits	One month from the date of retirement if on or after normal pension age or two months from the date of retirement if after normal pension age	20 working days from date of retirement
Provide a retirement quotation on request	As soon as practicable but no more than two months from the date of request unless there has already been a request in the last 12 months	15 working days from date of request
Calculate and notify (dependent(s) of amount of death benefits	As soon as possible but in any event no more than two months from date of becoming aware of death or from date of request from a third party (e.g. personal representative)	20 working days from receipt of all information

Case levels



	Month 1	Month 2
Cases added	700	500
Cases Completed	500	500
Cases Outstanding	1000	1000

Outstanding Cases by Type



Commentary

“Pension Managers comments on performance”

Croydon Council

REPORT TO:	**PENSION COMMITTEE** **17 September 2019**
SUBJECT:	**Progress Report for Quarter Ended 30 June 2019**
LEAD OFFICER:	**Nigel Cook** **Head of Pensions and Treasury**
CABINET MEMBER	**Councillor Simon Hall** **Cabinet Member for Finance and Resources**
WARDS:	**All**

CORPORATE PRIORITY/POLICY CONTEXT:

Sound Financial Management: Reviewing and ensuring that the performance of the Council's Pension Fund investments are in line with their benchmark and in line with the assumptions made by the Actuary.

FINANCIAL SUMMARY:

This report shows that the market value of the Pension Fund (the Fund) investments as at 31 June 2019 was £1,295 m compared to £1,242 m at 31 March 2019, an increase of £53m and a return of 4.30% over the quarter. The performance figures, Independent information and analysis on the fund managers and markets have been provided by the Fund's independent investment advisor, Mercer.

FORWARD PLAN KEY DECISION REFERENCE NO.: N/A

1 RECOMMENDATIONS

1.1 The Committee is asked to note the performance of the fund for the quarter.

2 EXECUTIVE SUMMARY

2.1 This report provides an update on the London Borough of Croydon Pension Fund's (the Fund's) performance for the quarter to 30 June, 2019. The report falls into four parts. Section 1 addresses performance against strategic goals. The second section considers the asset allocation strategy and how that is being applied, specifically relating to current and planned investments. The third section deals with risk management and the fourth and final section summarises the recent investment manager site visit. Detailed numeric data and commentary from the Fund's advisors are included as appendices to this report.

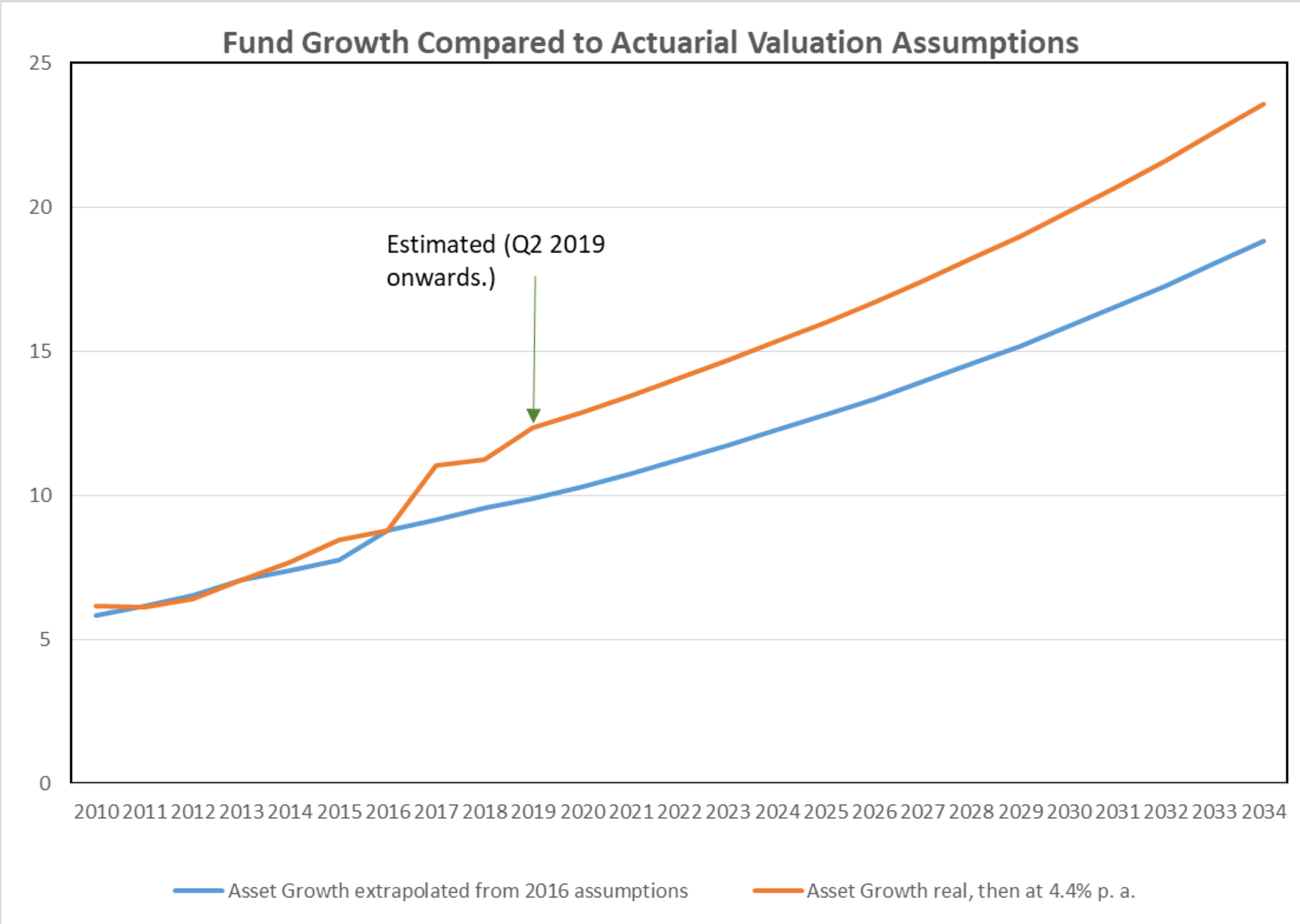
3 DETAIL

Section 1: Performance

3.1 The 2016 Triennial Actuarial Valuation used an asset outperformance assumption of 2.2% over gilt yields, meaning an asset return assumption, otherwise described as the discount rate, of 4.4%. The valuation also assumes that the funding gap will be closed over a 22 year period. However, as a risk based model has been adopted, the recovery period is less critical. In setting the Pension Fund's investment strategy, performance is measured against a benchmark return of CPI + 4% for the whole fund. Achieving this benchmark return will ensure the investments achieve a higher return than the assumption used in the valuation and on the basis that other assumptions remain constant, the funding gap will reduce.

3.2 Graph 1 has been compiled from this information. The blue line shows the expected track of the value of assets growing in line with the 2016 valuation assumptions. This will be adjusted after subsequent valuations. The orange line shows the actual value of the Fund to date and plots the course of growth over subsequent years using the same assumptions. This measure does not take account of other variables, such as changes in demographic factors, wage inflation forecasts and other assumptions and it does not reflect changes in cash contributions nor movements in the gilt yield curve. It is valuable as a tool to help track whether the direction of travel is in the right direction.

Graph 1: Fund Growth Compared to Actuarial Valuation Assumptions



3.3 Details of the performance of individual components of the portfolio are detailed in the report produced by the Fund's investment advisors in Appendix A.

Section 2: Asset Allocation Strategy

3.4 The current asset allocation strategy was approved at the Committee meeting held on 8 September 2015 (Minute A29/15 refers). The portfolio now reflects the proportions described in that strategy, allowing for the vagaries of the market.

3.5 The target portfolio can be broken down as follows:

Asset Class		***Target Allocation***	***Allowable Tolerance***
Equities including allocation to emerging markets.		42%	+/- 5%
Fixed interest		23%	+/- 5%
Alternates		34%	+/- 5%
Comprised of:			
Private Equity	8%		
Infrastructure	10%		
Traditional (Commercial) Property	10%		
Private Rental Sector (Residential) Property	6%		
Cash		1%	
Total		**100%**	

3.6 **Monitoring of asset allocation**

3.6.1 **Global Equity –** The Global Equity portfolio had another strong quarter, returning 6.5%; it was the major contributor to the good return of the Fund over the quarter. Equity returns have remained strong, although officers are expecting these to soften as the global economy starts to show signs of weakening. The allocation to Global equities was 42.5%, so considered at the target allocation for the Fund. Post quarter end there were further gains to the equity portfolio and so officers took the opportunity to divest £15m from the LGIM equity fund. This will cover ongoing benefit payments and any net investments to the infrastructure and private equity portfolios.

3.6.2 There have been difficulties with the London CIV Emerging Market equity fund. Following the departure of the portfolio manager and imminent departure of his team from the current provider, Janus Henderson, the London CIV has been through a selection process and appointed JP Morgan to run the London CIV Emerging Market mandate. The JP Morgan fund intends to invest in high quality businesses that compound earnings sustainably over the long-term. This fund aims to achieve long-term capital growth by out-performing the MSCI Emerging Market Index (Total Return Net by 2.5% per annum net of fees annualized over a rolling three-year period. The fees would be 47 bps plus 2.5 bps LCIV fee. The schedule for transitioning into the sub-fund is to commence on 9th to 11th October, 2019.

3.6.3 **Fixed Interest** – The four funds, managed by three managers, represent the target allocation to this asset class. Currently these funds are valued at 22.3% of the overall portfolio and are considered at the target allocation of the Fund.

3.6.4 **Infrastructure** – Performance information relating to Infrastructure investments and indeed Private Equity, discussed in more detail below, is lagged by a quarter. This is due to the process involving collating information from a number of sub-funds and various compliance checks. The table below shows that the Fund is marginally over-exposed (11.1% compared with a target allocation of 10%). Officers are expecting this to continue in the short term as the Fund has had to over commit in order to get to the target allocation. Allocations to Equitix, the Green Investment Bank, Temporis and Access are all yielding cash which will fund new investments and also ensure the allocation comes back into line over the medium term. Post quarter end the Fund made a new commitment of €20m to another renewable energy fund managed by Temporis.

3.6.5 **Private Equity** – .The Fund continued to see distributions during the quarter that served to help with cash flow. This part of the portfolio remained at 8.9% of the Fund which is slightly overweight. This is mainly due to the good performance of the asset class.

3.6.6 **Traditional Property** – The Schroders portfolio is on target compared to the asset allocation target. The portfolio continues to perform relatively well, especially considering the ongoing uncertainty caused mainly by Brexit.

3.6.7 **Private Rental Sector –** The Fund's total commitment of £60 m is now fully invested in the PRS mandate. The allocation is at 4.7% which is below the original target of 6%. This is mainly due to the good performance experienced by the rest of the portfolio and also to the stagnation of UK house prices. The mandate continues to perform well compared to the peer group. Although the Fund is below its target allocation, officers do not consider it appropriate to top up this part of the portfolio further at this time. Officers will continue to monitor the market for suitable opportunities.

3.6.8 The table below illustrates the movement in the Fund's valuation during the quarter and the current asset allocation against the target.

London Borough of Croydon Pension Fund
Fund valuation and asset allocation for the quarter ending 30 June 2019

	31/03/2019 £'000	Net Cashflow £'000	Gain/loss £'000	30/06/2019 £'000	Fund Percentage	Target Percentage
Equities					**42.5%**	**42%**
Legal & General FTSE4Good	239	-	-61	178		
Lega & General FTSE World (Ex Tobacco)	457,993	-	30,643	488,636		
LCIV Emerging Markets	58,044	-	3,254	61,298		
Fixed Interest					**22.3%**	**23%**
Standard Life	131,228	-	1,927	133,155		
Wellington	67,126	-	1,095	68,220		
LCIV Global Bond	84,066	-	3,178	87,245		
Infrastructure					**11.1%**	**10%**
Access	13,417	-213	821	14,025		
Temporis	34,530	-2,755	-163	31,612		
Equitix	64,045	554	1,095	65,694		
Green Investment bank	24,155	-428	852	24,579		
I Squared	6,807	93	402	7,302		
Private Equity					**8.9%**	**8%**
Knightsbridge	29,219	-	2,203	31,423		
Pantheon	64,552	-3,257	3,954	65,249		
Access	13,151	-	2,306	15,458		
North Sea	3,044	-	276	3,319		
Property					**9.7%**	**10%**
Schroders	124,403	-	1,007	125,410		
Property PRS					**4.7%**	**6%**
M&G	60,245	-	634	60,879		
Cash					**0.9%**	**1%**
Cash	5,536	6,063	19	11,618		
Fund Total	**1,241,799**	**58**	**53,443**	**1,295,300**	**100%**	**100%**

Valuations are based on the bid price as reported by the Fund Managers. The valuations of the Infrastructure and Private Equity funds are lagged by 3 months due to the timing of the reporting of these funds.

Section 3: Risk Management

3.7 The principle risk addressed by the Funding Strategy is that returns on investment will fall below the target asset outperformance assumption to ensure that the Pension Fund matches the value of liabilities in the future. Dependent upon that are of course a number of issues.

3.8 The global economy will always represent a specific risk and opportunity for the Fund and will effectively be impossible to quantify or evaluate. As each asset class, investment strategy and characteristic will be impacted differently by any number of macroeconomic scenarios it is critical to ensure that the portfolio is sufficiently diversified. This will ensure that opportunities can be exploited and downside volatility reduced as far as possible.

3.9 To mitigate against the risk of currency exchange moving against the fund a currency hedge has been put in place for the LGIM Equity fund. As long as sterling continues to weaken equity returns should benefit, specifically as UK firms' outputs appear more attractive. However this phenomenon must eventually end and the hedge is designed to take much of this risk off the table by banking these gains.

3.10 Mercer, the Fund's investment advisor, have drafted a Fund Monitoring Report and Market Background and View Overview Report, for the 3 months to 30 June 2019. These reports are included in Part B of this Committee agenda as they contain commercially sensitive views.

Section 4: Investment Manager Visits

3.11 Members of the Pensions Committee continued with their programme of visits:

- LGIM, April 2019
- North Sea Capital in May 2019 and
- PIMCO in June 2019.

These visits help develop the relationship between investor and fund manager and count against training day requirements.

4 CONSULTATION

4.1 Officers have fully consulted with the Pension Fund's advisers in preparing this report.

5 FINANCIAL CONSIDERATIONS

5.1 This report deals exclusively with the investment of the Council's Pension Fund and compares the return on investment of the Fund against the benchmark return.

6. LEGAL CONSIDERATIONS

6.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that there are no legal considerations arising from the recommendations in this report.

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

7. FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

7.1 This report contains only information that can be publicly disclosed. The confidential information is reported in the closed part of the agenda.

CONTACT OFFICER:

Nigel Cook – Head of Pensions and Treasury
Finance, Investment and Risk
Resources Department, ext. 62552.

BACKGROUND DOCUMENTS:

Included in Part B of the agenda.
Quarterly reports from each fund manager (circulated under separate cover to the Committee Members.)

Appendices:

There are no part A appendices.

Part B appendices:

Pursuant to Schedule 12A paragraph 3: Information relating to the financial or business affairs of any particular person (including the authority holding that information), the following appendices are considered to be precluded from publication:

Appendix A: London Borough of Croydon Returns to 30 June 2019, Mercer

Appendix B: Market Background and Market View Q2 2019, Mercer

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Croydon Council

REPORT TO:	**Pension Committee** **17 September 2019**
SUBJECT:	**Pension Committee Forward Plan**
LEAD OFFICER:	**Nigel Cook, Head of Pensions and Treasury**
CABINET MEMBER	**Councillor Simon Hall** **Cabinet Member for Finance and Resources**
WARDS:	**All**
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: Ensuring that the management of the Pension Fund is given appropriate guidance and direction through the governance of the Pension Committee.	
FINANCIAL SUMMARY: There are no direct financial implications associated with this report. However, the implications of decisions taken by the Committee for the Revenue Account of the Council can be significant.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATION

1.1 That the Committee consider and agree the forward plan for the remainder of the financial year.

2. EXECUTIVE SUMMARY

2.1 It is recommended best practice for the Pension Committee (the Committee) to review the forward plan regularly. This report proposes a revised plan for the remainder of 2019/20 which forms a business plan for the Committee.

3 DETAIL

3.1 The forward plan below sets out an agenda for each meeting to be held by the Committee for remainder of 2019/2020. However, further items may be added as required by senior officers in consultation with the Chair.

3.2 The Committee has committed to a programme of training and, in part, this can be delivered by sessions preceding or following the business parts of the scheduled meetings. The content of the training will be informed by the direction of future legislation and regulations and the choice of investment vehicles. Members should be aware that the Government have consulted, through the LGPS Scheme Advisory Board, (Scheme Advisory Board Good Governance Review, May 2019) about introducing greater compulsion around the training requirements for Pension Committees to bring them in line with Local Pension Boards. This requirement may necessitate a formalised approach that extends beyond the current arrangements.

3.3 **Pension Committee 2019-2020 Forward Plan**

3.3.1 **5 November 2019**

- Update on triennial valuation
- Investment Strategy Statement
- Report back from Pension Board

3.3.2 **10 December 2019**

- Progress report quarter ending September 2019 performance
- Update on triennial valuation
- Governance Review – report by Aon Hewitt
- Administration Strategy
- Knowledge and Skills Training Policy
- Risk Management Policy and Strategy

3.3.3 **17 March 2020**

- Progress report quarter ending December 2019 performance
- Key Performance Indicators
- Finalised report on triennial valuation
- Funding Strategy Statement
- Risk Register Review
- Forward Plan Review / Business Plan
- Report back from Pension Board

4 FINANCIAL CONSIDERATIONS

4.1 There are no further financial considerations flowing from this report.

5. OTHER CONSIDERATIONS

5.1 Other than the considerations referred to above, there are no Customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report

6. COMMENTS OF THE SOLICITOR TO THE COUNCIL

6.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that there are no legal considerations arising from the recommendations in this report.

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

CONTACT OFFICER:

Nigel Cook, Head of Pensions Investment and Treasury,
Finance, Investment and Risk, Resources Department, ext. 62552.

BACKGROUND DOCUMENTS:

None.

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Croydon Council

REPORT TO:	**Pension Committee** **17 September 2019**
SUBJECT:	**Pension Fund Annual Report 2018/2019**
LEAD OFFICER:	**Nigel Cook Head of Pensions and Treasury**
CABINET MEMBER	**Councillor Simon Hall** **Cabinet Member for Finance and Resources**
WARDS:	**All**
CORPORATE PRIORITY/POLICY CONTEXT: **Sound Financial Management**: This report relates to the Croydon Pension Fund Annual Report 2018/2019.	
FINANCIAL SUMMARY: There are no direct financial implications associated with this report although the Annual Report does incorporate the financial statements for the Pension Fund for the financial year 2018/2019.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATIONS

1.1 The Committee is invited to note the Croydon Council Pension Fund Annual Report 2018/2019.

1.2 The Committee is asked to note the contents of the Audit Findings Report from the Fund's auditors, which has been considered by the Council's General Purposes and Audit Committee.

2. EXECUTIVE SUMMARY

2.1 This report asks the Committee to note the Croydon Council Pension Fund Annual Report 2018/2019 (Appendix A) and the Audit Findings Report (Appendix B).

3 DETAIL

3.1 The Croydon Council Pension Fund Annual Report for 2018/2019 is attached as Appendix A to this report.

3.2 The statement of accounts and audit findings report was considered by the General Purposes and Audit Committee (on 23 July 2019) as constituting those charged with governance under the regulatory framework. That Committee noted the ISA 260 (International Standards on Auditing) report for the Pension Fund issued by the Council's external auditors, Grant Thornton and also approved the letters of representation on behalf of the Pension Fund. These can be found on the Council's website .

4 FINANCIAL CONSIDERATIONS

4.1 There are no further financial considerations flowing from this report.

5. OTHER CONSIDERATIONS

5.1 Other than the considerations referred to above, there are no Customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report

6. COMMENTS OF THE SOLICITOR TO THE COUNCIL

6.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that there are no legal considerations arising from the recommendations in this report.

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

CONTACT OFFICER:

Nigel Cook, Head of Pensions Investment and Treasury,
Finance, Investment and Risk
Resources Department, ext. 62552.

BACKGROUND DOCUMENTS:

None.

Appendices

Appendix A - Croydon Council Pension Fund Annual Report 2018/2019

Appendix B – Audit Findings Report

Croydon Pension Scheme

Annual Report 2018/2019

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Foreword by Chair of Pension Committee

Once again,as the Chair of the Pension Committee, I am delighted to be able to present to you this Annual Report of the Croydon Pension Fund.

The Fund has over 100 employers, 28,000 members and assets of £1.26bn, up by an encouraging 10.4% over the year. Over the last five years the Fund has grown on average by over 10% per year with its assets now worth over £500m more than they were then.

Much of this growth has been due to the lengthy rally in global equity markets. Asset price inflation has been underpinned by central banks' relaxed monetary stances expressed through quantitative easing, a policy still much in evidence in many markets.

This year, the Committee has locked in some of these equities' gains by reducing modestly the Fund's exposure to these markets. In accordance with our Investment Strategy, during the year, we have reduced our holdings in global equities from 50.8% of the Fund to 42%. Additionally, we have switched approximately 5% from equity investments in the developed world to a new emerging markets fund via a London Collective Investment Vehicle (London CIV) sub fund managed by Janus Henderson.

The funds released by the equities reduction have been transferred to a new Global Bonds mandate also managed as a London CIV sub fund by PIMCO.

Further draw downs were made by our Private Rental Sector manager, M & G, to increase the allocation from 2% to 5%.

Pooling of assets in the London CIV is well underway with over half of the Croydon Fund now within its scope.

We are satisfied that the proportions of our investments allocated to each asset class now fully reflect our current Allocation Strategy.

The next financial year 2019/2020 will see the results of the next actuarial valuation and this will show, through the estimate of the value of liabilities, whether the overall funding position has improved.

During the year Mercer was appointed by the Executive to replace Aon Hewitt as the Fiund's Investment Adviser and the Asset Allocation Strategy takes into account their views and good quality of advice received.

At our meeting in June the Committee thanked Aon Hewitt for their contribution to the Fund's success over recent years and noted that they have been retained as our Governance Adviser.

During the year the Committee agreed to receive into the Fund in forty years' time a substantial number of housing properties previously owned by the Council providing a useful close to home boost to our long term rental property exposure. In return for this gifting the Scheme Actuary agreed to a reduction in the Council's annual contribution to the Fund. At our last meeting of the year we considered the options, risks, costs and value of currency hedging in a Brexit environment that has seen a depreciated Pound that has, in turn, underpinned equity values on London listed stocks with non-Sterling overseas income flows..

The Committee takes its responsibility to discharge its fiduciary role in the best interest of the Fund seriously.

Careful monitoring and reviews of developments, diversification across assets, regions and investment styles, and sound governance arrangements have all contributed to a steadily improving outlook for the Fund. In addition to discharging its fiduciary responsibility to stakeholders the Committee is committed to ensuring that sound Environmental, Social and Governance practices are embedded in the investment strategy, specifically in respect of tobacco and a desire to move towards carbon neutrality.

The Committee also ensures that the Fund operates in accordance with the Local Government Pensions Scheme Regulations and relevant Guidance and adopts sound policies and procedures for the administration of the Fund.

The Committee has been taking a particular interest in the service provided to members of the Fund, especially when they or their dependants need advice and support in connection with retirement and death benefits. It is also keen to see a reduction in the backlog of cases relating mainly to deferred members.

I would like to acknowledge the very helpful contribution in assisting the Committee made by the Pension Board and, particularly, by its Chair, Mike Ellsmore. Mr Ellsmore regularly attends our Committee and I do likewise with the Board. We are both made welcome and invited to speak on matters of mutual interest.

Especial thanks are in order for my Vice-Chair, Councillor Simon Hall, for his support and substantive role in the Committee's affairs as the Cabinet Member for Finance and Resources.

I will conclude by also offering my thanks to the many professional officers and advisers listed within the pages of this Report who have contributed to ensuring the continued success of our Fund. Croydon is most fortunate to have such professional and experienced officers in its Pensions team.

I hope you find our Report an interesting read.

Andrew Pelling, Chair, London Borough of Croydon Pension Committee

A OVERALL FUND MANAGEMENT

1 Scheme Management and Advisers

Introduction

Under the Local Government Pension Scheme Regulations 2013 ("the Regulations") the London Borough of Croydon ("the Council") is specified as an Administering Authority for the Scheme. As such, the Council is required to maintain a pension fund ("the Fund"). The Council acts as Scheme manager with responsibility for managing the Fund's assets, collecting employer and employee contributions, paying pension benefits as they fall due and various other aspects of administration.

Pension Committee

The Council discharges its duties through the Pension Committee. The role of the Committee is to ensure that the Fund is operated in accordance with the Regulations, all other relevant legislation and best practice as advised by the Pensions Regulator, Local Government Pension Scheme Advisory Board and various professional bodies. The responsibilities cover the governance and administration of the Fund, the investment of Fund monies and the management of solvency levels. Specifically, the duties of the Committee are:

- To set the investment strategy and review the performance of the Fund's investment managers, pooling arrangements, Scheme administration and external advisers;
- To make arrangements for the triennial actuarial valuation;
- To determine the Fund's Administration Strategy;
- To approve and monitor compliance of statutory statements and policies required under the Regulations;
- To approve the Fiund's Statement of Accounts and Annual Report;
- To ensure that the Council discharges its obligations as Administering Authority to other Scheme employers; and
- To make representations to Government as appropriate concerning any proposed changes to the Scheme.

The Committee comprises eight voting Members of the Council, one voting Pensioner Representative and two non-voting members being a Pensioner Representative and a Union Representative.

The members of the Committee for the 2018/19 Municipal Year were:

Councillors:

Chair:	Andrew Pelling
Vice-Chair:	Simon Hall
	Simon Brew
	Robert Canning
	Luke Clancy
	Clive Fraser
	Patricia Hay-Justice
	Yvette Hopley

Reserves	Jamie Audsley, Sherwan Chowdhury, Pat Clouder, Patsy Cummings, Steve Hollands, Vidhi Mohan Robert Ward
Other members:	
Pensioners' Representatives:	Gilli Driver (Voting)
	Peter Howard (Non-voting)
Union Representative:	Charles Quaye (Non-voting)

The Committee is supported by officers and independent external advisers.

Pension Board

As Administering Authority, the Council is required to establish a Local Pensions Board to assist them with:

- Securing compliance with the Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the Scheme by the Pensions Regulator;
- Ensuring the effective and efficient governance and administration of the Pension Fund.

During 2018/19 the members of the Board were:

Independent Chair:	Michael Ellsmore
Employers' Representatives:	Richard Elliott
	Cllr Maggie Mansell / Cllr Jerry Fitzpatrick
Scheme Members' Representatives:	Teresa Fritz
	Ava Payne / Watt
	Daniel Whickman

Board members, (excluding the Chair), have individual voting rights but it is expected they will, as far as possible, reach a consensus.

The Committee and Board are supported by officers and independent external advisers.

Administering Authority

London Borough of Croydon
Treasury and Pensions Management, Resources Department,
5A Bernard Weatherill House
8 Mint Walk,
Croydon CR0 1EA

Lisa Taylor - Director of Investment, Finance & Risk, Interim S151 Officer
Lisa.Taylor@Croydon.gov.uk
Nigel Cook – Head of Pensions and Treasury Nigel.Cook@Croydon.gov.uk
Matthew Hallett – Pension Fund Investment Manager Matthew.Hallett@Croydon.gov.uk

Asset Pool Operator

London CIV
Fourth Floor
22 Lavington Street
London SE1 0NZ

Investment Advisers

Mercer Ltd
1 Tower Place West
Tower Place
London EC3R 5BU:

Peter Gent – Senior Investment Consultant

Governance Advisers

Aon Hewitt: Ltd
The Aon Centre
The Leadenhall Building
122 Leadenhall Street
London EC3V 4AN

Karen McWilliam – Partner & Head of Public Sector Benefits & Governance Consultancy

Actuary

Hymans Robertson LLP
20 Waterloo Street
Glasgow G2 6DB

Richard Warden – Partner and Actuary

Custodian of Assets

Bank of New York Mellon
160 Queen Victoria Street
London EC4V 4LA

Auditor - external

Grant Thornton UK LLP
110 Bishopsgate
London EC2N 4AY

Sarah Ironmonger – Director

Auditor - internal

Mazars
Tower Bridge House
St Katherine's Way
London E1W 1DD

Bankers

Royal Bank of Scotland
250 Bishopsgate
London EC2M 4AA

Legal Advisers

The Fund opts to procure legal advice on a case by case basis from the Croydon Council Legal Framework.

National LGPS Framework

The Fund is a founder member of the National LGPS Framework.

AVC Provider

Prudential
Laurence Pountney Hill
London EC4R 0HH

2 Fund Managers

FUND MANAGER	INVESTMENT MANDATE
Legal & General 1 Coleman Street London EC2R 5AA	Developed World (Ex-tobacco) Equities: pooled
London CIV – Janus Henderson Fourth Floor 22 Lavington Street London SE1 0NZ	Emerging Markets Equities: pooled
London CIV Fourth Floor 22 Lavington Street London SE1 0NZ	Global Equities: segregated
Aberdeen Standard 30 St Mary Axe London EC3A 8BF	UK Corporate Bonds and Absolute Return Bonds: pooled
London CIV – PIMCO Fourth Floor 22 Lavington Street London SE1 0NZ	Global Bonds: pooled
Wellington 80 Victoria Street London SW1E 5JL	Sterling Bonds: pooled
Pantheon 10 Finsbury Square London EC2A 1AD	Private Equity - investments in unquoted companies (US dollar and Euro): pooled fund of funds
Knightsbridge 28 Old Brompton Road London SW7 3SS	Private Equity - venture capital (US dollar): pooled fund of funds
Access Capital Central Court 25 Southampton Buildings London WC2A 1AL	Private Equity - co-investment small European buyouts (Euro)
North Sea Capital	Private Equity - investments in unquoted

Ny Vestergade 13.3 1471 Copenhagen K Denmark	companies (Euro): pooled fund of funds
Equitix Welken House 10-11 Charterhouse Square London EC1M 6EH	Infrastructure - PFI projects: pooled
Temporis Capital Limited Berger House 36-38 Berkeley Square Mayfair London W1J 5AE	Infrastructure – onshore wind farms
Green Investment Bank 28 Ropemaker Street London EC2Y 9HD	Infrastructure – offshore wind farms
Access Capital Central Court 25 Southampton Buildings London WC2A 1AL	Infrastructure – European projects
I-Squared Capital 600 Brickell Penthouse Miami Florida 33131 USA	Infrastructure
M & G 10 Fenchurch Avenue London EC3M 5AG	Private Rental Sector UK
Schroders plc 1 London Wall Place London EC2Y 5AU	UK Property Funds

3 Risk Management

In December 2017 the Fund adopted a Risk Management Policy which details its risk management strategy including:

- the risk philosophy for the management of the Fund and, in particular, attitudes to and appetite for, risk;
- how risk management is implemented;
- risk management responsibilities;
- the procedures that are adopted in the Fund's risk management process;
- the key internal controls operated by the Fund and other parties responsible for the management of the Fund

The Policy is published on the Fund's website.

Following best practice, the Pension Committee maintain a risk register which is reviewed by themselves and the Pension Board several times each year. Officers, the Committee and the Board attempt to identify all relevant risk scenarios together with an assessment of their potential likelihood and impact.

Risks have been identified in three categories – Governance, Funding and Investment – and mitigation work has concentrated on the relatively few but most important risks..For each risk existing controls are identified and actions designed to mitigate them are considered.

Both the Investment Strategy Statement and the Funding Strategy Statement identify risks specific to the subject matters covered.

Additionally, the Fund Account and Net Assets Statement (Appendix A) includes a substantial section detailing the nature and extent of some vey specific risks. It covers price, currency and interest rate risks associated with financial instruments and provides sensitivity analyses showing the potential impact of these risks. It particularly details the valuation risks associated with unquoted private equity and infrastructure investments togrether with liquidity, re-financing and credit risk.

:

B. FINANCIAL PERFORMANCE

FUND ACCOUNT	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Dealings with members				
Contributions - members	10,964	11,263	12,038	12,746
Contributions - employers	41,554	75,942	32,140	35,062
Transfers in	1,429	4,684	7,880	11,584
Pensions	-39,792	-40,424	-42,381	-43,431
Lump sums	-10,326	-10,214	-7,908	-8,923
Transfers out	-1,854	-4,240	-4,922	-5,794
Net additions	**1,975**	**37,011**	**-3,153**	**1,244**
Management expenses				
Administration	-1,323	-1,340	-1,417	-1,083
Oversight and governance	-492	-618	-669	-674
Investment management	-1,216	-4,508	-4,759	-6,410
Total	**-3,031**	**-6,466**	**-6,845**	**-8167**
Return on investments				
Income	13,812	16,572	12,661	5,468
Change in market value	3,671	179,912	32,725	120,171
Total	**17,483**	**196,484**	**45,386**	**125,639**
NET INCREASE IN FUND	**16,427**	**227,029**	**35,388**	**118,716**

In each of the last four years the Fund asset value has increased. In 2018/19 the value increased by £118.7m from £1,139.4m to £1,258.1m due mainly to excellent returns from the developed world equities market, the Fund's largest asset class holding.

Officers and the Pension Committee monitor investment performance continuously and seek advice from the Fund's independent investment advisers as necessary.

Over the four years' period, a consistent theme has been that on an annual basis pensions paid have been close to contributions received. This suggests that the Fund is approaching the point of maturity when payments will consistently exceed contributions. The net addition of £37.0m in 2016/17 was due largely to the payment by the Council of a lump sum of £33.2m in lieu of three annual payments of £11.8m.

The triennial valuation of the Fund completed during 2016/17 showed an improvement in the overall funding level to 73% compared to 66.3% at the previous valuation. The Actuary has advised that since the last formal valuation real bond yields have fallen placing a higher value on the liabilities and there have been strong asset returns. Both events are of broadly similar magnitude with regards to the impact on the funding position. By making substantial "deficit recovery" payments the Fund is making progress towards achieving its objective of a 100% funding level within 22 years.

UNIT COSTS	2015/16	2016/17	2017/18	2018/19
Administration costs (£'000)	1,323	1,340	1,417	1,083
Administration costs per member (£)	53.92	52.31	53.22	38.69
Oversight and governance costs (£'000)	492	618	669	674
Oversight and governance costs per member (£)	20.05	24.13	25.13	24.08
Total administration, oversight and governance costs per member (£)	**73.97**	**76.44**	**78.35**	**62.77**
Investment management costs (£'000)	1,216	4,508	4,759	6,410
Investment management costs as percentage of investment assets (£)	0.14	0.42	0.42	0.51

C. INVESTMENT POLICY AND PERFORMANCE

1 Introduction

As Administering Authority, the Council discharges its duties through the Pension Committee. The strategic management of the assets is one of the responsibilities of the Committee which it carries out in consultation with the Fund's Investment Adviser.. Day-to-day management of the investments is carried out by fund managers, who have been appointed by the Committee, acting under agreed mandates, and Council officers acting under delegated powers.

The Committee has adopted an Investment Strategy Statement in accordance with relevant Regulations and Guidance. The full Statement is included on the Fund's website.

The Fund's goal is to ensure there are sufficient assets to meet all liabilities as they fall due. In order to achieve this goal the Committee has adopted the following objectives:

- Achieve a return on investments which at least meets the assumed return (the discount rate) used by the Actuary when setting the triennial valuation.
- Keep risk within acceptable levels.
- Maintain liquidity requirements to pay liabilities when they fall due.

The Statement includes details of the Fund's approach to:

- Asset allocation;
- Risk management;
- Pooling of assets;
- Environmental, social and governance issues; and
- Voting.

As set out in the Regulations, the Committee reviews the Investment Strategy Statement from time to time and at least every three years. In the event of any material change to any matter contained within the Statement, this will be reflected within six months of it occurring.

2 Asset Allocation

The current strategic asset allocation target came into force in September 2018 as follows.

ASSET CLASS	INVESTMENT %
Equities	42 +/- 5
Fixed interest	23 +/- 5
Alternatives	34 +/- 5
Cash	1
Total	100

The Alternatives category is further broken down as follows:

ASSET CLASS	INVESTMENT %
Private equity	8
Infrastructure	10
Property	10
Private rental sector property	6
Total	34

The Committee recognises that it takes time to complete the transition to a revised asset allocation due to the assets included within the Alternatives category being illiquid and the time it takes to source investable opportunities. It was planned to complete the transition to the new strategy during 2018/19. By the year end all of the asset classes were within 2% of their target allocation and those with the highest weightings almost exactly on target.. The Fund reduced its overweight holding in equities from 51% to the target of 42% and, within this, switched approximately 5% from developed world investments to a new emerging markets fund via a CIV sub fund managed by Janus Henderson... The overweight balance was transferred to a new Global Bonds mandate.managed as a CIV sub fund by PIMCO. Further drawdowns were made by our Private Rental Sector manager, M&G to increase the allocation from 2.2% to 4.9%

The distribution of the Fund’s investment assets among fund managers at 31st March 2019 is detailed below.

FUND MANAGER	INVESTMENT MANDATE	% OF INVESTMENT ASSETS
Legal & General	Developed World (Ex-tobacco)l Equities (pooled)	37.02
London CIV - Janus Henderson	Emerging Markets Equities (pooled)	4.69
London CIV	Global Equities (Segregated)	
Aberdeen Standard	UK Corporate Bonds and Absolute Return Bonds (Pooled)	10.61
London CIV - PIMCO	Global Bonds (Pooled)	6.80
Wellington	Sterling Bonds (Pooled	5.43
Pantheon	Private Equity Invest in unquoted companies (Pooled fund of funds) (US Dollar & Euro)	5.38
Knightsbridge	Private Equity – Venture Capital (Pooled FofF) (US Dollar)	2.48
Access Capital	Private Equity - Co-investment small European buyout (Euro)	1.16
North Sea Capital	Private Equity Invest in unquoted companies (Pooled fund of funds) (Euro)	0.24
Equitix	Infrastructure – PFI Projects (Pooled)	5.27
Temporis	Infrastructure – Onshore wind farms	2.78
Green Investment Bank	Infrastructure – Offshore wind farms	2.02
Access Capital	Infrastructure – European projects	1.11
I-Squared Capital	Infrastructure	0.57
M&G	Private Rental Sector UK	4.87
Schroders	UK Property Funds	9.57
TOTAL		100.00

3 Monitoring the Fund Managers

Performance of the fund managers is reviewed formally at the quarterly Committee meetings. To assist the Committee reports on managers' performance are provided by the Council's officers and the Investment Adviser. Additionally, the Council's officers and the Adviser meet the managers regularly to review their actions together with the reasons for their investment performance.

4 Custody

The Fund employs The Bank of New York Mellon as an independent custodian for use as required. However, as the proportion of its assets managed on a pooled basis through the London CIV increases the role of the custodian will be reviewed.

5 Performance

The Fund's performance is compared with the Council's own customised benchmarks. During the 2018/2019 financial year the Fund returned 10.4%, outperforming its benchmark of 5.9% by 4.5%. The outperformance was due to the positive performance by almost all the managers with only two of the Infrastructure managers significantly underperforming.

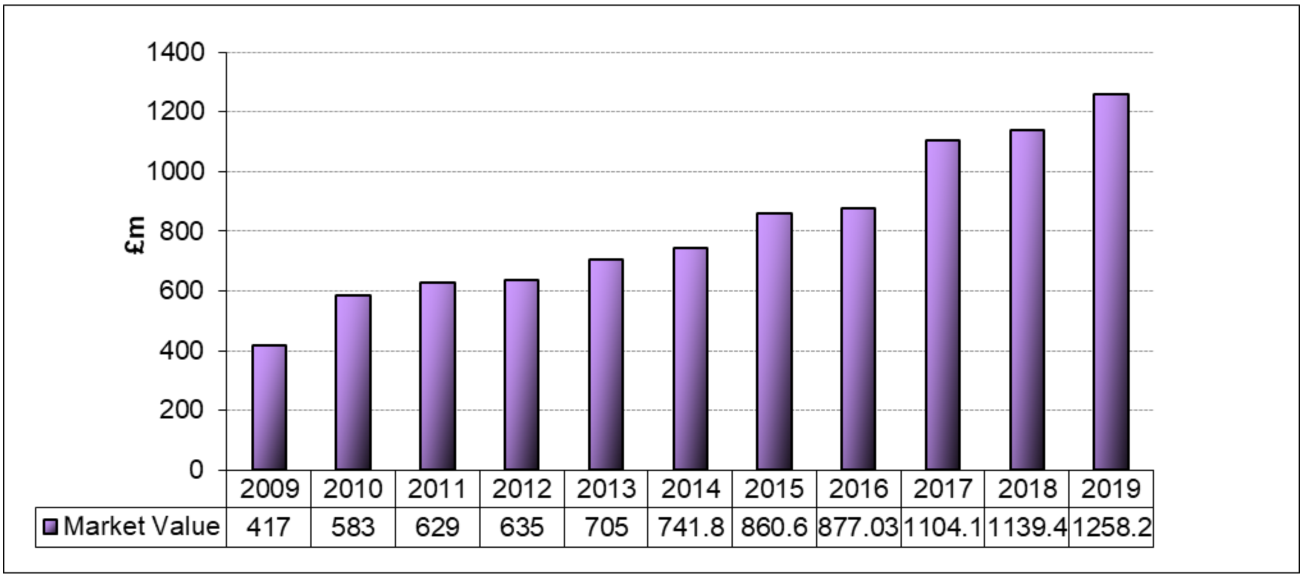
The Fund's investments continue to perform strongly in both the medium term (shown below) and the long term.

The annualised investment returns of the Fund for 1, 3 and 5 years are as follows:

ANNUALISED RETURNS	FUND	BENCHMARK
1 year (% per year)	10.4	5.9
3 years (% per year)	12.0	6.2
5 years (% per year)	10.7	5.4

6 Movement in the Market Value of the Fund

The net assets of the Fund at 31 March 2019 were £1,258m compared with £417m at 31 March 2009. The chart below shows the growth of the assets over the past ten years.



NET ASSETS AT 31 MARCH 2019	£m	%
Market value of investments	1,237.23	98.4
Other balances held by fund managers	1.56	0.1
Cash held by fund managers	6.45	0.5
Net current assets	12.92	1.0
TOTAL	1,258.16	100.0

7 Distribution of Assets by Market Value

INVESTMENTS	£'000	%
Global equities	516.19	41.72
Private equity	114.70	9.27
Bonds	282.42	22.83
PRS	60.24	4.86
Property	118.32	9.56
Infrastructure	145.36	11.75
TOTAL	1,237.23	100.00

8 Top 10 Global Holdings

	Approximate market value £'000	% of total fund
Apple Inc	10,076	0.81
Microsoft Corp	10,076	0.81
Amazon.com	8,244	0.67
Alphabet	7,786	0.63
Facebook Class A	4,580	0.37
Berkshire Hathaway	4,580	0.37
Johnson and Johnson	4,122	0.33
Exxon Mobil Corporation	4,122	0.33
JP Morgan Chase	3,664	o.30
Nestle	3,206	0.26

D. SCHEME ADMINISTRATION

The Fund's Administration Team carry out a wide range of functions in support of the members. Two of those most important to the members are notifying dependents of death benefits and notifying retiring members of the benefits they will receive.

Performance against these two key metrics was as follows:

Case type	Month (2018/19)	KPI target (no of days to process)	Total cases processed	Average no of days taken to process	% within KPI target
Deaths	April	5	34	3	91.18
Retirements	April	10	43	3	97.67
Deaths	May	5	18	4	75.20
Retirements	May	10	17	3	100.00
Deaths	June	5	24	3	79.17
Retirements	June	10	38	4	97.37
Deaths	July	5	22	4	95.35
Retirements	July	10	43	5	86.36
Deaths	August	5	16	3	100.00
Retirements	Aiugust	10	38	6	100.00
Deaths	September	5	26	9	65.38
Retirements	September	10	49	3	100.00
Deaths	October	5	28	4	75.00
Retirements	October	10	55	4	100.00
Deaths	November	5	22	7	81.82
Retirements	November	10	37	9	89.19
Deaths	December	5	23	14	82.61
Retirements	December	10	48	10	97.92
Deaths	January	5	11	4	84.62
Retirements	January	10	48	5	98.00
Deaths	February	5	17	6	82.35
Retirements	February	10	38	5	94.74
Deaths	March	5	32	11	53.13
Retirements	March	10	39	6	94.87
Deaths	**TOTAL**	**5**	**273**		
Retirements	**TOTAL**	**10**	**493**		

E. ACTUARIAL REPORT

1 Valuation

In accordance with the Regulations the Fund commissions a revaluation of its assets and liabilities every three years. The most recent valuation was produced by the Actuary during 2016/17 reflecting the position as at 31 March 2016.

A copy of the Report is included on the Fund's website.

ACTUARIAL VALUATION	31 March 2007 £m	31 March 2010 £m	31 March 2013 £m	31 March 2016 £m
Assets	545	583	705	877
Liabilities	806	884	1,064	1,203
Deficit	261	301	359	326
Funding level	68	66	66	73

The Fund's target to achieve full funding is 22 years and employers' contribution rates are set to give a high likelihood of achieving this.

The key financial assumptions underpinning the 2016 valuation were:

FINANCIAL ASSUMPTIONS	31 March 2016 %
Discount rate	4.4
Price inflation	2.1
Pay increases	2.7
Pension increases – pension in excess of GMP	2.1
post 88 GMP	2.1
pre-88 GMP	-
Revaluation of deferred pension	2.1
Revaluation of accrued CARE pension	2.1
Expenses	1.1

Demographic assumptions are more complex and can be seen in the Actuarial Report.

At the valuation, contribution rates were set for the Council and for approximately 80 Admitted and Scheduled bodies. The percentage of pensionable pay set for the Council for 2018/19 was 15.1% whilst for all other bodies it ranged from zero to over 30%.

2 Funding Strategy Statement

The Funding Strategy Statement is prepared, usually at the time of the triennial valuation, in collaboration with the Fund's Actuary and in consultation with the Fund's employers and investment advisers. The current Statement was published in March 2017 and states the key funding principles 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 Statement sets out how the Fund seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

The Statement is available on the Fund's website.

:

3 Membership of the Fund

The following employers are members of the Fund

London Borough of Croydon Pool

London Borough of Croydon
Octavo Partnership Ltd

Further Education Bodies

Coulsdon College
Croydon College
John Ruskin College

(Community) Admission Bodies

Croydon Citizens Advice Bureau
Croydon Community Mediation
Croydon Voluntary Action

Admission Bodies

Arthur Mckay Limited
AXIS Europe plc (Housing Repairs)
Brick by Brick Croydon Limited
Capita Secure Information Solutions Limited
Churchill Services Limited
Conway Construction Limited
Croydon Equipment Services Limited
Greenwich Leisure Limited
Ground Control Limited
Hats Group Limited
Idverde Limited
Impact Group Limited
Keyring Living Support Networks
Kier Highways Limited
London Hire Services Limited
Olive Dining Limited
Quadron Services Limited
Roman Catholic Archdiocese of Southwark
Skanska Construction UK Limited
Sodexo Limited
Veolia Environmental Services (UK) Recycling Limited (Croydon)
Veolia Evironmental Services UK Recycling Limited (SLWP1) and (SLWP2)
Vinci Facilities Limited
Wallington Cars and Couriers Limited
Westgate Cleaning Services Limited

Academies

Aerodrome Primary Academy
Applegarth Academy
ARK Oval Primary Academy
Atwood Primary Academy
BRIT School
Broadmead Primary Academy
Castle Hill Academy
Chestnut Park Primary School
Chipstead Valley Primary School
Coombe Wood
Crescent Primary Academy
Courtwood Primary
David Livingstone Academy
Davidson Primary Academy
Fairchildes Primary School
Folio Education Trust
Forest Academy
Gilbert Scott Primary (The Collegiate Trust)
Gonville Academy
Good Shepherd RC Primary
Harris Academy South Norwood
Harris City Academy Crystal Palace
Harris Invictus Academy
Harris Primary Academy Benson
Harris Primary Academy Haling Park
Harris Primary Academy Kenley
Harris Primary Academy Purley
Heathfield Academy
Keston Primary
Kingsley Primary School
Krishna Avanti Primary School
Meridian (Addington) High Academy
Monks Orchard Primary
New Valley Primary School
Norbury Manor Business and Enterprise College
Oasis Academy Arena
Oasis Academy Byron
Oasis Academy Coulsdon
Oasis Academy Ryelands
Oasis Academy Shirley Park
Orchard Park High School
Pegasus Academy Trust
Paxton Academy
Riddlesdown Collegiate
Robert Fitzroy Academy
Rowdown Primary School
Shirley High School Performing Arts College
South Norwood Academy
St Aidan’s Primary School
St Chad’s Primary School
St Cyprian's Greek Orthodox Primary Academy
St James the Great RC Primary School
St Joseph's College
St Mark’s Church of England Primary School
St Mary’s RC Infant School
St Mary’s RC Junior School
St Thomas Becket RC Primary School
STEP Academy Trust
The Archbishop Lanfranc Academy
The Manor Trust
The Quest Academy
The Woodside Academy
West Thornton Primary Academy
Winterbourne Boys’ Academy
Wolsey Junior Academy
Woodcote High School

F. GOVERNANCE

1 Governance Compliance Statement

The administering authority of a Local Government Pension Scheme (LGPS) is required to publish a Governance Compliance Statement. The Statement aims to make the administration and stewardship of the scheme more transparent and accountable to stakeholders and provides the following information:

- how the Council discharges its responsibilities, as the Fund's Administering Authority, to maintain and manage the Fund in accordance with regulatory requirements;
- the structure of the decision making process;
- the frequency of Pension Committee meetings; and
- the voting rights of Committee members.

The Fund's Statement is iavailable on the Fund's website.

2 Attendance at Meetings

Attendance at the meetings of the Committee and the Board by the members during 2018/19 was as follows

Date of Committee Meeting	23 May 2018	5 June 2018	18 September 2018	21 November 2018	4 December 2018	12 March 2019
Councillor Andrew Pelling (Chair)	✓	✓	✓	✓	✓	✓
Councillor Simon Hall (Vice Chair)	✓	✓	✓	✓	✓	✓
Councillor Simon Brew	✓	✓	✓	✓	✓	✓
Councillor Robert Canning	✓	✓	✓	✓	✓	✓
Councillor Luke Clancy	✓	✓		✓		
Councillor Clive Fraser	✓	✓	✓	✓	✓	✓
Councillor Patricia Hay- Justice	✓	✓	✓	✓		✓
Councillor Yvette Hopley	✓	✓	✓	✓	✓	✓
Gilli Driver (Pensioner Representative)			✓	✓		✓
Peter Howard (Pensioner Representative)		✓	✓	✓	✓	✓
Charles Quaye (Union Re[presentative)					✓	✓

Date of Board Meeting	5 July 2018	18 October 2018	15 November 2018	10 January 2019	26 March 2019
Michael Ellsmore (Chair)	✓	✓	✓	✓	✓
Councillor Maggie Mansell (to 15/11/18)	✓	✓	✓		
Councillor Jerry Fitzpatrick (from 26/3/19)					
Richard Elliott	✓	✓	✓	✓	✓
Ava Payne / Watt	✓	✓			✓
David Wickman	✓	✓	✓	✓	✓
Teresa Fritz (from 18/10/18)		✓	✓	✓	✓

Training Log

Each administering authority is required to log each Pension Committee Member's training.

G. FUND ACCOUNT, NET ASSETS STATEMENT AND NOTES

The Fund''s Fund Account and Net Asset Statement is included as Appendix A.

H. ASSET POOLS

In 2015 the, then, Department of Housing, Communities and Local Government issued Guidance which set out how the Government expected funds to establish asset pooling arrangements. The objective was to deliver:

- benefits of scale;
- strong governance and decision making;
- reduced costs and excellent value for money; and
- an improved capacity and capability to invest in infrastructure.

By that time, as a founder member, Croydon had already voluntarily joined the London Collective Investment Vehicle (London CIV). The London CIV's stated objectives are to deliver broader investment opportunities and enhanced cost efficiencies than funds can achieve individually and overall better risk adjusted performance. It is FCA regulated and has become the first of the eight asset pools in England and Wales to become established with all the London borough funds as members.

Since its founding in 2014 the London CIV has developed its governance structure with the key component being a Shareholders Committee which must be consuted by the Board on specified matters. The Committee is made iup of Council members and officers of shareholders agreed via a methodology specified in the Terms of Reference.

As at 31 March 2019 the Fund had investments of £142.3m (11.5% of its investments) invested in sub-funds managed by the London CIV and a further £458.0m (37.0%) within the pooling umbrella but not managed by the London CIV. The Committee considers that this progress shows a significant commitment to the pooling concept. In view of the Fund's substantial holdings in relatively illiquid private equity, infrastructure and property funds it appears likely that, in the short term any further investments to sub funds of the London CIV will be limited to 16% of the Fund invested in bonds.

I PENSIONS ADMINISTRATION STRATEGY STATEMENT

The Fund's Administration Strategy Statement is available on the Fund's website..

J COMMUNICATIONS POLICY STATEMENT

The Fund is required to publish a Statement setting out its communications policy covering::

- its policy as regards communicating with interested parties including members and other employers within the scheme; and
- the method and frequency of communications used such as newsletters, annual benefit statements and the pensions website.

The Fund's Communications Policy Statement is available on the Fund's website.

K EXTERNAL AUDIT OPINION

The audit opinion of Grant Thornton UK LLP on the Fund's Fund Account and Net Asset Statement is included as Appendix A

L MAIN FEATURES OF LOCAL GOVERNMENT PENSION SCHEME

1 Eligibility for Membership

Membership is generally available to employees of participating employers who have contracts of at least 3 months, are under age 75, and are not eligible for membership of another statutory pension scheme. Employees of designating bodies or admitted bodies can only join if covered by the relevant agreement.

2 Benefits on Death in Service

A lump sum is payable on death in service. This is three times the member's annual assumed pensionable pay. The Administering Authority has absolute discretion over the distribution of this lump sum among the deceased's relatives, dependents, personal representatives or nominees. Pensions may also be payable to the member's widow, widower, civil partner, nominated cohabiting partner and dependent children.

3 Benefits on Retirement

For membership from April 2014 onwards, pension benefits are based on career average revalued earnings and the accrual rate is 1/49th. Benefits for earlier membership consist of a pension calculated as 1/60th of final pay for each year of membership accrued from 1 April 2008 to 31 March 2014. The accrual rate is 1/80th of final pay for each year of membership accrued before 1 April 2008 plus a lump sum of three times the pension. Actual membership may be enhanced automatically in cases of ill health retirement. Employers may choose to increase pension. Members can normally exchange some pension to provide a bigger lump sum.

4 Benefits on Death after Retirement

A death grant is payable if less than 10 years pension has been paid and the pensioner is under age 75 at the date of death, in which case the balance of 10 years of pension is paid as a lump sum. Pensions are also generally payable to the pensioner's widow, widower, civil partner, nominated cohabiting partner and dependent children.

5 Extra Benefits

The scheme offers several ways for members to improve benefits:

- Payment of additional pension contributions (APCs) to buy extra pension; and
- A money purchase additional voluntary contribution (AVC) scheme which operates with the Prudential offering pension and life assurance options.

6 Employee contributions

The bands of contribution rates are as shown below for contributions taken in respect of pensionable pay received from 1 April 2019. The employee pays contributions at the appropriate band rate on all pensionable pay received in respect of that job (or at half that rate if the employee is in the 50/50 scheme).

Contribution Table 2019/20

Band	Actual pensionable pay for an employment	Contribution rate for that employment – main scheme	Contribution rate for that employment – 50/50 scheme
1	Up to £14,400	5.5%	2.75%
2	£14,401 to £22,500	5.8%	2.90%
3	£22,501 to £36,500	6.5%	3.25%
4	£36,501 to £46,200	6.8%	3.40%
5	£46,201 to £64,600	8.5%	4.25%
6	£64,601 to £91,500	9.9%	4.95%
7	£91,501 to £107,700	10.5%	5.25%
8	£107,701 to £161,500	11.4%	5.70%
9	£161,501 or more	12.5%	6.25%

7 Age of retirement

Normal retirement age is now linked to State Pension Age, but:

- pension benefits are payable at any age if awarded due to ill health;
- members may retire with fully accrued benefits from age 55 onwards if their retirement is on grounds of redundancy or business efficiency;
- members who have left employment may request payment of benefits from age 55 onwards. Actuarial reductions may apply where benefits come into payment before the State Pension Age.
- members who remain in employment may also ask to retire flexibly from age 55 onwards if they reduce their hours of work or grade. Employer consent is required and actuarial reductions may apply.
- payment of benefits may be delayed beyond State Pension Age but only up to age 75.

8 Pensions Increases

Pensions payable to members who retire on health grounds and to dependents in receipt of a pension in respect of a deceased member are increased annually by law in line with increases in inflation. Pensions payable to other members who have reached the age of 55 also benefit from this annual inflation proofing. Where a member has an entitlement to a Guaranteed Minimum Pension (which relates to membership up to 5 April 1997), some or all of the statutory inflation proofing may be provided by the Department for Work and Pensions through the State Pension.

LGPS pensions are increased in line with the rise in the Consumer Price Index (CPI), in accordance with the Pensions Increase Act 1971. Although pensions are increased in April, they are based on the rise in the CPI over the 12 months to the previous September. The pensions increase calculation for April 2019 was based on the increase in CPI during the 12 months to September 2018 and was set at 2.4%.

9 Pension Fund Fraud / National Fraud Initiative

This Council is required to protect the public funds it administers. It may share information provided to it with other bodies responsible for; auditing, or administering public funds, or where undertaking a public function, in order to prevent and detect fraud.

The Cabinet Office is responsible for carrying out data matching exercises.

Data matching involves comparing computer records held by one body against other computer records held by the same or another body to see how far they match. This is usually personal information. Computerised data matching allows potentially fraudulent claims and payments to be identified. Where a match is found it may indicate that there is an inconsistency which requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out.

The Council participates in the Cabinet Office's National Fraud Initiative: a data matching exercise to assist in the prevention and detection of fraud. We are required to provide particular sets of data to the Minister for the Cabinet Office for matching for each exercise, as detailed here.

The use of data by the Cabinet Office in a data matching exercise is carried out with statutory authority under Part 6 of the Local Audit and Accountability Act 2014. It does not require the consent of the individuals concerned under the Data Protection Act 1998.

Data matching by the Cabinet Office is subject to a Code of Practice.

View further information on the Cabinet Office's legal powers and the reasons why it matches particular information. For further information on data matching at this authority contact caft@croydon.gov.uk .

M RESOURCES FOR MEMBERS

1 Croydon Council Pension Website

The Scheme's website can be found at http://www.croydonpensionscheme.org/

2 National Local Government Pension Scheme Web Site

The web site address is www.lgpsmember.org/

It enables all members, potential members and beneficiaries of the Scheme to access Scheme information 24 hours a day, 365 days a year.

The site has a comprehensive range of Scheme information; it is updated regularly to ensure members have access to the latest information.

3 Additional Voluntary Contributions

The Council has appointed Prudential as the Scheme's provider for additional voluntary contributions investment services.
Further information can be obtained by calling their helpline on 0845 434 6629 or by visiting the website www.pru.co.uk/rz/localgov/.

Any members' additional voluntary contributions (AVCs) are held in various separate investments administered by Prudential Assurance Company Limited. The benefits arising from these contributions are additional to, and do not form part of, the benefits due under the Local Government Pension Scheme. They are not included in the Pension Fund Accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. Pension Fund Accounts and any details within the Annual Report therefore exclude amounts for AVCs.

4 Further Information

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
East Sussex BN1 4DW
Telephone Number: 0845 600 0707 (Monday to Friday 09.00-17.00)
Website: www.thepensionsregulator.gov.uk

The role of the Pensions Regulator has been set out by Parliament, and is to:

- Protect the benefits of members of work-based pension schemes;
- Promote the good administration of work-based pension schemes;
- Reduce the risk of situations arising which may lead to claims for compensation from the Pensions Protection Fund.

The Pensions Advisory Service (TPAS)
11 Belgrave Road
London SW1V 1RB
Telephone Number: 0300 123 1047
Website: www.pensionsadvisoryservice.org.uk

TPAS is available to assist members of pension schemes with any difficulties that they are unable to resolve with their scheme administrators.

The Pensions Ombudsman
At the same address as TPAS
Telephone Number: 020 7630 2200
Website: www.pensions-ombudsman.org.uk

The Pensions Ombudsman can investigate and determine any complaint or disputes between scheme members and administrators, involving maladministration, or matters of fact or law.

The Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton WV98 1LU
Telephone Number: 0345 6002 537
Website: www.gov.uk/find-lost-pension

The Pension Tracing Service can help ex-members of pension schemes, who may have lost touch with their previous employers, to trace their pension entitlements.

Queries relating to the Pension Fund investments can be made to:

The Pensions Section
5A, Bernard Weatherill House
8 Mint Walk
Croydon, CR0 1EA

Tel: 0208 760 5768 ext: 62892
E-mail: pensions@croydon.gov.uk

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5 Members Self Service

Scheme members can view their pension details by logging on to our internet member self service. This service allows scheme members to check their personal details, including service history and financial information, as well as enabling members to carry out their own benefit calculations. Members can also check their record to make sure their nomination for their death grant is correct and, if applicable, that their record is up to date with their nominated co-habiting partner's details.

Members can log in to the service at: https://croydon.pensiondetails.co.uk to register.

Scheme members will be required to register the E-mail address they wish to use by contacting the pensions team.

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Statement of Accounts 2018/19

31 March 2019

CROYDON
www.croydon.gov.uk

COMMUNITY LANGUAGES

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

Bengali

[illegible] 020 8726 6000.

Chinese

[illegible] 020 8726 6000 [illegible]

Francais

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

Gujarati

[illegible] 020 8726 6000 [illegible]

Hindi

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

Punjabi

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

Turkish

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

Urdu

[illegible]
020 8726 6000.

CONTENTS

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STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

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

► to approve the Statement of Accounts.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTOR OF FINANCE, INVESTMENT & RISK AND INTERIM SECTION 151 OFFICER

The Director of Finance, Investment & Risk and Interim 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 Interim Section 151 Officer has:

► selected suitable accounting policies and then applied them consistently;

► made judgements and estimates that were reasonable and prudent;

► complied with the Code of Practice;

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

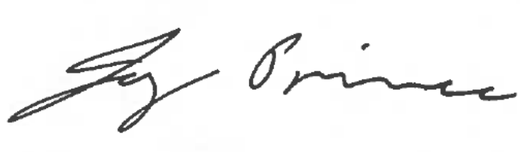
► taken reasonable steps for the prevention and detection of fraud and other irregularities.

LONDON BOROUGH OF CROYDON AND LONDON BOROUGH OF CROYDON PENSION FUND
FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 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 Joy Prince
Vice Chair, General Purposes and Audit Committee

Independent auditor's report to the members of the London Borough of Croydon

Report on the Audit of the Financial Statements

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of the London Borough of Croydon (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2019 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Comprehensive Income and Expenditure Statement, the Movement in Reserves on the HRA Statement, the Collection Fund, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cashflow Statement and 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 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 position of the group and of the Authority as at 31 March 2019 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- 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 group and the Authority 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.

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 Interim Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance, Investment and Risk, and Interim Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority'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.

Grant Thornton

Overview of our audit approach

Financial statements audit

- Overall materiality: £25,333,000 which represents 2% of the group's gross expenditure of continuing operations
- Key audit matters were identified as:
  - Valuation of Property, Plant and Equipment
  - Valuation of Pension Fund Net Liability
- There are two significant components within the Group, which is the same as for the previous year. These are the London Borough of Croydon and Brick by Brick Croydon Ltd. Full audits were performed for both components.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Authority	How the matter was addressed in the audit – Authority
Risk 1 – Valuation of Property, Plant and Equipment (specifically council dwellings and other land and buildings) The Authority revalues its land and buildings on a rolling five-year basis to ensure that carrying value is not materially different from current value. This represents a significant estimate by management in the financial statements. Valuation of property, plant and equipment is considered a significant estimate due to the size of the numbers involved (£1.884 billion) and the sensitivity of this estimate to changes in key assumptions. We identified the valuation of property, plant and equipment (specifically council dwellings and other land and buildings) as a significant risk, which was one of the	Our audit work included, but was not restricted to: • evaluating management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation expert and the scope of their work; • evaluating the competence, capabilities and objectivity of the valuation expert; • writing to the valuer to confirm the basis on which the valuation was carried out; • challenging the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • testing revaluations made during the year, on a sample basis, to see if they had been input

Key Audit Matter – Authority	How the matter was addressed in the audit – Authority
most significant assessed risks of material misstatement.	correctly into the Authority's asset register; • evaluating 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 Authority's accounting policy on valuation of property, plant and equipment is shown in note 1.4 to the financial statements and related disclosures are included in note 12. **Key observations** From the work performed in this area, we identified that one property selected as part of our sample had been valued based on the incorrect floor area, which lead to an extrapolated understatement of £3,000,000. Due to the nature of the error, the Authority has not amended the financial statements as the error is not material. No other issues were identified from the work we performed in this area. Therefore, we obtained sufficient audit assurance to conclude that subject to the issue noted above: • the basis of the valuation of council dwellings and other land and buildings was appropriate, and the assumptions and processes used by management in determining the estimate were reasonable; • the valuation of council dwellings and other land and buildings disclosed in the financial statements is reasonable.
Risk 2 – Valuation of Pension Fund Net Liability	Our audit work included, but was not restricted to: • updating our understanding of the processes and controls put in

Key Audit Matter – Authority	How the matter was addressed in the audit – Authority
The Authority's Pension Fund net 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 Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions. During the audit, we identified the need for the pension liability to be restated to take into account the impact of the McCloud case. The Court of Appeal had previously ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members. The Government applied to the Supreme Court for permission to appeal this ruling but, in July 2019, the Government was refused leave to appeal. This case will now be remitted to an employment tribunal for remedy. The legal ruling has implications for other pension schemes which have implemented transitional arrangements on changing benefits, including the Local Government Pensions Scheme, of which the Authority is part. The ruling will result in an increase in the Authority's pension fund net liability, which the Authority's actuary has estimated at £6.7 million. We therefore identified valuation of the Authority's Pension Fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	place by management to ensure that the Authority's Pension Fund net liability is not materially misstated and evaluating the design of the associated controls; • evaluating the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessing the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessing the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • testing the consistency of the Pension Fund asset and liability balances and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and • critically evaluating the reasonableness of the actuarial assumptions made, including those related to the accounting estimate for the McCloud ruling, using the reports of consulting actuaries (as auditor's experts). The Authority's accounting policy on the valuation of the pension fund liability is shown in note 1.10 to the financial statements and related disclosures are included in note 42. **Key observations** The Authority obtained an updated valuation from their Actuary, Hymans Robertson in relation to the McCloud judgement, which has increased the net pension liability by £6.7 million. The net pension liability in the balance sheet was adjusted on audit to reflect this updated valuation. No other issues were identified from the work performed in this area. Subject to the above adjustment, we

Key Audit Matter – Authority	How the matter was addressed in the audit – Authority
	obtained sufficient audit assurance to conclude that: • the basis of the valuation was appropriate, and the assumptions and processes used by management in determining the estimate were reasonable; • the valuation of the net pension liability recognised in the financial statements is reasonable.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

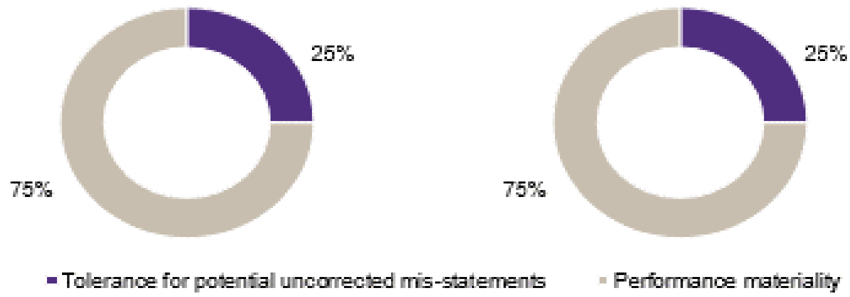
Materiality was determined as follows:

Materiality Measure	Group	Authority
Financial statements as a whole	£25,333,000 which is 2% of the group's gross expenditure on continuing operations. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the group has expended its revenue and other funding. Materiality for the current year is higher than the level we determined for the year ended 31 March 2018 to reflect the group's increase in gross expenditure from the previous year.	£25,323,000 which is 2% of the Authority's gross expenditure. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Authority has expended its revenue and other funding. Materiality for the current year is higher than the level we determined for the year ended 31 March 2018 to reflect the Authority's increase in gross expenditure from the previous year.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality	75% of financial statement materiality

Materiality Measure	Group	Authority
Specific materiality	No specific materiality levels were set at a Group level.	We determined a lower level of specific materiality for Senior Officer Remuneration.
Communication of misstatements to the General Purposes and Audit Committee	£1,266,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£1,266,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group **Overall materiality – Authority**



An overview of the scope of our audit

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

- Evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality and significance of the component as a percentage of the group's current assets, total assets, current liabilities, total liabilities, equity, income and expenditure;
- Performance of full audit procedures for the Authority, which represents 99.72% of the group's total income, 99.44% of its total expenditure and 86.10% of its net assets;
- Issuing group instructions to colleagues at Grant Thornton UK LLP in respect of their audit of Brick by Brick Croydon Limited for the year ended 31 December 2018, using results of their audit together with additional sample testing by the group audit team of work in progress expenditure of Brick by Brick Croydon Limited for the period of 1 January 2019 to 31 March 2019. Brick by Brick Croydon Limited represents 0.00% of the total income of the group, 0.06% of its expenditure and 0.49% of its total net assets;
- Gaining an understanding of and evaluating the group's internal control environment, including its financial and IT systems and controls;

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risks of material misstatement in respect of fraud, including irregularities and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Authority and the group and sectors in which they operate. We determined that the following laws and regulations were most significant:
  - the Accounts and Audit Regulations 2015
  - the Local Government Finance Act 1988
  - the Local Government Act 2003.
- We understood how the Authority and the group is complying with those legal and regulatory frameworks by, making inquiries to the Authority's monitoring officer and the internal auditors. We corroborated our inquiries through our review of papers provided to the General Purposes and Audit Committee.
- We assessed the susceptibility of the Authority's and group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed included:
  - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
  - understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence by management over the financial reporting process;
  - challenging assumptions and judgments made by management in its significant accounting estimates, such as the assumptions relating to the valuation of property, plant and equipment, the assumptions applied to the estimation of the net defined benefit liability, along with those relating to the Authority's Allowance for Credit Losses;
  - identifying and testing journal entries, in particular any journal entries posted which we deemed to be unusual;
- We did not identify any key audit matters relating to irregularities, including fraud.

Other information

The Director of Finance, Investment and Risk, and Interim Section 151 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 Authority and group financial statements, our auditor's report thereon and our auditor's report on the pension fund financial statements. 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 of the group and Authority 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.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements the other information published together with the 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 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 Interim Section 151 Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, set out on pages 5 to 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 Interim Section 151 Officer. The Director of Finance, Investment and Risk, and

Interim Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 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 Interim Section 151 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 financial statements, the Director of Finance, Investment and Risk, and Interim Section 151 Officer is responsible for assessing the group's and the Authority'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 Authority 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 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.

Other matters which we are required to address

We were reappointed by Public Sector Audit Appointments Ltd in December 2017 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement is seven years, covering the years ending 2013 to 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Authority or its subsidiary and we remain independent of the Authority and the group in conducting our audit.

The non-audit services delivered during the course of the 2018-19 Financial Year are as follows:

- CFO Insights Subscription
- Adult Social Care Index

Our audit opinion is consistent with the additional report to the General Purposes and Audit Committee.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work to give our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We are unable to issue our conclusion until we have completed our consideration of matters that have come to our attention. We are satisfied that these matters do not have a material effect on the financial statements for the year ended 31 March 2019.

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2019. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

In addition, we cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2019. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2019.

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 we have formed.

Sarah L Ironmonger

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

London

31 July 2019

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.

Croydon's grant funding during the period of the spending review has reduced each year. The grant received in 2018/19 resulted in a £6.5m (7.1%) reduction compared to the previous year and a 29.2% cumulative decrease since the inception of the four year funding agreement began in 2016/17.

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. The funding that croydon receives is not adequate to cover the associated costs. Numbers are still continuing to increase, which is driving up the costs further.
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.

Croydon has reported an overall Dedicted School Grant (DSG) deficit for the period 2018/19 of £9.193m which equates 3% of the gross DSG allocation. Over the last four years, Croydon has built up a significant deficit against its High Needs Block allocation from central government due to the increasing population of children and young people coupled with a rise in numbers of pupils with Education, Health and Care Plans and the costs of placements.

Croydon have recently launched a High Needs Strategy which sets out a five year plan to address the current ovespend and identifies three key areas which specifically impact on High Needs Block spend:

- ►development of local capacity;
- ► strengthening capacity for inclusion in local mainstream schools; and
- ► improved pathways for post 16 young people with Special Educational Needs and Disabilities

There is political and community support for the High Needs Strategy, which supports delivery of improvements to address these areas, including improved use of data intelligence in projecting and planning for resources to meet identified needs. The strategy also forms the basis of the DGS Deficit Recovery Plan submitted to the Department of Education in June 2019.

MEDIUM TERM FINANCIAL STRATEGY

The Medium Term Financial Strategy 2018/22 was approved at full council in October 2018.

This detailed the 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 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

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	46.0	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 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 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	1.290	1.929	1.929
Total	**13.845**	**16.464**	**17.200**

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	1,114.702	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**	**9.79%**

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 for 2018/19 was on target at 97.25%

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%	0.00%
Cash - £m	210.16	204.37	-5.79

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 0.5%

Table 6 – NNDR Collection performance against target

	Target – 2018/19	Actual – 2018/19	Variance
Percentage	98.75%	99.25%	0.50%
Cash - £m	125.42	124.48	-0.94

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%).

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.
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 was presented to the Council's General Purposes and Audit Committee in July 2019. This provided 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	(224,452)		(224,452)	11,419				(213,033)	0	(213,033)
Other Comprehensive Expenditure and Income								0	(21,030)	(21,030)
Total Comprehensive Expenditure and Income	(224,452)	0	(224,452)	11,419	0	0	0	(213,033)	(21,030)	(234,063)
Adjustments between accounting basis and funding basis under regulations	224,258	0	224,258	(10,682)	(22,824)	3,372	(1,929)	192,195	(192,193)	2
Net increase/Decrease before Transfers to Earmarked Reserves	(194)	0	(194)	737	(22,824)	3,372	(1,929)	(20,838)	(213,223)	(234,061)
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)	(213,223)	(234,061)
Balance c/f at 31 March 2019	10,393	17,959	28,352	15,272	32,599	17,679	(1)	93,901	174,805	268,706

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		426,982	(315,046)	111,936	343,890	(307,912)	35,978
HRA		72,393	(91,561)	(19,168)	75,137	(92,396)	(17,259)
Net cost of services		1,272,901	(850,834)	422,067	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			(294,202)			(291,069)
(Surplus) or Deficit on Provision of Services				213,033			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				234,063			(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	31-Mar-19 £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	1,946,167
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	179,771		140,664
Cash and cash equivalents	18	88,701		29,000
Current Assets			307,571	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	(157,150)		(134,461)
Short-term provision	21	(3,529)		(3,424)
Current Liabilities			(447,528)	(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	(652,954)		(593,911)
Capital grants receipts in advance	31	(15,743)		(11,959)
Long-term Liabilities			(1,825,601)	(1,508,050)
Net Assets			268,704	502,767
Usable reserves				
General Fund	22.1	10,395		10,395
Housing Revenue Account	22.2	15,271		14,535
Earmarked reserves	22.3	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	22.2	-		1,929
			93,901	114,739
Unusable reserves				
Revaluation reserve	23.1	677,685		739,063
Capital adjustment account	23.3	169,364		260,492
Financial Instruments adjustment account	23.4	(32,021)		(1,347)
Pensions reserve	23.5	(664,018)		(616,039)
Deferred capital receipts	23.6	20,826		2,463
Collection Fund adjustment account	23.7	6,933		6,824
Short-term accumulating compensated absences account	23.8	(3,966)		(3,428)
			174,803	388,028
Total Reserves			268,704	502,767

Signed: Lisa Taylor

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

31 July 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		(213,033)		(84,159)
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements					
Depreciation	7,12 &23.3	37,217		34,519	
Impairment and downward valuations	7	12,168		(45,454)	
Amortisations	7,15 & 23.3	2,077		3,161	
Increase/(decrease) in creditors		23,840		22,280	
(Increase)/decrease in debtors		37,509		(22,266)	
(Increase)/decrease in inventories		(81)		(613)	
Movement in pension liability	1B,7 & 23.5	54,270		47,050	
Carrying amount of non-current assets sold	23.3	122,280		69,581	
Provisions		1,538		598	
Movements in the value of investment properties	7,10,14 & 23.3	355		(5,416)	
Other non-cash movements		(39,664)		389	
			251,509		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		(84,068)		(119,718)	
Any other items for which the cash effects are investing or financing financing cash flows		(15,618)		(22,154)	
			(174,757)		(178,279)
Net cash (inflow)/outflow from operating activities			(136,281)		(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		84,068		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			441,952		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:

	2018/19	2017/18
Interest Paid	40,201	36,954
Interest and investment property rental income Received	(4,775)	(2,579)

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 - the Council does not have economic control of this charity
- ► 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 Limited - 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)

1.1. BASIS OF PREPARATION - SINGLE ENTITY AND GROUP ACCOUNTS (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. There is a de minimus of £10,000 in recognising expenditure as capital.

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)

1.4. NON-CURRENT ASSETS (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)

1.4. NON-CURRENT ASSETS (continued)

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.

1.4.2 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)

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)

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 credit losses 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)

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 development 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)

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)

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 2.4% (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)

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)

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)

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)

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 (granted 125 year leases at peppercorn rent) 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.

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.

1A. Expenditure Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.It also shows how this expenditure is allocated for decision making purposes between the 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	71,235	111,936
HRA	(23,126)	3,958	(19,168)
Net cost of services	**250,377**	**171,690**	**422,067**
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)	(8,964)	(294,202)
(Surplus)/Deficit	**(542)**	**213,575**	**213,033**
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 £000	Net change for the pensions adjustments £000	Other differences £000	Total adjustments between funding and accounting basis £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	13,861	6	71,235
HRA	992	2,963	2	3,957
				0
Net cost of services	**133,299**	**37,853**	**536**	**171,688**
Other Income and Expenditure	31,097			31,097
Other operating expenditure	3,335	16,417	0	19,752
Financing and Investment Income and Expenditure	(8,854)			(8,854)
Taxation and non-specific grant income			(109)	(109)
Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit	**158,877**	**54,270**	**427**	**213,574**

2017/18	Adjustments for capital purposes £000	Net change for the pensions adjustments £000	Other differences £000	Total adjustments between funding and accounting basis £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 Expenditure	(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 as 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 were 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	376,044	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	1,479,605	1,343,404
Income		
Fees and charges and other service income	(417,950)	(387,480)
Income from Council tax and Business Rates	(257,891)	(225,505)
Government grants and contributions	(586,312)	(638,574)
Interest and investment income	(4,419)	(7,687)
Total	**(1,266,572)**	(1,259,246)
Deficit on provision of services	**213,033**	**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	(251,033)	(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	(850,834)	(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 right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short term leases. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020

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. Croydon has set an appeals provision based on the following judgements:

► the outcome of outstanding 2010 list appeals will follow the same average outcomes as previous 2010 appeals,
► appeals against the 2017 list (both existing and future) will continue to be below the level experienced in 2010 and lower than the 4.7% appeal provision rates built into the 2018 multiplier,
► any other case specific appeal items will be absorbed within the appeal provision set for the 2017 list

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 owned by the Council. The Council's judgement is that this lease resulted in the transfer of control of these properties to Croydon Affordable Housing. The council therefore de-recognised the properties from it's own balance sheet and recognised the lease premium as a capital receipt. Croydon Affordable Housing and associated LLPs remain outside of the Council's group boundary.

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 (excluded from balance sheet)	**16**	0

There are 16 voluntary aided schools within the borough for which the non-current assets have not been recognised within Croydon's accounts, based on the judgement that Croydon does not have control of these assets.

Group Boundary

Croydon has made judgements in accordance with accounting policy 1.1 about which entities are within the group boundary. The judgements made are set out in Note 40

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 2.4% (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%	166,907
0.5% increase in the Salary Increase Rate	1%	16,046
0.5% increase in the Pension Increase Rate	9%	148,667

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 Credit Losses
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	(652,954)
Pension Reserve	(664,018)
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. Because 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 23.4 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	(224,452)	11,419	0	0	0	0	(213,033)
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	**(224,452)**	**11,419**	**0**	**0**	**0**	**0**	**(213,033)**
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	29,584	2,472	0	0	0	0	32,056
Employer's pensions contributions and direct payments to pensioners payable in the year	20,437	1,777	0	0	0	0	22,214
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	(109)	0	0	0	0	0	(109)
Revaluation of investment property, transferred between reserves	0	0	0	0	0	0	0
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	224,258	(10,682)	0	(22,824)	3,372	(1,929)	192,195
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	502,767
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	(213,033)
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)	(234,063)
(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	(32,056)	0	0	0	(32,056)	0
0	0	0	(22,214)	0	0	0	(22,214)	0
0	0	0	0	0	109	0	109	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)	(54,270)	18,363	109	(537)	(192,193)	2
								0
(61,377)	(91,127)	(30,675)	(47,979)	18,363	109	(537)	(213,223)	(234,061)
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
(61,377)	(91,127)	(30,675)	(47,979)	18,363	109	(537)	(213,223)	(234,061)
677,687	169,364	(32,021)	(664,018)	20,826	6,933	(3,966)	174,805	268,706

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**

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	**(84,159)**
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**	94,034
(5,273)	(29,246)	0	0	0	0	0	(34,519)	**0**
0	45,454	0	0	0	0	0	45,454	**0**
	(3,161)	0	0	0	0	0	(3,161)	**0**
0	5,416	0	0	0	0	0	5,416	**0**
	24,215	0	0	0	0	0	24,215	**0**
0	(72,547)	0	0	0	0	0	(72,547)	**0**
(36,032)	(33,550)	0	0	2,459	0	0	(67,123)	**0**
0	0	185	0	0	0	0	185	**0**
0	0	0	(66,971)	0	0	0	(66,971)	**0**
0	0	0	19,921	0	0	0	19,921	**0**
0	0	0	0	0	(465)	0	(465)	**0**
0	0	0	0	0	0	0	0	**0**
0	7,996	0	0	0	0	0	7,996	**0**
0	15,138	0	0	0	0	0	15,138	**0**
0	6,070	0	0	0	0	0	6,070	**0**
0	0	0	0	0	0	0	0	**0**
0	11,005	0	0	0	0	0	11,005	**0**
0	24,969	0	0	0	0	0	24,969	**0**
0	0	0	0	0	0	343	343	**(1)**
(41,305)	1,759	185	(47,050)	2,459	(465)	343	(84,074)	(1)
								0
111,625	1,759	185	(21,787)	2,459	(465)	343	94,119	94,033
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	94,033
739,064	**260,491**	**(1,346)**	**(616,039)**	**2,463**	**6,824**	**(3,429)**	**388,028**	502,767

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)	(86,078)	(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	(294,202)	(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 £'000	Other Land & Buildings £'000	Vehicles & Plant £'000	Infrastructure £'000	Community £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'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**

13. HERITAGE ASSETS

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

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 54. 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	36,888	40,684
Total Creditors	0	0	157,150	134,461

Financial Assets

	Non-Current		Current	
Financial Assets at Amortised Cost				
Investments			30,000	5,000
Loans and Receivables	170,056	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			17,853	4,950
Total Financial Assets	215,056	99,896	298,472	174,664

Financial Instruments Classified 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)			
Total interest revenue	**(5,665)**	-	**(2,271)**	-
Interest expense	**40,201**		**37,376**	
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
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
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	170,056	192,769	54,895	54,895
Financial Assets		288,757	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	**0**	**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, Link 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	203,993	175,615
Prepayments	9,187	9,034
Other receivable amounts	38,282	23,381
Allowance for credit losses	(71,691)	(67,366)
Total	179,771	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	20,607	24,144
Total	157,150	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	(664,018)	(616,039)
Deferred capital receipts	20,826	2,463
Collection Fund adjustment account	6,933	6,824
Short-term accumulating compensated absences account	(3,966)	(3,428)
	174,803	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

23.2 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	(54,270)	(47,050)
Balance at 31 March	(664,018)	(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	109	(465)
Balance at 31 March	6,933	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 £000	2018/19 £000	2017/18 £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 6 July 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	(24,275)	(8,552)		(32,827)	(15,803)	(13,845)	(963)	(30,611)
Gross Expenditure	23,929	8,468		32,397	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.

Jo Negrini -Returning Officer	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 £
£450,000 - £499,999	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	7
Fees payable for the certification of HB returns for the year	11	25
Total for Croydon Council	158	255
Fees payable by Brick by Brick Croydon Limited for external audit services	24	24
Total Audit fees for the group	182	279

The Housing Benefit claim certification audit was completed by Grant Thornton LLP in 2017-18, but in 2018-19 it will be carried out by Mazars LLP.

A free subscription to Grant Thornton's Adult Service Insight service was provided to Croydon Council during 2018-19, as the introductory year is free.

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)	86,078	65,306
Recognised Capital Grants and Contributions	8,854	14,967
Non-service Related Government Grants	27,457	18,018
	294,202	291,069
Taxation and Non-Specific Grants Credited to Services		
Home Office - contribution towards Unaccompanied Asylum Seeking Children costs	11,917	15,015
MHCLG - Growth Zone, Troubled Families, Care Act, Better Care Fund	10,332	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	422,641	445,481
Total Grants Income	716,843	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				
Oasis Academy Byron School	Cllr Margaret Bird	Croydon Council is responsible for	192	
Fairchildes Academy Primary	Cllr Oliver Lewis	passing on various funding streams to	626	
John Ruskin College	Cllr Helen Pollard	Acadamies which are regulated by the	109	
	Cllr Tim Pollard	Schools funding formula. The council		
Woodcote High School	Cllr Ian Parker	also sells support services to various	164	
Quest Academy	Cllr Robert Ward	academies which include utilities and		
New Valley Primary School	Cllr Steve O'Connell	other services.	34	
Non-Maintained Schools				
Saffron Valley Collegiate	Cllr Margaret Bird		5,106	
Heavers Farm Primary	Cllr Robert Ward		3,398	
Selsdon Primary	Cllr Robert Ward		2,815	
Thomas Moore	Cllr Badsha Quadir		152	
			12,596	1,267
Brick By Brick Croydon Limited	Colm Lacey - Director Shifa Mustafa - Director Lisa Taylor (resigned 29/01/2019)	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.	41,819	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 for 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	Restated 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 governmment financial assistance)	115,346		115,346	46,909
Property Fund Investment (unsupported by government financial assistance)			-	13,500
Closing Capital Financing Requirement	988,459	322,497	1,310,956	1,016,539

The values for the 2017/18 Capital Financing Requirement have been restated to reflect development loans and property fund investments. These were originally not included on this note in the 2017/18 accounts.

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	**52,155**	**25,208**
Future minimum lease payments receivable at Balance sheet date		
Within One Year	346	195
Later than one Year but within five years	1,325	420
Later than five years	23,272	7,175

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 Ltd during 2011/12. The facilities, including management of all soft facilities are fully maintained by Caring 4 Croydon Ltd, a subsidiary of Care UK Ltd. In 2018-19 the payment to Caring 4 Croydon Ltd 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 Ltd 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**	**2018/19 Total £000**	**2017/18 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	21,703	22,451
Within 6 to 10 years	2,532	4,573	14,807	21,911	23,221
Within 11 to 15 years	1,386	3,095	9,170	13,651	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	43,978	65,893	71,926

Service Charge Payments	**Ashburton Learning Village £000**	**Adult Homes For The Future £000**	**Street Lighting £000**	**2018/19 Total £000**	**2017/18 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**	**2018/19 Total £000**	**2017/18 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**	**2018/19 Total £000**	**2017/18 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 1.13:

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	0
Customers	0	0	0
Total	118,700	0	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
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 Affordable Housing is a charity which holds 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 Statement of Accounts was issued on 31 July 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 2.4% (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 the Fund achieving full funding over a 22 year period.

Discretionary Benefits

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

Actuarial Assumptions	**31 March 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	0.00%	53.00%
Debt Securities	0.00%	0.00%
Private Equity	9.00%	8.00%
Real Estate	14.00%	10.00%
Investment Funds and Unit Trusts	75.00%	28.00%
Cash / Liquidity	2.00%	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)		7,497	(7,497)		117	(117)
Effect of settlements	(969)	(3,859)	2,890	(427)	(2,492)	2,065
Total Service Cost	**(969)**	**59,098**	**(60,067)**	**(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		41,142	(41,142)		38,763	(38,763)
Impact of asset ceiling on net interest						
Total Net Interest	**24,638**	**41,142**	**(16,504)**	**23,535**	**38,763**	**(15,228)**
Total Defined Benefit Cost Recognised in Profit or (Loss)	**23,669**	**100,240**	**(76,571)**	**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**	**1,634,964**	**(670,396)**	**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 included in net interest	96,185		96,185	(887)		(887)
						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		1,707,364	(1,707,364)		1,552,554	(1,552,554)
Present value of unfunded liabilities **		17,495	(17,495)		19,822	(19,822)
Closing Position	**1,060,753**	**1,724,859**	**(664,106)**	**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 £664 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			0	0.0	60,801		60,801	6.4
Manufacturing			0	0.0	55,347		55,347	5.8
Energy and Utilities			0	0.0	37,446		37,446	3.9
Financial Institutions		127	127	0.0	115,393		115,393	12.1
Health and Care			0	0.0	83,918		83,918	8.8
Information Technology			0	0.0	97,608		97,608	10.2
Other			0	0.0	61,401		61,401	6.4
Debt Securities:								
Other								
Private Equity:								
All		93,261	93,261	8.8		77,379	77,379	8.1
Real Estate:								
UK Property		151,405	151,405	14.3	69,624	23,964	93,588	9.8
Overseas Property								
Investment Funds and Unit Trusts:								
Equities		437,545	437,545	41.2	23,730		23,731	2.5
Bonds		239,462	239,462	22.6		176,875	176,875	18.5
Hedge Funds								
Commodities								
Infrastructure		121,210	121,210	11.4		65,244	65,244	6.8
Other	0		0	0.0				
Derivatives			0	0.0	124		124	
Equivalents:								
All		17,743	17,743	1.7	7,482		7,482	0.8
Totals	**0**	**1,060,753**	**1,060,753**	**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	(1,724,859)	(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	(664,106)	(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	5.21%	(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 - 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		1,814	1,314
Capital Grants & Contributions Receivable		-	(236)
(Surplus)/ deficit for the year on HRA services		(11,419)	(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		(11,419)	(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		(4,249)	(4,059)
		624	(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		10,683	10,246
(Increase)/decrease in HRA balance for the year		(736)	(1,980)
HRA balance carried forward		(15,271)	(14,535)

NOTES TO THE HOUSING REVENUE ACCOUNT

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

NOTES TO THE HOUSING REVENUE ACCOUNT

4. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue expenditure funded from capital under statute relates to expenditure on assets that do not belong to the Council.
The amounts are written out in the movement in reserves statement within the HRA.

5. HRA SHARE OF CONTRIBUTIONS TO THE PENSIONS RESERVE

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

6. DEBTORS AND ALLOWANCE FOR CREDIT LOSSES

	2018/19		2017/18	
	Debtors	Allowance for Credit Losses	Debtors	Allowance for Credit Losses
	£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) NATIONAL 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 £323,313,283 (£325,243,283 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

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	2017/18 £.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 Subsidiaries' 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	(227,115)		(227,115)	11,419				(215,696)	0	(215,696)	(677)	(216,373)
Other Comprehensive Expenditure and Income				0					(21,030)	(21,030)		(21,030)
Total Comprehensive Expenditure and Income	(227,115)	0	(227,115)	11,419	0	0	0	(215,696)	(21,030)	(236,726)	(677)	(237,403)
Adjustments between group accounts and authority accounts	224,258		224,258	(10,682)	(22,824)	3,372	(1,929)	192,195	(192,193)	2		2
Net increase or decrease before transfers	(2,857)	0	(2,857)	737	(22,824)	3,372	(1,929)	(23,501)	(213,223)	(236,724)	(677)	(237,401)
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)	(213,223)	(236,724)	(677)	(237,401)
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)	(213,223)	(236,724)	(677)	(237,401)
Balance c/f at 31 March 2019	5,075	17,959	23,034	15,272	32,598	17,677	0	88,581	174,805	263,386	(1,189)	262,197

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 Subsidiaries' 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		426,982	(315,196)	111,786	355,730	(323,857)	31,873
HRA		72,393	(91,561)	(19,168)	75,136	(92,396)	(17,260)
Net cost of services		1,273,459	(851,538)	421,921	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			(294,202)			(291,069)
(Surplus) or Deficit on Provision of Services				216,373			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				237,403			(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	31-Mar-19 £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	177,880		140,047
Cash and cash equivalents	18	90,721		29,000
Current Assets			307,700	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	(166,034)		(135,048)
Short-term provision	21	(3,529)		(3,424)
Current Liabilities			(456,412)	(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	(652,954)		(593,911)
Capital grants receipts in advance	31	(15,743)		(11,959)
Long-term Liabilities			(1,825,601)	(1,508,050)
Net Assets			264,852	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	22.3	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	22.2	-		1,929
			90,049	111,570
Unusable Reserves				
Revaluation reserve	23.1	677,685		739,063
Capital adjustment account	23.3	169,364		260,492
Financial Instruments adjustment account	23.4	(32,021)		(1,347)
Pensions reserve	23.5	(664,018)		(616,039)
Deferred capital receipts	23.6	20,826		2,463
Collection Fund adjustment account	23.7	6,933		6,824
Short-term accumulating compensated absences account	23.8	(3,966)		(3,428)
			174,803	388,028
Total Reserves			264,852	499,598

Signed: Lisa Taylor,

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

31 July 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		(213,710)		(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	12,168		(45,454)	
Amortisations	7,15&23.3	2,077		3,161	
Increase/(decrease) in creditors		33,232		23,695	
(Increase)/decrease in debtors		36,046		(21,760)	
(Increase)/decrease in inventories		(81)		(28,672)	
Movement in pension liability	1B,7 & 23.5	54,270		47,050	
Carrying amount of non-current assets sold	23.3	122,280		69,581	
Provisions		1,538		598	
Movements in the value of investment properties	7,10,14 & 23.3	355		(5,416)	
Other non-cash movements		(39,664)		976	
			259,497		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		(84,068)		(119,718)	
Any other items for which the cash effects are investing or financing cash flows		(15,618)		(22,154)	
			(174,757)		(178,279)
Net cash inflow/(outflow) from operating activities			(128,970)		(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		84,068		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			441,952		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

NOTES REGARDING THE GROUP ACCOUNTS

The Group Accounting Policies
The Group Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 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, as set out below:

	2018/19 £'000	Original 2017-18 £'000	Changes to 2017-18 £'000	Restated 2017-18 £'000
Assets Under Construction	123,218	4,402	34,497	38,899
Inventories	771	35,186	-34,497	689
Sub-total	**123,989**	**39,588**	**0**	**39,588**

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 material.

Croydon Pension Fund 2018/19

31st March 2019

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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 Interim Section 151 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 Interim Section 151 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 Interim Section 151 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 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 Interim Section 151 Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 4, 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 Interim Section 151 Officer. The Director of Finance, Investment and Risk and Interim Section 151 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 Strategic Director of Finance and Governance 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 Interim Section 151 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 we have formed.

Sarah L Ironmonger

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

London
31 July 2019

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	120,171	32,725
Net returns on investments		**125,639**	**45,386**
Net increase in the Fund during the year		**118,716**	**35,388**
Net assets at the start of the year		1,139,443	1,104,055
Net assets at the end of the year		**1,258,159**	**1,139,443**

PENSION FUND ACCOUNTS

NET ASSETS STATEMENT	Notes	31 March 2019 £'000	31 March 2018 £'000
Investments held by the Fund Managers:			
Equities - segregated funds	13	150	150
Equities - pooled funds	13	516,037	578,812
Private equity funds	13	114,703	95,253
Infrastructure funds	13	145,358	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		1,237,233	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		1,245,242	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		**1,258,159**	**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 as a supplementary statement to clearly demonstrate the distinction.

The London Borough of Croydon Pension Fund (the Fund) operates a contributory Career Average Revalued Earnings (CARE) scheme whose purpose is to provide benefits to all of the Council's employees, with the exception of teaching and NHS staff, and to the employees of admitted and scheduled bodies who are members of the Fund. These benefits include retirement pensions and lump sums, ill-health retirement benefits and payment of death benefits where death occurs either in service or in retirement. The benefits payable in respect of service from 1st April 2014 are based on career average revalued earnings and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index.

The Fund is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:
the Local Government Pension Scheme Regulations 2013, (as amended);
the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014, (as amended);
the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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 & Training Ltd, 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, Hats Group Ltd, 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, Orchard Park High School, Fairchildes Academy Community Trust, 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 Academy 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 Academy, Krishna Avanti Primary School, St Cyprian's Greek Orthodox Primary School Academy, St James the Great RC Primary and Nursery School, St Joseph's College, St Mark's COE Primary School, St Mary's Infants School, St Mary's Junior School, St Thomas Becket Catholic Primary School, Winterbourne Junior Boys, West Thornton Primary Academy, Wolsey Junior Academy, Paxton Academy, Woodcote High School, The Woodside Academy, Kingsley Primary Croydon, STEP Academy Trust, St Aidans Catholic Primary, Kingsley Primary Academy, Folio Education Trust, Coombe Wood, Courtwood Primary, Monks Orchard Primary, Keston Primary, Glibert Scott, Manor Trust

1. GENERAL INFORMATION (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.

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 gives administering authorities the option to disclose information about retirement benefits by reference to the actuarial report. Note 22 refers.

Note 1 (general information) above refers to the International Financial Reporting Standards applicable to this set of accounts. There are no standards issued that have not been adopted in preparation of this statement of accounts.

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 £260m (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%
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%
Hats Group Ltd	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	-

* The London Borough of Croydon paid a lump sum of £33,192,000 to 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.

	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 High School	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 of Performing Arts College	18.3	18.3	33	34
Oasis Academy Byron	18.7	18.7	8	8
Robert Fitzroy Academy	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 Primary 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	9,811	9,670	1.5%
Deferred pensioners	10,936	9,463	15.6%
Pensioners	7,903	7,492	5.5%
Total	28,650	26,625	7.6%

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	2017/18
	£'000	£'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 £16,170 (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	2017/18
	£'000	£'000
Equity 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	Market	Market	Market
	£'000	%	£'000	%
LGIM	457,993	37.0%	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)	66,559	5.4%	61,780	5.5%
Knightsbridge Advisors LLC (Knightsbridge)	30,692	2.5%	20,929	1.9%
Access Capital Partners (Access)	28,095	2.3%	22,160	2.0%
North Sea Capital	3,069	0.2%	781	0.1%
I-Squared Capital	7,132	0.6%	-	----
Equitix Limited	65,140	5.3%	57,488	5.2%
Temporis Capital Limited (Temporis)	34,367	2.8%	20,678	1.9%
Green Investment Bank (GIGM)	25,007	2.0%	25,165	2.3%
Aberdeen Standard Investments (Aberdeen)	131,228	10.6%	128,715	11.5%
Wellington Management Company LLP (Wellington)	67,125	5.4%	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	**1,237,233**	**100.0%**	**1,114,702**	**100.0%**

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
Equities - segregated funds	150				150
Equities - pooled funds	578,812	119,902	(251,204)	68,527	516,037
Private equity	95,253	14,160	(17,343)	22,633	114,703
Infrastructure	113,728	28,837	(13,034)	15,827	145,358
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)**	**120,145**	**1,237,233**
Cash deposits	8,603			26	6,452
Investment income due	1,465				1,557
Net investment assets	**1,124,770**	**292,296**	**(289,910)**	**120,171**	**1,245,242**

	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
Equities - segregated funds	575,427	242,260	(840,365)	22,828	150
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 UK £'000	2019 Foreign £'000	2019 Total £'000	2018 UK £'000	2018 Foreign £'000	2018 Total £'000
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		66,559	66,559	-	61,780	61,780
Knightsbridge	managed fund		30,692	30,692	-	20,929	20,929
Access	managed fund		14,383	14,383	-	11,763	11,763
North Sea Capital	managed fund		3,069	3,069	-	781	781
Total private equity		-	114,703	114,703	-	95,253	95,253
Infrastructure							
Equitix Limited	managed fund	65,140		65,140	57,488	-	57,488
Temporis	managed fund	34,367		34,367	20,678	-	20,678
GIGM	managed fund	25,007		25,007	25,165	-	25,165
Access	managed fund		13,712	13,712	-	10,397	10,397
I Squared	managed fund		7,132	7,132	-	-	-
Total Infrastructure		124,514	20,844	145,358	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		**434,458**	**802,775**	**1,237,233**	**366,548**	**748,154**	**1,114,702**

15. INVESTMENTS EXCEEDING 5% OF THE MARKET VALUE OF THE FUND

	2019 Market £'000	2019 % of Total Net assets	2018 Market £'000	2018 % of Total Net assets
Standard Life SLI Absolute Return Global Bond Strategies	66,221	5.3%	65,971	5.8%
Standard Life Corporate Bond	65,007	5.2%	62,744	5.5%
Wellington Sterling Core Bond Plus Portfolio	67,125	5.3%	63,692	5.6%
LCIV PIMCO Golbal Bond Fund	84,066	6.7%	-	0.0%
LGIM FTSE Ex Tobacco World Equity Index	457,993	36.4%	578,812	50.8%

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 during the year were the Executive Director of Resources (Section 151 Officer) to 28 February 2019, the Director of Finance, Investment and Risk (Interim 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 £93.9m at 31 March 2019 (2018:£170.4m) based on:

USD 66.0m at exchange rate 1.30 equals £50.7m (2018: £62.0m)
EUR 40.8m at exchange rate 1.16 equals £35.1m (2018: £43.8m)
GBP £8.1m (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	853	705
Deferred members	486	446
Pensioners	683	688
Present Value of Promised Retirement Benefits*	2,022	1,839

**Incorporates an allowance for the potential increase in liabilities arising from the McCloud judgement and GMP indexation.*

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 accounting 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	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000
Financial Assets			
Fixed Interest funds	282,419	-	-
Equities - segregated funds	150	-	-
Pooled property funds	178,566	-	-
Private equity funds	114,703	-	-
Infrastructure funds	145,358	-	-
Global equities - pooled investments	516,037	-	-
Other investment balances	-	8,009	-
Current Assets	-	15,064	-
Total Financial Assets	**1,237,233**	**23,073**	**-**
Financial Liabilities			
Current liabilities	-	-	(2,147)
Total Financial Liabilities	**-**	**-**	**(2,147)**
Net Assets	**1,237,233**	**23,073**	**(2,147)**

31 March 2018

	Designated as fair value through profit and loss £'000	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000
Financial Assets			
Fixed Interest funds	192,407	-	-
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	118,690	33,163
Financial assets at amortised cost	26	(438)
	118,716	**32,725**
Financial liabilities		
Designated at fair value through profit and loss	-	-
Financial liabilites at amortised cost	-	-
	-	**-**
Total	**118,716**	**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 at fair value through profit and loss				
Fixed Interest funds		282,419		282,419
Global equities - segregated funds			150	150
Pooled property investments			178,566	178,566
Private equity funds			114,703	114,703
Infrastructure funds			145,358	145,358
Global equities - pooled investments		516,037		516,037
Financial Assets at amortised cost				
Other investment balances	8,009			8,009
Current Assets	15,064			15,064
Total Assets	23,073	798,456	438,777	1,260,306
Financial Liabilities at amortised cost				
Current liabilities	(2,147)	-	-	(2,147)
Net financial assets	**20,926**	**798,456**	**438,777**	**1,258,159**

Values at 31 March 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets at fair value through profit and loss				
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
Financial Assets at amortised cost				
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 at amortised cost				
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	5,290	114,703
Infrastructure Funds	113,728			28,837	(13,034)	13,034	2,793	145,358
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	3,164	438,777

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

In 2017/18 Pooled Property Funds and the unquoted equity were transferred from level 2 to 3 due to a reappraisal of the valuati techniques.

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	114,703	120,438	108,968
Infrastructure Funds	145,358	152,626	138,090
Pooled Property Funds	178,566	187,494	169,638
Unquoted Equity	150	158	143
Total	**438,777**	**460,716**	**416,838**

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 yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general,excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Price risk
Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuers or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by fair value of the financial instruments. Possible losses from shares sold short is unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the fund investment strategy.

Price risk - sensitivity analysis

The following table demonstrates the change in net assets available to pay benefits if the market price had increased or decreased by 10%. The analysis excludes cash, debtors, creditors, other investment balances and forward foreign exchange, as these financial instruments are not subject to price risk.

Assets exposed to price risk	Value £'000	Value on Increase £'000	Value on Decrease £'000
At 31 March 2018	1,106,620	1,217,282	995,958
At 31 March 2019	**1,237,233**	**1,360,956**	**1,113,510**

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	135,547
Overseas fixed interest	151,191
Overseas Private Equity and Infrastructure (outstanding commitments)	85,799
Total assets	888,574

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	**888,574**	**977,431**	**799,717**

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 £5.5m (£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.

GLOSSARY OF TERMS

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 and Croydon council in accordance with the business rates retention regulations.

NET BOOK VALUE
The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET REALISABLE VALUE
The open market value of an asset less the expenses to be incurred in realising the asset.

NON-CURRENT ASSETS
These are tangible and intangible assets that yield benefit to the Council and the services it provides for a period of more than a year.

NON-OPERATIONAL ASSETS
Non-current assets held by the Council but not used or consumed in the delivery of services. Examples include investment properties and assets that are surplus to requirements.

OPERATIONAL ASSETS
Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.

OUTTURN
Actual income and expenditure for a financial year.

PAST SERVICE COST
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.

PRECEPT
A charge raised by another Authority to meet its net expenditure. The precepting Authority for this Council is the Greater London Authority (GLA). The GLA calculates its total spending needs for the year and sets its own Council Tax in the same way as a London Borough. Croydon then collects the Tax for them.

PRIVATE FINANCE INITIATIVE (PFI)
Government initiative under which the Council buys the services of a private sector to design, build, finance and operate a public facility.

PROVISIONS
Amounts set aside for any liability or loss that is likely to be incurred, but where the exact amount and date is uncertain.

PUBLIC WORKS LOAN BOARD (PWLB)
A Central Government agency which provides long and medium-term loans to Local Authorities at interest rates only slightly higher than those at which the Government itself can borrow. Local Authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

RELATED PARTIES
Related Parties are those individuals and entities that the Council either has the ability to influence, or to be influenced by. Related parties include the Government, subsidiary and associated companies, the Pension Fund, Councillors and senior officers.

RESERVES
The amounts held by way of balances and funds that are free from specific liabilities or commitments. The Council is able to earmark some of its reserves towards specific projects, whilst leaving some free to act as a working balance.

REVENUE EXPENDITURE
The regular day to day running costs incurred in providing services. Examples include salaries, wages and running costs.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)
Expenditure that is treated by the regulations as capital expenditure but which does not meet the definition of capital expenditure in the Statement of Recommended Practice.

REVENUE SUPPORT GRANT (RSG)
The main grant payable to support Local Authorities' revenue expenditure. A Local Authority's RSG entitlement is intended to make up the difference between a Council's Retained Business Rates and it's Settlement Funding Assessment.

RIGHT TO BUY
The Council is legally required to sell Council homes to tenants, at a discount, where the tenant wishes to buy their home. The money received from the sale is a capital receipt of which only 25% can be spent on capital expenditure. The remaining 75% must be paid over to 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.

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Croydon Council

REPORT TO:	**Pension Committee** **17 September 2019**
SUBJECT:	**Croydon Local Pension Board Annual Report 2018/2019**
LEAD OFFICER:	**Nigel Cook Head of Pensions and Treasury**
CABINET MEMBER	**Councillor Simon Hall** **Cabinet Member for Finance and Resources**
WARDS:	**All**
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: This report relates to the work of the Pension Board in assisting in the management of the Croydon Local Government Pension Scheme.	
FINANCIAL SUMMARY: There are no direct financial implications associated with this report.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATION

1.1 The Committee is invited to note the Annual Report prepared by the Chair of the Croydon Local Pension Board. This is attached as Appendix A to this report.

2. EXECUTIVE SUMMARY

2.1 This report asks the Committee to note the Croydon Local Pension Board Annual Report (Appendix A).

3 DETAIL

3.1 The Annual Report for the Croydon Local Pension Board, drafted by the Board's Chair, sets out the work undertaken by the Board for the year 2018/2019. The Committee is invited to note this report. The Annual Report will be published on the Council's LGPS website.

4 **FINANCIAL CONSIDERATIONS**

4.1 There are no further financial considerations flowing from this report.

5. OTHER CONSIDERATIONS

5.1 Other than the considerations referred to above, there are no Customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report

6. COMMENTS OF THE SOLICITOR TO THE COUNCIL

6.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that there are no legal considerations arising from the recommendations in this report.

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

CONTACT OFFICER:

Nigel Cook, Head of Pensions Investment and Treasury,
Finance, Investment and Risk,
Resources Department, ext. 62552.

BACKGROUND DOCUMENTS:

None.

Appendix A

Croydon Local Pension Board Annual Report 2018/2019

Appendix A

Croydon Local Pension Board Annual Report 2018/19

Introduction

Local Pension Boards were established under the 2013 Pensions Act. Each Local Government Pension Scheme administering authority is required to establish a Board to assist with the effective and efficient governance and administration of the Scheme. The Board is also tasked with assisting the Committee in ensuring compliance with legislative requirements and those of the Pension Regulator. The Board has an oversight role, with the decision making body remaining the Pension Committee.

Membership

The Board consists of 6 voting members comprising 3 member representatives and 3 employer representatives and an independent chair. During 2018/2019 the following persons held these posts:

Chair: Michael Ellsmore

Employer Representatives:
Councillor Maggie Mansell (until meeting of 15 November 2018)
Councillor Jerry Fitzpatrick (from meeting of 26 March 2019)
Richard Elliott (The BRIT School for Performing Arts and Technology)

Member Representatives:
Teresa Fritz
Ava Watt (Union representative)
David Whickman (Union representative)

The Board is supported by the Director of Finance, Investment & Risk, Interim S151 Officer, Lisa Taylor and the Head of Pensions and Treasury, Nigel Cook and the team.

Councillor Maggie Mansell
At the meeting on 10 January 2019 the Chair notified the Members of the Board that the death of Councillor Maggie Mansell had been announced. Councillor Mansell was noted for being a long serving Member of Council and a former Mayor. Her active contribution to the Board and her knowledge of the pension arena were noted. The Chair spoke on behalf of the other Board Members to express his sorrow at this news and to note that Councillor Mansell would be much missed.

Activity during 2018/2019

This report covers the fourth year of the operation of the Board. It has continued to establish itself as part of the Croydon Council governance structure in relation to the Pension Fund. Board members take their responsibilities seriously and readily engage in the training programme in order to develop their skills and knowledge.

The Board's core function is to provide an oversight of the governance and administration of the Fund. A key task in fulfilling this function was the commissioning of a governance review during our first year. The Board has continued to monitor the review's action plan and are pleased with the progress made. The Board reviewed and monitored the following:

- The Pension Committee's forward plan which, in turn, informed the business plan for the Board;
- The Fund's Governance Policy;
- The Fund's Investment Strategy Statement;
- The development of the London CIV and the draft statutory guidance on pooling assets;
- The Fund's administration key performance indicators;
- The Fund's Risk Register;
- The Scheme Advisory Board's Annual Report and other matters raised by them;
- The Pensions Regulator's survey;
- The McCloud / Cost Cap case;
- Investment issues including currency hedging and the fixed income portfolio;
- The agenda papers of the Pensions Committee.

During the year the Board held a special meeting to consider the transfer of assets proposal from the Council to the Fund .A detailed letter was sent to the Executive Director Resources and Section 151 Officer setting out a number of areas which the Board felt needed clarifying. Subsequent to that letter the Board considered the matter again at its January meeting and wrote again to the Director seeking clarification on two issues. The first was a request that the Actuary should be asked to clarify the impact of the transfer on non Croydon Council employers. This was satisfactorily answered. The second issue related to the Board's concern that it had carried out its role in reviewing the transfer in line with its terms of reference and any statutory obligations the Board might have in this respect. Despite requesting this piece of work in January and repeated reminders, no response has been received.

Looking Ahead

The Board is expecting 2019/20 to be another busy year for the Local Government Pension Scheme both specifically at Croydon and on the national scene.

The work for the triennial valuation has already started and the Board will be looking to play its part in discussions with the Actuary and the review of the Funding Strategy Statement and the Investment Strategy Statement. In our workplan we have scheduled discussions at each of our meetings during the coming autumn and winter.

The implications of the McCloud / Cost Cap case for the LGPS are still being considered and we are keen to be involved in considering its effect on the Croydon Fund.

We have commissioned Aon Hewitt to carry out a follow up to the Governance Review they presented to us three years ago and expect to consider this at our October meeting. The Chair has met Aon Hewitt and, whilst we are expecting the report to be encouraging, we know that we shall need to set aside time to update various of our policy statements.

Training and keeping our knowledge and skills up-to-date will remain important to us and we shall be looking to take advantage of opportunities that become available.

Pensions administration will continue to attract attention from the Pensions Regulator. The Board will therefore continue to monitor closely the performance and resources of the pension administration team. The near future will also see attention from the Government Actuary's Department on comparative valuation and more work on the reporting of costs; these fall within the remit of the Board and will feature in its business plan.

The Board will monitor the process of the Good Governance Review commissioned by the SAB which is looking at options for the future governance of the LGPS
.
Finally, 2019/20 may see further transfers of assets to the London CIV and developments in its governance arrangements. The Board will continue to monitor and support the Council as these developments unfurl.

Michael Ellsmore
Chair
July 2019

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Croydon Council

REPORT TO:	**Pension Committee** **17 September 2019**
SUBJECT:	**Review of Risk Register**
LEAD OFFICER:	**Nigel Cook Head of Pensions and Treasury**
CABINET MEMBER	**Councillor Simon Hall** **Cabinet Member for Finance and Resources**
WARDS:	**All**
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: This report forms an important component of the governance arrangements for the stewardship of the Pension Fund.	
FINANCIAL SUMMARY: Financial risks relating to the Pension Fund are substantial and can impact on the General Fund of the Council.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATION

1.1 The Committee is asked to note the contents of an excerpt of the Pension Fund Risk Register and to comment as appropriate.

2. EXECUTIVE SUMMARY

2.1 It is recommended best practice for the Pension Committee to maintain a risk register. This report presents an excerpt from the current register (Appendix A) for the Committee's consideration.

3 DETAIL

3.1 Best practice recommends that a risk register is maintained by the Pension Committee recording relevant risk scenarios, together with an assessment of their likelihood and impact and appropriate mitigations. This report discusses risks relating to governance, funding, assets and liabilities and operational matters. Appendix A details the most significant risks.

3.2 The Committee is invited to comment on whether it considers this list sufficiently exhaustive, whether the assessment of each risk matches its perception and on the adequacy of existing and future controls.

3.3 The risk register is reviewed periodically and brought back to the Committee for its consideration twice each annual cycle of meetings – it was most recently reviewed in March 2019.

3.4 Risks are rated on a scale of 1 to 5 on the likelihood of the risk occurring and its impact if it does. This allows a range of potential scores of between 1 and 25. The register shows that there are 9 significant risks for the Fund (i.e. scored 12 or higher). The portion of the register that lists those risks which scored 12 or higher is attached as Appendix B to this report.

4 FINANCIAL CONSIDERATIONS

4.1 There are no further financial considerations arising from this report.

5 OTHER CONSIDERATIONS

5.1 Other than the considerations referred to above, there are no Customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report

6. COMMENTS OF THE SOLICITOR TO THE COUNCIL

6.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that there are no legal considerations arising from the recommendations in this report.

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

CONTACT OFFICER:

Nigel Cook, Head of Pensions Investment and Treasury,
Finance, Investment and Risk
Resources Department, ext. 62552.

BACKGROUND DOCUMENTS:

None.

Appendices

Appendix A
Risk Register - excerpt

APPENDIX A

Pensions Risk Register

	Risk Scenario			Current Risk Rating			Future controls	Future risk rating		
	Risk	Assigned to	Existing Controls	Impact	Likelihood	Risk factor		Impact	Likelihood	Risk Factor
	Governance Risks									
2	If other scheme employers cease trading or operating for any reason the Scheme Actuary will calculate a cessation valuation of their liabilities. If that employer cannot meet that liability the Council has to make good the shortfall.	Governance and Compliance Manager	Employers contributions are monitored on a monthly basis. Council officers rely on good communications to identify any problems at the earliest stage. The range of remedies includes reporting to the Pensions Regulator, involving other statutory bodies, such as the Education Funding Agency, up to court enforcement action.	3	4	12	The team are currently putting in place an employer risk strategy, which will lead to the early identification of employers at risk. The Government (MHCLG) have consulted on this issue and mitigations should reduce the potential impact of this risk.	3	3	9
	Funding - Assets and Liabilities Risks									
4	The Fund's invested assets are not sufficient to meet its current or future liabilities.	Head of Pensions and Treasury	A formal actuarial valuation is carried out every three years, although the Government have consulted on changing this to every 5 years. This results in a Funding Strategy Statement which is regularly reviewed to ensure contribution rates and the investment strategy are set to meet the long term solvency of the Fund. The Scheme Actuary's view is that there is a 75% chance that the funding target will be achieved. The current strategy will be brought to this Committee before the end of the year.	5	3	15	Officers are looking at ways of monitoring the funding level on a more frequent basis rather than waiting for a full valuation every three years, although this needs to be done efficiently and in a cost effective manner. When the current valuation is completed officers will work with the Actuary to seek a cost efficient way of more frequent monitoring.	4	2	8
5	Between a quarter and a third of the Fund is held in illiquid investments. This means there is a risk that the authority might find itself with insufficient cash to meet short term and medium term liabilities without having to disinvest and thus damage the prospects of generating adequate investment returns.	Pension Fund Investment Manager	The Fund's contribution income is currently enough to cover the short term liablities. This is kept under constant review and officers monitor the cashflow carefully on a monthly basis. The Council is currently forward funding the Pension Fund which provides a buffer. This cash will be invested in liquid assets to mitigate this risk.	3	3	9	Officers have identified a potential cash shortfall due to the changing investment strategy towards alternatives. At present, all dividend income is reinvested but officers are monitoring cash flow requirements to ensure that this remains an efficient part of maintaining sufficient funds to meet immediate liabilities.	3	2	6

6	There is a current risk that academies are not paying over contributions, which involves the administering authority in incurring unnecessary costs.	Governance and Compliance Manager	The authority has retained legal advisors to mitigate this risk, possibly through legal channels. The most significant case, in terms of contributions due, is currently being considered by the Pensions Ombudsman.	3	5	15	The decision of the Ombudsman is still awaited and this is likely to be an issue requiring attention for some time.	3	5	15
7	Under the S.13 reporting regime, the Government Actuary's Department (GAD) form a view of the viability of LGPS funds. Using GAD assumptions, rather than the Scheme Actuary's, the Fund is in the bottom decile for funding. There is a risk that the Government may intervene in the investment of the Fund.	Head of Pensions and Treasury	The current Scheme Actuary has indicated that there is a 75% likelihood that the Scheme will be fully funded in 22 years.	4	3	12	The authority is revisiting the funding position and contribution levels during the current valuation. Initial draft results from the valuation are encouraging.	4	2	8
	Investment Risks									
8	There is a risk that, under any set of circumstances, an asset class will underperform. The Fund has a significant allocation to several single asset categories - for example, equities, fixed interest, property or alternates - which potentially leaves the Fund exposed to the possibility that a particular class of assets will underperform relative to expectation.	Pension Fund Investment Manager	The investment allocation mix is in a variety of uncorrelated investments designed to give a diverse porfolio, meaning any one investment class should not unduly impact on the performance of the overall portfolio if it underperforms relative to expectation. Due to a re-balancing exercise carried out during 2018-2019 investments are now in accordance with the allocation strategy.	4	3	12	A new asset allocation strategy is currently being considered to take effect from 1 April 2020.	3	2	6
10	The London CIV does not have a transition team. Moreover, it does not appear to have permission from the FCA to perform standard transition activities. This leaves investors exposed to significant risks when transferring assets into, from or within the CIV.	Head of Pensions and Treasury	The Fund retains the services of an external consultant to assess the efficacy of transitions. This is a backward-looking review and the Fund does not have visibility of the process when the transition is happening or when the Fund is out of the market.	4	3	12	With the recent appointment of a new permanent Chief Investment Officer the CIV will be expected to build a proper transition team.	3	2	6

12	There is a risk that a "Hard Brexit" will result in disruption to the way that fund managers can operate and that this will have a deleterous impact on the Fund.	Head of Pensions and Treasury	The Government has rolled out a temporary permissions regime and EU27 governments are introducing mirror regimes to allow existing arrangements to continue. All the significant EU markets have introduced such regimes. However, a long-term solution to passporting has not been agreed.	3	4	12	There will be unresolved problems for a number of years due to the scale and complexity of the issue. The Fund will expect its managers to take all necessary steps to ensure they are prepared as well as possible for the developing situation.	3	3	9
13	There is a general, underlying risk of a global collapse in investment markets. Over the years the markets have suffered a number of crises and others are inevitable. Additionally, there are a number of current specific geopolitical risks. The administration of President Trump can be considered an unknown factor with its impact on the US and worldwide economies. Other ongoing concerns include the impact of Brexit, the continuing growth of the Chinese economy and the impact of populist movements.	Pension Fund Investment Manager	Equities have performed well to the extent that the Fund was over-weight in the asset class. This has now been addressed. The discount rate assumption is reviewed at every valuation to ensure that it gives appropriate views on future return expectations. The Fund is also well diversified which prpovides a degree of prpotection.	4	3	12	A new asset allocation strategy is currently being considered to take effect from 1 April 2020. Consultations with the Fund's Investment Adviser are ongoing to ensure that, so far as possible, the Fund remains conscious of these risks and is taking reasonable precautions eg recently a currency hedging exercise has been carried out.	3	2	6
	Operational Risks									

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Croydon Council

REPORT TO:	**Pension Committee** **17 September 2019**
SUBJECT:	**Preparing for Brexit Risks**
LEAD OFFICER:	**Nigel Cook Head of Pensions and Treasury**
CABINET MEMBER	**Councillor Simon Hall** **Cabinet Member for Finance and Resources**
WARDS:	**All**
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: This report forms a component of the governance arrangements for the stewardship of the Pension Fund.	
FINANCIAL SUMMARY: Potential risks to the Pension Fund arising from Brexit may be substantial and can impact on the General Fund of the Council.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATION

1.1 The Committee is asked to note the contents of the advice provided by The Pensions Regulator entitled “Prepare your DB scheme for Brexit” and the current position of the Fund thereon.

2. EXECUTIVE SUMMARY

2.1 This report presents for the Committee’s consideration advice provided by The Pensions Regulator entitled “Prepare your DB scheme for Brexit” and the current position of the Fund thereon.

3 DETAIL

3.1 On its website The Pensions Regulator has provided advice entitled “Prepare your DB scheme for Brexit.” Although this advice is non-specific in that it addressed to any Defined Benefit (DB) Scheme, it is relevant to the LGPS.

3.2 Set out below are extracts from the advice followed by comments that describe what has been done in relation to the Croydon LGPS Fund. Extracts from the Pensions Regulator guidance are set out below in italics. The guidance is prefaced thus: ‘Trustees of defined benefit (DB) pension schemes should focus on areas such as investment, employer covenant and administration as the UK prepares to leave the EU. We (the Pensions Regulator) expect trustees to focus on the areas below as well as any other scheme-specific issues.'

Investments

3.3 *'Pensions are long-term investments. Although market volatility may affect your scheme's funding position, try to avoid making any knee-jerk decisions and not focus too much on short-term market movements.'*

3.4 The Fund fully recognises that the provision of pensions requires a long-term investment strategy and has adopted an Investment Strategy (published as the Investment Strategy Statement) accordingly. The Statement is regularly reviewed by the Pension Committee as advised by Council officers, the Fund Actuary and its Investment Adviser. All investment decisions are taken in accordance with the Strategy and are not impacted by short-term market movements.

3.5 *'Where you have concerns over the short-term performance of your scheme investments, you should ask your investment adviser to explain any such changes in the context of your schemes' overall investment strategy.'*

3.6 The Fund receives quarterly reports from its investment managers and Investment Adviser which explain both short term market movements and long-term trends. The Investment Adviser explains the issues at each meeting of Pension Committee. From time to time, face-to-face meetings are held with each of the investment managers.

3.7 *'Your investment adviser should help you understand the potential risks to your scheme investments from Brexit and whether specific actions or mitigations are appropriate.'*

3.8 The Fund's Investment Adviser has commented when appropriate on the impact of Brexit e.g. on the effect on the value of sterling. However the principle advice remains that the largest risk to the Fund is the exposure of its liabilities to interest rates and inflation.

3.9 *'You should already be reviewing your scheme's position and scenario planning as part of your ongoing integrated risk management (IRM). But if it's been a while, read our IRM guidance to make sure you're fully prepared.'*

3.10 The Fund's risk register, in which Brexit plays a significant part, is reviewed by the Committee twice a year.

Employer covenant

3.11 *'The impact of Brexit on your sponsoring employer may vary according to, for example:*

- *'the industry sector they are in*
- *'how exposed their particular business is in respect of the UK's decision to leave the EU*
- *'the nature of the UK's future relationship with the EU and other countries.*

3.12 *'Speak to your covenant adviser if you have concerns about the impact of Brexit on the employer. 'You should be having open and collaborative discussions with your sponsoring employer about deficit repair contributions (DRCs) and how they may change. If the employer proposes to reduce DRCs we would expect you to test whether this is the right thing to do.* 'You should take into account the impact on both the scheme and the employer covenant. This should include assessing whether the reduction is necessary, ensuring that other stakeholders are being treated fairly, that dividends are not proposed and that security is offered as mitigation for reductions in DRCs where this is available.

3.13 As the Fund's Administering Authority the Council is, in effect, the sponsoring authority. As a local authority the Fund is unlikely to face any specific "industry" exposure. However, this will not necessarily be the case with all other Scheme Employers, who include multi-national contractors. "Deficit Repair Contributions" for both the Council and other employers in the Fund are the subject of discussions with the Actuary during the current triennial valuation.

Operations and administration

3.14 *'Read the Department for Work and Pensions guidance on pensions and benefits in the event of 'no deal' in respect of EU citizens in the UK and UK nationals in the EU. Make sure you understand the impact of Brexit on any key services to your scheme that are provided from the EU or by firms that are themselves exposed to the EU, e.g. asset management. Speak to your administrator to make sure that nothing will interrupt the payment of benefits across the EU border.'*

3.15 Few significant services provided directly to the Fund are supplied from within the EU. Although it is not believed that the payment of benefits across the EU border will be interrupted; the Human Resources team are gathering relevant information concerning "EU staff" who may be members of the Fund to seek to ensure that they are being properly advised.

Member communications

3.16 *'Some members, especially those resident in the EU, may be nervous about the impact of leaving the EU on their pension savings. They may contact you or the administrator for further information. Talk to your administrator and make sure they are prepared to answer queries. 'You should be prepared to explain clearly to your members the work you have done to understand how Brexit may impact your scheme and the steps you have taken to address these issues. 'Encourage your members to contact Pension Wise (if they're over 50) or The Pensions Advisory Service for free and impartial guidance.'*

3.17 The Fund's Administration Team are able to answer queries relating to the impact of Brexit so far as it is known. Contact details for The Pensions Advisory Service are provided in various of the Fund's information sources, most pertinently in the Annual Report.

4 FINANCIAL CONSIDERATIONS

4.1 There are no further financial considerations arising from this report.

5 OTHER CONSIDERATIONS

5.1 Other than the considerations referred to above, there are no Customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report

6. COMMENTS OF THE SOLICITOR TO THE COUNCIL

6.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that there are no legal considerations arising from the recommendations in this report.

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

CONTACT OFFICER:

Nigel Cook, Head of Pensions Investment and Treasury,
Finance, Investment and Risk
Resources Department, ext. 62552.

BACKGROUND DOCUMENTS:

None

Croydon Council

REPORT TO:	**Pension Committee** **17 September 2019**
SUBJECT:	**Review of the Investment Strategy Statement**
LEAD OFFICER:	**Nigel Cook, Head of Pensions and Treasury**
CABINET MEMBER	**Councillor Simon Hall** **Cabinet Member for Finance and Resources**
WARDS:	**All**
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: This report relates to the statutory requirement to set an Investment Strategy, a critical aspect of the management of the Pension Fund.	
FINANCIAL SUMMARY: There are no direct financial implications associated with this report but the continued viability of the Scheme depends on adherence to an effective investment strategy.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATION

1.1 The Committee is invited to approve the approach set out in this report to drafting a revised Investment Strategy Statement and to delegate to the Director of Finance, Investment and Risk and section 151 officer in consultation with the Chairman of the Committee the final approval of the Investment Strategy Statement.

2. EXECUTIVE SUMMARY

2.1 This report asks the Committee to approve the approach set out in this report to deliver a draft revised Investment Strategy Statement ("ISS").

3 DETAIL

3.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, brought into force on 1st November 2016, require that all LGPS administering authorities draft an Investment Strategy Statement (ISS). Further, the Regulations require that this Committee should review the ISS from time to time and at least every three years. In the event of any material change to any matter contained within the ISS, changes will be reflected within six months of the change occurring. The Regulations require all Administering Authorities take 'proper advice' when formulating investment strategy. The Council is in the process of consulting suitably qualified persons and has obtained advice from its investment consultant, Mercer and consulted Hymans Robertson, the Scheme Actuary.

3.2 The Statement was reviewed most recently by this Committee at its meeting of 18th September, 2018 (Minute A50/18 refers).

3.3 This report represents the initial steps to a revised statement, reviewed to ensure compliance with the government guidance issued on 15th September 2016 and 12th July 2017. The Committee is invited to input into the process by offering any comment on the approach set out in tis report.

3.4 The current statement is attached to this report as Appendix A. The following paragraphs will consider changes to be incorporated in the revised statement.

3.5 References to advisors and fund managers will be updated to reflect current arrangements.

3.6 The Strategy considers six areas: Investment Objectives; Asset Allocation; Risk Management; Pooling; ESG and Voting. Investment Objectives will remain essentially unchanged. Asset allocation ranges may need to be revised in response to any reassessment of the Committee's risk appetite and the return assumptions agreed with the Scheme Actuary. Assuming no new asset classes are considered the section that provides information about the qualities of assets and how they contribute to the performance of the portfolio will remain substantially unchanged.

3.7 The risk management section will be revised to ensure that it is consistent with the current risk register.

3.8 The section on asset pooling and the London CIV can be updated to reflect the present status of the sub-funds and this Fund's engagement with the pooling agenda. This section will need to provide a link between principles adopted by this Committee and principles applied to investment choices.

3.9 The Environmental, Social and Corporate Governance (ESG) section will need to be drafted to ensure consistency with the Committee's views on these important issues: concerns about Environmental, Social and Corporate Governance factors. This Statement should specify that there should be an expectation that the Fund, (and by extension the London CIV), will seek to engage (through its asset managers or other resources) with companies to ensure they can deliver sustainable financial returns over the long-term. This would be particularly relevant for businesses in tobacco, aerospace and defence, and oil and gas. To illustrate this approach with the example of fossil fuels, this will mean engaging with oil companies on how they are assessing their business strategy and capital expenditure plans to adapt to changes in cost base and regulation that will ensure the continued delivery of shareholder returns of the medium to long term.

3.10 The section on Voting will be substantially unchanged.

4 FINANCIAL CONSIDERATIONS

4.1 There are no further financial considerations flowing from this report.

5. OTHER CONSIDERATIONS

5.1 Other than the considerations referred to above, there are no Customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report

6. COMMENTS OF THE SOLICITOR TO THE COUNCIL

6.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that the provisions of Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 place the following requirements on the Administering Authority in relation to the Investment Strategy:

"7.—(1) An authority must, after taking proper advice, formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State.

(2) The authority's investment strategy must include:

(a) a requirement to invest fund money in a wide variety of investments;
(b) the authority's assessment of the suitability of particular investments and types of investments;
(c) the authority's approach to risk, including the ways in which risks are to be assessed and managed;
(d) the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
(e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
(f) the authority's policy on the exercise of the rights (including voting rights) attaching to investments.

(3) The authority's investment strategy must set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.

(4) The authority's investment strategy may not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

(5) The authority must consult such persons as it considers appropriate as to the proposed contents of its investment strategy.

(6) The authority must publish a statement of its investment strategy formulated under paragraph (1) and the first such statement must be published no later than 1st April 2017.

(7) The authority must review and if necessary revise its investment strategy from time to time, and at least every 3 years, and publish a statement of any revisions.

(8) The authority must invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund.

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

CONTACT OFFICER:

Nigel Cook, Head of Pensions Investment and Treasury,
Finance, Investment and Risk, Resources Department, ext. 62552.

BACKGROUND DOCUMENTS:

None.

Appendices

Appendix A: Investment Strategy Statement

Investment Strategy Statement
(Effective 1 April 2017; Reviewed September 2018)

1 Introduction

1.1 The elected members of Croydon Council, acting through the Pension Committee, have drawn up this Investment Strategy Statement (ISS) as required by Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, brought into force on 1st November 2016. This statement is compliant with the government guidance issued on 15th September 2016 and 12th July 2017.

1.2 As set out in these Regulations, the Committee will review the ISS from time to time and at least every three years. In the event of any material change to any matter contained within the ISS, changes will be reflected within six months of the change occurring.

1.3 The Regulations require all Administering Authorities take ‘proper advice’ when formulating investment strategy. The Council has consulted suitably qualified persons and has obtained advice from its investment consultant, Mercer and consulted Hymans Robertson, the Scheme Actuary.

2 Investment Objectives

2.1 The Fund’s goal is to ensure there are sufficient assets to meet all liabilities as they fall due. In order to achieve this goal the Pensions Committee has adopted the following objectives:

2.1.1 Achieve a return on investments which at least meets the assumed return (the discount rate) used by the Actuary when setting the triennial valuation.

2.1.2 Keep risk within acceptable levels.

2.1.3 Maintain liquidity requirements to pay liabilities when they fall due.

2.2 The investment objectives align with the Funding Strategy Statement. This statement sets out the four key measures that the Actuary has developed which capture the essence of the Fund’s strategies, both the funding and this investment strategy. These include how much each employer can afford; and the question of stability, that is to say employers should not see significant moves in their contribution rates from one year to the next, to help provide a more stable budgeting environment. These objectives are often in conflict. In setting the Funding Strategy the Council has adopted a stabilisation approach that meets the need for stability of contributions without jeopardising the aim of prudent stewardship of the Fund.

3 Asset Allocation

3.1 In order to meet the Investment Objectives the Pensions Committee, in consultation with its Investment Adviser, has determined a suitable asset mix.

The Pension Committee's interpretation of a suitable asset mix, is one which includes a variety of assets which are well understood, are less than perfectly correlated and which together are expected to meet the long term return objectives of the Fund. An asset mix which meets this criteria will be well diversified and improve the overall risk and return profile of the Fund increasing the likelihood of meeting the Investment Objectives. A properly diversified portfolio of assets should include a range of asset classes to help reduce overall portfolio risk. If a single investment class is not performing well, performance should be balanced by other investments which are doing better at that time. A diversified portfolio also helps to reduce volatility.

3.2 The Pensions Committee has identified four broad asset groups with the alternatives being split into four further classes. Cash is held as working capital and invested in Money Market Funds for short periods but is not considered as an investment asset, although fund managers may hold cash as part of their investment strategy. Desired targets and ranges have been assigned to each asset class. The holding in an asset class ought not to breach the upper end of the range. Table 1, below, sets out the maximum percentage of the total value of all investments of fund money that will be invested in each investments or class of investment. This replaces Schedule 1 to the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 ("the 2009 Regulations").

Note that the Regulations require that this investment strategy must set out the maximum percentage of the total value of all investments of fund money that will be invested in particular investments or classes of investment. The Target Allocations set out above are aspirational and for guidance only because of the inevitable fluctuations caused by market volatility. The operational range reflects experience and current forecasts.

3.3 As a general principle Croydon Council will actively seek to identify how the Pension Scheme could contribute to and invest in the Borough.

Global Equities

3.4 The Pensions Committee has selected a passive global equity mandate managed solely by Legal and General Investment Management. The objective of the mandate is to track the L&G World Developed (Ex Tobacco) Index Fund. The reasons for this decision is to: reduce concentration risk by increasing the number of stocks covered for investment; achieve a reduction in management fee; and to move to a fund which is considered as fulfilling the criteria for the requirement to pool assets. In addition it is considered important to invest in a pooled arrangement to allow currency hedging to be implemented fairly easily and cheaply. The equity holdings are now considered part of the London CIV for pooling purposes (see section below for more details of the Fund's strategy on asset pooling).

Fixed Interest

3.5 The Pensions Committee has appointed Standard Life and Wellington to manage its Fixed Interest allocation. Investments with Standard Life are in the Corporate Bond fund measuring performance against the Merrill Lynch non gilt sterling all stocks index and the Absolute Return fund measuring performance against 3 month LIBOR. Performance of the Wellington bond fund is measured against the Merrill Lynch Sterling Broad Market Index.

Traditional Property

3.6 The Pensions Committee has appointed Schroders to manage its traditional property portfolio, investing mainly in UK commercial real estate, with an objective to outperform the Investment Property Databank (IPD) All Properties Index.

Private Rental Sector Property

3.7 The Pensions Committee has appointed M&G to manage its Private Rental Sector property portfolio, with an objective to achieve a return of 7%.

Private Equity

3.8 Four Private Equity managers have been selected enabling the Fund to benefit from increased diversification through investments in a variety of companies in different markets. These managers are: Pantheon, providing access to funds of funds in Europe, US and Asia; Knightsbridge, investing in Venture Capital predominantly in the US; Access Capital Partners, a European co-investment fund; and North Sea Capital, providing exposure to markets in northern Europe and Scandinavia. The objective of this part of the portfolio is to generate returns in excess of the Consumer Prices Index (CPI) plus 5%.

Infrastructure

3.9 This asset class is represented by four asset managers that have been selected in order to gain cost effective, diversified exposure to global infrastructure assets. These managers comprise: Equitix that focus on UK PFI / PPP / PF2 contracts; Temporis and the Green Investment Bank that allow the Fund to access different types of renewables; and I Squared Capital, that provides opportunities across global infrastructure funds and projects. The investments seek to generate satisfactory risk adjusted return and provide a hedge against inflation. Some of the investments aim to be more growth seeking and some aim to be income generating. The overall return objective for this part of the portfolio is to generate returns in excess of the Consumer Prices Index (CPI) plus 5%.

Cash

3.10 The objective is to maintain capital and hold enough cash to meet ongoing benefit payments.

Assets' Features

3.11 Each of these asset classes possess features that, in combination, address the strategic goals for the Croydon Scheme. The authority's assessment of the suitability of particular investments and types of investments can be summarised thus:

Equities Over the log-run will deliver sufficient growth to address funding gap. Allows investment in wide range of sectors and geographic regions. Should beat inflation in the long run.
Fixed Interest Matches liabilities of the Fund. Demonstrates, in normal scenarios, negative correlation to equities. Absolute return portfolio should provide downside protection and is not dependent on direction of interest rates. Government and blue chip corporate debt is relatively low risk and provides protection against falling interest rates.
Property Does not correlate to equity or fixed interest. Provides steady cash flows. Provides some protection against inflation.
Private Equity Similar benefits to equity but at different points on the cycle. Regional diversification. Access to otherwise closed markets.
Infrastructure Diversification. Good spread of regions. Elements of regulated income. Mixture of growth and income generating assets. Income generating assets have an inflation link.

4 Risk Management

4.1 There are various risks to which any pension fund is exposed. The Pension Committee has considered a number of risks such as:

- The risk arising through a mismatch between the Fund's assets and its liabilities.
- The risk of deterioration in the Fund's ongoing funding level.
- The risk that the day-to-day management of the assets will not achieve the rate of investment return required to meet accrued and future liabilities as quantified by the Fund's Actuary.
- The risk that volatility resulting from various geopolitical factors will have an adverse effect on the long-term viability of the Fund. This risk is increased by having a majority of the fund under passive management.
- Exchange rate risk arises from investing in unhedged overseas assets with all liabilities due to be paid in sterling. As a long-term investor such volatility can be tolerated. The extent to which the Fund is diversified across asset classes, geography and approach to investments works to mitigate this risk.
- The risk of insufficient liquidity from the Fund's assets.

4.2 In order to mitigate the risks identified the Pensions Committee formulated the asset allocation having taken proper advice from its investment adviser. Various scenarios were tested and the probability of achieving full funding over a specified period of time was calculated in order to identify an asset mix which should fulfil the objectives. The main way to mitigate risk of the investment portfolio not achieving its objectives is through diversification of assets. This should provide protection in periods of market turmoil as some assets will preserve capital better than others and in rising markets some assets will perform better than others.

4.3 Risks specifically relating to the Pension Fund are included in a risk register that is regularly reviewed by both the Pension Committee (which considers the most significant risks) and the Croydon Pension Board (which looks at all the risks). The most immediate and significant risks are also included in the corporate risk register. Steps to mitigate risks in the short and longer-term are included in the register.

4.4 The Pension Fund's appetite for risk, in so far as generating returns is concerned, should be only that much as is sufficient to meet the return target set by the Funding Strategy Statement. Other risks should be mitigated as far as is possible.

4.5 The Pensions Committee constantly monitors the performance of managers to ensure the Fund's objectives are met.

5 Pooling of Assets

5.1 The Fund participates in the London Collective Investment Vehicle (CIV) as part of the Government's pooling agenda. Croydon is a shareholder, contributes regulatory capital and a subscription fee. The London CIV was launched in December 2015. It has launched a number of sub-funds comprising: UK, Global and Emerging Market equities; Multi-Asset and Fixed Interest Funds.

5.2 The Fund is monitoring developments and the opening of investment strategy fund openings on the London CIV platform. At present there are options for participating in pooling: including transitioning liquid assets across to the London CIV as soon as there are suitable sub-funds available to meet the Fund's investment strategy requirements; investing in sub-funds that meet the requirements of the Fund's investment strategy; and investing in assets that have been deemed part of the pooling strategy but which are assets that are not suitable for pooling in an ACS structure.

5.3 The Fund holds illiquid assets outside of the London CIV pool. The cost of exiting these strategies early would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature. The Fund will continue to invest in illiquid assets outside of the London CIV pool, until suitable strategies are made available by the London CIV pool, in order to meet its asset allocation target.

5.4 Therefore, the proportion of assets that will be invested through the pool will be circa. 65%, depending on valuations. At year-end 2017/2018 51% of the Pension Fund should be considered pooled.

5.5 In establishing the framework for asset pooling the government recognised that investing in illiquid assets like infrastructure, direct holdings in property and locally targeted investments might more appropriately sit outside the pooling arrangements. The alternative asset classes listed above, property, private equity and infrastructure, are included in this group.

6 Environmental, Social and Corporate Governance (ESG)

6.1 The Fund is committed to being a long term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills. In addition the Pensions Committee undertakes training on a regular basis and this will include training and information sessions on matters of social, environmental and corporate governance.

6.2 The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

6.3 The Fund will only invest in investments with a strong environmental, social and governance policy that includes no tobacco investments. The Fund will disinvest from existing fossil fuel investments in a prudent and sensible way that reflects the fiduciary responsibility due to stakeholders. Furthermore, where this is consistent with the agreed investment strategy, the Fund will invest in assets that positively address these issues. Examples of this approach include investing in renewable energy projects, screening out regional markets where there might be issues with modern slavery, and looking to explore opportunities to contribute to and invest in the Borough.

6.4 The Fund expects its external investment managers (and specifically the London CIV through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund such as corporate governance and environmental factors. The Fund expects its fund managers to integrate material ESG factors within its investment analysis and decision making.

6.5 Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

6.6 The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

6.7 The Fund will invest on the basis of financial risk and return having considered a full range of factors contributing to the financial risk including social, environment and governance factors to the extent these directly or indirectly impact on financial risk and return.

6.8 The Fund in preparing and reviewing its Investment Strategy Statement will consult with interested stakeholders including, but not limited to Fund employers, investment managers, Local Pension Board, advisers to the Fund and other parties that it deems appropriate to consult with.

7 Voting

7.1 The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries. The Fund has a commitment to actively exercising the ownership rights attached to its investments reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.

7.2 The Fund has delegated responsibility for voting rights to the Fund's external investment manager, currently LGIM, and expects them to vote in accordance with the Fund's voting policy.

7.3 The Fund will incorporate a report of voting activity as part of its Pension Fund Annual report which is published on the Pension Fund website.

7.4 The Fund has not issued a separate Statement of Compliance with the Stewardship Code, but fully endorses the principles embedded in the seven Principles of the Stewardship Code.

7.5 The Fund expects its external investment managers to be signatories of the Stewardship Code and reach Tier One level of compliance or to be seeking to achieve a Tier One status within a reasonable timeframe. Where this is not feasible the Fund expects a detailed explanation as to why it will not be able to achieve this level.

7.6 In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

7.7 The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which invests.

7.8 In addition the Fund:

- Is a member of the Local Authority Pension Fund Forum (LAPFF) and in this way joins with other LGPS Funds to magnify its voice and maximise the influence of investors as asset owners;
- is a member of the Pension and Lifetime Savings Association (PLSA) and in this way joins with other investors to magnify its voice and maximise the influence of investors as asset owners;
- Joins wider lobbying activities where appropriate opportunities arise.

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Croydon Council

REPORT TO:	**Pension Committee** **17 September 2019**
SUBJECT:	**Pension Committee Governance Update**
LEAD OFFICER:	**Nigel Cook, Head of Pensions and Treasury**
CABINET MEMBER	**Councillor Simon Hall** **Cabinet Member for Finance and Resources**
WARDS:	**All**
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: Ensuring that the management of the Pension Fund is given appropriate guidance and direction through the governance of the Pension Committee.	
FINANCIAL SUMMARY: There are no direct financial implications associated with this report.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATION

1.1 To review and agree the policy statements attached:

- The Governance Policy and Compliance Statement; and
- The Communications Policy.

2. EXECUTIVE SUMMARY

2.1 This report updates two of the key governance policy documents in respect of the LGPS.

3 DETAIL

3.1 Regulation 55 of the local Government Pension Scheme Regulations 2013 requires Local Government Pension Schemes (LGPS) Administering Authorities to measure their governance arrangements against the standards set out in the Statutory Guidance issued by the Secretary of State for Communities and Local Government. Compliance against these standards was assessed in March 2017 as part of the process of drafting the authority's Governance Compliance Statement and the authority was compliant in all respects. This compliance needs to be reviewed annually and work is underway on this exercise.

3.2 There are a number of policies that together comprise the Governance arrangements for the Croydon Scheme. The review referenced above considers compliance against the Pensions Regulator's Code of Practice. This report complements this exercise by focusing on two component parts of the governance framework:

- The Governance Policy and Compliance Statement; and
- The Communications Policy.

3.3 These policies are appended to this report. The Governance Policy and Compliance Statement has been revised to be compliant with the new guidance, which is also appended to this report and to reference the London CIV. Finally, the Communications Policy is updated annually.

3.4 By reviewing these documents separately the Committee is demonstrating best practice and also making more efficient use of the Committee's time and the officer resource. Practical considerations suggest it is better to phase review of these policies over the annual committee cycle.

4 FINANCIAL CONSIDERATIONS

4.1 There are no further financial considerations flowing from this report.

5. OTHER CONSIDERATIONS

5.1 Other than the considerations referred to above, there are no Customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report

6. COMMENTS OF THE SOLICITOR TO THE COUNCIL

6.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that there are no legal considerations arising from the recommendations in this report.

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

CONTACT OFFICER:

Nigel Cook, Head of Pensions Investment and Treasury,
Finance, Investment and Risk, Resources Department, ext. 62552.

BACKGROUND DOCUMENTS:

None.

Appendices

Appendix A: The Governance Policy and Compliance Statement
Appendix B: Governance Policy and Compliance Statement Best Practice.
Appendix C: The Communications Policy.

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lgps CROYDON
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Pensions
Governance Policy & Compliance Statement

2019

Your Local Government Pension Scheme Guide

Your Guide to the London Borough of Croydon Governance Policy & Compliance Statement

As the Administering Authority we have prepared this guide to help you understand the Governance Compliance strategies that Croydon Council (as the Administering Authority) has in place, as agreed at the Pension Committee on 17 September 2019

Administering Authority

Croydon Council is the Administering Authority of the Croydon Council Pension Fund and administers the Local Government Pension Scheme (LGPS) on behalf of participating employers.

The Local Government Pension Scheme Regulations, 2013, talk about the governance of the Scheme. Regulation 55 requires the Council to publish this Statement. In it, as set out below, you can read how the Council complies with the Government's guidance and how some functions of the Council are delegated. These Regulations also require the Council to keep the Statement under review and to make revisions as appropriate. Where such revisions are made we will publish a revised statement.

Aims and Objectives

Croydon Council recognises the significance of its role as Administering Authority to the Pension Fund on behalf of its stakeholders which include:

- Around 28,000 current and former members of the Fund, and their dependants;
- Over 100 employers within the Croydon Council area or with close links to Croydon Council;
- The local taxpayers within the Borough of Croydon; and
- Central Government.

In relation to the governance of the Fund, our objectives are to ensure that:

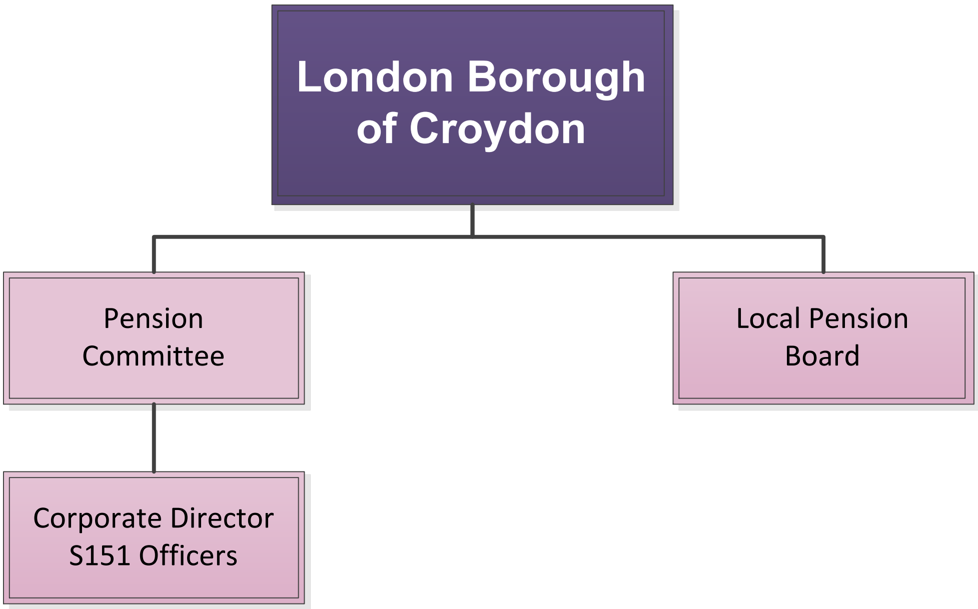
- All officers and Pension Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.
- The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties.
- Appropriate measures are in place to manage the risks associated with the investment of the Fund, to understand those risks and to evaluate them.
- All relevant legislation is understood and complied with.
- The Fund aims to be at the forefront of best practice for LGPS funds.
- The Fund manages conflicts of interest appropriately.

Structure

The Constitution of the Council sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient and transparent and that those who make the decisions are accountable to local people. The Constitution sets out the framework under which the Pension Fund is to be administered as shown in the diagram overleaf.

The Constitution allows for the appointment of a Pension Committee which has responsibility for the discharge of all executive functions assigned to it.

See Appendix A for the Terms of Reference for the Pension Committee



The London Collective Investment Vehicle (CIV) is an FCA Regulated fund manager that represents the pooled investments of 32 London local authority pension funds. It has an Authorised Contractual Scheme fund structure and all the funds are equal shareholders.

Pension Committee

Membership
The Council decides the composition of and makes appointments to the Pension Committee.

Currently the membership of the Pension Committee is 8 elected Members from Croydon Council on a politically proportionate basis. All Croydon Council Members have voting rights on the Committee and three voting members of the Committee are required to be able to deem the meeting quorate.

In addition there are two elected members (one-voting and one non-voting) and one non-voting Union Representative, representing Pensioner and Scheme member interests. Although some of the representatives do not have voting rights they are treated as equal members of the Committee, they have access to all Committee Advisers, officers, meetings and training as if they were Council Members and have the opportunity to contribute to the decision making process. Voting rights are mainly restricted to elected Members as they are deemed to be fulfilling the role of Trustees as the Pension Fund with all the legal responsibilities that this entails, it was not felt appropriate to apply the same legal definition to the lay members of the Committee and, hence, only one has voting rights.

The Pension Committee may co-opt non-voting members as is appropriate.

All Members of the Pension Committee, including non-voting members, are required to declare any interest that they have in relation to the Pension Fund or items on the agenda at the commencement of the meeting.

The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties; meetings are open to members of the public who are welcome to attend. However, there may be occasions when members of the public are excluded from meetings when it is likely in view of the nature of the business to be transacted of the nature of the proceedings that confidential information would be disclosed.

Pension Committee Member	Voting Member	Non-Voting Member
Councillor Andrew Pelling, Chairman	✓	
Councillor Simon Hall, Vice-Chairman	✓	
Councillor Simon Brew	✓	
Councillor Robert Canning	✓	
Councillor Luke Clancy	✓	
Councillor Clive Fraser	✓	
Councillor Patricia Hay-Justice	✓	
Councillor Yvette Hopley	✓	
Reserve Panel: Councillors: Jamie Audsley, Sherwan Chowdhury, Pat Clouder, Patsy Cummings, Steve Hollands, Vidhi Mohan, Robert Ward	✓	
Ms Gilli Driver, Pensioners Representative	✓	
Mr Peter Howard, Pensioners Representative		✓
Mr Chartles Quaye, Staff Representative		✓

Meetings
The Pension Committee shall meet at least four times a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work. Work for the year will be agreed with the Committee to include dedicated training sessions for Committee members.

Agendas for meetings will be agreed with the Chair and will be circulated electronically with supporting papers to all members of the Committee, officers of the Council as appropriate and the Fund's Advisors.

The Council will give at least five clear working days' notice of any meetings by posting details of the meeting on the Council's website.

There may occasionally be items which may be exempt from the agenda, reports and minutes of the meetings when it is likely that confidential information would be disclosed. Items which are likely to be excluded include issues where to disclose information would contravene an individual's privacy or where there are financial interests which may be compromised as a result of disclosure for example surrounding contracts. Oral updates and presentations are also given at these meetings.

The Council will make available copies of the minutes of the meeting and records of decisions; these are stored indefinitely. Minutes of meetings and records of decisions are available for inspection on the Council's website https://www.croydon.gov.uk/democracy/dande/.

Other Delegations of Powers
The Pension Committee act as quasi trustees and oversee the management of the Pension Fund. As quasi trustees the Committee has a clear fiduciary duty in the performance of their functions: they have to ensure that the Fund is managed in accordance with the Regulations and to do so prudently and impartially and to ensure the best possible outcomes for the Pension Fund, its participating employers, to local taxpayers and Scheme members. Whilst trustees can delegate some of their powers, they cannot delegate their responsibilities as trustees.

Pension Board

With effect from 1 April 2015, each Administering Authority was required to establish a Local Pensions Board to assist them with:

- ► Securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator;

- ► Ensuring the effective and efficient governance and administration of the Pension Fund.

Such Pensions Boards are not local authority committees but are reflected in the Council's Constitution. The Croydon Pension Board was established by Croydon Council and the full terms of reference of the Board can be found within the Council's Constitution.
https://www.croydon.gov.uk/sites/default/files/articles/downloads/Constitution%20of%20the%20London%20Borough%20of%20Croydon%20-%20June%202017.pdf

Role
The Council has charged the Pension Board with providing oversight of the matters outlined above. The Pension Board, however, is not a decision making body in relation to the management of the Pension Fund.

Membership
The Pension Board consist of 7 members as follows:

- ► An Independent Chair;
- ► Three Employer Representatives, one of which is from Croydon Council; and
- ► Three Scheme Member Representatives, two of which are nominated by the Trade Unions.

Pension Board members, (excluding the Chair), have individual voting rights but it is expected the Board will as far as possible reach a consensus.

A meeting of the Pension Board is only quorate when three of the six Employer and Scheme Member Representatives are present.

Members of the Pension Board are required to declare any interests that they have in relation to the Pension Fund or items on the agenda at the commencement of the meeting.

Meetings
The Pensions Board meets at least 4 times a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work.

The Pension Board will be treated in the same way as a Committee of Croydon Council and, as such, members of the public may attend and papers will be made public in the same way as described above for the Pension Committee.

Policy Documents

In addition to the foregoing, there are a number of other documents which are relevant to the governance and management of the Pension Fund. Brief details of these are listed below and full copies of all documents can be found on the Pension Fund Website: www.croydonpensionscheme.org.

Funding Strategy Statement
The Funding Strategy Statement (FSS) forms part of the framework for the funding and management of the Pension Fund. It sets out how the Fund will approach its liabilities and contains a schedule of the minimum contribution rates that are required of individual employers within the Fund. The FSS is drawn up by the Council in collaboration with the Fund's Actuary and after consultation with the Fund's employers. The FSS forms part of a broader framework which covers the Pension Fund and applies to all employers participating in the Fund. The FSS represents a summary of the Fund's approach to funding the liabilities of the Pension Fund.

Investment Strategy Statement
The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require pension fund administering authorities to prepare, maintain and publish a statement of the principles governing their decisions on the investment of the pension Fund.

The areas covered in the statement of investment principles are as follows:

► A requirement to invest in a wide variety of investments;

► An assessment of the suitability of particular investments;

► The authority's approach to risk, including measurement and management of risk;

► The authority's approach to pooling;

► The authority's policy on how social, ethical and environmental considerations are taken into account;

► The authority's policy on the exercise of rights attached to investments.

Governance Best Practice—Compliance Statement
This sets out the Pension Fund's compliance with the Secretary of State's Statutory Guidance on Governance in the LGPS. This is attached as Appendix B and shows where the Fund is compliant or not compliant with best practice and the reasons why it may not be compliant.

Training Policy
Croydon Council has a Training Policy which has been put into place to assist the Fund in achieving its governance objectives. Pension Committee members and senior officers are expected to continually demonstrate their own personal commitment to training and to ensure that the governance objectives are met.

To assist in achieving these objectives, the Council aims to comply with:

► The CIPFA Knowledge and Skills Framework; and

► The knowledge and skills elements of the Public Service Pensions Act 2013 and the Pensions Regulator's (TPR) Code of Practice for Public Service Schemes.

Any other LGPS specific guidance relating to the knowledge and skills of Pensions Committee members, or Pension Fund officers which may be issued from time to time will also be considered.

Members of the Pensions Committee, and officers involved in the management of the Fund will receive training to ensure that they meet the aims of the Policy with schedules drawn up and reviewed on an annual basis.

Annual Report and Accounts
As part of the Council's Constitution it is the duty of the Executive Director of Resources to ensure that record keeping and accounts are maintained by the Pension Fund. The Pension Fund accounts are produced in accordance with the accounting recommendations of the Financial Reports of Pensions Schemes - Statement of Recommended Practice. The financial statements summarise the transactions of the Scheme and deal with the net assets of the Scheme. The statement of accounts is reviewed by both the Pension Committee and the General Purposes and Audit Committee and incorporated in the Statement of Accounts for the Council. Full copies of the Report and Accounts are placed on the Council's website www.croydon.gov.uk/democracy/budgets/financial-accounts.

Communication Policy
This document sets out the communication policy of the Administering Authority which is the strategy for ensuring that all interested parties are kept informed of developments in the Pension Fund. This helps to ensure transparency and an effective communication process for all interested parties. A copy of the policy can be found on the Pensions website www.croydonpensionscheme.org.

Discretions Policy
Under the Local Government Pension Scheme Regulations, the Administering Authority has a level of discretion in relation to a number of areas. The Administering Authority reviews the policy relating to the exercise of those discretions as appropriate and will notify interested parties of any significant changes. Employing Authorities are also required to set out their discretions policies in respect of areas under the Regulations where they have a discretionary power. Copies of the Administering Authority policy can be found on the Pensions website www.croydonpensionscheme.org.

Pension Administration Strategy
In order to assist with the management and efficient running of the Pension Fund, there is a Pension Administration Strategy. This encompasses administrative procedures and responsibilities for the Pension Fund for both the Administering Authority and Employing Authorities. It has been distributed to employers within the Fund following consultation and can be found on the Pensions website. This represents part of the process for ensuring the ongoing efficient management of the Fund and maintenance of accurate data and forms part of the overall governance procedures for the Fund.

Approval, Review and Consultation
The Governance Policy and Compliance Statement will be formally reviewed and updated annually or sooner if the governance arrangements or other matters including with it merit consideration.

Appendix A

Terms of Reference for Croydon Council Pension Committee December 2016

Appendix B

Governance Best Practice - Compliance Statement

Further Information

This document is available in large sight and Braille upon request.

If you need more information about the Scheme you should contact the following:

Pensions Section
5A, Bernard Weatherill House
8 Mint Walk
Croydon
CR0 1EA

Tele: 020 8760 5768 x 62892
Email: pensions@croydon.gov.uk
Website: www.croydonpensionscheme.org

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Governance Best Practice - Compliance Statement

Regulation 55 of the local Government Pension Scheme Regulations 2013 requires Local Government Pension Schemes (LGPS) Administering Authorities to measure their governance arrangements against the standards set out in the Statutory Guidance issued by the, then, Secretary of State for Communities and Local Government.

The following compliance statement sets out where the Pension fund is fully compliant with the guidance and, where it is not fully compliant, provides an explanation.

Principal A - Structure

- ***a.*** The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing council. *Fully compliant-Council Constitution delegates responsibility for the Pension Fund to the Pension Committee in respect of these matters*
- ***b.*** That representatives of participating LGPS employers, admitted bodies and Scheme members (including pensioners and deferred members) are members of either the main or secondary committee to underpin the work of the main committee. *Fully compliant-Pensioner and Union representatives are appointed to the Pension Committee; representatives of the admitted bodies, academies and scheme members are appointed to the Pension Board.*
- ***c.*** That where a secondary committee or panel has been established, the structure ensures effective communication across both levels. *Fully Compliant – reports on the work of the Committee are reported to the Board and vice versa; the Chair of the Board attends the Committee as an observer and, as appropriate, is invited to speak and, particularly, to report on the work of the Board.*
- **d.** That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel *Partially compliant - the Chair of the Board attends the Committee as an observer and, as appropriate, is invited to speak and, particularly, to report on the work of the Board.*

	Not Compliant			Fully Compliant
a)				✓
b)				✓
c)				✓
d)			✓	

Principle B – Committee Membership and Representation

a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:-

i) Employing authorities (including non-scheme employers, eg admitted bodies);

ii) Scheme members (including deferred and pensioner scheme members);

iii) Where appropriate, independent professional observers; and

iv) Expert advisers (on an ad-hoc basis).

Fully compliant- The Committee includes eight Councillors and employing authorities are represented at the Board; Scheme members are represented by a staff side Union representative at the Committee and by three representatives at the Board; Pensioners are represented by 2 representatives at the Committee one of whom has voting rights; an investment adviser attends all meetings of the Committee and other expert advisers are invited to attend as and when required.

b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights. *Fully Compliant- All members of both the both the Committee and Board are sent meeting papers ahead of meetings, are invited to training and are able to contribute fully to the decision making process.*

	Not Compliant			Fully Compliant
a)				✓
b)				✓

Principle C - Selection and role of lay members

a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. *Fully Compliant- see Governance Policy; training sessions specifically cover these points*

b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda. *Fully Compliant- Members of the Committee declare interests at the start of each meeting.*

	Not Compliant			Fully Compliant
a)				✓
b)				✓

Principle D – Voting

a) The policy of individual administering authority on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees. *Fully Compliant-See Governance Statement Whilst one of the pensioners' representatives and the trade union member representative do not have voting rights at the Committee, they are encouraged to participate fully in the meetings and decision making process*.

	Not Compliant			Fully Compliant
a)				✓

Principle E - Training/Facility time/Expenses

a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process *Fully Compliant.*

b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum. *Fully compliant*

c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken. *Fully Compliant – the Council seeks to ensure that all members of both the Committee and Board are aware of the six areas of knowledge and skills relating to the LGPS which CIPFA has identified as being the core technical requirements for those involved in decision taking; they are advised of training opportunities and a log is maintained of all training undertaken.*

	Not Compliant			Fully Compliant
a)				✓
b)				✓
c)				✓

Please use this space if you wish to add anything to explain or expand on the ratings given above: Please see the Fund's Training Policy

Principle F - Meetings (frequency/quorum)

a) That an administering authority's main committee or committees meet at least quarterly *Fully Compliant*

b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits. *Fully Compliant.*

c) That an administering authority that does not include lay members in their formal governance arrangements must provide a forum outside of those arrangements by which the interest of key stakeholders can be represented. *Not applicable - Employer and scheme member interests are represented at the Pension Committee and the Pension Board.*

	Not Compliant			Fully Compliant
a)				✓
b)				✓
c)				n/a

Principle G - Access

a) That subject to any rules in the Council's Constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee *Fully compliant- Meeting papers are dispatched to all members 5 clear working days prior to each meeting and, at the same time, published on the website.*

	Not Compliant			Fully Compliant
a)				✓

Please use this space if you wish to add anything to explain or expand on the ratings given above: Whilst one of the Pensioner representatives and the trade union member representative do not have voting rights, they are encouraged to fully participate in the meetings and decision making process.

Principle H - Scope

a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements. *Fully Compliant-The Committee and Board review all aspects of the Pension Fund management.*

	Not Compliant			Fully Compliant
a)				✓

Principle I - Publicity

a) That administering authority have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements. *Fully Compliant - Governance Policy and Compliance statement published in full on the Pensions website* ***http://www.croydonpensionscheme.org/***

	Not Compliant			Fully Compliant
a)				✓

August 2019

To be reviewed in June 2020

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www.croydon.gov.uk

Pensions Communications Policy Statement

2019

Your Local Government Pension Scheme Guide

Your Guide to the London Borough of Croydon Communications Policy

As the Administering Authority we have prepared this guide to help you to understand the various Communications policies that Croydon Council (as the Administering Authority) offers to all of its stakeholders

Communications Policy Statement

The Regulations require each administering authority in England and Wales to prepare, maintain and publish a statement setting out its policy on communicating with the following stakeholders and organisations:

- Contributing Scheme members
- Prospective Scheme members
- Pensioner Scheme members and deceased dependents
- Deferred Scheme members
- Admitted and scheduled Scheme employers participating in the Pension Fund
- Elected Members
- Local Pension Board
- Other bodies

This document sets out the mechanisms which are used to meet our communication needs. We aim to use the most appropriate methods for the audiences receiving the information. This may involve using more than one medium of communication.

Objectives

The aim of this Communications Policy (the Policy) is to make sure that all stakeholders are kept informed of developments within the Pension Fund (the Fund). We want to ensure transparency and an effective communication process will help maintain the efficient running of the Local Government Pension Scheme (the Scheme).

General Communications

We use a range of methods to communicate including a variety of paper-based and electronic means. The Fund has a dedicated website www.croydonpensionscheme.org/

We will accept communications electronically and will respond electronically where possible. For security reasons, we will not use email for communicating sensitive information or where it is necessary to verify the address or identity of the sender.

Website
Communication in the form of a dedicated Fund website is available. It contains a wide range of information for not only Scheme members but also Scheme employers and other interested parties. The website can be accessed via the Fund website. The website contains copies of newsletters and other relevant information pertaining to the Scheme.

Policy Documents
These are available for all stakeholders to access on the website.

Risks
The Fund's Risk Register includes various "Governance" risks which are partially mitigated by good communication arrangements. This policy helps to ensure that the Council meets its statutory obligations with regards to communication with stakeholders.

- **Contributing Scheme Members**

Member Self Service
All Members can request their own password to view their record. Amendments can be made to update certain details and calculations can be performed.

Annual Benefit Statement
Members can access their individual information via the member self service facility at their convenience. The Statement details information held on the Pension Section database and provides estimates of the current and future value of the member’s benefits.

Pensions Updates
When there are Scheme changes there will be additional communications to Members using a variety of communication methods.

Scheme Guides
Scheme guides are available on the website.

Pensions Helpline
Members can call the Pensions Section on one central helpline number, which is advertised in all our literature. The number is 0208 760 5768 x62892.

► **Prospective Scheme Members**

Initial Contact
All permanent new members of staff are automatically enrolled into the Scheme. Each new member is sent a statutory welcome letter confirming membership of the Scheme signposting members to the Scheme Guide and contact information.

Pensions Helpline
Prospective Scheme members can call the Pensions Section on one central helpline number, which is advertised in all our literature. The number is 0208 760 5768 x62892.

► Pensioner Scheme Members and Dependents

Pensioner's Payslips
All pensioners receive payslips in March, April and May along with their P60 at the end of the year. A payslip will also be received where the amount of net pension changes by more than £20.

Pensioners Newsletter
All pensioners receive an annual newsletter which is sent to their home address in April. This publication includes the pensions increase, and other relevant information advertised in all our literature.

Life Certificates
The Fund will undertake an annual exercise, for overseas pensioners , through correspondence in order to establish the details held are up-to-date.

The Council also participates in the National Fraud Initiative every 2 years.

Pensions Helpline
Members can call the Pensions Section on one central helpline number, which is advertised in all our literature. The number is 0208 760 5768 x62892.

► Deferred Scheme Members

Annual Benefit Statement
Members can access their individual information via the member self service facility at their convenience. The Statement details information held on the Pension Section database and provides estimates of the current and future value of the member's benefits.

Update of Information
If there are any changes to the Scheme Regulations which are relevant to deferred Scheme members correspondence will be sent directly to their latest home address held on the pensions database.

The Council also use a tracing agency to contact members who have lost contact with the Council.

Pensions Helpline
Members can call the Pensions Section on one central helpline number, which is advertised in all our literature. The number is 0208 760 5768 x62892.

► Admitted & Scheduled Scheme Employers participating in the Fund

Employer Forums
Meetings are held quarterly for employers; specifically they have been used as a mechanism for communicating major strategic issues, significant Scheme legislation changes, triennial valuation matters and the Funding Strategy Statement.

Employers are kept informed throughout the process of the triennial valuation which is carried out by the Fund's Actuary. Employers' comments are always encouraged and welcomed and, where appropriate, taken into consideration.

Administration Strategy
The Administration Strategy Statement sets out the roles and responsibilities of the Administering Authority (Croydon Council) and employers in the Fund. It sets out the service level agreements and targets which all are expected to meet. It can be found on the website.

► Communication with Elected Members

Information is provided to Council Members in order for them to be able to fulfil their duties under the role of the Administering Authority.

Access to Pension Committee
The Pension Committee is the Committee which has delegated power to review, administer and monitor the Fund.
The Committee meets a minimum of four times a year or more frequently, as required. Meetings are open to members of the public, although there may be occasions when they are excluded due to the confidential nature of matters under discussion. The agenda, reports and minutes of the meeting are available on the Council's website https://secure.croydon.gov.uk/akscroydon/users/public/admin/kabmenu.pl?cmte=PEN

Committee Reports
Reports are presented to the Pension Committee and to other committees as necessary. Members are kept informed of developments in relation to Fund issues and the impact that these can have on overall Council policies and procedures.

► Communication with the Pension Board

The Pension Board will meet at least four times a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work.

Reports to the Pension Board
The Board will be treated in the same way as a Committee of the Council and, as such, members of the public may attend and papers will be made public in the same was as described above for the Pension Committee.

► Communication with Other Bodies

There are a number of other interested parties with whom we will communicate as required, these include:

Additional Voluntary Contributions (AVC) Provider
AVCs are a way to top up your tax free lump sum and pension from the Scheme. The Council's AVC provider is Prudential. Contact details are available from the Council's website.

Trade Unions/Employer Representatives
We will work with the relevant trade unions and employer representatives to ensure the Scheme is understood by all interested parties. Efforts will be made to ensure that all pension related issues are communicated effectively with the trade unions.

Investment Managers, Advisers and Actuary
Regular meetings with fund managers who make investments on behalf of the Fund.
Regular meetings with investment advisers who provide help and advice on asset allocation and investment of the Fund.
Regular meetings with the Fund Actuary to discuss funding levels, employers' contributions and valuation of the assets and liabilities of the Fund.

Custodian
The Fund's Custodian is Bank of New York Mellon, who ensures the safekeeping of the Fund's investment transactions.

Pensions and Lifetime Savings Association (PLSA)
The Fund is a member of PLSA, which provides an opportunity for administering authorities to discuss issues of common interest and share best practice.

Local Authority Pension Fund Forum (LAPFF)
The Fund is a member of LAPFF. LAPFF was established to help local authorities funds to share information and ideas about socially responsible investing.

London Pension Officers Group (LPOG) and London Pension Officers Forum (LPOF)
The Fund is a member of these voluntary groups. Meetings are held on a quarterly basis to share information and ensure standardised interpretation of Scheme Regulations and best practice.

Requests for Information
Requests for information will be dealt with in accordance with relevant legislation.

Consultations
There are occasions when the Administering Authority will consult with interested parties whether as a result of potential changes to the Regulations governing the Scheme or specific policy changes relating to Croydon. In these instances, the most effective way of communicating with interested parties is to hold a period of consultation, during which they are given the opportunity to respond to specific changes. Interested parties and representative groups will be approached to provide feedback to the policy changes before amendments are enacted.

Accessibility
We are committed to making our information accessible to all and are striving to adhere to accessibility guidelines.

Review of Communication Policy
This policy document will be reviewed annually and updated as required.

Adopted by Pension Committee September 2019

The table below shows the availability of Fund publications along with their publication frequency and review periods.

Communication Material	**Paper based**	**Electronic form**	**Internet for all to view**	**When published**	**When reviewed**
Pension Scheme Guide	✓	✓	✓	Constantly available	Annually
Topping up Benefits	✓	✓	✓	Constantly available	Annually
Annual Benefit Statements	✓	✓	✗	Annually	Annually
Statutory Notifications	✓	✓	✗	On joining & Annual Benefit Statement	Annually
Members Self Service	✗	✓	✓	On joining	Continually
Pension Updates	✓	✓	✓	As required	After each publication
Annual Pension Fund Report	✓	✓	✓	Annually	Annually
Early Leaver Information	✓	✓	✗	Sent with Deferred benefits statement	Annually
Early Leaver Guidance	✓	✓	✓	Constantly available	Annually
Retirement Information	✓	✓	✗	Sent with retirement details	Annually
Retirement Guidance	✓	✓	✓	Constantly available	Annually
Pension Increase — incorporated in the Pensioners Newsletter	✓	✓	✓	Annually	Annually
Actuarial Valuation Report	✓	✓	✓	Triennially	Triennially
Pension Fund Committee	✓	✓	✓	Quarterly	Quarterly
Pension Board	✓	✓	✓	Quarterly	Quarterly
Communications Policy	✓	✓	✓	Annually	Annually
Governance Compliance Statement	✓	✓	✓	Annually	Annually

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Further Information

This document is available in large sight and Braille upon request.

If you need more information about the Scheme you should contact the following:
Pensions Section
5A, Bernard Weatherill House
8 Mint Walk
Croydon
CR0 1EA

Tele: 020 8760 5768 x 62892
Email: pensions@croydon.gov.uk
Website: www.croydonpensionscheme.org

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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