Statement of Accounts 2019/20

Statement of Accounts for the year ended 31 March 2020

CROYDON
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COMMUNITY LANGUAGES

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

Bengali

যদি ইংরাজী ছাড়া অন্য কোনো ভাষায় [illegible]
[illegible] দোভাষী এবং অনুবাদকের [illegible] ব্যবস্থা করা
যেতে পারে [illegible] 020 8726 6000.

Chinese

如果你覺得使用英語以外的另一種語言溝通更容易溝通的話，可作這選擇的。各式需要，你可以得到傳譯員及翻譯員的幫助，只需撥打電話號碼 020 8726 6000 查詢。

Francais

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

Gujarati

અંગ્રેજી સિવાયની બીજી કોઈ એક ભાષામાં તમે આસાનીથી વાતચીત કરતા હો તો એવું કરવા વિનંતી છે. દુભાષિયાની અને ભાષાંતરકારની સગવડ તમને પૂરી પાડી શકે છે. આ માટે ટેલિફોન નંબર 020 8726 6000 ઉપયોગ કરો.

Hindi

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

Punjabi

ਜੇਕਰ ਤੁਹਾਨੂੰ ਅੰਗਰੇਜ਼ੀ ਤੋਂ ਇਲਾਵਾ, ਕਿਸੇ ਹੋਰ ਬੋਲੀ ਵਿਚ ਗੱਲ ਕਰਨੀ ਆਸਾਨ ਲਗਦੀ ਹੈ ਤਾਂ ਕ੍ਰਿਪਾ ਕਰਕੇ ਜ਼ਰੂਰ ਕਰੋ। ਦੋ-ਭਾਸ਼ੀਏ ਅਤੇ ਤਰਜਮਾ ਕਰਨ ਵਾਲਿਆਂ ਦਾ ਪ੍ਰਬੰਧ ਕੀਤਾ ਜਾ ਸਕਦਾ ਹੈ। 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 yazılımış harfleri okumayı, ses kaseti veya Braille (kör) alfabesi kullanmayı daha kolay buluyorsanız, veya bizimle İngilizceden başka bir dilde iletişim kurmak istiyorsanız bu imkanı sağlayabiliriz. Yazılı ve sözlü tercüman temin edilir.
Telefon 020 8726 6000

Urdu

اگر آپ انگریزی کے علاوہ [illegible]
[illegible]
020 8726 6000.

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STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

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

► to approve the Statement of Accounts.

RESPONSIBILITIES OF THE CORPORATE DIRECTOR OF RESOURCES AND SECTION 151 OFFICER

The Corporate Director of Resources and Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2020.

In preparing the Statement of Accounts, the Corporate Director of Resources and Section 151 Officer has:

► selected suitable accounting policies and then applied them consistently;

► made judgements and estimates that were reasonable and prudent;

► complied with the Code of Practice;

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

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

CERTIFICATE OF THE CORPORATE DIRECTOR OF RESOURCES AND SECTION 151 OFFICER

LONDON BOROUGH OF CROYDON AND LONDON BOROUGH OF CROYDON PENSION FUND
FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2020

CERTIFICATE of the Corporate Director of Resources and Section 151 officer

I certify that this Statement of Accounts is an accurate summary of the accounts of the London Borough of Croydon and the London Borough of Croydon Pension Fund, for the financial year 2019/20 prepared in accordance with the accounting policies stated.

Jane West
Corporate Director of Resources and Section 151 Offier

Dr Olu Olasode
Independent Chair, Audit and Governance Committee

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

Report on the Audit of the Financial Statements

Disclaimer of opinion

We were engaged to audit the financial statements of the London Borough of Croydon (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2020 which comprise the Movement in Reserves Statement, the 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 Cash Flow 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 2019/20.

We do not express an opinion on the accompanying financial statements of the Authority or the Group. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

We issued a report in the public interest in January 2022 which outlined our concerns over the historical decision making and governance arrangements relating to the refurbishment of Fairfield Halls. The £62.6 million refurbishment of Fairfield Halls was undertaken by the Authority's wholly owned subsidiary Brick by Brick Croydon Ltd and funded by the Authority. This report highlighted potential non-compliance with laws and regulations by the Authority. In response, the Authority engaged a forensic expert to investigate the matters detailed in our report. The Authority's consideration of the forensic expert's report and other reports, including our report in the public interest on Fairfield Halls, plus our separate report in the public interest concerning the Authority's financial position and related governance arrangements, led to the Authority referring matters to the Metropolitan Police to consider whether a misconduct in public office offence has been committed. The Authority's management are unable to quantify the potential impact of this ongoing police investigation on the financial statements. We are unable to conclude on the completeness of these matters and the implications on the wider audit and as a result we are unable to:

- respond appropriately to suspected non-compliance with laws and regulations identified during the audit;
- obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements; and
- perform specified audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements.
- complete relevant work in relation to the risk of management override of controls including testing journal entries, in accordance with ISA240, which sets out the Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements.

We have concluded that the possible effects on the financial statements of undetected misstatements arising from these matters could be both material and pervasive.

Limitation of Scope on our audit procedures

In addition to the above, The Authority is a member of a multi-employer pension scheme and as at 31 March 2020 the Authority held a share of the Pension Fund's assets (£1,015,827,000) and liabilities (£1,488,447,000), the net liability of £472,620,000 of which is included in the balance sheet at 31 March 2020. As at 31 March 2019 the share of assets was £1,060,753,000, the liabilities was £1,724,859,000 and the net liability £664,106,000.

As part of our audit procedures, we requested evidence to support the accounting for secondary pension contributions. Secondary contributions serve to recover pension deficits relating to past service, or to reduce primary contributions where a surplus position has arisen. This would require the Authority to commission further work from its actuarial specialists to determine whether these secondary contributions give rise to an additional liability. To limit further delays and costs, management have determined it appropriate to limit the scope of our work in respect of the defined benefit pension plan net liability as disclosed in the balance sheet, associated Pension Fund asset and liability disclosures in the financial statements and corresponding opening balances by not commissioning this additional work. Consequently, we have been unable to determine whether any adjustment to the Authority's share of the London Borough of Croydon Pension Fund's assets and liabilities, or other amounts disclosed in the financial statements in respect of the share of assets and liabilities, are necessary. In addition, were any adjustment to the defined benefit pension plan net liability to be required, the Chief Financial Officer's narrative report would also need to be amended.

Overview of our audit approach

Financial statements audit

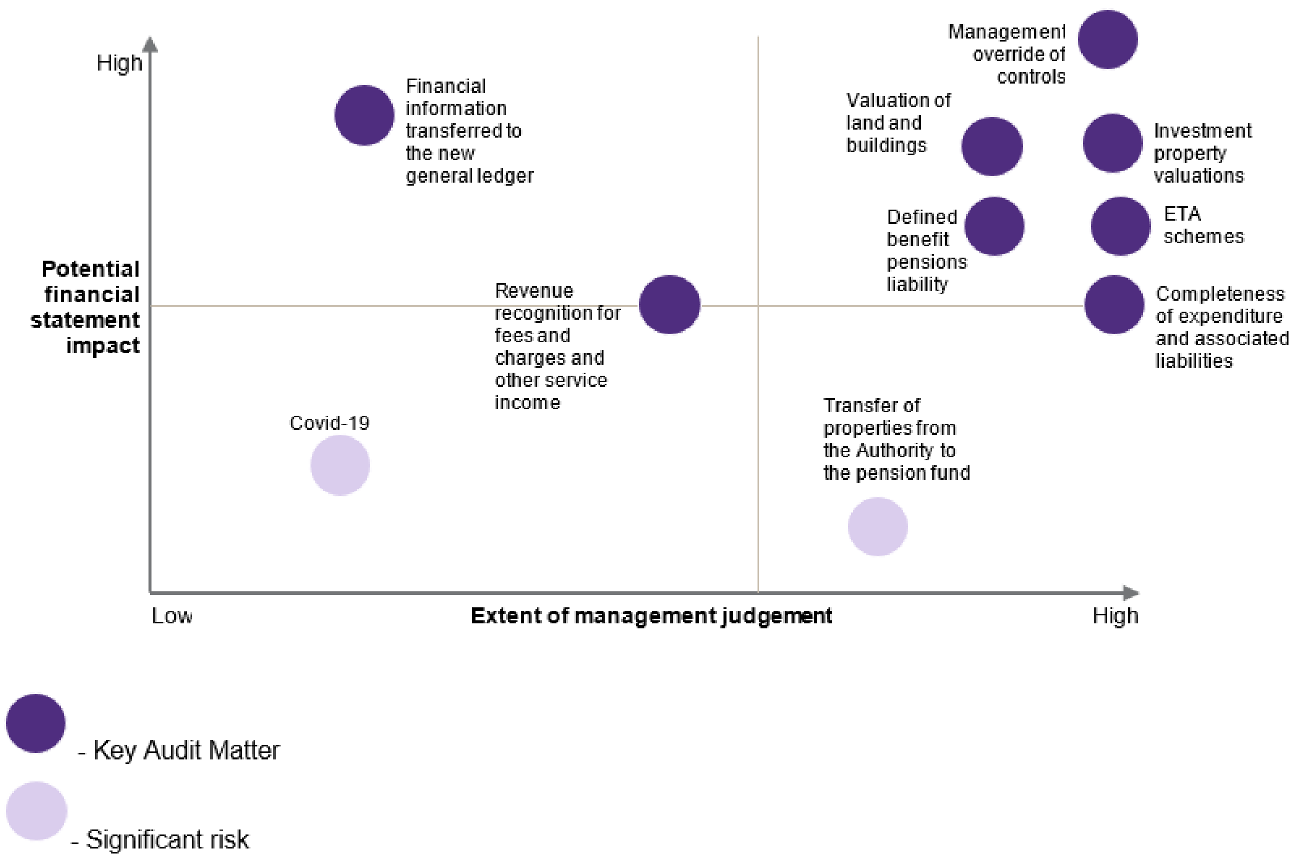
- Overall materiality: £15,000,000, which represents approximately 1.2% of the group's gross expenditure
- In addition to the matters described in the basis for disclaimer of opinion section we have determined the matters described below to be the key audit matters to be communicated in our report:
  - Revenue recognition for fees and charges and other service income
  - Completeness of operating expenditure and associated creditor balances
  - Valuation of land and buildings, including council dwellings
  - Valuation of investment properties
  - Valuation of the defined benefit pension fund net liability
  - Financial information transferred to the new general ledger
  - Accounting for Emergency Temporary Accommodation (ETA) schemes
- We determined that a full scope audit of the Authority and Brick by Brick Croydon Ltd was required and engaged the auditors of its subsidiary Brick by Brick Croydon Ltd to act as component auditor.

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

- We identified five significant risks in respect of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources in respect of financial sustainability, governance of the Authority's companies, refurbishment of Fairfield Halls, the condition of the Authority's housing stock and children's services.

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement. This is not a complete list of all risks identified by our audit.



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. In addition to the matters described in the basis for disclaimer of opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter – Group and Authority	How the matter was addressed in the audit – Group and Authority
Revenue recognition for fees and charges and other service income Note 1C to the Core Financial Statements discloses fees and charges and other service income of £507 million. There is a risk that this revenue has been misstated through: • fraudulent entries, because of the pressures placed on the Authority by its challenging financial position, and • entries made in error, because there is greater management judgement involved in recognising this type of income. We therefore identified occurrence and accuracy of fees and charges and other service income as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • evaluating the Group and Authority's accounting policy for recognition of fees and charges and other service income to confirm compliance with the financial reporting framework; • gaining an understanding of the Group and Authority's processes for accounting for fees and charges and other service income and evaluating the design of the associated controls; and • testing, on a sample basis, fees and charges and other service income to confirm its occurrence and accuracy. The Group and Authority's accounting policy on revenue recognition is shown in note 1.18 to the Core Financial Statements and related disclosures are included in note 1C. **Our results** Based on our audit work, we have nothing to report in respect of fees and charges and other service income.
Completeness of operating expenditure and associated creditor balances Note 1C to the Core Financial Statements discloses other service expenses of £1,065 million and Note 20 discloses trade and other payables of £162 million. There is a risk that these balances have been fraudulently misstated because of the pressure on management to deliver a balanced budget, which is accentuated by the Authority's low level of general fund reserves and reported in-year budget overspends. We therefore identified the completeness of operating expenditure and associated creditor balances as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • obtaining an understanding of the Group and Authority processes for accounting for accounts payable and evaluating the design of the associated controls; • assessing completeness of operating expenses by checking reconciliations between the Accounts Payable system and the General Ledger; • identifying any unrecorded liabilities by testing a sample of invoices input to the accounts payable system post-period end and reviewing cash payments post-period end; • testing a sample of expenditure to confirm it is recognised in the correct financial year, by agreeing back to invoices/ other supporting documentation • testing a sample of trade and other payables to confirm they have not been understated, by agreeing back to invoices/other supporting documentation and checking for subsequent payment via the bank; • testing Transformational Expenditure to confirm it meets the requirements to be classified as such, as this Expenditure reduced the impact on the Council's General Fund due to its treatment as Capital under the guidance.

Key Audit Matter – Group and Authority	How the matter was addressed in the audit – Group and Authority

	The Group and Authority's accounting policy on expenditure recognition is shown in note 1.18 to the Core Financial Statements and related disclosures are included in notes 1C and 20 to the Core Financial Statements.
	
	Key observations
	
	Based on our audit work, we did not identify any material misstatements in operating expenditure and associated creditor balances. We highlighted the following matters to the Authority's Audit and Governance Committee:
	
	• The Authority entered into a highways maintenance contract in September 2011 which ran for seven years. At the end of the contract term the Authority received a claim from the contractors for unpaid works. The Authority did not initially provide for this claim but have subsequently adjusted the financial statements to recognise a provision totalling £9.439 million and also the corresponding expenditure.
	
	• We challenged management's assertion that no minimum revenue provision (MRP) was required in respect of:
	    • investment properties, and
	    • loans made to the Authority's wholly owned subsidiary Brick by Brick Croydon Ltd.
	
	Management accepted this challenge and subsequently included these items within their MRP calculation. This resulted in an additional £3.5 million of expenditure being recognised in the financial statements.

Valuation of land and buildings, including council dwellings The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£1.879 billion as per note 12) and the sensitivity of this estimate to changes in key assumptions that reflect market observations and the condition of the asset at the time, such as physical condition and obsolescence factors. These assumptions are subject to error and a small change in them can have a significant impact on the valuation of land and buildings. Additionally, management need to ensure the carrying value of these assets is not materially different from the current value at the financial statements date. We therefore identified the valuation of land and buildings, including council dwellings, as a significant risk, which was one of the most significant assessed risks of material misstatement.	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 experts (management's expert) and the scope of their work; • evaluating the competence, capabilities and objectivity of management's expert; • discussing with management's expert the basis on which the valuation was carried out; • testing source data used in the valuation process; • challenging the information and assumptions used by management's expert to assess their completeness and consistency with our understanding. We also engaged our own auditor's expert to assess the instructions given to the Authority's valuer, the Authority's valuer's report and the assumptions that underpin the valuations; • testing a sample of revaluations made during the year to confirm they had been input 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.

Key Audit Matter – Group and Authority	How the matter was addressed in the audit – Group and Authority
	The Group and Authority's accounting policy on Property, Plant and Equipment is shown in note 1.4 to the Core Financial Statements and related disclosures are included in note 12. **Key observations** Based on our audit work, we did not identify any material misstatement in the valuation of land and buildings, including council dwellings, as at 31 March 2020. 'We draw attention to Note 4 of the core financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Group and Authority's land and buildings as at 31 March 2020. As disclosed in note 4 to the core financial statements, due to the outbreak of Covid-19 at the end of the financial year, management's expert has advised that valuations are provided on the basis of "material valuation uncertainty" as per the RICS Red Book Global. Our opinion is not modified in respect of this matter.
Valuation of investment properties The Authority revalues its investment properties on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£118 million as per note 14) and the sensitivity of this estimate to changes in key assumptions such as rental yields. These assumptions are subject to error and a small change in them can have a significant impact on the valuation of investment properties. We therefore identified valuation of investment properties as a significant risk, which was one of the most significant assessed risks of material misstatement.	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 the valuation experts (management's expert) and the scope of their work; • evaluating the competence, capabilities and objectivity of management's expert; • writing to management's expert to confirm the basis on which the valuations were carried out; • challenging the information and assumptions used by management's expert to assess completeness and consistency with our understanding, which included engaging our own auditor's expert to assess the instructions given to the Authority's valuer, the Authority's valuer's report and the assumptions that underpin the valuation; • testing, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register; and The Group and Authority's accounting policy on investment properties is shown in note 1.4.3 to the financial statements and related disclosures are included in note 14. **Key observations** Based on our audit work, we did not identify any material misstatement in the valuation of investment properties at 31 March 2020. We draw attention to Note 4 of the core financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Group and Authority's investment properties as at 31 March 2020. As disclosed in note 4 to the core financial statements, due to the outbreak of Covid-19 at the end of the financial year, management's experts have advised that valuations are provided on the basis of "material valuation uncertainty" as per the RICS Red Book Global. Our opinion is not modified in respect of this matter.

Key Audit Matter – Group and Authority	How the matter was addressed in the audit – Group and Authority
Valuation of the defined benefit pension fund net liability The value of the net liability amounts to £473 million. Estimating the value of the net liability requires management to make several assumptions, the most significant of which cover the discount rate, the inflation rate, salary increases and life expectancy. These assumptions are subject to error and a small change in them can have a significant impact on the valuation of the net liability. We therefore identified valuation of the defined benefit pensio fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • updating our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluating the design of the associated controls; • evaluating the instructions issued by management to management's 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 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 amounts and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • obtaining and assessing evidence from the auditor of London Borough of Croydon Pension Fund as to the controls over the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and their testing of fund asset valuations in the pension fund financial statements; and • undertaking procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. The Authority's accounting policy on employee benefits is shown in note 1.10 to the financial statements and related disclosures are included in note 42. **Key observations** Based on our audit work, we did not identify any material misstatement in the valuation of the defined benefit pension fund net liability as at 31 March 2020. We draw attention to Note 4 of the core financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Group and Authority's share of London Borough of Croydon Pension Fund's property and infrastructure assets at 31 March 2020. As disclosed in Note 5 to the financial statements, a material valuation uncertainty was disclosed in the valuer's report to the Croydon Pension Fund. Our opinion is not modified in respect of this matter.

Key Audit Matter – Group and Authority	How the matter was addressed in the audit – Group and Authority
Financial information transferred to the new general ledger In April 2020, the Authority implemented a new cloud based general ledger system for the 2019/20 financial year. When implementing a new significant accounting system, it is important to ensure that sufficient controls have been designed and operate to ensure the integrity of the data. There is also a risk over the completeness and accuracy of the data transferred from the previous ledger system. We therefore identified the completeness and accuracy of the transfer of financial information to the new general ledger system as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • the completion of an information technology (IT) environment review by our IT audit specialists which documented, evaluated and tested the IT controls operating within the new general ledger system; and • mapping the closing balances from the 2018/19 general ledger to the opening balance position in the new ledger for 2019/20 to ensure accuracy and completeness of the financial information. **Key observations** Based on our audit work we did not identify any material misstatement in the completeness and accuracy of financial information transferred to the new general ledger.
Accounting for Emergency Temporary Accommodation (ETA) schemes Between 2017/18 and 2019/20, the Authority entered into a series of lease arrangements with external parties, whereby the Authority transferred control of 344 dwellings for a period of 80 years in return for an up-front lease premium. These properties were used to provide emergency temporary accommodation. Simultaneously, the Authority and the two external parties entered into another series of lease agreements with external funders who paid a sum of money up front in return for future index-linked repayments. At the same time, the Authority extended a loan facility to the external parties, which was repaid by them immediately, apart from a residual loan balance that would be repaid to the Authority over a period of 40 years. The accounting treatment for this series of transactions is complex and therefore there is scope for error in its application. We therefore identified accounting for ETA schemes as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • evaluating the design and implementation of the Group and Authority's processes and controls for accounting for ETA schemes; • considering the findings of the report commissioned by the Authority to review the accounting for ETA schemes; • challenging management on the appropriateness of their accounting policy for ETA schemes, which included the involvement of internal technical specialists; and • testing accounting for ETA transactions to confirm compliance with the CIPFA Code of Practice for Local Authority Accounting 2019/20. **Key observations** Following our challenge, the Authority revised its accounting treatment for ETA schemes. This resulted in adjustments being made to the financial statements for 2019/20, with prior period adjustments also being made for 2017/18 and 2018/19. The impact of these adjustments is disclosed in notes 5, 6 and 43 to the core financial statements. As a result of these adjustments being made, we concluded there was no evidence of material misstatement in respect of accounting for ETA schemes.

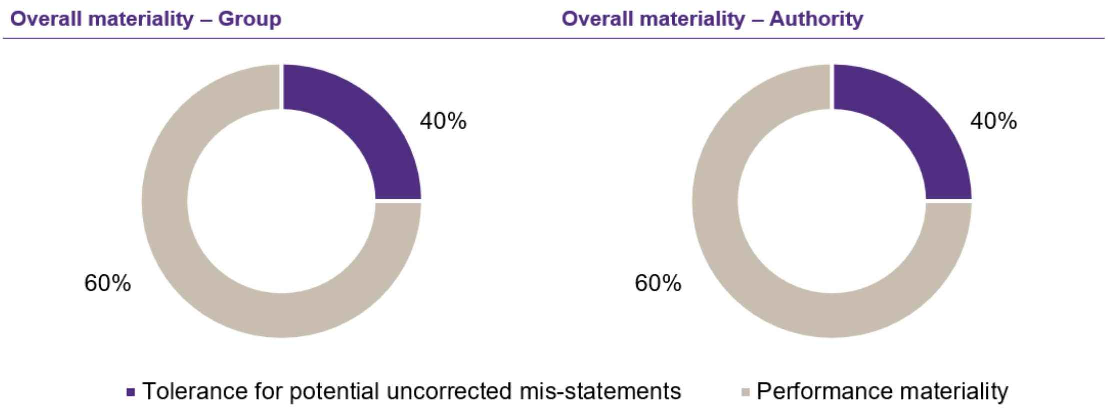
Our application of materiality

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	£15,000,000, which is approximately 1.2% of the group'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 group has expended its revenue and other funding. Materiality for the current year is lower than the level we determined for the year ended 31 March 2019 to reflect our view that the profile of the audit increased in risk during the 2019/20 financial year as well as subsequent events relating to the 2019/20 financial year which included the issuance of notices under s114 of the Local Government Finance Act 1988 by the Authority as well as the issuance of our reports in the public interst.	£14,000,000, which is approximately 1.2% 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 lower than the level we determined for the year ended 31 March 2019 to reflect our view that the profile of the audit increased in risk during the 2019/20 financial year as well as subsequent events relating to the 2019/20 financial year which included the issuance of notices under s114 of the Local Government Finance Act 1988 by the Authority as well as the issuance of our reports in the public interest.
Performance materiality used to drive the extent of our testing	60% of financial statement materiality	60% of financial statement materiality
Specific materiality	We determined a lower level of specific materiality for certain areas such as senior officer remuneration where materiality was determined as £100,000.	We determined a lower level of specific materiality for certain areas such as senior officer remuneration where materiality was determined as £100,000.
Communication of misstatements to the Audit and Governance Committee	£800,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£700,000 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.



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 gross expenditure.

- 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 gross expenditure.

- Performance of full audit procedures for the Authority, which covered 97.67% of the group's total income, 96.69% of its total expenditure and 99.27% of its net assets;

- Performance of an interim visit, which included evaluation of the group's internal control environment including its IT systems and controls;

- Obtaining an understanding of the group structure and the consolidation process and testing the consolidation process, including the alignment of accounting policies and significant consolidation adjustments, and

- Issuing group instructions to the auditors of Brick by Brick Croydon Ltd in respect of their audit of Brick by Brick Croydon Ltd for the year ended 31 March 2020 and evaluating the results of their work.

- As a result of our report in the public interest on the refurbishment of Fairfield Halls, the Authority engaged a forensic expert to investigate the matters raised in our report. We subsequently read the report produced by the forensic expert and considered its impact on our audit of the financial statements.

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 sector in which they operate. We determined that the following laws and regulations were most significant:
  - CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20
  - Local Audit and Accountability Act 2014
  - Accounts and Audit Regulations 2015
  - Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 1992 and the Local Government Finance Act 2012)
  - Local Government and Housing Act 1989
  - Local Government Act 2003
  - Local Government Act 1972

- We understood how the Authority and the group is complying with those legal and regulatory frameworks by making inquiries to the Authority's officers, including management, the Chair of the General Purposes and Audit Committee (which has subsequently been replaced by the Audit and Governance Committee), internal auditors and the monitoring officer. We corroborated our inquiries through review of board minutes and 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 by the group engagement team and component auditors 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 over the financial reporting process;
  - challenging assumptions and judgments made by management in its significant accounting estimates, for example in relation to the valuation of land and buildings, investment properties and the net liability related to defined benefit pension schemes;
  - identifying and testing journal entries, in particular any journal entries we deemed to be unusual;
  - assessing the extent of compliance with relevant laws and regulations as part of our procedures on related financial statement items.

- We communicated relevant laws and regulations identified at group level to the component auditors and both the group engagement team and component auditors performed the audit procedures as above. Any instances of non-compliance with laws and regulations were communicated by components and considered in our audit approach, if applicable.

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 Edition' 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 matter required by the Code of Audit Practice

The Corporate Director of Resources and Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts and Annual Governance Statement, other than the Authority and group financial statements and our auditor's report thereon and our auditor's report on the pension fund financial statements. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

As described in the limitation of Scope on our audit procedures section of our report, we were unable to satisfy ourselves concerning the Authority's share of the London Borough of Croydon Pension Fund's assets (£1,015,827,000), liabilities (£1,488,447,000) and the net liability of £472,620,000 which is on the balance sheet at 31 March 2020 and corresponding opening balances. We have concluded that where the other information refers to the defined benefit pension plan net liability or related balances and disclosures, it may be materially misstated for the same reason.

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 except:

- On 23 October 2020 we issued a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 concerning the Authority's financial position and related governance arrangements.
- On 26 January 2022 we issued a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 concerning the refurbishment of Fairfield Halls and related governance arrangements.

Also within the report issued on 26 January 2022 we made seven written recommendations to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to its procurement and contract management arrangements. We recommended that the Authority should:

- Ensuring appropriate reporting to Cabinet on the risks and mitigations for major projects, including providing timely updates where circumstances change prior to the initial decision

- Ensuring contracts are signed and stored robustly to allow future review and challenge, and to ensure these are in place before payments are made to third parties.

- Making sure there are clear differences between the roles and responsibilities of acting for the Council alongside its subsidiaries

- Finally, ensuring there are clear frameworks in place to support the monitoring and reporting on major capital projects

Responsibilities of the Authority, the Corporate Director of Resources and Section 151 Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, 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 Corporate Director of Resources and Section 151 Officer. The Corporate Director of Resources and Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director of Resources and 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 Corporate Director of Resources and 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 Audit and Governance 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 responsibility is to conduct an audit of the Authority and group financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on thos financial statements.

We are independent of 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.

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 2020 and subsequent financial periods. The period of total uninterrupted engagement is seven years, covering the years ending 2013 to 2020.

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

The following services, in addition to the audit, were provided by the firm to the Authority or its subsidiaries and have not been disclosed in the financial statements or elsewhere in the Statement of Accounts:

- Work on the Housing Benefit Subsidy Return
- CFO Insights Subscription; and
- Adult Social Care Index.

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

Report on other legal and regulatory requirements – Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Adverse conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, because of the significance of the matters described in the basis for adverse conclusion section of our report, we are not satisfied that, in all significant respects, the London Borough of Croydon put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for adverse conclusion

In considering the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources we identified the following matters:

Financial sustainability

The Authority's financial statements for 2019/20 report that General Fund reserves fell from £10.4 million as at 31 March 2019 to £0 at 31 March 2020. In October 2020 we issued a report in the public interest, which set out serious concerns about the Authority's financial situation, its financial decision-making and governance. In November and December 2020 the Authority's s151 officer issued notices under section 114 of the Local Government Finance Act 1988 because the Authority was not in a position to fund its forecast expenditure from its existing financial resources. These s114 notices were revoked in March 2021 following the receipt of a Capitalisation Direction from the Department of Levelling Up, Housing and Communities which allowed for revenue expenditure to be treated as capital expenditure and to be funded from borrowing. This enabled the Authority to balance its budget. These matters indicate weaknesses in the Authority's financial planning arrangements during 2019/20.

These matters are evidence of weaknesses in proper arrangements for planning finances to support the sustainable delivery of strategic priorities and maintain statutory functions.

Governance of the Authority's companies

The Authority has established several companies. We have identified the following weaknesses in the Authority's arrangements for governing and managing these companies:

- our report in the public interest on the refurbishment of Fairfield Halls detailed our concerns over the Authority's governance arrangements for its wholly owned subsidiary, Brick by Brick Croydon Ltd
- the Authority did not properly consider the accounting implications when creating these companies and entering into transactions with them
- the Authority failed to comply with Companies House filing requirements for one of its wholly owned companies
- there were instances where companies were set up but senior officers within the Authority were not aware that had been done
- there was a lack of challenge from members when reports on the Authority's companies were presented to them.

These matters are evidence of weaknesses in proper arrangements for:

- acting in the public interest, through demonstrating and applying the principles and values of sound governance; and
- managing risks effectively and maintaining a sound system of internal control.

Refurbishment of Fairfield Halls

We issued a Public Interest Report in January 2022, which highlighted a range of failings over the Authority's management of the refurbishment of Fairfield Halls, which was redeveloped by the Authority between June 2016 and September 2019. These weaknesses included:

- Not providing clear information to Cabinet to enable informed decision making, along with failing to refer the project back to Cabinet when the parameters changed during the course of the build.

- There was also a lack of evidence to support some of the decisions taken along with some of the tolerances that were included in the decisions.

- The Authority was unable to provide signed copies of key documents, and was unable to evidence these were in place before payments were made to third parties

- The lack of robust monitoring and reporting on the progress of major capital projects; and

- A lack of clarity and separation of duties over officers and members acting for both the Council and its wholly owned subsidiary.

These matters are evidence of weaknesses in proper arrangements for acting in the public interest through demonstrating and applying the principles and values of sound governance.

Condition of the Authority's housing stock

An investigation into the condition of the Authority's social housing stock identified instances of dwellings being unfit for habitation because of mould, leaks and other issues present within the properties. A further investigation identified that the Authority was failing to deliver 'core' housing services effectively.

These matters are evidence of weaknesses in proper arrangements for:

- understanding and using appropriate and reliable financial and performance information to support informed decision makin[g] and performance management; and

- commissioning services effectively to support the delivery of strategic priorities

Weaknesses in internal control and arrangements to prepare financial statements

During the course of the year, we identified that Internal Audit had issued a nil assurance opinion on the Council's overall arrangements in 2019-20, due to the wide scale of issues identified from the reviews undertaken. We also identified a considerabl[e] number of errors in the draft financial statements, as evidenced by the scale of issues reported within our Audit Findings Report.

These matters are evidence of weaknesses in proper arrangements for:

- ensuring reliable and timely financial reporting which supports the delivery of strategic priorities; and

- managing risks effectively and maintaining a sound system of internal control.

Significant risks

Under the Code of Audit Practice, we are required to report on how our work addressed the significant risks we identified in formin[g] our conclusion on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Significant risks are those risks that in our view had the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. The table below sets out the significant risks we have identified. These significant risks were addressed in the context of our conclusion on the Authority's arrangements as a whole and in forming our conclusion thereon, and we do not provide a separate opinion on these risks.

Significant risks forming part of our adverse conclusion	How the matter was addressed in the audit
Risk 1 Financial sustainability The Authority is continuing to face pressure to deliver its services within the agreed budget, with particular pressures on Adult Social Care and Unaccompanied Asylum Seeker Children as well as increased demand for temporary accommodation. These pressures are putting the Authority's finances under considerable strain.	Our audit work included, but was not restricted to: - assessing the action taken by the Authority to respond to recommendations made on financial sustainability as part of our 2018/19 audit - assessing the Authority's performance against its revenue and capital budgets for 2019/20 - obtaining an update on the Authority's Medium Term Financial Strategy, including progress on identifying savings required in coming years - considering the impact of potential financial issues arising from Brexit, such as changes in property values, adverse changes to investment and borrowing rates, changes to business rate income and workforce costs **Key findings** We have qualified our conclusion in respect of this risk, as set out in the basis for adverse conclusion section of the report.
Risk 2 Governance of the Authority's companies The Authority's wholly owned subsidiary, Brick by Brick Croydon Ltd, is moving into the phase where dividends are expected to be received by the Authority. The Authority needs to ensure that governance processes for its companies remain appropriate.	Our audit work included, but was not restricted to: - reviewing the Authority's governance arrangements for Bric by Brick Croydon Ltd and other companies in which the Authority has an interest - considering the Authority's arrangements for maximising the intended benefits from its investments in companies - considering the findings from our public interest report on the refurbishment of Fairfield Halls by Brick by Brick Croydon Ltd - considering the findings from an external review of the Authority's governance of its companies. **Key findings** We have qualified our conclusion in respect of this risk, as set out in the basis for adverse conclusion section of the report.
Risk 3 Refurbishment of Fairfield Halls Our report in the public interest on the refurbishment of Fairfield Halls identified significant failings in financial oversight of the project and related governance arrangements.	Our audit work included, but was not restricted to: considering the findings from our public interest report on the refurbishment of Fairfield Halls considering the findings from an external review of financial management arrangements for this project considering the findings from an external review of the Authority's governance of its companies. **Key findings** We have qualified our conclusion in respect of this risk, as set out in the basis for adverse conclusion section of the report.

Significant risks forming part of our adverse conclusion	How the matter was addressed in the audit
Risk 4 Condition of the Authority's housing stock An investigation has identified a range of issues relating to the living conditions of residents in council dwellings.	Our audit work included, but was not restricted to: - considering the findings of an external investigation on living conditions in council dwellings. **Key findings** We have qualified our conclusion in respect of this risk, as set out in the basis for adverse conclusion section of the report.

Significant risks not forming part of our adverse conclusion	How the matter was addressed in the audit
Risk 5 Children's services Ofsted rated the Authority's children's services as inadequate in September 2017. Ofsted performed a reinspection of children's services in February 2020.	Our audit work included, but was not restricted to: - considering the results of the reinspection undertaken by Ofsted in February 2020 - considering the Authority's performance against its objectives and targets for children's services. **Key findings** Ofsted rated the Authority's children's services as good, following their reinspection in February 2020.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects, the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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 for the Authority for the year ended 31 March 2020 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our consideration of matters brought to our attention, including whether we need to exercise any of our formal powers, as listed in the matters on which we are required to report by exception section of our report, relating to the outcome of the ongoing police investigation.

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

Manchester

13th December 2024

NARRATIVE STATEMENT 2019/20

INTRODUCTION

This statement summarises the Council's financial performance during 2019/20 showing expenditure for all services during the year and the Council's financial position as at 31 March 2020. This Narrative Statement is an important part of the accounts. It provides information about Croydon and includes the key issues affecting the Council's accounts. It also summarises the financial position at the end of the financial year 2019/20.
It should be noted that this is an updated version of the draft 2019/20 accounts, replacing the version of the draft accounts that were published in October 2020 on the Council's website.

BACKGROUND

The London Borough of Croydon experienced an unprecedented period of turmoil from 2019 through to 2021. The aftermath of that turmoil is still being worked through today, in 2023, which is why the draft accounts for The 2019/20 have needed to be revised prior to the external audit being completed by Grant Thornton. The draft accounts for 2020/21 still need to be revised and the accounts for 2021/22 and 2022/23 still need to be produced.
As set out in the Council's Annual Governance Statement for 2020/21, significant issues relating to the Council's governance were identified during the course of 2020/21:

► Croydon Council's external auditors published on 23 October 2020 a 'Report in the Public Interest' (RIPI). The report set out serious concerns about the Council's financial situation, its financial decision-making and governance and made 20 recommendations.

► An independent strategic review of Brick by Brick, Croydon Affordable Homes LLP and the Council's Revolving Investment, Asset Investment and Growth Zone Funds was conducted by PWC in November 2020. The review found that Brick by Brick significantly underperformed against its 2019/20 business plan, there was an absence of company-wide cash flow and forecasting arrangements and the company's ambitious strategy of development had placed the Council at risk in relation to loans. Governance of all of these companies and funds and oversight by the Council were identified as requiring significant improvement.

► The accounting treatment of Croydon Affordable Homes and Croydon Affordable Tenures in the 2019/20 draft accounts was identified by Grant Thornton as requiring review and the Council was warned that any financial implications would need to be dealt with appropriately. It was highlighted by Grant Thornton that these could be significant.

► An adverse qualification in the external auditor's conclusion on Value For Money for 2018/19, meant that some significant issues were still to be resolved.

► Significant overspending had been identified in relation to the refurbishment expenditure at Fairfield Halls and required a review by the Council's external auditors.

► The Council issued two 'Section 114 reports' in November and December 2020. These required the Council to identify actions in order to achieve a balanced budget, which included seeking a capitalisation. directive from the (then) Ministry of Housing, Communities and Local Government (MHCLG) in December 2020

► MHCLG commissioned a non-statutory 'rapid review' (completed in November 2020) and appointed an Improvement and Assurance Panel which issued its first report in February 2021.

During 2020/21, the Council fully recognised the scale and significance of issues to be addressed and the systemic change required. In December 2020 it adopted actions to address areas for improvement identified by the RIPI within the Croydon Renewal Plan, a major programme to deliver savings, strengthen governance and financial practices and embed new ways of working to put the Council on a more sustainable financial footing.

The Improvement and Assurance Panel, appointed in January 2021 and which first reported in February 2021, continues to be in place and provides external advice and challenge to the Council along with assurance to the Secretary of State. The Council immediately set to work delivering the Croydon Renewal Plan and reporting progress on a quarterly basis.

In addition to input from the Improvement and Assurance Panel, support has been sought from a number of different sources including the Local Government Association and a review of the Council's scrutiny arrangements informed by the Centre for Governance & Scrutiny.

In order to balance the 2020/21 budget, borrowing of up to £70m for the financial year 2020-21 was sanctioned by the MHCLG in March 2021 under a 'Capitalisation Direction'. This agreement was conditional on the Council delivering its renewal plans at pace and the provision of regular positive progress updates by the Improvement and Assurance Panel to MHCLG.

In addition to these developments, in March 2021 the Council launched an investigation into the condition of its housing stock following complaints and national press coverage of conditions at Regina Road, South Norwood. An independent report commissioned by Croydon from the ARK consultancy made a number of far-reaching recommendations to significantly change the arrangements and management of Croydon Council's housing stock.

In January 2022, the Council's External Auditor issued a second Report in the Public Interest (RIPI 2) concerning the refurbishment of Fairfield Halls and related governance arrangements and made recommendations which were included in the Croydon Renewal and Improvement Plan.

Most of the recommendations contained in the Croydon Renewal Plan have now been implemented and the few that remain are incorporated into the regular Annual Governance Statement reporting to the independently chaired Audit and Governance Committee, established in May 2022 (previously reporting went to the old General Purposes and Audit Committee).

In May 2022 a new Executive Mayor for Croydon was elected who initiated an Opening the Books exercise to understand the Council's financial position. This work was supported by Worth Technical Accounting Services and PWC. In November 2022, a new S114 report was issued which concluded that Croydon had no prospects of returning to financial sustainability without significant and extraordinary financial support from government above and beyond the usual mechanism of Capitalisation Directions.

The Opening the Books work identified a number of legacy issues which might require the Council to revise its draft unaudited accounts for 2019/20 in relation to:-

- Croydon Affordable Homes/Croydon Affordable Tenures incorrectly accounted for
- Incorrect charges from the General Fund to the Housing Revenue Account
- An insufficient level of Provision for Bad Debt

By March 2023 the legacy adjustments required had been costed and the Council was granted Capitalisation Directions to deal with these legacy accounting issues as follows:

- For 2019/20, £126m
- For 2020/21, £10m
- For 2021/22, £14.4m
- For 2022/23, £11.2m.

The 2019-20 accounts utilise all £126m of the Capitalisation Direction granted for that year, as well as a further £9.439m of capitalisation direction requested in January 2024, to address a contract dispute cost chargeable to the 2019/20 financial year.

The S114 notice issued in November 2022 also identified that the work which had been done in preparation for the 2023/24 Council Tax Setting in March 2023 had identified that expenditure the authority was projected to incur in each year of the period 2023/24-2026/27 would exceed resources (including sums borrowed) available to the Council to meet that expenditure. The combination of the ongoing budget requirements of these legacy budget adjustments, fundamental structural issues within the Council's finances such as a toxic debt burden of negative equity from historic uncontrolled borrowing plus the national and global issues the local government sector continues to face, had undermined the progress being made on the financial recovery. It was clear that in order to balance the Council's budget in 2023/24, and later years, further assistance would be required beyond the Capitalisation Directions usually deployed by central government. The S114 Notice noted that extraordinary support beyond Capitalisation Directions could include write off of all or part of the Council's outstanding debt, permission to repay debt over a longer period and/or at a lower rate of interest or permission to increase the Council Tax beyond the referendum cap.

At council tax setting in March 2023, the Council balanced its 2023-24 budget through a 15% council tax increase (10% above the national referendum limit through a flexibility granted by DLUHC) and capitalisation direction of £63m for that year.

The Council remains in dialogue with the Department for Levelling Up, Housing and Communities (DLUHC) in relation to a path back to financial sustainability. It currently has a continuing annual budget gap estimated at £38m from 2024/25 for which it has no solution in sight.

These revised 2019/20 accounts include all the necessary adjustments identified through the Opening the Books exercise allowing the accounts to be submitted. Work will now begin to revise the 2020/21 accounts in line with the Opening the Books adjustments. Once these are completed, the 2021/22 and 2022/23 accounts can be drafted. It is anticipated that all these accounts will be completed by March 2024.

In early 2023, two reports were issued by the Council's external auditors, Grant Thornton:

► A Section 24 Statutory Recommendations Report was presented to Council on 29 March 2023 and the Audit and Governance Committee on 20 April 2023.

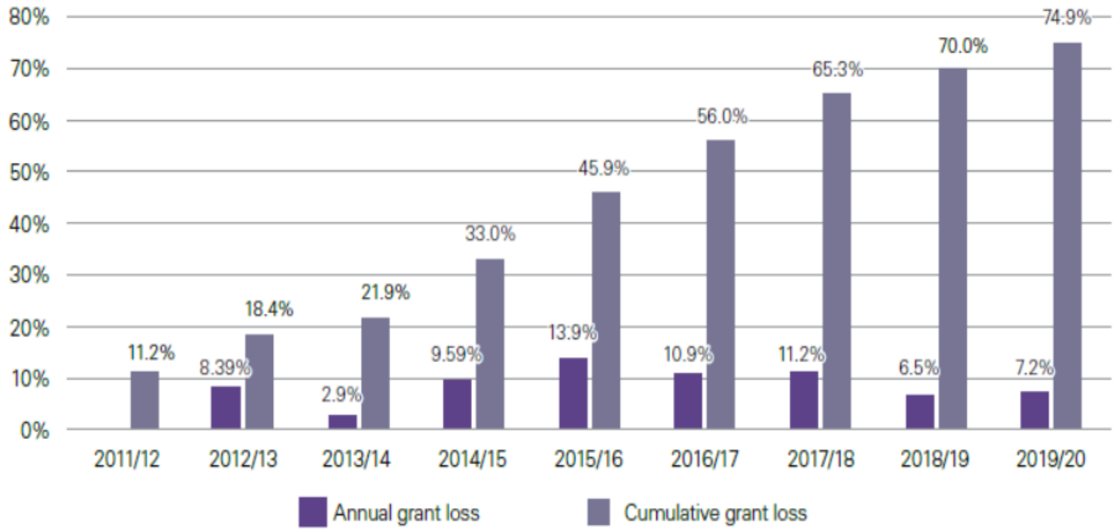
► An Interim External Auditor's Report for the financial years 2019-20, 2020-21 and 2021-22 was presented to the Audit and Governance Committee on 20 April 2023.

Whilst these reports did not contain the Independent Auditir's opinion of the accounts, they made further recommendations to the Council in relation to improvements it could make to its governance processes. These recommendations will be included in the regular Annual Government Statement reporting to the Audit and Governance Committee.

2019/20 KEY STATISTICS

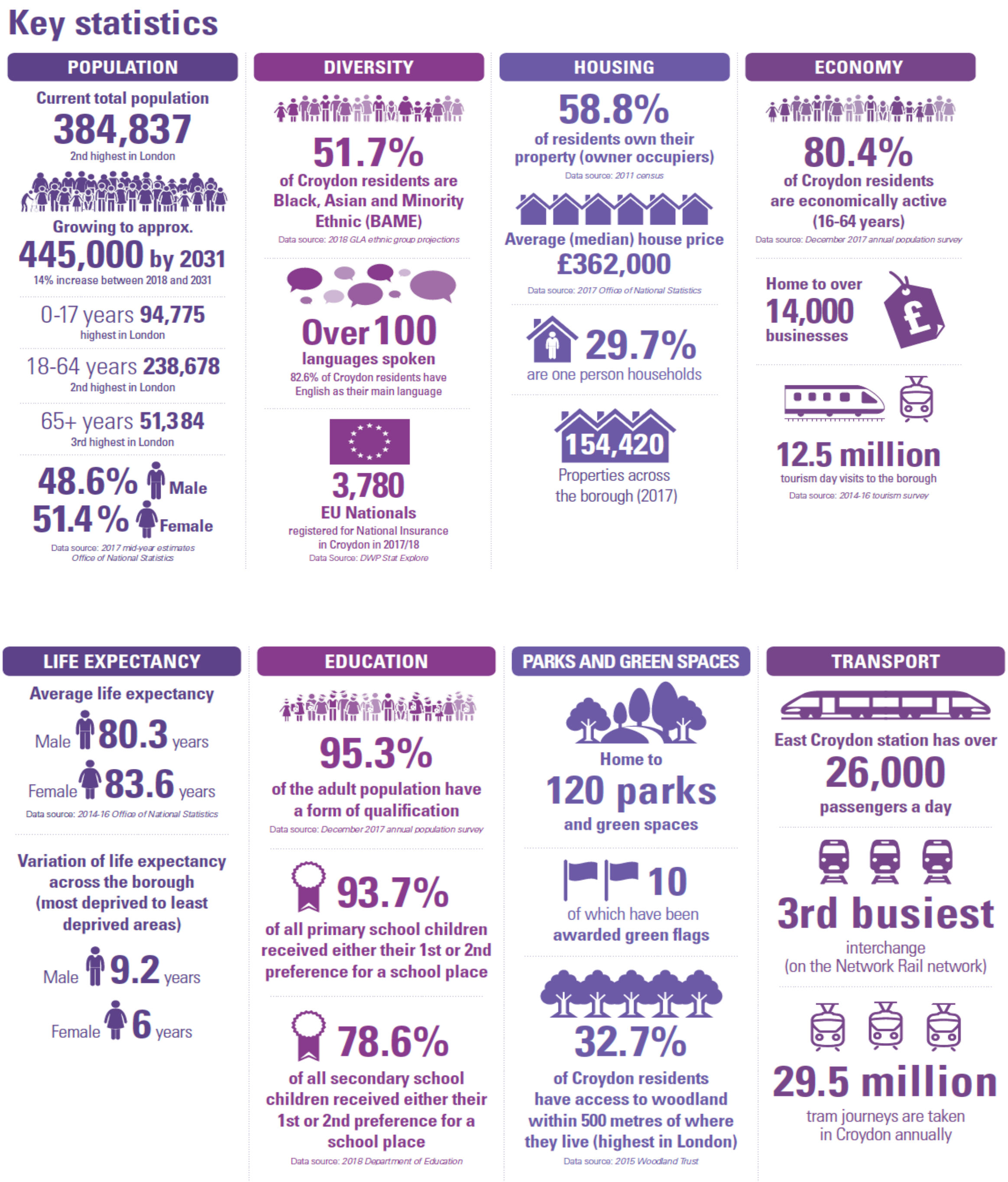
Croydon is the second largest London borough by population (currently 384,837 and forecast to increase to 445,000 by 2031) and, although situated in outer London, it has over the last decade begun to experience issues and impacts on the budget that previously were more commonly characteristic to inner London. The effects of welfare reform, Universal Credit and the rising cost of rental property within central London have seen large numbers of people move to Croydon in search of cheaper accommodation, care and living costs. Subsequently the Council is seeing the levels of poverty and homelessness rising, need is becoming more complex and demand for services is increasing, which has put pressure on public services and housing.

Alongside this, since 2010, when austerity began, Croydon has seen its funding from Central Government reduce by 75% or £144m by 2019/20. The grant received in 2019/20 resulted in a 7.2 % reduction compared to the previous year. The reductions in funding are shown in the chart below



2019/20 KEY STATISTICS

The following page contains some key statistics about Croydon, all of which shape the services that the Council delivers. According to the 2021 census Croydon is the largest London borough by population. It is currently 390,718 (2021 Census) and forecast to increase to 444,600 by 2031 – (GLA housing led projections).



CHALLENGES AND OPPORTUNITES

The future of local authority funding was uncertain in 2019/20 and continues to be so. Local authorities were waiting, and continue to wait in 2023, for the outcome of the Government reviews to look at fair funding for local authorities and to reform the current business rates scheme. During 2019/20 Central Government's resources were focused on Brexit so that the UK could leave the European Union on 31 January 2020.

Then in December 2019 China announced to the world that it was experiencing the spread of a new disease, COVID-19. This spread throughout the world and was declared as a world-wide pandemic in early March 2020. The Government declared a lockdown, on 20th March 2020, which meant that the country was effectively shut down. Cycles of re-opening and shutdowns, plus COVID 19-related legal restrictions continued through 2020 into 2022.

Whilst the Government was quick to provide financial support to businesses many of them were forced to close – significantly affecting the local economy. The Council was heavily impacted as it was at the forefront of providing the response to COVID-19 and had to put considerable resources into ensuring that the most vulnerable in the Croydon community were cared for. The Council also suffered a significant loss of commercial income.

The financial impact was relatively small in 2019/20, as the pandemic only started to have an impact in the last two weeks of March 2020. The true scale of its impact on the Council's finances was felt during 2020/21. The Council experienced substantial losses across many of its largest income streams such as parking, commercial rental income, licensing fees, registrars and planning fees. It also had a bearing on a number of savings programmes that were agreed as part of the 2020/21 budget. In addition, the Council incurred additional COVID-19 related expenditure in areas such as accommodation and support for rough sleepers and additional costs in supporting our most vulnerable adults and children – some of whom may not have required support previously.

The Government made available emergency COVID-19 funding for local authorities during 2019/20, 2020/21 and 2021/22. The funding for 2019/20 was £9,420,138

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.

The Council continued to fund a number of exceptional items including Unaccompanied Asylum Seeking Children and services to people with no recourse to public funds. During 2019/20 the Council continued lobbying the Government in these areas in relation to fairer funding, and were successful in securing some additional funding from 1 April 2020.

The Council owned a hotel as an investment and during 2020 the lessee went into administration and handed back the lease. This left the Council with an investment property that was not earning any rental income. The hotel was sold during 2021.

PERFORMANCE

Despite the Council's challenges, during 2019/20 it made significant improvements in a number of service areas. Below are examples of the key achievements and improvements:

Education and Learning

► Standards in Croydon's schools remained above the national average at the end of Early Years Foundation stage phonics screening check, Key Stage 1 and Key Stage 2, consolidating the improvements seen in recent years. At Key Stage 4 (GCSE) the attainment by pupils was above the England average and progress outcomes were positive. At Key Stage 5 vocational outcomes were good but A- Level performance continued to be an area for development.

► 89.1% of children attended a good or better secondary school, with 47.8% of pupils attending an outstanding school compared to 24.8% nationally.

► 89.8% of children attend a good or better primary school, with 23.5% of pupils attending an outstanding school, compared to 18.1% nationally

Roads, Transport and Streets

► Completion of the Blackhorse Lane Bridge renewal which reopened in February 2020

► Successfully implementing eight new 'School Streets' during 2019/20 and as a result, driver compliance near schools is continually improving and car use has reduced contributing to continuing improved health and safety for school children and access for local residents

Leisure and Culture

► The Culture Partnership Fund supported a range of projects and programmes and levered in external funding to Croydon of nearly 5 times the value (£1:£4.70)

► Fairfield Halls re-opened in September 2019 with a range of public and community events and Croydon was named the London Borough of Culture for 2023 in February 2020.

► Highlights from our museum included a partnership with the National Portrait Gallery to bring a portrait of Stormzy and his mother to our gallery, our new website launched in February 2020 alongside the start of 'What's Your Croydon' an innovative programme with local artists and communities inspired by our collections.

► £1m of capital investment has been made in the borough's leisure facilities during 2019/20 including improvements to tennis courts, the soft play facility at Waddon Leisure Centre and the equipment fit out for the brand new leisure centre at New Addington which opened at the start of the year to much acclaim prior to lockdown.

► £2.2m of capital investment has been made in the centres which has 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, soft play at Waddon Leisure Centre and equipment fit out for the replacement New Addington Leisure Centre

► Leisure Services provision saw over 860,000 users which was a 12% increase on the previous year and a 23% increase in memberships at over 7,000 members

► Over 15,000 children and young adults accessed the free swimming programme

► Gained nearly 20,000 additional new library members during 2019/20

► Selsdon Library opened in August 2019 and we installed new IT networks and Library Management systems across our sites towards the end of 2019

Health and Social Care Integration: One Croydon Alliance

► COVID 19 and shielding became the major focus for quarter 4 of 2019/20. This included monitoring system and service changes against the Care Act easements guidance. The Council did not enact any easements.

► Further key activities included developing a care homes system response plan, in particular providing support on funding, PPE and infection control.

► A shielded residents team was also developed. This worked alongside central government and the voluntary and community sector, to ensure all shielded residents were contacted, and an assessment of the support needed enabled them to receive emergency and ongoing support on food, medication and social isolation.

► Emergency admissions were down 3% compared to the previous year for One Croydon Transformation (Out of Hospital) targeted conditions.

► 1,341 people were discharged from hospital to the reablement service and 57% of all of these were successfully reabled back into independence.

► Croydon again received accreditation as a Dementia friendly borough. The LIFE Reablement Team was rated 'good' by CQC in its first year; and Croydon Shared Lives maintained its 'outstanding' CQC rating.

GOING CONCERN

Accounts drawn up under the Code assume that a Local Authority's services will continue to operate for the foreseeable future. Despite three S114 Notices Croydon has managed to retain going concern status through support from DLUHC.

GENERAL FUND RESERVES AND BALANCES 2019/20

Table 1 below shows the Council's balances and useable reserves at 31 March 2020 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. Holding General Fund Balances of zero is not expected, is a symptom of the Council making more charges to the General Fund that it can meet. The Council is working towards restoring an adequate level of General Fund balances in the medium term, with Capitalisation Directions being used in the interim.

Table 1 - Movement in Reserves and Balances

Reserves and Balances	2017/18 restated £m	2018/19 restated £m	2019/20 £m
General Fund Balances	(4.1)	(34.1)	0
Earmarked Reserves excluding schools	20.5	20.3	29.9
Capital Receipts Reserve	52	32.6	20.3
Capital Grants Unapplied	14.3	17.7	13.7
Housing Revenue Account including major repairs reserve	14.5	15.2	25.6
Total	**101.3**	**85.8**	**89.5**

HOUSING REVENUE ACCOUNT (HRA)

The final outturn shows a surplus of £10.329m which has been transferred to HRA reserves. This is a significant improvement compared to the original version of the draft accounts for 2019/20 due to the reversal of charges previously made from the General Fund to the HRA (of £10.173m - see Note 43 for details). Capital expenditure totalled £51.375m. This was partly funded by using the Majors Repairs Reserve balance of £1.929m

Table 3 below shows the level of HRA balances and reserves for the last 3 years:

Table 3 - Housing Revenue Account Balances and Reserves

Balances and reserves	2017/18 £m	2018/19 £m	2019/20 £m
Housing Revenue Account balances	14.535	15.271	25.602
Major Repairs Reserve	1.929	0	0
Total	**16.464**	**15.271**	**25.602**

CAPITAL

The original approved capital programme (excluding the Housing Revenue Account) totalled £183m, which was amended during the year to £439m to reflect both programme slippage being added from 2018/19, and re-profiling of schemes. Outturn capital spend was £315m which includes the payment of property development loans to the Council's development company Brick by Brick.

Capital schemes in 2019/20 included the delivery of:

- ► Education Estates Strategy
- ► Completion of New Addington Leisure Centre
- ► Improvements to the Public Realm
- ► Continuation of Growth Zone Projects
- ► House building by the councils wholly owned development company Brick by Brick Croydon Limited
- ► Completion of the Refurbishment of Fairfield Halls
- ► Financing for Affordable Homes
- ► Investment in ICT

It should be highlighted that the decision-making governance in relation to the Council's investment in Brick by Brick Croydon Ltd and the refurbishment of Fairfield Halls drew criticism from the Council's external auditors, Grant Thornton, in RIPI 1 (2020) and RIPI 2 (2022) as noted earlier.

PENSION FUND

The Council's Pension Fund decreased in value during 2019/20 by 0.1%. Table 4 below shows the change in value of the Council's Pension Fund in 2019/20:

Table 4 – Pension Fund Performance 2019/20

Detail of Composition of Net Assets	2018/19 £m	2019/20 £m	Net Increase / (Decrease) £m	Change %
Total Investments	1,237.00	1,174.00	63	-5.13%
Other balances held by Fund Managers	2	1	0	-18.37%
Debtors	10	11	-2	18.40%
Cash Held by:				
Fund Managers	6	10	-3	52.03%
London Borough of Croydon	6	82	-77	1385.60%
Creditors	-2	-1	19	900.14%
Net Assets at Year End	**1,258.16**	**1,256.84**	**1.32**	**-0.10%**

Other balances held by Fund Managers comprises outstanding trades, outstanding dividends and tax reclaimable. The net value of the Fund has decreased by 0.1% over the reporting period. The diversified nature of the investment strategy has helped ensure that the fund decreases have been limited. In response to a changing macro-economic landscape, the strategic asset allocation has been reviewed, and 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 deficit of £5.790m as at 31st March 2020. The overall deficit was a result of slower than anticipated growth in the tax base, and the collection fund being hit hard in March with the businesses and residents feeling the impact of COVID-19. Croydon's share is comprised of a Council Tax Surplus of £0.657m and a Business Rates deficit of £3.387m.

A council tax surplus of £0.605m and business rates deficit of £1.725m was declared in January 2020. The difference between the amount declared in January 2020 and the year-end position will be carried into 2020/21 and will be distributed to preceptors and part of the 2021/22 budget cycle.

The Council monitors performance targets in relation to the amount of debt collected in the initial year of billing (2019/20 debt collected in 2019/20). The target set for 2019/20 was 97.25% and the actual performance for 2019/20 was 97.10%, a reduction of 0.15%. This can be attributed to the impact of the coronavirus pandemic starting to be felt by residents who failed to pay their final instalment for March. The collection rate was adversely affected from March 15th onwards.

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

Table 5 – Council Tax Collection performance against target

	Target – 2019/20	Actual – 2019/20	Variance
Percentage	97.25%	97.10%	-0.15%
Cash - £m	217.98	217.62	-0.36

NATIONAL NON-DOMESTIC RATE (NNDR) COLLECTION

The target set for 2019/20 was 99.25% and the actual performance was 98.70%, a reduction of 0.55%. The impact of the lockdown and businesses being forced to close was seen immediately with business rates payers failing to pay their March business rates instalment.

Table 6 – NNDR Collection performance against target

	Target – 2019/20	Actual – 2019/20	Variance
Percentage	99.25%	98.70%	-0.55%
Cash - £m	124.76	124.07	-0.69

LONDON BUSINESS RATES POOL PILOT

For 2019/20, councils across London agreed to collectively pool their business rates income and share between them the gains of not paying a growth levy to the Ministry of Housing, Communities and Local Government (MHCLG). So in addition to the surpluses available from the Council's collection fund, there are the additional gains available as a result of the London wide Business Rates pool pilot. In 2018/19 the London Business Rates Pool was able to retain 100% of business rates income. However under a change in legislation for 2019/20, whilst the pooling arrangements continued, councils were only able to retain 75% of business rates income, MHCLG retained a 25% share.

MOVEMENT IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

► The movement in the CIES for the Place department is an increase in net expenditure of some £60m between 2018-19 and 2019-20. This is partly made up of a £22m loss on valuation of leisure assets and car parks. Further information about revaluation movements can be found in Note 12 - Property Plant and Equipment. This movement also includes a £9m increase in provisions, which relates to a highway related claim. Further information can be found in Note 21 - Provisions.

► The movement in the CIES for the Resources department is an increase in net expenditure of £31m. Within this total is a charge of £51.6m to impair the loan made to Brick by Brick (Croydon) Limited. Although this is charged to the CIES, it is not a proper charge to the General Fund under accounting regulations, and will be repaid over a period of 40 years. Further information can be found in Note 38 - credit risk arising from financial instruments.

Also within this movement is a £31m reduction in expenditure between years caused by a one-off charge to the 2018-19 financial year as a result of the early redemption of a Lender Option Borrower Option (LOBO) loan. This was repaid and refinanced in 2018-19 to achieve a saving to the General Fund. In these circumstances the repayment is not a proper charge to the general fund, but is instead spread over the life of the original loan period, with the balance being held in unusable reserves for the duration.

BASIS AND PREPARATION

Further information about the basis and preparation of these accounts can be found in Note 1.1, which sets out that these statements have been prepared in accordance with the 2019/20 Code of Practice on Local Authority Accounting in the United Kingdom (the 2019/20 Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Council has also prepared Group Accounts with Brick by Brick Croydon Limited, as a review of control and activity demonstrated group activity is material. Further information can be found in Note 40.

CONCLUSION

The period since 2019 has been very turbulent for the London Borough of Croydon, particularly in relation to its finances. I hope that you find the following accounts useful and informative in helping you to understand how the Council’s financial situation has evolved, and the nature of the work underway to restore it to financial sustainability.

EXPLANATION OF THE ACCOUNTING STATEMENTS

Movement in Reserves Statement

The movement in reserves statement shows the movement from the start of the year to he end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable 'reserves'. The statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net increase/decrease line shows the statutory general fund balance and Housing Revenue Account (HRA) balance movements in the year following those adjustments.

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 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 the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the movement in reserves statement line 'adjustments between accounting basis and funding basis under regulations'.

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 (i.e. borrowing) to the Council.

MOVEMENT IN RESERVES STATEMENT

2019/20	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 2019	**(34,055)**	**9,406**	**(24,649)**	**15,272**	**32,599**	**17,679**	**(1)**	**40,900**	176,296	217,196
Movement in reserves during 2019/20:										
Surplus or (deficit) on provision of services	(296,628)		(296,628)	22,654				(273,974)	0	(273,974)
Other Comprehensive Expenditure and Income								0	259,645	259,645
Total Comprehensive Expenditure and Income	(296,628)	0	(296,628)	22,654	0	0	0	(273,974)	259,645	(14,329)
Adjustments between accounting basis and funding basis under regulations	337,187	0	337,187	(12,324)	(12,356)	(3,895)	1	308,613	(308,617)	(4)
Net increase/Decrease before Transfers to Earmarked Reserves	40,559	0	40,559	10,330	(12,356)	(3,895)	1	34,639	(48,972)	(14,333)
Transfers to/(from) Earmarked Reserves	(6,504)	6,504	0	0	0	0	0	0	0	0
Net increase/(decrease) in reserves for the year	34,055	6,504	40,559	10,330	(12,356)	(3,895)	1	34,639	(48,972)	(14,333)
Balance c/f at 31 March 2020	0	15,910	15,910	25,602	20,243	13,784	0	75,539	127,324	202,863

Restated 2018/19 (Note 43)	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
Restated Balance b/f at 1 April 2018	**(4,108)**	**17,190**	**13,082**	**14,535**	**52,182**	**14,307**	**1,928**	**96,034**	375,266	471,300
Movement in reserves during 2018/19:										
Surplus or (deficit) on provision of services	(245,114)		(245,114)	11,419				(233,695)	0	(233,695)
Other Comprehensive Expenditure and Income								0	(20,411)	(20,411)
Total Comprehensive Expenditure and Income	(245,114)	0	(245,114)	11,419	0	0	0	(233,695)	(20,411)	(254,106)
Adjustments between accounting basis and funding basis under regulations	207,383	0	207,383	(10,682)	(19,583)	3,372	(1,929)	178,561	(178,559)	2
Net increase/Decrease before Transfers to Earmarked Reserves	(37,731)	0	(37,731)	737	(19,583)	3,372	(1,929)	(55,134)	(198,970)	(254,104)
Transfers to/(from) Earmarked Reserves	7,784	(7,784)	0	0	0	0	0	0	0	0
Net increase/(decrease) in reserves for the year	(29,947)	(7,784)	(37,731)	737	(19,583)	3,372	(1,929)	(55,134)	(198,970)	(254,104)
Balance c/f at 31 March 2019	(34,055)	9,406	(24,649)	15,272	32,599	17,679	(1)	40,900	176,296	217,196

Full details of the adjustments between accounting basis and funding basis under regulations are shown in Note 7

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	2019/20 Gross £000	2019/20 Income £000	2019/20 Net £000	Restated 2018/19 (Note 43) Gross £000	Restated 2018/19 (Note 43) Income £000	Restated 2018/19 (Note 43) Net £000
Gross expenditure, income and net expenditure of continuing operations							
Place		260,070	(126,298)	133,772	157,571	(83,103)	74,467
Children, Families & Education		365,308	(223,522)	141,786	385,039	(246,642)	138,397
Health, Wellbeing & Adults		193,035	(71,787)	121,248	195,816	(79,531)	116,285
Gateway, Strategy & Engagement		100,616	(47,593)	53,023	105,043	(40,656)	64,387
Resources		469,014	(375,929)	93,085	330,423	(268,500)	61,923
HRA		56,380	(85,561)	(29,181)	72,394	(91,561)	(19,168)
Net cost of services		1,444,423	(930,690)	513,733	1,246,286	(809,994)	436,292
Other operating expenditure	9			39,625			41,014
Financing and Investment Income and Expenditure	10			42,315			50,589
Taxation and Grant Income	11			(321,697)			(294,202)
(Surplus) or Deficit on Provision of Services				273,976			233,693
(Surplus) or deficit on revaluation of non-current assets				(12,644)			26,702
Remeasurement of the net defined benefit liability				(247,001)			(6,291)
Other Comprehensive Income and Expenditure				(259,645)			20,411
Total Comprehensive Income and Expenditure				14,331			254,104

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-20 £000	31-Mar-20 £000	Note 43 Restated 31 March 2019 £000	Note 43 Restated 1 April 2018 £000
Operational Assets (Property, Plant and Equipment)	12				
Council dwellings		972,157		954,042	989,648
Other land and buildings		907,046		808,209	790,443
Vehicles, plant, furniture and equipment		10,399		12,255	3,406
Infrastructure		154,179		147,841	142,336
Community assets		3,696		4,325	4,947
Total Operational Assets (Property, Plant and Equipment)			2,047,477	1,926,672	1,930,780
Non-Operational Assets (Property, Plant and Equipment)					
Assets under construction		-		54,631	4,402
Surplus assets not held for sale		2,553		6,493	2,181
Total Non-Operational Assets (Property, Plant and Equipment)			2,553	61,124	6,583
Total Property, Plant and Equipment			2,050,030	1,987,796	1,937,363
Heritage Assets	13	3,696		3,696	3,696
Investment Properties					
Investment Properties	14	118,379		98,979	29,714
Intangible Assets	15				
Software		12,251		8,880	5,062
Assets under construction		-			
Long-term Investments					
Non-property investments	16	47,233		45,000	45,001
Investments in Associates and Joint Ventures					
Long-term Debtors	16	9,985		85,107	52,596
Long-term Assets			2,241,574	2,229,458	2,073,432
Short-term Investments					
Non-property investments excluding cash equivalents	16	13,000		30,000	5,000
Assets held for sale (< 1 year)	19	650		8,328	16,329
Inventories		1,112		771	689
Debtors, Payments In Advance (PIA) And Allowance For Doubtful Debt	17	261,394		179,699	140,664
Cash and cash equivalents	18	15,392		49,528	29,000
Current Assets			291,548	268,326	191,682
Bank overdraft	18	(15,907)		(22,478)	(20,311)
Short-term borrowing	16	(303,691)		(225,198)	(107,204)
Short-term creditors and receipts in advance	20	(184,552)		(190,030)	(141,092)
Short-term provision	21	(4,835)		(3,529)	(3,424)
Current Liabilities			(508,985)	(441,235)	(272,031)
Long-term Creditors					
Provisions	21	(20,086)		(13,332)	(11,900)
Long-term borrowing	16	(1,288,846)		(1,145,672)	(893,509)
Deferred capital creditors		(12,859)		(11,656)	(10,504)
Other non-current liabilities					
Net pensions liability	42	(472,620)		(652,954)	(593,911)
Other long term liabilities		(8,483)			
Capital grants receipts in advance	31	(18,377)		(15,743)	(11,959)
Long-term Liabilities			(1,821,271)	(1,839,357)	(1,521,783)
Net Assets			202,866	217,192	471,300
Usable reserves					
General Fund	22.1	0		(34,056)	(4,108)
Housing Revenue Account	22.2	25,602		15,271	14,535
Earmarked reserves	22.3	15,911		9,406	17,190
Capital receipts reserve	22.4	20,243		32,599	52,181
Capital grants unapplied	22.5	13,784		17,677	14,305
Major repairs reserve	22.2	0		0	1,929
			75,540	40,897	96,032
Unusable reserves					
Revaluation reserve	23.1	642,944		658,650	718,692
Capital adjustment account	23.3	(28,737)		189,892	268,103
Financial Instruments adjustment account	23.4	(31,377)		(32,021)	(1,347)
Pensions reserve	23.5	(472,620)		(664,018)	(616,039)
Deferred capital receipts	23.6	20,826		20,826	2,463
Collection Fund adjustment account	23.7	(2,747)		6,932	6,824
Short-term accumulating compensated absences account	23.8	(3,196)		(3,966)	(3,428)
Pooled Investment Fund Adjustment Account	23.9	2,233		-	-
			127,326	176,295	375,268
Total Reserves			202,866	217,192	471,300

Signed: Jane West
Corporate Director of Resources and Section 151 Officer

Jane West

12 December 2024

CASH FLOW STATEMENT

	Note	2019/20		Restated 2018/19 Note 43	
OPERATING ACTIVITIES	No.	£000	£000	£000	£000
The cash flows for operating activities include the following,					
Net surplus or (deficit) on the provision of services	1A & 7		(273,974)		(233,695)
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements					
Depreciation	7,12 &23.3	41,607		36,777	
Impairment and downward valuations	7	64,678		16,465	
Amortisations	7,15 & 23.3	2,740		2,077	
Increase/(decrease) in creditors		5,990		41,932	
(Increase)/decrease in debtors		(70,730)		37,509	
(Increase)/decrease in inventories		(340)		(81)	
Movement in pension liability	1B,7 & 23.5	55,603		54,270	
Carrying amount of non-current assets sold	23.3	44,938		70,125	
Provisions		8,059		1,538	
Movements in the value of investment properties	7,10,14 & 23.3	2,141		355	
Other non-cash movements		448		(39,664)	
			155,134		221,303
Items included/excluded from net surplus or deficit on the provision of services:					
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	22.4	(10,377)		(14,341)	
Payment of local taxation to major preceptors		(2,522)		(84,068)	
Any other items for which the cash effects are investing or financing financing cash flows		(4,638)		(15,618)	
			(17,537)		(114,027)
Net cash (inflow)/outflow from operating activities			(136,377)		(126,419)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment, investment property		(168,284)		(271,272)	
Purchase of short-term and long-term investments		(24,999)		(57,896)	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets		10,377		14,341	
Capital grants		23,020		9,014	
Proceeds from short-term and long-term investments		44,117		8,618	
Net cash inflow/(outflow) from investing activities			(115,769)		(297,195)
FINANCING ACTIVITIES					
Cash receipts from short-term and long-term borrowing		467,840		466,023	
Payment of local taxation to major preceptors		2,518		84,068	
Cash payments for the reduction of the outstanding liabilities to finance leases and on-Balance Sheet PFI contracts (Principal)		(2,270)		(2,116)	
Repayments of short-term and long-term borrowing		(243,507)		(106,000)	
Net cash inflow/(outflow) from financing activities			224,581		441,975
Net increase/(decrease) in cash and cash equivalents			(27,565)		18,361
Cash and cash equivalents at the beginning of the reporting period			27,050		8,689
Cash and cash equivalents at the end of the reporting period			(515)		27,050
Cash held	18	39		34	
Bank current accounts	18	(15,946)		(22,512)	
Short-term deposits with building societies and Money Market Funds	18	15,392		49,528	
Cash and cash equivalents as at 31 March			(515)		27,050

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

	2019/20	2018/19
Dividends Received	(1,397)	(890)
Interest Paid	40,890	40,201
Interest and investment property rental income Received	(8,426)	(4,775)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1. BASIS OF PREPARATION - SINGLE ENTITY AND GROUP ACCOUNTS

Basis of Preparation

The financial statements have been prepared in accordance with the 2019/20 Code of Practice on Local Authority Accounting in the United Kingdom (the 2019/20 Code), and is issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The 2019/20 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 2019/20 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 2019/20 Code. Different rules are applied to measure the results for the purpose of setting Council Tax. The accumulated amount of the differences are set out in the Movement in Reserves Statement (MIRS) and explained in the notes to the financial statements.

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

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

The classifications within EFA and ESFA have been adapted to follow the current management structure and how reports are structured to cabinet and committee.

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 2019/20 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 TH Limited - This is a 100% Council owned company. The company has been dormant and not carried out any activities.
- ► Croydon TH Commercial Limited - This is a 100% Council owned company. The company has been dormant and not carried out any activities.
- ► Croydon Central Management Company - This is a 100% Council owned company. The company has been dormant and not carried out any activities
- ► Croydon Holdings Ltd - This is a 100% Council owned company. This company is linked to the Croydon . Affordable Homes and Croydon Affordable Tenure companies and was designed to be a holding company for these subsidiaries. The company has immaterial transactions to be consolidated within the Council's Group Accounts
- ► London Borough of Croydon Holdings LLP - This is a Limited Liability Partnership formed between the Council (99%) and Croydon Holdings Ltd (1%). The company is dormant and has not carried out any activities.

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

- ► Croydon Affordable Homes LLP - This Limited Liability Partnership is between the Croydon Affordable Housing charity (charity number 1175493) and the Council. The Council, via London Borough of Croydon Holdings LLP holds a 10% equity stake in the LLP, with the Charity holding the remaining 90%. This company was created to provide affordable rental accommodation to residents of the Borough.

- ► Croydon Affordable Tenures LLP - This Limited Liability Partnership is between the Croydon Affordable Housing charity (charity number 1175493) and the Council. The Council, via London Borough of Croydon Holdings LLP holds a 10% equity stake in the LLP, with the Charity holding the remaining 90%. This company was created to provide affordable rental accommodation to residents of the Borough.

- ► Croydon Affordable Dwellings - This Limited Liability Partnership is between the Croydon Affordable Housing charity (charity number 1175493) and the Council. The Council, via London Borough of Croydon Holdings LLP holds a 10% equity stake in the LLP, with the Charity holding the remaining 90%. This company has had no activity.

- ► Croydon Affordable Homes (Taberner House) - This Limited Liability Partnership is between the Croydon Affordable Housing charity (charity number 1175493) and the Council. The Council, via London Borough of Croydon Holdings LLP holds a 10% equity stake in the LLP, with the Charity holding the remaining 90%. This company has had no activity.

- ► Croydon Affordable Housing - the Council does not have economic control of this charity

- ► Croydon Day Opportunities - This was a 100% Council owned company, used to provide vulnerable adults with day care services, and support to develop their independence and employment capabilities. It was dissolved following voluntary liquidation on 20 September 2019, with activity having been brought back into the Council.

- ► Croydon Equipment Solutions - This was a 100% Council owned company, used to provide community equipment on behalf of the Health and SoCal Care services in Croydon. It was dissolved following voluntary liquidation on 20 September 2019, with activity having been brought back into the Council.

- ► Croydon Care Solutions - This was a 100% Council owned company, used to provide social care and associated products under contract with and on behalf of the London Borough of Croydon. It was dissolved following voluntary liquidation on 20 September 2019, with activity having been brought back into the Council.

- ► Croydon Pensions Nominee 1 Ltd - This is a 100% company owned by the Council. This company has been inactive and no transactions have taken place.

- ► Croydon Pensions Nominee 2 Ltd - This is a 100% company owned by the Council. This company has been inactive and no transactions have taken place.

- ► Octavo Partnership Limited - the Council has 40% ownership of this Partnership, and would otherwise be accounted for as an associate under IAS28 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 IAS 28.

- ► 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.

1. ACCOUNTING POLICIES (continued)

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

The Selection of Accounting Policies

In those instances where the 2019/20 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 (i.e. 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

In 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 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 2019/20 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. As local authorities cannot be created or dissolved without statutory prescription, the CIPFA Code of Practice confirms local authority accounts must be completed on a going concern basis.

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, i.e. 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.

1. ACCOUNTING POLICIES (continued)

1.4. NON-CURRENT ASSETS (continued)

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

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

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

1.4.1. Property, Plant and Equipment

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

Recognition

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

Where there are incomplete works to a pre-existing asset, the entire asset is reviewed to determine the relevant accounting treatment

Where the asset is still operational, including the incomplete project, then it will remain in its original category
Where the original asset is still operational, but the new project is not, then the original asset remains in its original classification, with the new project included as asset under construction
If the asset is totally unusable as part of the works, the asset is transferred to assets under construction, with the value of replaced components being written out.

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 credited 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

1. ACCOUNTING POLICIES (continued)

1.4. NON-CURRENT ASSETS (continued)

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. [Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.]

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

► where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
► where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

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 (as advised by the valuer). Land is not usually depreciated as it does not have a determinable useful life
► 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 (usually three to five years). 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 (usually thirty years). 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.

1. ACCOUNTING POLICIES (continued)

1.4. NON-CURRENT ASSETS (continued)

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.

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.

1. ACCOUNTING POLICIES (continued)

1.4. NON-CURRENT ASSETS (continued)

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

Intangible assets are amortised on a straight-line basis over their useful economic lives (usually initially five years). The useful economic lives of intangible assets are reviewed at the end of each reporting period and revised if necessary.

1.4.5. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following to record the annual cost of holding non-current assets

- ► depreciation attributable to the assets used by the relevant service
- ► revaluation and impairment losses on assets used by the service where there are no previous gains in the Revaluation Reserve
- ► amortisation of intangible assets attributable to the service

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement [equal to an amount calculated on a prudent basis determined in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the general fund balance (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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 (i.e. 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. ACCOUNTING POLICIES (continued)

1.5. CURRENT ASSETS

1.5.1. Inventories

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

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

1.5.2. Debtors

Debtors are recognised when the ordered goods have been delivered or the services rendered, and are measured at the amortised cost of the consideration to be received. An allowance for credit losses is estimated based upon past experience. and where sufficient and reliable information is available for future impacts on receipts of the debts

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 for non-current assets, financial instruments, local taxation, retirement and employee benefits. 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.

1. ACCOUNTING POLICIES (continued)

1.8. GOVERNMENT GRANTS AND CONTRIBUTIONS (continued)

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.

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 the present 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.

1. ACCOUNTING POLICIES (continued)

1.9. LEASES (continued)

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 (e.g. there is a rent free period at the commencement of the lease).

The Council as Lessor
Finance Leases

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

1. ACCOUNTING POLICIES (continued)

1.10. EMPLOYEE BENEFITS (continued)

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.

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 – 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, 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), i.e. 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.

1. ACCOUNTING POLICIES (continued)

1.10. EMPLOYEE BENEFITS (continued)

Remeasurements comprising:

► the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
► actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
► Contributions paid to the London Borough of Croydon pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

1.11. 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.

1. ACCOUNTING POLICIES (continued)

1.11. FINANCIAL INSTRUMENTS (continued)

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.

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.

Fair value measurement of financial assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. 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. ACCOUNTING POLICIES (continued)

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.

1.13. 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 (e.g. 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.

1. ACCOUNTING POLICIES (continued)

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

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).

1.17. 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 over a repayment period of 40 years, and PFI debt over a repayment period of 27 years for street lighting, and 50 years for Schools ad Care Homes assets.

1. ACCOUNTING POLICIES (continued)

1.18. RECOGNITION OF INCOME AND EXPENDITURE

Activity is accounted for in the year in which it takes place, which may not be the same year in which cash payments are made or received.

The Council adopted IFRS 15: Revenue Recognition from Contracts with Customers from 1st April 2018, such that 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. The council has made use of the transitional provisions to not restate the prior year's financial statements and therefore prior year comparatives are produced under the previous accounting standard, IAS 18: Revenue. The main change is that revenue recognition is now based on the transfer of control over goods and services to a customer rather than risks and rewards, which may result in changes to the pattern of revenue recognition. In local government, the generation of revenues from charges to service recipients is only a minor funding stream and contracts with customers tend to be accounted for and delivered within each financial year.

Revenue from the sale of goods and disposal of assets is recognised when the council transfers the risks and rewards of ownership to the purchaser. Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council.

Government grants and third-party contributions are recognised when there is reasonable assurance that the council will comply with any conditions attached to the payments, and that the grants or contributions will be received. Where conditions attached to grants or contributions have not been satisfied, monies received to date are carried in the Balance Sheet as creditors and credited to the CIES when the conditions are satisfied. 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.

Supplies and services are recorded as expenditure when they are received or consumed. If there is a gap between the date supplies are received and their consumption, they are carried as inventories in 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.

Housing and Council Tax benefits are calculated and paid in accordance with relevant regulations and accounted for accordingly.

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.

1.19. 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 2019/20 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. ACCOUNTING POLICIES (continued)

1.20. CAPITALISATION DIRECTION

Under Section 16(2)(b) of the Local Government Act 2003, the Secretary of State may “by direction provide that expenditure of a particular local authority shall be treated for the purposes of this chapter as being, or not being, capital expenditure.” Where this direction is available, expenditure previously classified as revenue, can be capitalised. This expenditure is then classified as Revenue Expenditure Funded from Capital Under Statute (please see accounting policy section 1.19) and is funded from capital resources, rather than charged to the General Fund with its associated impact on that year’s council tax.

Where a Capitalisation Direction is used and the Council uses borrowing to fund this capital expenditure, the Council’s General Fund is required to repay this over a 20 year period via a Minimum Revenue Provision charge.

1.21. BORROWING COSTS

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

1.22. OVERHEADS

All overhead and support service costs are charged to the service segments in accordance with the authority's arrangements for accountability and financial performance

1.23. 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.

1.24. EVENTS AFTER THE REPORTING PERIOD

Events after the balance sheet date are those events occurring between the end of the reporting period and the date when the statement of accounts is authorised. Two types of event can be identified.

- ► those providing evidence of conditions that existed at the end of the reporting period - the statement of accounts is adjusted to reflect such events
- ► those indicative of conditions that arose after the reporting period. The statement of accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts

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.

2019/20	Net Expenditure Chargeable to the GF and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£000	£000	£000
Place	68,202	65,569	133,771
Children, Families & Education	134,894	6,892	141,786
Health, Wellbeing and Adults	111,560	9,688	121,248
Gateway, Strategy and Engagement	36,012	17,011	53,023
Resources	73,446	19,638	93,084
HRA	(26,858)	(2,323)	(29,181)
Net cost of services	**397,256**	**116,475**	**513,731**
Other operating expenditure	(187,729)	227,354	39,625
Financing and Investment Income and Expenditure	56,485	(14,170)	42,315
Taxation and Non-Specific Grant Income	(316,903)	(4,795)	(321,698)
(Surplus)/Deficit	**(50,891)**	**324,864**	**273,973**
Opening GF and HRA Balances and Reserves	(9,377)		
Less deficit on General Fund in year	40,559		
Add surplus on HRA Balance in year	10,330		
Closing General Fund and HRA balance 31 March 2020	**41,512**		

Restated 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	32,263	42,205	74,467
Children, Families & Education (restated - Note 43)	105,357	33,040	138,397
Health, Wellbeing and Adults	108,235	8,050	116,285
Gateway, Strategy and Engagement	32,361	32,026	64,387
Resources	9,182	52,741	61,923
HRA	(18,783)	(385)	(19,168)
Net cost of services	**268,614**	**167,678**	**436,292**
Other operating expenditure	(4,284)	45,299	41,015
Financing and Investment Income and Expenditure	66,756	(16,167)	50,589
Taxation and Non-Specific Grant Income	(294,093)	(109)	(294,202)
(Surplus)/Deficit	**36,992**	**196,702**	**233,694**
Opening GF and HRA Balances and Reserves	27,617		
Less decrease on General Fund in year	(37,731)		
Add Surplus on HRA Balance in year	737		
Closing General Fund and HRA balance 31 March 2019	**(9,377)**		

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.

2019/20	Adjustments for capital purposes	Net change for the pensions adjustments	Other differences	Total adjustments between funding and accounting basis
	£000	£000	£000	£000
Place	58,825	6,777	(33)	65,569
Children, Families & Education	2,742	4,794	(644)	6,892
Health, Wellbeing and Adults	(2,627)	12,329	(14)	9,688
Gateway, Strategy and Engagement	14,613	2,412	(14)	17,011
Resources	7,356	12,325	(43)	19,638
HRA	(6,121)	3,820	(22)	(2,323)
Net cost of services	**74,788**	**42,457**	**(770)**	**116,475**
Other Income and Expenditure				
Other operating expenditure	227,354			227,354
Financing and Investment Income and Expenditure	(26,671)	13,146	(644)	(14,169)
Taxation and non-specific grant income	(14,474)		9,679	(4,795)
Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit	**260,997**	**55,603**	**8,265**	**324,865**

Restated 2018/19	Adjustments for capital purposes	Net change for the pensions adjustments	Other differences	Total adjustments between funding and accounting basis
	£000	£000	£000	£000
Place	36,658	5,527	20	42,205
Children, Families & Education	24,789	7,792	459	33,040
Health, Wellbeing and Adults	2,101	5,916	32	8,050
Gateway, Strategy and Engagement	30,225	1,794	7	32,026
Resources	43,111	9,614	16	52,741
HRA	(4,636)	4,249	2	(385)
Net cost of services	**132,248**	**34,892**	**537**	**167,678**
Other Income and Expenditure				
Other operating expenditure	45,299			45,299
Financing and Investment Income and Expenditure	(66,219)	19,378	30,675	(16,167)
Taxation and non-specific grant income	----		(109)	(109)
Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit	**111,328**	**54,270**	**31,103**	**196,702**

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 satisfied 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

	2019/20	Restated 2018/19
Expenditure	**£000**	£000
Employee benefits expenses	360,043	376,044
Other service expenses	995,520	957,122
Depreciation amortisation and impairment	109,024	57,331
Loss on disposal of non-current assets	32,488	37,658
Interest payments	41,226	41,341
Precepts and Levies	1,367	1,344
Total	1,539,668	1,470,840
Income		
Fees and charges and other service income	(520,946)	(387,635)
Income from Council tax and Business Rates	(262,726)	(257,891)
Government grants and contributions (2018/19 restated - Note 43)	(469,005)	(586,311)
Interest and investment income	(13,018)	(5,309)
Total	(1,265,696)	(1,237,146)
Deficit on provision of services	**273,973**	**233,694**

Segmental Income

Income received on a segmental basis is analysed below:

	2019/20	2018/19
	£000	£000
Place	(126,298)	(83,103)
Children, Families & Education (2018/19 restated - Note 43)	(223,522)	(246,642)
Health, Wellbeing and Adults	(71,787)	(79,531)
Gateway, Strategy and Engagement	(47,593)	(40,656)
Resources	(375,930)	(268,500)
HRA	(85,561)	(91,561)
Total Income Analysed on a segmental basis	**(930,691)**	(809,994)

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 2019/20 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 2024.

► **IAS 19 Employee Benefits** will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact

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.

Croydon Affordable Housing - long term lease of properties

During the period 2017/18 to 2019/20 the Council entered into a series of 80 year leases with Croydon Affordable Homes LLP (CAH LLP) and Croydon Affordable Tenures LLP (CAT LLP) with respect to 344 dwellings owned by the Council. The Council's judgement is that control of these properties did not pass to CAH LLP or CAT LLP, but instead remained with the Council. The properties therefore remain in the Council's balance sheet, with CAH LLP and CAT LLP as the landlord to the tenants. A capital receipt has therefore not been generated, as income has not arisen from the disposal of assets.

As part of the lease of properties to CAH LLP and CAT LLP, two external funders entered into leases with the Council and the LLPs which resulted in the payment to the Council of an up front lease premium, in return for guaranteed future rent income being paid back to the funders over a period of 40 years. The Council had judged that because the leases were linked with the initial long term lease, the most appropriate accounting treatment is to reflect this agreement as if the Council has raised finance directly from the funders, and has included this as a Long Term Liability in the Council's accounts.

Further information can be found in Note 43 - Prior Period Adjustment.

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	**33**	304,721
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 2020 for which there is a risk of adjustment in the forthcoming financial year are as follows:

Pension Fund Net Liability

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).

The ongoing impact of Covid-19 has created uncertainty in relation to establishing the asset values of illiquid assets held by the Pension Fund. It should be noted that 36.5% of the funds assets (£432m) are illiquid, and the valuations will be affected by this.

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 2020:

	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	9%	132,863
0.5% increase in the Salary Increase Rate	1%	8,459
0.5% increase in the Pension Increase Rate	8%	123,692

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

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

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 2020. Further details on revaluation methods can be found in Accounting Policies 1.4.1 (Property, Plant and Equipment) and 1.4.3 (Investment Properties)

Due to the outbreak of Covid-19 at the end of the financial year, the valuers have advised that valuations are provided on the basis of "material valuation uncertainty" as per the RICS Red Book Global. Further details are given in Note 12.

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

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 2019/20 two 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 £38.95m has been de-recognised from property, plant and equipment.

This has resulted in a deficit of £38.95m 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 decreased by £180.3m 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, this meant that revenue savings would 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 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 reduces over the 3 year valuation period so that by 31 March 2020 it has reduced to £nil.

5. MATERIAL ITEMS OF INCOME AND EXPENSE AND PRIOR PERIOD ADJUSTMENTS (continued)

	2019/20 £'000
Pension Liability	(472,620)
Pension Reserve	(472,620)
Difference - reduction in cash	**-**

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 2019/20. 81 of these properties were leased to Croydon Affordable Tenures LLP on 80 year lease terms, but with a 40 year break clause, yielding a premium of £29.3m. It has been decided to account for the Long Term lease of these properties to each LLP as a passthrough arrangement. A detailed description of this is given in Note 43.

Opening the Books - Review of Bad Debt

Under Accounting Policy 1.5.2, the council makes an allowance for credit loss for short term debtors, which reflects the estimate of debt that will not be paid. The Opening the Books review has resulted in the following increases in credit loss being charged to the 2019/20 financial year:

Area of Credit Loss reviewed	Debt Held 31.3.2020 £000's	Credit Loss Loss - original £000's	Credit loss - revised £000's	Change in credit loss in 2019/20 £000's
Sundry Debt	42,555	(4,650)	(18,620)	(13,970)
Housing Benefit Overpayments	37,721	(14,037)	(25,229)	(11,192)
Housing Rents - general fund	14,149	(8,344)	(12,054)	(3,710)
Total	**94,425**	**(27,031)**	**(55,903)**	**(28,872)**

The cost to the General Fund has been met by the Capitalisation Direction granted to the Council by DLUHC.

Opening the Books - Review of Recharges to the Housing Revenue Account

The Housing Revenue Account (HRA) records income and expenditure relating to the Council's own housing stock for the benefit of tenants. It is a ringfenced fund, but the Council can make direct charges to the HRA for the provision of services to HRA tenants by other parts of the Council. A review of the basis of recharging to the HRA in the following change in 2019/20:

	£000's
Original recharge	17,293
Recalculated recharge	7,120
Reduction in recharge	**(10,173)**

The cost to the General Fund has also been by the Capitalisation Direction granted to the Council by DLUHC.

Capitalisation Directions used to balance the Council's General Fund

In 2020, the Council received permission from the Secretary of State to bring its General Fund into balance by charging up to £126m of revenue expenditure to capital. This is known as a Capitalisation Direction. The Council took the opportunity to remove a negative General Fund balance that had occurred during 2019/20, as well as set aside an earmarked reserve for smoothing costs associated with this review.

5. MATERIAL ITEMS OF INCOME AND EXPENSE AND PRIOR PERIOD ADJUSTMENTS (continued)

A further capitalisation direction of £9.439m was requested in January 2024 to address a historic amount that was required to be charged to the General Fund in 2019/20. This relates to a provision for a contract dispute. The overall use of the capitalisation direction in 2019/20 to fund revenue expenditure is set out in the table below:

Capitalisation Direction breakdown

	2017/18 £000's	2018/19 £000's	2019/20 £000's	All Years £000's
Transformation expenditure funded by flexible capital receipts removed due to the removal of CAH and CAT capital receipts	14,503	29,307	29,268	73,078
Opening the Books - credit loss			28,872	28,872
Opening the Books - HRA recharges			10,173	10,173
Transfer to General Balances and earmarked reserves		640	13,237	13,877
Sub-total: General Fund deficit to be met though Capitalisation Direction in 2019/20	14,503	29,947	81,550	126,000
Request for capitalisation direction: contract dispute provision			9,439	9,439
Total Capitalisation Direction applied in the 2019/20 financial year	**14,503**	**29,947**	**90,989**	**135,439**

The Capitalisation Direction is being treated in accordance with the accounting policy set out under Revenue Expenditure Funded by Capital Under Statute (REFCUS).

6. EVENTS AFTER THE REPORTING PERIOD

The draft 19/20 Statement of Accounts was authorised for issue by the Director of Finance, Investment & Risk and Sectic 151 officer in October 2020. However, this has been superceeded by the updates made to the accounts during the peric 2021 to 2024. See Note 41 for the date that these accounts were authorised for issue.

Adjusting Events

Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures i the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Non-adjusting events:

The first UK cases of COVID-19 were confirmed at the end of January 2020. As the disease spread throughout the UK more and more containment measures were introduced by the Government until it was forced to put the country in lockdown. Whilst this has had only a small impact on the Council's financial position for 2019/20, it has had a major impact on the Council's finances for 2020/21 with additional costs incurred and income lost in responding to the pandemi

The financial statements and notes have not been adjusted for the following events, which took place after 31 March 202 relevant to as they provide information that is an understanding of the authority's financial position but do not relate to conditions at that date:

► On 23rd October 2020 the Council's external Auditors issued a Report in the Public Interest. The Report in the Public Interest was issued under section 24 and Schedule 7 of the Local Audit and Accountability Act 2014. The report was presented to the Council on Thursday 19 November 2020 and the report sets out serious concerns about the counci financial situation, its financial decision-making and governance and made 20 recommendations. The council fully accep the findings of the report and is preparing a comprehensive action plan to address all the recommendations as part of the

6. EVENTS AFTER THE REPORTING PERIOD (continued)

Council's Renewal Plan. The report can be found by using the following link:
www.croydon.gov.uk/council-and-elections/budgets-and-spending/reports-and-reviews/report-public-interest-2020

► On 11th November 2020 the Director of Finance, Investment & Risk (S151 Officer) issued the Section 114 notice under Section 114(3) of the Local Government Finance Act 1988. A S114 requires the S151 Officer, in consultation with the Council's Monitoring Officer to report to all the authorities' members if there is, or is likely to be an unbalanced budget. At the time of issuing the S114 notice there was a forecast general fund overspend at the end of the 2020/21 financial year in excess of £66m and with reserve balances at only £7.4m the Council was in a position not to cover its pressures.

► On 2nd December 2020, the Director of Finance, Investment & Risk (S151 Officer) issued a second Section 114 notice. This was a continuation of the initial notice issued on the 11 November 2020, and set out that it had not been possible to conclude a formal agreement on the capitalisation direction within the timescale set by law for the process, which is 21 days. The Section 114 notice from November 2020 and December 2020 were formally revoked in March 2021, following the receipt of a Capitalisation Direction from the Department of Levelling Up, Housing and Communities.

A Capitalisation Direction is set out in section 16(2) (b) of the Local Government Act 2003 which allows for revenue expenditure to be treated as capital expenditure, and funded from borrowing, and enabled the Council to achieve a balanced budget and outturn.

Capitalisation directions are also being applied to subsequent financial years, which are disclosed below as non adjusting post balance sheet events:

	£'000
2020-21 financial year	80,000
2021-22 financial year	64,400
2022-23 financial year	36,200
2023-24 financial year	63,000

► On 26 January 2022 the Council's auditors published a second Report in the Public Interest in relation to the Fairfield Halls, raising concerns about how the project had been managed. The report highlighted historic failings into the council's financial, governance and legal arrangements for the Fairfield Halls refurbishment, with the auditors finding weakness in the procurement and contract management of the project. The report also highlights that significant amounts of money were spent without proper authorisation. The Council fully accepts the findings and the expenditure has now been accounted for correctly. The report can be found by using the following link:

www.croydon.gov.uk/council-and-elections/budgets-and-spending/reports-and-reviews/report-public-interest-fairfield-halls

► On 22 November 2022 the Council issued a third Section 114 notice. This set out a £73m risk faced by the Council regarding the accounting of leases with Croydon Affordable Homes LLP and Croydon Affordable Tenures LLP. They generated a capital receipt, which was used to fund transformation expenditure in the General Fund. Removal of this capital receipt would therefore create a charge to the General Fund that could not be accommodated by existing reserves. The report also set out a risk of £74.6m arising from historic accounting errors and legacy adjustments. The Section 114 notice was removed when the Council set a balanced budget for 2023-24, with the risks identified being met from further capitalisation directions.

► On 12 July 2021, Cabinet agreed to review the future of Council's wholly owned company Brick by Brick (Croydon) Limited. This decision was that Brick by Brick complete 23 of the remaining 29 sites in their ownership, and return 6 sites back to the Council where construction had not yet commenced. The company would be closed once the remaining sites were completed and sold.

► Since the balance sheet date of these accounts, the Council has disposed of the following assets

	date of disposal	receipt £'000
Croydon Park Hotel	21 December 2021	24,900
Colonnades Retail Park	22 December 2023	29,421

6. EVENTS AFTER THE REPORTING PERIOD (continued)

► The valuation of certain council assets and liabilities has been subsequently reviewed after the balance sheet date. with material movements being set out in the table below

Type of Fixed asset	Net Book Value at 31.3.2020 £'000	Net Book Value at 31.3.2021 £'000	Net Book Value at 31.3.2022 * £'000
Council Dwellings	972,157	991,198	1,038,573
Other Land and Buildings	907,043	791,073	871,791
Assets Under Construction	0	21,390	401
Investment Properties	118,379	98,218	75,395
Sub-total Long Term Assets	**1,997,579**	**1,901,879**	**1,986,160**

* The 2021/22 statement of accounts have not yet been published in draft form, so this information is provisional only

The change in valuations of Council Dwellings and Other Land & Buildings reflects changes in their Fair Value
The Assets Under Construction value in 2020/21 represents the development on the former Taberner House site, which became operational during 2021/22.

The council completed the development of Malcolm Wicks House in August 2021 at a cost of £20.884m. It was transferred from assets under construction to operational assets (Property Plant and Equipment) within council dwellings. Malcolm Wicks House was part of the development of the Queens Gardens (the site of the former Taberner House) and provides 90 affordable apartments

The sale of investment priorities during 2021/22 resulted in a reduction of £17.381m, with all other changes being the result of changes in Fair Value.

Deferred Pension valuation under IAS19	Value at 31.3.2020 £'000	Value at 31.3.2021 £'000	Value at 31.3.2022 * £'000
Deferred Pension Asset value	1,015,827	1,233,244	1,380,958
Deferred Pension Obligation value	(1,488,447)	(1,933,326)	(1,874,770)
Deferred Pension Net value	**(472,620)**	**(700,082)**	**(493,812)**

The changes in Pension valuations have been assessed by the Council's actuary, who will have taken into account relevant factors that existed at each balance sheet date.

► Since the balance sheet date, the Council has also reviewed the provisions it holds for potential loss. The provision in relation to Business Rates appeal losses did materially change after the balance sheet event

Provision type	Net Book Value at 31.3.2020 £'000	Net Book Value at 31.3.2021 £'000	Net Book Value at 31.3.2022 * £'000
Business Rates appeals	4,417	12,781	4,165

Business rates appeals were increased during the pandemic in the face of potential claims of adverse circumstances affecting trading. However, legislation was passed that subsequently prevented this, allowing the appeal provision to reduce.

► 2020/21 saw the departure of the Council's Chief Executive. An exit package of £437k was disclosed in the 2020/21 accounts in relation to this. Four other officers left the Executive Leadership Team during 2020/21.

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

2019/20	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 2019	**(34,055)**	**15,272**	**9,406**	**32,599**	**17,679**	**(1)**	**40,900**
Movement in reserves during 2019-20							
Surplus or deficit on the provision of services	(296,628)	22,654					(273,974)
Other Comprehensive Expenditure and Income							
Impairment / Revaluation gains and losses chargeable to							0
General Movement in available for sale financial instruments							0
Movement in pensions reserve							0
Total Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0
Total Comprehensive Expenditure and Income	**(296,628)**	**22,654**	**0**	**0**	**0**	**0**	**(273,974)**
Adjustments between accounting basis and funding basis							
Depreciation	29,285					12,323	41,608
Impairment and revaluation gains and losses chargeable to CI&E	64,598	79					64,677
Amortisation of intangible assets	2,680	59					2,739
Movements in the fair value of investment properties	2,141						2,141
Capital grants and contributions	(20,738)	(2,400)			(2,727)		(25,865)
Revenue expenditure funded from capital under statute	177,744	333					178,077
Net gain / loss on sale of non-current assets	38,915	(4,193)		10,216			44,938
Amount by which finance costs charged to the CI&E are different from finance costs chargeable in the year in accordance with statutory requirements	(644)						(644)
Reversal of items relating to retirement benefits debited or credited to the Expenditure Statement	73,897	5,451					79,348
Employer's pensions contributions and direct payments to pensioners payable in the year	(22,114)	(1,631)					(23,745)
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	9,679						9,679
Revaluation of investment property, transferred between reserves							0
Revaluation of investments held at Fair Value through Profit & Loss	(2,233)						(2,233)
Business Rate Supplement Revenue Account							0
Statutory provision for the repayment of debt	(13,530)						(13,530)
Capital expenditure charged to General Fund and HRA balances		(10,000)					(10,000)
Transfers in respect of Community Infrastructure Levy receipts	(5,283)				(1,168)		(6,451)
Transfer from Capital Receipts Reserve to Housing Capital Receipts Pool	3,537			(3,537)			0
Use of the Major Repairs Reserve to finance capital expenditure						(12,322)	(12,322)
Use of the Capital Receipts Reserve to finance capital expenditure				(19,035)			(19,035)
Compensated absences	(747)	(22)					(769)
Total Adjustments between accounting basis and funding basis under regulations	337,187	(12,324)	0	(12,356)	(3,895)	1	308,613
2019-20 Net Increase / Decrease before Transfers to / from Earmarked Reserves	40,559	10,330	0	(12,356)	(3,895)	1	34,639
Transfers to / from Earmarked Reserves	(460)		460				0
Other movements in reserves	(6,044)		6,044				0
Net Increase / (decrease) in reserves for the year	34,055	10,330	6,504	(12,356)	(3,895)	1	34,639
Balances c/f at 31 March 2020	**0**	**25,602**	**15,910**	**20,243**	**13,784**	**0**	**75,539**

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	Pooled Investment Fund Adjustment Balance £'000	Total Unusable Reserves Balance £'000	Total Authority Reserves Balance £'000
658,650	**189,892**	**(32,021)**	**(664,018)**	**20,826**	**6,933**	**(3,966)**	**0**	**176,296**	**217,196**
								0	**0**
								0	**(273,974)**
								0	**0**
12,644								12,644	**12,644**
								0	**0**
			247,001					247,001	**247,001**
12,644	0	0	247,001	0	0	0	0	259,645	259,645
12,644	**0**	**0**	**247,001**	**0**	**0**	**0**	**0**	**259,645**	(14,329)
(8,059)	(33,548)							(41,607)	**1**
	(64,678)							(64,678)	**(1)**
	(2,740)							(2,740)	**(1)**
	(2,141)							(2,141)	**0**
	25,865							25,865	**0**
	(178,078)							(178,078)	**(1)**
(20,290)	(24,647)							(44,937)	**1**
		644						644	**0**
			(79,348)					(79,348)	**0**
			23,745					23,745	**0**
					(9,680)			(9,680)	**(1)**
								0	**0**
							2,233	2,233	**0**
								0	**0**
	13,530							13,530	**0**
	10,000							10,000	**0**
	6,448							6,448	**(3)**
								0	**0**
	12,322							12,322	**0**
	19,035							19,035	**0**
						770		770	**1**
(28,349)	(218,632)	644	(55,603)	0	(9,680)	770	2,233	(308,617)	(4)
									0
(15,705)	(218,632)	644	191,398	0	(9,680)	770	2,233	(48,972)	(14,333)
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
(15,705)	(218,632)	644	191,398	0	(9,680)	770	2,233	(48,972)	(14,333)
642,945	**(28,740)**	**(31,377)**	**(472,620)**	**20,826**	**(2,747)**	**(3,196)**	**2,233**	**127,324**	202,863

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

Restated 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
Restated balances b/f at 1 April 2018 (Note 43)	**(4,108)**	**14,535**	**17,190**	**52,182**	**14,307**	**1,928**	**96,034**
Movement in reserves during 2018-19	0	0	0	0	0	0	0
Surplus or deficit on the provision of services (restated - Note 43)	(245,114)	11,419	0	0	0	0	(233,695)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0
Impairment / Revaluation gains and losses chargeable 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	**(245,114)**	**11,419**	**0**	**0**	**0**	**0**	**(233,695)**
Adjustments between accounting basis and funding basis							
Depreciation	23,985	0	0	0	0	12,791	36,776
Impairment and revaluation gains and losses chargeable to CI&E	16,333	133	0	0	0	0	16,466
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	67,143	816	0	0	0	0	67,959
Net gain / loss on sale of non-current assets	43,286	(5,628)	0	14,104	0	0	51,762
Amount by which finance costs charged to the CI&E are different from finance costs chargeable 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	70,458	6,026	0	0	0	0	76,484
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	(31,674)	0	0	(31,674)
Compensated absences	535	2	0	0	0	0	537
Total Adjustments between accounting basis and funding basis under regulations	207,383	(10,682)	0	(19,583)	3,372	(1,929)	178,561
2018-19 Net Increase / Decrease before Transfers to / from Earmarked Reserves	(37,731)	737	0	(19,583)	3,372	(1,929)	(55,134)
Transfers to / from Earmarked Reserves	879	0	(879)	0	0	0	0
Other movements in reserves (restated - Note 43)	6,905	0	(6,905)	0	0	0	0
Net Increase / (decrease) in reserves for the year	(29,947)	737	(7,784)	(19,583)	3,372	(1,929)	(55,134)
Balances c/f at 31 March 2019	**(34,055)**	**15,272**	**9,406**	**32,599**	**17,679**	**(1)**	**40,900**

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
718,691	**268,102**	**(1,346)**	**(616,039)**	**2,463**	**6,824**	**(3,429)**	**375,266**	**471,300**
0	0	0	0	0	0	0	0	**0**
0	0	0	0	0	0	0	0	**(233,695)**
0	0	0	0	0	0	0	0	**0**
(26,702)	0	0	0	0	0	0	(26,702)	**(26,702)**
0	0	0	0	0	0	0	0	**0**
0	0	0	6,291	0	0	0	6,291	**6,291**
(26,702)	0	0	6,291	0	0	0	(20,411)	(20,411)
(26,702)	**0**	**0**	**6,291**	**0**	**0**	**0**	**(20,411)**	(254,106)
(7,959)	(28,817)	0	0	0	0	0	(36,776)	**0**
0	(16,465)	0	0	0	0	0	(16,465)	**1**
	(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	(67,959)	0	0	0	0	0	(67,959)	**0**
(24,743)	(45,382)	0	0	18,363	0	0	(51,762)	**0**
0	0	(30,675)	0	0	0	0	(30,675)	**0**
0	0	0	(76,484)	0	0	0	(76,484)	**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	31,674	0	0	0	0	0	31,674	**0**
0	0	0	0	0	0	(537)	(537)	**0**
(33,339)	(78,210)	(30,675)	(54,270)	18,363	109	(537)	(178,559)	2
								0
(60,041)	(78,210)	(30,675)	(47,979)	18,363	109	(537)	(198,970)	(254,104)
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
(60,041)	(78,210)	(30,675)	(47,979)	18,363	109	(537)	(198,970)	(254,104)
658,650	**189,892**	**(32,021)**	**(664,018)**	**20,826**	**6,933**	**(3,966)**	**176,296**	217,196

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 2019/20.

	Balance at 1 April 2018 £000	Movement In 2018/19 £000	Balance at 31 March 2019 £000	Movement In 2019/20 £000	Balance at 31 March 2020 £000
General Fund - Non Schools					
Covid 19	0	0	0	8,420	8,420
Growth Zone	7,000	2,512	9,512	2,021	11,533
Selective Licensing	2,883	(1,166)	1,717	(1,717)	0
Revolving Investment Fund Reserve	3,199	(302)	2,896	(2,896)	0
Homes for the Future PFI	0	687	687	0	687
Financial Recovery Reserve	0	640	640	6,139	6,779
Other Reserves under £0.5m	7,364	(2,484)	4,880	(2,449)	2,431
Sub-total Non Schools	20,446	(113)	20,332	9,518	29,850
Draw Down of Reserves budgeted to be replaced on 1 April	(4,700)	(766)	(5,466)	5,466	0
General Fund - Schools:					
DSG Deficit (restated - Note 43)	(963)	(8,230)	(9,193)	(5,331)	(14,524)
Balances held by schools under a scheme of delegation	2,407	1,326	3,733	(3,148)	585
Total Earmarked Reserves	17,190	(7,783)	9,406	6,505	15,911

	Balance at 1 April 2018 £000	Movement In 2018/19 £000	Balance at 31 March 2019 £000	Movement In 2019/20 £000	Balance at 31 March 2020 £000
HRA:					
New Build Housing	11,400	(1,980)	9,420	0	9,420
Major Repairs Reserve	1,929	(1,929)	0	0	0
Contingency Reserve	3,135	2,716	5,851	10,331	16,182
Total	16,464	(1,193)	15,271	10,331	25,602

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 (£11.533m)
Funding has been received from the MHCLG 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.

COVID 19 (£8.420m)
of March 2020 from the government to support the pandemic response and recovery. £9.4m was received part of which was utilised in year.

Financial Recovery Reserve (£6.779m)
Created to manage the timing of financial pressures over the medium term.

Other Reserves (£2.431m)
This includes other reserves with a balance of less than £0.500m as at 31st March 2020.

Homes for the Future PFI (£0.687m)
Manage the costs and income in relation to the PFI contracts.

DSG Deficit
The DSG deficit is currently £14.524m and was previously £9.193m.

School Balances (£0.585m)
School balances have decreased by £3.148m to £0.585m. The decrease in reserves is largely due to a number of schools converting to academy status. There are twelve schools with a revenue deficit. Action plans are agreed with schools in deficit to ensure that they return to a balanced position.

9. OTHER OPERATING EXPENDITURE

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

	2019/20 £000	Restated 2018/19 £000
Levies	1,367	1,343
Payments of Housing capital receipts to Government pool	3,537	2,013
(Gain)/loss on disposal of non-current assets	34,721	37,658
Total	39,625	41,014

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 expenditure 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.

	2019/20 £000	Restated 2018/19 £000
Interest payable and similar charges	40,890	40,723
Interest receivable and similar income	(8,426)	(4,775)
Premium on early repayment of debt	336	618
Changes in fair value of investment properties	2,141	355
Other investment income	(1,615)	(890)
Investment property rental income	(5,118)	(1,772)
Gains/Losses on financial instruments classified as FV through P/L	(2,233)	-
Interest Cost on defined benefit obligation	41,780	41,055
Expected Return on Pension Assets	(25,286)	(24,638)
(Surplus) / deficit on trading undertakings	(154)	(87)
Total	42,315	50,589

11. TAXATION AND NON-SPECIFIC GRANT INCOME

Credited to Taxation and Non-Specific Grant Income	2019/20 £000	2018/19 £000
Recognised Capital Grants and Contributions	(16,875)	(8,854)
Council Tax Income	(180,057)	(171,813)
National Non-Domestic Rates (NNDR)	(82,669)	(86,078)
Revenue Support Grant	-	-
Non-service Related Government Grants (see Note 31)	(42,096)	(27,457)
Taxation and Non-Specific Grants	(321,697)	(294,202)

12. PROPERTY, PLANT AND EQUIPMENT

2019/20	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total PPE Excluding rastructure £000	PFI Assets Included in PPE £000
Net Book Value at 1 April 2019	954,041	808,212	12,255	4,325	6,493	54,632	1,839,958	110,689
Gross Book Value at 1 April 2019	954,041	812,037	13,956	8,966	6,549	56,799	1,852,348	118,437
Additions	50,856	32,641	1,880	22	0	42,804	128,203	0
Revaluation increase/(decrease) recognised in the Revaluation Reserve	(28,333)	21,996	0	0	(2,355)	0	(8,692)	4,667
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	0	(13,697)	0	0	(961)	0	(14,658)	0
Derecognition - Disposals	(4,407)	(230)	0	0	0	0	(4,637)	0
Derecognition - Other	0	(39,967)	0	0	0	0	(39,967)	0
Assets reclassified (to)/from held for sale	0	28	0	0	0	0	28	0
Transfers/Reclassifications	0	100,283	0	0	(680)	(99,603)	0	0
Other Movements in cost or valuation	0	0	0	0	0	0	0	0
Gross book value 31 March 2020	972,157	913,091	15,836	8,988	2,553	0	1,912,625	123,104
Accumulated Depreciation and Impairment at 1 April 2019	0	3,825	1,701	4,641	56	2,167	12,390	7,748
Depreciation for year	11,875	18,386	3,736	651	81	0	34,729	4,500
Depreciation written out to the Revaluation reserve	(11,875)	(9,435)	0	0	(25)	0	(21,335)	(2,499)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(5,748)	0	0	(82)	0	(5,830)	0
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(2,167)	0	0	0	0	(2,167)	0
Derecognition - Disposals	0	0	0	0	0	0	0	0
Derecognition - Other	0	(1,013)	0	0	0	0	(1,013)	0
Transfers/Reclassifications	0	2,197	0	0	(30)	(2,167)	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0
Accumulated Depreciation and Impairment 31 March 2020	0	6,045	5,437	5,292	0	0	16,774	9,749
Net book value 31 March 2020	972,157	907,046	10,399	3,696	2,553	0	1,895,851	113,355

12. PROPERTY, PLANT AND EQUIPMENT

2018/19 (Restated)

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total PPE Excluding Infrastructure £000	PFI Assets Included in PPE £000
Net Book Value at 1 April 2018	989,648	790,442	3,406	4,947	2,181	4,402	1,795,026	111,232
Gross Book Value at 1 April 2018	989,648	794,133	4,013	8,946	2,181	4,402	1,803,323	116,975
Additions	29,256	82,993	9,943	20	0	52,397	174,609	-
Revaluation increase/(decrease) recognised in the Revaluation Reserve	(58,320)	14,104	0	0	(398)	0	(44,614)	2,433
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	0	(26,048)	0	0	(44)	0	(26,092)	(971)
Derecognition - Disposals	(6,194)	0	0	0	0	0	(6,194)	0
Derecognition - Other	(349)	(54,442)	0	0	0	0	(54,791)	0
Assets reclassified (to)/from held for sale	0	(733)	0	0	0	0	(733)	0
Transfers/Reclassifications	0	2,030	0	0	4,810	0	6,840	0
Other Movements in cost or valuation	0	0	0	0	0	0	0	0
Gross book value 31 March 2019	954,041	812,037	13,956	8,966	6,549	56,799	1,852,348	118,437
Accumulated Depreciation and Impairment at 1 April 2018	0	3,690	607	3,999	0	0	8,296	5,743
Depreciation for year	12,327	16,311	1,094	642	22	0	30,396	4,128
Depreciation written out to the Revaluation reserve	(12,327)	(5,575)	0	0	(10)	0	(17,912)	(829)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(9,683)	0	0	(44)	0	(9,727)	(1,294)
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	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	2,167	2,167	0
Derecognition - Disposals	0	0	0	0	0	0	0	0
Derecognition - Other	0	(830)	0	0	0	0	(830)	0
Transfers/Reclassifications	0	(88)	0	0	88	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0
Accumulated Depreciation and Impairment 31 March 2019	0	3,825	1,701	4,641	56	2,167	12,390	7,748
Net book value 31 March 2019	954,041	808,212	12,255	4,325	6,493	54,632	1,839,958	110,689

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Infrastructure Assets

Movements on balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2019-20 £'000	2018-19 £'000
NBV (modified historical costs)		
At 1 April	147,842	142,336
Additions	13,217	11,885
Derecognitions		
Depreciation	(6,880)	-6,379
Impairment		
Other movement in cost		
NBV at 31 March	154,179	147,842

Reconciliation with the total Property, Plant and equipment in the Balance Sheet

	2019-20 £'000	2018-19 £'000
Infrastructure Assets	154,179	147,842
Other PPE assets	1,895,848	1,839,955
Total PPE assets	2,050,027	1,987,797

The authority has determined in accordance with Regulation 30M England of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

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 2020 for assets not revalued in 2019/20.

Using the valuation data from the rolling programme, as well as additional specific external revaluations obtained during 2019-20 the internal review identified there had not been a material change in the value of Land and Buildings.

12. PROPERTY, PLANT AND EQUIPMENT (continued)

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 2020.

The valuations of Council dwellings were undertaken externally by Wilks Head & Eve as at 31 March 2020.

Due to the outbreak of Covid-19 Wilks, Head & Eve added the following commentary "Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes... the current response to Covid-19 means that we are faced with an unprecedented set of circumstances…our valuations are therefore reported on the basis of material valuation uncertainty" as per VPS3 and "VPGA10 of the RICS Red Book Global. Consequently, less certainty - and a higher degree of caution - should be attached to our valuation than would normally be the case."

These valuations were carried out in accordance with the methodologies and bases for estimation set out in:

- ► the professional standards of the Royal Institution of Chartered Surveyors; and
- ► the Stock Valuation for Resource Accounting Guidance for Valuers 2016 from the 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 properties
- ► Non operational properties are valued using fair value (FV)
- ► The external valuer uses a single, average rate to value land across the borough.

	Council Dwellings	Other Land & Buildings	Vehicles & Plant	Infrastructure	Community	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost		12,213	10,399	154,179	3,696		0	180,487
Valued at current value as at:								
31/03/2020	972,157	719,503				2,553		1,694,213
31/03/2019		129,980						129,980
31/03/2018		6,470						6,470
31/03/2017		21,508						21,508
31/03/2016		17,369						17,369
Total cost or valuation (NBV)	972,157	907,043	10,399	154,179	3,696	2,553	0	2,050,027

Other Land and Buildings carried at historical cost relates to properties purchased during 2019-20

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.

12. PROPERTY, PLANT AND EQUIPMENT (continued)

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inpu

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 hierarchy of non-financial assets measured at fair value on a recurring basis at 31 March 2020. 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 2020 Total £000
Surplus Assets	0	2,553	0	2,553
Investment Properties	0	118,379	0	118,379
Assets held for Sale	0	650	0	650
Total non-financial assets held at Fair Value	**0**	**121,582**	**0**	**121,582**

	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**

CAPITAL COMMITMENTS

Capital schemes with significant contractual commitments for future capital expenditure in 2020/21:

Department	**Capital Scheme**	**Estimated Total Cost** 2020-21 £000	2019-20 £000
Childrens, Families and Education	Special Educational Needs Capital Programme	18,807	24,534
Place	New Addington Regeneration	-	5,796
	Other Public Realm and infrastructure	8,336	10,559
	Growth Zone Programme	15,000	-
Resources	ICT equipment and technical refresh	11,814	12,961
	Total Cost	53,957	**53,850**

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 fair value of these properties in Imperial Way reflects this reduction in income entitlement.

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.

In 2019-20 the council received income of £5.118m from its investment properties (£1.772m in 2018-19)

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. The following table summarises the movement in the fair value of investment properties over the year:

	2019/20 Total £000	2018/19 Total £000
Balance at start of the year	98,979	29,714
Acquisitions	21,541	75,631
Net gains/losses from fair value adjustments	(2,141)	(356)
Transfers:		
to/from Property, Plant and Equipment	0	(6,840)
from assets held for sale	0	830
Other changes		
Balance at end of the year	118,379	98,979

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:

	2019/20 Intangible Assets £000	2018/19 Intangible Assets £000
Balance at start of year:		
Gross carrying amounts	26,231	20,336
Accumulated amortisation	(17,351)	(15,274)
Net carrying amount at start of year	8,880	5,062
Additions:		
Purchases	6,111	5,895
Amortisation for the period	(2,740)	(2,077)
Other changes - cost	(187)	0
Other changes - amortisation	187	0
Net carrying amount at end of year	12,251	8,880
Comprising:		
Gross carrying amounts	32,155	26,231
Accumulated amortisation	(19,904)	(17,351)
	12,251	8,880

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

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instruments of another entity. Non exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

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

FINANCIAL INSTRUMENTS BALANCES

	31 March 2020 £000	31 March 2019 Restated £000	31 March 2020 £000	31 March 2019 Restated £000
Financial Liabilities	Non-Current	Non-Current	Current	Current
Borrowings				
Financial liabilities at amortised cost	1,214,517	1,069,072	302,000	223,507
Service concessions and finance lease liabilities	74,329	76,600	1,691	1,691
Total borrowings	1,288,846	1,145,672	303,691	225,198
Creditors				
Financial liabilities at amortised cost	0	0	142,648	144,021
Creditors that are not a financial instrument	0	0	41,973	46,009
Cash and cash equivalents	0	0	15,907	22,478
Total Creditors	0	0	200,528	212,508

Financial Assets	Non-Current		Current	
Financial Assets at Amortised Cost				
Investments			13,000	30,000
Loans and Receivables (2018/19 restated - Note 43)	9,985	85,107		
Debtors			294,111	163,555
Expected lifetime credit risk on loans to Brick By brick			(51,696)	
Cash and cash equivalents			15,392	49,528
Fair value through profit and loss				
Investments	47,233	45,000		
Debtors				
Debtors that are not financial instruments			18,977	16,144
Total Financial Assets	57,218	130,107	289,784	259,227

Financial Instruments Classified at Fair Value through Profit or Loss

Croydon Council holds £45m shares in a property fund, principally to secure service savings in relation to temporary accommodation. As this instrument in not structured to repay principal and interest, it is necessary to hold it at Fair Value through Profit or Loss

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 £76.021m in 2019/20 (£78.291m in 2018/19)

16. FINANCIAL INSTRUMENTS (continued)

Income, Expense, Gains and Losses

	2019/20 Surplus or Deficit on the Provision of Services £'000	2019/20 Other Comprehensive Income and Expenditure £'000	2018/19 Surplus or Deficit on the Provision of Services £'000	2018/19 Other Comprehensive Income and Expenditure £'000
Net gains/losses on:				
Financial assets measured at FVPL	2,233		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	(8,426)		(4,775)	
Other financial assets measured at FVOCI	(1,397)		(890)	
Total interest revenue	**(9,823)**	0	**(5,665)**	0
Interest expense	**40,890**		**40,201**	
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	0	0
Fee expense				
Financial assets or financial liabilities that are not at fair value through profit or loss	336		618	
Trust and other fiduciary activities				
Total fee expense	336	0	618	0

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.
- The fair value of funding raised for Croydon Affordable Homes and Croydon Affordable Tenures has been calculated internally. The discount rate is the calculated external interest rate of the liability over its 40 year duration

16. FINANCIAL INSTRUMENTS (continued)

The fair values are calculated as follows:

FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	Fair Value Hierarchy	31 March 2020 Carrying Amount £000	31 March 2020 Fair Value £000	31 March 2019 Carrying Amount £000	31 March 2019 Fair Value £000
PWLB - maturity	level 2	907,426	1,541,673	857,926	1,258,823
Lender Option Borrower Options (LOBOs)	level 2	20,000	54,626	39,500	65,184
Market Debt	level 2	517,574	267,940	381,082	398,001
Funding raised for Croydon Affordable Homes	level 2	71,516	64,001	13,756	9,947
Stock issues	level 1	0	0	315	318
Bank overdraft	level 2	15,907	15,907	61,651	61,651
Private Finance Initiative (PFI) Liability & leases	level 2	76,020	58,692	78,291	60,731
Financial Liabilities		1,608,443	2,002,839	1,432,521	1,854,655

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 Croydon Affordable Homes funding and PFI liability is lower as the discount rate used is lower then the implicit rate used in the PFI and the external funding models.

FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	Fair Value Hierarchy	31 March 2020 Carrying Amount £000	31 March 2020 Fair Value £000	31 March 2019 Carrying Amount £000	31 March 2019 Fair Value £000
Money Market Loans	level 1	15,392	15,392	49,528	49,528
Deposits with banks and other Local Authorities	level 2	13,000	13,000	30,000	30,000
Long-term debtors	level 2	9,985	31,537	85,107	85,107
Financial Assets		38,377	59,929	164,635	164,635

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 2020.

	Level 1 £000	Level 2 £000	Level 3 £000	31 March 2020 Total £000
Financial Assets				
Investments and cash and cash equivalents	15,392	0	0	15,392
Deposits with banks and other Local Authorities		13,000		13,000
Long Term debtors	0	31,537	0	31,537
Total Financial Assets	**15,392**	**44,537**	**0**	**59,929**
Financial Liabilities				
PWLB Loans		1,541,673	0	1,541,673
LOBO Loans		54,626	0	54,626
Other Market Debt		267,940		267,940
Funding Raised for Croydon Affordable Homes		64,001		64,001
Bank Overdraft	15,907			15,907
Long term creditors		58,692	0	58,692
Total Financial Liabilities	**15,907**	**1,986,932**	**0**	**2,002,839**

There were no transfers between Level 1 and Level 2 in 2019/20.

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.
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

2019-20

	01 April 2019 £'000	Financing cash flows £'000	Acquisitions £'000	Other non-cash changes £'000	31 March 2020 £'000
Long-term borrowings	1,069,072	145,445			1,214,517
Short-term borrowings	223,507	78,493			302,000
Lease and PFI liabilities	78,291	(2,271)			76,020
Total liabilities from financing activities	**1,370,870**	**221,667**	**0**	**0**	**1,592,537**

2018-19

	01 April 2018 £'000	Financing cash flows £'000	Acquisitions £'000	Other non-cash changes £'000	31 March 2019 £'000
Long-term borrowings	813,103	255,969			1,069,072
Short-term borrowings	107,204	116,303			223,507
Lease and PFI liabilities	80,406	(2,115)			78,291
Total liabilities from financing activities	**1,000,713**	**370,157**	**0**	**0**	**1,370,870**

17. DEBTORS

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

	2019/20 £000	Restated 2018/19 £000
Trade receivables	365,569	205,629
Prepayments	14,302	9,187
Other receivable amounts	35,711	36,573
Allowance for credit losses	(154,188)	(71,690)
Total	261,394	179,699

The aged debt status of debt arising from local taxation is not judged to be material.

18. CASH AND CASH EQUIVALENTS

	2019/20 £000	Restated 2018/19 £000
Cash held	39	34
Bank current accounts	(15,946)	(22,512)
Short-term deposits with building societies and Money Market Funds	15,392	49,528
Total	(515)	27,050

19. ASSETS HELD FOR SALE

	2019/20 £000	2018/19 £000
Balance at start of the year	8,328	16,329
Revaluation decrease recognised in the Surplus/Deficit	(6,321)	(133)
Reversal of loss recognised in the Surplus / Deficit	0	2,200
Asset additions	15	0
Assets Sold	(1,345)	(9,971)
Transfers to investment properties	0	(830)
Transfers from / (to) Property, Plant and Equipment	(27)	733
Balance outstanding at year end	650	8,328

20. CREDITORS AND RECEIPTS IN ADVANCE (RIA)

	2019/20 £000	Restated 2018/19 £000
Receipts in advance	22,956	25,474
Trade payables	142,579	144,021
Other payables	19,017	20,535
Total	184,552	190,030

21. PROVISIONS

	Highways Works £000	Insurance £000	HRA Water £000	NNDR Appeals £000	Other Provisions £000	Total £000
Balance at 1 April 2019	0	4,850	3,030	7,649	1,332	16,861
Amounts used in 2019/20	0	(1,599)	0	(4,920)		(6,519)
Provisions released in 2019/20	0	(364)	0	(1,912)	(137)	(2,413)
Additional provisions made in 2019/20	9439	1,705	0	3,600	2,248	16,992
Balance at 31 March 2020	9,439	4,592	3,030	4,417	3,443	24,921

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 2019	3,529	13,332	16,861
Balance at 31 March 2020	**4,835**	**20,086**	24,921

Highways Maintenance Contract with Kier

The council entered into a Highways maintenance contract with Kier, beginning September 2011 and ran for 7 years. At the end of the contract term, the Council received a claim for unpaid works over and above the amounts already paid. This claim has been settled in 2023/24 at a cost of £9.439m. A provision is therefore being created in the 2019/20 financial year

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 Useable Reserves, summarised below:

	2019/20 £000	Restated 2018/19 £000
General Fund	0	(34,056)
Earmarked reserves including Schools	15,911	9,406
Sub-total General Fund Balances	15,911	(24,650)
Housing Revenue Account	25,602	15,271
Capital receipts reserve	20,243	32,599
Capital grants unapplied	13,784	17,677
Major repairs reserve	-	-
Total Useable Reserves	75,540	40,897

22.1. General Fund
The General Fund Balance at 31 March 2020 is £nil (31 March 2019 was -£34.055m)

22.2. Housing Revenue Account and Major Repairs Reserve
The Housing Revenue Account Balance at 31 March 2020 is £25.602m (31 March 2019: £15.271m). This is made up of the HRA surplus of £25.602m (31 March 2019: £15.271mm) and the Major Repairs Reserve of £nil (31 March 2019: £nil). 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	2019/20 Total £000	Restated 2018/19 Total £000
Balance brought forward	0	32,599	32,599	52,181
Mortgage repayments	0	0	0	0
Net surplus for year	0	32,599	32,599	52,181
Receipts from sales of assets during the year	273	10,105	10,378	14,341
Cost of disposals	(3)	(160)	(163)	(236)
Transfer to Housing Capital Receipts Pool	(3,537)		(3,537)	(2,013)
Transfer between General Fund & HRA to offset transfer to Housing Capital Receipts Pool	3,537	(3,537)	0	0
Balance of receipts after transfer	270	6,408	6,678	12,092
Balance on account before application of receipts	270	39,007	39,277	64,273
Financing of capital expenditure	0	(19,035)	(19,035)	(31,674)
Balance carried forward	270	19,972	20,242	32,599

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

	2019/20 £000	Restated 2018/19 £000
Revaluation reserve	642,944	658,650
Capital adjustment account	(28,737)	189,892
Financial Instruments adjustment account	(31,377)	(32,021)
Pensions reserve	(472,620)	(664,018)
Deferred capital receipts	20,826	20,826
Collection Fund adjustment account	(2,747)	6,932
Short-term accumulating compensated absences account	(3,196)	(3,966)
Pooled Investment Fund Adjustment Account	2,233	-
	127,326	176,295

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;

23. UNUSABLE RESERVES (continued)

- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

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

	2019/20		Restated 2018/19
	£000	£000	£000
Balance at 1 April		658,650	718,691
Revaluations upward	39,733		59,934
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(27,090)		(86,636)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		12,643	(26,702)
The difference in depreciation arising from a revaluation gain and the depreciation charged on the historic cost	(8,059)		(7,959)
Accumulated gain or loss on assets sold or scrapped	(20,290)		(24,743)
Write out revaluation reserve following transfer from investment property to Property Plant and Equipment	-		(637)
Amount written off to the Capital Adjustment Account		(28,349)	(33,339)
Balance at 31 March		642,944	658,650

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)

	2019/20 £000	2019/20 £000	Restated 2018/19 £000
Balance at 1 April		189,892	268,102
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)	(41,607)		(38,944)
Revaluation losses on Property, Plant and Equipment	(38,023)		(39,923)
Impairment/revaluation gains reversing losses previously charged to Comprehensive Expenditure and Income	25,041		25,625
Amortisation of intangible assets	(2,740)		(2,077)
Revenue expenditure funded from capital under statute	(178,078)		(67,959)
Impairment of development loans to Brick by Brick	(51,696)		
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(44,938)		(70,125)
		(332,041)	(193,403)
Adjusting amounts written out of the Revaluation Reserve		28,350	33,339
Net written out amount of the cost of non-current assets consumed in the year		(303,691)	(160,064)
Capital financing applied in the year:			
Use of the Capital Receipts Reserve to finance new capital expenditure	19,035		31,674
Use of the Major Repairs Reserve to finance new capital expenditure	12,322		14,720
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	22,984		11,400
Application of grants to capital financing from the Capital Grants Unapplied Account	9,330		5,275
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	13,530		8,941
Capital expenditure charged against the General Fund and HRA balances	10,000		10,199
		87,201	82,209
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(2,141)	(355)
Balance at 31 March		(28,739)	189,892

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 2020 shows a balance of £31.38m (£1.35m in 2018/19) 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.

	2019/20 £000	2019/20 £000	2018/19 £000
Balance at 1 April		(32,021)	(1,347)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement			(30,859)
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	644		185
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		644	(30,674)
Balance at 31 March		(31,377)	(32,021)

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

23. UNUSABLE RESERVES (continued)

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.

	2019/20 £000	2018/19 £000
Balance at 1 April	(664,018)	(616,039)
Actuarial gains or losses on pensions assets and liabilities	247,001	6,291
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	(79,348)	(76,484)
Employer's pensions contributions and direct payments to pensioners payable in the year	23,745	22,214
Balance at 31 March	(472,620)	(664,018)

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.

	2019/20 £000	2018/19 £000
Balance at 1 April	20,826	2,463
Transfer to the Capital Receipts Reserve upon receipt of cash	0	0
Additional Deferred Capital Receipts relating to disposal of the former Taberner House site	0	18,363
Balance at 31 March	20,826	20,826

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.

	2019/20 £000	2018/19 £000
Balance at 1 April	6,933	6,824
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	(9,680)	109
Balance at 31 March	(2,747)	6,933

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.

	2019/20 £000	2019/20 £000	2018/19 £000
Balance at 1 April		(3,966)	(3,428)
Settlement or cancellation of accrual made at the end of the preceding year	3,966		3,428
Amount accrued at the end of the current year	(3,196)		(3,966)
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		770	(538)
Balance at 31 March		(3,196)	(3,966)

23.9. POOLED INVESTMENT FUND ADJUSTMENT ACCOUNT

The Pooled Investment Fund Adjustment Account is a statutory account which overrides the treatment of financial instruments held at Fair Value through the Profit and Loss (FVPL). It was introduced under Statutory Instrument 2018/1207 and remains until 2022/23. This transitional reserve absorbs changes in the valuation of financial instruments.

	20190/20 £000	2018/19 £000
Balance at 1 April	0	0
Gains / losses on valuation of financial instruments held at Fair Value Through Profit and Loss	2,233	0
Balance at 31 March	2,233	0

24. TRADING OPERATIONS

The Council has two trading operations in existence: Commercial Rents and Street Markets which are incorporated into the Comprehensive Income and Expenditure Statement. A review of materiality has determined neither are material enough to disclose in the Council's financial statements and both have therefore been removed.

25. AGENCY SERVICES

Business Improvement Districts

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

The Council currently acts as an agent for three BIDs:

The Croydon Town Centre bid was incorporated as 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 successful 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.

	2019/20			2018/19		
	£000 Council	£000 Partner	£000 Total	£000 Council	£000 Partner	£000 Total
Croydon's Community Equipment Service						
Funding provided to the pooled budget	(1,190)	(1,065)	(2,255)	(1,184)	(992)	(2,176)
Expenditure met from the pooled budget	2,920		2,920	2,254		2,254
Net Expenditure	1,730	(1,065)	665	1,070	(992)	78

26. POOLED BUDGETS (continued)

Better Care Fund
This agreement commenced on 1st April 2014 and is hosted by the Croydon Clinical Commissioning Group.

Funding pooled by Croydon Council includes Disabled Facilities Grant and Adult Social Care grant monies. Additional funding is received by the Council from the pool to fund the delivery of agreed objectives set by the BCF Executive Group.

Any surplus or deficit is shared between the pool members pro rata'd on the proportion of funding they contributed to the pool.

	2019/20				2018/19			
	£000 Council	£000 Partner	£000 Unallocated	£000 Total	£000 Council	£000 Partner	£000 Unallocated	£000 Total
Better Care Fund								
Gross Income	(12,322)	(24,887)	0	(37,209)	(24,275)	(8,552)		(32,827)
Gross Expenditure	22,158	15,051	0	37,209	23,929	8,468		32,397
Net Expenditure	9,836	(9,836)	0	0	(346)	(84)	0	(430)

27. MEMBERS' ALLOWANCES

Total allowances paid to the Members of the Council was £1.595m in 2019/20 (£1.516m in 2018/19). The Council pays employer's national insurance on Members allowances, taking the total cost to £1.732m in 2019/20 (£1.648m in 2018/19)

28. OFFICERS' REMUNERATION

Out of more than 7,000 employees, the number whose remuneration, excluding on costs and allowances was £50,000 or more in bands of £5,000 was:

	2019/20		2018/19	
Remuneration Band	**Schools**	**Non-Schools**	**Schools**	**Non-Schools**
£200,000 - £204,999	0	0	0	1
£195,000 - £199,999	0	0	0	0
£190,000 - £194,999	0	1	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	0
£160,000 - £164,999	0	0	0	0
£155,000 - £159,999	0	2	0	0
£150,000 - £154,999	0	0	0	1
£145,000 - £149,999	0	0	0	0
£140,000 - £144,999	0	0	0	1
£135,000 - £139,999	0	4	0	0
£130,000 - £134,999	1	1	1	0
£125,000 - £129,999	1	0	0	1
£120,000 - £124,999	0	0	1	2
£115,000 - £119,999	2	5	0	1
£110,000 - £114,999	4	0	0	0
£105,000 - £109,999	1	2	4	5
£100,000 - £104,999	1	0	0	4
£95,000 - £99,999	1	5	1	3
£90,000 - £94,999	1	0	0	2
£85,000 - £89,999	4	31	1	10
£80,000 - £84,999	6	16	4	17
£75,000 - £79,999	6	0	6	10
£70,000 - £74,999	12	40	14	9
£65,000 - £69,999	18	15	16	25
£60,000 - £64,999	23	6	28	26
£55,000 - £59,999	33	55	26	62
£50,000 - £54,999	70	158	64	130

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 ,Investment 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 ,Families and 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		
	£	£	£	£	£	£	£	£	£	£	£	£
2019/20												
Basic Salary and allowances	189,165	156,060		124,393			153,936		148,886		197,171	137,700
Compensation for loss of Office												
Total Remuneration excluding Pension Contributions	**189,165**	**156,060**	**0**	**124,393**	**0**	**0**	**153,936**	**0**	**148,886**	**0**	**197,171**	**137,700**
Employer's Pension Contributions	29,193	24,085		19,216			23,795		22,986		11,983	21,252
Total Remuneration including Pension Contributions	**218,358**	**180,145**	**0**	**143,609**	**0**	**0**	**177,731**	**0**	**171,872**	**0**	**209,154**	**158,952**
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**

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	2019-20 £	2018-19 £
Salary	12,821	12,745
Pensions Employers Contribution	1,936	1,925
Excluded from amounts shown above	**14,757**	**14,670**

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.

2019/20	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	0	0	0	0	0	0
£100,000 - £149,999	1	0	1	121,539	0	121,539
£80,000 - £99,999	0	0	0	0	0	0
£60,000 - £79,999	1	2	3	60,995	144,880	205,876
£40,000 - £59,999	1	3	4	50,839	155,856	206,695
£20,000 - £39,999	2	6	8	52,775	160,972	213,746
£0 - £19,999	5	24	29	53,578	171,307	224,886
Total	10	35	45	339,726	633,015	972,742

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

29. EXTERNAL AUDIT COSTS

	2019/20 £000	2018/19 £000
Fees payable for other services during the year	12	10
Fees payable with regard to external audit services for London Borough of Croydon	189	153
Additional fees and costs associated with the	303	0
Work on the Reports in the Public Interest (RIPI1 and RIPI2)	206	
Fees payable in response to Public Objection to 2016-17 accounts	-	(3)
Fees Payable for teachers pension claim and pooling of housing capital receipts	8	7
Fees payable for the certification of HB returns for the year	11	11
Total for Croydon Council	729	178
Fees payable by Brick by Brick Croydon Limited for external audit services	28	24
Total Audit fees for the group	757	202

The Housing Benefit claim certification audit was completed by Mazars in 2018-19, and will also be completed by them for 2019/20.

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 2019/20 are set out in the following table:

30. DEDICATED SCHOOLS GRANT (continued)

	Central Expenditure £000	Individual Schools Budget £000	Total DSG 2019/20 £000
Final DSG for 2019/20 before academy recoupment	166		343,584
Academy figure recouped for 2019/20			(178,915)
Total DSG after academy recoupment for 2019/20			164,669
Plus: Brought forward from 2018/19			(9,193)
Less: Carry-forward to 2019/20 agreed in advance			
Agreed initial budget distribution in 2019/20	8,367	147,109	155,476
In year adjustments	0		
Final budget distribution for 2019/20	8,367	147,109	155,476
Less: actual central expenditure	(8,367)		(8,367)
Less: actual ISB deployed to schools		(161,633)	(161,633)
Carry-forward to 2020/21	0	(14,524)	(14,524)

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:

	2019/20 £000	2018/19 £000
Credited to Taxation and Non-Specific Grant Income		
Council Tax Income	180,057	171,813
Revenue Support Grant		-
National Non-Domestic Rates (NNDR)	82,670	86,078
Recognised Capital Grants and Contributions	16,875	8,854
Non-service Related Government Grants	42,096	27,457
	321,698	294,202
Taxation and Non-Specific Grants Credited to Services		
Home Office - contribution towards Unaccompanied Asylum Seeking Children costs	13,153	11,917
MHCLG - Growth Zone, Troubled Families, Care Act, Better Care Fund	10,406	10,332
Department for Education - Dedicated Schools Grant	159,682	168,660
Department of Health - Public Health Grant	20,785	22,129
Department for Work and Pensions - Housing Benefit Subsidy	168,151	172,122
Department for Work and Pensions - funding for welfare reform and reducing fraud and error	1,273	1,577
Home Office - Leaving Care support	3,061	2,779
Private Finance Initiative (PFI) - contribution from Central Government towards PFI costs	8,509	8,509
PE and Sport Grant	688	770
Education Funding Agency - Pupil Premium Grant	6,712	7,330
Skills Funding Agency - Adult Education	2,530	7,543
Department of Education -Staying Put Grant	551	540
Education Funding Agency - Universal Infant Free School Meals	2,019	2,044
Department of Education -Other		5,484
Youth Justice Board - Youth Offending Services	963	771
Other Grants	309	134
Sub Total - Service Grants and Contributions	398,792	422,641
Total Grants Income	720,490	716,843

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:

	2019/20 £000	2018/19 £000
Capital Grants Receipts in Advance		
Ministry of Housing, Communities & Local Government - Disabled Facilities Grant	2,420	2,275
Department for Transport - Local Pinch Point Funding to improve the highways network	0	1,800
Department for Transport - Main Pothole Action Fund	0	957
Department for Education - Schools Condition Funding	6,334	5,481
Department of Health - Adult Social Care	0	769
Department for Education - Universal Free School Meals	170	182
Department for Education - Childrens Centres and Early Years	0	129
Department for Education - Special Provision Capital Fund	3,031	969
Homes & Communities Agency - Council New Build Funding	339	339
Greater London Authority - Acquisition of new properties	3,475	0
Section 106 allocated receipts in advance	1,906	2,292
Other grants and contributions	701	550
Total	18,376	15,743

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.

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	2019/20 payments / (income) £'000	2018/19 payments / (income) £'000
Academy Schools				
		Croydon Council is responsible for		
Oasis Academy Byron School	Cllr Margaret Bird	passing on various funding streams to	140	192
Fairchildes Academy Primary	Cllr Oliver Lewis	Academies which are regulated by the	233	626
John Ruskin College	Cllr Helen Pollard	Schools funding formula. The council	-	109
	Cllr Tim Pollard	also sells support services to various	-	
Woodcote High School	Ian Parker	academies which include utilities and	-	164
Quest Academy	Cllr Robert Ward	other services.	-	
New Valley Primary School	Cllr Steve O'Connell		-	34
Courtwood Primary School	Cllr Andy Stranack		129	
Non-Maintained Schools				
Saffron Valley Collegiate	Cllr Margaret Bird		3,271	5,106
Heavers Farm Primary	Cllr Robert Ward		24	3,398
Selsdon Primary	Cllr Robert Ward		2,084	2,815
Thomas Moore	Cllr Badsha Quadir		3,215	152
St Giles	Cllr Carlton Young		1,821	
Howard Primary	Cllr Joy Prince		1,590	
			12,507	12,596
Brick By Brick Croydon Limited	Shifa Mustafa Julia Pitt	Brick By Brick Croydon Limited is a limited company with the council as sole shareholder. The Council has provided funding for residential led development across a range of sites through debt financing.		
		Loans made in year	77,722	25,305
		Loans repaid in year	-	-
		Loan balance at 31 March	141,273	63,551
		The Council charges Brick by Brick for services, planning fees, staffing and interest costs.	-	4,043
		The Council has issued a letter of comfort to Brick by Brick, which provides them a guarantee that the Council will meet all creditors, liabilities and claims arising. Also, the Council will not require the repayment of loans that would prejudice the Company's viability.		

32. RELATED PARTY TRANSACTIONS CONTINUED

Organisation	Related Party	Related Party Transaction	2019/20 payments / (income) £'000	2018/19 payments / (income) £'000
CACFO Education Centre	Cllr Carlton Young - Chair of Trustees	Croydon Council is responsible for delegating a range of education funding in accordance with agreed funding formulas	4	157
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 counselling services	317	326
Coast to Capital Board	Cllr Tony Newman	Local Enterprise Partnership awarding grants to business and public sector organisations.	-	266
London LGPS CIV Limited	Cllr Simon Hall	The collective investment vehicle for London Local Authority pension funds.		100
The Learning Tree Pre Sch Crosfield Nursery Elmwood Infant and Nurse	Cllr Simon Hall Cllr Maddie Henson Cllr Muhammad Ali	Croydon Council is responsible for delegating various funding streams to the Early Years Providers, as determined by the relevant sections of the Schools	262 1,461 1,631	239
Octavo Partnership Limited	Sarah Warman	Transfer of education funding for the delivery of specific projects, as well as purchase of schools services and consultancy.	1,444	1,258
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
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 year olds and up to 25 for people with disabilities	-	25

	2019/20 £000	2018/19 £000
Receipts		
Pension Contributions - from the Council (employer's contributions)	24,001	21,702
Pension Contributions - from employees (deductions paid over)	8,765	7,889
Total Receipts	32,766	29,591

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	2019/20 Total £000	Restated 2018/19 Total £000
EXPENDITURE:				
Property, Plant and Equipment	90,564	50,856	141,420	186,494
Acquisition of investment properties	21,541	0	21,541	75,631
Assets Held for Sale	15	0	15	0
Revenue expenditure funded from capital under statute	42,305	333	42,638	67,959
Intangible assets	5,926	185	6,111	5,895
Property development loans	74,003	0	74,003	75,311
Capitalisation Direction	135,440	0	135,440	0
	369,794	51,374	421,168	411,290
FINANCED BY:				
Borrowing	331,070	16,427	347,497	338,021
Capital receipts	8,810	10,225	19,035	31,674
Capital receipts used to finance transformation expenditure	0	0	-	
Government grants and other contributions	29,914	2,400	32,314	16,675
Direct revenue contributions	0	10,000	10,000	10,200
Major Repairs Reserve	0	12,322	12,322	14,720
	369,794	51,374	421,168	411,290

The table above, giving a breakdown of capital expenditure and financing has been restated to include loans of a capital nature. These loans have been provided to organisations to develop property across the borough

EXPLANATION OF MOVEMENTS IN YEAR:	General Fund £000	Housing Revenue Account £000	2019/20 Total £000	Restated 2018/19 Total £000
Opening Capital Financing Requirement	1,100,058	322,497	1,422,555	1,020,495
Reincorporation of PFI capital expenditure				73,620
Increase in underlying need to borrow (unsupported by Government financial assistance)	331,070	16,427	347,497	338,021
MRP / Loans fund principal	(13,530)		(13,530)	(8,941)
Development Loans (unsupported by government financial assistance) repaid and used to reduce the Capital Financing Requirement	(47,654)		(47,654)	
Closing Capital Financing Requirement	1,369,944	338,924	1,708,868	1,423,195

34. LEASES

Council as lessor - operating leases

Leased out as investment properties

During 2019-20, the council purchased the freeholds of 60 Vulcan Way and 37-39 Imperial Way
Both sites were subsequently let as operating leases.

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

	2019/20 Total £000	2018/19 Total £000
Future minimum lease payments receivable at Balance sheet date		
Within One Year	5,676	4,059
Later than one Year but within five years	20,741	17,131
Later than five years	24,849	24,141

Subsequent to the balance sheet date of 31 March 2020; in June 2020, the leaseholders of the Croydon Park Hotel went into administration and have forfeited the lease. The values in the table above reflect the expected minimum lease payments at 31 March 2020 and have not been adjusted for this event.

Council as lessor - finance leases

Leased out as short term residential properties

The Council had previously accounted for the lease of properties to Croydon Affordable Homes LLP and Croydon Affordable Tenures LLP as Finance leases, and disclosed sums due in this note. Following the prior period adjustments made to the Council's accounts, this disclosure has been removed, as the assets are now accounted for as Council assets.
See Note 3 (Critical Judgements) and Note 43 (Prior Period Adjustments) for further information about this change.

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 2019-20 the payment to Caring 4 Croydon Ltd was £5.2m comprising £2.8m 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 2019/20 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**	**2019/20 Total £000**	**2018/19 Total £000**
Net book value as at 31 March 2019	32,113	34,498	44,078	110,689	111,234
Gross book value as at 31 March 2019	32,113	34,498	51,826	118,437	116,976
Additions					-
Revaluation	3,087	1,580	0	4,667	1,462
Gross book value as at 31 March 2020	35,200	36,078	51,826	123,104	118,438
Depreciation written out after revaluation	1,202	1,297		2,499	2,124
Depreciation as at 1 April 2019	0	0	(7,748)	(7,748)	(5,742)
Depreciation for year	(1,199)	(1,297)	(2,004)	(4,500)	(4,128)
Net book value as at 31 March 2020	35,203	36,078	42,074	113,355	110,692

Value of Liabilities	**Ashburton Learning Village**	**Adult Homes For The Future**	**Street Lighting**	**2019/20 Total £000**	**2018/19 Total £000**
Creditors as at 31 March 2019	(13,900)	(20,071)	(44,122)	(78,093)	(80,209)
"Drawdown" at start of operational period				0	-
Capital repayment	533	576	1,161	2,270	2,115
Lump sum contribution				0	0
Creditors as at 31 March 2020	(13,367)	(19,495)	(42,961)	(75,823)	(78,094)

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS (continued)

Repayment of Liabilities	Ashburton Learning Village £000	Adult Homes For The Future £000	Street Lighting £000	2019/20 Total £000	2018/19 Total £000
Within one year	562	611	1,264	2,437	2,270
Within two to five years	2,564	2,833	6,285	11,683	10,878
Within six to ten years	4,056	3,580	11,558	19,194	18,816
Within 11 to 15 years	5,263	5,829	17,696	28,788	27,076
Within 16 to 20 years	920	6,643	6,156	13,719	19,051
Within 21 to 25 years				0	-
Within 26 to 30 years					
Total	13,366	19,495	42,961	75,821	78,092

Interest Payments	Ashburton Learning Village £000	Adult Homes For The Future £000	Street Lighting £000	2019/20 Total £000	2018/19 Total £000
Within 1 year	715	1,174	3,820	5,709	5,875
Within 2 to 5 years	2,541	4,306	14,052	20,899	21,703
Within 6 to 10 years	2,326	3,559	13,863	19,749	21,911
Within 11 to 15 years	1,119	3,095	7,725	11,939	13,651
Within 16 to 20 years	37	1,091	595	1,723	2,753
Within 21 to 25 years				0	-
Within 26 to 30 years					
Total	6,738	13,225	40,056	60,020	65,893

Service Charge Payments	Ashburton Learning Village £000	Adult Homes For The Future £000	Street Lighting £000	2019/20 Total £000	2018/19 Total £000
Within 1 year	963	1,894	1,590	4,447	4,303
Within 2 to 5 years	4,202	8,165	6,942	19,310	18,692
Within 6 to 10 years	6,114	9,181	10,148	25,443	27,031
Within 11 to 15 years	7,188	13,067	12,071	32,326	31,688
Within 16 to 20 years	1,184	12,930	3,673	17,786	21,901
Within 21 to 25 years				0	-
Within 26 to 30 years					
Total	19,651	45,238	34,424	99,312	103,615

Lifecycle Payments	Ashburton Learning Village £000	Adult Homes For The Future £000	Street Lighting £000	2019/20 Total £000	2018/19 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	1,621	0	3,675	4,080
Within 11 to 15 years	2,054	2,026	0	4,080	4,080
Within 16 to 20 years	308	1,756	0	2,064	2,475
Within 21 to 25 years				0	-
Within 26 to 30 years					
Total	6,470	7,428	0	13,898	14,714

Contingent Rent	Ashburton Learning Village £000	Adult Homes For The Future £000	Street Lighting £000	2019/20 Total £000	2018/19 Total £000
Within 1 year			103	103	97
Within 2 to 5 years			449	449	438
Within 6 to 10 years			518	518	542
Within 11 to 15 years			249	249	324
Within 16 to 20 years			(63)	(63)	(48)
Within 21 to 25 years				0	0
Within 26 to 30 years				0	0
Total	0	0	1,255	1,255	1,352

36. IMPAIRMENT LOSSES

Restatement of 2018-19 impairment losses regarding Fairfield Halls refurbishment

During 2018-19, the authority recognised a total impairment of £2.2m relating to the refurbishment of Fairfield Halls

Following the start of the refurbishment, the council derecognised the carrying value of Fairfield Halls buildings (£20.9m) from Other land and buildings, as the individual components were due to be replaced.
The building was then transferred at nil value to assets under construction (please see note 12).

During 2018-19, the value of expenditure on Fairfield Halls was £40.0m, which is added to the asset's value.

The recoverable amount was assessed at 31 April 2019 by determining the expected cost to replace the building if it was rebuilt at its current state. This value was £37.9m

The carrying value was therefore adjusted downwards to ensure the asset is not carried at an amount above it's value.
The impairment charge does this, and is made up of the following items:

	£'000
Charge to the Revaluation Reserve	0
Charge to the Comprehensive Income and Expenditure Statement (CIES)	2,167
Total impairment relating to Fairfield Halls	2,167

It should be noted that the impairment charge to the CIES is not a proper charge to the General Fund, and is reversed out in the Movement In Reserves Statement against the Capital Adjustment Account unusable reserve.

There were no further impairments in 2019-20. As the building was revalued in 2019-20, the impairment from 2018-19 was reversed.

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.

Reinforced Autoclaved Aerated Concrete (RAAC)
In September 2023, there was widespread publicity about the use of reinforced autoclaved aerated concrete (RAAC) in public buildings. The Council has inspected all of its maintained schools and has confirmed none have RAAC present. However, survey work continues for some Council housing stock and operational buildings, where there is the possibility that some buildings may have used RAAC in their construction. An estimate of buildings affected and costs to mitigate the risks is not yet available.

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 2019/20 which incorporates the prudential indicators was approved by Council on 4 March 2020 and is available on the Council's website. Revisions to the Operational Boundary and the Authorised Borrowing Limit were approved by Council on 7 October 2020: The key issues the within the strategy were:

1. The Authorised Borrowing Limit for 2019/20 was set at £1,705.345m. This is the maximum limit of external borrowings or other long term liabilities.
2. The Operational Boundary was set at £1,655.345m. 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

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

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.

Credit risk may also arise from lending by the authority to the Council owned company Brick by Brick Ltd. Development work is continuing across multiple housing sites, and following a management review it is expected the anticipated sales proceeds will not be sufficient to clear the outstanding debt. The Council has therefore made a lifetime credit risk impairment adjustment to the value of loans to group companies of £51.7m (nil in 2018-19) .

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 2020 £000	Historical Experience of Default %	Estimated Maximum Exposure to Default £000
Deposits with banks and other financial institutions	28,392	0	0
Bonds and other securities	0	0	0
Loans within the Group	141,966	0	51,696
Customers	0	0	0
Total	170,358	0	0

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 25% 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 £67.733m has been invested in the banking sector and with other local authorities, and £289.437m 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 2020 £000	At 31 March 2019 £000
Loans outstanding:		
PWLB	907,426	857,926
Market debt / LOBOs	260,575	217,389
Temporary borrowing	277,000	199,000
External Financing for Croydon Affordable Homes	71,516	13,756
Deferred purchases (PFIs)	76,020	78,291
Other		4,507
Total	1,592,537	1,370,869
Less than 1 year	289,165	213,253
Between 1 and 2 years	129,750	42,431
Between 2 and 5 years	69,589	69,081
Between 5 and 10 years	55,944	59,255
More than 10 years	1,048,089	986,849
Total	1,592,537	1,370,869

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

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.

According to this assessment strategy, at 31 March 2020 if interest rates had been 1% higher, the financial effect would be:

	At 31 March 2020 £000	At 31 March 2019 £000
Decrease in fair value of fixed rate borrowing liabilities	(339,587)	(265,420)

(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 (£0.889m)
- ► The Frank Denning Memorial Charity, which provides travelling scholarships (£0.364m).

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 2019/20, 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 2019/20 continues to be material, and group accounts have been prepared with Brick By Brick Croydon Limited.

Croydon TH Limited – This is a 100% Council owned company. This company was established to take on the residential units from the Taberner House development and hold the block leases. It would act as an intermediary until the units are sold and also by having a separate company it keeps the tax considerations separate from the one from the commercial units as explained below for Croydon TH Commercial Ltd.

40. GROUP INTERESTS (continued)

Croydon TH Commercial Ltd – This is a 100% Council owned company. The company was established in connection with the commercial units on the Taberner site. It was planned that a separately company should be created to hold the commercial units due to the differing tax arrangements for commercial vs residential development and also to ring fence the activity between the commercial units and residential units.

Croydon Central Management Company – This is a 100% Council owned company. This company was established to provide management services to all residential and commercial units within the Taberner House development

Croydon Holdings Ltd – This is a 100% Council owned company. This company is linked to the Croydon Affordable Homes and Croydon Affordable Tenure companies and was designed to be a holding company for these subsidiaries.

Croydon Affordable Homes LLP - This is company is part of the Council's group structure but the Council does not directly own its shares. The Council owns this company through Croydon Holdings Ltd and London Borough of Croydon Holdings LLP. This company is designed to lease residential units to investors.

Croydon Affordable Homes (Taberner House) LLP - This is company is part of the Council's group structure but the Council does not directly own its shares. The Council owns this company through Croydon Holdings Ltd and London Borough of Croydon Holdings LLP. This company is designed to lease residential units to investors. No activity has taken place within this company since it was incorporated.

Croydon Affordable Tenures LLP - This is company is part of the Council's group structure but the Council does not directly own its shares. The Council owns this company through Croydon Holdings Ltd and London Borough of Croydon Holdings LLP. This company is designed to lease residential units to investors.

Croydon Affordable Dwellings LLP - This is company is part of the Council's group structure but the Council does not directly own its shares. The Council owns this company through Croydon Holdings Ltd and London Borough of Croydon Holdings LLP. This company is designed to lease residential units to investors. No activity has taken place within this company since it was incorporated.

Croydon Pension Nominee 1 Ltd - This is a 100% company owned by the Council. This company has been inactive and no transactions have taken place, but was designed to support residential and commercial property investments that the Council's Pension Fund could invest in.

Croydon Pension Nominee 2 Ltd - This is a 100% company owned by the Council. This company has been inactive and no transactions have taken place, but was designed to support residential and commercial property investments that the Council's Pension Fund could invest in.

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 2019/20 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 2019/20, and any sums are immaterial.

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

This Statement of Accounts was issued on 19 October 2020 by Lisa Taylor, Director of Finance, Investment & Risk and Section 151 officer. They have subsequently been updated and issed by Jane West, Corporate Director of Resouces on the 12 December 2024.

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 2019/20, the Council paid £8.56m (2018/19: £7.434m) to Capita Teachers' Pensions in respect of teachers' retirement benefits, representing 21% (2018/19: 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 2.3% (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 occurred

- 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 2019. This identified a funding level of 88% which equates to a deficit of £164.6m.
The reported funding level is based on an assumed future investment return of 4.0%p.a. The Actuary has calculated that there is a 75% likelihood that the Fund's investments will achieve at least 4.0% p.a. over the next 20 years.
The actuary set contribution rates for each employer, after consideration of their relative risk profiles and funding time horizons.

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 2020**	**31 March 2019**
Financial assumptions		
Rate of increase in salaries *	1.90%	3.00%
Rate of increase of pensions	1.90%	2.50%
Discount rate	2.30%	2.40%
Split of assets between investment categories		
Equities	0.00%	0.00%
Debt Securities	0.00%	0.00%
Private Equity	9.00%	9.00%
Real Estate	15.00%	14.00%
Investment Funds and Unit Trusts	70.00%	75.00%
Cash / Liquidity	6.00%	2.00%
Life expectancy		
of a male (female) future pensioner aged 65 in 20 years time	22.5 (25.3) years	24.0 (26.2) years
of a male (female) current pensioner aged 65	21.9 (23.9) 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)	1,257 as at 31 Mar 2020

* 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 2020			31 March 2019		
	Assets £000	Obligations £000	Net (Liability) /Asset £000	Assets £000	Obligations £000	Net (Liability) /Asset £000
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)
Opening Position as at 31 March 2019 and 31 March 2018	**1,060,753**	**1,724,859**	**(664,106)**	**956,337**	**1,572,376**	**(616,039)**
Service cost:						
Current service cost *		65,232	(65,232)		55,460	(55,460)
Past service cost (including curtailments)		381	(381)		7,497	(7,497)
Effect of settlements	(912)	(3,671)	2,759	(969)	(3,859)	2,890
Total Service Cost	**(912)**	**61,942**	**(62,854)**	**(969)**	**59,098**	**(60,067)**
Net interest:						
Interest income on plan assets	25,286		25,286	24,638		24,638
Interest cost on defined benefit obligation		41,780	(41,780)		41,142	(41,142)
Impact of asset ceiling on net interest						
Total Net Interest	**25,286**	**41,780**	**(16,494)**	**24,638**	**41,142**	**(16,504)**
Total Defined Benefit Cost Recognised in Profit or (Loss)	**24,374**	**103,722**	**(79,348)**	**23,669**	**100,240**	**(76,571)**
Cashflows:						
Plan participants' contributions	9,720	9,720	0	8,876	8,876	0
Employer contributions	22,620		22,620	21,077		21,077
Contributions in respect of unfunded benefits	1,125		1,125	1,137		1,137
Benefits paid	(49,360)	(49,360)	0	(45,391)	(45,391)	0
Unfunded benefits paid	(1,125)	(1,125)	0	(1,137)	(1,137)	0
Expected Closing Position	**1,068,107**	**1,787,816**	**(719,709)**	**964,568**	**1,634,964**	**(670,396)**
Remeasurements:						
Changes in demographic assumptions		(40,725)	40,725			
Changes in financial assumptions		(142,949)	142,949		91,799	(91,799)
Other experience		(115,607)	115,607		(1,905)	1,905
Return on assets excluding amounts included in net interest	(52,280)		(52,280)	96,185		96,185
Changes in asset ceiling						
Total remeasurements recognised in Other Comprehensive Income (OCI)	**(52,280)**	**(299,281)**	**247,001**	**96,185**	**89,894**	**6,291**
Exchange differences			0	0	0	0
Effect of business combinations and disposals			0	0	0	0
Fair value of employer assets	1,015,827		1,015,827	1,060,753		1,060,753
Present value of funded liabilities		1,472,956	(1,472,956)		1,707,364	(1,707,364)
Present value of unfunded liabilities **		15,491	(15,491)		17,495	(17,495)
Closing Position	**1,015,827**	**1,488,447**	**(472,620)**	**1,060,753**	**1,724,859**	**(664,106)**

* The service cost figures include an allowance for administration expenses of 1.1% of payroll.

** (31 March 2020) This liability comprises of approximately £14,957,000 in respect of LGPS unfunded pensions and £534,000 in respect of Teachers' unfunded pensions. For unfunded liabilities as at 31 March 2020, 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 decreased from £664 million to £472 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 2020				Period Ended 31 March 2019			
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			0	0.0
Manufacturing			0	0.0			0	0.0
Energy and Utilities			0	0.0			0	0.0
Financial Institutions		121	121	0.0		127	127	0.0
Health and Care			0	0.0			0	0.0
Information Technology			0	0.0			0	0.0
Other			0	0.0			0	0.0
Debt Securities:								
Other								
Private Equity:								
All		91,854	91,854	9.0		93,261	93,261	8.8
Real Estate:								
UK Property		149,928	149,928	14.8		151,405	151,405	14.3
Overseas Property								
Investment Funds and Unit Trusts:								
Equities		342,397	342,397	33.7		437,545	437,545	41.2
Bonds		232,071	232,071	22.8		239,462	239,462	22.6
Hedge Funds								
Commodities								
Infrastructure		133,468	133,468	13.1		121,210	121,210	11.4
Other			0	0.0	0		0	0.0
Derivatives			0	0.0			0	0.0
Equivalents:								
All		65,989	65,989	6.5		17,743	17,743	1.7
Totals	**0**	**1,015,827**	**1,015,827**	**100**	**0**	**1,060,753**	**1,060,753**	**100**

43 PRIOR PERIOD ADJUSTMENTS

This disclosure note sets out details of Prior Period Adjustments that have been made to the 2019/20 accounts in accordance with accounting policy 1.3. Prior period adjustments have been made to the prior year comparator (2018/19) and additionally a third balance sheet is presented, to reflect the position of the year preceding the prior period.

Dedicated School Grants

A restated balance sheet has been presented to reflect the reclassification of the DSG deficit that had been included in the . closing balance for Debtors in 2018/19. CIPFA have issued guidance that clarifies that DSG deficits should be held as a negative reserve. Therefore all the required adjustments have been made to the affected 2018/19 opening and closing balances.

The Restated Balance Sheet for 1 April 2018 and 31 March 2019 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.

The original 2018/19 Statement of Accounts included a £9.193m Deficit (2017/18 £0.963m) in Dedicated Schools Grant (DSG) as a Receipt in Advance on the balance sheet, on the basis it was an unadjusted non-material error. However the 2018/19 Balance Sheet has now been restated to reflect a change in the accounting treatment of the of Dedicated Schools Grant Deficit.

On the 30 January 2020 the Secretary of State for Education laid before Parliament the School and Early Years Finance (England) Regulations 2020. These regulations come into force on 21 February 2020 and are applicable to local authority accounting periods beginning on 1 April 2020. CIPFA released its Bulletin no.5 'Closure of the 2019/20 Financial Statements' in April 2020 in which it clarified how a DSG deficit should be treated. The new regulations are considered to provide a statutory basis for the holding and disclosing of negative earmarked reserves solely relating to the retained deficits arising from accumulated DSG expenditure. Therefore the 2017/18 and 2018/19 DSG Deficit has been reclassified and included as a negative earmarked reserve.

This restatement also changes the opening balances on the Movement in Reserves Statement, and comparative figures in other notes i.e. the Receipts in Advance balance, the Financial Instruments note and the Earmarked reserves balance. The table below shows the impact of the prior period adjustments in the 2018/19 accounts.

The tables in Note 43 list the amendments to the core statements relating to the £0.963m DSG deficit as at 1 April 2018 and £9.193m cumulative DSG deficit as at 31 March 2019:

Fairfield Halls Adjustment

The opening balances for 2019/20 accounts have been restated to reflect audit findings in regards to the Council's accounting of it asset Fairfield Halls. The Council has annually valued the asset as it was still owned by the Council, however at the same time the Council had lent money to its wholly owned Housing company Brick by Brick to carry out refurbishment works. The loans were accounted as Long Term Debtors and interest was being charged on the loans which was also accrued as no payment was received. As part of the 2019/20 audit of the draft accounts, the auditors sought further clarification and legal advice in regards to the accounting treatment and it was deemed incorrect. As the Council still owned the asset and the works carried out by Brick by Brick were on the Council's asset the capital expenditure should have been classified as contractual works rather than a loan. The Council had been lending funds to Brick by Brick to carry out works since 2016/17 and by the end of 2019/20 a total of £61.47m works had been incurred that was funded from the loans. Of the £61.47m, £40.03m related to years up to 2018/19 and as this is a material amount the Council has needed to carry out a Prior Period Adjustment.

As a result of this prior period adjustment, the opening balances of loans to Brick by Brick have been accounted for as capital expenditure and loan balances removed.

Coast to Capital (C2C) Local Enterprise Partnership cash adjustment

The Council holds funds in it's ledger on behalf of other entities that are not part of it's accounting group, and the funds are part of the Coun net bank overdraft. To avoid distortion of the Council's accounts, these outside entity balances are removed from the council's balance she with a contra entry against bank overdraft. This ensures the balances (debtors, creditors etc) only reflect amounts relating to the Council.

During 2018-19, the council took on responsibility for administering all funds on behalf of the Coast to Capital Local Economic Partnership, and some £39m of funds were transferred into the council's bank account and held as an outside entity balance in the Council's accounts. However, these funds were not held by the council in it's day to day bank account, but were instead held in a money market fund. These funds are presented on the "cash and cash equivalents" line of the council's balance sheet.

The error that arose was that the adjustment of the "outside entity" Coast To Capital funds should not have been made to the Council's ban overdraft line, but to the cash and cash equivalents line. The error over-stated each balance in the balance sheet. The correction is to sim relocate this contra line, and present the Council's split of cash balances accurately.

The adjustment at 31.3.2019 is £39.173m, which has the effect of reducing Cash and Cash Equivalents and reducing Bank Overdraft

43 PRIOR PERIOD ADJUSTMENTS (continued)

Croydon Affordable Homes LLP (CAH LLP) and Croydon Affordable Tenures LLP (CAT LLP)

Background

During 2017/18, 2018/19 and 2019/20, the Council entered into a series of lease arrangements with Croydon Affordable Homes LLP (CAH LLP) and Croydon Affordable Tenures LLP (CAT LLP), whereby the Council transferred control of 344 dwellings for a period of 80 years in return for an up front lease premium. Simultaneously, the Council and the two LLPs entered into another series of lease agreements with external funders (Canada Life Limited, and Legal & General) who paid a sum of money up front in return for future index linked repayments.
At the same time, the Council extended a loan facility to the LLPs, which was repaid by the LLP immediately, apart from a residual loan balance that would be repaid to the Council over a period of 40 years.

Proper accounting practices include a requirement that where a series of linked lease transactions occur, they must be presented as one transaction if the overall impact can only be understood as a whole. This is to ensure the accounts present the substance of the transaction rather than the legal form of the transaction, where there is a difference.

Upon review of the transactions with CAH LLP and CAT LLP, the substance of these transactions would be more accurately presented b changing the accounting judgements used, and representing this change as a prior period adjustment.

The Nature of the reclassification

The section below sets out the items that have been reclassified in the 2019/20 statement of accounts

	Previous Judgement	Reclassified Judgement
Head lease of 344 dwellings by the Council to CAH LLP and CAT LLP	Finance lease, resulting in the derecognition of assets and a capital receipt to the Council	A passthrough, with control of properties remaining with the Council, but CAH LLI CAT LLP acting as landlord. No capital receipt has been generated
Fund lease and underlease with external funders	CAH LLP and CAT LLP recognising a long term liability to repay the funders from future rental income	The Council recognising a long term liability to repay the funders from future rental income
Loan facility agreement	Recognised as a loan between the Council and the LLPs	The loan has been consolidated out of the Council's accounts

The Reason for the reclassification

The series of lease agreements were linked: they took place simultaneously (over 3 phases) and would not have existed on their own. Although the form of the fund lease and underlease transferred the landlord relationship between the Council, the LLPs and the funder, in substance the Council raised external finance which it is repaying over a period of 40 years with the rental income it receives.

The headlease is no longer judged to be a finance lease, as tests associated with the value of lease payments representing the assets value and the lease period representing the full useful life are no longer met.

CAH LLP and CAT LLP will however remain as third party entities, as the tenancy agreements between them and the tenants were not linked to the leases referred to above, and do reflect the substance of the transactions taking place.

Capital Financing Requirement adjustment
The Capital Financing Requirement (CFR) disclosure sets out the cumulative amount of capital expenditure undertaken that has been financed through debt. The CFR is increased when capital expendioutre - including loans to development companies - is incuirred and finaced through borrowing, and is reduced when either minimum revenue provison (MRP) is set aside, or capital reciepts - including development loan repayments - are credited into the capital adjustment account to reduce borrowing.

Due to the above changes arising to how Croydon has accounted for capital expenditure and capital receipts during 2017/18 and 2018/1 the CFR has changed

Amount of error	Original disclosure £'000	Correction of error £'000	Revised disclosure £'000
Opening CFR at 1.4.2018	1,016,539	3,956	1,020,495
Increase in underlying need to borrow during 2018-	303,357	34,664	338,021
Closing CFR at 31.3.2019	**1,384,575**	**38,620**	**1,423,195**

43 PRIOR PERIOD ADJUSTMENTS (continued)

Capital Commitments Note errors

Note 12 sets out the amount of contractually committed capital expenditure for the forthcoming year. The 2018/19 disclosure has been reviewed and found to contain errors.

A number of capital items disclosed as contractually comitted did not come to fruition, indicating they were not in fact contractually committed, but instead budgetary estimates that had not been contractually committed.

Amount of error

A revised Note 12 sets out the contractual commitments for 2019/20 aligned to capital expenditure undertaken. The following amounts have been removed from the original disclosure:

	2019-20 removed £000
Growth Zone Programme	8,000
Affordable Housing LLP	7,273
Asset Strategy Programme	45,000
	60,273

The amounts being reclassified

As required by IAS8 and proper accounting practices, the Council has presented an amended balance sheet for the period preceding the prior year as if these changes had happened. As the first property transfers took place in 2017/18, there are no amounts preceding the 2017/18 financial year that require amendment. The following sections of this note will set out the key amounts being restated, and the impact on each core financial statement.

MOVEMENT IN RESERVES STATEMENT

	Original					Restated				
	General Fund Balance 2018/19 £'000	Earmarked Reserves 2018/19 £'000	Capital Receipts 2018/19 £'000	Revaluation Reserve 2018/19 £'000	Capital Adjustment Account 2018/19 £'000	General Fund Balance 2018/19 £'000	Earmarked Reserves 2018/19 £'000	Capital Receipts 2018/19 £'000	Revaluation Reserve 2018/19 £'000	Capital Adjustment Account 2018/19 £'000
Balance b/f at 1 April 2018	10,393	18,153	55,423	739,064	260,491	(4,108)	17,190	52,181	718,692	268,102
Surplus or (deficit) on provision of services	(224,452)					(245,114)				
Other Comprehensive Expenditure and Income				(27,321)					(42,956)	
Adjustments between accounting and basis under regulations	224,258		(22,824)	(34,056)	(91,127)	207,383		(19,583)	(17,085)	(78,210)
Transfers to/(from) Earmarked Reserves	194	(194)				7,784	(7,784)			
Balance c/f at 31 March 2019	10,393	17,959	32,599	677,687	169,364	(34,055)	9,406	32,598	658,651	189,892

43 PRIOR PERIOD ADJUSTMENTS (Continued)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The statements below set out the comprehensive income & expenditure items that have been affected by the Prior Period adjustments:

	Original			Adjustments				Restated		
	2018/19 Gross £000	2018/19 Income £000	2018/19 Net £000	DSG deficit £'000	Fairfield Halls £'000	CAT / CAT £'000	Departmental Restructure £'000	2018/19 Gross £000	2018/19 Income £000	2018/19 Net £000
Place	115,421	(68,631)	46,790		1,059	748	25,870	157,571	(83,103)	74,467
Children, Families & Education	357,500	(251,033)	106,467	8,230		10,339	13,361	385,039	(246,642)	138,397
Health, Wellbeing & Adults	197,697	(82,521)	115,176			13,348	(12,239)	195,816	(79,531)	116,285
Gateway, Strategy & Engagement	102,908	(42,042)	60,866			4,168	(647)	105,043	(40,656)	64,387
Resources	426,982	(315,046)	111,936			(26,327)	(23,684)	330,423	(268,500)	61,923
HRA	72,393	(91,561)	(19,168)					72,394	(91,561)	(19,168)
Net cost of services	1,272,901	(850,834)	422,067	8,230	1,059	2,276	2,661	1,246,286	(809,994)	436,292
Other operating expenditure			32,439			8,575				41,014
Financing and Investment Income & Expenditure			52,729			522	(2,661)			50,590
Taxation and Grant Income			(294,202)							(294,202)
(Surplus) or deficit on the provision of services			213,033							233,694
(Surplus) or deficit on revaluation of non-current assets			27,321		4,963	(5,582)				26,702
Other Comprehensive Income and Expenditure			21,030		4,963	(5,582)				20,411
Total Comprehensive Income and Expenditure			234,063							254,105

The adjustment columns reflect the impact of the Prior Period Adjustments in the Council's 2018/19 CIES.

43 PRIOR PERIOD ADJUSTMENTS (Continued)

BALANCE SHEET

The statements below set out the balance sheet items that have been affected by the Prior Period adjustments:

	Original 1 April; 2018 £000	Changes: DSG deficit adjustment £000	Fairfield Halls adjustment £000	CAH & CAT adjustment £000	Coast to Capital cash adjustment £000	Sub-total All adjustments £000	Restated 1 April 2018 £000
Other Land and Buildings	799,247		(34,012)	25,208		(8,804)	790,443
Long-term Debtors	54,895			(2,299)		(2,299)	52,596
Creditors and Receipts in Advance	(134,461)	(963)		(5,668)		(6,631)	(141,092)
Long-term borrowing	(879,776)			(13,733)		(13,733)	(893,509)
Net Assets	**502,767**	**(963)**	**(34,012)**	**3,508**	**0**	**(31,467)**	**471,300**
General Fund Balances	10,395			(14,503)		(14,503)	(4,108)
Earmarked Reserves	18,153	(963)				(963)	17,190
Capital Receipts Reserve	55,422			(3,241)		(3,241)	52,181
Usable Reserves	114,739	**(963)**	**0**	**(17,744)**	**0**	(18,707)	96,032
Revaluation Reserve	739,063		-31082	10,711		(20,371)	718,692
Capital Adjustment Account	260,492		-2930	10,541		7,611	268,103
Unusable Reserves	388,028	0	-34012	21252	0	(12,760)	375,268
Total Reserves	**502,767**	**(963)**	**(34,012)**	**3,508**	**0**	**(31,467)**	**471,300**

	Original 31 March 2019 £000	Brought forward from 2017/18 £000	Changes: DSG deficit adjustment £000	Fairfield Halls adjustment £000	Coast to Capital cash adjustment £000	CAH & CAT adjustment £000	Restated 31 March 2019 £000
Other Land and Buildings	765,930	(8,804)		(3,854)		54,939	808,211
Assets Under Construction	16,765			37,867			54,632
Long-term Debtors	170,056	(2,299)		(40,034)		(42,615)	85,108
Short-term Debtors	179,771	0	(1,145)			0	178,626
Cash and Cash Equivalents	88,701				(39,173)	0	49,528
Bank Overdraft	(61,651)				39,173	0	(22,478)
Creditors and Receipts in Advance	(157,150)	(6,631)	(7,085)			(18,092)	(188,958)
Long-term borrowing	(1,131,916)	(13,733)				(23)	(1,145,672)
Net Assets	**268,704**	**(31,467)**	**(8,230)**	**(6,021)**	**0**	**(5,791)**	**217,195**
General Fund Balances	10,395	(14,503)				(29,948)	(34,056)
Earmarked Reserves	17,959	(963)	(8,230)			640	9,406
Capital Receipts Reserve	32,599	(3,241)				3,241	32,599
Usable Reserves	**93,901**	**(18,707)**	**(8,230)**	**0**	**0**	**(26,067)**	**40,897**
Revaluation Reserve	677,685	(20,371)		(3,941)		5,277	658,650
Capital Adjustment Account	169,364	7,611		(2,081)		14,999	189,893
Unusable Reserves	**174,803**	**(12,760)**	**0**	**(6,022)**	**0**	**20,276**	**176,297**
Total Reserves	**268,704**	**(31,467)**	**(8,230)**	**(6,022)**	**0**	**(5,791)**	**217,194**

43 PRIOR PERIOD ADJUSTMENTS (Continued)

CASHFLOW STATEMENT

The statement below sets out the changes to the cashflow statement as a result of the Prior Period adjustments:

	Original 2018-19 £000	Changes: DSG deficit adjustment £000	Fairfield Halls adjustment £000	CAH & CAT adjustment £000	C2C Cash adjustment £000	Sub-total All adjustments £000	Restated 2018-19 £000
OPERATING ACTIVITIES							
Net surplus or (deficit) on the provision of services	-213,033	-8,230	-1,059	-11,373		-20,662	-233,695
The surplus or deficit on the provision of services has been adjusted for							
Depreciation	37,217		-1,109	668		-441	36,776
Impairment and downward valuations	12,168		2,167	2,130		4,297	16,465
Increase/(decrease) in creditors	23,840			18,092		18,092	41,932
Carrying amount of non-current assets sold	122,280			-52,155		-52,155	70,125
Items included/excluded from net surplus or deficit on the provision of services:							
Proceeds from the sale of property, plant and equipment, investment property & intangible assets	-75,071			60,730		60,730	-14,341
INVESTING ACTIVITIES							
Purchase of property, plant and equipment, investment property	-231,238		-40,034			-40,034	-271,272
Purchase of short-term and long-term investments	-148,775	8,230	40,034	42,615		90,879	-57,896
Proceeds from the sale of property, plant and equipment, investment property & intangible assets	75,071			-60,730		-60,730	14,341
FINANCING ACTIVITIES							
Cash receipts from short-term and long-term borrowing	466,000			23		23	466,023
Net increase/(decrease) in cash and cash equivalents	68,459	0	0	0		0	68,459

	Original 2018-19 £000	DSG deficit adjustment £000	Fairfield Halls adjustment £000	CAH & CAT adjustment £000	C2C Cash adjustment £000	Sub-total All adjustments £000	Restated 2018-19 £000
Cash held	34					0	34
Bank current accounts	-61,685				39,173	39,173	-22,512
Short-term deposits with Money Market Funds	88,701				(39,173)	(39,173)	49,528
Cash and cash equivalents as at 31 March	**27,050**						**27,050**

Notes/Validations

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.	2019/20 £000	2018/19 £000
Income			
Dwelling rents		(75,019)	(75,163)
Non-dwelling rents		(1,231)	(1,200)
Charges for services and facilities		(9,108)	(14,848)
Contributions towards expenditure		(203)	(53)
Total Income		(85,561)	(91,264)
Expenditure			
Repairs and maintenance		10,929	11,733
Supervision and management		28,310	40,549
Rents, rates, taxes and other charges		3,235	4,347
Allowance for debtors		703	835
Depreciation of non-current assets	2.1 & 3	12,321	12,791
Amortisation of intangible assets		59	43
Gain or loss on revaluation of non-current assets		79	132
Revenue expenditure funded from capital under statute	3 & 4	333	816
Total Expenditure		55,969	71,246
Net cost of HRA services as included in the whole-Authority Comprehensive Income and Expenditure Statement		(29,592)	(20,018)
HRA services share of Corporate and Democratic Core		576	489
HRA share of Pensions Reserve contributions not allocated to specific services	5	(163)	(169)
Net cost of HRA services		(29,179)	(19,698)
Gain or loss on sale of HRA non-current assets		(4,193)	(5,627)
Interest payable and similar charges		11,986	12,093
Interest and investment income		-	(1)
Pensions interest costs and expected return on pensions assets		1,133	1,814
Capital Grants & Contributions Receivable		(2,400)	-
(Surplus)/ deficit for the year on HRA services		(22,653)	(11,419)

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.	2019/20 £000	2018/19 £000
HRA surplus balance brought forward		(15,272)	(14,535)
(Surplus)/deficit for the year on the HRA Comprehensive Income and Expenditure Statement		(22,653)	(11,419)
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		(59)	(43)
Gain or loss on revaluation of non-current assets		(79)	(133)
Gain or loss on sale of HRA non-current assets		4,193	5,865
Capital Grants & Contributions Receivable		2,400	-
Revenue expenditure funded from capital under statute	3 & 4	(333)	(816)
Net charges made for retirement benefits in accordance with IAS19		(3,820)	(4,249)
		2,302	624
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
Capital expenditure funded by the Housing Revenue Account	3	10,000	10,199
Housing pooled capital receipt			(236)
		10,000	10,061
Contributions to/from reserves			
Short-Term Accumulating Compensated Absences (STACA)		22	(2)
Transfer to/from HRA Balances			
		22	(2)
Net additional amounts		12,324	10,683
(Increase)/decrease in HRA balance for the year		(10,329)	(736)
HRA balance carried forward		(25,601)	(15,271)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. NUMBER AND TYPE OF DWELLINGS IN THE HOUSING STOCK

Types of Property	2019/20	2018/19
Houses	**5,191**	5,207
Flats	8,274	8,268
Total Dwellings	13,465	13,475

2.1. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY ASSETS CATEGORY VALUES

2019/20	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 2019	954,041	14,401	244	1,345	970,031
Gross book value as at 1 April 2019	954,041	14,478	250	1,345	970,114
Additions	50,856				50,856
Revaluation increase/(decrease) recognised in the Revaluation Reserve	(28,333)	(472)	25		(28,780)
Revaluation increase/(decrease) recognised in Income and Expenditure		(123)			(123)
Derecognition - Disposals	(4,407)			(1,345)	(5,752)
Derecognition - Derecognitions					0
Transfers/Reclassifications					0
Other movements in cost or valuation		(448)			(448)
Gross book value as at 31 March 2020	972,157	13,435	275	0	985,867
Accumulated Depreciation and Impairment					
At 1 April 2019	0	77	6		83
Depreciation for year	11,875	442	6		12,323
Depreciation written out to the Revaluation Reserve	(11,875)	(422)	(12)		(12,309)
Depreciation written out to Income and Expenditure		(44)			(44)
Derecognition - Disposals					0
Transfers/Reclassifications					0
Other movements in depreciation and impairment					0
Accumulated Depreciation and Impairment at 31 March 2020	0	53	0	0	53
Net book value as at 31 March 2020	972,157	13,382	275	0	985,814

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 2020	31 March 2019
Total Dwellings	13,465	13,475
Leaseholds	2,502	2,470
Garages	2,634	2,635
Parking Spaces	109	108
	18,710	18,688
	£M	**£M**
Vacant possession value of dwellings at 31 March 2020	£3,887	
Vacant possession value of dwellings at 31 March 2019	£3,814	£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

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 £3,814m x 25% = £954m as at 31 March 2019

The valuation of council dwellings as at 31 March 2020 was undertaken by Wilks Head & Eve. This led to an increase in the vacant possession value of £73m to £3,887m.The EUV-SH value was £3,887m x 25% = £972m as at 31 March 2020.

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

	2019/20 £000	2018/19 £000
Expenditure		
Non-current assets (buildings)	50,856	29,163
Revenue expenditure funded from capital under statute	333	816
Intangible assets	185	80
	51,374	30,059
Financed By		
Borrowing	16,427	0
Capital receipts	10,225	5,139
Government grants and other contributions	2,400	0
Direct revenue contributions	10,000	10,200
Major Repairs Reserve	12,322	14,720
	51,374	30,059

Capital Receipts

	2019/20 £000	2018/19 £000
Balance brought forward	32,599	44,400
Mortgage repayments	0	0
Net surplus for year	0	0
Receipts from sales of assets during the year	10,105	13,777
Cost of disposals	(160)	(237)
Transfer to Housing Capital Receipts Pool (via General Fund)	(3,537)	(2,013)
Balance of receipts after transfer	6,408	11,527
Balance on account before application of receipts	39,007	55,927
Financing of capital expenditure	(19,035)	(23,328)
Balance carried forward	19,972	32,599

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

	2019/20 £000	2018/19 £000
Opening balance as at 1 April	0	1,929
Depreciation charge to HRA	12,322	12,791
Capital expenditure during the year	(12,322)	(14,720)
Other reserve adjustments	0	0
Closing balance as at 31 March	0	0

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

	2019/20		2018/19	
	Debtors	Allowance for Credit Losses	Debtors	Allowance for Credit Losses
	£000	£000	£000	£000
Housing Revenue Account rents	11,646	(7,036)	10,524	(6,330)
Housing Revenue Account lease holder service charges/major work	3,077		3,772	0
Housing Revenue Account other debtors	22		20	0
	14,744	(7,036)	14,316	(6,330)

COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

	Note No.	2019/20 Business Rates £000	2019/20 Council Tax £000	2019/20 Total £000	2018/19 Business Rates £000	2018/19 Council Tax £000	2018/19 Total £000
INCOME DUE							
Council Tax-payers	2		223,809	223,809		211,148	211,148
	1(a)		-	0			
Business Rates		118,670		118,670	121,185		121,185
Transition grant from MHCLG	1(b)	2,512		2,512	5,317		5,317
Crossrail Business Rate Supplement		3,237		3,237	3,514		3,514
Total Income		124,419	223,809	348,228	130,016	211,148	341,164
EXPENDITURE							
Charges to the Collection Fund:							
Changes in Provision for Bad and Doubtful Debts		1,038	2,348	3,386	(2,619)	1,594	(1,025)
Write-offs of Bad Debt		1,150	60	1,210	2,406	85	2,491
Changes in Provision for Appeals		(2,749)	-	(2,749)	(5,049)		(5,049)
Transfer to designated area (Growth Zone)		2,021		2,021	2,512		2,512
Cost of Collection		417	-	417	426		426
Cost of Collection - Crossrail		7		7	8		8
		1,884	2,408	4,292	(2,316)	1,679	(637)
Total Income less Charges		122,535	221,401	343,936	132,332	209,469	341,801
Precepts, Demands and Shares:	3						
London Borough of Croydon		59,762	180,026	239,788	78,025	167,359	245,384
Greater London Authority (GLA)		33,616	41,324	74,940	43,889	36,673	80,562
Housing, Communities and Local Government (CLG)		31,126	-	31,126			0
Greater London Authority (Crossrail)	1(b)	3,229	-	3,229	3,506		3,506
Adjustment relating to previous year agreed with MHCLG							
London Borough of Croydon		661		661			
Greater London Authority (GLA)		373		373			
(Surplus)/Deficit for year		6,232	(51)	6,181	(6,912)	(5,437)	(12,349)
Distribution of Previous Year's Collection Fund Surplus:							
London Borough of Croydon		2,519	4,061	6,580	3,927	4,841	8,768
Greater London Authority (GLA)		(49)	890	841	2,735	1,060	3,795
Housing, Communities and Local Government (CLG)		(2,403)	0	(2,403)	6,427		6,427
Total Distribution of Previous Year's Collection Fund Surplus		67	4,951	5,018	13,089	5,901	18,990
Movement of Collection Fund in the Year		6,299	4,900	11,199	6,177	464	6,641
Balance brought forward (surplus)/deficit		293	(5,702)	(5,409)	(5,884)	(6,166)	(12,050)
Balance carried forward (surplus)/deficit		6,592	(802)	5,790	293	(5,702)	(5,409)
Allocation of surplus							
Surplus declared in the January Delegation report to be distributed in the following year:							
London Borough of Croydon		1,725	(605)	1,121	(2,519)	(4,060)	(6,579)
GLA		970	(136)	834	49	(891)	(842)
CLG		305		305	2,403	0	2,403
Fund balance and deficit carried forward:							
London Borough of Croydon		1,662	(52)	1,610	257	(616)	(359)
GLA		933	(8)	925	129	(135)	(6)
CLG		995		995	(26)		(26)
		6,591	(801)	5,790	293	(5,702)	(5,409)

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 2020 was £319,337,473 (£323,313,283 at 31 March 2019). The multiplier for 2018/19 was set at 50.4p (49.3p for 2018/19) and the multiplier for small businesses was set at 49.10p (48.0p for 2018/19).

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, £1,716.82 for 2019/20 (£1,636.96 for 2018/19) 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 2019/20

Valuation Band	Number of Chargeable Dwellings	Band D Proportion	Band D Equivalent Dwellings	Council Tax £.pp	Council Tax Income £000
Band A	2,325	6/9	1,550	1,144.55	1,774
Band B	13,951	7/9	10,851	1,335.30	14,489
Band C	36,087	8/9	32,077	1,526.06	48,951
Band D	34,798	9/9	34,798	1,716.82	59,742
Band E	19,868	11/9	24,283	2,098.34	50,954
Band F	10,813	13/9	15,619	2,479.85	38,733
Band G	7,086	15/9	11,810	2,861.37	33,793
Band H	625	18/9	1,250	3,433.64	4,292
Total	125,553		132,238		252,728
Multiplied by estimated collection rate			97.50%		
Number of Band D equivalent dwellings			128,931		
Total of Demands/Precepts for year			246,410		
Adjustments during the year (including prior years)					(28,919)
Final collectable amount					223,809
Income per Collection Fund:					
Council Tax collectable					0
Council Tax benefits					0
Final collectable amount					223,809

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.

	2019/20 £.pp	2018/19 £.pp
Band D equivalent Council Tax charge		
Split thereof:		
Croydon	1,396.31	1,342.73
Greater London Authority	320.51	294.23
Total	1,716.82	1,636.96
Payment to Croydon:-		
Share of Band D equivalent Council Tax charge	1,396.31	1,342.73
Number of Band D equivalent dwellings	128,931	124,641
Total	180,027,645	167,359,210
Rounded to £000's	180,028	167,359
Payment to the Greater London Authority:-		
Share of Band D equivalent Council Tax charge	320.51	294.23
Number of Band D equivalent dwellings	128,931	124,641
Total	41,323,675	36,673,121
Rounded to £000's	41,324	36,673

GROUP STATEMENTS

GROUP MOVEMENT IN RESERVES STATEMENT

2019/20	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 2019	**(34,053)**	**9,406**	**(24,647)**	**15,272**	**32,598**	**17,677**	**0**	**40,900**	**176,296**	**217,196**	**(1,137)**	216,059
Movement in reserves during 2019/20:												
Surplus or (deficit) on provision of services	(296,712)		(296,712)	22,654				(274,058)	0	(274,058)	(720)	(274,778)
Other Comprehensive Expenditure and Income									259,645	259,645		259,645
Total Comprehensive Expenditure and Income	(296,712)	0	(296,712)	22,654	0	0	0	(274,058)	259,645	(14,413)	(720)	(15,133)
Adjustments between group accounts and authority accounts	83		83					83		83	(83)	0
Net increase or decrease before transfers	(296,629)	0	(296,629)	22,654	0	0	0	(273,975)	259,645	(14,330)	(803)	(15,133)
Adjustments between accounting basis and funding basis under regulations	337,187		337,187	(12,324)	(12,356)	(3,893)	0	308,614	(308,617)	(3)		(3)
Net increase/Decrease before Transfers to Earmarked Reserves	40,558	0	40,558	10,330	(12,356)	(3,893)	0	34,639	(48,972)	(14,333)	(803)	(15,136)
Transfers to/(from) Earmarked Reserves	(6,504)	6,504	0					0		0		0
Net increase/(decrease) in reserves for the year	34,054	6,504	40,558	10,330	(12,356)	(3,893)	0	34,639	(48,972)	(14,333)	(803)	(15,136)
Balance c/f at 31 March 2020	1	15,910	15,911	25,602	20,242	13,784	0	75,539	127,324	202,863	(1,940)	200,923

Restated 2018/19 (Note Group 2)	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
Restated balance b/f at 1 April 2018	**(4,108)**	**17,190**	**13,082**	**14,535**	**52,181**	**14,305**	**1,929**	**96,032**	**375,266**	**471,298**	**(479)**	470,819
Movement in reserves during 2018/19:												
Surplus or (deficit) on provision of services	(245,174)		(245,174)	11,419				(233,755)	0	(233,755)	(596)	(234,351)
Other Comprehensive Expenditure and Income				0				0	(20,411)	(20,411)		(20,411)
Total Comprehensive Expenditure and Income	(245,174)	0	(245,174)	11,419	0	0	0	(233,755)	(20,411)	(254,166)	(596)	(254,762)
Adjustments between group accounts and authority accounts	62		62					62		62	(62)	0
Net increase or decrease before transfers	(245,112)	0	(245,112)	11,419	0	0	0	(233,693)	(20,411)	(254,104)	(658)	(254,762)
Adjustments between accounting basis and funding basis under regulations	207,383		207,383	(10,682)	(19,583)	3,372	(1,929)	178,561	(178,559)	2		2
Net increase/Decrease before Transfers to Earmarked Reserves	(37,729)	0	(37,729)	737	(19,583)	3,372	(1,929)	(55,132)	(198,970)	(254,102)	(658)	(254,760)
Transfers to/(from) Earmarked Reserves	7,784	(7,784)	0					0		0		0
Net increase/(decrease) in reserves for the year	(29,945)	(7,784)	(37,729)	737	(19,583)	3,372	(1,929)	(55,132)	(198,970)	(254,102)	(658)	(254,760)
Balance c/f at 31 March 2019	(34,053)	9,406	(24,647)	15,272	32,598	17,677	0	40,900	176,296	217,196	(1,137)	216,059

Full details of the adjustments between accounting basis and funding basis under regulations are shown in Note 7

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.	2019/20 Gross £000	2019/20 Income £000	2019/20 Net £000	Restated 2018/19 (Note Group 2) Gross £000	Restated 2018/19 (Note Group 2) Income £000	Restated 2018/19 (Note Group 2) Net £000
Gross expenditure, income and net expenditure of continuing operations							
Place		283,850	(149,275)	134,575	158,181	(83,055)	75,125
Children, Families & Education		365,308	(223,522)	141,786	385,039	(246,642)	138,397
Health, Wellbeing & Adults		193,035	(71,787)	121,248	195,816	(79,531)	116,285
Gateway, Strategy & Engagement		100,616	(47,593)	53,023	105,043	(40,656)	64,387
Resources		469,014	(375,929)	93,085	330,423	(268,500)	61,923
HRA		56,380	(85,561)	(29,181)	72,394	(91,561)	(19,168)
Net cost of services		1,468,203	(953,667)	514,536	1,246,896	(809,946)	436,950
Other operating expenditure	9			39,625			41,014
Financing and Investment Income and Expenditure	10			42,315			50,589
Taxation and Non-Specific Grant Income	11			(321,697)			(294,202)
(Surplus) or Deficit on Provision of Services				274,779			234,351
(Surplus) or deficit on revaluation of non-current assets				(12,644)			26,702
Remeasurement of the net defined benefit liability				(247,001)			(6,291)
Other Comprehensive Income and Expenditure				(259,645)			20,411
Total Comprehensive Income and Expenditure				15,134			254,762

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 No.	31-Mar-20		Note Group 2 Restated 31 March 2019	Restated 1 April 2018
		£000	£000	£000	£000
Operational Assets (Property, Plant and Equipment)	12				
Council dwellings		972,157		954,042	989,648
Other land and buildings		907,498		808,673	790,943
Vehicles, plant, furniture and equipment		10,530		12,410	3,406
Infrastructure		154,179		147,841	142,336
Community assets		3,696		4,325	4,947
Total Operational Assets (Property, Plant and Equipment)			2,048,060	1,927,291	1,931,280
Non-Operational Assets (Property, Plant and Equipment)					
Assets under construction				54,631	4,402
Surplus assets not held for sale		2,553		6,493	2,181
Total Non-Operational Assets (Property, Plant and Equipment)			2,553	61,124	6,583
Total Property, Plant and Equipment			2,050,613	1,988,415	1,937,863
Heritage Assets	13	3,696		3,696	3,696
Investment property					
Investment property	14	118,379		98,979	29,714
Intangible Assets	15				
Software		12,251		8,880	5,062
Assets under construction					
Long-term Investments					
Non-property investments	Grp 4 &16	47,233		45,000	45,001
Investments in Associates and Joint Ventures					
Long-term Debtors	Grp 4 &16	9,985		2,965	21,309
Long-term Assets			2,242,157	2,147,935	2,042,645
Short-term Investments					
Non-property investments excluding cash equivalents	Grp 4 &16	13,000		30,000	5,000
Assets held for sale (< 1 year)	19	650		8,328	16,329
Inventories	Grp 5	121,486		91,588	33,311
Short-term debtors, payments in advance and provision for doubtful debts	Grp 6	121,659		177,399	137,843
Cash and cash equivalents	Grp 7	38,012		51,990	29,507
Current Assets			294,807	359,305	221,990
Bank overdraft	Grp 7	(15,907)		(22,512)	(20,311)
Short-term borrowing	Grp 4 &16	(303,691)		(225,198)	(107,204)
Short-term creditors and receipts in advance	Grp 8	(190,334)		(200,588)	(141,092)
Short-term provision	21	(4,835)		(3,529)	(3,424)
Current Liabilities			(514,767)	(451,827)	(272,031)
Long-term Creditors					
Provisions	21	(20,086)		(13,332)	(11,900)
Long-term borrowing	Grp 4 &16	(1,288,846)		(1,145,672)	(893,509)
Deferred capital creditors		(12,859)		(11,656)	(10,504)
Other non-current liabilities					
Net pensions liability	42	(472,620)		(652,954)	(593,911)
Other long term liabilities		(8,483)		-	
Capital grants receipts in advance	31	(18,377)		(15,743)	(11,959)
Long-term Liabilities			(1,821,271)	(1,839,357)	(1,521,783)
Net Assets			200,926	216,056	470,821
Usable reserves					
General Fund	22.1	0		(34,056)	(4,108)
Share of Brick by Brick reserves	Grp 9	(1,940)		(1,136)	(479)
Housing Revenue Account	22.2	25,602		15,271	14,535
Earmarked reserves	22.3	15,911		9,406	17,190
Capital receipts reserve	22.4	20,243		32,599	52,181
Capital grants unapplied	22.5	13,784		17,677	14,305
Major repairs reserve	22.2	-		0	1,929
			73,600	39,761	95,553
Unusable Reserves					
Revaluation reserve	23.1	642,944		658,650	718,692
Capital adjustment account	23.3	(28,737)		189,892	268,103
Financial Instruments adjustment account	23.4	(31,377)		(32,021)	(1,347)
Pensions reserve	23.5	(472,620)		(664,018)	(616,039)
Deferred capital receipts	23.6	20,826		20,826	2,463
Collection Fund adjustment account	23.7	(2,747)		6,932	6,824
Short-term accumulating compensated absences account	23.8	(3,196)		(3,966)	(3,428)
Pooled Investment Fund Adjustment Account		2,233			
			127,326	176,295	375,268
Total Reserves			200,926	216,056	470,821

Signed: Jane West

Corporate Director of Resources and Section 151 Officer

12 December 2024

GROUP CASH FLOW STATEMENT

	Note	2019/20		Restated 2018/19 Note Gtoup 2	
OPERATING ACTIVITIES	**No.**	**£000**	**£000**	**£000**	**£000**
Net (surplus) or deficit on the provision of services					
Net surplus or (deficit) on the provision of services	1A & 7		(274,777)		(234,353)
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements					
Depreciation	7,12 &32.2	41,700		36,904	
Impairment and downward valuations	7	64,678		16,465	
Amortisations	7,15&23.3	2,740		2,077	
Increase/(decrease) in creditors		1,215		55,869	
(Increase)/decrease in debtors		2,963		35,507	
(Increase)/decrease in inventories and assets held for sale		(84,646)		(79,719)	
Movement in pension liability	1B,7 & 23.5	55,603		54,270	
Carrying amount of non-current assets sold	23.3	44,938		70,125	
Provisions		8,059		1,538	
Movements in the value of investment properties	7,10,14 & 23.3	2,141		355	
Other non-cash movements		446		(39,666)	
			139,837		153,725
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	(10,377)		(14,341)	
Payment of local taxation to major preceptors		(2,522)		(84,068)	
Any other items for which the cash effects are investing or financing cash flows		(4,638)		(15,618)	
			(17,537)		(114,027)
Net cash inflow/(outflow) from operating activities			(152,477)		(194,655)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment, investment property and intangible assets		(168,341)		(273,413)	
Purchase of short-term and long-term investments		(25,656)		(57,896)	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets		10,377		14,341	
Capital grants		23,020		9,014	
Proceeds from short-term and long-term investments		44,117		8,618	
Net cash inflow/(outflow) from investing activities			(116,483)		(299,336)
FINANCING ACTIVITIES					
Cash receipts from short-term and long-term borrowing		504,846		538,321	
Payment of local taxation to major preceptors		2,518		84,068	
Cash payments for the reduction of the outstanding liabilities		0		-	
to finance leases and on-Balance Sheet PFI contracts (Principal)		(2,270)		(2,116)	
Repayments of short-term and long-term borrowing		(243,507)		(106,000)	
Net cash inflow/(outflow) from financing activities			261,587		514,273
Net increase/(decrease) in cash and cash equivalents			(7,373)		20,282
Cash and cash equivalents at the beginning of the reporting period			29,478		9,196
Cash and cash equivalents at the end of the reporting period	18		22,105		29,478
Cash held	Grp 7	22,659			2,462
Bank current accounts	Grp 7	(15,946)			(22,512)
Short-term deposits with building societies and Money Market Funds	Grp 7	15,392			49,528
Cash and cash equivalents as at 31 March			22,105		29,478

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 2019/20 and using the line-by-line consolidation method for subsidiaries under IFRS 10, Consolidated Financial Statements There are no material subsidiaries or associated organisations excluded from the Group Accounts. There are no material differences in the accounting policies of the Council or any of the companies or organisations forming part of the Group Accounts

Basis of Consolidation

The group financial statements have been prepared by consolidating Croydon Council's single entity accounts with Brick by Brick Croydon Limited, a separate development company that is a 100% subsidiary of the Council. There are no other entities controlled by Brick by Brick Croydon Limited.

Brick by Brick Croydon Limited - nature of activity and risks

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

In 2019-20 the company recognised a loss of £0.8m. A number of sites are completed and being actively marketed

Brick by Brick Independent Audit Report 2019-20

Ensors Accountants LLP, the independent auditors of Brick by Brick have stated they are unable to "express an opinion on the… financial statements of the company", due to being unable to obtain sufficient evidence to provide a basis for an audit opinion.
The specific risks identified by Ensors Accountants LLP included:

1) There is limited evidence for loans advanced by the parent being supported by the terms of any agreements
2) There is a material uncertainty in respect of going concern and consequently the net realisable value of work in progress
3) The company is engaged in the speculative construction of residential properties for resale. Both future sale proceeds and costs to complete projects are inherently uncertain
4) Material errors were identified in the timing of recognising construction costs and by extension determining the accuracy of creditors and work in progress. Control weaknesses were identified between reconciling project costing records and the financial accounting records

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 2020, 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:

	2019/20 £'000	2018/19 £'000
Site Acquisition		499
Development Costs	132,075	58,052
Interest	9,198	5,000
Total loans	**141,273**	**63,551**

	2019/20 £'000	2018/19 £'000
Staff costs	-	540
Planning fees	-	-
Other running costs	-	8
Interest Costs	-	3,353
Utility costs	-	142
Total inter-group activity	**-**	**4,043**

These sums have been eliminated from the group statements.

2. Group prior period adjustments

The 2018/19 group accounts were restated to reflect the change in treatment of the Dedicated School Grant deficit and for the treatment of expenditure on the renovation of Fairfield Halls. Further details of the prior period adjustments are given in Note 43

The 2018/19 group accounts are also restated to reflect prior period adjustments within the 2019-20 Brick by Brick accounts. and the changes in the treatment of expenditure on Fairfield Halls. These changes are as follows, which includes, where appropriate, the amendments due to the Dedicated School Grant :

		Original 2018-19 £'000	Restated 2018-19 £'000
Group MIRS	Balance b/f at 1 April 2018 - General Fund balance	7,738	(4,108)
	Balance b/f at 1 April 2018 - Earmarked Reserves	18,153	17,190
	Balance b/f at 1 April 2018 - Capital receipts	55,422	52,182
	Balance b/f at 1 April 2018 - Total usable reserves	112,082	96,032
	Balance b/f at 1 April 2018 - Total unusable reserves	388,028	375,266
	Balance b/f at 1 April 2018 - council's share of subsidiary	(512)	(479)
	Balance b/f at 1 April 2018 - Total reserves	499,598	470,819
	Surplus or (deficit) on provision of services - GF	(227,115)	(245,174)
	Surplus or (deficit) on provision of services - subsidiaries	677	(596)
	Other Comprehensive Expenditure and Income -- Unusable reserves	(21,030)	(20,411)
	Adjustments between group accounts and authority accounts - General Fund balances	-	62
	Adjustments between group accounts and authority accounts - Council's share of subsidiaries balance	-	(62)
	Adjustments between accounting basis and funding basis under regulations - General Fund	224,258	207,383
	Adjustments between accounting basis and funding basis under regulations - Capital Receipts	(22,824)	(19,583)
	Adjustments between accounting basis and funding basis under regulations - Unusable reserves	(192,195)	(178,559)
	Transfers / to / from reserves - General Fund	194	7,784
	Transfers / to / from reserves - Earmarked reserves	(194)	(7,784)
	Balance c/f at 31 March 2019 - General Fund	5,075	(34,053)
	Balance c/f at 31 March 2019 - earmarked reserves	17,959	9,406
	Balance c/f at 31 March 2019 - total usable reserves	88,581	40,900
	Balance c/f at 31 March 2019 - total unusable reserves	174,805	176,296
	Balance c/f at 31 March 2019 - subsidiaries	(1,189)	(1,136)
	Balance c/f at 31 March 2019 - total reserves	262,197	216,059
Group CI&E	Place	46,794	75,125
	Children, Families & Education	106,467	138,397
	Health, Wellbeing & Adults	115,176	116,285
	Gateway, Strategy & Engagement	60,866	64,387
	Resources	111,786	61,923
	Other operating expenditure	32,439	41,014
	Financing and Investment Income and Expenditure	56,215	50,589
	(Surplus) or deficit on revaluation of non-current assets	27,321	26,702
	Total Comprehensive Income and Expenditure	237,403	254,762
Group Balance Sheet	Other land and buildings	767,864	808,673
	Vehicles, plant, furniture and equipment	12,356	12,410
	Assets under construction	123,218	54,631
	Long term Debtors	66,471	2,965
	Assets held for sale (< 1 year)	8,328	8,328
	Inventories	771	91,588
	Short-term debtors, payments in advance and provision for doubtful debts	177,880	176,326
	Cash & cash equivalents	90,721	51,990
	Bank overdraft	(61,651)	(22,512)
	Short-term creditors and receipts in advance	(166,034)	(199,515)
	Long-term borrowing	(1,131,916)	(1,145,672)
	General Fund reserve	7,732	(34,056)
	Share of Brick by Brick reserves	(1,189)	(1,136)
	Earmarked reserves	17,959	9,406
	Revaluation Reserve	677,685	658,650
	Capital Adjustment Account	169,364	189,892
Group Cash Flow	Net surplus or (deficit) on the provision of services	(213,710)	(234,353)
	Depreciation	37,276	36,904
	Impairment and downward valuations	12,168	16,465
	Increase/(decrease) in creditors	33,232	55,869
	(Increase)/decrease in debtors	36,046	35,507
	(Increase)/decrease in inventories & Assets held for sale	(81)	(79,719)
	Carrying amount of non-current assets sold	122,280	70,125
	Proceeds from the sale of property, plant and equipment,	(75,071)	(14,341)
	Purchase of property, plant and equipment	(309,333)	(273,413)
	Purchase of short-term and long-term investments	(76,476)	(57,896)
	Proceeds from the sale of property, plant and equipment,	75,071	14,341
	Cash held	34	2,462
	Bank current accounts	(59,663)	(61,685)

NOTES REGARDING THE GROUP ACCOUNTS

The following notes relate to the Group Structure, as described in Note 40 of the accounts. These notes detail where the group accounts are materially different from the single entity accounts. Where there is no material difference between the single and group entities, please refer to the relevant note for the single entity

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

Valuation of Brick by Brick assets under construction

The company applies a valuation to its work in progress based on the stage of completion of the project and in accordance with the project development plan agreed at the outset of the project. All valuations are performed by employees of the company who are qualified surveyors who are best placed in judging the stage of completion for all individual projects. In estimating the carrying value of work in progress the directors also have to estimate whether each project will be profitable or not in order that the financial statements reflect the carrying value at the lower of cost and net realisable value.

All other assumptions about the future and major sources of estimation uncertainty are the same as the single entity accounts. These can be found in Note 4 of the single entity accounts - "Assumptions made about the future and other major sources of estimation uncertainty"

4. GROUP FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity. Non exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

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

The material differences between the group accounts and the single entity accounts are included below. Other details of the group's financial instruments are materially the same as the single entity's, which are explained in Note 16, "Financial Instruments" of the single entity accounts.

FINANCIAL INSTRUMENTS BALANCES

	31 March 2020 £000	31 March 2019 Restated £000	31 March 2020 £000	31 March 2019 Restated £000
Group Financial Liabilities	Non-Current	Non-Current	Current	Current
Borrowings				
Financial liabilities at amortised cost	1,214,517	1,069,072	302,000	223,507
Service concessions and finance lease liabilities	74,329	76,600	1,691	1,691
Total borrowings	1,288,846	1,145,672	303,691	225,198
Creditors				
Financial liabilities at amortised cost	0	0	140,754	153,505
Creditors that are not a financial instrument	0	0	49,580	46,011
Bank Overdraft	0	0	15,946	22,512
Total Creditors	0	0	206,280	222,028

Group Financial Assets

Financial Assets at Amortised Cost	Non-Current		Current	
Investments			13,000	30,000
Loans and Receivables (2018/19 restated - Note 43)	9,985	21,556		
Debtors			97,471	158,718
Cash and cash equivalents			38,051	51,990
Fair value through profit and loss				
Investments	47,233	45,000		
Debtors				
Debtors that are not financial instruments			24,186	17,608
Total Financial Assets	57,218	66,556	172,708	258,316

FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	Fair Value Hierarchy	31 March 2020 Carrying Amount £000	31 March 2020 Fair Value £000	31 March 2019 Carrying Amount £000	31 March 2019 Fair Value £000
Money Market Loans	level 1	38,051	38,051	51,990	51,990
Deposits with banks and other Local Authorities	level 2	13,000	13,000	30,000	30,000
Long-term debtors	level 2	9,985	31,537	21,556	21,556
Financial Assets		61,036	82,588	103,546	103,546

5. GROUP INVENTORIES

Within the group, Brick by Brick are a housing development company with the intention of selling these properties. As a result, these housing developments are held as inventories within the group accounts

	2019/20 £000	2018/19 £000
Opening balance	91,588	33,311
Purchases / acquisitions	52,830	58,478
Recognised as an expense in year	(22,932)	(201)
Closing balance	121,486	91,588

6. GROUP DEBTORS

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

	2019/20 £000	Restated 2018/19 £000
Trade receivables	220,625	201,865
Prepayments	14,371	9,327
Other receivable amounts	40,851	37,897
Allowance for credit losses	(154,188)	(71,690)
Total	121,659	177,399

The aged debt status of debt arising from local taxation is not judged to be material.

7. GROUP CASH AND CASH EQUIVALENTS

	2019/20 £000	Restated 2018/19 £000
Cash held	22,659	2,462
Bank current accounts	(15,946)	(22,512)
Short-term deposits with building societies and Money Market Funds	15,392	49,528
Total	22,105	29,478

There is no right of offset of bank balances between Brick by Brick and the London Borough of Croydon.

8. GROUP CREDITORS AND RECEIPTS IN ADVANCE (RIA)

	2019/20 £000	Restated 2018/19 £000
Receipts in advance	30,563	25,474
Trade payables	140,754	154,578
Other payables	19,017	20,535
Total	190,334	200,587

9. GROUP RESERVES

The council's reserves in the group accounts are the same as the single entity accounts. These are included in Note 22 (Usable Reserves) and Note 23 (Unusable Reserves) of the single entity accounts

The group accounts includes the Brick By Brick reserves

Brick By Brick usable reserves	2019/20 £000	2018/19 £000
Retained earnings / (losses)	**(1,940)**	(1,137)

Brick By Brick unusable reserves	2019/20 £	2018/19 £
Called up share capital	**100**	100

Croydon Pension Fund 2019/20

31st March 2020

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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 L Borough of Croydon (the 'Authority') for the year ended 31 March 2020 which comprise the Fund Account, the Net Assets Statement a notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framewo that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in th United Kingdom 2019/20.

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 2020 and of the amount and disposition at that date of the fund's assets and liabilities;

have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the Unite Kingdom 2019/20; 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 responsibiliti under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our rep 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 accordar with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our c

The impact of macro-economic uncertainties on our audit

Our audit of the pension fund financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Corporate Director of Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their ef are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties. However, no audit should be expected to predict the unknowable factors or all possible future implications for a fund associated with these particular events.

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 Corporate Director of Resources's use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or

- the Corporate Director of Resources 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 accoun 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.

In our evaluation of the Corporate Director of Resources's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the pension fund financial statemer shall be prepared on a going concern basis, we considered the risks associated with the fund's operating model, including effects arisi from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the fund's financial resour or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised fc issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's repor not a guarantee that the fund will continue in operation.

Emphasis of Matter - effects of Covid-19 on the valuation of property and infrastructure investments

We draw attention to Note 6 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the pension fund's property and infrastructure investments as at 31 March 2020. As, disclosed in Note 5 to the financial statements, the ongoing impact of the COVID-19 pandemic has created an unprecedented set of circumstances on which to base judgement. As such, the Pension Fund property and infrastructure allocations as at 31 March 2020 are difficult to value according to the preferred accounting policy. Valuations are therefore reported on the basis of 'material valuation uncertainty'. Consequently, less certainty and a higher degree of caution should be attached to the valuation thar would normally be the case. Our opinion is not modified in respect of this matter.

Other information

The Corporate Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, the Annual Governance Statement and the Annua Report, 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 informatio 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 ar in doing so, consider whether the other information is materially inconsistent with the pension fund's financial statements c our knowledge of the pension fund obtained in the audit or otherwise appears to be materially misstated. If we identify sucl 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 th 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, the Narrative Report, the Annual Governance Statement and the Annual Report for the financial ye 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 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 Corporate Director of Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, 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 Corporate Director of Resources. The Corporate Director of Resources 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director of Resources 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 Corporate Director of Resources 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 Audit and Governance 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 decisio 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 Authori 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

Manchester

13th December 2024

PENSION FUND ACCOUNTS

FUND ACCOUNT

	Notes	2019/20 £'000	2018/19 £'000
Dealings with members, employers and others directly involved in the fund			
Contributions	8	52,208	47,808
Individual Transfers in from Other Pension Funds		14,179	11,584
		66,387	**59,392**
Benefits			
Pensions	9	(46,540)	(43,431)
Commutation, Lump Sum Retirement and Death Benefits	9	(10,310)	(8,923)
Payments to and on Account of Leavers			
Individual Transfers Out to Other Pension Funds		(10,641)	(5,445)
Refunds to Members Leaving Service		(128)	(349)
		(67,619)	**(58,148)**
Net additions/(withdrawals) from dealings with members		**(1,232)**	**1,244**
Management Expenses	10	**(11,425)**	**(8,167)**
		(12,657)	**(6,923)**
RETURNS ON INVESTMENTS			
Investment Income	11	9,425	5,469
Taxes on Income (Irrecoverable Withholding Tax)	11	0	(1)
Profit and loss on disposal of investments and changes in the market value of investments	13	1,912	120,171
Net returns on investments		**11,337**	**125,639**
Net increase/(decrease) in the Fund during the year		**(1,320)**	**118,716**
Net assets at the start of the year		1,258,159	1,139,443
Net assets at the end of the year		**1,256,839**	**1,258,159**

NET ASSETS STATEMENT

	Notes	31 March 2020 £'000	31 March 2019 £'000
Investments held by the Fund Managers:			
Equities - segregated funds	13	150	150
Equities - pooled funds	13	425,959	516,037
Private equity funds	13	114,466	114,703
Infrastructure funds	13	167,135	145,358
Fixed Interest funds	13	288,816	282,419
Pooled Property funds	13	177,291	178,566
Total Investments held by the Fund Managers		1,173,817	1,237,233
Other Balances held by the Fund Managers			
Cash held by the Fund Managers	13	9,809	6,452
Investment income due	13	1,271	1,557
Total Other Balances held by the Fund Managers		11,080	8,009
Total Assets held by the Fund Managers		1,184,897	1,245,242
Current Assets	16	93,415	15,064
Current Liabilities	17	(21,473)	(2,147)
Net Assets of the fund available to fund benefits		**1,256,839**	**1,258,159**

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 2019/20 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, Ground Control Limited, Impact Group Limited, Keyring Living Support Networks, London Hire Services Limited, Octavo Partnership Limited, Hats Group Ltd, Olive Dining Limited, Roman Catholic Archdiocese of Southwark, Skanska Construction UK Limited, Sodexo Limited, National Cleaning Service 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, chestnut 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, 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, STEP Academy Trust, St Aidans Catholic Primary, Kingsley Primary Academy
Folio Education Trust, Courtwood Primary, Monks Orchard Primary, Keston Primary, Glibert Scott, Manor Trust
The Beckmead Trust, Tudor Academy

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 2019/20 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 initially recognised at fair value and subsequently at amortised cost. Impairment 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.

Covid-19 impact

The ongoing impact of Covid-19 has created even greater uncertainty in establishing the asset values of illiquid assets. It should be noted that at the reporting date 36.5% of the Fund's assets are illiquid in nature.

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 £171m. A 0.5% increase in the salary increase assumption would result in a £11m increase in the pension liability. A 0.5% increase in the pension increase assumption would result in a £159m increase to the pension liability.

Unquoted private equity and infrastructure investments

Due to the nature 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 Financial 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 2020 was £282m (2019: £260m).
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.

Property and Infrastructure Funds

The ongoing impact of the COVID-19 pandemic has created an unprecedented set of circumstances on which to base judgement. As such, the Fund property and infrastructure allocations as at 31 March 2020, are difficult to value according to preferred accounting policy. Valuations are therefore reported on the basis of ‘material valuation uncertainty’ Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.

7. FUND INFORMATION

The last full triennial Actuarial Valuation was completed as at 31 March 2019 which calculated the total accrued liabilities to be £1,423m (2016: £1,203m). The market value of the Fund's assets at the valuation date was £1,258m (2016: £877m). The Fund deficit was therefore £165m (2016: £326m) producing a funding level of 73% (2016: 73%). The next triennial valuation will be effective as at 31 March 2022.

The contribution rates payable for 2019/20 were set at the Actuarial Valuation effective 31 March 2016.

The table below shows the contribution rates payable by each employer for 2019/20:

	% of pay	Additional sum £
London Borough of Croydon Pool		
London Borough of Croydon	16.1	*
Octavo Partnership Limited	16.1	6,000
Further Education Bodies		
Croydon College	17.5	793,000
Coulsdon College	18.3	60,000
(Community) Admission Bodies		
Croydon Voluntary Action	18.9	38,000
Croydon Citizens Advice Bureau	30.6	6,000
Croydon Community Mediation	18	4,000
Admission Bodies		
Impact Group Limited	19.6	-
London Hire Services Limited	19.2	-
Churchill Services Limited	19.7	-
Veolia Environmental Services (UK) Recycling Limited (Croydon)	21.7	-
Fusion Lifestyle	22.5	-
Hats Group Ltd	29.8	-
Wallington Cars & Couriers Limited	15.5	-
Vinci Facilities Limited	0	-
Skanska Construction UK Limited	21.2	-
Sodexho Limited	15	-
Ground Control Limited	0	-
Carillion Integrated Services Limited	20.7	-
Quadron Services Limited	27.1	-
AXIS Europe plc (Housing Repairs)	25.5	-
Capita Secure Information Solutions Limited	24.6	-
Keyring Living Support Networks	28.6	-
Westgate Cleaning Services Limited	30	-
Veolia Environmental Services (UK) Recycling Limited (SLWP1)	15.5	-
Roman Catholic Archdiocese of Southwark	31.4	-
Croydon Equipment Services Limited	15.1	-
Arthur Mckay Limited	30.2	-
Greenwich Leisure Limited	19.9	-
Nationwide Cleaning Services Limited	34.2	-
Brick by Brick Croydon Limited	20.7	-
Conway Construction & Training Ltd	32.2	-
Olive Dining Limited	29.1	-

* The London Borough of Croydon paid a lump sum of £33,192,000 to the Fund during 16/17. This payment was sufficient to meet in full the monetary elements of £11,795,000 p.a. that were due as the Secondary Rates over three years.

Academies	% of pay	Additional sum £
Harris Academy (South Norwood)	16.8	12,000
BRIT School	16.6	22,000
Harris City Academy (Crystal Palace)	15.2	-
St Joseph's College	18.7	32,000
St Cyprian's Greek Orthodox Primary School	18.7	7,000
Norbury Manor Business and Enterprise College	18.2	29,000
Woodcote High School	18.8	40,000
St James the Great R.C Primary	20.0	41,000
Meridian (Addington) High Academy	18.5	29,000
Riddlesdown Collegiate	18.1	57,000
Shirley High School of Performing Arts College	18.3	34,000
Oasis Academy Byron	18.7	8,000
Robert Fitzroy Academy	15.5	300
St Thomas Becket RC Primary	19.6	15,000
Aerodrome Primary Academy	17.7	12,000
Oasis Academy Coulsdon	18.0	48,000
Oasis Academy Shirley Park	18.0	83,000
Harris Academy (Purley)	17.3	35,000
The Quest Academy	17.4	33,000
ARK Oval Primary Academy	18.2	2,000
Pegasus Academy Trust	17.2	52,000
Gonville Academy	18.4	12,000
West Thornton Primary Academy	18.1	26,000
David Livingstone Academy	17.2	-
Applegarth Academy	18.2	11,000
Harris Primary Academy Benson	19.9	22,000
Harris Academy Primary Kenley	18.5	7,000
Forest Academy	18.1	9,000
Castle Hill Academy	18.5	18,000
Wolsey Junior Academy	18.1	24,000
Atwood Primary School	19.1	21,000
Winterbourne Junior Boys	19.8	19,000
Oasis Academy Ryelands	18.1	32,000
Chipstead Valley Primary School	18.7	31,000
Fairchildes Primary School	17.8	61,000
Broadmead Primary Academy	18.1	56,000
Rowdown Primary School	18.9	19,000
St Mark's COE Primary School	17.8	11,000
New Valley Primary	18.5	10,000
Archbishop Lanfranc School	19.4	107,000
Harris Invictus Academy Croydon	17.4	-
Harris Primary Academy Haling Park	15.2	-
Paxton Academy	15.0	-
Edenham High School	18.6	117,000
St Mary's Infants School	19.1	34,000
St Mary's Junior School	18.5	16,000
Heathfield Academy	16.8	-
Crescent Primary Academy	16.6	16,000
Oasis Academy Arena	15.9	2,000
Good Shepherd Catholic Primary	17.5	30,000
South Norwood Academy	17.9	37,000
Chestnut Park Primary School	15.9	-
St Chad's Catholic Primary School	26.9	49,604
St Aidan's Catholic Primary School	25.9	14,939
Davidson Primary School	26.0	48,690
Krishna Avanti Primary School	19.1	-
The Woodside Academy	29.4	64,471
Kingsley Primary Croydon	19.2	77,000
STEP Academy Trust	18.4	-
Harris Purley Way	23.9	-
Tudor Primary Academy	19.2	26,000
Folio Education Trust	18.8	-
Courtwood	15.1	-
Monks Orchard	21.8	19,000
Keston Primary	20.1	19,000
Gilbert Scott	15.1	-
Manor Trust	18.2	-
The Beckmead Trust	18.2	-

NOTES TO THE PENSION FUND ACCOUNTS

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 2019/20 are detailed below:

Band	2019/20 Range £	Contribution Rate %
1	0 -14,400	5.5%
2	14,401-22,500	5.8%
3	22,501-36,500	6.5%
4	36,501-46,200	6.8%
5	46,201-64,600	8.5%
6	64,601-91,500	9.9%
7	91,501-107,700	10.5%
8	107,701-161,500	11.4%
9	161,501+	12.5%

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

	2019/20	2018/19	% change
Contributing members	10,064	9,811	2.6%
Deferred pensioners	10,923	10,936	(0.1%)
Pensioners	8,285	7,903	4.8%
Total	29,272	28,650	2.2%

8. CONTRIBUTIONS

By Authority:	2019/20 £'000	2018/19 £'000
Administering Authority	32,766	29,591
Scheduled bodies	15,813	14,242
Admitted bodies	3,629	3,975
	52,208	47,808

By Type	2019/20 £'000	2018/19 £'000
Employees normal contributions	13,965	12,746
Employers:		
Normal contributions	34,759	30,679
Deficit recovery contributions	2,616	2,488
Augmentation contributions	868	1,895
	52,208	47,808

9. BENEFITS

By Authority	2019/20 £'000	2018/19 £'000
Administering Authority	48,945	45,902
Scheduled bodies	3,542	2,954
Admitted bodies	4,363	3,498
	56,850	52,354

By Type	2019/20 £'000	2018/19 £'000
Pensions	46,540	43,431
Commutation and lump sum retirement benefits	9,076	8,248
Lump sum death benefits	1,234	675
	56,850	52,354

10. MANAGEMENT EXPENSES

	2019/20 £'000	2018/19 £'000
Administration	1,676	1,083
Oversight and Governance	1,041	674
Investment management	8,708	6,410
	11,425	8,167

Included in oversight and governance expenses is £25,000 (2019: £16,170) 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 2020 the implicit fee was £7,949,000 (2019: £5,776,000) Included in the investment management expenses are £801,571 (2019: £108,000) in respect of transaction costs.

11. INVESTMENT INCOME

	2019/20 £'000	2018/19 £'000
Equity dividends- segregated funds	(10)	(6)
Pooled Equity Income	676	152
Pooled Fixed Income	3,064	206
Pooled Property funds income	5,462	5,048
Interest on cash deposits	233	69
Total before taxes	9,425	5,469
Taxes on income		(1)
Total	9,425	5,468

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 Global 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 pla 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' 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 2020 was as follows

	2020		2019	
	Market £'000	Market %	Market £'000	Market %
LGIM	425,959	36.2%	457,993	37.0%
London LGPS CIV Limited (LCIV)	150	0.0%	150	0.0%
LCIV PIMCO	84,104	7.2%	84,066	6.7%
LCIV Janus Henderson	----	0.0%	58,044	4.7%
Pantheon Ventures LLP (Pantheon)	60,899	5.2%	66,559	5.4%
Knightsbridge Advisors LLC (Knightsbridge)	35,581	3.0%	30,692	2.5%
Access Capital Partners (Access)	32,673	2.8%	28,095	2.3%
North Sea Capital	4,829	0.4%	3,069	0.2%
I-Squared Capital	18,619	1.6%	7,132	0.6%
Equitix Limited	78,071	6.7%	65,140	5.3%
Temporis Capital Limited (Temporis)	28,627	2.4%	34,367	2.8%
Green Investment Bank (GIGM)	22,302	1.9%	25,007	2.0%
Aberdeen Standard Investments (Aberdeen)	132,328	11.3%	131,228	10.6%
Wellington Management Company LLP (Wellington)	72,385	6.2%	67,125	5.4%
Schroder Investment Management Limited (Schroders)	115,351	9.8%	118,321	9.6%
M&G Investment Management Limited (M&G)	61,939	5.3%	60,245	4.9%
Total investments	**1,173,817**	**100.0%**	**1,237,233**	**100.0%**

13. RECONCILIATION IN MOVEMENT IN INVESTMENTS

	Market value 01 April 2019	Purchases and derivative payments	Sales and derivative receipts	Change in market value	Market value 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Equities - segregated funds	150	0	0	0	150
Equities - pooled funds	516,037	250,360	(318,229)	(22,209)	425,959
Private equity funds	114,703	9,728	(23,500)	13,535	114,466
Infrastructure funds	145,358	31,933	(19,226)	9,070	167,135
Fixed Interest funds	282,419	3,129	(1,282)	4,550	288,816
Pooled Property funds	178,566	5,359	(3,533)	(3,101)	177,291
	1,237,233	**300,509**	**(365,770)**	**1,845**	**1,173,817**
Cash deposits	6,452			67	9,809
Investment income due	1,557				1,271
Net investment assets	**1,245,242**	**300,509**	**(365,770)**	**1,912**	**1,184,897**

Included in the purchases and sales figures of equities in pooled funds is £249,922,223 which relates to a switch from the LGIM FTSE World Developed ExTobacco Index (unhedged) to the LGIM FTSE World Developed ExTobacco Index (hedged).

	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 funds	95,253	14,160	(17,343)	22,633	114,703
Infrastructure funds	113,728	28,837	(13,034)	15,827	145,358
Fixed Interest funds	192,407	80,264	(744)	10,492	282,419
Pooled Property funds	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
Amounts payable for purchases					-
Net investment assets	**1,124,770**	**292,296**	**(289,910)**	**120,171**	**1,245,242**

14. ANALYSIS OF INVESTMENTS

		2020 UK £'000	2020 Foreign £'000	2020 Total £'000	2019 UK £'000	2019 Foreign £'000	2019 Total £'000
Equities-segregated funds							
London CIV	Unquoted	150	-	150	150	-	150
Total equities		150	-	150	150	-	150
Equities - pooled funds							
LGIM	unit trust	-	425,959	425,959	-	457,993	457,993
Emerging market equities - pooled funds							
LCIV Janus Henderson	managed fund	-	-	-	-	58,044	58,044
Total equities - pooled investments		-	425,959	425,959	-	516,037	516,037
Private equity funds							
Pantheon	managed fund	-	60,899	60,899	-	66,559	66,559
Knightsbridge	managed fund	-	35,581	35,581	-	30,692	30,692
Access	managed fund	-	13,157	13,157	-	14,383	14,383
North Sea Capital	managed fund	-	4,829	4,829	-	3,069	3,069
Total private equity funds		-	114,466	114,466	-	114,703	114,703
Infrastructure funds							
Equitix Limited	managed fund	78,071	-	78,071	65,140	-	65,140
Temporis	managed fund	27,322	1,305	28,627	34,367	-	34,367
GIGM	managed fund	22,302	-	22,302	25,007	-	25,007
Access	managed fund	-	19,516	19,516	-	13,712	13,712
I Squared	managed fund	-	18,619	18,619	-	7,132	7,132
Total infrastructure funds		127,695	39,440	167,135	124,514	20,844	145,358
Fixed interest funds							
Aberdeen	unit trust	132,328	-	132,328	131,228	-	131,228
Wellington	managed fund	-	72,385	72,385	-	67,125	67,125
LCIV PIMCO	managed fund	-	84,104	84,104	-	84,066	84,066
Total Fixed Interest funds		132,328	156,489	288,817	131,228	151,191	282,419
Pooled property funds							
Schroders	managed fund	115,351	-	115,351	118,321	-	118,321
M&G	managed fund	61,939	-	61,939	60,245	-	60,245
Total pooled property funds		177,290	-	177,290	178,566	-	178,566
Total investments		**437,463**	**736,354**	**1,173,817**	**434,458**	**802,775**	**1,237,233**

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

	2020 Market £'000	2020 % of Total Net assets	2019 Market £'000	2019 % of Total Net assets
Standard Life SLI Absolute Return Global Bond Strategies	66,659	5.3%	66,221	5.3%
Standard Life Corporate Bond	65,669	5.2%	65,007	5.2%
Wellington Sterling Core Bond Plus Portfolio	72,385	5.8%	67,125	5.3%
LCIV PIMCO Global Bond Fund	84,104	6.7%	84,066	6.7%
LGIM FTSE Ex Tobacco World Equity Index	425,959	33.9%	457,993	36.4%

16. CURRENT ASSETS

	2020 £'000	2019 £'000
Cash balances	82,124	5,528
Other Local Authorities - Croydon Council	7,462	6,245
Other Entities and Individuals	3,829	3,291
	93,415	15,064

17. CURRENT LIABILITIES

	2020 £'000	2019 £'000
Other Local Authorities - Croydon Council	(19,612)	(862)
Other entities and individuals	(1,861)	(1,285)
	(21,473)	(2,147)

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 Representative for the London LGPS CIV Limited.

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 Director of Finance, Investment and Risk (Section 151 Officer) and the Head of Pensions and Treasury.

During the year a charge of £124k (2019: £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 2019/20.

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 £102.3m at 31 March 2020 (2019:£93.9m) based on:

USD 46.4m at exchange rate 1.24 equals £37.4m (2019: £50.7m)
EUR 48.4m at exchange rate 1.13 equals £42.8m (2019: £35.1m)
GBP £22.1m (2019: £8.1m)

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 £172,017 for 2019/20 (£172,000 in 2018/19), are sent directly to the relevant AVC provider.
The value at 31 March 2020 of separately invested additional voluntary contributions was £1.72m (£1.81m in 2018/19).

22. PENSION FUND ACCOUNTS REPORTING REQUIREMENTS

London Borough of Croydon Pension Fund ('the Fund) Actuarial Statement for 2019/20
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 April 2020. 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 have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried o demonstrates that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 20 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 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £1,258 million, were sufficient to meet 88% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £165 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target with time horizon and liability measure as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2023 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 2019 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 2019 valuation were as follows:

Financial assumptions	31 Mar 2019
Discount rate	4.0%
Salary increase assumption	2.3%
Benefit increase assumption (CPI)	2.3%

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 2018 model, an allowance for smoothing of recent mortality experience and 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	21.9 years	23.9 years
Future Pensioners*	22.5 years	25.3 years

*Aged 45 at the 2019 Valuation

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were disrupted by COVID 19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. 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 2019/20 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 2020 £m	31 Mar 2019 £m
Active members	624	853
Deferred members	478	486
Pensioners	732	683
Present Value of Promised Retirement Benefits*	1,834	2,022

The promised retirement benefits at 31 March 2020 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. 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.

Note that the above figures at 31 March 2020 (and 31 March 2019) include an allowance for the “McCloud ruling”, i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

The 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 2020 and 31 March 2019. I estimate that the impact of the change in financial assumptions to 31 March 2020 is to decrease the actuarial present value by £183m.
I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £46m.

Financial Assumptions

Year ended	31 Mar 2020 %p.a.	31 Mar 2019 %p.a.
Pensions Increase Rate	1.9%	2.5%
Salary Increase Rate	1.9%	3.0%
Discount Rate	2.3%	2.4%

Longevity Assumption

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and 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	21.9 years	23.9 years
be age 45 at the latest formal valuation)	22.5 years	25.3 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 sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2020	Approximate increase to pension liabilities (%)	Approximate increase to pension liabilities (£m)
0.5% increase in Pensions Increase Rate	9%	159
0.5% increase in Salary Increase Rate	1%	11
0.5% decrease in the Real Discount Rate	9%	171

The principal demographic 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 2020 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

29-Jun-20

For and on behalf of Hymans Robertson LLP

23. EVENTS AFTER THE REPORTING PERIOD

During the first quarter after the reporting period global markets recovered to some degree and the Fund has experienced a gain of between 5-10%. The economic environment remains extremely uncertain due to Covid-19 and this uncertainty is expected to continue for the foreseeable future. The diversification of the Fund's assets has meant that the Fund has been fairly resilient to date and is well placed to deal with the headwinds ahead.

24. FINANCIAL INSTRUMENTS

Below is the target asset allocation agreed by Pension Committee and in force during 2019/20

Asset Class	Benchmark	Weighting
UK and Overseas Listed Equities	FTSE Dev ex Tobacco NetTax (UKPN)	42% + / - 5%
Fixed Interest Securities	Bank of America Merrill Lynch Sterling non gilts all stocks index Bank of America Merrill Lynch Sterling Broad Market index Barclays Aggregate - Credit Index Hedged (GBP)	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%**

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 2020

	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	288,816	-	-
Equities - segregated funds	150	-	-
Pooled property funds	177,291	-	-
Private equity funds	114,466	-	-
Infrastructure funds	167,135	-	-
Global equities - pooled investments	425,959	-	-
Other investment balances	-	11,080	-
Current Assets	-	93,415	-
Total Financial Assets	**1,173,817**	**104,495**	**-**
Financial Liabilities			
Current liabilities	-	-	(21,473)
Total Financial Liabilities	**-**	**-**	**(21,473)**
Net Assets	**1,173,817**	**104,495**	**(21,473)**

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 investments	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)**

24. FINANCIAL INSTRUMENTS (Continued)

Net Gains and Losses on Financial Instruments

	31 March 2020 £'000	31 March 2019 £'000
Financial assets		
Designated at fair value through profit and loss	1,845	120,145
Financial assets at amortised cost	67	26
	1,912	**120,171**
Financial liabilities		
Designated at fair value through profit and loss	-	-
Financial liabilities at amortised cost	-	-
	-	**-**
Total	**1,912**	**120,171**

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 infrastructure 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 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets at fair value through profit and loss				
Fixed Interest funds		288,816		288,816
Global equities - segregated funds			150	150
Pooled property investments			177,291	177,291
Private equity funds			114,466	114,466
Infrastructure funds			167,135	167,135
Global equities - pooled investments		425,959		425,959
Financial Assets at amortised cost				
Other investment balances	11,080			11,080
Current Assets	93,415			93,415
Total Assets	104,495	714,775	459,042	1,278,312
Financial Liabilities at amortised cost				
Current liabilities	**(21,473)**	-	-	**(21,473)**
Net financial assets	**83,022**	**714,775**	**459,042**	**1,256,839**

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 funds			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**

24. FINANCIAL INSTRUMENTS (Continued)

Fair Value- Basis of Valuation

The basis of the valuation of each class of investment is set out in the table below. There has been no change in valuation techniques used during the year. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

Asset type	Valuation hierarchy level	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting valuations
Pooled global equities	Level 2	The NAV for each share class is calculated based on the market value of the underlying equity assets	Evaluated price feeds	Not required
Fixed income funds	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds	Not required
Pooled property funds	Level 3	Closing bid price where bid and offer prices are published. Valuations of properties within the funds are carried out by qualified chartered surveyors with the relevant qualification from the Royal Institution of Chartered Surveyors.	Direct comparison with sales of similar properties. Discount rates and cash flow projections as part of income capitalisation approach.	Real Estate values can be affected by a number of factors including changes to global or local economic conditions, financial conditions of tenants, availability of debt financing, changes in interest rates, operational expenses, planning and environmental laws and other government legislation.
Private equity	Level 3	Annually at fair value using the net asset value per share (or its equivalent) as a practical expedient (ASC Topic 820, Fair Value Measurement) or market approach in accordance with International Private Equity and Venture Capital Valuation Guidelines.	Discount rates and futures cash flow projections. Evaluation based on recent market activity of comparable companies.	Events which can affect the assumptions and inputs used in determining valuations. These . include risk-free and benchmark interest rates, credit spreads and inflation rates. Expected price volatilities and correlations
Infrastructure	Level 3	Annually at fair value in accordance with IFRS 13 and International Private Equity and Venture Capital Valuation Guidelines	Discount rates and futures cash flow projections. Evaluation based on recent market activity of comparable companies.	Events which can affect the assumptions and inputs used in determining valuations. These include risk-free and benchmark interest rates, credit spreads and inflation rates. Expected price volatilities and correlations.

24. FINANCIAL INSTRUMENTS (Continued)

Reconciliation of Fair Value Measurements within Level 3 assets

2019/2020	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	114,703			9,728	(23,500)	23,500	(9,965)	114,466
Infrastructure Funds	145,358			31,933	(19,226)	19,226	(10,156)	167,135
Pooled Property Funds	178,566			5,359	(3,533)	3,533	(6,634)	177,291
Unquoted Equity	150							150
Total assets	438,777	----	----	47,020	(46,259)	46,259	(26,755)	459,042

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

Sensitivity analysis of Level 3 assets

Due to the increased uncertainty brought about by Covid-19, 10% has been used to measure the sensitivity of all level 3 assets. For 2019 the bid/offer spread of 5% for Pooled Property Funds was used for all level 3 assets.

Level 3 Asset	Market value 31 March 2020 £'000	Value on Increase £'000	Value on Decrease £'000
Private Equity Funds	114,466	125,913	103,019
Infrastructure Funds	167,135	183,849	150,422
Pooled Property Funds	177,291	195,020	159,562
Unquoted Equity	150	165	135
Total	**459,042**	**504,946**	**413,138**

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 2019	1,237,233	1,360,956	1,113,510
At 31 March 2020	**1,173,817**	**1,291,199**	**1,056,435**

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 1% 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 +/- 1% 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 1% Increase £'000	Value on 1% Decrease £'000
At 31 March 2019	294,399	264,959	323,839
At 31 March 2020	**380,749**	**376,942**	**384,556**

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. During the year 50% of the equities held by LGIM were fully hedged to £GBP.

Currency exposure - asset type	Asset Value as at 31 March 2020 £'000
Overseas equities securities (unhedged portion)	212,221
Overseas Private Equity and Infrastructure	153,906
Overseas fixed interest	156,489
Overseas Private Equity and Infrastructure (outstanding commitments)	80,202
Total assets	602,818

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 currencies.

Assets exposed to currency risk	Value £'000	Value on 10% weakening of pound £'000	Value on 10% strengthening of pound £'000
At 31 March 2019	888,574	977,431	799,717
At 31 March 2020	**602,818**	**663,100**	**542,536**

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 Fu example an entity in which the Pension Fund invests may fail. This risk is minimised by investing in specialist fund across different asset classes and geographical regions. Additionally there is a risk that an admitted body will be u to meet its contributions obligations. Contribution receipts are monitored monthly and, if necessary, remedial actio

Credit risk also represents the risk that the counterparty to a transaction or a financial instrument will fail to dischar obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an asse credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's fi assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of 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 repla derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance by the exchanges to cover defaulting counterparties.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Cou criteria. The Council investments in money market funds with a AAA rating from a leading rating agency and also with other local authorities.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollect deposits over the past six financial years. The Fund's cash holding under its treasury management arrangements 2020 was £82.1m (£5.5m at 31 March 2019). This was held with the following institutions:

Summary	Rating at 31 March 2020	Balances as at 31 March 2020 £'000	Balances at 31 March 2019 £'000
Money Market Funds	AAA		
Goldman Sachs Sterling Liquid Reserves Fund		4,326	3,439
Deutsche Managed Sterling Fund		2,450	-
Insight Liquidity Funds		11	-
JPMorgan Sterling Liquidity Fund		9,727	-
Aberdeen Standard Liquidity Fund		2	-
Other Local Authorities		65,000	-
Current Account			
NatWest Bank		608	2,089
Total		82,124	5,528

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments. The has immediate access to its Pension Fund cash holdings including cash invested in money market funds. The Fur liquid assets as assets that can be converted to cash within three months. Non-liquid assets are those assets whic take longer than three months to convert into cash. All financial liabilities at 31 March 2020 are due within one yea

Refinancing risk

The key risk is that the Council will be bound to replenish a significant proportion of its Pension Fund financial inst time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk 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.

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.

LEASE
A lease is a contractual agreement, where the lessee (user) pays the lessor (owner) for use of an asset. These assets are usually property, buildings, vehicles or equipment

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.

GLOSSARY OF TERMS

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.