Statement of Accounts 2022/23

31 March 2023

CROYDON
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COMMUNITY LANGUAGES

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Chinese

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Gujarati

[illegible] 020 8726 6000 [illegible]

Hindi

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

Punjabi

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

Somali

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

Tamil

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

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020 8726 6000.

CONTENTS

CONTENTS

STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

- ► to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Corporate Director of Resources and 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 2023.

In preparing the Statement of Accounts, the Corporate Director of Finance 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 RESOURCES AND SECTION 151 OFFICER

LONDON BOROUGH OF CROYDON AND LONDON BOROUGH OF CROYDON PENSION FUND
FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023

CERTIFICATE of the Corporate Director of Resources and Section 151 officer

I certify that this Statement of Accounts presents a true and fair view of the financial position of the London Borough of Croydon and the London Borough of Croydon Pension Fund as at 31 March 2023, and of its income and expenditure for the financial year 2022-23, prepared in accordance with the CIPFA/LASAAC Code of Practice, with the exception of the following:

the possible effects of issues relating to the lack of updated Property, Plant and Equipment valuations other than those pertaining to Council Dwellings, as outlined in Notes 3, 4 and 12.

Jane West

Corporate Director of Resources
S151 Officer
29/7/2025

Chair, Audit & Governance Committee
29/7/2025

INTRODUCTION

This statement summarises the Council's financial position as at 31st March 2023, describing the wider context and events leading up to this in order to enable the reader to better understand the exceptional circumstances that the Council has been challenged by. 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.

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 2024, which is why the previously published draft accounts for 2019-20 and 2020-21 have needed to be significantly revised prior to finalisation, and this has led to a knock-on impact in issuing draft accounts for subsequent years. The accounts for 2020-21, 2021-22, 2022-23 and 2023-24 will be finalised over the next six months through the government's backstop arrangements, which is updated legislation designed to bring all local authorities' accounts, at a national level, up-to-date.

As set out in the Council's original Annual Governance Statement for 2022-23 significant issues relating to the Council's governance were identified in previous years:

- 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. This has led to the establishment of Croydon Companies Supervision and Monitoring Panel. The Council has strengthened its governance arrangements and oversight of Brick by Brick with a (Member only) Brick by Brick Shareholder Cabinet Advisory Board and a new Board of Chair and non-executive Directors now in place at Brick by Brick.
- 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.
- 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 direction from the (then and once again since July 2024) Ministry of Housing, Communities and Local Government (MHCLG) in December 2020 for £150m (£70m for 2020-21, £50m for 2021-22, £25m for 2022-23 and £5m for 2023-24). Significant work still remains in order to achieve a sustainable Medium Term Financial Strategy owing to the Council's disproportionate level of General Fund debt.
- The Annual Report of the Head of Internal Audit for the year ending March 2022-23 provided only 'Limited Assurance' that the system of internal control accorded with proper practice. A number of internal audit reports have nil or limited assurance.

CROYDON RENEWAL PLAN

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 2022-23 budget, total borrowing of up to £36.2m for the financial year 2022-23 has been sanctioned by the MHCLG under several tranches of 'Capitalisation Directions'. This agreement was and continues to be 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 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.

OPENING THE BOOKS

The Opening the Books work identified a number of legacy issues which required the Council to revise its draft unaudited accounts for 2019-20 and 2020-21 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
- Insufficient capital charges.

The 2022-23 accounts also reflect the relevant Opening the Books adjustments.

By March 2023 the legacy adjustments required had been costed and the Council was granted (in one tranche of £161.6m) 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.

This was in addition to the £150m granted in December 2020 (£70m for 2020-21, £50m for 2021-22, £25m for 2022-23 and £5m for 2023-24).

A further Capitalisation Direction had to be requested in early 2024 to accommodate a legal settlement with a contractor of £9.4m in the 2019-20 accounts.

THE THIRD S114 NOTICE

The S114 notice of 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 to 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 MHCLG) and capitalisation direction of £63m for that year. The Council's Medium Term Financial Strategy published at the same time identified an ongoing gap of £38m per annum from 2024-25. A Capitalisation Direction has been granted by MHCLG for 2024-25.

The Council remains in dialogue with what was the Department for Levelling Up, Housing and Communities (DLUHC), now the Ministry of Housing, Communities and Local Government (MHCLG), in relation to a path back to financial sustainability.

The revised 2019-20, 2020-21, 2021-22 and 2022-23 accounts include all the necessary adjustments identified through the Opening the Books exercise allowing the accounts to be finalised. Work is underway to complete the 2023-24 accounts and prepare for the closure of 2024-25. It is anticipated that the Council will have caught up with the backlog of accounts and audits under the government's backstop arrangements by February 2026.

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.

These reports made further recommendations to the Council in relation to improvements it could make to its governance processes. These recommendations have been included in the regular Annual Government Statement reporting to the Audit and Governance Committee.

In March 2024, the Audit and Governance Committee received Grant Thornton's Draft Audit Findings Report for 2019-20, and in November 2024 received Audit Findings Reports for 2020-21 and 2021-22 accounts.

The early part of 2022-23 still saw Council services being impacted by the Covid 19 pandemic. Despite being in a S114 situation, the Council continued to ensure that essential services were maintained particularly to those community members who were vulnerable and that included the ongoing response to the Covid-19 pandemic. The following criteria was applied when allowing spend to take place:

- existing staff and payroll costs;
- expenditure on goods and services which have already been received;
- expenditure required to deliver the council's statutory services at a minimum possible level;
- urgent expenditure to safeguard vulnerable residents;
- contractually committed expenditure;
- expenditure through ring fenced grants;
- expenditure that will improve the council's financial situation – that is necessary to reduce overall costs.

FINANCIAL RECOVERY

With the issuing of the November 2022 S114 notice and the February 2022 Report in the Public Interest, the Council embarked on a significant financial and overall improvement programme.

In addition to the two 2020 Section 114 notices and the RIPI issued in 2020, the Council had significant scrutiny and oversight from various other stakeholders and groups. This included an internally set and independently chaired Finance Review Panel, a Non-Statutory Rapid Review conducted by MHCLG, an independent finance review and the aforementioned review of the governance of Council subsidiaries. In total around 400 recommendations were made by these different plans which have been tracked and reported on, ultimately through the Annual Governance Statement process.

The Council's submission for the original Capitalisation Direction, contained the Croydon Renewal Improvement Plan, to fundamentally transform how the council operated and governed itself and deliver on the many recommendations set out by various key stakeholders in public reports.

The Renewal Plan was first presented to Cabinet on 25th November 2020 and was endorsed by Cabinet Members. It was then presented to Full Council on 30th November 2020 and agreed in full. The Renewal Plan was a corporate change programme for the Council, which set out how it would respond to the financial challenges and wider improvement needs – whilst making sure that priority services are delivered effectively, sustainably and within the Council's financial means. The 'Croydon Renewal and Improvement Plan - Performance Reporting Framework & Measures Report' presented to Cabinet in June 2021 provided an initial progress update on the delivery of the Renewal Plan. Most of the recommendations have now been delivered with the remaining ones have been incorporated into the Council's Annual Governance Statement.

Whilst the Renewal Plan was a holistic corporate change programme for the Council, it played a critical role in delivering the key activities to strengthen the Council's finances. One programme within the Renewal Plan was the delivery of the MTFS with the focus on delivery of the agreed savings being an absolute priority and to ensure the Council delivers a balanced MTFS which is sustainable, prudent and affordable.

The Renewal Plan was made up of the Financial Recovery Plan, which set out how the Council would deliver a sustainable budget in the medium term, and an Improvement Plan to deliver the required changes. The plan to rebuild the council and recover its financial stability over three years covered:

- new priorities and ways of working for the Council;
- a financial recovery plan for savings, the sale of properties and other income generation;
- delivering core services at costs in line or lower than London average or at the legal minimum;
- digitising Council services to enable as many residents as possible to self-serve;
- bringing spending on Social Care for Children and Adults (age 18-64) down to the London average and for Adults (age 65+) down to the England average;
- the response to the review of council companies and investment arrangements;
- stronger governance, management practice and the management of demand and cost;
- a new system of internal control for finance, performance and risk;
- a review of the code of conduct for councillors and officers, and action to change culture and behaviours and strengthen staff engagement, involvement and equality.

FINANCIAL PERFORMANCE IN 2022-23

The Council's General Fund financial outturn by division for the 2022-23 financial year is set out below

Department and Division	Budget £'000	Outturn £'000	Variance £'000
Sustainable Communities, Regeneration and Economic Recovery			
Directorate Summary	(220)	790	1,010
Sustainable Communities	28,525	42,046	13,521
Culture and Community Safety	5,614	4,040	(1,574)
Planning and Sustainable Regeneration	1,421	2,698	1,277
Sub-total	35,340	49,574	14,234
Children Young People and Education			
Directorate Summary	605	525	(80)
Childrens Social Care	69,825	67,546	(2,279)
Education Division	8,061	7,057	(1,004)
Quality Commissioning and Performance Improvement	7,126	6,752	(374)
Sub-total	85,617	81,880	(3,737)
Housing			
Housing Needs and Homelessness	10,204	11,109	905
Estates and Improvement	108	(3)	(111)
Sub-total	10,312	11,106	794
Adult Social Care and Health			
Directorate	1,835	1,470	(365)
Adult Social Care Operations	114,157	116,041	1,884
Commissioning, Policy & Improvement	16,315	12,815	(3,500)
Sub-total	132,307	130,326	(1,981)
Assistant Chief Executive			
Directorate	314	675	361
Croydon Digital and Resident Access	24,037	24,754	717
Chief People Officer	3,387	3,474	87
Policy, Programmes and Performance	6,422	4,402	(2,020)
Local and External Elections	0	293	293
Sub-total	34,160	33,598	(562)
Resources			
Directorate Summary	(6,910)	(8,086)	(1,176)
Director of Finance	9,964	17,030	7,066
Pensions Division	417	306	(111)
Monitoring Officer	2,148	1,944	(204)
Insurance, Anti-Fraud and Risk	1,057	1,532	475
Legal Services	(1,387)	(382)	1,005
Internal Audit Service	414	647	233
Commercial Investment and Capital	16,952	14,090	(2,862)
Sub-total	22,655	27,081	4,426
Grants, Funding and Below the Line items	(320,391)	(341,912)	(21,521)
General Fund Outturn	**0**	**(8,347)**	**(8,347)**

FINANCIAL PERFORMANCE IN 2022-23

The general fund underspend of £8.3m was transferred into earmarked reserves.
The Housing Revenue Account achieved a balanced revenue position, but did draw down on its revenue reserves to fund planned capital expenditure.

The Council's capital outturn for 2022-23 is summarised below.

Department and Division	Budget £'000	Outturn £'000	Variance £'000
Sustainable Communities, Regeneration and Economic Recovery	36,478	22,229	(14,249)
Children Young People and Education	7,930	3,275	(4,655)
Housing (General Fund)	4,392	4,709	317
Adult Social Care and Health	0	677	677
Assistant Chief Executive	6,965	5,352	(1,613)
Resources	8,255	3,754	(4,501)
Corporate capital schemes	4,049	181	(3,868)
Capitalisation Direction	36,200	36,200	0
General Fund Total	**104,269**	**76,377**	**(27,892)**
Housing Revenue Account	27,357	40,332	12,975
Total Capital Outturn	**131,626**	**116,709**	**(14,917)**

The Financing of the capital programme is set out in Note 32, but the Council maximised the use of capital receipts to finance expenditure in order to minimise borrowing.

USABLE RESERVES

Usable reserves in recent years, after the adjustments arising from the prior year accounts, and after the capitalisation directions have been taken into account, are presented below:-

	31 March 2019	31 March 2020	31 March 2021	31 March 2022	31 March 2023
	£'m	£'m	£'m	£'m	£'m
General Fund balances	(34.1)	-	16.6	27.5	27.5
General Fund earmarked reserves*	9.4	15.9	68.2	144.8	165.0
HRA balances and reserves	15.3	25.6	45.5	57.1	44.0
Capital Receipts Reserve	32.6	20.2	19.1	26.1	61.9
Capital Grants Unapplied	17.7	13.8	13.0	18.0	19.2
TOTAL	**40.9**	**75.5**	**162.4**	**273.5**	**317.6**

**Please note: these figures for earmarked reserves are presented after Dedicated Schools Grant deficits have been removed.*

MEDIUM-TERM FINANCIAL STRATEGY

Budget Council approved the 2024-25 General Fund revenue budget on 6 March 2024. An updated Medium Term Financial Strategy (MTFS) is now presented for 2025-26 to 2028-29, providing a forward financial forecast along with the underlying budget assumptions and budget setting timetable.

The Chancellor has published the Autumn Statement, on 30 October 2024, which set out the overall national funding assumptions for local government alongside related policy direction. The provisional Local Government Finance Settlement (LGFS) is then expected by December which will provide funding levels for individual councils including Croydon. The MTFS will be updated as these are received.

The current modelling indicates a gross budget deficit for the Council of £104.9m for 2025-26 increasing to £187.0m cumulative by 2028-29. This is before any allowance is made for savings or the approval of further exceptional financial support from Government.

Croydon's finances, like those of the wider local government sector, are under strain from inflationary and market price pressures and increasing demand for essential social care, housing and welfare services. An allowance of £20m is made within the updated forecast for 2025-26 inflationary pressures and £52m growth (including to meet demand, market price and legacy budget pressures). Overall, by 2028-29, new cumulative inflation and growth pressures of £201m are modelled.

The updated 2025-29 financial forecast confirms that exceptional financial support from Government continues to be necessary unless a resolution is found to the high cost of servicing the Council's £1.4bn General Fund debt. For financial modelling purposes this support is assumed to be provided through the further award of capitalisation directions of £38m per annum. It should be noted that this is an assumption only at this stage and no formal approval has been requested by the Council nor granted by Government.

However, it remains a matter of extreme concern that the continued use of capitalisation directions, which is the Government's only solution at this stage for councils in financial distress, simply adds to the already prohibitive cost of funding the Council's debt burden and increases the budget problems the Council faces.

For 2025-26 the Council's net cost of borrowing is forecast to be £69m (before any saving from the disposal programme), amounting to 16% of core spending power. Each additional £38m borrowed regarding the future capitalisation directions will add an estimated £3m per annum to future borrowing costs. The Council's historic borrowing and subsequent debt burden continues to be critical to the non-sustainability of the Council's revenue budget. As at the end of 2021-22, data from the Office for Local Government (OFLOG) confirmed that the cost of servicing Croydon's debt, at 16% of core spending power, was double that for the median English authority.

Dialogue with the Ministry for Housing, Communities and Local Government (MHCLG) continues. The Council submitted a Financial Sustainability Plan on 22 May 2024 providing options of further financial support from Government in regard to its level of structural indebtedness. Such support is essential if the Council is to set balanced budgets in the future that do not rely on future government support and do not put additional and avoidable pressure on Croydon's taxpayers.

However, during 2024, the Council's financial position has deteriorated significantly, as have the financial positions of most other local councils. Demand for support for families facing homelessness, the cost of support for children with complex needs and the demand for home to school transport for children with special educational needs and disabilities has increased enormously. It is a situation without precedent. Other councils are also reporting huge increases in demand and costs for adult social care services, but these pressures are less for Croydon due to the successful transformation of the service that started four years ago and still continues.

These new pressures mean that even were MHCLG to assist the Council to resolve the £38m ongoing gap in its budget, the Council in common with many others will struggle to achieve financial sustainability in the near future. This led to a revised Financial Sustainability Plan being presented to the Treasury and MHCLG in September 2024 as part of the new Government's Spending Review consultation.

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 £42.89 m as at 31st March 2023, which has fallen from the £64.6m deficit position of the previous year. The overall deficit was a result of significant impact on the Business Rates account due to the pandemic, and is anticipated to continue falling in future years as central government relief arrangements, which have a delayed effect, become effective. The Council has made a large provision for NNDR appeals and NNDR bad debt.

A council tax deficit of £1.985m and business rates deficit of £12.215 m was declared in January 2023. The difference between the amount declared in January 2023 and the year-end position was carried into 2023-24 and distributed to preceptors as part of the 2024-25 budget cycle.

COUNCIL TAX COLLECTION

The Council monitors performance targets in relation to the amount of debt collected in the initial year of billing (2022-23 debt collected in 2022-23). The target set for Council Tax for 2022-23 was **97.25**% and the actual performance for 2022-23 was **94.95**%. This can be attributed to the impact of the Covid-19 pandemic during the whole of the financial year. All London Local Authorities who reported their collection rates to London Revenues Group have reported a reduction in Council Tax collection as a result of the coronavirus pandemic. It should also be noted that the courts were closed during 2020-21 and the law was changed to prevent Local Authorities from recovery or enforcement action being taken for those residents who did not pay their Council Tax. When the courts re-opened there was a large backlog of cases to deal with, which has impeded improving collection rates significantly.

BUSINESS RATES COLLECTION

The target set for Business Rates for 2022-23 was **99.25%** and the actual performance was **99.63**%. The impact of multiple lock downs throughout preceding years, the cessation of recovery action and businesses being forced to close by Government, has had an impact on business rates collection. However, it should be noted that widescale business rates relief were announced by the government, reducing the liability to pay business rates for a number of businesses particularly the retail, hospitality and leisure sectors.

PENSION FUND

The Council's Pension Fund decreased in value during 2022-23 by £52.576m, a decrease of 3%. The table below shows the change in value of the Council's Pension Fund in 2022-23

	31 March 2022 £'m	31 March 2023 £'m	Net Increase/ (Decrease) £'m	Change %
Assets held by the Fund Managers				
Total Investments	1,679.9	1,616.7	(63.2)	(4%)
Cash	7.0	10.6	3.6	51%
Investment income due*	0.5	0.4	(0.1)	(20%)
			-	
Other Current Assets	47.5	52.7	5.2	11%
Other Current Liabilities	(6.5)	(5.1)	1.4	(22%)
Net Assets at Year End	**1,728.4**	**1,675.3**	**(53.1)**	**(3%)**

*Investment income due comprises outstanding trades, outstanding dividends and tax reclaimable.

I would like to advise you that these accounts now accurately reflect 2019-20, 2020-21, 2021-22 and 2022-23 restatements. I hope that you find the following accounts useful and informative in helping you to understand how the Council manages its finances on your behalf, and how we ensure your money is spent wisely.

Jane West

Corporate Director of Resources
(Section 151 Officer)

Explanation of Accounting Statements
This Statement of Accounts is produced in accordance with legislation and in particular with the Accounts and Audit Regulations 2015. These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 (the Code). Under the Code, local authorities produce accounts that are compliant with International Financial Reporting Standards (IFRS).

Core financial statements

1. Comprehensive Income and Expenditure Statement
This records all the council's income and expenditure for the year in accordance with International Financial Reporting Standards. The top half of the statement provides an analysis by service area, the bottom half deals with the corporate transactions and funding.

2. Movement in Reserves Statement
A summary of the changes to the council's reserves over the course of the year. Reserves are divided into 'usable', which can be invested in capital projects or service improvements, and 'unusable' which must be set aside for specific purposes.

3. Balance Sheet
A snapshot of the council's assets, liabilities, cash balances and reserves at the year-end date.

4. Cash Flow Statement
Shows the reason for changes in the council's cash balances during the year, and whether that change is due to operating activities, new investment or financing activities (such as repayment of borrowing and other long-term liabilities).

In addition to the primary statements, the accounts contain disclosure notes explaining or analysing further the figures in the primary statements.

Supplementary financial statements

1. Housing Revenue Account (HRA)
Shows the income and expenditure at the year-end date for the ring-fenced Housing Revenue Account which identifies the council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989. The HRA figures are included in the primary core statements.

2. Collection Fund
The Collection Fund reports the amounts raised and collected through local taxation for council tax and business rates. Only the council's entitlement to taxation income and expenditure is included in the primary statements. The amounts collected on behalf of the government and the Greater London Authority are not included apart from amounts owing to or from those organisations.

3. Pension Fund
These are the funds the council manages to provide future retirement benefits for its employees. The funds are not included within the primary statements.

MOVEMENT IN RESERVES STATEMENT

2022/23	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 2022	**19,145**	**153,174**	**172,319**	**57,088**	**26,105**	**18,004**	**0**	**273,516**	77,489	351,005
Movement in reserves during 2022/23:										
Surplus or (deficit) on provision of services	(39,156)		(39,156)	21,192				(17,964)	0	(17,964)
Other Comprehensive Expenditure and Income								0	474,214	474,214
Total Comprehensive Expenditure and Income	(39,156)	0	(39,156)	21,192	0	0	0	(17,964)	474,214	456,250
Adjustments between accounting basis and funding basis under regulations	59,337	0	59,337	(34,327)	35,830	1,196	0	62,036	(62,036)	0
Net increase/Decrease before Transfers to Earmarked Reserves	20,181	0	20,181	(13,135)	35,830	1,196	0	44,072	412,178	456,250
Transfers to/(from) Earmarked Reserves	(11,826)	11,826	0	0	0	0	0	0	0	0
Net increase/(decrease) in reserves for the year	8,355	11,826	20,181	(13,135)	35,830	1,196	0	44,072	412,178	456,250
Balance c/f at 31 March 2023	27,500	165,000	192,500	43,953	61,935	19,200	0	317,588	489,667	807,255

2021/22	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 2021	**16,619**	**68,234**	**84,853**	**45,476**	**19,140**	**12,964**	**0**	**162,433**	(220,556)	(58,123)
Movement in reserves during 2021/22:										
Surplus or (deficit) on provision of services	18,277		18,277	43,007				61,284	0	61,284
Other Comprehensive Expenditure and Income								0	347,844	347,844
Total Comprehensive Expenditure and Income	18,277	0	18,277	43,007	0	0	0	61,284	347,844	409,128
Adjustments between accounting basis and funding basis under regulations	69,189	0	69,189	(31,395)	6,965	5,040	0	49,799	(49,799)	0
Net increase/Decrease before Transfers to Earmarked Reserves	87,466	0	87,466	11,612	6,965	5,040	0	111,083	298,045	409,128
Transfers to/(from) Earmarked Reserves	(84,940)	84,940	0	0	0	0	0	0	0	0
Net increase/(decrease) in reserves for the year	2,526	84,940	87,466	11,612	6,965	5,040	0	111,083	298,045	409,128
Balance c/f at 31 March 2022	19,145	153,174	172,319	57,088	26,105	18,004	0	273,516	77,489	351,005

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 Notes 22 and 23.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Note No	2022/23 Gross £000	2022/23 Income £000	2022/23 Net £000	2021/22 Gross £000	2021/22 Income £000	2021/22 Net £000
Gross expenditure, income and net expenditure of continuing operations							
Sustainable Communities Regeneration and Economic Recovery		216,438	(148,587)	67,851	206,339	(155,515)	50,824
Children, Families & Education		316,847	(228,421)	88,426	314,602	(227,837)	86,765
Health, Wellbeing & Adults		202,535	(71,926)	130,609	228,112	(99,247)	128,865
Assistant Chief Executive		66,692	(30,335)	36,357	61,300	(39,929)	21,371
Resources		237,066	(192,082)	44,984	359,641	(290,090)	69,551
Housing		69,584	(50,368)	19,216	66,421	(48,548)	17,873
HRA		65,068	(85,983)	(20,915)	58,757	(88,015)	(29,258)
Net cost of services		1,174,230	(807,702)	366,528	1,295,172	(949,181)	345,991
Other operating expenditure	9			(10,528)			(21,100)
Financing and Investment Income and Expenditure	10			37,508			45,561
Taxation and Grant Income	11			(375,544)			(431,735)
(Surplus) or Deficit on Provision of Services				17,964			(61,283)
(Surplus) or deficit on revaluation of non-current assets				(28,542)			(87,567)
Remeasurement of the net defined benefit liability				(445,672)			(260,277)
Other Comprehensive Income and Expenditure				(474,214)			(347,844)
Total Comprehensive Income and Expenditure				(456,250)			(409,127)

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 March 2023		31 March 2022
		£000	£000	£000
Operational Assets (Property, Plant and Equipment)	12			
Council dwellings		1,089,805		1,038,573
Other land and buildings		968,941		981,450
Vehicles, plant, furniture and equipment		3,267		2,991
Infrastructure		166,012		159,817
Community assets		2,304		2,637
Total Operational Assets (Property, Plant and Equipment)			2,230,329	2,185,468
Non-Operational Assets (Property, Plant and Equipment)				
Assets under construction				400
Surplus assets not held for sale		3,546		3,564
Total Non-Operational Assets (Property, Plant and Equipment)			3,546	3,964
Total Property, Plant and Equipment			2,233,875	2,189,432
Heritage Assets	13	4,313		4,083
Investment Properties				
Investment Properties	14	75,396		75,396
Intangible Assets	15			
Software		13,163		15,638
Long-term Investments				
Non-property investments	16	41,862		49,890
Investments in Associates and Joint Ventures				
Long-term Debtors	16	57,635		99,344
Long-term Assets			2,426,244	2,433,783
Short-term Investments				
Non-property investments excluding cash equivalents	16	10,000		50,000
Assets held for sale (< 1 year)	19	5,348		7,680
Inventories		2,110		2,289
Debtors, Payments In Advance (PIA) And Allowance For Doubtful Debt	17	156,627		187,331
Cash and cash equivalents	18	89,750		34,642
Current Assets			263,835	281,942
Bank overdraft	18	(5,265)		-
Short-term borrowing	16	(296,822)		(339,268)
Short-term creditors and receipts in advance	20	(261,885)		(271,768)
Short-term provision	21	(7,323)		(7,258)
Current Liabilities			(571,295)	(618,294)
Long-term Creditors				
Provisions	21	(39,721)		(34,178)
Long-term borrowing	16	(1,121,466)		(1,168,132)
Deferred capital creditors		(17,445)		(13,507)
Other non-current liabilities				
Net pensions liability	41	(94,858)		(493,812)
Other long term liabilities		(7,830)		(8,050)
Capital grants receipts in advance	30	(30,209)		(28,747)
Long-term Liabilities			(1,311,529)	(1,746,426)
Net Assets			807,255	351,005
Usable reserves	22		317,588	273,516
Unusable reserves	23		489,667	77,489
Total Reserves			807,255	351,005

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

Date: 29 July 2025

CASH FLOW STATEMENT

	Note	2022/23		2021/22	
	No.	£000	£000	£000	£000
OPERATING ACTIVITIES The cash flows for operating activities include the following,					
Net surplus or (deficit) on the provision of services	1A & 7		(17,964)		61,283
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements					
Depreciation	7,12 &23.3	39,302		41,938	
Impairment and downward valuations	7	-		(8,379)	
Amortisations	7,15 & 23.3	5,095		4,445	
Increase/(decrease) in creditors		(6,154)		(5,156)	
(Increase)/decrease in debtors		72,413		12,140	
(Increase)/decrease in inventories		180		(374)	
Movement in pension liability	1B,7 & 23.5	46,718		54,007	
Carrying amount of non-current assets sold	23.3	22,057		37,977	
Provisions		5,608		(5,279)	
Movements in the value of investment properties	7,10,14 & 23.3	-		5,443	
Other non-cash movements		(1,140)		(2,000)	
			184,079		134,762
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	(30,171)		(62,508)	
Any other items for which the cash effects are investing or financing financing cash flows		(13,591)		(43,319)	
			(43,762)		(105,827)
Net cash (inflow)/outflow from operating activities			122,353		90,218
INVESTING ACTIVITIES					
Purchase of property, plant and equipment, investment property		(66,832)		(75,747)	
Purchase of short-term and long-term investments		(10,000)		(25,000)	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets		30,171		62,508	
Proceeds from short-term and long-term investments		59,168			
Other receipts from investing activities		6,904		34,055	
Net cash inflow/(outflow) from investing activities			19,411		(4,184)
FINANCING ACTIVITIES					
Cash receipts from short-term and long-term borrowing		212,433		316,017	
Cash payments for the reduction of the outstanding liabilities to finance leases and on-Balance Sheet PFI contracts (Principal)		(2,809)		(2,616)	
Repayments of short-term and long-term borrowing		(301,545)		(398,242)	
Net cash inflow/(outflow) from financing activities			(91,921)		(84,841)
Net increase/(decrease) in cash and cash equivalents			49,843		1,193
Cash and cash equivalents at the beginning of the reporting period			34,642		33,449
Cash and cash equivalents at the end of the reporting period			84,485		34,642
Cash held	18	-		48	
Bank current accounts	18	(5,265)		17,594	
Short-term deposits with building societies and Money Market Funds	18	89,750		17,000	
Cash and cash equivalents as at 31 March			84,485		34,642

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1. BASIS OF PREPARATION - SINGLE ENTITY AND GROUP ACCOUNTS

Basis of Preparation

The Statement of Accounts summarises the Council's transactions for the 2022-23 financial year and its position as at 31st March 2023. The Council is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit (England) Regulations 2015, which require preparation in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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 2022/23 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 the Expenditure and Funding Analysis have been adapted to follow the current management structure and how reports are structured to cabinet and committee.

The Selection of Accounting Policies

In those instances where the 2022/23 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.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1. BASIS OF PREPARATION - SINGLE ENTITY AND GROUP ACCOUNTS

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. It has concluded that there are material interests in Brick by Brick (Croydon) Ltd, but that other group interests are not material. Group accounts have been prepared on this basis.

- ► 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
- ► Croydon Affordable Homes LLP - 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.
- ► 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. The company has had no activity.
- ► Croydon Affordable Tenures LLP - 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.
- ► 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. The company has had no activity.
- ► 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 IFRS12 were the interest material
- ► Croydon Enterprise Loan Fund - 100% control, although assessed as non material. It would otherwise be accounted for as an associate under IFRS12.
- ► 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 39 for further details on the Council's Group Interests.

1. ACCOUNTING POLICIES (continued)

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

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 Community Infrastructure Levy, Council Tax and Business Rates whereby the Council is collecting 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 2022/23 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. Of particular interest is that the Authority has received exeptional financial support from Government, and continues to do so, without which this underlying assumption may require further examination and scrutiny.

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.

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

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.

1. ACCOUNTING POLICIES (continued)

1.4. NON-CURRENT ASSETS (continued)

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. Investments in Associates

The Authority's single entity financial statements record the actual dividend received or receivable. The interest in associates is set out in Note 39 Group Interests

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

1.4.7. 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 and Long Term Contracts

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.

Long-term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

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 on unusable reserves 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 the lease term on the same basis as rental income.

1.10. EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits for current employees as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave, 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.

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)

1. ACCOUNTING POLICIES (continued)

1.11. FINANCIAL INSTRUMENTS (continued)

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.

However, there is a statutory override (Statutory instrument 2018/1207), giving a five year tranitionary peiod until 2022-23 amending this requirement for financial instruments held at FVPL. For this period any gains or losses on valuation should have no overall impact on the General Find Balance. Therefore, all gains and losses are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Pooled Investment Fund Adjustment Account.

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 Sustainable Communities, Regeneration & Economic Recovery Department; Children, Young People & Education Department; Housing Department; Adult Social Care & Health Department; Assistant Chief Executive 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 and PFI debt, over a repayment period of 50 years
- ► Asset Life method for Capitalisation Direction over 20 years

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.

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. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

1. ACCOUNTING POLICIES (continued)

1.20. 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 Code of Practice. 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.

1.21. BORROWING COSTS

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

1.22. OVERHEADS AND SUPPORT SERVICES

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, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. 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 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 and 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.

2022/23	Net Expenditure Chargeable to the GF and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000
Sustainable Communities Regeneration and Recovery	41,151	26,700	67,851
Children, Families & Education	74,835	13,591	88,426
Health, Wellbeing & Adults	119,694	10,912	130,609
Assistant Chief Executive	31,490	4,867	36,357
Resources	1,293	43,691	44,984
Housing	14,288	4,928	19,216
HRA	(18,075)	(2,840)	(20,915)
Net cost of services	**264,675**	**101,850**	**366,528**
Other operating expenditure	(13,690)	3,162	(10,528)
Financing and Investment Income and Expenditure	103,910	(66,402)	37,508
Taxation and Non-Specific Grant Income	(361,941)	(13,603)	(375,544)
(Surplus)/Deficit	**(7,046)**	**25,007**	**17,964**
Opening GF and HRA Balances and Reserves	229,407		
Add surplus on General Fund in year	20,181		
Add surplus on HRA Balance in year	(13,135)		
Add reserves			
Closing General Fund and HRA balance 31 March 2023	**236,453**		

2021/22	Net Expenditure Chargeable to the GF and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000
Sustainable Communities Regeneration and Recovery	28,306	22,518	50,824
Children, Families & Education	78,854	7,911	86,765
Health, Wellbeing & Adults	114,827	14,038	128,865
Assistant Chief Executive	17,119	4,252	21,371
Resources	57,979	11,572	69,551
Housing	13,114	4,759	17,873
HRA	(6,389)	(22,869)	(29,258)
Net cost of services	**303,810**	**42,181**	**345,991**
Other operating expenditure	(7,708)	(13,392)	(21,100)
Financing and Investment Income and Expenditure	12,300	33,261	45,561
Taxation and Non-Specific Grant Income	(407,477)	(24,258)	(431,735)
(Surplus)/Deficit	**(99,075)**	**37,792**	**(61,283)**
Opening GF and HRA Balances and Reserves	130,329		
Add Surplus on General Fund in year	87,466		
Add Surplus on HRA Balance in year	11,612		
Closing General Fund and HRA balance 31 March 2022	**229,407**		

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.

2022/23	Adjustments for capital purposes	Net change for the pensions adjustments	Other differences	Total adjustments between funding and accounting basis
	£000	£000	£000	£000
Sustainable Communities Regeneration and Recovery	20,278	6,510	(88)	26,700
Children, Families & Education	5,195	8,970	(574)	13,591
Health, Wellbeing & Adults	1,072	9,893	(53)	10,912
Assistant Chief Executive	4,930		(63)	4,867
Resources	39,945	3,795	(49)	43,691
Housing	3,476	1,487	(34)	4,928
HRA	(5,090)	2,297	(47)	(2,840)
Net cost of services	**69,805**	**32,953**	**(909)**	**101,850**
Other Income and Expenditure				
Other operating expenditure	3,144		18	3,162
Financing and Investment Income and Expenditure	(78,883)	13,765	(1,284)	(66,402)
Taxation and non-specific grant income	(6,464)		(7,139)	(13,603)
Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit	**(12,398)**	**46,718**	**(9,313)**	**25,007**

2021/22	Adjustments for capital purposes	Net change for the pensions adjustments	Other differences	Total adjustments between funding and accounting basis
	£000	£000	£000	£000
Sustainable Communities Regeneration and Recovery	16,591	5,978	(51)	22,518
Children, Families & Education	3,424	4,625	(138)	7,911
Health, Wellbeing & Adults	(16)	14,023	31	14,038
Assistant Chief Executive	3,767	461	24	4,252
Resources	2,920	8,685	(33)	11,572
Housing	2,823	1,942	(6)	4,759
HRA	(26,657)	3,765	23	(22,869)
Net cost of services	**2,852**	**39,479**	**(150)**	**42,181**
Other Income and Expenditure				
Other operating expenditure	(13,392)	-	-	(13,392)
Financing and Investment Income and Expenditure	19,014	14,525	(278)	33,261
Taxation and non-specific grant income	(5,601)	-	(18,657)	(24,258)
Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit	**2,873**	**54,004**	**(19,085)**	**37,792**

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

	2022/23	2021/22
Expenditure	**£000**	£000
Employee benefits expenses	235,703	329,489
Other service expenses	894,130	1,062,850
Depreciation amortisation and impairment	44,397	38,003
Loss on disposal of non-current assets	(11,921)	(24,534)
Interest payments	43,557	46,815
Precepts and Levies	1,392	1,422
Total	1,207,258	1,454,045
Income		
Fees and charges and other service income	(377,899)	(505,189)
Income from Council Tax and Business Rates & Non Service Income	(375,543)	(254,693)
Government grants and contributions	(429,850)	(743,622)
Interest and investment income	(6,002)	(11,825)
Total	(1,189,294)	(1,515,329)
Deficit/(Surplus) on provision of services	**17,964**	**(61,284)**

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. There are no new or amended standards published but not yet adopted by the 2022/23 code which will have a material impact on the council's single or group statements.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Local Government Funding

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

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.

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.

	Amount £'000
The value of properties de-recognised from the Council's accounts as a result of this judgement is	80,147
The financing held in the Council's balance sheet at 31.3.2023 as a result of this judgement is	71,500

Schools Ownership

As set out in the accounting policies, 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	**30**	323,557
Voluntary Aided Faith Schools (excluded from balance sheet)	**11**	nil

There are 11 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 39

Departure from the Code of Practice requirements - valuation

The council is departing from the code of practice requirements in relation to the valuation of fixed assets. Proper practice would require the valuation of certain assets to be updated either annually or on a rolling basis to ensure they are not materially incorrect. However, in order to respond to the national agenda to complete accounts on an accelerated basis, the Council has judged that not applying valuation changes other than to Council Dwellings will enable completion of the accounts in a more timely manner, and therefore be of wider benefit to stakeholders.

Additions and disposals to fixed assets has been accounted for correctly, and readers are reminded that the gains or losses to fixed assets has no impact on the Council's overall financial position, as such movements are reversed out of the CIES and held in unusable reserves. Ultimately, the gain or loss of a capital asset is only realised upon its sale.

The following table summarises the classes of assets that have not been valued, and what the impact of a 1% change in valuation would be:

Class of asset	Net Book Value £'000	1% change £'000
Council Dwellings	1,089,805	10,898
Other Land & Buildings	968,941	9,689
Community Assets	2,304	23
Investment Properties	75,396	754
Total	2,136,446	21,364

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 2023 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. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions applied.

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 2023:

	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.1% decrease in Real Discount Rate	2%	23,526
0.1% increase in the Salary Increase Rate	0%	1,481
0.1% increase in the Pension Increase Rate	2%	22,421

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.

To prepare the accounts ahead of the backstop date, it was judged that accounting entries in relation to the change in value of certain fixed assets would not be included in the 2022-23 accounts. This was because the calculation of such amounts represented the largest single piece of work to be undertaken for 2022-23, and the changes in these asset values has no direct impact on the General Fund or reserves position of the Council. Valuation changes are instead held in an unusable reserve, and it is only upon the sale of an asset where the change in its value can affect the spending power of the authority.

The valuations of Council dwellings were undertaken externally by Wilks Head & Eve as at 31 March 2023.

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 2023. Wilks, Head & Eve have advised:

"The Covid-19 pandemic which started in 2019-20 and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date of 31 March 2023 property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. As a result the valuers have stated "Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards]

Whilst the RICS have announced that the statements adopted in previous years as a result of the valuation uncertainty may now be dropped, individual markets may react differently to COVID-19 and its aftermath. Commentary upon market conditions should reflect the individual valuation and market circumstances. In respect of Retail and specific trading related assets/sectors such as Car Parks, as at the valuation date we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant or sufficient market evidence."

For the avoidance of doubt this does not mean that the valuations cannot be relied upon. Rather, this note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared.

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.
The carrying amount of Investments held at Fair Value at 31.3.2023 is £41.9m

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. The value of allowances for credit loss held at 31.3.2023 is £133m

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

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,
►the implications of the covid-19 pandemic on the impact on valuations of commercial properties
►any other case specific appeal items will be absorbed within the appeal provision set for the 2017 list

The carrying amount of the Business Rates appeal provision at 31.3.2023 is £3m which represents 30% of the total provision made within the Collection Fund.

Pension Liabilities

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. The actuaries Hymans Robertson LLP provide the Council with an estimation of the pension liability that considers these judgements. Details of the Pension Fund liability are provided in Note 41 (Pensions - IAS19 and Accounting Code of Practice disclosure notes).

The carrying value of the net Pension liability at 31.3.2023 is £94.9m

5. MATERIAL ITEMS OF INCOME AND EXPENSE AND PRIOR PERIOD ADJUSTMENTS

Material items of income and expense during the year are highlighted to help the reader understand movements in the Comprehensive Income and Expenditure Statement.

Schools converting to academies

During 2022/23 no schools transferred from London Borough of Croydon ownership to academies owned by private organisations. As a result there was a nil amount de-recognised from property, plant and equipment.

Pensions

The net liability on the Pension Fund has decreased by £398.954m 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.

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

The "Opening the Books" review was launched in 2022 to review to closely review the council's balance sheet, capital financing arrangements, reconciliations, and financial relationships with council-owned companies. This review included the basis of recharging to the Housing Revenue Account (HRA) by the Council's General Fund, which identified over-recharge by the Council. This has been corrected in 2022-23 resulting in a reduction in recharge expenditure to the HRA, and a reduction in recharge income to the General Fund of £10.2m.

Capitalisation Directions used to balance the Council's General Fund

The Council has received permission from the Secretary of State to bring its General Fund into balance by charging exceptional amounts of revenue expenditure to capital in recent years. This is known as a Capitalisation Direction. The table below sets out the value of capitalisation directions applied to each financial year. Amounts are not cumulative.

	2022/23 £000's	2021/22 £000's
Permission granted in 2022 and applied		50,000
*In Principle** permission, granted in 2021, now applied	25,000	
*In Principle** permission, granted in 2023, now applied	11,200	14,400
Total Capitalisation Direction	**36,200**	**64,400**

*Permission was granted on a provisional basis, and is subject to final confirmation from the Secretary of State.

6. EVENTS AFTER THE REPORTING PERIOD

Adjusting Events

Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Non-adjusting events:

The financial statements and notes have not been adjusted for the following events, which took place after 31 March 2023, which provide information that assists an understanding of the authority's financial position but do not relate to conditions at that date:

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

	£'000
2023-24 financial year	63,000

2) Actuarial valuation of the net pension liability as at 31 March 2023 indicate a movement from net liability to net asset as shown in the table below.

Deferred Pension valuation under IAS19	Value at 31.3.2023 £'000	Value at 31.3.2024 £'000
Deferred Pension Asset value	1,345,332	1,478,175
Deferred Pension Obligation value	(1,440,190)	(1,449,798)
Deferred Pension Net value	**(94,858)**	**28,377**

*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.

3) The Council has disposed of the following assets after the balance sheet date

Site	Date of sale	Receipt £'000
The Colonnades Retail Park	22 December 2023	29,421
Unichem House, 60 Vulcan Way	24 March 2024	6,300
The Aztec Centre	26 April 2024	2,300
Former GoldCrest Youth Centre	17 July 2024	1,150
41 Malcolm Road	4 October 2024	1,710

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

2022-23	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 2022	**19,145**	**57,088**	**153,174**	**26,105**	**18,004**	**0**	**273,516**
Movement in reserves during 2022-23							
Surplus or deficit on the provision of services	(39,156)	21,192					(17,964)
Other Comprehensive Expenditure and Income							
Impairment / Revaluation gains and losses chargable 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	**(39,156)**	**21,192**	**0**	**0**	**0**	**0**	**(17,964)**
Adjustments between accounting basis and funding basis							
Depreciation	25,887					13,415	39,302
Amounts written out of pooled investments							
Impairment and revaluation gains and losses chargeable to CI&E							0
Amortisation of intangible assets	4,919	176					5,095
Movements in the fair value of investment properties							0
Capital grants and contributions	(12,251)	(1,633)					(13,884)
Revenue expenditure funded from capital under statute	49,877						49,877
Net gain / loss on sale of non-current assets	9,935	(6,791)		18,914			22,058
Adjusting amounts written out of the Revaluation Reserve							0
Lessor Leases	18						18
Cost of disposals	174	202		(376)			0
Receipts from sales of investments during the year	(14,054)			11,633			(2,421)
Repayment of capital loans							0
Amount by which finance costs charged to the CI&E are different from finance costs chargable in the year in accordance with statutory requirements	(785)						(785)
Reversal of items relating to retirement benefits debited or credited to the Expenditure Statement	78,105	5,853					83,958
Employer's pensions contributions and direct payments to pensioners payable in the year	(34,644)	(2,596)					(37,240)
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	(7,139)						(7,139)
Revaluation of investments held at Fair Value through Profit & Loss	(497)						(497)
Business Rate Supplement Revenue Account							0
Statutory provision for the repayment of debt	(29,856)						(29,856)
Capital expenditure charged to General Fund and HRA balances	(1,389)	(25,859)					(27,248)
Transfers in respect of Community Infrastructure Levy receipts	(8,101)				1,196		(6,905)
Transfer from Capital Receipts Reserve to Housing Capital Receipts Pool							0
Use of the Major Repairs Reserve to finance capital expenditure						(13,415)	(13,415)
Use of the Capital Receipts Reserve to finance capital expenditure				(54,878)			(54,878)
Repayment of borrowing from Capital Receipts							0
Compensated absences	(862)	(46)					(908)
Credit loss assessment on loans		(3,633)		42,175			38,542
Deferred Capital Receipts				18,362			18,362
School budget deficit transferred from General Fund in accordance with statutory requirements							
Total Adjustments between accounting basis and funding basis under regulations	59,337	(34,327)	0	35,830	1,196	0	62,036
2022-23 Net Increase / Decrease before Transfers to / from Earmarked Reserves	20,181	(13,135)	0	35,830	1,196	0	44,072
Transfers to / from Earmarked Reserves	(13,062)		13,062				-
Other movements in reserves	1,236		(1,236)				0
Net Increase / (decrease) in reserves for the year	8,355	(13,135)	11,826	35,830	1,196	0	44,072
Balances c/f at 31 March 2023	**27,500**	**43,953**	**165,000**	**61,935**	**19,200**	**0**	**317,588**

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	Accumulated Absences Account Balance £'000	Pooled Investment Fund Adjustment Account £'000	Dedicated Schools Grant Adjustment Account £'000	Total Unusable Reserves Balance £'000	Total Authority Reserves Balance £'000
748,717	**(124,406)**	**(29,484)**	**(493,812)**	**18,365**	**(20,112)**	**(5,374)**	**4,890**	**(21,295)**	**77,489**	**351,005**
									0	**0**
									0	**(17,964)**
									0	**0**
28,542									28,542	**28,542**
									0	**0**
			445,672						445,672	**445,672**
28,542	0	0	445,672	0	0	0	0	0	474,214	474,214
28,542	**0**	**0**	**445,672**	**0**	**0**	**0**	**0**	**0**	**474,214**	456,250
	(39,302)								(39,302)	**0**
(6,625)	6,625								0	**0**
									0	**0**
	(5,095)								(5,095)	**0**
									0	**0**
	13,884								13,884	**0**
	(49,877)								(49,877)	**0**
	(22,058)								(22,058)	**0**
(6,019)	7,797						(1,778)		0	**0**
	(18)								(18)	**0**
									0	**0**
							2,421		2,421	**0**
		785							785	**0**
			(83,958)						(83,958)	**0**
			37,240						37,240	**0**
					7,139				7,139	**0**
							497		497	**0**
									0	**0**
	29,856								29,856	**0**
	27,248								27,248	**0**
	6,905								6,905	**0**
									0	**0**
	13,415								13,415	**0**
	54,878								54,878	**0**
									0	**0**
						908			908	**0**
	(38,542)								(38,542)	**0**
				(18,362)					(18,362)	**0**
									0	**0**
(12,644)	5,716	785	(46,718)	(18,362)	7,139	908	1,140	0	(62,036)	0
15,898	5,716	785	398,954	(18,362)	7,139	908	1,140	0	412,178	456,250
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
15,898	5,716	785	398,954	(18,362)	7,139	908	1,140	-	412,178	456,250
764,615	**(118,690)**	**(28,699)**	**(94,858)**	**3**	**(12,973)**	**(4,466)**	**6,030**	**(21,295)**	**489,667**	**807,255**

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

2021-22	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 2021	**16,619**	**45,476**	**68,234**	**19,140**	**12,964**	**0**	**162,433**
Movement in reserves during 2021-22							
Surplus or deficit on the provision of services	18,277	43,007					61,284
Other Comprehensive Expenditure and Income							
Impairment / Revaluation gains and losses chargable 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	**18,277**	**43,007**	**0**	**0**	**0**	**0**	**61,284**
Adjustments between accounting basis and funding basis							
Depreciation	29,164	437				12,336	41,937
Impairment and revaluation gains and losses chargeable to CI&E	(8,372)	(7)					(8,379)
Amortisation of intangible assets	4,276	169					4,445
Movements in the fair value of investment properties	5,443	0					5,443
Capital grants and contributions	(13,276)	(18,489)					(31,765)
Revenue expenditure funded from capital under statute	76,516	7					76,523
Net gain / loss on sale of non-current assets	(15,404)	(8,337)		62,511			38,770
Repayment of capital loans				2,065			
Amount by which finance costs charged to the CI&E are different from finance costs chargable in the year in accordance with statutory requirements	(848)	(197)					(1,045)
Reversal of items relating to retirement benefits debited or credited to the Expenditure Statement	84,128	6,304					90,432
Employer's pensions contributions and direct payments to pensioners payable in the year	(33,886)	(2,539)					(36,425)
Amount by which Council Tax and NNDR income credited to the CI&E is different from the amount taken to the General Fund in	(18,658)						(18,658)
Revaluation of investments held at Fair Value through Profit & Loss	(2,002)						(2,002)
Business Rate Supplement Revenue Account							0
Statutory provision for the repayment of debt	(30,436)						(30,436)
Capital expenditure charged to General Fund and HRA balances	(512)	(8,767)					(9,279)
Transfers in respect of Community Infrastructure Levy receipts	(11,552)				5,040		(6,512)
Transfer from Capital Receipts Reserve to Housing Capital	2,013			(2,013)			0
Use of the Major Repairs Reserve to finance capital expenditure						(12,336)	(12,336)
Use of the Capital Receipts Reserve to finance capital expenditure				(53,635)			(53,635)
Repayment of borrowing from Capital Receipts				(1,963)			(1,963)
Compensated absences	(173)	24					(149)
Credit loss assessment on loans							0
School budget deficit transferred from General Fund in accordance	2,768						
Total Adjustments between accounting basis and funding basis under regulations	69,189	(31,395)	0	6,965	5,040	0	49,799
2021-22 Net Increase / Decrease before Transfers to / from	87,466	11,612	0	6,965	5,040	0	111,083
Transfers to / from Earmarked Reserves	(80,953)		80,953				0
Other movements in reserves	(3,987)		3,987				0
Net Increase / (decrease) in reserves for the year	2,526	11,612	84,940	6,965	5,040	0	111,083
Balances c/f at 31 March 2022	**19,145**	**57,088**	**153,174**	**26,105**	**18,004**	**0**	**273,516**

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	Accumulated Absences Account Balance £'000	Pooled Investment Fund Adjustment Account £'000	Dedicated Schools Grant Adjustment Account £'000	Total Unusable Reserves Balance £'000	Total Authority Reserves Balance £'000
677,660	**(126,037)**	**(30,529)**	**(700,082)**	**18,365**	**(38,770)**	**(5,524)**	**2,888**	**(18,527)**	**(220,556)**	**(58,123)**
									0	**0**
									0	**61,284**
									0	**0**
87,567									87,567	**87,567**
									0	**0**
			260,277						260,277	**260,277**
87,567	0	0	260,277	0	0	0	0	0	347,844	347,844
87,567	**0**	**0**	**260,277**	**0**	**0**	**0**	**0**	**0**	**347,844**	409,128
(6,401)	(35,536)								(41,937)	**0**
	8,379								8,379	**0**
	(4,445)								(4,445)	**0**
	(5,443)								(5,443)	**0**
	31,765								31,765	**0**
	(76,523)								(76,523)	**0**
(10,109)	(28,661)								(38,770)	**0**
	(2,065)									
		1,045							1,045	**0**
			(90,432)						(90,432)	**0**
			36,425						36,425	**0**
					18,658				18,658	**0**
							2,002		2,002	**0**
									0	**0**
	30,436								30,436	**0**
	9,279								9,279	**0**
	6,511								6,511	**(1)**
									0	**0**
	12,336								12,336	**0**
	53,635								53,635	**0**
	1,963								1,963	**0**
						150			150	**1**
									0	**0**
								(2,768)		
(16,510)	1,631	1,045	(54,007)	0	18,658	150	2,002	(2,768)	(49,799)	0
71,057	1,631	1,045	206,270	0	18,658	150	2,002	(2,768)	298,045	409,128
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
71,057	1,631	1,045	206,270	0	18,658	150	2,002	(2,768)	298,045	409,128
748,717	**(124,406)**	**(29,484)**	**(493,812)**	**18,365**	**(20,112)**	**(5,374)**	**4,890**	**(21,295)**	**77,489**	351,005

8. TRANSFERS TO / FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23.

	Balance at 31 March 2021 £000	Movement In 2021/22 £000	Balance at 31 March 2022 £000	Movement In 2022/23 £000	Balance at 31 March 2023 £000
General Fund - Non Schools					
Growth Zone	12,870	10,239	23,109	5,400	28,509
Business Rates Relief	20,107	(474)	19,633	(7,587)	12,046
Corporate Contingency	0	5,882	5,882	(328)	5,554
21/22 Top-up to GF balances	0	9,000	9,000	(9,000)	0
Public Health	1,745	5,564	7,309	4,236	11,545
Safety Net Review	0	6,000	6,000	(6,000)	0
Macroeconomic Risk	0	6,000	6,000	(6,000)	0
Potential Audit Issues Reserve	0	5,704	5,704	(5,704)	0
Local Outbreak Planning	9,830	(3,880)	5,950	(994)	4,956
Council Tax and NNDR Smoothing	3,350	0	3,350	16,637	19,987
Insurance Reserve	0	3,035	3,035	(695)	2,340
Capital Financing Reserve	0	3,000	3,000	(3,000)	0
Taxbase Reserve	0	3,000	3,000	(3,000)	0
Street Lighting	2,686	0	2,686	3,247	5,933
Demographic Demand Reserve	0	2,500	2,500	(2,500)	0
Council and Business Rates Income	3,549	(1,512)	2,037	0	2,037
LCTS Hardship Funding	0	2,000	2,000	(2,000)	0
Pandemic Impact Reserve	0	2,000	2,000	(2,000)	0
Recharge Reserve	0	2,000	2,000	(2,000)	0
Streets and Neighbourhood Reserve	0	1,500	1,500	(426)	1,074
Fair Funding Reserve	0	1,500	1,500	(1,500)	0
Vulnerable Renters Fund Reserve	0	1,304	1,304	0	1,304
Schools Deficit Funding	0	1,000	1,000	0	1,000
Financial Improvement Reserve	0	1,000	1,000	6,713	7,713
Bad Debt Reserve	0	1,000	1,000	0	1,000
Homelessness Grant Reserve	0	790	790	0	790
Local Elections	700	0	700	(700)	0
Homes for the Future PFI	687	0	687	435	1,122
Ashburton PFI	1,025	0	1,025	320	1,345
Financial Recovery Reserve	4,293	0	4,293	(4,293)	0
Adult Social Care		6,761	6,761	(4,761)	2,000
Corporate Risk Reserve		4,382	4,382	(4,382)	0
Business Risk Reserve	0	0	0	36,340	36,340
HB Multidisciplinary Team	0	0	0	530	530
Economic Delivery and Employment	0	0	0	506	506
Dedicated Schools Grant (DSG)	0	0	0	5,911	5,911
Traded Services	327	0	327	544	871
Coroners	500	0	500	198	698
Other Reserves under £0.5m	2,404	1,660	4,064	(1,085)	2,979
Sub-total Non Schools	64,073	80,955	145,028	13,062	158,090
General Fund - Schools:					
Balances held by schools	4,161	3,985	8,146	(1,236)	6,910
Total GF Earmarked Reserves	68,234	84,940	153,174	11,826	165,000

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 - 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 its own revenue generation.

Business Rates Relief - This grant was awarded by Central Government to Local Authorities to be utilised for providing businesses with business rates relief.

Corporate Contingency - This reserve has been set aside to support various unknown one off risks, particularly as the organisation progresses through its recent financial challenges. Whilst significant work has been done to identify financial stress levels, it expected that further financial risks remain.

2021/22 GF Balances Top Up - This sum was to top-up General Fund balances to £27.5m.

Public Health - Public Health grant funding set aside to tackle specific public health issues as set out in the conditions of this grant.

Safety Net Review - This reserve was set up to support social care risks that the Council may need to fund. This is driven by changes in social care Government proposals. Now transferred to the general Business Risk Reserve.

Macroeconomic Risk - This reserve was set up in order to mitigate against the effects of exceptional levels of inflation, and the accompanying cost of living crisis. Now transferred to the general Business Risk Reserve.

Potential Audit Issues - This reserve was set up to fund any unforeseen issues that may arise from audit findings. Now transferred to the general Business Risk Reserve.

Local Outbreak Planning - Public health grant funding to tackle COVID-19, working to break the chain of transmission and protecting the most vulnerable.

Council Tax and NNDR Smoothing Reserve - Reserve set aside for the Council Tax Income

Insurance Reserve - Allowance for potential claims yet to be received that did not form part of the insurance provision

Capital Financing Reserve - Mitigation for potential delays in delivery of capital receipts/interest rate changes. Now transferred to the general Business Risk Reserve.

Taxbase Reserve - Allowance for decline in business rate/council tax yields in the event of economy decline. Now transferred to the Council Tax and NNDR Smoothing Reserve.

Street Lighting - this reserve is to help smooth the costs recognised over the long-term life of the PFI contract.

Demography Demand - Allowance for pressures arising from demographic and demand led changes. Now transferred to the general Business Risk Reserve.

Council and Business Rates Income Guarantee - Reserve set aside for the Council under the Tax Income Guarantee scheme in May 2022, to compensate for loss of business rates and council tax income.

Recharges Reserve - Savings and structural change may impact on allocation of support service costs outside of the general fund. Now transferred to the general Business Risk Reserve.

8. TRANSFERS TO / FROM EARMARKED RESERVES (continued)

8.1 Earmarked Reserves - Explanations (continued)

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:

LCTS hardship Fund - Allowance for impacts of changes to Local Council Tax Support Scheme to be offset by Hardship Fund.

Pandemic Impacts Reserve - unspent Covid grant retained in case of further waves/variants impacting budget savings. Now transferred to the general Business Risk Reserve.

Streets and Neighbourhoods - Reserve to support initiatives across streets and neighbourhoods to promote resident and business experience.

Fair Funding Reserve - Allows for period of transition if any future changes to settlement basis is adverse. Now transferred to the general Business Risk Reserve.

Vulnerable Renters Fund - Additional support to vulnerable renters struggling due to the impact of the pandemic. The funding has been given to help support low-income private renters at risk of being evicted due to rent arrears or find a new home where necessary in order to prevent homelessness.

Schools Deficit Reserve - Allowance for schools in deficit closing and remining deficit failing on general fund.

Financial Improvement Reserve - In order to ensure the requisite improvements are made.

Bad Debt Reserve - Allowance for decline in collection rates in case of further economic decline.

Homelessness Grant - This is unspent grant ringfenced to prevent homelessness.

Local Elections - This reserve is to smooth out the costs of elections, which do not fall equally each and every year.

Homes for the Future PFI Sinking Fund - This reserve is to smooth out the costs and income of the contract over the longer term.

Ashburton PFI Sinking Fund - This reserve manages the costs and income in relation to the Ashburton PFI over its 30 year life.

Financial Recovery Reserve - This was created to manage the timing of financial pressures over the medium term.

Adult Social Care - This reserve is to deal with unforeseen costs that may arise as knock-on impacts from the turbulence of recent years on the supply chain

Corporate Risk Reserve - This reserve was to mitigate against risks arising at a corporate level. Now transferred to the general Business Risk Reserve.

9. OTHER OPERATING EXPENDITURE

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

	2022/23 £000	2021/22 £000
Levies	1,394	1,422
Payments of Housing capital receipts to Government pool		2,013
(Gain)/loss on disposal of non-current assets	(11,922)	(24,535)
Total	(10,528)	(21,100)

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.

	2022/23 £000	2021/22 £000
Interest payable and similar charges	43,419	43,374
Interest receivable and similar income	(10,987)	(10,071)
Premium on early repayment of debt		
Changes in fair value of investment properties	-	5,443
Other investment income	(1,448)	(1,754)
Premium receivable	(218)	
Investment property rental income	(4,056)	(3,733)
Gains/Losses on financial instruments classified as FV through P/L	(2,919)	(2,002)
Interest Cost on defined benefit obligation	50,908	38,996
Expected Return on Pension Assets	(37,143)	(24,610)
(Surplus) / deficit on trading undertakings	(48)	(82)
Total	37,508	45,561

11. TAXATION AND NON-SPECIFIC GRANT INCOME

	2022/23 £000	2021/22 £000
Credited to Taxation and Non-Specific Grant Income		
Recognised Capital Grants and Contributions	(8,097)	(24,089)
Council Tax Income	(213,449)	(199,844)
National Non-Domestic Rates (NNDR)	(70,386)	(54,848)
Revenue Support Grant	(18,344)	(14,215)
Non-service Related Government Grants (see Note 30)	(65,268)	(138,739)
Taxation and Non-Specific Grants	(375,544)	(431,735)

12. PROPERTY, PLANT AND EQUIPMENT

2022/23	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 £000	PFI Assets Included in PPE £000
Net Book Value at 1 April 2022	1,038,573	981,451	2,991	2,638	3,564	400	2,029,617	114,824
Gross Book Value at 1 April 2022	1,038,573	986,578	17,832	9,013	3,564	400	2,055,960	128,578
Additions	40,906	6,585	1,470	232	0	0	49,193	0
Revaluation increase/(decrease) recognised in the Revaluation Reserve	15,600	0	0	0	0	0	15,600	0
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition - Disposals	(5,674)	0	0	0	0	0	(5,674)	0
Derecognition - Other	0	(3,076)	(39)	(1,263)	0	0	(4,378)	0
Assets reclassified (to)/from held for sale	0	0	0	0	0	0	0	0
Transfers/Reclassifications	400	0	0	0	0	(400)	0	0
Other Movements in cost or valuation	0	0	0	0	0	0	0	0
Gross book value 31 March 2023	1,089,805	990,087	19,263	7,982	3,564	0	2,110,701	128,578
Accumulated Depreciation and Impairment at 1 April 2022	0	5,127	14,841	6,375	0	0	26,342	13,757
Depreciation for year	12,941	16,019	1,194	536	18	0	30,708	3,770
Depreciation written out to the Revaluation reserve	(12,941)	0	0	0	0	0	(12,941)	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	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	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0	0	0
Derecognition - Other	0	-	(39)	(1,233)	0	0	(1,272)	0
Transfers/Reclassifications	0	0	0	0	0	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0
Accumulated Depreciation and Impairment 31 March 2022	0	21,146	15,996	5,678	18	0	42,838	17,527
Net book value 31 March 2023	1,089,805	968,941	3,267	2,304	3,546	0	2,067,863	111,051

12. PROPERTY, PLANT AND EQUIPMENT

2021/22

	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 £000	PFI Assets Included in PPE £000
Net Book Value at 1 April 2021	991,198	903,844	7,791	3,178	7,716	21,390	1,935,119	113,485
Gross Book Value at 1 April 2021	991,198	905,658	17,698	9,011	7,716	21,390	1,952,673	125,235
Additions	54,613	4,971	385	2	37	400	60,408	0
Revaluation increase/(decrease) recognised in the Revaluation Reserve	(21,985)	89,760	0	0	2,825	0	70,600	3,706
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	0	3,453	0	0	(1,603)	0	1,850	(363)
Derecognition - Disposals	(6,917)	0	0	0	(274)	0	(7,192)	0
Derecognition - Other	0	(13,505)	0	0	0	0	(13,505)	0
Assets reclassified (to)/from held for sale	0	(3,423)	0	0	(5,197)	0	(8,620)	0
Transfers/Reclassifications	21,664	(336)	(251)	0	60	(21,390)	(252)	0
Other Movements in cost or valuation	0	0	0	0	0	0	0	0
Gross book value 31 March 2022	1,038,573	986,578	17,832	9,013	3,564	400	2,055,960	128,578
Accumulated Depreciation and Impairment at 1 April 2021	0	1,814	9,907	5,833	0	0	17,554	11,750
Depreciation for year	12,336	16,121	4,934	542	42	0	33,975	3,681
Depreciation written out to the Revaluation reserve	(12,360)	(4,572)	0	0	(35)	0	(16,967)	(1,214)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(8,117)	0	0	(2)	0	(8,119)	(463)
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	0	0	0
Derecognition - Disposals	0	0	0	0	(5)	0	(6)	0
Derecognition - Other	0	(95)	0	0	0	0	(95)	0
Transfers/Reclassifications	24	(24)	0	0	0	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0
Accumulated Depreciation and Impairment 31 March 2022	0	5,127	14,841	6,375	0	0	26,343	13,754
Net book value 31 March 2022	1,038,573	981,451	2,991	2,638	3,564	400	2,029,617	114,824

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.

	2022/23 £'000	2021/22 £'000
NBV (modified historical costs)		
At 1 April	159,817	156,205
Additions	14,788	11,575
Derecognitions		
Depreciation	(8,593)	(7,963)
Impairment		
Other movement in cost		
NBV at 31 March	166,012	159,817

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

	2022/23 £'000	2021/22 £'000
Infrastructure Assets	166,012	159,816
Other PPE assets	2,067,863	2,029,615
Total PPE assets	2,233,875	2,189,431

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
To prepare the accounts ahead of the backstop date, it was judged that accounting entries in relation to the change in value of certain fixed assets would not be included in the 2022-23 accounts. This was because the calculation of such amounts represented the largest single piece of work to be undertaken for 2022-23, and the changes in these asset values has no direct impact on the General Fund or reserves position of the Council. Valuation changes are instead held in an unusable reserve, and it is only upon the sale of an asset where the change in its value can affect the spending power of the authority.

The valuations of Council dwellings were undertaken externally by Wilks Head & Eve as at 31 March 2023.

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 2023.

Following the outbreak of Covid-19, Wilks, Head & Eve added the following commentary for revaluations at 31 March 2023: '"The outbreak of COVID-19, declared by the World Health Organisation as a “Global Pandemic” on the 11th of March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity...The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally.
'"Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.
"Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to ‘material valuation uncertainty’ as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards."

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Whilst RICS have announced that the statements adopted in previous years as a result of valuation uncertainty may now be dropped, individual markets may react differently to Covid-19 and its aftermath. Commentary on market conditions should reflect individual valuation and market circumstances. In respect of retail and specific trading assets such as car parks, we continue, at the valuation date to be faced with unprecedented circumstances caused by Covid-19 and an absence of relevant or sufficient market evidence.
For the avoidance of doubt this does not mean that the valuations cannot be relied upon. Rather, this note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared.

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.

The table below sets out the categories of property assets and if applicable, when they were last revalued

	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			3,267	166,012	2,304		0	171,583
Valued at current value as at:								
31/03/2023	1,089,805							1,089,805
31/03/2022		786,560				3,496		790,056
31/03/2021		158,417				50		158,467
31/03/2020		5,599				0		5,599
31/03/2019		17,024				0		17,024
31/03/2018		1,341				0		1,341
Total cost or valuation (NBV)	1,089,805	968,941	3,267	166,012	2,304	3,546	0	2,233,875

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 inputs.

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

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

Measurement of fair value of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 March 2023. 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 2023 Total £000
Surplus Assets	0	3,546	0	3,546
Investment Properties	0	75,396	0	75,396
Assets held for Sale	0	5,348	0	5,348
Total non-financial assets held at Fair Value	**0**	**84,290**	**0**	**84,290**

	Level 1 £000	Level 2 £000	Level 3 £000	31 March 2022 Total £000
Surplus Assets	0	3,564	0	3,564
Investment Properties	0	75,396	0	75,396
Assets held for Sale	0	7,680	0	7,680
Total non-financial assets held at Fair Value	**0**	**86,640**	**0**	**86,640**

CAPITAL COMMITMENTS

Capital schemes with significant contractual commitments for future capital expenditure in 2023/24

Department	**Capital Scheme**	**Estimated Total Cost** 2023-24 £000	2022-23 £000
	New Burial Land / Cemetery Extension		**1,800**
	Affordable Housing		**1,977**
	Fairfield Halls	**-**	**1,199**
	Total Cost	**-**	**4,976**

13. HERITAGE ASSETS

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

14. INVESTMENT PROPERTIES

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal except for the properties in Imperial Way. The properties in Imperial Way were transferred to the London Borough of Croydon (LBC) from the London Borough of Sutton (LBS) due to a boundary change in 1994. Following an application to the High Court by LBS, the High Court decided that Sutton was entitled to all the rental income from the rent levels prevailing at the date of the boundary change and half from any subsequent increase. Consequently, LBC's only entitlement from its freehold interest in Imperial Way is one half of the rental produced from any increase in rental subsequent to the boundary change.

The Authority has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

It is not possible to disclose the direct operating expenses arising from investment property; the expenses of property management are not yet separately recorded between property classes.

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

	2022/23 Total £000	2021/22 Total £000
Balance at start of the year	75,396	98,219
Additions	0	1
Disposals	0	(17,381)
Net gains/losses from fair value adjustments	0	(5,443)
Transfers:		
to/from Property, Plant and Equipment	0	0
Balance at end of the year	75,396	75,396

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:

	2022/23 Intangible Assets £000	2021/22 Intangible Assets £000
Balance at start of year:		
Gross carrying amounts	39,279	35,652
Accumulated amortisation	(23,641)	(19,196)
Net carrying amount at start of year	15,638	16,456
Additions:		
Purchases	2,620	3,627
Amortisation for the period	(5,095)	(4,445)
Other changes - cost	(10,889)	0
Other changes - amortisation	10,889	0
Net carrying amount at end of year	13,163	15,638
Comprising:		
Gross carrying amounts	31,010	39,279
Accumulated amortisation	(17,847)	(23,641)
	13,163	15,638

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, recognised on the balance sheet when the council becomes party to their contractual provisions.

Financial instruments range from straightforward trade receivables and trade payables to more complex transactions such as financial guarantees and derivatives. The Council's borrowing, service concession arrangements (PFI and similar contracts) and investment transactions are classified as financial instruments.

Non exchange transactions, like those relating to tax and government grants, do not give rise to financial instruments.

Further details of the treatment and classification of Financial Instruments can be found in the Accounting Policies (Note 1)

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

	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000
	Non-Current	Non-Current	Current	Current
Financial Liabilities at Amortised Cost				
Financial liabilities at amortised cost	1,056,351	1,099,932	293,800	336,500
Service concessions and finance lease liabilities	65,115	68,200	3,022	2,768
Trade creditors	0	0	192,624	171,593
Bank overdraft	0	0	5,265	0
Total Financial Liabilities	**1,121,466**	**1,168,132**	**494,711**	**510,861**
Financial Assets at Amortised Cost				
Investments	0	0	10,000	50,000
Loans and Receivables	109,331	151,040	0	0
Expected lifetime credit risk on loans to Brick by Brick	(51,696)	(51,696)	0	0
Trade debtors	0	0	111,928	138,940
Cash and cash equivalents	0	0	89,750	34,642
Financial Assets at Fair Value through Profit and Loss				
Investments	41,862	49,890	0	0
Total Financial Assets	**99,497**	**149,234**	**211,678**	**223,582**

Financial Instruments Classified at Fair Value through Profit or Loss

Croydon Council invested £30m in shares in a property fund in 2013/14, followed by a second tranches of £15m in 2016/17, principally to secure service savings in relation to temporary accommodation. As this instrument is not structured to repay principal and interest, it is necessary to hold it at Fair Value.

Notes

1. Financial liabilities at amortised costs: Under accounting requirements the carrying value of the financial instrument value is shown in the Balance Sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

2. All operational creditors and debtors are due for settlement within one year. Debtors and creditors falling within this definition are disclosed elsewhere in the Balance Sheet.

16. FINANCIAL INSTRUMENTS (continued)

Income, Expense, Gains and Losses

	2022/23 Surplus or Deficit on the Provision of Services £'000	2021/22 Surplus or Deficit on the Provision of Services £'000
Net (gains)/losses on:		
Financial assets measured at FVPL	**(2,919)**	**(2,002)**
Interest/dividend income:		
Financial assets measured at amortised cost	(10,987)	(10,071)
Other financial assets measured at FVPL	(1,448)	(1,319)
Premium receivable	(218)	
Total interest/dividend income	**(12,653)**	**(11,390)**
Interest expense	**43,419**	**43,374**
Fee expense		
Financial assets or financial liabilities that are not at fair value through profit or loss	**187**	**376**

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The fair value of each class financial assets and liabilities which are carried in the Balance Sheet is disclosed below. Please see Note 1.4 in the Accounting Policies section for further information.

Methods and Assumptions in Valuation Technique

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

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

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

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

16. FINANCIAL INSTRUMENTS (continued)

The fair values are calculated as follows:

FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	Fair Value Hierarchy	31 March 2023 Carrying Amount £000	31 March 2023 Fair Value £000	31 March 2022 Carrying Amount £000	31 March 2022 Fair Value £000
PWLB - maturity	level 2	860,926	681,295	887,426	1,194,537
Lender Option Borrower Options (LOBOs)	level 2	20,000	19,026	20,000	39,310
Funding raised for Croydon Affordable Homes	level 2	71,500	58,547	71,581	60,462
Market debt	level 2	397,726	380,011	457,425	465,701
Bank overdraft	level 2	5,265	5,265	0	0
Private Finance Initiative (PFI) and finance lease Liability	level 2	68,137	50,779	70,968	60,764
Financial Liabilities		1,423,554	1,194,923	1,507,400	1,820,774

Fair value is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date. The fair value of the PFI liability is lower as the discount rate used is lower then the implicit rate used in the PFI models.

FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	Fair Value Hierarchy	31 March 2023 Carrying Amount £000	31 March 2023 Fair Value £000	31 March 2022 Carrying Amount £000	31 March 2022 Fair Value £000
Money Market Loans	level 1	89,750	89,750	17,000	17,000
Bank current accounts	level 2	0	0	17,642	17,642
Deposits with banks and other Local Authorities	level 2	10,000	10,000	50,000	50,000
Long-term debtors	level 2	57,635	64,025	99,344	110,491
Financial Assets		157,385	163,775	183,986	195,133

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 2023.

	Level 1 £000	Level 2 £000	Level 3 £000	31 March 2023 Total £000
Financial Assets				
Investments and cash and cash equivalents	99,750			99,750
Long Term debtors		64,025		64,025
Total Financial Assets	**99,750**	**64,025**	0	**163,775**
Financial Liabilities				
PWLB Loans		681,295		681,295
LOBO Loans		19,026		19,026
Funding raised for Croydon Affordable Homes		58,547		58,547
Market debt		380,011		380,011
Private Finance Initiative (PFI) Liability		50,779		50,779
Total Financial Liabilities	**0**	**1,189,658**	**0**	**1,189,658**

There were no transfers between Level 1 and Level 2 in 2022/23.

Measurement of fair value of financial instruments

The Council's finance team performs valuations of financial items for financial reporting purposes in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly into the Corporate Director and Section 151 Officer and to the Audit and Governance Committee. Valuation processes and fair value changes are discussed among the Audit and Governance 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

2022-23	01 April 2022 £'000	Financing cash flows £'000	Acquisitions £'000	Other non-cash changes £'000	31 March 2023 £'000
Long-term borrowings	1,099,932	(43,581)			1,056,351
Short-term borrowings	336,500	(42,700)			293,800
Lease and PFI liabilities	70,968	(2,831)			68,137
Total liabilities from financing activities	**1,507,400**	**(89,112)**	**0**	**0**	**1,418,288**

2021-22	01 April 2021 £'000	Financing cash flows £'000	Acquisitions £'000	Other non-cash changes £'000	31 March 2022 £'000
Long-term borrowings	1,170,065	(70,133)			1,099,932
Short-term borrowings	348,000	(11,500)			336,500
Lease and PFI liabilities	73,935	(2,967)			70,968
Total liabilities from financing activities	**1,592,000**	**(84,600)**	**0**	**0**	**1,507,400**

17. DEBTORS

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

	2022/23 £000	2020/21 £000
Trade receivables	213,558	232,885
Prepayments	11,367	13,782
Other receivable amounts	64,682	67,333
Allowance for credit losses	(132,980)	(126,669)
Total	156,627	187,331

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

18. CASH AND CASH EQUIVALENTS

	2022/23 £000	2021/22 £000
Cash held	0	48
Bank current accounts	(5,265)	17,594
Short-term deposits with building societies and Money Market Funds	89,750	17,000
Total	84,485	34,642

19. ASSETS HELD FOR SALE

	2022/23 £000	2021/22 £000
Balance at start of the year	7,680	650
Revaluation decrease recognised in the Surplus/Deficit	0	(1,594)
Reversal of loss recognised in the Surplus / Deficit	0	4
Asset additions	0	0
Assets Sold	(2,332)	0
Transfers from / (to) Property, Plant and Equipment	0	8,620
Balance outstanding at year end	5,348	7,680

20. CREDITORS AND RECEIPTS IN ADVANCE (RIA)

	2022/23 £000	2020/21 £000
Receipts In Advance	61,438	62,034
Trade payables	192,624	166,096
Other payables	7,823	43,638
Total	261,885	271,768

21. PROVISIONS

Short-Term Provisions

	HRA Water £000	Disability Care Package Charges review £000	Other Provisions £000	Total £000
Balance at 1 April 2022	(5,254)	(1,800)	(205)	(7,258)
Amounts used in 2022/23			34	34
Provisions released in 2022/23				0
Additional provisions made in 2022/23			(99)	(99)
Balance at 31 March 2023	(5,254)	(1,800)	(270)	(7,323)

Long-Term Provisions

	Contract Claim £000	Insurance £000	NNDR Appeals £000	Subsidy Clawback £000	HRA Housing Disrepair £000	Other Provisions £000	Total £000
Balance at 1 April 2022	(9,439)	(3,680)	(4,165)	(8,901)	(4,700)	(3,293)	(34,178)
Amounts used in 2022/23		2,304	1,157			3	3,464
Provisions released in 2022/23			10			1,468	1,478
Additional provisions made in 2022/23		(2,748)		(4,809)	(2,050)	(878)	(10,485)
Balance at 31 March 2023	(9,439)	(4,124)	(2,998)	(13,710)	(6,750)	(2,700)	(39,721)

21. PROVISIONS (Continued)

Contract Claim
This is in relation to a specific claim that has been settled in 2023/24 at a cost of £9.439m. A provision was created in the 2019/20 financial year to offset this cost in 2023/24.

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 48% 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.

Housing Benefit Subsidy Clawback
During the audit of the Housing Benefit subsidy claim for 2020-21, it was identified that certain payments of housing benefit were not eligible for full subsidy from the Department of Work and Pensions (DWP). An amount of clawback has been estimated based on these findings, but the final clawback will be determined when the subsidy claim audit is completed.

Disability - Care Package Charges Review
Through detailed work carried out in 2021/22 with regards to disability care package assessment the Council identified potential risks associated with the assessments. Whilst no costs have been incurred as there is further work to carry out, the Council has prudently provided for this risk in the event the risk is incurred.

Housing Disrepair
This provision represents the estimated cost of settling claims for damages and legal costs received from Council residents as at the balance sheet date.

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 Usable Reserves, summarised below:

	2022/23 £000	2021/22 £000
General Fund	27,500	19,145
Earmarked reserves including Schools	165,000	153,174
Sub-total General Fund Balances	192,500	172,319
Housing Revenue Account	43,953	57,088
Capital receipts reserve	61,935	26,105
Capital grants unapplied	19,200	18,004
Major repairs reserve	-	-
Total Useable Reserves	317,588	273,516

22. USABLE RESERVES (Continued)

22.1. General Fund

The General Fund Balance at 31 March 2023 is £27.5m (31 March 2022 was £19.145m).

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year. [For housing authorities however, the balance is not available to be applied to funding HRA services.]

22.2. Housing Revenue Account and Major Repairs Reserve

The Housing Revenue Account Balance at 31 March 2023 is £43.953m (31 March 2022: £57.09m).

The HRA balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

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	2022/23 Total £000	2021/22 Total £000
Balance brought forward	0	26,104	26,104	19,141
Receipts from sales of assets during the year	18,083	12,465	30,548	63,108
Receipts from the repayment of loans	38,542	3,632	42,174	2,065
Transfers from Deferred Capital Receipts	18,363		18,363	0
Cost of disposals	(175)	(202)	(377)	(599)
Transfer to Housing Capital Receipts Pool	0	0	0	(2,013)
Transfer between General Fund & HRA to offset transfer to Housing Capital Receipts Pool	0	-	0	0
Balance on account before application of receipts	74,813	41,999	116,812	81,702
Financing of capital expenditure	(54,878)	0	(54,878)	(53,635)
Repayment of borrowing	0	0	0	(1,963)
Balance carried forward	19,935	41,999	61,934	26,104

22.5. Capital Grants Unapplied

The capital grants unapplied account (reserve) holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

22.6. Major Repairs Reserve

The authority is required to maintain the major repairs reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

23. UNUSABLE RESERVES

	2022/23 £000	2021/22 £000
Revaluation reserve	764,615	748,717
Capital adjustment account	(118,688)	(124,406)
Financial Instruments adjustment account	(28,699)	(29,484)
Pensions reserve	(94,858)	(493,812)
Deferred capital receipts	2	18,365
Collection Fund adjustment account	(12,975)	(20,112)
Short-term accumulating compensated absences account	(4,465)	(5,374)
Pooled Investment Fund Adjustment Account	6,030	4,890
Dedicated Schools Grant Adjustment Account	(21,295)	(21,295)
	489,667	77,489

23.1. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

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.

	2022/23 £000	2022/23 £000	2021/22 £000
Balance at 1 April		748,716	677,658
Revaluations upward	28,542		104,513
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-		(16,946)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		28,542	87,567
The difference in depreciation arising from a revaluation gain and the depreciation charged on the historic cost	(6,624)		(6,401)
Accumulated gain or loss on assets sold or scrapped	(6,019)		(10,108)
Amount written off to the Capital Adjustment Account		(12,643)	(16,509)
Balance at 31 March		764,615	748,716

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)

	2022/23 £000	2022/23 £000	2021/22 £000
Balance at 1 April		(124,404)	(126,035)
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)	(39,302)		(41,938)
Revaluation losses on Property, Plant and Equipment	-		(13,290)
Impairment/revaluation gains reversing losses previously charged to Comprehensive Expenditure and Income	-		21,669
Amortisation of intangible assets	(5,095)		(4,445)
Revenue expenditure funded from capital under statute	(13,677)		(12,123)
Secretary of State Capitalisation Direction	(36,200)		(64,400)
Long term loans repaid	(38,542)		(2,065)
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	(22,057)		(37,977)
		(154,873)	(154,569)
Adjusting amounts written out of the Pooled Investment Fund Adjustment Account		1,779	-
Adjusting amounts written out of the Revaluation Reserve		12,643	16,509
Net written out amount of the cost of non-current assets consumed in the year		(140,451)	(138,060)
Capital financing applied in the year:			
Use of the Capital Receipts Reserve to finance new capital expenditure	54,878		53,635
Use of the Major Repairs Reserve to finance new capital expenditure	13,415		12,336
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	13,885		31,765
Application of grants to capital financing from the Capital Grants Unapplied Account	6,904		6,511
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	29,856		30,436
Repayment of loan financing	-		1,963
Capital expenditure charged against the General Fund and HRA balances	27,248		9,279
		146,186	145,925
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		-	(5,443)
Lessor Leases		(19)	(791)
Balance at 31 March		(118,688)	(124,404)

23.4. Financial Instruments Adjustment Account

This reserve allows for the timing differences in statutory requirements and proper accounting practices for borrowings and investments.

This account represents the remaining premium 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.

	2022/23 £000	2022/23 £000	2021/22 £000
Balance at 1 April		(29,484)	(30,529)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement			
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	785		1,045
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		785	1,045
Balance at 31 March		(28,699)	(29,484)

23.5. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service and updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to Pension Funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

23. UNUSABLE RESERVES (continued)

	2022/23 £000	2021/22 £000
Balance at 1 April	(493,812)	(700,082)
Actuarial gains or losses on pensions assets and liabilities	445,672	260,277
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	(83,958)	(90,432)
Employer's pensions contributions and direct payments to pensioners payable in the year	37,240	36,425
Balance at 31 March	(94,858)	(493,812)

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.

	2022/23 £000	2021/22 £000
Balance at 1 April	18,365	18,365
Transfer to the Capital Receipts Reserve upon receipt of cash	(18,363)	0
Balance at 31 March	2	18,365

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.

	2022/23 £000	2021/22 £000
Balance at 1 April	(20,112)	(38,770)
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	7,137	18,658
Balance at 31 March	(12,975)	(20,112)

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.

	2022/23 £000	2022/23 £000	2021/22 £000
Balance at 1 April		(5,374)	(5,524)
Settlement or cancellation of accrual made at the end of the preceding year	5,374		5,524
Amount accrued at the end of the current year	(4,465)		(5,374)
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		909	150
Balance at 31 March		(4,465)	(5,374)

23.9. POOLED INVESTMENT FUND ADJUSTMENT ACCOUNT

Pooled investment funds adjustment account (England and Wales) – this reserve is a mechanism that is required by the capital finance and accounting regulations in England and Wales to hold the fair value movements in those pooled investment funds specified by the regulations. The difference between the amount charged or credited in the year to surplus or deficit on the provision of services in accordance with the Code and the amount charged or credited to the General Fund in accordance with regulations should be debited or credited to the General Fund balance with the double entry going to the pooled investment funds adjustment account such that the General Fund is charged or credited with the amount that accords with the applicable regulations

	2022/23 £000	2021/22 £000
Balance at 1 April	4,890	2,888
Gains / losses on valuation of financial instruments held at Fair Value Through Profit and Loss	2,919	2,002
Accumulated gain or loss on assets sold or scrapped to the Capital Adjustment Account	(1,779)	0
Balance at 31 March	6,030	4,890

23.10. DEDICATED SCHOOLS GRANT ADJUSTMENT ACCOUNT

The Dedicated Schools Grant adjustment account holds accumulated deficits relating to the schools budget. Where the authority has incurred a deficit on its schools budget in years beginning 1 April 2020 ending 31 March 2026. The Local Authorities (Capital Finance and Accounting) Regulations do not allow for such amounts to be included in the General Fund and instead must be held in this adjustment account.

	2022/23 £000	2021/22 £000
Balance at 1 April	(21,295)	(18,527)
School budget deficit transferred from General Fund in accordance with statutory requirements		(2,768)
Balance at 31 March	(21,295)	(21,295)

24. 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 2027, following a ballot of local businesses on 21st October 2021.

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.

25. POOLED BUDGETS

Community Equipment Service

This agreement has been documented, approved by Cabinet, the Croydon Clinical Commissioning Group (CCG) and Croydon Health Services (CHS) NHS Foundation Trust and signed. The agreement commenced on 1 April 2004 for CCES, Croydon's integrated community equipment service.
This agreement is hosted by the council.

	2022/23			2021/22		
	£000 Council	£000 Partner	£000 Total	£000 Council	£000 Partner	£000 Total
Croydon's Community Equipment Service						
Funding provided to the pooled budget	(1,073)	(2,294)	(3,367)	(1,055)	(1,939)	(2,994)
Expenditure met from the pooled budget	3,578		3,578	3,350		3,350
Net Expenditure	2,505	(2,294)	211	2,295	(1,939)	356

25. 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 Improved BCF (iBCF) 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.

	2022/23			2021/22		
	£000 Council	£000 Partner	£000 Total	£000 Council	£000 Partner	£000 Total
Better Care Fund						
Gross Income	(12,971)	(30,655)	(43,626)	(12,677)	(29,060)	(41,737)
Gross Expenditure	25,684	17,942	43,626	24,984	16,753	41,737
Net Expenditure	**12,713**	**(12,713)**	0	12,307	(12,307)	0

26. MEMBERS' ALLOWANCES

Total allowances paid to the Members of the Council was £1.306m in 2022/23 (£1.308m in 2021/22). The Council pays employer's national insurance on Members allowances, taking the total cost to £1.396m in 2022/23 (£1.403m in 2021/22).

27. 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:

	2022/23		2021/22	
Remuneration Band	**Schools**	**Non-Schools**	**Schools**	**Non-Schools**
£195,000 - £199,999	0	0	0	0
£190,000 - £194,999	0	1	0	1
£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	0	0	0
£150,000 - £154,999	0	4	0	2
£145,000 - £149,999	0	2	0	0
£140,000 - £144,999	0	1	0	1
£135,000 - £139,999	0	1	0	3
£130,000 - £134,999	0	0	0	0
£125,000 - £129,999	1	0	0	0
£120,000 - £124,999	1	5	0	2
£115,000 - £119,999	0	0	0	4
£110,000 - £114,999	1	6	1	3
£105,000 - £109,999	0	3	1	3
£100,000 - £104,999	0	2	1	3
£95,000 - £99,999	0	0	2	4
£90,000 - £94,999	1	29	3	1
£85,000 - £89,999	1	20	4	37
£80,000 - £84,999	3	1	6	15
£75,000 - £79,999	2	34	9	5
£70,000 - £74,999	6	10	10	43
£65,000 - £69,999	11	6	23	15
£60,000 - £64,999	10	69	26	50
£55,000 - £59,999	15	144	43	40
£50,000 - £54,999	28	143	54	166

The table above includes the members of the Corporate Management Team listed on the following page.

27. OFFICERS' REMUNERATION (continued)

Remuneration total is gross payable before individuals' contributions to the Pension Fund. This includes basic salary and any contracted additions where applicable. All amounts are given in £.

Corporate Management Team 2022-23	Note	Basic Salary and allowances	Compensation for loss of Office	Total Remuneration excluding Pension Contributions	Employer's Pension	Pension Strain Contributions	Total Remuneration including Pension Contributions
Katherine Kerswell - Chief Executive		193,994		**193,994**	0		**193,994**
Jane West - Corporate Director of Resources and S151 Officer		161,271		**161,271**	0		**161,271**
Debbie Jones - Interim Executive Director of Children's, Families and Education		155,672		**155,672**	0		**155,672**
Elaine Jackson - Interim Assistant Chief Executive		148,342		**148,342**	33,200		**181,542**
Sarah Hayward - Interim Executive Director, Place	1	87,601		**87,601**	20,597		**108,198**
Nicholas Hibberd - Corporate Director of Sustainable Communities, Regeneration &	2	144,766		**144,766**	33,749		**178,515**
Susmita Sen - Corporate Director of Housing	3	139,515		**139,515**	32,367		**171,883**
Annette McPartland - Corporate Director Adult Social Care & Health		148,112		**148,112**	34,615		**182,727**
David Padfield - Interim Corporate Director of Housing	4	37,429		**37,429**			**37,429**
Hazel Simmonds - Executive Director of Gateway, Strategy & Engagement	5	59,670		**59,670**	14,073		**73,743**
TOTAL		**1,276,372**		**1,276,372**	**168,601**		**1,444,973**

Executive Leadership Team 2021-22	Note	Basic Salary and allowances	Compensation for loss of Office	Total Remuneration excluding Pension Contributions	Employer's Pension	Pension Strain Contributions	Total Remuneration including Pension Contributions
Katherine Kerswell - Chief Executive	13	247,951	0	**247,951**	4,122	0	**252,073**
Jane West - Corporate Director of Resources and S151 Officer	6	13,786	0	**13,786**	0	0	**13,786**
Debbie Jones - Interim Executive Director of Children's, Families and Education		167,747	0	**167,747**	0	0	**167,747**
Elaine Jackson - Interim Assistant Chief Executive		142,099	0	**142,099**	32,366	0	**174,465**
Annette McPartland - Corporate Director Adult Social Care & Health	7	158,049	0	**158,049**	35,969	0	**194,018**
Sarah Hayward - Interim Executive Director, Place		175,512	0	**175,512**	39,912	0	**215,424**
Hazel Simmonds - Executive Director of Gateway, Strategy & Engagement		123,738	0	**123,738**	34,057	0	**157,795**
Jacqueline Harris-Baker - Director of Resources and Monitoring Officer	8	56,070	0	**56,070**	0	0	**56,070**
Chris Buss - Interim Director of Finance, Investment and Risk and S151 Officer	9	84,148	0	**84,148**	0	0	**84,148**
Shifa Mustafa - Executive Director, Place	10	72,663	0	**72,663**	13,369	0	**86,032**
David Padfield - Interim Corporate Director of Housing		105,430	0	**105,430**	0	0	**105,430**
Alison Knight - Interim Corporate Director for Housing	11	76,557	0	**76,557**	17,427	0	**93,984**
Richard Ennis - Interim Corporate Director of Resources and S151 Officer	12	169,756	0	**169,756**	0	0	**169,756**
		1,593,506	**0**	**1,593,506**	**177,222**	**0**	**1,770,728**

1) Sarah Hayward started on 22 March 2021 and left on 31 January 2023
2) Nicholas Hibberd started on 11 April 2022
3) Susmita Sen started on 18 May 2022
4) David Padfield started on 25 October 2021 and left 18 May 2022
5) Hazel Simmonds left on 6 September 2022
6) Jane West started on 3 March 2022
7) Annette McPartland took up the new role as Corporate Director on 5 October 2021
8) Jacqueline Harris-Baker left the Council on 30 June 2021
9) Chris Buss started left on 31 August 2021
10) Shifa Mustafa left on 31 July 2021
11) Alison Knight left on 5 November 2021
12) Richard Ennis started on 23 August 2021 and left on 3 March 2022
13) £31,135 of the basic salary was remuneration relating to duties arising in her capacity as Acting Returning Officer.

27. 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.

2022/23	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 £
£150,000 - £199,998	0	1	1	168,798	0	168,798
£100,000 - £149,999	1	0	1	108,436	0	108,436
£80,000 - £99,999	1	0	1	81,320	0	81,320
£60,000 - £79,999	1	1	2	68,814	67,127	135,941
£40,000 - £59,999	2		2	92,312	0	92,312
£20,000 - £39,999	3	0	3	96,085	0	96,085
£0 - £19,999	17	10	27	118,509	70,844	189,353
Total	25	12	37	734,274	137,971	872,245

2021/22	Total number of exit costs by cost band			Total cost of exit costs in each band		
	Compulsory Redundancies No.	Other Redundancies No.	Total No.	Compulsory Redundancies £	Other Redundancies £	Total £
£100,000 - £149,999	1	0	1	104,295	0	104,295
£80,000 - £99,999	1	0	1	80,891	0	80,891
£60,000 - £79,999	1	0	1	69,903	0	69,903
£40,000 - £59,999	1	2	3	49,987	101,891	151,878
£20,000 - £39,999	3	16	19	68,893	390,768	459,661
£0 - £19,999	32	59	91	123,720	599,039	722,759
Total	39	77	116	497,690	1,091,698	1,589,388

28. EXTERNAL AUDIT COSTS

	2022/23 £000	2021/22 £000
Draft audit fee for pension fund*	19	16
Draft audit fee for London Borough of Croydon*	161	140
Additional Audit work in 2019/20		244
Fees payable for other services during the year		140
Total for Croydon Council	180	540

*Figures provided for 2022/23 have been taken from the Public Sector Audit Appointments website, and are subject to finalisation.

29. 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 2022/23 are set out in the following table:

29. DEDICATED SCHOOLS GRANT (continued)

	Central Expenditure £000	Individual Schools Budget £000	Total DSG 2021/22 £000
Final DSG for 2022/23 before academy recoupment			401,378
Academy figure recouped for 2022/23			225,807
Total DSG after academy recoupment for 2022/23			175,571
Plus: Brought forward from 2021/22			0
Agreed initial budget distribution in 2022/23	16,301	159,270	175,571
In year adjustments	10,960	95	11,055
Final budget distribution for 2022/23	27,261	159,365	186,626
Less: actual central expenditure	16,301		16,301
Less: actual ISB deployed to schools		164,414	164,414
Carry-forward to 2023/24	10,960	(5,049)	5,911

30. GRANT INCOME

This note sets out the grants and contributions the Authority credited to the Comprehensive Income and Expenditure Statemer
It includes the funding body, and a description of how the grant was used:

	2022/23 £000	2021/22 £000
Credited to Taxation and Non-Specific Grant Income		
Council Tax Income	213,449	199,844
Revenue Support Grant	18,344	14,215
National Non-Domestic Rates (NNDR)	70,386	54,848
Recognised Capital Grants and Contributions	8,097	24,089
Non-service Related Government Grants	65,268	138,739
	375,544	431,735
Taxation and Non-Specific Grants Credited to Services		
Home Office - Unaccompanied Asylum Seeking Children	5,145	10,194
MHCLG/DHSC - Growth Zone, Troubled Families, Care Act, Better Care Fund	18,247	12,039
MHCLG - Covid Grants	0	19,566
MHCLG - Council Tax Support Scheme	0	5,276
Department for Education - Dedicated Schools Grant	186,626	174,772
Department of Health and Social Care - Public Health Grant	23,654	24,990
Department of Health and Social Care - Other	2,318	2,816
Department of Health and Social Care - Covid Grants	-	2,925
Department for Work and Pensions - Housing Benefit Subsidy	146,886	155,158
Department for Work and Pensions - funding for welfare reform and reducing fraud and error	10,948	3,994
Department for Work and Pensions - Covid Grants	96	2,635
Home Office - Leaving Care support	4,472	5,167
Private Finance Initiative (PFI) - contribution from Central Government towards PFI costs	8,509	8,509
PE and Sport Grant	593	-
Education Funding Agency - Pupil Premium Grant and Other Grants	10,447	10,155
Skills Funding Agency - Adult Education	4,246	4,689
Department of Education -Staying Put Grant and other grants	1,048	1,256
Education Funding Agency - Universal Infant Free School Meals	1,467	2,253
Youth Justice Board - Youth Offending Services	945	1,126
Other Grants	4,202	5,943
Sub Total - Service Grants and Contributions	429,849	453,463
Total Grants Income	805,393	885,198

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:

	2022/23 £000	2021/22 £000
Capital Grants Receipts in Advance		
Ministry of Housing, Communities & Local Government - Disabled Facilities Grant	4,689	3,971
Ministry of Housing, Communities & Local Government - Land Release Fund	0	1,654
Department for Education - Basic Needs	3,334	3,814
Department for Education - Schools Condition Funding	7,978	8,006
Department for Education - Special Provision Capital Fund	1,733	1,733
Department for Education - High Needs Provision	6,805	1,583
Greater London Authority - Acquisition of new properties	3,050	4,976
Section 106 allocated receipts in advance	1,365	1,798
Other grants and contributions	1,255	1,212
Total	30,209	28,747

31. 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. Note 40 of these statement of Accounts provide further details of the key entities the Council owns. These key entitles are; Croydon Care Solutions Ltd, Brick By Brick Croydon Limited, Croydon Enterprise Loan Fund Limited and Octavo Schools Partnership. 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 Management 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 transactions totalling over £200,000 for any individual organisation are considered material and are detailed below:

Organisation	Related Party	Related Party Transactions	2022/23 £'000	2021/22 £'000
Academy Schools				
Monks Orchard Primary School	Cllr Maddie Henson - Governor		12	-
Oasis Academy Coulsdon	Margaret Bird - Hub Councillor		315	-
Pegasus Academy Trust	Shelley Davies - Director			612
Brick By Brick Croydon Limited	Wholly-owned subsidiary	Brick By Brick Croydon Limited is a private independent company with the council as sole shareholder. The Council has provided funding for residential-led development across a range of sites through a combination of debt and equity.		0
		Opening balance	142,038	156,604
		Loans made in year	0	5,850
		Loans repaid in year	(38,542)	(20,416)
		Closing balance	103,496	142,038
		The Council charges Brick by Brick for services, planning fees, staffing and interest costs		
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	-	320
Age UK	Cllr Simon Brew	IT Support Volunteer	-	450
John Lewis PLC	Cllr Helen Pollard	Team Member	-	207

32. 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	2022/23 Total £000	2021/22 Total £000
EXPENDITURE:				
Property, Plant and Equipment	23,075	35,697	58,772	36,933
HRA Acquisitions		5,210	5,210	35,051
Revenue expenditure funded from capital under statute	13,496	0	13,496	11,822
Secretary of State Capitalisation Direction	36,200	0	36,200	64,400
Transformation Expenditure	181	0	181	301
Intangible assets	2,620	0	2,620	3,627
Heritage Assets	230	0	230	136
Property development loans	0	0	0	5,850
	75,802	40,907	116,709	158,120
FINANCED BY:				
Borrowing	379	0	379	44,593
Capital receipts	18,497	0	18,497	5,981
Capital receipts used to finance Secretary of State Capitalisation Direction	36,200	0	36,200	47,354
Capital receipts used to finance transformation expenditure	181	0	181	301
Government grants and other contributions	19,156	1,633	20,789	38,276
Direct revenue contributions	1,389	25,859	27,248	9,279
Major Repairs Reserve	0	13,415	13,415	12,336
	75,802	40,907	116,709	158,120

EXPLANATION OF MOVEMENTS IN YEAR:	General Fund £000	Housing Revenue Account £000	2022/23 Total £000	2021/22 Total £000
Opening Capital Financing Requirement	1,450,199	365,678	1,815,877	1,803,684
Increase in underlying need to borrow (unsupported by Government financial assistance)	379	0	379	44,593
MRP / Loans fund principal	(29,856)	0	(29,856)	(30,436)
Development Loans (unsupported by government financial assistance) repaid and used to reduce the Capital Financing Requirement	0	0	0	(1,964)
Property transfers between General Fund & Housing Revenue Account	0	0	0	0
Closing Capital Financing Requirement	1,420,722	365,678	1,786,400	1,815,877

33. LEASES

Council as lessor - operating leases

The council leases out properties relating to offices, retail space and industrial units

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

	2022/23 Total £000	2021/22 Total £000
Future minimum lease payments receivable at Balance sheet date		
Within One Year	5,775	5,811
Later than one Year but within five years	15,151	15,768
Later than five years	13,269	13,325

34. 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 2022-23 the payment to Caring 4 Croydon Ltd was £5.9m comprising £4.4m Annual Unitary Payment (AUP) and £1.5m 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 £38.1m over the remaining 13 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 2022/23 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	2022/23 Total £000	2021/22 Total £000
Net book value as at 31 March 2022	37,859	38,896	38,069	114,824	113,485
Gross book value as at 31 March 2022	37,857	38,896	51,826	128,579	125,238
Revaluation				0	3,343
Gross book value as at 31 March 2023	37,857	38,896	51,826	128,579	128,581
Depreciation as at 1 April 2022	0	0	(13,757)	(13,757)	(11,753)
Depreciation for year	(857)	(909)	(2,004)	(3,770)	(3,682)
Depreciation written out after revaluation					1,678
Accumulated depreciation at 31/3/23	(857)	(909)	(15,761)	(17,527)	(13,757)
Net book value as at 31 March 2023	**37,000**	**37,987**	**36,065**	**111,052**	**114,824**

Value of Liabilities	Ashburton Learning Village	Adult Homes For The Future	Street Lighting	2022/23 Total £000	2021/22 Total £000
Creditors as at 31 March 2022	(12,213)	(18,237)	(40,320)	(70,770)	(73,386)
Capital repayment	624	686	1,499	2,809	2,616
Creditors as at 31 March 2023	**(11,590)**	**(17,551)**	**(38,821)**	**(67,962)**	**(70,770)**

34. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS (continued)

Repayment of Liabilities	**Ashburton Learning Village £000**	**Adult Homes For The Future £000**	**Street Lighting £000**	**2022/23 Total £000**	**2021/22 Total £000**
Within one year	657	728	1,632	3,017	2,809
Within two to five years	2,998	3,376	8,115	14,490	13,483
Within six to ten years	4,742	5,498	14,924	25,164	22,231
Within 11 to 15 years	3,191	7,949	14,149	25,289	28,456
Within 16 to 20 years					3,790
Within 21 to 25 years					
Within 26 to 30 years					
Total	11,588	17,551	38,821	67,960	70,769

Interest Payments	**Ashburton Learning Village £000**	**Adult Homes For The Future £000**	**Street Lighting £000**	**2022/23 Total £000**	**2021/22 Total £000**
Within one year	620	1,057	3,452	5,129	5,337
Within two to five years	2,108	3,763	12,222	18,092	19,099
Within six to ten years	1,640	3,426	10,498	15,563	16,712
Within 11 to 15 years	319	1,558	2,771	4,649	7,259
Within 16 to 20 years		12		12	374
Within 21 to 25 years					
Within 26 to 30 years					
Total	4,686	9,815	28,943	43,444	48,781

Service Charge Payments	**Ashburton Learning Village £000**	**Adult Homes For The Future £000**	**Street Lighting £000**	**2022/23 Total £000**	**2021/22 Total £000**
Within one year	1,068	2,071	1,765	4,904	4,747
Within two to five years	4,652	8,918	7,703	21,273	20,600
Within six to ten years	6,742	10,012	11,261	28,016	27,133
Within 11 to 15 years	4,197	14,228	8,753	27,178	30,629
Within 16 to 20 years		4,154		4,154	7,162
Within 21 to 25 years					
Within 26 to 30 years					
Total	16,659	39,382	29,483	85,524	90,271
	23	23			

Lifecycle Payments	**Ashburton Learning Village £000**	**Adult Homes For The Future £000**	**Street Lighting £000**	**2022/23 Total £000**	**2021/22 Total £000**
Within one year	411	405		816	816
Within two to five years	1,643	1,621		3,264	3,264
Within six to ten years	2,054	2,026		4,080	3,675
Within 11 to 15 years	1,130	2,026		3,155	3,566
Within 16 to 20 years		135		135	945
Within 21 to 25 years					
Within 26 to 30 years					
Total	5,238	6,212	0	11,450	12,266
			22		

Contingent Rent	**Ashburton Learning Village £000**	**Adult Homes For The Future £000**	**Street Lighting £000**	**2022/23 Total £000**	**2021/22 Total £000**
Within one year			114	114	112
Within two to five years			443	443	451
Within six to ten years			388	388	441
Within 11 to 15 years			(13)	(13)	39
Within 16 to 20 years					
Within 21 to 25 years					
Within 26 to 30 years					
Total	0	0	931	931	1,043

35. IMPAIRMENT LOSSES

There were no impairments to assets in 2022/23 (£nil in 2021/22).There is no impaired property, plant or equipment.

36. 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.

37. 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 2022/23 which incorporates the prudential indicators was approved by Council on 7 March 2022 and is available on the Council's website. The key issues within the Strategy were:

1. The Authorised Borrowing Limit for 2022/23 was set at £1,674.6m. This is the maximum limit of external borrowings or other long term liabilities.
2. The Operational Boundary was set at £1,624.6m. This is the expected level of debt and other long term liabilities during the year.
3. The Minimum Revenue Provision Policy (MRP) Statement was approved. This is the revenue charge which reduces the borrowing need of the Council in line with the life of the assets which have been financed by borrowing.
4. The Council's authorised counterparty lending list criteria was approved.

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 (£51.7m in 2021-22) .

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

Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meets its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 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 amounts of £89.8m and £10.0m which are classified under Cash & Cash Equivalent, and Short Term Investments on the Balance Sheet, and which are sums invested with financial institutions and other local authorities, are due back to the Council within 3 and 12 months respectively.

Conversely, the Council has liabilities of duration less than 12 months amounting to £310.9m, as shown below.

Refinancing and Maturity Risk

The maturity structure of financial liabilities is as follows (at nominal value):

	At 31 March 2023 £000	At 31 March 2022 £000
Loans outstanding:		
PWLB	860,926	887,426
Market debt / LOBOs	143,925	160,925
Temporary borrowing	273,801	316,500
External Financing for Croydon Affordable Homes	68,137	71,581
Deferred purchases	71,500	70,968
Bank overdarft	5,265	
Total	1,423,554	1,507,400
Less than 1 year	310,945	362,647
Between 1 and 2 years	19,299	39,528
Between 2 and 5 years	43,525	45,678
Between 5 and 10 years	101,660	89,501
More than 10 years	948,125	970,046
Total	1,423,554	1,507,400

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.

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

According to this assessment strategy, at 31 March 2023 if interest rates had been 1% higher, the financial effect would be:

	At 31 March 2023 £000	At 31 March 2022 £000
Decrease in fair value of fixed rate borrowing liabilities	(128,634)	(227,674)

(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.

38. TRUST FUNDS

The Council acts as trustee for various funds including trust fund legacies, prize funds, amenity funds of establishments and charity appeal funds. .

From 2021-22 the council no longer acts as trustee to the following two legacy trusts:

- ► The Church Tenements Charities: Educational and Church Branches, which provides grants to young people for education purposes
- ► The Frank Denning Memorial Charity, which provides travelling scholarships

No remaining trust funds are considered material. The funds are not assets of the Council and are not included in the . Balance Sheet.

39. GROUP INTERESTS

The Council reviewed its group activities during 2022/23, 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 significant information to disclose is regarding the wholly-owned subsidiary Brick By Brick Croydon Limited , which was established to deliver housing across a number of Council owned sites in the Borough. The Council provided loans to Brick by Brick and provided services to it as well as received statutory planning application fees. In 2022-23 the company recognised a loss of £7.648m (£20.0m in 2021-22).

Furthermore, the Council has provided loans to Brick by Brick of £103.496m as at 31 March 2023, and the Council has decided to impair these loans by £51.7m, reflecting the expectation that not all loans will be repaid.

Please see the Group Accounts on later pages for further details.

39. 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 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 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 2020/21, and any sums are immaterial.

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

This Statement of Accounts was issued on 29 July 2025 by Jane West,Corporate Director of Resources and Section 151 officer.

41. 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.
- The NHS 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 Education revenue account is charged with the employer's contributions payable to the Teachers' Pension Scheme during the year.

In 2022/23, the Council paid £8.90m (2021/22: £9.70m) to Capita Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% (2021/22: 23.68%) 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 credit method of valuation - 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 2.0% (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.

41. 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, which are the effects of differences between the assumptions applied in the previous actuarial valuation, and what has actually occurred in reality

- 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 2022. This identified a funding level of 97% which equates to a deficit of £59m.
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 sets 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 2023**	**31 March 2022**
Financial assumptions		
Rate of increase in salaries	2.95%	3.20%
Rate of increase of pensions	2.95%	3.20%
Discount rate	4.75%	2.70%
Split of assets between investment categories		
Equities	0.00%	0.00%
Debt Securities	0.00%	0.00%
Private Equity	11.00%	11.00%
Real Estate	13.00%	13.00%
Investment Funds and Unit Trusts	73.00%	73.00%
Cash / Liquidity	3.00%	3.00%
Life expectancy		
of a male (female) future pensioner aged 65 in 20 years time	21.7 (24.3) years	22.7 (25.8) years
of a male (female) current pensioner aged 65	22.7 (25.7) years	21.9 (24.1) 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)	1,675 as at 31 Mar 2023	1,728 as at 31 Mar 2022

41. 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 2023			31 March 2022		
	Assets £000	Obligations £000	Net (Liability) /Asset £000	Assets £000	Obligations £000	Net (Liability) /Asset £000
Fair value of employer assets	1,380,958		1,380,958	1,233,244		1,233,244
Present value of funded liabilities		1,846,465	(1,846,465)		1,902,474	(1,902,474)
Present value of unfunded liabilities		28,305	(28,305)		30,852	(30,852)
Opening Position as at 31 March 2022 and 31 March 2021	**1,380,958**	**1,874,770**	**(493,812)**	**1,233,244**	**1,933,326**	**(700,082)**
Service cost:						
Current service cost *		69,332	(69,332)		74,817	(74,817)
Past service cost (including curtailments)		861	(861)		1,229	(1,229)
Effect of settlements			0			0
Total Service Cost	**0**	**70,193**	**(70,193)**	**0**	**76,046**	**(76,046)**
Net interest:						
Interest income on plan assets	37,143		37,143	24,610		24,610
Interest cost on defined benefit obligation		50,908	(50,908)		38,996	(38,996)
Impact of asset ceiling on net interest						
Total Net Interest	**37,143**	**50,908**	**(13,765)**	**24,610**	**38,996**	**(14,386)**
Total Defined Benefit Cost Recognised in Profit or (Loss)	**37,143**	**121,101**	**(83,958)**	**24,610**	**115,042**	**(90,432)**
Cashflows:						
Plan participants' contributions	10,233	10,233	0	9,783	9,783	0
Employer contributions	35,256		35,256	34,453		34,453
Benefits paid	(54,213)	(54,213)	0	(48,046)	(48,046)	0
Unfunded benefits paid	(1,984)	(1,984)	0	(1,972)	(1,972)	0
Contributions in respect of unfunded benefits	1,984		1,984	1,972		1,972
Expected Closing Position	**1,409,377**	**1,949,907**	**(540,530)**	**1,254,044**	**2,008,133**	**(754,089)**
Remeasurements:						
Changes in financial assumptions		(698,563)	698,563		(126,497)	126,497
Changes in demographic assumptions		13,482	(13,482)		(10,283)	10,283
Other experience	6,634	175,364	(168,730)		3,417	(3,417)
Return on assets excluding amounts included in net interest	(70,679)		(70,679)	126,914		126,914
Changes in asset ceiling						
Total remeasurements recognised in Other Comprehensive Income (OCI)	**(70,679)**	**(509,717)**	**445,672**	**126,914**	**(6,866)**	**260,277**
Exchange differences			0			0
Effect of business combinations and disposals			0			0
Fair value of employer assets	1,345,332		1,345,332	1,380,958		1,380,958
Present value of funded liabilities		1,416,358	(1,416,358)		1,846,465	(1,846,465)
Present value of unfunded liabilities **		23,832	(23,832)		28,305	(28,305)
Closing Position	**1,345,332**	**1,440,190**	**(94,858)**	**1,380,958**	**1,874,770**	**(493,812)**

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

** (31 March 2023) This liability comprises of approximately £12,097,000 in respect of LGPS unfunded pensions and £11,735,000 in respect of Teachers' unfunded pensions. For unfunded liabilities as at 31 March 2023, 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.

41. 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. Markets were disrupted by the ongoing war in Ukraine, a short-term change in UK fiscal policy and global inflationary pressures.
However, these impacts were more than offset by a material increase in expected future returns due to rising interest rates which decreased the value placed on the Fund's liabilities. The result being; the net liability decreased from £495m to £95m leading to a signicant increase in the funding level in the year to 31 March 2023.

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 2023				Period Ended 31 March 2022			
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								
Manufacturing								
Energy and Utilities								
Financial Institutions		116.6	116.6	0%		120	120	1%
Health and Care								
Information Technology								
Other								
Debt Securities:								
Other								
Private Equity:								
All		145,169	145,169	11%		149,013	149,013	11%
Real Estate:								
UK Property		170,925	170,925	13%		175,451	175,451	13%
Overseas Property								
Investment Funds and Unit Trusts:								
Equities		606,506	606,506	45%		622,567	622,567	45%
Bonds		220,395	220,395	16%		226,231	226,231	16%
Hedge Funds								
Commodities								
Infrastructure		167,367	167,367	12%		171,799	171,799	12%
Other								
Cash and Cash Equivalents:								
All		34,853	34,853	3%		35,776	35,776	3%
Totals		**1,345,332**	**1,345,332**	**100%**		**1,380,956**	**1,380,956**	**100%**

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.	2022/23 £000	2021/22 £000
Income			
Dwelling rents		(77,505)	(77,399)
Non-dwelling rents		(1,386)	(1,067)
Charges for services and facilities		(6,873)	(8,995)
Contributions towards expenditure		(62)	(131)
Total Income		(85,826)	(87,592)
Expenditure			
Repairs and maintenance		11,492	11,535
Supervision and management		33,489	28,472
Rents, rates, taxes and other charges		4,038	3,826
Allowance for debtors		1,741	919
Depreciation of non-current assets	2.1 & 3	13,415	12,773
Amortisation of intangible assets		176	169
Gain or loss on revaluation of non-current assets		0	(7)
Revenue expenditure funded from capital under statute	3 & 4	-	7
Total Expenditure		64,351	57,694
Net cost of HRA services as included in the whole-Authority Comprehensive Income and Expenditure Statement		**(21,475)**	**(29,898)**
HRA services share of Corporate and Democratic Core		500	489
HRA share of Pensions Reserve contributions not allocated to specific services	5	60	150
Net cost of HRA services		**(20,915)**	**(29,259)**
Gain or loss on sale of HRA non-current assets		(10,222)	(8,336)
Interest payable and similar charges		11,972	12,075
Interest and investment income		(1,354)	(1)
Pensions interest costs and expected return on pensions assets		960	1,003
Capital Grants & Contributions Receivable		(1,633)	(18,489)
(Surplus)/ deficit for the year on HRA services		**(21,192)**	**(43,007)**

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.	2022/23 £000	2021/22 £000
HRA surplus balance brought forward		(57,088)	(45,475)
(Surplus)/deficit for the year on the HRA Comprehensive Income and Expenditure Statement		(21,192)	(43,007)
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	0	(437)
Amortisation of intangible assets		(176)	(169)
Gain or loss on revaluation of non-current assets		0	7
Gain or loss on sale of HRA non-current assets		10,222	8,336
Capital Grants & Contributions Receivable		1,633	18,489
Revenue expenditure funded from capital under statute	3 & 4	-	(7)
Net charges made for retirement benefits in accordance with IAS19		(3,257)	(3,765)
		8,422	22,454
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		-	197
Capital expenditure funded by the Housing Revenue Account	3	25,859	8,767
		25,859	8,964
Contributions to/from reserves			
Short-Term Accumulating Compensated Absences (STACA)		46	(24)
Transfer to/from HRA Balances			
		46	(24)
Net additional amounts			
(Increase)/decrease in HRA balance for the year		13,135	(11,613)
HRA balance carried forward		(43,953)	(57,088)

1. NUMBER AND TYPE OF DWELLINGS IN THE HOUSING STOCK (Tenantable Units)

Types of Property	2022/23	2021/22
Houses	5,106	5,140
Flats	8,348	8,365
Total Dwellings	13,454	13,505

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

2022/23	Council Dwellings £000	Other Land and Buildings £000	Assets Under Construction £000	Total £000
Net book value as at 1 April 2022	1,038,573	15,561	400	1,054,534
Gross book value as at 1 April 2022	1,038,573	15,579	400	1,054,552
Additions	40,906			40,906
Revaluation increase/(decrease) recognised in the Revaluation Reserve	15,600			15,600
Revaluation increase/(decrease) recognised in Income and Expenditure				0
Derecognition - Disposals	(5,674)			(5,674)
Derecognition - Derecognitions				0
Transfers/Reclassifications	400		(400)	0
Other movements in cost or valuation				0
Gross book value as at 31 March 2023	1,089,805	15,579	0	1,105,384
Accumulated Depreciation and Impairment				
At 1 April 2022	0	18		18
Depreciation for year	12,941	474		13,415
Depreciation written out to the Revaluation Reserve	(12,941)			(12,941)
Depreciation written out to Income and Expenditure				0
Derecognition - Disposals				0
Transfers/Reclassifications				0
Other movements in depreciation and impairment				0
Accumulated Depreciation and Impairment at 31 March 2023	0	492	0	492
Net book value as at 31 March 2023	1,089,805	15,087	0	1,104,892

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 2023	31 March 2022
Total Dwellings	13,454	13,505
Leaseholds	2,601	2,569
Garages	2,627	2,633
Parking Spaces	50	111
	18,732	18,818
	£M	**£M**
Vacant possession value of dwellings at 31 March 2023	4,357	-
Vacant possession value of dwellings at 31 March 2022	4,153	4,153
Vacant possession value of dwellings at 31 March 2021	3,963	3,963
Vacant possession value of dwellings at 31 March 2020	3,887	3,887

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 £4,153m x 25% = £1,038m as at 31 March 2022

The valuation of council dwellings as at 31 March 2023 was undertaken by Wilks Head & Eve. This led to an increase in the vacant possession value of £204m to £4,357m.The EUV-SH value was £4,357xm x 25% = £1,089m as at 31 March 2023.

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

	2022/23 £000	2021/22 £000
Expenditure		
Non-current assets (buildings)	35,697	19,980
Acquisition of properties	5,210	35,051
Revenue expenditure funded from capital under statute	0	7
Intangible assets	0	63
	40,907	55,101
Financed By		
Borrowing	0	9,528
Capital receipts	0	5,981
Government grants and other contributions	1,633	18,489
Direct revenue contributions	25,859	8,767
Major Repairs Reserve	13,415	12,336
	40,907	55,101

Capital Receipts

	2022/23 £000	2021/22 £000
Balance brought forward	26,104	18,843
Receipts from sales of assets during the year	12,465	15,499
Receipts from repayment of loans	3,632	0
Cost of disposals	(202)	(247)
Transfer to Housing Capital Receipts Pool (via General Fund)	0	(2,013)
Balance of receipts after transfer	15,895	13,239
Balance on account before application of receipts	41,999	32,082
Financing of capital expenditure	0	(5,981)
Balance carried forward	41,999	26,101

Major Repairs Reserve

Authorities are required by the Accounts and Audit (England) Regulations 2015 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

	2022/23 £000	2021/22 £000
Opening balance as at 1 April	0	0
Depreciation charge to HRA	13,415	12,336
Capital expenditure during the year	(13,415)	(12,336)
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

	2022/23		2021/22	
	Debtors	Allowance for Credit Losses	Debtors	Allowance for Credit Losses
	£000	£000	£000	£000
Housing Revenue Account rents	15,659	(10,403)	13,759	(8,921)
Housing Revenue Account lease holder service charges/major works	4,210		4,527	
Housing Revenue Account other debtors	22		22	
	19,891	(10,403)	18,308	(8,921)

INCOME AND EXPENDITURE ACCOUNT

	Note No.	2022/23 Business Rates £000	2022/23 Council Tax £000	2022/23 Total £000	2021/22 Business Rates £000	2021/22 Council Tax £000	2021/22 Total £000
INCOME DUE							
Council Tax-payers	2		269,572	269,572		249,469	249,469
S13A1C Transfer			552	552		498	498
Business Rates	1(a)	105,093		105,093	96,792		96,792
Transition grant from MHCLG		462		462	(1,226)		(1,226)
Crossrail Business Rate Supplement	1(b)	2,966		2,966	2,795		2,795
Total Income		108,521	270,124	378,645	98,361	249,967	348,328
EXPENDITURE							
Charges to the Collection Fund:							
Changes in Provision for Bad and Doubtful Debts		4,252	3,201	7,453	(2,521)	2,792	271
Write-offs of Bad Debt			(291)	(291)	(23)	(406)	(429)
Changes in Provision for Appeals		(3,891)		(3,891)	(28,719)		(28,719)
Transfer to designated area (Growth Zone)		6,789		6,789	21,170		21,170
Cost of Collection		398		398	402		402
Cost of Collection - Crossrail		7		7	7		7
Total Expenditure		7,555	2,910	10,465	(9,684)	2,386	(7,298)
Total Income less Charges		100,966	267,214	368,180	108,045	247,581	355,626
Precepts, Demands and Shares:	3						
London Borough of Croydon		30,751	214,112	244,863	37,482	198,094	235,576
Greater London Authority (GLA)		37,926	53,947	91,873	46,228	47,254	93,482
Housing, Communities and Local Government (CLG)		33,826		33,826	41,230		41,230
Greater London Authority (Crossrail)	1(b)	2,959		2,959	2,787		2,787
(Surplus)/Deficit for year		4,496	845	5,341	19,682	(2,233)	17,449
Distribution of Previous Year's Collection Fund Surplus / (Deficit) :							
London Borough of Croydon		(7,586)	(1,562)	(9,148)	(20,355)	(2,454)	(22,809)
Greater London Authority (GLA)		(9,358)	(325)	(9,683)	(23,825)	(561)	(24,386)
Housing, Communities and Local Government (CLG)		(8,346)		(8,346)	(21,286)		(21,286)
Total Distribution of Previous Year's Collection Fund Surplus / (Deficit)		(25,290)	(1,887)	(27,177)	(65,466)	(3,015)	(68,481)
Movement of Collection Fund in the Year		(20,794)	(1,042)	(21,836)	(45,784)	(5,248)	(51,032)
Balance brought forward (surplus)/deficit		63,406	1,239	64,645	109,190	6,487	115,677
Balance carried forward (surplus)/deficit		42,612	197	42,809	63,406	1,239	64,645
Allocation of (surplus)/deficit							
Surplus declared in the January Delegation report to be distributed in the following year:							
London Borough of Croydon		12,215	1,985	14,200	7,587	1,562	9,149
GLA		15,065	442	15,507	9,358	325	9,683
CLG		13,436		13,436	8,346		8,346
Fund balance and deficit carried forward:		40,716	2,427	43,143	25,291	1,887	27,178
<u>**Spreading Adjustment for Council Tax**</u>							
Distribution of (surplus) /deficit - using current year ratios							
LBC			-	0		2,503	2,503
GLA			-	0		572	572
Unallocated fund balance and surplus carried forward:			-	-		3,076	3,076
(Distributed using ratios for the year in which the surplus was declared)							
London Borough of Croydon		569	(1,798)	(1,229)	11,435	(2,974)	8,460
GLA		701	(432)	269	14,103	(749)	13,353
CLG		626		626	12,578		12,578
		1,896	(2,230)	(334)	38,116	(3,724)	34,392

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 2020/21, the retention rate changes to 67%, which is consistent across England.

	2020-21	2021-22	2022-23
► Central Government	33%	33%	33%
► London Borough of Croydon	30%	30%	30%
► Greater London Authority	37%	37%	37%

The total Non Domestic Rateable Value as at 31 March 2023 was £310,317,499 (£314,721,8831 at 31 March 2022). The multiplier for 2022/23 was set at 51.2p (51.2p for 2021/22) and the multiplier for small businesses was set at 49.90p (49.90p for 2021/22).

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, £1965.66 for 2022/23 (£1,888.15 for 2021/22) 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 2022/23

Valuation Band	Number of Chargeable Dwellings	Band D Proportion	Band D Equivalent Dwellings	Council Tax £.pp	Council Tax Income £000
Band A	2,627	6/9	1,751	1,310.45	2,295
Band B	15,696	7/9	12,208	1,528.84	18,664
Band C	39,658	8/9	35,252	1,747.26	61,594
Band D	34,700	9/9	34,700	1,965.66	68,208
Band E	21,044	11/9	25,720	2,402.48	61,792
Band F	10,986	13/9	15,869	2,839.29	45,057
Band G	7,050	15/9	11,750	3,276.11	38,494
Band H	599	18/9	1,198	3,931.32	4,710
	132,360				
Total			138,448		300,814
Multiplied by estimated collection rate			95.60%		
Number of Band D equivalent dwellings			132,360		
Total of Demands/Precepts for year			287,586		
Adjustments during the year (including prior years)					(31,242)
Final collectable amount					269,572
Income per Collection Fund:					
Council Tax collectable					0
Council Tax benefits					0
Final collectable amount					269,572

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.

	2022/23 £.pp	2021/22 £.pp
Band D equivalent Council Tax charge		
Split thereof:		
Croydon	1,570.07	1,524.49
Greater London Authority	395.59	363.66
Total	1,965.66	1,888.15
Payment to Croydon:-		
Share of Band D equivalent Council Tax charge	1,570.07	1,524.49
Number of Band D equivalent dwellings	136,370	129,941
Total	214,110,446	198,093,755
Rounded to £000's	214,110	198,094
Payment to the Greater London Authority:-		
Share of Band D equivalent Council Tax charge	395.59	363.66
Number of Band D equivalent dwellings	136,370	129,940
Total	53,946,608	47,253,980
Rounded to £000's	53,947	47,254

GROUP MOVEMENT IN RESERVES STATEMENT

2022/23	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 2022	**19,145**	**153,174**	**172,319**	**57,088**	**26,105**	**18,004**	**0**	**273,516**	**77,489**	**351,005**	**(47,220)**	303,785
Movement in reserves during 2022/23												
Surplus or (deficit) on provision of services	(39,156)		(39,156)	21,192				(17,964)		(17,964)	(7,648)	(25,612)
Other Comprehensive Expenditure and Income									474,214	474,214		474,214
Total Comprehensive Expenditure and Income	(39,156)	0	(39,156)	21,192	0	0	0	(17,964)	474,214	456,250	(7,648)	448,602
Adjustments between group accounts and authority accounts			0					0		0		0
Net increase or decrease before transfers	(39,156)	0	(39,156)	21,192	0	0	0	(17,964)	474,214	456,250	(7,648)	448,602
Adjustments between accounting basis and funding basis under regulations	59,337		59,337	(34,327)	35,830	1,196		62,036	(62,036)	0		0
Net increase/Decrease before Transfers to Earmarked Reserves	20,181	0	20,181	(13,135)	35,830	1,196	0	44,072	412,178	456,250	(7,648)	448,602
Transfers to/(from) Earmarked Reserves	(11,826)	11,826	0	0	0	0	0	0	0	0	0	0
Net increase/(decrease) in reserves for the year	8,355	11,826	20,181	(13,135)	35,830	1,196	0	44,072	412,178	456,250	(7,648)	448,602
Balance c/f at 31 March 2023	27,500	165,000	192,500	43,953	61,935	19,200	0	317,588	489,667	807,255	(54,868)	752,387

2021/22	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 2021	**16,619**	**68,234**	**84,853**	**45,476**	**19,140**	**12,964**	**0**	**162,433**	**(220,556)**	**(58,123)**	**(27,200)**	(85,323)
Movement in reserves during 2021/22												
Surplus or (deficit) on provision of services	18,277		18,277	43,007				61,284		61,284	(20,020)	41,264
Other Comprehensive Expenditure and Income									347,844	347,844		347,844
Total Comprehensive Expenditure and Income	18,277	0	18,277	43,007	0	0	0	61,284	347,844	409,128	(20,020)	389,108
Adjustments between group accounts and authority accounts			0					0		0		0
Net increase or decrease before transfers	18,277	0	18,277	43,007	0	0	0	61,284	347,844	409,128	(20,020)	389,108
Adjustments between accounting basis and funding basis under regulations	69,189		69,189	(31,395)	6,965	5,040	0	49,799	(49,799)	0		0
Net increase/Decrease before Transfers to Earmarked Reserves	87,466	0	87,466	11,612	6,965	5,040	0	111,083	298,045	409,128	(20,020)	389,108
Transfers to/(from) Earmarked Reserves	(84,940)	84,940	0	0	0	0	0	0	0	0	0	0
Net increase/(decrease) in reserves for the year	2,526	84,940	87,466	11,612	6,965	5,040	0	111,083	298,045	409,128	(20,020)	389,108
Balance c/f at 31 March 2022	19,145	153,174	172,319	57,088	26,105	18,004	0	273,516	77,489	351,005	(47,220)	303,785

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 No.	2022/23 Gross £000	2022/23 Income £000	2022/23 Net £000	2021/22 Gross £000	2021/22 Income £000	2021/22 Net £000
Gross expenditure, income and net expenditure of continuing operations							
Sustainable Communities Regeneration and Economic Recovery		288,647	(221,584)	67,063	303,622	(240,923)	62,699
Children, Young People and Education		316,847	(228,421)	88,426	314,602	(227,837)	86,765
Adult Social Care and Health		202,535	(71,926)	130,609	228,112	(99,247)	128,865
Assistant Chief Executive		66,692	(30,335)	36,357	61,300	(39,929)	21,371
Resources		237,066	(226,274)	10,792	359,641	(290,090)	69,551
Housing		69,584	(50,368)	19,216	66,421	(48,548)	17,873
HRA		67,937	(88,852)	(20,915)	58,757	(88,015)	(29,258)
Net cost of services		1,249,308	(917,760)	331,548	1,392,455	(1,034,589)	357,866
Other operating expenditure	9			(10,528)			(21,100)
Financing and Investment Income and Expenditure	10			45,944			53,705
Taxation and Non-Specific Grant Income	11			(341,352)			(431,735)
(Surplus) or Deficit on Provision of Services				25,612			(41,264)
(Surplus) or deficit on revaluation of non-current assets				(28,542)			(87,567)
Remeasurement of the net defined benefit liability				(445,672)			(260,277)
Other Comprehensive Income and Expenditure				(474,214)			(347,844)
Total Comprehensive Income and Expenditure				(448,602)			(389,108)

GROUP BALANCE SHEET

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

	Note/ Page No.	31 March 2023 £000	£000	31 March 2022 £000
Operational Assets (Property, Plant and Equipment)	12			
Council dwellings		1,089,805		1,038,573
Other land and buildings		968,941		981,450
Vehicles, plant, furniture and equipment		3,272		3,150
Infrastructure		166,012		159,817
Community assets		2,304		2,637
Total Operational Assets (Property, Plant and Equipment)			2,230,334	2,185,627
Non-Operational Assets (Property, Plant and Equipment)				
Assets under construction		-		400
Surplus assets not held for sale		3,546		3,564
Total Non-Operational Assets (Property, Plant and Equipment)			3,546	3,964
Total Property, Plant and Equipment			2,233,880	2,189,591
Heritage Assets	13	4,313		4,083
Investment property				
Investment property	14	75,396		75,396
Intangible Assets				
Software	15	13,163		15,638
Assets under construction				
Long-term Investments				
Non-property investments	Grp 4 &16	41,862		49,890
Investments in Associates and Joint Ventures				
Long-term Debtors	Grp 4 &16	(45,718)		(42,873)
Long-term Assets			2,322,896	2,291,725
Short-term Investments				
Non-property investments excluding cash equivalents	Grp 4 &16	10,000		50,000
Assets held for sale (< 1 year)	19	49,992		107,639
Inventories	Grp 5	2,110		2,290
Short-term debtors, payments in advance and provision for doubtful debts	Grp 6	90,430		382,595
Cash and cash equivalents	Grp 7	105,069		48,461
Current Assets			257,601	590,985
Bank overdraft	Grp 7	(5,265)		
Short-term borrowing	Grp 4 &16	(296,822)		(339,268)
Short-term creditors and receipts in advance	Grp 8	(207,171)		(485,972)
Short-term provision	21	(12,132)		(7,258)
Current Liabilities			(521,390)	(832,498)
Long-term Creditors				
Provisions	21	(34,912)		(34,178)
Long-term borrowing	Grp 4 &16	(1,121,466)		(1,168,132)
Deferred capital creditors		(17,445)		(13,507)
Other non-current liabilities				
Net pensions liability	42	(94,858)		(493,812)
Other long term liabilities		(7,830)		(8,050)
Capital grants receipts in advance	31	(30,209)		(28,748)
Long-term Liabilities			(1,306,720)	(1,746,427)
Net Assets			**752,387**	**303,785**
Usable reserves		262,720		226,296
Unusable Reserves		489,667		77,489
Total Reserves			**752,387**	**303,785**

Signed: Jane West

Corporate Director of Resources and Section 151 officer   Signature   Jane West   Date   29 July 2025

GROUP CASH FLOW STATEMENT

	Note	2022/23		2021/22	
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		(25,612)		41,264
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements					
Depreciation	7,12 &32.2	39,452		42,116	
Impairment and downward valuations	7	-		(8,379)	
Amortisations	7,15&23.3	5,095		4,445	
Increase/(decrease) in creditors		(15,226)		(6,005)	
(Increase)/decrease in debtors		74,027		19,647	
(Increase)/decrease in inventories and assets held for sale		55,495		45,586	
Movement in pension liability	1B,7 & 23.5	46,718		54,007	
Carrying amount of non-current assets sold	23.3	22,057		37,977	
Provisions		5,608		(5,279)	
Movements in the value of investment properties	7,10,14 & 23.3	-		5,443	
Other non-cash movements		(1,140)		(2,000)	
			232,086		187,558
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	(30,171)		(62,521)	
Payment of local taxation to major preceptors		(13,591)		-	
Capital grants used for financing		-		(43,319)	
Any other items for which the cash effects are investing or financing cash flows		-			
			(43,762)		(105,840)
Net cash inflow/(outflow) from operating activities			162,712		122,982
INVESTING ACTIVITIES					
Purchase of property, plant and equipment, investment property ' and intangible assets		(66,827)		(75,747)	
Purchase of short-term and long-term investments		(48,864)		(48,636)	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets		30,171		62,508	
Capital grants		59,168		-	
Proceeds from short-term and long-term investments		6,904		34,055	
Net cash inflow/(outflow) from investing activities			(19,448)		(27,820)
FINANCING ACTIVITIES					
Cash receipts from short-term and long-term borrowing		212,433		316,017	
Payment of local taxation to major preceptors		-			
Cash payments for the reduction of the outstanding liabilities to finance leases and on-Balance Sheet PFI contracts (Principal)		(2,809)		(2,616)	
Repayments of short-term and long-term borrowing		(301,545)		(398,242)	
Net cash inflow/(outflow) from financing activities			(91,921)		(84,841)
Net increase/(decrease) in cash and cash equivalents			51,343		10,321
Cash and cash equivalents at the beginning of the reporting period			48,461		38,140
Cash and cash equivalents at the end of the reporting period	18		99,804		48,461
Cash held	Grp 7	15,319		13,867	
Bank current accounts	Grp 7	(5,265)		17,594	
Short-term deposits with building societies and Money Market Funds	Grp 7	89,750		17,000	
Cash and cash equivalents as at 31 March			99,804		48,461

NOTES REGARDING 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.
Notes to the Group Accounts are only provided where materially different to those notes in the single entity accounts.

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 2022-23 the company recognised a loss of £7.648m. A number of sites are completed and being actively marketed

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 and interest owed on these balances have been eliminated from the group statements.

At 31 March 2023, the balance of loans outstanding from Brick By Brick Croydon Limited to Croydon Council are set out below.

	2022/23 £'000	2021/22 £'000
Development Costs	103,496	142,038
Interest	0	0
Total loans	**103,496**	**142,038**

The following notes relate to the Group Structure, as described in Note 39 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 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 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000
Group Financial Liabilities	Non-Current	Non-Current	Current	Current
Borrowings				
Financial liabilities at amortised cost	1,056,351	1,099,932	293,800	336,500
Service concessions and finance lease liabilities	65,115	68,200	3,022	2,768
Total borrowings	1,121,466	1,168,132	296,822	339,268
Creditors				
Financial liabilities at amortised cost			137,911	125,951
Bank Overdraft			5,265	
Total Creditors	0	0	143,176	125,951

Group Financial Assets

	Non-Current		Current	
Financial Assets at Amortised Cost				
Investments			10,000	50,000
Loans and Receivables	5,978	8,823		
Debtors			45,731	74,358
Council - Expected credit loss for Brick by Brick	(51,696)	(51,696)		
Cash and cash equivalents			105,069	48,460
Fair value through profit and loss				
Investments	41,862	49,890		
Total Financial Assets	(3,856)	7,017	160,800	172,818

FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	Fair Value Hierarchy	31 March 2023 Carrying Amount £000	31 March 2023 Fair Value £000	31 March 2022 Carrying Amount £000	31 March 2022 Fair Value £000
Money Market Loans	level 1	89,750	89,750	17,000	17,000
Bank Current Accounts	level 1			17,642	17,642
Deposits with banks and other Local Authorities	level 2	25,319	25,319	63,818	63,818
Long-term debtors	level 2	5,978	18,267	8,823	35,023
Financial Assets		121,047	133,336	107,283	133,483

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

	2022/23 £000	2021/22 £000
Opening balance	107,639	146,569
Purchases / acquisitions	-	0
Transfers from PPE	-	8,620
Revaluation gain / (loss)	-	(1,590)
Recognised as an expense in year	(57,647)	(45,960)
Closing balance	49,992	107,639

6. GROUP DEBTORS

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

	2022/23 £000	2021/22 £000
Trade receivables	213,592	233,221
Prepayments	12,635	16,329
Other receivable amounts	257,029	259,713
Allowance for credit losses	(132,980)	(126,668)
Total	350,276	382,595

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

7. GROUP CASH AND CASH EQUIVALENTS

	2022/23 £000	2021/22 £000
Cash held	15,319	13,866
Bank current accounts / (overdraft)	(5,265)	17,594
Short-term deposits with building societies and Money Market Funds	89,750	17,000
Total	99,804	48,460

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)

	2022/23 £000	2021/22 £000
Receipts in advance	67,789	77,785
Trade payables	192,931	166,128
Other payables	206,297	242,059
Total	467,017	485,972

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	2022/23 £000	2021/22 £000
Retained earnings / (losses)	(54,868)	(47,220)

Brick By Brick unusable reserves	2022/23 £	2021/22 £
Called up share capital	100	100

Croydon Pension Fund 2022/23

31st March 2023

CROYDON
www.croydon.gov.uk

PENSION FUND ACCOUNTS

FUND ACCOUNT

	Notes	2022/23 £'000	2021/22 £'000
Dealings with members, employers and others directly involved in the fund			
Contributions	8	65,060	60,999
Individual Transfers in from Other Pension Funds		7,945	26,083
		73,005	**87,082**
Benefits			
Pensions	9	(51,781)	(48,825)
Commutation, Lump Sum Retirement and Death Benefits	9	(10,642)	(11,342)
Payments to and on Account of Leavers			
Individual Transfers Out to Other Pension Funds		(17,893)	(10,034)
Refunds to Members Leaving Service		(193)	(446)
		(80,509)	**(70,647)**
Net additions/(withdrawals) from dealings with members		**(7,504)**	**16,435**
Management Expenses	10	**(17,756)**	**(16,690)**
		(25,260)	**(255)**
RETURNS ON INVESTMENTS			
Investment Income	11	9,505	9,538
Profit and loss on disposal of investments and changes in the market value of investments	13	(37,398)	181,452
Net returns on investments		**(27,893)**	**190,990**
Net increase/(decrease) in the Fund during the year		**(53,153)**	**190,735**
Net assets at the start of the year		1,728,433	1,537,698
Net assets at the end of the year		**1,675,280**	**1,728,433**

NET ASSETS STATEMENT

	Notes	31 March 2023 £'000	31 March 2022 £'000
Investments held by the Fund Managers:			
Equities - segregated funds	13	150	150
Equities - pooled funds	13	748,825	780,422
Private equity funds	13	167,264	183,203
Infrastructure funds	13	246,381	215,360
Fixed Interest funds	13	262,127	286,966
Pooled Property funds	13	191,932	213,818
Total Investments held by the Fund Managers		1,616,679	1,679,919
Other Balances held by the Fund Managers			
Cash held by the Fund Managers	13	10,634	7,003
Investment income due	13	382	513
Total Other Balances held by the Fund Managers		11,016	7,516
Total Assets held by the Fund Managers		1,627,695	1,687,435
Current Assets	16	52,664	47,490
Current Liabilities	17	(5,079)	(6,492)
Net Assets of the fund available to fund benefits		**1,675,280**	**1,728,433**

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 2022/23 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, Conway Construction & Training Ltd, Hats Group Ltd, Churchill Services Limited, Croydon Equipment Services Limited, Croydon Voluntary Action, Keyring Living Support Networks 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, Arthur Mckay Limited, Greenwich Leisure Limited, Idverde Limited, Westgate Cleaning Services Limited, Milestones Infrastructure Ltd, XMA

Scheduled:
Meridian (Addington) High Academy, Aerodrome Primary Academy, Applegarth Academy, The Archbishop Lanfranc School, ARK Oval Primary Academy, Atwood Primary School, BRIT School, Broadmead Primary Academy, Castle Hill Academy, Chesnut Park Primary School, Chipstead Valley Primary School, Coulsdon College, Crescent Primary Academy, Croydon College, David Livingstone Academy, Orchard Park High School, Fairchildes Academy Community Trust, Forest Academy, Gonville Academy, Good Shepherd Catholic Primary, Harris Academy (Purley), Harris Academy (South Norwood), Harris Academy (Purley Way) Harris City Academy (Crystal Palace), Harris Primary Academy (Benson), Harris Primary Academy (Kenley), Harris Invictus Academy Croydon, Harris Primary Academy Haling Park, Heathfield Academy, New Valley Primary, Norbury High School for Girls,
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, Paxton Academy, Woodcote High School, Orchard Way Primary,
The Woodside Academy, STEP Academy Trust, St Aidans Catholic Primary, Kingsley Primary Academy, Kenley (TCT)
Folio Education Trust, Courtwood Primary, Monks Orchard Primary, Keston Primary, Glibert Scott, Manor Trust
The Beckmead Trust, Tudor Academy, ARK Blake Primary, Coloma Convent Girls' School, Woodcote Primary,
Minster Infants, Minster Juniors.

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 2022/23 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.

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 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £31m. A 0.1% increase in the salary increase assumption would result in a £2m increase in the pension liability. A 0.1% increase in the pension increase assumption would result in a £30m 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 2023 was £413.6m (2022: £398.6m). There is a risk that these investments may be under or overstated in the accounts, although it is considered unlikely to have a material impact on the value of the Fund.

7. FUND INFORMATION

The last full triennial Actuarial Valuation was completed as at 31 March 2022 which calculated the total accrued liabilities to be £1,790m (2019: £1,423m). The market value of the Fund's assets at the valuation date was £1,731m (2019: £1,258m). The Fund deficit was therefore £59m (2019: £165m) producing a funding level of 97% (2019: 88%). The next triennial valuation will be effective as at 31 March 2025.

The contribution rates payable for 2022-23 were set at the Actuarial Valuation effective 31 March 2019.

The table below shows the contribution rates payable by each employer for 2022/23:

	% of pay	Additional sum £
London Borough of Croydon Pool		
London Borough of Croydon	23.2	-
Further Education Bodies		
Croydon College	25.8	-
(Community) Admission Bodies		
Croydon Voluntary Action	16.2	-
Admission Bodies		
Arthur Mckay Limited	30.2	-
AXIS Europe plc (Housing Repairs)	25.5	-
Brick by Brick Croydon Limited	23.0	18,000
Churchill Services Limited	0.0	-
Minster Infants	23.2	-
FM Conway Construction & Training Ltd	31.9	-
Greenwich Leisure Limited	4.2	-
Hats Group Ltd (Olympic South)	33.5	4,000
Keyring Living Support Networks	27.3	-
Milestones Infrastructure Ltd	28.5	-
Nationwide Cleaning Services Limited	34.2	-
Olive Dining Limited	29.0	-
Skanska Construction UK Limited	0.0	-
Sodexho Limited	16.5	-
South London Waste Partnership Idverde	17.5	-
Veolia Environmental Services (UK) Recycling Limited	29.7	-
Veolia Environmental Services (UK) Recycling Limited	15.5	-
Veolia Environmental Services (UK) Recycling Limited	17.5	-
Vinci Facilities Limited	40.3	-
Wallington Cars & Couriers Limited	0.0	-
Westgate Cleaning Services Limited	32.0	-
XMA	31.1	-

Academies	**% of pay**	**Additional sum £**
Aerodome Primary Academy	17.0	-
Applegarth Academy	17.8	-
Archbishop Lanfranc School	29.5	-
Ark Blake Academy	20.2	-
Ark Oval Primary Academy	15.2	-
Atwood Primary School	21.7	-
BRIT School	11.1	-
Broadmead Primary Academy	27.7	-
Castle Hill Academy	17.9	-
Chestnut Park Primary School	16.4	-
Chipstead Valley Primary School	20.1	-
Coloma Convent Girls' School	21.9	-
Courtwood	20.4	-
Crescent Primary Academy	16.4	-

Academies	% of pay	Additional sum £
David Livingstone Academy	13.2	-
Edenham High School	31.9	-
Fairchildes Primary School	13.2	-
Folio Education Trust	19.2	-
Forest Academy	15.9	-
Gilbert Scott	25.2	-
Gonville Academy	18.6	-
Good Shepherd Catholic Primary	27.3	-
Harris Academy Purley	18.5	-
Harris Academy Primary Kenley	17.5	-
Harris Academy South Norwood	14.2	-
Harris City Academy Crystal Palace	13.4	-
Harris Croydon Academy (previously Kingsley)	26.3	-
Harris Invictus Academy Croydon	13.5	-
Harris Primary Academy Benson	20.8	-
Harris Primary Academy Haling Park	15.5	-
Harris Primary Purley Way	14.1	-
Heathfield Academy	16.0	-
John Wood (previously Davidson) Primary School	20.9	53,000
Kenley (TCT)	23.2	-
Kensington Avenue Primary (Manor Trust)	19.8	-
Keston Primary	23.6	-
Krishna Avanti Primary School	13.4	-
Meridian (Addington) High Academy	17.0	-
Minster Infants	25.8	-
Minster Juniors	23.2	-
Monks Orchard	22.9	-
New Valley Primary	22.2	-
Norbury High School for Girls	18.0	-
Oasis Academy Arena	15.9	-
Oasis Academy Byron	19.4	-
Oasis Academy Coulsdon	19.8	-
Oasis Academy Ryelands	22.6	-
Oasis Academy Shirley Park	20.1	-
Orchard Way Primary	23.1	-
Paxton Academy	16.1	-
Pegasus Academy Trust	17.2	-
Riddlesdown Collegiate	18.4	-
Robert Fitzroy Academy	15.4	-
Rowdown Primary School	20.2	-
Shirley High School of Performing Arts College	17.5	-
South Norwood Academy	21.4	-
St Aidan's Catholic Primary School	22.7	-
St Chad's Catholic Primary School	26.0	-
St Cyprian's Greek Orthodox Primary School	19.2	-
St Mark's COE Primary School	20.6	-
St Mary's Infants School	24.6	-
St Mary's Junior School	21.3	-
St James the Great R.C Primary	24.4	-
St Joseph's College	26.6	-
St Thomas Becket RC Primary	19.8	-
The Beckmead Trust	20.7	-
The Quest Academy	22.0	-
The Woodside Academy	20.8	-
Tudor Primary Academy	17.4	-
West Thornton Primary Academy	18.8	-
Winterbourne Junior Boys (Platanos)	36.7	-
Woodcote High School	19.2	-
Woodcote Primary	27.2	-
Woodside Primary Academy	20.8	-

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 2022/23 are detailed below:

Band	2022/23 Range £	Contribution Rate %
1	0 -15,000	5.5%
2	15,001-23,600	5.8%
3	23,601-38,300	6.5%
4	38,301-48,500	6.8%
5	48,501-67,900	8.5%
6	67,901-96,200	9.9%
7	96,201-113,400	10.5%
8	113,401-170,100	11.4%
9	170,101+	12.5%

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

	2022/23	2021/22	% change
Contributing members	9,889	9,860	0.3%
Deferred pensioners	11,813	12,008	(1.6%)
Pensioners	9,439	8,965	5.3%
Total	31,141	30,833	1.0%

8. CONTRIBUTIONS

By Authority:	2022/23 £'000	2021/22 £'000
Administering Authority	45,397	43,565
Scheduled bodies	17,645	14,641
Admitted bodies	2,018	2,793
	65,060	60,999

By Type	2022/23 £'000	2021/22 £'000
Employees normal contributions	15,062	14,191
Employers:		
Normal contributions	49,309	45,682
Deficit recovery contributions	99	157
Augmentation contributions	590	969
	65,060	60,999

9. BENEFITS

By Authority	2022/23 £'000	2021/22 £'000
Administering Authority	52,725	51,407
Scheduled bodies	5,464	4,332
Admitted bodies	4,234	4,428
	62,423	60,167

By Type	2022/23 £'000	2021/22 £'000
Pensions	51,781	48,825
Commutation and lump sum retirement benefits	8,579	9,731
Lump sum death benefits	2,063	1,611
	62,423	60,167

10. MANAGEMENT EXPENSES

	2022/23 £'000	2021/22 £'000
Administration	1,622	1,687
Oversight and Governance	1,199	1,070
Investment management	14,935	13,933
	17,756	16,690

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 2023 the implicit fee was £13,728,892 (2022: £12,929,605) Included in the investment management expenses are £1,748,555 (2022: £743,144) in respect of transaction costs.

11. INVESTMENT INCOME

	2022/23 £'000	2021/22 £'000
Equity dividends- segregated funds	0	(173)
Pooled Equity Income	1,253	504
Pooled Fixed Income	2,537	2,381
Pooled Property funds income	5,579	6,805
Interest on cash deposits	136	21
Total	9,505	9,538

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 RBC (LCIV RBC)
Private equity	Knightsbridge Advisors LLC, Pantheon Ventures LLP, Access Capital Partners and North Sea Capital
Infrastructure	Equitix Limited, Temporis Capital Limited, Green Investment Group Management Limited (GIGM), Access Capital Partners and I-Squared Capital
Fixed Interest	Aberdeen Standard Investments, Wellington Management Company LLP and London LGPS CIV Limited underlying manager PIMCO (LCIV PIMCO)
Property	Schroder Investment Management Limited and M&G Investment Management Limited
Cash	Cash is invested by the in-house team

All managers have discretion to buy and sell investments within the constraints set by the Pension Committee and their respective Investment Management Agreements. Each manager has been appointed with clear strategic benchmarks which place maximum accountability for performance against that benchmark on the investment manager.

The Pension Committee has authorised the Corporate Director of Resources and Section 151 Officer to exercise delegated powers to vary the Pension Fund's target asset allocation between asset classes as is deemed necessary.

The market value and proportion of investments managed by each fund manager at 31 March 2023 was as follows

	2023		2022	
	Market £'000	Market %	Market £'000	Market %
LGIM	670,863	41.5%	695,982	41.4%
London LGPS CIV Limited (LCIV)	150	0.0%	150	0.0%
LCIV PIMCO	81,804	5.1%	87,812	5.2%
LCIV RBC	77,964	4.8%	84,441	5.0%
Pantheon Ventures LLP (Pantheon)	70,784	4.4%	73,363	4.4%
Knightsbridge Advisors LLC (Knightsbridge)	60,742	3.8%	69,120	4.1%
Access Capital Partners (Access)	52,425	3.2%	56,699	3.4%
North Sea Capital	20,251	1.3%	16,521	1.0%
I-Squared Capital	30,311	1.9%	27,230	1.6%
Equitix Limited	78,528	4.9%	75,137	4.5%
Temporis Capital Limited (Temporis)	78,930	4.9%	56,282	3.4%
Green Investment Group Management Limited (GIGM)	21,672	1.3%	24,212	1.4%
Aberdeen Standard Investments (Aberdeen)	122,987	7.6%	132,133	7.9%
Wellington Management Company LLP (Wellington)	57,336	3.5%	67,020	4.0%
Schroder Investment Management Limited (Schroders)	128,356	7.9%	149,627	8.9%
M&G Investment Management Limited (M&G)	63,576	3.9%	64,190	3.8%
Total investments	**1,616,679**	**100.0%**	**1,679,919**	**100.0%**

13. RECONCILIATION IN MOVEMENT IN INVESTMENTS

	Market value 01 April 2022 £'000	Purchases and derivative payments £'000	Sales and derivative receipts £'000	Change in market value £'000	Market value 31 March 2023 £'000
Equities - segregated funds	150	0	0	0	150
Equities - pooled funds	780,422	773	(1,427)	(30,943)	748,825
Private equity funds	183,203	17,793	(31,315)	(2,417)	167,264
Infrastructure funds	215,360	13,505	(23,794)	41,310	246,381
Fixed Interest funds	286,966	2,590	(2,126)	(25,303)	262,127
Pooled Property funds	213,818	8,338	(10,154)	(20,070)	191,932
	1,679,919	**42,999**	**(68,816)**	**(37,423)**	**1,616,679**
Cash deposits	7,003			25	10,634
Investment income due	513				382
Net investment assets	**1,687,435**	**42,999**	**(68,816)**	**(37,398)**	**1,627,695**

	Market value 01 April 2021 £'000	Purchases and derivative payments £'000	Sales and derivative receipts £'000	Change in market value £'000	Market value 31 March 2022 £'000
Equities - segregated funds	150	0	0	0	150
Equities - pooled funds	693,780	504	(1,100)	87,238	780,422
Private equity funds	151,782	19,117	(48,704)	61,008	183,203
Infrastructure funds	170,925	50,229	(33,286)	27,492	215,360
Fixed Interest funds	303,734	2,447	(1,645)	(17,570)	286,966
Pooled Property funds	181,250	18,016	(8,682)	23,234	213,818
	1,501,621	**90,313**	**(93,417)**	**181,402**	**1,679,919**
Cash deposits	10,578			50	7,003
Investment income due	666				513
Net investment assets	**1,512,865**	**90,313**	**(93,417)**	**181,452**	**1,687,435**

14. ANALYSIS OF INVESTMENTS

		2023 UK £'000	2023 Foreign £'000	2023 Total £'000	2022 UK £'000	2022 Foreign £'000	2022 Total £'000
Equities-segregated funds							
London CIV	Unquoted	150	-	150	150	-	150
Total equities		150	-	150	150	-	150
Equities - pooled funds							
LGIM	unit trust	-	670,863	670,863	-	695,982	695,982
LCIV RBC	managed fund	-	77,964	77,964	-	84,441	84,441
Total equities - pooled investments		-	748,827	748,827	-	780,423	780,423
Private equity funds							
Pantheon	managed fund	-	70,784	70,784	-	73,363	73,363
Knightsbridge	managed fund	-	60,742	60,742	-	69,120	69,120
Access	managed fund	-	15,486	15,486	-	24,200	24,200
North Sea Capital	managed fund	-	20,251	20,251	-	16,521	16,521
Total private equity funds		-	167,263	167,263	-	183,204	183,204
Infrastructure funds							
Equitix Limited	managed fund	78,528		78,528	75,137		75,137
Temporis	managed fund	72,027	6,903	78,930	55,124	1,158	56,282
GIGM	managed fund	21,672		21,672	24,212		24,212
Access	managed fund		36,939	36,939		32,499	32,499
I Squared	managed fund		30,311	30,311		27,230	27,230
Total infrastructure funds		172,227	74,153	246,380	154,473	60,887	215,360
Fixed interest funds							
Aberdeen	unit trust	122,987		122,987	132,133		132,133
Wellington	managed fund		57,336	57,336		67,020	67,020
LCIV PIMCO	managed fund		81,804	81,804		87,812	87,812
Total Fixed Interest funds		122,987	139,140	262,127	132,133	154,832	286,965
Pooled property funds							
Schroders	managed fund	128,356		128,356	149,627		149,627
M&G	managed fund	63,576		63,576	64,190		64,190
Total pooled property funds		191,932	-	191,932	213,817	-	213,817
Total investments		**487,296**	**1,129,383**	**1,616,679**	**500,573**	**1,179,346**	**1,679,919**

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

	2023 Market £'000	2023 % of Total Net assets	2022 Market £'000	2022 % of Total Net assets
LCIV PIMCO Global Bond Fund	81,804	4.9%	87,812	5.1%
LGIM FTSE Ex Tobacco World Equity Index	670,863	40.0%	695,982	40.3%

16. CURRENT ASSETS

	2023 £'000	2022 £'000
Cash balances	46,065	44,102
Other Local Authorities - Croydon Council	5,670	1,435
Other Entities and Individuals	929	1,953
	52,664	47,490

17. CURRENT LIABILITIES

	2023 £'000	2022 £'000
Other Local Authorities - Croydon Council	(3,773)	(4,649)
Other entities and individuals	(1,306)	(1,843)
	(5,079)	(6,492)

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 Hopley 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 Corporate Director of Resources and Section 151 Officer and the Head of Pensions and Treasury.

During the year a charge of £126k (2022: £149k) 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.

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 £134.3m at 31 March 2023 (2022:£152.4m) based on:

USD 68.1m at exchange rate 1.24 equals £55.1m (2022: £62.6m)
EUR 62.2m at exchange rate 1.14 equals £54.7m (2022: £61.1m)
GBP £24.5m (2022: £28.7m)

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 £183,282 for 2022/23 are sent directly to the relevant AVC provider.
The value at 31 March 2023 of separately invested additional voluntary contributions was £1.360m (£1.474m in 2021/22).

22. PENSION FUND ACCOUNTS REPORTING REQUIREMENTS

London Borough of Croydon Pension Fund ('the Fund) Actuarial Statement for 2022/23
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 May 2021. 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 out which demonstrate 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 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £1,731 million, were sufficient to meet 97% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £59 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and liability measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 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 2022 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 2022 valuation were as follows:

Financial assumptions	31 Mar 2022
Discount rate	4.0%
Salary increase assumption	2.7%
Benefit increase assumption (CPI)	2.7%

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 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.8 years	25.9 years
Future Pensioners*	22.0 years	24.6 years

*Aged 45 at the 2022 Valuation

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund’s website.

Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine, a short-term change in UK fiscal policy and global inflationary pressures. As a result, asset returns have lagged expectation while members received a higher than anticipated benefit increase of 10.1% in April 2023. However, these impacts were more than offset by a material increase in expected future returns due to rising interest rates which decreased the value placed on the Fund’s liabilities. Therefore, Fund’s funding level increased significantly in the year to 31 March 2023.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Robert McInroy FFA
04 July 2024
For and on behalf of Hymans Robertson LLP

22. PENSION FUND ACCOUNTS REPORTING REQUIREMENTS (continued)

Pension Fund Accounts Reporting Requirement
Introduction
CIPFA's Code of Practice on Local Authority Accounting 2022/23 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 2023 £m	31 Mar 2022 £m
Active members	561	999
Deferred members	444	605
Pensioners	795	735
Present Value of Promised Retirement Benefits*	1,800	2,339

The promised retirement benefits at 31 March 2023 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The 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 2023 and 31 March 2022. I estimate that the impact of the change in financial assumptions to 31 March 2023 is to decrease the actuarial present value by £911m. I estimate that the impact of the change in demographic assumptions is to increase the actuarial present value by £15m.

Financial Assumptions

Year ended	31 Mar 2023 %p.a.	31 Mar 2022 %p.a.
Pensions Increase Rate	2.95%	3.20%
Salary Increase Rate	2.95%	3.20%
Discount Rate	4.75%	2.70%

Demographic Assumption
The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.6 years	24.3 years
Future Pensioners (assumed to be age 45 at the latest formal valuation)	22.4 years	25.7 years

All other demographic assumptions are unchanged from last year and as per the latest funding valuation of the Fund.

Sensitivity Analysis
CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivies regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year	Approximate %	Approximate monetary
0.1% p.a. decrease in the Discount Rate	2%	31
1 year increase in member life expectancy	4%	72
0.1% p.a. increase in the Salary Increase Rate	0%	2
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	30

Professional Notes
This paper accompanies the 'Accounting Covering Report – 31 March 2023' which 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:-

Adrian Loughlin FFA

04 July 2024

For and on behalf of Hymans Robertson LLP

23. EVENTS AFTER THE REPORTING PERIOD

24. FINANCIAL INSTRUMENTS

Below is the target asset allocation agreed by Pension Committee and in force during 2022/23

Asset Class	Benchmark	Weighting
UK and Overseas Listed Equities	FTSE Developed World (ex Tobacco) Index MSCI World (NDR) Index	42% + / - 5%
Fixed Interest Securities	Markit iBoxx Sterling Non-Gilts Index ICE Bank of America Merrill Lynch Sterling Broad Market index Barclays Aggregate - Credit Index Hedged (GBP) SONIA	23% + / - 5%
Property	MSCI All Balanced Property Funds Index All Balanced property Index	10% + / - 3%
Private Rental Sector Property	Target return 6-8%	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.
The carrying value for Pension Funds is the same as the Fair Value.

31 March 2023

	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	262,127	-	-
Equities - segregated funds	150	-	-
Pooled property funds	191,932	-	-
Private equity funds	167,264	-	-
Infrastructure funds	246,381	-	-
Global equities - pooled investments	748,825	-	-
Other investment balances	-	11,016	-
Current Assets	-	52,664	-
Total Financial Assets	**1,616,679**	**63,680**	**-**
Financial Liabilities			
Current liabilities	-	-	(5,079)
Total Financial Liabilities	**-**	**-**	**(5,079)**
Net Assets	**1,616,679**	**63,680**	**(5,079)**

31 March 2022

	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	286,966	-	-
Equities - segregated funds	150	-	-
Pooled property investments	213,818	-	-
Private equity funds	183,203	-	-
Infrastructure funds	215,360	-	-
Global equities - pooled investments	780,422	-	-
Other investment balances	-	7,516	-
Current Assets	-	47,490	-
Total Financial Assets	**1,679,919**	**55,006**	**-**
Financial Liabilities			
Current liabilities	-	-	(6,492)
Total Financial Liabilities	**-**	**-**	**(6,492)**
Net Assets	**1,679,919**	**55,006**	**(6,492)**

24. FINANCIAL INSTRUMENTS (Continued)

Net Gains and Losses on Financial Instruments

		31 March 2023 £'000	31 March 2022 £'000
Financial assets			
Designated at fair value through profit and loss	-	37,423	181,402
Financial assets at amortised cost		25	50
	-	**37,398**	**181,452**
Financial liabilities			
Designated at fair value through profit and loss		-	-
Financial liabilities at amortised cost		-	-
		-	**-**
Total	**-**	**37,398**	**181,452**

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 fixed 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 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets at fair value through profit and loss				
Fixed Interest funds		262,127		262,127
Global equities - segregated funds			150	150
Pooled property investments			191,932	191,932
Private equity funds			167,264	167,264
Infrastructure funds			246,381	246,381
Global equities - pooled investments		748,825		748,825
Financial Assets at amortised cost				
Other investment balances	11,016			11,016
Current Assets	52,664			52,664
Total Assets	63,680	1,010,952	605,727	1,680,359
Financial Liabilities at amortised cost				
Current liabilities	(5,079)	-	-	**(5,079)**
Net financial assets	**58,601**	**1,010,952**	**605,727**	**1,675,280**

Values at 31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets at fair value through profit and loss				
Fixed Interest funds		286,966		286,966
Global equities - segregated funds			150	150
Pooled property funds			213,818	213,818
Private equity funds			183,203	183,203
Infrastructure funds			215,360	215,360
Global equities - pooled investments		780,422		780,422
Financial Assets at amortised cost				
Other investment balances	7,516			7,516
Current Assets	47,490			47,490
Total Assets	55,006	1,067,388	612,531	1,734,925
Financial Liabilities at amortised cost				
Current liabilities	(6,492)	-	-	**(6,492)**
Net financial assets	**48,514**	**1,067,388**	**612,531**	**1,728,433**

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

2022/2023	Market value 01 April 2022 £'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 2023 £'000
Private Equity Funds	183,203			17,793	(31,315)	48,704	(51,121)	167,264
Infrastructure Funds	215,360			13,505	(23,794)	33,286	8,024	246,381
Pooled Property Funds	213,818			8,338	(10,154)	8,682	(28,752)	191,932
Unquoted Equity	150							150
Total assets	612,531	----	----	39,636	(65,263)	90,672	(71,849)	605,727

2021/2022	Market value 01 April 2021 £'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 2022 £'000
Private Equity Funds	151,782			19,117	(48,704)		61,008	183,203
Infrastructure Funds	170,925			50,229	(33,286)		27,492	215,360
Pooled Property Funds	181,250			18,016	(8,682)		23,234	213,818
Unquoted Equity	150							150
Total assets	504,107	----	----	87,362	(90,672)	----	111,734	612,531

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. .

Level 3 Asset	Market value 31 March 2023 £'000	Value on Increase £'000	Value on Decrease £'000
Private Equity Funds	167,264	183,990	150,538
Infrastructure Funds	246,381	271,019	221,743
Pooled Property Funds	191,932	211,125	172,739
Unquoted Equity	150	165	135
Total	**605,727**	**666,300**	**545,155**

Level 3 Asset	Market value 31 March 2022 £'000	Value on Increase £'000	Value on Decrease £'000
Private Equity Funds	183,203	201,523	164,883
Infrastructure Funds	215,360	236,896	193,824
Pooled Property Funds	213,818	235,200	192,436
Unquoted Equity	150	165	135
Total	**612,531**	**673,784**	**551,279**

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 2022	1,679,919	1,847,911	1,511,927
At 31 March 2023	**1,616,679**	**1,778,347**	**1,455,011**

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 2022	338,071	334,690	341,452
At 31 March 2023	**318,827**	**315,639**	**322,015**

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 2023 £'000**
Overseas equities securities (unhedged portion)	77,964
Overseas Private Equity and Infrastructure	241,416
Overseas fixed interest	139,140
Overseas Private Equity and Infrastructure (outstanding commitments)	109,748
Total assets	568,268

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 2022	419,247	461,172	377,322
At 31 March 2023	**568,268**	**625,095**	**511,441**

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

Credit risk
Credit risk is the risk that parties in whom the Fund invests may fail to pay amounts that are due to the Pension Fund. For example an entity in which the Pension Fund invests may fail. This risk is minimised by investing in specialist fund managers across different asset classes and geographical regions. Additionally there is a risk that an admitted body will be unable to meet its contributions obligations. Contribution receipts are monitored monthly and, if necessary, remedial action is taken.

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

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council invests 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 uncollectable deposits over the past six financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2023 was £46.1m (£44.1m at 31 March 2022). This was held with the following institutions:

Summary	Rating at 31 March 2023	Balances as at 31 March 2023 £'000	Balances at 31 March 2022 £'000
Money Market Funds	AAA		
Goldman Sachs Sterling Liquid Reserves Fund		15,900	20,000
Other Local Authorities		30,000	10,000
Current Account			
NatWest Bank		165	14,102
Total		46,065	44,102

Liquidity risk
Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments. The Council has immediate access to its Pension Fund cash holdings including cash invested in money market funds. The Fund defines liquid assets as assets that can be converted to cash within three months. Non-liquid assets are those assets which will take longer than three months to convert into cash. All financial liabilities at 31 March 2023 are due within one year.

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

GLOSSARY OF TERMS

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

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

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

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

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

AMORTISATION
The equivalent of depreciation for intangible assets.

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

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

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

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

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

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

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

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

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

COUNCIL TAX
A system of local taxation on domestic property introduced from 1st April 1993. It is set by both the billing and precepting Authorities at a level determined by the Council Tax base for the area.

COUNCIL TAX BASE
An amount calculated by the billing authority, by applying the band proportions to the total properties in each band in order to ascertain the number of band D equivalent properties in the Authority's area. The Tax base is also used by the precepting and some levying bodies in determining their charge to the area.

GLOSSARY OF TERMS

CREDITORS
Amounts owed by the Authority for goods and services received where payment has not been made at the date of the Balance Sheet.

DEBTORS
Amounts owed to the Authority for goods and services provided at the date of the Balance Sheet.

DEDICATED SCHOOLS GRANT (DSG)
Funding received by Local Authorities to meet specific school related costs. Much of this funding is delegated directly to schools, and managed by schools locally.

DEPRECIATION
A provision made in the accounts to reflect the value of assets used during the year. Depreciation forms part of the capital charge made to service revenue accounts and is covered by International Accounting Standard (IAS) 16.

EARMARKED RESERVES
Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish a provision.

EVENTS AFTER THE REPORTING PERIOD
Events after the Reporting Period are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

FAIR VALUE
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FINANCE AND OPERATING LEASES
A finance lease is one that transfers a substantial proportion of the risks and rewards of a non-current asset to the lessee. With a finance lease the present value of the lease payments equates to substantially all of the value placed on the leased asset. For an operating lease a rental payment is payable to the lessor for the use of the asset and the ownership reverts to the owner when the lease is terminated.

FINANCIAL INSTRUMENT
A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

GENERAL FUND (GF)
The Council's main revenue account that covers the net cost of all services other than the provision of Council housing for rent.

GOVERNMENT GRANTS
Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an Authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

GROSS EXPENDITURE, GROSS INCOME AND NET EXPENDITURE
Gross Expenditure and Gross Income arise from the provision of services as shown in the General Fund and exclude the Direct Services/Labour Organisation accounts. Net Expenditure is the cost of service provision after the income is taken into account.

HERITAGE ASSETS
These are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

HOUSING REVENUE ACCOUNT (HRA)
A statutory account that contains all expenditure and income on the provision of Council housing for rent. The HRA must be kept entirely separate from the General Fund and the account must balance. Local Authorities are not allowed to make up any deficit on or transfer any surplus to the HRA from the General Fund.

IAS19
The International Accounting Standard is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

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.

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 its 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, some of which may be payable over to the Ministry of Housing, Communities and Local Government (MHCLG) under pooling arrangements over multiple years.

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.