Statement of Accounts 2017/18

30 July 2018

CROYDON
www.croydon.gov.uk

COMMUNITY LANGUAGES

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

Bengali

[illegible] করুন 020 8726 6000.

Chinese

[illegible] 020 8726 6000 [illegible]

Francais

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

Gujarati

[illegible] 020 8726 6000 [illegible]

Hindi

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

Punjabi

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

Somali

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

Tamil

[illegible]
தொ. 020 8726 6000.

Turkish

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

Urdu

[illegible]
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 Executive Director of Resources and Section 151 Officer;
- ► to approve the Statement of Accounts.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTOR OF RESOURCES AND SECTION 151 OFFICER

The Executive Director of Resources and Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2018.

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

- ► selected suitable accounting policies and then applied them consistently;
- ► made judgements and estimates that were reasonable and prudent;
- ► complied with the Code of Practice;
- ► kept proper accounting records which are up to date; and
- ► taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATE OF THE EXECUTIVE DIRECTOR OF RESOURCES AND SECTION 151 OFFICER

LONDON BOROUGH OF CROYDON AND LONDON BOROUGH OF CROYDON PENSION FUND
FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

CERTIFICATE of the Executive Director of Resources and Section 151 officer

I certify that this Statement of Accounts is an accurate summary of the accounts of the London Borough of Croydon and the London Borough of Croydon Pension Fund, for the financial year 2017/18 prepared in accordance with the accounting policies stated.

Richard Simpson,
Executive Director of Resources and Section 151 officer

Cllr Stephen Mann
Chair, General Purposes and Audit Committee

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

We have audited the financial statements of the London Borough of Croydon (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2018 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account - Comprehensive Income and Expenditure Statement, the Movement in Reserves on the HRA Statement, the Collection Fund, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cashflow Statement and all notes to the financial statements, including the Accounting Policies to the Core Financial Statements and the Group Accounts. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18

In our opinion, the financial statements:

► give a true and fair view of the financial position of the group and of the Authority as at 31 March 2018 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;

► have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and

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

Basis for opinion

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

Who we are reporting to

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

Conclusions relating to going concern

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

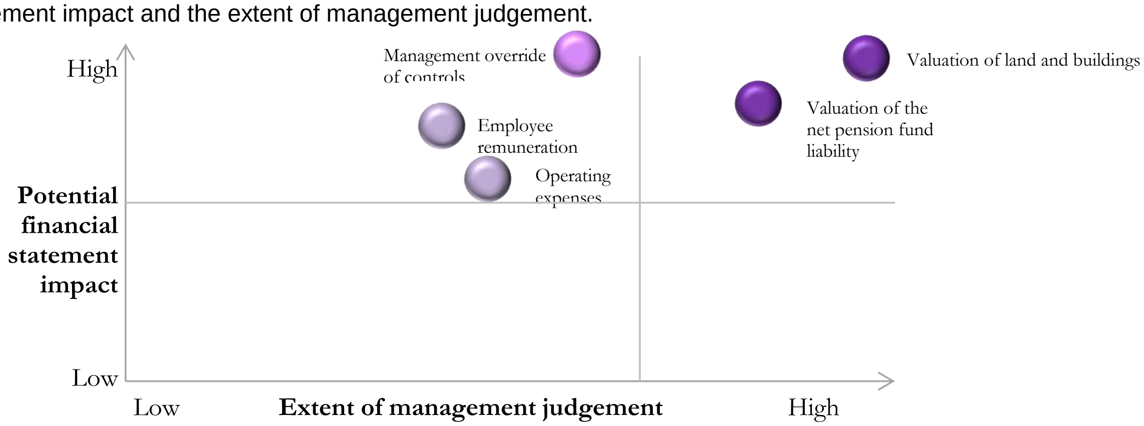
- the Executive Director of Resources and Section 151 officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director of Resources and Section 151 officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall materiality: £23,483,000, which represents 2% of the group's gross expenditure;
- Key audit matters were identified as
    - o Valuation of land and buildings
    - o Valuation of the net pension fund liability
- We performed a full scope audit of the Authority
- We issued group instructions to colleagues at Grant Thornton UK LLP in respect of their full scope audit of Brick by Brick Croydon Limited for the year ended 31 December 2017 and carried out targeted procedures on the subsidiary's expenditure for the three months to 31 March 2018

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



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

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

Key Audit Matter - Group and Authority
Risk 1 Valuation of property, plant and equipment
The Authority re-values its Council dwellings annually and its other classes of land and buildings on a quinquennial basis to ensure that their carrying value is not materially different from fair value. This includes the valuation of council dwellings, other land and buildings and surplus assets not held for sale components of the Authority's property, plant and equipment. This represents a substantial estimate by management in the core financial statements and group accounts, due to the size of the valuation and the sensitivity of the valuation to changes in the changes in significant judgements. We therefore identified the valuation of land and buildings as a significant risk, which was one of the most major assessed risks of material misstatement,

How the matter was addressed in the audit - Group and Authority
Our audit work included, but was not restricted to:
- review of management's processes and assumptions for calculation of the valuation estimate;
- evaluating the competence, objectivity and capabilities of the Authority's valuation experts;
- consideration of the completeness and accuracy of the data supplied by the Authority to the valuation experts;
- discussions with the Authority's valuation experts about the basis on which the valuation was carried out, challenging the key assumptions;
- for a sample of assets revalued in the year, agreeing the valuation in the valuer's reports to the Authority's asset register and the financial statements; and
- considering the adequacy of management's assessment to determine whether the carrying value of property, plant and equipment not revalued in year was not materially different to its current value
  The Authority's accounting policy on the valuation of property, plant and equipment is shown in note 1.4 to the core financial statements and related disclosures are included in notes 12 and 14 to the core financial statements.

Key observations
We obtained sufficient audit assurance to conclude that;
- the basis of the valuation was appropriate and the assumptions and processes used by management in determining the estimate were reasonable;
- the valuation of land and buildings recognised in the financial statements is reasonable

Risk 2 Valuation of the net pension fund liability
The Authority annually engages an actuary to value its net pension fund liability in respect of the Local Government Pension Scheme. Due to is size and sensitivity to changes in key assumptions, this represents a substantial estimate by management in the core financial statements and group accounts. We therefore identified the valuation of the net pension fund liability as a significant risk, which was one of the most major assessed risks of material misstatement.

How the matter was addressed in the audit - Group and Authority
Our audit work included, but was not restricted to:
- gaining an understanding of the processes an controls put in place by management to ensure that the net pension fund liability was not materially misstated and evaluating the design of the associated controls;
- evaluation of the competence, objectivity and capabilities of the Authority's actuary who carried out the pension fund valuation;
- gained an understanding of the basis on which the IAS 19 valuation was carried out;
- evaluating the appropriateness of the significant assumptions used by management and their actuary in arriving at a valuation of the net pension fund liability; and
- verifying the consistency of the pension fund gross asset and gross liability figures and associated disclosures in the notes to the core financial statements with the actuarial report from the actuary.

The Authority's accounting policy on the valuation of the net pension fund liability is shown in note 1.10 to the core financial statement and related disclosures are included in note 42 to the core financial statements.

Key observations
We obtained sufficient audit assurance to conclude that;
- the basis of the valuation was appropriate and the assumptions and processes used by management in determining the estimate were reasonable;
- the valuation of the net pension liability recognised in the financial statements is reasonable

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

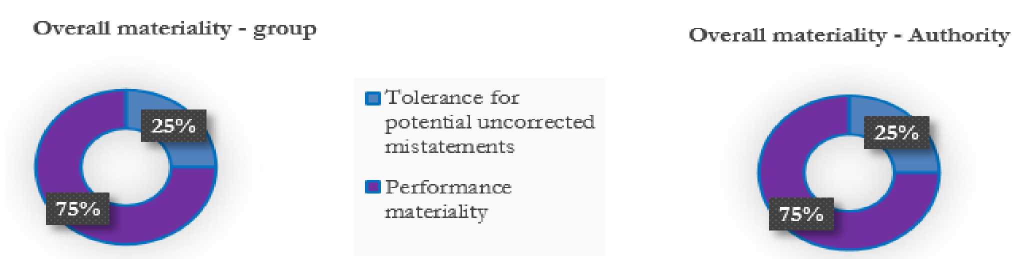
Our application of materiality

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

Materiality was determined as follows:

Materiality Measure	**Group**	**Authority**
Financial statements as a whole	£23,483,000 which is 2% of the Group's gross net cost of services expenditure. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue and other funding. Materiality for the current year is at the same percentage level of gross expenditure as we determined for the year 31 March 2017 as we did not identify any significant changes in the Group or the environment in which it operates.	£23,481,000 which is 2% of the Authority's gross net cost of services expenditure. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Authority has expended its revenue and other funding. Materiality for the current year is at the same percentage level of gross expenditure as we determined for the year ended 31 March 2017 as we did not identify any significant changes in the Authority or the environment in which it operates.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality	75% of financial statement materiality
Specific materiality	No specific materiality has been set in relation to the Group Accounts	Senior officers remuneration disclosures: £10,000 Related party transactions disclosures: £1,000,000
Communication of misstatements to the General Purpose and Committee	£1,000,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£1,000,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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



An overview of the scope of our audit

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

- Gaining an understanding of significant changes to the Group structure and obtaining supporting evidence to corroborate accounting transactions and disclosures within the financial statements;
- Evaluation of identified components to assess the significance of each component and to determine the planned audit response based on a measure of the materiality and significance of the component as a percentage of the group's: current assets, total assets, current liabilities, total liabilities, equity, income and expenditure. A full scope, targeted or analytical approach was taken for each component based on their relative materiality to the group and our assessment of audit risk;
- Full scope audit procedures on the Authority, which represents 100% of the group's total income, 99.95% of its total expenditure and 94% of its net assets;
- Issuing group instructions to colleagues at Grant Thornton UK LLP in respect of their full scope audit of Brick by Brick Croydon Limited for the year ended 31 December 2017, using results of their full scope audit together with additional sample testing by the group audit team of work in progress expenditure of Brick by Brick Croydon Limited for the period of 1 January 2018 to 31 March 2018. Brick by Brick Croydon Limited represents 0% of the total income of the group, 0.05% of its expenditure and 6% of its total net assets;
- Gaining an understanding of and evaluating the Authority's internal control environment, including its financial and IT systems and controls; and
- Substantive testing of the income, expenditure and net assets for each significant component. Testing undertaken covered 99.4% of Group income, 99.9% of Group expenditure, 99.6% of group assets and 98.5% of group liabilities.

There was no significant changes in the scope of the audit or procedures performed in respect of key audit matters identified compared to the prior year.

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

Other information
The Executive Director of Resources and Section 151 officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages1 to 5 and 9 to 16 and the Annual Governance Statement, other than the group and Authority financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

We have nothing to report in this regard.

Our opinion on other matter required by the Code of Audit Practice is unmodified
In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
Under the Code of Audit Practice we are required to report to you if:
- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014

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

Responsibilities of the Authority, the Executive Director of Resources and Section 151 officer and Those Charged with Governance for the financial statements
As explained more fully in the Statement of Responsibilities set out on pages 4 to 5, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure the one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Resources and Section 151 officer. The Executive Director of Resources and Section 151 officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Executive Director of Resources and Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Resources and Section 151 officer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the group or the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by group or the Authority.

The General Purposes and Audit Committee is Those Charged with Governance.

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

Auditor's responsibilities for the audit of the financial statements

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

We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). Our audit approach is a risk-based approach and is explained more fully in the 'An overview of the scope of our audit' section of our audit report.

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

Other matters which we are required to address

We were appointed by Audit Commission on 26 July 2012 for a period of five years. This engagement was extended by Public Sector Audit Appointments Ltd to continue for the year ended 31 March 2018. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is six years.

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

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

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

Qualified conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2017, except for the effects of the matter described in the basis for qualified conclusion section of our report, we are satisfied that, in all significant respects, the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for qualified conclusion

In considering the Authority's arrangements for securing economy, efficiency and effectiveness we identified the following matter:

In September 2017, Ofsted issued its report on the inspection of the Authority's services for children in need of help and protection, children looked after and care leavers and review of the effectiveness of the Local Safeguarding Children Board. The overall judgement was that children's services were rated as inadequate.

Following consideration of Ofsted's report, the Secretary of State for Education concluded that the Authority was failing to deliver children's services to an adequate standard and appointed a commissioner to review whether the most effective way of securing and sustaining improvement in Croydon is to remove the control of children's social care from the Authority for a period of time. The commissioner reported in January 2018 and recommended that the Authority retain responsibility for provision of children's services. The commissioner highlighted that significant challenges remain and that "the scale of the challenge is just beginning to be understood".

This matter is evidence of weaknesses in proper arrangements for understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management, and for planning, organising and developing the workforce effectively to deliver strategic priorities.

Responsibilities of the Authority

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

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor Practice determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority out in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

Report on other legal and regulatory requirements - Certificate

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit Government Accounts and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice. (WGA) Component Assurance statement for the Authority for the year ended 31 March 2018. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We also cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2018 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Local Audit and Accountability Act 2014. We are satisfied that this matter does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Sarah L Ironmonger

Sarah Ironmonger
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

St Johns House
Haslett Avenue West
Crawley
West Sussex
RH10 1HS

30 July 2018

INTRODUCTION

I am pleased to introduce the Council's Statement of Accounts for 2017/18. This statement summarises the Council's financial performance during 2017/18 showing expenditure on all services during the year and the Council's financial position as at 31 March 2018. 2017/18 marks the first year local authorities are required to complete their accounts by 31 May and publish them by 31 July.

CHALLENGES

The Council has met the challenge of reductions in grant since 2010 and maintained a robust financial position. 2017/18 was the second year of a four year funding agreement agreed with government. The purpose of this agreement which was accepted by Croydon was to help local authorities prepare to become more self sufficient by 2020 which will mark the end of current comprehensive spending review. The multi-year settlements would provide funding certainty and stability and therefore enable the authority to plan more proactively. The grant received in 2017/18 resulted in a £12.9m (11.2%) reduction compared to the previous year.

During 2017/18 the Council has continued to experience an increase in demand for services, particularly in the People department. Significant effort has been made to manage these pressures and bring them under control without bringing in short term measures that could have an adverse impact on long term costs. In year the Council has continued to fund a number of exceptional items which we believe should be funded by the government including Unaccompanied Asylum Seeking Children, no recourse to public funds and costs associated with appeal rights exhausted. We have also funded essential Fire Safety works from our capital programme. We are continuing to lobby the government in relation to fair funding of these areas.

As a result the final budget position for the Council is £5.032m overspend.

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

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

MEDIUM TERM FINANCIAL STRATEGY

The Councils report on the General Fund and HRA budget 2018/20 detailed out how the budget was balanced for 2018/19 and gave an update on the medium term. 2018/19 is the third year of the four year funding agreement with the government and the council continues to face a level of uncertainty regarding the medium term.

To set a balanced budget for 2018/19 the council made a number of key assumptions around the level of growth for areas where demand and costs had increased, alongside savings to offset this growth. Assumptions have also been made for 2019/20 with a current gap of £6.3m in 2019/20. Whilst the government has provided a degree of certainty on the reductions in funding until 2020, the end of the spending review period, this is subject to future decisions of the government and on the economic position.

Part of these assumptions for the medium term include the continued delivery of our transformation programme and the use of capital receipts to fund transformation projects. Detail of some projects that have already taken place in 2017/18 are outlined in table 2 of this narrative statement

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

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

In addition the council also have been in a position over the last 4 years to declare a council tax surplus as a result of tax base growth and improved collection rates.It is envisaged that this will continue over the 2018/20 period Assumptions have been built in for consideration as part of the 2019/20 budget setting process.The Council continues to make improvements in its overall financial standing, which has been demonstrated through progress towards targeted levels of general fund balances and the Council's ability to manage the significant in-year risks in a corporate and planned way.

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

PERFORMANCE

During 2017/18 the council has made significant improvements in a number of service areas. Below are examples of our key major achievements and improvements :

Education and Learning

- An important starting point for learning is the Early Years Foundation Stage which is crucial to ensuring future success. Croydon's performance in the Early Years Foundation Stage at age 5 improved significantly from 64.7% in 2015 to 73.4% in 2017. Performance in Croydon has been better than the national average for the past 2 years. The national average in 2017 was 70.7%.
- 85.7% of our secondary schools are judged to be Good or Outstanding by Ofsted, which is higher than the national average. Almost 50% of secondary aged pupils attend an Outstanding School, significantly higher than the national average of 27%.
  84.4% of our Primary schools are judged as being good or better.

Roads, Transport and Streets

- Town centre improvements including upgrading East Croydon bus station to provide new shelters, better lighting, signage, improved pedestrian access, seating and tree planting has been completed.
- Extending the 20mph limit across 80% of the borough.
- Continuation of our public realm programme to enhance and improve the public space including the cycle network.

Housing

- Helped over a 1,000 of Croydon's most severely affected families avoid homelessness
- Successful prevention work has reduced the number of new placements in B&B which has fallen by 24 % from 108 per month a year ago to 82. Intervention events held for households in (B&B) have resulted in 81 households moving out of B&B to other housing solutions. As a result, we are ahead of the Council's target of reducing B&B households to 750 by the end of the year.

Housing (continued)

- ► The shortage of affordable housing across Greater London continues to have an impact on Croydon's costs relating to homelessness. There has been a concerted effort to manage the demand for emergency and temporary housing through targeted interventions at earlier stages as well as through changing the messaging around the homelessness journey. This has led to an overall reduction in the number of families housed in bed and breakfast (B&B) accommodation and other types of temporary housing. These efforts have contributed to the ongoing success of lobbying to central government to secure additional funding for both the 2017/18 financial year and for future years including £579k related to Croydon's work as a Universal Credit pilot authority in 2017/18 and an increased allocation of Flexible Homelessness Support Grant agreed for 2019/20.
- ► 105 empty properties have been returned to use during 2017/18.
- ► Brick by Brick Croydon Limited, the housing development company established by the council, has obtained planning permission on over 30 sites throughout the borough with many more at pre-application stage, and work has started on a number of these sites.
- ► Work is progressing on a number of initiatives to meet the ongoing lack of affordable long-termaccommodation in the private sector. During 2017/18 46 units of private rented accommodation for homeless families were secured through this route.
- ► A new charitable body has been set up to oversee our new LLP, Croydon Affordable Homes. Croydon Affordable Homes will acquire 250 two & three bedroomed properties to create a portfolio of affordable accommodation for homeless families. So far, completions have been achieved on 40 properties with a further 148 awaiting completion.

Independence

- ► Assisted more than 8,000 residents become more financially independent and supported over 180 into employment
- ► The homelessness prevention trailblazer project, working closely with the Department for Work and Pensions proactively managed the impact of new welfare and benefit changes on customers and helps to prevent homelessness
- ► Local family offer with targeted approach towards families at risk of financial and housing instability and working with families in a co-ordinated way to achieve positive outcomes.
- ► Croydon Choice – choice based lettings service launched which has been live for over a year now. In that time around 300 homes have been let, attracting a total of 58,451 bids from registered applicants.
- ► The Council has developed an in-house community reablement team as part of a wider transformation of the way the Council provides reablement and other support services for older people. Our performance in enabling older people leaving hospital to remain at home is now well above target and exceeds the London and England averages.

Clean and Green/Don't Mess with Croydon

- ► Croydon continues its efforts in creating and maintaining a cleaner, greener environment, with the Don't Mess With Croydon campaign continuing to impact on waste crime and street cleanliness. Local residents and businesses continue to work closely with the Council to improve their local environment. At the end of March 2018, the Council had successfully prosecuted 196 offenders under the Don't Mess With Croydon clampdown.
- ► The team of dedicated Street Champions continues to grow and numbers over 330.The number of Community Clean-ups has increased to over 100 this year and we have encouraged over 300 people to sign up as community champions.
- ► The number of fly-tips collected within 48 hours has increased. The performance represents a year-on-year improvement and is significantly higher than the 3% of fly tips collected within 48 hours in 2014, 80% of fly-tips are cleaned up within the 24 hour period. Croydon has seen a 21% fall in the number of recorded fly-tips across the borough over a six-month period this year, compared with last year's figures.
- ► Subscriptions to the green garden waste collection service have increased and the household reuse and recycling centres continue to recycle the vast majority of materials.

Clean and Green/Don't Mess with Croydon (continued)

- ► New Addington and East Croydon have introduced street vacuums as part of an ongoing £1.3m council investment in new cleaning equipment.
- ► With the publication of the five-year draft Air Quality Action Plan, earlier in the year, the council began the process of reducing air pollution that affects the health and well-being of everyone in Croydon.
- ► In February 2018, the council started to plant 700 trees on the borough's streets. This is the start of annual planning until 2023 as part of a drive to improve local air quality, particularly in the central and northern wards around the borough.
- ► To enhance future service delivery the Council has sourced a new waste contract, as part of the South London Waste Partnership (SLWP). This will harmonise waste collection services across Croydon, Kingston, Merton and Sutton, realising substantial cost savings for the four boroughs and securing a robust set of KPIs with more ambitious targets than Croydon's current contract. The new contract will take effect in April 2018 for Street Cleansing services, and October 2018 for waste collection services.

Leisure and Culture

- ► A new leisure services contract commenced in March 2018, and will see the leisure centres' gym facilities refurbished to provide state-of-the-art facilities. As a result of the new contract, which will also see the council make savings of over £1m by 2021, this partnership we will deliver first class leisure facilities across the borough, encouraging more people to use them and enjoy a healthier lifestyle, along with creating new employment opportunities for local people and bringing the wider benefits of the Better brand to the residents of Croydon. These include significant investment in facilities and widening active participation through more use of the borough's parks.

GOING CONCERN

Accounts drawn up under the Code assume that a Local Authority's services will continue to operate for the foreseeable future. The Council maintained strong financial controls, which have been has demonstrated by the early identification and management of financial risks during the year. A balanced budget has been set for 2018/19, and despite the tough financial climate, the Council continues to deliver against it's financial targets and will continue to do so in accordance with its medium term financial strategy.

GENERAL FUND RESERVES AND BALANCES 2017/18

Table 1 below shows the Council's balances and useable reserves at 31 March 2018 compared with the previous two years. The Council holds Useable Reserves to support the provision of its activity, as well as to mitigate risk and account for timing differences between receipt of funds and delivery. During 2017-18, overall useable reserves have reduced by £1.2m, as set out below:

Table 1 - Movement in Reserves and Balances

Reserves and Balances	2015/16 £m	2016/17 £m	2017/18 £m
General Fund Balances	10.7	10.7	10.4
Earmarked Reserves excluding schools	40.1	30.1	15.7
Capital Receipts Reserve	31.8	46.0	55.4
Capital Grants Unapplied	8.3	10.8	14.3
Housing Revenue Account	13.6	13.8	16.4
Total	**104.5**	**111.4**	**112.2**

Further details about reserves can be found in Note 8, and Note 22.

TRANSFORMATION

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

Table 2 below provides details of the transformation projects that have been funded from capital receipts during 2017/18

Table 2 - Transformation Projects

	2017/18 £'000
Housing Initiatives	580
Adult Social Care new Initiatives	3,119
Childrens Services	3,230
Environment Projects	556
Demand Management	2,510
Transformation programme including ICT	4,508
Total	**14,503**

To date £14.5m of projects have been funded from the flexible capital receipts with a further £6m earmarked to be funded in future years. Further details about the projects will be provided in the outturn report to the General Purposes and Audit Committee.

HOUSING REVENUE ACCOUNT (HRA)

The final outturn shows a surplus of £1.981m which has been transferred to HRA reserves. The variances to budget that are on-going will be included in the budget planning for 2018/19. Capital expenditure totalled £26.325m.

Despite income to the HRA in 2016/17 and 2017/18 reducing due to the 4 year period of enforced 1% rent reduction a surplus position has been reached in both 2016/17 and 2017/18. The increase in the reserve balances is expected to prove essential over two further years of reducing rents alongside the completion of the sprinkler programme and other fire safety works planned for 2018/19. New affordable housing for Croydon is now expected to be delivered by partner organisations Brick by Brick Croydon Limited and Croydon Affordable Homes LLP, hence the move to simplifying the reserve balances presented. Table 3 below shows the HRA balances and reserves as at 31 March 2018 compared with previous years:

Table 3 - Housing Revenue Account Balances and Reserves

Balances and reserves	2015/16 £m	2016/17 £m	2017/18 £m
Housing Revenue Account balances	11.817	12.555	14.535
Major Repairs Reserve	1.785	1.290	1.929
Total	**13.6**	**13.8**	**16.5**

CAPITAL

The original approved capital programme (excluding the Housing Revenue Account) totalled £414m, which was amended during the year to £255m to reflect both programme slippage and re-profiling of schemes. Outturn capital spend was £153m, with the resultant underspend of £102m (40%) mainly attributable to slippage in the delivery of schemes. The impact of slippage from 2017/18 into the 2018/19 capital programme will be considered as part of the first Financial Performance report for 2018/19 to Cabinet.

Capital schemes in 2017/18 included the delivery of:

- Education Estates Strategy
- Commencement of the New Addington Leisure Centre
- Restoration of Old Ashburton Library
- Improvements to the Public Realm

CAPITAL (continued)

- Commencement of Growth Zone
- House building by the councils wholly owned development company Brick by Brick Croydon Limited
- Refurbishment of the Fairfield Halls
- Financing for Affordable Homes

PENSION FUND

The Council's Pension Fund increased in value during 2017/18 by 2.5%. Table 4 below shows the change in the value of the Council's Pension Fund in 2017/18:

Table 4 – Pension Fund Performance 2017/18

Detail of Composition of Net Assets	2016/17 £m	2017/18 £m	Net Increase / (Decrease) £m	Change %
Total Investments	1,046.186	1,114.702	68.516	6.5%
Other balances held by Fund Managers	2.697	1.465	(1.232)	(45.7%)
Debtors	3.090	4.052	0.962	31.1%
Cash Held by:				
Fund Managers	17.460	8.603	(8.857)	(50.7%)
London Borough of Croydon	36.164	17.380	(18.784)	(51.9%)
Creditors	(1.542)	(6.759)	(5.217)	338.3%
Net Assets at Year End	**1,104.055**	**1,139.443**	**35.388**	**3.2%**

Other balances held by Fund Managers comprises outstanding trades, outstanding dividends and tax reclaimable. The net value of the Fund has increased by 2.5% over the reporting period. The diversified nature of the investment strategy has ensured that the fund has been able to deliver growth throughout the year, albeit in aggregate, performance was marginally below the benchmark set. In response to a changing macro-economic landscape, the strategic asset allocation has been reviewed. The process of restructuring the asset allocation is ongoing.

COLLECTION FUND

The Collection Fund is a ring-fenced account into which all sums relating to Council Tax and Business Rates are paid. Any deficits on the Fund, in relation to Council Tax or Business Rates, must be met by the precepting bodies, but any surpluses can be used by those bodies to fund expenditure within their own organisation. The Collection Fund reported a surplus of £12.050m as at 31st March 2018 (£12,190m in the previous year). The overall surplus was a result of continued buoyancy in the council tax base, and continued improvements in collection rates, although the Council continues to face risks around appeals from businesses about their rateable value, which determines the level of business rates payable.

A council tax surplus of £5.902m and business rates surplus of £13.086m was declared in January 2018. The difference between the amount declared in January 2018 and the year-end position will be carried into 2018/19 and will be distributed to preceptors as part of the 2019/20 budget cycle.

COUNCIL TAX

The Council monitors performance targets in relation to the amount of debt collected in the initial year of billing (2017/18 debt collected in 2017/18). The target set for 2017/18 was 97.00% and the actual performance was 97.08%, an increase of 0.08%.

COLLECTION FUND (CONTINUED)

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

Table 5 – Council Tax Collection performance against target

	Target – 2017/18	Actual – 2017/18	Variance
Percentage	97.00%	97.08%	0.08%
Cash - £m	197.623	191.852	-5.771

NATIONAL NON-DOMESTIC RATE (NNDR) COLLECTION

The target set for 2017/18 was 99.85% and the actual performance was 99.17%, an increase of 0/68%

Table 6 – NNDR Collection performance against target

	Target – 2017/18	Actual – 2017/18	Variance
Percentage	99.85%	99.17%	-0.68%
Cash - £m	121.332	120.32	-1.012

BASIS AND PREPARATION

Further information about the basis and preperation fo these accounts can be found in Note 1.1, which set out that these statements have been prepared in accordance with the 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom (the 2017/18 Code),and is issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

Conclusion

An outturn report will be presented to the Council's General Purposes and Audit Committee in July 2018. This will provide further details on the Council's financial performance and delivery against our Financial Strategy.

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

Richard Simpson
Executive Director Resources
Section 151 Officer

Croydon Council

EXPLANATION OF THE ACCOUNTING STATEMENTS

Movement in Reserves Statement

The movement in reserves held by an Authority is analysed between ‘usable’ (those that can be used to fund expenditure or reduce local taxation) and 'unusable'.

The surplus or deficit on the provision of services represents the accounting cost of providing services, but does not represent the statutory amounts that must be charged to the General Fund and the Housing Revenue Account for the purpose of setting Council Tax and dwelling rents. These are shown by the Net Increase / Decrease before Transfers to Earmarked Reserves and are calculated after entering all the adjustments that are required to move from the economic (accounting) basis to the funding basis.

Subsequent to this, discretionary movements to and from earmarked reserves are recorded.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement

Balance Sheet

The Balance Sheet shows, at the Balance Sheet date, the values of those assets and liabilities recognised by the Council. The net assets of the Council, assets less liabilities, are represented by reserves that are reported within two categories:

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

Cash Flow Statement

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

MOVEMENT IN RESERVES STATEMENT

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

2016/17	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 £000
Balance b/f at 1 April 2016	**10,677**	**47,520**	**58,197**	**11,817**	**31,777**	**8,377**	**1,785**	**111,953**	366,709	478,662
Movement in reserves during 2016/17:										
Surplus or (deficit) on provision of services	(84,357)		(84,357)	13,971				(70,386)	0	(70,386)
Other Comprehensive Expenditure and Income								0	458	458
Total Comprehensive Expenditure and Income	(84,357)	0	(84,357)	13,971	0	0	0	(70,386)	458	(69,928)
Adjustments between accounting basis and funding basis under regulations	70,313	0	70,313	(13,233)	14,222	2,451	(495)	73,258	(73,258)	0
Net increase/Decrease before Transfers to Earmarked Reserves	(14,044)	0	(14,044)	738	14,222	2,451	(495)	2,872	(72,800)	(69,928)
Transfers to/(from) Earmarked Reserves	14,094	(14,094)	0	0	0	0	0	0	0	0
Net increase/(decrease) in reserves for the year	50	(14,094)	(14,044)	738	14,222	2,451	(495)	2,872	(72,800)	(69,928)
Balance c/f at 31 March 2017	10,727	33,426	44,153	12,555	45,999	10,828	1,290	114,825	293,909	408,734

Further details about the movements in earmarked reserves can be found in Note 8, and details around movements in all reserves can be found in Note 22 and 23.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Note No.	2017/18 Gross £000	2017/18 Income £000	2017/18 Net £000	2016/17 Gross £000	2016/17 Income £000	2016/17 Net £000
Gross expenditure, income and net expenditure of continuing operations							
Place		120,478	(69,859)	50,619	100,694	(57,579)	43,115
People		577,246	(346,618)	230,628	561,298	(367,334)	193,964
Resources and Chief Executive		355,730	(323,863)	31,867	391,841	(340,920)	50,921
HRA		75,136	(92,396)	(17,260)	77,600	(93,823)	(16,223)
Net cost of services		1,128,590	(832,736)	295,854	1,131,433	(859,656)	271,777
Other operating expenditure	9			34,086			55,305
Financing and Investment Income and Expenditure	10			45,288			48,122
Taxation and Grant Income	11			(291,069)			(304,818)
(Surplus) or Deficit on Provision of Services				84,159			70,386
(Surplus) or deficit on revaluation of non-current assets				(152,929)			(124,201)
Remeasurement of the net defined benefit liability				(25,263)			123,743
Other Comprehensive Income and Expenditure				(178,192)			(458)
Total Comprehensive Income and Expenditure				(94,033)			69,928

BALANCE SHEET

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

	Note/ Page No.	31-Mar-18 £000	£000	31 March 2017 £000
Operational Assets (Property, Plant and Equipment)	12			
Council dwellings		989,648		907,057
Other land and buildings		799,247		710,716
Vehicles, plant, furniture and equipment		3,406		2,193
Infrastructure		142,336		141,717
Community assets		4,947		5,205
Total Operational Assets (Property, Plant and Equipment)			1,939,584	1,766,888
Non-Operational Assets (Property, Plant and Equipment)				
Assets under construction		4,402		1,101
Surplus assets not held for sale		2,181		19,947
Total Non-Operational Assets (Property, Plant and Equipment)			6,583	21,048
Total Property, Plant and Equipment			1,946,167	1,808,984
Heritage Assets	13	3,696		3,153
Investment Properties				
Investment Properties	14	29,714		24,498
Intangible Assets	15			
Software		5,062		5,331
Assets under construction				
Long-term Investments				
Non-property investments	16	45,001		31,501
Investments in Associates and Joint Ventures				
Long-term Debtors	16	54,895		22,619
Long-term Assets			2,084,535	1,875,038
Short-term Investments				
Non-property investments excluding cash equivalents	16	5,000		95,000
Assets held for sale (< 1 year)	19	16,329		16,261
Inventories		689		78
Debtors, Payments In Advance (PIA) And Allowance For Doubtful Debt	17	140,664		118,398
Cash and cash equivalents	18	29,000		9,745
Current Assets			191,682	239,482
Bank overdraft	18	(20,311)		(19,165)
Short-term borrowing	16	(107,204)		(165,194)
Short-term creditors and receipts in advance	20	(134,461)		(113,416)
Short-term provision	21	(3,424)		(5,004)
Current Liabilities			(265,400)	(302,779)
Long-term Creditors				
Provisions	21	(11,900)		(9,722)
Long-term borrowing	16	(879,776)		(802,748)
Deferred capital creditors		(10,504)		(10,785)
Other non-current liabilities				
Net pensions liability	42	(593,911)		(561,060)
Capital grants receipts in advance	31	(11,959)		(18,692)
Long-term Liabilities			(1,508,050)	(1,403,007)
Net Assets			502,767	408,734
Usable reserves				
General Fund	22.1	10,395		10,727
Housing Revenue Account	22.2	14,535		12,555
Earmarked reserves	8	18,153		33,426
Capital receipts reserve	22.4	55,422		45,999
Capital grants unapplied	22.5	14,305		10,828
Major repairs reserve	HRA 3	1,929		1,290
			114,739	114,825
Unusable reserves				
Revaluation reserve	23.1	739,063		627,439
Capital adjustment account	23.2	260,492		258,732
Financial Instruments adjustment account	23.3	(1,347)		(1,531)
Pensions reserve	23.4	(616,039)		(594,252)
Deferred capital receipts	23.5	2,463		4
Collection Fund adjustment account	23.6	6,824		7,289
Short-term accumulating compensated absences account	23.7	(3,428)		(3,772)
			388,028	293,909
Total Reserves			502,767	408,734

Signed: Richard Simpson,
Executive Director of Resources and Section 151 officer

30 July 2018

CASH FLOW STATEMENT

	Note No.	2017/18 £000	2017/18 £000	2016/17 £000	2016/17 £000
OPERATING ACTIVITIES					
The cash flows for operating activities include the following,					
Net surplus or (deficit) on the provision of services	1A & 7		(84,159)		(70,386)
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements					
Depreciation	7,12 &32.2	34,519		43,159	
Impairment and downward valuations	7 & 9	(45,454)		13,115	
Amortisations	7,15 & 23.2	3,161		3,762	
Increase/(decrease) in creditors		22,280		(5,109)	
(Increase)/decrease in debtors		(22,266)		8,472	
(Increase)/decrease in inventories		(613)		77	
Movement in pension liability	1B,7 & 23.4	47,050		(22,903)	
Carrying amount of non-current assets sold	23.2	69,581		63,347	
Provisions		598		(157)	
Movements in the value of investment properties	7,10,14 & 23.2	(5,416)		(815)	
Other non-cash movements		389		10,197	
			103,829		113,145
Items included/excluded from net surplus or deficit on the provision of services:					
Pension deficit early payment	5	-		(33,192)	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	22.4	(36,407)		(24,627)	
Payment of local taxation to major preceptors		(119,718)		(112,466)	
Any other items for which the cash effects are investing or financing financing cash flows		(22,154)		(65,469)	
			(178,279)		(235,754)
Net cash (inflow)/outflow from operating activities			(158,609)		(192,995)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment, investment property		(64,573)		(60,669)	
Purchase of short-term and long-term investments		(65,774)		(112,852)	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets		36,407		24,627	
Capital grants		1,915		40,027	
Proceeds from short-term and long-term investments		109,997		121,682	
Net cash inflow/(outflow) from investing activities			17,972		12,815
FINANCING ACTIVITIES					
Cash receipts from short-term and long-term borrowing		179,500		138,944	
Payment of local taxation to major preceptors		119,718		112,466	
Cash payments for the reduction of the outstanding liabilities to finance leases and on-Balance Sheet PFI contracts (Principal)		(1,972)		(1,569)	
Repayments of short-term and long-term borrowing		(138,500)		(51,359)	
Net cash inflow/(outflow) from financing activities			158,746		198,482
Net increase/(decrease) in cash and cash equivalents			18,109		18,302
Cash and cash equivalents at the beginning of the reporting period			(9,420)		(27,722)
Cash and cash equivalents at the end of the reporting period			8,689		(9,420)
Cash held	18		145		70
Bank current accounts	18		(20,456)		(19,235)
Short-term deposits with building societies and Money Market Funds	18		29,000		9,745
Cash and cash equivalents as at 31 March			8,689		(9,420)

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

	2017/18	2016/17
Interest Paid	36,954	36,739
Interest and investment property rental income Received	(2,579)	(4,505)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1. BASIS OF PREPARATION - SINGLE ENTITY AND GROUP ACCOUNTS

Basis of Preparation

The financial statements have been prepared in accordance with the 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom (the 2017/18 Code), and is issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The 2017/18 Code includes the statutory provisions for the preparation of financial statements and the requirements of existing International Financial Reporting Standards (IFRS) pronouncements, except to the extent that they conflict with statute. Additional guidance within the 2017/18 Code is drawn from International Public Sector Accounting Standards (IPSAS), similarly, except to the extent that they conflict with statute.

The Statements Prepared

The Comprehensive Income and Expenditure (CI&E) Statement presents the results of the Council's activities measured under the rules set out in the 2017/18 Code. Different rules are applied to measure the results for the purpose of setting Council Tax. The accumulated amount of the differences are set out in the Movement in Reserves Statement (MIRS) and explained in the notes to the financial statements.

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

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

Single Entity Financial Statements

The financial statements presented by a parent, an investor in an associate or a venturer in a joint venture (joint arrangement (joint venture) in which the investments are accounted for on the basis of the direct equity interest (i.e. at cost) rather than on the basis of the reported results and net assets of the investees. In the context of the Code, an Authority's single entity financial statements are deemed to be separate financial statements.

The single entity financial statements are also defined as including the income, expenditure, assets, liabilities, reserves and cash flows of the local authority maintained schools in England and Wales within the control of the local authority.

Group Accounts - Recognition of Group Entities and Basis of Consolidation

The Council prepared a review of group interests in the companies and other entities that have the nature of subsidiaries. associates and jointly controlled entities during the 2017/18 financial year. It has concluded that there are material interests in subsidiaries, and that Group Accounts will be prepared. Group interests are:

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

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

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

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

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

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

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

1. ACCOUNTING POLICIES (continued)

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

- Yourcare (Croydon) Ltd - 100% control and ownership by Croydon Council. Activity within this company has not yet commenced, though it will undertake retail sales of aids to daily living.

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

The Selection of Accounting Policies

In those instances where the 2017/18 Code permits a choice of accounting policy the selection has been made to facilitate a true and fair presentation of the Authority's results.

In future years the accounting policies selected, as amended from time to time by revised editions of the Code, will be applied consistently when dealing with items considered material in relation to the accounts.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority
- Revenue from non-exchange transactions shall be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority, and the amount of the revenue can be measured reliably.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure or the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are require by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respeect 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.

Principal and Agent

The majority of transactions the Council undertakes it is acting entirely on its own behalf and completely owns any risks and rewards of the transaction. This is known as the Council acting as a Principal. However there are some situations whereby the Council is acting as an Agent, where the Council is acting as an intermediary for all or part of a transaction or service.

1. ACCOUNTING POLICIES (continued)

The two main instances where this occurs are in relation to Council Tax and Business Rates whereby the Council is collecting Council Tax and Business Rates income on behalf of itself and preceptors (Greater London Authority in Council Tax and the Ministry of Housing, Communities and Local Government (MHCLG) and Greater London Authority in relation to Business Rates). The implications for this is that any Balance Sheet transactions at the year end, in relation to these Agent relationships, are split between the principal parties and, therefore, the balances contained on the Balance sheet for a particular debt are the Council's own proportion of the debt and associated balances. The proportions of transactions that relate to the other parties to the relationship are shown as debtors or creditors due from/to these parties.

1.2. ACCOUNTING REQUIREMENTS

Financial Performance Reflected by Accrual Accounting

The Authority has prepared its financial statements, except for the Statement of Cash Flow, using the accruals basis of accounting, i.e. the Authority recognises items as assets, liabilities, income and expenses when they satisfy the definitions and recognition criteria for those elements in the 2017/18 Code. The accruals basis of accounting requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid. Where revenue and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet

Underlying Assumption - Going Concern

The Authority's financial statements have been prepared on a going concern basis; that is, the accounts have been prepared on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. Transfers of services under machinery of Government changes, such as Local Government reorganisation, do not negate the presumption of going concern.

1.3. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.4. NON-CURRENT ASSETS

Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

1. ACCOUNTING POLICIES (continued)

1.4. NON-CURRENT ASSETS (continued)

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

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

1.4.1. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- ► purchase price;
- ► any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- ► the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been Account. Where gains are credited to the Comprehensive Income and Expenditure made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- ► infrastructure, community assets, vehicles, plant and equipment and assets under construction – depreciated historical cost
- ► Council dwellings – current value, determined using the basis of existing use value for social housing (EUV–SH)
- ► other land and buildings – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), or at depreciated replacement cost (DRC), which is also known as instant build, as an estimate of current value
- ► surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective

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

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

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

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

1.4. NON-CURRENT ASSETS (continued)

1.4.1. Property, Plant and Equipment (continued)

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

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

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

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

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

Deprecation is calculated on the following bases:

► dwellings and other buildings – straight-line allocation over the useful economic life of the property
► vehicles, plant, furniture and equipment – they are depreciated on a straight line basis over their useful life which is determined at the time of purchase. These assets include all items except fixtures and fittings to a building.
► infrastructure - they are depreciated on a straight line basis over their useful life. Some expenditure on infrastructure assets prior to 2009/10 did not separately identify the specific asset. The council has decided to depreciate the balance of these items over 10 years.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

When an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the asset the components are separately depreciated.

The Authority's policy is to recognise three components:
► Structure
► Mechanical and electrical
► Outside space.

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

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.

When the Authority replaces or restores a separately identified component, it derecognises the carrying value of the old component and recognises the carrying value of the new component.

1.4.1a. School Land & Buildings

School land and buildings are included within the financial statements except for:
- ► those schools that have converted to an academy (academies are granted 125 year leases at a peppercorn rent)
- ► Voluntary controlled and voluntary aided schools where the assets are vested in the school's trustees.

Each school is assessed on a case by case basis. See accounting policy 1.21 for further information.

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

1.4.2 Heritage Assets

A Heritage Asset is defined as either:
- ► A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities, that is held and maintained by the Authority principally for its contribution to knowledge and culture; or
- ► An intangible asset with cultural, environmental or historical significance.

The Authority presents Heritage Assets as a separate line item within the Balance Sheet. Assets are held at a valuation, but where obtaining a valuation would not be commensurate with the benefit to the users of the accounts, they are held at cost.

Assets, other than land, are normally regarded as having a finite life and are subject to depreciation. Heritage Assets are preserved by the Authority, not used by the Authority, as are other assets, in the provision of services. Consequently, no depreciation allowance is made against Heritage Assets.

Asset valuations are not undertaken at regular intervals but with sufficient frequency to report realistic values in the Balance Sheet.

Assets values are reviewed immediately if there is any evidence of impairment. Impairment can arise due to physical deterioration or doubts about an asset's authenticity.

1.4.3. Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated.
Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.4.4. Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. The Authority recognises an intangible asset if:

- ► it is probable that future economic benefits, or service potential will flow from the asset to the Authority;
- ► the asset is controlled by the Authority either through custody or legal rights; and
- ► the cost of the asset can be reliably measured.

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

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

1.4.4. Intangible Assets (continued)

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

1.4.5. Investments in Associates

The Authority's single entity financial statements record the actual dividend received or receivable. The interest in associates is set out in Note 40 Group Interests

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

1.4.6. Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the government [England only]. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the authority's underlying need to borrow (the capital financing requirement) (England and Wales)]. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of noncurrent assets is fully provided for under separate arrangements for capital financing.

Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance 'in the Movement in Reserves Statement.

1.5. CURRENT ASSETS

1.5.1. Inventories

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

- ► the lower of cost and net realisable value, except where inventories are acquired through a non-exchange transaction in which case their cost is deemed to be their fair value at the date of acquisition; or

- ► the lower of cost and current replacement cost where they are held for distribution at no charge or for a nominal charge, or consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

1.5. CURRENT ASSETS (continued)

1.5.2. Debtors

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

1.5.3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the authority's cash management.

1.6. CURRENT LIABILITIES

1.6.1. Short Term Creditors

Creditors are recognised when the ordered goods or services have been delivered or rendered, and measured at the amortised cost of the consideration to be paid.

1.7. USABLE AND UNUSABLE RESERVES

The Authority has two categories of reserves, usable and unusable:

Usable Reserves

These are reserves created by the Authority and earmarked for future policy purposes or to provide for contingencies. The reserves are created and employed by transfers through the Movement in Reserves Statement. See Note 22 for further details.

Unusable Reserves

These are established by the impact of accounting and statutory arrangements and are kept to manage the accounting process; they do not represent usable resources for the Authority. See Note 23 for further details.

1.8. GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the authority when there is reasonable assurance that:

- the authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

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

1.9. LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease’s inception (or thepresent value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:
► a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
► a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset’s estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority’s net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:
► a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
► finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

1.9. LEASES (continued)

The Council as Lessor (continued)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal 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 (England and Wales) or Capital Receipts Reserve (Scotland)] in the Movement in Reserves Statement. [When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve (England and Wales).]

The written-off value of disposals is not a charge against council tax, as the cost of noncurrent assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.10. EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits for current employees as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment Benefits

Employees of the authority are members of 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.

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

1.10. EMPLOYEE BENEFITS (continued)

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

► The liabilities of the London Borough of Croydon pension fund attributable to the authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
► Liabilities are discounted to their value at current prices, using a discount rate of 2.5% (based on the indicative rate of return on high quality corporate bond).
► The assets of London Borough of Croydon pension fund attributable to the authority are included in the Balance Sheet at their fair value:
► quoted securities – current bid price
► unquoted securities – professional estimate
► unitised securities – current bid price
► property – market value.

The change in the net pensions liability is analysed into the following components:

► Service cost comprising:

► current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
► past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
► net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

► Remeasurements comprising:

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

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

Discretionary Benefits

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

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

1.11. FINANCIAL INSTRUMENTS

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types
- ► loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- ► available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the authority.

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

1.11. FINANCIAL INSTRUMENTS (continued)

Available-for-Sale Assets (continued)

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:
► instruments with quoted market prices – the market price
►other instruments with fixed and determinable payments – discounted cash flow analysis
► equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach).

The inputs to the measurement techniques are categorised in accordance with the following three levels:
► Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
► Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
► Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the relevant reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the relevant Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.
Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

1.12. PRIVATE FINANCE INITIATIVE (PFI) CONTRACTS

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the authority at the end of the contracts for no additional charge, the authority carries the assets used under the contracts on its Balance Sheet as part of property, plant and equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the authority.

The amounts payable to the PFI operators each year are analysed into five elements:
► **fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement
► **finance cost** – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
► **contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
► **payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
► **lifecycle replacement costs** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

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

1.13. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the authority has an obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Contingent Liabilities

A contingent liability is:

- ► a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority;
- ► a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- ► the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised within the financial statements, but are disclosed in the notes to the accounts.

Contingent Assets

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised within the financial statements, but are disclosed in the notes to the accounts.

1.14. VAT

Output tax is VAT charged on sales, input tax is VAT paid on purchases. Revenue recognised in the Authority's Comprehensive Income and Expenditure Statement, Comprehensive Income and Expenditure Statement for consistency, Is net of all output tax charged on sales; the VAT collected remitted to HMRC. Purchases are recognised in the Comprehensive Income and Expenditure Statement for consistency net of VAT to the extent that the VAT is recoverable, Any irrecoverable VAT is part of the associated purchase cost. Recoverable VAT is remitted to the Authority by HMRC.

1.15. FOREIGN CURRENCY TRANSLATION

Where the authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.16. OPERATING SEGMENTS

Segmental information is provided to enable users of the financial statements to evaluate the nature and financial effects of the activities in which the Authority engages and the environments in which it operates. This is achieved by providing financial performance data according to how the Authority has been managed, with information corresponding to that used by management in making decisions. For Croydon Council, these segments are the People Department, Place Department Resources and Chief Executive Department , as well as the Housing Revenue Account (HRA).

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

1.17. STATUTORY PROVISION FOR THE REPAYMENT OF DEBT

The Minimum Revenue Provision (MRP) is a charge to the General Fund, which reflects the statutory requirement to set aside revenue funds to repay those debts incurred in financing the Authority's fixed assets. Under accounting regulations the diminution in value of fixed assets through use or passage of time is recognised in the Comprehensive Income and Expenditure Statement by a Depreciation Charge. An adjustment is made through the MIRS to the General Fund balance that replaces the depreciation charge with the MRP.

The bases used for calculation of the MRP are as follows:

- Regulatory Method, which is used for inherited debt pre 2007,and is based on fixed payments of 2% of the balance, payable over 50 years, which is commensurate with the asset lives.

- Anuity method for unsupported borrowing and PFI debt, over a repayment period of 50 years

1.18. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as an item of property, plant and equipment. The purpose of this is to enable it to be funded from capital resources rather than charged to the General Fund and impact on that year's Council Tax.

Items classified as such are generally grants and expenditure on property not owned by the Council, and amounts directed under statute.

Expenditure of this kind is charged to the Comprehensive Income and Expenditure Statement in accordance with the general requirements of the 2017/18 Code. Any statutory provision that allows capital resources to meet the expenditure is accounted for by charging it to the Capital Adjustment Account and crediting the General Fund Balance and showing it as a reconciling item in the Movement in Reserves Statement.

1.19. BORROWING COSTS

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

1.20. OVERHEADS

All overhead and support service costs are fully recharged to the service expenditure headings shown in the Comprehensive Income and Expenditure Statement in order to provide a consistent basis for all statutory financial disclosures.

1.21. SCHOOLS

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

Community schools
Foundation Schools

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

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

1A. Expenditure Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the Authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices.The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Authority's directorates. Income expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18	**Net Expenditure Chargeable to the GF and HRA Balances £000**	**Adjustments between Funding and Accounting Basis £000**	**Net Expenditure in the Comprehensive Income and Expenditure Statement £000**
People	37,054	20,023	57,076
Place	225,116	25,884	251,000
Resources and Chief Executive	31,030	19,462	50,492
HRA	(29,167)	11,907	(17,260)
Non service related	1,780	(1,780)	-
Net cost of services	**265,812**	**75,496**	**341,307**
Other operating expenditure	(44,098)	32,730	(11,368)
Financing and Investment Income and Expenditure	68,714	(23,426)	45,288
Taxation and Non-Specific Grant Income	(276,803)	(14,266)	(291,069)
(Surplus)/Deficit	**13,624**	**70,534**	**84,158**
Opening GF and HRA Balances and Reserves	(56,708)		
Add Surplus on General Fund in year	332		
Add Surplus on HRA Balance in year	(1,980)		
Transfers to/from Earmarked Reserves	15,273		
Closing General Fund and HRA balance 31 March 2018	**(43,083)**		

2016/17	**Net Expenditure Chargeable to the GF and HRA Balances £000**	**Adjustments between Funding and Accounting Basis £000**	**Net Expenditure in the Comprehensive Income and Expenditure Statement** £000
People	189,771	4,192	193,963
Place	34,817	8,298	43,115
Resources and Chief Executive	35,644	15,277	50,921
HRA	(19,759)	3,536	(16,223)
Non service related	4,590	(4,590)	0
Net cost of services	**245,063**	**26,713**	**271,776**
Other operating expenditure	1,426	53,879	55,305
Financing and Investment Income and Expenditure	49,626	(1,504)	48,122
Taxation and Non-Specific Grant Income	(282,809)	(22,008)	(304,817)
Other Income and Expenditure	**(231,757)**	**30,367**	**(201,390)**
(Surplus)/Deficit	**13,306**	**57,080**	**70,386**
Opening GF and HRA Balances and Reserves	(70,014)		
Add Surplus on General Fund in year	(50)		
Add Surplus on HRA Balance in year	(738)		
Transfers to/from Earmarked Reserves	14,094		
Closing General Fund and HRA balance 31 March 2017	**(56,708)**		

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.

2017/18	Adjustments for capital purposes	Net change for the pensions adjustments	Other differences	Total adjustments between funding and accounting basis
	£000	£000	£000	£000
People	11,434	14,726	(276)	25,884
Place	13,923	6,109	(8)	20,024
Resources and Chief Executive	9,492	10,022	(52)	19,462
HRA	9,169	2,745	(8)	11,906
Non Service Related	0	(1,780)	0	(1,780)
Net cost of services	**44,018**	**31,822**	**(344)**	**75,496**
Other Income and Expenditure				
Other operating expenditure	32,730	0	0	32,730
Financing and Investment Income and Expenditure	(38,469)	15,228	(185)	(23,426)
Taxation and non-specific grant income	(14,731)	0	466	(14,265)
Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit	**23,548**	**47,050**	**(63)**	**70,535**

2016/17	Adjustments for capital purposes	Net change for the pensions adjustments	Other differences	Total adjustments between funding and accounting basis
	£000	£000	£000	£000
People	17,697	(14,929)	1,424	4,192
Place	13,503	(5,236)	31	8,298
Resources and Chief Executive	25,780	(10,559)	55	15,276
HRA	7,192	(3,681)	25	3,536
Non Service Related	0	(4,590)	0	(4,590)
Net cost of services	**64,172**	**(38,995)**	**1,535**	**26,712**
Other Income and Expenditure				
Other operating expenditure	53,879	-	-	53,879
Financing and Investment Income and Expenditure	(17,411)	16,092	(185)	(1,504)
Taxation and non-specific grant income	(17,150)	-	(4,857)	(22,007)
Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit	**83,490**	**(22,903)**	**(3,507)**	**57,080**

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 a transfer for capital disposals with 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, capital grants are adjusted for income not chargeable under generally accepted accounting practices.For taxation and non-specific grant generally accepted

Net change for the pensions adjustments

This column adjusts for the 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, this adjusts for the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Other differences

Other differences between amounts debited / credited to the Comprehensive Income and Expenditure Statement 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

	2017/18	2016/17
Expenditure	£000	£000
Employee benefits expenses	345,289	266,705
Other service expenses	973,897	832,032
Depreciation amortisation and impairment	(45,454)	60,037
Loss on disposal of non-current assets	30,715	40,763
Interest payments	37,601	37,184
Precepts and Levies	1,356	1,426
Total	1,343,404	1,238,147
Income		
Fees and charges and other service income	(387,480)	(388,558)
Income from Council tax and Business Rates	(225,507)	(218,343)
Government grants and contributions	(638,574)	(555,633)
Interest and investment income	(7,687)	(5,226)
Total	**(1,259,248)**	(1,167,761)
Deficit on provision of services	**84,156**	**70,386**

2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This following new or amended standards have been published but not yet adopted by the 2017/18 code:

- **IFRS 9 Financial Instruments** - this introduces extensive changes to the classification and measurement of financial assets, and new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cash flows and business model for holding assets.

- **IFRS 15 Revenue from Contracts with customers** - this presents new requirements for the recognition of revenue, based on a control based revenue recognition model.

- **IAS 7 Statement of Cash Flows (disclosure initiative)** - this will potentially require some additional analysis of cash flows from financing activities in future years. If the standard had been applied in 2017/18, there would have been no additional disclosure because the Council does not have activities which would require additional disclosure.

- **IAS 12 Income Taxes (recognition of deferred tax assets for unrealised losses)** - this applies to deferred tax assets related to debt instruments measured at fair value. None of the Council's subsidiary companies in the Group Accounts have such debt instruments.

- **IFRS 16 Leases** - this will require local authorities that are lessees to recognise most leases on their balance sheet as right-of-use assets, with corresponding lease liabilities. Authorities can elect to treat low value and short term leases as an expense on a straight line or other systematic basis although it is unclear how this will be fully adopted in the code as it is still subject to consultation

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Local Government Funding

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

Business Rates

Income from Business Rates will be affected in part by outstanding appeals that have been lodged, or may be lodged in the future. Appeals are made in respect of the rateable value (RV) given to the hereditaments by the Valuation Office Agency (VOA) for the 2010 rating list. The outcomes of appeals on valuation (including both appeals in progress and an estimate of potential future appeals) can only be estimated using methodologies and vulnerability of some types of property to a wide range of valuation opinion and assumptions. The property diversity and the scale of the estimating process therefore carry a degree of risk regarding the accuracy of the resulting appeals provision computed for the Collection Fund within the Statement of Accounts.

Pension Liabilities

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. The actuaries Hymans Robertson LLP provide the Council with an estimation of the pension liability that considers these judgements. Details of the Pension Fund liability are provided in Note 42 (Pensions - IAS19 and Accounting Code of Practice disclosure notes).

Croydon Affordable Homes LLP - long term lease of properties

During 2017/18, the Council entered into an 80 year lease with Croydon Affordable Homes LLP regarding 96 properties owned by the Council. The Council's judgement is that this lease resulted in the transfer of control of these properties to Croydon Affordable Homes

Schools Ownership

As set out in accounting policy 1.21, the Council has reviewed control of schools on a case by case basis, and recognised only those schools where the Council has the balance of control, as shown in the table below:

	number of schools	Value of Land & Buildings recognised £'000
Community Schools, Foundation Schools, Nursery Schools, Special Schools	40	293,555
Voluntary aided Faith Schools	16	0

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2018 for which there is a risk of adjustment in the forthcoming financial year are as follows:

Pension Fund Net Liability
The liabilities of the Pension Fund scheme attributable to the London Borough of Croydon are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover

Liabilities are discounted to their present value, using a discount rate of 2.5% (based on the indicative rate of return on high quality corporate bonds).

The assets of the scheme attributable to the London Borough of Croydon are included in the Balance Sheet at their fair value:

Quoted securities - current bid price or the last trade price depending upon the convention of the market
Unquoted securities - professional estimate
Unlisted securities - current bid price
Property - market value.

The difference between the two, the net liability, is a notional figure; the result of applying the measurement rules within IAS19. Their purpose is to provide a consistent framework of measurement for all Pension Funds to facilitate comparability. The result from the measurement rules would only become a reality if a Pension Fund invested all of its funds in high quality corporate bonds. This is not the case; the Pension Fund invests in a wide portfolio of assets utilising the skills of professional fund managers with the objective of securing a return sufficient to meet the obligations of the Fund as they fall due.

IAS19 requires the disclosure of the sensitivity of the results to the methods and assumptions used.
The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:
Change in assumptions at 31 March 2018:

	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	9%	146,107
0.5% increase in the Salary Increase Rate	1%	14,978
0.5% increase in the Pension Increase Rate	8%	129,584

Property, Plant and Equipment and Investment Properties

Property, Plant and Equipment and Investment Properties are held on the Balance Sheet at net book value. These assets are depreciated according to the depreciation policy set by the Council, as detailed in the Accounting Policies section of this Statement of Accounts. The useful economic lives of all assets are reviewed annually to ensure that accurate asset values are reflected on the Balance Sheet. This procedure together with the 5 year rolling valuation and formal review of valuation changes each year is being undertaken to minimise the risk of asset values being mis-stated on the Balance Sheet.

There is always uncertainty in estimating the useful economic life of an asset, but it is expected that drawing upon past experience of useful lives, undertaking annual reviews, and the detailed acquisition plans within the Capital Strategy will minimise the uncertainty.

Revaluations of property, plant and equipment and investment properties were provided by the Council's external valuers as part of the five year rolling programme. The remaining balance of operational properties was also reviewed to ensure values reflect current values. All valuations were as at 31 March 2018. Further details on revaluation methods can be found in Accounting Policies 1.4.1 (Property, Plant and Equipment) and 1.4.3 (Investment Properties)

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

Fair Value Measurement

When the fair values of financial assets and liabilities cannot be measured based on quoted process in active markets, their fair value is measured using valuation techniques, such as quoted prices for similar assets, or a discounted cash flow model. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.

Allowance for Doubtful Debts

The allowance is estimated based upon the Authority's past experience of collection rates in conjunction with a prudent view of the current economic climate and its possible impact on those collection rates.

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

Material items of income and expense during the year are highlighted to help the reader understand movements in the Comprehensive Income and Expenditure Statement. For the purposes of this note, materiality is set at £15m.

Schools converting to academies
During 2017/18 two schools transferred from London Borough of Croydon ownership to academies owned by private organisations, These schools were transferred as finance leases and as a result their net book value of £24.48m has been de-recognised from property, plant and equipment.
This has resulted in a deficit of £24.48m in the Comprehensive Income and Expenditure Statement, though this is reversed back out through the MIRS to ensure a nil bottom line impact.

Pensions
The net liability on the Pension Fund has increased by £100.8m as a result of a periodic actuarial review. It should be noted that this is not an assessment of the cash value of the funding difference; it is a notional sum that is reversed out through the Local Government accounting mechanism.

Pension Deficit Early Payment
During 2016/17 the Council took the decision to make an early payment of £33.192m towards the LGPS pension deficit. By making an early payment to the pension fund, revenue savings will be achieved by the council over the three year valuation period, reducing the deficit contribution amount required from the Council over this period.

Note: this movement does not affect the Comprehensive Income and Expenditure Statement in either 2016/17 or 2017/18.

This early payment has resulted in the pension liability being lower than the pensions reserve sum held in the "unusable reserves" section of the balance sheet. This is because the charge to the Council's other comprehensive income & expenditure account to the unusable reserve will still be made over the three year valuation period (2017/18, 2018/19 and 2019/20).

Because the payment of liability was made ahead of the charge being made to the other comprehensive income & expenditure account, a difference is therefore created between these two pension items,which is represented by a reduction in the council's cash.
This difference has reduced by £11.064m in 2017/18, and will be reduced to £nil by 31 March 2020.

	2017/18 £'000
Pension Liability	(593,911)
Pension Reserve	(616,039)
Difference - reduction in cash	**22,128**

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

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

The Council reviewed the Flexible Use of Capital Receipts guidance in its 2017/18 budget report, and recommended that full use of this new flexibility is fully adopted, and that capital receipts are used to fund expenditure that generates an ongoing saving. These schemes to be funded are encapsulated within the Efficiency Strategy and are forecast to generate on-going revenue savings through reducing costs of service delivery.

During 2017/18, the Council progressed its efficiency strategy and delivered projects totalling £15.4m , which has been capitalised, and financed from flexible capital receipts. Further information can be found in the Narrative Statement section of this document.

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Executive Director of Resources and Section 151 officer on 30 July 2018
There were no events affecting the 2017/18 accounts that occurred between 1 April and the date of signing the accounts.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note provides further details as to the make up of the relevant line in the Movement In Reserves Statement

2017/18	General Fund Balance £'000	HRA Balance £'000	Earmarked Reserves Balance £'000	Capital Receipts Balance £'000	Capital Grants Unapplied Balance £'000	Major Repairs Reserve Balance £'000	Total Usable Reserves Balance £'000
Balances b/f at 1 April 2017	**10,727**	**12,555**	**33,426**	**45,999**	**10,828**	**1,290**	**114,825**
Movement in reserves during 2017-18	0	0	0	0	0	0	0
Surplus or deficit on the provision of services	(96,386)	12,227	0	0	0	0	(84,159)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0
Impairment / Revaluation gains and losses chargable to	0	0	0	0	0	0	0
General Movement in available for sale financial instruments	0	0	0	0	0	0	0
Movement in pensions reserve	0	0	0	0	0	0	0
Total Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0
Total Comprehensive Expenditure and Income	**(96,386)**	**12,227**	**0**	**0**	**0**	**0**	**(84,159)**
Adjustments between accounting basis and funding basis							
Depreciation	22,876	0	0	0	0	11,643	34,519
Impairment and revaluation gains and losses chargeable to CI&E	(45,454)	0	0	0	0	0	(45,454)
Amortisation of intangible assets	3,125	36	0	0	0	0	3,161
Movements in the fair value of investment properties	(5,416)	0	0	0	0	0	(5,416)
Capital grants and contributions	(23,685)	(236)		0	(294)	0	(24,215)
Revenue expenditure funded from capital under statute	63,178	9,369	0	0	0	0	72,547
Net gain / loss on sale of non-current assets	38,946	(8,230)	0	36,407	0	0	67,123
Amount by which finance costs charged to the CI&E are different from finance costs chargable in the year in accordance with statutory requirements	(86)	(99)	0	0	0	0	(185)
Reversal of items relating to retirement benefits debited or credited to the Expenditure Statement	61,193	5,778	0	0	0	0	66,971
Employer's pensions contributions and direct payments to pensioners payable in the year	(18,202)	(1,719)	0	0	0	0	(19,921)
Amount by which Council Tax and NNDR income credited to the CI&E is different from the amount taken to the General Fund in accordance with statutory requirements	465	0	0	0	0	0	465
Business Rate Supplement Revenue Account	0	0	0	0	0	0	0
Statutory provision for the repayment of debt	(7,996)	0	0	0	0	0	(7,996)
Capital expenditure charged to General Fund and HRA balances		(15,138)	0	0	0	0	(15,138)
Transfers in respect of Community Infrastructure Levy receipts	(9,843)	0	0	0	3,773	0	(6,070)
Transfer from Capital Receipts Reserve to Housing Capital Receipts Pool	2,014	0	0	(2,014)	0	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	0	0	(11,005)	(11,005)
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(24,969)	0	0	(24,969)
Compensated absences	(336)	(8)	0	0	0	0	(344)
Total Adjustments between accounting basis and funding basis under regulations	80,779	(10,247)	0	9,424	3,479	638	84,073
2017-18 Net Increase / Decrease before Transfers to / from Earmarked Reserves	(15,607)	1,980	0	9,424	3,479	638	(86)
Transfers to / from Earmarked Reserves	14,376	0	(14,376)	0	0	0	0
Other movements in reserves	897	0	(897)	0	0	0	0
Net Increase / (decrease) in reserves for the year	(334)	1,980	(15,273)	9,424	3,479	638	(86)
Balances c/f at 31 March 2018	**10,393**	**14,535**	**18,153**	**55,423**	**14,307**	**1,928**	**114,739**

NOTES TO THE CORE FINANCIAL STATEMENTS

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note provides further details as to the make up of the relevant line in the Movement In Reserves Statement

Revaluation Reserve Balance £'000	CAA Balance £'000	Financial Instruments Adjustment Account Balance £'000	Pensions Reserve Balance £'000	Deferred Capital Receipts Balance £'000	Collection Fund Adjustment Account Balance £'000	STACA Balance £'000	Total Unusable Reserves Balance £'000	Total Authority Reserves Balance £'000
627,439	**258,732**	**(1,531)**	**(594,252)**	**4**	**7,289**	**(3,772)**	**293,909**	**408,734**
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	**(84,159)**
0	0	0	0	0	0	0	0	0
152,930	0	0	0	0	0	0	152,930	**152,930**
0	0	0	0	0	0	0	0	0
0	0	0	25,263	0	0	0	25,263	**25,263**
152,930	0	0	25,263	0	0	0	178,193	178,193
152,930	**0**	**0**	**25,263**	**0**	**0**	**0**	**178,193**	94,034
(5,273)	(29,246)	0	0	0	0	0	(34,519)	**0**
0	45,454	0	0	0	0	0	45,454	**0**
	(3,161)	0	0	0	0	0	(3,161)	**0**
0	5,416	0	0	0	0	0	5,416	**0**
	24,215	0	0	0	0	0	24,215	**0**
0	(72,547)	0	0	0	0	0	(72,547)	**0**
(36,032)	(33,550)	0	0	2,459	0	0	(67,123)	**0**
0	0	185	0	0	0	0	185	**0**
0	0	0	(66,971)	0	0	0	(66,971)	**0**
0	0	0	19,921	0	0	0	19,921	**0**
0	0	0	0	0	(465)	0	(465)	**0**
0	0	0	0	0	0	0	0	**0**
0	7,996	0	0	0	0	0	7,996	**0**
0	15,138	0	0	0	0	0	15,138	**0**
0	6,070	0	0	0	0	0	6,070	**0**
0	0	0	0	0	0	0	0	**0**
0	11,005	0	0	0	0	0	11,005	**0**
0	24,969	0	0	0	0	0	24,969	**0**
0	0	0	0	0	0	343	343	**(1)**
(41,305)	1,759	185	(47,050)	2,459	(465)	343	(84,074)	(1)
								0
111,625	1,759	185	(21,787)	2,459	(465)	343	94,119	94,033
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
111,625	1,759	185	(21,787)	2,459	(465)	343	94,119	94,033
739,064	**260,491**	**(1,346)**	**(616,039)**	**2,463**	**6,824**	**(3,429)**	**388,028**	502,767

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

2016/17	General Fund Balance £	HRA Balance £	Earmarked Reserves Balance £	Capital Receipts Balance £	Capital Grants Unapplied Balance £	Major Repairs Reserve Balance £	Total Usable Reserves Balance £
Balances b/f at 1 April 2016	**10,677**	**11,817**	**47,520**	**31,777**	**8,377**	**1,785**	**88,373**
Movement in reserves during 2016-17	0	0	0	0	0	0	0
Surplus or deficit on the provision of services	(84,357)	13,971	0	0	0	0	(70,386)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0
Impairment / Revaluation gains and losses chargable to Revaluation Reserve	0	0	0	0	0	0	0
General Movement in available for sale financial instruments	0	0	0	0	0	0	0
Movement in pensions reserve	0	0	0	0	0	0	0
Total Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0
Total Comprehensive Expenditure and Income	**(84,357)**	**13,971**	**0**	**0**	**0**	**0**	**(70,386)**
Adjustments between accounting basis and funding basis under regulations							
Depreciation	24,388	1,639	0	0	0	17,131	43,158
Impairment and revaluation gains and losses chargeable to CI&E	13,099	16	0	0	0	0	13,115
Amortisation of intangible assets	3,716	46	0	0	0	0	3,762
Movements in the fair value of investment properties	(815)	0	0	0	0	0	(815)
Capital grants and contributions	(73,585)	0		0	(58)	0	(73,643)
Revenue expenditure funded from capital under statute	85,310	5,507	0	0	0	0	90,817
Net gain / loss on sale of non-current assets	50,281	(11,519)	0	24,624	0	0	63,386
Amount by which finance costs charged to the CI&E are different from finance costs chargable in the year in accordance with statutory requirements	(86)	(98)	0	0	0	0	(184)
Reversal of items relating to retirement benefits debited or credited to the CI&E	38,571	4,021	0	0	0	0	42,592
Employer's pensions contributions and direct payments to pensioners payable in the year	(59,312)	(6,183)	0	0	0	0	(65,495)
Amount by which Council Tax and NNDR income credited to the CI&E is different from the amount taken to the General Fund in accordance with statutory requirements	(4,855)	0	0	0	0	0	(4,855)
Business Rate Supplement Revenue Account	0	0	0	0	0	0	0
Statutory provision for the repayment of debt	(7,428)	0	0	0	0	0	(7,428)
Capital expenditure charged to General Fund and HRA balances		(6,687)	0	0	0	0	(6,687)
Transfers in respect of Community Infrastructure Levy receipts	(2,509)	0	0	0	2,509	0	0
Transfer from Capital Receipts Reserve to Housing Capital Receipts Pool	2,028	0	0	(2,028)	0	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	0	0	(17,626)	(17,626)
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(8,374)	0	0	(8,374)
Compensated absences	1,510	25	0	0	0	0	1,535
Total Adjustments between accounting basis and funding basis under regulations	70,313	(13,233)	0	14,222	2,451	(495)	73,258
2016-17 Net Increase / Decrease before Transfers to / from Earmarked Reserves	(14,044)	738	0	14,222	2,451	(495)	2,872
Transfers to / from Earmarked Reserves	10,060	0	(10,060)	0	0	0	0
Other movements in reserves	4,034	0	(4,034)	0	0	0	0
Net Increase / (decrease) in reserves for the year	50	738	(14,094)	14,222	2,451	(495)	2,872
Balances c/f at 31 March 2017	**10,727**	**12,555**	**33,426**	**45,999**	**10,828**	**1,290**	**114,825**

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 £	CAA Balance £	Financial Instruments Adjustment Account Balance £	Pensions Reserve Balance £	Deferred Capital Receipts Balance £	Collection Fund Adjustment Account Balance £	STACA Balance £	Total Unusable Reserves Balance £	Total Authority Reserves Balance £
530,668	**330,958**	**(1,716)**	**(493,412)**	**17**	**2,431**	**(2,237)**	**366,709**	**455,082**
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	(70,386)
0	0	0	0	0	0	0	0	
124,201	0	0	0	0	0	0	124,201	124,201
0	0	0	0	0	0	0	0	0
0	0	0	(123,743)	0	0	0	(123,743)	(123,743)
124,201	0	0	(123,743)	0	0	0	458	458
124,201	**0**	**0**	**(123,743)**	**0**	**0**	**0**	**458**	**(69,928)**
(7,035)	(36,124)	0	0	0	0	0	(43,159)	(1)
0	(13,115)	0	0	0	0	0	(13,115)	0
	(3,762)	0	0	0	0	0	(3,762)	0
0	815	0	0	0	0	0	815	0
	73,643	0	0	0	0	0	73,643	0
0	(90,817)	0	0	0	0	0	(90,817)	0
(20,395)	(42,978)	0	0	(13)	0	0	(63,386)	0
0	0	185	0	0	0	0	185	1
0	0	0	(42,592)	0	0	0	22,903	65,495
0	0	0	65,495	0	0	0	0	(65,495)
0	0	0	0	0	4,858	0	4,858	3
0	0	0	0	0	0	0	0	0
0	7,425	0	0	0	0	0	7,425	(3)
0	6,687	0	0	0	0	0	6,687	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	17,626	0	0	0	0	0	17,626	0
0	8,374	0	0	0	0	0	8,374	0
0	0	0	0	0	0	(1,535)	(1,535)	0
(27,430)	(72,226)	185	22,903	(13)	4,858	(1,535)	(73,258)	0
96,771	(72,226)	185	(100,840)	(13)	4,858	(1,535)	(72,800)	(69,928)
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
96,771	(72,226)	185	(100,840)	(13)	4,858	(1,535)	(72,800)	(69,928)
627,439	**258,732**	**(1,531)**	**(594,252)**	**4**	**7,289**	**(3,772)**	**293,909**	**408,734**

8. TRANSFERS TO / FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2017/18.

	Balance at 1 April 2016 £000	Movement In 2016/17 £000	Balance at 31 March 2017 £000	Movement In 2017/18 £000	Balance at 31 March 2018 £000
General Fund - Non Schools					
Growth Zone	7,000	0	7,000		7,000
Street Lighting PFI Sinking Fund Reserve	8,010	(1,697)	6,313	(4,759)	1,554
Selective Licensing	6,208	(1,654)	4,554	(1,671)	2,883
Transformation Fund	3,675	(1,522)	2,153	(2,153)	-
Revolving Investment Fund Reserve	1,126	(208)	918	2,281	3,199
Other Reserves under £0.5m	14,162	(4,979)	9,183	(3,373)	5,810
Sub-total Non Schools	40,181	(10,060)	30,121	(9,675)	20,446
Draw Down of Reserves budgeted to be replaced on 1 April 2018				(4,700)	(4,700)
General Fund - Schools:					
Balances held by schools under a scheme of delegation	7,339	(4,034)	3,305	(898)	2,407
Total Earmarked Reserves	47,520	(14,094)	33,426	(15,273)	18,153

	Balance at 1 April 2016 £000	Movement In 2016/17 £000	Balance at 31 March 2017 £000	Movement In 2017/18 £000	Balance at 31 March 2018 £000
HRA:					
New Build Housing	9,420	0	9,420	1,980	11,400
Major Repairs Reserve	1,785	(495)	1,290	639	1,929
Contingency Reserve	2,397	738	3,135	0	3,135
Total	13,602	243	13,845	2,619	16,464

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 (£7m)
Funding has been received from the DCLG to fund initial set up and early life costs of Croydon's proposed Growth Zone. This funding will be used to meet borrowing costs of up-front investment until the Growth Zone can be supported by it's own revenue generation.

Draw Down of Reserves (-£4.7m)
The Council has budgeted to add £4.7m of funds to its earmarked reserves in the financial year commencing 1 April 2018. This enabled the council to release an equivalent sum in the 2017/18 financial year, which will be replaced when the new financial year commences. This sum represents a temporary reduction across all other reserves at 31 March 2018 rather than a reserve in its own rights.

Selective Licensing (£2.883m)
This reserve holds income from Croydon's Selective Licensing scheme, and will be used over the life of the license to improve the standards of private rented housing within the Borough.

School Balances (£2.407m)
School balances have decreased by £0.898 m to £2.407m. The decrease in reserves is largely due to a number of schools converting to academy status. There are 11 schools with a revenue deficit. Action plans are agreed with schools in deficit to ensure that they return to a balanced position.

Street Lighting PFI Sinking Fund (£1.554m)
This balance is held to manage the costs and income of the PFI contract over the duration of its life.

Revolving Investment Fund Reserve (£3.199m)
The Revolving Investment Fund is set aside to fund the up-front costs of the schemes within the investment fund.

Other Reserves (£5.810m)
This includes other reserves with a balance of less than £0.500m as at 31st March 2018.

9. OTHER OPERATING EXPENDITURE

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

	2017/18 £000	2016/17 £000
Levies	1,356	1,426
Payments of Housing capital receipts to Government pool	2,014	2,028
(Gain)/loss on disposal of non-current assets	30,716	38,736
(Gain)/loss on revaluation of non-current assets		13,115
Total	34,086	55,305

A levy is the act of an imposing or collecting an amount of money, as of a tax, by an authority. The money raised is used to meet expediture on various projects. Some of the levies are often apportioned between various authorities. Levies are owed to the following authorities: the Financial Reporting Council - Preparers Levy; London Councils - London Boroughs Grants Scheme; Environment Agency; Lee Valley Regional Park Authority; and the London Pensions Fund Authority.

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

This note details the component elements of the Finance and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

	2017/18 £000	2016/17 £000
Interest payable and similar charges	37,376	37,049
Interest receivable and similar income	(2,271)	(4,190)
Premium on early repayment of debt	225	134
Changes in fair value of investment properties	(5,416)	(815)
Rent received from investment properties		0
Interest Cost on defined benefit obligation	38,763	41,496
Expected Return on Pension Assets	(23,535)	(25,404)
Interest received on finance leases (lessor)		(222)
(Surplus) / deficit on trading undertakings	146	72
Total	45,288	48,120

Restatement note: A contribution of £3m of Dedicated Schools Grant is made towards the Council's financing costs each year, to repay the cost of borrowing incurred in the construction of additional in-borough high needs provision. The 2016/17 "interest payable' amount of £34.950m has been restated to £37.950m to better reflect the gross interest payable costs of the authority, showing the £3m grant contribution seperately.

11. TAXATION AND NON-SPECIFIC GRANT INCOME

	2017/18 £000	2016/17 £000
Credited to Taxation and Non-Specific Grant Income		
Recognised Capital Grants and Contributions	(14,967)	(17,150)
Council Tax Income	(160,200)	(147,997)
National Non-Domestic Rates (NNDR)	(65,306)	(70,346)
Revenue Support Grant	(32,577)	(46,801)
Non-service Related Government Grants (see Note 31)	(18,018)	(22,522)
Taxation and Non-Specific Grants	(291,069)	(304,816)

12. PROPERTY, PLANT AND EQUIPMENT

2017/18	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total PPE £000	PFI Assets Included in PPE £000
Net Book Value at 1 April 2017	907,057	710,716	2,193	141,717	5,205	19,947	1,101	1,787,936	93,404
Gross Book Value at 1 April 2017	907,057	712,892	2,350	192,367	8,591	20,060	1,101	1,844,418	97,143
Additions	23,484	22,778	1,663	10,037	355	2,324	3,631	64,272	-
Revaluation increase/(decrease) recognised in the Revaluation Reserve	65,165	68,158	0	0	0	435	0	133,758	17,073
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	0	49,497	0	0	0	(7,586)	0	41,911	2,759
Derecognition - Disposals	(6,058)	(28,677)	0	0	0	(4,245)	0	(38,980)	0
Derecognition - Other	0	(24,679)	0	0	0	0	0	(24,679)	0
Assets reclassified (to)/from held for sale	0	(585)	0	0	0	(6,452)	0	(7,037)	0
Transfers/Reclassifications	0	2,885	0	0	0	(2,355)	(330)	200	0
Other Movements in cost or valuation	0	0	0	0	0	0	0	0	0
Gross book value 31 March 2018	989,648	802,269	4,013	202,404	8,946	2,181	4,402	2,013,863	116,975
Accumulated Depreciation and Impairment at 1 April 2017	0	2,176	157	50,649	3,386	112	0	56,480	3,739
Depreciation for year	11,270	12,711	450	9,419	613	57	0	34,520	3,502
Depreciation written out to the Revaluation reserve	(11,270)	(7,270)	0	0	0	(173)	0	(18,713)	(1,498)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(3,665)	0	0	0	0	0	(3,665)	0
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	(723)	-	0	0	0	0	(723)	0
Derecognition - Other	0	(203)	0	0	0	0	0	(203)	0
Transfers/Reclassifications	0	(4)	0	0	0	4	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0	0
Accumulated Depreciation and Impairment 31 March 2018	0	3,022	607	60,068	3,999	0	0	67,696	5,743
Net book value 31 March 2018	989,648	799,247	3,406	142,336	4,947	2,181	4,402	1,946,167	111,232

12. PROPERTY, PLANT AND EQUIPMENT

This note sets out the changes in gross and net book value of the above groups of assets during 2016/17.

2016/17	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total PPE £000	PFI Assets Included in PPE £000
Net Book Value at 1 April 2016	827,968	751,095	534	134,283	5,565	21,927	5,036	1,746,408	87,684
Gross Book Value at 1 April 2015	1,077,689	754,090	41,438	240,399	8,363	22,035	5,036	2,149,050	89,758
Additions	18,804	15,494	1,758	17,361	228	0	405	54,050	8,134
Revaluation increase/(decrease) recognised in the Revaluation Reserve	67,638	28,552	0	0	0	779	0	96,969	(1,046)
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(17,700)	0	0	0	(744)	0	(18,444)	297
Derecognition - Disposals	(9,571)	0	0	0	0	0	0	(9,571)	0
Derecognition - Other	0	(52,374)	(40,846)	(65,394)	0	0	0	(158,614)	0
Assets reclassified (to)/from held for sale	0	(7,361)	0	0	0	(1,800)	0	(9,161)	0
Transfers/Reclassifications	0	(7,809)	0	0	0	(210)	(4,340)	(12,359)	0
Impairment Reversal	(247,503)	0	0	0	0	0	0	(247,503)	0
Gross book value 31 March 2017	907,057	712,892	2,350	192,366	8,591	20,060	1,101	1,844,417	97,143
Accumulated Depreciation and Impairment at 1 April 2015	249,721	2,995	40,904	106,116	2,798	108	0	402,642	2,074
Depreciation for year	18,399	14,063	99	9,927	588	83	0	43,159	3,191
Depreciation written out to the Revaluation reserve	(18,399)	(8,819)	0	0	0	(13)	0	(27,231)	(1,059)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(5,268)	0	0	0	(61)	0	(5,329)	(467)
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	(2,218)	0	0	0	0	0	0	(2,218)	0
Derecognition - Other	0	(800)	(40,846)	(65,394)	0	0	0	(107,040)	0
Transfers/Reclassifications	0	5	0	0	0	(5)	0	0	0
Impairment Reversal	(247,503)	0	0	0	0	0	0	(247,503)	0
Accumulated Depreciation and Impairment 31 March 2017	0	2,176	157	50,649	3,386	112	0	56,480	3,739
Net book value 31 March 2017	907,057	710,716	2,193	141,717	5,205	19,948	1,101	1,787,937	93,404

Council Dwellings
Council dwellings are valued at less than market value, as directed by Government. See HRA Note 2 for more details.

Depreciation
The depreciation policy is set out under the Statement of Accounting Policies.

REVALUATIONS
The Authority carries out a rolling programme to ensure all Property, Plant and Equipment required to be measured is revalued at least every five years.Valuation of Other Land and Buildings were carried out by external valuers Wilks Head & Eve. In 2016/17 the external valuers were Kier.Additionally, an internal annual review was undertaken to determine if there were any material changes to Property Plant and Equipment as at 31 March 2018 for assets not revalued in 2017/18.

Using the valuation data from the rolling programme, as well as additional specific external revaluations obtained during 2017/1

12. PROPERTY, PLANT AND EQUIPMENT (continued)

the internal review identified there had been a material increase in the value of Land and Buildings. Consequently,the Council's Internal valuations team and Wilks Head & Eve carried out a desk top review of relevant asset categories, to calculate the revaluation changes needed to ensure assets remain stated at current value.

All valuations were carried out in accordance with the methodologies and bases for estimation set in the professional standards of the Royal Institution of Chartered Surveyors. All valuations were as at 31 March 2018.

The valuations of Council dwellings were undertaken externally by Wilks Head & Eve as at 31 March 2018. In 2016/17 these valuations were carried out by Kier. These valuations were carried out in accordance with the methodologies and bases for estimatation set out in:

► the professional standards of the Royal Institution of Chartered Surveyors; and
► the Stock Valuation for Resource Accounting Guidance for Valuers 2016 from the MHCLG

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

	Council Dwellings	Other Land & Buildings	Vehicles & Plant	Infrastructure	Community	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost		7,638	3,406	142,336	4,947		4,402	162,729
Valued at current value as at:								
31/03/2018	989,648	696,415				2,181		1,688,244
31/03/2017		66,523						66,523
31/03/2016		17,476						17,476
31/03/2015		3,976						3,976
31/03/2014		7,219						7,219
Total cost or valuation (NBV)	989,648	799,247	3,406	142,336	4,947	2,181	4,402	1,946,167

OLB carried at historical cost relates to properties purchased during 2017-18

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. In 2016/17 these valuations were carried out by Kier.

Valuations have taken into account the following factors:
► existing lease terms and rentals relating to each property, including income produced
► independent research into market evidence including market rentals and yields, adjusted to reflect the nature of each tenancy or void

Highest and Best Use of Investment Properties
In estimating the fair value of Croydon's investment properties and surplus properties, the highest and best use of the properties is deemed to be their current use.

Fair Value Measurement
The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

12. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

Measurement of fair value of non-financial assets

The following table shows the Levels within the hierachy of non-financial assets measured at fair value on a recurring basis at 31 March 2018. 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 2018 Total £000
Surplus Assets	0	2,181	0	2,181
Investment Properties	0	29,714	0	29,714
Assets held for Sale	0	16,329	0	16,329
Total non-financial assets held at Fair Value	**0**	**48,224**	**0**	**48,224**

	Level 1 £000	Level 2 £000	Level 3 £000	31 March 2017 Total £000
Surplus Assets	0	19,947	0	19,947
Investment Properties	0	24,498	0	24,498
Assets held for Sale	0	16,261	0	16,261
Total non-financial assets held at Fair Value	**0**	**60,706**	**0**	**60,706**

CAPITAL COMMITMENTS

Capital schemes with significant contractual commitments for future capital expenditure in 2017/18:

Department	Capital Scheme	Estimated Total Cost 2017-18 £000	Estimated Total Cost 2016-17 £000
People	Primary Capital Programme	18,777	43,698
	Special Educational Needs Capital Programme	19,150	13,500
	Secondary Schools	0	6,533
	Acadamies Programme	1,360	0
Place	New Addington Regeneration	24,586	8,500
	Other Public Realm and infrastructure	21,793	22,200
	College Green	0	14,000
	Growth Zone Programme	4,000	0
	Affordable Housing LLP	30,090	0
	Waste Programme	9,766	0
Resources and Chief Executive	ICT equipment and technical refresh	14,955	4,126
	Asset Strategy Programme	4,150	
	Total Cost	**148,627**	**112,557**

13. HERITAGE ASSETS

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

14. INVESTMENT PROPERTIES

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 entitle to all the rental from the rent levels prevailing at the date of the boundary change and half from any subsequent increase. Consequently, LBC's only entitlement from its freehold interest in Imperial Way is one half of the rental produced from any increase in rental subsequent to the boundary change.

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

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

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

	2017/18 Total £000	2016/17 Total £000
Balance at start of the year	24,498	11,325
Net gains/losses from fair value adjustments	5,416	815
Transfers:		
to/from Property, Plant and Equipment	(200)	12,359
Other changes	0	0
Balance at end of the year	29,714	24,499

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:

	2017/18 Intangible Assets £000	2016/17 Intangible Assets £000
Balance at start of year:		
Gross carrying amounts	18,499	25,998
Accumulated amortisation	(13,168)	(17,443)
Net carrying amount at start of year	5,331	8,555
Additions:		
Purchases	2,892	538
Amortisation for the period	(3,161)	(3,762)
Other changes - cost	(1,055)	(8,037)
Other changes - amortisation	1,055	8,037
Net carrying amount at end of year	5,062	5,331
Comprising:		
Gross carrying amounts	20,336	18,499
Accumulated amortisation	(15,274)	(13,168)
	5,062	5,331

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

Accounting regulations require the 'financial instruments' (investment, lending and borrowing of the Council) shown on the Balance Sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the Balance Sheet are made up of the following categories of 'financial instruments'.

FINANCIAL INSTRUMENTS BALANCES

	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Financial Liabilities				
	Non-Current		Current	
Borrowings				
Financial liabilities at amortised cost	801,060	722,061	105,514	163,503
Financial liabilities at fair value through profit and loss	0	0	0	0
Fair value through profit and loss	0	0	0	0
Other borrowing (finance lease and PFI)	78,716	80,687	1,690	1,691
Total borrowings	879,776	802,748	107,204	165,194
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities carried at amortised cost (see Note 20)	0	0	116,881	90,081
Creditors that are not a financial instrument	0	0	17,580	23,335
Total Creditors	0	0	134,461	113,416
Financial liabilities at amortised cost - cash and cash equivalents	0	0	20,311	19,165

Financial Assets

Investments	Non-Current		Current	
Loans and receivables	0	0	5,000	95,000
Available-for-sale financial assets	0	0	0	0
Fair value through profit and loss	0	0	0	0
Unquoted equity investment at cost	45,001	31,501	0	0
Total Investments	45,001	31,501	5,000	95,000
Loans and receivables	54,895	22,619		
Financial assets carried at amortised cost (including PFI)	0	0	161,809	165,909
Debtors that are not financial instruments	0	0	(21,145)	(47,511)
Total Debtors	54,895	22,619	140,664	118,398
Loans and debtors - cash and cash equivalents	0	0	29,000	9,745

Notes

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

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

3. Total PFI and finance lease liabilities has increased to £80.406m in 2017/18 (£82.378m in 2016/17)

Financial Instruments - Gains / Losses	Financial Liabilities	Financial Assets			2017/18	2016/17
	Liabilities Measured at Amortised Cost £000	Loans and Receivables £000	Available -for-sale Assets £000	Fair Value Through P&L £000	Total £000	Total £000
Interest expense	37,376	0	0	0	37,376	40,049
Losses on derecognition	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0
Interest payable and similar charges	37,376	0	0	0	37,376	40,049
Interest Income	0	(2,271)	0	0	(2,271)	(4,412)
Gains on derecognition	0	0	0	0	0	0
Interest and investment income	0	(2,271)	0	0	(2,271)	(4,412)

16. FINANCIAL INSTRUMENTS (continued)

FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

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

Methods and Assumptions in Valuation Technique

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

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

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

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

The fair values are calculated as follows:

FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	Fair Value Hierarchy	31 March 2018 Carrying Amount £000	31 March 2018 Fair Value £000	31 March 2017 Carrying Amount £000	31 March 2017 Fair Value £000
PWLB - maturity	level 2	683,926	837,490	614,926	771,122
Lender Option Borrower Options (LOBOs)	level 2	139,500	205,160	139,500	210,683
Stock issues	level 1	315	318	315	1,309
Bank overdraft	level 2	20,311	20,311	19,165	19,165
Private Finance Initiative (PFI) Liability	level 2	78,320	69,922	130,823	105,485
Non-current creditors	-	0	0	0	0
Financial Liabilities		922,372	1,133,201	904,729	1,107,764

Fair value is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.The Fair value of the PFI liability is lower as the discount rate used is lower then the implicit rate used in the PFI models

FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	Fair Value Hierarchy	31 March 2018 Carrying Amount £000	31 March 2018 Fair Value £000	31 March 2017 Carrying Amount £000	31 March 2017 Fair Value £000
Cash		0	0	0	0
Money Market Loans	level 1	29,000	29,000	9,745	9,745
Deposits with banks and other Local Authorities	level 1	5,000	5,000	95,000	95,331
Long-term debtors	level 2	54,895	54,895	22,619	22,619
Financial Assets		88,895	88,895	127,364	127,695

The fair value is higher than the carrying amount because the Council's portfolio of investments includes a few fixed rate investments where the interest rate receivable is higher than the rates available for similar investments at the Balance Sheet date.

16. FINANCIAL INSTRUMENTS (continued)

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement as follows:

► Level 1: quoted process (unadjusted) in active markets for identical assets or liabilities

► Level 2: inputs other than quoted process included within level 1 that are observable for the asset or liability, either directly or indirectly

► Level 3: unobservable inputs for the asset or liability.

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 March 2018.

	Level 1 £000	Level 2 £000	Level 3 £000	31 March 2018 Total £000
Financial Assets				
Investments and cash and cash equivalents	34,000	0	0	34,000
Long Term debtors	0	54,895	0	54,895
Total Financial Assets	**34,000**	**54,895**	**0**	**88,895**
Financial Liabilities				
PWLB Loans	0	837,490	0	837,490
LOBO Loans	0	205,160	0	205,160
Long term creditors	0	90,551	0	90,551
Total Financial Liabilities	**-**	**1,133,201**	**0**	**1,133,201**

There were no transfers between Level 1 and Level 2 in 2017/18.

Measurement of fair value of financial instruments

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

The valuation techniques used for material instruments categorised in Levels 2 and 3 are described below:

PWLB and LOBO Loans (Level 2)

The Council's treasury management advisors, Capita Asset Services (UK) Ltd, carry out an assessment of the fair values of the PWLB and LOBO loans. These are estimated using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market interest rates of similar loans with similar risk. Link Asset Services (UK) Ltd have calculated the discount rate based on the equivalent new loan rate for the type of borrowing.

As the fair values have been calculated from observable market data, other than process for identical instruments, these are classified as level 2.

17.Debtors, Payments In Advance (PIA) And Allowance For Doubtful Debt

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

	2017/18 Debtors	2017/18 PIA	2017/18 Allowance for Doubtful Debt	2017/18 Total	2016/17 Restated
	£000	£000	£000	£000	£000
Central Government bodies	19,847	0	0	19,847	15,631
Other Local Authorities	23,958	(148)	0	23,810	30,517
NHS bodies	2,271	0	0	2,271	3,850
Public corporations and trading funds	0	0	0	0	0
Other entities and individuals	160,642	1,460	(67,366)	94,736	68,400
Total	206,718	1,312	(67,366)	140,664	118,398

The 2016/17 column has been restated in 2017/18 to provide a more accurate analysis of the make up of short term debtors. The total 2016/17 debtors amount remains unchanged, but debt with Central Government has been increased by £3.592 m, debt with other Local Authorities increased by £30.367m, debt with NHS bodies increased by £3.822m, and debt with other entities and individuals reduced by £37.781m, compared to the 2016/17 amounts disclosed in last year's accounts.

18. CASH AND CASH EQUIVALENTS

	2017/18 £000	2016/17 £000
Cash held	145	69
Bank current accounts	(20,456)	(19,235)
Short-term deposits with building societies and Money Market Funds	29,000	9,745
Total	8,689	(9,421)

19. ASSETS HELD FOR SALE

	2017/18 £000	2016/17 £000
Balance at start of the year	16,261	11,519
Revaluation decrease recognised in the Surplus/Defict	(122)	0
Assets Sold	(6,847)	(4,419)
Transfers from / (to) Property, Plant and Equipment	7,037	9,161
Balance outstanding at year end	16,329	16,261

The site of Taberner House was revalued internally as part of the 2017-18 revaluations. Using Fair Value, it was revalued at £19.35m. However, under the CIPFA 2017-18 Code of Practice on Local Authority Accounting, Assets Held For Sale are held at the lower of their Carrying Value (£7.1m) or their Fair Value (£19.35m)

20. CREDITORS AND RECEIPTS IN ADVANCE (RIA)

	2017/18 Creditors	2017/18 RIA	2017/18 Total	2016/17
	£000	£000	£000	£000
Central Government bodies	10,729	108	10,837	12,442
Other Local Authorities	16,842	3,164	20,006	15,016
NHS bodies	2,010	0	2,010	1,412
Public corporations and trading funds	0	0	0	323
Other entities and individuals	87,300	14,308	101,608	84,223
Total	116,881	17,580	134,461	113,416

21. PROVISIONS

	Insurance £000	HRA Water £000	NNDR Appeals £000	Other Provisions £000	Total £000
Balance at 1 April 2017	4,580	4,227	3,450	2,469	14,726
Amounts used in 2017/18	(1,242)	0	(1,765)	(787)	(3,794)
Additional provisions made in 2017/18	1,512	0	3,415	488	5,415
Provisions released in 2017/18	0	(1,197)	0	0	(1,197)
Balance at 31 March 2018	4,850	3,030	5,100	2,170	15,150

Provisions that are expected to be settled within 1 year are held as short term, with the remainder being held as long term:	Short term £000	Long term £000	Total £000
Balance at 1 April 2017	5,004	9,722	14,726
Balance at 31 March 2018	**3,250**	**11,900**	**15,150**

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 30% share of all NNDR income after all relevant allowances, reliefs and costs of collection. The NNDR appeal provision is therefore Croydon's share of the expected loss in NNDR net income due to VOA appeals. The level of provision has been increased due to ongoing uncertainty around outstanding appeals, as well as future risk of appeals that could be in relation to the 2017 Valuation list.

HRA Water
A potential liability has arisen concerning the repayment of water charges for the period 2010-2016. The exact amount and timing is not yet known, but an amount has been set aside based on an initial estimate of costs, which is likely to be settled within the next 3 years.

Other Provisions
Other provisions are shown under this heading. No individual provision in this category exceeds £1.0m.

22. USABLE RESERVES

This section provides details of the Council's Usesable Reserves, summarised below:

	2017/18 £000	2016/17 £000
General Fund	10,395	10,727
Earmarked reserves	18,153	33,426
Sub-total General Fund Balances	28,548	44,153
Housing Revenue Account	14,535	12,555
Capital receipts reserve	55,422	45,999
Capital grants unapplied	14,305	10,828
Major repairs reserve	1,929	1,290
Total Useable Reserves	114,739	114,825

22.1. General Fund

The General Fund Balance at 31 March 2018 is £10.395m (31 March 2017 was £10.727m)

22.2. Housing Revenue Account and Major Repairs Reserve

The Housing Revenue Account Balance at 31 March 2018 is £16.464m (31 March 2017 is £13.845m). This figure is made up of the surplus of £14.535m (31 March 2017: £ 12.555m) and the Major Repairs Reserve of £1.929m (31 March 2017: £1,290m). Further detail are given in the HRA Statements

22.3. Earmarked Reserves

The Council keeps a number of reserves on the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans. See Note 8 for further details of earmarked reserves.

22.4. Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

	General Fund £000	Housing Revenue Account £000	2017/18 Total £000	2016/17 Total £000
Balance brought forward	7,365	38,634	45,999	31,778
Mortgage repayments	0	1	1	12
Net surplus for year	7,365	38,635	46,000	31,790
Receipts from sales of assets during the year	22,118	14,289	36,407	24,627
Cost of disposals	(2)	0	(2)	(16)
Transfer to Housing Capital Receipts Pool	(2,014)	0	(2,014)	(2,028)
Transfer between General Fund & HRA to offset transfer to Housing Capital Receipts Pool	2,014	(2,014)	0	0
Balance of receipts after transfer	22,116	12,275	34,391	22,583
Balance on account before application of receipts	29,481	50,910	80,391	54,373
Financing of capital expenditure	(18,459)	(6,510)	(24,969)	(8,374)
Balance carried forward	11,022	44,400	55,422	45,999

22.5. Capital Grants Unapplied

Where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution is transferred to the Capital Grants Unapplied Reserve. These balances are a capital resource that is available to finance new capital expenditure but has yet to be applied for that purpose.

23. UNUSABLE RESERVES

	2017/18 £000	2016/17 £000
Revaluation reserve	739,063	627,439
Capital adjustment account	260,492	258,732
Financial Instruments adjustment account	(1,347)	(1,531)
Pensions reserve	(616,039)	(594,252)
Deferred capital receipts	2,463	4
Collection Fund adjustment account	6,824	7,289
Short-term accumulating compensated absences account	(3,428)	(3,772)
	388,028	293,909

23.1. Revaluation Reserve

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

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

23. UNUSABLE RESERVES (continued)

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

	2017/18 £000	2017/18 £000	2016/17 £000
Balance at 1 April		627,439	530,668
Revaluations upward	200,124		137,775
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(47,195)		(13,574)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		152,929	124,201
The difference in depreciation arising from a revaluation gain and the depreciation charged on the historic cost	(5,273)		(7,035)
Accumulated gain or loss on assets sold or scrapped	(36,032)		(20,395)
Amount written off to the Capital Adjustment Account		(41,305)	(27,430)
Balance at 31 March		739,063	627,439

23.2. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2017/18 £000	2017/18 £000	2016/17 £000
Balance at 1 April		258,732	330,958
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)	(34,519)		(43,159)
Revaluation losses on Property, Plant and Equipment	(13,100)		(21,162)
Impairment/revaluation gains reversing losses previously charged to Comprehensive Expenditure and Income	58,555		8,046
Amortisation of intangible assets	(3,161)		(3,762)
Revenue expenditure funded from capital under statute	(72,547)		(90,817)
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	(69,581)		(63,347)
		(134,353)	(214,201)
Adjusting amounts written out of the Revaluation Reserve		41,305	27,430
Net written out amount of the cost of non-current assets consumed in the year		(93,048)	(186,771)
Capital financing applied in the year:			
Use of the Capital Receipts Reserve to finance new capital expenditure	24,969		8,374
Use of the Major Repairs Reserve to finance new capital expenditure	11,004		17,626
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	23,902		73,585
Application of grants to capital financing from the Capital Grants Unapplied Account	6,383		58
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	7,996		7,428
Capital expenditure charged against the General Fund and HRA balances	15,138		6,687
		89,392	113,758
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		5,416	815
Lessor Leases - Regulation 4 Mitigation		-	(28)
Balance at 31 March		260,492	258,732

23. UNUSABLE RESERVES (continued)

23.3. Financial Instruments Adjustment Account

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

The Balance Sheet at 31 March 2018 shows a balance of £1.34m (£1.5m in 2016/17) representing the remaining premiums paid in respect of debt restructuring exercises carried out in 2003/04 and 2009/10. This balance is made up of General Fund and Housing Revenue Account provisions which will be written down in accordance with the guidance which was in force at the time the debt was repaid.

	2017/18		2016/17
	£000	£000	£000
Balance at 1 April		(1,531)	(1,716)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0		0
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements		184	185
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements			185
Balance at 31 March		(1,347)	(1,531)

23.4. Pensions Reserve

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

	2017/18	2016/17
	£000	£000
Balance at 1 April	(594,252)	(493,412)
Actuarial gains or losses on pensions assets and liabilities	25,263	(123,743)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(47,050)	22,903
Balance at 31 March	(616,039)	(594,252)

23.5. Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2017/18	2016/17
	£000	£000
Balance at 1 April	4	17
Transfer to the Capital Receipts Reserve upon receipt of cash	(1)	(13)
Additional Deferred Capital Receipts relating to disposal of garage sites	2,460	0
Balance at 31 March	2,463	4

23. UNUSABLE RESERVES (continued)

23.6. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and NNDR income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2017/18 £000	2016/17 £000
Balance at 1 April	7,289	2,431
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	(465)	4,858
Balance at 31 March	6,824	7,289

23.7. Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2017/18 £000	2017/18 £000	2016/17 £000
Balance at 1 April	(3,772)		(2,237)
Settlement or cancellation of accrual made at the end of the preceding year	3,772		2,237
Amount accrued at the end of the current year	(3,428)		(3,772)
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		344	(1,535)
Balance at 31 March		(3,428)	(3,772)

24. TRADING OPERATIONS

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

25. AGENCY SERVICES

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

The Council currently acts as an agent for three bids:

The Croydon Town Centre bid was incorporated as Croydon Town Centre Bid Limited from 1 April 2007. Their tenure was extended to 31 March 2022, following a ballot of local businesses during 2016.

The New Addington Business Improvement District is a private sector initiative led by the Central Parade Business Partnership Limited. The New Addington BID is funded by local businesses; it was approved by ballot in December 2012 and commenced on 4 February 2013.

The Purley BID was established from the 1st March 2016 following a sucessful ballot of local businesses.

26. POOLED BUDGETS

The Council had entered into two agreements for
The section 75 agreement for the Community Occupational Therapy Service ceased on 31/03/2017 and was replaced by a standard NHS contract as part of One Croydon Alliance. All agreements have been documented, approved by Cabinet and the Croydon Clinical Commissioning Group (CCG) and signed.

The two agreements, both of which commenced on 1 April 2004, are for:

- ► Croydon's integrated community equipment service (CCES), and
- ► Croydon's integrated community occupational therapy service (CCOTS).

The CCES agreement is hosted by the Council and CCOTS has now ceased.

	2017/18			2016/17		
	£000 Council	£000 Partner	£000 Total	£000 Council	£000 Partner	£000 Total
Croydon's Community Equipment Service						
Funding provided to the pooled budget	(1,019)	(981)	(2,000)	(969)	(978)	(1,947)
Expenditure met from the pooled budget	2,159	0	2,159	1,966	0	1,966
Net Expenditure	1,140	(981)	159	997	(978)	19
Croydon's Community Occupational Therapy Service						
Funding provided to the pooled budget				(264)	(1,515)	(1,779)
Expenditure met from the pooled budget				925	637	1,562
Net surplus/(deficit) arising on the Pooled budget during the year	0	0	0	661	(878)	(217)

26. POOLED BUDGETS (continued)

The most recent agreement is in relation to the Better Care Fund (BCF). This agreement commenced on 1st April 2014 and is hosted by the Croydon Clinical Commissioning Group.

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

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

	2017/18				2016/17		
	£000 Council	£000 Partner	£000 Unallocated	£000 Total	£000 Council	£000 Partner	£000 Total
Better Care Fund							
Gross Income	(15,803)	(13,845)	(963)	(30,611)	(10,474)	(14,038)	(24,517)
Gross Expenditure	15,764	13,562	637	29,963	10,018	13,526	23,544
Net Expenditure	(39)	(283)	(326)	(648)	(457)	(512)	(974)

27. MEMBERS' ALLOWANCES

Total allowances paid to the Members of the Council was £1.475m in 2017/18 (£1.475m in 2016/17). The Council pays employer's national insurance on Members allowances, taking the total cost to £1.601m in 2017/18 (£1.607m in 2016/17)

28. OFFICERS' REMUNERATION

Out of more than 7,000 employees, the number whose remuneration, excluding pension contributions was £50,000 or more in bands of £5,000 was:

	2017/18		2016/17	
Remuneration Band	**Schools**	**Non-Schools**	**Schools**	**Non-Schools**
£195,000 - £199,999	0	1	0	0
£190,000 - £194,999	0	0	0	0
£185,000 - £189,999	0	0	0	0
£180,000 - £184,999	0	0	0	1
£175,000 - £179,999	0	0	0	0
£170,000 - £174,999	0	0	0	0
£165,000 - £169,999	0	1	0	0
£160,000 - £164,999	0	0	0	0
£155,000 - £159,999	0	0	0	1
£150,000 - £154,999	0	2	0	0
£145,000 - £149,999	0	0	0	1
£140,000 - £144,999	0	0	0	0
£135,000 - £139,999	0	1	0	0
£130,000 - £134,999	0	1	2	0
£125,000 - £129,999	1	2	1	2
£120,000 - £124,999	0	0	0	1
£115,000 - £119,999	1	2	0	2
£110,000 - £114,999	0	0	0	5
£105,000 - £109,999	3	8	2	3
£100,000 - £104,999	1	1	2	2
£95,000 - £99,999	0	3	1	3
£90,000 - £94,999	2	3	1	0
£85,000 - £89,999	1	2	1	8
£80,000 - £84,999	4	9	3	7
£75,000 - £79,999	7	12	4	12
£70,000 - £74,999	12	8	14	9
£65,000 - £69,999	19	28	14	20
£60,000 - £64,999	19	17	21	30
£55,000 - £59,999	38	35	37	19
£50,000 - £54,999	64	100	35	74

The table above includes the members of the Executive Leadership Team listed on the following page.

28. OFFICERS' REMUNERATION (continued)

Executive Leadership Team	Nathan Elvery Chief Executive	Jo Negrini Chief Executive	Jo Negrini Executive Director, Place	Shifa Mustafa Executive Director, Place	Richard Simpson Assistant Chief Executive, Corporate Resources and Section 151 Officer	Richard Simpson Executive Director of Resources and Section 151 officer	Barbara Peacock Executive Director, People	Jacqueline Harris-Baker** Director of Law and Monitoring Officer	Paul Greenhalgh Executive Director, People	Julian Ellerby* Director, Strategy and Partnerships
Start date		29/04/2016		15/11/2016		06/09/2016	25/07/2016	01/04/2017		24/04/2017
Leave Date	24/06/2016		28/04/2016		05/09/2016				31/07/2016	
	£	£	£	£	£	£	£	£	£	£
2017/18										
Basic Salary and allowances	0	185,000	0	153,000	0	153,085	168,088	104,168	0	108,828
Total Remuneration excluding Pension Contributions	**0**	**185,000**	**0**	**153,000**	**0**	**153,085**	**168,088**	**104,168**	**0**	**108,828**
Employer's Pension Contributions	0	27,935	0	21,178	0	23,103	25,368	15,729	0	16,433
Total Remuneration including Pension Contributions	**0**	**212,935**	**0**	**174,178**	**0**	**176,188**	**193,456**	**119,897**	**0**	**125,261**
2016/17										
Basic Salary and allowances	70,555	168,675	12,500	56,667	60,901	87,478	113,105		50,000	
Total Remuneration excluding Pension Contributions	**70,555**	**168,675**	**12,500**	**56,667**	**60,901**	**87,478**	**113,105**		**50,000**	
Employer's Pension Contributions	6,493	25,470	1,888	0	9,154.4	13,197	17,079		7,550	
Total Remuneration including Pension Contributions	**77,048**	**194,145**	**14,388**	**56,667**	**70,055**	**100,675**	**130,184**		**57,550**	

*Julian Ellerby became Director of Strategy and Partnerships on 24th April 2017 , which was a newly created role
** Jacqueline Harris-Baker in this post since 01st April 2017
Remuneration total is gross payable before individuals' contribution to the Pension Fund. This includes basic salary and any contracted additions where applicable.

Jo Negrini -Returning Officer	£	
Salary	12,951.59	
Pensions Employers Contribution	1,955.69	
	14,907.28	exc from above

28. OFFICERS' REMUNERATION (continued)

Exit Costs

This note discloses employee exit packages in rising bands of £20,000 up to £100,000 and bands of £50,000 thereafter. The packages included in the bands are those that have been agreed by the Authority, i.e. those packages for which the Authority is demonstrably committed. The costs included in the exit packages include all relevant redundancy including compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs.

2017/18	Total number of exit costs by cost band			Total cost of exit costs in each band		
	Compulsory Redundancies No.	Other Redundancies No.	Total No.	Compulsory Redundancies £	Other Redundancies £	Total £
£100,000 - £149,999	1	0	1	102,863	0	102,863
£80,000 - £99,999	0	1	1	0	80,777	80,777
£60,000 - £79,999	0	2	2	0	134,686	134,686
£40,000 - £59,999	2	2	4	100,014	108,966	208,980
£20,000 - £39,999	0	6	6	0	161,598	161,598
£0 - £19,999	10	13	23	97,733	148,286	246,020
Total	13	24	37	300,610	634,314	934,924

2016/17	Total number of exit costs by cost band			Total cost of exit costs in each band		
	Compulsory Redundancies No.	Other Redundancies No.	Total No.	Compulsory Redundancies £	Other Redundancies £	Total £
£100,000 - £149,999	0	1	1	0	119,287	119,287
£80,000 - £99,999	1	2	3	90,000	184,907	274,907
£60,000 - £79,999	1	7	8	61,247	472,022	533,269
£40,000 - £59,999	0	4	4	0	193,125	193,125
£20,000 - £39,999	1	23	24	31,125	623,284	654,409
£0 - £19,999	8	65	73	96,162	546,477	642,639
Total	11	102	113	278,534	2,139,103	2,417,637

29. EXTERNAL AUDIT COSTS

	2017/18 £000	2016/17 £000
Fees payable for other services during the year	10	14
Fees payable with regard to external audit services for London Borough of Croydon	173	173
Fees payable in response to Public Objection to 2016-17 accounts	40	0
Fees payable for the certification of grant claims and returns for the year	25	26
Total for Croydon Council	248	213
Fees payable by Brick by Brick Croydon Limited for external audit services	24	30
Total Audit fees for the group	272	243

30. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. Details of the deployment of DSG receivable for 2017/18 are set out in the following table:

30. DEDICATED SCHOOLS GRANT (continued)

	Central Expenditure £000	Individual Schools Budget £000	Total DSG 2017/18 £000
Final DSG for 2017/18 before academy recoupment			326,909
Academy figure recouped for 2017/18			(154,479)
Total DSG after academy recoupment for 2017/18			172,430
Plus: Brought forward from 2016/17			(336)
Less: Carry-forward to 2017/18 agreed in advance			0
Agreed initial budget distribution in 2017/18	2,189	169,905	172,094
In year adjustments			0
Final budget distribution for 2017/18	2,189	169,905	172,094
Less: actual central expenditure	(9,473)		(9,473)
Less: actual ISB deployed to schools		(163,584)	(163,584)
Carry-forward to 2018/19	(7,284)	6,321	(963)

31. GRANT INCOME

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

	2017/18 £000	2016/17 £000
Credited to Taxation and Non-Specific Grant Income		
Council Tax Income	160,200	147,997
Revenue Support Grant	32,577	46,801
National Non-Domestic Rates (NNDR)	65,306	70,346
Recognised Capital Grants and Contributions	14,967	17,150
Non-service Related Government Grants	18,018	22,523
	291,069	304,817
Taxation and Non-Specific Grants Credited to Services		
Home Office - contribution towards Unaccompanied Asylum Seeking Children costs	15,015	19,153
MHCLG - Growth Zone, Troubled Families, Care Act, Better Care Fund	14,058	1,736
Department for Education - Dedicated Schools Grant	172,430	173,921
Department of Health - Public Health Grant	21,912	22,466
Department for Work and Pensions - Housing Benefit Subsidy	187,026	236,116
Department for Work and Pensions - funding for welfare reform and reducing fraud and error	2,861	664
Home Office - Leaving Care support	2,545	2,450
Electoral Commission	0	640
Private Finance Initiative (PFI) - contribution from Central Government towards PFI costs	8,509	8,509
PE and Sport Grant	647	457
Education Funding Agency - Pupil Premium Grant	7,346	9,005
Skills Funding Agency - Adult Education	7,658	3,862
Department of Education -Staying Put Grant	531	515
Education Funding Agency - Universal Infant Free School Meals	2,929	2,637
Youth Justice Board - Youth Offending Services	649	673
Home Care Packages	-	1,058
Other Grants	1,365	1,934
Sub Total - Service Grants and Contributions	445,481	485,796
Total Grants Income	736,550	790,613

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:

	2017/18 £000	2016/17 £000
Capital Grants Receipts in Advance		
Department for Education - Basic Needs funding for School Places	0	5,844
Ministry of Housing, Communities & Local Governnment - Disabled Facilities Grant	1,050	201
Department for Transport - Local Pinch Point Funding to improve the highways network	1,800	1,800
Department for Education - Schools Condition Funding	4,941	3,260
Transport for London - Local Implementation Plan	13	1,229
Department of Health - Adult Social Care	769	769
Heritage Lottery Fund - Wandle Park	0	844
Department for Education - Universal Free School Meals	182	182
Department for Education - Childrens Centres and Early Years	132	132
Homes & Communities Agency - Council New Build Funding	429	540
Public Health - Food Flagship Programme	780	780
Section 106 allocated receipts in advance	1,613	2,818
Other grants and contributions	250	293
Total	11,959	18,692

32. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or significantly influence the Council or to be controlled or significantly influenced by the Council. Disclosure of these independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and re-distribution of National Non-Domestic Rates, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits).

Greater London Authority: Formed in 2000, the Greater London Authority (GLA) is a unique form of strategic citywide Government for London. It is made up of a directly elected Mayor - the Mayor of London - and a separately elected Assembly - the London Assembly. The Mayor is London's spokesman and leads the preparation of statutory strategies on transport, spatial development, economic development and the environment.

Croydon Care Solutions Ltd, Brick By Brick Croydon Limited , Croydon Enterprise Loan Fund Limited and Octavo Schools Partnership:
Further information regarding Croydon's influence over these organisations can be found in the Group Interests section to these accounts, in Note 40.

During the year no Council Members, Executive Directors and Directors or their close relations or members of the same household have undertaken any material declarable transactions with the Council other than the individuals and transactions disclosed below.The Council compiled the existing declarations for Members by issuing a form at the end of the financial year requesting the disclosure of any related party transactions that had taken place within the year.Members of the Corporate Leadership Team were issued with standard letters requesting declaration of any potential related party transactions.

The note below has been prepared on a cash basis using the Council's payments system, as it is believed that any accruals are not of a material value. The amounts in the note below represent sums paid by the Council to the 3rd party. Only related party transactions totalling over £100,000 for any individual organisation are considered material and are detailed below:

Organisation	Related Party	Related Party Transactions	2017/18 £'000	2016/17 £'000
Academy Schools Byron Oasis Academy John Ruskin College Quest Academy Oasis Academy Coulsdon Applegarth Academy Wolsey Academy Fairchildes Academy Pegasus Academy Trust	Cllr Jason Perry - Governor Cllr Helen Pollard - Governor Cllr Andy Stranack - Governor Cllr Christoper Wright - Governor Cllr Simon Hall - Partner is Govern Cllr Simon Hall - Partner is Govern Cllr Oliver Lewis - Governor Cllr David Wood - Member	Croydon Council is responsible for passing on various funding streams to Acadamies which are regulated by the Schools funding formula. The council also sells support services to various academies which include utilities and other services.	1,267	822
Brick By Brick Croydon Limited	Colm Lacey - Director Lisa Taylor - Director	Brick By Brick Croydon Limited is a private independent company with the council as sole shareholder. The Council has provided funding for residential-led development across a range of sites through a combination of debt and equity.	40,468	12,115
		The Council charges Brick by Brick for services, planning fees, staffing and interest costs	2,638	1,437
CACFO Education Centre	Cllr Callton Young - Chair of Trustees	Croydon Council is responsible for delegating a range of education funding in accordance with agreed funding formulas	167	131
Croydon Care Solutions Ltd	Lisa Taylor - Director Pratima Solanki - Director Sarah Ireland - Director Rachel Soni -Director	Croydon Care Solutions Ltd was wholly owned Local Authority Trading Company (LATC) which provides adult social care services. The payments shown include	0	11,664

		Council purchases relating to Daycare Opportunities and equipment services, as well as income received by Croydon Council on behalf of CSS for sales to other Local Authorities.		

32. RELATED PARTY TRANSACTIONS CONTINUED

Organisation	Related Party	Related Party Transaction	2017/18 £'000	2016/17 £'000
Croydon Drop In Centre	Cllr Oliver Lewis - unpaid Director	Purchase of services from this charity by the Council, including the talkbus outreach service, funding healthy lifestyles and councilling services	288	171
The Learning Tree Pre School	Cllr Carole Bonner Cllr Simon Hall - Partner is a trustee	Croydon Council is responsible for delegating various funding streams to the Early Years Providers, as determined by the relevant sections of the Schools	267	247
Octavo Partnership Limited	Emma Lindsell - Director	Transfer of education funding for the delivery of specific projects, as well as purchase of schools services and consultancy.	1,083	1,291
Purley BID Community Interest company	Cllr Simon Brew - Board member	Collection and payment of a BID levy on business rates by the Council to the BID company	137	105
Stanley People's Initiative	Cllr Paul Scott - Trustee	Voluntary sector loan granted by Croydon Council to facilitate the refurbishment of the Stanley Halls arts venue	14	117
Whitgift Foundation	Cllr Dudley Mead	Croydon Council is responsible for delegating various funding streams to the Early Years Providers, as determined by the relvant sections of the School.	251	0
Project Centre Ltd (part of NSL group)	Lee Parker	Streetscape design company which helped create advertisements as well as concept designs for popular streets in Croydon such as Wellesley Road and George Street.	258	0
OnSide	David Butler-Trustee	Grant payment to Croydon OnSide Youth Zone for a project for a purpose built facility for 8-19 years olds and up to 25 for people with disabilities.	100	0

	2017/18 £000	2016/17 £000
Receipts		
Pension Contributions - from the Council (employer's contributions)	16,427	60,713
Pension Contributions - from employees (deductions paid over)	7,534	7,396
Total Receipts	23,961	68,109

The employer's deficit was paid in 2016/17.

33. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	General Fund £000	Housing Revenue Account £000	2017/18 Total £000	2016/17 Total £000
EXPENDITURE:				
Property, Plant and Equipment	40,789	23,485	64,274	45,915
Property, Plant and Equipment - PFI	0	0	-	8,134
Revenue expenditure funded from capital under statute	48,675	9,369	58,044	90,817
Transformation Expenditure	14,503	0	14,503	0
Heritage Assets	84	0	84	0
Intangible assets	2,858	35	2,893	538
	106,909	32,889	139,798	145,404
FINANCED BY:				
Borrowing approvals	58,401	0	58,401	30,940
PFI assets delivered by contractor (repaid through unitary charge)	0	0	-	8,134
Capital receipts	18,459	6,510	24,969	8,374
Government grants and other contributions	30,049	236	30,285	73,643
Direct revenue contributions	0	15,138	15,138	6,687
Major Repairs Reserve	0	11,005	11,005	17,626
	106,909	32,889	139,798	145,404

EXPLANATION OF MOVEMENTS IN YEAR:	General Fund £000	Housing Revenue Account £000	2017/18 Total £000	2016/17 Total £000
Opening Capital Financing Requirement	583,228	322,497	905,725	880,713
Increase in underlying need to borrow (unsupported by Government financial assistance)	58,401	0	58,401	30,940
MRP / Loans fund principal	(7,996)	0	(7,996)	(7,428)
Property Fund Investment (unsupported by government financial assistance)	-	0	-	1,500
Closing Capital Financing Requirement	633,633	322,497	956,130	905,725

34. LEASES

A review of accounting disclosures has been undertaken to simplify the accounts and make them more understandable. During the review it was decided that the disclosure of both operating leases and finance leases where the Council is the lessee and lessor would be discontinued. The amounts were not considered to be material to a proper understanding of the accounts together with any narrative of immaterial transactions.

A review will be carried out each year to ensure that the position remains accurate.

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

The Authority currently has three Private Finance Initiative (PFI) contracts. A review, under International Financial Reporting Interpretations Committee (IFRIC) 12 - Service Concessions, of the accounting treatment of three of the PFI contracts was undertaken in 2009/10. The review of the Street Lighting PFI was undertaken prior to its commencement in August 2011. This resulted in assets for the Ashburton Learning Village, Street Lighting and three of the four Adults for the Future PFI schemes being recognised on the Balance Sheet. One Adults Homes for the Future building was assessed as not qualifying for recognition on the Balance Sheet.

Adults Homes For The Future (formerly New4Old)

Two of the homes opened during 2010 and the other two homes opened during 2011. The care services to the users and residents of the facilities were outsourced to Care UK Limited during 2011/12. The facilities, including management of all soft facilities are fully maintained by Caring 4 Croydon Limited, a subsidiary of Care UK Limited . In 2016-17 the payment to Caring 4 Croydon Limited was 5.2m comprising 2.56m Annual Unitary Payment (AUP) and 1.3m lease payments; PFI credits of £2.868m were received. The annual payment to Caring 4 Croydon Limited is index-linked to the Retail Price (RPI) index and consequently will increase each 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 £53m over the remaining 18 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 2017/18 the Annual Unitary Payment to Skanska-Laing was £10.3m; 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**	**2017/18 Total £000**	**2016/17 Total £000**
Net book value as at 31 March 2017	21,658	23,660	48,087	93,405	87,684
Gross book value as at 31 March 2017	21,658	23,660	51,826	97,144	89,758
Additions	0	0	0	0	8,134
Revaluation	9,666	10,166	0	19,832	(749)
Gross book value as at 31 March 2018	31,324	33,826	51,826	116,976	97,143
Deprecation written out after revaluation	713	784	0	1,497	(2,074)
Depreciation as at 1 April 2017	0	0	(3,739)	(3,739)	(3,191)
Depreciation for year	(713)	(784)	(2,004)	(3,501)	1,527
Net book value as at 31 March 2018	31,324	33,826	46,083	111,233	93,404

Value of Liabilities	**Ashburton Learning Village**	**Adult Homes For The Future**	**Street Lighting**	**2017/18 Total £000**	**2016/17 Total £000**
Creditors as at 31 March 2017	(14,887)	(21,127)	(46,167)	(82,181)	(75,615)
"Drawdown" at start of operational period	0	0	0	0	(8,134)
Capital repayment	481	512	979	1,972	1,568
Lump sum contribution	0	0	0	0	0
Creditors as at 31 March 2018	(14,406)	(20,615)	(45,188)	(80,209)	(82,181)

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS (continued)

Repayment of Liabilities	Ashburton Learning Village £000	Adult Homes For The Future £000	Street Lighting £000	2017/18 Total £000	2016/17 Total £000
Within one year	506	543	1,066	2,115	1,972
Within two to five years	2,311	2,520	5,301	10,132	9,438
Within six to ten years	3,655	4,104	9,748	17,507	16,293
Within 11 to 15 years	4,742	5,498	14,924	25,164	23,393
Within 16 to 20 years	3,192	7,366	14,149	24,707	28,851
Within 21 to 25 years	-	584		584	2,233
Within 26 to 30 years					
Total	14,406	20,615	45,188	80,209	82,180

Interest Payments	Ashburton Learning Village £000	Adult Homes For The Future £000	Street Lighting £000	2017/18 Total £000	2016/17 Total £000
Within 1 year	770	1,242	4,018	6,030	6,173
Within 2 to 5 years	2,795	4,619	15,037	22,451	23,144
Within 6 to 10 years	2,727	4,820	15,674	23,221	24,436
Within 11 to 15 years	1,640	3,426	10,498	15,564	17,335
Within 16 to 20 years	319	1,558	2,771	4,648	6,865
Within 21 to 25 years	-	12	0	12	146
Within 26 to 30 years					
Total	8,251	15,677	47,998	71,926	78,099

Service Charge Payments	Ashburton Learning Village £000	Adult Homes For The Future £000	Street Lighting £000	2017/18 Total £000	2016/17 Total £000
Within 1 year	896	1,783	1,484	4,163	4,027
Within 2 to 5 years	3,920	7,694	6,477	18,091	17,509
Within 6 to 10 years	5,720	10,989	9,468	26,177	25,346
Within 11 to 15 years	6,742	12,699	11,261	30,702	29,745
Within 16 to 20 years	4,197	14,634	8,754	27,585	31,026
Within 21 to 25 years	-	1,060	0	1,060	4,154
Within 26 to 30 years					
Total	21,475	48,859	37,444	107,778	111,807

Lifecycle Payments	Ashburton Learning Village £000	Adult Homes For The Future £000	Street Lighting £000	2017/18 Total £000	2016/17 Total £000
Within 1 year	411	405	0	816	816
Within 2 to 5 years	1,643	1,621	0	3,264	3,264
Within 6 to 10 years	2,054	2,026	0	4,080	4,080
Within 11 to 15 years	2,054	2,026	0	4,080	4,080
Within 16 to 20 years	1,130	2,026	0	3,156	3,567
Within 21 to 25 years	-	135	0	135	540
Within 26 to 30 years					
Total	7,292	8,239	0	15,531	16,347

Contingent Rent	Ashburton Learning Village £000	Adult Homes For The Future £000	Street Lighting £000	2017/18 Total £000	2016/17 Total £000
Within 1 year	0	0	90	90	81
Within 2 to 5 years	0	0	421	421	399
Within 6 to 10 years	0	0	557	557	563
Within 11 to 15 years	0	0	388	388	441
Within 16 to 20 years	0	0	(13)	(13)	39
Within 21 to 25 years	0	0	-	0	0
Within 26 to 30 years	0	0	0	0	0
Total	0	0	1,443	1,443	1,523

36. IMPAIRMENT LOSSES

There were no impairments to assets in 2017/18 (£nil in 2016/17).

37. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The following items have been identified in accordance with accounting policy 1.14:

Municipal Mutual Insurance (MMI) - potential for future claims
In 1993, MMI ceased to accept new business, due to changes in insurance industry requirements. The appointed administrator has set a levy rate of 15%, and London Borough of Croydon is liable for this proportion of any future claim that pre-dates 1993. A likely amount cannot be estimated reliably, and the possibility does remain for the administrator to revise the levy rate, should the company's assets prove insufficient to meet liabilities.

Business Rates Appeals

When the new Business Rates retention system was introduced on 1 April 2013, the Council took on the risk and reward associated with 30% of the annual Business Rates Yield. As a consequence the Council is exposed to a significant risk regarding Business Rates appeals. Organisations can appeal the Rateable Value of their business premises if they believe it is incorrect. These appeals are lodged directly with the Valuation Office Agency (VOA) who then assesses the case and either reject the appeal or adjust the Rateable Value of the premises. Where appeals are successful the Council must refund any amounts that have been overcharged (backdated to the last revaluation).

The Collection Fund includes a provision of £17.0m in 2017/18, of which £6.1m or 36% is included in the Council's Accounts, to allow for backdated appeals relating to 2017/18 and prior years. This provision is based on appeals outstanding as at 31 March 2018, as advised by the VOA.

38. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written polices and procedures covering specific areas such as credit risk, liquidity risk and market risk.

The annual treasury management strategy for 2017/18 which incorporates the prudential indicators was approved by Council on 27 February 2017 and is available on the Council's website. The key issues within the strategy were:

1. The Authorised Borrowing Limit for 2017/18 was set at £1,234.442m. This is the maximum limit of external borrowings or other long term liabilities.
2. The Operational Boundary was set at £1,192.24m. This is the expected level of debt and other long term liabilities during the year.
3. The maximum amounts of fixed and variable interest rate exposure were set at £1,192.24m and £40m based on the Council's net debt.

These policies are implemented by the Council's treasury team. The Council maintains written policies for overall risk management, as well as written policies (Treasury Management Policies - TMPs) covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit Risk
Credit risk arises from the short-term lending of surplus funds to banks, building societies and other Local Authorities. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

	Amounts at 31 March 2018 £000	Historical Experience of Default %	Estimated Maximum Exposure to Default £000
Deposits with banks and other financial institutions	34,000	0	0
Bonds and other securities	0	0	0
Customers	0	0	0
Total	34,000		0

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

Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meets its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 15% of loans are due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The sum owing of £34m has been invested in the banking sector and with other local authorities, and £101m is due to be repaid in less than one year.

Refinancing and Maturity Risk

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

	At 31 March 2018 £000	At 31 March 2017 £000
Loans outstanding:		
PWLB	677,926	614,926
Market debt / LOBOs	203,134	213,135
Temporary borrowing	21,000	53,000
Local bonds	0	0
Deferred purchases	80,406	82,378
Other	4,514	4,503
Total	986,980	967,942
Less than 1 year	103,115	165,475
Between 1 and 2 years	27,026	12,888
Between 2 and 5 years	35,106	37,550
Between 5 and 10 years	61,081	61,867
More than 10 years	760,652	690,162
Total	986,980	967,942

Interest Rate Risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the effect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the Authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Comprehensive Income and Expenditure Statement.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Comprehensive Income and Expenditure Statement.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget. This allows any adverse changes to be accommodated. The strategy will also advise on whether new borrowing taken out is to be at fixed or variable interest rates.

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

According to this assessment strategy, at 31 March 2018, if interest rates had been 1% higher, the financial effect would be:

	At 31 March 2018 £000	At 31 March 2017 £000
Increase in interest payable on variable rate borrowings	0	0
Increase in interest receivable on variable rate investments	0	0
Increase in Government grant receivable for financing costs	0	0
Impact on Comprehensive Income and Expenditure Statement	0	0
Decrease in fair value of fixed rate investment assets	0	0
Impact on CI&E Statement or Movement in Reserves Statement	0	0
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(178,209)	(164,958)

Note: the council does not hold any variable rate borrowings or investments at the end of the last reporting period.

Price Risk
The Council, excluding the Pension Fund, does not invest in equity shares or marketable bonds.

Foreign Exchange Risk
The Council has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

39. TRUST FUNDS

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

- ► The Church Tenements Charities: Educational and Church Branches, which provides grants to young people for education purposes (£0.956m)
- ► The Frank Denning Memorial Charity, which provides travelling scholarships (£0.342m).

The funds are not assets of the Council and are not included in the Balance Sheet.

40. GROUP INTERESTS

The Council reviewed its group activities during 2017/18, including a review of the nature of the risks it was exposed to through its group trading activities and the amounts involved after eliminating intragroup transactions. The Council concluded that its group activities were sufficiently material to justify the preparation of Group Accounts. The Group Accounts and notes can be found in the section entitled "Group Accounts".

Group interests are detailed below:

Croydon Council owns a 100% stake in the development company Brick By Brick Croydon Limited , which was established to deliver housing across a number of Council owned sites in the Borough. Activity in 2017/18 continues to be material, and group accounts have been prepared with Brick By Brick Croydon Limited. During the course of 2017/18, Brick By Brick Croydon Limited restated their 2016 accounts, although this change was not material for the purpose of preparing the Council's group accounts.

Croydon Council holds 1% voting rights of the Croydon Affordable Housing, a charity which itself has 90% control of Croydon Affordable Homes LLP. The remaining 10% control is held by the London Borough of Croydon (Holdings) LLP, which is wholly controlled by the Council. A review of economic control has judged that the Council does not have control of either the Croydon Affordable Homes LLP or the Croydon Affordable Housing charity.

Croydon Council holds 40% of control of the board of Octavo Partnership Limited, which was created to deliver School Improvement services across the Borough of Croydon and beyond, and sells discretionary support services to schools directly whilst delivering statutory services on behalf of Croydon Council. Financial activity in 2017/18 is not considered material.

Croydon also owns a 100% stake in Croydon Enterprise Loan Fund Limited , which is a growth programme designed to support businesses in Croydon to access finance in order to start or grow a business. Group activity is not judged to be material.

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 2017-18, and any sums are immaterial.

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

This Statement of Accounts was issued on 30 July 2018 by Richard Simpson, Executive Director of Resources and Section 151 officer

42. PENSIONS - IAS19 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education.
- The Local Government Pensions Scheme, administered by the London Borough of Croydon.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it was a defined contributions scheme - no liability for future payments of benefits is recognised in the Council's Balance Sheet and the Children, Young People and Learners revenue account is charged with the employer's contributions payable to the Teachers' Pension Scheme during the year.

In 2017/18, the Council paid £ 7.801m (2016/17: £8.532m) to Capita Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% (2016/17: 16.48%) of pensionable pay.

The Local Government Pension Scheme
The Local Government Scheme is accounted for as a defined benefits scheme; its members are the London Borough of Croydon and a number of Scheduled and Admitted bodies. A list of all member bodies is available in the Pension Fund Accounts.

The liabilities of the scheme attributable to the London Borough of Croydon are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees.

Liabilities are discounted to their present value, using a discount rate of 2.5% (based on the indicative rate of return on high quality corporate bonds).

The assets of the scheme attributable to the London Borough of Croydon are included in the Balance Sheet at their fair value:
Quoted securities - current bid price or the last trade price depending upon the convention of the market
Unquoted securities - professional estimate
Unlisted securities - current bid price
Property - market value.

The change in the net pensions liability is analysed into seven components:

Current service cost - the increase in the present value of a defined benefit obligation resulting from employee service in the current period - allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employee worked.

Past service cost - the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases) - debited / credited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.

Interest cost - the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement - debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

The return on Fund assets - is interest, dividends and other revenue derived from the Fund assets, together with realised and unrealised gains or losses on the Fund assets, less any costs of administering the Funds (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the Fund itself - credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

42. PENSIONS - IAS19 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES (continued)

Gains / losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.

Actuarial gains and losses comprise:
- experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually

- the effects of changes in actuarial assumptions - are recognised in Other Comprehensive Income.

Contributions paid to the Pension Fund - cash paid as employer's contributions to the Pension Fund.

Actuarial valuations are carried out every three years as required by legislation. The most recent valuation was undertaken by Hymans Robertson as at 31 March 2016. This identified a funding level of 73%which equates to a deficit of £326m.
The actuary set contribution rates for each employer, after consideration of their relative risk profiles and with the objective of th Fund achieving full funding over a 22 year period.

Discretionary Benefits

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

Actuarial Assumptions	**31 March 2018**	**31 March 2017**
Financial assumptions		
Rate of increase in salaries *	2.90%	2.90%
Rate of increase of pensions	2.40%	2.40%
Discount rate	2.60%	2.50%
Split of assets between investment categories		
Equities	53.00%	53.00%
Debt Securities	0.00%	0.00%
Private Equity	8.00%	8.00%
Real Estate	10.00%	10.00%
Investment Funds and Unit Trusts	28.00%	27.00%
Cash / Liquidity	1.00%	1.00%
Life expectancy		
of a male (female) future pensioner aged 65 in 20 years time	24.0 (26.2) years	24.0 (26.2) years
of a male (female) current pensioner aged 65	22.3 (24.4) years	22.3 (24.4) years

Commutation of pension for lump sum at retirement	take 50% of additional tax-free cash up to HMRC limits for pre-April 2008 and 75% of the maximum tax-free cash for post-April 2008 service
Market value of total funds (£ millions)	1111 as at 31 Mar 2018

* Salary increases are assumed to be 1% until 31 March 2018 reverting to the long term assumption shown thereafter.

42. PENSIONS - IAS19 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES (continued)

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability

	31 March 2018			31 March 2017		
	Assets £000	Obligations £000	Net (Liability) /Asset £000	Assets £000	Obligations £000	Net (Liability) /Asset £000
Fair value of employer assets	950,489	0	950,489	734,070	0	734,070
Present value of funded liabilities	0	1,525,973	(1,525,973)	0	1,217,902	(1,217,902)
Present value of unfunded liabilities	0	18,768	(18,768)	0	9,580	(9,580)
Opening Position as at 31 March 2017 and 31 March 2016	**950,489**	**1,544,741**	**(594,252)**	**734,070**	**1,227,482**	**(493,412)**
Service cost:						
Current service cost *		53,691	(53,691)	0	31,568	(31,568)
Past service cost (including curtailments)		117	(117)	0	890	(890)
Effect of settlements	(427)	(2,492)	2,065	(255)	(6,213)	5,958
Total Service Cost	**(427)**	**51,316**	**(51,743)**	**(255)**	**26,245**	**(26,500)**
Net interest:						
Interest income on plan assets	23,535		23,535	25,404	0	25,404
Interest cost on defined benefit obligation		38,763	(38,763)	0	41,496	(41,496)
Impact of asset ceiling on net interest						
Total Net Interest	**23,535**	**38,763**	**(15,228)**	**25,404**	**41,496**	**(16,092)**
Total Defined Benefit Cost Recognised in Profit or (Loss)	**23,108**	**90,079**	**(66,971)**	**25,149**	**67,741**	**(42,592)**
Cashflows:						
Plan participants' contributions	8,256	8,256	0	8,190	8,190	0
Employer contributions	18,667		18,667	64,312	0	64,312
Contributions in respect of unfunded benefits	1,254		1,254	1,183	0	1,183
Benefits paid	(43,296)	(43,296)	0	(44,800)	(44,800)	0
Unfunded benefits paid	(1,254)	(1,254)	0	(1,183)	(1,183)	0
Expected Closing Position	**957,224**	**1,598,526**	**(641,302)**	**786,921**	**1,257,430**	**(470,509)**
Remeasurements:						
Changes in demographic assumptions		0	0	0	(12,961)	12,961
Changes in financial assumptions		(28,096)	28,096	0	270,300	(270,300)
Other experience		1,946	(1,946)	0	29,972	(29,972)
Return on assets excluding amounts	(887)		(887)	163,568	0	163,568
included in net interest			0	0	0	0
Changes in asset ceiling			0	0	0	0
Total remeasurements recognised in Other Comprehensive Income (OCI)	**(887)**	**(26,150)**	**25,263**	**163,568**	**287,311**	**(123,743)**
Exchange differences	0	0	0	0	0	0
Effect of business combinations and disposals	0	0	0	0	0	0
Fair value of employer assets	956,337		956,337	950,489	0	950,489
Present value of funded liabilities		1,552,554	(1,552,554)	0	1,525,973	(1,525,973)
Present value of unfunded liabilities **		19,822	(19,822)	0	18,768	(18,768)
Closing Position	**956,337**	**1,572,376**	**(616,039)**	**950,489**	**1,544,741**	**(594,252)**

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

** (31 March 2018) This liability comprises of approximately £17,972,000 in respect of LGPS unfunded pensions and £1850,000 in respect of Teachers' unfunded pensions. For unfunded liabilities as at 31 March 2018, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension of 50% of the member's pension as at the date of the member's death.

42. PENSIONS - IAS19 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES (continued)

The valuation of employer assets used in this analysis differs from the figures presented in the Pension Fund Statements in that it uses an estimate of returns (-0.1%) because it has to be prepared in advance of the year end, whereas the Pension Fund Accounts are prepared on the basis of actual and not assumed figures after the year's end. Regardless of this detail the movement in the value of these assets reflects the stagnation of the financial markets over the reporting period and beyond, a consequence of the continued global financial crisis. The schedule on the previous page shows an decrease in the funding level; the net liability has increased from £594 million to £616 million. The principle driver for this movement is the increase in the present value of funded liabilities, relating to employee members of the scheme, deferred pensioners and pensioners.

It should be noted however that this IAS19 valuation is not an assessment of the cash value of the funding difference; it is a notional sum that is reversed out through the Local Government accounting mechanism.

IAS19 requires that the cost of retirement benefits is recognised in the Comprehensive Income and Expenditure Statement when the entitlement is earned, irrespective of when the benefits are actually paid. However, the charge the Council is required to make in its financial statements is equal to the actual contribution to the Pension Fund payable in the year. Consequently, a transfer is made to, or from, the Pensions Reserve to achieve this.

The other adjustment to the Pensions Reserve during the year represents the Experience / Actuarial gain or loss recognised during the year. The gain or loss calculated is taken directly to Other Comprehensive Income.

Consequently, the balance on the reserve represents the amount required to meet the estimated liability for future pensions, and the change in the reserve during the year represents the change in that liability.

Fair value of employers assets

The below asset values are at bid value as required under IAS19. Please note, where IAS19 asset splits were not available at the exact start and end dates, we have used the nearest IAS19 assets split prior to these dates.

	Period Ended 31 March 2018				Period Ended 31 March 2017			
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	60,801		60,801	6.4	60,429		60,429	6.36
Manufacturing	55,347		55,347	5.8	55,008		55,008	5.79
Energy and Utilities	37,446		37,446	3.9	37,217		37,217	3.92
Financial Institutions	115,393		115,393	12.1	114,687		114,687	12.07
Health and Care	83,918		83,918	8.8	83,404		83,404	8.77
Information Technology	97,608		97,608	10.2	97,011		97,011	10.21
Other	61,401		61,401	6.4	61,025		61,025	6.42
Debt Securities:								
Other								
Private Equity:								
All		77,379	77,379	8.1		76,905	76,905	8.09
Real Estate:								
UK Property	69,624	23,964	93,588	9.8	69,198	23,817	93,015	9.79
Overseas Property								
Investment Funds and Unit Trusts:								
Equities	23,730		23,731	2.5	23,585		23,585	2.48
Bonds		176,875	176,875	18.5		175,793	175,793	18.50
Hedge Funds								
Commodities								
Infrastructure		65,244	65,244	6.8		64,845	64,845	6.82
Other								
Derivatives	124		124		124		124	
Equivalents:								
All	7,482		7,482	0.8	7,435		7,435	.78
Totals	**612,873**	**343,462**	**956,336**	**100**	**609,123**	**341,360**	**950,483**	**100**

42. PENSIONS - IAS19 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES (continued)

Key Financial Data Relating to the Current and Four Previous Periods

	31 March 2018 £000	31 March 2017 £000	31 March 2016 £000	31 March 2015 £000	31 March 2014 £000
Present value of benefit obligations	(1,572,376)	(1,544,741)	(1,227,482)	(1,272,735)	(1,140,775)
Fair value of Fund assets	956,337	950,489	734,070	716,110	628,335
Surplus / (Deficit) of the Fund	(616,039)	(594,252)	(493,412)	(556,625)	(512,440)
Experience adjustments on Fund liabilities	26,150	(287,311)	(80,412)	100,357	(87,322)
Expressed as a percentage	(1.66%)	18.60%	6.55%	(7.89%)	7.65%
Experience adjustments on Fund assets	887	(163,568)	(1,315)	69,873	(50,187)
Expressed as a percentage	0.09%	(17.21%)	(0.18%)	9.76%	(7.99%)

HOUSING REVENUE ACCOUNT - COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

INTRODUCTION

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to Croydon Council's own housing stock. Income and expenditure on other housing services provided by the Council is recorded in the General Fund. The items recorded within the HRA are prescribed by statute because the Council has no general discretion to transfer sums into or out of the HRA, this type of account is known as ring fenced.

The ring fence was introduced by the Local Government and Housing Act 1989, to ensure that rents paid by Local Authority tenants accurately and realistically reflected the cost of providing the housing service.

	Note No.	2017/18 £000	2016/17 £000
Income			
Dwelling rents		(76,868)	(78,196)
Non-dwelling rents		(1,277)	(1,535)
Charges for services and facilities		(14,140)	(13,943)
Contributions towards expenditure		(13)	(18)
Capital grants and contributions receivable		0	0
Total Income		(92,298)	(93,692)
Expenditure			
Repairs and maintenance		11,581	12,278
Supervision and management		36,878	37,163
Rents, rates, taxes and other charges		4,413	3,528
Allowance for debtors		797	168
Depreciation of non-current assets	2.1 & 3	11,643	18,771
Amortisation of intangible assets		36	46
Revenue expenditure funded from capital under statute	3 & 4	9,369	5,507
Total Expenditure		74,717	77,461
Net cost of HRA services as included in the whole-Authority Comprehensive Income and Expenditure Statement		(17,581)	(16,231)
HRA services share of Corporate and Democratic Core		489	489
HRA share of Pensions Reserve contributions not allocated to specific services	5	(168)	(478)
Net cost of HRA services		(17,260)	(16,220)
Gain or loss on sale of HRA non-current assets		(8,230)	(11,519)
Gain or loss on revaluation of non-current assets		0	16
Housing pooled capital receipt			
Interest payable and similar charges		12,187	12,236
Interest and investment income		(1)	(2)
Pensions interest costs and expected return on pensions assets		1,314	1,519
Capital Grants & Contributions Receivable		(236)	0
(Surplus)/ deficit for the year on HRA services		(12,226)	(13,970)

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.	2017/18 £000	2016/17 £000
HRA surplus balance brought forward		(12,555)	(11,818)
(Surplus)/deficit for the year on the HRA Comprehensive Income and Expenditure Statement		(12,226)	(13,970)
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	(1,639)
Amortisation of intangible assets		(36)	(46)
Gain or loss on revaluation of non-current assets		0	(16)
Gain or loss on sale of HRA non-current assets		8,230	11,519
Capital Grants & Contributions Receivable		236	0
Revenue expenditure funded from capital under statute	3 & 4	(9,369)	(5,507)
Net charges made for retirement benefits in accordance with IAS19		(4,059)	2,162
		(4,998)	6,473
Amounts excluded in the HRA Comprehensive Income and Expenditure Statement but are required by statute to be included when determining the movement on the HRA balance for the year			
Amortisation of premiums and discounts		98	98
Capital expenditure funded by the Housing Revenue Account	3	15,138	6,687
Housing pooled capital receipt			-
		15,236	6,785
Contributions to/from reserves			
Short-Term Accumulating Compensated Absences (STACA)		8	(25)
Transfer to/from HRA Balances			0
		8	(25)
Net additional amounts		10,246	13,233
(Increase)/decrease in HRA balance for the year		(1,980)	(737)
HRA balance carried forward		(14,535)	(12,555)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. NUMBER AND TYPE OF DWELLINGS IN THE HOUSING STOCK

Types of Property	2017/18	2016/17
Houses	**5,238**	5,273
Flats	8,320	8,373
Relocatable Homes	14	14
Total Dwellings	13,572	13,660

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

2017/18	Council Dwellings £000	Other Land and Buildings £000	Surplus Assets £000	Assets Held For Sale £000	Total £000
Net book value as at 1 April 2017	907,057	11,471	753	7,361	926,642
Gross book value as at 1 April 2017	907,057	11,517	770	7,361	926,705
Additions	23,485	0	0	0	23,485
Revaluation increase/(decrease) recognised in the Revaluation Reserve	65,165	3,879	(163)	0	68,881
Revaluation increase/(decrease) recognised in Income and Expenditure	0	0	(184)	(50)	(234)
Derecognition - Disposals	(6,058)	0	0	(5,047)	(11,105)
Transfers/Reclassifications	0	(860)	275	585	-
Other movements in cost or valuation	0	0	0	0	-
Gross book value as at 31 March 2018	989,649	14,536	698	2,849	1,007,732
Accumulated Depreciation and Impairment					
At 1 April 2017	0	44	17	0	61
Depreciation for year	11,270	356	17	0	11,643
Depreciation written out to the Revaluation Reserve	(11,270)	(325)	(55)	0	(11,650)
Depreciation written out to Income and Expenditure	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	-
Transfers/Reclassifications		(21)	21		-
Other movements in depreciation and impairment	0	0	0	0	0
Accumulated Depreciation and Impairment at 31 March 2018	0	54	0	0	54
Net book value as at 31 March 2018	989,649	14,482	698	2,849	1,007,678

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 2018	31 March 2017
Total Dwellings	13,572	13,660
Leaseholds	2,409	2,350
Garages	2,647	2,705
Parking Spaces	99	99
	18,727	18,814
	£M	£M
Vacant possession value of dwellings at 31 March 2018	£3,957	
Vacant possession value of dwellings at 31 March 2017	£3,626	£3,626
Vacant possession value of dwellings at 31 March 2016		£3,310

The vacant possession value is the Authority's estimate of the total sum that it would receive if all the assets were sold on the open market.

For the Balance Sheet, Council dwellings are required, by the Housing Revenue Account (Accounting Practices) Directions 2007, to be valued in a way that reflects their occupation by sitting tenants enjoying rents at less than open market rents and tenants' rights including the Right to Buy. This reduction from vacant possession values is achieved by the application of an adjustment, known as Existing Use Value - Social Housing (EUV-SH) factor. It is calculated by Government at 25% giving a value of £3,626m x 25% = £907m as at 31 March 2018

The valuation of council dwellings as at 31 March 2018 was undertaken by Wilks Head & Eve. This led to an increase in the vacant possession value of £331m to £3,957m.The EUV-SH value was £3,957m x 25% = £990m as at 31 March 2018.

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

	2017/18 £000	2016/17 £000
Expenditure		
Non-current assets (buildings)	23,485	18,803
Revenue expenditure funded from capital under statute	9,369	5,507
Intangible assets	35	3
	32,889	24,313
Financed By		
Borrowing approvals	0	-
Capital receipts	6,510	-
Government grants and other contributions	236	-
Direct revenue contributions	15,138	6,687
Major Repairs Reserve	11,005	17,626
	32,889	24,313

Capital Receipts

	2017/18 £000	2016/17 £000
Balance brought forward	38,634	21,778
Mortgage repayments	1	12
Other capital receipts	0	0
Net surplus for year	1	12
Receipts from sales of assets during the year	14,289	18,872
Transfer to Housing Capital Receipts Pool (via General Fund)	(2,014)	(2,028)
Balance of receipts after transfer	12,275	16,844
Balance on account before application of receipts	50,910	38,634
Financing of capital expenditure	(6,510)	0
Balance carried forward	44,400	38,634

Major Repairs Reserve

Authorities are required by the Accounts and Audit (England) Regulations 2011 to maintain the Major Repairs Reserve (MRR), which controls an element of the capital resources required to be used on HRA assets or for capital financing

	2017/18 £000	2016/17 £000
Opening balance as at 1 April	1,290	1,786
Depreciation charge to HRA	11,644	18,771
Capital expenditure during the year	(11,005)	(17,626)
Other reserve adjustments	-	(1,641)
Closing balance as at 31 March	1,929	1,290

4. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

5. HRA SHARE OF CONTRIBUTIONS TO THE PENSIONS RESERVE

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

6. DEBTORS AND ALLOWANCE FOR DOUBTFUL DEBT

	2017/18		2016/17	
	Debtors	Allowance for Doubtful Debt	Debtors	Allowance for Doubtful Debt
	£000	£000	£000	£000
Housing Revenue Account rents	9,497	(5,498)	7,856	(4,469)
Housing Revenue Account lease holder service charges/major works	4,139	0	4,896	(332)
Housing Revenue Account other debtors	20	0	21	0
	13,656	(5,498)	12,773	(4,801)

COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

	Note No.	2017/18 Business Rates £000	2017/18 Council Tax £000	2017/18 Total £000	2016/17 Business Rates £000	2016/17 Council Tax £000	2016/17 Total £000
INCOME DUE							
Council Tax-payers	2		197,607	197,607		185,855	185,855
Business Rates	1(a)	111,578		111,578	111,798		111,798
Transition grant from MHCLG		6,774		6,774	0		0
Crossrail Business Rate Supplement	1(b)	3,396		3,396	3,590		3,590
Total Income		121,748	197,607	319,355	115,388	185,855	301,243
EXPENDITURE							
Charges to the Collection Fund:							
Changes in Provision for Bad and Doubtful Debts		(3,884)	2,043	(1,841)	531	2,777	3,308
Write-offs of Bad Debt		5,136	288	5,424	2,125	1,580	3,705
Changes in Provision for Appeals		5,500	0	5,500	(15,000)	0	(15,000)
Cost of Collection		430	0	430	427	0	427
Cost of Collection - Crossrail		8	0	8	9	0	9
		7,190	2,331	9,521	(11,908)	4,357	(7,551)
Total Income less Charges		114,558	195,276	309,834	127,296	181,498	308,794
Precepts, Demands and Shares:	3						
London Borough of Croydon		35,306	155,059	190,365	32,732	143,490	176,222
Greater London Authority (GLA)		43,544	33,950	77,494	21,821	32,511	54,332
Housing, Communities and Local Government (CLG)		38,836	0	38,836	54,553	0	54,553
Housing, Communities and Local Government (Crossrail)	1(b)	3,388	0	3,388	3,581	0	3,581
(Surplus)/Deficit for year		6,516	(6,267)	249	(14,609)	(5,497)	(20,106)
Distribution of Previous Year's Collection Fund Surplus:							
London Borough of Croydon		(2,177)	5,829	3,652	(5,224)	9,257	4,033
Greater London Authority (GLA)		(1,452)	1,321	(131)	(3,483)	2,331	(1,152)
Housing, Communities and Local Government (CLG)		(3,630)	0	(3,630)	(8,708)	0	(8,708)
Total Distribution of Previous Year's Collection Fund Surplus		(7,259)	7,150	(109)	(17,415)	11,588	(5,827)
Movement of Collection Fund in the Year		(743)	883	140	(32,024)	6,091	(25,933)
Balance brought forward (surplus)/deficit		(5,141)	(7,049)	(12,190)	26,883	(13,140)	13,743
Balance carried forward (surplus)/deficit		(5,884)	(6,166)	(12,050)	(5,141)	(7,049)	(12,190)
Allocation of surplus							
Surplus declared in the January Delegation report to be distributed in the following year:							
London Borough of Croydon		(3,927)	(4,841)	(8,768)	2,178	(5,829)	(3,651)
GLA		(4,843)	(1,060)	(5,903)	1,452	(1,321)	131
CLG		(4,319)	0	(4,319)	3,630	0	3,630
Fund balance and deficit carried forward:							
London Borough of Croydon		2,162	(217)	1,945	(3,721)	81	(3,640)
GLA		2,666	(48)	2,618	(2,480)	20	(2,460)
CLG		2,378	0	2,378	(6,200)	0	(6,200)
		(5,884)	(6,166)	(12,050)	(5,141)	(7,049)	(12,190)

NOTES TO THE COLLECTION FUND

INTRODUCTION

This account summarises the transactions of the Collection Fund, the purpose of which is to receive Council Tax and Non-Domestic Rates and apply the proceeds. The Council, together with the Greater London Authority and the Ministry of Housing, Communities and Local Government, demands/precepts upon the Fund to meet its expenditure, from both Council Tax and Non-Domestic Rates. The amounts of the demands/precepts are set at the beginning of the year and cannot vary.

The account is a statutory Fund required by the Local Government Finance Act 1988, separate from the other revenue accounts of the Council, whose transactions are wholly prescribed by legislation. The Council has no discretion to determine which receipts and payments are accounted for within and outside the Fund.

The Collection Fund is consolidated into the Council's Balance Sheet; there is no requirement to prepare a separate Balance Sheet.

1 (a) NON-DOMESTIC RATES COLLECTABLE

The Council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform basis set nationally by Central Government. Prior to 1st April 2013, the total amount due, less certain allowances, was paid to a central pool administered by Central Government, which, in turn, paid Local Authorities their share of the pool, such shares being based on a standard amount per head of population.

In 2013/14, the administration of NDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NDR to the central pool, local authorities retain a proportion of the total collectable rates due with the rest distributed to preceptors as follows:

- Central Government - 33%
- London Borough of Croydon - 30%
- Greater London Authority - 37%

The total Non Domestic Rateable Value as at 31 March 2018 was £325,243,283 (£281,269,558 at 31 March 2017). The multiplier for 2017/18 was set at 47.9p (49.7 for 2016/17) and the multiplier for small businesses was set at 46.6p (48.4p for 2016/17).

1 (b) CROSSRAIL BUSINESS RATE SUPPLEMENT

The Greater London Authority (GLA) introduced a business rate supplement (BRS) on 1 April 2010 to finance £4.1 billion of the costs of the £15.9 billion Crossrail project. This is levied at a rate of 2p (the BRS multiplier) on non-domestic properties in London with a rateable value of over £55,000 (i.e. £55,001 or more). The total amount collected less certain relief and other deductions is paid to the Greater London Authority.

2. COUNCIL TAX BASE

Council Tax is a banded capital value based property tax with a 25% discount where only one adult is liable. Under the arrangements for Council Tax, each domestic property within the Council's area was assigned to one of eight valuation bands based on the estimated market value at 1 April 1991. The income derives from the Tax levied according to which of the eight bands a property has been assigned.

Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting Authorities and the Council for the forthcoming year and dividing this by the Council Tax Base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent). The basic amount of Council Tax so calculated for a Band D property, £1,558.93 for 2017/18 (£1,494.13 for 2016/17) 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 2017/18

Valuation Band	Number of Chargeable Dwellings	Band D Proportion	Band D Equivalent Dwellings	Council Tax £.pp	Council Tax Income £000
Band A	2,123	6/9	1,415	1,039.29	2,206
Band B	13,410	7/9	10,430	1,212.49	16,259
Band C	34,875	8/9	31,000	1,385.72	48,327
Band D	30,743	9/9	30,743	1,558.93	47,926
Band E	19,191	11/9	23,456	1,905.37	36,566
Band F	10,558	13/9	15,250	2,251.78	23,774
Band G	6,930	15/9	11,550	2,598.22	18,006
Band H	573	18/9	1,146	3,117.86	1,787
Total			124,990		194,851
Multiplied by estimated collection rate			97%		
Number of Band D equivalent dwellings			121,240		
Total of Demands/Precepts for year			189,009		
Adjustments during the year (including prior years)					2,756
Final collectable amount					197,607
Income per Collection Fund:					
Council Tax collectable					0
Council Tax benefits					0
Final collectable amount					197,607

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 and Old Oak & Park Royal 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.

	2017/18 £.pp	2016/17 £.pp
Band D equivalent Council Tax charge	1,558.93	1,494.13
Split thereof:		
Croydon	1,278.91	1,218.13
Greater London Authority	280.02	276.00
Total	1,558.93	1,494.13
Payment to Croydon:-		
Share of Band D equivalent Council Tax charge	1,278.91	1,218.13
Number of Band D equivalent dwellings	121,243	117,795
Total	155,058,885.13	143,489,623.35
Rounded to £000's	155,059	143,490
Payment to the Greater London Authority:-		
Share of Band D equivalent Council Tax charge	280.02	276.00
Number of Band D equivalent dwellings	121,243	117,795
Total	33,950,464.86	32,511,420.00
Rounded to £000's	33,950	32,511

GROUP MOVEMENT IN RESERVES STATEMENT

2017/18	General Fund Balance £000	Earmarked GF Reserves Balance £000	Total General Fund Balance £000	HRA Balance £000	Capital Receipts Balance £000	Capital Grants Unapplied Balance £000	Major Repairs Reserve Balance £000	Total Usable Reserves Balance £000	Total Unusable Reserves Balance £000	Total Authority Reserves Balance £000	Council's Share of ubsidiaries' Balance £000	Total Reserves Balance £000
Balance b/f at 1 April 2017	**10,727**	**33,426**	**44,153**	**12,555**	**45,999**	**10,828**	**1,290**	**114,825**	**293,911**	**408,736**	**(936)**	407,800
Movement in reserves during 2017/18:												
Surplus or (deficit) on provision of services	(101,701)	-	(101,701)	12,227	0	0	0	(89,474)		(89,474)	424	(89,050)
Other Comprehensive Expenditure and Income	0	0		0	0	0	0	0	178,193	178,193		178,193
Total Comprehensive Expenditure and Income	(101,701)	0	(101,701)	12,227	0	0	0	(89,474)	178,193	88,719	424	89,143
Adjustments between group accounts and authority accounts	2,656		2,656					2,656		2,656		2,656
Net increase or decrease before transfers	(99,045)	0	(99,045)	12,227	0	0	0	(86,818)	178,193	91,375	424	91,799
Adjustments between accounting basis and funding basis under regulations	80,783	0	80,783	(10,247)	9,423	3,477	639	84,075	(84,076)	(1)		(1)
Net increase/Decrease before Transfers to Earmarked Reserves	(18,262)	0	(18,262)	1,980	9,423	3,477	639	(2,743)	94,117	91,374	424	91,798
Transfers to/(from) Earmarked Reserves	15,273	(15,273)	0	0	0	0	0	0	0	0		0
Net increase/(decrease) in reserves for the year	(2,989)	(15,273)	(18,262)	1,980	9,423	3,477	639	(2,743)	94,117	91,374	424	91,798
Balance c/f at 31 March 2018	7,738	18,153	25,891	14,535	55,422	14,305	1,929	112,082	388,028	500,110	(512)	499,598

2016/17	General Fund Balance £000	Earmarked GF Reserves Balance £000	Total General Fund Balance £000	HRA Balance £000	Capital Receipts Balance £000	Capital Grants Unapplied Balance £000	Major Repairs Reserve Balance £000	Total Usable Reserves Balance £000	Total Unusable Reserves Balance £000	Total Authority Reserves Balance £000	Council's Share of ubsidiaries £000	Total Reserves Balance £000
Balance b/f at 1 April 2016	**10,677**	**47,520**	**58,197**	**11,817**	**31,777**	**8,377**	**1,785**	**111,953**	**366,707**	**478,660**	**0**	478,660
Movement in reserves during 2016/17:												
Surplus or (deficit) on provision of services	(84,262)	-	(84,262)	13,971	0	0	0	(70,291)	0	(70,291)	(936)	(71,227)
Other Comprehensive Expenditure and Income	(93)	0	(93)	0	0	0	0	(93)	460	367		367
Total Comprehensive Expenditure and Income	(84,355)	0	(84,355)	13,971	0	0	0	(70,384)	460	(69,924)	(936)	(70,860)
Adjustments between group accounts and authority accounts								0		0		
Net increase or decrease before transfers	(84,355)	0	(84,355)	13,971	0	0	0	(70,384)	460	(69,924)	(936)	(70,860)
Adjustments between accounting basis and funding basis under regulations	70,311	0	70,311	(13,233)	14,222	2,451	(495)	73,256	(73,256)	0		0
Net increase/Decrease before Transfers to Earmarked Reserves	(14,044)	0	(14,044)	738	14,222	2,451	(495)	2,872	(72,796)	(69,924)	(936)	(70,860)
Transfers to/(from) Earmarked Reserves	14,094	(14,094)	0	0	0	0	0	0	0	0		0
Net increase/(decrease) in reserves for the year	50	(14,094)	(14,044)	738	14,222	2,451	(495)	2,872	(72,796)	(69,924)	(936)	(70,860)
Balance c/f at 31 March 2017	10,727	33,426	44,153	12,555	45,999	10,828	1,290	114,825	293,911	408,736	(936)	407,800

Further details about the movements in earmarked reserves can be found in Note 8, and details around movements in all reserves can be found in Note 22 and 23.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Note/Page No.	2017/18 Gross £000	2017/18 Income £000	2017/18 Net £000	2016/17 Gross £000	2016/17 Income £000	2016/17 Net £000
Gross expenditure, income and net expenditure of continuing operations							
Place		119,979	(68,548)	51,431	100,694	(56,738)	43,956
People		577,246	(346,618)	230,628	561,298	(367,334)	193,964
Resources and Chief Executive		355,730	(323,857)	31,873	391,841	(340,920)	50,921
HRA		75,136	(92,396)	(17,260)	77,600	(93,823)	(16,223)
Exceptional Items							
Net cost of services		1,128,091	(831,419)	296,672	1,131,433	(858,815)	272,618
Other operating expenditure	9			34,086			55,305
Financing and Investment Income and Expenditure	10			46,705			48,215
Taxation and Non-Specific Grant Income	11			(291,069)			(304,818)
(Surplus) or Deficit on Provision of Services				86,394			71,320
(Surplus) or deficit on revaluation of non-current assets				(152,929)			(124,201)
Remeasurement of the net defined benefit liability				(25,263)			123,743
Other Comprehensive Income and Expenditure				(178,192)			(458)
Total Comprehensive Income and Expenditure				(91,798)			70,862

GROUP BALANCE SHEET

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

	Note/ Page No.	31-Mar-18 £000	£000	31 March 2017 £000
Operational Assets (Property, Plant and Equipment)	12			
Council dwellings		989,648		907,057
Other land and buildings		799,739		711,214
Vehicles, plant, furniture and equipment		3,406		2,193
Infrastructure		142,336		141,717
Community assets		4,947		5,205
Total Operational Assets (Property, Plant and Equipment)			1,940,076	1,767,386
Non-Operational Assets (Property, Plant and Equipment)				
Assets under construction		4,402		11,784
Surplus assets not held for sale		2,181		19,947
Total Non-Operational Assets (Property, Plant and Equipment)			6,583	31,731
Total Property, Plant and Equipment			1,946,659	1,799,117
Heritage Assets	13	3,696		3,153
Investment property				
Investment property	14	29,714		24,498
Intangible Assets	15			
Software		5,062		5,331
Assets under construction				
Long-term Investments				
Non-property investments	16	45,001		19,346
Investments in Associates and Joint Ventures				
Long-term Debtors	16	19,077		22,619
Long-term Assets			2,049,209	1,874,064
Short-term Investments				
Non-property investments excluding cash equivalents	16	5,000		95,000
Assets held for sale (< 1 year)	19	16,329		16,261
Inventories		35,186		78
Short-term debtors, payments in advance and provision for doubtful debts	17	140,047		118,398
Cash and cash equivalents	18	29,000		9,745
Current Assets			225,562	239,482
Bank overdraft	18	(19,217)		(19,165)
Short-term borrowing	16	(109,434)		(165,194)
Short-term creditors and receipts in advance	20	(135,048)		(113,416)
Short-term provision	21	(3,424)		(5,004)
Current Liabilities			(267,123)	(302,779)
Long-term Creditors				
Provisions	21	(11,900)		(9,722)
Long-term borrowing	16	(879,776)		(802,708)
Deferred capital creditors		(10,504)		(10,785)
Other non-current liabilities		-		-
Net pensions liability	42	(593,911)		(561,060)
Capital grants receipts in advance	31	(11,959)		(18,692)
Long-term Liabilities			(1,508,050)	(1,402,967)
Net Assets			499,598	407,800
Usable reserves				
General Fund	22.1	7,738		10,727
Share of Brick by Brick reserves		(512)		(936)
Housing Revenue Account	22.2	14,535		12,555
Earmarked reserves	8	18,153		33,426
Capital receipts reserve	22.4	55,422		45,999
Capital grants unapplied	22.5	14,305		10,828
Major repairs reserve	HRA 3	1,929		1,290
			111,570	113,889
Unusable Reserves				
Revaluation reserve	23.1	739,063		627,439
Capital adjustment account	23.2	260,492		258,732
Financial Instruments adjustment account	23.3	(1,347)		(1,531)
Pensions reserve	23.4	(616,039)		(594,252)
Deferred capital receipts	23.5	2,463		4
Collection Fund adjustment account	23.6	6,824		7,291
Short-term accumulating compensated absences account	23.7	(3,428)		(3,772)
			388,028	293,911
Total Reserves			499,598	407,800

Signed: Richard Simpson,
Executive Director of Resources and Section 151 officer

30 July 2018

GROUP CASH FLOW STATEMENT

	Note No.	2017/18 £000	2017/18 £000	2016/17 £000	2016/17 £000
OPERATING ACTIVITIES					
Net (surplus) or deficit on the provision of services					
Net surplus or (deficit) on the provision of services	1A & 7		(86,394)		(71,320)
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements					
Depreciation	7,12 &32.2	34,526		43,159	
Impairment and downward valuations	7 & 9	(45,454)		13,115	
Amortisations	7,15&23.2	3,161		3,762	
Increase/(decrease) in creditors		23,695		(5,109)	
(Increase)/decrease in debtors		(21,760)		8,472	
(Increase)/decrease in inventories		(28,672)		77	
Movement in pension liability	1B,7 & 23.4	47,050		(22,903)	
Carrying amount of non-current assets sold	23.2	69,581		63,347	
Provisions		598		(157)	
Movements in the value of investment properties	7,10,14 & 23.2	(5,416)		(815)	
Other non-cash movements		976		10,196	
			78,285		113,144
Items included/excluded from net surplus or deficit on the provision of services:					
Pension deficit pre-payment	5	-		(33,192)	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	22.4	(36,407)		(24,627)	
Payment of local taxation to major preceptors		(119,718)		(112,466)	
Any other items for which the cash effects are investing or financing cash flows		(22,154)		(65,469)	
			(178,279)		(235,754)
Net cash inflow/(outflow) from operating activities			(186,388)		(193,930)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment, investment property ' and intangible assets		(65,071)		(71,851)	
Purchase of short-term and long-term investments		(36,403)		(100,736)	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets		36,407		24,627	
Capital grants		1,915		40,027	
Proceeds from short-term and long-term investments		109,997		121,682	
Net cash inflow/(outflow) from investing activities			46,845		13,749
FINANCING ACTIVITIES					
Cash receipts from short-term and long-term borrowing		179,500		138,944	
Payment of local taxation to major preceptors		119,718		112,466	
Cash payments for the reduction of the outstanding liabilities to finance leases and on-Balance Sheet PFI contracts (Principal)		(1,972)		(1,569)	
Repayments of short-term and long-term borrowing		(138,500)		(51,359)	
Net cash inflow/(outflow) from financing activities			158,746		198,482
Net increase/(decrease) in cash and cash equivalents			19,203		18,301
Cash and cash equivalents at the beginning of the reporting period			(9,420)		(27,722)
Cash and cash equivalents at the end of the reporting period	18		9,783		(9,421)
Cash held	18		1,239		69
Bank current accounts	18		(20,456)		(19,235)
Short-term deposits with building societies and Money Market Funds	18		29,000		9,745
Cash and cash equivalents as at 31 March			9,783		(9,421)

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

	2017/18	2016/17
Interest Paid	36,954	36,832
Interest and investment property rental income Received	(1,239)	(4,505)

The Group Accounting Policies

The Group Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2017/18 and using the line-by-line consolidation method for subsidiaries under IFRS 10, Consolidated Financial Statements There are no material subsidiaries or associated organisations excluded from the Group Accounts. There are no material differences in the accounting policies of the Council or any of the companies or organisations forming part of the Group Accounts

Inventories

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, as well as properties being developed for sale by Brick by Brick Croydon Limited. Inventories are recognised on the Group'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.

	Consumable Stores		Property Acquired or Constructed for sale		Total	
	31/03/2018	31/03/2017	**31/03/2018**	31/03/2017	**31/03/2018**	31/03/2017
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Balance outstanding at start of year	**78**	**155**	**-**	**-**	**78**	**155**
Purchases	**748**	**69**	**23,812**		**24,560**	**69**
Recognised as an expense in the year	**(135)**	**(146)**	**-**		**(135)**	**(146)**
Reclassification from Property Plant & Equipment			**10,683**		**10,683**	**-**
Balance outstanding at year-end	**691**	**78**	**34,495**	**-**	**35,186**	**78**

Basis of Consolidation

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

Brick by Brick Croydon Limited - nature of activity and risks

In 2017 Brick by Brick Croydon Limited continued to make significant progress with is programme of development activity, aimed at increasing the supply of new homes across Croydon. The programme remains on course to deliver its target of 50% affordable housing on the residential programme, whilst maintaining the company's commitment to high quality design and maximising the profit dividend available to its sole shareholder (the London Borough of Croydon)

In 2017 the company recognised a loss of £267,052. In addition, the company has re-stated its 2016 loss from £1,088,108 to £245,120 following some changes to the way in which it accounts for interest and staff costs. This reflects ongoing work in building a substantial programme of development activity, with many starts on site commencing in early 2018.

The outlook for the business remains positive, with completion of the earliest schemes anticipated at the end of 2018 and sales launches planned for individual developments on a rolling basis from mid-2018 onwards. The company will begin to generate revenues from the development of affordable units in 2018 under the terms of the proposed transfer of these homes to an affordable housing provider. It also expects substantial commitments to be in place for the purchase of units that complete in early 2019.

Brick By Brick Croydon Limited - Loans between the parties

The Council has provided funding to Brick By Brick Croydon Limited to undertake development activity relating to a variety of sites around the borough. Loan balances, interest owed on these balances, and the provision of support services by Croydon Council to Brick By Brick Croydon Limited have been eliminated from the group statements.

At 31 March 2018, the balance of loans outstanding from Brick By Brick Croydon Limited to Croydon Council are set out below, along with the financial activity between the Council and Brick by Brick Croydon Limited:

	2017/18	**2016/17**
	£'000	**£'000**
Site Acquisition	499	499
Development Costs	34,746	12,768
Interest	1,600	933
Total loans	**36,845**	**14,200**

	2017/18	**2016/17**
	£'000	**£'000**
Staff costs	1,050	836
Planning fees	261	334
Other running costs	6	4
Interest Costs	1,298	33,448
Total inter-group actvitity	**2,615**	**34,622**

These sums have been eliminated from the group statements.

Co-terminus accounting statements

Brick by Brick Croydon Limited's accounting period runs from January to December. Activity in the months of January to March is not considered to be material, and so the group accounts have not been prepared on a co-terminus basis. Activity within the first quarter of 2018 comprises of acquisition of property **£468k**, and drawdown of development funding of **£6,786k**.

Croydon Pension Fund
2017/18

30 July 2018

CROYDON
www.croydon.gov.uk

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

We have audited the pension fund financial statements of London Borough of Croydon (the "Authority") for the year ended 31 March 2018 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the pension fund financial statements:

- ► give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and of the amount and disposition at that date of the fund's assets and liabilities,
- ► have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- ► have been prepared properly in accordance with the requirements of the Local Audit and Accountability Act 2014

Basis for opinion

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

Who are we reporting to

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

Conclusions relating to going concern

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

- the Executive Director of Resources and Section 151 officer's use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or
- the Executive Director of Resources and Section 151 officer has not disclosed in the pension fund financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the pension fund financial statements are authorised for issue.

Other information

The Executive Director of Resources and Section 151 officer is responsible for the other information. The other information comprises the information included in the Pension Fund Accounts, the Narrative Report and the Annual Governance Statement, other than the pension fund financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon

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

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together wit the pension fund financial statements in the Pension Fund Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

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

Matters on which we are required to report by exception

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

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014

We have nothing to report in respect of the above matters

Responsibility of the Authority, the Director of Finance & Assets and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities on page 4, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Resources and Section 151 officer. The Executive Director of Resources and Section 151 officer is responsible for the preparation of the Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18 which give a true and fair view, and for such internal controls as the Executive Director of Resources and Section 151 officer determines is necessary to enable preparation of pension fund financial statement that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Executive Director of Resources and Section 151 officer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the pension fund lacks funding for its continued existence or when policy decision have been made that affect the services provided by the pension fund.

The General Purpose Audit Committee is Those Charged with Governance.

Auditors responsibilities for the audit of the financial statements

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

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

Sarah L Ironmonger

Sarah Ironmonger
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

St Johns House
Haslett Avenue West
Crawley
West Sussex
RH10 1HS

30 July 2018

PENSION FUND ACCOUNTS

FUND ACCOUNT

	Notes	2017/18 £'000	2016/17 £'000
Dealings with members, employers and others directly involved in the fund			
Contributions	9	44,178	87,205
Individual Transfers in from Other Pension Funds		7,880	4,684
		52,058	**91,889**
Benefits			
Pensions	10	(42,381)	(40,424)
Commutation, Lump Sum Retirement and Death Benefits	10	(7,908)	(10,214)
Payments to and on Account of Leavers			
Individual Transfers Out to Other Pension Funds		(4,783)	(4,162)
Refunds to Members Leaving Service		(139)	(78)
		(55,211)	**(54,878)**
Net additions/(withdrawals) from dealings with members		**(3,153)**	**37,011**
Management Expenses	11	**(6,845)**	**(6,466)**
		(9,998)	**30,545**
RETURNS ON INVESTMENTS			
Investment Income	12	13,022	17,367
Taxes on Income (Irrecoverable Withholding Tax)	12	(361)	(795)
Profit and loss on disposal of investments and changes in the market value of investments	14	32,725	179,912
Net returns on investments		**45,386**	**196,484**
Net increase in the Fund during the year		**35,388**	**227,029**
Net assets at the start of the year		1,104,055	877,026
Net assets at the end of the year		**1,139,443**	**1,104,055**

PENSION FUND ACCOUNTS

NET ASSETS STATEMENT	Notes	31 March 2018 £'000	31 March 2017 £'000
Investments held by the Fund Managers:			
Global equities - segregated funds	14	150	575,427
Global equities - pooled funds	14	578,812	-
Private equity funds	14	95,253	92,584
Infrastructure funds	14	113,728	83,247
Fixed Interest funds	14	192,407	191,155
Pooled Property funds	14	134,352	103,621
Derivatives	14	0	152
Total Investments held by the Fund Managers		1,114,702	1,046,186
Other Balances held by the Fund Managers			
Cash held by the Fund Managers	14	8,603	17,460
Investment income due	14	1,465	2,738
Amounts payable for purchases	14	0	(41)
Total Other Balances held by the Fund Managers		10,068	20,157
Total Assets held by the Fund Managers		1,124,770	1,066,343
Current Assets	18	21,432	39,254
Current Liabilities	19	(6,759)	(1,542)
Net Assets of the fund available to fund benefits		**1,139,443**	**1,104,055**

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 24.

NOTES TO THE PENSION FUND ACCOUNTS

1. GENERAL INFORMATION

In addition to acting as a Local Authority, Croydon Council administers the Local Government Pension Scheme. As a Local Authority it is accountable to the residents of the London Borough of Croydon for its stewardship of public funds. As an administering authority for the LGPS it is accountable both to employees who are members of the Pension Fund, and to past employees in receipt of a pension, for its stewardship of pension assets. The two roles, and the relevant interest groups, are significantly different. Consequently, the Pension Fund accounts are presented in an appendix to clearly demonstrate the distinction.

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

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

The financial statements have been prepared in accordance with the 2017/18 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), BRIT School, Capita Secure Information Solutions Limited, Carillion Integrated Services Limited, Churchill Services Limited, Croydon Citizen's Advice Bureau, Croydon Equipment Services Limited, Croydon Community Mediation, Croydon Voluntary Action, Eldon Housing Association Limited, Kier Highways Limited, Fusion Lifestyle, Ground Control Limited, Impact Group Limited, Keyring Living Support Networks, London Hire Services Limited, Octavo Partnership Limited, Olympic (South) Limited, Quadron Services Limited, Roman Catholic Archdiocese of Southwark, Skanska Construction UK Limited, Sodexo Limited, Turning Point, Veolia Environmental Services (UK) Recycling Limited (Croydon), Vinci Facilities Limited, Veolia Environmental Services (UK) Recycling Limited (SLWP1), Wallington Cars & Couriers Limited, Westgate Cleaning Services Limited.

Scheduled:
Meridian (Addington) High Academy, Aerodrome Primary Academy, Applegarth Academy, The Archbishop Lanfranc School, ARK Oval Primary Academy, Atwood Primary School, Beulah Infants School, Broadmead Primary Academy, Castle Hill Academy, Chesnut Park Primary School, Chipstead Valley Primary School, Coulsdon College, Crescent Primary Academy, Croydon College, David Livingstone Academy, Edenham High School, Fairchildes Primary, Forest Academy, Gonville Academy, Good Shepherd Catholic Primary, Harris Academy (Purley), Harris Academy (South Norwood), Harris Academy (Upper Norwood), Harris City Academy (Crystal Palace), Harris Primary Academy (Benson), Harris Primary Academy (Kenley), Harris Invictus Academy Croydon, Harris Primary Academy Haling Park, Heathfield Academy, John Ruskin College, New Valley Primary, Norbury Manor Business and Enterprise College, Oasis Acaemy Byron, Oasis Academy Arena, Oasis Academy Coulsdon, Oasis Academy Ryelands, Oasis Academy Shirley Park, Pegasus Academy, Quest Academy, Riddlesdown Collegiate, Robert Fitzroy Academy, Rowdown Primary School, Shirley High School Performing Arts College, South Norwood Academy, St Chad's Catholic Primary School, Davidson Primary Acadmey, Krishna Avanti Primary School, St Cyprian's Greek Orthodox Primary School Academy, St James the Great RC Primary and Nursery School, St Joseph's College, St Mark's COE Primary School, St Mary's Infants School, St Mary's Junior School,St Thomas Becket Catholic Primary School, Winterbourne Junior Boys, West Thornton Primary Academy, Wolsey Junior Academy, Paxton Academy, Woodcote High School, The Woodside Academy, Kingsley Primary Croydon, STEP Academy Trust.

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.

1. GENERAL PRINCIPLES (continued)

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), one co-opted non-voting member and a non-voting employee representative. In addition, the Committee is supported by officers and external advisors.

2. INVESTMENT STRATEGY STATEMENT

This is published on the Croydon Pension Scheme web page
http://www.croydonpensionscheme.org/croydon-pension-fund/about-us/forms-and-publications

3. BASIS OF PREPARATION

Going Concern
The Pension Fund Accounts have been prepared on a going concern basis. That is the accounts assume that the Fund will continue in operational existence for the foreseeable future. This means, in particular, that the accounts assume that there is no intention to curtail significantly the scale of operations.

4. ACCOUNTING STANDARDS ISSUED, BUT NOT YET TAKEN UP

IFRS 9 Financial instruments - Includes changes to the classification of financial assets and a forward looking 'expected loss' model for impairment rather than the 'incurred loss' model under IAS 39.

IFRS 15 Revenue from contracts with customers - It replaces IAS 11 (Construction contracts) and IAS 18 (Revenue and related interpretations). It provides useful information to users of the financial statements regarding the nature, amount, timing and uncertainty of revenue from contracts as revenue is only

IAS 7 Statement of cash flows: disclosure initiative - The amendments to IAS 7 improve the information provided by entities about their financing activities.

IAS 12 Income taxes: Recognition of deferred tax assets for unrealised losses - This relates to deferred tax assets on debt instruments measured at fair value.

5. 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

5. 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, Infrastrucutre Funds and Pooled Property Funds are quoted by their fund managers.
Loans and receivables consist of cash at bank, other balances investment balances and contributions receivable. They are initally recognised at fair value and subsequently at amoritsed cost. Impairement losses are recognised where appropriate, although no impairment has been deemed necessary.

Derivatives

Derivatives are valued at fair value on the following basis: assets at bid price and liabilities at offer price. Changes in the fair value are included in the change in market value in the Fund account.
The value of open futures contracts is determined using exchange prices at the reporting date.

Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the year end.

Cash and cash equivalents

Cash comprises cash in hand and term deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

5. 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 24).

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 23).

6. 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 24. 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.

7. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER SOURCES OF ESTIMATION UNCERTAINTY

The statement of accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different in the forthcoming year.

Actuarial present value of promised retirement benefits
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the fund managers with expert advice about the assumptions to be applied.

The effects on the net pension liability can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £172m. A 0.5% increase in the salary increase assumption would result in a £19m increase in the pension liability. A 0.5% increase in the pension increase assumption would result in a £144m increase to the pension liability.

Unquoted private equity and infrastructure investments
Due to the nature of of private equity and infrastructure assets it is difficult to assess their true value until the assets are realised. Assumptions are made in the valuation of Unquoted private equities and infrastructure investments. Investment managers use the guidelines published by various bodies including the Finacial Accounting Standards Board, the British Venture Capital Association and the Institutional Limited Partners Association.
The value of unquoted private equities and infrastructure at 31 March 2018 was £209.0m (2017: £175.8m). 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.

8. FUND INFORMATION

The last full triennial Actuarial Valuation was completed as at 31 March 2016 which calculated the total accrued liabilities to be £1,203m (2013: £1,064m). The market value of the Fund's assets at the valuation date was £877m (2013: £705m). The Fund deficit was therefore £326m (2013: £359m) producing a funding level of 73% (2013: 66.3%). The next triennial valuation is due effective 31 March 2019.

In accordance with new Regulations and CIPFA guidance, a primary rate and secondary rate is set for the Whole Fund. The Primary Rate is the payroll weighted average of the underlying individual employer Primary Rates and the Secondary Rate is the total of the underlying individual employer Secondary Rates (before any pre-payment or capitalisation of future contributions).

The table below shows the Primary and Secondary contribution rates for the 2016 valuation:

Primary rate (%)	**Secondary Rate (£)**		
1 April 2017 - 31 March 2020	**2017/18**	**2018/19**	**2019/20**
17.9%	**£10,321,000**	**£10,401,000**	**£11,805,000**

	Contribution rate required as a percentage of pay (Primary Rate from 2017/18)		**Plus Additional Payment (Secondary rate from 2017/18)**		
	2017/18	2018/19	2017/18	2018/19	
	% of pay	% of pay	£'000	£'000/%	
London Borough of Croydon Pool					
London Borough of Croydon	17.6	17.6	-2.5%	-2.5%	*
Octavo Partnership Limited	16.6	16.6	-1.5%	-1.5%	plus 6

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

Further Education Bodies				
Croydon College	17.5	17.5	660	793
Coulsdon College	18.3	18.3	58	60
John Ruskin College	18.1	18.1	84	87
(Community) Admission Bodies				
Croydon Voluntary Action	18.9	18.9	37	38
Croydon Citizens Advice Bureau	30.6	30.6	6	6
Croydon Community Mediation	18.0	18.0	4	4
Admission Bodies				
Kier Highways Limited	27.2	27.2	-20.4%	-20.4%
Impact Group Limited	30.1	30.1	-10.5%	-10.5%
London Hire Services Limited	28.6	28.6	-9.4%	-9.4%
Churchill Services Limited	28.4	28.4	-8.7%	-8.7%
Veolia Environmental Services (UK) Recycling Limited (Croydon)	26	26	-4.3%	-4.3%
Fusion Lifestyle	23.6	23.6	-1.1%	-1.1%
Olympic South Limited	29.8	29.8	5	
Wallington Cars & Couriers Limited	29	29	-13.5%	-13.5%
Vinci Facilities Limited	32.3	32.3	-32.3%	-32.3%
Skanska Construction UK Limited	31.6	31.6	-10.4%	-10.4%
Sodexho Limited	29.9	29.9	-14.9%	-14.9%
Ground Control Limited	22.2	22.2	-22.2%	-22.2%
Carillion Integrated Services Limited	29	29	-8.3%	-8.3%
Quadron Services Limited	27.3	27.3	-0.2%	-0.2%
AXIS Europe plc (Housing Repairs)	27.5	27.5	-2.0%	-2.0%
Capita Secure Information Solutions Limited	28	28.0	-3.4%	-3.4%
Keyring Living Support Networks	29.4	29.4	-0.8%	-0.8%
Westgate Cleaning Services Limited	30	30.0	-	-
Veolia Environmental Services (UK) Recycling Limited (SLWP1)	25.4	25.4	-9.9%	-9.9%
Roman Catholic Archdiocese of Southwark	31.4	31.4	4	4

	Contribution rate required as a percentage of pay (Primary Rate)		Plus Additional Payment (Secondary Rate)	
	2017/18	2018/19	2017/18	2018/19
Academies	% of pay	% of pay	£'000	£'000 /%
Harris Academy (South Norwood)	16.8	16.8	11	11
BRIT School	16.6	16.6	21	22
Harris City Academy (Crystal Palace)	15.4	15.4	-0.2%	-0.2%
St Joseph's College	18.7	18.7	30	31
St Cyprian's Greek Orthodox Primary School	18.7	18.7	7	7
Norbury Manor Business and Enterprise College	18.2	18.2	28	29
Woodcote Academy	18.8	18.8	38	39
St James the Great R.C Primary	20.0	20.0	39	40
Meridian (Addington) High Academy	18.5	18.5	28	29
Riddlesdown Collegiate	18.1	18.1	54	55
Shirley High School	18.3	18.3	32	33
Oasis Academy Byron	18.7	18.7	7	8
Robert Fitzroy Acadmey	15.5	15.5	0.3	0.3
St Thomas Becket RC Primary	19.6	19.6	14	14
Aerodome Primary Academy	17.7	17.7	11	12
Oasis Academy Coulsdon	18.0	18.0	46	47
Oasis Academy Shirley Park	18.0	18.0	79	81
Harris Academy (Purley)	17.3	17.3	34	35
The Quest Academy	17.4	17.4	31	32
ARK Oval Primary Academy	18.2	18.2	2	2
Pegasus Academy Trust	17.2	17.2	49	51
Gonville Academy	18.4	18.4	12	12
West Thornton Primary Academy	18.1	18.1	25	25
David Livingstone Academy	18.0	18.0	-0.8%	-0.8%
Applegarth Academy	18.2	18.2	10	11
Harris Primary Academy Benson	19.9	19.9	21	21
Harris Academy Kenley	18.5	18.5	7	7
Forest Academy	18.1	18.1	9	9
Castle Hill Academy	18.5	18.5	17	17
Wolsey Junior Academy	18.1	18.1	23	23
Atwood Primary School	19.1	19.1	20	20
Winterbourne Junior Boys	19.8	19.8	18	18
Oasis Academy Ryelands	18.1	18.1	30	31
Chipstead Valley Primary School	18.7	18.7	30	30
Fairchildes Primary School	17.8	17.8	58	59
Broadmead Primary Academy	18.1	18.1	53	55
Rowdown Primary School	18.9	18.9	18	19
St Mark's COE Primary School	17.8	17.8	10	11
New Valley Primary	18.5	18.5	10	10
Archbishop Lanfranc School	19.4	19.4	101	104
Harris Invictus Academy Croydon	17.4	17.4	-	-
Harris Primary Academy Haling Park	16.0	16.0	-0.8%	-0.8%
Paxton Academy	15.7	15.7	-0.7%	-0.7%
Edenham High School	18.6	18.6	111	114
St Mary's Infants School	19.1	19.1	33	34
St Mary's Junior School	18.5	18.5	16	16
Heathfield Academy	16.8	16.8	-	-
Crescent Primary Academy	16.6	16.6	15	16
Oasis Academy Arena	15.9	15.9	2	2
Good Shepherd Catholic Primary	17.5	17.5	28	29
South Norwood Academy	17.9	17.9	35	36
Chesnut Park Primary School	15.9	15.9	-	-
St Chad's Catholic Primary School	26.9	26.9	-	-
St Aidan's Catholic Primary School	23.2	23.2	-	-
Davidson Primary School	26.0	26.0	-	-
Krishna Avanti Primary School	19.1	19.1	-	-
The Woodside Academy	29.4	29.4	-	-
Kingsley Primary Croydon	19.2	19.2	-	-
STEP Academy Trust	18.3	18.3	-	-

Employees in the scheme are required by the Local Government Pension Scheme Transitional Regulations 2014 to make contributions to the Fund by deductions from earnings. The contribution rate payable is determined by the pay band applicable to each individual employee.
The pay bands for 2017/18 are detailed below:

Band	2017/18 Range £	Contribution Rate %
1	0 -13,700	5.5%
2	13,701-21,400	5.8%
3	21,401-34,700	6.5%
4	34,701-43,900	6.8%
5	43,901-61,300	8.5%
6	61,301-86,800	9.9%
7	86,801-102,200	10.5%
8	102,201-153,300	11.4%
9	153,301+	12.5%

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

	2017/18	2016/17	% change
Contributing members	9,670	9,462	2.2%
Deferred pensioners	9,463	8,861	6.8%
Pensioners	7,492	7,292	2.7%
Total	26,625	25,615	3.9%

9. CONTRIBUTIONS

By Authority:	2017/18 £'000	2016/17 £'000
Administering Authority	26,570	71,374
Scheduled bodies	12,915	12,561
Admitted bodies	4,693	3,270
	44,178	87,205

By Type	2017/18 £'000	2016/17 £'000
Employees normal contributions	12,038	11,263
Employers:		
Normal contributions	29,132	26,915
Deficit recovery contributions	2,253	47,839
Augmentation contributions	755	1,188
	44,178	87,205

10. BENEFITS

	2017/18 £'000	2016/17 £'000
Pensions	42,381	40,424
Commutation and lump sum retirement benefits	6,731	8,779
Lump sum death benefits	1,177	1,435
	50,289	50,638

11. MANAGEMENT EXPENSES

	2017/18 £'000	2016/17 £'000
Administration	1,417	1,340
Oversight and Governance	669	618
Investment management	4,759	4,508
	6,845	6,466

Included in oversight and governance expenses is £21k (2017: £21k) in respect of audit fees. Some investment managers charge fees within the fund's net asset value and these (implicit) fees are not easily identifiable. 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 2018 the implicit fee was £4,027k (2017: £2,786k). Included in the investment management expenses are 286k (2017: £58k) in respect of transaction costs.

12. INVESTMENT INCOME

	2017/18 £'000	2016/17 £'000
Global equities dividends- segregated funds	9,143	13,995
Pooled Property funds income	3,842	3,343
Interest on cash deposits	37	29
Total before taxes	13,022	17,367
Taxes on income	(361)	(795)
Total	12,661	16,572

13. INVESTMENTS

The Fund used the following investment managers during the year.

Asset Category	Fund Managers
Equities	Legal and General Investment Management Limited (LGIM)
Private equity	Knightsbridge Advisors LLC, Pantheon Ventures LLP, Access Capital Partners, North Sea Capital and Markham Rae LLP
Infrastructure	Equitix Limited, Temporis Capital Limited and Green Investment Group Management Limited (GIGM), Access Capital Partners, I-Squared Capital
Fixed Interest	Aberdeen Standard Investments and Wellington Management Company LLP
Property	Schroder Investment Management Limited and M&G Investment Management Limited
Cash	Cash is invested by the in-house team

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

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

The market value and proportion of investments managed by each fund manager at 31 March 2018 was as follows

	2018		2017	
	Market £'000	Market %	Market £'000	Market %
LGIM	578,812	51.9%	575,429	55.0%
London LGPS CIV Limited (London CIV)	150	0.0%	150	0.0%
Pantheon Ventures LLP (Pantheon)	61,780	5.5%	63,400	6.1%
Knightsbridge Advisors LLC (Knightsbridge)	20,929	1.9%	18,865	1.8%
Access Capital Partners (Access)	22,160	2.0%	9,465	0.9%
North Sea Capital	781	0.1%	855	0.1%
Markham Rae LLP	----	0.0%	(1)	0.0%
Equitix Limited	57,488	5.2%	47,706	4.6%
Temporis Capital Limited (Temporis)	20,678	1.9%	9,705	0.9%
GIGM	25,165	2.3%	25,836	2.5%
Aberdeen Standard Investments (Aberdeen)	128,715	11.5%	128,077	12.2%
Wellington Management Company LLP (Wellington)	63,692	5.7%	63,078	6.0%
Schroder Investment Management Limited (Schroders)	109,123	9.8%	94,128	9.0%
M&G Investment Management Limited (M&G)	25,229	2.3%	9,493	0.9%
Total investments	**1,114,702**	**100.0%**	**1,046,186**	**100.0%**

14. RECONCILIATION IN MOVEMENT IN INVESTMENTS

	Market value 01 April 2017 £'000	Purchases and derivative payments £'000	Sales and derivative receipts £'000	Change in market value £'000	Market value 31 March 2018 £'000
Global equities - segregated funds	575,427	242,260	(840,365)	22,828	150
Global equities - pooled funds	----	596,372	(110)	(17,450)	578,812
Private equity	92,584	14,905	(19,473)	7,237	95,253
Infrastructure	83,247	29,851	(9,925)	10,555	113,728
Fixed Interest	191,155	50,059	(50,710)	1,903	192,407
Property	103,621	30,586	(7,312)	7,457	134,352
Derivatives	152	0	(785)	633	-
	1,046,186	**964,033**	**(928,680)**	**33,163**	**1,114,702**
Cash deposits	17,460			(438)	8,603
Amounts receivable for sales	-				-
Investment income due	2,738				1,465
Amounts payable for purchases	(41)				-
Net investment assets	**1,066,343**	**964,033**	**(928,680)**	**32,725**	**1,124,770**

	Market value 01 April 2016 £'000	Purchases and derivative payments £'000	Sales and derivative receipts £'000	Change in market value £'000	Market value 31 March 2017 £'000
Global equities - segregated funds	435,188	67,805	(56,165)	128,599	575,427
Global equities - pooled funds	61,962	0	(74,220)	12,258	-
Private equity	59,534	21,947	(9,174)	20,277	92,584
Infrastructure	43,373	40,518	(6,672)	6,028	83,247
Fixed Interest	179,915	55	(662)	11,847	191,155
Hedge funds	----	17,203	(5,956)	(57)	11,190
Property	92,431	71	(467)	474	92,509
Derivatives	74	0	0	0	74
	872,477	**147,599**	**(153,316)**	**179,426**	1,046,186
Cash deposits	4,310			486	17,460
Amounts receivable for sales	-				-
Investment income due	2,295				2,738
Amounts payable for purchases	(794)				(41)
Net investment assets	**878,288**	**147,599**	**(153,316)**	**179,912**	**1,066,343**

15. ANALYSIS OF INVESTMENTS

		2018 UK £'000	2018 Foreign £'000	2018 Total £'000	2017 UK £'000	2017 Foreign £'000	2017 Total £'000
Global equities-segregated funds							
LGIM	Quoted	-	-	-	54,468	520,809	575,277
London CIV	Unquoted	150	-	150	150	-	150
Total equities		150	-	150	54,618	520,809	575,427
Global equities - pooled funds							
LGIM	unit trust	-	578,812	578,812	-	-	-
Total pooled investments		-	578,812	578,812	-	-	-
Private Equity							
Pantheon	managed fund	-	61,780	61,780	-	63,400	63,400
Knightsbridge	managed fund	-	20,929	20,929	-	18,865	18,865
Access	managed fund	-	11,763	11,763	-	9,465	9,465
North Sea Capital	managed fund	-	781	781	-	855	855
Markham Rae LLP	managed fund	-	0	0	-	(1)	(1)
Total private equity		-	95,253	95,253	-	92,584	92,584
Infrastructure							
Equitix Limited	managed fund	57,488	-	57,488	47,706	-	47,706
Temporis	managed fund	20,678	-	20,678	9,705	-	9,705
GIB	managed fund	25,165	-	25,165	25,836	-	25,836
Access	managed fund	-	10,397	10,397	-	-	-
Total Infrastructure		103,331	10,397	113,728	83,247	-	83,247
Fixed Interest							
Standard Life plc	unit trust	128,715	-	128,715	128,077	-	128,077
Wellington	managed fund	-	63,692	63,692	-	63,078	63,078
Total Fixed Interest		128,715	63,692	192,407	128,077	63,078	191,155
Property							
Schroders	managed fund	109,123	-	109,123	94,128	-	94,128
M&G	managed fund	25,229	-	25,229	9,493	-	9,493
Total Property		134,352	-	134,352	103,621	-	103,621
Derivatives (Quoted) LGIM		-	-	-	-	152	152
Total investments		**366,548**	**748,154**	**1,114,702**	**369,563**	**676,623**	**1,046,186**

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

	2018 Market £'000	2018 % of Total investments	2017 Market £'000	2017 % of Total investments
Standard Life SLI Absolute Return Global Bond Strategies	65,971	5.9%	66,349	6.3%
Standard Life Corporate Bond	62,744	5.6%	61,728	6.0%
Wellington Sterling Core Bond Plus Portfolio	63,692	5.7%	63,078	6.1%
LGIM FTSE Ex Tobacco World Equity Index	578,812	51.9%	-	0.0%

17. ANALYSIS OF DERIVATIVES

LGIM use derivatives in South Korean markets in order to maintain equity exposure in line with the FTSE 4Good Index rather than trading directly in this market. This was sold as assets were transferred to the LGIM FTSE Ex tobacco World Equity Index Fund

		2018		2017	
Type	Expires	Economic Exposure £'000	Market £'000	Economic Exposure £'000	Market £'000
Assets					
Overseas Equity	less than 1 year	----	----	3,853	152
Total value of investments		0	0	3,853	152

18. CURRENT ASSETS

	2018 £'000	2017 £'000
Cash balances	17,380	36,164
Other Local Authorities - Croydon Council	1,585	894
Other Entities and Individuals	2,467	2,196
	21,432	39,254

19. CURRENT LIABILITIES

	2018 £'000	2017 £'000
Other Local Authorities - Croydon Council	(5,666)	-
Other entities and individuals	(1,093)	(1,542)
	(6,759)	(1,542)

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.

20. 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

Four members of the Pensions Committee or their close family members had positions with employers in the fund. The details of their interests are outlined below.

Councillor	Fund Employer	Contributions payable by Fund Employer £	Amount Outstanding at 31 March 2018 £	Date of Payment
Cllr Hall	Wolsey Junior Academy	102,135	29,867	part paid 05/04/2018
Cllr Hall	Applegarth Academy	119,963	20,654	part paid 05/04/2018
Cllr Quadir	Thomas Moore School	208,363	-	
Cllr Mead	Forestdale Primary	Part of Council payroll	-	

Officers and Managers

Related parties under this heading include:

a. key management (senior officers) of the Fund and their close families
b. companies and businesses controlled by the key management of the Fund, or their close families.

The key management personnel of the fund are the Executive Director of Resources (Section 151 Officer), the Director of Finance (Deputy Section 151 Officer) and the Head of Pensions and Treasury.
During the year a charge of £125k (2017: £123k) was made to the Fund for their services.

The only other financial relationship that either Councillors or officers and managers have with the Fund is as prospective or actual pensioners for those who are scheme members. For further details please refer to Note 33 of the London Borough of Croydon's Statement of Accounts 2017/18.

21. 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.

22. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

The Fund had outstanding capital commitments of £170.4m at 31 March 2018 (2017:£164.7m) based on:

USD 86.9m at exchange rate 1.40 equals £62.0m (2017: £73.2m)
EUR 50.0m at exchange rate 1.14 equals £43.8m (2017: £30.4m)
GBP £64.6m (2017: £61.1m)

These commitments related to outstanding call payments due on Private Equity, Infrastructure and Property investments. The amounts 'called' by these funds are both irregular in size and timing over a period of usually 3 to 6 years from the date of the original commitment.

23. 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 £220.7k for 2017/18 (£254.9k in 2016/17), are sent directly to the relevant AVC provider.
The value at 31 March 2018 of separately invested additional voluntary contributions was £1.86m (£2.17m in 2016/17).

24. PENSION FUND ACCOUNTS REPORTING REQUIREMENTS

London Borough of Croydon Pension Fund ('the Fund) Actuarial Statement for 2017/18
This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy
The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2017. In summary, the key funding principles are as follows:

- ► to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- ► to ensure that employer contribution rates are reasonably stable where appropriate;
- ► to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- ► to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- ► to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 22 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrates that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still around a 70% chance that the Fund will return to full funding over 22 years.

Funding Position as at the last formal funding valuation
The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £877 million, were sufficient to meet 73% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £326 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities
Full details of the methods and assumptions used are described in the 2016 valuation report.

Method
The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

24. PENSION FUND ACCOUNTS REPORTING REQUIREMENTS (continued)

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2016 valuation were as follows:

Financial assumptions	31 Mar 2016
Discount rate	4.4%
Salary increase assumption	2.7%
Benefit increase assumption (CPI)	2.1%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.3 years	24.4 years
Future Pensioners*	24.0 years	26.2 years

*Aged 45 at the 2016 Valuation

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities and there have been strong asset returns, particularly during 2016/17. Both events are of broadly similar magnitude with regards to the impact on the funding position.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.

Stacey McLean FFA
Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB

24. PENSION FUND ACCOUNTS REPORTING REQUIREMENTS

Pension Fund Accounts Reporting Requirement
Introduction
CIPFA's Code of Practice on Local Authority Accounting 2017/18 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 2018 £m	31 Mar 2017 £m
Active members	705	630
Deferred members	446	439
Pensioners	688	710
Present Value of Promised Retirement Benefits	1,839	1,779

The promised retirement benefits have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

24. 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 2018 and 31 March 2017. I estimate that the impact of the change in financial assumptions to 31 March 2018 is to increase the actuarial present value by £7m. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

Financial Assumptions

Year ended	31 Mar 2018 %p.a.	31 Mar 2017 %p.a.
Pensions Increase Rate	2.4%	2.4%
Salary Increase Rate	2.9%	3.0%
Discount Rate	2.6%	2.6%

Longevity Assumption
Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.3 years	24.4 years
Future Pensioners (assumed to be age 45 at the latest formal	24.0 years	26.2 years

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation Assumptions
An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

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

Sensitivity to the assumptions for the year ended 31 March 2018	Approximate increase to pension liabilities (%)	Approximate increase to pension liabilities (£m)
0.5% increase in pensions increase rate	8%	144
0.5% increase in salary increase rate	1%	19
0.5% decrease in the discount rate	9%	172

The principal demopgraphic assumption is the longevity assumption. For sensitivity purposes, I estimate tha a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional Notes
This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2018 for IAS19 purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Stacey McLean

26 April 2018

For and on behalf of Hymans Robertson LLP

25. EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period.

26. FINANCIAL INSTRUMENTS

Below is the target asset allocation agreed by Pension Committee and in force during 2017/18

Asset Class	**Benchmark**	**Weighting**
UK and Overseas Listed Equities	FTSE 4 Good	42% + / - 5%
Fixed Interest Securities	18% Bank of America Merrill Lynch Sterling non gilts all stocks index 12% Bank of America Merrill Lynch Sterling Broad Market index	23% + / - 3%
Property	IPD All Properties index	10% + / - 3%
Private Rental Sector Property	IPD All Properties index	6%
Private Equity	CPI +5%	8%
Infrastructure	CPI +5%	10%
Cash and Short Term Deposits		1%
Total		**100%**

It is recognised that it may take some time to meet the new target asset allocation due to the nature of the assets.

26. FINANCIAL INSTRUMENTS (Continued)

Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and Net Assets Statement heading. heading. The carrying value for Pension Funds is the same as the Fair Value.

31 March 2018

	Designated as fair value through profit and loss £'000	Loans and Receivables £'000	Financial assets and liabilities at amortised cost £'000
Financial Assets			
Fixed Interest funds	192,407	-	-
Global equities - segregated funds	150	-	-
Pooled property funds	134,352	-	-
Private equity funds	95,253	-	-
Infrastructure funds	113,728	-	-
Global equities - pooled investments	578,812	-	-
Other investment balances	-	10,068	-
Current Assets	-	21,432	-
Total Financial Assets	**1,114,702**	**31,500**	**-**
Financial Liabilities			
Other investment balances	-	-	-
Current liabilities	-	-	(6,759)
Total Financial Liabilities	**-**	**-**	**(6,759)**
Net Assets	**1,114,702**	**31,500**	**(6,759)**

31 March 2017

	Designated as fair value through profit and loss £'000	Loans and Receivables £'000	Financial assets and liabilities at amortised cost £'000
Financial Assets			
Fixed Interest funds	191,155	-	-
Global equities - segregated funds	575,427	-	-
Pooled property investments	103,621	-	-
Private equity funds	92,584	-	-
Infrastructure funds	83,247	-	-
Global equities - pooled investments	152	-	-
Other investment balances	-	20,198	-
Current Assets	-	39,254	-
Total Financial Assets	**1,046,186**	**59,452**	**-**
Financial Liabilities			
Other investment balances	-	-	(41)
Current liabilities	-	-	(1,542)
Total Financial Liabilities	**-**	**-**	**(1,583)**
Net Assets	**1,046,186**	**59,452**	**(1,583)**

26. FINANCIAL INSTRUMENTS (Continued)

Net Gains and Losses on Financial Instruments

	31 March 2018 £'000	31 March 2017 £'000
Financial assets		
Designated at fair value through profit and loss	33,163	179,426
Loans and receivables	(438)	486
	32,725	**179,912**
Financial liabilities		
Designated at fair value through profit and loss	-	-
Financial liabilites at amortised cost	-	-
	-	**-**
Total	**32,725**	**179,912**

Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level One

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets and liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities and quoted index linked securities.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level Two

Financial instruments at Level 2 are those whose quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques use inputs that are based significantly on observable market data.
The pooled investment vehicles for global equities and fix interest funds are classified as Level 2 as the fund valuations are based on the market prices of the underlying investments using evaluated price feeds.

Level Three

Financial instruments at Level 3 are those where at least one input, that could have a significant effect on the instrument's valuation, is not based on observable market data.

These instruments include various unquoted equity investments, Private Equity Funds, Infrastructure Funds and Pooled Property Funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity and infrasturcture funds are based on valuations provided by the General Partners to the funds in which the London Borough of Croydon Pension Fund has invested.

The General Partners use a variety of methods and assumptions based on market conditions existing at the statement of financial position date which is usually at the end of December. Valuations are then rolled forward to the 31 March.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December.

Valuations in Pooled Property Funds are carried out by qualified surveyors with relevant qualifications from the Royal Institute of Chartered Surveyors. All assets have been classified as level 3 as the inputs are considered to be unobservable and developed by the valuer using best information available where there is little or no market activity at the valuation date.

The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

26. FINANCIAL INSTRUMENTS (Continued)

Values at 31 March 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Fixed Interest funds		192,407		192,407
Global equities - segregated funds			150	150
Pooled property investments			134,352	134,352
Private equity funds			95,253	95,253
Infrastructure funds			113,728	113,728
Global equities - pooled investments		578,812		578,812
Other investment balances	10,068			10,068
Current Assets	21,432			21,432
Total Assets	31,500	771,219	343,483	1,146,202
Financial Liabilities				
Current liabilities	**(6,759)**	-	-	**(6,759)**
Net financial assets	**24,741**	**771,219**	**343,483**	**1,139,443**

Values at 31 March 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Fixed Interest funds*		191,155		191,155
Global equities - segregated funds	575,427			575,427
Pooled property funds**			103,621	103,621
Private equity funds			92,584	92,584
Infrastructure funds			83,247	83,247
Global equities - pooled investments		-		----
Other investment balances	20,157			20,157
Current Assets	39,254			39,254
Total Assets	634,838	191,155	279,452	1,105,445
Financial Liabilities				
Current liabilities	**(1,583)**	-	-	**(1,583)**
Net financial assets	**633,255**	**191,155**	**279,452**	**1,103,862**

*Fixed Interest funds have been reclassified from Level 1 to Level 2 as the underlying asset valuations are based on market prices rather than the funds themselves being quoted.
**Pooled property funds have been reclassified from Level 2 to Level 3 assets as a significant element of the asset's valuations are based on unobservable inputs.

26. FINANCIAL INSTRUMENTS (Continued)

Reconciliation of Fair Value Measurements within Level 3 assets

2017/2018	Market value 01 April 2017 £'000	Transfers to Level 3 £'000	Transfers out of Level 3 £'000	Purchases £'000	Sales £'000	realised gains/losses £'000	Unrealised gains/losses £'000	Market value 31 March 2018 £'000
Private Equity Funds	92,584			14,905	(19,473)	19,473	(12,236)	95,253
Infrastructure Funds	83,247			29,851	(9,925)	9,925	630	113,728
Pooled Property Funds		103,621		30,586	(7,312)	-	7,457	134,352
Unquoted Equity		150						150
Total assets	175,831	103,771	----	75,342	(36,710)	29,398	(4,149)	343,483

Poooled Property Funds and the unquoted equity were transferred from level 2 to 3 due to a reappraisal of the valuation techniques.

2016/2017	Market value 01 April 2016 £'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 2017 £'000
Private Equity Funds	59,534			21,947	(9,174)	9,174	11,103	92,584
Infrastructure Funds	43,373			40,518	(6,672)	6,672	(644)	83,247
Total assets	102,907	----	----	62,465	(15,846)	15,846	10,459	175,831

Sensitivity analysis of Level 3 assets

The bid/offer spread of 5% for Pooled Property Funds has been used as a proxy to measure the sensitivity for all level 3 assets.

Level 3 Asset	Market value 31 March 2018 £'000	Value on Increase £'000	Value on Decrease £'000
Private Equity Funds	95,253	100,016	90,490
Infrastructure Funds	113,728	119,414	108,042
Pooled Property Funds	134,352	141,070	127,634
Unquoted Equity	150	158	143
Total	**343,483**	**377,831**	**309,135**

27. 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 2017	1,046,186	1,150,805	941,567
At 31 March 2018	**1,106,620**	**1,217,282**	**995,958**

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

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risk, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's exposure to interest rate risk is monitored and assessed against the strategic asset allocation benchmark.

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100 basis points (bps) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 bps change in interest rates.

Fixed interest funds, cash at bank and cash held by Fund managers are exposed to interest rate risk.

Assets exposed to interest rate risk	Value £'000	Value on Increase £'000	Value on Decrease £'000
At 31 March 2017	244,779	269,257	220,301
At 31 March 2018	**218,391**	**240,230**	**196,552**

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than pounds sterling (£GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than £GBP.

The Fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Currency exposure - asset type	Asset Value as at 31 March 2018 £'000
Overseas equities securities	578,812
Overseas Private Equity and Infrastructure	105,650
Overseas fixed interest	63,692
Overseas Private Equity and Infrastructure (outstanding commitments)	105,778
Total assets	853,932

Currency risk - sensitivity analysis

The following table demonstrates the change in value of overseas assets had there been a 10% strengthening/weakening of the pound against foreign curreinces.

Assets exposed to currency risk	Value £'000	Value on 10% weakening of pound £'000	Value on 10% strengthening of pound £'000
At 31 March 2017	780,202	858,222	702,182
At 31 March 2018	**853,932**	**939,325**	**768,539**

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

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

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

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

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

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council investments in money market funds with a AAA rating from a leading rating agency.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past six financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2018 was £17.4m (£36.2m at 31 March 2017). This was held with the following institutions:

Summary	Rating at 31 March 2018	Balances as at 31 March 2018 £'000	Balances at 31 March 2017 £'000
Money Market Funds	AAA		
Goldman Sachs Sterling Liquid Reserves Fund		11,313	15,019
Balance held with other Local Authorities		----	15,000
Current Account			
Royal Bank of Scotland		6,067	6,145
Total		17,380	36,164

Liquidity risk
Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments. The Council has immediate access to its Pension Fund cash holdings including cash invested in money market funds. The Fund defines liquid assets as assets that can be converted to cash within three months. Non-liquid assets are those assets which will take longer than three months to convert into cash. All financial liabilities at 31 March 2018 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.

LEVIES
Payments to London-wide bodies such as the London Pension Fund Authority. The cost of these bodies is borne by Local Authorities in the area concerned, based on their Council Tax base and is met from the General Fund.

MINIMUM REVENUE PROVISION (MRP)
The minimum amount that the Council must charge to the revenue account in the year in respect of the repayment of principal of borrowing for capital purposes. In the accounts the MRP is included within capital financing charges.

NON-DOMESTIC RATE (NNDR)
The charge payable on all business premises, calculated by multiplying the rateable value of the property by a nationally set rate multiplier. The Tax is collected by Croydon and is allocated between central government, the Greater London Authority and Croydon council in accordance with the business rates retention regulations.

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

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

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

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

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

OUTTURN
Actual income and expenditure for a financial year.

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

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

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