

Statement of Accounts 2007/08

COMMUNITY LANGUAGES

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

Bengali

যদি বড় হাতের বা অন্যভাবে লেখা সহজ পড়াশোনা করতে পারেন তবে সহায়তা করে দিতে পারবো। এটা যদিও এবং অনুবাদকার (ট্রান্সল্যাটার) ব্যবস্থা করে দেবে পারে। টেলিফোন করুন 020 8726 6000.

Chinese

如果您覺得使用除英語以外的另一種語言能夠更容易溝通的話，可作這種選擇的。若有需要，您可以得到安排傳譯員及翻譯員的幫助，詳情請打電話 020 8726 6000 查詢。

Français

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

Gujarati

અંગ્રેજી સિવાયની કોઈ કોઈ એક ભાષા માં તમે આસાનીથી વાતચીત કરતા હો તો એવું કરવા વિનંતી છે. જુદાવિધના અને વ્યાખ્યાનકારની સહાયતા આપવામાં આપણે છે. જા. કાર્ટે ફોનનું નંબર 020 8726 6000 સંપર્ક કરવું.

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। टेलिफोन : 020 8726 6000.

Punjabi

ਜੇਕਰ ਤੁਹਾਨੂੰ ਅੰਗਰੇਜ਼ੀ ਤੋਂ ਇਲਾਵਾ, ਕਿਸੇ ਹੋਰ ਸੋਲੀ 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 lagu qaban. Telifoonku waa 020 8726 6000.

Tamil

உங்களுக்கு ஆங்கிலம் தவிர வேறு மொழியில் பேசுவதற்கு வசதிகளை இருந்தால், தயவு செய்து சொல்லி. மொழி மொழிமாற்றங்கள் ஏற்படுத்தப்படுவார்கள். தொ. 020 8726 6000.

Turkish

İri yazılıma harfleri okumayı, ses kaseti veya Braille (kör) alfabeti kullanmayı daha kolay buluyorsanız, veya bizimle iletişmeden başka bir şekilde iletişim kuramaz buluyorsanız bu konuda yardımcı olabiliriz. Yazılı ve sözlü tercüman temin edilir. Telefon 020 8726 6000

Urdu

اگر آپ انگریزی کے علاوہ کسی اور زبان میں بات کرنے میں آسانی محسوس کرتے ہیں تو زور دیا کرو۔ ایسا ہی کیجئے۔ آپ ہانڈ رائٹنگ اور ٹرانسکرپشن کے ذریعے ہانڈ رائٹنگ کے ذریعے بھی مواصلہ کر سکتے ہیں۔ ٹیلی فون نمبر: 020 8726 6000.

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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 Customer Services;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

THE RESPONSIBILITIES OF THE EXECUTIVE DIRECTOR OF RESOURCES AND CUSTOMER SERVICES

The Executive Director of Resources and Customer Services 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 Great Britain 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 2008.

In preparing the statement of accounts, the Executive Director of Resources and Customer Services 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 CUSTOMER SERVICES

**LONDON BOROUGH OF CROYDON AND LONDON BOROUGH OF CROYDON PENSION FUND
FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008**

CERTIFICATE OF THE EXECUTIVE DIRECTOR OF RESOURCES AND CUSTOMER SERVICES

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 2007/08 prepared in accordance with the accounting policies stated.

A handwritten signature in black ink, appearing to read 'N/E', with a long horizontal flourish extending to the right.

Nathan Elvery, Executive Director of Resources
and Customer Services

19 September 2008

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF CROYDON**Opinion on the accounting statements**

I have audited the Authority accounting statements, pension fund accounts and related notes of the London Borough of Croydon for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The Authority accounting statements and pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the London Borough of Croydon in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the Authority accounting statements, pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority accounting statements and the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year;
- the financial position of the Group and its income and expenditure for the year; and
- the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the Authority accounting statements, pension fund accounts and related notes and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements, pension fund accounts and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements, pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority accounting statements, pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority accounting statements, pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority accounting statements, pension fund accounts and related notes.

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

Opinion

In my opinion:

- the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended; and
- the pension fund accounts and related notes present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the Pension Fund during the year ended 31 March 2008, and the amount and disposition of the fund's assets and liabilities as at 31 March 2008, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Lindsey Mallors
District Auditor
Audit Commission
1st Floor
Millbank Tower
Millbank
London SW1P 4HQ

19 September 2008

CONCLUSION ON ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, the London Borough of Croydon made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

I have issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 on 17 December 2007. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Lindsey Mallors
District Auditor
Audit Commission
1st Floor
Millbank Tower
Millbank
London SW1P 4HQ

19 September 2008

EXECUTIVE SUMMARY

1. In 2007 the Council launched a revised Financial Strategy building upon the progress made under our previous strategy, this strategy contained five key objectives and our progress against those objectives is outlined for you in this review. The strategy provides the strategic principles under which the budget for the Council is set, and thus the basis for local taxation decisions.

The Council's Financial Strategy Objectives

1. To maintain an affordable Council Tax;
 2. To ensure that the efficiency culture is embedded within the Council to systematically challenge and secure Value for Money for our residents;
 3. To ensure that the Council's resources are expended on meeting the Council's Vision for Croydon and achieving the key corporate priorities for our residents;
 4. To ensure that the Borough's infrastructure is fit for purpose and that new capital needs are identified and met; and
 5. To ensure that the Council's core ongoing financial position remains stable and continues to support the Council's key objectives for our residents.
2. In setting the revenue budget for 2007/08 additional revenue was raised through a Council Tax increase of 3.99%, less than the rate of inflation (0.78p per week), at a time when the average increase was over 4% for Outer London. This represented the lowest tax increase in the borough for five years and enabled additional investments in key local priorities such as the introduction of neighbourhood enforcement officers, extension of green waste, plastics and cardboard recycling and improvements in street lighting. Our capital budget invested additional resources into such areas as highways maintenance, the expansion of recycling, an extensive playground refurbishment programme and the development of early year children's centre, all key local priorities identified by our residents.
3. During 2007 a Comprehensive Spending Review was completed by Central Government which indicated future increased funding to this Council of only 2%, 1.75% and 1.5% from 2008 onwards. The underlying financial challenge to the Council remains the significant under funding from Central Government and therefore our efforts remained focused on securing a 'Fair Deal for Croydon'. In this position the Council receives the minimum increase in funding support from Central Government, known as a 'floor authority'.
4. However as a 'floor authority' Croydon still has the **6th lowest** level of Council Tax in Outer London, ensuring we continue to deliver improved value for money for you, our residents. This level of Council Tax remains below the Outer London average and has been achieved by delivering substantial levels of efficiencies during the year (£9.090 million) and building upon our efficiency achievements over the medium term (£27.118m).
5. We have recognised the importance of making all our resources work effectively and as efficiently as possible and therefore we have focused on improving our financial management arrangements. During 2007 the Council achieved a 'four star' rating for its Use of Resources, the highest mark achievable under this external assessment undertaken by the Audit Commission, this includes our management of Value for Money.
6. As you will see progress has been made against each of our strategic objectives as the Council continues to improve the value for money delivery for our residents.

The Statement of Accounts for the year ended 31 March 2008 has been prepared and published in accordance with the Accounts and Audit Regulations 2003 and the 2007 Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The statement was approved by the Corporate Services Committee of the Council on 30 June 2008.

The accounts comprise the following key statements:

- Income and Expenditure Account
- Statement of Movement on the General Fund Balance
- Statement of Total Recognised Gains and Losses
- Balance Sheet
- Cash Flow Statement
- Housing Revenue Account
- Collection Fund
- Pension Fund Accounts

GENERAL FUND OUTTURN 2007/08

The Council's revenue budget outturn for 2007/08 was a marginal overspend, less than 0.2% of budget, demonstrating the strength of our in-year financial management arrangements. The General Fund balance carried forward to 2008/09 is **£9.286m** which exceeds the target for balances for 2007/08 and ensures delivery of our Financial Strategy target for the period.

Table 1 shows how this compares to the position at 31 March 2007.

Table 1 - Movement in Reserves and Balances

Reserves and Balances	2004/05 £m	2005/06 £m	2006/07 £m	2007/08 £m	Financial Strategy Target £m
General Fund Balances	0.9	4.5	9.2	9.3	9.3
Earmarked Reserves	3.0	8.5	15.7	19.0	19.0
General Fund Provisions	22.9	23.6	29.3	26.7	26.7
Total	26.8	36.6	54.2	55.0	55.0

The table excludes LMS reserves.

CONTRIBUTION OF 2007/08 TO THE FINANCIAL STRATEGY

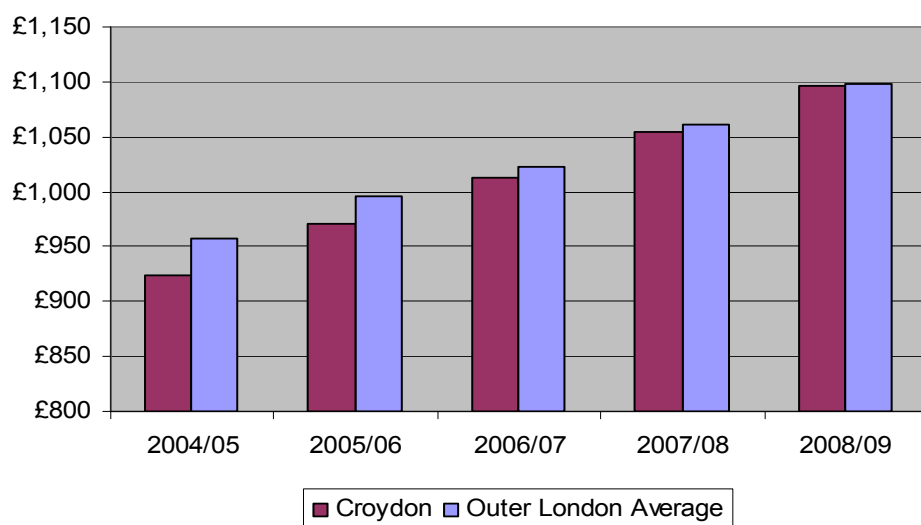
Progress in delivering the Council's Financial Strategy is shown in the following section highlighting progress over the three year period delivering a sustainable financial foundation for the Council, which in turn has been reflected in our latest Use of Resources assessment score of 4/4, an improvement over our assessment score of 3/4 in 2006.

This information will be presented to our residents through the published accounts and the Annual Report and communicated via the Council's Annual Accounts Open Day.

The underlying challenge for the future delivery of the new Financial Strategy approved on the 26th February 2007, remains the level of funding received from Central Government. The Council is reviewing and refocusing the engagement strategy with Central Government in the lead up to the 2009/10 settlement and proposed areas of funding formula review.

MAINTAINING AN AFFORDABLE COUNCIL TAX

Graph A - Council Tax Band D (excl GLA)



The Budget for 2007/08 was funded by an average band D Council Tax of £1,053.76. The local tax increase for Croydon in 2007/08 was 3.99%, the lowest for five years. Croydon's band D Council Tax still remains below the Outer London average of £1,057.14 and compares well to other 'floor authorities', the 6th lowest in London. See Table 2 below.

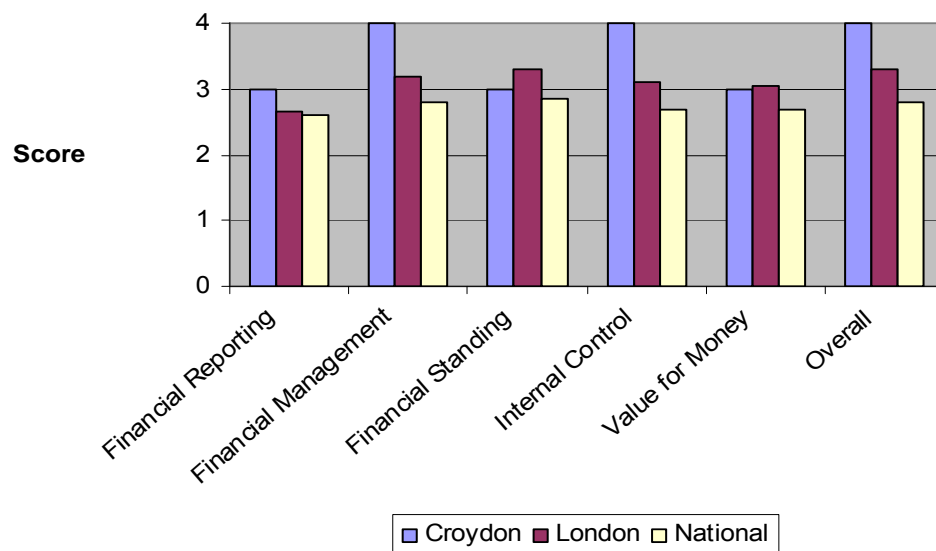
Table 2 - Local Taxation Policy comparisons for Outer London 'floor authorities'

Borough	Council Tax - Band D £.pp	Ranking
Bromley	913.73	1
Brent	995.58	2
Redbridge	1026.62	3
Ealing	1040.22	4
Barnet	1046.24	5
CROYDON	1053.76	6
Merton	1053.80	7
Outer London average	1057.14	-
Bexley	1057.81	8
Sutton	1072.31	9
Hounslow	1090.65	10
Waltham Forest	1103.16	11
Harrow	1119.50	12
Haringey	1127.83	13
Havering	1129.12	14
Richmond-upon-Thames	1186.72	15
Kingston-upon-Thames	1218.63	16

The Council has made significant progress in the achievement of its strategic financial objectives. This has been recognised by the improvement in the Comprehensive Performance Assessment (CPA) Use of Resources (UoR) scores to 4 overall with level 4 achievements in such key areas as our financial strategy, financial performance, internal control and value for money management; areas critical to the budget setting of the organisation.

The Audit Commission's definition of 4 is well above minimum requirements and performing strongly.

Graph B - Use of Resources



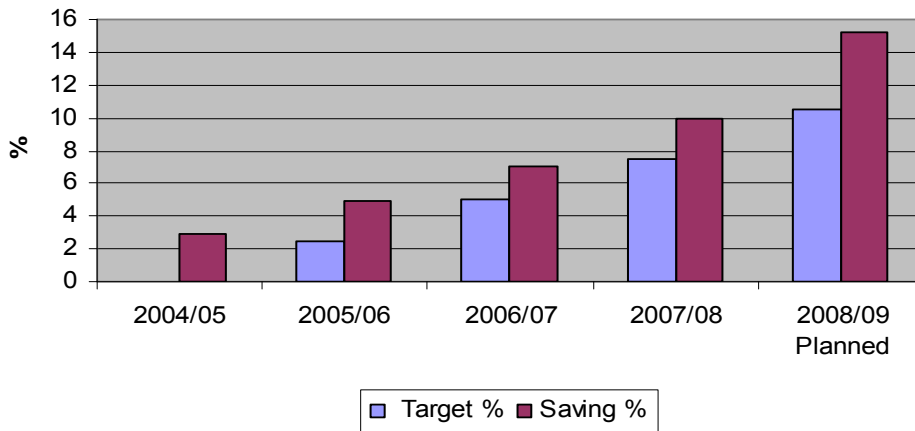
The Council was assessed independently by the Audit Commission following a detailed study of the way the Council 'uses and manages its resources' and was awarded the highest possible score in 2007. This is the very first time that Croydon has achieved the top mark for this assessment and demonstrates the improvements we have made in managing resources on your behalf.

The Commission's evaluation covers all aspects of how the Council manages its resources. It demonstrates to local residents the importance of their Council having sound financial management and to ensure that resources are available to support the Council's priorities and deliver the aspirations and improvements which residents have elected local Members to deliver.

This provides nationally recognised evidence that the Council is managing all of its resources to the highest standards and that the Financial Strategy, which provides the framework for the Council's budget setting and local taxation policy, is based upon robust financial principles and processes.

ENSURING THAT THE EFFICIENCY CULTURE IS EMBEDDED WITHIN THE COUNCIL TO SYSTEMATICALLY CHALLENGE AND SECURE VALUE FOR MONEY FOR OUR RESIDENTS

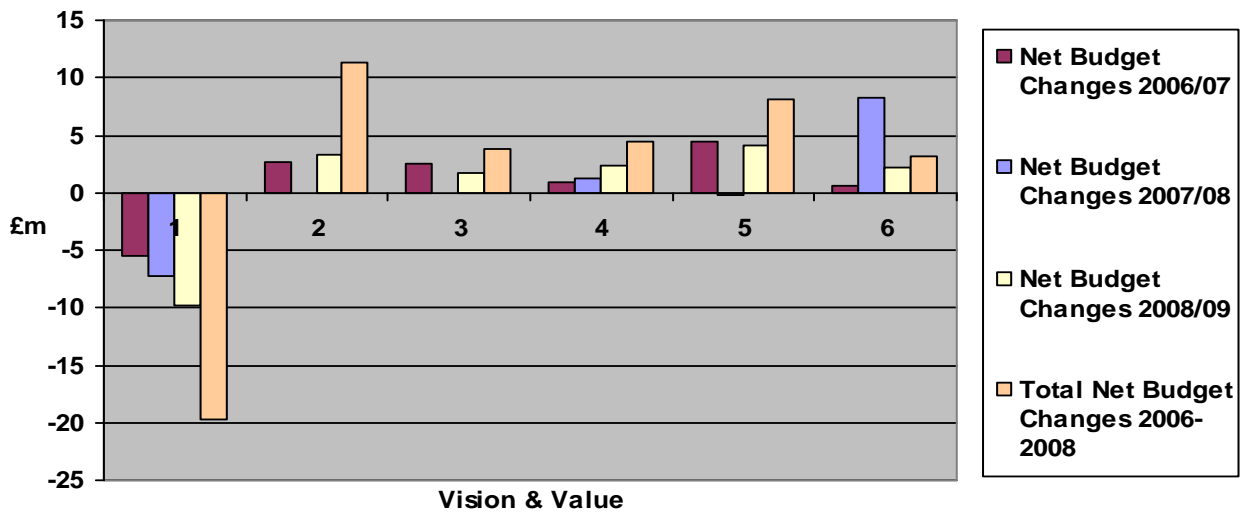
Graph C - Annual Cumulative Efficiency Savings



The Council has continued to embed our value for money challenge into all our services delivered through our RELEASE strategy. This platform enables the Council to draw together all the extensive work it is already doing in relation to making services more efficient: smarter procurement; service transformation; better use of assets; working with others and looking to others for guidance to ensure that the Council’s financial challenges can be met whilst delivering improvement in our services. Our “four star” recognition for our value for money management demonstrates our improvements over the last year.

ENSURING THAT OUR RESOURCES ARE EXPENDED ON MEETING THE COUNCIL'S VISION FOR CROYDON AND ACHIEVING THE KEY CORPORATE PRIORITIES FOR OUR RESIDENTS

Graph D - Growth & Savings 2006-2008



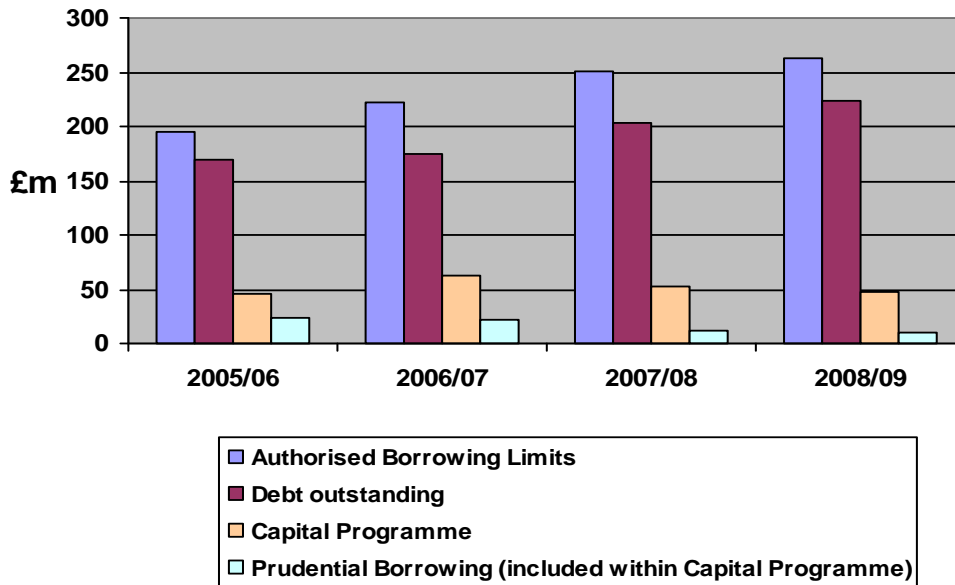
CORPORATE PRIORITIES

- 1. Delivering high quality public services and improving Value for Money**
- 2. Improving health and well being**
- 3. Achieving better outcomes for children and young people**
- 4. Safer, stronger and more sustainable communities**
- 5. Improving the environment**
- 6. Promote economic growth and prosperity**

The Council has ensured through its detailed budget setting and service planning processes known as ‘Challenge’ that existing resources are directed towards achieving the Council’s key priorities. The changes to the expenditure budgeted by the Council in 2006/07 and 2007/08 can be seen in graph F, demonstrating our efficiencies and reallocation of resources to our front line service priorities.

ENSURING THAT THE BOROUGH'S INFRASTRUCTURE IS FIT FOR PURPOSE AND THAT NEW CAPITAL NEEDS ARE IDENTIFIED AND MET

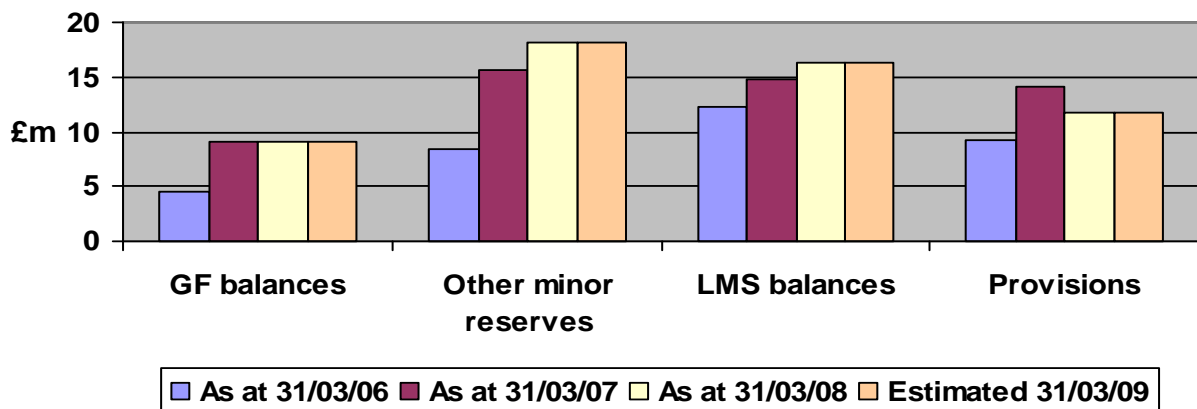
Graph E - Prudential Indicators for 2005/06 to 2008/09



The Council has ensured it has remained within the prudential borrowing parameters set as part of the budget and was able to progress key capital schemes, such as the South Norwood Leisure Centre, Recycling expansion, Bensham Manor expansion, Improvements to Roads and work towards meeting the Decent Homes Standard within the financial year.

ENSURING THAT THE COUNCIL'S CORE ONGOING FINANCIAL POSITION REMAINS STABLE AND CONTINUES TO SUPPORT THE COUNCIL'S KEY OBJECTIVES FOR OUR RESIDENTS

Graph F - Reserves, Balances & Provisions



The Council has achieved its target of General Fund balances of 3% of net operating expenditure over the medium term and can demonstrate and progress on all of its financial strategy objectives. Our overall financial standing position has been assessed as 3 which means consistently above minimum requirements, performing well.

HOUSING REVENUE ACCOUNT (HRA)

The 2007/08 Housing Revenue Account achieved an underspend on budget of £3.1m. This was transferred to reserves (Housing Repairs Account) giving a balanced budget outturn.

The Housing service provided by the Council was assessed as a 3 by the Audit Commission this means that we are consistently above minimum requirements and performing well.

CAPITAL

The original approved General Fund Services (excluding the Housing Investment Programme) capital budget was **£33.8m** and was adjusted to **£52.3m** to reflect programme carry forward from 2006/07, additional Government grants and Section 106 contributions. Expenditure of **£40.7m** was incurred in 2007/08.

Capital schemes in 2007/08 included the delivery of:

- South Norwood Leisure Centre
- Recycling expansion
- Continuing the drive to meet the Decent Homes Standard
- Bensham Manor expansion
- Beckmead Special School
- Mainframe Systems Migration

The original approved Housing Investment Programme (HIP) capital budget was **£29.6m**, adjusted to **£31.0m** due to in-year approved changes to the budget. Expenditure of **£23.1m** was incurred. The total expenditure for capital schemes was **£63.8m**.

The Council will be reviewing its Capital Strategy during 2008.

PENSION FUND

The accounts for the Pension Fund are included in the overall Accounts. Table 3 below shows the change in the value of the Council's Pension Fund in 2007/08:

Table 3 – Pension Fund Performance 2007/08

Detail of Composition of Net Assets	2006/07 £000	2007/08 £000	Net Increase (Decrease) £000	% Change
Total Investments	519,357	497,096	(22,261)	(4.3)
Debtors	5,774	5,787	13	0.2
Cash Held by:-				
Fund Managers	1,000	5,561	4,561	456.1
London Borough of Croydon	20,533	21,458	925	4.5
Creditors	(2,011)	(2,283)	(272)	(13.5)
Net Assets at Year End	544,653	527,619	(17,034)	(3.1)

The Table above shows that there was a relatively small decrease of £17.034 million in the Net Assets of Pension Fund during 2007/08. The main reason for this was the fall in the FTSE 350 during the autumn of 2007 which made a partial recovery by the year end. Despite a challenging year for equities, the Fund's asset value has only shown a decline of approximately 3%.

During the year the actuary completed his triennial Actuarial Valuation as at 31st March 2007 which calculated the deficit to be £264 million and the Funding Level at 68%. This compares with a deficit of £254 million and a Funding Level of 57% as at the 31st March 2004 Actuarial Valuation. The 2007 Actuarial Valuation recommends that the deficit be recovered over 25 years as from 1st April 2008 with a target employer's contribution rate of 23.2% compared to the 20.9% in the 2004 valuation – an increase of 2.3% of pensionable pay. The increase of 2.3% will be met over 3 years such that the employer's contributions are 20.5% for 2008/09, 22.1% for 2009/10 and 23.2% for 2010/11 onwards.

COLLECTION FUND

The Collection Fund is a stand alone account to which all sums relating to Council Tax and National Non-Domestic Rates are paid. Monies collected in respect of NNDR are transferred to the national pool, with a nil effect to the local authority.

The Collection Fund had a nil balance as at 31st March 2008, so the General Fund does not have to repay sums to the Collection Fund. This was forecast in the 2007/08 Budget where the Council's General Fund budget contains neither a surplus nor a deficit.

COUNCIL TAX

The nil balance on the Collection Fund assumes an overall Council Tax collection rate of 97% of 2007/08 debts. Collection will take place over several years as various recovery methods are used to maximise cash income.

The Best Value Performance Indicator (BVPI) target relates to the amount of debt collected in the initial year of billing (2007/08 debt collected in 2007/08). The target set for 2007/08 was 96.25% and the actual BVPI performance was confirmed at 95.84%, a shortfall of 0.41%. This performance level was 1.1% up on the performance for 2006/07 and demonstrates year on year improvement over the last 3 years. This achievement in Council Tax collection is the highest ever achieved in Croydon.

The net collectable debit for Council Tax in 2007/08 was £149 million. Table 4 gives a breakdown in cash terms of the impact of the non achievement of this target of £0.6m within the year.

Table 4 – The BVPI target and performance for Council Tax Collection

	Target 2007/08	Actual 31/03/08	Variance
%	96.25%	95.84%	0.41%
Cash	£143.4m	£142.8m	£0.6m

The figures above relate to amounts collectable for 2007/08 only; the amounts shown in the Collection Fund include variations to the debit for all past years up to and including 2007/08.

NATIONAL NON-DOMESTIC RATE (NNDR) COLLECTION

The target set for 2007/08 was 99.25% and the actual BVPI performance was confirmed at 98.45%, a shortfall of 0.8%. The collectable debit for business rates in 2007/08 was £102.6 million. Table 5 shows the impact of actual performance against the target in cash terms.

Table 5 – The BVPI target and performance for NNDR Collection

	Target 2007/08	Actual 31/03/08	Variance
%	99.25%	98.45%	0.80%
Cash	£101.8m	£101.0m	£0.8m

This achievement in NNDR collection is the highest ever achieved in Croydon.

Table 6 – Collection Rates

	2003/04	2004/05	2005/06	2006/07	2007/08
Council Tax	93.3%	92.8%	93.4%	94.7%	95.8%
NNDR	97.7%	97.6%	96.7%	97.9%	98.5%

CONCLUSION

Our financial progress continues ensuring that for every pound collected through Council Tax we make the best use of resources in delivering our services in the borough.

I hope that you find the accounts useful and informative in helping to understand how the Council manages its finances on your behalf.



Nathan Elvery
Executive Director of Resources and Customer Services
Croydon Council

1. SCOPE OF RESPONSIBILITY

Croydon Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Croydon Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Croydon Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Croydon Council has adopted strategies, policies and practices that are consistent with the principles of the CIPFA/SOLACE Framework *Good Governance in Local Government*. This statement explains how Croydon Council meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement of internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Croydon Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Croydon Council for the year ended 31 March 2008 and up to the date of approval of the annual report and statement of accounts.

3. THE GOVERNANCE FRAMEWORK

- The Council's Sustainable Community Strategy outlines the Council's purpose vision and aims. This is supported by the Corporate plan and service plans for each of the departments. These are reviewed and updated annually. In addition, the Council launched its Vision and Values statement during 2007/08 after extensive consultation amongst the staff.
- The constitutional framework that sets out how decisions are made and the procedures that are followed to ensure open and transparent policy and decision making that complies with established policies, procedures, laws and regulations and is accountable to local people. The Council's policy and decision making is through the Cabinet process. These meetings are open to the public, including web casting, except where personal or confidential matters are being discussed. In addition, senior officers make decisions under delegated authority. The Council publishes a forward plan that details the key decisions to be made by the Council, Committees and Chief Officers under their delegated powers.
- The Council has designated the Council Secretary and Solicitor as the Monitoring Officer whose function is to ensure compliance with established policies, procedures, laws and regulations. After consultation with the Head of Paid Service and Chief Financial Officer, the Monitoring Officer will report to full Council if she considers that any proposal, decision or omission would result in unlawfulness or maladministration.
- The financial management of the Council is conducted in accordance with the Financial Regulations and the Financial Code of Practice set out in the Constitution (4H). The Council has designated the Executive Director of Resources and Customer Services as the Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a three year financial strategy that is updated annually supporting the Council's strategic objectives. The financial strategy ensures the economical, effective and efficient use of resources including a financial management process for reporting the Council's financial standing.
- The Council maintains an effective Internal Audit service that operates in accordance with the standards set out in the Code of Audit Practice for Internal Audit in Local Government. As required by the Accounts and Audit Regulations the Executive Director of Resources and Customer Services has reviewed the effectiveness of the Internal Audit service and reported this to the Audit Advisory Committee which has concluded that the internal audit service is satisfactory and fit for purpose.
- Croydon Council has adopted strategies, policies and practices that are consistent with the principles of the CIPFA/SOLACE Framework *Good Governance in Local Government*.
- The Council has a performance planning process supplemented by detailed service planning to establish, monitor and communicate Croydon Council's objectives. This includes a performance management system that sets key targets and reports performance quarterly to Cabinet.

- The Council has a robust risk management process to identify, assess and manage the significant business risks to the Council's objectives including those of its key strategic partnerships. The risk management process includes a risk management policy statement, corporate and departmental risk registers, risk management steering group, and appropriate staff training. The Cabinet Member for Resources and Customer Services champions risk management at the heart of the Council's decision making, with each cabinet member having access to the on-line system. In addition, each Council department has a designated risk management champion. Key corporate risks are regularly reviewed by the Corporate Management Team and by the Audit Advisory Committee. The risk management process was awarded full assurance by Internal Audit.
- The Council has adopted codes of conduct for its staff and its Members. These are introduced to all staff and Members as they are inducted into the organisation and they are given their own copies. They are available for reference at all times and reminders and training are provided as necessary.
- To ensure that concerns or complaints from the public can be raised, the Council has adopted a formal complaints policy which sets out how complaints can be made, what should be expected and how to appeal. The application of the policy is overseen by the Council's Standards Committee. In addition, the Council has adopted a fraud hotline which is advertised around the borough.
- A whistleblowing policy has been adopted to enable staff, partners and contractors to raise concerns of crime or maladministration confidentially. This has been designed to enable referrals to be made without fear of being identified.
- Many of the Council's services are delivered in partnership with commercial organisations. Where this is the case, the Council ensures that proper governance is maintained by closely following procurement procedures when letting contracts and then robustly monitoring them. Increasingly, Council services are delivered in partnership with other local public sector organisations. The most significant arrangements are grouped under the umbrella of the Local Strategic Partnership which is led by a board made up of relevant Chief Executives. Each of the themes within the LSP is overseen by its own board. The Council's Risk Management service has carried out extensive work with these boards to ensure that common objectives are agreed by the participants and that the risk to achieving those objectives are identified, understood and responsibility for addressing them is allocated.
- The Strategic Partnership seeks to address community engagement by, amongst other methods, seeking involvement with neighbourhood partnerships, business development partnerships and the community network. Neighbourhood Partnership Meetings across the Borough affords the community an opportunity to meet and interrogate decision makers in the Borough on diverse issues from health, crime, transport and environmental issues. In addition, the Council operates a citizen's panel, TalkAbout, which is a panel of 1,500 representative residents who provide the Council with reliable feedback on important Croydon issues. This information feeds back into service and policy development.
- Members' induction training is undertaken after each election. In addition, an on-going programme of training and awareness is available for Members with formal and informal events each year.
- A corporate induction programme, 'Inspire', is delivered to all new staff joining the Council, supplemented by department specific elements. In addition, further developmental needs are identified through the Council's Performance, Development and Competency Scheme which replaced the Council's Job review scheme during 2007/08. The Council's HR & OD service delivers its own suite of courses covering core personal competencies. Other training solutions are provided as required.

4. REVIEW OF EFFECTIVENESS

Croydon Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive directors within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

This review process includes:

- The monitoring officer's annual review of the constitution to ensure its aims and principles are given full effect. This includes an annual review of the financial regulations by the Executive Director of Resources and Customer Services.
- The Scrutiny and Overview Committee's ability to "call in" the Council's key decisions prior to implementation to consider the appropriateness of the decision.
- The Audit Advisory Committee is responsible for discharging the functions of an audit committee, including reviewing the risk management process, the performance of Internal Audit and agreeing the external audit plan.

ANNUAL GOVERNANCE STATEMENT

- Internal audit's responsibility for monitoring the quality and effectiveness of internal controls. Using the Council's risk registers and an audit needs assessment, a three-year strategic plan and annual programme are developed. The outcome of the internal audit risk-based work is reported to all relevant Executive Directors and quarterly to the Audit Advisory Committee. Implementation of recommendations is monitored and progress reported quarterly. The Internal Audit function is reviewed regularly by the external auditors who place reliance on the work completed. The Executive Director of Resources and Customer Services has reviewed the effectiveness of the Internal Audit service and reported this to the Audit Advisory Committee which has concluded that the internal audit service is satisfactory and fit for purpose.
- The assurance of senior managers through the Council's Management Team in developing departmental and corporate risk registers and agreeing annual departmental assurance statements.
- The opinion of the external auditors in their reports and annual letter.
- Other review agencies such as the Commission for Social Care Inspection and Ofsted.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the Audit Advisory Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. SIGNIFICANT GOVERNANCE ISSUES 2007/08

Based on the review the following key risks have been identified:

Key Risks	Action	Responsible Officer
During 2007/08 and continuing into 2008/09 the Council will complete a significant organisational restructure. This will impact on how services are delivered and the roles of individual senior managers. Change programme needs detailed, careful management to mitigate the risk of service disruption and any negative effect on staff morale and motivation.	A Restructure Project Board has been formed which is sponsored and chaired by the Chief Executive, and managed by the Director of Human Resources and Organisational Development. The Project Initiation Document outlines the key work streams in place that will minimise the negative impact of the restructure upon service provision. These work streams include the HR & OD support being offered to departments in the form of 121 coaching, design and facilitation of launch events, team building events, occupational health support and advice. An evaluation exercise is also being undertaken on the restructure that will incorporate an equalities impact assessment. Phase one evaluation will be used to inform the roll out of phase two. A comprehensive communications strategy underpins the whole of the restructure programme and ensures that staff feel informed and engaged in the restructure and understand the positive impact this will ultimately have upon service users. The sequence and pace of the departmental restructures has been specifically designed with the intention of minimising the risk of service disruption.	Chief Executive
Children's and Young People's services face a challenging period tackling issues in relation to attainment performance, responding to the recent Joint Area Review of the service, delivering the Secondary Schools Review and harnessing the opportunities presented by the Building Schools for the Future programme.	CYPL has developed action plans to respond to the challenges presented by BSF, the Secondary Review and overall school improvements. These also address the areas for improvement identified by the Joint Area Review. The Department is completing its reorganisation and recruiting to vacant posts which will mean that it will have the ability to respond to these challenges.	Executive Director of Children, Young People and Learners
During the Parking Services Management and Administration procurement process a number of posts within the structure became vacant. Following the termination of that process the loss of key staff increased the risk of gaps in internal control. In addition the failure to deliver the service recovery plan presents financial risk to the Council budget performance.	The recovery plan is currently in phase 2 of 3, with phase 1 completed. Phase 1 has seen a new vision and mission developed, with a new performance framework and organisational pillars being strengthened. The vacancies caused by the loss of key internal staff have been filled appropriately to mitigate the gaps in internal control. Furthermore the service is moving towards a reorganisation/restructure in the near future and reviewing process and procedures to meet the objectives of recent audit.	Executive Director of Community Services
The Council's ability to increase its funding from Central Government continues to remain limited ensuring that the Council will continue to face a challenging financial position to manage	The Council has a robust budget system to identify potential issues early and challenge growth effectively and this is fully integrated into a performance challenge process. The Council continues to develop its RELEASE and	Executive Director of Resources and Customer Services

ANNUAL GOVERNANCE STATEMENT

Key Risks	Action	Responsible Officer
whilst continuing to improve service delivery.	DELIVER programme, a platform to co-ordinate the efficiency activity across the organisation and ensure that resources deliver real results for residents. The platform enables the Council to draw together all the extensive work already underway to make services more efficient including smarter procurement, service transformation asset management and the work to improve the customer experience and customer satisfaction. This will identify efficiencies that generate savings, release capacity to meet the financial challenges and improve services for all our stakeholders.	
Ensuring the delivery of the Gateway regeneration project and continuing to manage the public enquiry process.	Options appraisal undertaken pending the results of the public enquiry which is due in the summer of 2008.	Executive Director of Planning and Transportation
Ensuring the delivery of the benefits of the Park Place regeneration programme.	Negotiations are ongoing with the proposed developer.	Executive Director of Planning and Transportation

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

RISKS IDENTIFIED IN 2006/07 STATEMENT AND PROGRESS TO DATE

Key Risks	Action Agreed	Outcome	Responsible Officer
The Council needs to demonstrate that it meets the higher standards of the Comprehensive Performance Assessment – Corporate Assessment and maintain its three star rating.	<p>The Council continues to strengthen its performance management framework, in terms of individual performance through the introduction of the Performance Development and Competency Scheme and administratively through a corporate performance management system.</p> <p>In preparation for the Corporate Assessment in January 2008 the Council's Management Team has preliminary reviewed the core areas of the corporate assessment process and commissioned a complete self assessment to be reviewed by 31 July 2007.</p> <p>As part of the self assessment process the Council has contacted and is learning from the experiences of Councils who have recently been through the process.</p> <p>In addition the Council is reviewing the capacity and resources to manage the corporate assessment process and will reshape the corporate and departmental support appropriately.</p>	<p>Completed</p> <p>The Council has retained its three star status with improving well Direction of Travel</p>	Chief Executive
The Council's ability to increase its funding from Central Government remains limited ensuring that the Council will continue to face a challenging financial position to manage whilst continuing to improve service delivery.	<p>The Council has a robust budget system to identify potential issues early and challenge growth effectively.</p> <p>The Council has also launched the RELEASE programme, a new platform to co-ordinate the efficiency activity across the organisation. The platform enables the Council to draw together all the extensive work already underway to make services more efficient including smarter procurement, service transformation and asset management.</p>	<p>Completed</p> <p>The Council has set a balanced budget for 2008/09. The RELEASE programme has ensured that this has been done by the identification of a significant level of efficiency with savings of £12m.</p> <p>The Fair Deal funding case was presented as an agenda item at the CLG meeting reviewing the Government grant system and submitted to the</p>	Director of Finance and Resources

ANNUAL GOVERNANCE STATEMENT

Key Risks	Action Agreed	Outcome	Responsible Officer
	This will identify efficiencies that generate savings and release capacity to meet the financial challenges and improve services.	Minister for Local Government, as the basis of a meeting he had with the Leader of the Council to review Croydon, grant funding position, leading to Croydon working with CLG on several key funding issues in 2008/09. The challenges that the funding position create for the Council continues in setting the 2009/12 budget.	
The Council needs to ensure that its waste management strategy achieves the 30% recycling targets and minimising the impact of the landfill tax.	The Council is: <ul style="list-style-type: none"> expanding use of recycling solutions; implementing software to effectively monitor landfill usage; and developing a new approach to waste management through a joint procurement process with other local authorities. 	Completed A fully funded waste strategy and recycling plan was approved at Cabinet on 11 February 2008. Aspires to a recycling rate of 40% by 2010 as supported by detailed waste modelling. Contracts for waste disposal and Re-use and Recycling Centres have been awarded in partnership with Sutton, Merton and Kingston to commence October 2008. (Agreed at Corporate Services Committee on 16 January 2008). The 2008/09 budget supports the waste strategy and recycling improvements.	<i>Director of Environmental, Culture and Public Protection (ECPP)</i>
Meeting the requirements of the decent homes standards	The Council is actively managing the overall programme to maximise performance. A project team lead by Director of Housing and Director of Finance and Resources is identifying and delivering solutions to achieve the standard.	Completed As of March 2008, 88% of homes had met the Standard. It is projected that the Decent Homes target will be met by 2010/11.	Director of Housing
Although the Council has managed the financial and reputational risk of the Single Status implementation well there remains a residual risk, facing all local authorities of litigation.	To continue to mitigate this residual risk the Council is maintaining the project group and support mechanisms for single status for a period of time. This includes regular reporting to the members steering group. In addition the Council has developed a communications strategy that includes joint communications with the Trade Unions and a detailed communications framework between the core team and departmental management teams.	Completed The Council signed a collective agreement with recognised Trade Unions on 21 November. This collective agreement significantly reduces the Council's risk against Equal Pay Claims.	Chief Executive



Nathan Elvery
Executive Director of Resources and Customer Services



Jon Rouse
Chief Executive



Mike Fisher
Leader of the Council

INCOME AND EXPENDITURE ACCOUNT

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

	Note No.	2007/08 Gross £000	2007/08 Income £000	Net £000	2006/07 Net £000
Expenditure on services	Page 21				
Corporate and Democratic Core		60,179	(50,993)	9,186	4,470
Central Services to the Public		10,940	(5,271)	5,669	6,135
Cultural, Environmental and Planning Services		70,676	(18,113)	52,563	49,586
Highways, Roads and Transport Services		56,212	(37,958)	18,254	14,529
Education		305,598	(277,754)	27,844	30,091
Housing		278,586	(275,128)	3,458	8,915
Social Services		192,867	(67,487)	125,380	119,308
Non-Distributed Costs		7,541	-	7,541	550
Net cost of services		982,599	(732,704)	249,895	233,584
Other operating expenditure and income					
(Profit)/Loss on sale of fixed assets				(10,096)	2,932
(Profit)/Loss on revaluation of fixed assets				1,482	-
Levies paid to other bodies	5			2,188	2,063
Net (surplus)/deficit from trading undertakings not included in net cost of services	4			288	(35)
Interest payable and similar charges				9,577	9,513
Pensions interest cost and expected return on pension assets	47.1 & 47.2			7,286	8,392
Amortised premiums and discounts				-	597
Contribution to Housing pooled capital receipts				4,766	4,332
Interest and investment income				(7,555)	(5,303)
Net operating expenditure				257,831	256,075
Surplus London Residuary Body balances				-	-
Amount to be met from Government grant and local tax				257,831	256,075
Precept demanded from the Collection Fund	Page 63			(130,941)	(125,400)
Revenue Support Grant				(16,859)	(16,298)
Contribution from National Non-Domestic Rate Pool	20			(91,635)	(87,767)
Collection Fund (surplus)/deficit	Page 63			-	-
Deficit for the year				18,396	26,610

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

See note 21 for further details.

	2007/08 £000	2006/07 £000
Deficit for the year on the Income and Expenditure Account	18,396	26,610
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(20,148)	(33,574)
Increase in General Fund Balance for the year	(1,752)	(6,964)
General Fund Balance brought forward	(23,845)	(16,881)
General Fund Balance carried forward	(25,597)	(23,845)
Amount of General Fund Balance held by schools under local management schemes	(16,311)	(14,732)
Amount of General Fund Balance generally available	(9,286)	(9,113)
	(25,597)	(23,845)

INCOME AND EXPENDITURE ACCOUNT

ANALYSIS OF NET COST OF SERVICES

	2007/08			2006/07
	Gross £000	Income £000	Net £000	Net £000
Corporate and democratic core	60,179	(50,993)	9,186	4,470
Total Corporate and Democratic Core	60,179	(50,993)	9,186	4,470
Local tax collection	6,285	(3,266)	3,019	3,140
Registration of births, deaths and marriages	613	(522)	91	167
Elections	483	33	516	969
Emergency planning	354	-	354	309
Local land charges	529	(1,448)	(919)	(1,178)
General grants, bequests and donations	2,454	(68)	2,386	2,505
Coroner's service	222	-	222	223
Total Central Services to the Public	10,940	(5,271)	5,669	6,135
Other operating expenditure	8,610	(8,546)	64	13
Culture and related services	22,371	(2,220)	20,151	21,199
Environmental services	39,695	(7,347)	32,348	28,374
Total Cultural, Environmental and Planning Services	70,676	(18,113)	52,563	49,586
Planning and development services	18,621	(11,970)	6,651	5,389
Highways and transport services	37,591	(25,988)	11,603	9,140
Total Highways, Roads and Transport Services	56,212	(37,958)	18,254	14,529
Education services	305,598	(277,754)	27,844	30,091
Total Education Services	305,598	(277,754)	27,844	30,091
General Fund housing	212,477	(203,669)	8,808	13,474
Housing Revenue Account	66,109	(71,459)	(5,350)	(4,559)
Total Housing Services	278,586	(275,128)	3,458	8,915
Social services	192,867	(67,487)	125,380	119,308
Total Social Services	192,867	(67,487)	125,380	119,308
Non-distributed costs	7,541	-	7,541	550
Total Non-Distributed Costs	7,541	-	7,541	550
NET COST OF SERVICES	982,599	(732,704)	249,895	233,584

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2007/08 £000	2006/07 £000
Deficit for the year on the Income and Expenditure Account	18,396	26,610
(Surplus)/deficit arising on revaluation of fixed assets	(29,618)	(19,202)
Actuarial (gains)/losses arising on pension fund assets and liabilities	108,991	(47,288)
Other (gains)/losses required to be included in the statement	(103)	(514)
Total recognised (gains)/losses for the year	97,666	(40,394)

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

BALANCE SHEET

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

	Note No.	2007/08		2006/07
		£000	£000	
Fixed assets				
Intangible fixed assets	32		3,674	1,980
Tangible fixed assets	30			
Operational assets				
Council dwellings		860,631		825,460
Other land and buildings		748,919		751,358
Vehicles, plant, furniture and equipment		7,018		7,318
Infrastructure assets		83,403		80,449
Community assets		2,042		1,504
Non-operational assets				
Investment and miscellaneous assets		85,182		85,744
Works in progress		11,570		6,389
			1,798,765	1,758,222
Total fixed assets			1,802,439	1,760,202
Long-term investments	57		47,924	41,160
Long-term debtors	54		3,103	2,017
Total long-term assets			1,853,466	1,803,379
Current assets				
Stocks and works in progress	55	224		176
Debtors and payments in advance	56	129,991		143,888
Less provision for doubtful debts	56	(55,482)		(48,359)
Short-term investments	57	130,395		102,406
Cash and bank		6,062		3,981
			211,190	202,092
Current liabilities				
Short-term borrowing	37	(20)		(8,020)
Creditors and receipts in advance	58	(118,534)		(104,757)
Bank overdraft		(42,577)		(41,727)
			(161,131)	(154,504)
Net current assets			50,059	47,588
Total assets less current liabilities			1,903,525	1,850,967
Long-term borrowing	37		(218,838)	(197,117)
Deferred capital creditors			(4,681)	(2,570)
Pensions liability	47.3		(411,825)	(291,083)
Government grants deferred	59		(55,705)	(47,749)
Provisions	39		(11,864)	(14,170)
Total assets less liabilities	34		1,200,612	1,298,278
Funds and balances				
Revaluation reserve	40.3		29,618	-
Capital adjustment account	40.5		1,529,909	1,547,609
Financial Instruments adjustment account	40.6		(2,336)	(2,943)
Useable capital receipts reserve	40.7		5,045	-
Deferred capital receipts			463	630
Major repairs reserve	40.8		-	-
Pensions reserve	40.9 & 47.3		(411,825)	(291,083)
Earmarked reserves	40.10		19,033	15,713
Balances				
General Fund (schools balances)	45		16,311	14,732
General Fund (other)			9,286	9,113
Collection Fund	Page 63		-	-
Housing Revenue Account	Page 56		5,108	4,507
Total funds and balances			1,200,612	1,298,278

CASH FLOW STATEMENT

	Note No.	2007/08 £000	2006/07 £000
REVENUE ACTIVITIES			
Cash outflows			
Cash paid to and on behalf of employees		317,665	303,119
Other operating cash payments		391,867	392,448
Housing benefits paid out		105,641	101,129
National Non-Domestic Rates paid out		98,633	100,871
Precepts paid		37,760	35,715
		951,566	933,282
Cash inflows			
Rents (after rebates)		(25,086)	(22,348)
Council Tax income		(97,648)	(140,646)
National Non-Domestic Rate receipts from national pool		(91,635)	(87,767)
National Non-Domestic Rate receipts		(104,578)	(96,216)
Revenue Support Grant		(16,859)	(16,942)
DWP grants for benefits		(182,959)	(176,382)
Other Government grants	52	(339,094)	(301,489)
Cash received for goods and services		(149,834)	(152,304)
		(1,007,693)	(994,094)
Net cash (inflow)/outflow from revenue activities	50		(56,127)
			(60,812)
SERVICING OF FINANCE AND RETURNS ON INVESTMENTS			
Cash outflows			
Interest paid		13,294	7,845
Cash inflows			
Interest received		(7,472)	(5,354)
Net cash (inflow)/outflow from servicing of finance			5,822
			2,491
CAPITAL ACTIVITIES			
Cash outflows			
Purchase of fixed assets		55,990	51,182
Deferred charges		7,784	14,721
		63,774	65,903
Cash inflows			
Sale of fixed assets		(14,971)	(7,500)
Capital grants received		(15,718)	(14,155)
		(30,689)	(21,655)
Net cash (inflow)/outflow from capital activities			33,085
Net cash (inflow)/outflow before financing	51		(17,220)
			(14,073)
FINANCING			
Cash outflows			
Repayments of amounts borrowed		28,000	7,000
Cash inflows			
New loans raised		(40,000)	(42,800)
Net cash (inflow)/outflow from financing	51		(12,000)
			(35,800)
(Increase)/decrease in cash			(29,220)
			(49,873)

1. ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations during the year.

2. EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR PERIOD ADJUSTMENTS

The 2007/08 Accounts have, in accordance with issued guidance, been prepared valuing financial instruments (whether borrowing or investment) at amortised cost. Figures for prior periods have not been restated and this is wholly in accordance with the guidance.

Ex Grant Maintained schools that are Voluntary Aided are not owned by the Council. Although employed in the delivery of the education service as they are not owned by the Council they have been removed from the Balance Sheet to align their treatment with other Voluntary Aided schools in the Borough. As a result the prior period figures for Fixed Assets, Other Land and Buildings has been reduced with a corresponding reduction in the Capital Adjustment Account.

A forward investment deal is a money market deal that has a value date (start date) further into the future than normal settlement. All UK authorities have the capacity to be able to do forward deals. The advantage of forward deals is the ability of an Authority to generate future certainty of return and to hedge against future interest rate risk on a portion of the portfolio. This allows for known future liabilities to be matched with known future returns.

To comply with the Code of Practice the Council is obliged to calculate fair value on forward investments. The impact of this requires a prior period adjustment of £44,000 for the impact of forward investment the Council made in 2005/06. As a result the General Fund balance for 2006/07 is reduced by £44,000 and is adjusted back within the 2007/08 accounts.

3. LONG-TERM CONTRACTS UNDER THE PRIVATE FINANCE INITIATIVE**Customer Focus**

In 2003, the authority appointed CapGemini under the Customer Focus Contract as its ICT partner. Early in 2008, the option of a 3 year extension was exercised with the estimated cost in the region of £48m. However, the actual level of payments will depend on the degree of new infrastructure and transformation that takes place. The contract expires in May 2013.

Ashburton Learning Village

The Ashburton Learning Village is the first Croydon School PFI. It incorporates an eight form entry (1,200 capacity) secondary school together with a new purpose built library. The village also houses office and teaching space for the Music service and for Adult Learning (CETS).

The Ashburton Learning Village is an important part of the Authority's Community Strategy by 'making Croydon a learning place' by recognising the importance of ensuring good education and lifelong learning opportunities for everyone living and working in Croydon. The community strategy states the Council's commitment to rebuild Ashburton High School to create a high quality learning environment offering community use including a public library, a headquarters for the Housebound Library service and Adult Education services. The rebuilt school includes enhanced facilities, improved ICT and access to the National Grid for Learning.

The Authority has entered into a thirty year contract with Norwest Holst on a design, build and operate basis, and includes enhanced facilities, improved ICT and access to the National Grid for Learning. This is supported through the Government's Private Finance Initiative (PFI). The PFI grant includes £17.1m from the Department for Children, Schools and Families and £4.7m from the Department for Culture, Media and Sport depending on usage, the Council may pay £59.4m over the remaining 27 years of the contract.

Adults Homes For The Future (formerly New4Old)

In 2008/09 the Authority is committed to making a payment of £2.289m for four brand new facilities for older people, fully maintained with all soft facilities management included, payments will be made to Caring4Croydon. This will rise to £4.571m in 2011/12 when all homes have been completed and this is a full year cost. The contract expires in 2038/39. Provision of care will be provided by local authority staff.

4. TRADING UNDERTAKINGS

The following activities undertaken by the Council are classified as trading undertakings:

	2007/08		2006/07	
	(Surplus)/ Deficit £000	Turnover £000	(Surplus)/ Deficit £000	Turnover £000
Commercial Estates	15	93	(2)	101
Surrey Street Market	117	214	-	277
Highways and Sewers	136	254	(19)	3,197
Transport Maintenance	20	106	(14)	371
	288	667	(35)	3,946

Under the London Local Authorities Act 1990 (amended), Street Markets operate as a ring-fenced trading account and are therefore held separately from the Council's General Fund. Any surplus or deficit at the year-end is carried over into the following year. In 2007/08 there was a deficit of £117k (2006/07 nil). The total accumulated surplus remains £273k.

5. LEVIES PAID TO OTHER BODIES

Levies were paid to the following authorities:

	2007/08 £000	2006/07 £000
London Councils - London Boroughs Grants Scheme	1,212	1,214
Environment Agency	228	143
Lee Valley Regional Park Authority	377	369
London Pensions Fund Authority	371	337
	2,188	2,063

London Councils – London Boroughs Grants scheme

London Councils (formerly the Association of London Government) is one of the major funders of voluntary groups in the capital. Distributing grant to provide Londoners with more opportunities, reducing social exclusion and poverty and promote equality and reduce discrimination. The levy is apportioned between individual London boroughs, each borough's contribution being based on total resident population as a proportion of the whole of Greater London.

Environment Agency

The Environment Agency is the leading public body protecting and improving the environment in England and Wales to ensure tomorrow's generations inherit a cleaner, healthier world. This levy contributes to their work in reducing the risk of flooding and providing information and support services to those at risk. The majority of funding for this service comes directly from the Department for Environment, Food and Rural Affairs (DEFRA) in the form of grant aid which is supplemented by this regional levy on County and Unitary Authorities and London boroughs. The levy is apportioned on the basis of Council Tax base.

Lee Valley Regional Park Authority

This levy is apportioned between London Councils and the County Councils of Hertfordshire and Essex and the Unitary Authority of Thurrock on the basis of the Council Tax Base. The levy contributes towards a 10,000 acre regional park which includes a mosaic of countryside areas, heritage sites, country parks, nature reserves and sport and recreation centres.

London Pensions Fund Authority

The London Pensions Fund Authority raises a levy each year to meet expenditure on the premature retirement, compensation and outstanding personnel matters for which the LPFA is now responsible and cannot charge to the pension fund. These payments related to former employees of the Greater London Council, Inner London Education Authority and the London Residuary Body.

6. CONTRIBUTION TO HOUSING POOLED CAPITAL RECEIPTS

When an asset is sold the sale proceeds are credited to the Usable Capital Receipts Reserve. Under the Local Government Act 2003 when the disposal relates to an HRA property, 75% of the proceeds of HRA dwellings sold under the Right to Buy and 50% of land sales are transferred to the Government for inclusion in the national redistribution pool.

100% of receipts dwellings sold under the Social Home Buy scheme may be retained by the Authority and 100% of all non RTB sales may be retained if the receipts are used for regeneration or affordable housing projects and there is sufficient Capital Allowance.

The current Code of Practice on Local Authority Accounting requires any amount paid to the pool to be disclosed as expenditure after Net Cost of Services, even though the capital receipts have not themselves been recognised as an income item in the Income and Expenditure Account. The deficit is made good by a transfer from Usable Capital Receipts to the General Fund Balance, disclosed in the Statement of Movement on the General Fund Balance.

7. SECTION 137, LOCAL GOVERNMENT ACT 1972

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The expenditure is limited to £5.72 per head of population. The Council was permitted to spend £1.927m under this power in 2007/08 (£1.851m in 2006/07). Actual expenditure was £0.064m on donations to voluntary bodies working in the local area (£0.063m in 2006/07).

8. PUBLICITY ACCOUNT

Section 5 of the Local Government Act 1986 requires each local authority to keep a separate account of expenditure on certain types of publicity. An analysis of Croydon's publicity expenditure is shown below.

	2007/08 £000	2006/07 £000
Staff recruitment advertising	583	357
Other advertising	691	49
Press and publicity office	495	543
Corporate promotions	-	3
Total publicity expenditure	1,769	952

9. BUILDING CONTROL ACCOUNT

Local authorities are required to prepare a Building Control statement under Regulation 5(6) of the Building (Local Authority Charges) Regulations 1998. The statement includes all income received and expenditure incurred in carrying out building control functions under the above regulations.

Building Regulations Charging Account	Chargeable 2007/08 £000	Non-Chargeable 2007/08 £000	Total 2007/08 £000	Total 2006/07 £000
Expenditure				
Employee expenses	768	347	1,115	1,068
Transport	11	5	16	29
Supplies and services	213	66	279	247
Central and support services	147	63	210	219
Total Expenditure	1,139	481	1,620	1,563
Income				
Building regulation charges	(1,066)	-	(1,066)	(1,098)
Miscellaneous income	(6)	(97)	(103)	(1)
Total Income	(1,072)	(97)	(1,169)	(1,099)
(Surplus)/Deficit for the year	67	384	451	464

From 1999/00 onwards the chargeable element of the account is required to break even over a rolling three year period. The table below sets out the cumulative position for each three year period.

	Year 1 £000	Year 2 £000	Year 3 £000	Total £000
2000/01 - 2002/03	(13)	2	(31)	(42)
2001/02 - 2003/04	2	(31)	(30)	(59)
2002/03 - 2004/05	(31)	(30)	(13)	(74)
2003/04 - 2005/06	(30)	(13)	(84)	(127)
2004/05 - 2006/07	(13)	(84)	(100)	(197)
2005/06 - 2007/08	(84)	(100)	67	(117)

10. AGENCY INCOME AND EXPENDITURE

There is no significant agency income or expenditure.

11. TRANSPORT ACT 2000

The Council has no schemes under section 12 of the Transport Act 2000 for road charging or workplace charging levies.

12. BUSINESS IMPROVEMENT DISTRICT SCHEMES

The Croydon Business Improvement District is funded by local businesses and was approved by ballot on 1 March 2007. It operated from 1 April 2007, for five years, and will provide additional services within the Town Centre. It is funded by a 1% levy on the rateable value of all business premises within the BID area with a rateable value that meets or exceeds £40,000, including empty properties.

	2007/08 £000	£000
BID levy income		(1,082)
Interest receivable and similar income		(15)
		(1,097)
Costs of collecting levy	15	
Council expenditure on providing services	-	
Payment for services provided by other parties	629	
Administrative expenses and tax	140	
		784
Surplus for the year		(313)
Surplus brought forward		-
Surplus carried forward		(313)

13. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Council is empowered by this Act to provide goods and services to other public bodies. The amounts provided are insignificant.

14. PARTNERSHIPS UNDER SECTION 31 OF THE HEALTH ACT 1999

The Council has entered into two agreements for pooled budgets under Section 31 of the Act. Both agreements have been documented, approved by Cabinet and the Croydon Primary Care Trust (PCT) Board and signed. The 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 will be hosted by the Council and the CCOTS agreement will be hosted by the PCT.

	2007/08 £000	2006/07 £000
Croydon's Community Equipment Service		
Gross Income	(1,253)	(1,209)
Gross Expenditure	1,320	1,226
Net Expenditure	67	17
Croydon Council Contribution	(673)	(639)
Croydon's Community Occupational Therapy Service		
Gross Income	(1,927)	(2,042)
Gross Expenditure	1,857	2,025
Net Expenditure	(70)	(17)
Croydon Council Contribution	(1,230)	(1,176)

15. LOCAL AREA AGREEMENT (LAA) GRANT

Croydon Borough Council is a participant in a Local Area Agreement (LAA). Government grants are pooled by the Council and other public bodies to finance work towards the achievement of jointly agreed objectives for local public services. In 2007/08 the LAA completed its second year of a three year agreement.

The LAA grant, except for the Neighbourhood Renewal Fund element of the grant, is used by the London Borough of Croydon to fund eligible expenditure made by the authority in respect of the delivery of those projects, between 1 April 2007 and 31 March 2008, that will contribute towards achieving the targets within the LAA.

The purpose of the Neighbourhood Renewal Fund element of the grant is to provide support to the authority, to enable it, in collaboration with the Croydon Strategic Partnership, to improve services in its most deprived areas.

The total amount of LAA grant received in 2007/08 was £13,303,129. Of this £1,000,000 was received for the Neighbourhood Renewal Fund, all of which was for revenue expenditure, of the remaining £12,303,129, £2,034,601 was received for capital expenditure and the remainder for revenue expenditure.

The LAA partners are:

- Local Government Bodies - Croydon Borough Council - Greater London Authority
- Community Protection Authorities - Metropolitan Police
- Health Bodies - Croydon Primary Care Trust - Strategic Health Authority
- Learning Bodies - Croydon College - Learning and Skills Council
- Voluntary Organisations - Croydon Voluntary Association
- Others - JobCentre Plus

Accountable Body Status

Croydon Borough Council acts as the accountable body for the LAA. This means that the Council is responsible for managing the distribution of grant paid by the Government Office to the partners in the LAA, but the Council does not determine which bodies are due payments, this is determined either by the Government Office or by the partnership.

As the accountable body the Council is potentially responsible for repaying to the Government any element of grant that is found to have been misused by its partners. Systems are in place for monitoring grant usage that are designed to limit the possibility that this will happen. It has not been necessary to recognise any contingent liabilities for possible repayments and no provisions have been made for any such eventuality.

16. MEMBERS ALLOWANCES

The total of allowances paid to the Members of the Council was £1.59m in 2007/08 (£1.57m in 2006/07).

17. EMPLOYEES' EMOLUMENTS

The number of employees whose remuneration, excluding pension contributions was £50,000 or more in bands of £10,000 was:

Remuneration Band	2007/08	2006/07
£50,000 - £59,999	182	187
£60,000 - £69,999	86	64
£70,000 - £79,999	38	28
£80,000 - £89,999	23	25
£90,000 - £99,999	8	5
£100,000 - £109,999	9	3
£110,000 - £119,999	1	6
£120,000 - £129,999	-	1
£130,000 - £139,999	-	-
£140,000 - £149,999	5	-
£150,000 - £159,999	1	-
£160,000 - £169,999	1	-
£170,000 - £179,999	-	-
£180,000 - £189,999 (including emoluments from non-Croydon Council work)	-	1

18. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate 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. There are around 600 staff to help the Mayor and Assembly in their duties. The Mayor is London's spokesman. He leads the preparation of statutory strategies on transport, spatial development, economic development and the environment. He sets budgets for the GLA, Transport for London, the London Development Agency, the Metropolitan Police and London's fire services.

London Authorities Mutual Limited (LAML): This is a company limited by guarantee formed in 2007 to provide insurance services to Croydon Council and those other London boroughs that are guarantors of the Company. LAML is a vehicle through which Croydon Council and other participating boroughs aim to obtain better value for money. The Executive Director of Resources and Customer Services, Nathan Elvery, is a non-remunerated director of LAML. During the year Croydon Council invested £260,000 in LAML which is included in investments (see Note 35).

Voluntary organisations: It is the nature of Local Government that the majority of Council Members are heavily involved in the local community through various organisations such as voluntary bodies, societies, groups etc., often as an appointed Council representative. Members' interests are formally disclosed in a register of interests, and the relevant Cabinet Member approves the amount of grant aid awarded to voluntary organisations annually. Both the register of Members' Interests and schedule of grant aid are public documents.

During the year no Council Members, Chief Officers nor their close relations nor members of the same household have undertaken any declarable transactions with the Council other than the individuals disclosed below. The Council issued 77 standard letters to Members (70) and Officers (7) and responses were received from all Members and Officers. There were 27 declared related party transactions concerned with voluntary groups within the Borough, from the following 24 Members and 3 Officers:

NOTES TO THE CORE FINANCIAL STATEMENTS

18. RELATED PARTY TRANSACTIONS (continued)

Name	Declaration
Jane Avis	Husband employed part-time by South Norwood and Woodside Community Centre
Carole Bonner	Employed by South West London Law Centres
Alison Butler	Chair, Together In Waddon; Management Committee Member, Croydon Housing Aid Society
Richard Chatterjee	Management Committee Member, Shirley Community Centre Association and Woodside Bereavement Service
Sherwan Chowdhury	Trustee, Bangladesh Welfare Association Croydon; Wife works at Winterbourne Infants School
Pat Clouder	Board Member, Age Concern Croydon
David Fitze	Chairman, South London YMCA; Non-Executive Director, Primary Care Trust
Lindsay Frost	Member of Trust Council, South London and Maudsley NHS Foundation Trust
Maria Garcia	Committee Member, Sir Philip Game Centre
Maria Gatland	Director, Gatland Services Ltd; Chair, Friends of Croham Hurst Woods
Simon Hall	Committee Member, Timebridge Community Centre; Steering Group Member, New Addington Pavilion Project; Financial Advisor, Community Server Ltd; Steering Group Member, New Addington People's Day
Karen Jewitt	Employed by South Norwood and Woodside Community Association
Brenda Kirby	Chair of Board, Warehouse Theatre; Board Member, Croydon Neighbourhood Care Association and Community Server Ltd; Committee Member, New Addington Peoples' Day, New Addington Pavilion Project, New Addington Time Bank
Terry Lenton	Trustee, Coulsdon Community Centre
Toni Letts	Chair, Croydon Primary Care Trust; Chief Executive, S London YMCA; Member, Court of the Whitgift Foundation
Maggie Mansell	Trustee, Croydon Youth Development Trust
Janet Marshall	Voluntary Director, Age Concern Croydon; Life Vice President, Croydon Rugby Club
Dudley Mead	Trustee, Garwood Foundation Ltd; Director, London Mozart Players Ltd; Director, Fairfield (Croydon) Ltd
Margaret Mead	Trustee, Forestdale Residents' Association
Mike Mogul	Chair, Norbury and Upper Norwood Neighbourhood Partnership; Chair, Labour Party Beulah Ward; Treasurer, Norbury Ward and Auditor, Croydon North Labour Party
Helen Pollard	Non-Executive Director, Fairfield Halls
Mike Selva	Director and Trustee, Croydon Accessible Transport
Greta Sohoye	Member, Coulsdon Nursery Charity
Chris Wright	Member, Coulsdon College Corporation; Trustee, Coulsdon Nursery Fund; Chair, Friends of Bradmore Green Pond
Nathan Elvery	Chairman, London Authorities' Mutual Limited; Director, Croydon Enterprise Loans Fund Limited
Jon Rouse	Director, Croydon Business Venture Ltd (from 1 July 2007)
Will Tuckley	Director, Amicus Horizon Housing Group; Director, Croydon Towncentre BID Board; Director, Croydon Enterprise Loans Fund Limited

Senior officers of the Council, with the exception of Mr Jon Rouse, Chief Executive, Mr Nathan Elvery, Executive Director of Resources and Customer Services, and Mr Will Tuckley, former Deputy Chief Executive, in a position to influence significantly the policies of the Council, held no positions of influence with any potential related parties.

The Pension Fund is a separate entity from the Council with its own Statement of Accounts and Balance Sheet. The following material transactions took place between the Council and the Pension Fund:

	2007/08 £000	2006/07 £000
Receipts		
Pension Contributions - from the Council (employer's contributions)	21,397	19,711
Pension Contributions - from employees (deductions paid over)	6,947	6,680
Total Receipts	28,344	26,391

Information in respect of material transactions with related parties not disclosed elsewhere within the Statements of Accounts is shown below.

	2007/08 £000	2006/07 £000
Support to Voluntary Organisations		
Revenue grants	2,623	2,666
Service level agreements	4,006	4,879
London Boroughs Grants Committee	1,212	1,214
Payments to foster parents	4,452	3,844
Environment Agency Levy	228	143

NOTES TO THE CORE FINANCIAL STATEMENTS

18. RELATED PARTY TRANSACTIONS (continued)

Assisted Organisations Receiving Grants in Excess of £50,000 during Financial Year 2007/08

Organisation	Funding Programme	Purpose of Funding 2007/08	£
Croydon Voluntary Action	Corporate Funding; Older People & PDSI; Youth; Neighbourhood Renewal Fund	Cornerstone House ESOL room hire; Older people - SLA for Community Involvement; Core Cost; Older people - SLA for older people network; Market Rents; Admin Support for MV; Community Network	496,040
Croydon Citizens Advice Bureau	Corporate Funding	Advice; Rate Relief; Market Rents	480,285
Croydon Crossroads Limited	Carers Grant DOH	Short breaks and respite for children with disabilities; Crossroads short breaks and respite and interim short breaks; Carers Support Service	258,792
Disability Croydon	Older People & PDSI; Corporate Funding	Older people - SLA; Advice	163,340
Topcare Network (Tabernacle of Praise)	Older People & PDSI; PCT (Mental Health Joint Commissioning)	Provide outreach service to the BME communities and individuals; Adult Mental Health	97,502
Croydon Neighbourhood Care Association	Older People & PDSI	Older people, people with disabilities and sensory impairment	92,228
Croydon African Caribbean Family Organisation	Corporate Funding; Older People & PDSI; Education	Core Cost; Market Rents; Rate Relief; Older people, people with disabilities and sensory impairment Supplementary Education Grant	86,448
Westbury Community Project	Older People & PDSI	Older people, people with disabilities and sensory impairment	84,609
Together in Waddon Community Project	Corporate Funding; Older People & PDSI	Advice; Trips, health forums, general issue debates	83,727
Croydon Mencap	Carers Grant DOH; Children and Families; Corporate Funding	Young persons youth club and transport scheme; Carers Assessments; Integrated Services Strand 3; Rate Relief	82,362
Croydon Housing Aid Society	Homeless people	Housing	73,434
Bangladesh Welfare Association Croydon	Education; Carers Grant DOH; Corporate Funding	Community Language; Carers support project for carers from the Bengali and wider Muslim community; Advice	73,004
Alzheimer's Society - Croydon	Older People & PDSI	Older people, people with disabilities and sensory impairment	69,513
Upper Norwood Association for Community Care	Older People & PDSI	Older People - SLA	67,000
Croydon Hearing Resource Centre	Older People & PDSI	Older people, people with disabilities and sensory impairment	66,473
Croydon BME Forum	Corporate Funding	Core activities	62,350
South West London Law Centre	Corporate Funding	Advice	61,970
Off the Record Young Counselling Croydon	Carers Grant DOH	A counselling service aimed at young people in Croydon	61,481
Croydon Accessible Transport	Corporate Funding	Core Cost	60,860
Croydon Resource Centre for the Unemployed	Corporate Funding; PCT (Mental Health Joint Commissioning)	Other Organisations - Core Cost; Mental Health (Joint funding with PCT - Council contribution)	56,657
Croydon Supplementary Education Project	Education	Supplementary Education Grants; Mentoring Grants - New Project	53,200
Victim Support Croydon	Corporate Funding	Crime and Disorder - Core Cost	51,300

Numerous Voluntary Organisations receive grants from Croydon Borough Council to assist them in furthering their activities. This note discloses those organisations that received funding in excess of £50,000 during the financial year 2007/08; which accounts for the majority of grant provided.

NOTES TO THE CORE FINANCIAL STATEMENTS

19. AUDIT FEES PAID DURING THE YEAR

	2007/08 £000	2006/07 £000
Audit Commission fees payable		
Audit of annual accounts	655	463
Certification of grant claims	113	154
Fees payable for other services	9	1
	777	618

20. CONTRIBUTION FROM NATIONAL NON-DOMESTIC RATE POOL

In accordance with the arrangements for uniform business rates, the Council collects National Non-Domestic Rates for the Borough of Croydon. The amount collected is based upon local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the National Non-Domestic Rate pool) managed by the Government. In return the Government makes payments to local authorities from the pool.

From 2006/07 Councils receive a fixed share of their Formula Grant as Redistributed Business Rate income based on the total of the Distributable Amount as a proportion of the total of Revenue Support Grant plus the Distributional Amount. The amount is disclosed as Contribution from National Non-Domestic Rate Pool, under the Amount to be met from Government Grant and Local Tax in the Income and Expenditure Account.

Figures from Final Settlements (Communities and Local Government)

	NNDR Pool £000	% of formula grant %
2006/07	87,767	83.8
2007/08	91,635	85.6

Croydon Council contributes more to the NNDR pool than it receives back from central Government:

	£000
NNDR Collectable	99,008
Receipt from the NNDR Pool	91,635

21. STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	2007/08 £000	2006/07 £000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
Amortisation of Intangible fixed assets	(289)	(495)
Depreciation and Impairment of fixed assets	(26,097)	(20,586)
Government Grants Deferred amortisation	4,999	3,045
Write downs of deferred charges to be financed from capital resources	(5,058)	(11,982)
Other finance adjustments	1,977	-
Net gain or loss on sale of fixed assets	10,096	(2,932)
Net gain or loss on revaluation reserve	(1,483)	-
Net charges made for retirement benefits in accordance with FRS17	(11,751)	(9,817)
	(27,606)	(42,767)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
Transfer from Usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool	(4,766)	(4,332)
Capital expenditure charged in-year to the General Fund Balance	4,230	2,199
Minimum revenue provision for capital financing *	4,073	2,849
	3,537	716
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
Housing Revenue Account balance	601	1,224
Net transfer to or from earmarked reserves	3,320	7,253
	3,921	8,477
Net additional amount required to be credited to the General Fund Balance for the year	(20,148)	(33,574)

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than Council Tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

* The Council has based the 2007/08 Statutory MRP provision on 4% of the opening capital financing requirement. This is in line with regulation implemented under the Local Government Act 2003. These regulations have been replaced with a more flexible MRP system based on statutory guidance. We will review this charge in 2008/09 to determine whether the new Communities and Local Government guidance issued in 2007/08 will have any impact on this provision. Any changes will be implemented in 2008/09.

NOTES TO THE CORE FINANCIAL STATEMENTS

22. DISPOSALS OF FIXED ASSETS

	General Fund Land and Buildings £000	Vehicles, Plant, Furniture, and Equipment £000	Housing Revenue Account £000	Total £000
Book value of assets sold during year	195	52	4,898	5,145
Accumulated depreciation on assets sold	-	(52)	(57)	(109)
Net book value of assets written off to the Capital Adjustment Account	195	-	4,841	5,036

23. CAPITAL EXPENDITURE AND FINANCING

This statement summarises the capital expenditure of the Council during the year and shows the various sources of finance applied to meet that expenditure:

	General Fund £000	Housing Revenue Account £000	2007/08 Total £000	2006/07 Total £000
EXPENDITURE:				
Fixed assets	31,213	22,661	53,874	48,707
Deferred charges	7,329	455	7,784	14,721
Intangible assets	2,116	-	2,116	2,475
	40,658	23,116	63,774	65,903
FINANCED BY:				
Borrowing approvals	19,912	3,531	23,443	31,230
Capital receipts	6,092	3,860	9,952	9,441
Grants and other contributions	14,654	1,160	15,814	12,882
Revenue contributions	-	4,230	4,230	2,199
Major repairs reserve	-	10,335	10,335	10,151
	40,658	23,116	63,774	65,903

24. DEFERRED CHARGES

Deferred charges represent expenditure of a capital nature which does not result in the acquisition or enhancement of a fixed asset. They include items such as renovation grants to private householders and grants to voluntary organisations. The Code of Practice requires that this expenditure be written off to revenue, and this has been reflected in the accounts.

	General Fund £000	Housing Revenue Account £000	Total £000	2006/07 £000
Balance brought forward	-	-	-	-
Expenditure				
- improvement grants	2,824	-	2,824	2,545
- other	4,505	455	4,960	12,176
Grants received towards expenditure	(2,726)	-	(2,726)	(2,739)
Written off to the Statement of Movement on the General Fund Balance	(4,603)	(455)	(5,058)	(11,982)
Balance carried forward	-	-	-	-

25. CAPITAL COMMITMENTS

The Council had no significant contractual commitments outstanding over its normal level of activity at 31 March 2008.

26. INFORMATION ON ASSETS HELD

Fixed assets owned by the Council include the following:

COUNCIL DWELLINGS (HRA and General Fund)

OPERATIONAL BUILDINGS

Town Hall	1	1
Other offices	8	8
Social services homes, hostels and day care centres	33	35
Sports centres and swimming pools	5	5
Libraries (including 1 shared with London Borough of Lambeth)	14	14
Nursery schools	4	4
Primary schools	77	80
Secondary schools	11	15
Special schools	6	6
Depots	7	7
Refuse transfer station	1	1
Multi-storey car park	1	1
Surface car parks	16	16
Cemeteries (including 1 shared with London Borough of Sutton)	3	3
Halls	2	2
Other operational property	84	84

OPERATIONAL EQUIPMENT

Vehicles and plant

INFRASTRUCTURE ASSETS

Highways (kilometres)

Bridges

COMMUNITY ASSETS

Parks and open spaces (hectares)

INVESTMENT PROPERTIES

	Number as at 31 March 2008	Number as at 31 March 2007
	14,128	14,166
	1	1
	8	8
	33	35
	5	5
	14	14
	4	4
	77	80
	11	15
	6	6
	7	7
	1	1
	1	1
	16	16
	3	3
	2	2
	84	84
	56	41
	719	719
	78	79
	1,093	1,093
	136	139

In addition to the above, the Council owns items of civic regalia and several works of art, including the Riesco Collection.

27. LEASED ASSETS RENTALS

Total rentals paid in 2006/07

Total rentals paid in 2007/08

Outstanding undischarged leasing obligations

- 2008/09
- 2009/10
- 2010/11
- 2011/12
- 2012/13
- 2013/14

Finance Leases	Operating Leases	
	Vehicles Plant Furniture Equipment	Other
£000	£000	£000
	861	-
	952	-
	653	-
	391	-
	292	-
	291	-
	278	-
	143	-

The authority enters into operating lease agreements to acquire the use of vehicles, plant, furniture and equipment.

Authority as Lessor - with regard to the authority's activity as a lessor, the net value of assets held for use in operating leases was £51,160k for the five multi-storey car parks valued at 31 March 2006.

28. PFI ARRANGEMENTS

The Authority has two current PFI contracts. Both, having applied the appropriate accounting policy, are treated as "off Balance Sheet".

In the case of the Ashburton Learning Village PFI (see Note 3) the Council has revised its estimate of residual value of the fixed assets once the contract terminates. Accordingly a proportion of the Unitary charge has been charged to the Statement of Movement on the General Fund Balance, an estimate of the annual proportion of the residual value, and included on the Balance Sheet as a long term debtor.

29. VALUATION OF FIXED ASSETS

Operational Assets

Operational Properties (Council Dwellings and Other Land and Buildings)

Where there is sufficient evidence of market transactions for the existing use to continue after sale, properties have been valued on the basis of open market value in existing use. 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 open market values is achieved by the application of an adjustment factor, calculated by the Government. In 2007/08 this factor remained 37%.

Where there is insufficient evidence of market transactions, or the asset is of a specialised nature, it has been valued at depreciated replacement cost.

Vehicles, plant, furniture and equipment, infrastructure assets and community assets are included in the Balance Sheet at historic cost less accumulated depreciation.

Non-Operational Assets

Non Operational Properties (Investment and Miscellaneous Properties) have been valued at open market value.

Long-Term Contract Work in Progress (WIP)

The creation of some assets extends into more than one financial year. Expenditure on these assets is charged to capital expenditure in the financial years in which the expenditure is incurred. WIP is valued at cost and its value increases in line with each year's expenditure. Upon completion the assets are transferred from WIP to their appropriate classification.

A rolling programme of valuations is being undertaken by DTZ Debenham Tie Lung, the Council's external valuation contractors, intended to embrace the whole of the property asset portfolio of the Council over a period of five years.

30. MOVEMENT ON FIXED ASSETS

	Operational Assets					Non-Operational Assets		Total £000
	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infra-structure Assets £000	Community Assets £000	Investment and Misc. Properties £000	Work in Progress £000	
Gross book value as at 1 April 2007	835,611	793,624	9,808	100,975	1,506	86,723	6,389	1,834,636
Additions	22,186	16,080	4,122	5,466	539	300	5,181	53,874
Disposals	(4,898)	-	(52)	-	-	(195)	-	(5,145)
Revaluations	18,009	319	-	-	-	(468)	-	17,860
Transfers	-	-	-	-	-	-	-	-
Gross book value as at 31 March 2008	870,908	810,023	13,878	106,441	2,045	86,360	11,570	1,901,225
Depreciation as at 1 April 2007	10,151	42,266	2,490	20,526	2	979	-	76,414
Depreciation for year	10,334	18,963	4,422	2,512	1	199	-	36,431
Depreciation on assets sold	(57)	-	(52)	-	-	-	-	(109)
Depreciation on revaluations	(10,151)	(125)	-	-	-	-	-	(10,276)
Balance as at 31 March 2008	10,277	61,104	6,860	23,038	3	1,178	-	102,460
Net book value as at 31 March 2008	860,631	748,919	7,018	83,403	2,042	85,182	11,570	1,798,765

31. DEPRECIATION

The provision for depreciation is made on a straight line basis by allocating the cost (or revalued amount) less estimated residual value of the assets to the periods expected to benefit from their use. Consequently, there is no set depreciation rate for any particular class of assets. The depreciation rates are set for each individual asset or group of assets.

32. INTANGIBLE ASSETS

Intangible fixed assets are defined as non-financial fixed assets that do not have physical substance but are identifiable and are controlled by an entity through custody or legal rights.

	Software Licences £000	Patents £000	Licences £000	Trademarks £000
Balance brought forward	1,980	-	-	-
Additions	2,116	-	-	-
Written off to Income and Expenditure Account	(289)	-	-	-
Written off to grants	(133)	-	-	-
Balance carried forward	3,674	-	-	-

33. EFFECT OF CHANGES IN AMORTISATION METHODS FOR INTANGIBLE ASSETS

Expenditure on intangible assets in 2007/08 will be written off to revenue over a period of five years (see note 32). In 2007/08 expenditure on intangible assets amounted to £2.116m, of which £0.423m was written off.

34. NET ASSETS EMPLOYED

	2007/08 £000	2006/07 £000
Trading Undertakings	17,392	17,714
Housing Revenue Account	868,858	832,156
General Fund	314,362	448,408
	1,200,612	1,298,278

35. ASSOCIATED COMPANIES

Croydon Council has an investment in London Authorities Mutual Limited (LAML) which falls within the definition of a "Joint Arrangement that is Not an Entity" under FRS9. This requires Croydon Council to only account for their share of the assets, liabilities and cash flows measured according to the agreement governing the arrangements with LAML. Further details are given in Note 18, Related Party Transactions. There are no other associates or joint ventures that fall within the relevant definitions in FRS9.

36. CAPITAL INSTRUMENTS

There are no capital instruments that fall within the relevant definition in FRS13.

37. 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 INSTRUMENT BALANCES

	Long term		Short term	
	31 March 2008 £000	31 March 2007 £000	31 March 2008 £000	31 March 2007 £000
Borrowing				
Financial liabilities at amortised cost	218,838	197,117	20	8,020
Financial liabilities at fair value through profit and loss	-	-	-	-
Other borrowing (finance lease)	-	-	-	-
Total borrowing	218,838	197,117	20	8,020
Investments				
Loans and receivables	47,663	41,000	130,395	102,450
Available for sale financial assets	-	-	-	-
Fair value through profit and loss	-	-	-	-
Unquoted equity available for sale	-	-	-	-
Total investments	47,663	41,000	130,395	102,450

Notes

1. Since the balances at 31 March 2007 are not reclassified into the SORP 2007 categories, only the total borrowing and investment figures are shown in the table above (see introduction).
2. Lender’s Option Borrower’s Option (LOBOs) loans of £40m plus accrued interest have been included in long term borrowing as at 31 March 2008 and £20m of LOBO loans are included as at 31 March 2007.

FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

The fair value of each class of financial assets and liabilities which are carried in the Balance Sheet at amortised cost is disclosed below. As stated in the introduction, fair values as at 31 March 2007 have not been calculated.

Methods and Assumptions in valuation technique

The fair value of an instrument is determined by calculating the Net Present Value 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, Sector, from the Money Markets on 31 March, using bid prices where applicable. The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing as per rate sheet number 064/08.
- 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 is taken to be the invoiced or billed amount.

37. FINANCIAL INSTRUMENTS (continued)

The fair values are calculated as follows:

FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	31 March 2008		31 March 2007	
	Carrying amounts	Fair Value	Carrying amounts	Fair Value
	£000	£000	£000	£000
PWLB - maturity	178,256	180,905	176,800	n/a
LOBOs	40,262	42,369	20,000	n/a
Stock issues	320	320	317	n/a
Bank overdraft	55,109	55,109	41,727	n/a
Short term borrowing	20	20	8,020	n/a
Finance lease	-	-	-	n/a
Financial Liabilities	273,967	278,723	246,864	-

Fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	31 March 2008		31 March 2007	
	Carrying amounts	Fair Value	Carrying amounts	Fair Value
	£000	£000	£000	£000
Cash and bank	6,062	6,062	3,981	n/a
Long term deposits with banks and building societies	47,664	47,860	41,000	n/a
Short term deposits with banks and building societies	130,395	130,363	102,406	n/a
Other	-	-	-	n/a
Financial Assets	184,121	184,285	147,387	-

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

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 policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

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 maximum amount for each institution.

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.

37. FINANCIAL INSTRUMENTS (continued)

CREDIT RISK

	Amounts at 31 March 2008 £000	Historical experience of default %	Estimated maximum exposure to default £000
Deposits with banks and other financial institutions	178,058	nil	-
Bonds and other securities	-	nil	-
Customers	-	nil	-
Total	178,058	nil	-

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

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

LIQUIDITY RISK

	On 31 March 2008 £000	On 31 March 2007 £000
Loans outstanding:		
PWLB	176,800	184,800
Market debt	40,000	20,000
Temporary borrowing	-	-
Local bonds	317	317
Deferred purchase	-	-
Other	20	20
Total	217,137	205,137
Less than 1 year	20	8,020
Between 1 and 2 years	-	-
Between 2 and 5 years	4,000	-
Between 5 and 10 years	6,000	4,000
More than 10 years	207,117	193,117
Total	217,137	205,137

37. FINANCIAL INSTRUMENTS (continued)**Interest Rate Risk**

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the affect 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 Income and Expenditure Account.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account.
- 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 notes 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.

Foreign Exchange Risk

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

38. INSURANCE PROVISIONS

The Insurance Fund underwrites a substantial proportion of the Council's insurable risks including consequential loss, theft, school contents, money, civic regalia, plate glass, boiler, and the first £250,000 of any claims for property liability with a maximum yearly exposure of £1.1m. Motor insurance is subject to an excess of £122,250.

Premiums are paid to the fund by services, the initial premiums having been based on commercial rates. The continued aim of the fund is to be self-insuring for all but catastrophe risks for which cover is purchased on the external insurance market.

The self insurance fund is reviewed in full each year by an actuary to ensure that it has sufficient balances within the Fund to cover the existing and potential future liabilities.

During 2007/08 there was a large fire claim, Marston Way, involving a total loss of a block of flats. This claim is estimated at £1.4m.

39. OTHER PROVISIONS

Section 117 Provision

Section 117 of the Mental Health Act 1983 imposed a duty upon Health and Social Service authorities to provide residential accommodation for persons who had been discharged from detention under Section 3 of the Act. Subsequent rulings in the Court of Appeal dismissed appeals by four local authorities against decisions that they were not entitled to charge for the provision of accommodation to mental patients on their release from hospital.

The Borough reviewed its charging policy in the light of this judgement and has refunded payments to those who were charged. The remaining provision is to cover any potential outstanding for the liabilities arising from Croydon's previous policy although it is believed that all outstanding monies have been refunded. This provision is now closed.

Housing Benefits Subsidy Provision

This provision was created pending agreement with the Department for Work and Pensions regarding repayments of excess subsidy received during 2006/07 and earlier years. The repayments have been made during 2007/08.

Single Status Provision

This provision relates to the estimated cost of harmonisation in pay and conditions for comparable posts. This review is following the national single status agreement on Local Government conditions of service and pay scales in 1997. This provision has been increased as a result of a capital direction to fund the back pay elements of any agreement. The accounting for this transaction is in accordance with Local Authority Accounting Panel Bulletin 68.

Analysis of Provisions

	Balance Brought Forward £000	Movement During Year £000	Balance Carried Forward £000
Section 117 Provision	52	(52)	-
Insurance Fund	7,136	283	7,419
Housing Benefits Subsidy Provision	576	(576)	-
Single Status Provision	6,406	(2,061)	4,345
Other Minor Provisions	-	100	100
	14,170	(2,306)	11,864

40. MOVEMENTS IN RESERVES

40.1 Other 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.

40.2 Fixed Assets Restatement Account

The previous system of capital accounting required the use of a fixed assets restatement account. The balance represents the difference between the valuation of assets under the previous system of capital accounting and revaluations since 1 April 1994. The account is written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on future revaluations. This reserve is no longer required and the opening balance has been transferred to the new Capital Adjustment Account.

40.3 Revaluation Reserve

The 2007 guidance, moving closer to UKGAAP, requires the establishment of a Revaluation Reserve. This reserve holds the gains on upward revaluation of fixed assets. For 2007/08 the historic cost of those fixed assets is taken as the opening book value. Any upward valuation in 2007/08 is added to the reserve, any loss charged to the Income and Expenditure Account.

	2007/08 £000
Balance brought forward	-
Revaluations upward	(19,342)
Depreciation on revaluations	(10,276)
Balance carried forward	(29,618)

40.4 Capital Financing Account

Like the Fixed Asset Restatement account the Capital Financing Account was the requirement of superseded guidance. For 2007/08 the opening balance of this account has been transferred to the new Capital Adjustment Account.

40.5 Capital Adjustment Account

The 2007 SORP requires the establishment of the Capital Adjustment Account to act as the reconciliation between the statutory requirements and accountancy practice.

Initially the balance of the Capital Financing Account and the Fixed Asset Restatement Account are transferred here.

	2007/08 £000
Balance brought forward	(1,547,609)
Capital financing	(24,785)
Charges to/from revenue	37,853
To/from capital receipts	4,632
Balance Carried Forward	(1,529,909)

40.6 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 2007 included a balance of £2.3m representing the remaining premiums paid in respect of a debt restructuring exercise carried out in 2003/04. This balance was being written off over a period of ten years. The transition to the 2007 SORP in respect of Financial Instruments requires this balance to be written off to the General Fund balance in the restated opening Balance Sheet for 2007/08. However, to ameliorate the impact of this, separate regulations and statutory guidance have been put in place to allow this balance to be transferred to the Financial Instruments Adjustment Account, from where it will continue to be written off over the remainder of the original ten year period.

40. MOVEMENTS IN RESERVES (continued)

40.7 Usable Capital Receipts Reserve

This represents receipts from the sale of land and other assets (net of the administrative costs of Right to Buy sales). Under the Local Government Act 2003 when the disposal relates to an HRA property, 75% of the proceeds of HRA dwellings and 50% of HRA land are transferred from the Usable Capital Receipts Reserve to the General Fund balance to compensate for the equivalent amount transferred to Government for inclusion in the national redistribution pool. The remaining balance is either used for the repayment of external loans, or transferred to the Capital Adjustment Account to finance capital expenditure. If there is a balance at year end it is included in the Balance Sheet as Usable Capital Receipts.

	General Fund £000	Housing Revenue Account £000	2007/08 Total £000	2006/07 Total £000
Balance brought forward	-	-	-	-
Mortgage repayments	-	163	163	180
Other capital receipts	-	-	-	514
Net surplus for year	-	163	163	694
Receipts from sales of assets during the year	1,461	13,507	14,968	7,500
Transfer to Housing Capital Receipts Pool	-	(4,766)	(4,766)	(4,332)
Balance of receipts after transfer	1,461	8,741	10,202	3,168
Balance on account before application of receipts	1,461	8,904	10,365	3,862
Financing of capital expenditure	(6,093)	(3,859)	(9,952)	(9,441)
Transfer (to)/from capital adjustment account	4,632	-	4,632	5,579
Balance carried forward	-	5,045	5,045	-

40.8 Major Repairs Reserve

The Major Repairs Reserve (MRR) records the unspent balance of HRA subsidy paid to the authority in the form of the major repairs allowance. The Major Repairs Allowance represents the estimated average annual cost of maintaining the condition of the Council's housing stock over a 30-year period, based on the authority's mix of dwelling archetypes.

	2007/08 £000	2006/07 £000
Balance brought forward	-	-
Major Repairs Allowance for the year	10,334	10,151
Transfer to finance capital expenditure during the year	(10,334)	(10,151)
Other reserve adjustments	-	-
Balance carried forward	-	-

40.9 Pensions Reserve

Under FRS17 the cost of retirement benefits is recognised in the Income and Expenditure Account when the entitlement is earned, irrespective of when the benefits are actually paid. However, the charge the Council is required to make against Council Tax is based on the actual payment into 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 the pensions reserve and has no impact on the Income and Expenditure Account.

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.

Movements on Pensions Reserve

	2007/08 £000	2006/07 £000
Deficit brought forward	(291,083)	(328,554)
Movement in General Fund Balance	(11,751)	(9,817)
Experience/Actuarial gain/(loss) taken directly to the Statement of Total Recognised Gains and Losses (no entry in the Income and Expenditure Account)	(108,991)	47,288
Total Movement in Reserve recorded in the Statement of Total Recognised Gains and Losses	(120,742)	37,471
Deficit carried forward	(411,825)	(291,083)

40. MOVEMENTS IN RESERVES (continued)

40.10 Earmarked Reserves

The Council has established various reserves for specific purposes. The purposes and objectives of these reserves are summarised below:

Planning Delivery Grant Reserve

Originally a ring-fenced grant, this reserve created from Planning Delivery Grant surplus is maintained to fund projects such as Geographical Information System (GIS).

Housing Benefits Reserve

This reserve is maintained to allow for any changes to the Housing Subsidy claim as a result of a review of the Housing Benefit claims for 2004/05 and beyond.

Local Elections Reserve

This reserve is used to anticipate and smooth the costs of running the local elections in the Borough.

Taxation Reserve

This reserve is maintained to allow for any issues arising from tax audits, in particular VAT.

RELEASE Reserve 2007/08

The Council has developed a programme called RELEASE to enable it to become more efficient and meet one of the Council's key objectives of providing Value for Money. The RELEASE fund has been established to pump prime initiatives that will lead to efficiencies once a robust business case has been established.

RELEASE Reserve 2008/09

Following the success of the 2007/08 programme the same approach is being replicated in 2008/09.

RELEASE - Costs Reserve

This reserve has been created to ensure costs associated with the comprehensive and far ranging review programme can be accommodated.

PAYE Reserve

The reserve has been created to allow for issues arising from reviews carried out by HM Revenues and Customs on pay as you earn (PAYE) taxation.

Treasury Reserve

The Authority has a complex and high value cash flow that requires expert management to achieve value for money. This reserve has been created to allow for development and issues in this area.

URV Reserve

This reserve has been created because of the Authority's ambitious plans for the redevelopment of the Town Centre of Croydon using an Urban Regeneration Vehicle (URV).

Litigation Reserve

The Authority has created this reserve to counter any future litigation.

Business Rates Credits Reserve

This reserve has been established to set aside an element of National Non-Domestic Rate Credits. Whilst the vast majority of National Non-Domestic Rate credits are either offset against other liabilities or refunded, there remains a relatively small number of closed accounts with credit balances where the payer has either not returned a completed refund form or has left the respective property without providing the Council with a forwarding address.

Interest Rate Risk Reserve

The Council has a complex and high value cash flow that requires expert management to achieve value for money. Recent volatility in the money markets could pose a threat to the Council and so this reserve has been established to protect against the economic climate.

Building Schools for the Future Reserve

The Council's ambitious programme of school improvement will require significant programme management.

Restructure Reserve

The Council faces a major restructure in the near future. To ensure the successful implementation resources will be required. This reserve has been established to provide a source of financial resources.

Other Reserves

Other reserves are shown under this heading. No individual reserve in this category exceeds £0.5m.

40. MOVEMENTS IN RESERVES (continued)

40.10 Earmarked Reserves (continued)

Analysis of Reserves

	Balance Brought Forward £000	Movement During Year £000	Balance Carried Forward £000
Planning Delivery Grant Reserve	326	253	579
Housing Benefits Reserve	2,300	-	2,300
Local Elections Reserve	361	163	524
Taxation Reserve	793	(127)	666
RELEASE Reserve 2007/08	2,000	(292)	1,708
RELEASE Reserve 2008/09	-	2,195	2,195
RELEASE - Costs Reserve	500	(291)	209
PAYE Reserve	1,500	-	1,500
Treasury Reserve	1,530	(1,530)	-
URV Reserve	1,100	(718)	382
Litigation Reserve	800	-	800
Business Rates Credits Reserve	1,208	-	1,208
Interest Rate Risk Reserve	-	1,950	1,950
Building Schools for the Future Reserve	-	1,000	1,000
Restructure Reserve	-	1,800	1,800
Other Balances	3,295	(1,083)	2,212
	15,713	3,320	19,033

40.11 General Fund

Please consult the Income and Expenditure Account for the calculation of the account balance.

40.12 Housing Revenue Account

Please consult the HRA Income and Expenditure Account for the calculation of the account balance.

41. DETAILS OF ANY CONTINGENT LIABILITY OR ASSET

The Council submits a number of returns to the Government where sums are owed to or from the Council. These sums have been accrued in the accounts. However, many of these returns are subject to external audit and/or department scrutiny and this may result in a reduction in the amounts received by the Council. Whilst some Reserves have been established to cover this situation, there is the potential that the reductions may exceed the amount in reserves. This Contingent Liability cannot be estimated.

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

This Statement of Accounts was issued on 30 June 2008 by Nathan Elvery, Executive Director of Resources and Customer Services.

43. POST BALANCE SHEET EVENTS

There were no material post Balance Sheet events.

44. TRUST FUNDS

The Council administers 10 Trust Funds varying in nature but relating principally to legacies left by individuals over a period of many years.

The funds do not represent assets of the Council and have not been included in the Balance Sheet.

The total funds held by all the Trust Funds from the latest available accounts is approximately £1.2m of which £0.8m relates to the Church Tenements Charity (grants to young people for education purposes) and £0.3m relates to the Frank Denning Memorial Charity (travelling scholarships). The balance relates to sundry small charities.

45. SCHOOLS BALANCES

Schools are given guidance on the level of balances that they should keep, related to a percentage of their income. The guidance is issued by the Schools Forum, not by the Council. The balances have increased partly because of the increase in grants that are aimed at clusters of schools and which are intended to be used over a number of years and also funds for new initiatives such as children's centres. There are 10 schools with overdrawn balances and the Council is working with these schools to ensure they return to a balanced position.

46. AMOUNTS DUE TO/FROM RELATED PARTIES

Debtors and Payments in Advance

	2007/08		2006/07	
	Debtors and PIAs	Doubtful Debt Provision	Debtors and PIAs	Doubtful Debt Provision
	£000	£000	£000	£000
General Fund				
Government				
HM Revenue and Customs	6,955	-	6,001	-
Other Government Departments	24,239	-	39,215	-
Local Authorities	2,082	-	2,509	-
Total	33,276	-	47,725	-

Creditors and Receipts in Advance

	2007/08	2006/07
	£000	£000
General Fund		
Government		
HM Revenue and Customs	4,857	4,910
Other Government Departments	5,047	7,833
Local Authorities	6,149	5,473
Total	16,053	18,216

47.1 PENSIONS INTEREST COST AND EXPECTED RETURN ON PENSIONS ASSETS

Pensions Interest Cost

The interest cost is based on the present value of the scheme liabilities at the beginning of the period and reflects changes in the scheme liabilities during the period.

Expected Return on Pensions Assets

The expected return on assets is based on long-term expectations at the beginning of the period and is expected to be reasonably stable.

For quoted corporate or Government bonds, the expected return is calculated by applying the current redemption yield at the beginning of the period to the market value of the bonds held by the scheme at the beginning of the period.

For quoted fixed and index-linked securities, the expected return can be observed from the market.

For other assets (e.g. equities), the expected return is calculated by applying the rate of return expected over the long term at the beginning of the period, given the value of the assets at that date, to the fair value of the assets held by the scheme at the beginning of the period. The rate of return expected over the long term will vary according to market conditions, but it is expected that the amount of the return will be reasonably stable. The expected rate of return is set by the authority after taking actuarial advice from Mercer Human Resource Consulting.

Additionally the expected return on assets reflects changes in the assets in the scheme during the period as a result of contributions paid into and benefits paid out of the scheme.

47.2 PENSIONS RESERVE

The Council recognises the cost of retirement benefits in respect of the early payment of pensions and the lump sum element of added years when they are paid to employees, rather than when the benefits are eventually paid. Therefore the following amounts are charged in the Income and Expenditure Account.

The Net Cost of Services is charged with the current service costs, any past service costs, and any curtailments and settlements costs.

The Net Operating Expenditure is charged with pensions interest cost, and expected return on pensions assets.

However, the charge the Council is required to make against Council Tax is based on the actual payment into the Pension Fund payable in the year. Consequently a Pensions Reserve adjustment is made, the components of which are analysed below:

Analysis of Pensions Reserve Adjustment

	2007/08 £000	2006/07 £000
Income and Expenditure Account entries during the year		
Current service costs	18,790	21,290
Past service costs	8,571	590
Curtailments and settlements	-	-
Interest cost	43,868	39,897
Expected return on scheme assets	(36,582)	(31,505)
Total charged in Income and Expenditure Account	34,647	30,272
Less: Pensions reserve adjustment	(11,751)	(9,817)
Employer's contribution to Fund charged against Council Tax	22,896	20,455

For full details about the Council's obligations as an employing authority please see the separate section of notes before the Pension Fund Accounts.

47.3 PENSIONS LIABILITY AND PENSIONS RESERVE

Pensions Liability

The financial statements recognise the Council's pensions liability as an employing authority in accordance with the requirements of FRS17. A full set of FRS17 disclosure notes are provided before the Pension Fund Accounts. The tables below show the pensions liability and the movements in that liability:

Pensions Liability	2007/08 £000	2006/07 £000
Market value of assets	493,600	522,693
Estimated liabilities (see below)	(905,425)	(813,776)
Net pensions liability (see below)	(411,825)	(291,083)
Movements on Pensions Liability	2007/08 £000	2006/07 £000
Deficit brought forward	(291,083)	(328,554)
Current service costs	(18,790)	(21,290)
Past service costs (gain due to changes in scheme benefits)	(6,354)	(590)
Curtailments and settlements	(2,217)	-
Employer's contributions	22,896	20,455
Interest cost	(43,868)	(39,897)
Expected return on scheme assets	36,582	31,505
Actuarial gains/(losses)	(108,991)	47,288
Deficit carried forward	(411,825)	(291,083)

Pensions Reserve

See note 40.9.

48. MATERIAL PREPAID AND ACCRUED PENSION CONTRIBUTION IN RESPECT OF DEFINED BENEFIT SCHEMES

There are no material amounts in these categories.

49. INFORMATION ON TEACHERS PENSION SCHEMES

The Teachers Pension Agency provides retirement benefits for Teachers on behalf of the Department for Children, Schools and Families. The Teachers pension scheme is a defined benefits scheme however the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Authority. The scheme is therefore accounted for as if it were a defined contributions scheme. The Income and Expenditure Account (Education service) is charged with the employer's contributions payable to Teachers' Pensions in the year. In 2007/08 the Authority contributed a percentage of salary, 14.1% totalling £13.2m. The corresponding figures for 2006/07 were 13.5% for April 2006 to December 2006 then 14.1% from January 2007 totalling £12.5m.

NOTES TO THE CORE FINANCIAL STATEMENTS

50. RECONCILIATION OF NET SURPLUS/DEFICIT TO THE MOVEMENT IN CASH

Introduction

This statement groups together revenue and capital, income and expenditure. It provides a link between the Balance Sheet at the beginning of the year, the revenue account for the year and the Balance Sheet at the end of the year. It summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

	2007/08		2006/07	
	£000	£000	£000	£000
(Surplus)/Deficit for the year				
General Fund	(173)		(4,627)	
HRA	(601)		(1,224)	
Collection Fund	-		-	
		(774)		(5,851)
Adjustments				
Contribution to/(from) other balances	(2,537)		8,956	
Minimum revenue provision	-		-	
Depreciation	(22,666)		(30,737)	
		(25,203)		(21,781)
Movement in revenue assets and liabilities				
Decrease in stock	48		(97)	
Decrease in revenue debtors (net of doubtful debts) *	(8,087)		(10,070)	
Increase in revenue creditors **	(13,880)		(13,313)	
Decrease/(Increase) in provisions	2,306		(5,010)	
		(19,613)		(28,490)
Items classified elsewhere on the cash flow statement				
Capital expenditure met from revenue	(4,715)		(2,199)	
Net interest paid	(5,822)		(2,491)	
		(10,537)		(4,690)
Net cash (inflow)/outflow from revenue activities		(56,127)		(60,812)
* Total decrease in debtors		(1,364)		(7,639)
Less increase in doubtful debts		(7,123)		(4,958)
Add decrease in non revenue debtors		400		2,527
Total decrease in revenue debtors		(8,087)		(10,070)
** Total increase in creditors		(13,664)		(13,748)
Add decrease in non revenue creditors		(216)		435
Total increase in revenue creditors		(13,880)		(13,313)

51. THE MOVEMENT IN CASH RECONCILED TO THE MOVEMENT IN NET DEBT

	Balance 31 March 2008 £000	Cash Flow £000	Balance 31 March 2007 £000
Cash and Cash Equivalents			
Short-Term Investments	130,395	27,989	102,406
Cash and bank	6,062	2,081	3,981
Cash Overdrawn	(42,577)	(850)	(41,727)
	93,880	29,220	64,660
Financing Activities			
Long-Term Borrowing	(218,838)	(21,721)	(197,117)
Short-Term Borrowing	(20)	8,000	(8,020)
	(218,858)	(13,721)	(205,137)
Management of Liquid Resources			
Short-Term Investments	-	-	-
Total Net Debt	(124,978)	15,499	(140,477)

52. ANALYSIS OF GOVERNMENT GRANTS

	2007/08	2006/07
	£000	£000
Aids support	341	185
Asylum seekers	37,843	19,926
Childcare	-	235
DOH access and systems capacity	2,639	-
DOH children's services (quality protects)	-	1,291
DOH delayed discharges	506	-
DOH human resource strategy	-	326
DOH information for social care	-	-
DOH mental health	897	-
DOH preserved rights	2,607	9,601
DOH carers	602	-
DOH national training strategy	-	-
DOH residential allowance	-	-
DOH substance abuse	-	262
DCSF/DIUS - teenage pregnancy	273	134
DOH CAMHS grant	-	811
DOH - Other	4,456	-
DCSF/DIUS grant	5,080	161
Dedicated Schools Grant	196,967	187,275
Community safety grant	-	140
Street wardens	-	-
Homelessness	168	-
Implementing electronic Government	-	-
Estates recycling grant	-	49
SW London sub regional renewal monies	2,700	2,700
Learning and Development	-	577
Learning and Skills Council	17,057	7,883
Leaving care	-	-
Local area agreement grant	13,303	7,294
London Development Agency	1,226	193
Lifetimes museum	-	-
Local enterprise growth initiative	-	-
Local public service agreements reward	363	1,953
Local authority business growth incentive reward	220	1,130
South London Partnership	116	116
New opportunities fund	-	16
Neighbourhood renewal fund	-	1,000
Planning delivery grant	508	494
School standards	41,241	34,817
Single regeneration budget	-	616
Supporting people	-	8,088
TSF - Crystal Palace	-	468
Transport for London	2,941	6,479
Youth justice board	-	419
Customer focus grant	4,536	4,536
Waste disposal - DEFRA	154	712
Other	-	1,602
Ashburton PFI	1,349	-
CLG - Other	610	-
Home Office - Other	391	-
	339,094	301,489

53. DEBT REDEMPTION PREMIUM

In 2003/04, the Council prematurely repaid £15m of long-term debt and restructured a further £24m of long-term loans. This was done to take advantage of discounts offered, low long-term interest rates and of favourable housing subsidy regulations. The restructuring exercise was undertaken with the assistance of the Council's treasury advisers. A net premium of £6.9m was paid as a result of these transactions.

Normally when a repurchase of debt occurs, any gain or loss resulting from the repurchase must be written off to the Income and Expenditure Account in the year during which it took place. An exception is permitted when the repurchase is made to effect a restructuring of debt.

The net premium has been apportioned between the General Fund (£2.2m) and the Housing Revenue Account (£4.7m). In accordance with the ACOP rules in force in 2003/04 the amount apportioned to the General Fund was written off to the Provision for Credit Liabilities (PCL) and the amount apportioned to the HRA will be written off over 10 years or the remaining life of the loan.

54. LONG-TERM DEBTORS

These consist of the residual interest value in Ashburton School £1.37m (nil in 2006/07), principal outstanding from sales of Council houses £0.4m (£0.5m in 2006/07), advances to housing associations £0.1m (£0.1m in 2006/07), loans to voluntary organisations £0.4m (£0.7m in 2006/07) and loans to employees £0.8m (£0.7m in 2006/07).

55. STOCKS AND WORKS IN PROGRESS

	2007/08 £000	2006/07 £000
Stocks and stores in hand	224	176
Total	224	176

56. DEBTORS AND PROVISION FOR DOUBTFUL DEBTS

	2007/08		2006/07	
	Debtors and PIAs £000	Doubtful Debt Provision £000	Debtors and PIAs £000	Doubtful Debt Provision £000
Collection Fund				
Council Tax	43,858	(33,480)	39,376	(27,269)
National Non-Domestic Rates	3,552	(1,523)	4,459	(1,643)
	47,410	(35,003)	43,835	(28,912)
General Fund				
HM Revenue and Customs	6,955	-	6,001	-
Other Government Departments (see note below)	24,239	-	39,215	-
Other Local Authorities	2,082	-	2,509	-
Other sundry debtors	28,845	(9,276)	30,063	(8,731)
General Fund rents	4,282	(1,137)	1,659	(741)
Housing Benefits overpayments	7,293	(6,711)	9,104	(6,895)
Payments in advance	4,002	-	3,890	-
Interest receivable	-	-	2,976	-
	77,698	(17,124)	95,417	(16,367)
HRA				
Housing Revenue Account rents	4,128	(3,102)	3,827	(2,683)
Housing Revenue Account service charges	755	(253)	809	(397)
	4,883	(3,355)	4,636	(3,080)
Balance Sheet Total	129,991	(55,482)	143,888	(48,359)

NOTES TO THE CORE FINANCIAL STATEMENTS

57. INVESTMENTS

	Short term		Long term	
	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000
Money Market Funds	9,267	200	-	-
Investments with banks	87,334	72,206	47,664	41,000
Investments with building societies	33,794	28,000	-	-
Investments with other Local Authorities	-	2,000	-	-
Investments with other Local Authorities	-	-	260	160
Investment in London Authorities Mutual Limited	-	-	-	-
Total	130,395	102,406	47,924	41,160

58. CREDITORS AND RECEIPTS IN ADVANCE

	2007/08 £000	2006/07 £000
HM Revenue and Customs	4,857	4,910
Other Government Departments	5,047	7,833
Council Tax receipts in advance	1,253	1,203
NNDR receipts in advance	455	1,657
Other receipts in advance	37,739	25,375
Local Authorities	6,149	5,473
Interest payable	-	4,944
Amounts owed for supplies and services and other credit balances	63,034	53,362
Total	118,534	104,757

59. GOVERNMENT GRANTS DEFERRED

The SORP guidance requires fixed assets to be included in the Balance Sheet at their continuing value to the Authority, even when grants or contributions have been received towards their financing. By definition, depreciation charges based upon Balance Sheet valuations similarly would ignore the influence of grants. Consequently, when a Government grant or any other contribution has been applied to the financing of capital expenditure on fixed assets, a balance is established representing a deferred credit to be released to revenue to set off the depreciation that might be charged on the assets.

	2007/08 £000	2006/07 £000
Balance brought forward	(47,749)	(40,651)
Grants and contributions applied	(15,814)	(12,882)
Transfer to Movement in General Fund Balance	4,999	3,045
Written out in respect of deferred charges	2,726	2,739
Written out in respect of intangible assets	133	-
Total	(55,705)	(47,749)

60. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over- and under-spends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2007/08 are as follows:

	Central Expenditure £000	Individual schools budget £000	Total £000
Original grant allocation to schools	27,020	170,116	197,136
Adjustment to finalised grant allocation	(169)	-	(169)
DSG receivable for the year	26,851	170,116	196,967
Actual expenditure for the year	25,943	169,782	195,725
(Over)/Underspend for the year	908	334	1,242
Planned top up funding of ISB from Council resources	-	-	-
Use of school balances brought forward	-	-	-
(Over)/Underspend from prior year	-	26	26
(Over)/Underspend carried forward to 2008/09	908	360	1,268

HOUSING INCOME AND EXPENDITURE ACCOUNT

HOUSING INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

	Note No.	2007/08 £000	2006/07 £000
Income			
Gross rental income	12	57,445	53,673
		- dwellings	
	12	1,478	1,483
		- non-dwellings	
Charges for services and facilities	13	8,379	8,872
Total income		67,302	64,028
Expenditure			
Repairs and maintenance		(14,055)	(12,882)
Supervision and management		(19,343)	(17,358)
Rents, rates, taxes and other charges	14	(3,938)	(4,521)
Rent rebates	15	-	-
Negative Subsidy payable to Communities and Local Government	7	(13,141)	(12,169)
Provision for bad or doubtful debts	9	907	(206)
Depreciation	2	(10,334)	(10,151)
Deferred charges	6	(2,049)	(1,902)
Debt management expenses		(75)	(81)
Contributions towards expenditure		-	(104)
Total expenditure		(62,028)	(59,374)
Net cost of HRA services per Authority Income and Expenditure Account		5,274	4,654
HRA share of the amounts not allocated to specific services		-	-
Net cost of HRA services		5,274	4,654
Gain or loss on sale of HRA fixed assets		9,336	3,397
Interest payable and similar charges		(2,618)	(2,846)
Pensions interest costs and expected return on pensions assets		(538)	(565)
Interest and investment income		393	214
Amortised payments	16	-	(597)
Surplus/(deficit) for the year		11,847	4,257

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

	2007/08 £000	2006/07 £000
Surplus/(deficit) for the year on the HRA Income and Expenditure Account	11,847	4,257
Amounts included in the HRA Income and Expenditure Account but required by statute to be excluded when determining the Movement in the Housing Revenue Account Balance for the year		
Gain or loss on sale of HRA fixed assets	(9,336)	(3,397)
Capital expenditure funded by the Housing Revenue Account	(4,230)	(2,199)
Write downs of deferred charges to be financed from capital resources	2,049	1,902
Other finance adjustment	(597)	-
	(12,114)	(3,694)
Amounts not included in the HRA Income and Expenditure Account but required by statute to be included when determining the Movement in the Housing Revenue Account Balance for the year		
HRA share of contributions to or from the Pensions Reserve	868	661
	868	661
Net additional amounts	(11,246)	(3,033)
Increase/(decrease) in HRA balance for the year	601	1,224
HRA balance brought forward	4,507	3,283
HRA balance carried forward	5,108	4,507

NOTES TO THE HOUSING REVENUE ACCOUNT

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 and 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.

1. THE NUMBER AND TYPE OF DWELLINGS IN THE HOUSING STOCK

Types of Property	2007/08	2006/07
Houses	5,409	5,437
Flats	8,591	8,609
Relocatable Homes	47	60
Total Dwellings	14,047	14,106

2. FIXED ASSETS AND DEPRECIATION

2006/07	Council Dwellings £000	Other Operational Assets £000	Non- Operational Assets £000	Total £000
Fixed Assets				
Gross book value as at 31 March 2006	808,814	782	1,420	811,016
Additions	17,648	-	-	17,648
Disposals	(2,656)	-	-	(2,656)
Revaluations	11,805	-	-	11,805
Gross book value as at 31 March 2007	835,611	782	1,420	837,813
Depreciation				
Depreciation as at 31 March 2006	(10,320)	(13)	-	(10,333)
Depreciation for year	(10,151)	-	-	(10,151)
Depreciation on assets sold	-	-	-	-
Depreciation on revaluations	10,320	-	-	10,320
Balance as at 31 March 2007	(10,151)	(13)	-	(10,164)
Net book value as at 31 March 2007	825,460	769	1,420	827,649
2007/08				
Fixed Assets				
Gross book value as at 1 April 2007	835,611	782	1,420	837,813
Additions	22,186	475	455	23,116
Disposals	(4,898)	-	-	(4,898)
Revaluations	18,009	-	-	18,009
Gross book value as at 31 March 2008	870,908	1,257	1,875	874,040
Depreciation				
Depreciation as at 1 April 2007	(10,151)	(13)	-	(10,164)
Depreciation for year	(10,334)	-	-	(10,334)
Depreciation on assets sold	57	-	-	57
Depreciation on revaluations	10,151	-	-	10,151
Balance as at 31 March 2008	(10,277)	(13)	-	(10,290)
Net book value as at 31 March 2008	860,631	1,244	1,875	863,750

The Council is required to charge depreciation on all HRA properties, including non-dwelling properties.

The estimation of depreciation for HRA properties has been considered in the context of the Major Repairs Allowance (MRA) which the Government has introduced. The MRA represents the estimated average annual cost of maintaining the condition of the Council's housing stock over a 30-year period, based on the authority's own mix of dwelling archetypes. Consequently, the MRA is considered to constitute a reasonable estimate of depreciation for HRA properties and is the figure used in the Council's accounts.

2. FIXED ASSETS AND DEPRECIATION (continued)

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 (except in the limited circumstances where the depreciation charge is higher than the MRA, in which case the difference is reversed out). It is funded within the HRA by the MRA.

All authorities are required by the Accounts and Audit Regulations 2003 to maintain a Major Repairs Reserve. The main credit to the Major Repairs Reserve is an amount equivalent to the total depreciation charge for all HRA assets. When depreciation charges for HRA dwellings are less than the MRA, an amount equal to the difference is transferred from the HRA to the Major Repairs Reserve. Where total HRA depreciation charges are greater than the MRA then an amount equal to the difference is transferred to the HRA from the Major Repairs Reserve. Through this mechanism the HRA is charged with an amount for depreciation equal to the MRA.

The balance held within the Major Repairs Reserve can be spent without it being charged to the HRA. Statute requires that the reserve is only used for capital expenditure on HRA assets.

The physical properties represented in the financial tables and their vacant possession value are disclosed below:

	1 April 2007	1 April 2006
Houses	5,409	5,437
Flats	8,591	8,609
Relocatable homes	47	60
Stock at 31 March	14,047	14,106
Vacant possession value at 1 April 2007 and 2006	£956m	£812m

The vacant possession value is based on Existing Use Value for Social Housing and reflects the economic cost to the Government of providing Council housing at less than open market rents. The valuation was carried out in April 2006.

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 open market values is achieved by the application of an adjustment factor, calculated by the Government. In 2007/08 this factor remained 37%.

NOTES TO THE HOUSING REVENUE ACCOUNT

3. CAPITAL EXPENDITURE

	2007/08 £000	2006/07 £000
Expenditure		
Fixed assets (Buildings)	22,661	17,648
Deferred charges	455	1,902
	23,116	19,550
Financed By		
Borrowing approvals	3,256	4,252
Borrowing approvals from General Fund	275	-
Capital receipts	3,860	2,793
Grants and other contributions	1,160	155
Revenue contributions	4,230	2,199
Major repairs reserve	10,335	10,151
	23,116	19,550

From 2004/05, HRA set-aside was abolished. However, authorities may decide to use revenue resources to reduce their HRA Capital Financing Requirement, i.e. to repay principal or to meet liabilities under credit arrangements. The revenue resources that can be used are revenue amounts from the HRA and the Major Repairs Reserve. HRA voluntary repayments of debt do not impact on the MRP requirement in relation to the General Fund.

Capital Receipts (not referenced to the HRA account)	Land £000	Houses £000	Other Property £000	Total 2007/08 £000	Total 2006/07 £000
Principal repaid on right to buy mortgages	-	163	-	163	175
Sale of right to buy dwellings	-	13,496	-	13,496	5,906
Repayment of discount	-	11	-	11	59
	-	13,670	-	13,670	6,140

Major Repairs Reserve (not referenced to the HRA account)	2007/08 £000	2006/07 £000
Opening balance as at 1 April	-	-
Amount transferred to the reserve during the year	10,334	10,151
Capital expenditure during the year	(10,334)	(10,151)
Other reserve adjustments	-	-
Closing balance as at 31 March	-	-

4. ANALYSIS OF MOVEMENT ON THE HOUSING REPAIRS ACCOUNT

The account has increased due to the transfer of surplus on the HRA into the account.

5. DETAILS OF ANY IMPAIRMENT CHARGES FOR THE FINANCIAL YEAR

The destruction by fire of Marston Way has been taken into account in the HRA.

6. DEFERRED CHARGES

Deferred charges relate to expenditure on assets that do not belong to the Council; in this instance they relate to grants for the Assisted Private Purchase Scheme and the Special Transfers Scheme. The deferred charges are written out in the Statement of Movement on the Housing Revenue Account Balance.

7. HRA SUBSIDY

HRA subsidy was paid to meet any shortfall between expenditure and income on a model of each authority's HRA (the notional HRA). The HRA subsidy calculation is based on annual assumptions covering the rents each authority will charge (guideline rents), allowances for management and maintenance, the HRA's share of debt financing and management costs, calculated in accordance with a formula, and other specific items of expenditure and income.

Since the transfer of Rent Rebate to the General Fund from 1 April 2004, Croydon no longer experiences a shortfall but instead a surplus. Rent Rebate was a major cost component in the calculation which has now been removed. Consequently, the Council is required to make a deduction from income and remit this to Communities and Local Government (CLG).

HRA Subsidy Account	2007/08 £000	2006/07 £000
Notional Income		
Notional rental income	53,785	51,360
Other reckonable income	31	46
Total Notional Income	53,816	51,406
Notional Expenditure		
Management allowance	(8,698)	(8,615)
Maintenance allowance	(16,231)	(15,593)
Major repairs allowance	(10,334)	(10,151)
Charges for capital	(5,173)	(4,855)
Admissible allowance	-	(23)
Surplus payable to CLG	13,380	12,169

8. HRA SHARE OF CONTRIBUTIONS TO PENSIONS RESERVE

The HRA contribution to the pensions reserve is based on the employers' contributions for the HRA as a proportion of the total employers' contributions to the Pension Fund.

9. DEBTORS AND PROVISION FOR DOUBTFUL DEBTS

	2007/08		2006/07	
	Debtors £000	Doubtful Debt Provision £000	Debtors £000	Doubtful Debt Provision £000
Housing Revenue Account rents	4,128	(3,102)	3,827	(2,683)
Housing Revenue Account service charges	755	(253)	809	(397)
	4,883	(3,355)	4,636	(3,080)

10. SUMS DIRECTED BY THE SECRETARY OF STATE

There were no directions from the Secretary of State to transfer amounts to the General Fund.

NOTES TO THE HOUSING REVENUE ACCOUNT

11. EXCEPTIONAL AND PRIOR YEAR ADJUSTMENTS

There were no exceptional or prior year adjustments.

12. GROSS RENTAL INCOME

This item comprises the income of the authority for the year from rents and charges in respect of houses and other property within the account; it includes rent remitted by way of rebate. The following data is relevant to the Council's HRA properties:

	2007/08	2006/07
Average percentage of void property	0.8%	1.2%
Average weekly rental (based on a 50 week year)	£82.59	£77.15

13. CHARGES FOR SERVICES AND FACILITIES

This represents the income of the authority in respect of services or facilities provided in conjunction with the provision of houses and other property:

(a) it includes income in respect of services and facilities provided under sections 10 and 11 of the Housing Act 1985 (power to provide furniture, board and laundry facilities), but

(b) does not include payments for the purchase of furniture or hire-purchase instalments for furniture or income in respect of services provided under section 11A of that Act (power to provide welfare services).

14. RENTS, RATES, TAXES AND OTHER CHARGES

	2007/08 £000	2006/07 £000
Rents	-	368
Water Rates	3,938	3,755
Council Tax	-	-
Other Charges	-	398
	3,938	4,521

The percentage of tenants in receipt of rent rebates was 68.0% in 2007/08 (69.5% in 2006/07) and the amount of gross rent met by rent rebate was £37,178k in 2007/08 (£40,783k in 2006/07).

15. RENT REBATES - TRANSITIONAL PROTECTION

Responsibility for meeting the costs of providing HRA Rent Rebate was transferred to the General Fund from 2004/05 onwards. The payment of transitional protection is to reimburse the General Fund for any subsidy shortfall it incurs from administering the new responsibility.

16. AMORTISED PREMIUMS AND DISCOUNTS

Following a restructuring of debt to take advantage of discounts offered, low long-term interest rates, and favourable housing subsidy regulations, the Council undertook, in 2003/04, a debt restructuring exercise which resulted in the payment of a net premium of £6.9m, of which £4.7m was apportioned to the HRA. The charge to the HRA represents the amount of the debt redemption premium, attributed to the HRA, amortised in the period.

17. ACCUMULATED BALANCE

	31 March 2008 £000	31 March 2007 £000
HRA working balance	800	800
Housing Repairs Account	4,308	3,707
	5,108	4,507

NOTES TO THE HOUSING REVENUE ACCOUNT

18. ACCOUNTS IN ADDITIONAL FORMAT

This is an HRA summary in the same format as the Rent and Budget Setting annual report.

HOUSING REVENUE ACCOUNT - INCOME AND EXPENDITURE ACCOUNTS FOR THE YEARS ENDED 31 MARCH 2008 AND 31 MARCH 2007

	2007/08 £000	2006/07 £000
Income		
Dwelling Rents and Service Charges	61,071	55,432
Garage Rents	1,478	1,046
Other Charges	815	2,183
Interest on Council Mortgages	34	36
Housing Revenue Account Subsidy Grant	-	-
	63,398	58,697
Expenditure		
Management - General	(13,155)	(11,892)
Management - Special	(6,188)	(5,501)
Maintenance and Repairs	(14,055)	(11,831)
Major Repairs Allowance	(10,334)	(10,151)
Capital Financing	(2,601)	(3,524)
Revenue Contribution to Capital Outlay	(4,230)	(2,199)
Rent Rebates	-	-
Provision for Doubtful Debts	907	(206)
Negative Subsidy Payable to Communities and Local Government	(13,141)	(12,169)
	(62,797)	(57,473)
(Deficit)/Surplus	601	1,224
Surplus at beginning of year	4,507	3,283
Surplus/(Deficit) for the year	601	1,224
Surplus at end of year	5,108	4,507

COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

	Note No.	2007/08		2006/07
		£000	£000	£000
INCOME				
Council Tax collectable	2	148,065		141,443
Transfers from the General Fund				
- Council Tax benefits	4	26,848	174,913	25,631
National Non-Domestic Rates collectable	1		99,008	88,727
Total Income			273,921	255,801
EXPENDITURE				
Demands and precepts	3			
- London Borough of Croydon		130,941		125,400
- Greater London Authority		37,760		35,715
National Non-Domestic Rates	1		168,701	161,115
- Payment to national pool		98,557		88,264
- Costs of collection		452		463
Bad and doubtful debts			99,009	88,727
- Write-offs		-		415
- Provisions		6,211		5,544
Total Expenditure			273,921	255,801
(Surplus)/deficit for year			-	-
Fund balance brought forward			-	-
Fund balance carried forward			-	-

INTRODUCTION

This account summarises the transactions of the Collection Fund, the purpose of which is to receive Council Tax and National Non-Domestic Rates, collected on behalf of the Government, and apply the proceeds. The Council, together with the Greater London Authority, demands/precepts upon the fund to meet its expenditure. 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. NATIONAL NON-DOMESTIC RATES COLLECTABLE

In accordance with the arrangements for uniform business rates, the Council collects National Non-Domestic Rates for the Borough of Croydon. The amount collected is based upon local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the National Non-Domestic Rate pool) managed by the Government. In return the Government makes payments to local authorities from the pool. Councils receive a fixed share of their Formula Grant as Redistributed Business Rate income based on the total of the Distributable Amount as a proportion of the total of Revenue Support Grant plus the Distributable Amount. The amount is disclosed as Contribution from National Non-Domestic Rate Pool, under the Amount to be met from Government Grant and Local Tax in the Income and Expenditure Account.

The total Non-Domestic Rateable value at 31 March 2008 was £272.038m (£275.4m at 31 March 2007), and the 2007/08 Non-Domestic Rate multipliers were 44.4p (43.3p in 2006/07) and 44.1p for small businesses (42.6p in 2006/07).

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 8 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, £1,357.64 for 2007/08 (£1,301.94 for 2006/07) is multiplied by the proportion specified for the particular band to give an individual amount due.

NOTES TO THE COLLECTION FUND

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 2007/08

Valuation Band	Number of Chargeable Dwellings	Band D Proportion	Band D Equivalent Dwellings	Council Tax £.pp	Council Tax Income £000
Band A	1,498	6/9	999	905.10	1,356
Band B	15,080	7/9	11,729	1,055.94	15,924
Band C	35,063	8/9	31,167	1,206.80	42,314
Band D	32,390	1	32,390	1,357.64	43,974
Band E	19,451	11/9	23,773	1,659.34	32,275
Band F	10,690	13/9	15,441	1,961.04	20,963
Band G	6,902	15/9	11,503	2,262.74	15,617
Band H	551	18/9	1,102	2,715.28	1,496
Total			128,104		173,919
Multiplied by estimated collection rate			<u>97%</u>		
Number of band D equivalent dwellings			124,261		
Total of Demands/Precepts for year			168,701		
Adjustments during the year (including prior years)					994
Final collectable amount					174,913
Income per Collection Fund					
Council Tax collectable					148,065
Council Tax benefits					26,848
Final collectable amount					174,913

3. DEMANDS AND PRECEPTS

The Collection Fund is required to meet in full during the financial year 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 four functional bodies i.e. the Metropolitan Police Authority, the London Fire and Emergency Planning Authority, Transport for London and the London Development Agency.

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.

	Note	2007/08 £.pp	2006/07 £.pp
Band D equivalent Council Tax charge		1,357.64	1,301.94
Split thereof:			
Croydon		1,053.76	1,013.33
Greater London Authority		303.88	288.61
Total		1,357.64	1,301.94
Payment to Croydon	a		
Share of Band D equivalent Council Tax charge		1,053.76	1,013.33
Number of Band D equivalent dwellings		124,261	123,750
Total		130,941,271.36	125,399,587.50
Rounded to £000's		130,941	125,400
Payment to the Greater London Authority			
Share of Band D equivalent Council Tax charge		303.88	288.61
Number of Band D equivalent dwellings		124,261	123,750
Total		37,760,432.68	35,715,487.50
Rounded to £000's		37,760	35,715

Note

a. This amount is disclosed as Demanded from the Collection Fund, under the Amount to be met from Government Grant and Local Tax in the Income and Expenditure Account.

4. TRANSFERS FROM THE GENERAL FUND - COUNCIL TAX BENEFITS

Council Tax benefit is determined in accordance with the Secretary of State's directions as to the total of individual entitlements to reductions in the amounts of Council Tax payable in the year (subject to adjustments for earlier years not accounted for and for accruals). Credits are made in the Collection Fund and matched by equal charges to the General Fund for Council Tax benefit granted. By this mechanism the Collection Fund is fully reimbursed for all reliefs provided. All other transactions in relation to reimbursement by the Government of benefits and reliefs granted and the costs of administration are accounted for in the General Fund. Consequently, any net cost is borne by the General Fund.

Croydon Council makes contributions on behalf of its employees to two pension schemes:

The Teachers Pension Agency (TPA), and
The Local Government Pension Scheme (LGPS).

The Teachers Pension Agency

The TPA provides retirement benefits for teachers on behalf of the Department for Children, Schools and Families. The TPA is an unfunded scheme under which any liability for benefits is the responsibility of the Department for Children, Schools and Families. The Council's responsibility is to contribute a percentage, in 2006/07 13.5% April 2006 to December 2006 and 14.1% from January 2007, amounting to £12.5m (13.5% in 2005/06 amounting to £12.1m), of its teaching staff's pensionable pay to the TPA. Because the Council has no further financial liability beyond this, FRS17 requires the scheme to be accounted for as a defined contribution scheme.

The Local Government Pension Scheme

The Council's Pension Fund is classified as a defined benefits scheme into which the Council and employees pay contributions calculated at a level intended to balance the future pensions liabilities with investment assets. The employers' contributions are paid to the Fund at rates recommended by the actuary to enable the Fund to meet its existing and prospective liabilities.

Actuarial valuations are carried out every three years as required by legislation. The most recent valuation was undertaken by Mercer Human Resource Consulting as at 31 March 2007. This identified a deficit of £264m which the actuary recommended should be recovered over a 25 year period through increases in the employers' contributions to be phased in over a period of 3 years. The required annual increase in employers' contributions is approximately £0.8m each year over and above that already approved in the 2004 Actuarial Valuation. This will result in an employers' contribution rate of 20.5% in 2008/09, 22.1% in 2009/10 and 23.2% for 2010/11 onwards.

Croydon's employers' contributions for FRS17 purposes for the year amounted to £20.9m for the year at the rate of 18.9% (£20.5m in 2006/07 at a contribution rate of 18.1%). The capital cost of discretionary increases in pensions payments (e.g. discretionary added years/augmentation) agreed by the authority in 2007/08 was £0.4m. This coupled with the cumulative value agreed in earlier years, for which payments are still being made, is now £2.4m.

Tabulated below are the disclosures of material pension scheme data and explanatory notes required by FRS17:

Main financial assumptions	31 March 2008	31 March 2007	31 March 2006
Rate of increase in salaries	5.35%	4.85%	4.65%
Rate of increase of pensions in payment	3.60%	3.10%	2.90%
Discount rate	6.10%	5.40%	4.90%
Inflation assumption	3.60%	3.10%	2.90%

These are the assumptions used by the actuaries in evaluating the assets and liabilities of the scheme:

Income and Expenditure Account entries	2007/08 £000	2006/07 £000
Amounts charged to net cost of services		
Current service cost	18,790	21,290
Past service costs	6,354	590
Curtailments and settlements	2,217	-
Amounts charged/credited to net operating expenditure		
Interest cost	43,868	39,897
Expected return on scheme assets	(36,582)	(31,505)
Amount charged/credited to amounts to be met from Government Grants and local taxation		
Movement on Pensions reserve	(11,751)	(9,817)
Employers' contribution to the pension scheme charged against Council Tax	22,896	20,455

PENSIONS - FRS17 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES

Scheme Assets, Expected Rate of Return and Pensions Asset/(Liability) (Croydon Council share of Fund only)

	Long-Term Rate of Return Expected at 31 March 2008	Value at 31 March 2008 £m	Long-Term Rate of Return Expected at 31 March 2007	Value at 31 March 2007 £m	Long-Term Rate of Return Expected at 31 March 2006	Value at 31 March 2006 £m
Equities	7.50%	454.2	7.50%	475.7	7.00%	452.2
Government bonds	4.60%	19.7	4.70%	26.1	4.30%	24.3
Cash/liquidity	5.25%	19.7	5.25%	20.9	4.50%	10.2
Total Market Value of Assets		493.6		522.7		486.7
Present Value of Scheme Liabilities		(905.4)		(813.8)		(815.3)
Net Pensions Asset/(Liability)		(411.8)		(291.1)		(328.6)

Movements on Pensions Liability

	2007/08 £000	2006/07 £000
Deficit brought forward	(291,083)	(328,554)
Current service costs	(18,790)	(21,290)
Past service costs (gain due to changes in scheme benefits)	(6,354)	(590)
Curtailments and settlements	(2,217)	-
Employer's contributions	22,896	20,455
Interest cost	(43,868)	(39,897)
Expected return on scheme assets	36,582	31,505
Actuarial gains/(losses)	(108,991)	47,288
Deficit carried forward	(411,825)	(291,083)

Movements on Pensions Reserve

	2007/08 £000	2006/07 £000
Deficit brought forward	(291,083)	(328,554)
Income and Expenditure Account transfer to reduce the charge in the Income and Expenditure Account to the actual payment into the Pension Fund made by the Council	(11,751)	(9,817)
Experience/Actuarial (gain)/loss taken directly to the Statement of Total Movements in Reserves (no entry in the Income and Expenditure Account)	(108,991)	47,288
Total Movements in Reserves recorded in the Statement of Total Movements in Reserves	(120,742)	37,471
Deficit carried forward	(411,825)	(291,083)

Under FRS17 the cost of retirement benefits is recognised in the Income and Expenditure Account when the entitlement is earned, irrespective of when the benefits are actually paid. However, the charge the Council is required to make against Council Tax is based on the actual payment into 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 the pensions reserve and has no impact on the Income and Expenditure Account.

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.

Experience Gains and Losses

These are the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with actuarial assumptions made for the last valuation (experience gains or losses), or
- (b) the actuarial assumptions have changed.

The gain or loss calculated is taken directly to the pensions reserve and has no impact on the Income and Expenditure Account.

History of Experience/Actuarial Gains and Losses

	31 March 2008	31 March 2007	31 March 2006	31 March 2005
Difference between the expected and actual return on scheme assets:				
amount (£000)	(59,713)	7,420	87,662	17,982
percentage of scheme assets	12.10%	1.40%	18.00%	4.80%
Experience gains and losses on scheme liabilities:				
amount (£000)	1,594	-	(15,717)	(4,233)
percentage of the present value of the scheme liabilities	0.20%	0.00%	1.90%	0.60%
Change in assumptions:				
amount (£000)	(50,872)	39,868	(62,319)	(116,535)
percentage of the present value of the scheme liabilities	5.60%	4.90%	7.60%	16.40%
Total Gain/(Loss) recognised:				
amount (£000)	(108,991)	47,288	9,626	(102,786)
percentage of the present value of the scheme liabilities	12.00%	5.80%	1.20%	14.50%

FRS17 - Details Supporting the Actuary's Assumption of 50% Take-Up of the Lump Sum Commutation

In his notes supporting the FRS17 calculations, the Actuary indicated that the provisions of LGPS were changed by the introduction of the Local Government Pension Scheme (Amendment) Regulations 2006. The change allows members to take a higher lump sum than the standard '3/80ths' basis by commuting part of their pension. The Actuary details that these changes to the regulations were introduced as part of the cost-saving measures following the revocation of the Rule of 85 changes in 2005.

The Actuary's note states that the commutation terms brought in by the new regulations are such that it is less costly for the scheme to provide the lump sum than the pension. Consequently, the extent that members take up the option will reduce the employers' pension costs. The Actuary then explains that he has made allowance for this on the assumption that 50% of members will take up the option to increase their lump sum to the maximum available. The Actuary stresses that, although the 50% assumption is purely an estimate, it is consistent with the basis on which the potential cost savings have so far been estimated.

The 50% assumption is based upon detailed work carried out by the ODPM (now Communities and Local Government) who employed the leading actuaries Hymans Robertson to calculate potential savings/cost implications in respect of the then proposed changes to the LGPS regulation. The detailed work by Hymans Robertson estimated that some 50% of staff would take the option to convert part of their pension into a higher lump sum. The savings were based on members being able to take up to 25% of the value of their benefits as a (tax free) lump sum - subject to a commutation rate of 12.1% rather than the pension costs of 15.1%.

In view of the extensive work undertaken by Hymans Robertson on behalf of the ODPM, the Council's Actuary used the 50% as a 'standard' figure to calculate the savings resulting from the lump sum commutation in the FRS17 computations.

The impact of this has been taken into account in the 2007 Actuarial Valuation.

1. INTRODUCTION

Accounting Policies

The Authority's objective is to ensure that for all material items:

- The appropriate accounting policies have been adopted, given the Authority's circumstances to ensure the Accounts give a true and fair view;
- The accounting policies adopted are reviewed regularly to ensure that they remain appropriate, and are changed when a new policy becomes more appropriate to the entity's particular circumstances; and
- In addition, sufficient information is disclosed in the financial statements to enable users to understand the accounting policies adopted and how they have been implemented.

Estimation Techniques

These are the methods adopted by the Authority to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis the amount will be arrived at using an estimation technique.

The Authority has determined the estimation techniques that most closely reflect the economic reality of the transactions or other events to which the relevant accounting policy refers.

2. GENERAL PRINCIPLES

The financial statements have been prepared in accordance with the 2007 Code of Practice on Local Authority Accounting (the SORP) and the Best Value Accounting Code of Practice both published by CIPFA. The 2007 SORP consolidates statutory provisions for the preparation of financial statements and the requirements of accounting standards in issue, except to the extent that the latter conflict with specific aspects of statute.

The Authority follows accounting provisions according to the following hierarchy:

- Statutory provisions;
- The SORP which incorporates the accounting standards in the form of financial reporting standards (FRSs), statements of standard accounting practice (SSAPs) and other statements of recommended practice. The SORP provides guidance on the application of UK Generally Accepted Accounting Practice (UKGAAP) to local authorities.

PERVASIVE ACCOUNTING CONCEPTS

The Accounts have been prepared in accordance with three fundamental concepts:

Accruals

The financial statements, other than cash flow information, have been prepared on an accruals basis. 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.

Going Concern

The Authority's Statement of Accounts has been prepared on a going concern basis. That is the accounts assume that the Authority will continue in operational existence for the foreseeable future. This means in particular that the Income and Expenditure Accounts and Balance Sheet assume no intention to curtail significantly the scale of operation.

Primacy of Legislative Requirements

Local authorities derive their powers from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. To the extent that treatments are prescribed by law the accounting concepts outlined above may not apply in all cases. It is a fundamental principle of local authority accounting that, where specific legislative requirements and accounting principles conflict, legislative requirements shall apply.

3. CONTINGENT ASSETS AND LIABILITIES

In accordance with FRS12 the Authority recognises in its financial statements:

- a Contingent Asset if there is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

- a Contingent Liability if there is a possible obligation which may require a payment or a transfer of economic benefits if there is either: a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or a present obligation that arises from past events but is not recognised because it is not probable that a transfer of economic benefit will be required to settle the obligation or because the obligation cannot be measured with sufficient reliability.

4. DEFERRED CHARGES

Deferred charges are created when expenditure has been incurred on items that are not capitalised as fixed assets, but have been financed from capital resources. They would typically include items such as improvement grants.

Deferred charges are amortised to revenue over an appropriate period, usually in the same year in which the expenditure has been incurred.

5. DISCONTINUED OPERATIONS

Income and expenditure directly related to Discontinued Operations are shown separately on the face of the Income and Expenditure Account. Any liabilities in respect of discontinued operations are disclosed separately in the notes to the Balance Sheet.

6. GOVERNMENT GRANTS AND CONTRIBUTIONS

Government grants or other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

Where the acquisition of a fixed asset is financed either wholly or in part by a Government grant or other contribution, the amount of the grant or contribution is credited to the Government grants deferred account.

Whatever their basis of payment, revenue grants are matched with the expenditure to which they relate.

7. INTANGIBLE ASSETS

An intangible item may meet the definition of an asset when access to the future economic benefits that it represents is controlled by the Authority, through either custody or legal protection.

Purchased intangible assets (e.g. software licences) are capitalised as assets. Internally developed intangible assets are only capitalised where there is a readily ascertainable market value.

The Authority amortises Intangible Assets on a systematic basis over their economic lives. The useful economic lives of intangibles assets are reviewed at the end of each reporting period and revised if necessary.

8. INVESTMENTS

The Authority has adopted the CIPFA Code of Practice for Treasury Management. Investments are made in accordance with this code and the Authority's Treasury Strategy Statement which is approved by Members each year.

9. LEASES

Operating Leases

Assets that are employed by the Authority that are procured by operating lease do not appear in the Balance Sheet because the Authority does not own the assets acquired under such leases. Rentals payable are charged to revenue on an accruals basis.

10. PROVISIONS

Provisions are recognised in the financial statements for any liabilities of uncertain timing or amount that have been incurred when:

- the Authority has a present obligation (legal or constructive) as a result of a past event;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

11. TANGIBLE FIXED ASSETS

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition

All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis. Expenditure on the acquisition of a tangible asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, is capitalised and is classified as a tangible fixed asset.

Measurement

Assets are initially measured at cost comprising of all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure assets and community assets are included in the Balance Sheet at historical cost, net of depreciation, where appropriate.
- operational land and properties and other operational assets are included in the Balance Sheet at the lower of net current replacement cost or net realisable value in existing use.
- investment properties (other than those held by pension funds) and assets that are surplus to requirements and held for disposal are included in the Balance Sheet at the lower of net current replacement cost or net realisable value.

Assets included in the Balance Sheet at current value are formally revalued on a five year rolling programme and the revised amount included in the Balance Sheet.

Revaluation and Impairment

The values at which each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value.

Where impairment is identified the loss is charged, if it is caused by a clear consumption of economic benefits, to the relevant service revenue account.

Other impairments (reflecting a general fall in prices) are firstly offset any prior upward revaluation for the asset, held in the Revaluation Reserve, secondly as a loss to the Income and Expenditure Account. Any loss, by statute, has no impact on the General Fund balances.

Disposals

Where an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain and loss on disposal. Receipts from disposal are credited to the Income and Expenditure Account as part of the gain and loss on disposal.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings and 50% for land and other assets) is payable to the Government. A balance of the receipts is credited to the Usable 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 (capital financing requirement).

Depreciation

Depreciation is provided for on all fixed assets with a finite useful life. Provision for depreciation is made by allocating the cost (or revalued amount) less the estimated residual value of the assets as fairly as possible to the periods expected to benefit from their use.

The depreciation methods used are ones which are the most appropriate to the type of asset and their use in the provision of services.

Where grants and contributions have been received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related asset in the relevant service account, in line with the depreciation policy applied to them.

12. FINANCIAL INSTRUMENTS

With effect from 1 April 2007, local authorities have had to adopt a major change of accounting policy in order to comply with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom – the Statement of Recommended Practice 2007, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) / LASAAC Joint Committee. This has been based on major changes in international accounting standards which have resulted in the introduction of new U.K. accounting standards for financial instruments - FRS25, 26 and 29.

This has caused major changes in the accounting treatment of financial instruments, soft loans and guarantees, which have been designed to present a higher quality of information on financial instruments, in line with the private sector. In addition, in order to help identify, quantify and inform on the exposure to and management of risk, new “fair value” disclosure requirements have been introduced.

Amortised Cost

This change in accounting standards has meant that most financial instruments (whether borrowing or investment) have, in 2007/08, to be valued on an amortised costs basis.

However, it should be noted that figures for 31 March 2007 which appear in these disclosure notes are shown unaltered from those which were published in the accounts for 2006/07 i.e. they have not been restated to amortised cost etc. Consequently, the figures for 31 March 2007 and 31 March 2008 are not comparable as they have been produced on two different basis. This is a one off problem which will not occur in the accounts for future years when two years’ figures will be properly comparable.

Fair Value

In these disclosure notes, financial instruments are also required to be shown at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Guidance from CIPFA states that as fair value valuations were not calculated as at 31 March 2007, the column for fair value as at 31 March 2007 in these disclosure notes cannot be completed and so no figures appear.

Compliance

Croydon Council has complied with the following:

- The adoption of CIPFA's Treasury Management in the Public Services Code of Practice.
- Set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

13. RESERVES

The Authority sets aside specific amounts as reserves for future policy purposes or to provide cover for contingencies. Reserves are created by transferring amounts in the Statement of Movement on the General Fund Balance.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Authority.

14. GROUP ACCOUNTS

In the financial year ended 31 March 2008, having conducted a thorough review of the relationships with all organisations associated with the Authority, the Authority has determined that there was no requirement to consolidate the results of any other organisation with those of the Authority.

15. PRIVATE FINANCE INITIATIVE (PFI) CONTRACTS

PFI contracts are agreements to receive services, where responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. The Authority considers each contract in turn as to whether the assets should appear on the Authority's Balance Sheet. This is determined with specific reference to:

- FRS5 Reporting the Substance of Transactions;
- SSAP21 Accounting for Leases and Hire Purchase Contracts; and
- Treasury Taskforce Guidance.

Any residual interest in fixed assets is included in the relevant asset category of the Council's Balance Sheet.

16. PENSIONS

For detailed information of the Pension Fund a separate set of Pension Fund accounts is included in the 2007/08 Statement of Accounts. The Pension Fund accounts are prepared by the Authority in discharging its function as a Pensions Administering Authority.

The entries that appear in the Authority's financial statements relate to the Authority's financial obligations as an employing authority.

The Authority has followed the provisions of FRS17 in accounting for its financial obligations as an employing authority under the Local Government Pension Scheme. This required the Authority to adopt the following policies:

- measure the scheme's assets at fair value;
- measure scheme liabilities using projected unit method;
- discount scheme liabilities at the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities;
- undertake a full actuarial valuation at intervals not exceeding three years and update the valuation at each Balance Sheet date;
- recognise the operating costs of providing retirement benefits to employees in the accounting periods in which the benefits are earned by employees, and recognise the related finance costs and other changes in value of the assets and liabilities in the period in which they arise.

The Balance Sheet recognises the full liability that the Authority has for meeting the future cost of retirement benefits that will arise from years of service earned by employees up to the Balance Sheet date net of the contributions paid into the Fund and the investment income they have generated.

The Income and Expenditure Account recognises the cost of retirement benefits when they are earned by employees, rather than when the benefits are paid. Therefore the following amounts are charged or credited to the Income and Expenditure Account:

- current service cost: the increase in liabilities as a result of years of service earned this year charged to the service expenditure area for which the employees worked;
- past service cost: the increase in liabilities arising from current year decisions whose effect relates to years service earned in earlier years charged to Non Distributed Costs;
- interest cost: expected increase in the present value of liabilities during the year as they move closer to being paid charged to Net Operating Expenditure;
- expected return on assets: the annual investment return on the Pension Fund assets attributable to the Authority based on an average of the expected long term return, credited to Net Operating Expenditure;
- gains and losses on settlements and curtailments: the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited to Net Cost of Services as part of Non Distributed Costs;
- contributions paid to the Authority's Pension Fund: cash paid as employers contributions to the Pension Fund.

Actuarial Gains and Losses are changes in the net pensions liability that arise because events have not coincided with the assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are debited or credited to the Statement of Total Recognised Gains and Losses.

Statutory provisions prohibit the Authority from raising Council Tax to cover the charges to the Authority from the Pension Fund in the year. In the Statement of Movement on the General Fund Balance there are transfers to and from the Pension Reserve to remove the charges or credits for retirement benefits and replace them with the charges for the cash paid to the Pension Fund and any amounts payable but unpaid at the year end.

17. VAT

Income and expenditure excludes any amounts related to VAT as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

18. LANDFILL ALLOWANCE TRADING SCHEME (LATS)

The Authority accounts for LATS in accordance with the 2007 SORP and the Local Authority Accounting Panel Bulletin 64.

LATS allowances are treated as a current asset, the DEFRA landfill usage as a liability. The unused allowances, valued at the published rate available at the Balance Sheet date, are included as a current asset in the Balance Sheet.

Pension Fund Accounts 2007/08

CROYDON'S ROLE AS A PENSION ADMINISTERING AUTHORITY

The Council as a local authority and a pension administering authority is acting in two separate roles. As a local authority it is accountable to the residents of the London Borough of Croydon for its stewardship of public funds. As a pension administering authority it is accountable to its employees who are members of the Pension Fund 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.

PENSION FUND ACCOUNTS

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

CONTRIBUTIONS

	Note No.	2007/08 £000	2006/07 £000
CONTRIBUTIONS			
Employees' contributions:			
London Borough of Croydon		6,947	6,680
Scheduled bodies		400	385
Admitted bodies		414	401
Employers' contributions:			
London Borough of Croydon		21,397	19,711
Scheduled bodies		1,232	1,131
Admitted bodies		1,184	1,064
Transfer values received	17	4,742	3,702
		36,316	33,074
PAYMENTS			
Benefits - Pensions payable	5	22,207	20,958
- Lump sums	16	6,313	6,449
Payments to and on account of leavers - Refund of contributions		9	34
- Transfer values paid	17	3,553	4,317
Administrative expenses	14	1,004	950
		33,086	32,708
Net additions from dealings with members		3,230	366
RETURNS ON INVESTMENTS			
Investment income	10	13,978	13,195
Net losses/(gains) on currency revaluations and underwriting commissions		9	1
Change in market value of investments:			
Unrealised	2	(44,982)	17,519
Realised	2	11,245	12,838
Investment management expenses	15	(514)	(480)
Net returns on investments		(20,264)	43,073
Net increase in the Fund during the year		(17,034)	43,439
Net assets at the start of the year		544,653	501,214
Net assets at the end of the year		527,619	544,653

NET ASSETS STATEMENT AS AT 31 MARCH 2008

Investments:

	Note No.	2007/08 £000	2006/07 £000
Equities	2 & 3	466,416	495,458
Bonds	2 & 3	25,680	23,899
Cash Deposits	2 & 3	5,000	-
		497,096	519,357
Net current assets:			
Debtors			
Cash held by	11	5,787	5,774
- Custodians for the Fund Managers		5,561	1,000
- London Borough of Croydon		21,458	20,533
Creditors	12	(2,283)	(2,011)
Net assets at the end of the year		527,619	544,653

NOTES TO THE PENSION FUND ACCOUNTS

1. ACTUARIAL POSITION

The accounts summarise the transactions and net assets of the Fund and do not take account of liabilities to pay pensions and other benefits in the future. The adequacy of the Fund's investments and contributions in relation to its overall obligations was reviewed at the triennial actuarial valuation of the Fund as at 31 March 2004 in accordance with the Local Government Pension Scheme Regulations 1997 (as amended). The employers' contribution rates for 2007/08 are as follows:

Croydon Council (including schools' non-teaching staff) - 18.9%
 Scheduled bodies - 18.9%
 Admitted bodies - rates vary depending upon those determined by the Actuary.

During the year the actuary completed his triennial Actuarial Valuation as at 31 March 2007 which calculated the total accrued liabilities to be £808m. The market value of the Fund's assets at the valuation date was £544m. The Fund deficit was therefore £264m producing a Funding Level of 68%. This compares with a deficit of £254m and a Funding Level of 57% as at the 31 March 2004 Actuarial Valuation.

The 2007 Actuarial Valuation recommends that the deficit be spread over 25 years as from 1 April 2008 and that the employer's contribution rates for Croydon Council (including schools' non-teaching staff) and the scheduled bodies increase to 20.5% for 2008/09, 22.1% for 2009/10 and 23.2% for 2010/11 onwards. The employers' contribution rates for the admitted bodies will vary depending on those determined by the Actuary.

The Fund uses the market-related method of valuing assets which is based on average yields and market values in the period immediately prior to the valuation date. The accrued liabilities are calculated using the Projected Unit Method.

The actuarial assumptions used in preparing the valuation were:

	Past Service Nominal p.a. %	Future Service Nominal p.a. %
Investment returns (equities)	5.90	6.50
Pay increases (excluding increments)	4.70	4.50
Pensions increases	2.95	2.75
Retail Price Index (RPI) price inflation	N/A	2.75

2. CHANGE IN MARKET VALUE OF INVESTMENTS

	Balance Brought Forward £000	Purchases £000	Sale Proceeds £000	Unrealised Gains/ (Losses) £000	Realised Gains/ (Losses) £000	Balance Carried Forward £000
Equity Investments						
UK equities	340,484	30,654	(22,040)	(44,278)	6,889	311,709
Managed funds	144,137	6,100	(6,100)	(5,375)	2,952	141,714
UK unquoted unit trust	18	-	-	1	-	19
Foreign unquoted limited partnerships	10,819	1,308	(3,446)	3,366	927	12,974
Foreign equities (see below)	-	-	-	-	-	-
	495,458	38,062	(31,586)	(46,286)	10,768	466,416
Non Equity Investments						
UK bonds	23,899	24,477	(24,477)	1,304	477	25,680
Cash deposit	-	5,000	-	-	-	5,000
	519,357	67,539	(56,063)	(44,982)	11,245	497,096
Total Investments						

NOTES TO THE PENSION FUND ACCOUNTS

3. INVESTMENTS

Investments are stated at their market values. Listed securities are stated at bid values on 31 March 2008. An analysis of the cost and market values is set out below:

		2008			2007		
		Book £000	Market £000	Market %	Book £000	Market £000	Market %
UK equities	- Hermes FTSE 350 Fund	-	-	-	215,800	340,484	65.5
	- UBS FTSE 350 Fund	231,304	311,709	62.7	-	-	-
Managed funds	- UBS Global Asset Management	99,251	141,714	28.5	96,300	144,137	27.8
UK unquoted unit trust	- MUST 2 (Mercury Unquoted Securities Trust)	-	19	-	-	18	-
Foreign unquoted limited partnerships	- Pantheon Ventures	8,952	12,974	2.6	10,163	10,819	2.1
Total equities		339,507	466,416	93.8	322,263	495,458	95.4
UK bonds	- Hermes All Stock Gilts Index Tracker	-	-	-	24,000	23,899	4.6
	- UBS Life UK Fixed Interest Tracker Fund "A" Units	24,477	25,680	5.2	-	-	-
Cash deposits	- Henderson Global Investors	5,000	5,000	1.0	-	-	-
Total investments		368,984	497,096	100.0	346,263	519,357	100.0

The portfolio of UK equities was managed by Hermes Investment Management Limited until 31 October 2007. From 1 November 2007 this was managed by UBS Global Asset Management (UK) Limited (UBS). Until June 2006 this passively tracked the FTSE 350 (excluding tobacco) index. Since June 2006 this now passively tracks the FTSE 350 (including tobacco) index. During 2005/06 the Pensions Sub-Committee decided to move from the policy of investments being 100% in equities to one of 75% in equities over a three year period with the balance being invested in bonds and property. UBS also manages unithold investments in four equity index-tracking accumulation funds comprising Asia-Pacific (excluding Japan), Europe (excluding UK), Japan, and United States and Canada. UBS Global Asset Management Limited is a company registered in the UK. Pantheon Ventures manage a private equity fund of funds relating to Europe, Asia and USA holdings (see also note 7 below). As at 31 March 2008 £5.0m had been invested with Henderson Global Investors Limited as a cash deposit with a view to this being invested in UK property. The Pension Committee are currently undertaking a review of the asset allocation strategy. The holding in Hermes All Stock Gilts Index Tracker was sold on 31 October 2007 and the sale proceeds were immediately reinvested in UBS Life UK Fixed Interest Tracker Fund "A" Units.

4. TOTAL CONTRIBUTIONS RECEIVABLE

There were no special or additional contributions receivable in the year.

5. INFORMATION IN RESPECT OF MATERIAL TRANSACTIONS WITH RELATED PARTIES

As explained in Note 7 to the Statement of Accounting Policies and Principles, when employees who are members of the Local Government Pension Scheme and aged 50 or over take early retirement due to redundancy, there is a capital cost to the Pension Fund.

The 2007/08 early retirement cost (due to redundancy) borne by the Pension Fund was £2.0m (2006/07: £2.9m) of which £0.6m was recoverable in 2007/08 (2006/07: £0.8m), the balance being recoverable over the following four years. There is a further £2.6m (2006/07: £1.0m) of unrecovered early retirement costs on the Pension Fund relating to redundancies in earlier years of which £0.9m was recoverable in 2007/08 and paid after the year end (in 2006/07 £0.5m was recovered in the year) with the balance being recoverable over 2008/09, 2009/10 and 2010/11.

For other Related Party transactions please see notes 11, 12, 14 and 15 to these accounts.

6. DETAILS OF STOCK RELEASED TO THIRD PARTIES UNDER STOCK LENDING ARRANGEMENT

There was no stock released to third parties under a stock lending arrangement.

7. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

As at 31 March 2008 the Fund had a commitment to contribute £3.8m (31 March 2007: £4.8m) into foreign private equity partnerships held with Pantheon Ventures (see Note 3).

NOTES TO THE PENSION FUND ACCOUNTS

8. STATEMENT OF INVESTMENT PRINCIPLES (SIP)

The Statement of Investment Principles is included in the Croydon Pension Scheme Annual Report 2007/2008.

9. DETAILS OF ADDITIONAL CONTRIBUTIONS NOT INCLUDED IN PENSION FUND ACCOUNTS

In accordance with the Pension Scheme (Management and Investment of Funds) Regulations 1998, there were no additional contributions included in the Pension Fund Accounts since all Additional Voluntary Contributions (AVC's) are sent directly to the relevant AVC provider.

10. INVESTMENT INCOME

	2007/08 £000	2006/07 £000
UK equities	12,586	12,267
UK unquoted unit trust	1	-
Cash balances	1,391	928
	13,978	13,195

There is no direct investment income received in respect of the UK Gilts and Foreign equities holdings with UBS as these are held as accumulation units and any income received is reinvested.

11. DEBTORS

	2007/08 £000	2006/07 £000
Fund managers' dividends and outstanding tax due	3,043	2,575
Fund managers' unsettled sales	500	1,776
Contributions due in respect of:		
- Employers' contributions	509	378
- Employees' contributions	113	112
Other debtors	1,622	933
	5,787	5,774

The decrease in the fund managers' unsettled sales was due to the timing of the UBS and Pantheon transactions at the year end.

Included in debtors is £0.6m (2006/07: £0.5m) of outstanding employers' and employees' contributions from various employer bodies. There were no material contributions due from employer bodies which were paid late.

Included in other debtors there is £1.5m (2006/07: £0.8m) of early retirement costs (due to redundancy) borne by the Pension Fund which were recoverable in 2007/08 but not settled by Croydon Council as at 31 March 2008 (see Note 7 to the Statement of Accounting Policies and Principles).

12. CREDITORS

	2007/08 £000	2006/07 £000
Croydon Council	(1,545)	(1,142)
Fund managers' unsettled purchases	(500)	(593)
Unpaid benefits	(128)	(188)
Accrued expenses	(110)	(88)
	(2,283)	(2,011)

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.

13. TAXATION

Investment income is subject to UK tax which the Fund cannot recover under current tax legislation except for tax deducted at source from Real Estate Investment Trusts (REIT's). With respect to overseas tax, where a taxation agreement exists between this country and another whereby a proportion of withholding tax deducted from investment income can be recovered, this will be reclaimed, although the amount and timescales vary from one country to another.

NOTES TO THE PENSION FUND ACCOUNTS

14. ADMINISTRATIVE EXPENSES

These comprise:

	2007/08 £000	2006/07 £000
Pensions administration and payroll (see note below)	810	848
Actuarial expenses and valuation fees	58	50
Other administrative expenses	136	52
	1,004	950

In March 2007 the pensions administration function was taken back in-house from the pensions administration provider. £0.448m of Croydon Council's Pensions and Treasury section's payroll costs have been recharged to the Pension Fund. These relate to in-house costs of the pensions administration, the non-investment accountancy work and monitoring of expenses.

15. INVESTMENT MANAGEMENT EXPENSES

These comprise:

	2007/08 £000	2006/07 £000
Fund managers' fees (see a) below)	212	183
Investment advisors' fees	68	44
Direct salary and other related expenses (see b) below)	234	253
	514	480

- a) Fund managers' fees are based on the value of the funds under their control. This excludes fund managers' fees relating to Pantheon Ventures Fund as the fees were deducted at source from the market value of the investments held.
- b) £0.166m of Croydon Council's Pensions and Treasury section's payroll costs have been recharged to the Pension Fund in relation to all aspects of administering the investments of the Pension Fund including investment monitoring and accountancy work.

16. LUMP SUMS

These comprise:

	2007/08 £000	2006/07 £000
Commutation of pensions, lump sum retirement benefits and ill health retirement grants	6,121	6,024
Lump sum death benefits	192	425
	6,313	6,449

17. TRANSFERS VALUES PAID AND TRANSFERS VALUES RECEIVED

There were no group transfers paid or received during the year.

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

There was no single investment greater than 5% of the total market value of the Fund.

19. MEMBERSHIP

Membership of the Fund consists of current and ex-employees not of pensionable age, retired employees and dependants. At 31 March 2008, the Fund had 6,367 contributing members, 5,514 pensioners and 4,625 deferred pensioners.

1. GENERAL PRINCIPLES

The accounts have been prepared in accordance with the provisions of Chapter 2 (Recommended Accounting Practice) of the 2002 Pension Statement of Recommended Practice (SORP) as required by the Code of Practice on Local Authority Accounting in the United Kingdom 2007, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2. STATEMENT OF INVESTMENT PRINCIPLES

This is published in the Croydon Pension Scheme Annual Report.

3. FUND'S OPERATIONS AND MEMBERSHIP

The Fund operates a defined benefits scheme under the Superannuation Act 1972 as amended by subsequent regulations. Its purpose is to provide pensions to all of the Council's employees with the exception of teaching staff. Also included are the employees of admitted and scheduled bodies that have gained admittance to the Fund. Until 24 March 2007, the Fund was administered by Liberata UK Limited who collected contributions and paid benefits. The pensions administration was then taken over by Croydon Council from Liberata UK Limited and dealt with in-house. Investment management is the responsibility of the Council who have delegated most of this to one major fund manager.

Below is a list of the admitted and scheduled bodies contributing to the Fund:

Admitted:

Age Concern, BRIT School, Catholic Children's Society, Croydon Citizens Advice Bureau, Croydon Community Mediation, Creative Environmental Network, Croydon Meals Agency, Croydon Voluntary Action, Croydon Youth Development Trust, Croydon Welcare, Fairfield (Croydon) Limited, Fusion, Harris City Technology College, Interserve, National Car Parks (NCP), New Addington Women's Centre, R M Education and Veolia (formerly Cleanaway).

Scheduled:

London Borough of Croydon, Coulsdon College, Croydon College, John Ruskin College and St. Joseph's College.

4. CONTRIBUTIONS TO THE FUND

Employees in the scheme are required by the Local Government Pension Scheme Regulations 1997 to make contributions to the Fund by deductions from earnings at the rate of 6%, although some employees retain the right to contribute at 5%. For the year ended 31 March 2008 the employers' rate was 18.9% of pensionable pay for Croydon Council, the schools' non-teaching staff and scheduled bodies. Admitted bodies rates varied depending upon the rates determined by the Actuary.

5. DEBTORS AND CREDITORS

The accounts have been prepared on an accruals basis. All expenditure and income including the purchases and sales of investments and dividends due are charged or credited to the accounts during the year and any outstanding liabilities or debtors are included at the year end.

Transfer values receivable and payable at the year end that were not received by Croydon Council (acting on behalf of the Pension Fund) are not included in debtors and creditors at the year end in accordance with the accounting treatment required by the Pension SORP (Statement of Recommended Practice).

6. FOREIGN CURRENCY

Investments designated in foreign currency and holdings of foreign currency are valued in sterling at the exchange rates ruling at 31 March. All transactions during the year are valued in sterling at the date of the transaction.

7. EARLY RETIREMENT COSTS DUE TO REDUNDANCY

Employees who are members of the Local Government Pension Scheme, aged 50 or over and take early retirement due to redundancy are entitled, under the regulations, to receive their pension early based on the number of years service without any actuarial deduction. This causes a strain on the Pension Fund which can be measured as a capital cost and is recovered from Croydon Council over a period of between one and five years. The amounts recoverable are credited against pensions payable in the year that they are due.

ACCOUNTING POLICIES

Rules and practices adopted by the Council that dictate how transactions and events are shown or costed.

ACCRUAL

An amount charged to the revenue accounts for goods or services received during the year for which payments have not yet been made and income due but not received.

ACTUARY

An independent professional who advises on the position of the pension fund.

BALANCES

The amounts remaining at the year-end on the various funds of the Council.

CAPITAL EXPENDITURE

Expenditure on new fixed assets which will give benefit for a number of years. It can be financed from borrowing, where as revenue expenditure is paid for out of the current year's income.

CAPITAL RECEIPT

A receipt from the sale of surplus fixed assets, e.g. land, buildings, etc.

COLLECTION FUND ACCOUNT

A fund operated by the billing authority into which all receipts of Council Tax and National Non-Domestic Rates are paid.

COMMUNITY ASSET

An asset that an authority intends to hold in perpetuity, and that has no determinable finite useful life.

CONTINGENT LIABILITY

An expense that is likely to be incurred in the future.

COUNCIL TAX

A locally determined charge based on domestic property values levied by a local authority to enable it to provide its services.

CREDITOR

An amount owed by the authority for goods and services received where payment has not been made at the date of the Balance Sheet.

DEBTOR

An amount owed to the authority for goods and services provided at the date of the Balance Sheet.

DEPRECIATION

The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

EARMARKED RESERVE

An amount set aside for specific purposes falling outside the definition of provisions.

FIXED ASSET

A tangible asset that yields benefit to an authority and the services it provides for a period of more than one year.

GENERAL FUND

The account that summarises the revenue costs of providing services that are met by the Council's demand on the Collection Fund, specific Government grants and other income.

GROSS EXPENDITURE

Total expenditure before deducting income.

HOUSING REVENUE ACCOUNT

The Housing Revenue Account reflects a statutory obligation (Section 75 of the 1989 Act) to account separately for local authority housing provision. It identifies the major elements of housing revenue expenditure - maintenance, administration, rent rebates, and capital costs - and how these are met by rents, subsidy and other income.

INFRASTRUCTURE ASSETS

Fixed assets that cannot be easily disposed of, expenditure on which is only recovered by continued use of the asset e.g. highways and footpaths.

INTANGIBLE ASSET

A fixed asset that does not have physical substance, e.g. software licenses.

MINIMUM REVENUE PROVISION

The minimum amount which must be charged to an authority's revenue account and set aside as provision for credit liabilities.

NATIONAL NON-DOMESTIC RATE

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 paid into a central pool. This central pool is now redistributed as a proportion of Formula Grant.

NON-OPERATIONAL ASSETS

Fixed assets held by the Council but not used or consumed in the delivery of services e.g investment properties and assets that are surplus to requirements.

OPERATING LEASE

A lease under which the asset can never become the property of the lessee.

OPERATIONAL ASSETS

Fixed 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.

PRECEPT

An amount charged to the Collection Fund to finance services provided by another authority, i.e. the Greater London Authority.

PRIVATE FINANCE INITIATIVE

Government initiative under which the Council buys the services of a private sector to design, build, finance and operate a public facility.

PROVISION

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

REVENUE EXPENDITURE

The regular day to day running costs incurred in providing services e.g employee costs and purchase of materials.

REVENUE SUPPORT GRANT

A Government subsidy based on the needs and resources of an authority.

SORP

Statement of Recommended Practice. Its aims are to specify the principles and practices of accounting required to prepare a Statement of Accounts which 'presents fairly' the financial position and transactions of a local authority.

SUPPORT SERVICES

Activities of a professional, technical and administrative nature, which are not local authority services in their own right, but support front line services.

TRADING UNDERTAKING

An activity of a commercial nature that is financed substantially by charges to recipients of the service.