

Statement of Accounts 2009/10

September 2010

**CROYDON
COUNCIL**
www.croydon.gov.uk

COMMUNITY LANGUAGES

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

Bengali

যদি বড় হাতের ও বা অন্য অন্য কোনো ভাষায় পড়তে সহজ লাগে বা অন্য ভাষায় কথা বলা আরও ভাল লাগে তবে আমরা সে ভাষায় কথা বলা করতে পারি। আপনি যদি বড় হাতের বা অন্য অন্য ভাষায় কথা বলা আরও ভাল লাগে তবে আমরা সে ভাষায় কথা বলা করতে পারি। আপনি যদি বড় হাতের বা অন্য অন্য ভাষায় কথা বলা আরও ভাল লাগে তবে আমরা সে ভাষায় কথা বলা করতে পারি। ☎ 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，可行這種選擇的。若您需要，您可以得到安排傳譯員及翻譯英的幫助，詳情請打電話查詢 ☎ 020 8726 6000 查詢。

Francais

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

Gujarati

અંગ્રેજી સિવાયની કોઈ કોઈ એક ભાષા માં તમે આમનીથી વાતચીત કરતા હો તો એવું કરવા વિનંતી છે. જુલાઈવાની અને વાપરવારુરુની સહાયતા અને વાકાવાકી શરૂ છે. આ મુદ્દે ટેલિફોન નંબર 020 8726 6000 કોલ કરવો.

Hindi

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

Punjabi

ਜੇਕਰ ਤੁਹਾਨੂੰ ਅੰਗਰੇਜ਼ੀ ਤੋਂ ਇਲਾਵਾ, ਕਿਸੇ ਹੋਰ ਥੋੜੀ ਜਿਹ 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 வேறுநிலில் பேசுவதற்கு வசதிதான் இருந்தால், தயவு செய்து பேசவும். வேறுநிலில் வேறுநிலில் மொழிகள் வற்புறுக்கப்படுகின்றன. தொ. 020 8726 6000.

Turkish

İri yazılmış harfleri okumayı, ses kaseti veya Braille (çör) altâbesi kullanmayı daha kolay buluyorsanız, veya bizimle lağızceden başka bir şekilde iletişim kurmak istiyorsanız bu hizmet sağlayabiliriz. 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 براہ کرم ایسا ہی کیجئے۔ آپ اپنے ترجمان اور تفسیری زمرہ کو اپنے تفسیر کے ساتھ بھی موبائل پر

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 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 2010.

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 2010**

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 2009/10 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, Deputy Chief Executive and Executive
Director of Resources and Customer Services

24 September 2010

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

I have audited the Authority and Group accounting statements and related notes of the London Borough of Croydon for the year ended 31 March 2010 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. The Authority and Group accounting statements 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Chief Financial Officer and auditor

The Chief Financial Officer's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the Authority and Group accounting statements 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 and Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the 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 accounting 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 and Group accounting statements, and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Financial Review. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements 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 and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements 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 and Group accounting statements 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 and Group accounting statements and related notes.

Opinion

In my opinion:

- The Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- The Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Group as at 31 March 2010 and its income and expenditure for the year then ended.

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

Opinion on the pension fund accounting statements

I have audited the pension fund accounting statements for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Chief Financial Officer and auditor

The Chief Financial Officer's responsibilities for preparing the pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the pension fund accounting statements 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 pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of 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 read other information published with the pension fund accounting statements and related notes and consider whether it is consistent with the audited pension fund accounting statements. This other information comprises the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounting statements 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 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 pension fund accounting statements 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 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 pension fund accounting statements and related notes.

Opinion

In my opinion the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Philip Johnstone
District Auditor
Audit Commission
First Floor
Millbank Tower
Millbank
London SW1P 4HQ

24 September 2010

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 the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. 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 May 2008 and updated in October 2009, and the supporting guidance, 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 ended 31 March 2010.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Philip Johnstone
District Auditor
Audit Commission
First Floor
Millbank Tower
Millbank
London SW1P 4HQ

24 September 2010

EXECUTIVE SUMMARY

The Council manages its financial affairs within the framework of a four year financial strategy which currently covers the period 2007/11. A new financial strategy has now been developed for the organisation for 2010/14 to help navigate the challenging journey ahead in the public sector.

The Council's Financial Strategy Objectives during 2009/10 were:

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.

The Budget for 2009/10 was funded by an average band D Council Tax of £1,137.89. The local taxation increase for Croydon in 2009/10 was 3.84% with a headline increase of 2.99%, the lowest increase for seven years and slightly above the outer London average of £1,116.34. This enabled additional investments in key local priorities including crime reduction, education improvement and environmental improvements. Our capital budget invested additional resources into such areas as improvements to highways, the Turnaround Centre to support our younger generation, continued expansion of recycling and investment to meet the "Decent Homes" Standard to deliver quality homes for our tenants in the borough.

The central Government 2007 Comprehensive Spending Review (CSR) set future increases in funding for the Council of only 1.75% for 2009/10 and 1.5% for the following year. This under funding from central Government presents a significant financial challenge and therefore our efforts remain focused on securing a 'Fair Deal for Croydon' in the lead up to the CSR period. The Council receives the minimum increase in funding support from central Government, a position known as a 'Floor Authority', shared with 28 Boroughs in London.

Croydon has the **7th lowest** level of Council Tax of Outer London floor authorities. This has been achieved by delivering substantial levels of efficiencies during the year (£17.7m) and building upon our efficiency achievements over the medium term (£54.4m), ensuring we continue to deliver improved value for money to you, our residents by improving our services and keeping local taxation increases to the minimum possible.

The financial environment continued to be challenging and difficult during 2009/10 with the onset of global recession, a collapse in confidence in the banking system and volatile inflation. While these events have had a significant impact on the Council and the residents of Croydon the strength of the Council's financial standing and our active budget management has assured a strong final outturn for the year, without disruption to services or impact on Council Tax levels. During the year, the Council also responded to the recession through introducing a package of measures to assist local businesses and residents including advice and support services, a freeze on parking charges and earlier payment of invoices for small and medium enterprises within the Borough.

The following pages demonstrate that progress continues to be made against each of our strategic objectives as the Council continues to improve services and value for money for you, our residents.

STATEMENT OF ACCOUNTS

The Statement of Accounts for the year ended 31 March 2010 has been prepared and published in accordance with the Accounts and Audit Regulations 2003 and the 2009 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 2010.

The accounts comprise the following key statements:

- Income and Expenditure Account - a statement that brings together the income received and the expenditure spent on all the Authority's functions;
- Statement of Movement on the General Fund Balance - a statement that summarises the differences between the Surplus / Deficit on the Income and Expenditure Account and the General Fund;
- Statement of Total Recognised Gains and Losses - a statement that brings together all recognised gains and losses of the Authority during the year;
- Balance Sheet - this shows the Council's overall financial position at the end of the financial year;
- Cash Flow Statement - this shows a summary of the cash flowing in and out of the Council arising from our transactions with third parties;
- Housing Revenue Account - this shows the revenue and balance sheet position for the Authority's own housing stock on the current ring-fenced basis;
- Collection Fund - this statement summarises the collection and application of proceeds from Council Tax and National Non-Domestic Rates (Business Rates);
- Group Accounts - this statement consolidates the accounts for the Authority and its material interest in other bodies over which it exercises control; and
- Pension Fund Accounts - this statement presents the separate accounts of the Pension Fund.

The outturn position as reported in the Income and Expenditure Account is significantly affected by the value of the Council's property. This is a result of changes to value in the property portfolio bought about from the reconciliation of the asset register to the property management system. In addition there were downward revaluations to some of the Council's operational buildings.

GENERAL FUND OUTTURN 2009/10

The Council's revenue budget outturn for 2009/10 was an underspend of £2.297m, with a small overspend on services of £0.693m after contributing £8.355m to earmarked reserves. The General Fund balance carried forward to 2010/11 is £11.597m which exceeds the target for balances for 2009/10 and ensures delivery of that financial strategy target for the period.

Table 1 shows the Council's balances, reserves and provisions at 31 March 2010, compared with the previous three years.

Table 1 - Movement in Reserves and Balances

Reserves and Balances	2006/07 £m	2007/08 £m	2008/09 £m	2009/10 £m	Financial Strategy Target £m
General Fund Balances	9.157	9.286	9.300	11.597	14.100
Earmarked Reserves	15.713	19.033	25.641	33.996	33.996
General Fund Provisions	30.537	28.988	32.528	40.234	40.234
Total	55.407	57.307	67.469	85.827	88.330

The table excludes Schools reserves.

PROGRESS IN DELIVERING THE COUNCIL'S FINANCIAL STRATEGY

CONTRIBUTION OF 2009/10 TO THE FINANCIAL STRATEGY

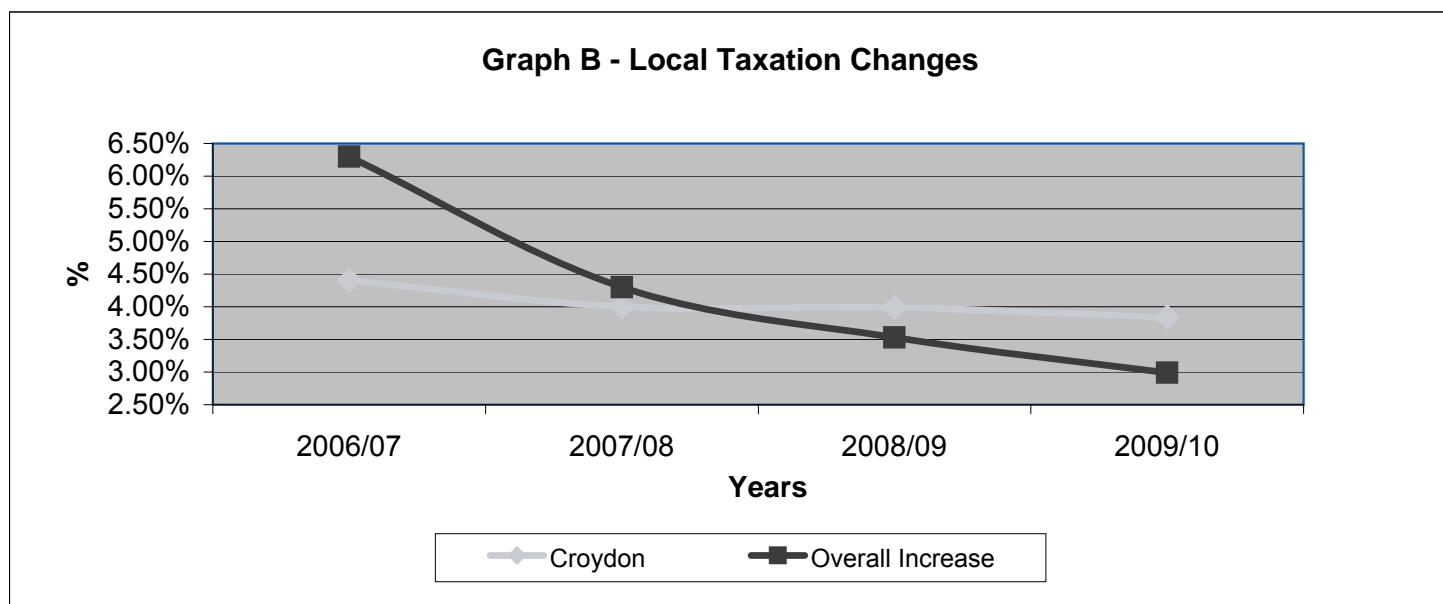
The Council has made significant progress in the achievement of its strategic financial objectives set out in the Financial Strategy.

Progress in achievement of the Council's strategic objectives and service outcomes will be presented to our residents through the Annual Report.

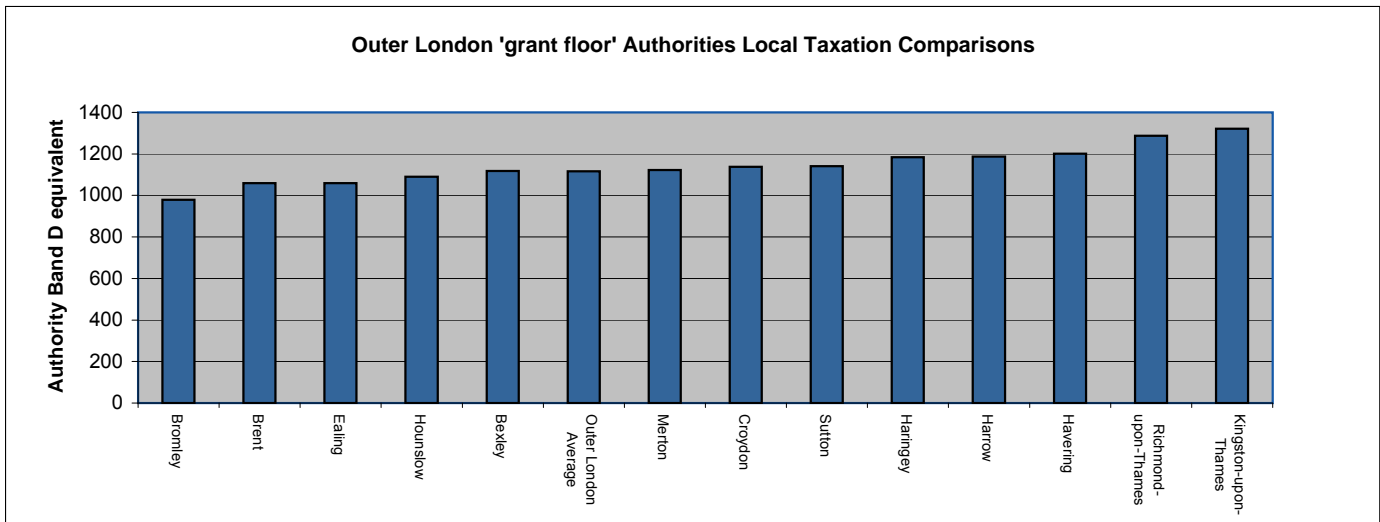
A new financial strategy has been developed to enable the Council to navigate through the difficult and challenging journey ahead for public sector organisations against the backdrop of a significant public sector deficit.

MAINTAINING AN AFFORDABLE COUNCIL TAX

The Budget for 2009/10 was funded by an average band D Council Tax of £1,137.89. The local tax increase for Croydon in 2009/10 was 3.84% with a headline increase of 2.99%, the lowest increase for seven years.



Local Taxation Policy comparisons for Outer London 'grant floor' Authorities

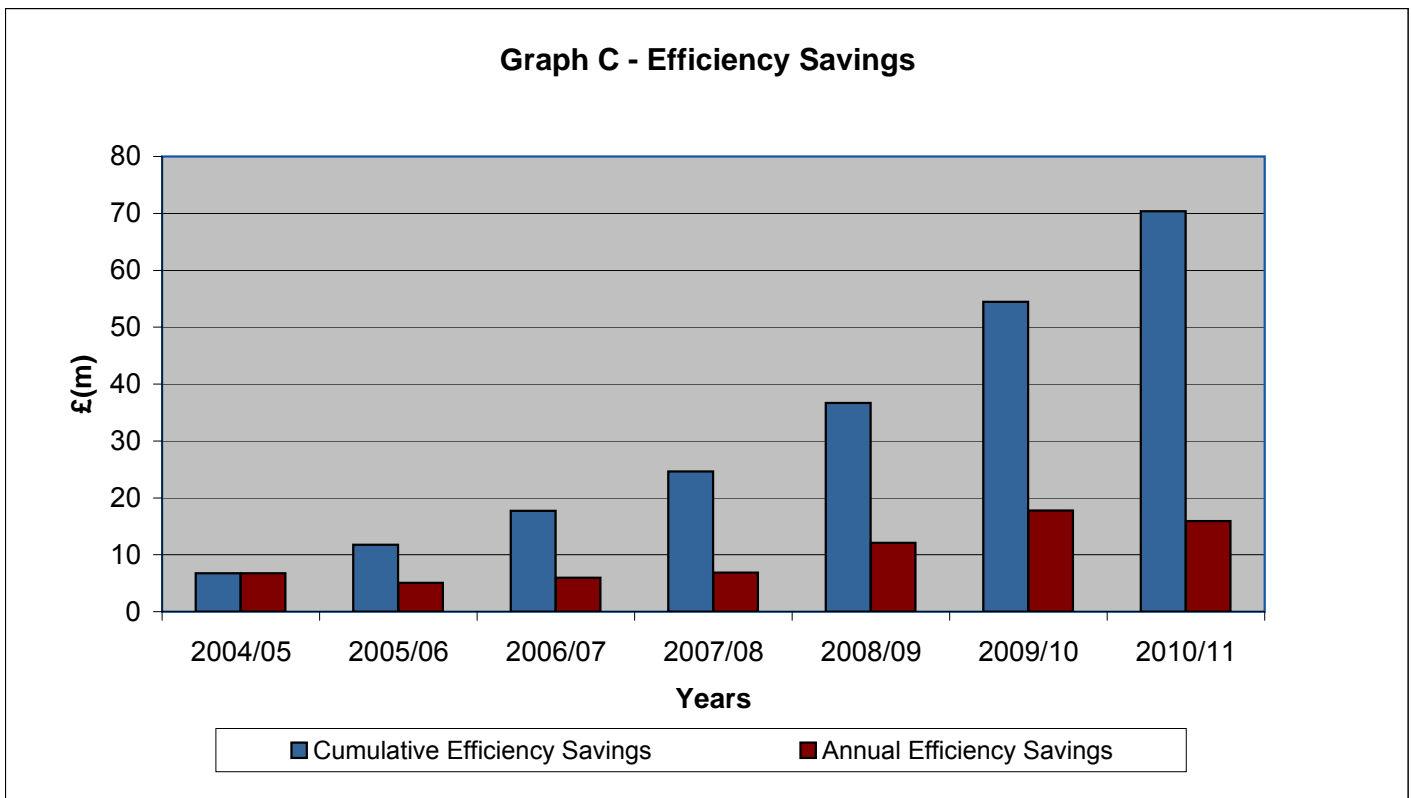


ENSURING THAT THE EFFICIENCY CULTURE IS EMBEDDED WITHIN THE COUNCIL TO SYSTEMATICALLY CHALLENGE AND SECURE VALUE FOR MONEY FOR OUR RESIDENTS

The Council has continued to embed our value for money challenge into all our services delivered through our RELEASE and DELIVER programme. This platform enables the Council to draw together all the extensive work it is doing in 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.

Cumulative efficiency savings over the past five years have risen to £47.7m per annum; this equates to 18.3% of the overall 2009/10 budget.

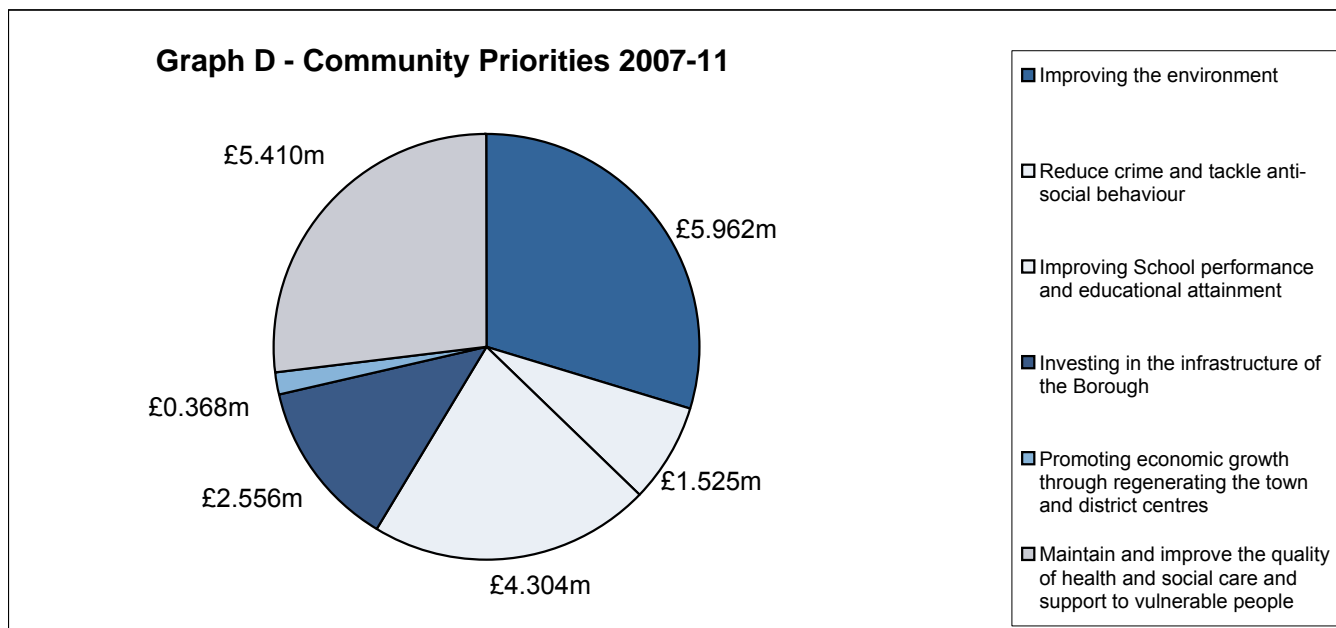
The Council has introduced a new efficiency programme, STEP CHANGE CROYDON, which will run from May 2010 to the end of 2013 and will focus on delivering more for less through a phased programme of projects. The aim will be to generate sufficient efficiencies across the organisation to address as much as possible of the financial gap Croydon will have over the next few years, with a key focus on the innovate delivery of high quality front line services.



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

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.

Over the last three years additional resources of £18m per annum have been involved in the key priorities of our community.



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

The Council funds investment in the Borough's infrastructure through external borrowing, Government grants, other external contributions, disposal of existing assets and an element of revenue funding for the HRA. Investment is also secured through PFI schemes and the Croydon Council Urban Regeneration Vehicle has been established to lever further private capital for infrastructure improvement and to accelerate the regeneration opportunities in the borough.

CAPITAL

The original approved General Fund Services capital programme (excluding the Housing Revenue Account (HRA)) totalled **£46.6m** and was increased during the year to **£92.67m** to reflect programme slippage from 2008/09, additional Government grants and S106 funds. Outturn capital spending was **£83.3m**, with the underspending of £9.4m (10.1%) mainly attributable to slippage in the delivery of schemes which will be delivered in 2010/11.

Capital schemes in 2009/10 included the delivery of:

- Improvement works to the Highways
- Thornton Heath Library refurbishment
- Continuing the Recycling expansion
- Turnaround Centre
- Integrated Childrens Hub

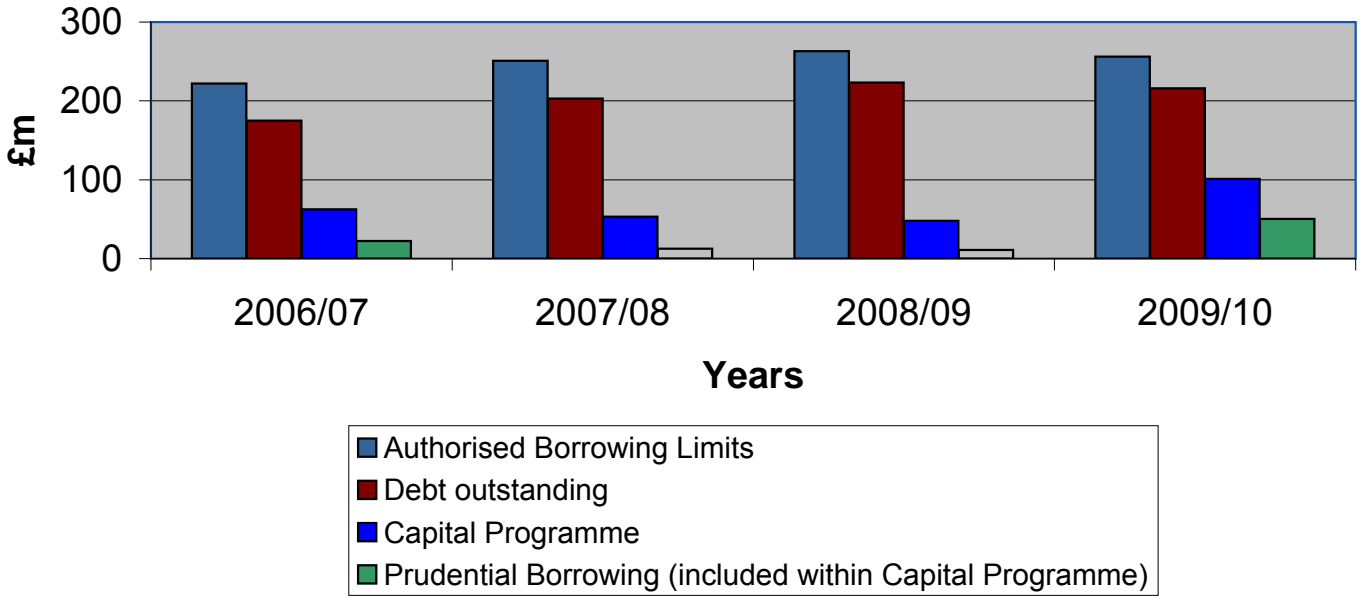
The original approved HRA capital budget was **£24.4m**, adjusted to **£28.07m** due to in-year approved changes to the budget. Expenditure of **£23.2m** was incurred.

The total expenditure for capital schemes was **£106.571m** in 2009/10.

As part of its Treasury management framework the Council agreed a set of Prudential Indicators covering 2009/10 and the next three years on a rolling programme. These indicators relate to capital investment and the treasury function to provide a level of assurance that investment and borrowing decisions are sustainable, affordable and most importantly prudent.

The Council kept within the limits of its prudential indicators for 2009/10.

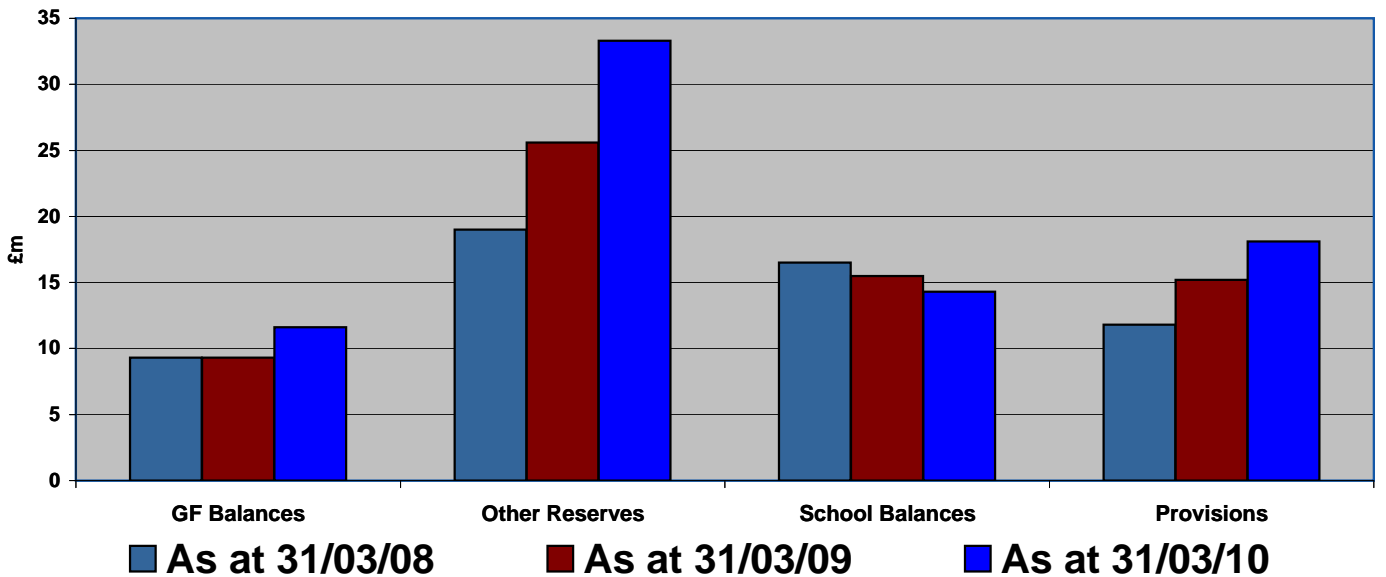
Graph E - Prudential Indicators for 2006/07 to 2009/10



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

The Council has achieved its target of General Fund balances of 3% of net operating expenditure over the medium term which underpins stability in delivery of the Financial Strategy objectives.

Graph F - Reserves, Balances & Provisions



HOUSING REVENUE ACCOUNT (HRA)

The 2009/10 Housing Revenue Account shows a net contribution to reserves of £0.745m. This was the 4th year in succession that there was a surplus to transfer into reserves.

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 2009/10:

Table 3 – Pension Fund Performance 2009/10

Detail of Composition of Net Assets	2008/09	2009/10	Net Increase / (Decrease)	Change
	£000	£000	£000	%
Total Investments	376,438	574,568	198,130	52.63%
Other bals held by Fund Managers	1,361	429	(932)	(68.48%)
Debtors	2,487	717	(1,770)	(71.17%)
Cash Held by:				
Fund Managers	9,406	7,587	(1,819)	(19.34%)
London Borough of Croydon	34,011	7,052	(26,959)	(79.27%)
Creditors	(6,659)	(6,892)	(233)	3.50%
Net Assets at Year End	417,044	583,461	166,417	39.90%

The table shows the effect of the recovery of the equity markets on the Pension Fund during 2009/10 and the new investment mandate implemented during 2009/10, this has had a favourable impact on the value of the investments of our Pension Fund.

The revised Asset Allocation Strategy was implemented during 2009/10 with the appointment of several new fund managers within the key categories identified by the Pension Committee. The objective is to stabilise returns at a lower level of market risk to facilitate achievement of the 22 year plan to close the funding gap. Achieving this will allow the Fund to meet its current and future liabilities to pensioners. The Fund will receive a tri-annual review in 2010 which will be reported to the Pension Committee with the future funding strategy recommendations.

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 31 March 2010, so the General Fund does not have to repay sums to the Collection Fund. This was forecast in the 2009/10 Budget where the Council's General Fund budget contains neither a surplus nor a deficit statement.

COUNCIL TAX

The nil balance on the Collection Fund assumes an overall Council Tax collection rate of 97% of 2009/10 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 (2009/10 debt collected in 2009/10). The target set for 2009/10 was 96.5% and the actual BVPI performance was confirmed at 95.58%, a shortfall of 0.92%, however this performance level was 0.23% up on the performance for 2008/09.

The net collectable debit for Council Tax in 2009/10 was £158 million. Table 4 shows the impact of actual performance against the target in cash terms for in-year performance, any outstanding sums due will continue to be collected during 2010/11.

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

	Target – 2009/10	Actual – 2009/10	Variance
Percentage	96.50%	95.58%	0.92%
Cash	£152.5m	£151.0m	£1.45m

These figures relate to amounts collectable for 2009/10 only; the amounts shown in the Collection Fund include variations to the debit for all past years up to and including 2009/10.

NATIONAL NON-DOMESTIC RATE (NNDR) COLLECTION

The target set for 2009/10 was 99.25% and the actual BVPI performance was confirmed at 96.54%, a shortfall of 2.71%. The collectable debit for business rates in 2009/10 was £112 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 – 2009/10	Actual – 2009/10	Variance
Percentage	99.25%	96.54%	2.71%
Cash	£111.2m	£108.1m	£3.1m

Collection rates for this year have been impacted by the down turn in the economic climate, with a number of businesses closing leaving large debts outstanding. Any outstanding sums due will continue to be collected during 2010/11.

CONCLUSION

Our strong financial progress continues to ensure that for every pound collected through local taxation from you our residents, that the Council makes the best use of those resources in delivering the services in the borough and that any additional Council Tax raised is spent on your priorities.

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



Nathan Elvery
Deputy Chief Executive and 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 2010 and up to the date of approval of the annual report and statement of accounts.

3. THE GOVERNANCE FRAMEWORK

- The "Croydon's Community Strategy" outlines the Council's purpose vision and aims. This is supported by the Corporate plan and service plans for each Department, Division and Team. 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 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, 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 Director of Democratic & Legal Services 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 & 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 Council's financial management arrangements conform to the requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government (2010).
- 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 & 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 business 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 Housing, Finance and Asset Management 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 satisfactory assurance by Internal Audit in 2009/10.
- 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 (LSP) which is lead 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 Local 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 including health, crime, transport and environmental issues. In addition, the Council operates a citizen's 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. The LSP also carries out consultation exercises to enable all residents and customers to contribute and shape the vision for Croydon over the coming years. This has contributed to a new vision statement for the borough entitled "We are Croydon – this is our vision".
- 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, including all major changes in legislation and governance issues.
- 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 & Competency Scheme. The Council's HR&OD service delivers its own suite of courses covering core personal competencies. Other training solutions are provided as required. The Council has also developed a Leadership Academy and Management Development Programme to improve leadership and management competencies across the organisation.

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 managers 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 & 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.

ANNUAL GOVERNANCE STATEMENT

- 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.
- 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 Directors and regularly to the Audit Advisory Committee. Implementation of recommendations is monitored and progress reported. The Internal Audit function is reviewed regularly by the external auditors who place reliance on the work completed. The Executive Director of Resources & 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 Care Quality Commission 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 2009/10

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

Key Risks	Action	Responsible Officer
1. The standard of financial management and internal control within schools has deteriorated particularly in relation to governance, staff appointment checks and financial controls.	Plans are in place to address this including training of governors and heads, pre meetings with schools before any audit checks and closer monitoring of schools with limited assurance.	Executive Director of CYPL
2. Control weaknesses were identified with the appointment and payment of some categories of staff and control over the staffing establishment.	The Council has launched an audit assessment framework to provide regular assessment on the robustness of our operational controls. In support of this programme of work the Council has issued formal change control notices to our contractors to enforce compliance.	Chief Executive
3. The Council faces significant financial pressures in-year from the impact of central Government reducing existing Government grants across a range of services.	In light of the economic environment predicted for the public sector this year and over the next few years, the Council is preparing a new approach to co-ordinate the efficiency programme across the Council - the Step Change Croydon Programme. The financial strategy and budget setting model have been refreshed and reshaped to ensure the recession impacts are appropriately planned for and managed. This is built into the 2011/12 budget setting process.	Deputy Chief Executive and Executive Director of RCS
4. Unable to secure full recompense for the services provided to asylum seekers within the borough.	In negotiations with the UKBA over funding for this area, to provide Croydon with a more secure and robust method of funding asylum seekers.	Executive Director of CYPL
5. Uncertainty around the future financial stability of the economic development company and its ability to deliver the targets in the Economic Development Strategy.	The Council continues to work closely with CEDC to monitor its financial situation, so that any necessary corrective action can be taken to ensure that programmes are affordable. The local economic assessment (October 2010) will propose revised economic targets, reflecting the current economic conditions.	Executive Director of PRC
6. Unable to deliver a clear sound strategic planning framework which hampers the pace of regeneration in Croydon metropolitan centre.	The LDF core strategy is on target for submission early in 2011, with an examination in public likely to take place later that year. A robust evidence base, prepared to support the document through tests of soundness, is almost complete. Negotiations are continuing with LDA and GLA for funding to prepare an OAPF, which is a subsidiary document to the London Plan, which would provide further planning certainty for CMC.	Executive Director of PRC

ANNUAL GOVERNANCE STATEMENT

Key Risks	Action	Responsible Officer
7. Inability to meet the putting people first agenda social reform milestones adequately.	Progress towards transforming social care is measured against indicators in the National Indicator Set and by the Care Quality Commission (CQC) in its assessment of local authorities' performance in delivering adult social care services. The putting people first milestones are a self improvement tool designed to stimulate discussion, planning, information sharing and accessing support in order to make the most effective progress towards implementing the putting people first programme. Programme management with monthly reporting to DASH Adult Social Care Transformation Board, quarterly self assessment of progress to the DH and benchmarking / sharing best practice, collaborative work across London and through national networks supports progress and enable risks to be raised at the earliest stage and remedial action to be considered and acted upon.	Executive Director of PRC

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.

ISSUES RAISED IN THE 2008/09 STATEMENT AND OUR PROGRESS TO DATE

Key Risks	Action Agreed	Outcome	Responsible Officer
<p>The continued economic recession places additional burdens and pressure across the Council and impacts on many of the Council's services as well as the expectations and requirements of the Council' customers and residents. This includes significant impact on public sector funding in terms of:</p> <ul style="list-style-type: none"> • Reductions in grant settlement to Local Government • Reduced income • Reduced capital receipts • Increasing efficiency targets. 	<p>The Council in partnership with the LSP has developed a borough-wide response to managing the diverse impacts of the recession on the partner organisations and the residents, customers and businesses we service. This includes:</p> <ul style="list-style-type: none"> • Economic Recovery Plan • A dedicated website to support residents, customers and businesses: Croydon Crunch • More flexible payment terms on business rates • Target payment of invoices in 10 days • Risk Register capturing all risks impacts and mitigation for management by the CMT • Revision and refreshing of the financial strategy and budget setting model to ensure recession impacts are appropriately planned for and managed. This is reflected in the 2009/10 budget. <p>The Council continues to develop its RELEASE and DELIVER programme, a platform to co-ordinate the efficiency activity across the organisation and ensure that resources deliver real results for residents. This includes the development of a number of key strategic initiatives which will drive out efficiencies and improve service design and delivery across the Council.</p>	<p>The Council have delivered a balanced budget for 2009/10 and successfully managed in-year all the recessionary pressures.</p> <p>The financial strategy and budget setting model have been refreshed and reshaped to ensure the recession impacts are appropriately planned for and managed. This is built into the 2011/12 budget setting process.</p> <p>The Council in partnership with the LSP has supported the community through the hard economic times with the following measures:</p> <ul style="list-style-type: none"> • A dedicated website to support residents, customers and businesses: Croydon Crunch • More flexible payment terms on business rates • Target payment of invoices in 10 days. <p>The Council is preparing a new approach to co-ordinate the efficiency programme across the Council in light of the forecast economic environment predicted for the public sector over the next three years - the Step Change Croydon Programme.</p>	Executive Director of Resources & Customer Services and Deputy Chief Executive

ANNUAL GOVERNANCE STATEMENT

Key Risks	Action Agreed	Outcome	Responsible Officer
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 whilst continuing to improve service delivery.	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. This includes the RELEASE and DELIVER programme detailed above.	The Council delivered a balanced budget for 2009/10 and prepared a robust financial strategy to guide the organisation through the financial challenges facing the public sector over the next four years. The Step Change Croydon programme will be the foundation of the new approach to efficiency the next period of the Finance Strategy.	Executive Director of Resources & Customer Services and Deputy Chief Executive
Unable to secure Building Schools for the Future funding delaying the Transforming Our Schools programme reducing the rate of improvement in education services.	Readiness to deliver statement has been submitted to central Government. Project programme on target to deliver.	The Council has successfully entered the BSF programme.	Executive Director of Resources & Customer Services and Deputy Chief Executive
Impact and changes required to children social services in light of Baby P case with difficulties in retaining and recruiting social workers and increased levels of referral.	The Council has reduced the number of temporary staff working in children's social care since Baby P. Pro-active plans are being made to improve the situation further. Social work posts have been increased by 12 to deal with increased demand from referrals.	Children's social care has moved into a new structure from 4.1.2010. A major transformation program 'Refocus & Reform' is under way. We are strengthening the social work professional skills of staff through the establishment of a Social Work Academy. A major recruitment drive for social workers is underway. We are working closely with CWDC on developing our graduate recruitment scheme and return to social work scheme.	Executive Director of Children, Young People & Learners
Delays to consultation and subsequent objectives and potential call-in preventing the opening of new academies at Haling and Ashburton schools resulting in disruption to services provision and additional expenditure.	The process has gone very straightforwardly hitherto. Final agreement is due shortly and the timescales have allowed for the possibility of any legal challenge.	Both Academies were successfully opened in September 2009. No process or legal challenges were encountered.	Executive Director of Children, Young People & Learners



Nathan Elvery
Deputy Chief Executive and 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 2010

			2009/10		2008/09
	Note No.	Gross £000	Income £000	Net £000	Net £000
Expenditure on services	Page 21				
Corporate and Democratic Core		23,799	(20,069)	3,730	675
Central Services to the Public		10,610	(3,764)	6,846	5,780
Cultural, Environmental and Planning Services		75,070	(15,522)	59,548	58,798
Highways, Roads and Transport Services		63,200	(40,607)	22,593	28,211
Education		474,286	(433,149)	41,137	36,657
Housing		347,794	(344,702)	3,092	5,712
Social Services		211,390	(81,140)	130,250	135,095
Non-Distributed Costs		1,826	0	1,826	2,229
Net cost of services		1,207,975	(938,953)	269,022	273,157
Other operating expenditure and income					
(Profit)/Loss on sale of fixed assets				19,930	20,675
Impairment of fixed assets				93,365	222,552
Levies paid to other bodies	5			2,336	2,352
Net (surplus)/deficit from trading undertakings not included in net cost of services	4			219	150
Interest payable and similar charges				15,114	12,990
Pensions interest cost and expected return on pension assets	45.1 & 45.2			29,641	20,552
Amortised premiums and discounts				0	0
Contribution to Housing pooled capital receipts				613	446
Interest and investment income				(6,751)	(9,197)
Net operating expenditure				423,489	543,677
Amount to be met from Government grant and local tax				423,489	543,677
Precept demanded from the Collection Fund	Page 72			(143,383)	(138,081)
Revenue Support Grant				(21,908)	(14,043)
Contribution from National Non-Domestic Rate Pool	20			(94,915)	(100,874)
Area Based Grant	15			(25,199)	(23,559)
Local Authority Business Growth Incentive				(509)	(438)
Collection Fund (surplus)/deficit	Page 72			0	0
Deficit for the year				137,575	266,682

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

See note 21 for further details.

	2009/10 £000	2008/09 £000
Deficit for the year on the Income and Expenditure Account	137,575	266,682
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(139,326)	(265,847)
Decrease/(Increase) in General Fund Balance for the year	(1,751)	835
General Fund Balance brought forward	(24,762)	(25,597)
General Fund Balance carried forward	(26,513)	(24,762)
Amount of General Fund Balance held by schools under local management schemes	(14,916)	(15,462)
Amount of General Fund Balance generally available	(11,597)	(9,300)
	(26,513)	(24,762)

The 2008/09 statement figures have changed due to the prior period adjustments mentioned in note 2.

INCOME AND EXPENDITURE ACCOUNT

ANALYSIS OF NET COST OF SERVICES

	2009/10			2008/09
	Gross £000	Income £000	Net £000	Net £000
Corporate and democratic core	23,799	(20,069)	3,730	675
Total Corporate and Democratic Core	23,799	(20,069)	3,730	675
Local tax collection	5,625	(2,323)	3,302	1,737
Registration of births, deaths and marriages	804	(568)	236	188
Elections	525	(23)	502	572
Emergency planning	389	0	389	479
Local land charges	519	(848)	(329)	(62)
General grants, bequests and donations	2,462	(2)	2,460	2,655
Coroner's service	286	0	286	211
Total Central Services to the Public	10,610	(3,764)	6,846	5,780
Other operating expenditure	3,867	(3,648)	219	129
Culture and related services	24,655	(3,163)	21,492	22,836
Environmental services	46,548	(8,711)	37,837	35,833
Total Cultural, Environmental and Planning Services	75,070	(15,522)	59,548	58,798
Planning and development services	12,480	(496)	11,984	11,436
Highways and transport services	50,720	(40,111)	10,609	16,775
Total Highways, Roads and Transport Services	63,200	(40,607)	22,593	28,211
Pre-Primary Education	22,604	(27,730)	(5,126)	2,285
Primary Education	209,322	(105,317)	104,005	95,556
Secondary Education	192,950	(104,876)	88,074	78,115
LEA Centrally held schools fund	0	(164,373)	(164,373)	(160,425)
Special Education	26,810	(17,030)	9,780	16,318
Adult Education and Community Learning	17,972	(12,198)	5,774	966
Youth Education	4,628	(1,625)	3,003	3,842
Total Education Services	474,286	(433,149)	41,137	36,657
General Fund housing	268,440	(259,968)	8,472	11,326
Housing Revenue Account	79,354	(84,734)	(5,380)	(5,614)
Total Housing Services	347,794	(344,702)	3,092	5,712
Social services	211,390	(81,140)	130,250	135,095
Total Social Services	211,390	(81,140)	130,250	135,095
Non-distributed costs	1,826	0	1,826	2,229
Total Non-Distributed Costs	1,826	0	1,826	2,229
NET COST OF SERVICES	1,207,975	(938,953)	269,022	273,157

The 2008/09 statement figures have changed due to the prior period adjustments mentioned in note 2.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2009/10 £000	2008/09 £000
Deficit for the year on the Income and Expenditure Account	137,575	266,682
(Surplus)/deficit arising on revaluation of fixed assets	(42,336)	(173,710)
Actuarial (gains)/losses arising on pension fund assets and liabilities	111,140	(44,414)
Other (gains)/losses required to be included in the statement	69	(2)
Total recognised (gains)/losses for the year	206,448	48,556
Prior period adjustment (see note "Movements on Pensions Reserve" on page 79)	0	985
Total (gains)/losses recognised since published Statement of Accounts for 2008/09	206,448	49,541

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.

The 2008/09 statement figures have changed due to the prior period adjustments mentioned in note 2.

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.	2009/10		2008/09
		£000	£000	£000
Fixed assets				
Intangible fixed assets	31		3,574	3,462
Tangible fixed assets	29			
Operational assets				
Council dwellings		663,171		659,252
Other land and buildings		902,902		937,398
Vehicles, plant, furniture and equipment		14,910		13,484
Infrastructure assets		83,607		82,998
Community assets		2,620		2,513
Non-operational assets				
Investment and miscellaneous assets		66,577		75,906
Surplus assets held for disposal		340		340
Works in progress		9,778		10,453
			1,743,905	1,782,344
Total fixed assets			1,747,479	1,785,806
Long-term investments	55		9,946	23,324
Long-term debtors	52		29,616	5,466
Total long-term assets			1,787,041	1,814,596
Current assets				
Stocks and works in progress	53	219		291
Debtors and payments in advance	54	162,548		108,224
Less provision for doubtful debts	54	(52,733)		(38,089)
Short-term investments	55	118,921		161,895
Cash and bank		9,318		10,614
			238,273	242,935
Current liabilities				
Short-term borrowing	35	(116,077)		(20)
Creditors and receipts in advance	56	(116,514)		(103,128)
Bank overdraft		(39,278)		(44,973)
			(271,869)	(148,121)
Net current assets			(33,596)	94,814
Total assets less current liabilities			1,753,445	1,909,410
Long-term borrowing	35	(198,082)		(292,439)
Deferred capital creditors		(7,065)		(5,842)
Pensions liability	45.2	(516,788)		(388,006)
Government grants deferred	57	(68,767)		(56,807)
Provisions	37	(18,121)		(15,246)
Total assets less liabilities	32		944,622	1,151,070
Funds and balances				
Revaluation reserve	38.2		244,904	202,873
Capital adjustment account	38.3		1,155,117	1,280,506
Financial Instruments adjustment account	38.4		(4,120)	(1,534)
Usable capital receipts reserve	38.5		228	2,732
Deferred capital receipts			291	360
Major repairs reserve	38.6		0	0
Pensions reserve	38.7 & 45.2		(516,788)	(388,006)
Earmarked reserves	38.8		33,996	25,641
Balances				
General Fund (schools balances)	43		14,916	15,462
General Fund (other)			11,597	9,300
Collection Fund	Page 72		0	0
Housing Revenue Account	Page 64		4,481	3,736
Total funds and balances			944,622	1,151,070

The 2008/09 statement figures have changed due to the prior period adjustments mentioned in note 2.

CASH FLOW STATEMENT

	Note No.	£000	2009/10 £000	£000	2008/09 £000
REVENUE ACTIVITIES					
Cash outflows					
Cash paid to and on behalf of employees		372,293			334,720
Other operating cash payments		478,861			492,678
Housing benefits paid out		150,522			122,332
Revenue expenditure funded from capital under statute Single Status		9,201			4,648
		0			1,629
			1,010,877		956,007
Cash inflows					
Rents (after rebates)		(27,738)			(27,631)
Council Tax income		(121,101)			(117,912)
National Non-Domestic Rate receipts		(106,187)			(109,038)
Revenue Support Grant		(21,908)			(14,043)
DWP grants for benefits		(230,266)			(195,406)
Other Government grants	50	(392,214)			(377,976)
Cash received for goods and services		(232,506)			(94,008)
			(1,131,920)		(936,014)
Net cash (inflow)/outflow from revenue activities	48			(121,043)	19,993
SERVICING OF FINANCE AND RETURNS ON INVESTMENTS					
Cash outflows					
Interest paid			13,245		12,145
Cash inflows					
Interest received			(5,110)		(12,523)
Net cash (inflow)/outflow from servicing of finance				8,135	(378)
CAPITAL ACTIVITIES					
Cash outflows					
Purchase of fixed assets		97,372			58,982
Other capital payments		0			3,924
			97,372		62,906
Cash inflows					
Sale of fixed assets		(1,329)			(2,697)
Capital grants received		(17,074)			(17,424)
Other capital cash receipts		(132)			0
Sale of long term investments		(13,033)			0
			(31,568)		(20,121)
Net cash (inflow)/outflow from capital activities				65,804	42,785
Net cash (inflow)/outflow before financing	49			(47,104)	62,400
Short term Investments					
			42,974		(31,500)
Other Liquid resources					
			21,331		6,945
				64,305	(24,555)
FINANCING					
Cash outflows					
Repayments of amounts borrowed			61,000		20,000
Cash inflows					
New loans raised			(82,600)		(60,000)
Net cash (inflow)/outflow from financing	49			(21,600)	(40,000)
(Increase)/decrease in cash				(4,399)	(2,155)

The 2008/09 statement figures have changed due to the prior period adjustments mentioned in note 2.

1. ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations during the year.

2. EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR PERIOD ADJUSTMENTS

There were no exceptional or extraordinary items for 2009/10.

Prior period adjustments

Private Finance Initiative (PFI) Accounting

The introduction of International Financial Reporting Standards (IFRS) accounting for PFI schemes was a change in accounting policy and required the 2008/09 balance sheet to be restated.

Collection Fund

Changes in the Statement of Recommended Practice (SORP) required the Collection Fund to be accounted for under agency accounting rules. This required a prior period adjustment to be made as it was a change in accounting policy and required the 2008/09 balance sheet to be restated.

Revaluations

A reconciliation of our Property Management system to the asset register resulted in a number of asset values needing to be adjusted. These adjustments were material and therefore required the 2008/09 balance sheet to be restated.

Please refer to pages 26 and 27 for an analysis of prior period adjustments.

NOTES TO THE CORE FINANCIAL STATEMENTS

RESTATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	Adjustments			Restated 2008/09 Net £000
	Published 2008/09 Net £000	Fixed Assets Net £000	PFI Net £000	
Expenditure on services				
Corporate and Democratic Core	3,108		(2,433)	675
Central Services to the Public	5,780			5,780
Cultural, Environmental and Planning Services	58,798			58,798
Highways, Roads and Transport Services	27,180	1,031		28,211
Education	37,832	5	(1,180)	36,657
Housing	5,579	133		5,712
Social Services	136,305	(671)	(539)	135,095
Non-Distributed Costs	2,229	0		2,229
Net cost of services	276,811	498	(4,152)	273,157
Other operating expenditure and income				
(Profit)/Loss on sale of fixed assets	(2,392)	29,590	(6,525)	20,673
Impairment of fixed assets	212,498	6,461	3,593	222,552
Levies paid to other bodies	2,352			2,352
Net (surplus)/deficit from trading undertakings not included in net cost of services	150			150
Interest payable and similar charges	11,316		1,675	12,991
Pensions interest cost and expected return on pension assets	20,552			20,552
Amortised premiums and discounts	0			0
Contribution to Housing pooled capital receipts	446			446
Interest and investment income	(9,197)			(9,197)
Net operating expenditure	512,536	36,549	(5,409)	543,676
Amount to be met from Government grant and local tax	512,536	36,549	(5,409)	543,676
Precept demanded from the Collection Fund	(138,081)			(138,081)
Revenue Support Grant	(14,043)			(14,043)
Contribution from National Non-Domestic Rate Pool	(100,874)			(100,874)
Area Based Grant	(23,559)			(23,559)
Local Authority Business Growth Incentive	(438)			(438)
Collection Fund (surplus)/deficit	0	0	0	0
Deficit for the year	235,541	36,549	(5,409)	266,681

RESTATED STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	Adjustments			Restated 2008/09 £000
	Published 2008/09 £000	Fixed Assets £000	PFI £000	
Deficit for the year on the Income and Expenditure Account	235,541	36,549	(5,409)	266,681
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(234,706)	(36,549)	5,409	(265,846)
Decrease/(Increase) in General Fund Balance for the year	835	0	0	835
General Fund Balance brought forward	(25,597)			(25,597)
General Fund Balance carried forward	(24,762)	0	0	(24,762)
Amount of General Fund Balance held by schools under local management schemes	(15,462)			(15,462)
Amount of General Fund Balance generally available	(9,300)			(9,300)
	(24,762)	0	0	(24,762)

NOTES TO THE CORE FINANCIAL STATEMENTS

RESTATED BALANCE SHEET

	2008/09 Published £000	Council Tax £000	Adjustments		Fixed Assets £000	2008/09 Restated £000
			NNDR £000	PFI £000		
Fixed assets						
Intangible fixed assets	3,462					3,462
Tangible fixed assets						
Operational assets						
Council dwellings	659,252					659,252
Other land and buildings	921,091			45,089	(28,782)	937,398
Vehicles, plant, furniture and equipment	8,238			3,891	1,355	13,484
Infrastructure assets	91,090				(8,092)	82,998
Community assets	3,544				(1,031)	2,513
Non-operational assets						
Investment and miscellaneous assets	82,115				(6,209)	75,906
Surplus assets held for disposal	2,840				(2,500)	340
Works in progress	10,151				302	10,453
	1,778,321	0	0	48,980	(44,957)	1,782,344
Total fixed assets	1,781,783	0	0	48,980	(44,957)	1,785,806
Long-term investments	23,324					23,324
Long-term debtors	7,840			(2,374)		5,466
Total long-term assets	1,812,947	0	0	46,606	(44,957)	1,814,596
Current assets						
Stocks and works in progress	291					291
Debtors and payments in advance	116,870	(6,166)	(5,632)	3,152		108,224
Less provision for doubtful debts	(46,341)	4,784	3,468			(38,089)
Short-term investments	161,895					161,895
Cash and bank	10,614					10,614
	243,329	(1,382)	(2,164)	3,152	0	242,935
Current liabilities						
Short-term borrowing	(20)					(20)
Creditors and receipts in advance	(106,674)	1,382	2,164			(103,128)
Bank overdraft	(44,973)					(44,973)
	(151,667)	1,382	2,164	0	0	(148,121)
Net current assets	91,662	0	0	3,152	0	94,814
Total assets less current liabilities	1,904,609	0	0	49,758	(44,957)	1,909,410
Long-term borrowing	(259,303)			(33,136)		(292,439)
Deferred capital creditors	(5,842)					(5,842)
Pensions liability	(388,006)					(388,006)
Government grants deferred	(64,888)				8,081	(56,807)
Provisions	(15,246)					(15,246)
Total assets less liabilities	1,171,324	0	0	16,622	(36,876)	1,151,070
Funds and balances						
Revaluation reserve	191,987			11,212	(326)	202,873
Capital adjustment account	1,311,646			5,410	(36,550)	1,280,506
Financial Instruments adjustment account	(1,534)					(1,534)
Usable capital receipts reserve	2,732					2,732
Deferred capital receipts	360					360
Major repairs reserve	0					0
Pensions reserve	(388,006)					(388,006)
Earmarked reserves	25,641					25,641
Balances						
General Fund (schools balances)	15,462					15,462
General Fund (other)	9,300					9,300
Collection Fund	0					0
Housing Revenue Account	3,736					3,736
Total funds and balances	1,171,324	0	0	16,622	(36,876)	1,151,070

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 £79.9m over the remaining 27 years of the contract.

Adults Homes For The Future (formerly New4Old)

In 2009/10 the Authority has made payment of £2.039m for two brand new facilities which opened late in 2008. The payments for these facilities for older people, which are fully maintained with all soft facilities management included, were made to Caring4Croydon. Local Authority staff provide the care services to the users and residents of the facilities.

The annual payment for a full year will rise to £4.571m in 2011/12 when all four homes are due for completion (Addington Heights and Langley Oaks resource centres have become operational in April and June 2010 respectively). These payments are index-linked so will increase year on year until contract expiration in 2038/39.

NOTES TO THE CORE FINANCIAL STATEMENTS

3. LONG-TERM CONTRACTS UNDER THE PRIVATE FINANCE INITIATIVE (continued)

Value of Assets Held	Ashburton Learning Village £000	Adult Homes For The Future £000	Customer Focus £000	2009/10 Total £000
Net Book Value as at 31 March 2009	21,879	11,998	3,891	37,768
Gross Book Value as at 31 March 2009	21,938	12,098	5,365	39,401
Additions	67	0	5,271	5,338
Revaluation	(2,110)	(4,438)	0	(6,548)
Gross Book value as at 31 March 2010	19,895	7,660	10,636	38,191
Depreciation as at 1 April 2009	514	100	1,474	2,088
Depreciation for year	467	243	2,659	3,369
Net Book value as at 31 March 2010	18,914	7,317	6,503	32,734
Value of Liabilities	Ashburton Learning Village £000	Adult Homes For The Future £000	Customer Focus £000	2009/10 Total £000
Creditors as at 31 March 2009	(17,949)	(12,178)	(3,008)	(33,135)
"Drawdown" at start of operational period	0	0	(1,728)	(1,728)
Capital Repayment	316	(25)	998	1,289
Creditors as at 31 March 2010	(17,633)	(12,203)	(3,738)	(33,574)
Repayment of Liabilities	Ashburton Learning Village £000	Adult Homes For The Future £000	Customer Focus £000	2009/10 Total £000
Within one year	334	(175)	1,450	1,609
Within two to five years	1,523	1,579	3,454	6,556
Within six to ten years	2,410	2,571		4,981
Within 11 to 15 years	3,126	3,444		6,570
Within 16 to 20 years	4,056	4,613		8,669
Within 21 to 25 years	5,263	6,180		11,443
Within 26 to 30 years	921	5,258		6,179
Total	17,633	23,470	4,904	46,007
Interest Payments	Ashburton Learning Village £000	Adult Homes For The Future £000	Customer Focus £000	2009/10 Total £000
Within one year	943	1,781	294	3,018
Within two to five years	3,582	5,560	326	9,468
Within six to ten years	3,973	6,353		10,326
Within 11 to 15 years	3,256	5,480		8,736
Within 16 to 20 years	2,326	4,310		6,636
Within 21 to 25 years	1,119	2,744		3,863
Within 26 to 30 years	36	692		728
Total	15,235	26,920	620	42,775
Service Charge Payments	Ashburton Learning Village £000	Adult Homes For The Future £000	Customer Focus £000	2009/10 Total £000
Within one year	662	1,372	11,993	14,027
Within two to five years	2,922	6,024	26,167	35,113
Within six to ten years	4,326	8,656		12,982
Within 11 to 15 years	5,165	10,059		15,224
Within 16 to 20 years	6,114	11,648		17,762
Within 21 to 25 years	7,188	13,444		20,632
Within 26 to 30 years	1,183	10,087		11,270
Total	27,560	61,290	38,160	127,010
Lifecycle Payments	Ashburton Learning Village £000	Adult Homes For The Future £000	Customer Focus £000	2009/10 Total £000
Within one year	411	392		803
Within two to five years	1,643	1,621		3,264
Within six to ten years	2,054	2,026		4,080
Within 11 to 15 years	2,054	2,026		4,080
Within 16 to 20 years	2,054	2,026		4,080
Within 21 to 25 years	2,054	2,026		4,080
Within 26 to 30 years	308	1,351		1,659
Total	10,578	11,468	0	22,046

4. TRADING UNDERTAKINGS

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

	2009/10		2008/09	
	(Surplus)/ Deficit £000	Turnover £000	(Surplus)/ Deficit £000	Turnover £000
Commercial Estates	(2)	106	3	113
Street Markets	224	230	159	224
Highways and Sewers	(10)	160	(59)	186
Transport Maintenance	139	0	47	111
Street Lighting	(132)	332	0	0
	219	828	150	634

5. LEVIES PAID TO OTHER BODIES

Levies were paid to the following Authorities:

	2009/10 £000	2008/09 £000
London Councils - London Boroughs Grants Scheme	1,183	1,182
Environment Agency	255	254
Lee Valley Regional Park Authority	387	385
London Pensions Fund Authority	511	531
	2,336	2,352

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 boroughs 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 for 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 (note 21).

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 £6.15 per head of population. The Council was permitted to spend £2.088m under this power in 2009/10 (£1.870m in 2008/09). Actual expenditure was £0.067m on donations to voluntary bodies working in the local area (£0.065m in 2008/09).

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.

	2009/10 £000	2008/09 £000
Publicity & Promotions	308	500
Press and Publications	346	408
Your Croydon Reports	225	205
Total publicity expenditure	879	1,113

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 2009/10 £000	Non-Chargeable 2009/10 £000	Total 2009/10 £000	Total 2008/09 £000
Expenditure				
Employee expenses	748	526	1,274	1,296
Transport	19	12	30	29
Supplies and services	61	123	184	93
Central and support services	200	126	327	190
Total Expenditure	1,029	786	1,815	1,608
Income				
Building regulation charges	(937)	0	(937)	(993)
Total Income	(937)	0	(937)	(993)
(Surplus)/Deficit for the year	92	786	878	615

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
2002/03 - 2004/05	(31)	(30)	(84)	(145)
2003/04 - 2005/06	(30)	(13)	(84)	(127)
2004/05 - 2006/07	(13)	(84)	(100)	(197)
2005/06 - 2007/08	(84)	(100)	67	(117)
2006/07 - 2008/09	(100)	67	33	(0)
2007/08 - 2009/10	67	33	92	192

10. AGENCY INCOME AND EXPENDITURE

There is no agency income or expenditure during 2009/10.

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 (BID) SCHEMES

The Croydon Business Improvement District (BID) 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 and improvements on existing services within the Town Centre independently from the Council. It is funded by a 1.038% 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. The only service the BID Company buy from the Council is the levy collection service. The most up to date figures from the BID Company are shown below:

	2009/10		2008/09
	£000	£000	£000
BID levy income		(1,130)	(1,082)
Interest receivable and similar income		(23)	(15)
		(1,153)	(1,097)
Costs of collecting levy	15		15
Payment for services provided by other parties	1,113		629
Administrative expenses and tax	200		140
		1,328	784
(Surplus)/Deficit for the year		175	(313)
Surplus brought forward		(313)	0
Surplus carried forward		(138)	(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. There are no arrangements made under this Act.

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 is hosted by the Council and the CCOTS agreement is hosted by the PCT.

	2009/10		2008/09
	£000	£000	£000
Croydon's Community Equipment Service			
Gross Income		(1,475)	(1,376)
Gross Expenditure		1,590	1,519
Net Expenditure		115	143
Croydon Council Contribution		(901)	(805)
Croydon's Community Occupational Therapy Service			
Gross Income		(2,333)	(2,117)
Gross Expenditure		2,247	2,062
Net Expenditure		(86)	(55)
Croydon Council Contribution		(1,531)	(1,383)

15. AREA BASED GRANT

From the 2008/09 financial year Local Area Agreement (LAA) Grant was replaced by Area Based Grant (ABG). ABG is a non-ringfenced general grant, without conditions on use imposed by its grant determination, thereby ensuring full local control over how the funding can be used. This means that, unlike LAA Grant, its use is not restricted to supporting the achievement of LAA targets. Also, unlike LAA Grant, ABG is paid directly to the Authority that benefits from the grant, rather than being paid to the upper-tier Authority for the area in the capacity of 'accountable body' for onward distribution.

The total amount of ABG received in 2009/10 was £25.199m.

16. MEMBERS ALLOWANCES

The total of allowances paid to the Members of the Council was £1.62m in 2009/10 (£1.62m in 2008/09).

17. EMPLOYEES' EMOLUMENTS

Out of more than 6,000 employees, the number whose remuneration, excluding pension contributions was £50,000 or more in bands of £5,000 was:

Remuneration Band	2009/10	2008/09
£205,000 - £209,999	0	1
£200,000 - £204,999	1	0
£195,000 - £199,999	0	0
£175,000 - 179,999	0	1
£160,000 - £164,999	1	0
£155,000 - £159,999	1	0
£150,000 - £154,999	0	1
£145,000 - £149,999	0	1
£140,000 - £144,999	2	1
£135,000 - £139,999	1	0
£130,000 - 134,999	0	0
£125,000 - £129,999	2	1
£120,000 - £124,999	0	0
£115,000 - £119,999	0	2
£110,000 - £114,999	3	5
£105,000 - £109,999	0	4
£100,000 - £104,999	8	5
£95,000 - £99,999	9	5
£90,000 - £94,999	9	8
£85,000 - £89,999	14	9
£80,000 - £84,999	15	11
£75,000 - £79,999	24	18
£70,000 - £74,999	34	18
£65,000 - £69,999	47	45
£60,000 - £64,999	61	74
£55,000 - £59,999	73	76
£50,000 - £54,999	187	171

NOTES TO THE CORE FINANCIAL STATEMENTS

17. EMPLOYEES' EMOLUMENTS (continued)

Corporate Management Team	Jon Rouse	Hannah Miller	Nathan Elvery	Emma Peters	Dave Hill	Tom Jeffrey	Damian Roberts	Pam Parkes	Julie Belvir
	Chief Executive	Deputy Chief Executive & Executive Director of Adult Services & Housing	Deputy Chief Executive & Executive Director of Resources & Customer Services	Executive Director of Planning, Regeneration & Conservation	Executive Director of Children, Young People & Learners	Executive Director of Community Services	Director of Strategy & Communication	Director of Human Resources & Organisational Development	Director of Democratic Legal Services & Monitoring Officer
2009/10									
Basic Salary	188,976	137,262	137,262	137,262	132,138	127,017	96,042	96,042	103,787
Chief Officer Allowance	6,321	6,321	6,321	6,321	6,321	6,321	6,321	6,321	6,321
Deputy Chief Executive Allowance	0	10,000	10,000	0	0	0	0	0	0
Additional Allowance	0	0	0	0	0	0	0	0	0
Salary (including Fees & Allowances)	195,297	153,583	153,583	143,583	138,459	133,338	102,363	102,363	110,108
Performance Related Pay	0	7,928	5,147	0	3,331	4,763	0	0	0
Expense Allowances	0	0	0	0	0	0	0	0	0
Compensation for Loss of Office	0	0	0	0	0	0	0	0	0
Benefits in Kind	0	0	0	0	0	0	0	0	0
Returning Officer Fee	8,352	0	0	0	0	0	0	0	0
Total Remuneration excluding Pension Contributions	203,649	161,511	158,730	143,583	141,790	138,101	102,363	102,363	110,108
Employer's Pension Contributions	43,161	33,942	33,942	31,732	30,599	29,468	22,622	22,622	24,334
Total Remuneration including Pension Contributions	246,810	195,453	192,672	175,315	172,389	167,569	124,985	124,985	134,442
2008/09									
Basic Salary	188,976	131,644	135,487	45,754	66,803	105,848	93,285	93,285	103,876
Chief Officer Allowance	6,321	6,321	6,321	2,107	3,196	5,267	6,321	6,321	6,321
Deputy Chief Executive Allowance	0	7,500	7,500	0	0	0	0	0	0
Additional Allowance	0	0	2,203	0	0	0	1,409	8,196	0
Salary (including Fees & Allowances)	195,297	145,465	151,511	47,861	69,999	111,115	101,015	107,802	110,197
Performance Related Pay	0	0	0	0	0	0	0	0	0
Expense Allowances	163	0	0	0	0	0	0	0	0
Compensation for Loss of Office	0	0	0	0	0	0	0	0	0
Benefits in Kind	0	0	0	0	0	0	0	0	0
Returning Officer Fee	12,263	0	0	0	0	0	0	0	0
Total Remuneration excluding Pension Contributions	207,723	145,465	151,511	47,861	69,999	111,115	101,015	107,802	110,197
Employer's Pension Contributions	42,550	29,820	31,060	9,812	14,350	22,779	20,708	22,099	22,590
Total Remuneration including Pension Contributions	250,273	175,285	182,571	57,673	84,349	133,894	121,723	129,901	132,787

The Council received a contribution in 2009/10 of £5,250 for Jon Rouse's work for Department of Health.

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. The Mayor is London's spokesman and leads the preparation of statutory strategies on transport, spatial development, economic development and the environment.

Croydon Council Urban Regeneration Vehicle: CCURV was formed in 2008, a limited liability partnership between the Council and John Laing for the development of parts of the Council's estate and the regeneration of the Borough. CCURV is a Joint Venture under Financial Reporting Standard 9 and as a consequence group accounts have been prepared.

London Authorities Mutual Limited (LAML): As a result of a Court of Appeal decision, LAML has stopped trading and its business is being "run off". Alternative cover has been arranged. The expected amount of capital to be returned will produce a loss on disposal of the LAML investment because of the need to fund retrospective liability cover. A provision has been made for the loss on disposal of the investment in LAML.
(see Note 33, page 47)

Croydon Economic Delivery Company (CEDC): CEDC Ltd was formed in June 2009 to deliver Croydon's economic delivery plans. In December 2009 the Articles of Association were amended so that the Council had 75% voting control. Croydon's analysis of the relationship under Financial Reporting Standard 5 - Reporting the Substance of Transactions, has concluded that CEDC is an agent of Croydon. However, CEDC's accounts have been excluded from the Group accounts as they are considered not to have a material impact.

CEDC Ltd had a turnover of £3.538m in 2009/10. Of that £0.554m of CEDC Ltd's income came from non LB Croydon sources. CEDC Ltd accounts show a profit of £0.389m for 2009/10 with the Company showing a net worth of £0.209m.

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, Executive Directors 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 compiled the existing declarations for Members from the Register of Members' Interests. The Council then issued 69 standard letters to 69 Members (sadly one Member, Lindsay Frost passed away in April 2010), asking them to confirm the entries, and make any additional disclosures if necessary. The 6 Executive Directors were issued with standard letters requesting disclosure of potential related party transactions. 52 Members and 4 Executive Directors had related party transactions.

NOTES TO THE CORE FINANCIAL STATEMENTS

18. RELATED PARTY TRANSACTIONS (continued)

Member	Declaration
Eddy Arram	Chairman, Addiscombe Boys and Girls Club
Jane Avis	Her husband works part time for the South Norwood and Woodside Community Centre
George Ayres	Board Member, Fairfield (Croydon) Ltd; Member, Ruskin House Ltd
Sara Bashford	Member, London Councils Grants Committee; Member, Friends of Selsdon Woods
Carole Bonner	Employee, South West London Law Centres; Member, Ruskin House Club; Member, Oxford Union; Member, the Employment Tribunal
Alison Butler	Employee, Malcolm Wicks MP; Board Member, Croydon Housing Aid Society; Board Member, Together in Waddon; Member, Bensham Manor Community Association
Jan Buttinger	Member, HADRA Residents Association; Hon. President, KENDRA Residents Association; Member, Corporate Parenting Panel. Her husband is a volunteer for Friends of Foxley Woods, a member of Foxley Woods Conservation Group, the Secretary of Kenley Fun Day and the treasurer of Purley and Kenley Churches together
Brian Cakebread	Director, SPAMB Ltd; Trustee, Coulsdon Community Centre; Member, Kenley District Residents Association; Member, Welcomes and Uplands Road Association; Member, Kenley Airfield Friends Group; Member, Purley and Woodcote Residents Association; Member, Purley Rotary Club
Raj Chandarana	Director, The National Council for Civil Liberties
Richard Chatterjee	Member, SACRE; Member, Croydon Road Safety Partnership; Member, LBC Public Transport Liaison Panel; Member, London Council Transport and Environment Committee; Member, South London Waste Partnership Planning Working Group; Member, Woodside Bereavement Services; Member, Old Croydonians Association; Member, Shirley Community Centre Association
Sherwan Chowdhury	Manager, Circle Anglia Housing; Trustee, Bangladesh Welfare Association Croydon
Luke Clancy	Member, NW Croydon Regeneration Forum
Stuart Collins	Member, Croydon Playing Fields Association; Member, Norbury Park Tennis Club; Member, Shirley Park Golf Club
George Filbey	Chair, Socco Cheta Youth Service
Mike Fisher	Chairman, London Councils Transport and Environment Committee; Deputy Chair, London Councils Grants Committee; Member, Shirley Community Centre; Member, Local Government Association; Member, London Councils Regional Environment Protection Committee
David Fitze	Member, Croydon PCT
Maria Garcia	Member, Sir Philip Game Centre
Maria Gatland	Member, Friends of Croham Hurst Woods
Timothy Godfrey	Member, Mitcham Common Environmental Trust; Member, Norwood Society; Member, Croydon Natural History and Scientific Society; Member, Ruskin House Croydon
Lynne Hale	Employee, Richard Ottaway MP; Magistrate, Croydon Magistrates Court; Member, Eleanor Shorter Fund; Member, Sanderstead Residents Association; Member, Croydon Scouting; Member, Friends of Kings Wood; Member, 8th Purley Scout Group; Member, Whitgift Foundation; Member, Croydon Churches Floating Shelter
Simon Hall	Member, London South East Valuation Tribunal; Board Member, Croydon Neighbourhood Care Association; Trustee and Treasurer, South Norwood and Woodside Community Association; Member, Timebridge Management Committee; Treasurer, Pavilion Project Management Committee; Treasurer, Peoples Day Project; Finance Committee, Community Server Ltd
Tony Harris	Conservator, Mitcham Common; Employee, Old Town Youth Club; Trustee, Surrey Clubs for Young People; Executive Committee Member, Croydon Playing Fields Association
Simon Hoar	Board, Bandon Hill Cemetery; Member, South Croydon Sports Club; Member, Coulsdon and Purley Badminton Club; Member, Purley Sports Club; Director, Kingswood Court Management Association
Steve Hollands	Board Member, Olympic and Paralympic Games 2012; Board Member, Homes for the Future; Member, Croydon Arnhem Committee; Member, Culture Public Private Partnership; Member, London Local Authority Act Forum; Member, Croydon Sports Council; Member, Kenley Residents Association; Member, Hartley Down Residents Association
Karen Jewitt	Manager, South Norwood and Woodside Community Association
Bernadette Khan	Member, Board of Fairfield (Croydon) Ltd; Member, NAGALRO
Shafi Khan	Committee Member, Bandon Hill Cemetery
Brenda Kirby	Trustee, Croydon Neighbourhood Care Association; Trustee, Octagon Cyber Café; Member, New Addington Groups working for Peoples Day; Member, New Addington Peoples Carnival and Pavilion Group; Board Member, Warehouse Theatre
Terry Lenton	Member; Downlands Countryside Management Project; Member, Coulsdon Community Centre Association
Toni Letts	Chair of Board, Croydon PCT; Member, Croydon Church, Croydon Charities, Whitgift Foundation
Maggie Mansell	Trustee, Croydon Youth Development Trust; Member, Ruskin House Club; Member, Socialist Health Association; Member, GMB; Fellow, Institute of Biomedical Sciences; Member, Institute of Health Management; Member, Royal Institution
Janet Marshall	Member, Church Tenements; Member, Age Concern Croydon

NOTES TO THE CORE FINANCIAL STATEMENTS

18. RELATED PARTY TRANSACTIONS (continued)

Name	Declaration
Dudley Mead	Director & Chairman, Fairfield Croydon; Director, Garwood Foundation; Director, London Mozart Players; Director, Mayshaw Property Limited; Deputy Chair, London Councils Housing Forum
Margaret Mead	Married to Deputy Leader of Croydon Council
Tony Newman	Director, Croydon PCT; Member, LGA Environment Board; Member, Croydon Credit Union
Michael Neal	Panel, Tenants and Leaseholder; Panel, Housing Reliability
Steve O'Connell	Member, Metropolitan Police Authority; Member, Croydon Economic Development Group
David Osland	Member, Purley & Woodcote RA; Member, South Woodcote RA; Member, Rotary Club of Purley
Jason Perry	Director, Carlton Building Plastics; Member, FRA; Member, Church Tenements Charity
Helen Pollard	Lay Member, Employment Tribunals Service; Non Executive Director, Fairfield (Croydon) Ltd; Director of Marketing and Admissions, Royal Alexandra and Albert School; Director, Gatton Park Lettings Ltd; Married to Deputy Leader of Croydon Council
Tim Pollard	Director, Communicate
Andrew Price	Panel, Croydon YOT
Gerry Ryan	Member, Ruskin House Club
Paul Scott	Partner, TP Bennett LLP; Shareholder, Ruskin House; Member, People for Portland Road; Member, Love Lane Green Association
Manju Shahul-Hameed	Member, South Indian Muslim Welfare Association; Member, Kerala Cultural and Welfare Association
Avril Slipper	Committee Member, Addiscombe Boys and Girls Club
Greta Sohoye	Trustee, Community Mediation Project; Chair, AGNAP; Chair, BMC Action Group; Trustee, Coulsdon Nursery Charity; Member, Croydon Voluntary Action
Donald Speakman	Committee Member, Bandon Hill Cemetery; Member, The Rotary Club of Croydon Whitgift
Enley Taylor	Owner, Elmpark Nursery; Owner, Riverside Nursery
Phil Thomas	Board Member, South London Waste Partnership; Member, Selsdon Residents Association
Brian Udell	Member, ECRA Committee; Member, ICAEW; Member, CBNWA; Member, Croydon Neighbourhood Watch Association
Susan Winborn	Member, Croydon Airport Society; Member, Croydon Natural History and Scientific Society; Member, Bourne Society; Member, Purley and Woodcote Residents Association
Chris Wright	Trustee, Coulsdon and District Nursery Fund; Member, Old Coulsdon Youth Club; Chairman, Friends of Bradmore Green Pond

Corporate Management	Declaration
Jon Rouse	Director, Croydon Business Venture (to 31 Jan 2010); Director, CCURV Ltd; Member, Heathfield Ecology Centre; Member, Croydon Savers; Director, Fairfield Trust (from 23 Mar 2010); Board Member, Department of Health (from 06 Sep 2009)
Nathan Elvery	Chairman, London Authorities Mutual Ltd; Director, Croydon Enterprise Loans Fund Ltd; Director, CCURV Ltd
Tom Jeffrey	Director, CCURV Ltd
Emma Peters	Board Member, Croydon Economic Development Company (Jun 2009 to Oct 2009)

Members of the Council, with the exception of those listed above, and Senior officers of the Council, with the exception of Mr Jon Rouse, Chief Executive and Mr Nathan Elvery, Deputy Chief Executive and Executive Director of Resources and Customer Services, 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:

	2009/10 £000	2008/09 £000
Receipts		
Pension Contributions - from the Council (employer's contributions)	27,578	25,085
Pension Contributions - from employees (deductions paid over)	8,406	8,259
Total Receipts	35,984	33,344

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

	2009/10 £000	2008/09 £000
Support to Voluntary Organisations		
London Boroughs Grants Committee	1,183	1,182
Payments to foster parents	4,422	4,468
Environment Agency Levy	255	254

NOTES TO THE CORE FINANCIAL STATEMENTS

18. RELATED PARTY TRANSACTIONS (continued)

Assisted Organisations Receiving Grants in Excess of £50,000 during Financial Year 2009/10

Organisation	Funding Programme	Purpose of Funding 2009/10	£
Croydon Association for the Young Single Homeless (CAYSH)	Housing (CLG Homelessness Prevention Fund); Housing plus CLG Homelessness Grant; Housing (Supporting People Programme)	Hostel placement co-ordinator to make best use of hostel places and ensure Council can place priority need single homeless; Staff and running costs to provide a housing advice service at an assessment and advice centre for young people (additional funding from Children Young People & Learners); Support in shared houses for young single homeless people and care leavers; support for young people at risk of offending; supported lodgings for young people; PVE (CPeip extended project)	1,559,722
Croydon Churches Housing Association (CCHA)	Housing (Supporting People Programme)	Croydon Rent in Advance Scheme; Support in shared houses and independent flats for single homeless people, young people, people with mental health problems or learning disabilities; Support in sheltered flats for elderly people; floating support for people with mental health problems, care leavers, young people, teenage parents and vulnerable families and single people who are homeless or at risk of homelessness, and resettlement support for rough sleepers	859,871
CASA Support	Housing (Supporting People Programme)	Floating support and supported houses for people with epilepsy, learning disabilities or mental health problems; support in registered care homes for people with learning disabilities; tenancy support for vulnerable adults	815,578
South London YMCA Housing Association	Housing (Supporting People Programme)	Support in shared hostels for young people, single homeless people and people with drug and alcohol problems; a drug resettlement service	771,562
Pre School Learning Alliance - Croydon Branch	CYPL - Early Education and Childcare	Core grant to support Organisation to assist pre-schools; Supporting delivery of EYFS in Day Care Settings; Providing Mobile Toy Library (linked to Children's Centres)	581,790
Croydon Voluntary Action	Corporate Funding; Older People & PDSI; Rate Relief; Youth; CYPL ABG; Children, Young People & Families Programme	Infrastructure - Core Cost; Older people - SLA for older people network; Older people - SLA for Community Involvement; Market Rents - Core Cost; Working Neighbourhood Fund - A Voice for my Community; Community Cohesion - Faiths Together in Croydon; Working Neighbourhood Fund - Talk2Croydon; Working Neighbourhood Fund - Community Network; Community Cohesion - Equalities and Cohesion; Mental Health stakeholders forum; Discretionary Rate Relief; Waterside Centre - Event support; Admin Support for MV; Parenting network forums	551,352
Croydon Citizens Advice Bureau	Corporate Funding; Rate Relief	Market Rents; Legal Advice; Discretionary Rate Relief	513,540
MIND in Croydon	Corporate Funding; Mental Health (Joint funding with PCT - Council Contribution; Rate Relief	Market Rents - Core Cost; Counselling Services; Enterprise House Employment - Employment support services; Fairfield Club Drop in Advice Services; Furniture Service - Furniture recycling service to facilitate resettlement; Information Service - Maintenance of online mental health service directory, and occasional production of hard copy mental health service directory; Welfare Benefits Advice Service; Discretionary Rate Relief; Digital art and filmmaking workshops with adults with mental health issues leading towards screenings and mini film festival.	473,187
Leaf House (Shrublands Family Centre)		Integrated Services Strand 3; CPeip; Children's Centre Services	350,310
Croydon Crossroads Limited	Career Grant DOH/Parent Carers; Carers Grant	Saturday Club; Short Breaks; Carers Support Service; Carers of people with Mental Health Needs	327,027
Barnardos	Rate Relief; CYPL - Early Education and Childcare; Children, Young People & Families Programme	Discretionary Rate Relief; Children's Centre Services Upper Norwood; Children & Families - Ind/Fam/Grp Therapy, Contact (Heshima); Peepul Family Resource Centre; Barnardos- Heshima family support Centre; Strengthening Families (People project (One Off)); Heshima - PVE (CPeip extended project); Peepul - PVE (CPeip extended project)	296,749
Thames Reach HA	Housing (Supporting People Programme)		294,974

NOTES TO THE CORE FINANCIAL STATEMENTS

18. RELATED PARTY TRANSACTIONS (continued)

Assisted Organisations Receiving Grants in Excess of £50,000 during Financial Year 2009/10 (continued)

Organisation	Funding Programme	Purpose of Funding 2009/10	£
Age Concern	Older People & PDSI; Corporate Funding		235,510
Croydon Playcare Company	Children, Young People & Families Programme; CYPL - Early Education and Childcare; Rate Relief	Integrated Services Strand 3; Children's centre funding - Childcare sustainability; Children's Centre Services; Discretionary Rate Relief	233,291
Ability HA	Supporting People		232,137
Drop in Counselling and Information Service (CYICS)	Youth Work	Discretionary Rate Relief; SLA Agreement	226,295
Off the Record	Carers		225,302
St. Mary's Family Centre	Children, Young People & Families Programme	Childrens & Families - Family Assess; Childrens & Families - Childcare/Nursery	219,980
Knights Millennium	Housing (Supporting People Programme)	Support in a hostel for young people with support needs	215,576
Croydon Homestart	CYPL - Early Education and Childcare; Children, Young Person & Families Programme	To provide Outreach service linked to Children's Centres; Face to face support for disabled children and families; Emergency bridge payment to prevent service reduction parenting fund unsuccessful; Parenting Fund Transitional project 2008/09	192,000
Stonham Housing Association	Housing (Supporting People Programme)	Support in a hostel for people leaving prison	189,357
NCH (National Children's Homes)	Children, Young People & Families Programme		184,980
InTouch Support	Housing (Supporting People Programme)	Support for elderly people in sheltered flats and own homes, in shared houses for young people and people with learning disabilities; outreach floating support for people with learning difficulties	178,838
Eldon Housing Association	Housing (Supporting People Programme)	Support for elderly people and frail elderly people in sheltered flats and extra sheltered flats	172,795
Disability Croydon	Corporate Funding; Older People & PDSI;	Legal Advice; Older people - SLA	160,652
Oasis Trust	Housing (Supporting People Programme)	Support in a Foyer for young people with support and educational needs	154,571
Fieldway Family Centre	Rate Relief; Children, Young People & Families Programme	Discretionary Rate Relief; Integrated Services Strand 3; CPeip	151,788
Together in Waddon Community Project	Children, Young People & Families Programme; Corporate Funding; CYPL - Education	Integrated Services Strand 3; Children's Fund Transitional Project 08/09; Infrastructure - Core Cost; Advice; Trips, health forums, general issue debates Drama. Working together with local people to promote community spirit, identity through a community	124,850
SOVA Croydon Young People	CYPL - Youth Offending Team; Children, Young People & Families Programme	Mentoring project for young people aged 10 to 17; Children's Fund Transitional Project 08/09	124,630
Croydon Mencap	Children, Young People & Families Programme; Learning Disability Commissioning; Rate Relief; Carers Grant	Integrated services Strand 3; Children's Fund Transitional Project 08/09; Learning Disability; Discretionary Rate Relief; Young persons youth club; Older peoples project	122,963
Croydon African Caribbean Family Organisation	Corporate Funding; Older People & PDSI; Rate Relief; CYPL - Education	Market Rents - Core Cost; Other Organisation Core costs - non rent; Discretionary Rate Relief; Supplementary Education grants	120,888
Tabernacle of Praise (Topcare)	Carers Grant; Older People & PDSI	Support for carers; Provide outreach service to the BME communities and individuals	120,572
London Mozart Players	Arts and Culture	To deliver concert series at Fairfield Halls and the Clocktower Arts Centre; to deliver a borough-wide programme of classical music education and outreach activity	104,657
Christian Family Concern	Housing (Supporting People Programme)	Support in a mother and baby home and in a shared house for young single homeless people	97,778

NOTES TO THE CORE FINANCIAL STATEMENTS

18. RELATED PARTY TRANSACTIONS (continued)

Assisted Organisations Receiving Grants in Excess of £50,000 during Financial Year 2009/10 (continued)

Organisation	Funding Programme	Purpose of Funding 2009/10	£
Croydon Neighbourhood Care Association	Older People and & PDSI; Rate Relief	Older people, people with disabilities and sensory impairment; Discretionary Rate Relief	95,485
Parchmore Methodist Church	Older People & PDSI	Older people, people with disabilities and sensory impairment	91,092
BME Forum	Corporate Funding	Infrastructure and capacity building	90,170
Imagine	Mental Health (Joint funding with PCT - Council contribution)		87,977
Bangladesh Welfare Association	CYPL - Education; Corporate Funding; Carers Grant	Community Languages; Advice; Short breaks for carers in the Bangladeshi community	87,248
Restore	Mental Health Carers Support		86,964
Croydon Housing Aid Society	Housing	To provide an independent housing advice service to local residents	75,000
Croydon Community Mediation	Corporate Funding; Housing; Rate Relief	Legal Advice; For office and operating costs of a mediation service; Discretionary Rate Relief; Market Rents - Core Cost	74,091
Alzheimers	Older People & PDSI;	Older people, people with disabilities and sensory impairment	71,967
Westbury Community Project (Mercedes Amos Centre)	Older People & PDSI	Older people, people with disabilities and sensory impairment - Westbury Senior Citizens	69,486
Upper Norwood Association for Community Care	Older People & PDSI	Older people SLA	69,365
Croydon Hearing Resource Centre	Older People and & PDSI	Older people, people with disabilities and sensory impairment	68,820
Welmede HA	Housing (Supporting People Programme)	Floating support for learning disability	66,830
South West London Law Centre	Rate Relief; Corporate Funding	Discretionary Rate Relief; Advice	63,970
Croydon Resource Centre	Corporate Funding; Mental Health (Joint funding with PCT - Council Contribution)	Other organisations - Core Cost; Drop in and Advice Service	58,581
South London Family HA (SLFHA)	Housing (Supporting People Programme)	Support for elderly people in sheltered flats	55,472
Croydon Youth Development Trust	Rate Relief; Youth Work; CYPL - Youth Offending Team	Discretionary Rate Relief; Youth work projects for young people; Groupwork programme for young people; To provide CABs groupwork programme for young people aged 13 to 17	55,013
Stepping Stones Trust	Housing (Supporting People Programme)	Support in a shared house for Christian men with mental health problems leaving prison	54,617
Victim Support Croydon	Corporate Funding; Rate Relief	Crime and Disorder - Core Cost; Discretionary Rate Relief; Hate Crime	52,960

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 2009/10 which accounts for the majority of grant provided.

NOTES TO THE CORE FINANCIAL STATEMENTS

19. AUDIT COMMISSION FEES PAYABLE DURING THE YEAR

	2009/10 £000	2008/09 £000
Audit Commission fees payable:		
Audit of annual accounts	253	245
Inspection	165	184
Certification of grant claims	110	104
Fees payable for other services	2	0
	529	533

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)

	NDR Pool £000	% of Formula Grant %
2008/09	100,874	87.8
2009/10	94,915	87.7

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

	£000
NNDR Collectable	108,210
Receipt from the NNDR Pool	94,915
Net Contribution	13,295

21. STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	2009/10 £000	2008/09 £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	(1,369)	(729)
Depreciation and impairment of fixed assets	(32,775)	(20,823)
Government grants deferred amortisation	11,274	5,355
Revenue expenditure funded from capital under statute	(3,069)	(5,728)
Other finance adjustments	(271)	229
Premiums paid on early redemption of debt	(3,009)	0
Net gain/(loss) on disposal of fixed assets	(19,930)	(20,675)
Net gain/(loss) on revaluation of fixed assets	(93,365)	(222,550)
Net charges made for retirement benefits in accordance with FRS17	(17,642)	(19,610)
	(160,156)	(284,531)
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		
Amortisation of premiums and discounts	694	573
Transfer from Usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool	(613)	(446)
Capital expenditure charged in the year to the General Fund	5,678	2,426
Statutory provision for the repayment of debt for capital financing (MRP)	5,971	10,895
	11,730	13,448
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	745	(1,372)
Net transfer to or from earmarked reserves	8,355	6,608
	9,100	5,236
Net additional amount required to be credited to the General Fund Balance for the year	(139,326)	(265,847)

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.

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	22,953	133	489	23,575
Accumulated depreciation on assets sold	(1,984)	(126)	(8)	(2,118)
Net book value of assets written off to the Capital Adjustment Account	20,969	7	481	21,457

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	2009/10 Total £000	2008/09 Total £000
EXPENDITURE:				
Fixed assets	54,793	22,965	77,758	59,226
Revenue expenditure funded from capital under statute	8,997	204	9,201	4,648
Single Status - Revenue expenditure funded from capital under statute	0	0	0	1,629
Intangible assets	1,467	14	1,481	883
Loan for Public Service Delivery Hub	18,131	0	18,131	0
Loan for Davis House	0	0	0	3,924
	83,388	23,183	106,571	70,310
FINANCED BY:				
Borrowing approvals	49,622	7,681	57,303	35,263
Capital receipts	19	3,398	3,417	5,496
Grants	21,937	1,166	23,103	6,823
Grants relating to revenue expenditure funded from capital under statute	6,132	0	6,132	9,989
Revenue Contributions	5,678	0	5,678	2,426
Major Repairs Reserve	0	10,938	10,938	10,313
	83,388	23,183	106,571	70,310

24. CAPITAL COMMITMENTS

Capital schemes with significant contractual commitments for future capital expenditure

Department	Capital Scheme	Expenditure to 31 March 2010 £000	Estimated Total Cost £000
Adult services and housing	Housing New Build Phase 1	5,939	6,180
	Housing New Build Phase 2A	588	11,500
Children, young people and learners	Replace Waddon and Duppas Schools with 2 Primary Schools	3,203	6,544
	Extended Schools Projects	0	634
Community services	Thornton Heath Library Refurbishment	1,802	2,288
Planning, regeneration and conservation	Waddon Waylands Regeneration Scheme	2,561	20,100
	Wellesley Road - Implementation	256	370
	Public Service Delivery Hub	19,323	110,000
		33,672	157,616

28. 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 2009/10 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 Mouchel, 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. Council dwellings are revalued each year.

NOTES TO THE CORE FINANCIAL STATEMENTS

29. 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	Surplus Assets held for Disposal £000	Work in Progress £000	
Revised Net Book Value 1 April 2009	659,252	937,399	13,484	82,998	2,513	75,906	340	10,453	1,782,345
Revised Gross Book Value 1 April 2009	669,560	978,577	22,812	107,120	2,516	77,311	340	10,453	1,868,689
Additions	22,344	28,350	7,502	8,743	107	1,834	0	8,878	77,758
Donations	0	0	0	0	0	0	0	0	0
Disposals	(489)	(22,953)	(133)	0	0	0	0	0	(23,575)
Reclassifications	0	0	0	0	0	0	0	0	0
Transfers	0	8,578	0	0	0	975	0	(9,553)	0
Impairments	(17,315)	(65,186)	0	0	0	(41,311)	0	0	(123,812)
Revaluations	0	17,220	0	0	0	27,768	0	0	44,988
Gross book value 31 March 2010	674,100	944,586	30,181	115,863	2,623	66,577	340	9,778	1,844,048
Revised Depreciation 1 April 2009	10,308	41,178	9,328	24,122	3	1,405	0	0	86,344
Depreciation for year	10,937	18,572	6,069	8,134	0	0	0	0	43,712
Depreciation on assets sold	(8)	(1,984)	(126)	0	0	0	0	0	(2,118)
Reclassifications	0	0	0	0	0	0	0	0	0
Depreciation on Impairments	(10,308)	(15,253)	0	0	0	0	0	0	(25,561)
Depreciation on revaluations	0	(829)	0	0	0	(1,405)	0	0	(2,234)
Depreciation & Impairments 31 March 2010	10,929	41,684	15,271	32,256	3	0	0	0	100,143
Net book value 31 March 2010	663,171	902,902	14,910	83,607	2,620	66,577	340	9,778	1,743,905
Nature of asset holding									
Owned	663,171	876,671	8,407	83,607	2,620	66,577	340	9,778	1,711,171
Finance lease	0	0	0	0	0	0	0	0	0
PFI	0	26,231	6,503	0	0	0	0	0	32,734
	663,171	902,902	14,910	83,607	2,620	66,577	340	9,778	1,743,905

Council Dwellings

Council dwellings are valued at less than market value, as directed by Government. See HRA Note 3 (page 67) for more details.

30. 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.

31. 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 £000	Patents £000	Licences £000	Trademarks £000
Balance brought forward	3,462	0	0	0
Additions	1,481	0	0	0
Written off to Income and Expenditure Account	(1,168)	0	0	0
Written off to grants	(201)	0	0	0
Balance carried forward	3,574	0	0	0

32. NET ASSETS EMPLOYED

	2009/10 £000	2008/09 £000
Trading Undertakings	40,927	14,707
Housing Revenue Account	668,172	694,394
General Fund	235,523	441,969
	944,622	1,151,070

33. ASSOCIATED COMPANIES

Croydon Council has a £345,500 investment in London Authorities Mutual Limited (LAML) which falls within the definition of a "Joint Arrangement that is Not an Entity" under FRS9. LAML was a mutual arrangement between a number of London Authorities for the provision of insurance cover.

The Court of Appeal, on 9 June 2009 ruled LAML to be "Ultra Vires" and as a consequence LAML has ceased trading. Its business is being brought to an end. Alternative cover has been arranged and the Council has made provision in its accounts for all foreseeable losses.
(see Note 18, page 35)

Croydon Council has a 50% stake in a limited liability partnership, the Croydon Council Urban Regeneration Vehicle (CCURV). CCURV was set up specifically to develop and regenerate a number of sites owned by the Council. Under FRS9 CCURV is considered a Joint Venture and consequently Group Accounts have been prepared.

34. CAPITAL INSTRUMENTS

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

35. FINANCIAL INSTRUMENTS

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

Financial Instruments - Gains / Losses	Financial Liabilities		Financial Assets		2009/10 Total £000
	Liabilities Measured at Amortised Cost £000	Loans and Receivables £000	Available -for-sale Assets £000	Fair Value Through P&L £000	
Interest expense	(10,128)	0	0	0	(10,128)
Losses on derecognition	(3,009)	0	0	0	(3,009)
Impairment losses	0	0	0	-271	(271)
Interest payable and similar charges	(13,137)	0	0	(271)	(13,408)
Interest income	0	6,751	0	0	6,751
Gains on derecognition	0	0	0	0	0
Interest and investment income	0	6,751	0	0	6,751

Financial Instruments Balances

	Long Term		Short Term	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
Assets				
Cash and bank	0	0	9,318	10,614
Debtors and payments in advance, net of doubtful debt provisions	29,616	5,465	109,815	70,135
Less payments in advance	(1,883)	0	(9,643)	(8,311)
Investments	0	16,856	118,576	161,895
Available-for-sale financial assets	9,987	6,238	345	0
Fair value through profit and loss	0	230	0	0
Total assets	37,720	28,789	228,411	234,333
Liabilities				
Bank overdraft	0	0	39,278	44,973
Creditors and receipts in advance	0	0	116,514	103,128
Less receipts in advance	0	0	(41,731)	(20,621)
Financial liabilities at amortised cost	198,082	292,439	116,077	20
Fair value through profit and loss	41	0	0	0
Total liabilities	198,123	292,439	230,138	127,500

Notes

- Lender's Option Borrower's Option (LOBOs) loans total £60m (£40m as at 31/3/09). Of this amount £50m (£30m as at 31/3/09) have call options within 12 months of year end and are therefore included within short term borrowing together with accrued interest due during the year on all LOBO loans.
- Investments in CCURV of £9.986m (£5.978 in 2008/09) and in London Authorities Mutual Limited of £0.345m (£0.26m in 2008/09) are included within the available-for-sale financial assets.
- A loss of £0.040m (gain of £0.23m in 2008/09) derived from a treasury transaction involving a forward agreed loan is included within the fair value through profit and loss assets.

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.

35. FINANCIAL INSTRUMENTS (continued)

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 the rate sheet in force on 31 March.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- No early repayment or impairment is recognised.
- Fair value calculations have been done for all instruments in the portfolio, but only those which are materially different from the carrying value have been disclosed.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

Fair value of assets carried at amortised cost

	31 March 2010		31 March 2009	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Cash and bank	9,318	9,318	10,614	10,614
Debtors	127,905	127,905	67,289	67,290
Long term deposits with banks, financial institutes and local authorities	0	0	16,856	17,987
Short term deposits with banks, financial institutes and local authorities	118,576	120,515	161,895	162,585
Available-for-sale financial assets	10,332	10,332	6,238	6,238
Fair value through profit and loss	0	0	230	230
Financial Assets	266,131	268,070	263,122	264,944

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.

Fair value of liabilities carried at amortised cost

	31 March 2010		31 March 2009	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Bank overdraft	39,278	39,278	44,973	44,973
Creditors	74,783	74,783	82,507	82,507
PWLB - maturity	155,800	156,882	218,719	228,321
LOBOs	10,000	11,457	40,264	41,721
Stock issues	317	317	320	320
PFI projects	31,965	31,965	33,136	33,136
PFI projects - short term	1,609	1,609	0	0
Short term borrowing	114,468	114,468	20	20
Fair value through profit and loss	41	41	0	0
Financial Liabilities	428,261	430,800	419,939	430,998

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.

35. FINANCIAL INSTRUMENTS (continued)

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.

	Amounts at 31 March 2010 £000	Historical Experience of Default %	Estimated Maximum Exposure to Default £000
Deposits with banks and other financial institutions	118,576	nil	0
Bonds and other securities	0	nil	0
Customers	0	nil	0
Total	118,576	nil	0

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. In this respect the Council has set itself a level of 15% of outstanding debt as being a prudent target for long term debt maturing in any one year. Long term LOBO loans with annual callable options coming into effect from 2009/10 served to temporarily increase this level to 18%. These LOBO loans may not be called in but by the callable nature of their structure, the Council deems them to be short term after the initial fixed term period and they are shown as such in the accounts.

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

	At 31 March 2010 £000	At 31 March 2009 £000
Loans outstanding:		
PWLB	155,800	216,800
Market debt / LOBOs	60,000	40,000
Temporary borrowing	62,600	0
Local bonds	0	0
Deferred purchase	0	0
Other	337	337
Total	278,737	257,137
Less than 1 year	112,620	20
Between 1 and 2 years	20,000	0
Between 2 and 5 years	4,000	24,000
Between 5 and 10 years	12,000	12,000
More than 10 years	130,117	221,117
Total	278,737	257,137

35. 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.

According to this assessment strategy, at 31 March 2010, if interest rates had been 1% higher, the financial effect would be:

	At 31 March 2010 £000	At 31 March 2009 £000
Increase in interest payable on variable rate borrowings	300	300
Increase in interest receivable on variable rate investments	(1,395)	(1,591)
Increase in government grant receivable for financing costs	0	0
Impact on Income and Expenditure Account	(1,095)	(1,291)
Share of overall impact debited to the HRA	85	83
Decrease in fair value of 'available for sale' investment assets	0	0
Impact on Statement of Total Recognised Gains and Losses	0	0
Decrease in fair value of fixed rate borrowing liabilities	(31,621)	(35,358)
Decrease in fair value of fixed rate investment assets	(595)	(620)
No Impact on I & E or Statement of Total Recognised Gains and Losses	(32,216)	(35,978)

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.

Other Disclosures

During the financial year 2009/10 there have been no financial instruments:

- reclassification between categories
- transferred that do not meet the derecognition criteria
- credit losses
- impairments
- defaults or breaches
- offsetting
- collateral arrangements for obtaining credit enhancements

36. INSURANCE PROVISIONS

In line with most other Local Authorities, the Council aims to be self-insuring (ie meeting claims out of our own funds) for all but catastrophe risks for which cover is purchased on the external insurance market.

To this end, an insurance fund is maintained in order to underwrite a substantial proportion of the Council's insurable risks including damage to Council and school property and contents, consequential loss, theft, civic regalia, motor accidents and liability claims made by members of the public, customers or employees of the Council. The fund covers claims up to our excess of £250,000 (£125,000 for motor vehicles), with a maximum yearly exposure to £1.25 million on property and £1.25 million on liability. Premiums are paid into the fund by the Council service centres, with them being based on commercial rates. By utilising an insurance fund, external insurance premiums are kept to a minimum.

The self insurance fund is reviewed on an annual basis to ensure that it has sufficient balances to cover existing and potential future claims. The Insurance team also work closely with the Risk Management section to identify and manage risks in order to further reduce the likelihood of claims.

In addition, the Council is a founder member of the Insurance London Consortium, a group of 8 London Boroughs working to a shared agenda. Through the sharing of risk management information and associated policies and procedures, the Consortium is creating best practice in this area. As a result, we have experienced increased competitiveness with regards to our external insurance premiums.

37. OTHER PROVISIONS

CCURV Land Pledge

The Council has pledged parcels of its estate to Croydon Council Urban Regeneration Vehicle (CCURV). This pledge represents its investment in CCURV for which it holds an asset on the Balance Sheet (see notes to the group accounts and investment note 35, page 44).

Analysis of Provisions

	Balance Brought Forward £000	Costs Incurred £000	Contribution /Reduction £000	Balance Carried Forward £000
CCURV Land Pledge Provision	(5,977)	0	(4,009)	(9,986)
Self-Insurance Fund	(8,774)	3,135	(2,203)	(7,842)
Single Status Provision	(222)	222	0	0
Other Minor Provisions	(273)	112	(132)	(293)
	(15,246)	3,469	(6,344)	(18,121)

38. MOVEMENTS IN RESERVES

38.1 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.

38.2 Revaluation Reserve

This reserve holds the gains on upward revaluation of fixed assets. Any upward valuation in 2009/10 is added to the reserve, and any loss is first charged to the Revaluation Reserve, where applicable. The remainder is charged to the Income and Expenditure Account.

	2009/10 £000
Balance brought forward	(202,873)
The difference in depreciation arising from a revaluation gain and the depreciation charged on the historic cost	305
Revaluations upward	(44,987)
Depreciation on revaluations	(2,235)
Impairments charged to Revaluation Reserve	4,886
Balance carried forward	(244,904)

38.3 Capital Adjustment Account

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

	2009/10 £000
Balance brought forward	(1,280,506)
Amortisation of intangible fixed assets	1,369
Depreciation of fixed assets	43,712
Difference in depreciation arising from a revaluation gain and depreciation charged on historic cost	(305)
Impairment of fixed assets	93,365
Government grants deferred amortisation	(11,143)
HRA grants written out	(131)
Revenue expenditure funded from capital under statute	3,069
Carrying value of assets disposed of	21,457
Statutory provision for the repayment of debt for capital financing (MRP)	(5,971)
Capital expenditure charged in the year to the General Fund	(5,678)
Capital expenditure financed from usable capital receipts	(3,417)
Major Repairs Reserve (MRR) funding of HRA expenditure	(10,938)
Balance Carried Forward	(1,155,117)

38.4 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 2010 shows a balance of £4.1m (£1.5m in 2008/09) representing the remaining premiums paid in respect of debt restructuring exercises carried out in 2003/04 and 2009/10. This balance is made up of General Fund (GF) & Housing Revenue Account (HRA) provisions which will be written down in accordance to the guidance which was in force at the time that the debt was repaid.

38. MOVEMENTS IN RESERVES (continued)

38.5 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	2009/10 Total £000	2008/09 Total £000
Balance brought forward	26	2,706	2,732	5,045
Mortgage repayments	0	65	65	103
Other capital receipts	0	132	132	829
Net surplus for year	0	197	197	932
Receipts from sales of assets during the year	15	1,314	1,329	2,697
Transfer to Housing Capital Receipts Pool	0	(613)	(613)	(446)
Balance of receipts after transfer	15	701	716	2,251
Balance on account before application of receipts	41	3,604	3,645	8,228
Financing of capital expenditure	(19)	(3,398)	(3,417)	(5,496)
Balance carried forward	22	206	228	2,732

38.6 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.

	2009/10 £000	2008/09 £000
Balance brought forward	0	0
Major Repairs Allowance for the year	10,988	10,358
Transfer to finance capital expenditure during the year	(10,938)	(10,313)
Other reserve adjustments	(50)	(45)
Balance carried forward	0	0

38.7 Pensions Reserve

Financial Reporting Standard 17 (FRS17) requires that the cost of retirement benefits is recognised in the Income and Expenditure Account when entitlement is earned, irrespective of when the benefits are actually paid. However, the charge the Council is required to make in its financial statements is equal to the actual payment to the Pension Fund payable in the year. Consequently, a transfer is made to, or from, the Pensions Reserve to achieve this.

The other adjustment to the Pensions Reserve during the year represents the Experience/Actuarial gain or loss recognised during the year. The gain or loss calculated is taken directly to the Statement of Total Recognised Gains and Losses 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

	2009/10 £000	2008/09 £000
Net liability brought forward	(388,006)	(411,825)
Adjustment of asset valuation to revised FRS17 requirements	0	(985)
Restated net liability brought forward	(388,006)	(412,810)
Reduction of charge to actual payment into the Pension Fund (adjusted in the Statement of Movement on the General Fund balance - no entry in I&E account)	(17,642)	(19,610)
Experience/Actuarial (gain)/loss (entered directly in the Statement of Total Recognised Gains and Losses - no entry in the I&E account)	(111,140)	44,414
Net liability carried forward	(516,788)	(388,006)

38. MOVEMENTS IN RESERVES (continued)

38.8 Earmarked Reserves

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

Building Schools for the Future Reserve

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

Parks and Sports Improvements Reserve

To support the major improvements of Croydon's parks.

ICT Strategic Improvements Reserve

To improve ICT infrastructure improving operational efficiency and service support.

Park Place Reserve

To provide for risks associated with the planned redevelopment of Park Place that did not proceed.

Restructure Reserve

To ensure the successful implementation of a reorganisational restructure.

RELEASE Reserve 2008/09

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 2009/10

Following the success of the programme the same approach is being replicated.

Recession Impact Reserve

The Council, along with the rest of the world, faces difficult times during the current economic climate. Consequently this sum has been put by to act as a contingency.

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.

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.

Taxation Reserve

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

Litigation Reserve

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

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 2007/08 and beyond.

LEGI Grant Reserve

This represents the unspent Local Enterprise Growth Initiative (LEGI) grant to enable the completion of the programmes.

Local Elections Reserve

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

Minimum Revenue Provision

This reserve represents the changes to the Council's MRP policy following on from new guidelines issued in February 2008. The amounts are a result of the overcharging of previous years' MRP and will be used to fund future MRP cost.

CCURV Affordability

The Council is assessing the affordability of the Public Service Delivery Hub (PSDH) scheme over the life of the building and want to bear the cost and recognise the income over this life. This reserve is used to transfer income receivable and costs during the construction period which will then be released over the life of the PSDH (see also note 39 and Notes to the Group Accounts).

38. MOVEMENTS IN RESERVES (continued)

38.8 Earmarked Reserves (continued)

STEP Change Reserve

Step Change Croydon will focus on the delivery of an organisation wide "One Council" transformation programme to deliver the efficiencies and improvements required to balance the budgetary gap. This reserve will provide the funding of projects in the programme to make the necessary changes and efficiencies to deliver those savings.

LAA (LPSA Reward Grant - Revenue)

A Local Public Service Agreement (LPSA) was an agreement between an individual local authority and the Government. Each authority negotiated with Government a dozen or so specific 'stretch' targets, typically to be attained over a three year period, which represented performance over and above what the authority would be expected to achieve without the LPSA. Attainment of these targets for Croydon was rewarded with a performance reward grant payable in two instalments in March 2010 and March 2011. This grant will fund projects to improve customer satisfaction and value for money

LAA (LPSA Reward Grant - Capital)

This forms part of the LPSA reward grant (as above) but is specifically funding capital projects that will improve customer satisfaction and value for money.

Other Reserves

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

Analysis of Reserves

Analysis of Reserves	Balance Brought Forward £000	Costs Incurred £000	Contribution /Reduction £000	Balance Carried Forward £000
Building Schools for the Future Reserve	(1,625)	656	(726)	(1,695)
CCURV Reserve	(601)	0	601	0
Parks and Sports Improvements Reserve	(750)	181	0	(569)
ICT Strategic Improvements Reserve	(1,000)	60	0	(940)
Park Place Reserve	(1,000)	52	0	(948)
Restructure Reserve	(1,000)	200	0	(800)
RELEASE Reserve 2008/09	(1,748)	1,503	0	(245)
RELEASE Reserve 2009/10	(1,505)	0	(58)	(1,563)
Recession Impact Reserve	(2,440)	873	(205)	(1,772)
Interest Rate Risk Reserve	(2,950)	0	0	(2,950)
PAYE Reserve	(750)	0	0	(750)
Taxation Reserve	(666)	80	0	(586)
Litigation Reserve	(1,333)	126	0	(1,207)
Housing Benefits Reserve	(2,300)	479	0	(1,821)
LEGI Grant Reserve	(935)	0	(604)	(1,539)
CapGemini Telephony Reserve	(1,674)	1,674	0	0
Local Elections Reserve	(587)	0	(63)	(650)
STEP Change - Programme Management Reserve	0	0	(1,898)	(1,898)
STEP Change - Schemes Reserve	0	0	(2,216)	(2,216)
LAA (LPSA Reward Grant - Revenue)	0	87	(1,535)	(1,448)
LAA (LPSA Reward Grant - Capital)	0	0	(1,535)	(1,535)
CCURV Affordability	(359)	0	(4,082)	(4,441)
Minimum Revenue Provision	0	0	(711)	(711)
Other Reserves	(2,418)	1,699	(2,993)	(3,712)
	(25,641)	7,670	(16,025)	(33,996)

38.9 General Fund

Please consult the Income and Expenditure Account on page 20 for the calculation of the account balance.

38.10 Housing Revenue Account

Please consult the Housing Income and Expenditure Account on page 64 for the calculation of the account balance.

39. DETAILS OF ANY CONTINGENT LIABILITY OR ASSET**Kenley Aerodrome**

In its role as planning Authority the Council has refused planning permission for the Ministry of Defence to erect a fence around Kenley Aerodrome. The application followed a decision that the public, who are permitted to roam across the land, should be protected from aircraft using the facility.

The Ministry had purchased a fence which was not deemed acceptable to the Council's planning process. The Council wishes to see a less intrusive barrier for an attractive area of countryside. As a result the Ministry of Defence has indicated that it will pursue the Council to recover costs the Ministry has incurred in purchasing fencing that it is unable to erect as a result of the Council refusing planning permission. The Ministry of Defence has indicated that it would seek compensation of £99,000.

Uncertainty still exists around both the validity of the claim, and the scale of compensation, which is subject to ongoing negotiations between both parties.

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

This Statement of Accounts was issued on 30 June 2010 by Nathan Elvery, Deputy Chief Executive and Executive Director of Resources and Customer Services.

41. EVENTS AFTER THE BALANCE SHEET DATE

Post Balance Sheet Non Adjusting Event - FRS17 / IAS19 Valuation of Pension Fund benefit obligation

In his budget statement on 22 June, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. As a result, future pension increases under the London Borough of Croydon Pension Fund are expected to be slightly lower, on average, than would have been the case if this change had not been made. This change is estimated to reduce the FRS17 / IAS19 benefit obligations by between 5% and 8% for most employers. The precise financial effect will be taken into account in the FRS17 / IAS19 figures for the financial year ending 31 March 2011.

42. TRUST FUNDS

The Council acts as trustee for various funds of varying nature with a total value of approximately £4.3m.

The principal funds include funds held on behalf of:

- The Mansel Project to provide a new learning disability home to serve a number of London boroughs (£1.7m)
- South West London Sub-Regional Renewal monies for housing (£1.4m)
- Individuals for whom the Council is Appointee for savings (£0.062m)
- The Church Tenements Charity, which provides grants to young people for education purposes (£0.8m)
- The Frank Denning Memorial Charity, which provides travelling scholarships (£0.3m).

Other accounts include prize funds, amenity funds of establishments, trust fund legacies and charity appeal funds.

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

43. SCHOOLS BALANCES

School reserves have decreased by £0.546m to £14.916m. The Department for Children, Schools and Families (DCSF) has issued guidance on the level of balances that should be held by schools, advising a maximum 8% of budget for Primary, Nursery and Special Schools and 5% for Secondary Schools budget.

The reduction in reserves is due to schools spending more to improve performance, particularly on capital, and being aware that if balances get too high they can be recovered. There are also more schools with deficits or lower balances and a number of schools have closed or converted to academies, which has reduced overall balances. There are 26 schools that have a revenue deficit. The Council is working with these schools to ensure that they return to a balanced position.

44. AMOUNTS DUE TO/FROM RELATED PARTIES

Debtors and Payments in Advance

	2009/10		2008/09	
	Debtors and PIAs £000	Doubtful Debt Provision £000	Debtors and PIAs £000	Doubtful Debt Provision £000
General Fund				
Government				
HM Revenue and Customs	5,464	0	3,156	0
Other Government Departments	53,390	0	20,563	0
Other public bodies	4,852	0	4,176	0
Total	63,706	0	27,895	0

Creditors and Receipts in Advance

	2009/10 £000	2008/09 £000
General Fund		
Government		
HM Revenue and Customs	5,118	6,183
Other Government Departments	10,265	7,337
Other public bodies	3,848	9,124
Total	19,231	22,644

45.1 PENSIONS INTEREST COST AND EXPECTED RETURN ON PENSIONS ASSETS

Pensions Interest Cost

The expected increase in the present value of liabilities during the year. This is incurred by the unwinding of the present value of the liabilities as they move one year closer to being paid.

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.

45.2 PENSIONS LIABILITY

The financial statements recognise the Council's pensions liability as an employing Authority in accordance with the requirements of Financial Reporting Standard 17 (FRS17). A full set of FRS17 disclosure notes are provided in this document. The table below discloses the pensions liability and the movements in that liability:

Pensions Liability	2009/10 £000	2008/09 £000
Present value of funded benefit obligation	(1,053,725)	(768,268)
Present value of unfunded benefit obligation	(11,236)	(9,422)
Total present value of benefit obligations	(1,064,961)	(777,690)
Fair value of fund assets	548,173	389,684
Unrecognised past service cost	(516,788)	(388,006)
	0	0
Net liability	(516,788)	(388,006)

Movements on Pensions Liability	2009/10 £000	2008/09 £000
Net liability brought forward	(388,006)	(411,825)
Adjustment of asset valuation to revised FRS17 requirements	0	(985)
Restated net liability brought forward	(388,006)	(412,810)
Current service cost	(16,124)	(23,605)
Past service cost	(477)	(879)
Curtailments and settlements	(1,518)	(1,566)
Employer's contributions	30,118	26,992
Interest on pension liabilities	(54,910)	(55,289)
Expected return on plan assets	25,269	34,737
Actuarial gains / (losses)	(111,140)	44,414
Net liability carried forward	(516,788)	(388,006)

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

There are no material amounts in these categories.

47. TEACHERS' PENSION SCHEME

The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF), provides retirement benefits for Teachers. Although it is a defined benefits scheme, the arrangements for the teachers' scheme mean that liabilities for the benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme - no liability for future payments of benefits is recognised in the Council's balance sheet. The Children, Young People and Learners revenue account is charged with the employer's contributions payable to the teachers' pension scheme during the year.

In 2009/10, the Council paid £13.7m (2008/09 £13.5m) to Capita Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% (2008/09 14.1%) of pensionable pay.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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. The format of the note has been changed from last year and the prior year restated

	2009/10		2008/09	
	£000	£000	£000	£000
(Surplus)/Deficit for the year				
General Fund	137,575		287,636	
		137,575		287,636
Adjustments				
Other non cash adjustments	(122,444)		26,090	
Minimum revenue provision	5,972		10,895	
Depreciation	(34,144)		(21,552)	
Amortisation of Government grant	11,274		5,355	
Non cash items relating to disposal of fixed assets	(19,930)		(48,154)	
Non cash items relating to impairment of fixed asset	(93,365)		(222,550)	
Charges for retirement benefits in accordance with FRS17	(17,642)		(19,610)	
Increase in provision charges to services	(2,875)		(3,382)	
Other finance costs	(271)		229	
		(273,425)		(272,679)
Movement in revenue assets and liabilities				
Increase in stock	(72)		67	
Decrease in revenue debtors (net of doubtful debts) *	36,400		(5,702)	
Increase in revenue creditors **	(13,386)		15,407	
		22,942		9,772
Items classified elsewhere on the cash flow statement				
Capital expenditure met from revenue			(4,358)	
Net interest paid	(8,135)		(378)	
		(8,135)		(4,736)
Net cash (inflow)/outflow from revenue activities		(121,043)		19,993
* Total decrease in debtors		47,695		(23,401)
Add decrease in doubtful debts		(14,644)		17,393
Add decrease in non revenue debtors		3,349		306
Total decrease in revenue debtors		36,400		(5,702)
** Total decrease in creditors		(9,507)		12,333
Deduct increase in non revenue creditors		(3,879)		3,074
Total increase in revenue creditors		(13,386)		15,407

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

	Balance 31 March 2010 £000	Cash Flow £000	Balance 31 March 2009 £000
Cash and Cash Equivalents			
Cash and bank	9,318	(1,296)	10,614
Cash Overdrawn	(39,278)	5,695	(44,973)
	(29,960)	4,399	(34,359)
Financing Activities			
Long-Term Borrowing	(166,117)	61,000	(227,117)
Short-Term Borrowing	(112,620)	(82,600)	(30,020)
	(278,737)	(21,600)	(257,137)
Total Net Debt	(308,697)	(17,201)	(291,496)

NOTES TO THE CORE FINANCIAL STATEMENTS

50. ANALYSIS OF GOVERNMENT GRANTS

	2009/10	2008/09
	£000	£000
Area Based Grant	25,199	23,559
Asylum Seekers	32,167	30,607
Beacon Award	0	53
CLG - Other	78	95
Connexions	218	148
Croydon Music Service	0	315
DCSF/DIUS Grant	700	4,144
Dedicated Schools Grant	201,950	201,226
DOH - Other	1,289	828
DOH - Social Care	690	457
DWP	3,545	3,604
European Social Fund	336	579
Housing Development	126	150
Learning and Skills Council	18,432	15,942
Local Authority Business Growth Incentives Scheme	482	438
Local Enterprise Growth Initiative	78	341
Local Public Service Agreement Performance Reward	3,295	516
London Development Agency	1,426	658
Neighbourhood Renewal Fund	0	317
Partnerships For Older People Projects (POPPs)	0	267
PFI	7,404	6,567
Planning Delivery	488	139
Prevention Measures	937	974
Safer and Stronger Communities Fund	288	181
School Standards	79,746	70,892
Supporting People	11,786	12,478
Transport for London	0	550
Waste Disposal	344	0
Welfare Milk Subsidy	227	279
Youth Justice Board	151	1,242
Other Grants	832	430
	392,214	377,976

51. DEBT REDEMPTION PREMIUM

In 2003/04, the Council prematurely repaid £19.4m of long-term debt and restructured a further £20m 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. The net premium was apportioned between the General Fund (£2.2m) and the Housing Revenue Account (£4.7m). In accordance with guidance in force in 2003/04, the amount apportioned to the HRA will be written off over the lesser of 10 years or the remaining life of the loans repaid.

During 2009/10, the Council prematurely repaid a further £61m of long-term loans. This was done primarily to reduce the interest payable costs for the Authority. The repayment was done with the assistance of the Council's Treasury advisers. A Premium of £3.0m was paid as a result of this exercise which was apportioned between the GF (£2.03m) and the HRA (£0.97m). In accordance with guidance in force in 2009/10, the amount apportioned to the GF will be written off over the remaining life of loans repaid. The amount apportioned to the HRA will be written off over the lesser of 10 years or the remaining life of the loans repaid.

52. LONG-TERM DEBTORS

These consist of the residual interest value in Ashburton School £0.0m (£2.1m in 2008/09), Homes for the Future £0.0m (£0.3m in 2008/09), principal outstanding from sales of Council houses £0.3m (£0.4m in 2008/09), loans to voluntary organisations £0.3m (£0.4m in 2008/09), a loan to CCURV to support the purchase of Davis House £4.2m (£3.9m in 2008/09), a loan to support the construction of the Public Services Delivery Hub £22.0m (£0.0m in 2008/09), loans to employees £1.0m (£0.8m in 2008/09), and prepayments in respect of PFI schemes of £1.9m (£0.0m in 2008/09)

53. STOCKS AND WORKS IN PROGRESS

	2009/10 £000	2008/09 £000
Stocks and stores in hand	219	291
Total	219	291

54. DEBTORS AND PROVISION FOR DOUBTFUL DEBTS

	2009/10		2008/09	
	Debtors and PIAs £000	Doubtful Debt Provision £000	Debtors and PIAs £000	Doubtful Debt Provision £000
Collection Fund				
Council Tax	31,701	(26,972)	26,633	(17,580)
National Non-Domestic Rates	0	0	0	0
	31,701	(26,972)	26,633	(17,580)
General Fund				
HM Revenue and Customs	5,464	0	3,156	0
Other Government Departments	54,145	0	20,563	0
Other public bodies	4,852	0	4,176	0
Other sundry debtors	36,394	(9,638)	29,512	(9,827)
General Fund rents	2,131	(1,424)	2,023	(1,276)
Housing Benefits overpayments	12,256	(11,053)	6,945	(6,178)
Payments in advance	9,643	0	8,311	0
Interest receivable	354	0	356	0
	125,239	(22,115)	75,042	(17,281)
HRA				
Housing Revenue Account rents and service charges	5,608	(3,646)	6,549	(3,228)
	5,608	(3,646)	6,549	(3,228)
Balance Sheet Total	162,548	(52,733)	108,224	(38,089)

NOTES TO THE CORE FINANCIAL STATEMENTS

55. INVESTMENTS

	Short Term		Long Term	
	2009/10 £000	2008/09 £000	2009/10 £000	2008/09 £000
Money Market Funds	19,667	41,487	0	0
Investments with banks	73,842	65,162	0	16,856
Investments with building societies	0	13,069	0	0
Investments with other Local Authorities	25,067	42,177	0	0
Investment in CCURV	0	0	9,987	5,978
Investment in London Authorities Mutual Limited	345	0	0	260
Investment in Forward Derivative	0	0	(41)	230
Total	118,921	161,895	9,946	23,324

56. CREDITORS AND RECEIPTS IN ADVANCE

	2009/10 £000	2008/09 £000
HM Revenue and Customs	5,118	6,183
Other Government Departments	10,265	7,337
Council Tax receipts in advance	1,440	1,412
Other receipts in advance	40,291	19,209
Other public bodies	3,848	9,124
Amounts owed for supplies and services and other credit balances	55,552	59,863
Total	116,514	103,128

57. 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.

	2009/10 £000	2008/09 £000
Balance brought forward	(56,807)	(55,705)
Grants and Contributions applied	(23,103)	(6,823)
Transfer to Statement of Movement on General Fund Balance	10,942	5,355
Written out in respect of intangible assets	201	366
Total	(68,767)	(56,807)

58. 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 (ISB), 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 2009/10 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2009/10	29,007	172,152	201,159
London Pay Award Grant	0	791	791
Brought forward from 2008/09	0	(297)	(297)
DSG receivable for the year	29,007	172,646	201,653
Actual expenditure for the year	30,436	173,529	203,965
(Over)/Underspend for the year	(1,429)	(883)	(2,312)
(Over)/Underspend carried forward to 2010/11	(1,429)	(883)	(2,312)

HOUSING INCOME AND EXPENDITURE ACCOUNT

HOUSING INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	Note No.	2009/10 £000	2008/09 £000
Income			
Dwelling rents	13	(60,807)	(58,753)
Non-dwelling rents	13	(1,446)	(1,368)
Charges for services and facilities	14	(10,151)	(9,702)
Major Repairs Allowance ***	4	(10,938)	(10,313)
Contributions towards expenditure		(203)	(134)
Total income		(83,545)	(80,270)
Expenditure			
Repairs and maintenance		13,827	13,710
Supervision and management		19,188	18,304
Rents, rates, taxes and other charges	15	5,900	5,546
Negative subsidy payable to Communities and Local Government	8	27,254	26,326
Provision for bad or doubtful debts	10	683	104
Depreciation of fixed assets		10,773	10,227
Amortisation of deferred charges and intangible assets		207	133
Revenue expenditure funded from capital under statute		0	37
Debt management expenses		11	52
Total expenditure		77,843	74,439
Net cost of HRA services per Authority Income and Expenditure Account		(5,702)	(5,831)
HRA services share of Corporate and Democratic Core		152	0
HRA share of FRS17 not allocated to specific services		170	216
Net Cost of HRA Services		(5,380)	(5,615)
Gain or loss on sale of HRA fixed assets		(1,031)	(698)
Loss on revaluation	3	7,007	186,993
Interest payable and similar charges		3,933	3,007
Pensions interest costs and expected return on pensions assets		2,518	1,818
Interest and investment income		(29)	(135)
(Surplus)/deficit for the year		7,018	185,370

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE (NOTE 1)

(Surplus)/deficit for the year on the HRA Income and Expenditure Account	7,018	185,370
Net additional amount required by statute to be debited or (credited) to HRA balance for the year	(7,763)	(183,998)
(Increase)/decrease in HRA balance for the year	(745)	1,372
HRA balance brought forward	(3,736)	(5,108)
HRA balance carried forward	(4,481)	(3,736)

*** The major repairs allowance has been disaggregated from negative subsidy amount for both 2009/10 and 2008/09

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. STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

The statement takes the outturn on the HRA Income and Expenditure Account and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

	Note No.	2009/10 £000	2008/09 £000
(Surplus)/deficit for the year on the HRA Income and Expenditure Account		7,018	185,370
Amounts included in the HRA Income and Expenditure Account but required by statute to be excluded when determining the Movement on the Housing Revenue Account Balance for the year			
Gain or loss on sale of HRA fixed assets		1,031	698
Loss on revaluation	3	(7,007)	(186,993)
Government Grants Deferred		345	0
Premiums paid on early redemption of debt		(983)	0
Write downs of revenue expenditure funded from capital under statute	4/7	(207)	(170)
HRA share of contributions to or from the Pensions Reserve		(1,499)	(1,734)
		(8,320)	(188,199)
Amounts not included in the HRA Income and Expenditure Account but required by statute to be included when determining the Movement on the Housing Revenue Account Balance for the year			
Amortisation of premiums and discounts	17	607	573
Transfer to/(from) Major Repairs Reserve	4	(50)	(45)
Capital expenditure funded by the Housing Revenue Account		0	3,673
		557	4,201
Net additional amounts		(7,763)	(183,998)
(Increase)/decrease in HRA balance for the year		(745)	1,372
HRA balance brought forward		(3,736)	(5,108)
HRA balance carried forward		(4,481)	(3,736)

NOTES TO THE HOUSING REVENUE ACCOUNT

2. NUMBER AND TYPE OF DWELLINGS IN THE HOUSING STOCK

Types of Property	2009/10	2008/09
Houses	5,428	5,405
Flats	8,593	8,587
Relocatable Homes	37	41
Total Dwellings	14,058	14,033

3. FIXED ASSETS AND DEPRECIATION

2009/10

	Council Dwellings £000	Other Operational Assets £000	Non- Operational Assets £000	Total £000
Fixed Assets				
Revised Net book value as at 1 April 2009	659,252	441	130	659,823
Revised book value as at 1 April 2009	669,560	500	195	670,255
Additions	22,344	0	621	22,965
Donations	0	0	0	0
Disposals	(489)	0	0	(489)
Reclassifications	0	0	0	0
Transfers	0	0	0	0
Revaluations **	(17,315)	0	0	(17,315)
Gross book value as at 31 March 2010	674,100	500	816	675,416
Revised Depreciation as at 1 April 2009	(10,308)	(59)	(65)	(10,432)
Depreciation for year	(10,938)	(10)	(40)	(10,988)
Depreciation on assets sold	8	0	0	8
Reclassifications	0	0	0	0
Depreciation on revaluations **	10,308	0	0	10,308
Balance as at 31 March 2010	(10,930)	(69)	(105)	(11,104)
Net book value as at 31 March 2010	663,170	431	711	664,312

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). 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.

** Loss on Revaluation of Council Dwellings of £17,315k is reduced to £7,007k after writing back accumulated depreciation of £10,308k.

3. 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 2009	1 April 2008
Total Dwellings	14,058	14,033
Leaseholds	2,096	2,096
Garages	3,486	3,575
Parking Spaces	130	130
Stock at 31 March	19,770	19,834
Vacant possession value at 1 April 2009 and 2008	£1,763m	£1,685m

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

For the Balance Sheet, Council dwellings are required, by the Housing Revenue Account (Accounting Practices) Directions 2007, to be valued in a way that reflects their occupation by sitting tenants enjoying rents at less than open market rents and tenants' rights including the Right to Buy. This reduction from open market values is achieved by the application of an adjustment factor, calculated by the Government. In 2009/10 this factor remained at 37%, therefore £1.763m X 37% = £652m.

The difference between the vacant possession value and balance sheet value of dwellings within the HRA shows the economic cost to Government of providing Council housing at less than market rents.

NOTES TO THE HOUSING REVENUE ACCOUNT

4. CAPITAL EXPENDITURE

	2009/10 £000	2008/09 £000
Expenditure		
Fixed assets (Buildings)	22,965	24,880
Revenue expenditure funded from capital under statute	204	37
Equipment	14	0
	23,183	24,917
Financed By		
Borrowing approvals	3,256	6,456
Borrowing approvals from General Fund	4,425	0
Capital receipts	3,398	3,975
Grants and other contributions	1,166	500
Revenue contributions	0	3,673
Major Repairs Reserve	10,938	10,313
	23,183	24,917

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	Land £000	Houses £000	Other Property £000	Total 2009/10 £000	Total 2008/09 £000
Principal repaid on right to buy mortgages	0	65	0	65	102
Sale of right to buy dwellings	0	777	0	777	514
Social Homebuy sales	0	132	0	132	609
Repayment of discount	0	0	0	0	5
Other Disposals	0	565	0	565	0
	0	1,539	0	1,539	1,230

	2009/10 £000	2008/09 £000
Major Repairs Reserve		
Opening balance as at 1 April	0	0
Amount transferred to the Reserve during the year	10,988	10,358
Capital expenditure during the year	(10,938)	(10,313)
Other Reserve adjustments	(50)	(45)
Closing balance as at 31 March	0	0

5. ANALYSIS OF MOVEMENT ON THE HOUSING REPAIRS ACCOUNT

The balance of the Housing Repairs Account has increased from £2.936m by £0.745m to £3.681m. The £0.745m represents the surplus in the revenue account for the year.

6. DETAILS OF ANY IMPAIRMENT CHARGES FOR THE FINANCIAL YEAR

The value of council dwellings was impaired by £7.007m reflecting changes in the property market to 31 March 2010.

7. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue expenditure funded from capital under statute relate to expenditure on assets that do not belong to the Council; in this instance they relate to a cash incentive scheme to assist the release of larger properties. The amounts are written out in the Statement of Movement on the Housing Revenue Account Balance.

8. 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 the Department of Communities and Local Government (CLG).

HRA Subsidy Account	2009/10 £000	2008/09 £000
Notional Income		
Notional rental income	(58,399)	(57,072)
Other reckonable income	(20)	(29)
Total Notional Income	(58,419)	(57,101)
Notional Expenditure		
Management and maintenance allowance	26,369	25,463
Major repairs allowance	10,938	10,313
Charges for capital	5,119	5,247
Surplus payable to CLG	(15,993)	(16,078)
Adjustments from previous years	(323)	65
Net surplus payable	(16,316)	(16,013)

9. HRA SHARE OF CONTRIBUTIONS TO PENSIONS RESERVE

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

10. DEBTORS AND PROVISION FOR DOUBTFUL DEBTS

	2009/10		2008/09	
	Debtors £000	Doubtful Debt Provision £000	Debtors £000	Doubtful Debt Provision £000
Housing Revenue Account rents	4,866	(3,376)	4,292	(2,960)
Housing Revenue Account lease holder service charges	742	(270)	2,257	(268)
	5,608	(3,646)	6,549	(3,228)

11. 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

12. EXCEPTIONAL AND PRIOR YEAR ADJUSTMENTS

There were no exceptional or prior year adjustments.

13. 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:

	2009/10	2008/09
Average percentage of void property	0.9%	0.8%
Average weekly rental (based on a 50 week year)	£87.70	£84.83

14. 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).

The percentage of tenants in receipt of housing benefit was 70.7% in 2009/10 (69.6% in 2008/09) and the amount of gross rent and service charge met by housing benefit was £41,337k (£39,092k in 2008/09).

15. RENTS, RATES, TAXES AND OTHER CHARGES

	2009/10 £000	2008/09 £000
Rents	4	2
Water rates	4,141	4,150
Council Tax	4	122
Other charges	1,751	1,272
	5,900	5,546

16. 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.

17. 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. In 2009/10 further restructuring took place resulting in a premium of £3.0m, of which £1.0m 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.

18. ACCUMULATED BALANCE

	31 March 2010 £000	31 March 2009 £000
HRA General Reserve	800	800
Housing Repairs Account	3,681	2,936
	4,481	3,736

NOTES TO THE HOUSING REVENUE ACCOUNT

19. 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 2010 AND 31 MARCH 2009

	2009/10 £000	2008/09 £000
Income		
Dwelling Rents and Service Charges	(63,245)	(60,864)
Garage Rents	(1,296)	(1,149)
Other Charges and Income	(2,232)	(2,552)
Interest on Council Mortgages	(13)	(26)
	(66,786)	(64,591)
Expenditure		
Management - General	12,458	11,643
Management - Special	7,968	6,947
Maintenance and Repairs	13,930	13,724
Depreciation	10,773	10,227
Government Grants Deferred	345	0
Capital Financing	3,568	3,632
Revenue Contribution to Capital Outlay	0	3,673
Provision for Doubtful Debts	683	104
Negative Subsidy Payable to Communities and Local Government	16,316	16,013
	66,041	65,963
(Deficit)/Surplus	(745)	1,372
Surplus at beginning of year	(3,736)	(5,108)
Surplus/(Deficit) for the year	(745)	1,372
Surplus at end of year	(4,481)	(3,736)

COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	Note No.	2009/10		2008/09
		£000	£000	£000
INCOME				
Council Tax collectable	2	158,580		152,356
Transfers from the General Fund				
- Council Tax benefits	4	33,246	191,826	29,013
National Non-Domestic Rates collectable	1		108,210	108,075
Total Income			300,036	289,444
EXPENDITURE				
Demands and precepts	3			
- London Borough of Croydon		143,383		138,081
- Greater London Authority		39,040		39,040
National Non-Domestic Rates	1		182,423	177,121
- Payment to national pool		107,760		107,626
- Costs of collection		450		449
Bad and doubtful debts			108,210	108,075
- Council Tax Write-offs	#	5,978		0
- Provisions		3,425		4,248
			9,403	4,248
Total Expenditure			300,036	289,444
(Surplus)/deficit for year			0	0
Fund balance brought forward			0	0
Fund balance carried forward			0	0

Council Tax write-offs relate to financial years 2000/01, 2001/02 and 2002/03

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 2010 was £269.2m (£268.0m at 31 March 2009), and the 2009/10 Non-Domestic Rate multipliers were 48.5p (46.2p in 2008/09) and 48.1p for small businesses (45.8p in 2008/09).

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, £1,447.71 for 2009/10 (£1,405.63 for 2008/09) 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 2009/10

Valuation Band	Number of Chargeable Dwellings	Band D Proportion	Band D Equivalent Dwellings	Council Tax £.pp	Council Tax Income £000
Band A	1,642	6/9	1,095	965.14	1,585
Band B	15,786	7/9	12,278	1,126.00	17,775
Band C	36,289	8/9	32,257	1,286.85	46,698
Band D	32,535	1	32,535	1,447.71	47,101
Band E	19,486	11/9	23,816	1,769.42	34,479
Band F	10,624	13/9	15,346	2,091.14	22,216
Band G	6,895	15/9	11,492	2,412.85	16,637
Band H	543	18/9	1,086	2,895.42	1,572
Total			129,905		188,063
Multiplied by estimated collection rate			<u>97%</u>		
Number of band D equivalent dwellings			126,008		
Total of Demands/Precepts for year			182,423		
Adjustments during the year (including prior years)					3,763
Final collectable amount					191,826
Income per Collection Fund					
Council Tax collectable					158,580
Council Tax benefits					33,246
Final collectable amount					191,826

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	2009/10 £.pp	2008/09 £.pp
Band D equivalent Council Tax charge		1,447.71	1,405.63
Split thereof:			
Croydon		1,137.89	1,095.81
Greater London Authority		309.82	309.82
Total		1,447.71	1,405.63
Payment to Croydon	a		
Share of Band D equivalent Council Tax charge		1,137.89	1,095.81
Number of Band D equivalent dwellings		126,008	126,008
Total		143,383,243.12	138,080,826.48
Rounded to £000's		143,383	138,081
Payment to the Greater London Authority			
Share of Band D equivalent Council Tax charge		309.82	309.82
Number of Band D equivalent dwellings		126,008	126,008
Total		39,039,798.56	39,039,798.56
Rounded to £000's		39,040	39,040

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.

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

The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF).

The Local Government Pensions Scheme, administered by the London Borough of Croydon.

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

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

In 2009/10, the Council paid £13.7m (2008/09 £13.5m) to Capita Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% (2008/09 14.1%) of pensionable pay.

The Local Government Pension Scheme

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

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

Liabilities are discounted to their present value, using a discount rate of 5.6% (based on the indicative rate of return on high quality corporate bonds).

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

- quoted securities – current bid price or the last trade price depending upon the convention of the market
- unquoted securities – professional estimate
- unlisted securities – current bid price
- property – market value.

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

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

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

interest cost - the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement - debited to Net Operating Expenditure in the Income and Expenditure Account

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

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

actuarial gains and losses comprise:

- experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
- the effects of changes in actuarial assumptions - debited to the Statement of Total Recognised Gains and Losses

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

Actuarial valuations are carried out every three years as required by legislation. The most recent valuation was undertaken by 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 employer's contributions to be phased in over a period of three 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 has resulted in an employers' contribution rate of 20.5% in 2008/09, a contribution rate of 22.1% in 2009/10 and 23.2% for 2010/11 onwards.

Statutory provisions require the General Fund balance to be charged with the amount of retirement benefit contributions payable by the Council to the Pension Fund in the year, not the amount calculated according to the relevant accounting standards. Consequently, in the Statement of Movement on the General Fund Balance there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and any amounts payable to the Fund but unpaid at the year end. On this basis the London Borough of Croydon's cash contribution to the Pension Fund in 2009/10 was £30.1m at a contribution rate of 22.1% (£27.0m in 2008/09 at a contribution rate of 20.5%). The FRS17 determined charge to the General Fund, the amount exclusive of any appropriations to and from the Pensions Reserve, is £47.8m in 2009/10 (£46.6m in 2008/09).

Discretionary Benefits

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

Actuarial Assumptions	31 March 2010	31 March 2009
Financial assumptions		
Rate of inflation	3.30%	3.30%
Rate of increase in salaries	5.05%	5.05%
Rate of increase of pensions	3.30%	3.30%
Discount rate	5.60%	7.10%
Expected rate of return on assets		
Equities	7.50%	7.50%
Government bonds	4.50%	4.00%
Property	6.50%	6.50%
Cash / Liquidity	0.50%	0.50%
Other	7.50%	N/A
Split of assets between investment categories		
Equities	55.00%	85.00%
Government bonds	34.00%	6.00%
Property	3.00%	1.00%
Cash / Liquidity	2.00%	8.00%
Other	6.00%	0.00%
Life expectancy		
of a male (female) future pensioner aged 65 in 20 years time	22.2 (25.0) years	22.2 (25.0) years
of a male (female) current pensioner aged 65	21.2 (24.1) years	21.2 (24.0) years
Commutation of pension for lump sum at retirement	50% take maximum cash, 50% take 3/80ths cash	
Market value of total funds (millions)	563 as at 31 Dec 2009	456 as at 31 Dec 2008

PENSIONS - FRS17 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES

The amounts recognised in the Balance Sheet	31 March 2010 £000	31 March 2009 £000
Present value of funded benefit obligation	(1,053,725)	(768,268)
Present value of unfunded benefit obligation	(11,236)	(9,422)
Total present value of benefit obligations	<u>(1,064,961)</u>	<u>(777,690)</u>
Fair value of Fund assets	548,173	389,684
	<u>(516,788)</u>	<u>(388,006)</u>
Unrecognised past service cost	0	0
Net liability	<u>(516,788)</u>	<u>(388,006)</u>

Changes in the Present Value of Defined Benefit Obligations	31 March 2010 £000	31 March 2009 £000
Opening defined benefit obligation	(777,690)	(905,471)
Current service cost	(16,124)	(23,605)
Past service cost	(477)	(879)
Curtailments and settlements	(1,518)	(1,566)
Interest on pension liabilities	(54,910)	(55,289)
Members contributions	(8,415)	(8,125)
Actuarial (gains) / losses on liabilities	(238,976)	187,315
Benefits / transfers paid	33,149	29,930
Closing defined benefit obligation	<u>(1,064,961)</u>	<u>(777,690)</u>

Changes in the Fair Value of Fund Assets	31 March 2010 £000	31 March 2009 £000
Opening fair value of Fund assets	389,684	493,646
Adjustment of asset valuation to revised FRS17 requirements	0	(985)
Expected return on Fund assets	25,269	34,737
Actuarial gains / (losses) on assets	127,836	(142,901)
Employer contributions	30,118	26,992
Members contributions	8,415	8,125
Benefits / transfers paid	(33,149)	(29,930)
Closing fair value of Fund assets	<u>548,173</u>	<u>389,684</u>

Analysis of the Movement in the Net Liability	2009/10 £000	2008/09 £000
Net liability brought forward	(388,006)	(411,825)
Adjustment of asset valuation to revised FRS17 requirements	0	(985)
Restated net liability brought forward	<u>(388,006)</u>	<u>(412,810)</u>
Current service cost	(16,124)	(23,605)
Past service cost	(477)	(879)
Curtailments and settlements	(1,518)	(1,566)
Employer's contributions	30,118	26,992
Interest on pension liabilities	(54,910)	(55,289)
Expected return on plan assets	25,269	34,737
Actuarial gains / (losses)	(111,140)	44,414
Net liability carried forward	<u>(516,788)</u>	<u>(388,006)</u>

PENSIONS - FRS17 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES

Analysis of the Fair Value of Fund Assets	Value at 31 March 2010		Value at 31 March 2009		Value at 31 March 2008	
	%	£000	%	£000	%	£000
Equities	55.00%	301,496	85.00%	331,231	92.00%	454,154
Fixed Income	34.00%	186,379	6.00%	23,381	4.00%	19,746
Property	3.00%	16,445	1.00%	3,897	0.00%	0
Cash/liquidity	2.00%	10,963	8.00%	31,175	4.00%	19,746
Other	6.00%	32,890	N/A	0	N/A	0
Fair value of Fund assets		<u>548,173</u>		<u>389,684</u>		<u>493,646</u>

Movements on Pensions Reserve	2009/10 £000	2008/09 £000
Net liability brought forward	(388,006)	(411,825)
Adjustment of asset valuation to revised FRS17 requirements	0	(985)
Reduction of charge to actual payment into the Pension Fund (adjusted in the Statement of Movement on the General Fund Balance - no entry in I&E account)	(17,642)	(19,610)
Experience/Actuarial (gain)/loss (entered directly to the Statement of Total Recognised Gains and Losses - no entry in the I&E account)	(111,140)	44,414
Net liability carried forward	<u>(516,788)</u>	<u>(388,006)</u>

Despite the increase in investment markets during the year, resulting in the fair value of the Fund's assets rising from £390m to £548m, the deficit under FRS17 increased from £388m to £517m. It is important to understand that there are two separate processes at work here: the assets of the Fund i.e. the various investments, are valued with reference to market assessments; the liabilities of the fund are calculated by using a notional future value - typically what could be earned by holding UK Government debt, these two sets of valuations are not correlated and therefore can move independently. The main reason for the increased gap therefore was the effect of the movement in the discount rate used to discount the Fund's liabilities. FRS17 requires this to be the current rate of return on high quality UK corporate bonds of equivalent term to the fund's liabilities. A 1.5% reduction in the discount rate from 31 March 2009 to 31 March 2010 was the main reason for an increase in the present value of the Pension Fund liability of approximately £131m. The Pension Fund liabilities are therefore extremely sensitive to even very small changes to discount rates and produce a counter intuitive result in the net deficit at a time when stock prices have risen significantly. The FRS17 valuation is not however an assessment of the actual cash value of any funding difference - it is a notional sum that is reversed out through the Local Government accounting mechanism

The funding level will be reassessed by a formal actuarial valuation as at 31 March 2010 (which has to be completed by 31 March 2011)

The amounts recognised in the Income and Expenditure Account	2009/10 £000	2008/09 £000
Amounts recognised in the net cost of services		
Current service cost	(16,124)	(23,605)
Past service cost	(477)	(879)
Effect of curtailments or settlements	(1,518)	(1,566)
Amounts recognised in net operating expenditure		
Interest on pension liabilities	(54,910)	(55,289)
Expected return on Fund assets	25,269	34,737
Amount recognised in the Income and Expenditure Account	<u>(47,760)</u>	<u>(46,602)</u>
The amounts recognised in the Statement of Movement on the General Fund Balance		
Transfer to Pension Reserve	<u>17,642</u>	<u>19,610</u>
The amount recognised in the Financial Statements of the Council		
Employer contributions	<u>(30,118)</u>	<u>(26,992)</u>
Actual Return on Fund assets	<u>153,105</u>	<u>(108,164)</u>

FRS17 requires that 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 in its financial statements is equal to the actual contribution to the Pension Fund payable in the year. Consequently, a transfer is made to, or from, the Pensions Reserve to achieve this.

The other adjustment to the Pensions Reserve during the year represents the Experience / Actuarial gain or loss recognised during the year. The gain or loss calculated is taken directly to the Statement of Total Recognised Gains and Losses 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.

Key Financial Data Relating to the Current and Four Previous Periods

	31 March 2010 £000	31 March 2009 £000	31 March 2008 £000	31 March 2007 £000	31 March 2006 £000
Present value of benefit obligations	(1,064,961)	(777,690)	(905,471)	(813,776)	(815,288)
Fair value of fund assets	548,173	389,684	492,661	522,693	486,734
Surplus / (Deficit) of the Fund	(516,788)	(388,006)	(412,810)	(291,083)	(328,554)
Experience adjustments on Fund liabilities	(238,976)	187,315	(42,056)	39,868	(78,036)
Experience adjustments on Fund assets	127,836	(142,901)	(66,935)	7,420	87,662

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.

However, it should be noted that the commutation assumption does not have a large effect on the FRS17 figures.

INTRODUCTION**1. Accounting Policies**

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

- The appropriate accounting policies have been adopted, given the Council's circumstances to ensure the Accounts present a true and fair presentation of the financial position of the Council;
- 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.

2. Estimation Techniques

These are the methods adopted by the Council 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 Council 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.

GENERAL PRINCIPLES**3. The SORP**

The financial statements have been prepared in accordance with the 2009 Code of Practice on Local Authority Accounting (the SORP) and the Best Value Accounting Code of Practice both published by CIPFA. The 2009 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 Council 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.
- The only exception to this hierarchy is accounting for Private Finance Initiative (PFI) transactions and similar contracts this follows the 2009/10 IFRS-based Government Financial Reporting Manual (i FREM) and not UK GAAP.

4. 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 Council's Statement of Accounts has been prepared on a going concern basis. That is the accounts assume that the Council 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.

5. GOVERNMENT GRANTS AND CONTRIBUTIONS

Government grants 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.

6. PROVISIONS

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

- the Council 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.

Provisions are charged to appropriate revenue accounts and are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate.

7. RESERVES

The Council 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 Council.

8. SUPPORT SERVICES

In accordance with Best Value Accounting Code of Practice (BVACOP) all overheads and support services are fully recharged to Service Expenditure Analysis (SEA) headings in order to provide a consistent basis for all statutory financial disclosures relating to "total cost" in relation to Best Value (including BVPI's). Expenditure on Corporate and Democratic Core and Non-Distributed costs is not charged to services but is recognised separately in the accounts.

9. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's Council Tax. These items are generally grants and expenditure on property not owned by the Council, and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003.

Such expenditure is charged to the Income and Expenditure Account in accordance with the general provisions of the SORP. Any statutory provision that allows capital resources to meet the expenditure should be accounted for by debiting the Capital Adjustment Account and crediting the General Fund Balance and showing as a reconciling item in the Statement of Movement on the General Fund Balance.

10. 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.

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 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 of 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. Council dwellings are revalued annually using the "beacon" method, at the beginning of the financial year and reviewed at the end of the financial year using the Land Registry index. If values have changed by more than £10m and 10% an adjustment is made.

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 against 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. Revaluation of a fixed asset at the point of disposal is not permitted.

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 Council's underlying need to borrow (capital financing requirement).

Depreciation

Operational assets are tangible fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either statutory or discretionary responsibility.
Operational assets include :-

Council Dwellings

Council dwellings includes housing units, but excludes non-residential items such as car parking spaces and shops accounted for in the HRA, sheltered housing, and related fixed equipment, furniture and plant, which should be accounted for under the relevant non-dwelling heading if material.

- *depreciation equates to the Major Repairs Allowance as recommended by CLG.*

Operational Land and Buildings

Other land and buildings includes all land and buildings accounted for other than in the HRA, including residential units, and equipment, furniture and plant fixed to those buildings.

- *buildings are depreciated over their useful economic life, land is not depreciated.*

Vehicles, plant, furniture and equipment

Vehicles, plant, furniture and equipment includes all such items that are not a fixture or fitting to a building.

- *depreciated over the useful life of the asset, which is determined at the time of purchase.*

Infrastructure Assets

Infrastructure Assets includes facilities required to enable other developments to take place (eg. roads and street lighting).

- *depreciated over the useful life of the asset.*

Community Assets

Community assets are assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings not used in the direct provision of services.

- *are valued at historic cost, and no depreciation is currently applied.*

Non operational assets are tangible fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services.

Investment and Miscellaneous properties

Investment and Miscellaneous properties includes any interest in land and buildings of which construction work and development has been completed, and which is being held for its investment potential.

- *depreciation not charged*

Surplus Assets held for disposal

These assets are no longer required and awaiting disposal.

- *depreciation not charged*

Works in Progress (otherwise known as Assets under Construction)

These are assets that have not been completed.

- *depreciation not charged until asset completed and the asset is depreciated according to its category.*

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. 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 Council, through either custody or legal rights.

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

13. CONTINGENT ASSETS AND LIABILITIES

In accordance with FRS12 the Council 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 Council's control. They are disclosed by way of notes if the inflow of a receipt or economic benefit is probable.
- 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 Council'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.

14. FINANCIAL INSTRUMENTS

The accounting treatment of financial instruments has been based on International Financial Reporting Standards since 1 April 2007.

Amortised Cost

Most financial instruments (whether borrowing or investment) are valued on an amortised costs basis.

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.

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.

15. LEASES**Operating Leases**

Leases are classified as either operating leases or finance leases depending upon the terms of the lease. Assets acquired under finance leases are accounted for as if owned by the Council and appear within the balance sheet. Those assets acquired for use by the Council under operating leases do not appear within the balance sheet. The rentals payable under an operating lease are charged to revenue on a basis that reflects the use of the asset whether or not this is the same as the pattern of payments required under the lease.

16. STOCKS

Stocks should be included in the Balance Sheet at the total of lower of cost and net realisable value of the separate items of stocks or group of similar items.

17. PRIVATE FINANCE INITIATIVE (PFI) CONTRACTS

PFI contracts typically involve a private sector entity (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time. The operator is paid for its services over the period of the arrangement.

From 1 April 2009 all local authorities will apply IFRS, as applied in the 2009 SORP, in order to determine the balance sheet classification of any assets that underlie PFI transactions and similar contracts. Prior to 1 April 2009 the Council applied Application Note F "Private Finance Initiative and Similar Contracts" of FRS 5 "Reporting the Substance of Transactions" as required by the SORP in previous accounting periods.

The guidance in SORP 2009 stipulates that local authorities follow the guidance contained in the HM Treasury issued 2009-10 Financial Reporting Manual (FRM), which is based on an application of International Financial Reporting Interpretations Committee Interpretation 12 'Service Concession Arrangements' (IFRIC 12) to the public sector.

Under the 2009 SORP, the Council is required to recognise the property that underlies a PFI transaction on its balance sheet as a fixed asset where the PFI transaction is both (i) within the scope of the guidance, and (ii) the assets are controlled by the Council within the meaning set out in IFRIC 12.

Subsequently, the annual unitary payment paid by the Council to the operator is accounted for in the financial statements of the Council as a mixture of debt service (interest and principal) and current expenditure on services, which are delivered by the operator in addition to the underlying property. Further, the Council records depreciation and makes a Minimum Revenue Provision in a way consistent with similarly financed non-current assets.

18. COLLECTION FUND

The SORP 2009 has introduced changes to the accounting for Council Tax in the core financial statements. This requires a change in the Council's accounting policies. Croydon as a billing authority now accounts for only Croydon's share of the income, arrears, debt impairment and prepayments. As this is a change in accounting policy it has been necessary to restate the 2008/09 figures.

19. INVESTMENTS

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

20. PENSIONS

For detailed information of the Pension Fund a separate set of Pension Fund accounts is included in the 2009/10 Statement of Accounts. The Pension Fund accounts are prepared by the Council in discharging its function as a Pensions Administering Authority.

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

The Council has followed the provisions of FRS17 in accounting for its financial obligations as an employing Authority under the Local Government Pension Scheme. This requires the Council 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;

STATEMENT OF ACCOUNTING POLICIES AND PRINCIPLES

- 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 Council 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 Council 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 Council 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 Council'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 Council from raising Council Tax to cover the charges to the Council 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.

21. 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.

22. GROUP ACCOUNTS

Basis of Consolidation

Croydon Council Urban Regeneration Vehicle LLP has been incorporated as a joint venture using the gross equity method – a similar basis to the equity method, but requiring the disclosure of the Council's share of the gross assets and liabilities and gross turnover and operating costs of the LLP.

Accounting Policies

The financial statements in the Group Accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 81 to 86, with the following additions and exceptions:

Value Added Tax

VAT paid by other group entities is accounted for in the Group Income and Expenditure Account to the extent that it is irrecoverable from HM Revenue and Customs.

GROUP INCOME AND EXPENDITURE ACCOUNT

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	2009/10	2008/09
	Gross £000	Net £000
Expenditure on services		
Corporate and Democratic Core	23,799	675
Central Services to the Public	10,610	5,780
Cultural, Environmental and Planning Services	75,070	58,798
Highways, Roads and Transport Services	63,200	28,211
Education	474,286	36,657
Housing	347,794	5,712
Social Services	211,390	135,095
Non-Distributed Costs	1,826	2,229
Share of Operating Results of Joint Venture	3,650	2,957
Net cost of services	1,211,625	276,114
Other operating expenditure and income		
(Profit)/Loss on sale of fixed assets		20,675
(Profit)/Loss on revaluation of fixed assets		222,552
Levies paid to other bodies		2,352
Net (surplus)/deficit from trading undertakings not included in net cost of services		150
Interest payable and similar charges		12,990
Share of Interest Payable by Joint Venture		343
Pensions interest cost and expected return on pension assets		20,552
Amortised premiums and discounts		0
Contribution to Housing pooled capital receipts		446
Interest and investment income		(9,197)
Group Dividend payable to Joint Venture partner		0
Share of Interest Receivable by Joint Venture		0
Net operating expenditure		546,977
Surplus London Residuary Body balances		0
Amount to be met from Government grant and local tax		
Precept demanded from the Collection Fund		(138,081)
Revenue Support Grant		(14,043)
Contribution from National Non-Domestic Rate Pool		(100,874)
Area Based Grant		(23,559)
Local Authority Business Growth Incentive		(438)
Collection Fund (surplus)/deficit		0
Deficit for the year		269,982

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2009/10 £000	2008/09 £000
Deficit for the year on the Income and Expenditure Account	136,283	269,982
(Surplus)/deficit arising on revaluation of fixed assets	(42,336)	(173,710)
Actuarial (gains)/losses arising on pension fund assets and liabilities	111,140	(44,414)
Other (gains)/losses required to be included in the statement	69	(2)
Total recognised (gains)/losses for the year	205,156	51,856
Prior period adjustment (see note "Movements on Pensions Reserve" on page 75)	0	985
Total (gains)/losses recognised since published Statement of Accounts for 2008/09	205,156	52,841

GROUP BALANCE SHEET

GROUP BALANCE SHEET

	2009/10		2008/09
	£000	£000	£000
Fixed assets			
Intangible fixed assets		3,574	3,462
Tangible fixed assets			
Operational assets			
Council dwellings	663,171		659,252
Other land and buildings	902,902		937,398
Vehicles, plant, furniture and equipment	14,910		13,484
Infrastructure assets	83,607		82,998
Community assets	2,620		2,513
Non-operational assets			
Investment and miscellaneous assets	66,577		75,906
Surplus assets held for disposal	340		340
Works in progress	9,778		10,453
		1,743,905	1,782,344
Total fixed assets		1,747,479	1,785,806
Long-term investments		9,946	23,324
Investment in Joint Venture			
- Share of Gross Assets	11,750		11,024
- Share of Gross Liabilities	(13,758)	(2,008)	(14,324)
Long-term debtors		29,616	5,466
Total long-term assets		1,785,033	1,811,296
Current assets			
Stocks and works in progress	219		291
Debtors and payments in advance	162,548		108,224
Less provision for doubtful debts	(52,733)		(38,089)
Short-term investments	118,921		161,895
Cash and bank	9,318		10,614
		238,273	242,935
Current liabilities			
Short-term borrowing	(116,077)		(20)
Creditors and receipts in advance	(116,514)		(103,128)
Bank overdraft	(39,278)		(44,973)
		(271,869)	(148,121)
Net current assets		(33,596)	94,814
Total assets less current liabilities		1,751,437	1,906,110
Long-term borrowing		(198,082)	(292,439)
Deferred capital creditors		(7,065)	(5,842)
Pensions liability		(516,788)	(388,006)
Government grants deferred		(68,767)	(56,807)
Provisions		(18,121)	(15,246)
Total assets less liabilities		942,614	1,147,770
Funds and balances			
Revaluation reserve		244,904	202,873
Capital adjustment account		1,155,117	1,280,506
Financial Instruments adjustment account		(4,120)	(1,534)
Usable capital receipts reserve		228	2,732
Deferred capital receipts		291	360
Major repairs reserve		0	0
Pensions reserve		(516,788)	(388,006)
Earmarked reserves		33,996	25,641
Balances			
General Fund (schools balances)		14,916	15,462
General Fund (other)		11,597	9,300
Collection Fund		0	0
Housing Revenue Account		4,481	3,736
Share of Joint Venture		(2,008)	(3,300)
Total funds and balances		942,614	1,147,770

GROUP CASH FLOW STATEMENT

	2009/10		2008/09
	£000	£000	£000
REVENUE ACTIVITIES			
Cash outflows			
Cash flows relating to investments in the Joint Venture	0		0
Dividends from the Joint Venture	0		0
Cash flows from sales and purchases between the Group	0		(2,000)
Cash flows relating to acquisitions and disposals	0		0
Financing cash flows to Joint Venture	0		3,924
Cash paid to and on behalf of employees	372,293		334,720
Other operating cash payments	480,910		492,678
Housing benefits paid out	150,522		122,332
Revenue expenditure funded from capital under statute	9,201		4,648
Single Status	0		1,629
		1,012,926	957,931
Cash inflows			
Rents (after rebates)	(27,738)		(27,631)
Council Tax income	(121,101)		(117,912)
National Non-Domestic Rate receipts	(106,187)		(109,038)
Revenue Support Grant	(21,908)		(14,043)
DWP grants for benefits	(230,266)		(195,406)
Other Government grants	(392,214)		(377,976)
Cash received for goods and services	(234,398)		(94,008)
		(1,133,812)	(936,014)
Net cash (inflow)/outflow from revenue activities			21,917
		(120,886)	
SERVICING OF FINANCE AND RETURNS ON INVESTMENTS			
Cash outflows			
Interest paid		13,245	12,145
Cash inflows			
Interest received		(5,110)	(12,523)
Net cash (inflow)/outflow from servicing of finance			(378)
		8,135	
CAPITAL ACTIVITIES			
Cash outflows			
Purchase of fixed assets	97,372		58,982
Revenue expenditure funded from capital under statute	0		3,924
		97,372	62,906
Cash inflows			
Sale of fixed assets	(1,329)		(2,697)
Capital grants received	(17,074)		(17,424)
Other capital cash receipts	(132)		0
Sale of long term investments	(13,033)		0
		(31,568)	(20,121)
Net cash (inflow)/outflow from capital activities			42,785
Net cash (inflow)/outflow before financing			64,324
		(46,947)	
Short term Investments		42,974	(31,500)
Other Liquid resources		21,331	6,945
		64,305	(24,555)
FINANCING			
Cash outflows			
Repayments of amounts borrowed		61,000	20,000
Cash inflows			
New loans raised		(82,600)	(60,000)
Net cash (inflow)/outflow from financing			(40,000)
		(21,600)	
(Increase)/decrease in cash			(231)
		(4,242)	

This Statement shows the cash transactions between the Council and the Joint Venture in accordance with the Statement of Recommended Practice and Financial Reporting Standard 9.

RECONCILIATION OF THE SINGLE ENTITY SURPLUS/DEFICIT TO THE GROUP SURPLUS/DEFICIT

RECONCILIATION OF THE SINGLE ENTITY SURPLUS/DEFICIT TO THE GROUP SURPLUS/DEFICIT

	2009/10 £000	2008/09 £000
(Surplus)/Deficit for the year on the Authority Income and Expenditure Account	136,283	287,636
Adjustments for transactions with other group entities	0	0
	136,283	287,636
Surplus in the Group Income and Expenditure Account attributable to the Authority	136,283	287,636
(Surplus)/deficit in the Group Income and Expenditure Account attributable to group entities (adjusted for intra-group transactions):		
Subsidiaries	0	0
Associates	0	0
Joint ventures	(1,666)	3,300
(Surplus)/deficit for the year on the Group Income and Expenditure Account	134,617	290,936

The Group

At the end of 2008 the Council took a 50% stake in the Croydon Council Urban Regeneration Vehicle (CCURV). The Davis House Limited Liability Partnership (DHLLP) is a 100% owned subsidiary of CCURV.

These two limited liability partnerships were specifically formed by Croydon Council and John Laing Projects & Development (Croydon) Ltd (JLPD), who took the other 50% stake, for the regeneration of Council properties.

Basis of consolidation

The Group Accounts have been prepared on the basis of the Gross Equity method for Joint Ventures in accordance with the CIPFA Statement of Recommended Practice and Financial Reporting Standard 9, Associates and Joint Ventures. There are no subsidiaries excluded from the Group Accounts.

Nature of the Group

The Council holds a Capital Subscription representing 50% of the total of CCURV. The remaining 50% is held by John Laing and this gives both parties equal representation in the operation of the partnership. There are some powers of veto, limited to protecting the Council's overall interest in the partnership and its land commitments.

The accounting period for CCURV ended 31 December 2009 and is therefore not co-terminous with the Council's. The CCURV first accounting period was 31 December 2009. The group accounts have been prepared consolidating the first period accounts for the period from incorporation to 31 December 2009 adjusting for the period to 31 March 2009 and adding the management accounts for the 3 months to 31 March 2010.

The partnership has been specifically formed to act as a vehicle for the development and regeneration of various Council owned sites and specifically the construction of a new headquarters building on the Fell Road site, the Public Service Delivery Hub.

Accounting Policies

There are no material differences in the accounting policies of the Council, CCURV and DHLLP

Voting rights

The Council has joint control with JLPD as to the distribution of the CCURV reserves, with power of veto on certain decisions to protect its land interests.

Loans between the parties

The Council has pledged land to CCURV. The value of this is matched by JLPD's cash investment in CCURV. As at 31 March 2010 the value of this pledge was £9,986,000 (£5,976,980 as at 31 March 2009). The Council has provided in full for this commitment (see Note 37). The total value of the land that the Council will eventually pledge is £24.428m. The difference between this figure and what has been matched by JLPD attracts interest which is payable by CCURV to Croydon Council at 4.75% per year, with the exception of that part relating to the Barclay Road Annex which attracts interest at 0.05%. From the date of its inception to 31 March 2010 the total amount of interest payable by CCURV in this way to Croydon Council was £1,003,751 (£292,514 to 31 March 2009).

DHLLP

The Council made a loan to DHLLP to support the purchase of Davis House. The interest on the loan is at the rate of 6% per year, is calculated monthly and compounded (i.e. added back) into the loan. (This is included under Long Term Debtors in Note 52).

From the date of its inception to 31 March 2010 the amount of interest payable by DHLLP to Croydon Council was £321,045 (£75,026 to 31 March 2009).

NOTES TO THE GROUP ACCOUNTS

1. 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.

	2009/10		2008/09	
	£000	£000	£000	£000
(Surplus)/Deficit for the year				
General Fund	137,575		287,636	
Share of Joint Venture	1,666		(3,300)	
		139,241		284,336
Adjustments				
Other non cash adjustments	(122,444)		(27,379)	
Minimum revenue provision	5,972		10,895	
Cashflows from Joint Venture	0		1,924	
Depreciation	(34,144)		(21,552)	
Amortisation of Government grant	11,274		5,355	
Non cash items relating to disposal of fixed assets	(19,930)		(48,154)	
Non cash items relating to impairment of fixed asset	(93,365)		(222,550)	
Non cash items - joint venture	(1,666)		3,300	
Charges for retirement benefits in accordance with FRS17	(17,642)		(19,610)	
Increase in provision charges to services	(2,875)		(3,382)	
Other finance costs	(271)		229	
		(275,091)		(320,924)
Movement in revenue assets and liabilities				
Increase in stock	(72)		67	
Decrease in revenue debtors (net of doubtful debts)	36,400		(5,702)	
Increase in revenue creditors	(13,386)		15,407	
		22,942		9,772
Items classified elsewhere on the cash flow statement				
Net interest paid	(8,135)		(378)	
		(8,135)		(378)
Net cash (inflow)/outflow from revenue activities		(121,043)		(27,194)

2. CROYDON COUNCIL'S SHARE IN JOINT VENTURE COMPANIES WITHIN THE GROUP

This is as follows:-

	2009/10		2008/09	
	CCURV £000	DHLLP £000	CCURV £000	DHLLP £000
Turnover	5,240	997	0	306
Profit/(loss) before and after tax	1,641	25	(3,339)	40
Fixed Assets	0	9,864	0	10,081
Current Assets	1,235	651	448	495
Liabilities due within one year	(1,378)	(957)	(798)	(692)
Liabilities due after one year or more	(1,553)	(9,870)	(2,989)	9,845

Pension Fund Accounts 2009/10

September 2010

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 both to its employees who are members of the Pension Fund, and to past employees in receipt of a pension for its stewardship of pension assets. The two roles, and the relevant interest groups, are significantly different. Consequently, the Pension Fund accounts are presented in an appendix to clearly demonstrate the distinction.

FUND'S OPERATIONS AND MEMBERSHIP

The London Borough of Croydon Pension Fund (the Fund) operates a defined benefits scheme whose purpose is to provide pensions to all of the Council's employees, with the exception of teaching staff, and to the employees of admitted and scheduled bodies who are members of the Fund.

The Local Government Pension Scheme (LGPS) is a statutory pension scheme, whose rules are governed by Parliament in accordance with the Superannuation Act 1972. The rules of the scheme are laid down in two separate sets of regulations; the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Administration) Regulations 2008, both of which came into force on 1 April 2008, and provide the statutory basis within which the Fund can operate. Separate transitional regulations provide the link between the old and new scheme provisions.

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

Admitted:

Age Concern, BRIT School, Cabrini Children's Society, Croydon Citizens Advice Bureau, Croydon Community Mediation, Creative Environmental Network, Oasis Academy Coulsdon, Croydon Voluntary Action, Croydon Youth Development Trust, Apetito, Fairfield (Croydon) Limited, Fusion, Harris City Academy Crystal Palace, Interserve, Harris City Academy South Norwood, Eldon PFI, Harris Academy Purley, Oasis Academy Shirley Park, Sutton Community Transport, Courier Cars Wallington Cars and Couriers, Olympic (South) Ltd and Veolia.

Scheduled:

London Borough of Croydon, Coulsdon College, Croydon College, and John Ruskin College.

Management of the Fund

The London Borough of Croydon has a statutory responsibility to administer and manage the London Borough of Croydon Pension Fund on behalf of all the participating employers of the Fund in Croydon, and the past and present contributing members, and their dependents.

The Council is also responsible for making decisions governing the way the Fund is invested. In this respect, the Council delegates responsibility for making investment decisions and monitoring arrangements to the Pension Committee. The Pension Committee's responsibilities include reviewing and monitoring the Fund's investments; selecting and deselecting investment managers and other relevant third parties and establishing investment objectives and policies. The Pension Committee is made up of six voting Members of the Council, two non-voting pensioner representatives, a co-opted non-voting member and a non-voting employee representative. In addition, the committee is supported by officers and external advisors.

1. GENERAL PRINCIPLES

The financial statements have been prepared in accordance with the provisions of Chapter 2 (Recommended Accounting Practice) of the 2007 Pensions Statement of Recommended Practice (SORP) as required by the Code of Practice on Local Authority Accounting in the United Kingdom 2008, 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. BASIS OF PREPARATION**Accruals**

The financial statements, apart from transfer values received and paid (see below), 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.

Transfer Values

Transfer values receivable and payable that were not received or paid by Croydon Council (acting on behalf of the Pension Fund) at the year end, are not included within the financial statements for the year in accordance with the accounting treatment required by the Pensions SORP (Statement of Recommended Practice).

AVCs

Additional voluntary contributions, which are separately invested, are not included in the Pension Fund Accounts in accordance with Regulation 5(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No.1831).

Valuation of Investments

All investments are valued at fair value within the accounts. Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The implementation of this principle is explained in detail for each class of asset in the notes to the accounts.

Investment Management and Administration Costs

Paragraph 42 of the Local Government Pension Scheme (Administration) Regulations 2008 permits the Council to charge the scheme's administration and investment management costs to the Fund. A proportion of relevant Council officers' salaries including related on-costs (these consist mainly of employer's National Insurance Contributions and employer's pension contributions have been charged to the Fund on the basis of actual time spent on scheme administration and investment related business. The fees of professional advisors and administrators are also charged to the Fund.

Returns on Investments

The returns on investments include, investment income, the net gain or loss on currency transactions, the realised gain and the unrealised gain on investments.

Acquisition costs

The cost of acquiring property and securities includes brokerage commission, legal fees and stamp duty.

Going Concern

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

4. EARLY RETIREMENT COSTS DUE TO REDUNDANCY

Employees, who are members of the Local Government Pension Scheme, aged 50 or over (55 or over from 2010/11 onwards) and take early retirement due to redundancy are entitled, under the regulations, to receive their pension from the date their employment ceases, based on the number of years of their service without any actuarial deduction. This causes a strain on the Pension Fund that is measured as a capitalised cost, and recovered from the London Borough of Croydon over a period of between one and five years.

PENSION FUND ACCOUNTS

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

CONTRIBUTIONS AND BENEFITS

	Note No.	2009/10 £000	2008/09 £000
Employees' contributions:			
London Borough of Croydon		8,406	8,259
Scheduled bodies		456	436
Admitted bodies		617	511
Employers' contributions:			
London Borough of Croydon		27,578	25,085
Scheduled bodies		1,519	1,343
Admitted bodies		1,761	1,413
Employers' deficit funding contributions		125	0
Transfer values received	15	9,877	5,697
Early retirement costs recovered	8	1,747	2,829
		52,086	45,573
Benefits - Pensions		28,026	25,737
- Lump sums	14	9,088	7,302
Payments to and on account of leavers - Refund of contributions		61	4
- Transfer values paid	15	6,324	5,834
Administrative expenses	11	1,497	1,059
		44,996	39,936
		7,090	5,637
Net additions / (withdrawals) from dealings with members		7,090	5,637

RETURNS ON INVESTMENTS

	Note No.	2009/10 £000	2008/09 £000
Investment income	13	9,130	12,654
Net gains / (losses) on currency revaluations and underwriting commissions		73	52
Change in market value of investments:			
Unrealised	3	34,648	(126,770)
Realised	3	116,571	(1,474)
Investment management expenses	12	(1,095)	(674)
Net returns on investments		159,327	(116,212)
		166,417	(110,575)
Net increase / (decrease) in the Fund during the year		166,417	(110,575)
Net assets at the start of the year		417,044	527,619
Net assets at the end of the year		583,461	417,044

PENSION FUND ACCOUNTS

NET ASSETS STATEMENT AS AT 31 MARCH 2010

Investments held by the Fund Managers:

Global equities

Private equity

Bonds

Hedge funds

Property

Global Tactical Asset Allocation

Transition account

Total Investments held by the Fund Managers

Other Balances held by the Fund Managers

Outstanding dividends and tax reclaimable

Outstanding trades for securities sold

Outstanding trades for securities purchased

Total Other Balances held by Fund Managers

Cash held by the Fund Managers

Total asset held by the Fund Managers

Net current assets:

Debtors

Cash held by the London Borough of Croydon

Creditors

Net assets at the end of the year

Note No.	2009/10 £000	2008/09 £000
2 - 5	309,637	329,785
2 - 5	16,483	13,044
2 - 5	177,873	28,325
2 - 5	23,017	0
2 - 5	25,254	5,284
2 - 5	22,283	0
2 - 5	21	0
	574,568	376,438
	630	1,430
	2,047	2,018
	(2,248)	(2,087)
	429	1,361
	7,587	9,406
	582,584	387,205
9	717	2,487
	7,052	34,011
10	(6,892)	(6,659)
	583,461	417,044

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 2007 in accordance with the Local Government Pension Scheme Regulations 1997 (as amended). The employers' contribution rates for 2009/10 are as follows:

Croydon Council (including schools' non-teaching staff) - 22.1%
 Scheduled bodies - 22.1%
 Admitted bodies - rates vary depending upon those determined by the Actuary.

During 2007/08 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. A triennial Actuarial Valuation is being prepared as at 31 March 2010.

The 2007 Actuarial Valuation recommends that recovery of the deficit be spread over 25 years as from 1 April 2008 and that the employers' 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.

To contribute towards funding their share of the deficit one admitted body (BRIT School) decided to make a deficit funding payment of £125k during 2008/09. The amount is separately disclosed as required by the SORP. However, as stated above, the London Borough of Croydon and the scheduled and admitted bodies are all contributing towards reducing the deficit through increased monthly contributions in accordance with the recovery plan.

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. INVESTMENTS

The Pension Committee agreed to authorise the then Executive Director of Finance and Resources, now the Deputy Chief Executive and Executive Director of Resources and Customer Services to exercise delegated powers to vary the Pension Fund's target asset allocation between UK and Overseas equities, Property, Bonds, Cash and alternative asset classes as is deemed necessary and switch investments between existing and other fund managers, as required. The dynamics which drove this process from late 2007 were the volatility in equity markets and the availability of investment opportunities tied into temporary market inefficiencies. The objective was to achieve a more consistent level of return aligned with the 25 year recovery plan for the Fund but with a much lower aggregate level of risk.

The Fund's advisors gave their views on the appropriate asset allocations for the fund. From their advice the following target asset allocation was determined:-

Asset Class	Investment
Equities	50.00%
Private Equity	4.00%
Bonds	30.00%
Fund of Hedge Funds	4.00%
Global Tactical Asset Allocation	4.00%
Property	7.00%
Cash	1.00%
Total	100.00%

2. INVESTMENTS (continued)

Asset Category	Fund Managers
Equities	DB Advisors, Fidelity and Franklin Templeton (segregated funds); Edinburgh Partners and Sarasin (pooled funds)
Private equity	Private Equity - Equitix and Knightsbridge (the services of Pantheon have been retained)
Bonds	Standard Life and Wellington
Hedge Fund of Funds	Bluecrest and Fauchier
Property	The services of Henderson Global investors have been retained
Global Tactical Asset Allocation	Nordea
Cash	Cash is invested by the in-house team

The current fund manager, UBS, failed to obtain any of the revised portfolio following a competitive tendering process

The following were the key events in the transition to new fund managers

Private Equity

In July 2009 Croydon made a £5m commitment to Equitix and in September 2009 a \$13m commitment to Knightsbridge. In March 2010 Croydon increased its commitment to Equitix by a further £5m. Drawdowns and cash returns have been frequent across these funds and the Pantheon fund during the year. Because of the nature of the investments cash is transferred to the investment funds incrementally over a period of a number of years.

Property

Since December 2009 further drawdowns have been made into Croydon's property fund with Henderson Global Investors. The sum invested is short of the target allocation because of a lack of suitable investment opportunities over recent years.

Fund of Hedge Funds

On 1 December 2009 Croydon funded two fund of hedge funds, managed by, Bluecrest and Fauchier with £8m each. An additional £3.23m each was funded in the transition below for investment on 1 February 2010. The cash was generated by liquidating UBS assets at the end of November.

Futures Overlay

The transition manager, Bank of New York Mellon (BoNYM) implemented a futures overlay on 15 December 2009 to a value of £38m, in order for the Pension Fund to gain exposure to the intended asset allocation above, as soon as possible prior to the transition of assets.

Global Tactical Asset Allocation

On 1 January 2010 Croydon funded a Global Tactical Asset Allocation mandate with Nordea amounting to £24m. The cash was generated by liquidating UBS assets at the end of December.

2010 Transition

During January 2010 BoNYM transitioned the Croydon Council Pension Fund's existing equity and bond accounts with UBS to its chosen portfolio of new managers. This was achieved through a transfer of most of the UBS portfolio to the BoNYM transition account on 15 January (part had been liquidated earlier for cash flow purposes) and a combination of asset transfers and cash funding to the new managers to provide them with, as near as possible, their desired portfolio.

Over £442m was transferred from UBS to the transition account on 15 January and combined with the remaining cash from the futures overlay. The transition managers valued the final funds on 19 January at £481m, they then traded for three days to align the portfolios to meet the new managers' requests. On 22 January the portfolio to transfer was valued at £472m. Funding to the new managers occurred between 26 January and 2 February, apart from the Fund of Hedge Funds and some Private Equity funded in November / December 2009.

VALUATION OF INVESTMENTS

The assets of the Pension Fund are included in the Net Asset Statement at their fair value. The fair value for the following asset classes is:

Segregated Global Equities (Fidelity, Franklin Templeton, Deutsche Bank)

Investment accounting was outsourced to BoNYM with effect from 1 April 2009. The BoNYM pricing unit (Global Pricing) uses its prices to reprice the investments held by the segregated fund managers to achieve consistent pricing across the entire segregated portfolio.

2. INVESTMENTS (continued)

The BoNYM pricing unit operates under the following pricing guidelines:

Designation of a primary source

All pricing vendors are external. Where available, BoNYM uses more than one vendor for securities of each asset type, class or issue. At the time of acquisition, each security is automatically assigned a primary pricing source, based on its characteristics. The price received from a primary source is used in portfolio valuation reports, unless a tolerance check, or price challenge results in the use of a price from a secondary vendor, or BoNYM are directed as to a price or source as described below:-

Use of Secondary Pricing Sources; Client / Manager Price Direction

Missing Prices

BoNYM monitors prices supplied by vendors and may use a secondary vendor or change a primary vendor designation if a price for a particular security is not received from the primary vendor or the vendor no longer prices a particular asset type, class or issue. When a vendor does not send a price for a particular asset, it may indicate an inactive, delisted, bankrupt or suspended equity or bond for which BoNYM vendors no longer have enough data to provide a price. In such cases, Global Pricing would use a secondary vendor, if available. If a secondary vendor source is not available, BoNYM will reflect the last available price. In daily, weekly or monthly valued accounts, the client or their investment manager(s) may direct the use of an alternative price or source for any position not priced by BoNYM pricing vendors.

Tolerance Checks

Vendor-provided prices are subjected to automated tolerance checks to identify and avoid, where possible, the use of inaccurate prices. Questionable prices identified by either of the tests noted below, are reported to the vendor that provided the price. Pricing Specialists then follow-up with the vendors. If the prices are validated, the primary price source is used. If not, a secondary source price which has passed the applicable tolerance check is used (or queried with the vendor if it is out of tolerance), resulting in either the use of a secondary price, where validated, or the last reported default price, as in the case of a missing price. For monthly valued accounts, where secondary price sources are available, an automated inter source, tolerance report identifies prices with an inter-vendor pricing variance of over 2% at an asset class level.

For daily valued accounts, each security is assigned, where possible, an indicative major market index, against which daily price movements are automatically compared. Tolerance thresholds are established by asset class. Prices found to be outside of the applicable tolerance threshold are reported and queried with vendors as described above.

Pooled Equity Funds (Sarasin & Edinburgh Partners)

Sarasin

The investment with Sarasin is in their Global Thematic Fund. The price of shares in the fund is published daily in the Financial Times. The share price at 31 March is provided to BoNYM.

Edinburgh Partners

The investment with Edinburgh Partners is in their Global Opportunities Fund. The price of shares in the fund is published daily in the Financial Times. The share price at 31 March is provided to BoNYM.

Bonds

Standard Life - Trustee Investment plan

Investments in the Trustee Investment Plan are valued each working day and a unit price is set. The pricing basis depends on the overall cash flow of the fund, and more specifically, whether the cash flows result in the fund having to purchase, sell or transfer stock. This gives rise to three pricing bases; offer, bid and mid. Generally, if there is a positive cash flow into the fund the offer basis is used. This basis takes account of the cost of buying investments. However, if there is an overall outflow of funds the pricing basis may be switched to a bid basis. This means that a lower price will apply, reflecting the cost of selling the underlying investments. This is in accordance with the accounting rules for pooled investment vehicles required by the 2007 Pensions SORP.

Wellington - Sterling Core Bond Plus

Multiple pricing sources are used: a tolerance of 5% is accepted between prices. Outside of that range there is a manual review of each price.

2. INVESTMENTS (continued)

Private Equity Investments

Fund investments are carried at fair value as determined quarterly by the General Partner in its discretion. The Partnership's fund investments are generally carried at the valuations provided by the general partners or managers of such investments. The valuations provided by the general partners or managers typically reflect the fair value of the Partnership's capital account balance of each fund investment, including unrealised gains and losses, as reported in the audited financial statements of the respective fund. In reviewing these underlying valuations, the General Partner is advised by the Investment Advisor, who reviews the capital account balances and may adjust the value of each fund investment. The General Partner uses the market approach to estimate the fair value of private investments. The market approach utilises prices and other relevant information generated by market transactions, type of security, size of the position, degree of liquidity, restrictions on the disposition, latest round of financing data, current financial position and operating results, among other factors. In circumstances where fair values are not provided in respect of any of the Company's fund investments, the Investment Advisor will seek to determine the fair value of such investments based upon information provided by the general partners or managers of such funds or from other sources. Notwithstanding the above, the variety of valuation bases adopted and quality of management data of the ultimate underlying Investee companies means that there are inherent difficulties in determining the value of these investments. Amounts realised on the sale of these investments may differ from the values reflected in these financial statements and the difference could be significant.

Hedge Funds and Global Tactical Asset Allocation

Pricing supplied by Globeopp.net. Net asset values are reconciled on a daily basis.

Property

The Fund does not have any direct investments in property but invests indirectly through the property fund manager Henderson Global Investors, who invest in several property funds that are repriced by BoNYM at their bid prices.

NOTES TO THE PENSION FUND ACCOUNTS

3. CHANGE IN MARKET VALUE OF INVESTMENTS

	Balance Brought Forward £000	Purchases £000	Sale Proceeds £000	Realised Gains/ (Losses) £000	Unrealised Gains/ (Losses) £000	Balance Carried Forward £000
Global equities	329,785	45,402	(236,496)	138,272	32,674	309,637
Private equity	13,044	6,666	(2,378)	94	(943)	16,483
Bonds	28,325	147,585	(264)	(22)	2,249	177,873
Hedge funds	0	30,473	(8,013)	12	545	23,017
Property	5,284	17,999	0	0	1,971	25,254
Global Tactical Asset Allocation	0	24,000	0	0	(1,717)	22,283
Transition account	0	755,332	(733,395)	(21,785)	(131)	21
	376,438	1,027,457	(980,546)	116,571	34,648	574,568

4. ANALYSIS OF INVESTMENTS

Investments are valued at the close of business on 31 March 2010 in accordance with the valuation methodologies detailed in Note 2.

	2010			2009		
	Book £000	Market £000	Market %	Book £000	Market £000	Market %
Global equities						
UBS FTSE 350 Fund	0	0	0.0%	233,067	216,858	57.6%
DB Advisors	47,382	52,172	9.1%	0	0	0.0%
Edinburgh Partners	47,547	53,195	9.3%	0	0	0.0%
Fidelity	88,751	99,082	17.1%	0	0	0.0%
Franklin Templeton	46,199	52,516	9.1%	0	0	0.0%
Sarasin	46,734	52,672	9.2%	0	0	0.0%
UBS Global Asset Management	0	0	0.0%	100,798	112,927	30.0%
Total equities	276,613	309,637	53.8%	333,865	329,785	87.6%
Private Equity						
Pantheon Ventures	8,569	12,125	2.1%	8,775	13,023	3.5%
MUST 2 (Mercury Unquoted Securities Trust)	0	20	0.0%	0	21	0.0%
Equitix	3,181	3,181	0.6%	0	0	0.0%
Knightsbridge	1,408	1,157	0.2%	0	0	0.0%
Total private equity	13,158	16,483	2.9%	8,775	13,044	3.5%
Bonds						
UBS Life UK Fixed Interest Tracker Fund "A" units	0	0	0.0%	24,477	28,325	7.5%
Standard Life	105,409	107,307	18.7%	0	0	0.0%
Wellington	70,215	70,566	12.3%	0	0	0.0%
Total Bonds	175,624	177,873	31.0%	24,477	28,325	7.5%
Hedge Fund of Funds						
Bluecrest	11,230	11,608	2.0%	0	0	0.0%
Fauchier	11,243	11,409	2.0%	0	0	0.0%
Total Hedge Fund of Funds	22,473	23,017	4.0%	0	0	0.0%
Property						
Henderson Global Investors	25,981	25,254	4.4%	7,983	5,284	1.4%
Global Tactical Asset Allocation						
Nordea	24,000	22,283	3.9%	0	0	0.0%
Bank of New York Mellon						
Other investment balances *	152	21	0.0%	0	0	0.0%
Total investments	538,001	574,568	100.0%	375,100	376,438	100.0%

NOTES TO THE PENSION FUND ACCOUNTS

4. ANALYSIS OF INVESTMENTS (continued)

At the close of the 2009/10 accounting period the UK economy was beginning to recover from the recession. During the year The FTSE 100 has varied between a low of 3,925 and a high of 5,680. The emergent recovery is reflected in the increase in the valuation of the Pension Fund's assets. It is, however, too early to assess whether the recovery is sustainable.

* Other Investment Balances

The Pension Fund holds title to various shares in financial bodies that were casualties of the recent financial crisis - i.e. Bradford and Bingley and Northern Rock. Although the market values these holdings at zero value the Fund still has rights which may in future give rise to a cash settlement. The Fund's custodian holds the documentation relating to these holdings.

5. GEOGRAPHICAL ANALYSIS OF INVESTMENTS

	2010			2009		
	UK £000	Foreign £000	Total £000	UK £000	Foreign £000	Total £000
Global equities						
UBS FTSE 350 Fund	0	0	0	216,858	0	216,858
DB Advisors	4,330	47,842	52,172	0	0	0
Edinburgh Partners	0	53,195	53,195	0	0	0
Fidelity	7,541	91,541	99,082	0	0	0
Franklin Templeton	7,478	45,038	52,516	0	0	0
Sarasin	0	52,672	52,672	0	0	0
UBS Global Asset Management	0	0	0	0	112,927	112,927
Total equities	19,349	290,288	309,637	216,858	112,927	329,785
Private Equity						
Pantheon Ventures	0	12,125	12,125	0	13,023	13,023
MUST 2 (Mercury Unquoted Securities Trust)	20	0	20	21	0	21
Equitix	3,181	0	3,181	0	0	0
Knightsbridge	0	1,157	1,157	0	0	0
Total private equity	3,201	13,282	16,483	21	13,023	13,044
Bonds						
UBS Life UK Fixed Interest Tracker Fund "A" units	0	0	0	28,325	0	28,325
Standard Life	107,307	0	107,307	0	0	0
Wellington	0	70,566	70,566	0	0	0
Total Bonds	107,307	70,566	177,873	28,325	0	28,325
Hedge Fund of Funds						
Bluecrest	11,608	0	11,608	0	0	0
Fauchier	11,409	0	11,409	0	0	0
Total Hedge Fund of Funds	23,017	0	23,017	0	0	0
Property						
Henderson Global Investors	20,268	4,986	25,254	5,284	0	5,284
Global Tactical Asset Allocation						
Nordea	22,283	0	22,283	0	0	0
Bank of New York Mellon						
Other investment balances *	21	0	21	0	0	0
Total investments	195,446	379,122	574,568	250,488	125,950	376,438

6. 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.

7. INFORMATION IN RESPECT OF MATERIAL TRANSACTIONS WITH RELATED PARTIES

Related party disclosures are regulated by Financial Reporting Standard (FRS) 8 the purpose of which is to "ensure that accounts contain the disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them".

In broad terms parties are related for the purposes of FRS 8 when one has control or influence over the other, or they are subject to common control or influence. Influence in this context is expressed in terms of a party either:

being potentially inhibited from pursuing at all times its own separate interests by virtue of the influence over its financial and operating policies;

actually subordinating its own separate interests in relation to a particular transaction.

The related parties of pension schemes fall into three main categories:-

Employer related

Trustee related; and

Officers and managers

Employer Related Parties

The relationship between an employer and a pension scheme set up for its employees is by its nature very close. FRS 8 cites Pension Funds of a reporting entity as a specific example of a related party. The table below details the nature of the related party relationships. It should be appreciated that no improper influence attaches to any of these relationships and at no time has the Pension Fund been inhibited from pursuing its responsibility to serve the best interests of its members.

Transaction	Description of its Financial Effect
Cost of early retirement due to redundancy - Note 8	As explained in note 4 of the Statement of Accounting Principles and Policies, when employees who are members of the Local Government Pension Scheme take early retirement due to redundancy, there is a capitalised cost to the Pension Fund. This cost is re-imbursed by the employer granting early retirement.
Debtors - Note 9	Amounts due in respect of employers and employees contributions.
Creditors - Note 10	Payments are made by the Council's bank account on behalf of the Pension Fund. The Pension Fund reimburses the Council's bank account on a monthly basis.
Administration expenses - Note 11	The administration of the Pension Fund is undertaken by officers of the Council. The cost of their time is recharged to the Pension Fund as permitted by Paragraph 42 of the Local Government Pension Scheme (Administration) Regulations 2008.
Investment management expenses - Note 12	Council officers also provide investment monitoring services to the Pension Fund. It is also permitted under Paragraph 42 to recharge these costs to the Pension Fund

7. INFORMATION IN RESPECT OF MATERIAL TRANSACTIONS WITH RELATED PARTIES (continued)

The amounts involved in each of the above relationships is stated in their separate disclosure note

Trustee Related Parties

Trustee related parties include:-

- a. trustees and their close families
- b. key management (that is the directors and any senior officer) of a corporate trustee and their close families
- c. entities controlled by, and associates and joint ventures of, the scheme itself
- d. companies and businesses controlled by the trustees or their close families
- e. companies and businesses controlled by the key management of a corporate trustee, or their close families

There were no transactions between any of the categories of trustees listed above and the Pension Fund

Officers and Managers

Relating parties under this heading including:

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

There were no transactions between officers and managers of the Pension Fund and the Pension Fund

The only financial relationship that either trustees or officers and managers have with the Fund is as prospective pensioners for those who are scheme members.

8. COST OF EARLY RETIREMENT DUE TO REDUNDANCY

The following note only applies to the London Borough of Croydon

During the financial year 2009/10 the capitalised cost of early retirements (due to redundancy) requiring reimbursement to the Pension Fund was £1.4m (2008/09 £2.3m) of which £0.8m was reimbursed during 2009/10 (2008/09 £1.8m), the balance will be reimbursed in instalments during the following four financial years.

At the commencement of the financial year 2009/10, £2.4m (2008/09 £3.0m) of capitalised early retirement costs relating to prior year redundancies were the subject of reimbursements to the Pension Fund by annual instalments. During 2009/10 £0.9m (2008/09 £1.0m) was reimbursed to the Pension Fund, the remaining amount to be reimbursed by instalments during the following three financial years.

9. DEBTORS

Contributions due in respect of:

- Employers' contributions
- Employees' contributions

Other debtors

2009/10 £000	2008/09 £000
521	434
165	144
31	1,909
717	2,487

Included in debtors is £686k (2008/09: £578k) 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 in 2008/09 is £1.8m of capitalised early retirement costs (due to redundancy) charged by the Pension Fund in 2008/09 to Croydon Council and other bodies but not settled by them as at 31 March 2009. In 2009/10 an amount of £0.9m was charged to Croydon Council and other bodies for early retirement costs due to redundancy. As at 31 March 2010 this amount had been settled.

(See Note 4 of the Statement of Accounting Policies and Principles for an explanation of early retirement costs).

NOTES TO THE PENSION FUND ACCOUNTS

10. CREDITORS

	2009/10 £000	2008/09 £000
Croydon Council	(6,093)	(4,380)
Unpaid benefits	0	(607)
Accrued expenses	(799)	(157)
FTSE 100 Index Futures	0	(1,515)
	(6,892)	(6,659)

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.

11. ADMINISTRATIVE EXPENSES

	2009/10 £000	2008/09 £000
Pensions administration and payroll (see note below)	1,291	810
Actuarial expenses and valuation fees	53	51
Other administrative expenses	153	198
	1,497	1,059

£708k (2008/09 £453k) of Croydon Council's Pensions and Treasury section officers' time and related on-costs has been recharged to the Pension Fund. These relate to Croydon Council's costs of pensions administration and the non-investment accounting work.

12. INVESTMENT MANAGEMENT EXPENSES

	2009/10 £000	2008/09 £000
Fund managers' fees (see (a) below)	509	282
Investment advisors' fees	277	97
Direct salary and other related expenses (see (b) below)	309	295
	1,095	674

(a) Fund managers' fees for segregated funds are based on the value of the funds under their control. The charges for pooled funds are deducted at source from the investments held.

(b) £291k (2008/09 £253k) of Croydon Council's Pensions and Treasury section officers' time and related on-costs has been recharged to the Pension Fund in relation to all aspects of administering the investments of the Pension Fund including investment monitoring.

13. INVESTMENT INCOME

	2009/10 £000	2008/09 £000
Final distribution from the terminated UBS FTSE350 investment	6,745	11,042
Initial distributions from the new global equity fund managers	1,497	0
Distributions from Private Equity	81	0
Henderson property funds	280	362
Interest	527	1,250
	9,130	12,654

14. LUMP SUMS

	2009/10 £000	2008/09 £000
Lump sum retirement benefits	7,533	6,296
Ill health retirement grants	1,124	423
Death grants	431	583
	9,088	7,302

NOTES TO THE PENSION FUND ACCOUNTS

15. TRANSFERS VALUES PAID AND TRANSFERS VALUES RECEIVED

	Transfers paid		Transfers received	
	2009/10 £000	2008/09 £000	2009/10 £000	2008/09 £000
Group transfers	0	1,243	0	0
Individual transfers	6,324	4,591	9,877	5,697
Total	6,324	5,834	9,877	5,697

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

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

17. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

There were no contingent liabilities at 31 March 2010. The Fund had the following contractual commitments denominated in Sterling, Euros and Dollars.

Fund Manager	Committed 000s	Drawn 000s	Due 000s
Pantheon			
USA IV Fund	\$16,151	\$13,791	\$2,360
Asia III Fund	\$1,997	\$1,639	\$358
Euro III Fund	€ 12,299	€ 10,085	€ 2,214
Equitix	£10,000	£3,207	£6,793
Knightsbridge	\$13,000	\$2,210	\$10,790

18. 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.

19. TOTAL CONTRIBUTIONS RECEIVABLE

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

20. 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.

21. MEMBERSHIP

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

	2009/10	2008/09	% change
Contributing members	6,890	6,603	4.35%
Deferred pensioners *	5,560	5,269	5.52%
Pensioners	5,760	5,514	4.46%
Total	18,210	17,386	4.74%

* This figures has been adjusted since the publication of the 2008-09 Annual Report

22. CONTRIBUTIONS TO THE FUND

Employees in the scheme are required by the Local Government Pension Scheme Regulations 1997 as amended in April 2007 to make contributions to the Fund by deductions from earnings. The contribution rate payable is determined by the pay band applicable to each individual employee. The pay bands are detailed below:-

Band	Range £	Contribution Rate
1	0 -12,600	5.5%
2	12,601-14,700	5.8%
3	14,701-18,900	5.9%
4	18901-31,500	6.5%
5	31,501-42,000	6.8%
6	42,001-78,700	7.2%
7	78,701+	7.5%

Manual Workers Banding - Year Commencing

1 April 2008	5.25%
1 April 2009	5.50%
1 April 2010	6.50%

For the year ended 31 March 2010 the employers' rate was 22.1% 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.

23. PRIOR YEAR AMENDMENTS

a. Costs of Early Retirement due to Redundancy. In previous years the cost recovered had been 'netted off' against pensions paid. In future, the cost of pensions paid and the recovery of early retirement costs will be separately disclosed. As a consequence, an adjustment has been made to restate the prior year.

b. Investment Income. The transfer of the Pension Fund portfolio has necessitated a revised analysis of investment income. Consequently, there has been a revised analysis of the previous year's investment income to achieve comparability.

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 a 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 may 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 consumption of the 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 (GF)

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 (HRA)

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.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

International Financial Reporting Standards (IFRS) is a set of accounting standards, developed by the International Accounting Standards Board (IASB). Local authorities will move to accounting on an IFRS basis by 2010/11, a year after central Government and the NHS.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to an Authority's revenue account in respect of repayment of debt.

NATIONAL NON-DOMESTIC RATE (NNDR)

The charge payable on all business premises, calculated by multiplying the rateable value of the property by a nationally set rate multiplier. The Tax is collected by Croydon and paid into a central pool. This central pool is 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, eg. the Greater London Authority.

PRIVATE FINANCE INITIATIVE (PFI)

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

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 (RSG)

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 represents a 'true and fair view' of the financial position and transactions of a local Authority.

SUPPORT SERVICES

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

TRADING UNDERTAKING

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