

**LONDON BOROUGH OF BEXLEY**

**STATEMENT OF ACCOUNTS  
2015/16**

**September 2016**



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# **Narrative Report 2015/16**

## **Introduction**

Bexley's Statement of Accounts for 2015/16 sets out the Council's financial position and performance for the year. It has been prepared following International Financial Reporting Standards (IFRSs) and in accordance with the 2015/16 Code of Practice on Local Authority Accounting (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA) together with guidance notes issued by them.

As a London Borough, Bexley is a unitary authority providing a wide range of services. Accounting requirements mean that the information contained in these accounts is technical and complex and the aim of this report is to provide a context to the accounts by the inclusion of a summary of the Council's financial position and performance for the year and its prospects for future years. A glossary is attached at the end of the document which explains the technical terms used.

Due to the complex nature of local government financial reporting, a simpler summary will be prepared and circulated to residents as part of the Bexley magazine.

## **Background to the London Borough of Bexley**

Bexley is an outer-London Borough situated in the south east of London and borders the Thames to the north, the boroughs of Greenwich to the west, Bromley to the south and County of Kent to the east. It is close to the A2 and M25 and the Dartford Tunnel and high-speed Channel Tunnel Rail Link station at Ebbsfleet.

The Borough covers an area of 23 square miles (6,400 hectares) and has five major district centres – Bexleyheath, Crayford, Erith, Sidcup and Welling. It is one of the greenest boroughs in London with over 100 parks and open spaces. Bexley is the 10th least deprived Borough in London (when based on 2010 Indices of Multiple Deprivation for the Borough as a whole) but areas of the borough such as parts of Slade Green, Footscray and Thamesmead rank in the most deprived 10-20% areas nationally. Bexley is one of the safest boroughs in London.

The estimated population for Bexley was 240,000 in 2014 from estimates provided by the Office for National Statistics.

The Council provides a wide range of services to the public. Many of these services are supplied by the private and voluntary sector ranging from waste collection and disposal to residential care of children and adults. The Council's gross revenue spending in 2015/16 was £499m of which £86m related to spending on schools and a further £96m related to benefit payments. Income came principally from the Government (£261m), Council Tax (£91m) and business rates (£35m) with the balance from charges for services and other minor sources.

## **The Council's Corporate Aims and Objectives**

The worldwide economic downturn of previous years and the Government's deficit recovery plan necessitates all local authorities to keep driving better value for money from spending. It also requires a focus on key priority areas which include:

- Growing a thriving economy
- Living long, fulfilling and independent lives
- Providing value for money

The Council's Corporate Plan sets out the Council's direction of travel and outlines its commitments to residents.

## **Explanation of the Financial Statements**

The accounts show the core financial statements grouped together followed by the detailed disclosure notes. These are followed by further statements on the Collection Fund and Pension Fund. Each of these statements is introduced below:

### **Movement in Reserves Statement (MIRS)**

This shows the movement in the Council's reserves during the year. The statement is analysed between those reserves which are available to finance spending or reduce taxation (usable reserves) and those which reconcile the technical aspects of accounting (unusable reserves). The surplus or deficit on the provision of services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

### **Comprehensive Income and Expenditure Statement (CIES)**

This statement shows the income and expenditure relating to all of the Council's services, the principal sources of finance, which include Government grants and Council Tax, and the net deficit or surplus for the year. It shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Local authorities raise taxation to cover expenditure in accordance with regulations and this may be different from the accounting cost. A reconciliation to the expenditure met by taxation is shown in the Movement in Reserves Statement.

### **Balance Sheet**

The Balance Sheet shows the value as at 31 March 2016 of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by its reserves. Reserves are reported in two categories as explained above. With regard to those reserves that the Council is not able to use to provide services, this category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves holding timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'. Details of the movements in Reserves are included in the Movement in Reserves Statement.

### **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The statement summarises the movement of all the Council's funds which are represented in the Balance Sheet. As such, it excludes movements in the Pension Fund.

### **Collection Fund**

This shows the collection and distribution of Council Tax and Business Rate income. It also records the transactions arising from the Crossrail Business Rates Supplement which is levied on some business ratepayers.

### **Pension Fund**

The London Borough of Bexley Pension Fund is part of the Local Government Pension Scheme (LGPS). The Council is required to make arrangements for the proper administration of its pension fund affairs and to secure that one of its officers has the responsibility for its administration.

## Financial Performance for the Year

### (a) Revenue Expenditure

The Council manages and controls spending on its services through its General Fund.

The Council's gross cost of providing services is reduced by specific grants (the biggest of which are Dedicated Schools Grant of £87m and Benefits subsidy of £90m) and other income such as charges levied for services to arrive at net expenditure. Net expenditure is financed from Business Rates, Revenue Support Grant, Core Grants, Council Tax and reserves.

The budget was monitored throughout the year and the last quarterly monitoring reported to Public Cabinet projected a small net overspend of £0.015m. Underspends totalling £2.478m have been identified since that time, including through early delivery of future planned savings. Following the procedure adopted in previous years, the net underspending of £2.4m has been transferred to the Financial Planning Reserve and Transformation Reserve.

The final approved General Fund budget for net expenditure in 2015/16 was therefore £164.029m whereas the actual amount charged was £161.566m. After allowing for the transfer to the Financial Planning Reserve and Transformation Reserve, the unallocated General Fund balance at 31 March 2016 stood at £12.803m.

The following table sets out further information on net expenditure and how it is financed. Expenditure in schools and the Adult Education College of Bexley is excluded as these parts of the Council automatically carry forward under and overspends into future years.

|   | Final<br>Budget<br>(1)<br>£'000 | Actual<br>Expend.<br>(2)<br>£'000 | Variation<br>(2) – (1)<br>£'000 |
|---|---------------------------------|-----------------------------------|---------------------------------|
| Net Expenditure on Services                                 | 172,291                         | 169,791                           | -2,500                          |
| Financing Costs & Movements in Reserves                     | -16,328                         | -16,328                           | -                               |
| Contingency Provision                                       | -175                            | -                                 | 175                             |
| London Wide Payments  | 8,241                           | 8,103                             | -138                            |
| Total to be financed  | 164,029                         | 161,566                           | -2,463                          |
| Income from RSG/NNDR/Council Tax                            | -164,029                        | -164,029                          | -                               |
| Net underspending   | -                               | -2,463                            | -2,463                          |
| Transfers to Financial Planning and Transformation Reserves |                                 |                                   | 2,400                           |
| Net change in unallocated General Fund Balance              |                                 |                                   | -63                             |

Significant variations in spending against the budget include residential and nursing care expenditure (£1.463m); external child care placements (£1.203m); Learning Disability Services (£0.864m); waste collection/ disposal expenditure (£0.685m); No Recourse to Public Funds (£0.600m) as well as underspends on residential and nursing care income (-£2.174m); devolved staffing budgets (-£0.782m); waste collection and disposal income (-£0.694m) and temporary accommodation (-£0.570m).

After the inclusion of schools, the Adult Education College and earmarked balances, the General Fund overall shows a net deficit for the year of £0.247m, however, the accounting position presented in the CIES shows a deficit for the year of £39.804m. This is because the CIES is required to take a wider view of financial performance than that shown in the General Fund and show the true accounting position. In addition to the net General Fund deficit of £0.247m, the CIES also includes the following major items of expenditure and credits:

- A charge for the depreciation and impairment of fixed assets. The depreciation charge of £22.750m is a charge for the use of assets that reflects the notional consumption of assets during the year. There may also be a charge for impairment that reflects a reduction in the valuation of assets during the year due to factors such as demolition, obsolescence or physical damage to an asset. This is nil in 2015/16.
- A charge for revenue expenditure funded from capital under statute (REFCUS). A charge of £1.426m for expenditure which under proper accounting practice meets the definition of revenue expenditure but which statute allows to be funded from capital resources. This mainly relates to grants or other financial assistance made to other public bodies for capital expenditure purposes. This expenditure is therefore included in the capital expenditure totals given in Note 12.
- A credit for capital grant income. Capital grants and contributions of £14.361m have been credited to the CIES in accordance with proper accounting practice. However, for the statutory purposes of financing capital expenditure, these grants are included within the Council's capital programme.
- A charge for pensions of £18.028m representing the difference between the IAS 19 accounting cost of pensions (as calculated by the Council's Actuary) and the actual employer contributions paid to the Council's Pension Fund in the year. In addition, there is a credit of £33.550m arising from actuarial gains in the year. Actuarial gains represent the extent to which the assumptions made by the Actuary at the start of the year differ from those at the end of the year i.e. inflation rates, asset returns, etc. See Note 34 in the Financial Statements for further details of movements in the pension fund liability during the year.
- A gain on the de-recognition of fixed assets of £1.213m. When assets are sold or are transferred to other bodies the carrying value of those assets is written-off to the CIES and, depending on the sale proceeds, a gain or loss is recognised.
- A revaluation loss on fixed assets of £0.500m arising from the decrease in the value of those fixed assets that have been revalued during the year.

In addition, statute requires that certain expenses are charged to the General Fund that are not considered to be proper accounting charges in accordance with the Code. These are therefore not shown in the CIES. In the main these statutory charges relate to the statutory capital financing charge called the Minimum Revenue Provision (£5.840m), which is an amount set aside from revenue to repay debt, and direct revenue financing of capital expenditure (£0.839m). The latter is often referred to as CERA (capital expenditure charged to a revenue account).

A table setting out all of the adjustments can be found in Note 7.

However, whilst the CIES shows the true accounting position for the year, it is the General Fund position which is the more important for the Council and its residents as legislation requires that items such as depreciation and pension deficits are eliminated and this is the basis on which the Council's budget is constructed.

(b) Capital Expenditure

The Council manages its capital investment through its Capital Programme. The Council's Budget Book contains the original approved Capital Programme and the Programme was updated regularly by the Cabinet. The actual capital spending together with the various sources of funding are as follows:

|   |                |
|---|----------------|
|   | £'000          |
| Capital Investment                                |                |
| Property, Plant and Equipment                     | 30,581         |
| Investment Properties                             | 0              |
| Intangible Assets                                 | 447            |
| Heritage Assets                                   | 71             |
| Revenue Expenditure funded from Capital           | 4,160          |
| <b>Total Capital Investment</b>                   | <b>35,259</b>  |
| Sources of Finance                                |                |
| Capital Receipts                                  | -16,275        |
| Grants and Contributions                          | -12,652        |
| Direct Revenue Financing                          | -839           |
| Minimum Revenue Provision                         | -5,840         |
| <b>Total Sources of Finance</b>                   | <b>-35,606</b> |
| <b>Reduction in Capital Financing Requirement</b> | <b>-347</b>    |

All slippage in spending of the approved Capital Programme will be rolled into 2016/17 or later years as appropriate together with the resources for its financing.

(c) Material Items in the Accounts

The Council has not acquired any material assets in 2015/16.

The Council has not incurred any material liabilities in 2015/16 and there were no material or unusual charges or credits included in the accounts.

(d) Performance Indicators for 2015/16

The following table shows performance against targets for a range of services in 2015/16 –

| <b>Performance Indicator</b>  | <b>Target 2015/16</b> | <b>Actual 2015/16</b> |
|---|-----------------------|-----------------------|
| % of Council Tax collected  | 96.4%                 | 96.69%                |
| % of Business Rates collected   | 98.3%                 | 98.52%                |
| % of household waste sent for reuse, recycling, composting or anaerobic digestion | 56%                   | 51.4%                 |
| % of street lights installed with new energy efficient LED lighting               | 5.2%                  | 6%                    |
| No of active users of the Bexley Library Service                                  | 40,000                | 41,029                |
| Vacancy rate of shop premises in strategic and major district town centres        | 10%                   | 9.4%                  |
| % of homeless applications dealt with in 33 working days                          | 70%                   | 70%                   |
| % of highway reactive repairs fixed within 90 days                                | 100%                  | 100%                  |
| Gross number of new homes built (including affordable)                            | 446                   | 463                   |



| <b>Performance Indicator</b>   | <b>Target 2015/16</b> | <b>Actual 2015/16</b> |
|--|-----------------------|-----------------------|
| % pupils attending good or outstanding schools                                       | 81%                   | 86.4%                 |
| % of all requests made with the Contact Centre that is through self service channels | 76%                   | 75%                   |
| Number of new foster carers newly approved   | 20                    | 17                    |
| % of children, under 5 years, registered with Bexley's children's centres            | 85%                   | 75.2%                 |

## **Financial Position at 31 March 2016**

The net worth (total reserves) of the Council is shown in the Balance Sheet and has increased by £4.368m over the year to £370.791m. However, a number of the reserves making up net worth relate to the technical adjustments arising from fixed assets and pensions accounting and the reserves are not available to spend. An analysis of these reserves is provided further below.

Apart from reserves there are a number of other key Balance Sheet items and the more significant movements on these during the year are as follows:

### **(a) Non Current Assets**

The value of non current assets at 31st March 2016 is £572.985m. During the year the Council undertook additional capital expenditure as explained above including replacement of the Bexley Village road bridge, replacement of the waste collection and street services fleet and expansion projects at Danson and Royal Park schools.

During the year, the Council received total proceeds from disposals of land, buildings and repayments of mortgage advances of £7.917m. The largest element related to the final tranche in respect of the former Howbury Offices site (£5.210m). The Council transferred schools to academies for nil consideration and the value of their assets has been removed from the Council's Balance Sheet.

### **(b) Internal and External Sources of Funds**

The Council has a balance of £12.818m on its Capital Grants Unapplied Reserve at 31 March 2016. There were £0.406m capital receipts unapplied at 31 March 2016.

### **(c) Pensions Liability**

The Council contributes, along with its employees, to three pension schemes – the Local Government Pension Scheme (LGPS), the Teachers' Pension Scheme and the National Health Service Superannuation Scheme. Only those liabilities relating to the LGPS are shown in the Council's Balance Sheet. The pension liabilities for teachers cannot be separated out from the overall liability for teachers nationally and are therefore not shown in the Council's Balance Sheet.

The net pensions liability shown on the Balance Sheet is £126.381m at 31 March 2016; a decrease of £4.740m since 31 March 2015. This sum, which is determined in accordance with International Accounting Standard (IAS) 19, reflects the deficit on the Pension Fund after assessing the net present value of future pension liabilities and deducting the value of the Fund's assets. It does impact on the net worth of the authority, but it is important to recognise that the Pension Fund deficit is based on a snapshot at a point in time and does not predict the fund's future financial position or limit its ability to pay benefits in the future. The value of the Fund's assets can improve significantly in future years depending on investment performance and any shortfall will be made good by increasing contributions in future years as assessed by the Council's actuary at regular three-year intervals.

(d) Provisions and Contingent Liabilities

Where the Council has a liability to make future payments, but the precise timing of the payment and the amount is uncertain, then it creates provisions in the Balance Sheet. At 31 March 2016 the Council has the following main provisions:

An Insurance Provision which is used to pay claims which fall below the excess. At the end of each year, an estimate of the outstanding claims is made and the balance on the Insurance Provision is set at that level.

A provision for end of lease repairs on private sector leased properties used for temporary accommodation. The provision represents the amounts required to return properties in a satisfactory condition based on past experience.

A provision for refunding business ratepayers where they have successfully appealed against the rateable value on their properties.

The Council also maintains provisions for bad debts that are reviewed annually. The Debtors figure in the Balance Sheet is shown net of these provisions. There have been no material write-offs in 2015/16.

Details of all provisions and movements in year are set out in note 19.

Contingent Liabilities are detailed in note 35 to the Accounts.

(e) Reserves

The Council sets aside money as reserves in order to plan prudently for future expenditure commitments and to mitigate a range of financial risks which are considered each year as part of the budget planning process. Reserves are therefore essential for the purposes of robust financial management.

Under the Council's Schemes of Delegation, schools and the Adult Education College also maintain their own reserves.

The Council's main earmarked reserves are as follows:

|                           | Balance at 31<br>March 2016<br>£m |
|---------------------------|-----------------------------------|
| Financing                 | 9.179                             |
| Transformation            | 7.113                             |
| Financial Planning        | 5.498                             |
| Insurance                 | 4.772                             |
| Reorganisation            | 4.153                             |
| Information Technology    | 1.272                             |
| Income Collection         | 1.043                             |
| Broadway Shopping Centre  | 0.502                             |
| Stock Transfer Warranties | 0.483                             |
| Other Earmarked           | 1.797                             |
|                           | <b>35.812</b>                     |

The Unapplied Capital Grants reserve relates to grants which will be applied to fund capital expenditure in 2016/17 and future financial years.

The Balance Sheet also shows a number of technical reserves such as the Revaluation Reserve and

Capital Adjustment Account. These reserves are not available to spend having been created to reconcile the Council's accounting position with the statutory financial position as used to set the budget.

Further detail on reserves can be found in notes 20 and 21.

(f) **Borrowing**

At 31 March 2016 the Council had outstanding borrowing of £103.096m. This was entirely sourced from the Public Works Loan Board (PWLB) and an analysis of loan maturities is given in note 37. Borrowing has been at a much lower level than that set under prudential limits for many years as a result of the Council's Treasury Management policies.

(g) **Material Events after the Reporting Date**

There were the following post-Balance Sheet events.

The Council has transferred 34 schools to academies between 2010/11 and 2014/15; a further 8 schools transferred to academy status in 2015/16. Further schools are likely to become academies in 2016/17. For schools that are not voluntary aided or Foundation status, as they transfer their non current assets are also transferred to the successor bodies reducing the amount of property, plant and equipment in the Balance Sheet.

On 23 June the EU referendum took place to establish if the United Kingdom would remain part of the EU. The vote saw a decision returned to leave the EU. As this took place after the 31 March 2016 there was no impact on the figures contained within the Accounts. However, this decision has the potential to significantly impact on the future basis of assumptions, estimates and the value of investments and the Council will need to ensure this is considered in future years.

## **Significant Prior Period Adjustments and Changes in Accounting Policies**

There were no prior period adjustments in 2015/16.

## **Going Concern**

The London Borough of Bexley has prepared its financial statements for 2015/16 based on the going concern concept and this would cover the period of 12 months from 1 October 2016.

There are currently no plans by the Government to reorganise local government in London so the London Borough of Bexley as a local authority will continue and reference can also be made to the London Government Act 1963. The London Borough of Bexley also does not have any plans to merge with neighbouring authorities.

There is no issue of the London Borough of Bexley becoming bankrupt since legislation requires the authority to set a balanced budget. The Council Tax for 2016/17 was approved in March 2016 and the powers to raise Council Tax will also apply to the 2017/18 financial year.

For details of the London Borough of Bexley's financial plans, please see the Council's website –

Financial Plans 2016/17 Report to Council 2 March 2016

Medium Term Financial Strategy 2016/17 to 2020/21 – Updated February 2016

There is also a detailed Medium Term Financial Forecast for the period 2017/18 to 2021/22.

The London Borough of Bexley also has sufficient reserves; the earmarked reserves, including revenue grants unapplied, amount to £44.937m at 31 March 2016. There is also over £12.818m of capital grants unapplied at the same date. The General Fund unallocated balance at March 2016 is £12.803m.

The London Borough of Bexley has a well developed resource monitoring process where revenue and capital expenditure and income are regularly reported to the Corporate Leadership Team and the Cabinet. Any variations in expenditure and income are therefore highlighted at an early stage and remedial action taken as appropriate.

## **Financial Outlook 2016/17 onwards**

The financial position facing the Council over the next five years (2017/18 to 2021/22) is to be reported to Public Cabinet in July 2016. There have been some revisions to the estimates of total funding available and also to the spending issues but overall projections of the budget gap are not significantly changed from those reported when the 2016/17 budget was set in March 2016 - £14m for 2017/18, increasing to £26m by 2020/21.

By 2020/21, the Government intends to have fundamentally reformed the system for funding local government so that councils move to self-sufficiency. The core grant will disappear but 100% business rate retention will be introduced. Since business rates income typically exceeds the current level of funding to councils it is likely that the 100% retention will bring with it some additional responsibilities for the Council but these are yet to be confirmed.

As part of the 2016 Local Government Finance Settlement, Government published a four year funding settlement. All Councils are required to confirm in writing by October if they wish to accept.

It is inevitable that some further changes will arise as financial forecasts are updated over the coming months to take account of further developments, demand modelling and any Government policy announcements. Most significantly, proposals are expected to be forthcoming that set out further details of how local government will move towards funding self-sufficiency by 2020/21, including the system for full retention of business rates and the devolution of additional responsibilities that this will entail. During the summer, the Government will also launch consultations around changes to New Homes Bonus and the second phase of consultation on changes to education funding.

As announced in the Autumn Statement and Spending Review, Councils also have new flexibilities around the use of capital receipts to fund transformation projects that are designed to make revenue savings.

Over the summer, there will be a communication and partner engagement campaign to explain some of the challenges the Council faces and officers will be working with Cabinet Members to develop proposals to close the budget gap. This will be a combination of increased income and expenditure reductions. As a Council, our priority is to invest in prevention and early intervention to encourage more people to live independently and without Council support. We must also invest in Bexley as a place to live and work to encourage growth. Growth will increase the Council's income through council tax and business rates and thereby increasing our spending power.

## **New Statutory Requirements and Transfer of Functions**

There are no significant new statutory requirements or transfer of functions that will affect the Council in 2016/17.

## **Further Enquiries and Information**

The Statement of Accounts summarises the Council's financial activities and gives details of the overall financial position. Inevitably, much of the information in the document is of a technical nature satisfying the

requirements of statute and local authority accounting practice. A user-friendly summary of the accounts will be published later in the year.

Details of the 2016/17 budget are included in the Budget Book. Copies of this document and enquiries relating to this Statement of Accounts should be made to Lesley Pine in the Finance Department, Bexley Civic Offices on 020 3045 5141. This Statement and the Budget Book are also available on the Council's website, <http://www.bexley.gov.uk>

**Alison Griffin**  
**Director of Finance**  
**21 September 2016**

## Statement of Responsibilities for the Statement of Accounts

**The Council is required** to make arrangements for the proper administration of its financial affairs and those of the pension fund and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance. The Council is also required to secure the economic, efficient and effective use of resources and safeguard its assets. The authority is also required to approve the Statement of Accounts.

**The Director of Finance is responsible** for the preparation of the Statement of Accounts in accordance with proper practices as set out in the CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the Statement of Accounts, the Director of Finance has:-

- selected suitable accounting policies and then applied them consistently,
- made judgements and estimates that were reasonable and prudent,
- complied with the local authority Code.

Also, the Director of Finance has:-

- kept proper accounting records which were up to date,
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### The Statements of the Director of Finance

The required financial statements for the Council have been prepared in accordance with the accounting policies set out in note 1.

The required financial statements for the pension fund have been prepared in accordance with the pension fund accounting policies.

The Statement of Accounts presents a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended 31 March 2016.

**Alison Griffin**  
**Director of Finance**  
**21 September 2016**

## **Approval of the Accounts**

I certify that the Statement of Accounts for 2015/16 has been approved by resolution of the Audit Committee of the London Borough of Bexley.

**Councillor David Leaf**  
**Chairman, Audit Committee**  
**22 September 2016**

## MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance for council tax setting. The net increase/ decrease before transfers to earmarked reserves line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

|   | General Fund Balance<br>£'000 | Earmarked General Fund Reserves<br>£'000 | Capital Receipts Reserve<br>£'000 | Capital Grants Unapplied<br>£'000 | Total Usable Reserves<br>£'000 | Unusable Reserves<br>£'000 | Total Reserves of the Authority<br>£'000 |
|---|-------------------------------|--|-----------------------------------|-----------------------------------|--------------------------------|----------------------------|--|
| <b>Balance at 1 April 2014</b>  | <b>25,957</b>                 | <b>51,217</b>                            | <b>0</b>                          | <b>12,224</b>                     | <b>89,398</b>                  | <b>339,264</b>             | <b>428,662</b>                           |
| <b>Movement in reserves during 2014/15</b>  |                               |  |                                   |                                   |                                |                            |  |
| Surplus or deficit (-) on the provision of services                               | -44,301                       | 0  | 0                                 | 0                                 | -44,301                        | 0                          | -44,301                                  |
| Other comprehensive income and expenditure  | 0                             | 0  | 0                                 | 0                                 | 0                              | -17,915                    | -17,915                                  |
| <b>Total comprehensive income and expenditure</b>                                 | <b>-44,301</b>                | <b>0</b>                                 | <b>0</b>                          | <b>0</b>                          | <b>-44,301</b>                 | <b>-17,915</b>             | <b>-62,216</b>                           |
| Adjustments between accounting basis and funding basis under regulations (Note 7) | 39,903                        | 0  | 8,854                             | -3,848                            | 44,909                         | -44,932                    | -23                                      |
| <b>Net increase or decrease (-) before transfers to earmarked reserves</b>        | <b>-4,398</b>                 | <b>0</b>                                 | <b>8,854</b>                      | <b>-3,848</b>                     | <b>608</b>                     | <b>-62,847</b>             | <b>-62,239</b>                           |
| Transfers to or from earmarked reserves   | 2,527                         | -2,527                                   | 0                                 | 0                                 | 0                              | 0                          | 0  |
| <b>Increase or decrease (-) in year</b>   | <b>-1,871</b>                 | <b>-2,527</b>                            | <b>8,854</b>                      | <b>-3,848</b>                     | <b>608</b>                     | <b>-62,847</b>             | <b>-62,239</b>                           |
| <b>Balance at 31 March 2015</b>   | <b>24,086</b>                 | <b>48,690</b>                            | <b>8,854</b>                      | <b>8,376</b>                      | <b>90,006</b>                  | <b>276,417</b>             | <b>366,423</b>                           |
| <b>Movement in reserves during 2015/16</b>  |                               |  |                                   |                                   |                                |                            |  |
| Surplus or deficit (-) on the provision of services                               | -39,804                       | 0  | 0                                 | 0                                 | -39,804                        | 0                          | -39,804                                  |
| Other comprehensive income and expenditure  | 0                             | 0  | 0                                 | 0                                 | 0                              | 44,243                     | 44,243                                   |
| <b>Total comprehensive income and expenditure</b>                                 | <b>-39,804</b>                | <b>0</b>                                 | <b>0</b>                          | <b>0</b>                          | <b>-39,804</b>                 | <b>44,243</b>              | <b>4,439</b>                             |
| Adjustments between accounting basis and funding basis under regulations (Note 7) | 35,804                        | 0  | -8,448                            | 4,442                             | 31,798                         | -31,869                    | -71                                      |
| <b>Net increase or decrease (-) before transfers to earmarked reserves</b>        | <b>-4,000</b>                 | <b>0</b>                                 | <b>-8,448</b>                     | <b>4,442</b>                      | <b>-8,006</b>                  | <b>12,374</b>              | <b>4,368</b>                             |
| Transfers to or from earmarked reserves   | 3,753                         | -3,753                                   | 0                                 | 0                                 | 0                              | 0                          | 0  |
| <b>Increase or decrease (-) in year</b>   | <b>-247</b>                   | <b>-3,753</b>                            | <b>-8,448</b>                     | <b>4,442</b>                      | <b>-8,006</b>                  | <b>12,374</b>              | <b>4,368</b>                             |
| <b>Balance at 31 March 2016</b>   | <b>23,839</b>                 | <b>44,937</b>                            | <b>406</b>                        | <b>12,818</b>                     | <b>82,000</b>                  | <b>288,791</b>             | <b>370,791</b>                           |



This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

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## BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves of the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

| 31 March<br>2015 |                                    | Notes | 31 March<br>2016 |
|------------------|------------------------------------|-------|------------------|
| £'000            |                                    |       | £'000            |
|                  | Property, plant and equipment      | 8     |                  |
| 310,124          | Land and buildings                 |       | 292,187          |
| 5,779            | Vehicles, plant and equipment      |       | 11,330           |
| 165,247          | Infrastructure                     |       | 164,993          |
| 7,459            | Community assets                   |       | 7,795            |
| 1,168            | Assets under construction          |       | 5,968            |
| 11,102           | Surplus assets not held for sale   |       | 10,492           |
| 35,339           | Heritage assets                    | 41    | 37,494           |
| 35,226           | Investment property                | 9     | 41,436           |
| 1,218            | Intangible assets                  | 10    | 1,290            |
| 10,041           | Long-term investments              | 14    | 9,843            |
| 12,941           | Long-term debtors                  | 38    | 8,407            |
| <b>595,644</b>   | <b>Total Long Term Assets</b>      |       | <b>591,235</b>   |
| 26,175           | Short-term investments             | 14    | 18,700           |
| 996              | Inventories                        | 15    | 1,004            |
| 57,790           | Short-term debtors                 | 16    | 55,859           |
| 0                | Assets held for sale               | 11    | 0                |
| 29,842           | Cash and cash equivalents          | 17    | 49,685           |
| <b>114,803</b>   | <b>Total Current Assets</b>        |       | <b>125,248</b>   |
| -10,326          | Bank overdraft                     | 17    | -11,133          |
| -529             | Short-term borrowing               | 14    | -530             |
| -50,929          | Short-term creditors               | 18    | -53,832          |
| -2,659           | Provisions                         | 19    | -3,149           |
| -382             | Capital grants receipts in advance | 39    | -282             |
| <b>-64,825</b>   | <b>Total Current Liabilities</b>   |       | <b>-68,926</b>   |
| -3,809           | Provisions                         | 19    | -2,844           |
| -102,613         | Long-term borrowing                | 14    | -102,598         |
|                  | Other long-term liabilities        |       |                  |
| -131,121         | Net pensions liability             | 34    | -126,381         |
| -35,889          | Deferred liabilities               | 40    | -38,943          |
| -5,767           | Capital grants receipts in advance | 39    | -6,000           |
| <b>-279,199</b>  | <b>Total Long Term Liabilities</b> |       | <b>-276,766</b>  |
| <b>366,423</b>   | <b>TOTAL NET ASSETS</b>            |       | <b>370,791</b>   |
| 90,006           | Usable reserves                    | 20    | 82,000           |
| 276,417          | Unusable reserves                  | 21    | 288,791          |
| <b>366,423</b>   | <b>TOTAL RESERVES</b>              |       | <b>370,791</b>   |

## CASH FLOW STATEMENT

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

| 2014/15<br>£'000 |  | 2015/16<br>£'000 |
|------------------|--|------------------|
|                  | <b>Operating Activities</b>  |                  |
| -106,865         | Taxation   | -106,835         |
| -290,209         | Grants   | -263,312         |
| -27,975          | Sales of goods and rendering of services   | -26,126          |
| -2,378           | Interest received  | -1,240           |
| 0                | Dividends received   | 0                |
| -24,169          | Other receipts from operating activities   | -25,441          |
| <b>-451,596</b>  | <b>Cash inflows generated from operating activities</b>  | <b>-422,954</b>  |
| 108,072          | Cash paid to and on behalf of employees  | 95,242           |
| 96,480           | Housing Benefit paid out   | 96,133           |
| 9                | Payments to the Capital Receipts Pool  | 7                |
| 219,836          | Cash paid to suppliers of goods and services   | 189,303          |
| 4,774            | Interest paid  | 4,771            |
| 22,796           | Other payments for operating activities  | 21,336           |
| <b>451,967</b>   | <b>Cash outflows generated from operating activities</b>   | <b>406,792</b>   |
| <b>371</b>       | <b>Net cash flows from operating activities</b>  | <b>-16,162</b>   |
|                  | <b>Investing Activities</b>  |                  |
| 30,645           | Purchase of property, plant and equipment, heritage assets, investment property and intangible assets                        | 29,894           |
| 54,545           | Purchase of short-term and long-term investments   | 29,524           |
| 0                | Other payments for investing activities  | 0                |
| -21,518          | Proceeds from the sale of property, plant and equipment, investment property and intangible assets                           | -6,314           |
| -68,045          | Proceeds from short-term and long-term investments   | -36,924          |
| -13,698          | Other receipts from investing activities   | -17,655          |
| <b>-18,071</b>   | <b>Net cash flows from investing activities</b>  | <b>-1,475</b>    |
|                  | <b>Financing Activities</b>  |                  |
| 0                | Cash receipts of short- and long-term borrowing  | 0                |
| -5,367           | Other receipts from financing activities   | -4,795           |
| 3,181            | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts | 3,365            |
| 31               | Repayments of short- and long-term borrowing   | 31               |
| 0                | Other payments for financing activities  | 0                |
| <b>-2,155</b>    | <b>Net cash flows from financing activities</b>  | <b>-1,399</b>    |
| <b>-19,855</b>   | <b>Net increase (-) or decrease in cash and cash equivalents</b>   | <b>-19,036</b>   |
| <b>-339</b>      | <b>Cash and cash equivalents at the beginning of the reporting period</b>  | <b>19,516</b>    |
| <b>19,516</b>    | <b>Cash and cash equivalents at the end of the reporting period</b>  | <b>38,552</b>    |

# **NOTES TO THE ACCOUNTS**

## **1 Accounting Policies**

### **1.1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRSs) and statutory guidance issued under section 21(2) of the Local Government Act 2003.

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

### **1.2 Accruals of Income and Expenditure**

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

- Income from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure in the year to which it relates, on a basis that reflects the effective interest rate, rather than the cash flows, of the investment or loan.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Provision is set aside for debts that may not be paid and these are netted off the Debtors figure in the Balance Sheet. Where debts have become bad, the balance of debtors is written down and a charge made to revenue for the income that will not be collected.

### **1.3 Acquired and Discontinued Operations**

The Council had no material operations which were acquired or discontinued during the year and therefore no separate disclosure is required in the Accounts.

### **1.4 Cash and Cash Equivalents**

Cash is represented by cash in hand, balances on the Council's current bank accounts and deposits with financial institutions (banks and building societies) repayable without penalty on notice of not more than 24 hours. Cash equivalents are the Council's deposits in bank instant access accounts. These are readily convertible to known amounts of cash with no risk of change in value.

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

### **1.5 Exceptional Items**

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Account or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

### **1.6 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

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

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

### **1.7 Charges to Revenue for Non-Current Assets**

Services, including support services, are debited with the following amounts to record the cost of holding non-current (fixed) assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the Minimum Revenue Provision (MRP) charge against the General Fund Balance. This is shown as an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

## **1.8 Employee Benefits**

### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, paid annual leave and bonuses for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end which employees can carry forward into the new financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services but then reversed out through the Movement in Reserves Statement to the Accumulating Absences Adjustment Account. Therefore, holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. The accrual for outstanding leave is based on a sample of staff for non-schools staff and non-teaching staff in schools, and for teaching staff follows CIPFA guidance.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

### **Post Employment Benefits**

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education.
- The Local Government Pension Scheme, administered by the London Pensions Fund Authority on behalf of the London Borough of Bexley. The London Borough of Bexley is the administering authority for the Pension Fund.
- The National Health Service (NHS) Pension Scheme, administered by the Department of Health.

All schemes provide defined benefits to members earned as employees work for the Council.

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Account is charged with the employer's contributions payable to Teachers' Pensions in the year. The Public

Health line in the Comprehensive Income and Expenditure Account is charged with the employer's contributions payable to the NHS scheme in the year.

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

- The liabilities of the London Borough of Bexley pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.5% (based on the redemption yields available on long-dated AA-rated corporate bonds, as required by the Local Authority Accounting Panel).
- The assets of the London Borough of Bexley pension fund attributable to the Council are included in the Balance Sheet at their current value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value
- The change in the net pensions liability is analysed into the following components:
  - Service cost comprising:
    - Current service cost – the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
    - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Net interest on the net defined benefit liability (asset) ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
  - Remeasurements comprising:
    - The return on plan assets excluding amounts included in net interest on the net defined benefit liability (asset) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
    - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
    - Contributions paid to the London Borough of Bexley Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners

in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are 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 pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

### **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 are applied to the Local Government Pension Scheme.

## **1.9 Events after the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period – 31 March – and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where an event would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts. For further details see note 6.

## **1.10 Financial Instruments**

### **Financial Liabilities**

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where



repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. No such repayments or early settlements took place in 2014/15 or 2015/16.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

## **Financial Assets**

Financial assets are classified into two types:

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

## **Loans and Receivables**

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

However, the Council has two loans to organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Deferred payments for residential care are also treated as soft loans.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and

Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

### **Available-for-Sale Assets**

The Council does not have any available-for-sale assets.

## **1.11 Foreign Currency Translation**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

## **1.12 Government Grants and Contributions**

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure. Where a revenue grant or contribution without conditions has not yet been used to fund expenditure, it is transferred to Earmarked Reserves - Revenue Grants Unapplied via the Movement in Reserves Statement until it is required.

### **1.13 Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised as it tends to be solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts would only be revalued where the current value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **1.14 Interests in Companies and Other Entities**

Bexley has an interest in the Thames Innovation Centre Limited (TIC), which is a 100% local authority controlled company. The Council does not have any other interests in subsidiaries, associates and joint ventures. The amounts involved in the TIC for 2015/16 are not material for the Financial Statements and therefore the Council has not produced group accounts. TIC had a profit of £37,477 in 2015/16 (profit of £11,059 in 2014/15) and net liabilities of £496,515 as at 31 March 2016 (net liabilities of £457,863 as at 31 March 2015). Further details of transactions between the London Borough of Bexley and the TIC Limited are given in the Related Party Transactions note 30.

### **1.15 Inventories and Long Term Contracts**

Inventories are measured at the lower of cost and net realisable value or the lower of cost and current replacement cost where they are held for distribution at no charge or for a nominal charge.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during

the financial year. Bexley had no work in progress (construction contracts) in 2015/16.

## **1.16 Investment Properties**

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

Investment properties are measured initially at cost and subsequently at current value, based on the amount at which the asset could be exchanged between knowledgeable parties in an arm's-length transaction. In essence, in accordance with the Code, current value is interpreted as market value. The current value of investment property held under a lease is the lease interest.

Properties are not depreciated but are reviewed annually according to market conditions at the year-end. The Code requires the current value of Investment Properties to reflect market conditions at the balance sheet date. The bulk of the value (over 80%) of the Council's Investment assets relates to three properties – Broadway Shopping Centre, Broadway Square and Webster (formerly Wyncham) House; these properties are the only Investment properties with values in excess of £1m. An annual revaluation review is undertaken on all investment properties with a value in excess of £1m and details are included in the Revaluation Certificate report. Investment properties with a value below £1m will still be subject to the 5 year revaluation process and would be subject to a review earlier if circumstances required.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **1.17 Leases**

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

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

### **The Council as Lessee**

#### *Finance Leases*

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its current value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are

added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

#### *Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

### **The Council as Lessor**

#### *Finance Leases*

Where the Council grants a finance lease over a property, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write

down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

#### *Operating Leases*

Where the Council grants an operating lease over a property, the asset is retained in the Balance Sheet under Property, Plant and Equipment. Rental income is credited to the Comprehensive Income and Expenditure Statement.

### **1.18 Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the past service cost element of changes in the net pension liability and impairment losses chargeable on some categories of assets.

These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Operations.

### **1.19 Property, Plant and Equipment**

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

#### **Accounting Treatment of School Assets**

Assets relating to community schools and voluntary controlled schools are recognised on the Council's balance sheet in accordance with IAS 16. The assets of voluntary aided schools, with the exception of playing fields, are not recognised on the Council's balance sheet; unless the school, as opposed to the Trust/Diocese, has a legal or substantive right to the assets.

Assets relating to Foundation and Academy schools are not recognised on the Council's balance sheet. Expenditure on the enhancement of the assets of voluntary aided schools (with the exception of playing fields), Foundation schools and Academy schools is treated as revenue expenditure funded from capital under statute see note 1.24. Schools held on the balance sheet are disposed for nil consideration when they transfer to Academy status. The resultant gain or loss is recognised in the Financing and Investment Income and Expenditure line of the Consolidated Income and Expenditure Statement; and, in order to negate the impact on the General Fund Balance, are reversed out of the General Fund to the Capital Adjustment Account via the Movement in Reserves Statement.

#### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits

or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost.
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end. Asset categories are reviewed simultaneously. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

the Capital Adjustment Account.

### **Impairment**

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

Where impairment losses are identified, they are accounted for as follows:

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

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

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant and equipment – straight-line allocation over the useful life of the asset.
- infrastructure – straight-line allocation over 40 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Component Accounting**

Under the IFRS Code, authorities are required to account for significant component elements of assets where the component has a different useful life and/or depreciation method to the remainder of the asset. The overall value of an asset is fairly apportioned over significant components that are accounted for separately and their useful lives and the method of depreciation are determined on a reasonable and consistent basis.

Under the IFRS Code the principles of componentisation are applicable to:

- enhancement expenditure incurred
- acquisition expenditure incurred
- revaluations carried out.



Component accounting is applicable to all Property, Plant and Equipment (PP&E) assets. However, componentisation is not applied where depreciating the item as a single asset is unlikely to result in a material mis-statement of either depreciation charges or the carrying amount (net amount after deducting accumulated depreciation) of PP&E.

In respect of equipment the bulk of the assets included in the asset register relate to IT equipment which tends to have a short life ie 3-5 years. There is little scope or benefit to be gained by attempting further componentisation of equipment assets. In addition, not componentising these assets is unlikely to lead to a mis-statement in the accounts. Therefore, equipment assets are not reviewed for further componentisation.

Componentisation applies to property assets which are currently already separated between land and buildings and further separated between the various buildings on a site. A de-minimis threshold of £1m has been set in respect of componentisation, therefore individual buildings with a value below £1m are not considered for componentisation. The impact of not componentising buildings with a value below £1m is unlikely to result in a material mis-statement of either depreciation charges or the carrying amount of PP&E.

Typical component elements have been identified from a sampling exercise as follows:

- Structures relate to 45% of total costs where a flat roof existed or 55% where a pitched roof existed.
- Where applicable, a flat roof equated to approximately 10% of the cost.
- Mechanical and electrical components relate to 25% of total costs.
- External works relate to 20% of total costs.

This approach is applied to the revaluation of property assets. In addition, these significant component elements have different lifespans as follows:

- Structures – including windows and pitched roofs - maximum 50 year life span.
- Flat Roof – maximum 20 years life span.
- Mechanical & Engineering – including electrics, heating systems, lifts etc - maximum 15 year life span.
- External works - including drainage, external services, paths, car parks, boundary treatment and landscaping – maximum 30 years.

Temporary buildings continue to be allocated a maximum lifespan of 20 years and are not subject to any further componentisation as this is unlikely to have any material impact upon depreciation and carrying values.

A phased approach has been adopted from 1 April 2010 and all revaluations of properties in excess of £1m due as part of the 5 year revaluation cycle are be subject to the component accounting requirements. Valuations continue to be provided in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation Standards (The Red Book). The valuation is then apportioned in accordance with the component elements mentioned above.

Capital expenditure is assessed and where expenditure on a component represents less than 10% of the asset's value it is not separately identified. Each year Bexley's revaluation process includes scheduled revaluations of approximately 20% of the Council's property assets based on the 5 year rolling programme. In addition property, that although not due for a revaluation as part of the rolling revaluation programme, is identified for revaluation where significant changes have occurred in year ie a new extension, new roof, etc.

The Code requires that where a component is replaced, the old component is de-recognised. The purpose of the Code's derecognition requirement is to avoid double counting, in the majority of cases significant expenditure on an asset would lead to a revaluation which would ensure there is no double counting. In the event of capital enhancement expenditure on a property that is below the de minimis threshold, and the expenditure does not warrant a revaluation, no derecognition would be actioned as it is unlikely to be material and the property would be subject to revaluation within 5 years. For example, capital expenditure of £40,000 on a property with a total value of £480,000 would not be material and no derecognition would take place as the asset would be revalued in due course. In terms of componentisation and component derecognition materiality is always a key consideration.

The authority is currently working on a Highways Asset Management Plan which will comply with the IFRS requirements for the proposed future implementation of a current cost approach for infrastructure assets. LAAP Bulletin 86 (June 2010) states that in relation to component accounting no action is required in this area of local authority accounts. Therefore, componentisation has not been applied to infrastructure assets in 2015/16. However, capital expenditure on infrastructure assets is reviewed to determine whether component derecognition is applicable based on the potential risk of material 'double counting' in the value of the assets.

### **Disposals and Non-Current Assets Held for Sale**

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the 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 (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed

assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **1.20 Private Finance Initiative and Similar Contracts**

Private Finance Initiative (PFI) and similar Public Private Partnership (PPP) contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI/PPP contractor. As the Council is deemed to control the services that are provided under its PFI/PPP schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the PPP contracts on its Balance Sheet as part of Property, Plant and Equipment. The schools involved in the PFI contract have become academies and are therefore not included in the Council's Balance Sheet.

The original recognition of these assets at current value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment plus, in the case of the Leisure PPP, recognition of a deferred income sum representing the proportion of the assets financed by income earned by the scheme. For the Leisure PPP, the liability was partly written down by initial capital contributions amounting to £20.625m.

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

The amounts payable to the PFI operators each year are analysed into five elements:

- current value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- lifecycle replacement costs – the amount spent by the contractor is posted to the Balance Sheet as additions to Property, Plant and Equipment.
- payment towards liability – applied to write down the Balance Sheet liability to the PFI operator.
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- contingent rent – increases in the amount to be paid for the property arising primarily due to inflation during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The deferred income sum is written down in equal instalments over the life of the PPP contract and credited to the Comprehensive Income and Expenditure Statement. The credit to the Comprehensive Income and Expenditure Statement, is then reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Neither operator is a special purpose entity. They are not owned, controlled nor managed by the Council.

## **1.21 Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

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

## **1.22 Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## **1.23 Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

## **1.24 Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## **1.25 VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her

Majesty's Revenue and Customs. VAT receivable is excluded from income.

## **1.26 Capitalisation of Borrowing Costs**

The Council has decided not to capitalise borrowing costs.

## **1.27 Heritage Assets**

The Council's Heritage Assets comprise of a museum collection, historical buildings and monuments, public artwork, civic regalia and a collection of local studies and archives material. The assets are held with the primary objective of increasing the knowledge, understanding and appreciation of the borough's history and local area.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

The following section provides an indication of the nature and scale of the Council's heritage assets. It details the Council's accounting policies for each class of heritage asset including the accounting policy for recognition and non-recognition, measurement, revaluations, depreciation, impairment and disposal.

### **Museum Collection**

Bexley's extensive museum collection, comprising over 50,000 objects, is diverse ranging from natural history, geology and archaeology to costume, painting and furniture and the majority of items are linked to the borough, local people, places and events.

Bexley Heritage Trust, which manages the Council's Museum Collection, do not consider that reliable cost or valuation information can be obtained for the whole of the Collection. This is because of the diverse nature of the assets held, the number of assets held and the lack of comparable market values. However, approximately 21,000 items have been grouped together and valued for insurance purposes.

The insurance valuation is reported in the Balance Sheet and updated on an annual basis. The museum collection is deemed to have an indeterminate life and hence the Council does not consider it appropriate to charge depreciation.

The collection is relatively static and significant acquisitions and donations are rare. Where they do occur significant acquisitions are initially recognised at cost, where appropriate, and donations are recognised at valuation.

### **Historical Buildings**

#### **Danson House and Hall Place**

Danson House and Hall Place are both Grade 1 listed mansions. Hall Place also houses the Bexley Museum Collection and has a staddlestone granary located in the grounds.

Danson House and Hall Place House and granary are stated at valuation and will be subject to further revaluations as part of the Council's 5 year rolling revaluation programme. The initial valuations for Hall Place House and Danson House were based on an assessment of building reinstatement costs carried out for insurance purposes.

A number of items within Danson House have been valued separately for insurance purposes for example the Danson Organ, 19 Georgian naturalistic wall paintings, a salon

chandelier, mirrors, landing lamps and hall lanterns. These items are reported in the Balance Sheet at insurance valuation and are updated on an annual basis.

Danson House, furnishings and exhibits and Hall Place and granary are deemed to have indeterminate lives and hence the Council does not consider it appropriate to charge depreciation. Disposals and acquisitions are very rare. Where they do occur significant acquisitions are initially recognised at cost, where appropriate, and donations are recognised at valuation.

### **Historical Structures and Monuments**

#### **Crayford & Bexleyheath Clock Towers**

The Crayford Clock Tower was opened in 1902 to commemorate the Coronation of King Edward VII. The Bexleyheath Clock Tower was opened in 1912 to commemorate the Coronation of King George V.

#### **Five Arches Bridge (within Foots Cray Meadows)**

The Five Arches Bridge is within Foots Cray Meadows and is all that remains of the eighteenth century Foots Cray Place estate.

#### **Lesnes Abbey Ruins (within Lesnes Abbey open space)**

Lesnes Abbey dates back to the twelfth century but was destroyed in the sixteenth century. The ruins are contained within Lesnes Abbey open space.

### **War Memorials**

There are eleven war memorials located within the borough.

The Clock Towers and Five Arches Bridge have been included in the Balance Sheet at valuation and are subject to further revaluations as part of the Council's 5 year rolling revaluation programme. These assets are deemed to have indeterminate lives and hence the Council does not consider it appropriate to charge depreciation against these assets.

The Council does not consider that reliable cost or valuation information can be obtained for either the ruins of Lesnes Abbey or the war memorials because of the unique nature of the assets and lack of comparable market values. It would not be practicable to obtain a valuation for Lesnes Abbey ruins or the memorials at a cost which is commensurate with the benefits to the users of the financial statements. The Council does not therefore recognise these assets on the Balance Sheet. The Council does not normally acquire historical structures, monuments or ruins such as Bexleyheath Clock Tower, Five Arches bridge or Lesnes Abbey ruins.

### **Public Art Work**

The Council has commissioned a number of public art features across the borough. Permanent sculptures commissioned to reflect the heritage and history of the local area have been classified as heritage assets e.g. The Cob, Propella, Captain Crayford, De Luci Pike and Earth Core Columns and are recognised in the Balance Sheet at initial cost. The Code requires that assets should normally be measured at valuation, however the art work is by relatively unknown artists and due to a lack of comparative market information the assets are carried at initial costs. Heritage public art works are deemed to have indeterminate lives and hence the Council does not consider it appropriate to charge depreciation. Further commissions, where appropriate, will be recognised in the Balance Sheet at cost.

### **Civic Regalia**

The Council has a collection of civic regalia including maces and chains of office. The civic regalia collection is reported in the Balance Sheet at valuation which is based on market values. The collection is relatively static and acquisitions and donations are rare. The

collection is subject to periodic revaluations. Where they do occur, significant acquisitions are initially recognised at cost and donations are recognised at valuation.

### **Local Studies and Archive Centre**

The Council's Local Studies and Archive Centre holds a collection of documents including records of the London Borough of Bexley and its predecessors, schools, churches, estates, businesses and societies. The archives are not recognised in the Balance Sheet. Due to the diverse nature of the assets held and the lack of comparable values, the Council considers that obtaining valuations for the archives collection would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. The archives do not include items whose value is considered to be material to the financial position of the Council. The council occasionally purchases archive documents but has not made any significant purchases in recent years.

### **Heritage Assets – General**

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, eg where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note 1.19 of the accounting policies. The Council may occasionally dispose of heritage assets. In the event of a disposal, the proceeds are accounted for in accordance with the Council's general provisions for the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts - see note 1.19 of the accounting policies.

## **1.28 Council Tax and Business Rates**

The collection of Council Tax is in substance an agency arrangement, the cash collected by the Council from Council Tax payers belongs proportionately to the billing Authority and the Greater London Authority (GLA). There is therefore a debtor/creditor position between the billing Authority and the GLA as the net cash paid to them in the year is not the share of cash collected from Council Tax payers. The Code confirms that Council Tax income included in the Comprehensive Income and Expenditure Statement for the year shall be the accrued income for the year.

The collection of Business Rates or National Non-Domestic Rates (NNDR) is carried out by authorities as an agent on behalf of central government and the GLA and is accounted for accordingly. The accounting is the same as that for Council Tax where there is a debtor/creditor position between the billing Authority and central government and the GLA as the net cash paid to them in the year is not the share of cash collected from Business Rate payers. The Code confirms that Business Rate income included in the Comprehensive Income and Expenditure Statement for the year shall be the accrued income for the year.

## **1.29 Prepayment to the Pension Fund**

In 2013/14 the Authority made payments in advance of £17.7m in respect of its employer's contributions to the Pension Fund for the financial years 2015/16 and 2016/17.

This change in policy took advantage of the independent actuary's calculation of the return these contributions could achieve once invested as assets in the Pension Fund. The return was judged to be far greater than could have been achieved by investing the amounts as part of the Authority's treasury management strategy. The amounts are in respect of the latter two years of the three year actuarial valuation period that the actuary was assessing.

The risk on the return assumption lies entirely within the Pension Fund in line with the risks for its other assets. The risk of the transferred amounts arriving in the Pension Fund at an inauspicious time for investment returns was mitigated by making the investments over a period of time between November 2013 and March 2014.

The actuary's valuation certificate took account of the prepayments and specifically noted the impact that they had on the employer contribution rate for each relevant year. The contribution rate that would have been payable if the contributions had been made monthly in arrears would have been 20.6%, but with the amounts paid in advance the rate fell to 18.9% in 2015/16 and 17.9% in 2016/17. The difference in the amounts derived from these rates represents a saving to the General Fund after an allowance is made for the interest the amounts could have earned as treasury investments.

## **2 Accounting Standards that have been issued but have yet to be adopted**

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2016. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts. Under the Infrastructure Code, transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. This will consist of seven components - carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land.

The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis. Thus the new valuation will reflect the current cost of replacement rather than the original cost of works, which would have been built up over a significant time period. If the changes had been implemented in 2015/16, based on current estimates the value of infrastructure assets would increase from £165m to circa £4,869m.

In addition, there are a number of minor amendments to International Financial Reporting Standards, but these are not expected to have any material impact on the accounts.

## **3 Critical Judgements in Applying Accounting Policies**

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council has an earmarked reserve for future redundancies; this has a balance of £4.153m as at 31 March 2016.
- The non-current assets that are used in the contract arrangements with MCCH for learning disability services are included in the Balance Sheet under IFRIC 12.
- The Council has reviewed its treatment of schools' non-current assets in accordance with IAS 16 and subsequently schools that are Foundation Schools have been removed from the Council's Balance Sheet.



- Leases have been classified between operating and finance leases according to the guidance in the CIPFA Code of Practice. However, the fundamental issue in classification is the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee and therefore classification depends on the circumstances of each individual lease.
- Grant income is recognised in the Comprehensive Income and Expenditure Statement, but its accounting treatment is dependent on the conditions, and the interpretation of these, in respect of each grant funding stream.
- The Authority had obtained Counsel's opinion to confirm that the amounts of employer contributions to the Pension Fund that were charged to the General Fund in 2013/14 were those payable for the financial year as set out on the actuary's certificate. It was considered that the payments in advance in respect of later years were not required to be charged to the General Fund in 2013/14.
- The accounting policies section above describes the actions that the Authority took in 2013/14 to make payments in advance to the Pension Fund in respect of employer's pension contributions. In assessing the presentation of this in the current year's accounts, both the Authority and the Pension Fund have acknowledged that the Pension Fund could, if it proved necessary, repay any outstanding amounts paid in advance by the Authority back to it.

#### **4 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty**

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

The items in the Council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item                          | Uncertainties  | Effect if Actual Results Differ from Assumptions  |
|-------------------------------|--|---|
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.<br><br>However, the impact of an increase in depreciation is neutral on the General Fund balance as depreciation charged to service revenue accounts is reversed out in the Movement in Reserves Statement under regulation. The total carrying amount of Property, Plant and Equipment in the Balance Sheet as at 31 March 2016 |

|                    |   |   |
|--------------------|---|---|
|                    |   | was £568.265m.  |
| Pensions Liability | <p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p> <p>A number of changes to the Local Government Pension Scheme (LGPS) took effect from 1 April 2014 that are designed to reduce the cost of the scheme to local government employers.</p> | <p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £54m, but a 0.5% increase in the inflation assumption would result in a pensions liability increase of £55m. The total carrying amount of the Pensions Liability in the Balance Sheet as at 31 March 2016 was £126.381m.</p> <p>The impact on liabilities from the new LGPS from 1 April 2014 was included in the 2013 actuarial valuation.</p> |
| Arrears            | At 31 March 2016, the Council had a balance of sundry debtors of £37.9m. A review of balances has suggested that an impairment of doubtful debts of 39% (£14.9m) was appropriate. This impairment review was based on historic trends on collection (generally 3-year averages).  | If collection rates were to vary, a change of 10% in the impairment of doubtful debts would require a variation in the impairment allowance of £1.5m.   |

This list does not include assets and liabilities that are carried at current value based on a recently observed market price.

## 5 Material Items of Income and Expense

These are disclosed on the face of the Comprehensive Income and Expenditure Statement or in the notes to the Accounts. There were no disposals of investments in 2015/16.

## 6 Post Balance Sheet Events

The Statement of Accounts was authorised for issue by the Director of Finance on 30 June 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the events which took place after 31 March 2016 as they provide information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date.

The Council has transferred 34 schools to academies between 2010/11 and 2014/15; a further 8 schools transferred to academy status in 2015/16. Further schools are likely to become academies in 2016/17. For schools that are not voluntary aided or Foundation status, as they transfer their non current assets are also transferred to the successor bodies reducing the amount of property, plant and equipment in the Balance Sheet.

On 23 June the EU referendum took place to establish if the United Kingdom would remain part of the EU. The vote saw a decision returned to leave the EU. As this took place after the 31 March 2016 there was no impact on the figures contained within the Accounts. However, this decision has the potential to significantly impact on the future basis of assumptions, estimates and the value of investments and the Council will need to ensure this is considered in future years.

## 7 Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

2015/16

|  | General<br>Fund<br>Balance | Usable Reserves<br>Earmarked<br>General<br>Fund<br>Reserves | Capital<br>Receipts<br>Reserve | Capital<br>Grants<br>Unapplied | Unusable<br>Reserves |
|--|----------------------------|---|--------------------------------|--------------------------------|----------------------|
|  | £'000                      | £'000   | £'000                          | £'000                          | £'000                |
| <b>Adjustments involving the Capital Adjustment Account:</b>   |                            |   |                                |                                |                      |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)   |                            |   |                                |                                |                      |
| Charges for depreciation and impairment of non current assets  | 22,750                     | 0   | 0                              | 0                              | -22,750              |
| Deferred income written down   | -339                       | 0   | 0                              | 0                              | 339                  |
| Revaluation losses on Property, Plant and Equipment  | 500                        | 0   | 0                              | 0                              | -500                 |
| Movements in the market value of Investment Properties   | -6,738                     | 0   | 0                              | 0                              | 6,738                |
| Amortisation of intangible assets  | 375                        | 0   | 0                              | 0                              | -375                 |
| Capital grants and contributions   | -14,361                    | 0   | 0                              | 4,371                          | 9,919                |
| Revenue expenditure funded from capital under statute  | 1,426                      | 0   | 0                              | 0                              | -1,426               |
| Amounts of non current assets written off on disposal or sale as part of the gain/ loss on disposal to the CIES  | 11,613                     | 0   | 0                              | 0                              | -11,613              |
| Write out of non current assets - notional loss on academy transfers   | 24,637                     | 0   | 0                              | 0                              | -24,637              |
| Aborted scheme costs   | 0                          | 0   | 25                             | 71                             | -96                  |
| Insertion of items not debited or credited to the CIES   |                            |   |                                |                                |                      |
| Statutory provision for the financing of capital investment  | -5,840                     | 0   | 0                              | 0                              | 5,840                |
| Capital expenditure charged against the General Fund   | -839                       | 0   | 0                              | 0                              | 839                  |
| <b>Adjustments involving the Capital Receipts Reserve:</b>   |                            |   |                                |                                |                      |
| Transfer of sale proceeds credited as part of the gain/ loss on disposal to the CIES   | -7,304                     | 0   | 7,304                          | 0                              | 0                    |
| Amounts used to fund disposal costs of non current assets  | 111                        | 0   | -111                           | 0                              | 0                    |
| Use of the Capital Receipts Reserve to finance new capital expenditure   | 0                          | 0   | -16,275                        | 0                              | 16,275               |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool   | 4                          | 0   | -4                             | 0                              | 0                    |
| <b>Adjustments involving the Deferred Capital Receipts Reserve:</b>  |                            |   |                                |                                |                      |
| Transfer of deferred sale proceeds   | -5,540                     | 0   | 613                            | 0                              | 4,927                |
| Write down of finance lease long term debtors  | 8                          | 0   | 0                              | 0                              | -8                   |
| <b>Adjustments involving the Financial Instruments Adjustment Account:</b>   |                            |   |                                |                                |                      |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements  | -467                       | 0   | 0                              | 0                              | 467                  |
| <b>Adjustments involving the Pensions Reserve:</b>   |                            |   |                                |                                |                      |
| Reversal of items relating to retirement benefits debited or credited to the CIES  | 18,028                     | 0   | 0                              | 0                              | -18,028              |
| Employer's pension contributions   | -979                       | 0   | 0                              | 0                              | 979                  |
| <b>Adjustments involving the Collection Fund Adjustment Account:</b>   |                            |   |                                |                                |                      |
| Amount by which council tax and business rate income credited to the CIES is different from council tax and business rate income calculated for the year in accordance with statutory requirements | -643                       | 0   | 0                              | 0                              | 643                  |
| <b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>   |                            |   |                                |                                |                      |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements                      | -598                       | 0   | 0                              | 0                              | 598                  |
| <b>Total Adjustments</b>   | <b>35,804</b>              | <b>0</b>  | <b>-8,448</b>                  | <b>4,442</b>                   | <b>-31,869</b>       |

## 2014/15 Comparative Figures

|   | General<br>Fund<br>Balance | Usable Reserves<br>Earmarked<br>General<br>Fund<br>Reserves | Capital<br>Receipts<br>Reserve | Capital<br>Grants<br>Unapplied | Unusable<br>Reserves |
|---|----------------------------|---|--------------------------------|--------------------------------|----------------------|
|   | £'000                      | £'000   | £'000                          | £'000                          | £'000                |
| <b>Adjustments involving the Capital Adjustment Account:</b>  |                            |   |                                |                                |                      |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)  |                            |   |                                |                                |                      |
| Charges for depreciation and impairment of non current assets   | 23,152                     | 0   | 0                              | 0                              | -23,152              |
| Deferred income written down  | -339                       | 0   | 0                              | 0                              | 339                  |
| Revaluation losses on Property, Plant and Equipment   | 20,710                     | 0   | 0                              | 0                              | -20,710              |
| Movements in the market value of Investment Properties  | -2,541                     | 0   | 0                              | 0                              | 2,541                |
| Amortisation of intangible assets   | 312                        | 0   | 0                              | 0                              | -312                 |
| Capital grants and contributions  | -10,914                    | 0   | 0                              | -3,872                         | 14,763               |
| Revenue expenditure funded from capital under statute   | 2,642                      | 0   | 0                              | 0                              | -2,642               |
| Amounts of non current assets written off on disposal or sale as part of the gain/ loss on disposal to the CIES   | 7,073                      | 0   | 0                              | 0                              | -7,073               |
| Write out of non current assets - notional loss on academy transfers  | 14,520                     | 0   | 0                              | 0                              | -14,520              |
| Aborted scheme costs  | 0                          | 0   | 0                              | 24                             | -24                  |
| Insertion of items not debited or credited to the CIES  |                            |   |                                |                                |                      |
| Statutory provision for the financing of capital investment   | -4,546                     | 0   | 0                              | 0                              | 4,546                |
| Capital expenditure charged against the General Fund  | -1,182                     | 0   | 0                              | 0                              | 1,182                |
| <b>Adjustments involving the Capital Receipts Reserve:</b>  |                            |   |                                |                                |                      |
| Transfer of sale proceeds credited as part of the gain/ loss on disposal to the CIES  | -10,978                    | 0   | 10,978                         | 0                              | 0                    |
| Amounts used to fund disposal costs of non current assets   | 41                         | 0   | -41                            | 0                              | 0                    |
| Use of the Capital Receipts Reserve to finance new capital expenditure  | 0                          | 0   | -14,279                        | 0                              | 14,279               |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool  | 11                         | 0   | -11                            | 0                              | 0                    |
| <b>Adjustments involving the Deferred Capital Receipts Reserve:</b>   |                            |   |                                |                                |                      |
| Transfer of deferred sale proceeds  | 0                          | 0   | 12,207                         | 0                              | -12,207              |
| Write down of finance lease long term debtors   | 8                          | 0   | 0                              | 0                              | -8                   |
| <b>Adjustments involving the Financial Instruments Adjustment Account:</b>  |                            |   |                                |                                |                      |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements                           | -152                       | 0   | 0                              | 0                              | 152                  |
| <b>Adjustments involving the Pensions Reserve:</b>  |                            |   |                                |                                |                      |
| Reversal of items relating to retirement benefits debited or credited to the CIES   | 15,435                     | 0   | 0                              | 0                              | -15,435              |
| Employer's pension contributions  | -12,346                    | 0   | 0                              | 0                              | 12,346               |
| <b>Adjustments involving the Collection Fund Adjustment Account:</b>  |                            |   |                                |                                |                      |
| Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements                | -811                       | 0   | 0                              | 0                              | 811                  |
| <b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>  |                            |   |                                |                                |                      |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | -192                       | 0   | 0                              | 0                              | 192                  |
| <b>Total Adjustments</b>  | <b>39,903</b>              | <b>0</b>  | <b>8,854</b>                   | <b>-3,848</b>                  | <b>-44,932</b>       |

## 8 Property, Plant and Equipment

| <b>Movements in 2015/16</b>   | <b>Other<br/>Land &amp;<br/>Buildings<br/>£'000</b> | <b>Vehicles,<br/>Plant &amp;<br/>Equipment<br/>£'000</b> | <b>Infra-<br/>structure<br/>£'000</b> | <b>Community<br/>Assets<br/>£'000</b> | <b>Surplus<br/>Assets<br/>£'000</b> | <b>Assets Under<br/>Construction<br/>£'000</b> | <b>Total<br/>PPE<br/>£'000</b> | <b>PFI Assets<br/>in PPE<br/>£'000</b> |
|---|---|--|---------------------------------------|---------------------------------------|-------------------------------------|--|--------------------------------|--|
| <b>Cost or valuation</b>  |   |  |                                       |                                       |                                     |  |                                |  |
| At 1 April 2015   | 340,925   | 12,778   | 225,033                               | 7,459                                 | 12,304                              | 1,168  | 599,667                        | 42,312                                 |
| Additions   | 6,464   | 13,249   | 4,930                                 | 336                                   | 0                                   | 5,602  | 30,581                         | 371                                    |
| Donations   | 0   | 0  | 0                                     | 0                                     | 0                                   | 0  | 0                              | 0                                      |
| Revaluations increases/(decreases) recognised in the Revaluation Reserve                          | 9,576   | 0  | 0                                     | 0                                     | 3,579                               | 0  | 13,155                         | 687                                    |
| Revaluations increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 267   | 0  | 0                                     | 0                                     | -767                                | 0  | -500                           | 764                                    |
| Impairments recognised in the Revaluation Reserve   | 0   | 0  | 0                                     | 0                                     | 0                                   | 0  | 0                              | 0                                      |
| Impairments recognised in the Surplus/ Deficit on the Provision of Services                       | 0   | 0  | 0                                     | 0                                     | 0                                   | 0  | 0                              | 0                                      |
| Derecognition - Disposals   | 0   | 0  | 0                                     | 0                                     | 0                                   | 0  | 0                              | 0                                      |
| Derecognition - Other   | -28,695   | -4,978   | 0                                     | 0                                     | 0                                   | 0  | -33,673                        | 0                                      |
| Assets reclassified (to)/from Held for Sale   | -7,325  | -5,597   | 0                                     | 0                                     | 0                                   | 0  | -12,922                        | 0                                      |
| Reclassifications and transfers   | 4,617   | 0  | 442                                   | 0                                     | -4,474                              | -802   | -217                           | 0                                      |
| <b>At 31 March 2016</b>   | <b>325,829</b>                                      | <b>15,452</b>  | <b>230,405</b>                        | <b>7,795</b>                          | <b>10,642</b>                       | <b>5,968</b>                                   | <b>596,091</b>                 | <b>44,134</b>                          |
| <b>Accumulated Depreciation and Impairments</b>   |   |  |                                       |                                       |                                     |  |                                |  |
| At 1 April 2015   | 30,801  | 6,999  | 59,786                                | 0                                     | 1,202                               | 0  | 98,788                         | 3,345                                  |
| Charge for 2015/16  | 14,629  | 2,038  | 5,626                                 | 0                                     | 456                                 | 0  | 22,749                         | 2,922                                  |
| Depreciation written out to the Revaluation Reserve   | -6,463  | 0  | 0                                     | 0                                     | -887                                | 0  | -7,350                         | 0                                      |
| Depreciation written out to the Surplus/Deficit on the Provision of Services                      | 0   | 0  | 0                                     | 0                                     | 0                                   | 0  | 0                              | 0                                      |
| Impairment losses/(reversals) recognised in the Revaluation Reserve                               | 0   | 0  | 0                                     | 0                                     | 0                                   | 0  | 0                              | 0                                      |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services      | 0   | 0  | 0                                     | 0                                     | 0                                   | 0  | 0                              | 0                                      |
| Derecognition - Disposals   | 0   | 0  | 0                                     | 0                                     | 0                                   | 0  | 0                              | 0                                      |
| Derecognition - Other   | -4,121  | -4,915   | 0                                     | 0                                     | 0                                   | 0  | -9,036                         | 0                                      |
| Reclassifications and transfers   | -1,204  | 0  | 0                                     | 0                                     | -621                                | 0  | -1,825                         | 0                                      |
| <b>At 31 March 2016</b>   | <b>33,642</b>                                       | <b>4,122</b>   | <b>65,412</b>                         | <b>0</b>                              | <b>150</b>                          | <b>0</b>                                       | <b>103,326</b>                 | <b>6,267</b>                           |
| <b>Net Book Value</b>   |   |  |                                       |                                       |                                     |  |                                |  |
| <b>Balance Sheet amount at 31 March 2015</b>  | <b>310,124</b>                                      | <b>5,779</b>   | <b>165,247</b>                        | <b>7,459</b>                          | <b>11,102</b>                       | <b>1,168</b>                                   | <b>500,879</b>                 | <b>38,967</b>                          |
| <b>Balance Sheet amount at 31 March 2016</b>  | <b>292,187</b>                                      | <b>11,330</b>  | <b>164,993</b>                        | <b>7,795</b>                          | <b>10,492</b>                       | <b>5,968</b>                                   | <b>492,765</b>                 | <b>37,867</b>                          |

## 8 Property, Plant and Equipment

| <b>Movements in 2014/15</b>   | <b>Other<br/>Land &amp;<br/>Buildings<br/>£'000</b> | <b>Vehicles,<br/>Plant &amp;<br/>Equipment<br/>£'000</b> | <b>Infra-<br/>structure<br/>£'000</b> | <b>Community<br/>Assets<br/>£'000</b> | <b>Surplus<br/>Assets<br/>£'000</b> | <b>Assets Under<br/>Construction<br/>£'000</b> | <b>Total<br/>PPE<br/>£'000</b> | <b>PFI Assets<br/>in PPE<br/>£'000</b> |
|---|---|--|---------------------------------------|---------------------------------------|-------------------------------------|--|--------------------------------|--|
| <b>Cost or valuation</b>  |   |  |                                       |                                       |                                     |  |                                |  |
| At 1 April 2014   | 325,817   | 15,919   | 215,366                               | 6,962                                 | 2,619                               | 49,908   | 616,591                        | 38,176                                 |
| Additions   | 15,174  | 2,545  | 7,983                                 | 373                                   | 63                                  | 832  | 26,970                         | 700                                    |
| Donations   | 0   | 0  | 0                                     | 0                                     | 0                                   | 0  | 0                              | 0                                      |
| Revaluations increases/(decreases) recognised in the Revaluation Reserve                          | 2,457   | 0  | 0                                     | 0                                     | 3,768                               | 0  | 6,225                          | 545                                    |
| Revaluations increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | -20,907   | 0  | 0                                     | 0                                     | 19                                  | 0  | -20,888                        | 2,891                                  |
| Impairments recognised in the Revaluation Reserve   | 0   | 0  | 0                                     | 0                                     | 0                                   | 0  | 0                              | 0                                      |
| Impairments recognised in the Surplus/ Deficit on the Provision of Services                       | 0   | 0  | 0                                     | 0                                     | 0                                   | 0  | 0                              | 0                                      |
| Derecognition - Disposals   | 0   | 0  | 0                                     | 0                                     | 0                                   | 0  | 0                              | 0                                      |
| Derecognition - Other   | -14,933   | -5,686   | 0                                     | 0                                     | 0                                   | -1,850   | -22,469                        | 0                                      |
| Assets reclassified (to)/from Held for Sale   | -6,729  | 0  | 0                                     | 0                                     | -5                                  | 0  | -6,734                         | 0                                      |
| Reclassifications and transfers   | 40,046  | 0  | 1,684                                 | 124                                   | 5,840                               | -47,722  | -28                            | 0                                      |
| <b>At 31 March 2015</b>   | <b>340,925</b>                                      | <b>12,778</b>  | <b>225,033</b>                        | <b>7,459</b>                          | <b>12,304</b>                       | <b>1,168</b>                                   | <b>599,667</b>                 | <b>42,312</b>                          |
| <b>Accumulated Depreciation and Impairments</b>   |   |  |                                       |                                       |                                     |  |                                |  |
| At 1 April 2014   | 30,522  | 10,181   | 54,347                                | 0                                     | 67                                  | 0  | 95,117                         | 3,956                                  |
| Charge for 2014/15  | 14,783  | 2,435  | 5,439                                 | 0                                     | 494                                 | 0  | 23,151                         | 2,890                                  |
| Depreciation written out to the Revaluation Reserve   | -11,255   | 0  | 0                                     | 0                                     | 0                                   | 0  | -11,255                        | -3,501                                 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services                      | -179  | 0  | 0                                     | 0                                     | 0                                   | 0  | -179                           | 0                                      |
| Impairment losses/(reversals) recognised in the Revaluation Reserve                               | 0   | 0  | 0                                     | 0                                     | 0                                   | 0  | 0                              | 0                                      |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services      | 0   | 0  | 0                                     | 0                                     | 0                                   | 0  | 0                              | 0                                      |
| Derecognition - Disposals   | 0   | 0  | 0                                     | 0                                     | 0                                   | 0  | 0                              | 0                                      |
| Derecognition - Other   | -1,759  | -5,617   | 0                                     | 0                                     | 0                                   | 0  | -7,376                         | 0                                      |
| Reclassifications and transfers   | -1,311  | 0  | 0                                     | 0                                     | 641                                 | 0  | -670                           | 0                                      |
| <b>At 31 March 2015</b>   | <b>30,801</b>                                       | <b>6,999</b>   | <b>59,786</b>                         | <b>0</b>                              | <b>1,202</b>                        | <b>0</b>                                       | <b>98,788</b>                  | <b>3,345</b>                           |
| <b>Net Book Value</b>   |   |  |                                       |                                       |                                     |  |                                |  |
| <b>Balance Sheet amount at 31 March 2014</b>  | <b>295,295</b>                                      | <b>5,738</b>   | <b>161,019</b>                        | <b>6,962</b>                          | <b>2,552</b>                        | <b>49,908</b>                                  | <b>521,474</b>                 | <b>34,220</b>                          |
| <b>Balance Sheet amount at 31 March 2015</b>  | <b>310,124</b>                                      | <b>5,779</b>   | <b>165,247</b>                        | <b>7,459</b>                          | <b>11,102</b>                       | <b>1,168</b>                                   | <b>500,879</b>                 | <b>38,967</b>                          |

## 8 Property, Plant and Equipment (PPE)

### Schools

Following the implementation in the 2014/15 Code of IFRS 10, Consolidated Financial Statements, and its implications for schools accounts, the Council reviewed its treatment of school assets, in particular those of voluntary aided schools. The review established that control rested with the relevant Diocesan Boards and that the schools used the assets under licence or other similar arrangements that did not cede any interest in the assets to the schools. As a consequence, voluntary aided schools remain off Balance Sheet.

### Depreciation

PPE Assets, other than land, community assets and assets under construction are depreciated over their useful economic lives. Assets are being depreciated using the straight line method over the following periods:-

|                              |                |
|------------------------------|----------------|
| Other Land & Buildings       | 5 - 50 years   |
| Infrastructure               | 40 years       |
| Motor Vehicles and Equipment | up to 10 years |

Equipment is depreciated on the basis of its ongoing value to the Council which can range from 1 to 10 years depending on the nature of the equipment.

Capital expenditure does not attract capital charges until the following year. Depreciation had previously been calculated on the closing balance; however, in order to assist with a speedier process for producing the Statement of Accounts, from 1 April 2015 depreciation estimates were based on opening balances. A review of 2014/15 depreciation concluded that a change in depreciation estimates based on switching from the use of closing to opening asset balances would not result in a material misstatement or misrepresentation in the accounts.

### Capital Commitments

Significant capital expenditure commitments due after the year end are listed below:

| 31.3.15  | 31.3.16       |
|--|---------------|
| £'000  | £'000         |
| 650 Marlborough/ Chislehurst & Sidcup          | 110           |
| 17 Northwood School                            | 0             |
| 406 Haberdashers Academy                       | 206           |
| 421 Adult Education Programme                  | 112           |
| 245 Early Intervention Module                  | 0             |
| 0 Danson School Expansion                      | 2,598         |
| 0 Parkway - SEN Provision                      | 3,257         |
| 0 Integrated Client Information System         | 548           |
| 88 Sidcup Town Centre                          | 0             |
| 5,594 Street Services Fleet Replacement        | 1,520         |
| 3,472 Lesnes Abbey                             | 2,172         |
| 0 Thames Road Depot and Transfer Station       | 483           |
| 0 Town Centres - Bexleyheath                   | 2,430         |
| 0 Ridgeway Project                             | 330           |
| 0 Abbey Wood Station Public Realm Improvements | 4,500         |
| 0 Bridge Strengthening                         | 659           |
| <b>10,893 TOTAL</b>                            | <b>18,925</b> |

### Revaluations

The Council carries out a rolling programme that ensures that all property assets are revalued at current value over a 5 year period. In addition to the planned revaluation rolling



programme, properties subject to a significant change during the year are revalued. All valuations were carried out internally under the responsibility of Suzanne Jackson, BSc Estate Management, FRICS, Head of Regeneration and Assets. The valuations have been undertaken in accordance with the professional standards set out in the Appraisal and Valuation Standards Manual published by the Royal Institution of Chartered Surveyors. In estimating current value, regard has been given to the nature of the property by reference to its use, location, size, method of construction, age, all other relevant matters, and the prevailing market forces.

During 2015/16, as part of the Council's rolling 5 year revaluations programme, all of the assets within the Other Land and Buildings' asset categories of youth centres, children's centres and cemeteries were revalued. A 20% sample of schools assets and social care facilities were also revalued and the remaining assets in these categories were subject to an indices uplift. In addition, a review of the remaining Other Land and Buildings' asset categories of office/ Civic accommodation, libraries and community centres, Adult Education Centres/ learning centres, car parks, leisure centres and facilities and other miscellaneous properties was carried out by the Council's Principal Valuer.

As a result of the review, uplifts to these categories were advised, where appropriate, to ensure that the carrying value of the Council's assets is not materially different from their current value as at 31 March 2016.

The review of the asset categories also included surplus assets which, in accordance with IFRS 13, have been valued at current value. Current value has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to properties being categorised at Level 2 in the current value hierarchy. In estimating the current value of the Council's surplus properties, the highest and best use of the properties is their best use.

Infrastructure, community assets and PPE assets under construction are valued at historical cost.

The significant assumptions applied in estimating the current value are:

- Valuation bases for land and buildings are existing use value or where appropriate depreciated replacement cost.
- In relation to vehicles, plant and equipment the Council adopts a depreciated historical cost basis as a proxy for current value. The vast bulk of equipment assets are short life IT assets.

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The basis for the valuation is set out in the accounting policies.

| £'000                       | Other<br>Land and<br>Buildings | Vehicles,<br>Plant and<br>Equipment | Infra-<br>structure | Community<br>Assets | Surplus<br>Assets | Assets<br>Under<br>Construction | Total<br>PPE   |
|-----------------------------|--------------------------------|-------------------------------------|---------------------|---------------------|-------------------|---------------------------------|----------------|
| Carried at Historical Cost  | 0                              | 11,330                              | 164,993             | 7,795               | 0                 | 5,968                           | 190,086        |
| Valued at Fair Value as at: |                                |                                     |                     |                     |                   |                                 |                |
| 1 April 2010                | 0                              | 0                                   | 0                   | 0                   | 0                 | 0                               | 0              |
| 1 April 2011                | 0                              | 0                                   | 0                   | 0                   | 0                 | 0                               | 0              |
| 1 April 2012                | 0                              | 0                                   | 0                   | 0                   | 0                 | 0                               | 0              |
| 1 April 2013                | 0                              | 0                                   | 0                   | 0                   | 0                 | 0                               | 0              |
| 1 April 2014                | 0                              | 0                                   | 0                   | 0                   | 0                 | 0                               | 0              |
| 31 March 2016               | 292,187                        | 0                                   | 0                   | 0                   | 10,492            | 0                               | 302,679        |
| <b>As at 31 March 2016</b>  | <b>292,187</b>                 | <b>11,330</b>                       | <b>164,993</b>      | <b>7,795</b>        | <b>10,492</b>     | <b>5,968</b>                    | <b>492,765</b> |

The Derecognition – Other line in the Movements in Property, Plant and Equipment tables above includes the write out of assets that are not disposed of as part of a sale, for example, due to property transfers, such as transfers of school sites to academies. Assets that are sold and written out of the Balance Sheet are included in the Derecognition - Disposals line.

## 9 Investment Properties

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repair, maintain or enhance those properties.

The current value of the Council's investment property portfolio is reviewed annually at each reporting date, focusing primarily on the most significant assets within the portfolio. In 2015/16 this involved three of the portfolio's key investment properties – Broadway Shopping Centre, Broadway Square and Webster House were reviewed and subsequently revalued. In addition, all investment properties were reviewed in accordance with IFRS 13. The work was carried out by Graham Muirhead MRICS, Principal Valuer, and Victoria Tasselli MRICS, Valuer, from the Council's Regeneration and Assets section. The basis of valuation was current value as defined under International Financial Reporting Standards, following guidance in the RICS Valuation Standards Manual 8th Edition. The Council's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

Current value has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to properties being categorised at Level 2 in the current value hierarchy. In estimating the current value of the Council's investment properties, the highest and best use of the properties is their best use.

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

| <b>2014/15</b> |  | <b>2015/16</b> |
|----------------|--|----------------|
| <b>£'000</b>   |  | <b>£'000</b>   |
| <b>33,123</b>  | <b>Balance at 1 April</b>                    | <b>35,226</b>  |
|                | Additions:                                   |                |
| 0              | Purchases                                    | 0              |
| 0              | Construction                                 | 0              |
| 0              | Subsequent expenditure                       | 0              |
| -438           | Disposals                                    | -516           |
| 2,541          | Net gains/losses from fair value adjustments | 6,739          |
|                | Transfers:                                   |                |
| 0              | To/from Inventories                          | 0              |
| 0              | To/from Property Plant and Equipment         | -13            |
| 0              | Other changes                                | 0              |
| <b>35,226</b>  | <b>Balance at 31 March</b>                   | <b>41,436</b>  |

The Comprehensive Income and Expenditure Statement includes income and expenditure and changes in the current value of investment properties. This can be further analysed as follows:

| <b>2014/15</b> |  | <b>2015/16</b> |
|----------------|--|----------------|
| <b>£'000</b>   |  | <b>£'000</b>   |
| -2,535         | Changes in the fair value of investment properties | -6,738         |
| -1,952         | Rental income from investment property             | -1,799         |
| 0              | Direct operating expenses from investment property | 0              |
| <b>-4,487</b>  |  | <b>-8,537</b>  |

## 10 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets relate to licences and externally developed software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful life assigned to the major software suites by the authority is 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.375m charged to revenue in 2015/16 was charged to the cost of services in the Comprehensive Income and Expenditure Statement as follows:

|   | <b>£'000</b> |
|---|--------------|
| Adult Social Care   | 227          |
| Children's and Education Services                         | 137          |
| Housing Services  | 11           |
| <b>Total amortisation of intangible assets in 2015/16</b> | <b>375</b>   |

In accordance with paragraph 4.1.2.30 of the Code, the Council has adopted a depreciated historical cost basis as a proxy for the current value of Intangible Assets given that the assets have a short life and a relatively low value. In addition paragraph 4.5.2.12 of the Code allows intangible assets to be carried at a revalued amount only where its current value can be determined by reference to an active market. The Code states this is unlikely to apply to local authorities and an intangible asset will therefore normally be carried at its cost less any accumulated amortisation and any accumulated impairment loss.

The movement on Intangible Asset balances during the year is as follows:

| <b>2014/15</b> |   | <b>2015/16</b> |
|----------------|---|----------------|
| <b>£'000</b>   |   | <b>£'000</b>   |
|                | Balances at 1 April:                        |                |
| 1,565          | - Gross carrying amounts                    | 1,932          |
| -575           | - Accumulated amortisation                  | -714           |
| <b>990</b>     | <b>Net carrying amount at start of year</b> | <b>1,218</b>   |
|                | Additions                                   |                |
| 540            | - Purchases                                 | 447            |
| -312           | Amortisation for period                     | -375           |
| <b>1,218</b>   | <b>Net carrying amount at 31 March</b>      | <b>1,290</b>   |

## 11 Assets held for Sale

In accordance with the IFRS code, qualifying assets are measured at the lower of carrying amount or current value less costs to sell. The Council has measured land at current value on a non-recurring basis as a result of the reclassification of assets as held for sale.

The Council's Assets held for Sale are all current assets and the movements in the year are shown below:

| <b>2014/15</b><br><b>£'000</b>                  | <b>2015/16</b><br><b>£'000</b> |
|---|--------------------------------|
| <b>0 Balance at 1 April</b>                     | <b>0</b>                       |
| Assets newly classified as held for sale:       |                                |
| 6,064 - Property, Plant and Equipment           | 11,098                         |
| 0 - Intangible Assets                           | 0                              |
| 0 - Other assets/liabilities in disposal groups | 0                              |
| -856 Revaluation losses                         | -384                           |
| 0 Revaluation gains                             | 0                              |
| 0 Impairment losses                             | 0                              |
| -5,208 Assets sold                              | -10,714                        |
| 0 Transfers from non current to current         | 0                              |
| 0 Other movements                               | 0                              |
| <b>0 Balance at 31 March</b>                    | <b>0</b>                       |

## 12 Capital Expenditure and Capital Financing

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

| 2014/15<br>£'000                         |  | 2015/16<br>£'000 |
|--|--|------------------|
| <b>163,506</b>                           | <b>Opening Capital Financing Requirement</b>   | <b>158,960</b>   |
|  | <b>Capital Investment</b>  |                  |
| 26,970                                   | Property, Plant and Equipment  | 30,581           |
| 0  | Investment Properties  | 0                |
| 540                                      | Intangible Assets  | 447              |
| 72                                       | Heritage Assets  | 71               |
| 7,337                                    | Revenue Expenditure funded from Capital  | 4,160            |
| <b>34,919</b>                            | <b>Total Capital Investment</b>  | <b>35,259</b>    |
|  | <b>Sources of Finance</b>  |                  |
| 14,279                                   | Capital Receipts   | 16,275           |
| 19,458                                   | Grants and Contributions   | 12,652           |
| 1,182                                    | Direct Revenue Financing   | 839              |
| 4,546                                    | Minimum Revenue Provision  | 5,840            |
| <b>39,465</b>                            | <b>Total Sources of Finance</b>  | <b>35,606</b>    |
| <b>158,960</b>                           | <b>Closing Capital Financing Requirement</b>   | <b>158,613</b>   |
| <b>Explanation of movements in year:</b> |  |                  |
| 0  | Increase in underlying need for borrowing (unsupported by government financial assistance) | 5,493            |
| -4,546                                   | Debt Redeemed - Minimum Revenue Provision  | -5,840           |
| <b>-4,546</b>                            | <b>Increase/ decrease (-) in Capital Financing Requirement</b>                             | <b>-347</b>      |

## 13 Impairment Losses

There were no impairment losses in 2015/16.

## 14 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 are made up of the following categories of “financial instruments”.

Under IFRS13 Current Value Measurement, there is a current value hierarchy as follows –

- Level 1 – Inputs are quoted prices in active markets for identical assets and liabilities.
- Level 2 – Inputs are other than quoted prices in level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 – Inputs are unobservable inputs for the asset or liability.

The borrowings and investments have been categorised into one of the levels above.

### Financial Instruments Balances

|  | <b>Long Term</b> |                 | <b>Short Term</b> |                 |
|--|------------------|-----------------|-------------------|-----------------|
|  | <b>31 March</b>  | <b>31 March</b> | <b>31 March</b>   | <b>31 March</b> |
|  | <b>2016</b>      | <b>2015</b>     | <b>2016</b>       | <b>2015</b>     |
|  | <b>£'000</b>     | <b>£'000</b>    | <b>£'000</b>      | <b>£'000</b>    |
| <b>Borrowings</b>  |                  |                 |                   |                 |
| Financial liabilities at amortised cost – Level 2              | 102,598          | 102,613         | 530               | 529             |
| Financial liabilities at current value through profit and loss | 0                | 0               | 0                 | 0               |
| Other borrowings (finance lease)                               | 32,236           | 28,786          | 1,649             | 1,025           |
| <b>Total Borrowings</b>  | <b>134,834</b>   | <b>131,399</b>  | <b>2,179</b>      | <b>1,554</b>    |
| <b>Investments</b>   |                  |                 |                   |                 |
| Loans and receivables – Level 2                                | 0                | 0               | 18,700            | 26,175          |
| Available-for-sale financial assets                            | 0                | 0               | 0                 | 0               |
| Current value through profit and loss – Level 1                | 9,843            | 10,041          | 0                 | 0               |
| Unquoted equity available for sale                             | 0                | 0               | 0                 | 0               |
| <b>Total Investments</b>                                       | <b>9,843</b>     | <b>10,041</b>   | <b>18,700</b>     | <b>26,175</b>   |

Cash in instant access and notice accounts is shown against Cash.

### Current Value of Assets and Liabilities carried at Amortised Cost

|                       | <b>31 March 2016</b>   |                      | <b>31 March 2015</b>   |                      |
|-----------------------|------------------------|----------------------|------------------------|----------------------|
|                       | <b>Carrying Amount</b> | <b>Current Value</b> | <b>Carrying Amount</b> | <b>Current Value</b> |
|                       | <b>£'000</b>           | <b>£'000</b>         | <b>£'000</b>           | <b>£'000</b>         |
| Financial Liabilities | 103,128                | 136,657              | 103,142                | 159,980              |

The Current Value figures for 31 March 2016 have been calculated using PWLB premature repayment rates.

The current value of £136.7m of Public Works Loan Board (PWLb) loans measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date.

The figures in the table above compare the terms of the PWLB borrowing with the new borrowing rates (Certainty rates) available from the PWLB. If a value is calculated on this basis the carrying amount of £103.1m would be valued at £136.7m. The difference between the carrying amount and the current value measures the additional interest that the authority will pay over the remaining term of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge, based on the redemption interest rates, for early redemption of £59.4m for the additional interest that will not now be paid. The exit price for the PWLB loan including the penalty charge would be £162.5m

|                       | <b>31 March 2016</b>                 |                                    | <b>31 March 2015</b>                 |                                    |
|-----------------------|--------------------------------------|------------------------------------|--------------------------------------|------------------------------------|
|                       | <b>Carrying<br/>Amount<br/>£'000</b> | <b>Current<br/>Value<br/>£'000</b> | <b>Carrying<br/>Amount<br/>£'000</b> | <b>Current<br/>Value<br/>£'000</b> |
| Loans and Receivables | 18,700                               | 18,736                             | 26,175                               | 26,218                             |

The current value is higher than the carrying amount because the authority's portfolio of investments includes a number of fixed rate deposits where the interest rate receivable is higher than the rates available for similar deposits at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the authority would receive if it agreed to early repayment of the deposits.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

## 15 Inventories

The Council had the following stock balances:

| <b>2015/16</b>                            | <b>Bexprint<br/>Stock<br/>£'000</b> | <b>Road Salt<br/>Stock<br/>£'000</b> | <b>Social Care<br/>Aids and<br/>Equipment<br/>£'000</b> | <b>Total<br/>£'000</b> |
|---|-------------------------------------|--------------------------------------|---|------------------------|
| Balance at 1 April 2015                   | 5                                   | 196                                  | 795   | 996                    |
| Purchases                                 | 0                                   | 43                                   | 478   | 521                    |
| Recognised as an expense in the year      | 0                                   | -51                                  | -323  | -374                   |
| Written off balances                      | 0                                   | 0                                    | -139  | -139                   |
| Reversals of write offs in previous years | 0                                   | 0                                    | 0   | 0                      |
| Impairment                                | 0                                   | 0                                    | 0   | 0                      |
| <b>Balance at 31 March 2016</b>           | <b>5</b>                            | <b>188</b>                           | <b>811</b>  | <b>1,004</b>           |

| <b>2014/15</b>                            | <b>Bexprint<br/>Stock<br/>£'000</b> | <b>Road Salt<br/>Stock<br/>£'000</b> | <b>Social Care<br/>Aids and<br/>Equipment<br/>£'000</b> | <b>Total<br/>£'000</b> |
|---|-------------------------------------|--------------------------------------|---|------------------------|
| Balance at 1 April 2014                   | 5                                   | 200                                  | 603   | 808                    |
| Purchases                                 | 0                                   | 40                                   | 401   | 441                    |
| Recognised as an expense in the year      | 0                                   | -44                                  | -95   | -139                   |
| Written off balances                      | 0                                   | 0                                    | -114  | -114                   |
| Reversals of write offs in previous years | 0                                   | 0                                    | 0   | 0                      |
| Impairment                                | 0                                   | 0                                    | 0   | 0                      |
| <b>Balance at 31 March 2015</b>           | <b>5</b>                            | <b>196</b>                           | <b>795</b>  | <b>996</b>             |

## 16 Debtors

| <b>31.3.2015<br/>£'000</b> |                                       | <b>31.3.2016<br/>£'000</b> |
|----------------------------|---------------------------------------|----------------------------|
| 3,909                      | Central Government bodies             | 3,073                      |
| 2,292                      | Other Local Authorities               | 3,097                      |
| 4,983                      | NHS bodies                            | 738                        |
| 0                          | Public corporations and trading funds | 0                          |
| 46,606                     | Other entities and individuals        | 48,951                     |
| <b>57,790</b>              | <b>Total Debtors</b>                  | <b>55,859</b>              |

The figures in the above table are net of impairments. Impairments are all for the other entities and individuals category above.



## 17 Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

| <b>31.3.2015</b> |                                       | <b>31.3.2016</b> |
|------------------|---------------------------------------|------------------|
| <b>£'000</b>     |                                       | <b>£'000</b>     |
| 780              | Cash in hand at Bank                  | 1,893            |
| 21,500           | Instant Access Accounts               | 41,600           |
| 7,562            | Cash in hand at Schools Bank Accounts | 6,192            |
| -10,326          | Cash Overdrawn                        | -11,133          |
| <b>19,516</b>    | <b>Total</b>                          | <b>38,552</b>    |

## 18 Creditors

| <b>31.3.2015</b> |                                       | <b>31.3.2016</b> |
|------------------|---------------------------------------|------------------|
| <b>£'000</b>     |                                       | <b>£'000</b>     |
| -11,562          | Central Government bodies             | -13,007          |
| -2,412           | Other Local Authorities               | -5,197           |
| -2,354           | NHS bodies                            | -2,333           |
| 0                | Public corporations and trading funds | 0                |
| -34,601          | Other entities and individuals        | -33,295          |
| <b>-50,929</b>   | <b>Total Creditors</b>                | <b>-53,832</b>   |

## 19 Provisions

The movements on these in 2015/16 are detailed in the table below:

|                                       | Insurance     | TA End of<br>Lease<br>Repairs | Early<br>Retirement/<br>Redundancy | Land<br>Charges | Holiday<br>Pay | Business<br>Rates<br>Appeals | Total         |
|---------------------------------------|---------------|-------------------------------|------------------------------------|-----------------|----------------|------------------------------|---------------|
|                                       | £'000         | £'000                         | £'000                              | £'000           | £'000          | £'000                        | £'000         |
| Balance at 1 April 2015               | -3,297        | -768                          | -141                               | -220            | -50            | -1,992                       | -6,468        |
| Additional provisions made in 2015/16 | -474          | 0                             | -225                               | 0               | 0              | -481                         | -1,180        |
| Amounts used in 2015/16               | 1,289         | 225                           | 141                                | 0               | 0              | 0                            | 1,655         |
| Unused amounts reversed in 2015/16    | 0             | 0                             | 0                                  | 0               | 0              | 0                            | 0             |
| Unwinding of discounting in 2015/16   | 0             | 0                             | 0                                  | 0               | 0              | 0                            | 0             |
| <b>Balance at 31 March 2016</b>       | <b>-2,482</b> | <b>-543</b>                   | <b>-225</b>                        | <b>-220</b>     | <b>-50</b>     | <b>-2,473</b>                | <b>-5,993</b> |

The above balances can be analysed between short term and long term as follows:

|                                 |               |             |             |             |            |               |               |
|---------------------------------|---------------|-------------|-------------|-------------|------------|---------------|---------------|
| Short term provisions           | 0             | -181        | -225        | -220        | -50        | -2,473        | -3,149        |
| Long term provisions            | -2,482        | -362        | 0           | 0           | 0          | 0             | -2,844        |
| <b>Balance at 31 March 2016</b> | <b>-2,482</b> | <b>-543</b> | <b>-225</b> | <b>-220</b> | <b>-50</b> | <b>-2,473</b> | <b>-5,993</b> |

### (a) Insurance Provision

The Council operates an Insurance Provision. This is funded from contributions from revenue accounts and is used to pay the external insurance premium. The balance is maintained on the Insurance Provision and is used to pay claims which fall below the excess. All excess payments under a particular category each year are totalled and if they exceed a 'stop loss', then all further claims are met in full by external insurance. There are four main areas of risk as follows -

| Risk                        | Excess     | Stop Loss  |
|-----------------------------|------------|------------|
| Fire - Education Properties | £250,000   | £1,000,000 |
| - Other Properties          | £100,000   | £400,000   |
| Liability                   | £125,000   | £1,600,000 |
| Motor                       | £25,000    | £400,000   |
| Catastrophic Storm          | £1,000,000 |            |

At the end of each year, an estimate of the outstanding claims is made and the balance on the Insurance Provision is set at that level. Any excess or additional contribution required is transferred to or from the Insurance Reserve.

### (b) Temporary Accommodation End of Lease Repairs

This is for end of lease repairs on private sector leased properties used for temporary accommodation. The provision represents the amounts required to return properties in a satisfactory condition based on past experience.

### (c) Early Retirement/ Redundancy

There are estimated redundancy payments of £225,000 for 2016/17 that were identified at 31 March 2016.

### (d) Land Charges

There have been changes to the charges for personal searches for Land Charges. These changes have resulted in restitutionary claims and this provision has been set up to meet these claims plus any settlement of legal costs required.

**(e) Holiday Pay**

In November 2014 the Employment Appeal Tribunal ruled that holiday pay should include non guaranteed overtime and this stems from a discrepancy between EU and UK law. Bexley does not currently pay non guaranteed overtime which is not voluntary and therefore this ruling has no impact. However, this provision of £50,000 has been set up to take account of possible claims arising from this ruling should it be extended to voluntary overtime which may then give rise to claims.

**(f) Business Rates Appeals**

The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013. Bexley, as a billing authority, is required to make provision for refunding ratepayers who have successfully appealed against the rateable value on their properties. This will include amounts relating to non-domestic rates charged to businesses in 2015/16 and earlier financial years. Assets and liabilities relating to business rates are shared between the Government (50%), Bexley (30%) and the Greater London Authority (20%). The provision shown above is the Council's 30% share of the total amount.

## 20 Usable Reserves

The Council has the following usable reserves:

| <b>31.3.2015</b> |                          | <b>31.3.2016</b> |
|------------------|--------------------------|------------------|
| <b>£'000</b>     |                          | <b>£'000</b>     |
| 24,086           | General Fund             | 23,839           |
| 48,690           | Earmarked Reserves       | 44,937           |
| 8,854            | Capital Receipts Reserve | 406              |
| 8,376            | Capital Grants Unapplied | 12,818           |
| <b>90,006</b>    |                          | <b>82,000</b>    |

### General Fund

The Council's General Fund balance includes schools balances and other earmarked items; an analysis is shown in the table below. The balance shown as "Schools/ AECB delegated" comprises schools and the Adult Education College for Bexley all of which have delegated budget responsibilities under the Council's schemes of local management. "Schools Central" are those schools budgets centrally managed by the Council and funded by the Dedicated Schools Grant.

| <b>2014/15</b>            | <b>2015/16</b>                         |                            |                                       |                        |                          |               |
|---------------------------|--|----------------------------|---------------------------------------|------------------------|--------------------------|---------------|
|                           | <b>Schools/<br/>AECB<br/>Delegated</b> | <b>Schools<br/>Central</b> | <b>Council<br/>Carry-<br/>forward</b> | <b>Ear-<br/>marked</b> | <b>Unall-<br/>ocated</b> | <b>Total</b>  |
| <b>Total<br/>£'000</b>    | <b>£'000</b>                           | <b>£'000</b>               | <b>£'000</b>                          | <b>£'000</b>           | <b>£'000</b>             | <b>£'000</b>  |
| <b>25,957 Balance B/F</b> | <b>6,311</b>                           | <b>1,256</b>               | <b>400</b>                            | <b>3,379</b>           | <b>12,740</b>            | <b>24,086</b> |
| -1,871 Movement           | 159                                    | -262                       | -400                                  | 193                    | 63                       | -247          |
| <b>24,086 Balance C/F</b> | <b>6,470</b>                           | <b>994</b>                 | <b>0</b>                              | <b>3,572</b>           | <b>12,803</b>            | <b>23,839</b> |

| <b>2013/14</b>            | <b>2014/15</b>                         |                            |                                       |                        |                          |               |
|---------------------------|--|----------------------------|---------------------------------------|------------------------|--------------------------|---------------|
|                           | <b>Schools/<br/>AECB<br/>Delegated</b> | <b>Schools<br/>Central</b> | <b>Council<br/>Carry-<br/>forward</b> | <b>Ear-<br/>marked</b> | <b>Unall-<br/>ocated</b> | <b>Total</b>  |
| <b>Total<br/>£'000</b>    | <b>£'000</b>                           | <b>£'000</b>               | <b>£'000</b>                          | <b>£'000</b>           | <b>£'000</b>             | <b>£'000</b>  |
| <b>26,798 Balance B/F</b> | <b>7,410</b>                           | <b>3,289</b>               | <b>0</b>                              | <b>2,518</b>           | <b>12,740</b>            | <b>25,957</b> |
| -841 Movement             | -1,099                                 | -2,033                     | 400                                   | 861                    | 0                        | -1,871        |
| <b>25,957 Balance C/F</b> | <b>6,311</b>                           | <b>1,256</b>               | <b>400</b>                            | <b>3,379</b>           | <b>12,740</b>            | <b>24,086</b> |

## Earmarked Reserves

The Council has a number of earmarked reserves and details of the main earmarked reserves are shown in the table below. Revenue grants and contributions where there are no conditions outstanding, but where there are balances still to be used to finance expenditure, are also included in earmarked reserves.

| <b>2015/16</b>   | <b>Balance at<br/>1 April 2015<br/>£'000</b> | <b>Movements<br/>in year<br/>£'000</b> | <b>Balance at<br/>31 March 2016<br/>£'000</b> |
|--|--|--|---|
| Financing Reserve  | 10,041                                       | -862                                   | 9,179   |
| Insurance Reserve  | 4,174  | 598                                    | 4,772   |
| Transformation Reserve - previously Service<br>Support and Development | 7,380  | -267                                   | 7,113   |
| Stock Transfer Warranties Reserve                                      | 483  | 0                                      | 483   |
| Broadway Shopping Centre Reserve                                       | 502  | 0                                      | 502   |
| Information Technology Reserve   | 1,651  | -379                                   | 1,272   |
| Collection Reserve   | 1,043  | 0                                      | 1,043   |
| Reorganisation Reserve   | 5,036  | -883                                   | 4,153   |
| Financial Planning Reserve   | 7,208  | -1,710                                 | 5,498   |
| Other Earmarked Reserves   | 2,337  | -540                                   | 1,797   |
| Revenue grants and contributions unapplied                             | 8,835  | 290                                    | 9,125   |
| <b>TOTAL</b>   | <b>48,690</b>                                | <b>-3,753</b>                          | <b>44,937</b>                                 |

| <b>2014/15</b>   | <b>Balance at<br/>1 April 2014<br/>£'000</b> | <b>Movements<br/>in year<br/>£'000</b> | <b>Balance at<br/>31 March 2015<br/>£'000</b> |
|--|--|--|---|
| Financing Reserve  | 9,287  | 754                                    | 10,041  |
| Insurance Reserve  | 4,284  | -110                                   | 4,174   |
| Transformation Reserve - previously Service<br>Support and Development | 8,198  | -818                                   | 7,380   |
| Stock Transfer Warranties Reserve                                      | 2,183  | -1,700                                 | 483   |
| Broadway Shopping Centre Reserve                                       | 2,169  | -1,667                                 | 502   |
| Information Technology Reserve   | 2,709  | -1,058                                 | 1,651   |
| Collection Reserve   | 1,843  | -800                                   | 1,043   |
| Reorganisation Reserve   | 2,336  | 2,700                                  | 5,036   |
| Financial Planning Reserve   | 8,859  | -1,651                                 | 7,208   |
| Other Earmarked Reserves   | 3,065  | -728                                   | 2,337   |
| Revenue grants and contributions unapplied                             | 6,284  | 2,551                                  | 8,835   |
| <b>TOTAL</b>   | <b>51,217</b>                                | <b>-2,527</b>                          | <b>48,690</b>                                 |

### (a) Financing Reserve

The Financing Reserve exists to deal with unbudgeted variations in financing costs and to finance direct capital expenditure where appropriate. The balance at 31 March 2016 is £9.179m.

**(b) Insurance Reserve**

The Council self-insures for many risks and the Insurance Reserve exists to deal with the infrequent but expensive claims that have to be anticipated under such an arrangement. The Council's good claims record has resulted in a balance at 31 March 2016 of £4.772m.

**(c) Transformation Reserve**

The Transformation Reserve was previously known as the Service Support and Development Reserve (SSDR) and was created following the housing stock transfer. It has been used to finance capital expenditure and to 'pump-prime' a number of projects including those associated with the Council's Value for Money programme. Repayments are made from the revenue budget as savings arise on the projects. The balance on the Transformation Reserve at 31 March 2016 is £7.113m.

**(d) Stock Transfer Warranties Reserve**

As part of the housing stock transfer in 1998, the Council gave certain warranties regarding planning consents, liability to works on properties and pollution hazards. Whether these warranties will ever be called upon is unknown. The balance at 31 March 2016 is £0.483m.

**(e) Broadway Shopping Centre Reserve**

This reserve provides for a Council contribution towards the refurbishment of the Broadway Shopping Centre for which the Council received rental income of some £1.4m in 2015/16. The balance at 31 March 2016 is £0.502m.

**(f) Information Technology Reserve**

This will provide for the upgrade and replacement of personal computers and laptops, infrastructure and software Council-wide in future years. Annual contributions (including budgeted contributions of £1.010m) made and expenditure during the year resulted in the balance on the reserve decreasing by £0.379m and a balance at 31 March 2016 of £1.272m.

**(g) Collection Reserve**

This is to deal with collection issues across all income streams and unplanned reductions in rateable value such as due to successful appeals.

**(h) Reorganisation Reserve**

This reserve exists to meet possible redundancy costs in future years; the balance on this reserve at 31 March 2016 is £4.153m.

**(i) Financial Planning Reserve**

The purpose of this reserve is to provide a resource with which to deal with the uncertainties in the forward financial planning process arising from further reductions in Government grant. The balance was £5.498m at 31 March 2016 and the Council has agreed the use of £1m to balance the budget for 2016/17.

**(j) Other Earmarked Reserves**

The remaining Council controlled reserves total £1.797m at 31 March 2016 and are largely earmarked against possible future costs such as liabilities for contaminated land, elections and systems development.

## Capital Receipts Reserve

The usable capital receipts reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside any statutory amounts for the repayment of loans.

| 2014/15<br>£'000 |   | 2015/16<br>£'000 |
|------------------|---|------------------|
| 0                | <b>Balance at 1 April</b>                                   | <b>8,854</b>     |
| 10,978           | Amounts receivable - from sales of non current assets       | 7,304            |
| 12,207           | - from deferred capital receipts                            | 613              |
| -14,279          | Amounts applied to finance new capital investment           | -16,275          |
| 0                | Reversal of previous years' funding re aborted schemes      | 25               |
| -11              | Amounts paid to Housing Capital Receipts Pool               | -4               |
| -41              | Amounts used to fund disposal costs of non current assets   | -111             |
| <b>8,854</b>     | <b>Total increase/(decrease) in usable capital receipts</b> | <b>-8,448</b>    |
| <b>8,854</b>     | <b>Balance at 31 March</b>                                  | <b>406</b>       |

## Capital Grants Unapplied

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

|  | <b>1 April<br/>2014<br/>£'000</b> | <b>Movement<br/>in 2014/15<br/>£'000</b> | <b>31 March<br/>2015<br/>£'000</b> | <b>Movement<br/>in 2015/16<br/>£'000</b> | <b>31 March<br/>2016<br/>£'000</b> |
|--|-----------------------------------|--|------------------------------------|--|------------------------------------|
| New Primary Places Grant                         | 3,710                             | -3,687                                   | 23                                 | -23                                      | 0                                  |
| Condition Funding/ Primary Modernisation         | 1,485                             | 438                                      | 1,923                              | 1,077                                    | 3,000                              |
| Education Basic Needs Grant                      | 4,144                             | -796                                     | 3,348                              | 2,723                                    | 6,071                              |
| Other capital grants and contributions unapplied | 2,885                             | 197                                      | 3,082                              | 665                                      | 3,747                              |
| <b>Total</b>                                     | <b>12,224</b>                     | <b>-3,848</b>                            | <b>8,376</b>                       | <b>4,442</b>                             | <b>12,818</b>                      |

## 21 Unusable Reserves

The Council has the following unusable reserves:

| 31.3.2015<br>£'000 |  | 31.3.2016<br>£'000 |
|--------------------|--|--------------------|
| 130,476            | Revaluation Reserve                      | 139,411            |
| 276,456            | Capital Adjustment Account               | 268,528            |
| -2,167             | Financial Instruments Adjustment Account | -1,700             |
| -131,121           | Pensions Reserve                         | -126,381           |
| 3,298              | Deferred Capital Receipts Reserve        | 8,217              |
| 2,038              | Collection Fund Adjustment Account       | 2,681              |
| -2,563             | Accumulating Absences Adjustment Account | -1,965             |
| <b>276,417</b>     | <b>Total Unusable Reserves</b>           | <b>288,791</b>     |

### Revaluation Reserve

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

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

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

| 2014/15<br>£'000 |   | 2015/16<br>£'000 |
|------------------|---|------------------|
| <b>121,561</b>   | <b>Balance at 1 April</b>   | <b>130,476</b>   |
| 25,816           | Upward revaluation of assets  | 24,201           |
| -5,912           | Downward revaluation of assets and impairment losses not charged to the Surplus/ Deficit on the Provision of Services     | -1,747           |
| 19,904           | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | 22,454           |
| -4,888           | Difference between fair value depreciation and historical cost depreciation   | -4,739           |
| -6,101           | Accumulated gains on assets sold or scrapped  | -8,780           |
| -10,989          | Amount written off to the Capital Adjustment Account  | -13,519          |
| <b>130,476</b>   | <b>Balance 31 March</b>   | <b>139,411</b>   |



## Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

| 2014/15        |  | 2015/16        |
|----------------|--|----------------|
| £'000          |  | £'000          |
| <b>296,250</b> | <b>Balance at 1 April</b>  | <b>276,456</b> |
|                | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES) |                |
| -23,152        | - Charges for depreciation and impairment of non current assets  | -22,750        |
| -20,710        | - Revaluation losses on Property, Plant and Equipment  | -500           |
| -312           | - Amortisation of intangible assets  | -375           |
| -2,642         | - Revenue expenditure funded from capital under statute  | -1,426         |
| 339            | - Deferred income written down   | 339            |
|                | - Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES                   |                |
| -7,073         | - Write out of non current assets - notional loss on academy transfers   | -11,613        |
| -14,520        |  | -24,637        |
| <b>-68,070</b> |  | <b>-60,962</b> |
| 10,989         | Adjusting amounts written out of the Revaluation Reserve   | 13,519         |
| <b>-57,081</b> | Net written out amount of the cost of non current assets consumed in the year  | <b>-47,443</b> |
|                | Capital financing applied in the year:   |                |
| 14,279         | - Use of the Capital Receipts Reserve to finance new capital expenditure   | 16,275         |
| 7,520          | - Capital grants and contributions credited to the CIES that have been applied to capital financing                                | 5,816          |
| 7,243          | - Application of grants to capital financing from the Capital Grants Unapplied Account   | 4,103          |
| 4,546          | - Statutory provision for the financing of capital investment charged against the General Fund balance                             | 5,840          |
| 1,182          | - Capital expenditure charged against the General Fund   | 839            |
| <b>34,770</b>  |  | <b>32,873</b>  |
| 2,541          | Movements in the market value of Investment Properties debited or credited to the CIES   | 6,738          |
| 0              | Movement in Donated Assets with CIES   | 0              |
| -24            | Reversal of previous years' funding re aborted schemes   | -96            |
| <b>276,456</b> | <b>Balance at 31 March</b>   | <b>268,528</b> |

## Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions.

| 2014/15<br>£'000 |   | 2015/16<br>£'000 |
|------------------|---|------------------|
| <b>-2,319</b>    | <b>Balance at 1 April</b>   | <b>-2,167</b>    |
| 0                | Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement   | 0                |
| 24               | Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements  | 24               |
| <u>128</u>       | Adjustments for loans at less than market rates   | <u>443</u>       |
| 152              | Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 467              |
| <b>-2,167</b>    | <b>Balance 31 March</b>   | <b>-1,700</b>    |

## Pensions Reserve

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

| 2014/15<br>£'000 |  | 2015/16<br>£'000 |
|------------------|--|------------------|
| <b>-90,213</b>   | <b>Balance at 1 April</b>  | <b>-131,121</b>  |
| -37,819          | Remeasurements of the net defined benefit liability  | 21,789           |
| -15,435          | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | -18,028          |
| 12,346           | Employer's pension contributions and direct payments to pensioners payable in the year   | 979              |
| <b>-131,121</b>  | <b>Balance at 31 March</b>   | <b>-126,381</b>  |

### Deferred Capital Receipts Reserve

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

| 2014/15<br>£'000 |   | 2015/16<br>£'000 |
|------------------|---|------------------|
| 15,513           | <b>Balance at 1 April</b>                                     | <b>3,298</b>     |
| -12,207          | Transfer of deferred sale proceeds                            | 4,927            |
| 0                | Transfer to the Capital Receipts Reserve upon receipt of cash | 0                |
| -8               | Write down of finance lease long term debtors                 | -8               |
| <b>3,298</b>     | <b>Balance at 31 March</b>                                    | <b>8,217</b>     |

### Collection Fund Adjustment Account

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

| 2014/15<br>£'000 |  | 2015/16<br>£'000 |
|------------------|--|------------------|
| 1,227            | <b>Balance at 1 April</b>  | <b>2,038</b>     |
|                  | Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements     | 627              |
| 385              | Amount by which business rate income credited to the Comprehensive Income and Expenditure Statement is different from business rate income calculated for the year in accordance with statutory requirements | 16               |
| 426              |  |                  |
| <b>2,038</b>     | <b>Balance at 31 March</b>   | <b>2,681</b>     |

### Accumulating Compensated Absences Adjustment Account

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

| 2014/15<br>£'000 |   | 2015/16<br>£'000 |
|------------------|---|------------------|
| <b>-2,755</b>    | <b>Balance at 1 April</b>   | <b>-2,563</b>    |
| 2,755            | Settlement or cancellation of accrual made at the end of the preceding year   | 2,563            |
| <u>-2,563</u>    | Amounts accrued at the end of the current year  | <u>-1,965</u>    |
| 192              | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 598              |
| <b>-2,563</b>    | <b>Balance at 31 March</b>  | <b>-1,965</b>    |

## 22 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Cabinet portfolios.

The Cabinet portfolios have changed in 2015/16 following a reorganisation of the Cabinet. Public Health has moved to Adults' Services from Community Safety, Environment and Leisure. Environment and Public Realm has been split between Community Safety, Environment and Leisure and Traffic and Transport. The income and expenditure of the Council analysed by Cabinet Portfolio for 2015/16 is as follows:

| 2015/16                                | Finance and<br>Corporate<br>Services<br>£'000 | Adults'<br>Services<br>£'000 | Children's<br>Services<br>£'000 | Education<br>£'000 | Regeneration<br>and Growth<br>£'000 | Community<br>Safety,<br>Environment<br>and Leisure<br>£'000 | Traffic and<br>Transport<br>£'000 | TOTAL<br>£'000  |
|--|---|------------------------------|---------------------------------|--------------------|-------------------------------------|---|-----------------------------------|-----------------|
| Fees, charges and other service income | -16,489                                       | -27,980                      | -1,520                          | -2,528             | -4,457                              | -7,659  | -9,384                            | -70,017         |
| Government grants                      | -98,355                                       | -12,560                      | -1,695                          | -90,757            | -3,777                              | -534  | -112                              | -207,790        |
| <b>Total Income</b>                    | <b>-114,844</b>                               | <b>-40,540</b>               | <b>-3,215</b>                   | <b>-93,285</b>     | <b>-8,234</b>                       | <b>-8,193</b>   | <b>-9,496</b>                     | <b>-277,807</b> |
| Employee expenses                      | 15,233  | 10,809                       | 14,643                          | 57,728             | 7,476                               | 7,391   | 3,434                             | 116,714         |
| Other operating expenses               | 124,478                                       | 80,463                       | 21,912                          | 37,601             | 4,359                               | 26,329  | 11,378                            | 306,520         |
| Support service recharges              | -17,629                                       | 4,963                        | 4,020                           | 3,246              | 1,275                               | 2,336   | 1,789                             | 0               |
| Financing costs                        | 2,202   | 1,437                        | 783                             | 7,667              | 1,663                               | 5,039   | 5,013                             | 23,804          |
| <b>Total Expenditure</b>               | <b>124,284</b>                                | <b>97,672</b>                | <b>41,358</b>                   | <b>106,242</b>     | <b>14,773</b>                       | <b>41,095</b>   | <b>21,614</b>                     | <b>447,038</b>  |
| <b>Net Cost of Services</b>            | <b>9,440</b>                                  | <b>57,132</b>                | <b>38,143</b>                   | <b>12,957</b>      | <b>6,539</b>                        | <b>32,902</b>   | <b>12,118</b>                     | <b>169,231</b>  |

## 22 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Cabinet portfolios.

The Cabinet portfolios have changed in 2015/16 following a reorganisation of the Cabinet. Public Health has moved to Adults' Services from Community Safety, Environment and Leisure. Environment and Public Realm has been split between Community Safety, Environment and Leisure and Traffic and Transport. The 2014/15 figures have therefore been restated in the revised Cabinet portfolios.

| 2014/15 restated                       | Finance and<br>Corporate<br>Services<br>£'000 | Adults'<br>Services<br>£'000 | Children's<br>Services<br>£'000 | Education<br>£'000 | Regeneration<br>and Growth<br>£'000 | Environment<br>and Public<br>Realm<br>£'000 | Community<br>Safety and<br>Leisure<br>£'000 | TOTAL<br>£'000  |
|--|---|------------------------------|---------------------------------|--------------------|-------------------------------------|---|---|-----------------|
| Fees, charges and other service income | -4,833  | -24,785                      | -1,063                          | -5,350             | -6,800                              | -6,298                                      | -7,657                                      | -56,786         |
| Government grants                      | -98,390                                       | -9,955                       | -1,142                          | -104,823           | -4,142                              | -745  | -134  | -219,331        |
| <b>Total Income</b>                    | <b>-103,223</b>                               | <b>-34,740</b>               | <b>-2,205</b>                   | <b>-110,173</b>    | <b>-10,942</b>                      | <b>-7,043</b>                               | <b>-7,791</b>                               | <b>-276,117</b> |
| Employee expenses                      | 17,360  | 10,323                       | 14,401                          | 70,400             | 9,185                               | 7,995                                       | 3,896                                       | 133,560         |
| Other operating expenses               | 112,650                                       | 74,700                       | 20,352                          | 44,318             | 6,259                               | 27,258                                      | 11,955                                      | 297,492         |
| Support service recharges              | -14,628                                       | 5,377                        | 4,458                           | 3,491              | -2,226                              | 2,465                                       | 1,063                                       | 0               |
| Financing costs                        | 19,829  | 1,222                        | 483                             | 12,261             | 2,929                               | 2,698                                       | 4,897                                       | 44,319          |
| <b>Total Expenditure</b>               | <b>135,211</b>                                | <b>91,622</b>                | <b>39,694</b>                   | <b>130,470</b>     | <b>16,147</b>                       | <b>40,416</b>                               | <b>21,811</b>                               | <b>475,371</b>  |
| <b>Net Cost of Services</b>            | <b>31,988</b>                                 | <b>56,882</b>                | <b>37,489</b>                   | <b>20,297</b>      | <b>5,205</b>                        | <b>33,373</b>                               | <b>14,020</b>                               | <b>199,254</b>  |

## Reconciliation of Cabinet Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Cabinet income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

| <b>2014/15</b> |  | <b>2015/16</b> |
|----------------|--|----------------|
| <b>£'000</b>   |  | <b>£'000</b>   |
| 199,254        | Net expenditure in the Cabinet Portfolio Analysis  | 169,231        |
| 7,172          | Net expenditure of services and support services not included in the Analysis                            | 7,219          |
| 1,395          | Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | 14,134         |
| 3,056          | Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement      | 3,056          |
| <b>210,877</b> | <b>Cost of Services in Comprehensive Income and Expenditure Statement</b>                                | <b>193,640</b> |

## Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Cabinet Portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement:

|  | Cabinet<br>Portfolio<br>Analysis<br>£'000 | Services<br>and<br>Support<br>Services<br>not in<br>Analysis<br>£'000 | Amounts<br>not<br>reported<br>to<br>manage-<br>ment for<br>decision<br>making<br>£'000 | Amounts<br>not<br>included<br>in I&E<br>£'000 | Allocation<br>of<br>Recharges<br>£'000 | Cost of<br>Services<br>(sub-total)<br>£'000 | Corporate<br>Amounts<br>£'000 | Total<br>£'000  |
|--|---|---|--|---|--|---|-------------------------------|-----------------|
| <b>2015/16</b>   |   |   |  |   |  |   |                               |                 |
| Fees, charges and other service income                 | -70,017                                   | 0   | 1,799  | 0   | 0                                      | -68,218                                     | -1,799                        | -70,017         |
| Surplus or deficit on associates and joint ventures    | 0   | 0   | 0  | 0   | 0                                      | 0   | 0                             | 0               |
| Interest and investment income                         | 0   | 0   | 0  | 0   | 0                                      | 0   | -696                          | -696            |
| Income from council tax                                | 0   | 0   | 0  | 0   | 0                                      | 0   | -90,555                       | -90,555         |
| Income from business rates                             | 0   | 0   | 0  | 0   | 0                                      | 0   | -34,762                       | -34,762         |
| Government grants and contributions                    | -207,790                                  | 0   | 0  | 3,056   | 0                                      | -204,734                                    | -55,826                       | -260,560        |
| <b>Total income</b>                                    | <b>-277,807</b>                           | <b>0</b>  | <b>1,799</b>   | <b>3,056</b>                                  | <b>0</b>                               | <b>-272,952</b>                             | <b>-183,638</b>               | <b>-456,590</b> |
| Employee expenses                                      | 116,714                                   | 0   | 12,335   | 0   | 0                                      | 129,049                                     | 0                             | 129,049         |
| Other service expenses                                 | 306,520                                   | 7,219   | 0  | 0   | 0                                      | 313,739                                     | 0                             | 313,739         |
| Support service recharges                              | 0   | 0   | 0  | 0   | 0                                      | 0   | 0                             | 0               |
| Depreciation, amortisation and impairment              | 23,804                                    | 0   | 0  | 0   | 0                                      | 23,804                                      | -6,787                        | 17,017          |
| Interest payments                                      | 0   | 0   | 0  | 0   | 0                                      | 0   | 12,228                        | 12,228          |
| Precepts and levies                                    | 0   | 0   | 0  | 0   | 0                                      | 0   | 884                           | 884             |
| Payments to Housing Capital Receipts Pool              | 0   | 0   | 0  | 0   | 0                                      | 0   | 4                             | 4               |
| Gain or loss on disposal of fixed assets               | 0   | 0   | 0  | 0   | 0                                      | 0   | 23,473                        | 23,473          |
| <b>Total expenditure</b>                               | <b>447,038</b>                            | <b>7,219</b>  | <b>12,335</b>  | <b>0</b>                                      | <b>0</b>                               | <b>466,592</b>                              | <b>29,802</b>                 | <b>496,394</b>  |
| <b>Surplus or deficit on the provision of services</b> | <b>169,231</b>                            | <b>7,219</b>  | <b>14,134</b>  | <b>3,056</b>                                  | <b>0</b>                               | <b>193,640</b>                              | <b>-153,836</b>               | <b>39,804</b>   |



## Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Cabinet Portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

|  | Cabinet<br>Portfolio<br>Analysis<br>£'000 | Services<br>and<br>Support<br>Services<br>not in<br>Analysis<br>£'000 | Amounts<br>not<br>reported<br>to<br>manage-<br>ment for<br>decision<br>making<br>£'000 | Amounts<br>not<br>included<br>in I&E<br>£'000 | Allocation of<br>Recharges<br>£'000 | Cost of<br>Services<br>(sub-<br>total)<br>£'000 | Corporate<br>Amounts<br>£'000 | Total<br>£'000  |
|--|---|---|--|---|-------------------------------------|---|-------------------------------|-----------------|
| <b>2014/15 Restated</b>                                |   |   |  |   |                                     |   |                               |                 |
| Fees, charges and other service income                 | -56,786                                   | 0   | 1,952  | 0   | 0                                   | -54,834   | -1,952                        | -56,786         |
| Surplus or deficit on associates and joint ventures    | 0   | 0   | 0  | 0   | 0                                   | 0   | 0                             | 0               |
| Interest and investment income                         | 0   | 0   | 0  | 0   | 0                                   | 0   | -1,121                        | -1,121          |
| Income from council tax                                | 0   | 0   | 0  | 0   | 0                                   | 0   | -86,858                       | -86,858         |
| Income from business rates                             | 0   | 0   | 0  | 0   | 0                                   | 0   | -33,450                       | -33,450         |
| Government grants and contributions                    | -219,331                                  | 0   | 0  | 3,056   | 0                                   | -216,275  | -63,545                       | -279,820        |
| <b>Total income</b>                                    | <b>-276,117</b>                           | <b>0</b>  | <b>1,952</b>   | <b>3,056</b>                                  | <b>0</b>                            | <b>-271,109</b>                                 | <b>-186,926</b>               | <b>-458,035</b> |
| Employee expenses                                      | 133,560                                   | 0   | -557   | 0   | 0                                   | 133,003   | 0                             | 133,003         |
| Other service expenses                                 | 297,492                                   | 7,172   | 0  | 0   | 0                                   | 304,664   | 0                             | 304,664         |
| Support service recharges                              | 0   | 0   | 0  | 0   | 0                                   | 0   | 0                             | 0               |
| Depreciation, amortisation and impairment              | 44,319                                    | 0   | 0  | 0   | 0                                   | 44,319  | -2,541                        | 41,778          |
| Interest payments                                      | 0   | 0   | 0  | 0   | 0                                   | 0   | 11,381                        | 11,381          |
| Precepts and levies                                    | 0   | 0   | 0  | 0   | 0                                   | 0   | 838                           | 838             |
| Payments to Housing Capital Receipts Pool              | 0   | 0   | 0  | 0   | 0                                   | 0   | 11                            | 11              |
| Gain or loss on disposal of fixed assets               | 0   | 0   | 0  | 0   | 0                                   | 0   | 10,661                        | 10,661          |
| <b>Total expenditure</b>                               | <b>475,371</b>                            | <b>7,172</b>  | <b>-557</b>  | <b>0</b>                                      | <b>0</b>                            | <b>481,986</b>                                  | <b>20,350</b>                 | <b>502,336</b>  |
| <b>Surplus or deficit on the provision of services</b> | <b>199,254</b>                            | <b>7,172</b>  | <b>1,395</b>   | <b>3,056</b>                                  | <b>0</b>                            | <b>210,877</b>                                  | <b>-166,576</b>               | <b>44,301</b>   |

## 23 Staff Remuneration

The number of Council employees (including teachers) whose remuneration was £50,000 or more in bands of £5,000 is shown below, split between schools and other staff. Remuneration includes all sums paid to or received by an employee. Payments include salary (including performance related pay), redundancy, expenses and other benefits received other than in cash (e.g. leased car benefit), excluding pension contributions. The figures also exclude voluntary aided schools whose staff are not employed by the London Borough of Bexley. The Chief Executive, Directors and the Monitoring Officer have also been excluded from the table below since they are shown separately in the next table in this note.

| No. of Employees<br>2014/15 |           | Remuneration<br>Band | No. of Employees<br>2015/16 |           |
|-----------------------------|-----------|----------------------|-----------------------------|-----------|
| Other                       | Schools   |                      | Other                       | Schools   |
| 20                          | 21        | £50,000 to £54,999   | 26                          | 17        |
| 22                          | 15        | £55,000 to £59,999   | 13                          | 14        |
| 7                           | 8         | £60,000 to £64,999   | 14                          | 13        |
| 7                           | 6         | £65,000 to £69,999   | 4                           | 3         |
| 5                           | 4         | £70,000 to £74,999   | 3                           | 2         |
| 2                           | 2         | £75,000 to £79,999   | 2                           | 3         |
| 2                           | 3         | £80,000 to £84,999   | 1                           | 0         |
| 4                           | 0         | £85,000 to £89,999   | 2                           | 0         |
| 2                           | 0         | £90,000 to £94,999   | 2                           | 0         |
| 3                           | 0         | £95,000 to £99,999   | 0                           | 1         |
| 0                           | 0         | £100,000 to £104,999 | 1                           | 0         |
| 0                           | 0         | £105,000 to £109,999 | 0                           | 0         |
| 0                           | 0         | £110,000 to £114,999 | 1                           | 0         |
| <b>74</b>                   | <b>59</b> | <b>TOTAL</b>         | <b>69</b>                   | <b>53</b> |

Senior officers with a salary of more than £150,000 are required to be disclosed by name and title; those with a salary of less than £150,000 are disclosed by title only. For Bexley, the senior officers disclosed below are the Management Board, the Director of Public Health and the statutory Monitoring Officer – in Bexley this is the Head of Legal Services.

**SENIOR STAFF REMUNERATION 2015/16**

| <b>Post/ Name</b>  | <b>Salary,<br/>fees and<br/>allowances<br/>£</b> | <b>Benefits<br/>in Kind<br/>£</b> | <b>Total<br/>£</b> |
|--|--|-----------------------------------|--------------------|
| Chief Executive *A   | 105,794  | 4,456                             | 110,250            |
| Director of Regeneration, Communities and Customer Services<br>and Acting Chief Executive *B | 133,866  | 5,364                             | 139,230            |
| Director of Children's Services  | 127,848  | 5,332                             | 133,180            |
| Director of Finance *C   | 121,855  | 5,351                             | 127,206            |
| Interim Director of Adult Social Care *D   | 101,515  | 4,803                             | 106,318            |
| Head of Legal Services and Monitoring Officer *E   | 69,033   | 3,729                             | 72,762             |
| Director of Public Health *F   | 56,899   | 0                                 | 56,899             |

**SENIOR STAFF REMUNERATION 2014/15**

| <b>Post/ Name</b>  | <b>Salary,<br/>fees and<br/>allowances<br/>£</b> | <b>Benefits<br/>in Kind<br/>£</b> | <b>Total<br/>£</b> |
|--|--|-----------------------------------|--------------------|
| Chief Executive - Will Tuckley *G                              | 185,397  | 9,050                             | 194,447            |
| Director of Environment and Wellbeing -<br>Peter Ellershaw *H  | 208,274  | 3,050                             | 211,324            |
| Director of Education and Social Care *I                       | 135,413  | 1,307                             | 136,720            |
| Director of Children's Services *J                             | 20,533   | 856                               | 21,389             |
| Interim Director of Adult Social Care *K                       | 89,376   | 3,602                             | 92,978             |
| Director of Regeneration, Communities and Customer Services *L | 127,592  | 5,229                             | 132,821            |
| Director of Finance and Resources *M                           | 64,406   | 581                               | 64,987             |
| Director of Finance *N   | 59,583   | 2,493                             | 62,076             |
| Head of Legal Services and Monitoring Officer                  | 67,341   | 3,639                             | 70,980             |
| Director of Public Health *F                                   | 56,234   | 0                                 | 56,234             |

\*A The Chief Executive left the authority on 18 October 2015. Allowance for expenses £1,721. Payment for election duties £9,939.

\*B The Director of Regeneration, Communities and Customer Services became Acting Chief Executive from 19 October 2015. Payment for election duties £650.

\*C Payment for election duties £650.

\*D Standby payment for emergency duty cover £7,833.

\*E Payment for election duties £392.

\*F The Director of Public Health is employed by the London Borough of Bromley and works for Bexley for one and a half days per week. The above figures are the apportioned remuneration cost that is paid by

Bexley to Bromley.

\*G Allowance for expenses £3,108. Payment for election duties £13,041.

\*H The Director of Environment and Wellbeing was made redundant on 31 October 2014.

\*I The Director of Education and Social Care left the authority on 30 June 2014.

\*J The Director of Children's Services started on 2 February 2015.

\*K The Interim Director of Adult Social Care started on 1 July 2014. Emergency duty standby payment £5,852.

\*L The Director of Customer and Corporate Services became the Director of Regeneration, Communities and Customer Services on 1 November 2014.

\*M The Director of Finance and Resources retired on 5 October 2014.

\*N The Director of Finance started on 1 October 2014.

There was no compensation for loss of office paid to senior officers in 2015/16. Compensation for loss of office paid in 2014/15 is included in the salary, fees and allowances column in the table above.

The Council agrees a Pay Policy for the Council each year. The grade of all staff in the Council is determined by assessing the responsibilities and requirements of the role in accordance with the relevant job evaluation scheme. All senior management posts at the Council are evaluated using the widely recognised job evaluation scheme created by Hay Group consultants. The grade determines the pay package, based on the salary scales agreed by Members, that each role should attract.

Senior posts have a pay scale consisting of four points, which is agreed annually by Public Cabinet taking into account a number of factors including comparisons from the Hay Group of existing salaries against the local market. Public Cabinet in July 2015 determined that a cost of living award be made to senior staff, of 1%, effective from 1 July 2014 with a further 1% effective from 1 July 2015. Full details of the duties and of the pay and remuneration of these senior posts are published on the Council's website.

The performance of the Chief Executive and the four Directors is assessed annually by the Council's Top Management Review Panel. Members may agree to performance related pay in accordance with the Council's approved scheme. No awards were made for the appraisal year 2014/15.

The Council operates a contributory pension scheme for its employees. Employees' contributions are tiered according to earnings and from 1 April 2015 these were as follows –

| <b>Pay Bands</b>     | <b>Gross Contribution Rate</b> |
|----------------------|--------------------------------|
| £43,501 to £60,700   | 8.5%                           |
| £60,701 to £86,000   | 9.9%                           |
| £86,001 to £101,200  | 10.5%                          |
| £101,201 to £151,800 | 11.4%                          |
| Over £151,801        | 12.5%                          |

The Council pays a contribution to the pension scheme at a flat rate percentage of employees' pay. Applying that to the employees listed in the table above gives the following sums:

|   | 2014/15<br>£ | 2015/16<br>£ |
|---|--------------|--------------|
| Chief Executive   | 41,262       | 23,602       |
| Director of Environment and Wellbeing                       | 20,109       | 0            |
| Director of Education and Social Care                       | 7,913        | 0            |
| Director of Children's Services                             | 4,230        | 26,337       |
| Interim Director of Adult Social Care                       | 19,712       | 22,526       |
| Director of Regeneration, Communities and Customer Services | 26,284       | 27,576       |
| Director of Finance and Resources                           | 13,851       | 0            |
| Director of Finance   | 12,274       | 25,102       |
| Head of Legal Services and Monitoring Officer               | 13,872       | 14,221       |

The numbers of exit packages for 2014/15 and 2015/16, including schools, with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

| Exit package cost band (including special payments) | Number of compulsory redundancies |            | Number of other departures agreed |           | Total number of exit packages by cost band |            | Total cost of exit packages in each band |                  |
|---|-----------------------------------|------------|-----------------------------------|-----------|--|------------|--|------------------|
|   | 2014/15                           | 2015/16    | 2014/15                           | 2015/16   | 2014/15                                    | 2015/16    | 2014/15                                  | 2015/16          |
|   |                                   |            |                                   |           |  |            | £  | £                |
| £0 - £20,000  | 32                                | 89         | 3                                 | 18        | 35   | 107        | 267,198                                  | 915,131          |
| £20,001 - £40,000                                   | 13                                | 12         | 1                                 | 1         | 14   | 13         | 395,726                                  | 339,606          |
| £40,001 - £60,000                                   | 3                                 | 3          | 0                                 | 1         | 3  | 4          | 142,959                                  | 195,986          |
| £60,001 - £80,000                                   | 2                                 | 1          | 0                                 | 0         | 2  | 1          | 135,984                                  | 62,727           |
| £80,001 - £100,000                                  | 0                                 | 0          | 1                                 | 0         | 1  | 0          | 97,000                                   | 0                |
| £100,000 - £150,000                                 | 1                                 | 0          | 0                                 | 0         | 1  | 0          | 110,320                                  | 0                |
|   | <b>51</b>                         | <b>105</b> | <b>5</b>                          | <b>20</b> | <b>56</b>                                  | <b>125</b> | <b>1,149,187</b>                         | <b>1,513,450</b> |

Of the total cost of exit packages in 2014/15, a provision of £140,724 has been set up for those leaving post 1 April 2015 and the balance of £1,008,463 has been charged to the Comprehensive Income and Expenditure Statement. For 2015/16, a provision of £224,973 has been set up for those leaving post 1 April 2016 and the balance of £1,288,477 has been charged to the Comprehensive Income and Expenditure Statement.

## 24 Members' Allowances

The total of Members' allowances paid during 2015/16 was £0.834m (£0.833m in 2014/15). This figure excludes employer's National Insurance contributions and travel and subsistence allowances.

## 25 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the external auditors, Grant Thornton UK LLP.

| 2014/15    |   | 2015/16    |
|------------|---|------------|
| £'000      |   | £'000      |
| 159        | Fees payable for external audit services  | 119        |
| 0          | Fees payable for statutory inspection     | 0          |
|            | Fees payable for the certification of     |            |
| 26         | grant claims and returns                  | 21         |
| 20         | Fees payable in respect of other services | 22         |
| <b>205</b> | <b>Total</b>                              | <b>162</b> |

The fees payable for other services in 2015/16 relate to dealing with objections to previous years' Accounts, facilitating a Management Board workshop and verification of the Teachers' Pension return. In 2014/15 fees payable for other services related to place profiles subscription, financial resilience capacity building training and verification of the Teachers' Pension return.

## 26 Pooled Budgets

There were three agreements set up under Section 75 of the National Health Services Act 2006 that were in operation in 2015/16. These agreements were with Bexley Clinical Commissioning Group (CCG). The agreements allow the Council and Bexley CCG to pool their budgets to provide services for certain client groups. Bexley CCG hosts the pooled budget for mental health services and the Council hosts those for learning disability services and community equipment stores.

| 2014/15            |                     |                     | 2015/16       |                     |                     |
|--------------------|---------------------|---------------------|---------------|---------------------|---------------------|
| Mental Health      | Learning Disability | Community Equipment | Mental Health | Learning Disability | Community Equipment |
| £'000              | £'000               | £'000               | £'000         | £'000               | £'000               |
| <b>Income</b>      |                     |                     |               |                     |                     |
| 2,688              | 19,890              | 918                 | 2,661         | 19,256              | 0                   |
| 9,346              | 1,044               | 576                 | 9,261         | 896                 | 196                 |
| 0                  | 961                 | 0                   | 0             | 1,885               | 8                   |
| <b>12,034</b>      | <b>21,895</b>       | <b>1,494</b>        | <b>11,922</b> | <b>22,037</b>       | <b>204</b>          |
| <b>Expenditure</b> |                     |                     |               |                     |                     |
| 842                | 17,160              | 0                   | 2,022         | 17,212              | 0                   |
| 191                | 2,136               | 0                   | 849           | 2,071               | 0                   |
| 10,927             | 0                   | 0                   | 5,996         | 0                   | 0                   |
| 0                  | 740                 | 1,300               | 2,950         | 929                 | 379                 |
| 74                 | 1,762               | 0                   | 105           | 1,825               | 0                   |
| <b>12,034</b>      | <b>21,798</b>       | <b>1,300</b>        | <b>11,922</b> | <b>22,037</b>       | <b>379</b>          |
| <b>0</b>           | <b>97</b>           | <b>194</b>          | <b>0</b>      | <b>0</b>            | <b>-175</b>         |
| 0                  | 131                 | 349                 | 0             | 228                 | 543                 |
| <b>0</b>           | <b>228</b>          | <b>543</b>          | <b>0</b>      | <b>228</b>          | <b>368</b>          |

## 27 PFI/ PPP Contracts

The Council has contracted with Investors in the Community (IIC) for the redevelopment and facilities management of Welling and Bexleyheath academies to provide education services for Bexley pupils. Annual payments commenced during 2005/06 for 25 years and are currently £5.9m, of which 51% will increase annually in line with RPIX and 49% is fixed. They can also vary as a result of performance and availability deductions, benchmarking, certain changes in law and contract variations initiated by the Council. Renewal and termination options and other rights and obligations are available to the Council under the terms of the agreement. The costs are being met from the annual PFI grant provided by the government of £3.1m together with academy contributions and other school budgets approved by the Council.

The Council has also contracted with Parkwood Leisure for the redevelopment and operation of its sports and swimming centres, including both routine and lifecycle building maintenance. The

annual payments (the unitary charge) are currently £2.5m, which are inflated by 3% each year. These payments commenced during 2005/06 and are payable over 30 years. They can vary as a result of performance and availability deductions, certain changes in law and contract variations initiated by the Council. In addition, the operational services are benchmarked every five years and at a future benchmarking date (2020 or later) may be market tested. At July 2010 benchmarking, it was agreed no change would be made to the unitary charge and at July 2015 a unitary charge reduction of £300,000 per annum was agreed. The costs are being met from budgets approved by the Council. At the end of the contract term, which is fixed, all the facilities return to the Council for nil consideration.

These arrangements are accounted for in accordance with IFRIC 12 and the assets involved should be included on the Balance Sheet. However, the schools involved in the PFI contract are academies and are therefore not included in the Council's Balance Sheet. The movement in the value of the PPP assets is included in the table below:

|  | <b>PPP – Leisure<br/>Centres<br/>£'000</b> |
|--|--|
| <b>Cost or valuation</b>   |  |
| At 1 April 2014  | 38,176                                     |
| Additions  | 700  |
| Revaluation increase recognised in the Revaluation Reserve                           | 545  |
| Revaluation increase recognized in the Surplus/ Deficit on the Provision of Services | 2,891                                      |
| <b>At 31 March 2015</b>  | <b>42,312</b>                              |
| <b>Accumulated Depreciation and Impairments</b>                                      |  |
| At 1 April 2014  | -3,956                                     |
| Charge for 2014/15   | -2,890                                     |
| Depreciation written out to the Revaluation Reserve                                  | 3,501                                      |
| <b>At 31 March 2015</b>  | <b>-3,345</b>                              |
| <b>Net Book Value - Balance Sheet as at 1 April 2014</b>                             | <b>34,220</b>                              |
| <b>Net Book Value - Balance Sheet as at 31 March 2015</b>                            | <b>38,967</b>                              |

|  | <b>PPP – Leisure<br/>Centres<br/>£'000</b> |
|--|--|
| <b>Cost or valuation</b>   |  |
| At 1 April 2015  | 42,312                                     |
| Additions  | 371  |
| Revaluation increase recognised in the Revaluation Reserve                           | 687  |
| Revaluation increase recognised in the Surplus/ Deficit on the Provision of Services | 764  |
| <b>At 31 March 2016</b>  | <b>44,134</b>                              |
| <b>Accumulated Depreciation and Impairments</b>                                      |  |
| At 1 April 2015  | -3,345                                     |
| Charge for 2015/16   | -2,922                                     |
| Depreciation written out to the Revaluation Reserve                                  | 0  |
| <b>At 31 March 2016</b>  | <b>-6,267</b>                              |
| <b>Net Book Value - Balance Sheet as at 31 March 2015</b>                            | <b>38,967</b>                              |
| <b>Net Book Value - Balance Sheet as at 31 March 2016</b>                            | <b>37,867</b>                              |

The associated unitary charges are now separated into three elements: service charge, repayment of the liability and interest, which are met from the Council's revenue account. The PFI payments are due to be made for the next 15 years until 2031. The PPP payments will be made for the next 20 years until 2036. An analysis of the payments in 2014/15 and 2015/16 is shown in the table below:

| <b>2014/15</b>                              | <b>PFI – Schools<br/>£'000</b> | <b>PPP – Leisure<br/>Centres<br/>£'000</b> |
|---|--------------------------------|--|
| Service charges 2014/15                     | 2,144                          | 1,028                                      |
| Repayment of liability 2014/15              | 783                            | -189                                       |
| Interest, lifecycle costs, contingent rents | 2,981                          | 1,782                                      |
| <b>Total unitary charge</b>                 | <b>5,908</b>                   | <b>2,621</b>                               |

| <b>2015/16</b>                              | <b>PFI – Schools<br/>£'000</b> | <b>PPP – Leisure<br/>Centres<br/>£'000</b> |
|---|--------------------------------|--|
| Service charges 2015/16                     | 2,164                          | 833  |
| Repayment of liability 2015/16              | 855                            | 13   |
| Interest, lifecycle costs, contingent rents | 2,896                          | 1,627                                      |
| <b>Total unitary charge</b>                 | <b>5,915</b>                   | <b>2,473</b>                               |

Future payments due under the PFI and PPP contracts are as follows:

#### **PFI Scheme**

|                                | <b>Repayment<br/>of Liability<br/>£'000</b> | <b>Interest<br/>£'000</b> | <b>Service<br/>Charges<br/>£'000</b> | <b>Other<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--------------------------------|---|---------------------------|--------------------------------------|------------------------|------------------------|
| Within one year                | 934   | 2,017                     | 2,164                                | 798                    | 5,913                  |
| Within two to five years       | 5,256                                       | 7,018                     | 8,655                                | 2,721                  | 23,650                 |
| Within six to ten years        | 8,098                                       | 5,788                     | 10,819                               | 4,858                  | 29,563                 |
| Within eleven to fifteen years | 8,856                                       | 1,962                     | 9,917                                | 6,364                  | 27,099                 |
| <b>TOTAL</b>                   | <b>23,144</b>                               | <b>16,785</b>             | <b>31,555</b>                        | <b>14,741</b>          | <b>86,225</b>          |

#### **PPP Scheme**

|                                | <b>Repayment<br/>of Liability<br/>£'000</b> | <b>Interest<br/>£'000</b> | <b>Service<br/>Charges<br/>£'000</b> | <b>Other<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--------------------------------|---|---------------------------|--------------------------------------|------------------------|------------------------|
| Within one year                | 110   | 766                       | 809                                  | 813                    | 2,498                  |
| Within two to five years       | 112   | 2,971                     | 3,485                                | 4,197                  | 10,765                 |
| Within six to ten years        | 501   | 3,602                     | 4,978                                | 6,294                  | 15,375                 |
| Within eleven to fifteen years | 1,763                                       | 2,783                     | 5,771                                | 7,507                  | 17,824                 |
| Within sixteen to twenty years | 2,852                                       | 943                       | 5,961                                | 6,892                  | 16,648                 |
| <b>TOTAL</b>                   | <b>5,338</b>                                | <b>11,065</b>             | <b>21,004</b>                        | <b>25,703</b>          | <b>63,110</b>          |

“Other” includes lifecycle costs and contingent rents.

## **28 Dedicated Schools Grant**

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



required to be accounted for separately.

Details of the deployment of DSG receivable for 2015/16 of £86.754m are as follows:

**Schools Budget funded by Dedicated Schools Grant (DSG)**

|  | <b>Central<br/>Expenditure<br/>£'000</b> | <b>Individual<br/>Schools<br/>Budget (ISB)<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--|--|--|------------------------|
| Final DSG for 2015/16 before Academy recoupment        |  |  | 209,772                |
| Academy figure recouped for 2015/16                    |  |  | -123,018               |
| Total DSG after Academy recoupment for 2015/16         |  |  | 86,754                 |
| Brought forward from 2014/15                           |  |  | 1,256                  |
| Carry forward to 2016/17 agreed in advance             |  |  | 0                      |
| <b>Agreed initial budgeted distribution in 2015/16</b> | <b>27,216</b>                            | <b>60,794</b>  | <b>88,010</b>          |
| In year adjustments                                    |  |  | 0                      |
| <b>Final budgeted distribution for 2015/16</b>         | <b>27,216</b>                            | <b>60,794</b>  | <b>88,010</b>          |
| Less Actual Central Expenditure                        | -27,222                                  | 0  | -27,222                |
| Less Actual ISB deployed to Schools                    | 0  | -60,794  | -60,794                |
| Plus Local Authority contribution for 2015/16          | 1,000                                    | 0  | 1,000                  |
| <b>Carried forward to 2016/17</b>                      | <b>994</b>                               | <b>0</b>   | <b>994</b>             |

## 29 Government Grants

General grants were received from the Government to fund all services; the following table analyses the general Government grants:

| <b>2014/15<br/>£'000</b> |                                       | <b>2015/16<br/>£'000</b> |
|--------------------------|---------------------------------------|--------------------------|
| 40,593                   | Revenue Support Grant                 | 31,018                   |
|                          | General Core Grants                   |                          |
| 1,374                    | Housing Benefit Administration        | 1,132                    |
| 8                        | Community Right to Bid                | 0                        |
| 8                        | Community Right to Challenge          | 0                        |
| 73                       | Lead Local Flood Authorities          | 53                       |
| 2                        | Council Tax Flood Relief              | 1                        |
| 9                        | Extended Right to Free Travel         | 2                        |
| 2,181                    | New Homes Bonus                       | 2,336                    |
| 968                      | Council Tax Freeze                    | 0                        |
| 2,734                    | Education Services Grant              | 1,947                    |
| 214                      | Adoption Reform Grant                 | 0                        |
| 168                      | Local Reform & Community Voices Grant | 125                      |
| 1,219                    | Business Rate Relief                  | 1,542                    |
| 0                        | Right to Move Grant                   | 3                        |

|               |  |               |
|---------------|--|---------------|
| 8             | Transparency Code Set-up Grant                 | 13            |
| 2             | Repair and Renewal Grant                       | 0             |
| 14            | Business Rates New Burden Administration       | 0             |
| 0             | Property Searches New Burdens Grant            | 235           |
| 0             | Lettings Agents Transparency & Redress Schemes | 1             |
| 0             | Smoke and CO Alarms Grant                      | 1             |
| 3,056         | Private Finance Initiative Grant               | 3,056         |
| <b>52,631</b> | <b>TOTAL</b>                                   | <b>41,465</b> |

The use of the Government's core grants is not restricted – or 'ringfenced' – to any specific service. Some of the general core grants received as separate grants in 2014/15 have been included within Revenue Support Grant in 2015/16.

Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement were:

| <b>2014/15</b> |   | <b>2015/16</b> |
|----------------|---|----------------|
| <b>£'000</b>   |   | <b>£'000</b>   |
| 940            | Education Basic Needs Grant             | 5,189          |
| 404            | Devolved Formula Grant                  | 239            |
| 158            | New Primary Places Grant                | 0              |
| 0              | School contributions                    | 455            |
| 1,732          | Condition Funding/Primary Modernisation | 2,467          |
| 215            | Lesnes Abbey Lottery Grant              | 170            |
| 4,736          | Transport for London                    | 4,942          |
| 509            | Community Capacity Grant                | 517            |
| 441            | Free School Meals for Infant Children   | 0              |
| 410            | Outer London Funding                    | 50             |
| 1,369          | Other                                   | 332            |
| <b>10,914</b>  | <b>Total</b>                            | <b>14,361</b>  |

### 30 Related Party Transactions

Following changes to the CIPFA Code, the transactions that need to be disclosed are those where a Council Member or senior officer has control over one party to the transaction and significant influence over the other. For Bexley, the only Council Members that would have control over one party to a transaction would be the Members of the Cabinet. This also applies to senior officers. The transactions in the table below have been identified for 2015/16. Some of the appointments listed below continue throughout 2016/17. The declaration of a related party transaction does not imply any personal involvement of the Councillors and officers shown below. Transactions between the London Borough of Bexley and other organisations that total less than £10,000 in the year are not included in this note.

| <b>Councillor/Officer</b>               | <b>Organisation and Position</b>  | <b>Transactions in 2015/16</b>   |
|---|---|--|
| Cllr Donald Massey<br>Cllr Peter Craske | Eltham Crematorium<br>Joint Management<br>Committee – Chairman<br>and Member                        | Non Current Asset share (40%) £1,373,110<br>Net liabilities share (40%) £450,118<br>Net surplus share (40%) £514,000 |
| Cllr Teresa O'Neill                     | Local Government<br>Association (LGA) –<br>Member of the<br>Councillors' Forum and<br>Member of the | £42,968 paid to the LGA  |

|   |  |  |
|---|--|--|
|   | Community Wellbeing Forum  |  |
| Cllr Teresa O'Neill   | London Councils – Vice Chairman, Executive/ Lead Member for Health, Member of London Health Board and Pension CIV                                      |  |
| Cllr Linda Bailey   | Annual General Meeting, Leaders Committee and Greater London Employment Forum  | £1,248,180 paid to London Councils               |
| Dr Nada Lemic<br>Director of Public Health for London Borough of Bexley and London Borough of Bromley | London Borough of Bromley (Public Health Division) has had a contract for management of the chlamydia screening service with London Borough of Bexley. | Bexley paid £52,000 for this service in 2015/16. |

Thames Innovation Centre (TIC) is a not-for-profit local authority controlled company that commenced trading at the end of 2006. The London Borough of Bexley has made a loan to TIC of £450,000 as at 31 March 2016 under a loan agreement dated 14<sup>th</sup> March 2007. No interest will be charged within the initial ten year period from the date of the agreement. Under a service level agreement dated 29<sup>th</sup> March 2007, the Council is entitled to reasonable free use of TIC's facilities. Turnover earned, including grant, from the London Borough of Bexley during 2015/16 was £90,254 (£110,032 in 2014/15). TIC owed Bexley £30,744 at 31 March 2016 (£27,038 at 31 March 2015). Services provided by Bexley to TIC amounted to £54,865 in 2015/16 (£81,666 in 2014/15). The Council entered into a lease agreement with TIC on 15<sup>th</sup> March 2007 for the TIC building; the first four years were rent free. Furniture and equipment valued at £431,713 was transferred from the Council to TIC on 29<sup>th</sup> March 2007. These assets will revert back to the Council at the end of the service level agreement on 31<sup>st</sup> March 2027. There is a further loan agreement dated 10<sup>th</sup> February 2010 between the London Borough of Bexley and TIC, providing up to £60,000 for TIC to undertake internal works to convert two existing offices into six smaller offices. Interest will be charged at 0.5% above the Public Works Loan Board 10 year annuity rate. At 31 March 2016, a loan of £56,300 had been drawn down.

The Council received many grants in 2015/16 – both revenue and capital – from central Government. Further details of these are given in note 29.

The Council recharged £316,512 to the Pension Fund in 2015/16 for administration costs. During the year, no Council Members or designated officers have undertaken any declarable transactions with the Pension Fund.

Any debtors arising from related party transactions would have been considered in the calculation of the bad debt provision for 2015/16.

## 31 Leases

### Authority as Lessee – Finance Leases

The Council has identified one contract where the provision of services uses specific assets. This is the contract with Serco for waste collection and street services and the vehicles involved in providing the service have been treated as a finance lease arrangement. A new fleet of vehicles was purchased in 2015/16.

The assets in this lease arrangement are carried as Property, Plant and Equipment – Vehicles, Plant and Equipment in the Balance Sheet at the following net amounts:

| <b>31.3.2015</b> |                               | <b>31.3.2016</b> |
|------------------|-------------------------------|------------------|
| <b>£'000</b>     |                               | <b>£'000</b>     |
| 460              | Vehicles, Plant and Equipment | 5,401            |

The assets are offset by a long term liability in the Balance Sheet. Part of the contract payments to Serco are treated as repayment of the long term liability of the lease and finance costs (interest) that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

| <b>31.3.2015</b> |   | <b>31.3.2016</b> |
|------------------|---|------------------|
| <b>£'000</b>     |   | <b>£'000</b>     |
|                  | Finance lease liabilities (net present value of minimum lease payments) |                  |
| 157              | - current   | 605              |
| 303              | - non-current   | 4,796            |
| 32               | Finance costs payable in future years                                   | 816              |
| <b>492</b>       | <b>Minimum lease payments</b>   | <b>6,217</b>     |

The minimum lease payments, which include both the repayment of the lease (finance lease liabilities) and the finance costs (interest) on the lease, will be payable over the following periods:

|   | <b>Minimum Lease Payments</b> |                  | <b>Finance Lease Liabilities</b> |                  |
|---|-------------------------------|------------------|----------------------------------|------------------|
|   | <b>31.3.2015</b>              | <b>31.3.2016</b> | <b>31.3.2015</b>                 | <b>31.3.2016</b> |
|   | <b>£'000</b>                  | <b>£'000</b>     | <b>£'000</b>                     | <b>£'000</b>     |
| Not later than one year                           | 171                           | 767              | 157                              | 605              |
| Later than one year and not later than five years | 321                           | 2,813            | 303                              | 2,345            |
| Later than five years                             | 0                             | 2,637            | 0                                | 2,451            |
|   | <b>492</b>                    | <b>6,217</b>     | <b>460</b>                       | <b>5,401</b>     |

The finance leases that are part of PFI/PPP contracts are included in note 27.

## Authority as Lessee – Operating Leases

The Council has several properties that it has leased. The future minimum lease payments due in future years are:

| <b>31.3.2015</b> |   | <b>31.3.2016</b> |
|------------------|---|------------------|
| <b>£'000</b>     |   | <b>£'000</b>     |
| 192              | Not later than one year                           | 121              |
| 330              | Later than one year and not later than five years | 279              |
| 371              | Later than five years                             | 302              |
| <b>893</b>       | <b>Minimum lease payments</b>                     | <b>702</b>       |

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was all for minimum lease payments and is shown in the table below. There were no contingent rents or sub-lease payments receivable.

| <b>2014/15</b> |                                   | <b>2015/16</b> |
|----------------|-----------------------------------|----------------|
| <b>£'000</b>   |                                   | <b>£'000</b>   |
| 81             | Children's and Education Services | 82             |
| 1              | Highways                          | 1              |
| 28             | Housing                           | 0              |
| 45             | Adult Social Care                 | 40             |
| 27             | Cultural Services                 | 1              |
| 25             | Planning Services                 | 25             |
| <b>207</b>     | <b>Total</b>                      | <b>149</b>     |

## Authority as Lessor – Finance Leases

The Council has leased out four properties that are treated as finance leases. The Council has a gross investment in the leases made up of the minimum lease payments expected to be received over the remaining term. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

| <b>31.3.2015</b> |  | <b>31.3.2016</b> |
|------------------|--|------------------|
| <b>£'000</b>     |  | <b>£'000</b>     |
|                  | Finance lease debtor (net present value of minimum lease payments) |                  |
| 8                | - current  | 10               |
| 2,844            | - non-current  | 2,834            |
| 13,015           | Unearned finance income (interest)                                 | 12,743           |
| 0                | Unguaranteed residual value of property                            | 0                |
| <b>15,867</b>    | <b>Gross investment in the leases</b>                              | <b>15,587</b>    |

The gross investment in the leases and the minimum lease payments will be received over the following periods:

| <b>31.3.2015</b> | <b>Gross investment in the leases</b>             | <b>31.3.2016</b> |
|------------------|---|------------------|
| <b>£'000</b>     |   | <b>£'000</b>     |
| 280              | Not later than one year                           | 280              |
| 1,122            | Later than one year and not later than five years | 1,122            |
| 14,465           | Later than five years                             | 14,185           |
| <b>15,867</b>    | <b>Gross investment in the leases</b>             | <b>15,587</b>    |

| <b>31.3.2015</b> | <b>Minimum lease payments</b>                     | <b>31.3.2016</b> |
|------------------|---|------------------|
| <b>£'000</b>     |   | <b>£'000</b>     |
| 8                | Not later than one year                           | 10               |
| 44               | Later than one year and not later than five years | 48               |
| 2,800            | Later than five years                             | 2,786            |
| <b>2,852</b>     | <b>Minimum lease payments</b>                     | <b>2,844</b>     |

There is a general provision made for possible bad debts on rent income. The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

### **Authority as Lessor – Operating Leases**

The Council leases out property under operating leases for both operational and non-operational purposes. The future estimated minimum lease payments receivable in future years are:

| <b>31.3.2015</b> | <b>Minimum lease payments</b>                     | <b>31.3.2016</b> |
|------------------|---|------------------|
| <b>£'000</b>     |   | <b>£'000</b>     |
| 2,538            | Not later than one year                           | 2,393            |
| 8,941            | Later than one year and not later than five years | 8,675            |
| 169,702          | Later than five years                             | 156,772          |
| <b>181,181</b>   | <b>Minimum lease payments</b>                     | <b>167,840</b>   |

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There is a general provision made for possible bad debts on rent income.

## **32 Termination Benefits**

The Authority terminated the contracts of a number of employees in 2015/16, incurring liabilities of £1.513m (£1.149m in 2014/15). Many of these terminations were as a result of business cases put forward as part of the Council's Strategy 2014 and 2018 initiatives.

## **33 Pensions Schemes Accounted for as Defined Contribution Schemes**

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pension on behalf of the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 6,100 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2014, the Authority's own contributions equate to approximately 0.152%.

In 2015/16, the Council paid £4.239m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay until 1 September 2015 when employer contributions increased to 16.48%. The figures for 2014/15 were £4.550m and 14.1%. There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £4.207m.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 34.

The authority is not liable to the scheme for any other entities' obligations under the plan.

There are also some staff who are members of the National Health Service Superannuation Scheme administered by the Department of Health. This scheme is also an unfunded multi-employer defined benefit scheme. In the NHS, the scheme is accounted for as if it were a defined contribution scheme. In 2015/16 there were employers' contributions of £0.161m to the scheme, representing 14% of pensionable pay.

## **34 Defined Benefit Pension Schemes**

### **Participation in pension schemes**

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The authority participates in two post employment schemes:

- The Local Government Pension Scheme (LGPS), administered locally by the Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to

meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

- The London Borough of Bexley pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of the London Borough of Bexley. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the fund are appointed by the Committee and consist of six external Investment Fund managers.
- The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

### Transactions relating to post employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The transactions in the table below have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

More schools converted to academies in 2015/16. The pension assets and liabilities transferred to the academies have been shown as settlements in the table below. The actuary has calculated that assets of £2.462m (£0.937m in 2014/15) and liabilities of £4.665m (£1.647m in 2014/15) relate to the academies. These figures, together with curtailments of £0.852m (£0.477m in 2014/15) comprise the net figure of -£1.351m (-£0.233m in 2014/15) shown as a gain or loss from settlements below.

|   | Local Government<br>Pension Scheme<br>£'000 |         | Discretionary Benefits<br>Arrangements<br>£'000 |         |
|---|---|---------|---|---------|
|   | 2015/16                                     | 2014/15 | 2015/16   | 2014/15 |
| <b>Comprehensive Income and Expenditure<br/>Statement</b> |   |         |   |         |
| <i>Cost of Services:</i>                                  |   |         |   |         |
| <i>Service cost comprising:</i>                           |   |         |   |         |
| • current service cost                                    | 13,928                                      | 11,486  | 0   | 0       |
| • past service costs                                      | 802   | 175     | 0   | 0       |
| • (gain)/ loss from settlements                           | -1,351                                      | -233    | 0   | 0       |
| • administration expenses                                 | 533   | 553     | 0   | 0       |

*Financing and Investment Income and*



|  | Local Government<br>Pension Scheme<br>£'000 |         | Discretionary Benefits<br>Arrangements<br>£'000 |         |
|--|---|---------|---|---------|
|  | 2015/16                                     | 2014/15 | 2015/16   | 2014/15 |
| <i>Expenditure</i>   |   |         |   |         |
| Net interest expense   | 3,791                                       | 3,037   | 325   | 417     |
| <i>Total Post Employment Benefit Charged to the<br/>Surplus or Deficit on the Provision of Services</i>  | 17,703                                      | 15,018  | 325   | 417     |
| <i>Other Post Employment Benefit Charged to the<br/>Comprehensive Income and Expenditure<br/>Statement</i>   |   |         |   |         |
| Remeasurement of the net defined benefit liability<br>comprising:  |   |         |   |         |
| • Return on plan assets (excluding the<br>amount included in the net interest<br>expense)  | 11,761                                      | -49,285 | 0   | 0       |
| • Actuarial gains and losses arising on<br>changes in demographic assumptions  | 0   | 0       | 0   | 0       |
| • Actuarial gains and losses arising on<br>changes in financial assumptions  | -33,211                                     | 86,197  | -339  | 907     |
| • Experience gains and losses  | 0   | 0       | 0   | 0       |
| <i>Total Post Employment Benefits Charged to the<br/>Comprehensive Income and Expenditure<br/>Statement</i>  | -21,450                                     | 36,912  | -339  | 907     |
| <i>Movement in Reserves Statement</i>  |   |         |   |         |
| • reversal of net charges made to the Surplus<br>or Deficit for the Provision of Services for<br>post employment benefits in accordance<br>with the Code | -17,703                                     | -15,018 | -325  | -417    |
| <i>Actual amount charged against the General<br/>Fund Balance for pensions in the year:</i>  |   |         |   |         |
| • employers' contributions payable to scheme   | 979   | 12,346  |   |         |
| • retirement benefits payable to pensioners  |   |         | 657   | 638     |

## Pensions assets and liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

|  | Local Government Pension Scheme<br>£'000 |                | Discretionary Benefits<br>£'000 |               |
|--|--|----------------|---------------------------------|---------------|
|  | 2015/16                                  | 2014/15        | 2015/16                         | 2014/15       |
| Present value of the defined benefit obligation              | 676,930                                  | 701,165        | 9,796                           | 10,467        |
| Current value of the plan assets                             | -560,345                                 | -580,511       | 0                               | 0             |
| <b>Net liability arising from defined benefit obligation</b> | <b>116,585</b>                           | <b>120,654</b> | <b>9,796</b>                    | <b>10,467</b> |

## Reconciliation of the movements in the current value of scheme (plan) assets

|  | Local Government Pension Scheme<br>£'000 |                | Discretionary Benefits<br>£'000 |          |
|--|--|----------------|---------------------------------|----------|
|  | 2015/16                                  | 2014/15        | 2015/16                         | 2014/15  |
| Opening current value of scheme assets   | 580,511                                  | 519,750        | 0                               | 0        |
| Interest income  | 18,128                                   | 22,858         | 0                               | 0        |
| Remeasurement gain/(loss):   |  |                |                                 |          |
| • The return on plan assets, excluding the amount included in the net interest expense | -11,761                                  | 49,285         | 0                               | 0        |
| Contributions from employer  | 322                                      | 11,708         | 657                             | 638      |
| Contributions from employees into the scheme   | 3,575                                    | 3,757          | 0                               | 0        |
| Benefits paid  | -27,435                                  | -25,357        | -657                            | -638     |
| Settlements  | -2,462                                   | -937           | 0                               | 0        |
| Administration expenses  | -533                                     | -553           | 0                               | 0        |
| <b>Closing current value of scheme assets</b>  | <b>560,345</b>                           | <b>580,511</b> | <b>0</b>                        | <b>0</b> |

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

|  | Funded liabilities: Local<br>Government Pension Scheme<br>£'000 |         | Unfunded liabilities:<br>Discretionary Benefits<br>£'000 |         |
|--|---|---------|--|---------|
|  | 2015/16   | 2014/15 | 2015/16  | 2014/15 |
| Opening balance at 1 April   | 701,165   | 600,182 | 10,467   | 9,781   |
| Current service cost   | 13,928  | 11,486  | 0  | 0       |
| Interest cost  | 21,919  | 25,895  | 325  | 417     |
| Contributions by scheme participants                                       | 3,575   | 3,757   | 0  | 0       |
| Remeasurement gains and losses   |   |         |  |         |
| • Actuarial gains and losses arising on changes in demographic assumptions | 0   | 0       | 0  | 0       |
| • Actuarial gains and losses arising on changes in financial assumptions   | -33,211   | 86,197  | -339   | 907     |
| • Experience gains and losses  | 0   | 0       | 0  | 0       |
| Past service costs   | 802   | 175     | 0  | 0       |
| Losses/ (gains) on curtailment   | 852   | 477     | 0  | 0       |
| Benefits paid  | -27,435   | -25,357 | -657   | -638    |
| Liabilities extinguished on settlements                                    | -4,665  | -1,647  | 0  | 0       |
| Closing balance at 31 March  | 676,930   | 701,165 | 9,796  | 10,467  |

# Local Government Pension Scheme assets comprised:

Current value of scheme assets

| Asset Category                   | Quoted<br>(Y/N) | 31 March 2016<br>£000 | 31 March 2015<br>£000 |
|----------------------------------|-----------------|-----------------------|-----------------------|
| <b>Equities:</b>                 |                 | <b>316,594</b>        | <b>336,116</b>        |
| Energy                           | Y               | 14,009                | 26,123                |
| Materials                        | Y               | 11,207                | 22,640                |
| Industrial                       | Y               | 33,060                | 26,704                |
| Consumer                         | Y               | 90,776                | 103,330               |
| Health Care                      | Y               | 53,233                | 49,924                |
| Financials                       | Y               | 45,948                | 53,988                |
| Information Technology           | Y               | 52,672                | 34,250                |
| Telecommunication Services       | Y               | 8,405                 | 13,932                |
| Utilities                        | Y               | 5,603                 | 5,225                 |
| Media                            | Y               | 1,681                 | 0                     |
| <b>Bonds:</b>                    |                 | <b>44,828</b>         | <b>51,085</b>         |
| Overseas Fixed Interest          | N               | 22,414                | 27,865                |
| Overseas Other                   | Y               | 22,414                | 23,220                |
| <b>Alternatives:</b>             |                 | <b>185,475</b>        | <b>184,022</b>        |
| Private Equity – Overseas LLP    | N               | 50,431                | 45,860                |
| Funds – Overseas Equity          | N               | 8,966                 | 9,869                 |
| Funds – Property                 | N               | 67,241                | 64,437                |
| Funds – Diversified Growth       | N               | 56,035                | 63,856                |
| UNBS Infrastructure              | Y               | 2,802                 | 0                     |
| <b>Cash and Cash Equivalents</b> | N               | <b>13,448</b>         | <b>9,288</b>          |
| <b>Total</b>                     |                 | <b>560,345</b>        | <b>580,511</b>        |

## Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Under the projected unit method the current service cost will increase as members of the scheme approach retirement (where there is an increase in the age profile of the active membership). Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

|   | Local Government Pension Scheme Discretionary Benefits |          |          |          |
|---|--|----------|----------|----------|
|   | 31/03/16   | 31/03/15 | 31/03/16 | 31/03/15 |
| Mortality assumptions:                  |  |          |          |          |
| Longevity at 65 for current pensioners: |  |          |          |          |
| Men                                     | 23.2   | 23.1     | 23.2     | 23.1     |
| Women                                   | 25.6   | 25.5     | 25.6     | 25.5     |
| Longevity at 65 for future pensioners:  |  |          |          |          |
| Men                                     | 25.5   | 25.4     | -        | -        |
| Women                                   | 28.5   | 28.4     | -        | -        |
| Rate of CPI inflation                   | 2.0%   | 2.0%     | 2.0%     | 2.0%     |
| Rate of increase in salaries            | 3.5%   | 3.5%     | -        | -        |
| Rate of increase in pensions            | 2.0%   | 2.0%     | 2.0%     | 2.0%     |
| Rate for discounting scheme liabilities | 3.5%   | 3.2%     | 3.5%     | 3.2%     |

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

| Factor                                  | Change                          | Impact on the Defined Benefit Obligation in the Scheme<br>£000 |
|---|---------------------------------|--|
| Longevity                               | Increase life expectancy 1 year | 13,550   |
| Rate of inflation                       | Increase by 0.1%                | 10,920   |
| Rate of increase in salaries            | Increase pay growth by 0.1%     | 1,774  |
| Rate for discounting scheme liabilities | Increase by 0.1%                | -10,749  |

### Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible, subject to the administering authority not taking undue risk. The Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 14 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2016.

There were national changes to the scheme under the Public Pensions Services Act 2013. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. The new scheme for local government was set out in the LGPS Regulations 2013.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2017 is nil, since these were prepaid in 2013/14. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2017 are £0.7m.

The weighted average duration of the defined benefit obligation for scheme members is 16 years at 31 March 2013 (14 years at 31 March 2010).

## 35 Contingent Liabilities

Contingent liabilities have been considered up to the authorisation date of the Financial Statements of 21 September 2016 by the Director of Finance and the following are disclosed.

In 1998, as part of the transfer of the housing stock, the Council agreed to certain warranties and established a reserve, which stands at £0.483m at 31 March 2016, for this purpose. Whether or not these warranties will ever be called upon cannot be known. There are a number of potentially contaminated sites across the borough, particularly in the north, as a result of former industrial uses as well as historic landfill operations, although no sites have been declared as contaminated land under the Environmental Protection Act. However, future redevelopment of these sites could raise issues leading to a liability in relation to the warranties. At present, it is not possible to know whether there is any possibility of reimbursement if costs are incurred.

In November 2014 the Employment Appeal Tribunal ruled that holiday pay should include non guaranteed overtime and this stems from a discrepancy between EU and UK law. Bexley does not currently pay non guaranteed overtime which is not voluntary and therefore this ruling has no impact. However, a provision of £50,000 has been set up to take account of possible claims arising from this ruling should it be extended to voluntary overtime which may then give rise to claims.

## 36 Contingent Assets

The Council had no contingent assets at 31 March 2016.

## 37 Nature and Extent of Risks Arising from Financial Instruments

The authority's activities expose it to a variety of financial risks:

- **Credit risk** – the possibility that other parties might fail to pay amounts due to the authority.
- **Liquidity risk** – the possibility that the authority might not have funds available to meet its commitments to make payments.
- **Market risk** – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are only made with financial institutions that meet identified minimum credit criteria. The Annual Investment Strategy also imposes a maximum sum that may be invested with a financial institution/group. The Council has adopted the CIPFA Treasury Management Code of Practice.

The Council's Treasury Management Strategy specifies that the two principles that underpin the Council's investment strategy are that:-

- investments should be restricted to relatively low risk securities which do not suffer from significant changes in their capital value, and
- a balance should be sought between investment in securities which yield a variable or a fixed rate of interest. This provides an element of diversification in the Council's investment portfolio and reduces the impact of changes in interest rates on the Council's interest earnings.

All new deposits during the year were made only with those institutions which met the Council's approved lending criteria. Deposits were made with UK banks and building societies and AAA rated money market funds. These deposits were made with UK banks and building societies which were on the credit list for investments provided by the Council's treasury management advisors, Capita Asset Services. The Council also holds investments in pooled investment vehicles (which do not have credit ratings) as part of its longer-term investment strategy.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

|   | Amount at<br>31 March<br>2016<br>£'000 | Historical<br>experience<br>of default<br>% | Historical<br>experience<br>adjusted<br>for market<br>conditions<br>at 31 March<br>2016<br>% | Estimated<br>maximum<br>exposure to<br>default and<br>uncollectability<br>£'000 | Estimated<br>maximum<br>exposure at 31<br>March 2016<br>£'000 |
|---|--|---|--|---|---|
| Deposits<br>with<br>financial<br>institutions | 18,700                                 | 0   | 0  | 0   | 0   |
| Bonds   | 0                                      | 0   | 0  | 0   | 0   |

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.

### **Liquidity Risk**

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that not more than 15% of loans are due to mature within any one year through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

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



|                          | 31 March 2016<br>£000 | 31 March 2015<br>£000 |
|--------------------------|-----------------------|-----------------------|
| <b>Loans outstanding</b> |                       |                       |
| PWLB                     | 103,096               | 103,128               |
| Market debt              | 0                     | 0                     |
| Temporary borrowing      | 0                     | 0                     |
| <b>Total</b>             | <b>103,096</b>        | <b>103,128</b>        |

|                                  | 31 March 2016<br>£000 | 31 March 2015<br>£000 |
|----------------------------------|-----------------------|-----------------------|
| <b>Maturity Profile</b>          |                       |                       |
| Less than 1 year                 | 31                    | 31                    |
| Maturing between 1 and 2 years   | 31                    | 31                    |
| Maturing between 2 and 5 years   | 2,094                 | 2,094                 |
| Maturing between 5 and 10 years  | 6,856                 | 2,857                 |
| Maturing between 10 and 15 years | 14,516                | 14,547                |
| Maturing between 15 and 20 years | 8,068                 | 10,068                |
| Maturing between 20 and 25 years | 0                     | 2,000                 |
| Maturing between 25 and 30 years | 0                     | 0                     |
| Maturing between 30 and 35 years | 12,000                | 12,000                |
| Maturing between 35 and 40 years | 27,000                | 20,500                |
| Maturing between 40 and 45 years | 32,500                | 34,000                |
| Maturing over 45 years           | 0                     | 5,000                 |
| <b>Total</b>                     | <b>103,096</b>        | <b>103,128</b>        |

## Market Risk

The authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments.

Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- borrowings at fixed rates – the current value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- investments at fixed rates – the current value of the assets will fall.

Borrowings are not carried at current value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

If interest rates had been 1% higher with all other variables held constant, the financial effect would be:

|  | <b>£000</b> |
|--|-------------|
| Increase in interest payable on variable rate debt             | 0           |
| Increase in interest receivable on variable rate investments*  | 602         |
| <b>Net Impact on Income and Expenditure – Gain</b>             | <b>602</b>  |
| Increase/(Decrease) in current value of fixed rate investments | 0           |
| Increase/(Decrease) in current value of fixed rate debt        | -21,333     |

\*For the purposes of this analysis, fixed rate deposits less than one year are treated as variable rate. In addition, the analysis includes the impact on the £41.6m investments shown on the balance sheet as 'cash'.

### **Foreign exchange risk**

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

### 38 Long-Term Debtors

| 31.3.2015     |                                | 31.3.2016    |
|---------------|--------------------------------|--------------|
| £'000         |                                | £'000        |
| 2,952         | Finance leases                 | 2,943        |
| 1,345         | Bexley Heritage Trust loan     | 0            |
| 273           | Thames Innovation Centre loans | 273          |
| 0             | Deferred capital receipts      | 4,665        |
| 564           | Mortgages                      | 526          |
| 4             | Other loans and advances       | 0            |
| 7,803         | Payments in advance            | 0            |
| <b>12,941</b> | <b>Total Long Term Debtors</b> | <b>8,407</b> |

The payments in advance are employer's contributions to the Pension Fund for 2016/17. For further details see accounting policy 1.29.

### 39 Capital Grants Receipts in Advance

| 31.3.2015     |                                     | 31.3.2016     |
|---------------|-------------------------------------|---------------|
| £'000         |                                     | £'000         |
|               | <b>Short Term</b>                   |               |
| -34           | Devolved Formula Grant              | -24           |
| -27           | Empty Property Fund                 | 0             |
| -125          | Loans Scheme Private Sector Renewal | -63           |
| -196          | Other                               | -195          |
| <b>-382</b>   | <b>Total Short Term</b>             | <b>-282</b>   |
|               | <b>Long Term</b>                    |               |
| -212          | Devolved Formula Grant              | -243          |
| -4,959        | S106 Contributions                  | -5,087        |
| -596          | Other                               | -670          |
| <b>-5,767</b> | <b>Total Long Term</b>              | <b>-6,000</b> |

### 40 Deferred Liabilities

| 31.3.2015      |                                   | 31.3.2016      |
|----------------|-----------------------------------|----------------|
| £'000          |                                   | £'000          |
| -34,916        | PFI/PPP contracts                 | -33,534        |
| -303           | Finance leases                    | -4,796         |
| -670           | Other                             | -613           |
| <b>-35,889</b> | <b>Total Deferred Liabilities</b> | <b>-38,943</b> |

#### 41 Heritage Assets

|   | Museum<br>Collection<br>£'000 | Hall Place<br>Hall Place<br>House<br>£'000 | Granary<br>£'000 | Danson House<br>House<br>£'000 | Exhibits<br>£'000 | Bexleyheath<br>& Crayford<br>Clock Towers<br>£'000 | Five Arches<br>Bridge<br>£'000 | Public<br>Art<br>£'000 | Civic<br>Regalia<br>£'000 | Total<br>Assets<br>£'000 |
|---|-------------------------------|--|------------------|--------------------------------|-------------------|--|--------------------------------|------------------------|---------------------------|--------------------------|
| <b>Cost or valuation</b>  |                               |  |                  |                                |                   |  |                                |                        |                           |                          |
| At 1 April 2014   | 404                           | 20,787                                     | 35               | 6,504                          | 242               | 269  | 4,000                          | 337                    | 262                       | 32,840                   |
| Additions (including donations)   | 0                             | 0  | 0                | 72                             | 0                 | 0  | 0                              | 0                      | 0                         | 72                       |
| Disposals   | 0                             | 0  | 0                | 0                              | 0                 | 0  | 0                              | 0                      | 0                         | 0                        |
| Revaluations increases/(decreases)<br>recognised in the Revaluation Reserve                     | 0                             | 1,707                                      | 2                | 459                            | 0                 | 16   | 240                            | 0                      | 0                         | 2,424                    |
| Impairment losses/(reversals) recognised in<br>the Surplus/Deficit on the Provision of Services | 0                             | 0  | 0                | 0                              | 0                 | 0  | 0                              | 0                      | 0                         | 0                        |
| Reclassifications and transfers   | 0                             | 0  | 0                | 3                              | 0                 | 0  | 0                              | 0                      | 0                         | 3                        |
| Depreciation  | 0                             | 0  | 0                | 0                              | 0                 | 0  | 0                              | 0                      | 0                         | 0                        |
| <b>At 31 March 2015</b>   | <b>404</b>                    | <b>22,494</b>                              | <b>37</b>        | <b>7,038</b>                   | <b>242</b>        | <b>285</b>   | <b>4,240</b>                   | <b>337</b>             | <b>262</b>                | <b>35,339</b>            |
| <b>Cost or valuation</b>  |                               |  |                  |                                |                   |  |                                |                        |                           |                          |
| At 1 April 2015   | 404                           | 22,494                                     | 37               | 7,038                          | 242               | 285  | 4,240                          | 337                    | 262                       | 35,339                   |
| Additions (including donations)   | 0                             | 57   | 0                | 0                              | 0                 | 0  | 0                              | 14                     | 0                         | 71                       |
| Disposals   | 0                             | 0  | 0                | 0                              | 0                 | 0  | 0                              | 0                      | 0                         | 0                        |
| Revaluations increases/(decreases)<br>recognised in the Revaluation Reserve                     | 0                             | 1,382                                      | 0                | 567                            | 0                 | 0  | 0                              | 0                      | 0                         | 1,949                    |
| Impairment losses/(reversals) recognised in<br>the Surplus/Deficit on the Provision of Services | 0                             | 0  | 0                | 0                              | 0                 | 0  | 0                              | 0                      | 0                         | 0                        |
| Reclassifications and transfers   | 0                             | 0  | 0                | 0                              | 0                 | 0  | 0                              | 135                    | 0                         | 135                      |
| Depreciation  | 0                             | 0  | 0                | 0                              | 0                 | 0  | 0                              | 0                      | 0                         | 0                        |
| <b>At 31 March 2016</b>   | <b>404</b>                    | <b>23,933</b>                              | <b>37</b>        | <b>7,605</b>                   | <b>242</b>        | <b>285</b>   | <b>4,240</b>                   | <b>486</b>             | <b>262</b>                | <b>37,494</b>            |

## 41 Heritage Assets

This section provides further details of the nature and scale of the Council's heritage assets. It details the Council's approach and policies towards the acquisition, preservation, management and disposal of heritage assets for each class of heritage assets.

### Museum Collection

Approximately 21,000 items within the Council's vast museum collection have been valued for insurance purposes and reported in the Balance Sheet. The insurance valuation is updated annually.

Bexley Heritage Trust manages the Bexley museum collection. The museum exhibitions on display are housed on the first floor of Hall Place house, the ground floor of Danson House and in display cases in Erith Library and the service provided is constantly under review by the Collections Manager who reports to the Trust's Chief Executive.

The Museum Collection is collated, preserved and managed in accordance with policies approved by the Bexley Heritage Trust Board of Trustees. Further information is provided in Bexley Heritage Trust publications *Bexley Museums Forward Plan 2013–2016*, *Bexley Museums Documentation Plan 2013-16* and *Bexley Museums Acquisition and Disposal Policy 2013–2018*.

The Board of Trustees accepts the principle that, except for sound curatorial reasons, there is a strong presumption against disposal of any item in the Museum's Collection. In general the principal aim is to collect objects which are relevant to or originate from the Borough. Acquisitions are rare and primarily made by donation. However, on rare occasions when a particularly important item is available for purchase, the Trust will undertake the purchase provided that it meets the Trusts objectives for the Museum Collection.

At any time, approximately 5% per cent of the collection is on display. The remaining items are held in storage but access is permitted to scholars and others for research purposes. In addition, the Trust is compiling the collection on line for the public to search and view remotely.

### Historic Buildings

The Council owns two Grade 1 listed historic houses, Danson House and Hall Place, which it regards as particularly significant. The properties are both leased, at no cost, to and run by Bexley Heritage Trust on 30 year full maintenance leases. Bexley Heritage Trust is a registered charity set up to promote heritage and provide a focus for the management of historic sites in the borough. In addition, the Council's Museum Collection is also managed by Bexley Heritage Trust. The Council pay Bexley Heritage Trust an annual management fee.

The Trust submits an annual Business Plan to the Council for approval by the Cabinet Member for Community Safety, Environment and Leisure. The management fee is based on its Business Plan and the grant is reflected in the Council's Comprehensive Income and Expenditure Statement. The Trust is required to report against agreed performance indicators and this report is presented to the Cabinet Member for Community Safety, Environment and Leisure.

The Trust is responsible for maintenance and repair work at both Danson House and Hall Place. Danson House and Hall Place have both been fully restored in recent years and as a consequence there are no specific capital works planned. When maintenance work is carried out the expenditure incurred will be reflected in the Trust's accounts.

### Danson House

Danson House was built in 1766 for Sir John Boyd, a wealthy sugar merchant and vice-chairman of the British East India Company. During the twentieth century the house fell into decay and was eventually acquired by the Bexley Urban District Council in 1924. In 1995 an

agreement with English Heritage enabled a major restoration of the building to be undertaken.

### **Hall Place**

Hall Place is a Grade I listed country house built in 1537 for Sir John Champneys, a former Lord Mayor of London. The house has a paneled Tudor Great Hall, overlooked by a minstrel's gallery, and various period rooms. In addition to the house, a staddlestone granary is sited at Hall Place. The mushroom shaped staddle stones were used to raise tithe barns and granaries off the ground. Hall Place is open to the public all year round with the exception of Christmas and New Year.

### **Historic Structures and Monuments**

The Council's historical structures of Crayford and Bexleyheath Clock Towers and Five Arches Bridge are reported in the Balance Sheet at valuation.

### **Crayford and Bexleyheath Clock Towers**

The Crayford Clock Tower was built in 1902 to commemorate the coronation of Edward VII and the Bexleyheath Clock Tower was opened in 1912 to commemorate the coronation of King George V. The clock towers are situated in Crayford Tower Retail Park and Bexleyheath Broadway respectively; there is no public access inside either clock tower.

### **Five Arches Bridge (within Foots Cray Meadows)**

The Foots Cray estate dates back to Elizabethan times when it was owned by Sir Francis Walsingham. The buildings were destroyed by a fire in 1949 and the ruins were demolished and the grounds became Foots Cray Meadow Park. Foots Cray Meadows is classified as a Community Asset and recognised at cost. The Five Arches Bridge dates back to the eighteenth century and is all that remains of the Foots Cray Place estate. Public access to the park, and therefore the bridge, is permitted all year around.

### **Lesnes Abbey Ruins (within Lesnes Abbey open space)**

Lesnes Abbey was founded in 1178. The Abbey was closed in 1525 by Cardinal Wolsey, Henry VIII's chief minister. Most of the abbey was pulled down soon after and used for building materials. London County Council purchased the land in 1930 and opened it as a public park. Since 1986 the site has belonged to the London Borough of Bexley. Lesnes Abbey Park is classified as a Community Asset and recognised at cost. Public access to Lesnes Abbey open space and the ruins is permitted all year round.

### **War Memorials**

There are eleven war memorials located across the borough. In addition, a memorial dedicated to the victims of an explosion at a local munitions factory in January 1924 is located at Erith Cemetery. The memorials are located in public spaces and are therefore accessible all year round.

The asset management of highways and parks structures which includes Crayford and Bexleyheath Clock Towers, Five Arches Bridge, Lesnes Abbey Ruins and the Council's War Memorials, is the responsibility of the Deputy Director of Communities, Leisure, Libraries and Parks. All capitalised building maintenance budgets are the responsibility of the Deputy Director Services and Programmes, in the Regeneration, Communities and Customer Services Directorate. Priority criteria for works are reviewed and set each year to develop a programme of work targeting those assets most in need. The proposed work schedule is reported to the Cabinet Member for Finance and Corporate Services for approval.

### **Public Art Work**

Public art work is reported in the Balance Sheet at cost. The key permanent sculptures commissioned are The Cob, Propella, Captain Crayford, De Luci Pike and Earth Core Columns.

The Cob was sculpted by Andy Scott and is a 5m high steel Gypsy cob horse located in Belvedere and celebrates the unique character and industrial heritage of the area. Two

further sculptures by Andy Scott were installed in Crayford in 2015/16. The main sculpture, Propella, is based on the Vickers Vimy aeroplane and reflects Crayford's historical links to the Vickers Armaments Factory situated there during the First World War. The Vickers Vimy aeroplane is also the major feature of the smaller sculpture, Captain Crayford, which depicts a small boy from the interwar years about to launch a model of the plane into the air.

The De Luci Pike, by Gary Drostle, is a 7.5m mosaic sculpture located in the centre of the roundabout at the end of Bronze Age Way, Erith. The artwork was inspired by the former Erith Urban District Council's coat of arms that incorporated three pikes, the symbol of the powerful De Luci family (local landowners in medieval Erith). The Earth Core Columns, by Gary Drostle and Onya McCausland, are a series of five sculptures inspired by the archaeology and geology of Erith, and in particular the finds discovered during the construction of Bronze Age Way, next to which the art works are sited.

The Head of Libraries, Heritage and Archives maintains a record of public art commissioned in the borough detailing the nature, provenance, condition and current location of each asset.

Public art is artwork designed to be seen in public spaces and is therefore accessible all year round.

### **Civic Regalia**

The Civic Regalia Collection has been valued for insurance purposes and reported in the Balance Sheet. The Civic Regalia is subject to periodic valuations.

The Council has many items of civic regalia the vast majority of which have been given over the years by its citizens and leaders of industry. The mace is 1.2 metres long, made of silver and silver gilt and is shaped in the form of a battle axe. The borough coat of arms is on each side of the axe.

The Head of Electoral and Members' Services is responsible for the upkeep of the Council's Civic regalia. Repairs are undertaken on an adhoc basis as and when necessary and expenditure incurred would be charged to the Comprehensive Income and Expenditure Statement. The Council's Civic Regalia is on display at the Civic Offices, 2 Watling Street, Bexleyheath, Kent, DA6 7AT.

### **Local Studies and Archive Centre**

The Council's local studies and archives collection forms a diverse mix of historical and cultural documents and includes newspapers from 1873 to the present; unique photographs, postcards and illustrations; books and journals on all aspects of Bexley, Kent and London; pamphlets; posters; local maps and plans from around the 18<sup>th</sup> Century to present; street and trade directories and south east London telephone directories from 1940 onwards.

The archives are stored in the Council's Local Studies and Archive Centre within the Central Library and at Sidcup Library. The Local Studies and Archives collection is managed by the Local Studies and Archives Manager who reports to the Head of Libraries, Heritage and Archives. The collection is managed in accordance with policies approved by the Council. Further information is provided in the separate publications *A Strategy for Bexley Local Studies and Archives Centre*, *Collection Management Action Plan*, *Collection and Cataloguing Policy* and *Preservation Policy*, all of which have been produced in accordance with national guidelines and are available on the Council's website. Assets are collated, preserved and managed in accordance with the aforementioned guidelines.

### **Additions to Heritage Assets in 2015/16**

During 2015/16, two sculptures, Propella and Captain Crayford, were installed in the Crayford Town Hall Square development.

### **Disposals of Heritage Assets in 2015/16**

There were no disposals of heritage assets in 2015/16.

## Five Year Summary of Transactions

|  | 2011/12<br>£'000 | 2012/13<br>£'000 | 2013/14<br>£'000 | 2014/15<br>£'000 | 2015/16<br>£'000 |
|--|------------------|------------------|------------------|------------------|------------------|
| <b>Cost of Acquisitions of Heritage Assets</b> |                  |                  |                  |                  |                  |
| Museum Collection                              | 0                | 0                | 0                | 0                | 0                |
| Historical Buildings and Structures            | 0                | 0                | 22               | 0                | 0                |
| Public Art Work                                | 157              | 0                | 0                | 0                | 149              |
| Civic Regalia                                  | 0                | 0                | 0                | 0                | 0                |
| <b>Total Cost of Acquisitions</b>              | <b>157</b>       | <b>0</b>         | <b>22</b>        | <b>0</b>         | <b>149</b>       |

## Heritage Assets of Particular Importance

As previously mentioned, the Council owns two Grade 1 listed historic houses, Danson House and Hall Place, which it regards as particularly significant.



# The Collection Fund

Under the Local Government Finance Act 1988 (Section 89) the Council is required to operate a separate Collection Fund, which is consolidated with the Council's other accounts. It is an agent's statement that shows the transactions of the billing authority (Bexley) in relation to the collection from taxpayers and distribution to the Greater London Authority and the Government of council tax and business rates.

| 2014/15         | 2014/15   |        | 2015/16         | 2015/16 |
|-----------------|---|--------|-----------------|---------|
|                 | £'000   | INCOME | Note            | £'000   |
| -111,084        | Income from Council Tax Payers  | 1      | -115,079        |         |
| -66,045         | Income from Business Ratepayers   | 2      | -69,672         |         |
| -2,018          | Income from Business Rate Supplement (BRS)  | 4      | -1,909          |         |
| <b>-179,147</b> | <b>TOTAL INCOME</b>   |        | <b>-186,660</b> |         |
|                 | <b>EXPENDITURE</b>  |        |                 |         |
| 85,290          | Council Tax - Bexley's Demand on the Collection Fund                                    | 3      | 88,939          |         |
| 22,596          | Council Tax - Greater London Authority Precept  | 3      | 22,804          |         |
| <b>107,886</b>  | <b>Total Council Tax Demands and Precepts</b>   |        | <b>111,743</b>  |         |
| 19,746          | Business Rates - estimate due to Bexley   |        | 20,366          |         |
| 13,164          | Business Rates - estimate due to the GLA  |        | 13,577          |         |
| 32,909          | Business Rates - estimate due to the Government   |        | 33,943          |         |
| 208             | Business Rates - Transitional Protection Payments                                       |        | 138             |         |
| 262             | Allowance for Cost of Business Rate Collection  |        | 255             |         |
| 4               | Interest on Business Rate Refunds   |        | 0               |         |
| 2,011           | Payments to Greater London Authority's BRS Account                                      | 4      | 1,903           |         |
| 7               | BRS Administrative Costs  | 4      | 6               |         |
| 1,204           | Business Rates - provision for appeals  | 5      | 1,602           |         |
| -99             | Provision made for Business Rate Bad Debts  |        | -261            |         |
| 1,230           | Provision made for Council Tax Bad Debts  |        | 1,370           |         |
|                 | Distribution of previous year's estimated Fund Deficit(-) or Surplus for Council Tax    |        |                 |         |
| 1,182           | - London Borough of Bexley  |        | 988             |         |
| 318             | - Greater London Authority  |        | 262             |         |
|                 | Distribution of previous year's estimated Fund Deficit(-) or Surplus for Business Rates |        |                 |         |
| -832            | - London Borough of Bexley  |        | 0               |         |
| -555            | - Greater London Authority  |        | 0               |         |
| -1,386          | - Government  |        | 0               |         |
| <b>180,032</b>  | <b>TOTAL EXPENDITURE</b>  |        | <b>185,892</b>  |         |
|                 | <b>Surplus (-)/ Deficit For The Year</b>  |        |                 |         |
| -468            | Council Tax   |        | -716            |         |
| -1,420          | Non-Domestic Rates  |        | -52             |         |
| 0               | Business Rate Supplement  |        | 0               |         |
| <b>-1,888</b>   |   |        | <b>-768</b>     |         |
|                 | <b>Collection Fund Balance Brought Forward</b>  |        |                 |         |
| -3,136          | Council Tax   |        | -3,604          |         |
| 4,164           | Non-Domestic Rates  |        | 2,744           |         |
| 0               | Business Rate Supplement  |        | 0               |         |
| <b>1,028</b>    |   |        | <b>-860</b>     |         |
|                 | <b>Collection Fund Balance Carried Forward</b>  |        |                 |         |
| -3,604          | Council Tax   |        | -4,320          |         |
| 2,744           | Non-Domestic Rates  |        | 2,692           |         |
| 0               | Business Rate Supplement  |        | 0               |         |
| <b>-860</b>     |   |        | <b>-1,628</b>   |         |

# Notes to the Collection Fund Account

## Note 1 – Council Tax

Income from Council Tax Payers is analysed in the table below. The Council Tax Reduction Scheme, that operates as a discount on Council Tax, replaced Council Tax Benefit on 1 April 2013. The Council could also charge premiums on long-term empty properties with effect from 1 April 2013 and there were also changes to the exemption categories from the same date.

| 2014/15<br>£'000                               | 2015/16<br>£'000 |
|--|------------------|
| -137,687 Gross Council Tax                     | -140,609         |
| 2,079 Exemptions                               | 2,274            |
| 10,728 Discounts                               | 10,924           |
| -93 Premiums                                   | -93              |
| 13,518 Council Tax Reduction Scheme            | 12,174           |
| 371 Write-offs                                 | 251              |
| <b>-111,084 Income from Council Tax Payers</b> | <b>-115,079</b>  |

For 2015/16, the Council Tax was set by the Council at £1,445.53 (£1,427.59 in 2014/15) for a property in band D. For 2015/16, the Council Tax was calculated using an estimated Council Tax Base of 77,303 Band D equivalents, as detailed below:

| Band                                     | Dwellings per<br>Valuation List | Revised Dwellings<br>after Adjustments* | Ratio To<br>Band D | Band D<br>Equivalent |
|--|---------------------------------|---|--------------------|----------------------|
| A (Disabled)                             | 0                               | 5                                       | 5/9                | 3                    |
| A  | 4,356                           | 2,153                                   | 6/9                | 1,435                |
| B  | 10,381                          | 6,125                                   | 7/9                | 4,764                |
| C  | 28,750                          | 22,268                                  | 8/9                | 19,794               |
| D  | 26,948                          | 22,862                                  | 9/9                | 22,862               |
| E  | 19,260                          | 17,216                                  | 11/9               | 21,041               |
| F  | 4,739                           | 4,352                                   | 13/9               | 6,286                |
| G  | 1,687                           | 1,580                                   | 15/9               | 2,634                |
| H  | 48                              | 31                                      | 18/9               | 62                   |
| <b>Total</b>                             | <b>96,169</b>                   | <b>76,592</b>                           |                    | <b>78,881</b>        |
| <b>Less Allowance for Non-Collection</b> |                                 |   |                    | <b>-1,578</b>        |
| <b>Council Tax Base 2015/16</b>          |                                 |   |                    | <b>77,303</b>        |

The Council Tax Base is based on the number of dwellings in each band on the listing produced by the Valuation Officer of the Inland Revenue.

\*Adjustments are made for exemptions, discounts (including the Council Tax reduction scheme that has replaced Council Tax benefit), disabled banding changes, and an estimate made for new properties.

## Note 2 - Income from Business Ratepayers

Under the arrangements for business rates that came into effect on 1 April 2013, the Council collects National Non Domestic Rates (NNDR) for the Bexley area on behalf of the Government, the Greater London Authority (GLA) and Bexley. These are based on rateable values multiplied by uniform rates which, for 2015/16, were 49.3p and 48.0p for small businesses (for 2014/15, 48.2p and 47.1p for small businesses). The total amount less certain reliefs and other deductions is paid to the Government, GLA and Bexley's General Fund in the following proportions:

|                       |     |
|-----------------------|-----|
| Government            | 50% |
| GLA                   | 20% |
| Bexley – General Fund | 30% |

Income from business ratepayers can be analysed as follows:

| 2014/15        |                                  | 2015/16        |
|----------------|----------------------------------|----------------|
| £'000          |                                  | £'000          |
| -76,977        | Gross Non-domestic rates         | -82,430        |
| 1,132          | Less: Empty Properties           | 1,523          |
| -208           | Transitional Relief              | -138           |
| 9,646          | Mandatory & Discretionary Relief | 10,664         |
| 362            | Write off                        | 709            |
| <b>-66,045</b> | <b>TO COLLECTION FUND</b>        | <b>-69,672</b> |

The total non-domestic rateable value as at 31 March 2016 was £172.739m (£172.326m as at 31 March 2015). There was a revaluation of non-domestic properties effective from 1 April 2010.

### Note 3 – Council Tax Precepts

Payments are made from the Collection Fund to the London Borough of Bexley (the billing authority) - £88.939m in 2015/16 (£85.290m in 2014/15) and the Greater London Authority (the precepting authority) - £22.804m in 2015/16 (£22.596m in 2014/15). These figures are before the distribution of any previous year's estimated Fund surplus or deficit. There was a surplus of £1.250m to distribute in 2015/16 - £0.988m to Bexley and £0.262m to the Greater London Authority (there was a surplus of £1.5m to distribute in 2014/15 - £1.182m to Bexley and £0.318m to the Greater London Authority). The Council Tax income accrued in the General Fund adjusts the estimated demand from the Collection Fund by the actual surpluses or deficits on the Collection Fund.

### Note 4 – Crossrail Business Rate Supplement

The Mayor of London introduced a levy of 2p on non-domestic properties with a rateable value of over £55,000 in London from 1 April 2010, to help pay for Crossrail. Powers were granted to the Greater London Authority (GLA) to introduce this under the Business Rates Supplements Act 2009. The Crossrail Business Rate Supplement (BRS) is being collected on behalf of the GLA by the Council along with general business rates (NNDR). Income collected and payments made to the GLA are included in the Collection Fund.

### Note 5 – Business Rates – Provision for Appeals

Under the arrangements for the retention of business rates that came into effect on 1 April 2013, Bexley, as a billing authority, is required to make provision for refunding ratepayers who have successfully appealed against the rateable value on their properties. This includes amounts relating to non-domestic rates charged to businesses in previous financial years. The provision is based on an estimate of the likely success rate of those appeals that were submitted to the Valuation Officer as at 31 March 2016 and were still outstanding.

## **Statement of Responsibilities for the Pension Fund Accounts**

The Council is required to make arrangements for the proper administration of its pension fund affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Director of Finance in this Council. Also, it is required to secure the economic, efficient and effective use of resources and safeguard its assets. The authority is also required to approve the Pension Fund Accounts.

The Director of Finance is responsible for the preparation of the Pension Fund Accounts in accordance with proper practices as set out in the CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom (Code of Practice).

In preparing the Pension Fund Accounts, the Director of Finance has:-

- (1) selected suitable accounting policies and applied them consistently,
- (2) made judgements and estimates that were reasonable and prudent,
- (3) complied with the Code of Practice.

Also, the Director of Finance has:-

- (1) kept proper accounting records which were up to date,
- (2) taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **The Statements of the Director of Finance**

The required financial statements for the pension fund appear on pages 105 to 128 and have been prepared in accordance with the accounting policies set out on page 109.

The Pension Fund Accounts present a true and fair view of the financial position of the Pension Fund at the accounting date and its income and expenditure for the year ended 31 March 2016.

Alison Griffin

Director of Finance

21 September 2016

## Pension Fund Account

| 2014/15<br>(Restated)<br>£'000 |   | Note | 2015/16<br>£'000 |
|--------------------------------|---|------|------------------|
|                                | <b>Dealings with members, employers and others directly involved in the scheme</b>          |      |                  |
| -22,232                        | Contributions   | 7    | -22,393          |
| -1,955                         | Transfers in from other pension funds   | 8    | -721             |
| <b>-24,187</b>                 | <b>Total contributions</b>  |      | <b>-23,114</b>   |
| 28,403                         | Benefits  | 9    | 31,352           |
| 1,471                          | Payments to and on account of leavers   | 10   | 797              |
| <b>29,874</b>                  | <b>Total benefits</b>   |      | <b>32,149</b>    |
| <b>5,687</b>                   | <b>Sub-total: Net additions (-) / withdrawals from dealings with members</b>                |      | <b>9,035</b>     |
| <b>4,637</b>                   | <b>Management expenses</b>  | 11   | <b>5,725</b>     |
|                                | <b>Returns on investments</b>   |      |                  |
| -13,424                        | Investment income   | 12   | -13,202          |
| 836                            | Taxes on income   | 13   | 264              |
| -73,437                        | Profit (-) and losses on disposal of investments and changes in value of investments        | 14a  | -10,112          |
| <b>-86,025</b>                 | <b>Net returns on investments</b>   |      | <b>-23,050</b>   |
| <b>-75,701</b>                 | <b>Net increase (-) / decrease in the net assets available for benefits during the year</b> |      | <b>-8,290</b>    |
| <b>596,250</b>                 | <b>Opening net assets of the scheme</b>   |      | <b>671,951</b>   |
| <b>671,951</b>                 | <b>Closing net assets of the scheme</b>   |      | <b>680,241</b>   |

## Pension Fund Net Assets Statement

| 31.3.2015<br>£'000 |  | Note | 31.3.2016<br>£'000 |
|--------------------|--|------|--------------------|
| 669,920            | Investment Assets  | 14   | 673,756            |
| 21,002             | Cash Deposits  | 14   | 16,065             |
| <b>690,922</b>     |  |      | <b>689,821</b>     |
| -1,122             | Investment Liabilities   | 14   | -1,376             |
| 0                  | Borrowings   |      | 0                  |
| -7,803             | Long Term Liabilities  | 21   | 0                  |
| 1,314              | Current Assets   | 20   | 1,920              |
| -11,360            | Current Liabilities  | 21   | -10,124            |
| <b>671,951</b>     | <b>Net assets of the scheme available to fund benefits at the period end</b> |      | <b>680,241</b>     |

The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of the fund. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme accounting year. The actuarial position of the scheme, which does take into account such obligations, is detailed in note 19 below.

## **Notes to the Financial Statements**

### **1 Introduction to the Fund**

The London Borough of Bexley Pension Fund ("the fund") is part of the Local Government Pension Scheme (LGPS). It is administered by the London Borough of Bexley under the provisions of the Superannuation Act 1972 and the subsequent detailed regulations to provide benefits for employees. These benefits include retirement and spouses' and children's pensions, retirement and death lump sum grants. All employees who are not eligible to join another public service scheme are eligible for membership of this scheme. Employees of other scheduled and admitted bodies also participate in this scheme.

Further details may be found in the annual report of the fund, and in the legislation governing the LGPS.

#### **(a) General**

The fund is governed by the Public Service Pensions Act 2013. It is administered in accordance with the detailed regulations of:

- ~ the LGPS Regulations 2013 (as amended)
- ~ the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- ~ the LGPS (Management and Investment of Funds) Regulations 2009

It is a contributory defined benefit pension scheme, and operates to provide pension benefits for employees of the London Borough of Bexley and its scheduled and admitted bodies. Teachers are not included as they come within another national pension scheme. The fund is overseen by the Pensions Committee of the London Borough of Bexley.

#### **(b) Membership**

Membership of the LGPS is voluntary but employees are automatically enrolled when they are employed. After they start employment they have the right to opt out. They can also make their own personal arrangements outside the scheme.

Organisations participating in the Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Numbers for employers and employees in the fund are:

| 31 March 2015<br>(Restated) |  | 31 March 2016 |
|-----------------------------|--|---------------|
| 46                          | Number of employers with active members          | 56            |
|                             | <i>Number of employees in the fund</i>           |               |
| 2,726                       | London Borough of Bexley                         | 2,651         |
| 1,805                       | Other employers                                  | 2,027         |
| 4,531                       | <i>Total</i>                                     | 4,678         |
|                             | <i>Number of pensioners in the fund</i>          |               |
| 3,977                       | London Borough of Bexley                         | 4,103         |
| 541                         | Other employers                                  | 592           |
| 4,518                       | <i>Total</i>                                     | 4,695         |
|                             | <i>Number of deferred pensioners in the fund</i> |               |
| 3,363                       | London Borough of Bexley                         | 3,390         |
| 716                         | Other employers                                  | 836           |
| 4,079                       | <i>Total</i>                                     | 4,226         |

### (c) Funding

In 2015/16, the Fund was financed by contributions from employers and employees and by income from investments. Employees make a contribution to the Fund at a percentage of their pensionable earnings and emoluments; this ranges from 5.5% to 12.5% depending on the level of their earnings. The employers' contributions are in accordance with the advice of a professionally qualified actuary and have been set so that the Fund will be able to meet the cost of current and estimated future retirement benefits. The most recent valuation is in respect of 31 March 2013 and shows a funding level of 87% (2010 was 87%). The deficit on the fund will generally be recovered over a period of 14 years. The Council's contribution in 2015/16 was calculated as 20.6% of payroll (20.6% in 2014/15) although the amount due was discounted for early payment. Other bodies' employer's future service contributions in 2015/16 varied between 13.7% and 24.6% but they also pay a separate lump sum deficit funding contribution. Further details on the funding and actuarial positions are shown in notes 18 and 19.

### (d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised in the following table.

|          | Service pre 1 April 2008   | Service post 31 March 2008   |
|----------|--|--|
| Pension  | Each year worked is worth 1/80 x final pensionable salary.   | Each year worked is worth 1/60 x final pensionable salary.   |
| Lump sum | Automatic lump sum of 3 x pension.<br><br>In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up. | No automatic lump sum.<br><br>Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up |

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

The Fund publishes a separate Annual Report for the Pension Fund, which includes the Statement of Investment Principles, and other documents, and these can be obtained from the Finance Department, Bexley Civic Offices, 2 Watling Street, Bexleyheath, Kent DA6 7AT or from the Pension Fund's website [www.yourpension.org.uk/bexley](http://www.yourpension.org.uk/bexley)

## **2 Basis of Preparation**

These financial statements summarise the fund's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. They have been prepared in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting 2015/16. The CIPFA Code is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

## **3 Accounting Policies**

### **(a) Contribution income**

Regular contribution income from both members and employers is accounted for at the rate certified by the fund actuary for the payroll period to which it relates. Pensions strain contributions for admitted and scheduled bodies are accounted for in the year in which the liability arises, and any amounts unpaid show as current financial assets.

### **(b) Transfers to and from other schemes**

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund, and are calculated in accordance with LGPS regulations. The timing of these receipts and payments depends on factors such as confirmation of instructions from members and the administrative processes of the previous/new employer. Transfer values are accounted for on a cash basis as opposed to the accrual basis used for the rest of the accounts.

### **(c) Investment income**

#### **(i) Interest income**

Interest income is also recognised as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

#### **(ii) Dividend income**

Dividend income is accounted for on the date the shares are quoted ex-dividend. Any amounts not received by the end of the financial year are disclosed in the net asset statement as a current financial asset.

#### **(iii) Distributions from pooled funds**

Distributions from pooled funds are recognised at the date of issue. Any amounts not received by the end of the financial year are disclosed in the net asset statement as a current financial asset

#### **(iv) Property-related income**

The Pension Fund does not have any direct property holdings.



(v) **Movement in the net market value of investments**

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

**(d) Benefits payable**

Pensions and benefits payable include all amounts due as at the end of the financial year; any amounts unpaid show as current liabilities.

**(e) Taxation**

The fund is exempt from UK income tax on interest and from capital gains tax on the profit from the sale of investments. The fund is also exempt from US withholding tax on dividends on investments and recovers withholding tax deducted in some other countries. VAT input tax is recoverable on all fund activities through the London Borough of Bexley as the administrative authority for the fund.

**(f) Management expenses**

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the council discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

**Administrative expenses**

All administrative expenses are accounted for on an accruals basis. Costs of the external pension fund administrator and other suppliers are charged direct to the fund, whereas internal staff, accommodation and other overhead costs are apportioned to the fund on a monthly basis.

**Oversight and governance costs**

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

**Investment management expenses**

All investment management expenses are accounted for on an accruals basis. The fees of the external investment managers are mainly based on the market value of the funds they invest and will increase or decrease with the value of their investments. A performance related element has been negotiated with some of the managers - this amount will also vary from year to year and may need to be estimated at year end.

**(g) Accrual basis**

The accounts have been prepared on the accruals basis. This means that income and expenditure is recognised as it is earned or incurred, not when it is received or paid.

**Net assets statement**

**(h) Financial assets**

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised by the fund.

The values of investments shown in the net assets statement have been determined as follows:

(i) **Market-quoted investments**

Where there is a readily available market price, investments are valued at the last traded or bid price, depending on the convention of the stock exchange or other market on which they are quoted.

(ii) **Fixed interest securities**

Fixed interest securities are recorded at net market value based on their current yields.

(iii) **Unquoted investments**

Unlisted securities or investments, which include pooled investments in property, bonds or private equity, are valued by the investment managers at a price which, in their reasonable opinion, is the most recent and reliable valuation available. The private equity fund investments are valued at fair value by the individual fund investment managers overlaid where necessary with the views of the fund of funds manager.

(iv) **Limited partnerships**

Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnerships.

(v) **Pooled investment vehicles**

Pooled investment vehicles are valued at closing bid price if both bid and offer price are published, or closing single price where appropriate. Investments with extended settlement periods reflect the latest available Net Asset Value. Where pooled investment vehicles are accumulation funds, the change in market value also includes income which is reinvested in the fund.

**(i) Foreign currency transactions**

Foreign currency transactions are made using the WM/ Reuters exchange rate. Purchases and sales use the foreign exchange rate applicable on the day prior to the trade date. Stock holdings use the converted foreign exchange rate as at stock valuation date. Dividend receipts use the rate applicable on the day prior to the date the dividend is received.

**(j) Derivatives**

The fund's managers use derivative financial instruments to manage exposure to specific risks arising from their investment activities, not for speculative purchases. FTSE futures may be used to maintain exposure to the market rather than being held as cash holdings, and are valued on a daily basis. The future value of forward currency contracts is based on market forward exchange rates at the year end and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

**(k) Cash and cash equivalents**

Cash is represented by the balance on the Pension Fund's bank account together with amounts held by the fund's external managers. Cash equivalents are the deposits in the Pension Fund's special interest bearing account, which is readily convertible to known amounts of cash with no risk of change in value.

**(l) Financial liabilities**

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

of the liability are recognised by the fund.

**(m) Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the fund's actuary in accordance with IAS 19 and relevant actuarial standards. As permitted under IAS 26, the fund has opted to disclose the actuarial present value of promised retirement benefits as a note to the net assets statement (see note 19).

**(n) Additional voluntary contributions**

Scheme members also make arrangements for separate investments into their personal Additional Voluntary Contribution (AVC) accounts with an AVC provider recommended by the Fund. The Fund is only involved in collecting and paying over these amounts on behalf of scheme members and the separately invested amounts are not included in these pension fund accounts in accordance with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 no.3093). The AVC provider is Prudential and contributions are also collected for life assurance policies provided by Phoenix Life and Equitable Life.

**(o) Contingent liabilities**

A contingent liability arises where an event has taken place that gives the Pension Fund a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Pension Fund. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. They are not recognised on the Net Assets Statement but disclosed in a note to the accounts.

**(p) Prepayment of Employer Contributions**

In 2013/14 the London Borough of Bexley made payments in advance of £17.7m in respect of its employer's contributions to the Pension Fund for the financial years 2015/16 and 2016/17. These contributions have been treated as receipts in advance and shown as a liability within the Pension Fund.

The additional receipts have been invested as pension fund assets and are assumed by the actuary to earn similar returns to other Pension Fund assets. The risk of the extra amounts arriving in the Pension Fund at an inauspicious time for investment returns was mitigated by making the investments over a period of time between November 2013 and March 2014.

The treatment of these payments was set out clearly on the valuation certificate provided by the actuary.

## **4 Critical judgements in applying accounting policies**

### **Unquoted private equity and infrastructure investments**

It is important to recognise the highly subjective nature of determining the fair value of private equity and infrastructure investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities and infrastructure investments are valued by the investment managers. The value of unquoted private equities at 31 March 2016 was £68.8m and unquoted infrastructure at 31 March 2016 was £3.5m.

### **Prepayment of Employer Contributions**

The accounting policies section above describes the actions that the London Borough of Bexley took in 2013/14 to make payments in advance to the Pension Fund in respect of employer's pension contributions. In assessing the presentation of this in the current year's

accounts both the Council and the Pension Fund have acknowledged that the Pension Fund could, if it proved necessary, repay any outstanding amounts paid in advance by the Council back to it.

### **Pension fund liability**

The pension fund liability is calculated every three years by the fund's actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

## **5 Major sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, because amounts cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the accounts at 31 March 2016 for which there is a significant risk of material adjustment in the following financial year are:

| Item  | Uncertainties   | Effect if actual results differ from assumptions  |
|---|---|---|
| Actuarial present value of promised retirement benefits | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The fund employs a professional actuary to provide expert advice about the assumptions to be used. | The effects on the net pension liability of changes in individual assumptions can be measured. For example <ul style="list-style-type: none"> <li>• a 0.5% increase in the discount rate assumption would reduce the pension liability by £64m.</li> <li>• A 0.25% reduction in assumed salary inflation would reduce liabilities by £6m, and</li> <li>• a one year increase in assumed life expectancy would increase the liability by around £18m.</li> </ul> |
| Private Equity  | Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines 2012. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.   | The total private equity investments in the financial statements are £68.8m. There is a risk that this investment may be under- or overstated in the accounts.  |

## **6 Events after the reporting date**

The Pension Fund accounts were issued as part of the Statement of Accounts by the Director of Finance on 21 September 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the accounts

and notes have been adjusted in all material respects to reflect the impact of this information.

On the 23rd June the EU referendum took place to establish if the United Kingdom would remain part of the EU. The vote saw a decision returned to leave the EU. As this took place after the 31 March 2016 there was no impact on the figures contained within the Pension Fund accounts. However, this decision has the potential to significantly impact on future basis of assumptions, estimates and the value of investments and the Council will need to ensure this is considered in future years. There were no other post balance sheet events to report.

## 7 Contributions Receivable

| 2014/15       |   | 2015/16       |
|---------------|---|---------------|
| £'000         |   | £'000         |
|               | Contributions from Employers                    |               |
| 7,371         | London Borough of Bexley – normal               | 7,015         |
| 3,478         | Scheduled bodies – normal                       | 4,044         |
| 1,369         | Admitted bodies – normal                        | 1,383         |
| 3,029         | London Borough of Bexley – deficit funding      | 2,883         |
| 1,196         | Scheduled bodies – deficit funding              | 1,224         |
| 219           | Admitted bodies – deficit funding               | 218           |
| 7             | London Borough of Bexley – augmentation         | 7             |
|               | Contributions from Members                      |               |
| 3,678         | London Borough of Bexley – normal               | 3,534         |
| 1,265         | Scheduled bodies – normal                       | 1,465         |
| 517           | Admitted bodies – normal                        | 517           |
| 96            | London Borough of Bexley – additional voluntary | 96            |
| 7             | Scheduled bodies – additional voluntary         | 7             |
| <b>22,232</b> | <b>Total contributions</b>                      | <b>22,393</b> |

The additional voluntary contributions included above are those which are paid into the Council's pension fund to purchase additional benefits in the pension scheme.

## 8 Transfers in from other pension funds

| 2014/15      |                          | 2015/16    |
|--------------|--------------------------|------------|
| £'000        |                          | £'000      |
| 1,497        | London Borough of Bexley | 646        |
| 449          | Scheduled bodies         | 75         |
| 9            | Admitted bodies          | 0          |
| <b>1,955</b> | <b>Total</b>             | <b>721</b> |

All transfers in relate to individual transfers in from other schemes as there were no group transfers in these two years.

## 9 Benefits Payable

By category

| 2014/15<br>£'000 |  | 2015/16<br>£'000 |
|------------------|--|------------------|
| 22,981           | Pensions   | 24,199           |
| 7                | Augmented service  | 7                |
| 4,786            | Commutation of pensions and lump sum retirement benefits | 6,478            |
| 629              | Lump sum death benefits                                  | 668              |
| <b>28,403</b>    | <b>Total</b>   | <b>31,352</b>    |

By authority

| 2014/15<br>£'000 |                          | 2015/16<br>£'000 |
|------------------|--------------------------|------------------|
| 25,314           | London Borough of Bexley | 27,944           |
| 1,102            | Scheduled bodies         | 1,565            |
| 1,987            | Admitted bodies          | 1,843            |
| <b>28,403</b>    | <b>Total</b>             | <b>31,352</b>    |

## 10 Payments to and on account of leavers

By category

| 2014/15<br>£'000 |   | 2015/16<br>£'000 |
|------------------|---|------------------|
| 16               | Refunds of contributions                  | 36               |
| 3                | State scheme premiums                     | 1                |
| 1,452            | Individual transfers out to other schemes | 760              |
| <b>1,471</b>     | <b>Total</b>                              | <b>797</b>       |

By authority

|              |                          |            |
|--------------|--------------------------|------------|
| 1,271        | London Borough of Bexley | 542        |
| 189          | Scheduled bodies         | 208        |
| 11           | Admitted bodies          | 47         |
| <b>1,471</b> | <b>Total</b>             | <b>797</b> |

## 11 Management expenses

| 2014/15<br>(Restated)<br>£'000 |                                | 2015/16<br>£'000 |
|--------------------------------|--------------------------------|------------------|
| 330                            | Administrative costs           | 381              |
| 3,941                          | Investment Management costs    | 5,018            |
| 366                            | Oversight and Governance costs | 326              |
| <b>4,637</b>                   | <b>Total</b>                   | <b>5,725</b>     |

The Code of Practice does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Council discloses its pension fund management expenses in accordance with the CIPFA guidance on accounting for LGPS management costs.

The fund management fees above include estimates for the funds of private equity funds, diversified growth fund, bond and property funds. They are not normally separately identified by the managers. The unit values of these funds are net of management fees. The estimated value of these management fees is £2,303,000 in 2015/16 (£2,022,000 restated in 2014/15).

Included above are £195,000 in respect of transaction costs (2014/15 £241,000). In addition to these costs, indirect costs are incurred through the bid–offer spread on investment sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see note 14a).

The fund has negotiated a performance related fee element with its global equity manager, Newton. In 2015/16 this element of the fee amounted to £1.1m (2014/15 £0.60m).

## 12 Investment income

| 2014/15       |                                      | 2015/16       |
|---------------|--------------------------------------|---------------|
| £'000         |                                      | £'000         |
| 10,539        | Dividends from equities              | 10,201        |
| 1,995         | Pooled investment vehicles           | 2,459         |
| 866           | Pooled investment vehicles – Level 3 | 532           |
| 22            | Interest on cash deposits            | 8             |
| 2             | Other investment income              | 2             |
| <b>13,424</b> |                                      | <b>13,202</b> |

## 13 Taxes on Income

| 2014/15     |                            | 2015/16     |
|-------------|----------------------------|-------------|
| £'000       |                            | £'000       |
| -836        | Withholding tax - equities | -264        |
| <b>-836</b> | <b>Total</b>               | <b>-264</b> |

## 14 Investments

| 31.3.2015      |                                | 31.3.2016      |
|----------------|--------------------------------|----------------|
| £'000          |                                | £'000          |
|                | <b>Investment assets</b>       |                |
| 403,920        | Equities                       | 385,980        |
| 264,376        | Pooled investment vehicles     | 286,273        |
| 21,002         | Cash/temporary investments     | 16,065         |
| 1,621          | Investment income due          | 1,503          |
| 3              | Amounts receivable for sales   | 0              |
| <b>690,922</b> | <b>Total investment assets</b> | <b>689,821</b> |
|                | <b>Investment liabilities</b>  |                |
| -1,122         | Amounts payable for purchases  | -1,376         |
| <b>689,800</b> | <b>Net investment assets</b>   | <b>688,445</b> |



**(a) Reconciliation of movements in investments**

|   | Value at<br>31.3.2015<br>£'000 | Purchases<br>at cost<br>£'000 | Sales<br>proceeds<br>£'000 | Transfers<br>£'000 | Change in<br>Market<br>value<br>£'000 | Value at<br>31.3.2016<br>£'000 |
|---|--------------------------------|-------------------------------|----------------------------|--------------------|---------------------------------------|--------------------------------|
| Equities  | 403,920                        | 66,004                        | -77,966                    |                    | -5,978                                | 385,980                        |
| Pooled investment vehicles<br>(non bond)          | 151,789                        | 15,942                        | -12,304                    |                    | 2,487                                 | 157,914                        |
| Pooled investment vehicles<br>(non bond) -level 3 | 53,658                         | 12,356                        | -7,873                     |                    | 14,178                                | 72,319                         |
| Pooled investment vehicles<br>(bond)              | 58,929                         | 0                             | -2,314                     |                    | -575                                  | 56,040                         |
| Derivatives                                       | 0                              | 0                             |                            |                    | 0                                     | 0                              |
|   | <b>668,296</b>                 | <b>94,302</b>                 | <b>-100,457</b>            | <b>0</b>           | <b>10,112</b>                         | <b>672,253</b>                 |
| Cash/temporary<br>investments                     | 21,002                         |                               |                            |                    | -1,922                                | 16,065                         |
| Outstanding investment<br>transactions debtors    | 1,624                          |                               |                            |                    | -3                                    | 1,503                          |
|   | <b>690,922</b>                 |                               |                            |                    |                                       | <b>689,821</b>                 |
| Current Net<br>Assets/Liabilities (-)             | -10,046                        |                               |                            |                    | -5,624                                | -8,204                         |
| Net Assets/Liabilities (-)                        | -7,803                         |                               |                            |                    | 7,803                                 | 0                              |
| Outstanding investment<br>transactions creditors  | -1,122                         |                               |                            |                    | -254                                  | -1,376                         |
| <b>Net assets</b>                                 | <b>671,951</b>                 |                               |                            |                    | <b>10,112</b>                         | <b>680,241</b>                 |

| <b>(Restated)</b>                                 | Value at<br>31.3.2014<br>£'000 | Purchases<br>at cost<br>£'000 | Sales<br>proceeds<br>£'000 | Transfers<br>£'000 | Change in<br>Market<br>value<br>£'000 | Value at<br>31.3.2015<br>£'000 |
|---|--------------------------------|-------------------------------|----------------------------|--------------------|---------------------------------------|--------------------------------|
| Equities  | 358,119                        | 90,816                        | -92,847                    |                    | 47,832                                | 403,920                        |
| Pooled investment vehicles<br>(non bond)          | 136,730                        | 18,251                        | -22,384                    |                    | 19,192                                | 151,789                        |
| Pooled investment vehicles<br>(non bond) -level 3 | 45,814                         | 8,305                         | -4,531                     |                    | 4,070                                 | 53,658                         |
| Pooled investment vehicles<br>(bond)              | 56,654                         | 31,136                        | -31,169                    |                    | 2,308                                 | 58,929                         |
| Derivatives                                       | 1,047                          | 1,074                         | -2,156                     |                    | 35                                    | 0                              |
|   | <b>598,364</b>                 | <b>149,582</b>                | <b>-153,087</b>            | <b>0</b>           | <b>73,437</b>                         | <b>668,296</b>                 |
| Cash/temporary<br>investments                     | 12,659                         |                               |                            |                    | 1,605                                 | 21,002                         |
| Outstanding investment<br>transactions debtors    | 3,344                          |                               |                            |                    | -1,519                                | 1,624                          |
|   | <b>614,367</b>                 |                               |                            |                    |                                       | <b>690,922</b>                 |
| Current Net<br>Assets/Liabilities (-)             | 623                            |                               |                            |                    | -9,901                                | -10,046                        |
| Net Assets/Liabilities (-)                        | -17,700                        |                               |                            |                    | 9,897                                 | -7,803                         |
| Outstanding investment<br>transactions creditors  | -1,040                         |                               |                            |                    | -82                                   | -1,122                         |
| <b>Net assets</b>                                 | <b>596,250</b>                 |                               |                            |                    | <b>73,437</b>                         | <b>671,951</b>                 |

Prior year derivative figures have been restated due to the removal of currency transactions previously included in purchases and sales in the 2014/15 Statement of Accounts. These changes had no overall impact on the net assets.



## (b) Analysis of investments

| 31.3.2015      |   | 31.3.2016      |
|----------------|---|----------------|
| £'000          |   | £'000          |
|                | <b>Equities</b>   |                |
| 125,421        | UK quoted   | 125,847        |
|                | UK unquoted   | 150            |
| 278,499        | Overseas quoted   | 259,983        |
| <b>403,920</b> |   | <b>385,980</b> |
|                | <b>Pooled investment vehicles</b>                               |                |
| 70,663         | Managed funds – UK property unquoted                            | 82,653         |
| 58,929         | Managed funds – Overseas fixed interest unquoted                | 56,040         |
| 53,655         | Managed funds – Overseas limited liability partnership unquoted | 72,316         |
| 68,969         | Unitised insurance policy - Overseas unquoted                   | 63,995         |
| 3              | Unit trusts – UK unquoted                                       | 3              |
| 12,157         | Unit trusts – Overseas unquoted                                 | 11,266         |
| <b>264,376</b> |   | <b>286,273</b> |
| 21,002         | Cash/temporary investments                                      | 16,065         |
| 1,621          | Investment income due   | 1,503          |
| 3              | Amounts receivable for sales                                    | 0              |
| <b>22,626</b>  |   | <b>17,568</b>  |
| <b>690,922</b> | <b>Total investment assets</b>                                  | <b>689,821</b> |
|                | <b>Investment liabilities</b>                                   |                |
| -1,122         | Amounts payable for purchases                                   | -1,376         |
| <b>689,800</b> | <b>Net investment assets</b>                                    | <b>688,445</b> |

## (c) Investments analysed by fund manager

| 31.3.2015      |      | 31.3.2016      |      |
|----------------|------|----------------|------|
| £'000          | %    | £'000          | %    |
| 359,118        | 52.1 | 344,845        | 50.1 |
| 100,927        | 14.6 | 95,072         | 13.8 |
| 75,201         | 10.9 | 82,922         | 12.1 |
| 53,988         | 7.8  | 68,834         | 10.0 |
| 68,969         | 10.0 | 63,995         | 9.3  |
| 31,930         | 4.6  | 29,145         | 4.2  |
| -333           | 0    | 3,482          | 0.5  |
| 0              | 0    | 150            | 0    |
| <b>689,800</b> |      | <b>688,445</b> |      |

All fund managers operating the pooled investment vehicles are registered in the UK.

The managed funds overseas unquoted limited liability partnerships are investments in funds of private equity funds, and an infrastructure fund.

The unit trusts overseas unquoted are investments in the Newton Emerging Markets Fund. However, all the securities held within the Newton Fund are quoted.

The following investments represent more than 5% of the net assets of the scheme

(restated presentation)

| Asset Class / Security Name | Manager       | 31.03.16<br>£'000 | 31.03.16<br>% of inv<br>assets |
|-----------------------------|---------------|-------------------|--------------------------------|
| Standard Life GARS          | Standard Life | 63,995            | 9.3%                           |

| Asset Class / Security Name | Manager       | 31.03.15<br>£'000 | 31.03.15<br>% of inv<br>assets |
|-----------------------------|---------------|-------------------|--------------------------------|
| Standard Life GARS          | Standard Life | 68,969            | 10.0%                          |

#### (d) Stock Lending

No stock was released to a third party during the year.

#### (e) Property holdings

The fund's investment in property portfolio comprises entirely of investments in pooled property funds. The fund does not directly own any property.

### 15 Analysis of Derivatives

#### Objectives and policies for holding derivatives

Most holdings in derivatives are to hedge liabilities or hedge exposures to reduce risk in the fund. Derivatives maybe used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the fund and the various investment managers. No derivatives were used in 2015/16.

### 16 Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and Net Assets Statement heading. No financial assets were reclassified during the accounting period.

#### (a) Classification of financial instruments

| Fair value<br>through profit<br>and loss | Loans and<br>receivables | Financial<br>liabilities at<br>amortised cost      | Fair value<br>through profit<br>and loss | Loans and<br>receivables | Financial<br>liabilities at<br>amortised cost |
|--|--------------------------|--|--|--------------------------|---|
| 31 March 2015<br>(Restated)              |                          |  | 31 March 2016                            |                          |   |
| £'000                                    | £'000                    | £'000  | £'000                                    | £'000                    | £'000   |
| <b>Financial Assets</b>                  |                          |  |  |                          |   |
| 403,920                                  |                          | Equities   | 385,980                                  |                          |   |
| 151,789                                  |                          | Pooled investment vehicles (non bond)              | 157,914                                  |                          |   |
| 53,658                                   |                          | Pooled investment vehicles (non bond) –<br>level 3 | 72,319                                   |                          |   |
| 58,929                                   |                          | Pooled investment vehicles (bond)                  | 56,040                                   |                          |   |
| 0  |                          | Derivatives  | 0  |                          |   |
|  | 21,378                   | Cash   |  | 17,302                   |   |
| 1,624                                    |                          | Other investment balances                          | 1,503                                    |                          |   |

|                |               |                              |                |                |
|----------------|---------------|------------------------------|----------------|----------------|
|                | 938           | Debtors                      |                | 683            |
|                |               | <b>Financial liabilities</b> |                |                |
| -1,122         |               | Other investment balances    | -1,376         |                |
|                |               | -19,163 Creditors            |                | -10,124        |
| <b>668,798</b> | <b>22,316</b> | <b>-19,163 Total</b>         | <b>672,380</b> | <b>17,985</b>  |
|                |               |                              |                | <b>-10,124</b> |

## (b) Net gains and losses on financial instruments

| 2014/15<br>(Restated)<br>£'000 |  | 2015/16<br>£'000 |
|--------------------------------|--|------------------|
|                                | <b>Financial Assets</b>                  |                  |
| <b>73,437</b>                  | <b>Fair value through profit or loss</b> | <b>10,112</b>    |

## (c) Valuation of financial instruments

### Level 1

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified at this level comprise quoted equities, quoted fixed securities, quoted index-linked securities and quoted unit trusts.

### Level 2

Financial instruments at level 2 are those where quoted market prices are not available. This may be where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and those techniques use inputs that are based significantly on observable market data.

### Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. The values of investments in private equity are based on valuations provided by the general partners to the private equity funds which are part of the fund of funds in which Bexley's fund invests. This process is explained in more detail for each Limited Partnership (fund of funds investment arrangement) as follows:-

Level 3 private equity investments may consist of Direct and Indirect equity and debt Investments. Level 3 Indirect Investments are generally valued at the Indirect Investments' net asset values last reported by the Indirect Investments' governing bodies. When the reporting date of such net asset values does not coincide with the Limited Partnership's reporting date, the net asset values are adjusted as a result of cash flows to/from an Indirect Investment between the most recently available net asset value reported, and the end of the reporting period of the Limited Partnership. The valuation may also be adjusted for further information gathered by the Private Equity Manager during its ongoing investment monitoring process. This monitoring process includes, but is not limited to, binding bid offers, non-public information on developments of portfolio companies held by Indirect Investments, syndicated transactions which involve such companies and the application of reporting standards by Indirect Investments which do not apply the principle of fair valuation.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

## Values at 31 March 2016

|  | Level 1<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
|--|------------------|------------------|------------------|----------------|
| <b>Financial Assets</b>  |                  |                  |                  |                |
| Total financial assets at fair value through profit or loss      | 387,483          | 213,954          | 72,319           | 673,756        |
| <b>Financial Liabilities</b>                                     |                  |                  |                  |                |
| Total Financial liabilities at fair value through profit or loss | -1,376           |                  |                  | -1,376         |
| <b>Net financial assets</b>                                      | <b>386,107</b>   | <b>213,954</b>   | <b>72,319</b>    | <b>672,380</b> |

## Values at 31 March 2015

(Restated)

|  | Level 1<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
|--|------------------|------------------|------------------|----------------|
| <b>Financial Assets</b>                                    |                  |                  |                  |                |
| Financial assets at fair value through profit or loss      | 405,544          | 210,718          | 53,658           | 669,920        |
| <b>Financial Liabilities</b>                               |                  |                  |                  |                |
| Financial liabilities at fair value through profit or loss | -1,122           |                  |                  | -1,122         |
| <b>Net financial assets</b>                                | <b>404,422</b>   | <b>210,718</b>   | <b>53,658</b>    | <b>668,798</b> |

## 17 Nature and Extent of Risks Arising from Financial Instruments

The financial instruments used by the Pension Fund involve a variety of financial risks:-

### (a) Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of movements in market prices. Market risk may be sub-divided into interest rate risk, price risk and currency risk, although these are to some extent inter-linked. Given that there has been significant volatility in market prices arising from these three types of risk in recent years, the values used for the sensitivity calculations are nominal ones designed to show the impact of further variations occurring.

- Interest rates may vary which will impact on the valuation of fixed interest holdings. The coupon and the duration of such investments will be spread to minimise this risk.
- Currency risk is the risk that the value of financial instruments will vary with the foreign exchange rate of pounds sterling. This particularly affects the Fund's holdings in overseas equities. This is mitigated by the spread of investments across different countries. The manager will also take this risk into account when making investments, and would hedge the risk where thought necessary.
- Prices of equity and other investments will vary as the prices on the stock exchange respond to factors specific to particular stocks or factors affecting stock markets as a whole. This is mitigated by having a diverse portfolio of investments across different managers, asset classes, countries and industries.

| <b>Risk</b>   | <b>Asset Type</b> | <b>MV<br/>31Mar16</b> | <b>MV<br/>31Mar15</b> | <b>%<br/>movement</b> | <b>£ movement<br/>31Mar16</b> | <b>£ movement<br/>31Mar15</b> |
|---------------|-------------------|-----------------------|-----------------------|-----------------------|-------------------------------|-------------------------------|
| Interest rate | Bonds             | £56.0m                | £58.9m                | +1%                   | £0.6m                         | £0.6m                         |
| Currency      | O/S Equities      | £260.0m               | £278.5m               | 10%                   | £26.0m                        | £27.8m                        |
| Price         | Equities*         | £386.0m               | £403.9m               | 10% gain              | £38.6m                        | £40.4m                        |
| Price         | Bonds*            | £56.0m                | £58.9m                | 10% loss              | (£5.6m)                       | (£5.9m)                       |

\* If equities had been priced 10% lower it is quite likely that bond funds would have been priced 10% higher offsetting the lower valuation.

## **(b) Credit risk**

Credit risk is the risk that counterparties to the financial instruments will fail to pay the amounts due to the Pension Fund, thereby causing financial loss. This may arise if the value of a particular stock falls substantially or if a dividend is not paid out. Investment managers will usually assess this risk when making investments on behalf of the Pension Fund. The market price of investments generally also includes a credit assessment and risk of loss into the valuations. In essence, therefore, the Fund's entire investment portfolio is exposed to some form of credit risk, except the derivatives position where the risk equates to the net market value of a positive derivative position. There is a higher credit risk involved in the Fund's allocation to private equity (10.0% at 31 March 2016 and 7.8% at 31 March 2015) but this risk is accepted as a trade off for potentially higher returns.

The Fund's custodians are tasked with ensuring that dividends are paid when due. If 5% of equity dividends had not been collected in 2015/16 then a loss of income of £506,000 would have occurred (£525,000 in 2014/15). The fund sets an annual treasury management policy for its investment of cash flow balances and deposits are not made unless they meet the credit criteria set. The fund's cash holding under its treasury management arrangements at 31 March 2016 was £1,237,000. This was held with NatWest Bank plc who meet the Council's credit rating criteria. In overall terms the Fund's exposure to credit risk is the carrying amount of the financial assets at 31 March 2016.

## **(c) Liquidity risk**

Liquidity risk is the risk that the Pension Fund might not be able to meet its payment obligations as they fall due (such as pension payments to members). The 2015/16 accounts show that the benefits and administrative expenses paid out exceeded the contributions to the Fund. The balance was met from investment income. However, the majority of the Fund's investments were sufficiently liquid as to be sold to provide additional cash if required. The Fund operates its own separate bank account and the liquidity position is monitored on a day to day basis. The fund is also permitted to borrow for up to 90 days if its cash flow is insufficient to meet short term commitments.

The fund defines liquid assets as those that can be easily converted to cash within three months. Illiquid assets are those assets that will take longer than three months to convert to cash. As at 31 March 2016 the value of illiquid assets was £155m, which represented 23% of total fund assets (31 March 2015: £124m which represented 19% of total fund assets).

## **18 Funding Arrangements**

The fund's actuary carries out a funding valuation every three years to set employer contribution rates for the following triennial period. The last such valuation took place as at 31 March 2013. The valuation took account of the changes to the scheme which came into effect on 1 April 2014, the main elements of which are a move to a career averaged revalued earnings basis and a 1/49th accrual rate for benefits.

The key elements of the funding policy are to:

- enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled and admitted bodies
- manage employers' liabilities effectively
- ensure that sufficient resources are available to meet all liabilities as they fall due, and
- maximise the likelihood of reaching 100% funding on an ongoing basis over the next three valuation periods subject to an acceptable level of downside risk.

At the 2013 actuarial valuation the fund was assessed as 87% funded (87% at the March 2010 valuation). This represented a deficit of £81m (£69m in 2010) at that time. Contribution rates were set for the three year period ending 31 March 2017 for scheme employers and admitted bodies. The common contribution rate (the rate which all employers in the fund pay) was set at 15.0% (12.9% in 2010).

Individual employers' rates vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2013 actuarial valuation report on the fund's website.

## 19 Actuarial Present Value of Promised Retirement Benefits

The actuary's statement for the year is shown below:-

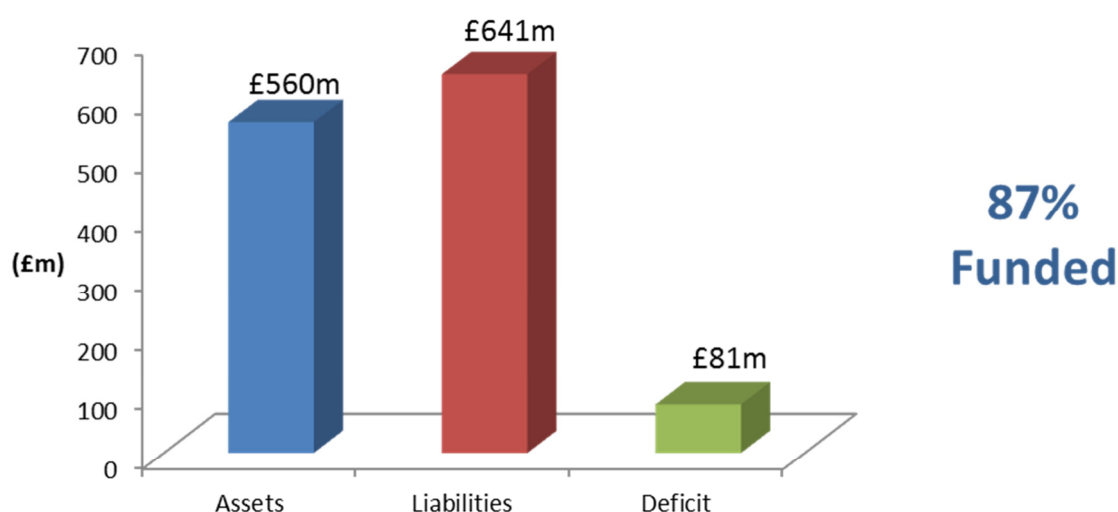
### LONDON BOROUGH OF BEXLEY PENSION FUND

#### *Accounts for the year ended 31 March 2016 - Statement by the Consulting Actuary*

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the London Borough of Bexley Pension Fund was carried out as at 31 March 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £560 million represented 87% of the Fund's past service liabilities of £641 million (the "Funding Target") at the valuation date. The deficit at the valuation date was therefore £81 million.



The valuation also showed that a common rate of contribution of 15.0% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient

in the long term, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allowed for the new LGPS benefit structure which became effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 92% with a resulting deficit of £47 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £3.8 million per annum increasing at 4.1% per annum (equivalent to approximately 5.0% of projected Pensionable Pay at the valuation date) for 14 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

|  | For past service liabilities (Funding Target) | For future service liabilities (Common Contribution Rate) |
|--|---|---|
| Rate of return on investments (discount rate)                                      | 4.95% per annum                               | 5.6% per annum  |
| Rate of pay increases (long term)  | 4.1% per annum*                               | 4.1% per annum  |
| Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension) | 2.6% per annum                                | 2.6% per annum  |

\* allowance was also made for short-term public sector pay restraint over a 6 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

### **Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26**

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2016 (the 31 March 2015 assumptions are included for comparison):



|  | 31 March 2015   | 31 March 2016   |
|--|-----------------|-----------------|
| Rate of return on investments (discount rate)                                      | 3.3% per annum  | 3.6% per annum  |
| Rate of pay increases  | 3.5% per annum* | 3.5% per annum* |
| Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension) | 2.0% per annum  | 2.0% per annum  |

\* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields rose, resulting in a higher discount rate being used for IAS 26 purposes at the year end than at the beginning of the year (3.6% p.a. versus 3.3% p.a.). There was no change in the expected long-term rate of CPI inflation during the year, resulting in the same assumption for pension increases at the year end than at the beginning of the year (2.0% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2015 was estimated as £832 million.

The effect of the changes in actuarial assumptions between 31 March 2015 and 31 March 2016 as described above is to decrease the liabilities by c£43 million. Adding interest over the year increases the liabilities by c£27 million, and allowing for net benefits accrued/paid over the period decreases the liabilities by c£2 million (including any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2016 is therefore £814 million.

**Ian Kirk**

**Fellow of the Institute and Faculty of Actuaries**

**Mercer Limited**

**June 2016**

## **20 Current Assets**

| 2014/15<br>£'000 |   | 2015/16<br>£'000 |
|------------------|---|------------------|
|                  | Debtors   |                  |
| 434              | • Contributions due – employees                 | 464              |
| 445              | • Contributions due – employers                 | 140              |
| 5                | • Contributions due – i.r.o previous employment | 6                |
| 54               | • Sundry debtors                                | 73               |
| 376              | Cash balances                                   | 1,237            |
| <b>1,314</b>     | <b>Total</b>                                    | <b>1,920</b>     |



## Analysis of debtors

| 2014/15    |                                | 2015/16    |
|------------|--------------------------------|------------|
| £'000      |                                | £'000      |
| 32         | Central government bodies      | 30         |
| 329        | Other local authorities        | 41         |
| 1          | NHS bodies                     | 1          |
| 576        | Other entities and individuals | 611        |
| <b>938</b> | <b>Total</b>                   | <b>683</b> |

## 21 Liabilities

### (a) Current Liabilities

| 2014/15        |                                    | 2015/16        |
|----------------|------------------------------------|----------------|
| £'000          |                                    | £'000          |
| -281           | Sundry creditors                   | -378           |
| -181           | Benefits payable                   | -428           |
| -1,001         | Accrued expenses                   | -1,515         |
| -9,897         | Employer contributions prepayments | -7,803         |
| <b>-11,360</b> | <b>Total</b>                       | <b>-10,124</b> |

### Analysis of creditors

| 2014/15        |                                       | 2015/16        |
|----------------|---------------------------------------|----------------|
| £'000          |                                       | £'000          |
| -275           | Central government bodies             | -298           |
| -9,898         | Other local authorities               | -7,803         |
| 0              | Public corporations and trading funds | 0              |
| -1,187         | Other entities and individuals        | -2,023         |
| <b>-11,360</b> | <b>Total</b>                          | <b>-10,124</b> |

### (b) Long Term Liabilities

| 2014/15       |                                   | 2015/16  |
|---------------|-----------------------------------|----------|
| £'000         |                                   | £'000    |
| -7,803        | Employer contributions prepayment | 0        |
| <b>-7,803</b> | <b>Total</b>                      | <b>0</b> |

The 2014/15 long term liability represented advance payments of employer's contributions by the London Borough of Bexley in respect of financial year 2016/17.

## 22 Additional Voluntary Contributions

| 2014/15    |                                      | 2015/16    |
|------------|--------------------------------------|------------|
| £'000      |                                      | £'000      |
| 1,032      | Value of funds at start of year      | 995        |
| 201        | Employees contributions              | 185        |
| 21         | Investment income                    | 13         |
| 20         | Transfers in                         | 0          |
| 39         | Change in market value               | 0          |
| -318       | Benefits paid and transfers out      | -351       |
| <b>995</b> | <b>Value of funds at end of year</b> | <b>842</b> |

## 23 Agency Services

The fund does not pay any discretionary awards to agency services.

## 24 Related Party Transactions

As the London Borough of Bexley administers, and is the largest employer of members in, the pension fund there is a strong relationship between the Council and the fund.

Information in respect of material transactions with related parties is disclosed elsewhere within the Pension Fund accounts. Of particular note is the £316,512 recharge in 2015/16 from the London Borough of Bexley to the Pension Fund included in administration and oversight and governance costs.

The Director of Finance allocates 5% of her time to the Pension Fund. She started on 1 October 2014 and is the only officer that is regarded as holding a key management post in respect of the Pension Fund. In 2015/16 she received salary, fees and allowances totalling £121,855 and benefits in kind of £5,351, giving total remuneration of £127,206 (£127,063 in 2014/15, £62,076 in respect of the Director of Finance and £64,987 in respect of the Director of Finance and Resources).

The Director of Finance contributes 11.4% of her gross salary to the LGPS. The Council also pays a flat rate percentage of employees' pay as employer's contribution. In 2015/16 this contribution was £25,102 in respect of the Director of Finance (£26,125 in 2014/15, £12,274 in respect of the Director of Finance and £13,851 in respect of the Director of Finance and Resources).

No Councillors of the London Borough of Bexley are members of the Local Government Pension Scheme, and neither they, nor officers, can influence the level of benefits from or contributions to the scheme as its terms and conditions are set by statute.

During the year, no Council Members or Designated Officers have undertaken any declarable transactions with the Pension Fund. Each Member of the Pensions Committee is required to declare their interests at each meeting.

All pension fund transactions are recorded in a separate part of the financial ledger system of the administering authority and pass through the pension fund bank accounts.

## 25 Contingent Liabilities and Contractual Commitments

The Pension Fund has a commitment to contribute a further £25.1m to the fund of private equity funds (£33.0m as at 31 March 2015), and a further £16.1m into the infrastructure fund. These contributions will be financed from sales of existing investments. The timing for paying over these commitments over the next few years is uncertain. The overall amount invested in private equity is not expected to change significantly as new drawdowns are likely to be offset by increased distributions.

There were no other material contingent liabilities or contractual commitments at 31 March 2016, or material non-adjusting events subsequent to this.

## **26 Contingent Assets**

One admitted body in the fund holds an insurance bond to guard against the possibility of being unable to meet its pension obligations. This bond is drawn in favour of the fund and payment will be triggered in the event of employer default. It is not clear when or how much of this bond will ever be needed.

# Glossary of Financial Terms

## Accruals

Sums included in the final accounts to cover income and expenditure attributable to the financial year, but for which payments had not been received or made as at 31 March.

## Balances

The capital or revenue reserves of an authority are made up of the accumulated surplus of income over expenditure. Revenue balances may be utilised to provide for unforeseen circumstances or to ensure that payments can be made pending the receipt of income, and may be used to reduce the Council Tax.

## Balance Sheet

This is a statement of the assets and liabilities at the balance sheet date.

## Capital Expenditure

This is expenditure on items deemed to be of value to the Council beyond the end of the financial year, such as the purchase of land and buildings, construction or improvement of buildings.

## Capital Receipts

Generally, capital receipts arise from the sale of capital assets. Receipts are fully spendable and are utilised to finance capital expenditure, unless they are receipts from housing assets which fall under the Government's pooling arrangements. Any receipts below the de minimis level of £10,000 are credited directly to revenue accounts.

## Creditors

Creditors are owed money by the Council for work done, goods received, or services rendered but for which payment had not been made at the date of the balance sheet.

## Current Assets

Assets whose value varies on a day to day basis are called current assets. Usually, these assets will be consumed or realised during the next accounting period (financial year). Stocks (inventories), cash, bank balances and debtors are examples of these assets.

## Current Liabilities

Those amounts which will become payable or could be called upon within the next accounting period e.g. creditors and cash overdrawn.

## Current Value

The current value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

## Debtors

Debtors owe money to the Council at the balance sheet date.

## Depreciation

The measure of the cost or revalued amount of the benefits of the fixed asset (non-current asset) that have been consumed in the period.

## Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities, for example, trade payables, loans receivable and investments.

## Impairment

A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

## Intangible Assets

Non-financial non-current assets that do not have physical substance but are identifiable and are controlled by the authority, for example, purchased software licences, patents and trademarks.

**International Financial Reporting Standard (IFRS)**

IFRSs set out the accounting standards that need to be followed in the preparation of statutory accounts.

**Long Term Borrowing**

This is defined as borrowing from external sources for more than a year.

**Minimum Revenue Provision (MRP)**

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

**Non-current Assets**

Capital assets such as land and buildings with a realisable value comprise the Council's non-current assets (under IFRSs). These were previously known as fixed assets.

**Precepts**

Precepts are charges made on the Collection Fund by the Greater London Authority and this Council's General Fund.

**Provisions**

These are amounts set aside for future liabilities that often cannot be quantified accurately.

**Recharges**

The transfer of costs from one account to another.

**Related Party Transactions**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a price is charged. The principal issue is the degree of control or influence by one party over the other. For transactions disclosed elsewhere in these accounts, a related party with this Council is either with a Member of the Council's Cabinet or a senior officer of the Council.

**Revenue Expenditure**

Payments made for items such as staff salaries, goods and services arising from the day to day operation of the Council's services and capital charges are included in revenue expenditure.

**Revenue Support Grant**

This is the general grant paid by the Government to local authorities, which takes account of the amount expected to be raised through Council Tax and business rates.

**Work in Progress**

The cost of work done on an uncompleted project at the year end which had not been recharged at the balance sheet date is termed work in progress.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF BEXLEY**

We have audited the financial statements of London Borough of Bexley (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

### **Respective responsibilities of the Director of Finance and auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

## **Opinion on other matters**

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

## **Matters on which we are required to report by exception**

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

## **Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

### **Respective responsibilities of the Authority and auditor**

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 to review regularly the adequacy and effectiveness of these arrangements.

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

## **Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2016. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

*Darren Wells*

Darren Wells  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
Grant Thornton UK LLP  
Fleming Way  
Manor Royal  
Crawley  
RH109GT

29 September 2016



## **Independent auditor's report to the members of London Borough of Bexley on the consistency of the Pension fund financial statements included in the Pension fund annual report**

The accompanying pension fund financial statements of London Borough of Bexley (the "Authority") for the year ended 31 March 2016 which comprise the Pension Fund Account, including the net assets statement, and the related notes are derived from the audited pension fund financial statements for the year ended 31 March 2016 included in the Authority's Statement of Accounts. We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 29 September 2016. The pension fund annual report, and the pension fund financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements is not a substitute for reading the audited Statement of Accounts of the Authority.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Director of Finance responsibilities for the Pension fund financial statements in the Pension fund annual report**

Under the Local Government Pension Scheme Regulations 2013 the Director of Finance is responsible for the preparation of the pension fund financial statements, which must include the fund account, the net asset statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Authority Statement of Accounts and the pension fund annual report are set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

## **Auditor's responsibility**

Our responsibility is to state to you whether the pension fund financial statements in the pension fund annual report are consistent with the pension fund financial statements in the Authority's Statement of Accounts in accordance with International Standard on Auditing 810, Engagements to Report on Summary Financial Statements.

In addition we read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of the Investment Policy and Performance, Management and Financial Performance, Scheme Administration, Actuarial Position, Contributions analysis, Governance Compliance, Funding Strategy, Investment Principles, Communications Policy.

## **Opinion**

In our opinion, the pension fund financial statements in the pension fund annual report derived from the audited pension fund financial statements in the Authority Statement of Accounts for the year ended 31 March 2016 are consistent, in all material respects, with those financial statements in accordance with proper practices as defined in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

***Darren Wells***

**Darren Wells**

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

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RH10 9GT

29 September 2016

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF BEXLEY**

We have audited the pension fund financial statements of London Borough of Bexley (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Pension Fund Account, including the net assets statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

### **Respective responsibilities of the Director of Finance and auditor**

As explained more fully in the Statement of Responsibilities for the Pension Fund Accounts, the Director of Finance is responsible for the preparation of the Authority's Statement of Accounts, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the pension fund financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts and Annual Governance Statement to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

### **Opinion on the pension fund financial statements**

In our opinion the pension fund financial statements:

- present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and of the amount and disposition at that date of the fund's assets and liabilities, and

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

### **Opinion on other matters**

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts is consistent with the audited pension fund financial statements.

***Darren Wells***

**Darren Wells**  
**for and on behalf of Grant Thornton UK LLP, Appointed Auditor**

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29 September 2016