

LONDON BOROUGH OF BEXLEY

**STATEMENT OF ACCOUNTS
2014/15**

September 2015



Contents

	Page
Explanatory Foreword	1
Statement of Responsibilities	10
Approval of the Accounts	11
Movement in Reserves Statement	12
Comprehensive Income and Expenditure Statement	13
Balance Sheet	14
Cash Flow Statement	15
Notes to the Financial Statements -	
Note 1 Accounting Policies	16
Note 2 Accounting Standards Issued, Not Adopted	36
Note 3 Critical Judgements in Applying Accounting Policies	36
Note 4 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty	37
Note 5 Material Items of Income and Expense	38
Note 6 Post Balance Sheet Events	38
Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations	40
Note 8 Property, Plant and Equipment	42
Note 9 Investment Properties	46
Note 10 Intangible Assets	47
Note 11 Assets Held for Sale	48
Note 12 Capital Expenditure and Capital Financing	49
Note 13 Impairment Losses	49
Note 14 Financial Instruments	50
Note 15 Inventories	51
Note 16 Debtors	52
Note 17 Cash and Cash Equivalents	52
Note 18 Creditors	52
Note 19 Provisions	53
Note 20 Usable Reserves	55
Note 21 Unusable Reserves	59
Note 22 Amounts Reported for Resource Allocation Decisions	64
Note 23 Staff Remuneration	69
Note 24 Members' Allowances	72
Note 25 External Audit Costs	72
Note 26 Pooled Budgets	73
Note 27 PFI/PPP Contracts	73
Note 28 Dedicated Schools Grant	75
Note 29 Government Grants	76
Note 30 Related Party Transactions	77
Note 31 Leases	79
Note 32 Termination Benefits	82
Note 33 Pension Schemes Accounted for as Defined Contribution Schemes	82
Note 34 Defined Benefit Pension Schemes	82
Note 35 Contingent Liabilities	89
Note 36 Contingent Assets	90
Note 37 Nature and Extent of Risks Arising from Financial Instruments	90
Note 38 Long Term Debtors	94
Note 39 Capital Grants Receipts in Advance	94
Note 40 Deferred Liabilities	94

Note 41 Heritage Assets	95
Collection Fund and notes	100
Pension Fund and notes	103
Glossary of Financial Terms	129
Audit Opinions	131

Explanatory Foreword

Introduction

Bexley's Statement of Accounts for 2014/15 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 2014/15 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 foreword 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 the 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 2011 UK Census gave an estimated population for Bexley of 232,000, an increase of 14,000 since the last census.

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 2014/15 was £522m of which £102m related to spending on schools and a further £96m related to benefit payments. Income came principally from the Government (£279m), Council Tax (£87m) and business rates (£33m) with the balance from charges for services and other minor sources.

The Council's Corporate Aims and Objectives

The worldwide economic downturn 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 2015 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 £96m and Benefits subsidy of £98m) 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 published on the Council's website projected a small net overspend of £0.405m. Underspendings totalling £2.955m have been identified since that time, mainly through early delivery of future planned savings. The July 2014 pay award for senior employees had not been agreed by the end of the financial year. An allowance of £0.4m had been included in the Contingency Provision to meet the anticipated cost in the year and this sum will need to be carried forward to fund backdated payments. Following the procedure adopted in previous years, the net underspending of £2.150m has been transferred to the Financial Planning Reserve.

The final approved General Fund budget for net expenditure in 2014/15 was therefore £169.249m whereas the actual amount charged was £166.517m. After allowing for the contingency budget carry forward and the transfer to the Financial Planning Reserve, the unallocated General Fund balance at 31 March 2015 was unchanged during the year and stood at £12.740m.

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 overspendings into future years.

	Final Budget (1)	Actual Expend. (2)	Variation (2) – (1)
	£'000	£'000	£'000
Net Expenditure on Services	198,344	198,129	-215
Financing Costs & Movements in Reserves	-39,622	-39,622	-
Contingency Provision	2,484	-	-2,484
London Wide Payments	8,043	8,010	-33
Total to be financed	169,249	166,517	-2,732
Income from RSG/NNDR/Council Tax	-169,249	-169,067	182
Shortfall/ surplus (-) for year	-	-2,550	-2,550
Less:			
Contingency budget carried forward			400
Net underspending			-2,150
Transfer to Financial Planning Reserve			2,150
Net change in unallocated General Fund Balance			-

Significant variations in spending against the budget include temporary accommodation/ private sector leasing (£1.25m); adoption, fostering, special guardianship and residence orders (£1.13m); Learning Disability Services (£0.798m); Deprivation of Liberty Safeguards and Best Interest Assessments (£0.473m) as well as underspends on Community Based Services (-£1.11m); devolved staffing budgets (-£0.694m) and residential and nursing care (-£0.5m).

After the inclusion of schools, the Adult Education College and earmarked balances, the General Fund overall shows a net deficit for the year of £1.871m, however, the accounting position presented in the CIES shows a deficit for the year of £44.301m. 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 £1.871m, 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 £23.152m 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 2014/15.
- A charge for revenue expenditure funded from capital under statute (REFCUS). A charge of £2.642m 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 £10.914m 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 £15.435m 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 charge of £87.104m arising from actuarial losses in the year. Actuarial losses 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 £3.865m. 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 £20.710m 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 (£4.546m), which is an amount set aside from revenue to repay debt, and direct revenue financing of capital expenditure (£1.182m). 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	26,970
Investment Properties	0
Intangible Assets	540
Heritage Assets	72
Revenue Expenditure funded from Capital	7,337
Total Capital Investment	34,919
Sources of Finance	
Capital Receipts	-14,279
Grants and Contributions	-19,458
Direct Revenue Financing	-1,182
Minimum Revenue Provision	-4,546
Total Sources of Finance	-39,465
Reduction in Capital Financing Requirement	-4,546

All slippage in spending of the approved Capital Programme will be rolled into 2015/16 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 2014/15.

The Council has not incurred any material liabilities in 2014/15 and there were no material or unusual charges or credits included in the accounts.

Financial Position at 31 March 2015

The net worth (total reserves) of the Council is shown in the Balance Sheet and has reduced by £62.239m over the year to £366.423m. 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 2015 is £572.662m. During the year the Council undertook additional capital expenditure as explained above including completing the major renovations to the new Civic Offices at 2 Watling Street, a new Adult Education Learning Centre and completing the Howbury Project which encompassed school renovations, a new community centre and library. The Council also

completed expansions at a number of schools including Gravel Hill, Old Bexley, Pearsewood and Christ Church.

During the year, the Council received total proceeds from disposals of land, buildings and repayments of mortgage advances of £23.185m. The largest elements related to the final tranche in respect of the former Civic Offices site (£11.876m) and the sale of the Hillview site (£6.854m). 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 £8.376m on its Capital Grants Unapplied Reserve at 31 March 2015. There were £8.854m capital receipts unapplied at 31 March 2015.

(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 £131.121m at 31 March 2015; an increase of £40.908m since 31 March 2014. 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 2015 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 2014/15.

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 March 2015 £m
Financing	10.041
Service Support and Development	7.380
Financial Planning	7.208
Reorganisation	5.036
Insurance	4.174
Information Technology	1.651
Income Collection	1.043
Broadway Shopping Centre	502
Stock Transfer Warranties	483
Other Earmarked	2.337
	39.855

The Unapplied Capital Grants reserve relates to grants which will be applied to fund capital expenditure in 2015/16 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 2015 the Council had outstanding borrowing of £103.128m. 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 27 schools to academies between 2010/11 and 2013/14; a further 3 schools transferred to academy status in 2014/15. Two more schools have transferred to academy status since 1 April 2015 and further schools are likely to become academies in 2015/16. 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.

The sale of the third and final tranche of the Howbury site was completed on 31 July 2015 and the Council received £5.2m for the site.

Significant Prior Period Adjustments and Changes in Accounting Policies

There were no prior period adjustments in 2014/15.

Financial Outlook 2015/16 onwards

(a) Outlook for Public Sector Funding

The country's economic position has led to significant cuts in the resources made available for local government. The Council's response to this was Strategy 2014 which has delivered savings across the whole Council so that reductions in Government grant could be dealt with in a measured and structured fashion. Most savings have now been achieved and the Programme is on track to deliver overall savings of £35.5m. Savings with a full year impact of £11.4m were subsequently agreed for 2014/15 and further savings totalling £19.1m agreed for 2015/16.

All forecasters project further reductions in the resources for local government over the next few years and the Spending Round for 2015/16 published by the Government in June 2013 set out further reductions in support to local government. On this basis, Bexley estimates that the further savings needed by 2018/19 will be around £30m. However, there are no local authority specific figures for government financial support for any forward year and whilst it is anticipated that the position will become clearer over the coming months, it may reveal a worsened financial position than currently anticipated.

The Council is now working on Strategy 2018 which is developing savings options to address this challenging position. Proposals for savings will be brought before the Cabinet later in the year.

(b) Review of Local Government Finance System

In addition to reductions in public sector funding, the Government introduced major changes to the system of local government finance from 1 April 2013 which result in additional financial risk for the Council.

Under the localisation of business rates, any growth or reduction in the rate base is shared with the Government and (in London) the Greater London Authority. The Council's share of all such changes is 30% and introduces a new volatility to the Council's income. In addition, the Council bears a share of the cost of outstanding appeals against rateable value at 1 April 2013, many of which go back several years. At 31 March 2015, there was a deficit of £2.7m on the Collection Fund relating to business rates which is largely due to an increased cost of empty property relief.

The abolition of Council Tax Benefit and its replacement with a Council Tax Discount Scheme from 1 April 2013 means that a number of households are now responsible for paying an element of their Council Tax for the first time. This proportion was 5% in 2013/14 but will grow to 15% from 1 April 2015 and requires the collection of fairly small amounts of Council Tax from less well-off households. It also means that the cost of any increase in the claimant base falls on the Council as the Government financial support has been consolidated into Revenue Support Grant and fixed. Therefore, any future increases in the level of Council Tax will generate lower additional income than previously.

On 1 April 2013, the Government introduced changes to school funding. The aim is to simplify the process, make it more transparent and improve consistency of funding for schools (including academies) in different local authority areas. During the next Spending Review period, the government intend to introduce a new national funding formula; the effects of this on funding for Bexley's schools cannot yet be determined.

(c) New Statutory Requirements and Transfer of Functions

There are no significant new statutory requirements or transfer of functions that will affect the Council in 2015/16.

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 2015/16 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 web site, <http://www.bexley.gov.uk>

Alison Griffin
Director of Finance
24 September 2015

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:-

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

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 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 2015.

Alison Griffin
Director of Finance
24 September 2015

Approval of the Accounts

I certify that the Statement of Accounts for 2014/15 has been approved by resolution of the Audit Committee of the London Borough of Bexley.

Councillor Joseph Pollard
Chairman, Audit Committee
24 September 2015

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	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves of the Authority
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2013	26,798	58,423	0	30,083	115,304	240,559	355,863
Movement in reserves during 2013/14							
Surplus or deficit (-) on the provision of services	-29,157	0	0	0	-29,157	0	-29,157
Other comprehensive income and expenditure	0	0	0	0	0	101,956	101,956
Total comprehensive income and expenditure	-29,157	0	0	0	-29,157	101,956	72,799
Adjustments between accounting basis and funding basis under regulations (Note 7)	21,110	0	0	-17,859	3,251	-3,251	0
Net increase or decrease (-) before transfers to earmarked reserves	-8,047	0	0	-17,859	-25,906	98,705	72,799
Transfers to or from earmarked reserves	7,206	-7,206	0	0	0	0	0
Increase or decrease (-) in year	-841	-7,206	0	-17,859	-25,906	98,705	72,799
Balance at 31 March 2014	25,957	51,217	0	12,224	89,398	339,264	428,662
Movement in reserves during 2014/15							
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
Total comprehensive income and expenditure	-44,301	0	0	0	-44,301	-17,915	-62,216
Adjustments between accounting basis and funding basis under regulations (Note 7)	39,903	0	8,854	-3,848	44,909	-44,932	-23
Net increase or decrease (-) before transfers to earmarked reserves	-4,398	0	8,854	-3,848	608	-62,847	-62,239
Transfers to or from earmarked reserves	2,527	-2,527	0	0	0	0	0
Increase or decrease (-) in year	-1,871	-2,527	8,854	-3,848	608	-62,847	-62,239
Balance at 31 March 2015	24,086	48,690	8,854	8,376	90,006	276,417	366,423

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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. The 2013/14 figures have been restated following revised CIPFA guidance in 2014/15 regarding the accounting treatment of writing out non current assets when schools transfer to academies.

2013/14 (Restated)			2014/15		
Gross Expenditure £'000	Gross Income £'000	Net Continuing Operations Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
177,411	-121,732	55,679 Children's and Education Services	179,075	-117,621	61,454
27,301	-8,856	18,445 Highways and Transport Services	30,230	-9,153	21,077
111,894	-103,222	8,672 Housing Services	115,611	-105,330	10,281
77,979	-23,236	54,743 Adult Social Care	80,067	-28,116	51,951
6,142	-6,125	17 Public Health	6,513	-8,439	-1,926
15,434	-2,972	12,462 Cultural and Related Services	17,388	-4,741	12,647
29,894	-5,914	23,980 Environment and Regulatory Services	27,195	-6,793	20,402
7,671	-368	7,303 Planning Services	9,012	-1,807	7,205
9,410	0	9,410 Corporate and Democratic Core	25,441	0	25,441
-1,757	0	-1,757 Non Distributed Costs (Note 34)	-58	0	-58
4,363	-2,085	2,278 Central Services	4,772	-2,369	2,403
465,742	-274,510	191,232 Cost of Services	495,246	-284,369	210,877
Other Operating Expenditure					
893	-22	871 Precepts and Levies	874	-36	838
12	0	12 Payments to the Housing Capital Receipts Pool	11	0	11
0	-10,824	-10,824 Gains (-) or losses on the disposal of non-current assets	0	-3,865	-3,865
Financing and Investment Income and Expenditure					
8,127	0	8,127 Interest payable and similar charges	7,927	0	7,927
6,017	0	6,017 Net interest on the net defined benefit liability (Note 34)	3,454	0	3,454
0	-2,051	-2,051 Interest income	0	-1,080	-1,080
0	-2,119	-2,119 Income and expenditure and changes in the fair value of investment properties (Note 9)	0	-4,487	-4,487
20,197	0	20,197 Notional loss on academy transfers	14,520	0	14,520
0	0	0 Other investment income	0	-41	-41
Taxation and Non-Specific Grant Income					
0	-84,402	-84,402 Council Tax income	0	-86,858	-86,858
0	-32,295	-32,295 Non-domestic rates income and top-up grant	0	-33,450	-33,450
0	-60,740	-60,740 Non-ringfenced Government grants (Note 29)	0	-52,631	-52,631
0	-4,868	-4,868 Capital grants and contributions (Note 29)	0	-10,914	-10,914
500,988	-471,831	29,157 Surplus (-) or Deficit on the provision of services	522,032	-477,731	44,301
		-37,414 Surplus (-) or deficit on revaluation of non-current assets (Note 21)			-19,904
		Impairment losses on non-current assets charged to the revaluation reserve (Note 13)			0
		-46,496 Remeasurements of the net defined benefit liability (Note 34)			37,819
		-17,700 Prepayment of pension contributions (Note 1.29)			0
		-101,956 Other Comprehensive Income and Expenditure			17,915
		-72,799 Total Comprehensive Income and Expenditure			62,216

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 2014	Notes	31 March 2015
£'000		£'000
	8	
Property, plant and equipment		
295,295 Land and buildings		310,124
5,738 Vehicles, plant and equipment		5,779
161,019 Infrastructure		165,247
6,962 Community assets		7,459
49,908 Assets under construction		1,168
2,552 Surplus assets not held for sale		11,102
32,840 Heritage assets	41	35,339
33,123 Investment property	9	35,226
990 Intangible assets	10	1,218
5,000 Long-term investments	14	10,041
23,045 Long-term debtors	38	12,941
616,472 Total Long Term Assets		595,644
44,996 Short-term investments	14	26,175
808 Inventories	15	996
56,631 Short-term debtors	16	57,790
0 Assets held for sale	11	0
11,803 Cash and cash equivalents	17	29,842
114,238 Total Current Assets		114,803
-12,142 Bank overdraft	17	-10,326
-529 Short-term borrowing	14	-529
-48,170 Short-term creditors	18	-50,929
-2,081 Provisions	19	-2,659
-515 Capital grants receipts in advance	39	-382
-63,437 Total Current Liabilities		-64,825
-3,585 Provisions	19	-3,809
-102,628 Long-term borrowing	14	-102,613
Other long-term liabilities		
-90,213 Net pensions liability	34	-131,121
-37,146 Deferred liabilities	40	-35,889
-5,039 Capital grants receipts in advance	39	-5,767
-238,611 Total Long Term Liabilities		-279,199
428,662 TOTAL NET ASSETS		366,423
89,398 Usable reserves	20	90,006
339,264 Unusable reserves	21	276,417
428,662 TOTAL RESERVES		366,423

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.

2013/14 £'000		2014/15 £'000
	Operating Activities	
-107,554	Taxation	-106,865
-298,040	Grants	-290,209
-7,965	Sales of goods and rendering of services	-27,975
-2,717	Interest received	-2,378
0	Dividends received	0
-12,960	Other receipts from operating activities	-24,169
-429,236	Cash inflows generated from operating activities	-451,596
108,007	Cash paid to and on behalf of employees	108,072
95,893	Housing Benefit paid out	96,480
15	Payments to the Capital Receipts Pool	9
217,393	Cash paid to suppliers of goods and services	219,836
4,770	Interest paid	4,774
22,990	Other payments for operating activities	22,796
449,068	Cash outflows generated from operating activities	451,967
19,832	Net cash flows from operating activities	371
	Investing Activities	
57,308	Purchase of property, plant and equipment, heritage assets, investment property and intangible assets	30,645
40,500	Purchase of short-term and long-term investments	54,545
0	Other payments for investing activities	0
-11,237	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-21,518
-63,000	Proceeds from short-term and long-term investments	-68,045
-15,290	Other receipts from investing activities	-13,698
8,281	Net cash flows from investing activities	-18,071
	Financing Activities	
-8,000	Cash receipts of short- and long-term borrowing	0
0	Other receipts from financing activities	-5,367
3,382	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	3,181
8,031	Repayments of short- and long-term borrowing	31
2,364	Other payments for financing activities	0
5,777	Net cash flows from financing activities	-2,155
33,890	Net increase (-) or decrease in cash and cash equivalents	-19,855
33,551	Cash and cash equivalents at the beginning of the reporting period	-339
-339	Cash and cash equivalents at the end of the reporting period	19,516

NOTES TO THE ACCOUNTS

1 Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 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 2014/15 (the Code) and the Service Reporting Code of Practice 2014/15, 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 3.2% (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 fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value
- The change in the net pensions liability is analysed into the following components:
 - Service cost comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the 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 2013/14 or 2014/15.

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 fair value. They are subsequently measured at their amortised cost or fair 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 fair 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 (TIC) Limited, 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 2014/15 are not material for the Financial Statements and therefore the Council has not produced group accounts. TIC had a profit of £11,059 in 2014/15 (profit of £3,013 in 2013/14) and net liabilities of £457,863 as at 31 March 2015 (net liabilities of £468,923 as at 31 March 2014). Further details of transactions between the London Borough of Bexley and the Thames Innovation Centre Limited are given in the Related Party Transactions note.

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 2014/15.

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 fair 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, fair value is interpreted as market value. The fair 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 fair 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 fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the 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 2014/15 (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 IAS16. 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 fair 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 fair value. The difference between fair 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 – fair 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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 2014/15. 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 fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of 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 (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 fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment 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:

- fair 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, 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. From 1 April 2013 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

The Code of Practice on Local Authority Accounting for 2015/16 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2015. If these had been adopted for 2014/15 there would be no material changes to the Statement of Accounts as detailed below.

IFRS 13 Fair Value Measurement - this standard introduces a new definition of fair value, which will require PPE assets to be valued at their 'highest and best use'. The standard requires prospective application, so no prior year restatements are required. The main impact is likely to be in relation to Surplus Assets which will need to be revalued to reflect their highest and best use. The current value of Surplus Assets is £11m and any change as a result of IFRS13 is not anticipated to be material. IFRS 13 will require enhanced disclosure notes on asset valuations.

IFRIC 21 Levies – this standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC clarifies the recognition point for payment of levies as the activity that triggers payment of the levy. This is not expected to have any impact of the Council, as this is already current accounting practice.

Annual Improvements to IFRSs (2011 to 2013 Cycle) – these improvements are minor, principally providing clarification and will not have a material impact on the Statement of 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 £5.036m as at 31 March 2015.
- 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 2015 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. 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 2015 was £572.662m.
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 £56m, but a 0.5% increase in the inflation assumption would result in a pensions liability increase of £57m. The total carrying amount of the Pensions Liability in the Balance Sheet as at 31 March 2015 was £131.121m.</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 2015, the Council had a balance of sundry debtors of £32.9m. A review of balances has suggested that an impairment of doubtful debts of 42% (£13.9m) 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 £1.4m.

This list does not include assets and liabilities that are carried at fair 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 2014/15.

6 Post Balance Sheet Events

The Statement of Accounts was authorised for issue by the Director of Finance on 24 September 2015. 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 2015, 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 2015 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 27 schools to academies between 2010/11 and 2013/14; a further 3 schools transferred to academy status in 2014/15. Seven more schools have transferred to academy status since 1 April 2015 and further schools are likely to become academies in 2015/16. 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.

The sale of the third and final tranche of the Howbury site was completed on 31 July 2015 and the Council received £5.2m for the site.

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.

2014/15

	General Fund Balance	Usable Reserves		Capital Grants Unapplied	Unusable Reserves
		Earmarked General Fund Reserves	Capital Receipts Reserve		
	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account:					
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	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
Adjustments involving the Capital Receipts Reserve:					
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
Adjustments involving the Deferred Capital Receipts Reserve:					
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
Adjustments involving the Financial Instruments Adjustment Account:					
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
Adjustments involving the Pensions Reserve:					
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
Adjustments involving the Collection Fund Adjustment Account:					
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	-811	0	0	0	811
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
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
Total Adjustments	39,903	0	8,854	-3,848	-44,932

2013/14 Comparative Figures

Restated for amended presentation of capital receipts and gain/ loss on disposal

	General Fund Balance	Usable Reserves		Capital Grants Unapplied	Unusable Reserves
		Earmarked General Fund Reserves	Capital Receipts Reserve		
	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)					
Charges for depreciation and impairment of non current assets	19,808	0	0	0	-19,808
Deferred income written down	-339	0	0	0	339
Revaluation losses on Property, Plant and Equipment	202	0	0	0	-202
Movements in the market value of Investment Properties	-169	0	0	0	169
Amortisation of intangible assets	287	0	0	0	-287
Capital grants and contributions	-4,868	0	0	-17,859	22,727
Revenue expenditure funded from capital under statute	1,017	0	0	0	-1,017
Amounts of non current assets written off on disposal or sale as part of the gain/ loss on disposal to the CIES	2,143	0	0	0	-2,143
Write out of non current assets - notional loss on academy transfers	20,198	0	0	0	-20,198
Aborted scheme costs	2				-2
Insertion of items not debited or credited to the CIES					
Statutory provision for the financing of capital investment	-7,707	0	0	0	7,707
Capital expenditure charged against the General Fund	-1,331	0	0	0	1,331
Adjustments involving the Capital Receipts Reserve:					
Transfer of sale proceeds credited as part of the gain/ loss on disposal to the CIES	-13,242	0	13,242	0	0
Amounts used to fund disposal costs of non current assets	275	0	-275	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	-13,288	0	13,288
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	12	0	-12	0	0
Adjustments involving the Deferred Capital Receipts Reserve:					
Transfer of deferred sale proceeds	0	0	333	0	-333
Write down of finance lease long term debtors	-149	0	0	0	149
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	140	0	0	0	-140
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES	17,176	0	0	0	-17,176
Employer's pension contributions	-12,078	0	0	0	12,078
Adjustments involving the Collection Fund Adjustment Account:					
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	-432	0	0	0	432
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
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	165	0	0	0	-165
Total Adjustments	21,110	0	0	-17,859	-3,251

8 Property, Plant and Equipment

Movements in 2014/15	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra- structure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000	PFI Assets in PPE £'000
Cost or valuation								
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
At 31 March 2015	340,925	12,778	225,033	7,459	12,304	1,168	599,667	42,312
Accumulated Depreciation and Impairments								
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
At 31 March 2015	30,801	6,999	59,786	0	1,202	0	98,788	3,345
Net Book Value								
Balance Sheet amount at 31 March 2014	295,295	5,738	161,019	6,962	2,552	49,908	521,474	34,220
Balance Sheet amount at 31 March 2015	310,124	5,779	165,247	7,459	11,102	1,168	500,879	38,967

8 Property, Plant and Equipment

Movements in 2013/14	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra- structure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000	PFI Assets in PPE <i>Restated</i> £'000
Cost or valuation								
At 1 April 2013	298,881	19,907	204,336	6,754	1,521	22,868	554,267	34,778
Additions	14,607	1,290	7,845	208	27	36,616	60,593	261
Donations	0	0	0	0	0	0	0	0
Revaluations increases/(decreases) recognised in the Revaluation Reserve	33,086	0	0	0	89	0	33,175	3,371
Revaluations increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-1,306	0	0	0	0	0	-1,306	0
Impairments recognised in the Revaluation Reserve	-474	0	0	0	0	0	-474	0
Impairments recognised in the Surplus/ Deficit on the Provision of Services	-520	0	0	0	0	0	-520	0
Derecognition - Disposals	0	0	0	0	0	0	0	0
Derecognition - Other	-21,581	-5,278	0	0	-28	0	-26,887	-234
Assets reclassified (to)/from Held for Sale	-2,211	0	0	0	-30	0	-2,241	0
Reclassifications and transfers	5,335	0	3,185	0	1,040	-9,576	-16	0
At 31 March 2014	325,817	15,919	215,366	6,962	2,619	49,908	616,591	38,176
Accumulated Depreciation and Impairments								
At 1 April 2013	27,554	12,131	49,140	0	34	0	88,859	3,247
Charge for 2013/14	10,897	3,161	5,207	0	49	0	19,314	943
Depreciation written out to the Revaluation Reserve	-4,773	0	0	0	-158	0	-4,931	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	-1,104	0	0	0	0	0	-1,104	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	-128	0	0	0	0	0	-128	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-26	0	0	0	0	0	-26	0
Derecognition - Disposals	0	0	0	0	0	0	0	0
Derecognition - Other	-1,551	-5,111	0	0	0	0	-6,662	-234
Reclassifications and transfers	-347	0	0	0	142	0	-205	0
At 31 March 2014	30,522	10,181	54,347	0	67	0	95,117	3,956
Net Book Value								
Balance Sheet amount at 31 March 2013	271,327	7,776	155,196	6,754	1,487	22,868	465,408	31,531
Balance Sheet amount at 31 March 2014	295,295	5,738	161,019	6,962	2,552	49,908	521,474	34,220

PFI Assets in PPE have been restated to take account of the upward revaluation done as part of the finalisation of the 2013/14 Accounts.

8 Property, Plant and Equipment (PPE)

Schools

Following the implementation in the 2014/15 Code of IFRS 10, Consolidated Financial Statements, and its implication for schools accounts, the Council reviewed its treatment of school assets, in particular those of voluntary aided schools. The Council reviewed land registry information and contacted the relevant religious bodies in order to determine whether control of the assets of the voluntary aided schools within the Borough rested with the school or the relevant Diocesan Board. 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 accrued at year end does not attract capital charges until the following year.

Capital Commitments

Significant capital expenditure commitments due after the year end are listed below. The threshold for significant commitments has been increased in 2014/15 to £0.250m and therefore the 31 March 2014 figures have been restated to take account of this.

31.3.14	31.3.15
<i>Restated</i>	
£'000	£'000
2,355 New Civic Accommodation	0
333 Longlands Primary School	0
6,321 Primary Schools Expansion	0
481 Marlborough/ Chislehurst & Sidcup	650
664 Northwood School	17
710 Haberdashers Academy	406
434 Marlborough - Additional Classrooms	0
2,965 Adult Education Programme	421
390 Early Intervention Module	245
4,785 Howbury Project	0
444 Sidcup Town Centre	88
0 Street Services Fleet Replacement	5,594
0 Lesnes Abbey Woods	3,472
19,882 TOTAL	10,893

Revaluations

The Council carries out a rolling programme that ensures that all property assets are revalued at fair 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 fair 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 2014/15, as part of the Council's rolling 5 year revaluations programme, all of the assets within the Other Land and Buildings' asset categories of leisure centres and facilities and park buildings were revalued. A 20% sample of schools assets was also revalued and the impact assessed in relation to the remaining schools assets. 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, youth centres, children's centres, cemeteries, car parks, social care 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 fair value as at 31 March 2015. The review of the asset categories also included surplus assets.

In 2014/15 the new civic centre at 2 Watling Street was completed and valued on the basis of fair value (existing use) for office accommodation. The valuation reflects market conditions and demand for office accommodation within the Borough. This has resulted in a reduction from the cost basis used during the refurbishment process.

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

The significant assumptions applied in estimating the fair 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 fair 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 Land and Buildings	Vehicles, Plant and Equipment	Infra-structure	Community Assets	Surplus Assets	Assets Under Construction	Total PPE
Carried at Historical Cost	0	5,779	165,247	7,459	0	1,168	179,653
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 2015	310,124	0	0	0	11,102	0	321,226
As at 31 March 2015	310,124	5,779	165,247	7,459	11,102	1,168	500,879

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 Regeneration and Assets section undertake an annual review of the Council's Investment Property Portfolio, focusing on the most significant assets within the portfolio. In 2014/15 this involved three of the portfolio's key investment properties – Broadway Shopping Centre, Broadway Square and Webster House were reviewed and subsequently revalued. The work was carried out by Graham Muirhead MRICS, Principal Valuer, from the Council's Regeneration and Assets section. The basis of valuation was fair value as defined under International Financial Reporting Standards, following guidance in the RICS Valuation Standards Manual 8th Edition.

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

2013/14		2014/15
£'000		£'000
32,932	Balance at 1 April	33,123
	Additions:	
0	Purchases	0
0	Construction	0
8	Subsequent expenditure	0
0	Disposals	-438
169	Net gains/losses from fair value adjustments	2,541
	Transfers:	
0	To/from Inventories	0
14	To/from Property Plant and Equipment	0
0	Other changes	0
33,123	Balance at 31 March	35,226

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

2013/14		2014/15
£'000		£'000
-169	Changes in the fair value of investment properties	-2,535
-1,950	Rental income from investment property	-1,952
0	Direct operating expenses from investment property	0
-2,119		-4,487

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 £0.312m charged to revenue in 2014/15 was charged to the cost of services in the Comprehensive Income and Expenditure Statement as follows:

	£'000
Adult Social Care	192
Children's and Education Services	87
Cultural and Related Services	8
Housing Services	25
Total amortisation of intangible assets in 2014/15	312

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 fair 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 fair 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:

2013/14		2014/15
£'000		£'000
	Balances at 1 April:	
1,306	- Gross carrying amounts	1,565
-569	- Accumulated amortisation	-575
737	Net carrying amount at start of year	990
	Additions	
540	- Purchases	540
-287	Amortisation for period	-312
990	Net carrying amount at 31 March	1,218

11 Assets held for Sale

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

2013/14 £'000	2014/15 £'000
80 Balance at 1 April	0
Assets newly classified as held for sale:	
2,035 - Property, Plant and Equipment	6,064
0 - Intangible Assets	0
0 - Other assets/liabilities in disposal groups	0
0 Revaluation losses	-856
0 Revaluation gains	0
0 Impairment losses	0
-2,115 Assets sold	-5,208
0 Transfers from non current to current	0
0 Other movements	0
0 Balance at 31 March	0

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.

2013/14 £'000		2014/15 £'000
146,366	Opening Capital Financing Requirement	163,506
	Capital Investment	
60,593	Property, Plant and Equipment	26,970
8	Investment Properties	0
540	Intangible Assets	540
35	Heritage Assets	72
12,088	Revenue Expenditure funded from Capital	7,337
73,264	Total Capital Investment	34,919
	Sources of Finance	
13,288	Capital Receipts	14,279
33,798	Grants and Contributions	19,458
1,331	Direct Revenue Financing	1,182
7,707	Minimum Revenue Provision	4,546
56,124	Total Sources of Finance	39,465
163,506	Closing Capital Financing Requirement	158,960
Explanation of movements in year:		
	Increase in underlying need for borrowing (unsupported by government financial assistance)	0
24,847		
-7,707	Debt Redeemed - Minimum Revenue Provision	-4,546
	Increase/ decrease (-) in Capital Financing Requirement	-4,546
17,140		

13 Impairment Losses

There were no impairment losses in 2014/15.

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”.

Financial Instruments Balances

	Long Term		Short Term	
	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000
Borrowings				
Financial liabilities at amortised cost	102,613	102,628	529	529
Financial liabilities at fair value through profit and loss	0	0	0	0
Other borrowings (finance lease)	28,786	29,811	1,025	892
Total Borrowings	131,399	132,439	1,554	1,421
Investments				
Loans and receivables	0	5,000	26,175	44,996
Available-for-sale financial assets	0	0	0	0
Fair value through profit and loss	10,041	0	0	0
Unquoted equity available for sale	0	0	0	0
Total Investments	10,041	5,000	26,175	44,996

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

Fair Value of Assets and Liabilities carried at Amortised Cost

	31 March 2015		31 March 2014	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities	103,142	159,980	103,157	128,137

The fair value of PWLB borrowing is calculated by the PWLB on the basis that all loans are prematurely repaid on 31 March 2015 using the appropriate repayment rates. The fair value is more than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing PWLB repayment rates at the Balance Sheet date. This commitment to pay interest above current PWLB repayment rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans.

	31 March 2015		31 March 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables	26,175	26,218	49,996	50,311

The fair 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:

	Bexprint Stock £'000	Road Salt Stock £'000	Social Care Aids and Equipment £'000	Total £'000
2014/15				
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
Balance at 31 March 2015	5	196	795	996

	Bexprint Stock £'000	Road Salt Stock £'000	Social Care Aids and Equipment £'000	Total £'000
2013/14				
Balance at 1 April 2013	5	137	370	512
Purchases	0	99	365	464
Recognised as an expense in the year	0	-36	-10	-46
Written off balances	0	0	-122	-122
Reversals of write offs in previous years	0	0	0	0
Impairment	0	0	0	0
Balance at 31 March 2014	5	200	603	808

16 Debtors

31.3.2014		31.3.2015
£'000		£'000
5,575	Central Government bodies	3,909
3,023	Other Local Authorities	2,292
84	NHS bodies	4,983
0	Public corporations and trading funds	0
47,949	Other entities and individuals	46,606
56,631	Total Debtors	57,790

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:

31.3.2014		31.3.2015
£'000		£'000
487	Cash in hand at Bank	780
3,000	Instant Access Accounts	21,500
8,316	Cash in hand at Schools Bank Accounts	7,562
-12,142	Cash Overdrawn	-10,326
-339	Total	19,516

18 Creditors

31.3.2014		31.3.2015
£'000		£'000
-7,082	Central Government bodies	-11,562
-2,998	Other Local Authorities	-2,412
-1,033	NHS bodies	-2,354
0	Public corporations and trading funds	0
-37,057	Other entities and individuals	-34,601
-48,170	Total Creditors	-50,929

19 Provisions

The movements on these in 2014/15 are detailed in the table below:

	Insurance	TA End of Lease Repairs	Early Retirement/ Redundancy	Land Charges	Holiday Pay	Business Rates Appeals	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2014	-2,984	-901	0	-150	0	-1,631	-5,666
Additional provisions made in 2014/15	-1,549	0	-141	-70	-50	-361	-2,171
Amounts used in 2014/15	1,236	133	0	0	0	0	1,369
Unused amounts reversed in 2014/15	0	0	0	0	0	0	0
Unwinding of discounting in 2014/15	0	0	0	0	0	0	0
Balance at 31 March 2015	-3,297	-768	-141	-220	-50	-1,992	-6,468

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

Short term provisions	0	-256	-141	-220	-50	-1,992	-2,659
Long term provisions	-3,297	-512	0	0	0	0	-3,809
Balance at 31 March 2015	-3,297	-768	-141	-220	-50	-1,992	-6,468

(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 redundancy payments of £141,000 for 2015/16 that were identified at 31 March 2015.

(d) Land Charges

There have been changes to the charges for personal searches for Land Charges. These changes have resulted in potential restitutionary claims and this provision has been set up to

meet potential claims. To date claims of almost £88,000 have been settled and paid. The new balance on the provision relates to further anticipated claims.

(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 2014/15 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:

31.3.2014		31.3.2015
£'000		£'000
25,957	General Fund	24,086
51,217	Earmarked Reserves	48,690
0	Capital Receipts Reserve	8,854
12,224	Capital Grants Unapplied	8,376
89,398		90,006

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.

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

2012/13	2013/14					
Total	Schools/ AECB Delegated	Schools Central	Council Carry- forward	Ear- marked	Unall- ocated	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000
24,875 Balance B/F	7,959	2,473	1,335	2,291	12,740	26,798
1,923 Movement	-549	816	-1,335	227	0	-841
26,798 Balance C/F	7,410	3,289	0	2,518	12,740	25,957

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.

2014/15	Balance at 1 April 2014 £'000	Movements in year £'000	Balance at 31 March 2015 £'000
Financing Reserve	9,287	754	10,041
Insurance Reserve	4,284	-110	4,174
Service Support and Development Reserve	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
TOTAL	51,217	-2,527	48,690
2013/14	Balance at 1 April 2013 £'000	Movements in year £'000	Balance at 31 March 2014 £'000
Financing Reserve	10,014	-727	9,287
Insurance Reserve	4,389	-105	4,284
Service Support and Development Reserve	10,727	-2,529	8,198
Stock Transfer Warranties Reserve	2,183	0	2,183
Broadway Shopping Centre Reserve	2,204	-35	2,169
Information Technology Reserve	3,199	-490	2,709
Collection Reserve	1,773	70	1,843
Reorganisation Reserve	2,336	0	2,336
Financial Planning Reserve	8,677	182	8,859
Other Earmarked Reserves	7,552	-4,487	3,065
Revenue grants and contributions unapplied	5,369	915	6,284
TOTAL	58,423	-7,206	51,217

(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 2015 is £10.041m.

(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 2015 of £4.174m.

(c) Service Support and Development Reserve

The Service Support and Development Reserve (SSDR) 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 SSDR at 31 March 2015 is £7.380m which represents a decrease of £818m since the previous year. This reflects its use to finance the Children's services transformation project, Bexley First costs and implementation costs of Strategy 2014.

(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 2015 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 £1.55m in 2014/15. The balance at 31 March 2015 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 £1.058m and a balance at 31 March 2015 of £1.651m.

(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 2015 is £5.036m.

(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 £7.208m at 31 March 2015 and the Council has agreed the use of £2.910m to balance the budget for 2015/16.

(j) Other Earmarked Reserves

The remaining Council controlled reserves total £2.337m at 31 March 2015 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. The 2013/14 figures have been restated for amended presentation of capital receipts and gain/ loss on disposal.

2013/14 £'000 Restated		2014/15 £'000
0	Balance at 1 April	0
13,242	Amounts receivable - from sales of non current assets	10,978
333	- from deferred capital receipts	12,207
-13,288	Amounts applied to finance new capital investment	-14,279
-12	Amounts paid to Housing Capital Receipts Pool	-11
-275	Amounts used to fund disposal costs of non current assets	-41
0	Total increase/(decrease) in usable capital receipts	8,854
0	Balance at 31 March	8,854

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.

	1 April 2013 £'000	Movement in 2013/14 £'000	31 March 2014 £'000	Movement in 2014/15 £'000	31 March 2015 £'000
New Primary Places Grant	24,648	-20,938	3,710	-3,687	23
Condition Funding/ Primary Modernisation	1,813	-328	1,485	438	1,923
Education Basic Needs Grant	0	4,144	4,144	-796	3,348
Other capital grants and contributions unapplied	3,622	-737	2,885	197	3,082
Total	30,083	-17,859	12,224	-3,848	8,376

21 Unusable Reserves

The Council has the following unusable reserves:

31.3.2014		31.3.2015
£'000		£'000
121,561	Revaluation Reserve	130,476
296,250	Capital Adjustment Account	276,456
-2,319	Financial Instruments Adjustment Account	-2,167
-90,213	Pensions Reserve	-131,121
15,513	Deferred Capital Receipts Reserve	3,298
1,227	Collection Fund Adjustment Account	2,038
-2,755	Accumulating Absences Adjustment Account	-2,563
339,264	Total Unusable Reserves	276,417

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.

2013/14		2014/15
£'000		£'000
94,758	Balance at 1 April	121,561
39,006	Upward revaluation of assets	25,816
<u>-1,245</u>	Downward revaluation of assets and impairment losses not charged to the Surplus/ Deficit on the Provision of Services	<u>-5,912</u>
37,761	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	19,904
-2,732	Difference between fair value depreciation and historical cost depreciation	-4,888
<u>-8,226</u>	Accumulated gains on assets sold or scrapped	<u>-6,101</u>
-10,958	Amount written off to the Capital Adjustment Account	-10,989
121,561	Balance 31 March	130,476

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. The 2013/14 figures have been restated for amended presentation of capital receipts and gain/ loss on disposal.

2013/14		2014/15
Restated		
£'000		£'000
283,389	Balance at 1 April	296,250
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES)	
-19,808	- Charges for depreciation and impairment of non current assets	-23,152
-202	- Revaluation losses on Property, Plant and Equipment	-20,710
-287	- Amortisation of intangible assets	-312
-1,017	- Revenue expenditure funded from capital under statute	-2,642
339	- Deferred income written down	339
-2,143	- Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-7,073
-20,198	- Write out of non current assets - notional loss on academy transfers	-14,520
-43,316		-68,070
<u>10,958</u>	Adjusting amounts written out of the Revaluation Reserve	<u>10,989</u>
-32,358	Net written out amount of the cost of non current assets consumed in the year	-57,081
	Capital financing applied in the year:	
13,288	- Use of the Capital Receipts Reserve to finance new capital expenditure	14,279
9,847	- Capital grants and contributions credited to the CIES that have been applied to capital financing	7,520
12,880	- Application of grants to capital financing from the Capital Grants Unapplied Account	7,243
7,707	- Statutory provision for the financing of capital investment charged against the General Fund balance	4,546
<u>1,331</u>	- Capital expenditure charged against the General Fund	<u>1,182</u>
45,053		34,770
169	Movements in the market value of Investment Properties debited or credited to the CIES	2,541
0	Movement in Donated Assets with CIES	0
-3	Reversal of previous years' funding re aborted schemes	-24
296,250	Balance at 31 March	276,456

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.

2013/14 £'000		2014/15 £'000
-2,179	Balance at 1 April	-2,319
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
25	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	24
-165	Adjustments for loans at less than market rates	128
-140	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	152
-2,319	Balance 31 March	-2,167

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.

2013/14 £'000		2014/15 £'000
-149,311	Balance at 1 April	-90,213
46,496	Remeasurements of the net defined benefit liability	-37,819
-17,176	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	-15,435
12,078	Employer's pension contributions and direct payments to pensioners payable in the year	12,346
17,700	Employer's pension contributions prepayments	0
-90,213	Balance at 31 March	-131,121

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.

2013/14 £'000		2014/15 £'000
15,697	Balance at 1 April	15,513
-333	Transfer of deferred sale proceeds	-12,207
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
149	Write down of finance lease long term debtors	-8
15,513	Balance at 31 March	3,298

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and, from 1 April 2013, 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.

2013/14 £'000		2014/15 £'000
795	Balance at 1 April	1,227
	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	385
1,681	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	426
-1,249		
1,227	Balance at 31 March	2,038

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.

2013/14 £'000		2014/15 £'000
-2,590	Balance at 1 April	-2,755
2,590	Settlement or cancellation of accrual made at the end of the preceding year	2,755
<u>-2,755</u>	Amounts accrued at the end of the current year	<u>-2,563</u>
-165	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	192
-2,755	Balance at 31 March	-2,563

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 2014/15 following a reorganisation of the Cabinet. The Economic Development and Regeneration portfolio is now the Regeneration and Growth portfolio. Public Health has moved from Adults' Services to Community Safety and Leisure and Trading Standards has moved from Environment and Public Realm to Community Safety and Leisure. The income and expenditure of the Council analysed by Cabinet Portfolio for 2014/15 is as follows:

2014/15	Finance and Corporate Services £'000	Adults' Services £'000	Children's Services £'000	Education £'000	Regeneration and Growth £'000	Environment and Public Realm £'000	Community Safety and Leisure £'000	TOTAL £'000
Fees, charges and other service income	-4,833	-24,682	-1,063	-5,350	-6,549	-12,449	-2,216	-57,142
Government grants	-98,390	-1,619	-1,142	-104,823	-4,135	-458	-8,408	-218,975
Total Income	-103,223	-26,301	-2,205	-110,173	-10,684	-12,907	-10,624	-276,117
Employee expenses	17,360	9,143	14,401	70,400	8,956	7,994	5,286	133,540
Other operating expenses	112,650	69,355	20,352	44,318	6,151	34,242	10,140	297,208
Support service recharges	-14,628	5,377	4,458	3,491	-2,381	2,409	1,274	0
Financing costs	19,829	1,222	483	12,261	2,910	5,787	2,131	44,623
Total Expenditure	135,211	85,097	39,694	130,470	15,636	50,432	18,831	475,371
Net Cost of Services	31,988	58,796	37,489	20,297	4,952	37,525	8,207	199,254

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 2014/15 following a reorganisation of the Cabinet. The Economic Development and Regeneration portfolio is now the Regeneration and Growth portfolio. Public Health has moved from Adults' Services to Community Safety and Leisure and Trading Standards has moved from Environment and Public Realm to Community Safety and Leisure. The 2013/14 figures have therefore been restated in the revised Cabinet portfolios.

2013/14 restated	Finance and Corporate Services £'000	Adults' Services £'000	Children's Services £'000	Education £'000	Regeneration and Growth £'000	Environment and Public Realm £'000	Community Safety and Leisure £'000	TOTAL £'000
Fees, charges and other service income	-4,598	-21,366	-908	-1,760	-5,564	-11,471	-2,362	-48,029
Government grants	-96,654	-1,115	-779	-110,981	-3,864	-89	-6,094	-219,576
Total Income	-101,252	-22,481	-1,687	-112,741	-9,428	-11,560	-8,456	-267,605
Employee expenses	16,076	9,694	16,399	66,882	8,580	5,832	7,534	130,997
Other operating expenses	113,414	67,256	20,650	47,121	4,044	33,903	10,035	296,423
Support service recharges	-16,512	4,680	3,804	2,645	1,496	2,263	1,624	0
Financing costs	1,653	845	561	8,019	1,308	5,542	2,303	20,231
Total Expenditure	114,631	82,475	41,414	124,667	15,428	47,540	21,496	447,651
Net Cost of Services	13,379	59,994	39,727	11,926	6,000	35,980	13,040	180,046

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.

2013/14		2014/15
£'000		£'000
180,046	Net expenditure in the Cabinet Portfolio Analysis	199,254
6,931	Net expenditure of services and support services not included in the Analysis	7,172
1,199	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	1,395
3,056	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	3,056
191,232	Cost of Services in Comprehensive Income and Expenditure Statement	210,877

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 Portfolio Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to manage- ment for decision making £'000	Amounts not included in I&E £'000	Allocation of Recharges £'000	Cost of Services (sub-total) £'000	Corporate Amounts £'000	Total £'000
2014/15								
Fees, charges and other service income	-57,142	0	1,952	0	0	-55,190	-1,952	-57,142
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	-218,975	0	0	3,056	0	-215,919	-63,545	-279,464
Total income	-276,117	0	1,952	3,056	0	-271,109	-186,926	-458,035
Employee expenses	133,540	0	-557	0	0	132,983	0	132,983
Other service expenses	297,208	7,172	0	0	0	304,380	0	304,380
Support service recharges	0	0	0	0	0	0	0	0
Depreciation, amortisation and impairment	44,623	0	0	0	0	44,623	-2,541	42,082
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
Total expenditure	475,371	7,172	-557	0	0	481,986	20,350	502,336
Surplus or deficit on the provision of services	199,254	7,172	1,395	3,056	0	210,877	-166,576	44,301

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.

2013/14	Cabinet Portfolio Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I&E £'000	Allocation of Recharges £'000	Cost of Services (sub- total) £'000	Corporate Amounts £'000	Total £'000
Fees, charges and other service income	-48,029	0	1,950	0	0	-46,079	-1,950	-48,029
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	-2,051	-2,051
Income from council tax	0	0	0	0	0	0	-84,402	-84,402
Income from business rates	0	0	0	0	0	0	-32,295	-32,295
Government grants and contributions	-219,576	0	0	3,056	0	-216,520	-65,608	-282,128
Total income	-267,605	0	1,950	3,056	0	-262,599	-186,306	-448,905
Employee expenses	130,997	0	-751	0	0	130,246	0	130,246
Other service expenses	296,423	6,931	0	0	0	303,354	0	303,354
Support service recharges	0	0	0	0	0	0	0	0
Depreciation, amortisation and impairment	20,231	0	0	0	0	20,231	-169	20,062
Interest payments	0	0	0	0	0	0	14,144	14,144
Precepts and levies	0	0	0	0	0	0	871	871
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	12	12
Gain or loss on disposal of fixed assets	0	0	0	0	0	0	9,373	9,373
Total expenditure	447,651	6,931	-751	0	0	453,831	24,231	478,062
Surplus or deficit on the provision of services	180,046	6,931	1,199	3,056	0	191,232	-162,075	29,157

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 2013/14		Remuneration Band	No. of Employees 2014/15	
Other	Schools		Other	Schools
21	18	£50,000 to £54,999	20	21
22	11	£55,000 to £59,999	22	15
9	8	£60,000 to £64,999	7	8
3	6	£65,000 to £69,999	7	6
1	7	£70,000 to £74,999	5	4
2	1	£75,000 to £79,999	2	2
4	1	£80,000 to £84,999	2	3
3	2	£85,000 to £89,999	4	0
1	0	£90,000 to £94,999	2	0
1	0	£95,000 to £99,999	3	0
1	0	£100,000 to £104,999	0	0
1	0	£105,000 to £109,999	0	0
69	54	TOTAL	74	59

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 2014/15

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

SENIOR STAFF REMUNERATION 2013/14

Post/ Name	Salary, fees and allowances £	Benefits in Kind £	Total £
Chief Executive - Will Tuckley *J	185,397	9,612	195,009
Director of Environment and Wellbeing - Peter Ellershaw	167,343	5,199	172,542
Director of Education and Social Care Mark Charters	152,764	5,199	157,963
Director of Customer and Corporate Services	124,715	5,199	129,914
Director of Finance and Resources	124,715	1,262	125,977
Head of Legal Services and Monitoring Officer	66,953	3,618	70,571
Director of Public Health *I	55,930	0	55,930

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

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

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

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

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

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

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

*H The Director of Finance started on 1 October 2014.

*I 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.

*J Allowance for expenses £3,027.

There was no compensation for loss of office paid to senior officers in 2013/14. 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 determined that a cost of living award be made to senior staff, of 1%, effective from 1 July 2013. This followed four years of no award being made. Full details of the duties and of the pay and remuneration of these senior posts are published on the Council's website. No pay award for senior staff in 2014/15 has yet been agreed.

The performance of the Chief Executive and his 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 2013/14.

The Council operates a contributory pension scheme for its employees. Employees' contributions are tiered according to earnings and from 1 April 2014 these were as follows –

Pay Bands	Gross Contribution Rate
£43,001 to £60,000	8.5%
£60,001 to £85,000	9.9%
£85,001 to £100,000	10.5%
£100,001 to £150,000	11.4%
Over £150,000	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:

	2013/14	2014/15
	£	£
Chief Executive	38,192	41,262
Director of Environment and Wellbeing	34,473	20,109
Director of Education and Social Care	31,574	7,913
Director of Children's Services	0	4,230
Interim Director of Adult Social Care	0	19,712
Director of Regeneration, Communities and Customer Services	25,776	26,284
Director of Finance and Resources	26,777	13,851
Director of Finance	0	12,274
Head of Legal Services and Monitoring Officer	13,838	13,872

The numbers of exit packages for 2013/14 and 2014/15, 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	
	2013/14 <i>Restated</i>	2014/15	2013/14 <i>Restated</i>	2014/15	2013/14 <i>Restated</i>	2014/15	2013/14 <i>Restated</i> £	2014/15 £
£0 - £20,000	27	32	13	3	40	35	302,530	267,198
£20,001 - £40,000	3	13	3	1	6	14	144,292	395,726
£40,001 - £60,000	1	3	0	0	1	3	47,758	142,959
£60,001 - £80,000	0	2	0	0	0	2	0	135,984
£80,001 - £100,000	0	0	0	1	0	1	0	97,000
£100,000 - £150,000	0	1	0	0	0	1	0	110,320
	31	51	16	5	47	56	494,580	1,149,187

The figures show the accrued position and the figures for 2013/14 have been restated for some departures at the end of 2013/14 that had not been included in the Financial Statements for that year. The total cost of £494,580 in 2013/14 in the table above includes exit packages that have been agreed, accrued for and charged to the Comprehensive Income and Expenditure Statement. 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.

24 Members' Allowances

The total of Members' allowances paid during 2014/15 was £0.833m (£0.862m in 2013/14). 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.

2013/14 <i>Restated</i> £'000	2014/15 £'000
160 Fees payable for external audit services	159
0 Fees payable for statutory inspection	0
Fees payable for the certification of	
27 grant claims and returns	26
8 Fees payable in respect of other services	20
195 Total	205

The fees payable for other services in 2014/15 relate to place profiles subscription, financial resilience capacity building training and verification of the Teachers' Pension return. In 2013/14 fees payable for other services related to work on the National Fraud Initiative 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 2014/15. These agreements were with Bexley Clinical Commissioning Group (CCG) since 1 April 2013. 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.

2013/14			2014/15		
Mental Health	Learning Disability	Community Equipment	Mental Health	Learning Disability	Community Equipment
£'000	£'000	£'000	£'000	£'000	£'000
Income					
3,504	20,091	860	2,688	19,890	918
10,313	958	248	9,346	1,044	576
0	831	0	0	961	0
13,817	21,880	1,108	12,034	21,895	1,494
Expenditure					
2,503	16,944	0	842	17,160	0
495	2,183	0	191	2,136	0
3,613	0	0	10,927	0	0
7,547	785	1,111	0	740	1,300
109	1,968	0	74	1,762	0
14,267	21,880	1,111	12,034	21,798	1,300
-450	0	-3	0	97	194
0	131	352	0	131	349
-450	131	349	0	228	543

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 £2.6m, 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 were benchmarked as at July 2010 (when it was agreed no change would be made to the unitary charge) and five-yearly thereafter, and at a future benchmarking date (2020 or later) may be market tested. 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 IFRIC12 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. The 2013/14 figures have been restated to take account of the upward revaluation done as part of the finalisation of the 2013/14 accounts.

	PPP – Leisure Centres £'000
Cost or valuation	
At 1 April 2013	34,778
Additions	261
Revaluation increase recognised in the Revaluation Reserve	3,371
Derecognition - Other	-234
At 31 March 2014 (Restated)	38,176
Accumulated Depreciation and Impairments	
At 1 April 2013	-3,247
Charge for 2013/14	-943
Derecognition - Other	234
At 31 March 2014	-3,956
Net Book Value - Balance Sheet as at 1 April 2013	31,531
Net Book Value - Balance Sheet as at 31 March 2014 (Restated)	34,220

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

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 16 years until 2031. The PPP payments will be made for the next 21 years until 2036. An analysis of the payments in 2013/14 and 2014/15 is shown in the table below:

2013/14	PFI – Schools £'000	PPP – Leisure Centres £'000
Service charges 2013/14	2,098	975
Repayment of liability 2013/14	796	124
Interest, lifecycle costs, contingent rents	2,987	1,422
Total unitary charge	5,881	2,521

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

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

PFI Scheme

	Repayment of Liability £'000	Interest £'000	Service Charges £'000	Other £'000	Total £'000
Within one year	855	2,096	2,144	791	5,886
Within two to five years	4,900	7,468	8,576	2,595	23,539
Within six to ten years	7,997	6,502	10,720	4,204	29,423
Within eleven to fifteen years	9,227	2,786	10,720	6,690	29,423
Within sixteen to twenty years	1,021	30	1,250	1,131	3,432
TOTAL	24,000	18,882	33,410	15,411	91,703

PPP Scheme

	Repayment of Liability £'000	Interest £'000	Service Charges £'000	Other £'000	Total £'000
Within one year	13	781	1,085	846	2,725
Within two to five years	270	2,999	4,677	3,798	11,744
Within six to ten years	261	3,655	6,679	6,179	16,774
Within eleven to fifteen years	1,443	3,011	7,743	7,249	19,446
Within sixteen to twenty years	3,287	1,399	8,977	8,879	22,542
Within twenty one to twenty five years	77	1	163	169	410
TOTAL	5,351	11,846	29,324	27,120	73,641

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 2014/15 of £96.272m are as follows:

Schools Budget funded by Dedicated Schools Grant (DSG)

	Central Expenditure £'000	Individual Schools Budget (ISB) £'000	Total £'000
Final DSG for 2014/15 before Academy recoupment			200,715
Academy figure recouped for 2014/15			-104,443
Total DSG after Academy recoupment for 2014/15			96,272
Brought forward from 2013/14			3,289
Carry forward to 2015/16 agreed in advance			0
Agreed initial budgeted distribution in 2014/15	29,036	70,525	99,561
In year adjustments			0
Final budgeted distribution for 2014/15	29,036	70,525	99,561
Less Actual Central Expenditure	-27,780	0	-27,780
Less Actual ISB deployed to Schools	0	-70,525	-70,525
Plus Local Authority contribution for 2014/15	0	0	0
Carried forward to 2015/16	1,256	0	1,256

29 Government Grants

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

2013/14 £'000		2014/15 £'000
48,128	Revenue Support Grant	40,593
	General Core Grants	
1,479	Housing Benefit Administration	1,374
0	Community Right to Bid	8
0	Community Right to Challenge	8
73	Lead Local Flood Authorities	73
0	Council Tax Flood Relief	2
24	Extended Right to Free Travel	9
2,258	New Homes Bonus	2,181
959	Council Tax Freeze	968
2,768	Education Services Grant	2,734
698	Adoption Reform Grant	214
164	Local Reform & Community Voices Grant	168
567	Business Rate Relief	1,219
254	Capitalisation Grant	0
2	Transparency Code Set-up Grant	8
0	Repair and Renewal Grant	2
0	Business Rates New Burden Administration	14
310	Council Tax Support Scheme Transition Grant	0

3,056	Private Finance Initiative Grant	3,056
60,740	TOTAL	52,631

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 2013/14 have been included within Revenue Support Grant in 2014/15.

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

2013/14		2014/15
£'000		£'000
-107	Academies Framework - Harris Falconwood	0
4,144	Education Basic Needs Grant	940
686	Devolved Formula Grant	404
-8,831	New Primary Places Grant	158
-430	Early Education for Two Year Olds	0
1,555	Condition Funding/Primary Modernisation	1,732
0	Lesnes Abbey Lottery Grant	215
5,541	Transport for London	4,736
499	Community Capacity Grant	509
0	Free School Meals for Infant Children	441
692	Outer London Funding	410
1,119	Other	1,369
4,868	Total	10,914

The negative figures in the table above are reversals of balances credited to the Capital Grants Unapplied Reserve through the Comprehensive Income and Expenditure Statement in 2012/13.

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 2014/15. Some of the appointments listed below continue throughout 2015/16. The declaration of a related party transaction does not imply any personal involvement of the Councillors 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.

Councillor	Organisation and Position	Transactions in 2014/15
Gareth Bacon	London Assembly – Member	£35,103,836 paid to the Greater London Authority
Gareth Bacon Donald Massey	Eltham Crematorium Joint Management Committee – Chairman and Member	Non Current Asset share (40%) £1,408,849 Net liabilities share (40%) £524,034 Net surplus share (40%) £468,948
Teresa O'Neill	Local Government Association (LGA) – Member of the Councillors' Forum and Member of the Improvement and	£40,607 paid to the LGA

	Innovation Board	
Gareth Bacon	Deputy to Teresa O'Neill	
Teresa O'Neill	London Councils – Vice Chairman, Executive/ Lead Member for Health	
Gareth Bacon	Grants Committee Member	
Linda Bailey	Annual General Meeting, Leaders Committee and Greater London Employment Forum	£928,527 paid to London Councils
Linda Bailey	Thames Innovation Centre – Board Member	See below
Donald Massey	Mind in Bexley – Wife, Cllr Sharon Massey, as Mayor of Bexley from May 2013 to June 2014, was President	£245,603 paid to Mind in Bexley
Donald Massey	Bexley Voluntary Services Council – Wife, Cllr Sharon Massey, as Mayor of Bexley from May 2013 to June 2014, was President	£276,080 paid to Bexley Voluntary Services Council

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 2015 under a loan agreement dated 14th 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 29th 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 2014/15 was £110,032 (£160,894 in 2013/14). TIC owed Bexley £27,038 at 31 March 2015 (£1,152 at 31 March 2014). Services provided by Bexley to TIC amounted to £81,666 in 2014/15 (£64,305 in 2013/14). The Council entered into a lease agreement with TIC on 15th 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 29th March 2007. These assets will revert back to the Council at the end of the service level agreement on 31st March 2027. There is a further loan agreement dated 10th 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 2015, a loan of £56,300 had been drawn down.

The Council received many grants in 2014/15 – both revenue and capital – from central Government. Further details of these are given in separate notes.

The Council recharged £313,710 to the Pension Fund in 2014/15 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 2014/15.

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.

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:

31.3.2014		31.3.2015
£'000		£'000
759	Vehicles, Plant and Equipment	460

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:

31.3.2014		31.3.2015
£'000		£'000
	Finance lease liabilities (net present value of minimum lease payments)	
299	- current	157
460	- non-current	303
54	Finance costs payable in future years	32
813	Minimum lease payments	492

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:

	Minimum Lease Payments		Finance Lease Liabilities	
	31.3.2014	31.3.2015	31.3.2014	31.3.2015
	£'000	£'000	£'000	£'000
Not later than one year	321	171	299	157
Later than one year and not later than five years	492	321	460	303
Later than five years	0	0	0	0
	813	492	759	460

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:

31.3.2014		31.3.2015
£'000		£'000
279	Not later than one year	192
630	Later than one year and not later than five years	330
397	Later than five years	371
1,306	Minimum lease payments	893

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.

2013/14		2014/15
£'000		£'000
21	Children's and Education Services	81
0	Highways	1
112	Housing	28
38	Adult Social Care	45
25	Cultural Services	27
12	Planning Services	25
208		207

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:

31.3.2014		31.3.2015
£'000		£'000
	Finance lease debtor (net present value of minimum lease payments)	
8	- current	8
2,852	- non-current	2,844
13,288	Unearned finance income (interest)	13,015
0	Unguaranteed residual value of property	0
16,148	Gross investment in the leases	15,867

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

31.3.2014	Gross investment in the leases	31.3.2015
£'000		£'000
280	Not later than one year	280
1,122	Later than one year and not later than five years	1,122
14,746	Later than five years	14,465
16,148	Gross investment in the leases	15,867

31.3.2014	Minimum lease payments	31.3.2015
£'000		£'000
8	Not later than one year	8
40	Later than one year and not later than five years	44
2,812	Later than five years	2,800
2,860	Minimum lease payments	2,852

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:

31.3.2014	Minimum lease payments	31.3.2015
£'000		£'000
2,415	Not later than one year	2,538
9,037	Later than one year and not later than five years	8,941
170,751	Later than five years	169,702
182,203	Minimum lease payments	181,181

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 2014/15, incurring liabilities of £1.149m (£0.495m in 2013/14). 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 2014/15, the Council paid £4.550m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £5.022m 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 £4.994m.

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 a few 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. The number of staff contributing to this scheme increased on 1 April 2013 when Public Health staff transferred to the Authority. In 2014/15 the Authority made employers' contributions of £0.120m 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 2014/15. 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 £0.937m (£1.188m in 2013/14) and liabilities of £1.647m (£3.294m in 2013/14) relate to the academies. These figures, together with curtailments of £0.477m (£0.168m in 2013/14) comprise the net figure of -£0.233m (-£1.938m in 2013/14) shown as a gain or loss from settlements below.

	Local Government Pension Scheme £'000		Discretionary Benefits Arrangements £'000	
	2014/15	2013/14	2014/15	2013/14

Comprehensive Income and Expenditure Statement				
<i>Cost of Services:</i>				
<i>Service cost comprising:</i>				
• current service cost	11,486	12,378	0	0
• past service costs	175	181	0	0
• (gain)/ loss from settlements	-233	-1,938	0	0
• administration expenses	553	538	0	0

Financing and Investment Income and

	Local Government Pension Scheme £'000		Discretionary Benefits Arrangements £'000	
	2014/15	2013/14	2014/15	2013/14
<i>Expenditure</i>				
Net interest expense	3,037	5,614	417	403
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	15,018	16,773	417	403
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>				
Remeasurement of the net defined benefit liability comprising:				
• Return on plan assets (excluding the amount included in the net interest expense)	-49,285	-18,120	0	0
• Actuarial gains and losses arising on changes in demographic assumptions	0	4,895	0	30
• Actuarial gains and losses arising on changes in financial assumptions	86,197	-36,057	907	-217
• Experience gains and losses	0	2,667	0	306
<i>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</i>	36,912	-46,615	907	119
<i>Movement in Reserves Statement</i>				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-15,018	-16,773	-417	-403
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
• employers' contributions payable to scheme	12,346	12,078		
• retirement benefits payable to pensioners			638	658

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 £'000		Discretionary Benefits £'000	
	2014/15	2013/14	2014/15	2013/14
Present value of the defined benefit obligation	701,165	600,182	10,467	9,781
Fair value of the plan assets	-580,511	-519,750	0	0
Net liability arising from defined benefit obligation	120,654	80,432	10,467	9,781

Reconciliation of the movements in the fair value of scheme (plan) assets

	Local Government Pension Scheme £'000		Discretionary Benefits £'000	
	2014/15	2013/14	2014/15	2013/14
Opening fair value of scheme assets	519,750	476,430	0	0
Interest income	22,858	19,788	0	0
Remeasurement gain/(loss):				
• The return on plan assets, excluding the amount included in the net interest expense	49,285	18,120	0	0
Contributions from employer	11,708	29,120	638	658
Contributions from employees into the scheme	3,757	3,559	0	0
Benefits paid	-25,357	-25,541	-638	-658
Settlements	-937	-1,188	0	0
Administration expenses	-553	-538	0	0
Closing fair value of scheme assets	580,511	519,750	0	0

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

	Funded liabilities: Local Government Pension Scheme £'000		Unfunded liabilities: Discretionary Benefits £'000	
	2014/15	2013/14	2014/15	2013/14
Opening balance at 1 April	600,182	615,824	9,781	9,917
Current service cost	11,486	12,378	0	0
Interest cost	25,895	25,402	417	403
Contributions by scheme participants	3,757	3,559	0	0
Remeasurement gains and losses				
• Actuarial gains and losses arising on changes in demographic assumptions	0	4,895	0	30
• Actuarial gains and losses arising on changes in financial assumptions	86,197	-36,057	907	-217
• Experience gains and losses	0	2,667	0	306
Past service costs	175	181	0	0
Losses/ (gains) on curtailment	477	168	0	0
Benefits paid	-25,357	-25,541	-638	-658
Liabilities extinguished on settlements	-1,647	-3,294	0	0
Closing balance at 31 March	701,165	600,182	10,467	9,781

Local Government Pension Scheme assets comprised:

Fair value of scheme assets

Asset Category	Quoted (Y/N)	31 March 2015 £000	31 March 2014 £000
Equities:		336,116	305,287
Energy	Y	26,123	34,360
Materials	Y	22,640	24,279
Industrial	Y	26,704	27,450
Consumer	Y	103,330	84,338
Health Care	Y	49,924	46,590
Financials	Y	53,988	43,640
Information Technology	Y	34,250	26,598
Telecommunication Services	Y	13,932	10,925
Utilities	Y	5,225	7,107
Bonds:		51,085	48,261
UK Fixed Interest	N	0	13,431
UK Index Linked	N	0	12,616
Overseas Fixed Interest	N	27,865	22,214
Overseas Other	Y	23,220	0
Alternatives:		184,022	155,093
Private Equity – Overseas LLP	N	45,860	38,165
Funds – Overseas Equity	N	9,869	10,413
Funds – Property	N	64,437	52,455
Funds – Diversified Growth	N	63,856	53,168
FTSE Future	N	0	892
Cash and Cash Equivalents	N	9,288	11,109
Total		580,511	519,750

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			
	31/03/15	31/03/14	31/03/15	31/03/14
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	23.1	23.0	23.1	23.0
Women	25.5	25.4	25.5	25.4
Longevity at 65 for future pensioners:				
Men	25.4	25.3	-	-
Women	28.4	28.3	-	-
Rate of CPI inflation	2.0%	2.4%	2.0%	2.4%
Rate of increase in salaries	3.5%	3.9%	-	-
Rate of increase in pensions	2.0%	2.4%	2.0%	2.4%
Rate for discounting scheme liabilities	3.2%	4.4%	3.2%	4.4%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have 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 £000
Longevity	Increase life expectancy 1 year	14,041
Rate of inflation	Increase by 0.1%	11,316
Rate of increase in salaries	Increase pay growth by 0.1%	1,839
Rate for discounting scheme liabilities	Increase by 0.1%	-11,139

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 2016 is nil, since these were prepaid in 2013/14. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2016 are £0.6m.

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 24 September 2015 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 2015, 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.

With regard to personal searches for land charges, claims have been settled in 2013/14 and 2014/15 and up to 31 March 2015 payments totalling £88,000 were made by the Council. In addition, the Council is also subject to another group of claims and a provision of £220,000 has been made for these. There may be further claims and the amount of these is not yet known.

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 2015.

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 had Fitch short-term ratings of F1 (very high), long-term rating of at least A and a support rating of 1 (the very highest). The Council also made investments in pooled investment vehicles (which did 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 31 March 2015 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2015 %	Estimated maximum exposure to default and uncollectability £'000	Estimated maximum exposure at 31 March 2015 £'000
Deposits with financial institutions	26,175	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. Therefore, 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 2015	31 March 2014
	£000	£000
Loans outstanding		
PWLB	103,128	103,158
Market debt	0	0
Temporary borrowing	0	0
Total	103,128	103,158

	31 March 2015	31 March 2014
	£000	£000
Maturity Profile		
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	2,857	156
Maturing between 10 and 15 years	14,547	13,278
Maturing between 15 and 20 years	10,068	13,568
Maturing between 20 and 25 years	2,000	2,500
Maturing between 25 and 30 years	0	0
Maturing between 30 and 35 years	12,000	9,000
Maturing between 35 and 40 years	20,500	18,000
Maturing between 40 and 45 years	34,000	33,500
Maturing over 45 years	5,000	11,000
Total	103,128	103,158

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 fair 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 fair value of the assets will fall.

Borrowings are not carried at fair 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:

	£000
Increase in interest payable on variable rate debt	0
Increase in interest receivable on variable rate investments*	475
Net Impact on Income and Expenditure – Gain	475
Increase/(Decrease) in fair value of fixed rate investments	0
Increase/(Decrease) in fair value of fixed rate debt	-27,290

*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 £21.5m investments shown on the balance sheet as 'cash'.

Foreign exchange risk

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

38 Long-Term Debtors

31.3.2014		31.3.2015
£'000		£'000
2,961	Finance leases	2,952
1,232	Bexley Heritage Trust loan	1,345
259	Thames Innovation Centre loans	273
316	Deferred capital receipts	0
573	Mortgages	564
4	Other loans and advances	4
17,700	Payments in advance	7,803
23,045	Total Long Term Debtors	12,941

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

31.3.2014		31.3.2015
£'000		£'000
	Short Term	
-99	Devolved Formula Grant	-34
-57	Empty Property Fund	-27
-160	Loans Scheme Private Sector Renewal	-125
-199	Other	-196
-515	Total Short Term	-382
	Long Term	
-256	Devolved Formula Grant	-212
-4,067	S106 Contributions	-4,959
-716	Other	-596
-5,039	Total Long Term	-5,767

40 Deferred Liabilities

31.3.2014		31.3.2015
£'000		£'000
-36,123	PFI/PPP contracts	-34,916
-460	Finance leases	-303
-563	Other	-670
-37,146	Total Deferred Liabilities	-35,889

41 Heritage Assets

	Hall Place			Danson House		Bexleyheath & Crayford Clock Towers	Five Arches Bridge	Public Art	Civic Regalia	Total Assets
	Museum Collection	Hall Place House	Granary	House	Exhibits					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation										
At 1 April 2013	404	20,787	35	6,504	242	234	4,000	337	262	32,805
Additions (including donations)	0	0	0	0	0	35	0	0	0	35
Disposals	0	0	0	0	0	0	0	0	0	0
Revaluations increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0	0	0
At 31 March 2014	404	20,787	35	6,504	242	269	4,000	337	262	32,840
Cost or valuation										
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) recognised in the Revaluation Reserve	0	1,707	2	459	0	16	240	0	0	2,424
Impairment losses/(reversals) recognised in 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
At 31 March 2015	404	22,494	37	7,038	242	285	4,240	337	262	35,339

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.

During 2012/13, the BBC in conjunction with the Public Catalogue Foundation completed a project to digitise all oil paintings in national collections around the United Kingdom, in total 212,000 paintings. The culmination of this work is the Your Paintings website, giving people 24 hour access to the pictures. The website includes 40 paintings from the Bexley Museum collection.

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 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 and Leisure.

The Trust is responsible for maintenance and repair work at both Danson House and Hall Place and have allowed an annual maintenance provision of £38,000 based on guidance from English Heritage. 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. Danson House is open to the public from Sunday to Thursday each week from the beginning of April to the end of October. In 2014/15 period railings were installed around Danson Mansion.

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.

In 2013/14 a bust of Queen Elizabeth II was commissioned and upon completion was installed in a niche in the Bexleyheath Clock Tower. In addition, during 2013/14, the structure of the Crayford Clock Tower was strengthened.

Five Arches Bridge (within Foots Cray Meadows)

The Footh 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 Footh Cray Meadow Park. Footh 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 Footh 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 (Communities, Libraries, Leisure 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, 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. 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 Council's Macebearer is responsible for the upkeep of the Council's Civic regalia. The Macebearer reports to the Head of Electoral and Members' Services. 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.

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 18th 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 the Crayford Archive Store. 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 2014/15

There were no acquisitions of heritage assets in 2014/15.

Disposals of Heritage Assets in 2014/15

There were no disposals of heritage assets in 2014/15.

Five Year Summary of Transactions

	2010/11	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000
Cost of Acquisitions of Heritage Assets					
Museum Collection	0	0	0	0	0
Historical Buildings and Structures	0	0	0	22	0
Public Art Work	0	157	0	0	0
Civic Regalia	0	0	0	0	0
Total Cost of Acquisitions	0	157	0	22	0

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.

2013/14	2013/14		2014/15	2014/15
	£'000	INCOME	Note	£'000
-108,298		Income from Council Tax Payers	1	-111,084
-67,446		Income from Business Ratepayers	2	-66,045
-1,835		Income from Business Rate Supplement (BRS)	4	-2,018
-177,579		TOTAL INCOME		-179,147
		EXPENDITURE		
82,721		Council Tax - Bexley's Demand on the Collection Fund	3	85,290
22,209		Council Tax - Greater London Authority Precept	3	22,596
<u>104,930</u>		Total Council Tax Demands and Precepts		<u>107,886</u>
19,703		Business Rates - estimate due to Bexley		19,746
13,135		Business Rates - estimate due to the GLA		13,164
32,839		Business Rates - estimate due to the Government		32,909
391		Business Rates - Transitional Protection Payments		208
264		Allowance for Cost of Business Rate Collection		262
0		Interest on Business Rate Refunds		4
1,826		Payments to Greater London Authority's BRS Account	4	2,011
9		BRS Administrative Costs	4	7
5,437		Business Rates - provision for appeals	5	1,204
-159		Provision made for Business Rate Bad Debts		-99
1,241		Provision made for Council Tax Bad Debts		1,230
		Distribution of previous year's estimated Fund Deficit(-) or Surplus for Council Tax		
0		- London Borough of Bexley		1,182
0		- Greater London Authority		318
		Distribution of previous year's estimated Fund Deficit(-) or Surplus for Business Rates		
0		- London Borough of Bexley		-832
0		- Greater London Authority		-555
0		- Government		-1,386
179,616		TOTAL EXPENDITURE		180,032
		Surplus (-)/ Deficit For The Year		
-2,127		Council Tax		-468
4,164		Non-Domestic Rates		-1,420
0		Business Rate Supplement		0
2,037				-1,888
		Collection Fund Balance Brought Forward		
-1,009		Council Tax		-3,136
0		Non-Domestic Rates		4,164
0		Business Rate Supplement		0
-1,009				1,028
		Collection Fund Balance Carried Forward		
-3,136		Council Tax		-3,604
4,164		Non-Domestic Rates		2,744
0		Business Rate Supplement		0
1,028				-860

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.

2013/14 £'000	2014/15 £'000
-136,938 Gross Council Tax	-137,687
2,036 Exemptions	2,079
11,058 Discounts	10,728
-104 Premiums	-93
14,972 Council Tax Reduction Scheme	13,518
678 Write-offs	371
-108,298 Income from Council Tax Payers	-111,084

For 2014/15, the Council Tax was set by the Council at £1,427.59 (£1,431.59 in 2013/14) for a property in band D. For 2014/15, the Council Tax was calculated using an estimated Council Tax Base of 75,572 Band D equivalents, as detailed below:

Band	Dwellings per Valuation List	Revised Dwellings after Adjustments*	Ratio To Band D	Band D Equivalent
A (Disabled)	0	6	5/9	3
A	4,349	2,148	6/9	1,432
B	10,371	5,859	7/9	4,557
C	28,564	21,397	8/9	19,019
D	26,947	22,555	9/9	22,555
E	19,137	16,969	11/9	20,740
F	4,642	4,246	13/9	6,133
G	1,673	1,565	15/9	2,608
H	48	33	18/9	67
Total	95,731	74,778		77,114
Less Allowance for Non-Collection				-1,542
Council Tax Base 2014/15				75,572

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 and appeals.

Note 2 - Income from Business Ratepayers

Under the new 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 2014/15, were 48.2p in the pound and 47.1p in the pound for small businesses (for 2013/14, 47.1p in the pound and 46.2p in the pound 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:

2013/14		2014/15
£'000		£'000
-79,193	Gross Non-domestic rateable value *	-76,977
2,576	Less: Empty Properties	1,132
0	Transitional Relief	-208
8,563	Mandatory & Discretionary Relief	9,646
608	Write off	362
-67,446	TO COLLECTION FUND	-66,045

* The total non-domestic rateable value as at 31 March 2015 was £172.326m (£174.224m as at 31 March 2014). 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) - £85.290m in 2014/15 (£82.721m in 2013/14) and the Greater London Authority (the precepting authority) - £22.596m in 2014/15 (£22.209m in 2013/14). These figures are before the distribution of any previous year's estimated Fund surplus or deficit. There was a surplus of £1.5m to distribute in 2014/15 - £1.182m to Bexley and £0.318m to the Greater London Authority (there was no surplus or deficit to distribute in 2013/14). 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 new 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 2013/14 and earlier 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 2015 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 103 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 2015.

Alison Griffin

Director of Finance

24 September 2015

Pension Fund Account

2013/14 £'000		Note	2014/15 £'000
	Dealings with members, employers and others directly involved in the scheme		
-20,331	Contributions	6	-22,232
-1,622	Transfers in from other pension funds	7	-1,955
-21,953	Total contributions		-24,187
26,828	Benefits	8	28,403
2,806	Payments to and on account of leavers	9	1,471
29,634	Total benefits		29,874
7,681	Sub-total: Net additions (-) / withdrawals from dealings with members		5,687
2,759	Management expenses	10	2,615
	Returns on investments		
-12,529	Investment income	11	-12,558
553	Taxes on income	11	836
-34,839	Profit (-) and losses on disposal of investments and changes in value of investments	12	-72,281
-46,815	Net returns on investments		-84,003
-36,375	Net increase (-) / decrease in the net assets available for benefits during the year		-75,701

Pension Fund Net Assets Statement

31.3.2014 £'000		Note	31.3.2015 £'000
614,367	Investment Assets	12	690,922
-1,040	Investment Liabilities	14	-1,122
0	Borrowings		0
-17,700	Long Term Liabilities	15	-7,803
1,924	Current Assets	16	1,314
-1,301	Current Liabilities	17	-11,360
596,250	Net assets of the scheme available to fund benefits at the period end		671,951

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 25 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.

The Scheduled Bodies (bodies whose staff are automatically entitled to be members of the fund) are:-

London Borough of Bexley (Administering Authority)

Barnehurst Infant School

Barnehurst Junior School

Belvedere Junior School

Beths Grammar School

Bexley College

Bexley Grammar School

Bexleyheath Academy

Blackfen School for Girls

Brampton Primary Academy

Burstled Wood Primary School

Chislehurst and Sidcup Grammar School

Christ Church Primary

Cleeve Park School

Days Lane Primary School

East Wickham Primary Academy

Erith School

Harris Academy Falconwood

Hope Community School

Hurst Primary School

Hurstmere School

Mayplace Primary School

Pelham Primary School

Sherwood Park Primary School

St Augustine of Canterbury Primary School

St Catherine's Catholic School
 St Columba's Catholic Boys School
 Townley Grammar School
 Trinity Church of England School, Belvedere
 Welling School
 Woodland Academy Trust

The Admitted Bodies (bodies whose staff are entitled to be members of the fund because of an agreement between that body and the Fund) are:-

Avante Partnership
 Bexley Heritage Trust
 Blenheim CDP
 Business Academy Bexley
 Capita Business Services Ltd
 Caterlink
 Cucina Restaurants Ltd
 Danson Youth Trust
 Inspire Community Trust
 Kier Street Services Ltd
 London and Quadrant Housing Trust
 MCCH Society Ltd (no active members)
 Mytime Active
 Orbit South Housing Association (no active members)
 Rose Bruford College
 Serco Ltd
 Wilson James Ltd

Numbers for employers and employees in the fund are:

31 March 2014	31 March 2015
44 Number of employers with active members	46
<i>Number of employees in the fund</i>	
3,189 London Borough of Bexley	2,929
1,599 Other employers	1,725
4,788 Total	4,654
<i>Number of pensioners in the fund</i>	
4,074 London Borough of Bexley	3,913
484 Other employers	505
4,558 Total	4,418
<i>Number of deferred pensioners in the fund</i>	
3,412 London Borough of Bexley	3,187
560 Other employers	626
3,972 Total	3,813

Over the last five years membership numbers have increased:

Membership Analysis 31 March 2011 - 31 March 2015

	31.3.11	31.3.12	31.3.13	31.3.14	31.3.15
Employees in the Fund	4,593	4,470	4,600	4,788	4,654
Deferred Pensioners	3,466	3,612	3,783	3,972	3,813
Pensioners in the Fund	4,025	4,207	4,291	4,558	4,418

(c) Funding

In 2014/15, 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 2014/15 was calculated as 20.6% of payroll (20.6% in 2013/14) although the amount due was discounted for early payment. Other bodies' employer's future service contributions in 2014/15 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 24 and 25.

(d) Benefits

Following the report of the Hutton commission in 2011 a new scheme design for the LGPS was agreed. The new scheme commenced on 1 April 2014.

The changes do not affect those who currently receive pension payments. All pension benefits built up to 31 March 2015 will be treated according to the previous schemes.

	Service 1 April 2008 until 31 March 2014	LGPS 2014 scheme
Basis of pension	Final salary	Career average revalued earnings
Accrual rate	1/60 th of salary	1/49 th of salary
Revaluation rate	No revaluation: based on final salary	Inflation rate: consumer prices index (CPI)
Pensionable pay	Pay excluding non-contractual overtime and non-pensionable additional hours	Pay including non-contractual overtime and additional hours for part time staff
Employee contribution	See below table	See below table
Normal pension age	65	Equal to the individual member's State Pension Age
Lump sum trade off	Trade £1 of annual pension for £12 lump sum	Trade £1 of annual pension for £12 lump sum
Death in service lump sum	3x pensionable payroll	3x pensionable payroll
Death in service survivor benefits	1/160th accrual based on Tier 1 ill health pension enhancement	1/160th accrual based on Tier 1 ill health pension enhancement
Ill Health Provision	Tier 1 - Immediate payment with service enhanced to Normal Pension Age Tier 2 - Immediate payment with 25% service enhancement to Normal Pension Age Tier 3 - Temporary payment of pension for up to 3 years	Tier 1 - Immediate payment with service enhanced to Normal Pension Age Tier 2 - Immediate payment with 25% service enhancement to Normal Pension Age Tier 3 - Temporary payment of pension for up to 3 years
Indexation of pension in payment	Inflation rate: CPI (RPI for pre-2011 increases)	Inflation rate: CPI

Pre 2014 employee contribution rates	
Pensionable payroll banding	Contribution rate
Up to £13,700	5.5%
£13,701 to £16,100	5.8%
£16,101 to £20,800	5.9%
£20,801 to £34,700	6.5%
£34,701 to £46,500	6.8%
£46,501 to £87,100	7.2%
More than £87,100	7.5%
Estimated overall LGPS average	6.5%

LGPS 2014 employee contribution rates	
Pensionable payroll banding	Contribution rate
Up to £13,500	5.5%
£13,501 to £21,000	5.8%
£21,001 to £34,000	6.5%
£34,001 to £43,000	6.8%
£43,001 to £60,000	8.5%
£60,001 to £85,000	9.9%
£85,001 to £100,000	10.5%
£100,001 to £150,000	11.4%
More than £150,000	12.5%
Estimated overall LGPS average	6.5%

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For additional information about the LGPS 2014 scheme please refer to the Bexley Pension Fund website.

(e) Financial Analysis 2010/11 – 2014/15

(restated for management expenses)

	2010/11	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000
Contributions to the Scheme	-26,323	-22,222	-21,508	-21,953	-24,187
Benefits Paid	23,816	28,150	25,849	29,634	29,874
Management Expenses	2,522	2,346	2,187	2,759	2,615
Net Return on Investments	-39,158	-7,224	-80,642	-46,815	-84,003
Net Increase (-) / Decrease in Year	-39,143	1,050	-74,114	-36,375	-75,701
Value of Fund Brought Forward	447,668	486,811	485,761	559,875	596,250
Value of Fund Carried Forward	486,811	485,761	559,875	596,250	671,951

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

2 Basis of Preparation

These financial statements summarise the fund's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. They have been prepared in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting 2014/15. The CIPFA Code is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

3 Accounting Policies

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. The exception to this is transfer values which are accounted for on a cash basis.

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.

Pensions, benefits, administrative and investment management expenses payable include all amounts due as at the end of the financial year. Any amounts unpaid show as current liabilities. 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. 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.

Interest income is also recognised as it accrues. Dividend income is accounted for on the date the shares are quoted ex-dividend, and 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. Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

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.

Basis of 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.

Basis of Valuation of Investments

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

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.

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.

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.

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.

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.

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 IAS19 and relevant actuarial standards. As permitted under IAS26, the fund has opted to disclose the actuarial present value of promised retirement benefits as a note to the net assets statement (see note 25).

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.

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.

Events after the Net Assets Statement date

The Pension Fund accounts were issued as part of the Statement of Accounts by the Director of Finance on 24 September 2015. 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 2015, the figures in the accounts and notes have been adjusted in all material respects to reflect the impact of this information. Note 19 details any such specific events.

Management Expenses

Pension fund management expenses are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs. The comparator figures for 2013/14 have been restated to reflect the implementation of the CIPFA guidance. Consequently management expenses reported in the Fund Account for 2013/14 have been increased by £0.301m to £2.759m and Profit and Loss on disposal of investments and changes in the market value of investments has similarly been increased by £0.301m to £34.839m to reflect the fees which had been deducted at source.

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.

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.

4 Critical judgements in applying accounting policies

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 IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 25. 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 2015 for which there is a significant risk of material adjustment in the following financial year are:

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 a 0.5% increase in the discount rate assumption would reduce the pension liability by £65m. A 0.25% reduction in assumed salary inflation would reduce liabilities by £6m and a one year increase in assumed life expectancy would increase the liability by around £18m.

Private equity

Private equity investments are valued by their individual fund managers. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. By the time these valuations are all received by the fund of funds manager and he has reviewed them and adjusted as necessary to fair value standards they are likely to be a quarter out of date. The total private equity investments in the accounts are valued at £54.0m. There is a risk that this investment may be under- or overstated in the accounts.

6 Contributions

2013/14		2014/15
£'000		£'000
	Contributions from Employers	
6,990	London Borough of Bexley – normal	7,371
2,230	Scheduled bodies – normal	3,478
1,008	Admitted bodies – normal	1,369
4,104	London Borough of Bexley – deficit funding	3,029
1,054	Scheduled bodies – deficit funding	1,196
-155	Admitted bodies – deficit funding	219
7	London Borough of Bexley – augmentation	7
0	Scheduled bodies – augmentation	0
0	Admitted bodies – augmentation	0
	Contributions from Members	
3,467	London Borough of Bexley – normal	3,678
1,039	Scheduled bodies – normal	1,265
474	Admitted bodies – normal	517
92	London Borough of Bexley – additional voluntary	96
7	Scheduled bodies – additional voluntary	7
14	Admitted bodies – additional voluntary	0
20,331	Total contributions	22,232

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.

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 providers are Prudential and contributions are also collected for life assurance policies provided by Phoenix Life and Equitable Life.

The movement in investments during the year were:-

2013/14		2014/15
£'000		£'000
849	Value of funds at start of year	1,032
270	Employees contributions	201
10	Investment income	21
0	Transfers in	20
20	Change in market value	39
-117	Benefits paid and transfers out	-318
1,032	Value of funds at end of year	995

7 Transfers in from other pension funds

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

2013/14		2014/15
£'000		£'000
1,192	London Borough of Bexley	1,497
356	Scheduled bodies	449
74	Admitted bodies	9
1,622	Total	1,955

8 Benefits

2013/14		2014/15
£'000		£'000
21,729	Pensions	22,981
7	Augmented service	7
4,285	Commutation of pensions and lump sum retirement benefits	4,786
807	Lump sum death benefits	629
26,828	Total	28,403

These benefits can also be analysed by employing body as follows:-

24,128	London Borough of Bexley	25,314
814	Scheduled bodies	1,102
1,886	Admitted bodies	1,987
26,828	Total	28,403

9 Payments to and on account of leavers

2013/14		2014/15
£'000		£'000
39	Refunds of contributions	16
-1	State scheme premiums	3

2,768	Individual transfers out to other schemes	1,452
2,806	Total	1,471

These benefits can also be analysed by employing body as follows:-

2,621	London Borough of Bexley	1,271
172	Scheduled bodies	189
13	Admitted bodies	11
2,806	Total	1,471

At the year end there were liabilities of £0.12m where further transfers out had been agreed but not paid. There are also potential liabilities which cannot easily be quantified in respect of individuals transferring out of the fund where a final decision has yet to be taken.

10 Management expenses

2013/14		2014/15
£'000		£'000
430	Administrative costs	330
1,735	Investment Management costs	1,919
594	Oversight and Governance costs	366
2,759	Total	2,615

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 for the funds of private equity funds, diversified growth fund and some bond and property funds are not included above as 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 £1,587,000 in 2014/15 (£1,620,000 in 2013/14). One-off fee rebates for new commitments to fund of private equity funds are included above as they were identified separately by the manager.

Included above are £241,000 in respect of transaction costs (2013/14 £301,000 restated). 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 12b).

The fund has negotiated a performance related fee element with its global equity manager, Newton. In 2014/15 this element of the fee amounted to £0.60m (2013/14 £0.39m).

11 Investment income

2013/14		2014/15
£'000		£'000
0	Income from fixed interest securities	0
10,164	Dividends from equities	10,539
0	Income from index-linked securities	0
2,329	Income from pooled investment vehicles	1,995
25	Interest on cash deposits	22
11	Other investment income	2
12,529		12,558
-553	Irrecoverable withholding tax (equities)	-836
11,976	Total investment income	11,722

12 Investment Assets

(a) Changes in investments during the year

There were only minor changes to investments during 2014/15. The bond investment with BlackRock was transferred from investments in fixed interest and corporate bonds to a wider opportunity set in their Global Opportunities Fund. A \$30m commitment was made to the UBS Global Infrastructure Fund II, in order to meet the long term allocation of 3% for this asset class, although only £0.3m was drawn down during the year.

As a result of these changes the fund's asset allocation changed as follows:-

31.3.2014		31.3.2015
9.3%	Bonds	8.6%
60.8%	Equities	60.3%
6.5%	Private Equity	7.8%
10.2%	Property	10.2%
10.2%	Diversified Growth	10.0%
3.0%	Cash	3.1%
0.0%	Infrastructure	0.0%

The fund's investment return for the year was a gain of 13.8%, with total assets increasing from £596.250m to £671.951m. This was better than the return on the Fund's specific benchmark of 13.2%. Stock markets were still volatile during the year but made steady progress by year end. Over a five year period the fund's annual return was 9.6% pa compared to the average return of 9.0% pa that the benchmark would have achieved.

(b) Reconciliation of movements in investments

	Value at 31.3.2014	Purchases at cost	Sales proceeds	Transfers	Change in Market value	Value at 31.3.2015
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	358,119	90,816	-92,843		47,828	403,920
Pooled investment vehicles (non bond)	136,730	18,675	-21,938		18,322	151,789
Pooled investment vehicles (non bond) - level 3	45,814	8,996	-5,059		3,907	53,658
Pooled investment vehicles (bond)	56,654	31,259	-31,169		2,185	58,929
Derivatives	1,047	125,223	-126,309		39	0
	598,364	274,969	-277,318	0	72,281	668,296
Cash/temporary investments	12,659				1,605	21,002
Outstanding investment transactions debtors	3,344				-1,519	1,624
	614,367					690,922
Current Net Assets/Liabilities (-)	623				-9,901	-10,046
Net Assets/Liabilities (-)	-17,700				9,897	-7,803
Outstanding investment transactions creditors	-1,040				-82	-1,122
Net assets	596,250				72,281	671,951

Equivalent figures for 2013/14 were:

	Value at 31.3.2013	Purchases at cost	Sales proceeds	Transfers	Change in Market value	Value at 31.3.2014
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	340,959	83,944	-94,348		27,564	358,119
Pooled investment vehicles (non bond)	120,310	41,136	-31,248		6,532	136,730
Pooled investment vehicles (non bond) - level 3	31,965	16,417	-5,124		2,556	45,814
Pooled investment vehicles (bond)	56,754	633	-500		-233	56,654
Derivatives	988	218,283	-216,649		-1,575	1,047
	550,976	360,413	-347,869	0	34,844	598,364
Cash/temporary investments	5,297				236	12,659
Outstanding investment transactions debtors	2,778				799	3,344
	559,051					614,367
Current Net Assets/Liabilities (-)	824				17,700	623
Net Assets/Liabilities (-)	0				-17,700	-17,700
Outstanding investment transactions creditors	0				-1,040	-1,040
Net assets	559,875				34,839	596,250

The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Transaction costs are reported separately for the first time this year – see note 10 above. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

(c) Analysis of investments

31.3.2014		31.3.2015
£'000		£'000
	Equities	
119,968	UK quoted	125,421
238,151	Overseas quoted	278,499
358,119		403,920
	Pooled investment vehicles	
62,088	Managed funds – UK property unquoted	70,663
15,768	Managed funds – UK fixed interest unquoted	0
26,075	Managed funds – Overseas fixed interest unquoted	58,929
14,811	Managed funds – UK index linked unquoted	0
45,811	Managed funds – Overseas limited liability partnership unquoted	53,655
62,417	Unitised insurance policy - Overseas unquoted	68,969
3	Unit trusts – UK unquoted	3
12,225	Unit trusts – Overseas unquoted	12,157
239,198		264,376

1,047	Derivatives	0
12,659	Cash/temporary investments	21,002
	Other investment balances	
3,344	Debtors	1,624

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.

Investments exceeding 5% within each class of security detailed in Note 12b are as follows:

Asset Class / Security Name	Manager	31.03.15 £'000	31.03.15 % within asset class
Pooled investment vehicles (non bond)			
Standard Life GARS	Standard Life	68,969	45.4%
Newton Emerging Markets Exempt Fund	Newton	12,157	8.0%
Threadneedle Property Fund	Aviva	8,609	5.7%
BlackRock UK Property Fund	Aviva	8,407	5.5%
CBRE UK Property Fund	Aviva	8,375	5.5%
Pooled investment vehicles (non bond) - Level 3 investments			
Partners Group Global Value 2011	Partners	21,885	40.8%
Partners Group Global Value 2006	Partners	11,071	20.6%
Partners Group Global Value 2008	Partners	9,131	17.0%
Partners Group Direct Investments 2012	Partners	9,039	16.8%
Partners Group Global Value 2014	Partners	2,862	5.3%
Pooled investment vehicles (bond)			
BlackRock FIGO Fund	BlackRock	31,930	54.2%
Newton Global Dynamic Bond Fund	Newton	26,999	45.8%

Equivalent figures as at 31st March 2014 were as follows:

Asset Class / Security Name	Manager	31.3.2014 £'000	31.3.2014 % within asset class
Pooled investment vehicles (non bond)			
Standard Life GARS	Standard Life	62,417	41.0%
Newton Emerging Markets Exempt Fund	Newton	12,225	8.0%
WELPUT	Aviva	9,170	6.0%
Pooled investment vehicles (non bond) - Level 3 investments			
Partners Group Global Value 2011	Partners	16,587	36.2%
Partners Group Global Value 2006	Partners	11,740	25.6%
Partners Group Global Value 2008	Partners	8,054	17.6%
Partners Group Direct Investments 2012	Partners	6,688	14.6%
Partners Group Global Value 2014	Partners	2,742	6.0%

Pooled investment vehicles (bond)

Newton Global Dynamic Bond Fund	Newton	26,075	46.0%
BlackRock All Stocks Corporate Bond Fund	BlackRock	15,768	27.8%
BlackRock Index Linked Bond Fund	BlackRock	14,811	26.2%

(d) Analysis of derivatives

A significant proportion of the fund's quoted equity portfolio is in overseas stock markets. In order to reduce the volatility associated with fluctuating currency rates, the fund's global equity manager (Newton) enters into forward foreign currency contracts. There were no foreign currency contracts open at 31 March 2015. The fund's UK equity manager (UBS) has used FTSE future contracts in place of cash pending reinvestment in stocks as opportunities arose. There were no such contracts open at 31 March 2015.

(e) Investments analysed by fund manager

31.3.2014			31.3.2015	
£'000	%		£'000	%
308,994	50.4	Newton Investment Management Ltd	359,118	52.1
102,520	16.7	UBS Global Asset Management Ltd	100,927	14.6
62,708	10.2	Aviva Investors	75,201	10.9
62,417	10.2	Standard Life (GARS)	68,969	10.0
45,811	7.5	Partners Group	53,988	7.8
30,877	5.0	BlackRock Bond Fund	31,930	4.6
0		UBS infrastructure Fund	-333	0
613,327			689,800	
623		Current Net Assets/Liabilities (-)	-10,046	
-17,700		Employer contributions prepayment	-7,803	
596,250		Net assets	671,951	

The figures above include the managers' cash allocation.

(f) Investment Risk

By their nature most of the investments made by managers on behalf of the Pension Fund do carry a level of risk. The ultimate risk is that of a loss in the value of those investments. As benefits are determined by legislation, the deficit would be made good by increases in employer contributions following the next actuarial valuation.

The Funding Strategy Statement covers the detail of the investment strategy. The overall asset allocation is set with advice from the fund's investment advisors Aon Hewitt after an asset liability study has been carried out. This study projects assets and liabilities forward using a series of economic assumptions. The possible outcomes that this study generates are used to assess the likelihood of success or failure of the chosen investment strategy. Each investment strategy modelled in this way can then be compared in terms of the risk taken to achieve the forecast return. So the overall asset allocation is set taking account of the risks involved. Managers are appointed to invest each asset class and they are set appropriate risk and investment return targets which are monitored by the Pensions Committee.

In general terms the fund seeks to address investment risk by:-

Diversifying asset allocation - the fund invests in a range of asset classes which assists in guarding against sharp falls in a particular asset class. Nevertheless a large proportion of the fund is invested in equities, but this is itself diversified in terms of allocations across the world and across industries.

Diversifying manager selection - the fund has increased the number of managers it has used over the last few years. It is unlikely that any one manager can succeed in all market conditions and so managers or funds with different styles or attributes are chosen to work together for the fund.

Alternative investments - historically the fund has invested the majority of its assets in bonds and equities. In recent years allocations have been made in Diversified Growth Funds, property, private equity, and infrastructure.

Whilst the risk is diversified through these means, it is also true that the fund can afford to take on a degree of risk due to its long term nature. Its funding level is determined at three yearly intervals, and the employer contribution rates are set as far as possible to be constant over time.

13 Financial instruments

(a) Classification of financial instruments

The net assets of the Fund shown in the Net Assets Statement may be analysed into the following categories of financial instruments.

Values as at 31 March 2015	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
	£'000	£'000	£'000
Financial Assets			
Equities	403,920		
Pooled investment vehicles (non bond)	151,789		
Pooled investment vehicles (non bond) – level 3	53,658		
Pooled investment vehicles (bond)	58,929		
Derivatives	0		
Cash		21,378	
Debtors		2,562	
Financial liabilities			
Other investment balances			-1,122
Creditors			-19,163
Total	668,296	23,940	-20,285

Equivalent figures as at 31st March 2014 are as follows:

2013/14	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
	£'000	£'000	£'000
Financial Assets			
Equities	358,119		
Pooled investment vehicles (non bond)	136,730		
Pooled investment vehicles (non bond) – level 3	45,814		
Pooled investment vehicles (bond)	56,654		
Derivatives	1,047		
Cash		12,772	
Debtors		5,155	
Financial liabilities			
Other investment balances			-1,040
Creditors			-19,001
Total	598,364	17,927	-20,041

The financial assets are disclosed at fair value and this is also their carrying value. However, the loans and receivables and financial liabilities at amortised cost are not measured at fair value even though their carrying value is equivalent to fair value. Most assets and liabilities may be classified as current as they arise primarily from trading. One liability of £7.8m at 31 March 2015 relates to advance payments of employer contributions for 2016/17 and is a longer term liability.

(b) Net gains and losses on financial instruments

The gains and losses recognised in the Fund Account in relation to financial instruments may be analysed as follows:-

2013/14		2014/15
£'000		£'000
	Financial Assets	
45,528	Fair value through profit or loss	78,889
2,556	Fair value through profit or loss – level 3	3,907
1,046	Loans and receivables	1,250
	Financial Liabilities	
-1,576	Fair value through profit or loss	39
-1,040	Financial liabilities at amortised cost	-82
0	Loans and receivables	0
46,514	Total	84,003

(c) Nature and extent of risks arising from financial instruments

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

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 (7.8% at 31 March 2015 and 6.5% at 31 March 2014) 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 2014/15 then a loss of income of £525,000 would have occurred (£508,000 in 2013/14). 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 2015 was £376,000. This was held with NatWest Bank plc which has a Fitch long term rating of A. In overall terms the Fund's exposure to credit risk is the carrying amount of the financial assets at 31 March 2015.

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 2014/15 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 2015 the value of illiquid assets was £124m, which represented 19% of total fund assets (31 March 2014: £109m which represented 18% of total fund assets).

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. At 31 March 2015 the Fund had £58.9m invested in two bond funds (bond investments were £56.7m at 31 March 2014). If interest rates on these investments varied by 1% the impact on the fund would be £589,000 (£567,000 at 31 March 2014).
- 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. If equities, which are the largest asset class in which the Fund invests, had been priced 10% lower at 31 March 2015, the Fund valuation would have been £40.4m lower (£35.8m lower at 31 March 2014). However, in this scenario it is quite likely that bond funds would have been priced 10% higher offsetting the lower valuation by £5.9m at 31 March 2015 (£5.7m at 31 March 2014).
- 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. The Fund held £278.5m overseas equities at 31 March 2015 (£238.2m at 31 March 2014), so if the exchange rate of sterling against the local currencies in which the assets were invested had varied by 10%, the valuation would have varied by some £27.8m (£23.8m at 31 March 2014).

(d) Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 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 main inputs into the Limited Partnership's valuation models for Direct equity and debt Investments include: earnings before interest, taxes, depreciation, and amortization (EBITDA) multiples (based on budgeted/forward looking EBITDA or historical EBITDA of the issuer and EBITDA multiples of comparable listed companies for the equivalent period), discount rates, capitalization rates, price to book as well as price to earnings ratios and enterprise value to sales multiples. The Limited Partnership also considers the original transaction prices, recent transactions in the same or similar instruments and completed third-party transactions in comparable instruments and adjusts the model as deemed necessary. Further inputs consist of external valuation appraisals and broker quotes.

In order to assess level 3 valuations in accordance with the Limited Partnership Agreement, the Investment Advisor reviews the performance of the Direct and Indirect Investments held on a regular basis. The valuations are reviewed on an ongoing basis by the Private Equity Manager's investment committee who report to the General Partner. The investment committee considers the appropriateness of the valuation model inputs as well as the valuation result using various valuation methods and techniques generally recognized within the industry.

The Limited Partnership utilizes comparable trading multiples in arriving at the valuation for the Direct Investments. Comparable companies multiple techniques assume that the valuation of unquoted Direct Investments can be assessed by comparing performance measure multiples of similar quoted assets for which observable market prices are readily available. The Investment Advisor determines comparable public companies based on industry, size, development stage, strategy, etc. Subsequently the most appropriate performance measure for determining the valuation of the relevant Direct Investment is selected (these include but are not limited to EBITDA, price/earnings ratio for earnings or price/book ratio for book values). Trading multiples for each comparable company identified are calculated by dividing the market capitalization of the comparable company by the defined performance measure. The relevant trading multiples might be subject to adjustment for general qualitative differences such as liquidity, growth rate or quality of customer base between the valued Direct Investment and the comparable company set. The indicated fair value of the Direct Investment is determined by applying the relevant adjusted trading multiple to the identified performance measure of the valued company.

When applying the discounted cash flow method, the Investment Advisor discounts the expected cash flow amounts to a present value at a rate of expected return that represents the time value of money and reflects the relative risks of the Direct Investment. Direct Investments can be valued by using the 'cash flow to investor' method (a debt instrument valuation), or indirectly, by deriving the enterprise value using the 'free cash flow to company' method and subsequently subtracting the Direct Investment's net debt in order to determine the equity value of the relevant Direct Investment. The Private Equity Manager determines the expected future cash flows based on agreed investment terms or expected growth rates. In addition and based on the current market environment an expected return of the respective Direct Investment is projected. The future cash flows are discounted to the present date in order to determine the current fair value.

The values of Level 3 Direct equity Investments valued by using an unobservable input factor are directly affected by a change in that factor. The change in valuation of level 3 Direct equity Investments may vary between different Direct Investments of the same category as a result of individual levels of debt financing within such an investment. Level 3 Direct debt Investments are generally valued using a waterfall approach including different seniority levels of debt. Thus the effect of a change in the unobservable input factor on the valuation of such investments is limited to the debt portion not covered by the enterprise value resulting from the valuation. No interrelationship between unobservable inputs used in the Limited Partnership's valuation of its level 3 investments has been identified.

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

Values at 31 March 2015

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Financial assets at fair value through profit or loss	403,920	210,718	53,658	668,296
Total financial assets				668,296
Financial Liabilities				
Financial liabilities at fair value through profit or loss				0
Total financial liabilities				0
Net financial assets				668,296

Values at 31 March 2014

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Financial assets at fair value through profit or loss	359,166	193,384	45,814	598,364
Total financial assets				598,364
Financial Liabilities				
Financial liabilities at fair value through profit or loss				0
Total financial liabilities				0
Net financial assets				598,364

14 Investment Liabilities

2013/14 £'000		2014/15 £'000
1,040	Creditors	1,122
1,040	Total	1,122

These amounts represent unsettled investment transactions as at year end.

15 Long Term Liabilities

2013/14 £'000		2014/15 £'000
17,700	Employer contributions prepayment	7,803
17,700	Total	7,803

These amounts represent advance payments of employer's contributions by the London Borough of Bexley in respect of financial year 2016/17.

16 Current assets

2013/14 £'000		2014/15 £'000
	Contributions due from employers	
1,206	- in respect of employers	434
412	- in respect of members	445
7	- in respect of previous employment	5
186	Sundry debtors	54
113	Cash at bank	376
1,924	Total	1,314

These contributions due and sundry debtors can also be analysed as follows:-

35	- in respect of central government bodies	32
1,341	- in respect of other local authorities	329
2	- in respect of NHS bodies	1
433	- in respect of other entities and individuals	576
1,811	Total	938

All investment debtors are in respect of other entities and individuals.

17 Current liabilities

2013/14		2014/15
£'000		£'000
-219	Unpaid benefits	-181
0	Employer contributions prepayment	-9,897
-277	Sundry creditors	-281
-805	Accrued expenses	-1,001
-1,301	Total	-11,360

These liabilities can also be analysed as follows:-

-283	- in respect of central government bodies	-275
-7	- in respect of other local authorities	-9,898
0	- in respect of public corporation and trading funds	0
-1,011	- in respect of other entities and individuals	-1,187
-1,301	Total	-11,360

18 Administration

The Local Government Pension Scheme in Bexley is 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.

19 Subsequent Events

There were no material subsequent events.

20 Contingent Liabilities

The Pension Fund has a commitment to contribute a further £33.0m to the fund of private equity funds (£45.7m as at 31 March 2014), and a further £19.8m into the infrastructure fund (see also note 12a). 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 2015, or material non-adjusting events subsequent to this.

21 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.

22 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 £313,710 recharge in 2014/15 from the London Borough of Bexley to the Pension Fund included in administration and oversight and governance costs.

The Director of Finance (and the previous Director of Finance and Resources) 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 2014/15 she received salary, fees and allowances totalling £59,583 and benefits in kind of £2,493, giving total remuneration of £62,076. In 2014/15 the previous Director of Finance and Resources received salary, fees and allowances totalling £64,406 and benefits in kind of £581, giving total remuneration of £64,987 (£125,977 in 2013/14).

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 2014/15 this contribution was £12,274 in respect of the Director of Finance and £13,851 in respect of the Director of Finance and Resources (£26,777 in 2013/14)

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.

23 Stock Lending

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

24 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.

25 Actuarial Present Value of Promised Retirement Benefits

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

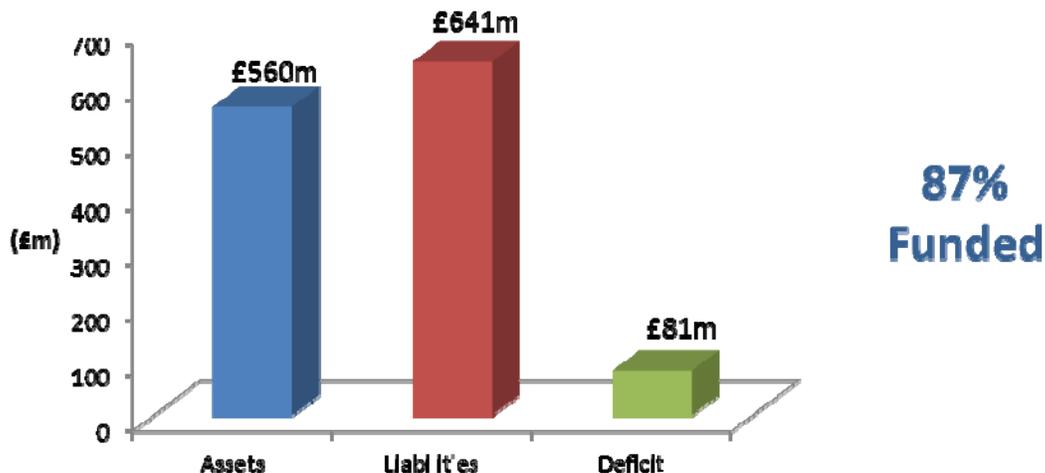
LONDON BOROUGH OF BEXLEY PENSION FUND

Accounts for the year ended 31 March 2015 - 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 2015 (the 31 March 2014 assumptions are included for comparison):

	31 March 2014	31 March 2015
Rate of return on investments (discount rate)	4.5% per annum	3.3% per annum
Rate of pay increases	3.9% per annum*	3.5% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% 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 fell significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.3% p.a. versus 4.5% p.a.). The expected long-term rate of CPI inflation also fell during the year, resulting in a lower assumption for pension increases at the year end than at the beginning of the year (2.0% p.a. versus 2.4% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2014 was estimated as £703 million.

The effect of the changes in actuarial assumptions between 31 March 2014 and 31 March 2015 as described above is to increase the liabilities by c£102 million. Adding interest over the year increases the liabilities by c£31 million, and allowing for net benefits accrued/paid over the period decreases the liabilities by c£4 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 2015 is therefore £832 million.

Ian Kirk
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2015

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.

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.

Fair Value

The fair 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.

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 for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, Collection Fund and 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 2014/15.

This report is made solely to the Members of London Borough of Bexley, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 2014/15, and for being satisfied that they 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 also 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 explanatory foreword 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:

- give a true and fair view of the financial position of London Borough of Bexley as at 31 March 2015 and of its expenditure and income for the year then ended; and

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with '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 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the 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 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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 arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, London Borough of Bexley put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by local authority elector. We are satisfied that these matters do not have a material effect on the financial statements or a significant impact on our value for money conclusion.

Signature

Darren J Wells

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

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

28 September 2015

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 for the year ended 31 March 2015 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, 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 2014/15.

This report is made solely to the Members of London Borough of Bexley, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the Authority's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

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 pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they 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 also 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 explanatory foreword 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:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at 31 March 2015 and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

Darren J Wells

Director

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

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28 September 2015