LONDON BOROUGH OF
BEXLEY

www.bexley.gov.uk

Statement of Accounts
2017 – 18

Contents

Leigh Whitehouse,
Director of Finance &
Corporate Services

Dear Residents,

At the end of another challenging, but successful, financial year, it is pleasing to see that Bexley's reputation for strong, stable management of its finances is in evidence once more.

This year was the seventh since the former Coalition Government set out on a so-called period of austerity with the objective of rebalancing the national budget. During that time, successive Governments have reduced the level of financial support provided to councils, and so local spending on services has continued to fall in absolute or real terms.

Bexley has prided itself on being proactive about facing this challenge head on, and looking to transform the way it does business in order to continue to deliver an ambitious agenda within a reducing financial envelope. Having joined part way through the 2017/18 financial year, I have been impressed with the clarity that exists within the council's recognition of the need to be 'self-sufficient' financially, and the vigour with which it is pursuing the means to achieve that.

Central to that ambition is the Council's Growth Strategy for the borough. This was adopted, with cross party support, by the Cabinet in December 2017, and more details on this are set in a later section. The Growth Strategy makes clear the importance of enhanced transport infrastructure in delivering on the rich potential that exists in Bexley. As we move to less than a year away from when the new Elizabeth Line opens services to Abbey Wood, the Council continues to campaign strongly and energetically for an extension of the service to Ebbsfleet, taking in more stations within the borough of Bexley. Our strong partnerships with neighbouring boroughs in Kent provide a strong foundation for this work.

Within London, we have seen the agreement this year of a Business Rate Pool for London, which was announced in the Chancellor's Budget in November. This collaborative venture will see London retain a greater share of its business rate yield, to be spent on local services.

We have set up a company, BexleyCo, that we intend to use as a vehicle to drive development in the borough on our terms, while generating a profit in the long-term that we plan to plough back into Bexley to keep the quality of services residents deserve.

Most importantly, we have continued to deliver high quality services to the residents of Bexley, and to act as their voice in championing the borough with our public sector partners, and beyond the borough boundaries too. In March we voluntarily subjected ourselves to a Peer Review organised by the Local Government Association. The Review Team were impressed with what they saw, and gave some important pointers on how they thought we could improve further.

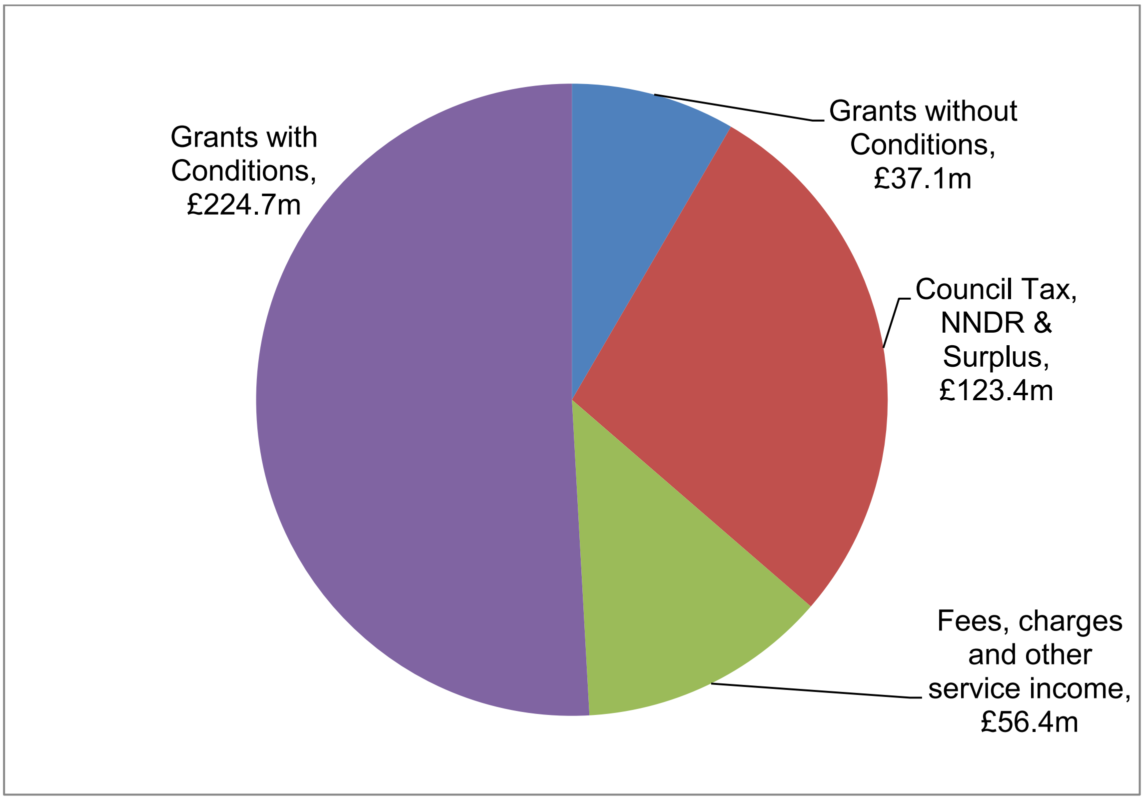
2017/18: An Overview

2017/18 saw the borough underspend by £0.9m, another year in which effective management saw us achieve our financial target. An important contributory factor to this was the use of the Contingency built into our base budget, which was managed prudently during the year. We will need to maintain tight financial controls as social care and housing demand is rising inevitably due to demographic change and a very difficult housing market for many residents. Growing pressures in relation to 'High Needs' within the Education sector, contributed to our local maintained schools needing to use £1.4m or approximately one quarter of their reserves to balance their books.

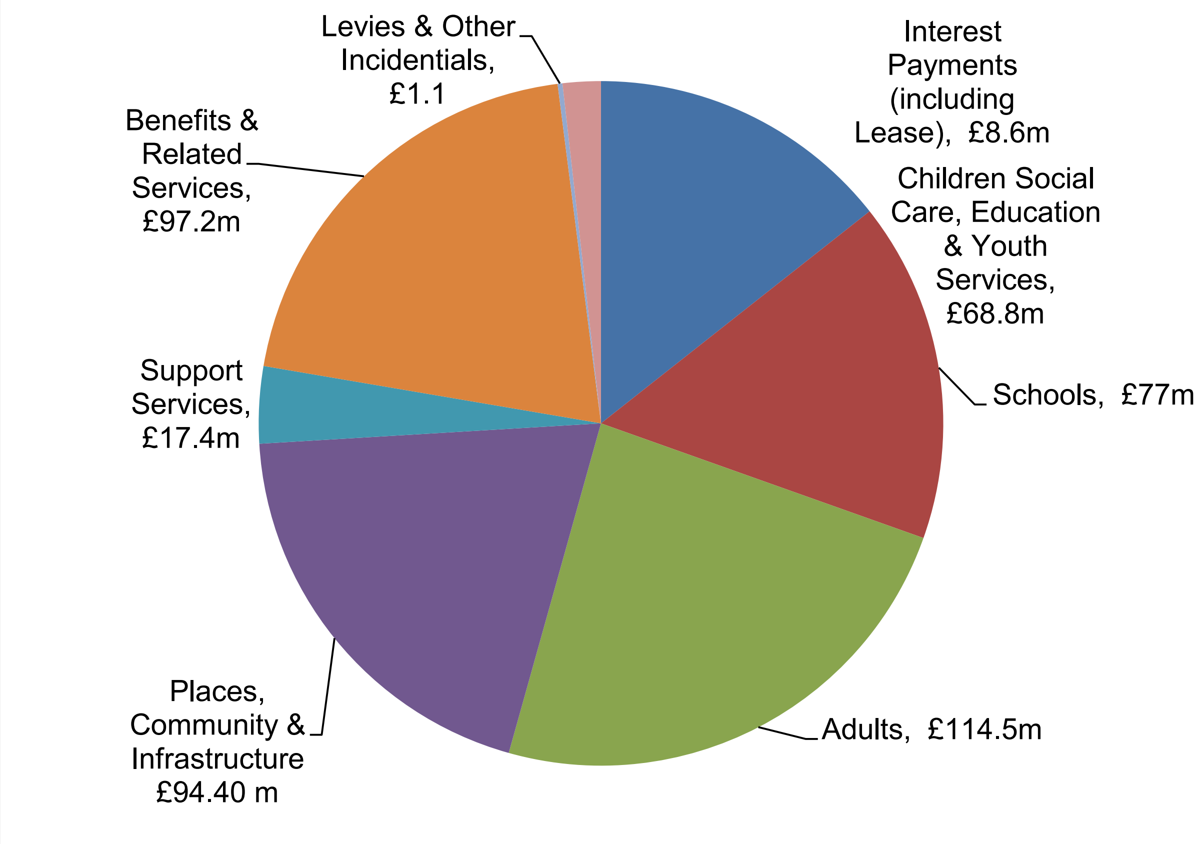
Before we go into detail on the outturn, I want to draw your attention to where our money comes from and how it is spent and how we are seeking to generate additional resources.. As you can see, over 50% of our funding has terms and conditions attached to it. The largest grants are Housing Subsidy (£86m) that pass through our books through to residents receiving benefits and Dedicated Schools Grant (£80m), most of which goes directly to schools.

One of the reasons we are focussed on generating other sources of funds is because central grants without conditions (£37.1m) such as Revenue Support Grant (£13.7m) and NNDR top-up grant £15.7m are reducing year on year.

Where the money comes from…



And where it goes…



Pooling of Business Rates

One way to generate additional resources is to grow the local economy, which will in return increase the business rates tax base. By 2020/21, Central Government intends to have fundamentally reformed the system for funding local government with the purpose of increasing local self-sufficiency. Most recently, The Ministry of Housing, Communities and Local Government (MHCLG) has committed to the retention of 75% of business rates by local government but the long-term target remains 100% retention.

As a result of the national deficit reduction policies, all local authorities have experienced exceptional reductions in Government funding. In 2017/18, our Revenue Support Grant (RSG) funding reduced by approximately £9.1m, as compared to our 2016/17 allocation. The process of identifying savings is on-going and given the continue restraint in public sector funding this will continue for the foreseeable future. We are using the Priority and Outcome structure that we developed via our Corporate Plan in 2017, to drive the way we plan for financial sustainability.

In London, all Councils have agreed to a 1-year pilot pooled arrangement of business rates for 2018/19, where they share the benefits of growth. By retaining local growth, this would allow councils to reinvest in the key services and infrastructure improvements. If successful, it would continue in future years for the benefit of all.

Bexley's Growth Strategy

Bexley's Growth Strategy was approved by the Cabinet in December 2017. The strategy sets out the Council's long-term vision and principles for good growth, particularly from 2020 to 2050. The final strategy took account of comments from residents, businesses and other key stakeholders during the public consultation exercise. Subject to significant investment in the right infrastructure in the right places, the Strategy sets out how up to 31,500 new homes and 17,500 new jobs could be secured across the borough by 2050.

BexleyCo, the Council's housing development company, was also set up in 2017/18. It is designed to develop various housing schemes on council owned land and gradually become a major player in the regeneration and development of the borough's housing stock, particularly in supporting affordable housing supply, while also generating profits.. In time it is intended that the company will also develop on land not owned by the Council.

We have been fortunate to hire individuals with the requisite experience to drive the various projects forward. Huw Lewis, previous Managing Director of the Urban Growth Company, has been appointed as the Managing Director of BexleyCo. He is an experienced senior manager with over 27 years' experience of a wide range of projects both in the UK and internationally, involving commercial, retail, leisure, cinema, rail, local authority, health, housing, education, waste and airport developments. His previous employers have included the City of London Corporation, Shanks UK, Balfour Beatty and United Cinemas International. He will work alongside Richard Blakeway, who was appointed as BexleyCo's first Chairman in October last year.

Significant investment will be required to fund BexleyCo's development and investment activities, through an appropriate mix of loan debt and equity investment, and the updated Capital Programme includes a total indicative provision of £120m in anticipation of this requirement. As set out in the Business Plan, there are eight development sites in the initial package of schemes that BexleyCo will be progressing over the next few years. These have an estimated development value of £130m and will deliver over 500 quality new homes, 180 of which will be affordable. The total overall investment required from the Council will be in the region of £106m. This investment can be funded from the Capital Programme provision of £120m and therefore leaves a residual sum available for potential further schemes that BexleyCo may subsequently identify and wish to pursue as part of a future update of their Business Plan.

Initially, the Council will act as principal lender to the Company, and will be able to borrow from the Public Works Loan Board at favourable rates, typically less than a commercial lender would charge. In making loans or other forms of support to BexleyCo, however, the Council will need to ensure that it operates in accordance with state aid rules. These rules prohibit the Council from transferring its resources to a third party in a way that could distort competition. Therefore, any loans or credit which the Council generally makes available to BexleyCo must be made on commercial terms and at a commercial rate of interest. Therefore, by lending to the Company on state-aid compliant commercial terms, an income stream will be generated for the Council, reflecting the funding risk.

Bexley's Balance Sheet

	31/03/2016	31/03/2017 Restated	31/03/2018
	£'000s	£'000s	£'000s
Equity	£370.8m	£342.6m	£337.5m
Borrowing	£103.1m	£118.1m	£172.7m
Debt/Equity Ratio	27.80%	34.50%	51.20%

Our ambitious investment programme has seen us increase our level of borrowing. Our level of debt as a proportion of the Council's net worth stands at 51%. This is still relatively low compared to other Council's and is comfortably within the Councils prudential indicators, as set out in our Annual Treasury Statement.

Nonetheless, Bexley needs to determine whether the revenue cost of borrowing is affordable and prudent and if it is cost effective to borrow early in the current low interest environment to fund its growth strategy.

Reserve Levels

As the Section 151 officer, I have also taken account of the reserve levels and I have advised that a prudent level of General Fund reserves is at least £12.8m. This level is required to ensure there are sufficient resources for both working capital and to cover emergency expenditure.

	31/03/2016	Movement	31/03/2017 Restated	Movement	31/03/2018
	£'000s	£'000s	£'000s	£'000s	£'000s
Earmarked Reserves	(55,973)	2,484	(53,491)	6,507	(46,984)
General Fund	(12,803)	(21)	(12,824)	(908)	(13,732)
General Fund Reserves	(68,776)	2,463	(66,315)	5,599	(60,716)

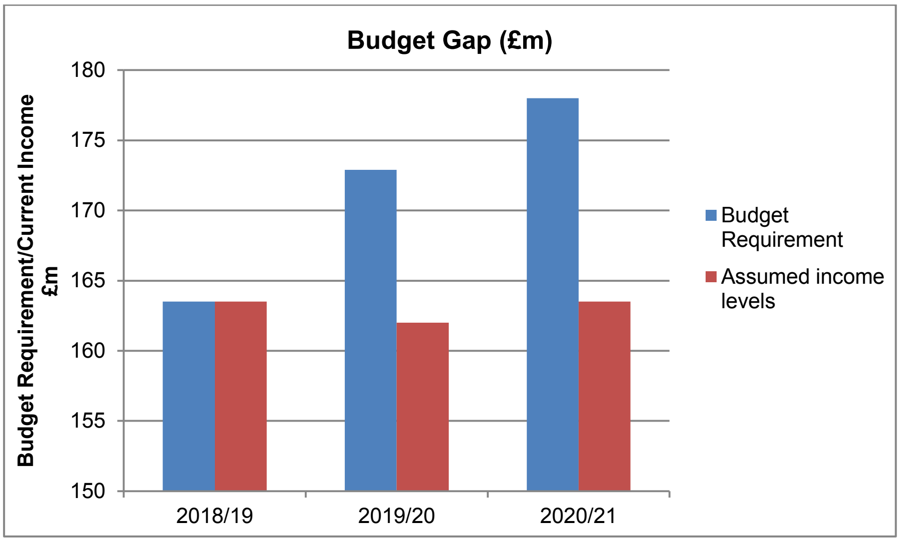
Similarly, over the years, Bexley has prudently built up a number of reserves. Some are to fund very specific purposes, such as needing an appropriate level of Self-Insurance Reserve, while others are to support future year transformation programmes, such as the Financial Planning Reserve.

The reduction in earmarked reserves in 2017/18 speaks to the level of investment in projects that are planned to have a financial return in future years. These reserves should generally not be used to plug long-term funding gaps. This is why Bexley has wisely put in place a growth strategy and why it is continually look to transform itself and generate new sources of revenue.

Bexley's Medium-Term Financial Plan is based on 5 pillars:

- Growth
- Commercialisation
- Commissioning and Contract Management
- Strategic Partnerships and Systems
- Prevention and Early Intervention

It was built to tackle the budget gap seen below of £10.9m in 2019/20 and £14.5m in 2020/21and against the uncertain background of the fair funding review of local government resources. Depending on the impact, this could mean significantly more savings to be delivered in 2020/21.

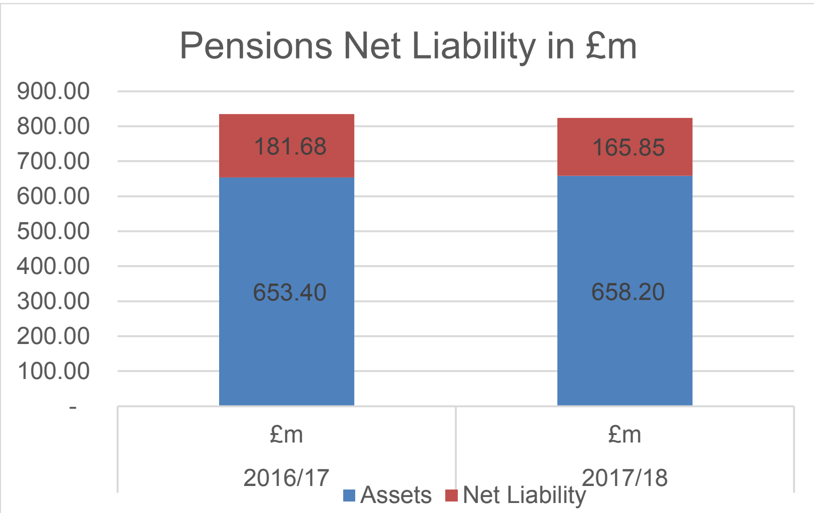


Pension Fund

The Council participates in the Local Government Pension Scheme (LGPS) for the majority of its staff. The net estimated pension liability for Bexley is £165.9m as at 31st March 2018 compared with £181.7m as at 31st March 2017. Estimation of liability is based on a number of judgements relating to the discount rate used, salary increases, changes in retirement age, longevity, interest rates, inflation and expected returns on assets.

The Pension Fund's net assets rose by £4.8m in 2017/18, from £653.4m to £658.2m, while the liability reduced from £835.1m to £824.1m. This mainly reflects the increase in the discount rate.

The net liability is the additional amount that the Council will have to set aside or generate through investment returns to fund the pension entitlements that have been built up to date by members of the Pension Fund. The most important thing to note is that the actuaries reviewed our position as at March 31st 2016 and came to the conclusion that the Council had a viable long-term solution to reducing the Pension Fund deficit to zero. The next Triennial Review will take place in 2019. Nonetheless, it is important to note that interest rates remain at historically low levels and represent a significant influence of the valuation of pension fund liabilities. Further information on the basis of the IAS19 disclosure is included in notes 40-41.



Revenue Outturn

The overall position was a £0.5m overspend but £1.4m relates to School Balances, therefore the Council's underspend is £0.9m, which will be used to replenish reserve balances. It should be noted that this underspend position is after the budget realignment exercise in year. This resulted in an additional £1.1m being re-diverted into the street scene, the borough's cemeteries, cultural events and improvements in parks & open spaces. Whilst these did not increase the base budget, they are in addition to the re-investment announced as part of the previous exercise in October 2017 that resulted in ongoing budget increases in many of these areas.

Service	Budget £'000s	Outturn £'000s	Variance £'000s
Chief Executive	2,399	2,422	23
Children & Education	53,674	54,068	394
Adults	50,940	52,484	1,544
Places, Community & Infrastructure	58,237	58,227	(10)
Finance & Corporate Services	4,917	4,990	73
Net service outturn	**170,167**	**172,191**	**2,024**
Corporate	(10,115)	(12,790)	(2,675)
Aggregate External Funding	(160,052)	(160,308)	(256)
General Fund Outturn	**0**	**(907)**	**(907)**
Schools	**0**	**1,438**	**1,438**
Total Outturn	**0**	**531**	**531**

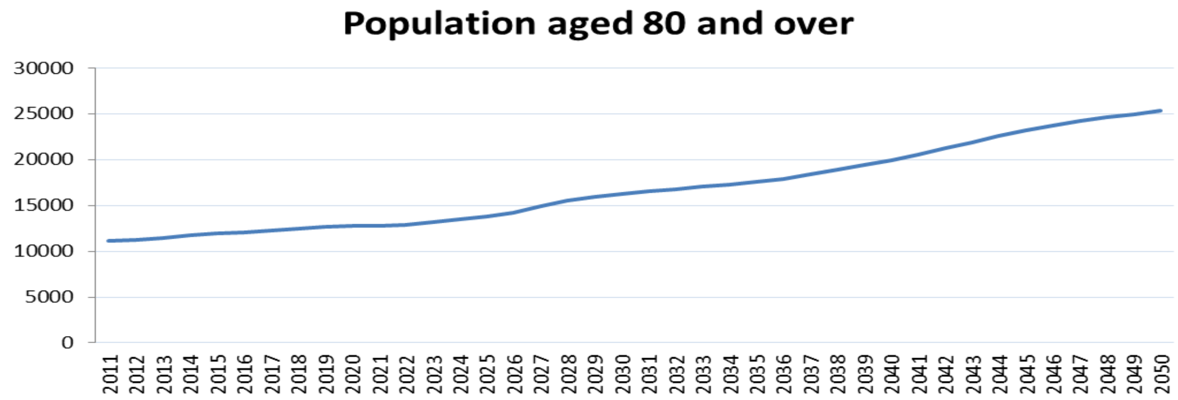
Chief Executive's delivered to budget.

Children & Education's overspend position is driven by the £0.7m overspend related to Special Educational Needs' Transport. The numbers of children and contract costs continue to increase. The focus on supporting children to travel independently is insufficient to offset increasing numbers. Many of these children are entitled to free transport provision and their complexity of need means they often require bespoke transport solutions. There was also a £0.4m underspend on adoption services, due to the Council's highly performing service achieving income from other local authority areas. A variety of minor over and underspends make up the remainder.

Adults' overspend of £1.5m is reflective of a difficult year. A one-off £1m provision needed to be created to account for costs not previously recognised in prior years in domiciliary care. Residential and supported living (£1.9m overspend) continue to be challenging to manage within existing budgets. This is due to a large increase in the number of younger adults coming through transition from Children's Services with expensive packages. An additional £1.6m was drawn down from earmarked reserves on top of the £1.2m additional adult social care grant monies in order to offset the impact of this overspend.

Bexley has experienced significant extra social care activity arising from supporting early hospital discharge. The Council had some financial support from the improved Better Care Fund for this, but it does not cover the additional cost. More often than not, these clients have higher levels of need than have previously been seen in such numbers.

Rising adult social care spend is also due to demographic change. People aged 80+ are projected to double between 2018 and 2050 (12,600 to 25,300). Their proportion of the total population is anticipated to rise from 4.8% to 8.3%. This is why it is so important that adult social care is funded appropriately.



Places, Communities & Infrastructure had an overspend in temporary accommodation of £0.4m that was offset by an overachievement in Parking income of £0.4m.

Finance & Corporate Services overall position was an unfavourable £0.1m, driven predominantly by a major overspend on clients with No Recourse to Public Funds of £0.7m. This was offset by one-off savings generated by holding posts vacant.

Capital Outturn

2017/18 Capital Schemes	Spend			Financed by				
	Budget £m	Outturn £m	Variance £m	Grants & Contributions £m	S. 106 & CIL £m	Capital Receipts £m	Revenue £m	Borrowing
Growth	9.952	14.549	4.597	(1.334)	(0.011)	0.000	0.000	(13.204)
Health & Social Care Infrastructure	43.828	36.332	(7.496)	(2.618)	(0.287)	(0.143)	(0.500)	(32.784)
Green Infrastructure, Environment & Leisure	5.584	2.111	(3.473)	(0.975)	(0.111)	0.000	0.000	(1.025)
Culture	0.766	0.000	(0.766)	0.000	0.000	0.000	0.000	0.000
Digital Infrastructure	0.258	0.019	(0.239)	0.000	0.000	0.000	0.000	(0.019)
Schools & Education	10.104	8.880	(1.224)	(7.686)	(1.194)	0.000	0.000	0.000
Transport Infrastructure	20.293	13.600	(6.693)	(6.821)	(0.201)	0.000	0.000	(6.578)
Corporate Assets & Other Schemes	2.043	1.326	(0.717)	0.000	0.000	0.000	0.000	(1.326)
Total	**92.828**	**76.817**	**(16.011)**	**(19.434)**	**(1.804)**	**(0.143)**	**(0.500)**	**(54.936)**

During the year, the Council's capital outlay was £76.8m against a budget of £92.8m, with an aggregate slippage of £16m. Subject to approval at the July Council meeting, this also means that £16m will be carried forward to the 2018/19 financial year. A robust review will also take place to ensure that all schemes are required in future years.

Capital Programme & Borrowing

It is also important to recognise that the largest single financing source in 2017/18 was borrowing. In future years, capital resources will reduce significantly at a time when the capital programme is growing, much of it tied to the aforementioned Growth strategy. Of the £257.6m of spend anticipated, £220.8m is assumed to come from external sources (borrowing) with the remainder (£36.8m) to come from Grants, Community Infrastructure Levy, Section 106 agreements, Capital Receipts and Revenue budgets. Therefore, schemes will need to either produce a return on capital or the Council will need to generate additional savings on the revenue budgets to finance the borrowing.

Capital Programme	B/fwd* £m	2018/19 £m	2019/20 £m	2020/21 + £m	Total £m
Growth	(4.597)	43.314	26.980	85.710	151.407
Health & Social Care Infrastructure	7.496	25.922	4.450	4.250	42.118
Green Infrastructure, Environment & Leisure	3.473	5.092	1.085	1.085	10.735
Culture	0.766	0.470	0.000	0.000	1.236
Digital Infrastructure	0.239	0.225	0.000	0.000	0.464
Schools & Education	1.224	21.761	0.000	0.000	22.985
Transport Infrastructure	6.693	7.529	2.670	2.770	19.662
Corporate Assets & Other Schemes	0.717	3.880	2.200	2.200	8.997
Total	**16.011**	**108.193**	**37.385**	**96.015**	**257.604**

* subject to review and approval

A further knock-on impact of the Councils' investment strategy is the impact on its short-term cash investment returns. It achieved 0.7% (£110k) in 2017/18 versus 0.52% in 2016/17 (£320k). However, it is important to note that also affecting cash balances is the decision to pre-fund the employers' contribution of £33.1m as at the 1st April 2017.

It is also always worth celebrating the successes of the past year and to remember why so many of us find working in local government so rewarding…

The proposal for a **Place and Making Institute** in South Thamesmead, to help tackle the south-east's growing skills challenge received a significant boost with the award of £100,000 of development support funding from the Greater London Authority. The funding will help us develop the proposal along with our partners, Peabody and London South East College

Our **Better Care Fund Plan** was approved by NHS England. The plan incorporated new requirements to meet ambitious mandated targets to reduce delayed transfers of care from hospital. In particular, our joint investment from the BCF of over £1m in Discharge to Assess has supported patient flow out of hospital, enabling residents using this service to return home at least 72 hours earlier, with an interim care package where required. Once discharged, an assessment of their longer term care and support needs is undertaken in their own home. This has contributed to a 27.5% reduction in Delayed Transfers of Care so far this year (2017/18).

London Green Points Bexley – a partnership between the Council and the organisation London Green Points – was shortlisted for an award at the 2018 Local Government Chronicle Awards.

Following a successful marketing campaign for **Sidcup Manor House**, the Council has identified a preferred partner and is working with them to develop a boutique hotel and spa on this important Sidcup site, which will ensure a positive future for the much-loved Grade II Listed local landmark. It is envisaged that this will complement the proposals for a cinema operation on 106 Sidcup High Street, the former Blockbuster premises that has been vacant for several years and to bring added vitality to the town centre.

In Bexley all applicants who applied for a secondary school in the borough on time have been offered a place. Out of the 3,036 applications received from Bexley residents, 96% have been offered one of their six preferences. 71% of children have been offered their first preference school, above the London average of 66%. 13.6 % received their second preference and 5.8% their third preference.

The **Bexleyheath Town Centre** Revitalisation is coming to a close. The new signalised pedestrian crossings at Watling Street and the Albion Road roundabout are now open for use.

The vast majority of lighting columns in the borough, almost 19,000, have now had new LED lantern units installed, providing savings in energy and maintenance costs. The final batch involves around 400 more decorative lighting columns in town centres. Monthly energy bills are already showing significant savings.

Residents will have seen the benefits of a number of enhancements being made following the investment by the Council in the parks, open spaces and cemeteries during the autumn and winter months. 227 tired old litter bins have been removed in the parks to be replaced by new larger bins that will reduce the amount of overflowing unsightly litter that can make sites look unkempt.

Keeping vulnerable families together and preventing young people from being taken into care is the focus of a new innovative **Positive Families Partnership** that Bexley has helped to develop. This ground-breaking initiative, the first programme of its type in London, has been jointly commissioned by the five London Borough Councils of Bexley, Merton, Newham, Sutton and Tower Hamlets, with support from the Big Lottery Fund using National Lottery funding.

As ever, looking forward,

Leigh Whitehouse, CPFA

Director of Finance and Corporate Services,
London Borough of Bexley.

Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this case, the responsible officer is the Director of Finance & Corporate Services;
- To manage its affairs in order to generate an economic, efficient and effective use of resources and to safeguard its assets; and
- To approve the Statement of Accounts.

The Responsibilities of the Director of Finance & Corporate Services

The Director of Finance & Corporate Services is ultimately responsible for the preparation of the Authority's Statement of Accounts, which in terms of the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"), is required to present fairly the financial position of the Authority at the accounting date and of its income and expenditure for the year ended 31 March 2018. In preparing the Statement of Accounts, the Director of Finance & Corporate Services has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Code.

The Director of Finance & Corporate Services has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with the Accounts and Audit (England) Regulations 2011, I certify that the Accounts on Pages 17 to 115 present a true and fair view of the financial position of the Authority as at 31 March 2018 and of its income and expenditure for the year ended 31 March 2018.

Date: 30th July 2018

Signatures:

Leigh Whitehouse
Director of Finance & Corporate Services

Cllr. Lucia-Hennis on behalf of Cllr. Nick O'Hare, Chair of the General Purposes and Audit Commmittee

Independent auditor's report to the members of the London Borough of Bexley

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the London Borough of Bexley (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Who we are reporting to

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

Conclusions relating to going concern

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

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

Other information

The Director of Finance and Corporate Services is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority, the Director of Finance and Corporate Services and Those Charged with Governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that 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 2018.

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

Report on other legal and regulatory requirements - *Delay in certification of completion of the audit*

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

Darren Wells

Darren Wells

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

Grant Thornton UK LLP
2nd Floor
St John's House
Haslett Avenue West
Crawley
RH10 1HS

31 July 2018

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 is different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2016/17 Restated					2017/18		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Notes	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
105,989	(53,525)	**52,464**	Adults		115,648	(61,149)	**54,499**
147,473	(98,034)	**49,439**	Children & Education		147,520	(89,721)	**57,799**
87,548	(31,885)	**55,663**	Places, Community & Infrastructure		95,842	(35,461)	**60,381**
119,900	(98,740)	**21,160**	Finance & Corporate Services		102,472	(97,275)	**5,197**
3,762	(635)	**3,127**	Chief Executive		3,084	(384)	**2,700**
7,326	(10)	**7,316**	Corporate		4,830	-	**4,830**
471,998	**(282,829)**	**189,169**	**Cost of Services**		**469,396**	**(283,990)**	**185,406**
		16,869	Other Operating Expenditure	11			**28,723**
		8,950	Financing and Investment Income and Expenditure	12			**7,678**
		(185,120)	Taxation and Non-Specific Grant Income	13			**(181,698)**
		29,868	**Deficit on Provision of Services**				**40,109**
		(42,316)	Surplus on Revaluation of PPE and Heritage Assets	14,15			(13,155)
		468	Other Movements on Revaluation of Non Current Assets				
		40,266	Remeasurements of the Net Pensions Defined Benefit Liability	41			(21,815)
		28,286	**Total Comprehensive Income and Expenditure**				**5,139**

NB. The 2016/17 figures have been restated to reflect changes in Management Structure.

Expenditure and Funding Analysis Note

The Expenditure and Funding Analysis note accompanies the Comprehensive Income and Expenditure Statement to show how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17 Restated					2017/18			
Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Bases	Other Adjustments	Net Expenditure in the CI&ES		Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Bases	Other Adjustments	Net Expenditure in the CI&ES
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
44,258	8,174	32	**52,464**	Adults	49,370	3,114	2,015	**54,499**
35,538	11,953	1,948	**49,439**	Children & Education	41,997	12,071	3,731	**57,799**
32,421	13,918	9,324	**55,663**	Places, Community & Infrastructure	43,067	15,160	2,154	**60,381**
18,388	2,593	179	**21,160**	Finance & Corporate Services	4,774	216	207	**5,197**
2,718	383	26	**3,127**	Chief Executive	2,127	295	278	**2,700**
7,316	-	-	**7,316**	Corporate	(8,198)	(4,592)	17,620	**4,830**
140,639	**37,021**	**11,509**	**189,169**	**Net Cost of Services**	**133,137**	**26,264**	**26,005**	**185,406**
(140,660)	(9,617)	(9,024)	**(159,301)**	Other Income and Expenditure	(134,045)	8,246	(19,498)	**(145,297)**
(21)	**27,404**	**2,485**	**29,868**	**(Surplus) or Deficit**	**(908)**	**34,510**	**6,507**	**40,109**
(12,803)				Opening General Fund	**(12,824)**			
(21)				(Surplus) or Deficit on General Fund	(908)			
(12,824)				**Closing General Fund at 31 March 2018**	**(13,732)**			

Movement in Reserves Statement 2017/18

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. Additional detail on these reserves is given in Note 24 and Note 25. The Surplus 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. This is different from the statutory amounts required to be charged to the General Fund Balance for Council tax setting and dwellings rent setting purposes. The 'Adjustments Between Accounting Basis and Funding Basis under Regulations' line accounts for this difference and is detailed in Note 7. The Net Increase before Transfers to Earmarked Reserve line shows the increase on the General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £'000	Earmarked Reserves £'000	Total General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance At 31 March 2017 (Restated)	**(12,824)**	**(53,491)**	**(66,315)**	**1**	**(13,352)**	**(79,664)**	**(262,927)**	**(342,591)**
Movement in Reserves during 2017/18								
Deficit/(Surplus) on Provision of Services (Accounting Basis)	40,109	-	**40,109**	-	-	**40,109**	**-**	**40,109**
Other Comprehensive Income	-	-	**-**	-	-	**-**	**(34,968)**	**(34,968)**
Total Comprehensive (Income)/Expenditure	**40,109**	**-**	**40,109**	**-**	**-**	**40,109**	**(34,968)**	**5,141**
Adjustments Between Accounting Basis and Funding Basis Under Regulations (Note 9)	(34,510)	-	**(34,510)**	(160)	11	**(34,659)**	**34,659**	**-**
Net (Increase) Before Transfers To Earmarked Reserves	**5,599**	**-**	**5,599**	**(160)**	**11**	**5,450**	**(309)**	**5,141**
Transfers To/(From) Earmarked Reserves (Note10)	(6,507)	6,507	**-**	-	-	**-**	**-**	**-**
(Increase)/Decrease In Year	**(908)**	**6,507**	**5,599**	**(160)**	**11**	**5,450**	**(309)**	**5,141**
Balance At 31 March 2018	**(13,732)**	**(46,984)**	**(60,716)**	**(159)**	**(13,341)**	**(74,214)**	**(263,236)**	**(337,450)**

Movement in Reserves Statement 2016/17

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. Additional detail on these reserves is given in Note 24 and Note 25. The Surplus 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. This is different from the statutory amounts required to be charged to the General Fund Balance for Council tax setting and dwellings rent setting purposes. The 'Adjustments Between Accounting Basis and Funding Basis under Regulations' line accounts for this difference and is detailed in Note 7. The Net Increase before Transfers to Earmarked Reserve line shows the increase on the General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £'000	Earmarked Reserves £'000	Total General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves Restated £'000	Total Council Reserves £'000
Balance At 31 March 2016	**(12,803)**	**(55,973)**	**(68,776)**	**(406)**	**(12,818)**	**(82,000)**	**(288,877)**	**(370,877)**
Movement in Reserves during 2016/17								
Deficit/(Surplus) on Provision of Services (Accounting Basis)	29,868	-	**29,868**	-	-	**29,868**	**-**	**29,868**
Other Comprehensive Income	-	-	**-**	-	-	**-**	**(1,582)**	**(1,582)**
Total Comprehensive (Income)/Expenditure	**29,868**	**-**	**29,868**	**-**	**-**	**29,868**	**(1,582)**	**28,286**
Adjustments Between Accounting Basis and Funding Basis Under Regulations (Note 9)	(27,405)	-	**(27,405)**	407	(534)	**(27,532)**	**27,532**	**-**
Net (Increase) Before Transfers To Earmarked Reserves	**2,463**	**-**	**2,463**	**407**	**(534)**	**2,336**	**25,950**	**28,286**
Transfers To/(From) Earmarked Reserves (Note10)	(2,484)	2,484	**-**	-	-	**-**	**-**	**-**
(Increase)/Decrease In Year	**(21)**	**2,484**	**2,463**	**407**	**(534)**	**2,336**	**25,950**	**28,286**
			-					
Balance At 31 March 2017	**(12,824)**	**(53,490)**	**(66,314)**	**1**	**(13,352)**	**(79,664)**	**(262,927)**	**(342,591)**

Balance Sheet

The Balance Sheet shows the value as at 31 March 2018 of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council 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 includes reserves that hold unrealised gains or 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".

31st March 2017 £'000 Restated		Notes	**31st March 2018 £'000**
537,962	Property, Plant and Equipment	14	557,817
39,275	Heritage Assets	15	39,366
42,132	Investment Properties	16	55,892
996	Intangible Assets	17	685
26,908	Long Term Investments	18	30,419
8,362	Long Term Receivables	20	17,767
655,635	**Long Term Assets**		**701,946**
18,231	Short Term Investments	18	256
1,211	Inventories	19	1,613
55,504	Short Term Receivables	20	68,717
24,306	Cash and Cash Equivalents	21	8,446
99,252	**Current Assets**		**79,032**
(7,031)	Cash and Cash Equivalents Overdrawn	21	(4,285)
(540)	Short Term Borrowing	18	(2,661)
(51,150)	Short Term Payables	22	(47,742)
(3,059)	Provisions	23	(3,442)
(524)	Capital Grant Receipts in advance	13	(166)
(62,304)	**Current Liabilities**		**(58,296)**
(2,422)	Long Term Provisions	23	(2,422)
(117,585)	Long Term Borrowing	18	(170,072)
(36,939)	Other Long Term Liabilities	33	(33,847)
(181,675)	Pensions Liabilities	41	(168,665)
(11,371)	Capital Grants Receipts in Advance	13	(10,226)
(349,992)	**Long Term Liabilities**		**(385,232)**
342,591	**Net Assets**		**337,450**
(79,664)	Usable Reserves	10, 24	(74,214)
(262,927)	Unusable Reserves	25	(263,236)
(342,591)	**Total Reserves**		**(337,450)**

I certify that the Balance Sheet represents a true and fair view of the Council's financial position as at 31st March 2018.

Leigh Whitehouse

Date: 30th July 2018

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. Net Cash Flows from Operating Activities is a key indicator of the extent to which the operations of the Council are funded by way of Taxation and Grant Income or from the recipients of services provided by the Council. Investing activities represent the extent to which Cash Outflows have been made for resources that are intended to contribute to the Council's future service deliveries. Cash Flows arising from Financing activities are useful in predicting claims on future Cash Flows by providers of capital (lenders) to the Council.

2016/17 £'000		2017/18 £'000
29,868	Net Deficit on the Provision of Services	40,109
61,692	Adjustments to Net Deficit on the Provision of Services for Non-Cash Transactions (Note 26)	39,536
(152,792)	Adjustments to Net Deficit on the Provision of Services that are Investing and Financing Activities (Note 26)	(185,799)
(61,232)	**Net Cash Flows from Operating Activities**	**(106,154)**
64,063	Investing Activities (Note 27)	62,977
18,446	Financing Activities (Note 28)	56,291
21,277	**Increase in Cash and Cash Equivalents**	**13,114**
(38,552)	Cash and Cash Equivalents at the beginning of the Reporting Period	(17,275)
(17,275)	**Cash and Cash Equivalents at the end of the Reporting Period (Note 21)**	**(4,161)**

NOTES TO THE ACCOUNTS

1 Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require the Accounts to be prepared in accordance with proper accounting practices. These practices under Section 21 of the Local Government Act 2003 primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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:

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

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand, balances on the Council's current bank accounts and deposits with financial institutions 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.

1.4 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.

1.5 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.

1.6 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 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 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. Capital charges such as depreciation, amortisation, revaluation and impairment losses cannot be made against the general Fund, under statute. Moreover, local government regulations require that a Minimum Revenue Provision (MRP) is charge against the General Fund Balance to reflect the underlying need to borrow (Capital Financing Requirement). This is shown as an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

1.7 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 appropriate service segment or where applicable to a corporate service segment, 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 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 2.5% (based on the redemption yields available on long-dated AA-rated corporate bonds, as required by the Local Authority Accounting Panel).
- The assets of the London Borough of Bexley pension fund attributable to the Council are included in the Balance Sheet at their 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 ie net interest expense for the authority – the change during the period in the net defined benefit liability 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 at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
    - Re-measurements comprising:
    - The return on plan assets excluding amounts included in net interest on the net defined benefit liability 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 transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits 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.

1.8 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.

1.9 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.

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. 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 de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

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

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Changes in fair value are balanced by an entry in the Available for Sale reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale assets (except for when impairment losses are incurred).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES, along with any accumulated gains or losses previously recognised in the Available for Sale reserve.

1.10 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.

1.11 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.

1.12 Inventories and Long Term Contracts

Inventories are measured at the lower of cost and net realisable value or the lower of cost and net realisable value 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.

1.13 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. As a non-financial asset, investment properties are measured at highest and best use.

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance.

The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.14 Leases

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

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

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

The Council as Lessee

Finance Leases
Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or 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 non-current 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.

1.15 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

1.16 Property, Plant and Equipment

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

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

Assets relating to Foundation and Academy schools are not recognised on the Council's balance sheet. Expenditure on the enhancement of the assets of voluntary aided schools (with the exception of playing fields), Foundation schools and Academy schools is treated as revenue expenditure funded from capital under statute see note 1.21. 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 (i.e. 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 and Expenditure 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.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

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

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

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

Depreciation
Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. 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 miss-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 i.e. 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 miss-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 miss-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 i.e. 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 de-recognition 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 de-recognition 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 de-recognition would take place as the asset would be revalued in due course. In terms of componentisation and component de-recognition materiality is always a key consideration.

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 non-current 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.

1.17 Private Finance Initiative and Similar Contracts

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

The original recognition of these assets at 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.

1.18 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.

1.19 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.

1.20 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 transferred 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, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

1.21 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.

1.22 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.

1.23 Capitalisation of Borrowing Costs

The Council has decided not to capitalise borrowing costs.

1.24 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.

1.25 Council Tax and Business Rates

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

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

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

1.26 Prepayment to the Pension Fund

In 2017/18 the Council made payments in advance of £30.1m (in addition to £3.0m paid at the end of 2016/17) in respect of its contributions due to the Pension Fund for the three year cycle to 2019/20. This 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 Council's treasury management strategy.

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 in February to April 2017.

In 2013/14 the Council 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. The actuary's 2013 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.

As part of the latest triennial actuarial valuation the actuary has calculated prepayment savings using a discount rate of 4.4% per annum over the three year cycle to 2019/20. The difference in the amounts derived from this rate represents a saving to the General Fund after an allowance is made for the interest the amounts could have earned as treasury investments.

1.27 Fair Value Measurement

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

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

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

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

The Council uses valuation techniques that are appropriate to the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows.

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

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Authority is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. For 2017/18, the following accounting policy changes that need to be reported relate to:

(a) Amendments to IFRS 9 Financial instruments

The Authority does not expect the reclassification changes to have a material impact upon the financial statements because the majority of the financial assets will retain the same measurement basis.

(b) Amendments to IFRS 16 – Leases

The International Accounting Standards Board (IASB) published IFRS 16 Leases in January 2016 with an effective date of 1 January 2019. The new standard requires lessees to recognise nearly all leases on the balance sheet which will reflect their right to use an asset for a period of time and the associated liability for payments. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. There will be an impact in relation to future years, depending on when the standard is adopted. This will require a comparator balance sheet to be produced for the prior year at that stage.

(c) Amendments to IFRS 15 Revenue from Contracts with Customers

This introduces multi-step methodology to identify contracts and performance obligations. There are enhanced disclosure requirements attached to his requirement. This is not anticipated to have a material impact in the immediate term beyond additional disclosures but the authority is waiting the final assessment from CIPFA/LASAAC.

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 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 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 the year of payment.
- The accounting policies section above describes the actions that the Authority took 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 2018 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 2018 was £557,816m.
Pensions Liability	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.	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 £72m but a 0.5% increase in the inflation assumption would result in a pensions liability increase of £89m. The total carrying amount of the Pensions Liability in the Balance Sheet as at 31 March 2018 was £168,665m.
Arrears	At 31 March 2018, the Council had a balance of sundry debtors of £72.2m. A review of balances has suggested that an impairment of doubtful debts of (£6.8m) 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 5% in the impairment of doubtful debts would require a variation in the impairment allowance of £3.6m for example.

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

5. Material Items of Income and Expense

There are no material items to report.

6. Post Balance Sheet Events

The Statement of Accounts was authorised for issue by the Director of Finance on 31 May 2018. 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 2018, 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 2018 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 48 schools to academies between 2009/10 and 2016/17; a further 8 schools transferred to academy status in 2017/18. Further schools are likely to become academies in 2018/19. 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.

Expenditure and Funding Analysis Note

The Expenditure and Funding Analysis Note accompanies the Comprehensive Income and Expenditure Statement to show how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17 Restated					2017/18			
Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Bases	Other Adjustments	Net Expenditure in the CI&ES		Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Bases	Other Adjustments	Net Expenditure in the CI&ES
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
44,258	8,174	32	**52,464**	Adults	49,370	3,114	2,015	**54,499**
35,538	11,953	1,948	**49,439**	Children & Education	41,997	12,071	3,731	**57,799**
32,421	13,918	9,324	**55,663**	Places, Community & Infrastructure	43,067	15,160	2,154	**60,381**
18,388	2,593	179	**21,160**	Finance & Corporate Services	4,774	216	207	**5,197**
2,718	383	26	**3,127**	Chief Executive	2,127	295	278	**2,700**
7,316	-	-	**7,316**	Corporate	(8,198)	(4,592)	17,620	**4,830**
140,639	**37,021**	**11,509**	**189,169**	**Net Cost of Services**	**133,137**	**26,264**	**26,005**	**185,406**
(140,660)	(9,617)	(9,024)	**(159,301)**	Other Income and Expenditure	(134,045)	8,246	(19,498)	**(145,297)**
(21)	**27,404**	**2,485**	**29,868**	**(Surplus) or Deficit**	**(908)**	**34,510**	**6,507**	**40,109**
(12,803)				Opening General Fund	**(12,824)**			
(21)				(Surplus) or Deficit on General Fund	(908)			
(12,824)				**Closing General Fund at 31 March 2018**	**(13,732)**			

7b. Segmental Income

Income received on a segmental basis is analysed below:

	Income from Services 2016/17 Restated £'000	Income from Services 2017/18 £'000
Services		
Adults	53,525	61,149
Children & Education	98,034	89,721
Places, Community & Infrastructure	31,885	35,461
Finance & Corporate Services	98,740	97,275
Chief Executive	635	384
Corporate	10	-
Total income analysed on a segmental basis	**282,829**	**283,990**

8. Expenditure and Income Analysed by nature

The Council's expenditure and income is analysed as follows:

	2016/17 £'000	2017/18 £'000
Expenditure		
Employee benefits expenses	90,775	117,727
Other services expenses	364,138	322,987
Support service recharges	(7,572)	(7,356)
Depreciation, amortisation,	22,142	24,545
Revaluation	(609)	(367)
Interest payments	8,142	12,244
Precepts and levies	8,186	7,389
Loss/(Gain) on the disposal of assets	16,006	27,908
Total Expenditure	**501,208**	**505,077**
Income		
Fees, charges and other service income	(55,588)	(56,419)
Interest and investment income	(1,776)	(2,195)
Income from council tax and non-domestic rates	(132,862)	(123,391)
Government grants and contributions	(281,115)	(282,961)
Total Income	**(471,341)**	**(464,966)**
Surplus or Deficit on the Provision of Services	**29,867**	**40,111**

A significant proportion of the Council's spend is on benefit payments which are funded predominantly from Government grants. The following amounts were incurred on benefits, excluding administration and forms part of the Finance and Corporate Services line in the Comprehensive Income and Expenditure Statement.The total expenditure for 2017/18 was £91.692m (£94,783m for 2016/17) and income £92,532m (£96,117m for 2016/17)

9. Adjustments Between Accounting Basis And Funding Basis Under Regulations

2017/18

	Usable Reserves				
	General Fund Balance £'000	Earmarked Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Depreciation of Property, Plant and Equipment	(23,905)	-	-	-	**23,905**
Revaluation (losses)/gain on Property, Plant and Equipment	367	-	-	-	**(367)**
Movements in the market value of Investment Properties	2,473	-	-	-	**(2,473)**
Amortisation of Intangible Assets	(373)	-	-	-	**373**
Deferred income written down	339	-	-	-	**(339)**
Capital grants and contributions applied	21,226	-	-	11	**(21,237)**
Revenue expenditure funded from capital under Statute	(7,856)	-	-	-	**7,856**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(98)	-	-	-	**98**
Write out of non current assets - notional loss on academy transfers	(28,115)	-	-	-	**28,115**
Aborted scheme costs	-	-	-	-	**-**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Voluntary provision for the financing of capital investment	6,689	-	-	-	**(6,689)**
Capital expenditure charged against the General Fund	1,431	-	-	-	**(1,431)**
Adjustments involving the Capital Receipts Reserve:					
Transfer of sale proceeds credited as part of the gain/ loss on disposal to the CIES	305	-	(305)	-	**-**
Amounts used to fund disposal costs of non current assets	-	-	-	-	**-**
Capital Receipts Reserve to finance capital expenditure	-	-	145	-	**(145)**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-	**-**
Adjustments involving the Deferred Capital Receipts Reserve:					
Transfer of deferred sale proceeds					**-**
Write down of finance lease long term debtors	(10)	-	-	-	**10**
Adjustment primarily involving the Financial Instruments Adjustment Account:					
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	251	-	-	-	**(251)**
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(19,996)	-	-	-	**19,996**
Employer's pensions contributions and direct payments to pensioners payable in the year	11,191	-	-	-	**(11,191)**
Adjustments primarily involving the Collection Fund Adjustment Account:					
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	1,625	-	-	-	**(1,625)**
Adjustment primarily involving the Accumulated Absences Account:					
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	(54)	-	-	-	**54**
Total Adjustments	**(34,510)**	**-**	**(160)**	**11**	**34,659**

9. Adjustments Between Accounting Basis And Funding Basis Under Regulations

2016/17

	Usable Reserves				
	General Fund Balance £'000	Earmarked Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Depreciation of Property, Plant and Equipment	(21,722)	-	-	-	**21,722**
Revaluation (losses)/gain on Property, Plant and Equipment	622	-	-	-	**(622)**
Movements in the market value of Investment Properties	88	-	-	-	**(88)**
Amortisation of Intangible Assets	(420)	-	-	-	**420**
Deferred income written down	339	-	-	-	**(339)**
Capital grants and contributions applied	21,244	-	-	(534)	**(20,710)**
Revenue expenditure funded from capital under Statute	(5,094)	-	-	-	**5,094**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,636)	-	-	-	**3,636**
Write out of non current assets - notional loss on academy transfers	(17,644)	-	-	-	**17,644**
Aborted scheme costs	-	-	-	-	**-**
Items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Voluntary provision for the financing of capital investment	6,239	-	-	-	**(6,239)**
Capital expenditure charged against the General Fund	768	-	-	-	**(768)**
Adjustments involving the Capital Receipts Reserve:					
Transfer of sale proceeds credited as part of the gain/ loss on disposal to the CIES	5,403	-	(5,403)	-	**-**
Amounts used to fund disposal costs of non current assets	(129)	-	129	-	**-**
Capital Receipts Reserve to finance capital expenditure			5,679	-	**(5,679)**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2)	-	2	-	**-**
Adjustments involving the Deferred Capital Receipts Reserve:					
Transfer of deferred sale proceeds					
Write down of finance lease long term debtors	(9)	-	-	-	**9**
Adjustment primarily involving the Financial Instruments Adjustment Account:					
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	60	-	-	-	**(60)**
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(17,456)	-	-	-	**17,456**
Employer's pensions contributions and direct payments to pensioners payable in the year	2,428	-	-	-	**(2,428)**
Adjustments primarily involving the Collection Fund Adjustment Account:					
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	1,651	-	-	-	**(1,651)**
Adjustment primarily involving the Accumulated Absences Account:					
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	(135)	-	-	-	**135**
Total Adjustments	(27,405)	-	407	(534)	27,532

10. General Fund and Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Earmarked Reserve balances to provide financing for future expenditure plans and the movements to the Earmarked Reserves to meet General Fund expenditure in 2017/18.

Other Earmarked Reserves	Balance at 31/03/2016 £'000	Movements 2016/17 Restated £'000	Balance at 31/03/2017 £'000	Movements 2017/18 £'000	Balance at 31/03/2018 £'000
General Fund Reserves					
Broadway Shopping Centre Reserve	**(502)**	-	**(502)**	-	**(502)**
Collection Reserve	**(1,043)**	-	**(1,043)**	1,043	**-**
Financial Planning Reserve	**(5,498)**	1,000	**(4,498)**	(3,228)	**(7,726)**
Financing Reserve	**(9,179)**	517	**(8,662)**	2,705	**(5,957)**
Information Technology Reserve	**(1,272)**	(747)	**(2,019)**	-	**(2,019)**
Insurance Reserve	**(4,772)**	267	**(4,505)**	203	**(4,302)**
Other Earmarked Reserves	**(6,363)**	(154)	**(6,517)**	941	**(5,576)**
Reorganisation Reserve	**(4,153)**	-	**(4,153)**	426	**(3,727)**
Revenue Grants Unapplied Account	**(9,125)**	1,704	**(7,421)**	1,885	**(5,536)**
Schools' Balances	**(6,470)**	1,779	**(4,691)**	1,439	**(3,252)**
Stock Transfer Warranties Reserve	**(483)**	-	**(483)**	483	**-**
Transformation Reserve	**(7,113)**	(1,882)	**(8,997)**	610	**(8,387)**
Total General Fund Reserves	**(55,973)**	**2,484**	**(53,491)**	**6,507**	**(46,984)**
General Fund	**(12,803)**	(21)	**(12,824)**	(908)	**(13,732)**
Total General Fund Reserves	**(68,776)**	**2,463**	**(66,315)**	**5,599**	**(60,716)**

The Reserves for 2016/17 have been restated to take account of a re-analysis of reserves from General Fund to Earmarked.

(i) Financing Reserve

The Financing Reserve exists to deal with unbudgeted variations in financing costs and to finance direct capital expenditure where appropriate.

(ii) 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.

(iii) Transformation Reserve

The Transformation Reserve 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.

(iv) 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.

(v) Broadway Shopping Centre Reserve

This reserve provides for a Council contribution towards the refurbishment of the Broadway Shopping Centre.

(vi) **Schools Balances**

These are the school balances and are maintained on the Council's books as per regulation but are under the direct control of the schools.

10. General Fund and Earmarked Reserves (contd.)

(vii) Information Technology Reserve
This will provide for the upgrade and replacement of personal computers and laptops, infrastructure and software Council-wide in future years.

(viii) 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.

(ix) Reorganisation Reserve
This reserve exists to meet possible redundancy costs in future years.

(x) 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.

(xi) Other Earmarked Reserves
The remaining Council controlled reserves total are largely earmarked against possible future costs such as liabilities for contaminated land, elections and systems development.

(xii) Revenue grants and contributions unapplied
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.

11. Other Operating Expenditure

The following table provides an analysis of the "Other Operating Expenditure" line in the Comprehensive Income and Expenditure Statement:

2016/17 £'000		2017/18 £'000
861	Levies	814
2	Payments to the Government Housing Capital Receipts Pool	-
16,006	Losses on the disposal of non-current assets	27,909
16,869	**Total**	**28,723**

12. Financing And Investment Income And Expenditure

The following table provides an analysis of the "Financing and Investment Income and Expenditure" line in the Comprehensive Income and Expenditure Statement:

2016/17 £'000		2017/18 £'000
8,131	Interest payable and similar charges	8,614
4,274	Pensions interest cost and expected return on pensions assets	3,630
(1,272)	Interest receivable and similar income	(2,092)
(2,128)	Income and expenditure in relation to investment properties and changes in their fair value	269
(55)	Other investment income and expenditure	(2,742)
8,950	**Total**	**7,679**

13.Taxation And Non-Specific Grant Income

The following table provides an analysis of the "Taxation and Non-Specific Grant Income" line in the Comprehensive Income and Expenditure Statement:

2016/17 £'000		2017/18 £'000
(96,371)	Council tax income	(101,747)
(36,491)	Business Rates (Retained share)	(37,372)
(31,014)	General Government Grants	(21,354)
(21,244)	Capital grants and contributions	(21,225)
(185,120)	**Total**	**(181,698)**

13.Taxation And Non-Specific Grant Income (contd.)

Grants Credited to Taxation and Non Specific Grant Income

2016/17 £'000		2017/18 £'000
	General Government Grants:	
(21,918)	Revenue Support Grant	(13,751)
(1,140)	Business Rates Relief Grant	(1,934)
(1,685)	Education Service Grant	(331)
(4,161)	New Homes Bonus	(3,909)
(1,087)	Housing Benefit Administration	(741)
(1,023)	Other Grants	(688)
(31,014)	**Total**	**(21,354)**
	Capital Grants and Contributions:	
(6,771)	Education Basic Needs Grant	(2,828)
(209)	Devolved Formula Grant	(322)
(38)	School contributions	-
(2,130)	Condition Funding/Primary Modernisation	(2,041)
(1,016)	Lesnes Abbey Lottery Grant	(689)
(6,274)	Transport for London	(4,960)
-	Peabody Funding	(4,225)
-	GLA Funding	(887)
(2,467)	Renovation Grants	(2,037)
(2,339)	Other	(3,237)
(21,244)	**Total**	**(21,225)**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the contributor. The balances at year-end were as follows:

Capital Grants: Receipts in advance

2016/17 £'000		2017/18 £'000
	Short Term	
(253)	Devolved Formula Grant	(141)
(20)	Empty Property Fund	-
(166)	Loans Scheme PSR	-
(85)	Other	(25)
(524)	**Total**	**(166)**
	Long Term	
(34)	Devolved Formula Grant	-
(3,830)	S106 Contributions	(8,538)
(7,507)	Other	(1,688)
(11,371)	**Total**	**(10,226)**

14. Property, Plant And Equipment

The value of non-current assets shown on the balance sheet represents the value of assets held by the Council.

Property, Plant and Equipment 2017/18

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets In Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2017	355,202	15,057	238,421	7,870	8,074	16,233	**640,857**	48,544
Additions and enhancement	34,718	2,612	10,574	36	87	10,424	**58,450**	432
Revaluation increases recognised in the Revaluation Reserve	3,962	-	-	-	735	-	**4,697**	-
Revaluation increases recognised in the Surplus on the Provision of Services	738	-	-	-	(824)	-	**(86)**	-
Impairments recognised in the Revaluation Reserve	(151)	-	-	-	-	-	**(151)**	-
Impairments recognised in the Surplus/Deficit on the Provision of Services	(130)	-	-	-	-	-	**(130)**	-
Derecognition - Disposals	-	(172)	-	-	-	-	**(172)**	-
Derecognition - other	(31,903)	(870)	-	-	-	-	**(32,773)**	-
Other reclassifications	2,354	-	3,057	-	2,570	(7,981)	**(0)**	(593)
At 31 March 2018	**364,790**	**16,627**	**252,052**	**7,906**	**10,642**	**18,676**	**670,691**	**48,383**
Accumulated Depreciation and Impairment								
At 1 April 2017	26,658	4,764	71,172	-	301	-	**102,895**	9,316
Depreciation Charge	15,921	1,897	5,961	-	126	-	**23,904**	3,406
Depreciation written out to the Revaluation Reserve	(8,609)	-	-	-	-	-	**(8,609)**	-
Depreciation written out to the Surplus on the Provision of Services	(52)	-	-	-	(493)	-	**(545)**	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(37)	-	-	-	-	-	**(37)**	-
Disposals	-	(74)	-	-	-	-	**(74)**	-
Derecognition - other	(3,788)	(870)	-	-	-	-	**(4,658)**	-
Other reclassifications	(953)	-	-	-	953	-	**(1)**	(593)
At 31 March 2018	**29,140**	**5,716**	**77,133**	**-**	**886**	**-**	**112,875**	**12,129**
Net Book Value								
At 31 March 2018	335,650	10,910	174,919	7,906	9,756	18,676	557,817	36,254
At 31 March 2017	328,544	10,293	167,249	7,870	7,773	16,233	537,962	39,228

14. Property, Plant And Equipment

The value of non-current assets shown on the balance sheet represents the value of assets held by the Council.

Property, Plant and Equipment 2016/17

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets In Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2016	325,829	15,451	230,405	7,795	10,642	5,968	**596,090**	44,134
Additions and enhancement	27,232	1,062	6,884	75	-	11,788	**47,041**	287
Revaluation increases recognised in the Revaluation Reserve	24,375	-	-	-	465	-	**24,840**	2,979
Revaluation increases recognised in the Surplus on the Provision of Services	(614)	-	-	-	-	-	**(614)**	1,144
Derecognition - Disposals		(279)	-	-	(3,450)	-	**(3,729)**	-
Derecognition - other	(21,594)	(1,177)	-	-	-	-	**(22,771)**	-
Other reclassifications	(26)		1,132	-	417	(1,523)	**-**	-
At 31 March 2017	**355,202**	**15,057**	**238,421**	**7,870**	**8,074**	**16,233**	**640,857**	**48,544**
Accumulated Depreciation and Impairment	33,642	4,121	65,412	-	150	-	**103,325**	6,267
At 1 April 2016								
Depreciation Charge	13,939	1,913	5,760	-	109	-	**21,721**	3,049
Depreciation written out to the Revaluation Reserve	(15,696)	-	-	-	-	-	**(15,696)**	-
Depreciation written out to the Surplus on the Provision of Services	(1,235)	-	-	-	-	-	**(1,235)**	-
Disposals		(93)	-	-	-	-	**(93)**	-
Derecognition - other	(3,950)	(1,177)	-	-	-	-	**(5,127)**	-
Other reclassifications	(42)	-	-	-	42	-	**-**	-
At 31 March 2017	**26,658**	**4,764**	**71,172**	**-**	**301**	**-**	**102,895**	**9,316**
Net Book Value								
At 31 March 2017	328,544	10,293	167,249	7,870	7,773	16,233	537,962	39,228
At 31 March 2016	292,187	11,330	164,993	7,795	10,492	5,968	492,765	37,867

14. Property, Plant And Equipment (contd.)

Schools

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

Depreciation

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

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

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

Capital expenditure does not attract capital charges until the following year. From 1 April 2015 depreciation estimates are based on opening balances.

Capital Commitments:

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

31 March 2017		31 March 2018
£'000		**£'000**
9,134	Schools Expansion	14,479
2,953	Street Services Fleet Replacement	2403
1,547	Lesnes Abbey	-
1,704	Town Centres - Bexleyheath	216
4,132	Abbey Wood Station Public Realm Improvements	3035
1,850	Erith Regeneration	2,354
3,100	LED and Part Night Lighting	-
7,000	Temporary Accommodation	264
-	Investment /future developments	16,400
-	Harrow Manor Way Scheme	2,029
-	Affordable Housing	5,150
635	Other Commitments below £1m	-
32,055	**TOTAL**	**46,330**

Revaluations

The Council carries out a rolling programme that ensures that all property assets are revalued at current value over a 5 year period. In addition to the planned revaluation rolling programme, properties subject to a significant change during the year are revalued. All valuations were carried out internally under the responsibility of Suzanne Jackson, BSc Estate Management, FRICS, Head of Regeneration and Assets. The valuations have been undertaken in accordance with the professional standards set out in the Appraisal and Valuation Standards Manual published by the Royal Institution of Chartered Surveyors. In estimating current value, regard has been given to the nature of the property by reference to its use, location, size, method of construction, age, all other relevant matters, and the prevailing market forces.

14. Property, Plant And Equipment (contd.)

During 2017/18, as part of the Council's rolling revaluations programme, all of the assets within the Other Land and Buildings'' asset categories of Office/Civic Accommodation and Miscellaneous properties were revalued as well as all Temporary Accommodation purchases and other acquisitions this year. In addition approximately 20% of Social Care Facilities and approximately 20% of schools assets were also revalued. A review of the remaining Schools and Other Land and Buildings' asset categories of youth centres, park buildings, leisure centres, libraries, community centres, car parks and other learning centres was also carried out by the Council's Principal Valuer to ensure that the carrying value of the Council's assets is not materially different from their current value as at the 31 March 2018.

The significant assumptions applied in estimating the current value are:

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

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

PPE analysis showing those assets held at cost and those at valuation sub divided by last revaluation date as at 31/03/2018.

	OL&B £'000	VP&E £'000	Infra £'000	CA £'000	Surplus £'000	AUC £'000	Total PPE £'000
Carried at historic cost	-	10,910	174,919	7,906	-	18,676	212,411
Values at Fair value as at							
31st March 2018	335,650	-	-	-	9,756	-	345,406
1st April 2017	-	-	-	-	-	-	-
1st April 2016	-	-	-	-	-	-	-
1st April 2015	-	-	-	-	-	-	-
1st April 2014	-	-	-	-	-	-	-
Total Cost or Valuation	**335,650**	**10,910**	**174,919**	**7,906**	**9,756**	**18,676**	**557,817**

The De-recognition – 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 De-recognition - Disposals line.

In 2017/18, 8 schools converted to academies, as compared to 5 schools in 2016/17. This led to a notional loss in year of £28.1m, as opposed to £17.6m in 2016/17. There are now only 23 locally maintained schools in the London Borough of Bexley.

15. Heritage Assets

	Museum Collection	Hall Place House	Granary	Danson House	Exhibits	Bexleyheath & Crayford Clock Tower	Five Arches Bridge	Public Art	Civic Regalla	Total Heritage Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2016	**404**	**23,933**	**37**	**7,605**	**242**	**285**	**4,240**	**486**	**262**	**37,494**
Additions	-		-	-	-	-	-	-	-	**-**
Disposals	-		-	-	-	-	-	-	-	**-**
Revaluations	-	1,197	-	380	-	(16)	220	-	-	**1,781**
Reclassifications & Transfers	-		-	-	-	-	-	-	-	**-**
At 31 March 2017	**404**	**25,130**	**37**	**7,985**	**242**	**269**	**4,460**	**486**	**262**	**39,275**
Balance as at 1 April 2017	**404**	**25,130**	**37**	**7,985**	**242**	**269**	**4,460**	**486**	**262**	**39,275**
Additions	-	-	-	87	-	4	-	-	-	**91**
Disposals	-	-	-	-	-	-	-	-	-	**-**
Revaluations	-	-	-	-	-	-	-	-	-	**-**
Reclassifications & Transfers	-	-	-	-	-	-	-	-	-	**-**
At 31 March 2018	**404**	**25,130**	**37**	**8,072**	**242**	**273**	**4,460**	**486**	**262**	**39,366**

Additional information regarding Heritage Assets is shown on the following page.

15. Heritage Assets (contd.)

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.

Until 2016-17 Bexley Heritage Trust managed the Bexley museum collection which was on display on the first floor of Hall Place House, the ground floor of Danson House and in display cases in Erith Library. The collection is now being managed by the London Borough of Bexley.

Historic Buildings
The Council owns two Grade 1 listed historic houses, Danson House and Hall Place, which it regards as particularly significant.

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.

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

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

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

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

Five Year Summary of Transactions	**2013/14 £'000**	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**	**2017/18 £'000**
Cost of Acquisitions of Heritage Assets					
Museum Collection	-	-	-	-	-
Historic Buildings and Structures	22	-	-	-	91
Public Art Work	-	-	149		-
Civic Regalia	-	-	-	-	-
Total Cost of Acquisitions	**22**	**-**	**149**	**-**	**91**

16. Investment Properties

Investment properties are those assets held by the Council solely for rental income and/or capital appreciation purposes.

2016/17 £'000		2017/18 £'000
(2,040)	Rental income due from investment property	(2,040)

2016/17 £000		2017/18 £000
41,436	**Balance at 1 April**	42,132
608	Additions and Enhancement Expenditure	11,283
-	Subsequent Expenditure	3
88	Net gains from fair value adjustments	2,474
42,132	**Balance at 31 March**	**55,892**

Valuations are carried out annually by the Council's internal valuers and are valued to Fair Values as defined by IFRS 13.

Where an asset is valued to Fair Value, IFRS 13 requires the valuer to make additional disclosures regarding the valuation technique applied to measure the fair value and the nature of the inputs to that valuation technique, having regard to the fair value hierarchy prescribed within IFRS13.

It is confirmed that the valuation technique applied in respect of all fair value figures is the market approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets.

The inputs to this technique constitute Level 2 inputs in each instance. Level 2 inputs are inputs observable for the asset, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

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 repairs, maintenance or enhancement.

17. 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 carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.373m charged to revenue in 2017/18 (£0.420m in 2016/17) was charged directly to the Net Cost of Services. 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 lives assigned to the major software suites used by the Council are 5 years unless it is anticipated to be otherwise.

2016/17 £'000	**Balance at start of year**	2017/18 £'000
2,379	Gross Carrying Amounts	2,505
(1,089)	Accumulated Amortisation	(1,509)
1,290	**Net carrying amount at start of year**	**996**
	Additions	
126	Purchases	62
(420)	Amortisation	(373)
996	**Net carrying amount at end of year**	**685**
	Comprising	
2,505	Gross Carrying Amounts	2,567
(1,509)	Accumulated amortisation	(1,882)

18. Financial Instruments

Accounting regulations require the “financial instruments” (investment, lending and borrowing of the Council) shown on the

- **Level 1** are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets
- **Level 2** are those where quoted market prices are not available; for example, where an instrument is traded in a market
- **Level 3** are those where at least one input that could have a significant effect on the instruments valuation is not based

Financial Instruments - Balances

The financial assets and liabilities disclosed in the Balance Sheet are analysed across the following categories:

31 March 2017			Category of Financial Instruments	31 March 2018		
Long Term £'000	**Current £'000**	**Total £'000**	**Financial Assets**	**Long Term £'000**	**Current £'000**	**Total £'000**
-	18,092	18,092	Loans and receivables – Level 2	3,000	256	3,256
4,531	-	4,531	Available-for-sale financial assets – Level 1	4,746	-	4,746
22,377	-	22,377	Current value through profit and loss – Level 1	22,673	-	22,673
8,362	46,708	55,070	Receivables	17,767	65,462	83,229
-	24,306	24,306	Cash and Cash Equivalents	-	8,446	8,446
35,270	**89,106**	**124,376**	**Total Financial Assets**	**48,186**	**74,164**	**122,350**

Long Term £'000	**Current £'000**	**Total £'000**	**Financial Liabilities**	**Long Term £'000**	**Current £'000**	**Total £'000**
117,585	540	118,125	Financial liabilities at amortised cost – Level 2	170,072	2,660	172,732
30,570	1,665	32,235	PFI and Finance Lease Liabilities	28,430	2,140	30,570
-	37,695	37,695	Payables		38,129	38,129
-	7,031	7,031	Cash and Cash Equivalents	-	9,085	9,085
148,155	**46,931**	**195,086**	**Total Financial Liabilities**	**198,502**	**52,014**	**250,516**

Receivables and Payables represent Trade Debtors and Creditors and as such the current value is deemed to equate to the Fair Value.

Cash in instant access and notice accounts are shown against Cash

Fair Value of Assets and Liabilities carried at Amortised Cost

31 March 2017			31 March 2018	
Carrying Amount £'000	**Fair Value £'000**	**Financial Liabilities**	**Carrying Amount £'000**	**Fair Value £'000**
118,125	**165,265**	**Financial Liabilities**	**172,732**	**219,177**
27,529	**47,793**	**PFI and PPP**	**26,377**	**43,601**

The fair value of £219.2m of Public Works Loan Board (PWLB) loans measures the economic effect of the terms agreed

31 March 2017			31 March 2018	
Carrying Amount £'000	**Fair Value £'000**	**Financial Assets**	**Carrying Amount £'000**	**Fair Value £'000**
18,092	**18,736**	**Financial Assets**	**3,256**	**3,394**

The fair value is higher than the carrying amount because the Council’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 Council would receive if it agreed to early repayment of the deposits.

19. Inventories

2016/17 Stocks £'000	2016/17 Work in Progress £'000	2016/17 Total £'000		2017/18 Stocks £'000	2017/18 Work in Progress £'000	2017/18 Total £'000
193	**811**	**1,004**	**Balance b/f**	**193**	**1,018**	**1,211**
-	207	**207**	Movements in year	(53)	455	**402**
193	**1,018**	**1,211**	**Balance c/f**	**140**	**1,473**	**1,613**

20. Receivables

2016/17 Net £'000	Short Term Receivables	2017/18 Gross £'000
5,614	Central Government bodies	3,092
2,574	Other Local Authorities	163
608	NHS Bodies	-
46,708	Other entities and individuals	65,462
55,504		**68,717**

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

2016/17 £'000	Long Term Receivables	2017/18 £'000
2,920	Finance leases	2,898
285	Thames Innovation Centre	285
-	Cleeve Park Loan	152
-	Employer Contribution Prepayment	9,820
4,665	Deferred Capital Receipts	4,082
492	Mortgages	530
8,362		**17,767**

21. Cash And Cash Equivalents

Cash comprises cash in hand and on-demand deposits. Cash will also include bank overdrafts that are repayable on demand and that are integral to the Council's cash management.

Balances classified as 'Cash Equivalents' fit the definition of being short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The net balance of Cash and Cash Equivalents is made up of the following elements at the Balance Sheet dates:

2016/17 £'000		2017/18 £'000
602	Cash at Bank	-
6,404	Cash at Bank Schools	4,323
17,300	Cash Equivalents	4,123
24,306	**Cash and Cash Equivalents**	**8,446**
(7,031)	Cash and Cash Equivalents overdrawn	(4,285)
17,275	**Total Cash and Cash Equivalents**	**4,161**

22. Payables

The following table provides an analysis of amounts owed by the Council as at 31 March.

2016/17 £'000		2017/18 £'000
	Short Term Payables	
(9,607)	Central Government bodies	(7,354)
(2,973)	Other Local Authorities	(2,259)
(875)	NHS Bodies	-
(37,695)	Other entities and individuals	(33,329)
(51,150)	**Total**	**(42,942)**

23. Provisions

Provisions are amounts set aside to meet future material liabilities of uncertain timing or amount

2017/18	Insurance £'000	Business Rates Appeals £'000	Others £'000	Total £'000
Balance at 1 April 2017	(2,422)	(2,679)	(380)	**(5,481)**
Additional provisions made in 2017/18	(1,401)	-	(1,022)	**(2,423)**
Amounts used in 2017/18	1,401	309	330	**2,040**
Balance at 31 March 2018	**(2,422)**	**(2,370)**	**(1,072)**	**(5,864)**
Short term provision	-	(2,370)	(1,072)	**(3,442)**
Long term provision	(2,422)	-	**-**	**(2,422)**
Balance at 31 March 2018	**(2,422)**	**(2,370)**	**(1,072)**	**(5,864)**

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.

Temporary Accommodation (TA) 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.

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 Council, 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 2017/18 and earlier financial years. Assets and liabilities relating to business rates are shared between the Government, Bexley and the Greater London Council. The provision shown above is the Council’s share of the total amount.

Other

This heading includes movements on provisions for early retirement/redundancy, land charges for holiday pay and for Adult Services Care.

24. Usable Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans. Reserves are reviewed as part of the budget process together with the Council's agreed reserves policy in accordance with s.23 of the Local Government Act 2003.

Movements in the Council's Usable reserves are detailed in the Movement in Reserves Statement. Unusable reserves are further detailed in Note 25. Earmarked reserves are detailed in Note 10.

2016/17 Restated £'000		2017/18 £'000
(12,824)	General Fund	(13,732)
(53,490)	Earmarked Reserves	(46,982)
1	Capital Receipts Reserve	(159)
(13,352)	Capital Grants Unapplied	(13,341)
(79,665)	**Total Usable Reserves**	**(74,214)**

The Reserves for 2016/17 have been restated to take account of a re-analysis of reserves from General Fund to Earmarked.

Usable Capital Receipts Reserve

The capital receipts are income from the sale of long-term assets and repayments of capital advances. Legislation requires that a proportion of these receipts are paid to Central Government. The remaining amounts can then be used to finance capital expenditure.

2016/17 £'000		2017/18 £'000
(406)	**Balance as at 1 April**	**1**
	Sale of Assets:	
(5,402)	Sale of other Land and Buildings	(305)
(5,402)	**Total Receipts**	**(305)**
	Use of Receipts:	
2	Payments to Housing Capital Pool	-
128	Disposal Costs financed from receipts	-
5,679	Capital Receipts used for financing	145
5,809		**145**
1	**Balance as at 31 March**	**(159)**

25. Unusable Reserves

31 March 2017 Restated £'000		31 March 2018 £'000
(166,652)	Revaluation Reserve	(162,471)
(269,532)	Capital Adjustment Account	(259,201)
1,554	Financial Instruments Adjustment Account	1,518
(8,208)	Deferred Capital Receipts Reserve	(8,198)
181,675	Pensions Reserve	168,665
(4,333)	Collection Fund Adjustment Account	(5,958)
469	Available for Sale	254
2,100	Accumulated Absences Account	2,154
(262,927)	**Total Unusable Reserves**	**(263,236)**

The Reserves for 2016/17 have been restated to take account of a re-analysis of reserves from General Fund to Earmarked.

Revaluation Reserve

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

1. Are revalued downwards or impaired and the gains are lost; or
2. Used in the provision of services and the gains are consumed through depreciation; or
3. Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1st 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.

2016/17 £'000		2017/18 £'000
(139,411)	**Balance at 1 April**	**(166,653)**
(42,316)	Upward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(13,155)
4,984	Difference between fair value depreciation and historical cost depreciation	6,975
10,091	Accumulated gains on assets sold or scrapped	10,362
(166,652)	**Balance at 31 March**	**(162,471)**

Accumulated Absences Account

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

2016/17 £'000		2017/18 £'000
1,965	**Balance at 1 April**	**2,100**
(1,965)	Settlement or cancellation of accrual made at the end of the preceding year	(2,100)
2,100	Amounts accrued at the end of the current year	2,154
2,100	**Balance at 31 March**	**2,154**

25. Unusable Reserves (cont.1)

Financial Instruments Adjustments Account

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

Premiums and Discounts

The code requires that, unless directly attributable to a loan held at 31st March 2007, then all premiums and discounts carried on the balance sheet be written off to the General Fund balance at 1st April 2007. * Statutory regulations allow for the impact on council tax to be mitigated through a transfer to the Financial Instruments Adjustment Account. The balance of premiums and discounts is amortised to revenue in line with the provisions set down in the Council's accounting policies.

*The Code requires that premiums and discounts arising from debt restructuring on or after 1st April 2007 shall be charged to the General Fund. Exceptions are permitted where they meet the modification criteria prescribed in the CIPFA Accounting Code of Practice. In these instances, they are valued at the carrying value of the new loan and amortised over the remaining period via the effective interest rate.

Soft Loans

The Code also requires that where the Council has provided loans at less that market rates then these should be accounted for on a fair value basis. The difference between the fair value and loan amount is accounted for as an immediate charge to the Comprehensive Income and Expenditure Statement and the impact to be instigated through a transfer to the FIAA via the Movement in Reserves Statement. The fair value increases over the period of the loan and the annual impact is neutralised by writing down the balance to the General Fund balance via transfer from the FIAA via the MIRS.

Stepped Interest Loans

Under the Code, where the Council has taken out loans with a stepped interest structure, the interest charge to the Comprehensive Income and Expenditure Statement is at the effective interest rate over the period of the loan. However, for stepped loans taken out before 9th November 2007, regulations permit authorities to charge interest to the General Fund balance at either:

a) The effective interest rate; or
b) The interest rate due for the financial year under the loan agreement.

Where the latter option is applied the difference between the interest chargeable at the effective interest rate is transferred from the General Fund balance to the Financial Instruments Adjustments Account via the Movement in Reserves Statement and released back to the General Fund balance for the remaining period of the loan.

The transactions reflected in the FIAA are as follows:

2016/17			2017/18	
£'000	£'000		£'000	£'000
	1,614	**Balance at 1 April**		**1,554**
(36)		Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(36)	
(24)		Effective interest rate (EIR) adjustment on borrowing		
	(60)	**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**		**(36)**
	1,554	**Balance at 31 March**		**1,518**

25. Unusable Reserves (cont.2)

Pension Reserve

The Pension 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 Pension 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.

2016/17 £'000		2017/18 £'000
126,381	**Balance at 1 April**	**181,675**
40,266	Actuarial (gains)/losses on pensions assets & liabilities	(21,815)
17,456	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	19,996
(2,428)	Employer's pensions contributions and direct payments to pensioners payable in the year	(11,191)
181,675	**Balance at 31 March**	**168,665**

Collection Fund Adjustment Account

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

2016/17 £'000		2017/18 £'000
(2,681)	**Balance at 1 April**	**(4,333)**
(1,652)	Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(1,625)
(4,333)	**Balance at 31 March**	**(5,958)**

Deferred Capital Receipt 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.

2016/17 £'000		2017/18 £'000
(8,217)	**Balance at 1 April**	**(8,208)**
0	Transfer of Deferred sale proceeds	-
-	Transfer to the Capital Receipt Reserve	-
9	Write down of finance Lease Long Term Debtor	10
(8,208)	**Balance at 31 March**	**(8,198)**

25. Unusable Reserves (contd.3)

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 amortisation 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 Council 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.

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2016/17 £'000			2017/18 £'000
	(268,528)	**Balance at 1 April**		**(269,532)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
21,722		Charges for depreciation of non-current assets	23,905	
(622)		Revaluation gains on Property, Plant and Equipment	(367)	
420		Amortisation of intangible assets	373	
(339)		Deferred income written down	(339)	
5,094		Revenue expenditure funded from capital under statute	7,856	
21,279		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	28,214	
	47,554			**59,642**
	(15,074)	Adjusting amounts written out of the Revaluation Reserve		(17,337)
	32,480	**Net written out amount of the cost of non-current assets consumed in the year**		**42,305**
		Capital financing applied in the year:		
(5,679)		Use of the Capital Receipts Reserve to finance new capital expenditure	(143)	
(7,571)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,353)	
(13,139)		Application of grants to capital financing from the Capital Grants Unapplied Account	(18,884)	
(6,239)		Provision for the financing of capital investment charged against the General Fund balance	(6,689)	
(768)		Capital expenditure charged against the General Fund balance	(1,431)	
	(33,396)			**(29,500)**
	(88)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(2,473)
	(269,532)	**Balance at 31 March**		**(259,201)**

26. Cash Flow Statement – Adjustments for Non-Cash Transactions

2016/17 £'000	Description	2017/18 £'000
29,868	**Net deficit on the provision of services**	**40,109**
21,722	Depreciation	23,905
(622)	Increase in Revaluation charged to the Comprehensive Income and Expenditure Statement	(367)
420	Amortisation	373
772	Movement in Impairment Allowance	(183)
(486)	Movement in Receivables	(22,435)
4,686	Movement in Payables	6,266
207	Movement in Inventories	402
15,028	Pension Liability	8,805
21,280	Carrying Amount of Non-Current Assets sold	28,213
512	Movement in Provisions	(383)
88	Movement in the value of Investment Properties	(2,473)
(60)	Financial Instruments Adjustments	(251)
(1,855)	Other Non-Cash Adjustments	(2,336)
61,692	**Total Adjustments for Non-Cash Transactions**	**39,536**
(152,792)	Investing and Financing Activities Adjustments to Net Surplus on the Provision of Services	(185,799)
(61,232)	**Net Cash Flows from Operating Activities**	**(106,154)**

27. Cash Flow Statement - Investing Activities

2016/17 £'000	Description	2017/18 £'000
52,870	Purchase of Property, Plant and Equipment and Intangible Assets	77,746
16,596	Purchase of Short-Term Investments and Long-Term Investments	(14,464)
-	Other Payments for Investing Activities	-
(5,403)	Proceeds from the sale of Property, Plant and Equipment and Non-Current Assets	(305)
64,063	**Net Cash Flows from Investing Activities**	**62,977**

28. Cash Flow Statement - Financing Activities

2016/17 £'000		2017/18 £'000
14,997	Cash Repayment of Short-Term Borrowings and Long-Term Borrowings	54,608
3,009	Cash Payments to reduce Finance Lease and PFI Liabilities	1,683
440	Other payments for financing activities	-
18,446	**Net Cash Flows from Financing Activities**	**56,291**

29. Pooled Budgets

Introduced in April 2015, the Better Care Fund is the largest financial incentive to date for the integration of Health and Social Care. It requires Clinical Commissioning Groups (CCG's) and Local Authorities in each area to pool budgets and agree integrated spending plans determining how their Better Care Fund allocations will be most efficiently resourced.

This agreement has been formed in accordance with the provisions within Section 75 of the National Health Service Act 2006. Any surplus or deficit generated from this arrangement will be the responsibility of the respective partner to whom it is attributable to.

These agreements were with Bexley Clinical Commissioning Group (CCG). The agreements allow the Council and Bexley CCG to pool their budgets to provide services for certain client groups. Bexley CCG hosts the pooled budget for mental health services and the Council hosts those for learning disability services and community equipment stores.

The following table analyses the funding provided and the expenditure met from Better Care Fund:

2016/17 Mental Health £'000	2016/17 Learning Disability £'000	2016/17 Community Equipment £'000		2017/18 Mental Health £'000	2017/18 Learning Disability £'000	2017/18 Community Equipment £'000
			Income			
2,661	18,454	-	London Borough of Bexley contribution	2,661	19,618	593
9,146	867	376	Bexley CCG contribution	8,430	867	950
548	1,995	337	Other income	-	2,096	-
12,355	**21,316**	**713**	**Gross Income**	**11,091**	**22,581**	**1,543**
			Expenditure			
2,064	15,845	-	Residential and Supported Living Services	-	16,794	-
803	1,697	-	Day Care Services	-	1,829	-
6,227	-	-	Acute Services	11,678	-	-
3,147	1,671	687	Community Services	-	2,069	1,695
114	2,183	-	Other Expenditure	-	2,037	-
12,355	21,396	687	**Gross Expenditure**	11,678	22,729	1,695
-	**(80)**	**26**	**Surplus (+) / deficit (-) for the year**	**(587)**	**(148)**	**(152)**
-	228	368	Surplus (+) / deficit (-) brought forward	-	148	394
-	**148**	**394**	**Surplus (+) / deficit (-) carried forward**	**(587)**	**-**	**242**

30. Members' Allowances

The total of members' allowances paid in 2017/18 (excluding National Insurance Contributions) was £815k compared to £876k in 2016/17.

31. External Audit Costs

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

2016/17 £'000		2017/18 £'000
119	Fees payable for external audit services	119
28	Fees payable for the certification of grant claims and returns	28
5	Fees payable in respect of other services	5
152		**152**

32. Officers' 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 taxable 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 been excluded from the table below since they are shown separately in the next table in this note.

2016/17				2017/18		
Non Teaching Employees	**Teaching Employees**	**Total Employees**	**Earnings Band**	**Non Teaching Employees**	**Teaching Employees**	**Total Employees**
20	11	31	50 - 54,999	20	10	30
23	6	29	55 - 59,999	21	2	23
11	9	20	60 - 64,999	18	3	21
5	3	8	65 - 69,999	5	4	9
3	1	4	70 - 74,999	2	-	2
3	1	4	75 - 79,999	2	2	4
2	1	3	80 - 84,999	2	1	3
1	-	1	85 - 89,999	1	-	1
-	-	-	90 - 94,999	1	-	1
-	1	1	95 - 99,999	-	1	1
1	-	1	110 - 114,999	-	-	-
-	-	-	115 - 119,999	1	-	1
69	**33**	**102**	**Total £50,000 and over**	**73**	**23**	**96**

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.

32. Officers' Remuneration (contd.1)

2017/18

Name and position	Salary including fees and allowances £	Bonus £	Benefits in kind £	Employer pension contributions £	Total Remuneration £
Gillian Steward - Chief Executive A*	192,955	-	-	35,890	228,845
Director of Adult Social Care & Health	129,226	-	-	25,481	154,707
Director of Place, Communities & Infrastructure B*	143,407	-	-	27,929	171,336
Director of Children's Services	139,224	6,796	-	28,962	174,982
Director of Finance C* (left 02/07/2017)	35,032	-	-	6,799	41,831
Leigh Whitehouse - Director Of Finance and Corporate Services (commenced July/2017)	153,237	-	-	-	153,237
Head of Legal Services D*	84,133	-	-	16,460	100,593
Service Director (Bexley Care#)	131,235	-	-	26,664	157,899
Assistant Chief Exec (Monitoring Officer)	95,671	-	-	18,746	114,417
Total	**1,104,120**	**6,796**	**-**	**186,931**	**1,297,847**

A* - Remuneration includes £9,386 received in respect of election duties (£9,184 in 2016/17).
B* - Remuneration includes £2,400 received in respect of election duties (£5,327 in 2016/17).
C* - Remuneration includes £650 received in respect of election duties (£392 in 2016/17).
D* - Remuneration includes £450 received in respect of election duties.
E* - Remuneration includes £650 received in respect of election duties.

2016/17

Name and position	Salary including fees and allowances £	Bonus £	Benefits in kind £	Employer pension contributions £	Total Remuneration £
Gillian Steward - Chief Executive -A*	162,919	-	-	20,966	183,885
Director of Adult Social Care & Health -B*	26,873	-	-	3,707	30,580
Director of Place, Communities & Infrastructure -C*	149,137	-	-	19,934	169,071
Director of Children's Services	134,362	6,398	-	19,495	160,255
Director of Finance	132,159	-	-	18,256	150,415
Head of Legal Services and Monitoring Officer -D*	93,344	-	-	12,847	106,191
Interim Director of Adult Social Care -E*	120,025	-	5,283	17,284	142,592
Director of Public Health -F*	29,907	-	-	-	29,907
Total	**848,726**	**6,398**	**5,283**	**112,489**	**972,896**

A* - The Chief Executive commenced in the post on 16th May 2016. Remuneration includes £9,184 received in respect of election
B* - The Director of Adult Social Care and Health commenced in the post on 16th January 2017.
C* - Remuneration includes £5,327 received in respect of election duties (£650 in 2015/16).
D* - Remuneration includes £392 received in respect of election duties (£392 in 2015/16)
E* - The Interim Director Adult Social Care ceased employment with the Council on 15th January 2017.
F* - The Director of Public Health is employed by the London Borough of Bromley and worked for this Council up to 31st October 2016

The numbers of exit packages for 2016/17 and 2017/18, 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	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17 £	2017/18 £
£0 - £20,000	30	9	14	19	44	28	268,651	195,750
£20,001 - £40,000	9	2	2	2	11	4	333,903	89,916
£40,001 - £60,000	-	2	-	-	-	2	-	93,208
£60,001 - £80,000	-	-	-	-	-		-	-
Total	**39**	**13**	**16**	**21**	**55**	**34**	**602,554**	**378,874**

None of the exit packages for 2017/18 involved the senior officers disclosed above.

33. Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Education - the Dedicated School Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an Council-wide basis, and for the Individual Schools Budget, which is divided into a budget share for each school. The funding formula sets out the new arrangements for LA's to allocate the Schools block element of the DSG to schools. Any carry forward of DSG as part of the new arrangements must be allocated against the schools block for redistribution. Over and under spends on the two elements are required to be accounted for separately.

	2017/18		
	Central Expenditure £'000	**ISB £'000**	**Total £'000**
Final DSG for 2017/18 before academy Recoupment	-	-	221,202
Academy figure recouped for 2017/18	-	-	(143,861)
Total DSG after academy recoupment for 2017/18	-	-	**77,341**
Plus: Brought forward from 2016/17	-	-	976
6th Form	-	-	440
Agreed initial budgeted distribution in 2017/18	33,183		**78,757**
In-year adjustments	-	-	-
Final budget distribution for 2017/18	**33,183**	**-**	**78,757**
Less: Actual central expenditure	(32,291)	-	**(32,291)**
Less: Actual ISB deployed to schools	-	(45,574)	**(45,574)**
Carry-forward to 2018/19	**892**	**(45,574)**	**892**

	2016/17		
	Central Expenditure £'000	**ISB £'000**	**Total £'000**
Final DSG for 2016/17 before academy Recoupment	-	-	211,693
Academy figure recouped for 2016/17	-	-	(129,836)
Total DSG after academy recoupment for 2016/17	-	-	**81,857**
Plus: Brought forward from 2014/15	-	-	994
Less: Carry-forward to 2017/18 agreed in Advance	-	-	-
Agreed initial budgeted distribution in 2016/17	27,820	55,031	**82,851**
In-year adjustments	-	-	-
Final budget distribution for 2016/17	**27,820**	**55,031**	**82,851**
Less: Actual central expenditure	(26,844)	-	**(26,844)**
Less: Actual ISB deployed to schools	-	(55,031)	**(55,031)**
Plus Local Council contribution for 2016/17	-	-	**-**
Carry-forward to 2017/18	**976**	**-**	**976**

34. Other Long Term Liabilities

Other long term liabilities are made up of the following items.

	2016/17 £'000	**2017/18 £'000**
PFI/PPP contracts	(32,133)	(30,275)
Finance leases	(4,193)	(3,572)
Other	(613)	-
Total	**(36,939)**	**(33,847)**

35. Related Party Transactions

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

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

The Council has prepared this disclosure in accordance with its interpretation and understanding of IAS 24 and its applicability to the public sector utilising current advice and guidance.

Related party 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 2017/18. In addition, there are separate disclosures elsewhere within the accounts for senior officer remuneration and members' allowances.

Some of the appointments listed below continue throughout 2017/18. The declaration of a related party transaction does not imply any personal involvement of the Councillors and officers shown below. Transactions between the London Borough of Bexley and other organisations that total less than £10,000 in the year are not included in this note.

Member	Organisation and Position	Transactions in 2017/18 £'000
Cllr Donald Massey	Eltham Crematorium Joint Management Committee – Chairman and Member	Non Current Asset share (40%) £1,373,110 Net liabilities share (40%) £670,798 Net surplus share (40%) £524,050
	London Councils Grants Committee - Conservative Spokesperson	£209,713 paid to the Borough Wide Grant Scheme
Cllr Teresa O'Neill	Local Government Association (LGA) – Member	£36,817 paid to the LGA for 2017/18 subscription.
	Homes England - Board Member	
Cllr Linda Bailey	Bexleyheath BID - Director	£190k paid to the BID in 2017/18

Thames Innovation Centre

Thames Innovation Centre (TIC) is a not-for-profit local Council 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 2017 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. 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.

The Council received many grants in 2017/18 – both revenue and capital – from central Government. Further details of these are given in note 13. The Council recharged £306,892 to the Pension Fund in 2017/18 for administration costs. During the year, no Council Members or designated officers have undertaken any declarable transactions with the Pension Fund.

BexleyCo Limited

Bexleyco Limited is a development and regeneration company that was incorporated by the Council in June 2017. It is a company limited by shares with the Council as sole shareholder. BexleyCo's objectives are set out in its initial Business Plan put forward by the Company's Board of Directors and approved by the Shareholder at a meeting of the Cabinet committee on 29th January 2018.

The Business Plan sets out an initial package of nine development schemes that BexleyCo will be progressing over the next fer years. These have an estimated development value of £130m and will deliver over 500 quality new homes, 180 of which will be affordable. The total overall investment required from the Council is estimated at £106m, which is provided for in the Capital Programme. The company is expected to start trading in 2018/19.

36 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 contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the 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 movement in the CFR is analysed in the second part of this note.

31 March 2017 £'000		31 March 2018 £'000
158,613	**Opening CFR**	**178,087**
	Capital investment	
47,042	Property, Plant and Equipment	58,450
-	Heritage Assets	91
608	Investment Properties	11,286
126	Intangible Assets	62
5,094	Revenue Expenditure Funded from Capital under Statute	7,856
52,870		**77,746**
	Sources of finance	
(5,679)	Capital receipts	(143)
(20,710)	Government grants and other contributions	(21,237)
	Sums set aside from revenue:	
(768)	Reserves and Revenue Budgets	(1,431)
(6,239)	Minimum Revenue Provision	(6,689)
(33,396)		**(29,500)**
178,087	**Closing CFR**	**226,332**
	Explanation of movement in CFR	
25,713	Increase in underlying need to borrow (unsupported by government financial assistance)	54,935
(6,239)	MRP/loans fund principal repaid	(6,689)
19,474	**Increase in CFR**	**48,245**

37. Leases

Council as Lessor

Finance Leases

The Council has leased out four properties, Welling United Football Club ground, Erith shopping centre, Bexleyheath bowling centre and Whitehall Lane

The Council has a gross investment in the lease, made up of minimum lease payments expected to be received over the remaining term. The minimum lease payments comprise settlement of the long-term receivable for the interest in the property acquired by the lessee and finance income earned by the Council.

Minimum Lease Payments	2016/17 £'000	2017/18 £'000
Finance Lease Receivable		
Current	10	11
Non - Current	2,824	2,812
Interest	12,485	12,215
Total	**15,319**	**15,038**

Gross Investment in Lease	2016/17 £'000	2017/18 £'000
Not later than one year	281	281
Later than one year and not later than five years	1,122	1,122
Later than five years	13,917	13,636
Total	**15,320**	**15,039**

Minimum Lease Payments	2016/17 £'000	2017/18 £'000
Not later than one year	10	11
Later than one year and not later than five years	53	58
Later than five years	2,771	2,754
Total	**2,834**	**2,823**

Operating Leases

The future minimum lease payments due under non – cancellable leases in future years are set out below:

	2016/17 £'000	2017/18 £'000
Within 1 year	2,161	2,126
Within 2 – 5 years	7,885	7,600
Over 5 years	155,401	153,492
Minimum Lease payments	**165,447**	**163,218**

38. Private Finance Initiatives And Similar 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 £6.1m, 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 £2.4m, which are inflated by 3% each year. These payments commenced during 2005/06 and are payable over 30 years. They can vary as a result of performance and availability deductions, certain changes in law and contract variations initiated by the Council. In addition, the operational services are benchmarked every five years and at a future benchmarking date (2020 or later) may be market tested. At July 2010 benchmarking, it was agreed no change would be made to the unitary charge and at July 2015 a unitary charge reduction of £300,000 per annum was agreed. The costs are being met from budgets approved by the Council. At the end of the contract term, which is fixed, all the facilities return to the Council for nil consideration.

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

2016/17 PPP - Leisure Centres £'000		2017/18 PPP - Leisure Centres £'000
37,867	Net book value at 1 April	39,228
287	Additions	431
(3,049)	Depreciation and impairment	(3,406)
4,123	Revaluation	-
	Disposals	
39,228	**Net Book Value at 31 March**	**36,253**

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 13 years until 2031. The PPP payments will be made for the next 19 years until 2036. An analysis of the payments in 2016/17 and 2017/18 is shown in the table below:

Movements in liabilities resulting from PFI or similar contracts are disclosed below:

2016/17 PFI - Schools £'000	2016/17 PPP - Leisure Centres £'000	2016/17 Total £'000		2017/18 PFI - Schools £'000	2017/18 PPP - Leisure Centres £'000	2017/18 Total £'000
2,201	808	**3,009**	Service Charges	2,277	603	**2,880**
934	110	**1,044**	Repayments made in year	1,021	41	**1,062**
-	-	-	Interest Lifecycle costs	-	-	-
2,839	1,580	**4,419**	& Contingent Rents	2,783	1,699	**4,482**
5,974	**2,498**	**8,472**	**Value at 31 March**	**6,081**	**2,343**	**8,424**

The Council makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contracts at 31st March (excluding any estimation of inflation and availability performance) are shown below.

2017/18	PFI - Schools				PPP - Leisure Centres			
	Repayment £'000	Interest £'000	Service Charge £'000	Other £'000	Repayment £'000	Interest £'000	Service £'000	Other £'000
Payment in 2018/19	1,407	1,825	2,277	572	112	746	858	934
Payments within 2-5 years	5,850	6,027	9,108	3,338	(33)	2,945	3,697	4,811
Payments within 6-10 years	8,324	4,331	11,384	6,363	1,111	3,383	5,281	6,536
Payments within 11-15 years	5,609	654	5,882	3,563	2,311	2,186	6,123	8,291
Payments within 16-18 years	-	-	-	-	1,686	285	3,402	3,372
Total	**21,190**	**12,837**	**28,651**	**13,836**	**5,187**	**9,545**	**19,361**	**23,944**

"Other" includes lifecycle costs and contingent rents.

39. Termination Benefits

Details can be found in Note 32 (Officers' Remuneration).

40. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council 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 Council 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 7,700 participating employers and consequently the Council 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.

In 2017/18, the Council paid £3.160m to Teachers’ Pensions in respect of teachers’ retirement benefits, representing 20.6% of pensionable pay. There were no contributions remaining payable at the year-end.

The Council 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 41.

The Council is not liable to the scheme for any other entities’ obligations under the plan.

There are also some staff who are members of the National Health Service Superannuation Scheme administered by the Department of Health. This scheme is also an unfunded multi-employer defined benefit scheme. In the NHS, the scheme is accounted for as if it were a defined contribution scheme.

41. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in two post-employment schemes- The Local Government Pension Scheme and the London Borough of Bexley pension Scheme.

- The Local Government Pension Scheme (LGPS), administered locally by the Council – this is a funded defined benefit final salary scheme, meaning that the Council 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 Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. 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.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

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.

Eltham Crematorium.

An additional item of £2.799m has been incorporated within the Pension disclosue in respect of the recent recognition of an historic obligation to the LPFA..

41. Defined Benefit Pension Schemes (contd.1)

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme £'000		Discretionary Benefits Arrangements £'000	
	2017/18	2016/17	2017/18	2016/17
Cost of Services:				
Service cost comprising:				
• current service cost	17,699	12,060	-	-
• past service costs	8	35	-	-
• *(gain)/ loss from settlements*	(4,600)	640	-	-
• administration expenses	440	447	-	-
Financing and Investment Income and Expenditure				
Net interest expense	3,371	3,941	259	333
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**16,918**	**17,123**	**259**	**333**

Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement

	£'000		£'000	
	2017/18	2016/17	2017/18	2016/17
Remeasurement of the net defined benefit liability comprising:				
• Return on plan assets (excluding the amount included in the net interest expense)	(5,403)	(94,558)	-	-
• Actuarial gains and losses arising on changes in demographic assumptions	-	7,372	-	151
• Actuarial gains and losses arising on changes in financial assumptions	(16,296)	143,269	(116)	1,531
• Experience gains and losses	-	(17,009)	-	(490)
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**(21,699)**	**39,074**	**(116)**	**1,192**
Movement in Reserves Statement				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(16,918)	(17,123)	(259)	(333)
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to scheme	10,576	2,428	615	-
• retirement benefits payable to pensioners	-	-	(615)	631

Pensions assets and liabilities recognised in the Balance Sheet

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

Balance Sheet	Local Government Pension Scheme £'000		Discretionary Benefits £'000	
	2017/18	2016/17	2017/18	2016/17
Present value of the defined benefit obligation	813,865	824,425	10,218	10,690
Current value of the plan assets	(658,237)	(653,440)	-	-
Net liability arising from defined benefit obligation	**155,628**	**170,985**	**10,218**	**10,690**

41. Defined Benefit Pension Schemes (contd.2)

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

	Local Government Pension Scheme £'000		Discretionary Benefits £'000	
	2017/18	**2016/17**	**2017/18**	**2016/17**
Opening current value of scheme assets	**653,440**	**560,345**	-	-
Interest income	16,823	19,362	-	-
Remeasurement gain/(loss):				
● The return on plan assets, excluding the amount included in the net interest expense	5,403	94,558	-	-
Contributions from employer	10,576	1,797	615	631
Contributions from employees into the scheme	3,500	3,500	-	-
Benefits paid	(27,254)	(25,675)	(615)	(631)
Settlements	(3,811)	-	-	-
Administration expenses	(440)	(447)	-	-
Closing current value of scheme assets	**658,237**	**653,440**	-	-

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

	Funded liabilities: Local Government Pension Scheme £'000		Unfunded liabilities: Discretionary Benefits £'000	
	2017/18	**2016/17**	**2017/18**	**2016/17**
Opening balance at 1 April	**824,425**	**676,930**	**10,690**	**9,796**
Current service cost	17,699	12,060	-	-
Interest cost	20,194	23,303	259	333
Contributions by scheme participants	*3,500*	*3,500*	-	-
Remeasurement gains and losses				
● Actuarial gains and losses arising on changes in demographic assumptions	-	7,372	-	151
● Actuarial gains and losses arising on changes in financial assumptions	(16,296)	143,269	(116)	1,531
● Experience gains and losses	-	(17,009)	-	(490)
Past service costs	8	35	-	-
Losses/ (gains) on curtailment	170	640	-	-
Settlements	(8,581)	-	-	-
Benefits paid	(27,254)	(25,675)	(615)	(631)
Liabilities extinguished on settlements	-	-	-	-
Closing balance at 31 March	**813,865**	**824,425**	**10,218**	**10,690**

41. Defined Benefit Pension Schemes (contd.3)

Local Government Pension Scheme assets comprised:

		Current value of scheme assets	
Asset Category	**Quoted (Y/N)**	**31 March 2018 £'000**	**31 March 2017 £'000**
Equities:		**247,657**	**395,330**
Energy	Y	9,153	24,177
Materials	N	0	15,029
Industrial	Y	28,485	45,087
Consumer	N	74,118	103,897
Health Care	Y	27,591	50,968
Financials	Y	35,823	56,196
Information Technology	Y	64,518	79,066
Telecommunication Services	Y	3,945	7,841
Utilities	Y	4,024	11,762
Media	Y	0	1,307
Bonds:		**126,969**	**49,008**
UK Government Indexed	Y	62,869	0
Overseas Fixed Interest	Y	31,704	25,484
Overseas Other	Y	32,396	23,524
Alternatives:		**272,421**	**199,300**
Private Equity – Overseas LLP	Y	55,020	60,116
Funds – Overseas Equity	Y	8,864	10,455
Funds – Property	Y	72,103	70,572
Funds – Diversified Growth	Y	122,352	48,355
UNBS Infrastructure	Y	14,082	9,802
Cash and Cash Equivalents	N	**11,190**	**9,802**
Total		**658,237**	**653,440**

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 2018.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
Asset Category	**31 March 2018 £'000**	**31 March 2017 £'000**
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	23.1	23.0
Women	26.1	26.0
Longevity at 65 for future pensioners:		
Men	25.3	25.2
Women	28.4	28.3
Rate of CPI inflation	2.3%	2.3%
Rate of increase in salaries	3.8%	3.8%
Rate of increase in pensions	2.4%	2.3%
Rate for discounting scheme liabilities	2.7%	2.5%

41. Defined Benefit Pension Schemes (contd.4)

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. 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	
		£'000	£'000
		Increase	Decrease
Longevity	**Increase life expectancy 1 year**	**16,514**	**(16,514)**
Rate of inflation	**Increase by 0.1%**	**12,613**	**(12,613)**
Rate of increase in salaries	**Increase pay growth by 0.1%**	**1,194**	**(1,194)**
Rate for discounting scheme liabilities	**Increase by 0.1%**	**(12,422)**	**12,422**

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible, subject to the administering Council not taking undue risk. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 13 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2019.

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 2019 is £11.2m Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2018 are £0.6m.

The weighted average duration of the defined benefit obligation for scheme members is 15 years at 31 March 2016 (16 years at 31 March 2013).

42. Contingent Liabilities

Contingent liabilities have been considered up to the authorisation date of the Financial Statements of 31 May 2018 by the Director of Finance. The liability which was indicated in last years' Statement has subsequently been deemed to cease to exist and the associated reserve has been written back to offset potential underspend in year. The Council has no contingent liabilities at 31 March 2018.

43. Contingent Assets

The Council had no contingent assets at 31 March 2018.

44. Nature and Extent of Risks Arising from Financial Instruments

Bexley Council is a Council defined by the Local Government Act 1972 as primarily providing statutory services to the local population on a not-for-profit basis. As such, few financial instruments are used by way of commercial business. However, the funding mechanism means that during the year, the Council may hold substantial assets and liabilities. The Council uses financial instruments to manage the risks arising from holding assets and liabilities; it does not use financial instruments for trading or speculative purposes.

44. Nature and Extent of Risks Arising from Financial Instruments (contd.1)

The main risks covered are:

Credit Risk: The possibility that one party to a financial instrument will fail to meet their contractual obligations causing a loss for the other party.

Liquidity Risk: The possibility that a party will be unable to raise funds to meet the commitments associated with Financial Instruments.

Market Risk: The Council is only exposed to one of the possible market risks, which is interest rate risk. This is the possibility that the value of interest paid or received in respect of an instrument will fluctuate because of changes in interest rates.

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework as described within the Local Government Act 2003 and the associated regulations.

Credit Risk

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

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

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

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

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

	Amount at 31 March 2018	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2018	Estimated maximum exposure to default and collectability	Estimated maximum exposure at 31 March 2018
	£'000	%	%	£'000	£'000
Deposits with financial institutions	-	0.0%	0.0%	-	-
Bonds	3,114	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 Council 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 Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The Council 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.

44. Nature and Extent of Risks Arising from Financial Instruments (contd.2)

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

	31 March 2018 £'000	31 March 2017 £'000
Loans outstanding		
PWLB	172,534	103,096
Market debt	-	-
Temporary borrowing	-	-
Total:-	**172,534**	**103,096**

	31 March 2018 £'000	31 March 2017 £'000
Maturity Profile		
Less than 1 year	2,031	31
Maturing between 1 and 2 years	31	2,031
Maturing between 2 and 5 years	94	94
Maturing between 5 and 10 years	12,810	7,841
Maturing between 10 and 15 years	13,568	16,568
Maturing between 15 and 20 years	3,000	5,000
Maturing between 20 and 25 years	-	-
Maturing between 25 and 30 years	6,000	3,000
Maturing between 30 and 35 years	15,500	13,000
Maturing between 35 and 40 years	34,500	31,500
Maturing between 40 and 45 years	42,500	26,500
Maturing over 45 years	42,500	12,500
Total:-	**172,534**	**118,065**

Market Risk

The Council 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 Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account 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 I+E Account 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 Income and Expenditure Account. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account 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:

	31 March 2018 £'000
Increase in interest payable on variable rate debt	-
Increase in interest receivable on variable rate investments*	41
Net Impact on Income and Expenditure – Gain	**41**
Increase/(Decrease) in fair value of fixed rate investments	(121)
Increase/(Decrease) in fair value of fixed rate debt	(40,075)

**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 £4.1m 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.

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation on the London Borough of Bexley (as the billing Council) to maintain a separate Collection Fund. The statement shows the transactions of the Billing Council in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates. The surplus and deficit on the Collection Fund is shared between the preceptors: Central Government, Greater London Council and London Borough of Bexley. Any residual surplus or deficit at the end of the financial year relating to London Borough of Bexley is taken into account in setting the level of Council Tax for the following year.

2016/17					2017/18			
Council Tax £'000	Business Rates £'000	Business Rates Supp. £'000	Total £'000		Council Tax £'000	Business Rates £'000	Business Rates Supp. £'000	Total £'000
				INCOME				
				Council Tax				
(119,092)	-	-	**(119,092)**	Council Tax due	(124,541)	-	-	**(124,541)**
				Income collectable from Business Ratepayers				
-	(72,638)	-	**(72,638)**	Non-domestic rates	-	(71,876)	-	**(71,876)**
-	23	-	**23**	Transitional protection payments - non-domestic rates	-	720	-	**720**
-	-	(2,164)	**(2,164)**	Income collectable in respect of Business Rate Supplements	-	-	(2,042)	**(2,042)**
				Contributions towards previous years' Collection Fund deficit:				
-	(877)	-	**(877)**	Central Government	-	-	-	**-**
-	(527)	-	**(527)**	London Borough of Bexley	-	-	-	**-**
-	(351)	-	**(351)**	Greater London Council	-	-	-	**-**
(119,092)	**(74,370)**	**(2,164)**	**(195,626)**	**Total amounts to be credited**	**(124,541)**	**(71,156)**	**(2,042)**	**(197,739)**
				EXPENDITURE				
				Business Rate:				
				Precepts, demands and shares				
-	35,874	-	**35,874**	Central Government	-	24,080	-	**24,080**
94,245	14,349	-	**108,594**	London Borough of Bexley	99,246	21,891	-	**121,137**
21,741	21,524	-	**43,265**	Greater London Council	22,337	26,998	-	**49,335**
				Business Rate Supplement:				
-	-	2,159	**2,159**	Payment to levying Council's Business Rate Supplement Revenue Account	**-**	-	2,034	**2,034**
-	**-**	5	**5**	Administrative Costs	**-**	-	8	**8**
				Charges to Collection Fund				
513	(50)	-	**463**	Increase/(decrease) in allowance for impairment	(117)	(212)	-	**(329)**
-	686	-	**686**	Increase/(decrease) in allowance for appeals	**-**	(1,029)	-	**(1,029)**
-	254	-	**254**	Transfer to General Fund for allowable collection costs for non-domestic rates	**-**	248	-	**248**
-	-	-	**-**	Non-domestic rate refund interest	**-**	2	-	**2**
				Other transfers to General Fund in accordance with regulations				
				Apportionment of previous year's estimated Collection Fund surplus:				
-	-	-	**-**	Central Government	-	237	**-**	**237**
995	-	-	**995**	London Borough of Bexley	488	142	**-**	**630**
255	**-**	**-**	**255**	Greater London Council	112	95	**-**	**207**
117,749	**72,637**	**2,164**	**192,550**	**Total amounts to be debited**	**122,066**	**72,452**	**2,042**	**196,560**
(1,343)	**(1,733)**	**-**	**(3,076)**	**(Surplus)/Deficit arising during the year**	**(2,475)**	**1,296**	**-**	**(1,179)**
(4,320)	2,692	**-**	**(1,628)**	(Surplus)/Deficit b/f at 1 April	(5,663)	959	**-**	**(4,704)**
(5,663)	**959**	**-**	**(4,704)**	**(Surplus)/Deficit c/f at 31 March**	**(8,138)**	**2,255**	**-**	**(5,883)**

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.

2016/17 £'000		2017/18 £'000
(144,156)	Gross Council Tax	(149,859)
2,433	Exemptions	2,580
10,811	Discounts	11,170
(95)	Premiums	(107)
11,451	Council Tax Reduction Scheme	11,464
464	Write-offs	211
(119,092)	**Income from Council Tax Payers**	**(124,541)**

For 2017/18, the Council Tax was set by the Council at £1,524.19 (£1,472.43 in 2016/17) for a property in band D. For 2017/18, the Council Tax was calculated using an estimated Council Tax Base of 79,769 Band D equivalents, as detailed below:

2016/17			Council Tax band			2017/18		
Number of chargeable dwellings	**Band D equivalent dwellings***	**Council tax payable**	**Band**	**Ratio to Band D**	**Property value**	**Number of chargeable dwellings**	**Band D equivalent dwellings***	**Council tax payable**
					£			
2,395	1,561	981.62	A	6/9	up to 40,000	2,466	1,608	1,016.13
6,396	4,871	1,145.22	B	7/9	40,001 - 52,000	6,578	5,009	1,185.48
22,965	19,984	1,308.83	C	8/9	52,001- 68,000	23,317	20,291	1,354.84
23,304	22,815	1,472.43	D	9/9	68,001 - 88,000	23,612	23,116	1,524.19
17,256	20,647	1,799.64	E	11/9	88,001 - 120,000	17,336	20,743	1,862.90
4,419	6,249	2,126.84	F	13/9	120,001 - 160,00	4,502	6,365	2,201.60
1,583	2,584	2,454.05	G	15/9	160,001 - 320,00	1,574	2,568	2,540.32
31	61	2,944.86	H	18/9	320,001 and ove	35	69	3,048.38
78,349						**79,420**		
	78,772				**Council Tax base**		**79,769**	

**Band D equivalent dwellings are after allowance for non collection.*

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 as adjusted for exemptions, discounts etc. and an estimate made for new properties.

2. Income from Business Ratepayers

Under the arrangements for business rates that came into effect on 1 April 2013, the Council collects National Non Domestic Rates (NNDR) for the Bexley area on behalf of the Government, the Greater London Council (GLA) and Bexley. These are based on rateable values multiplied by uniform rates which, for 2017/18, were 47.9p and 46.6p for small businesses (for 2016/17, 49.7p and 48.4pp 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	33%
GLA	37%
Bexley	30%

Income from business ratepayers can be analysed as follows:

2016/17 £'000			2017/18 £'000
(84,112)		Gross non domestic rates	(86,834)
1,471	less:	Empty Properties	1,561
(23)		Transitional Relief	(720)
9,401		Mandatory & Discretionary Relief	13,473
		Partially Occupied Properties	208
625		Write off	436
(72,638)		**TO COLLECTION FUND**	**(71,876)**

The total non-domestic rateable value as at 31 March 2018 was £189.503m (£175.163m as at 31 March 2017). There was a revaluation of non-domestic properties effective from 1 April 2017.

3. Council Tax Precepts

Payments are made from the Collection Fund to the London Borough of Bexley (the billing Council) - £99.246m in 2017/18 (£94.245m in 2016/17) and the Greater London Council (the precepting Council) - £22.337m in 2017/18 (£21.741m in 2016/17). These figures are before the distribution of any previous year's estimated Fund surplus or deficit. There was a surplus of £0.600m to distribute in 2017/18 - £0.488m to Bexley and £0.112m to the Greater London Council (there was a surplus of £1.250m to distribute in 2016/17 - £0.995m to Bexley and £0.255m to the Greater London Council). 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.

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 Council (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.

5. Business Rates - Provision for Appeals

Under the arrangements for the retention of business rates that came into effect on 1 April 2013, Bexley, as a billing Council, is required to make provision for refunding ratepayers who have successfully appealed against the rateable value on their properties. This includes amounts relating to non-domestic rates charged to businesses in previous financial years. The provision is based on an estimate of the likely success rate of those appeals that were submitted to the Valuation Officer as at 31 March 2018 and were still outstanding.

2017/18 PENSION FUND ACCOUNTS

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 and Corporate Services 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 and Corporate Services 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 and Corporate Services 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 and Corporate Services 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 Statement of the Director of Finance and Corporate Services

The required financial statements for the Pension Fund appear on pages 2 to 26 and have been prepared in accordance with the accounting policies set out on page 5.

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 2018.

Leigh Whitehouse

Director of Finance and Corporate Services
30 July 2018

Pension Fund Account

2016/17 (Restated) £'000		Note	2017/18 £'000
	Dealings with members, employers and others directly involved in the scheme		
(23,286)	Contributions	7	(23,628)
(1,925)	Transfers in from other pension funds	8	(3,880)
(25,211)	**Total contributions**		**(27,508)**
29,690	Benefits	9	29,459
1,817	Payments to and on account of leavers	10	21,665
31,507	**Total benefits**		**51,124**
6,296	**Sub-total: Net (additions) / withdrawals from dealings with members**		**23,616**
5,520	**Management expenses**	11	**5,224**
	Returns on investments		
(17,936)	Investment income	12	(14,255)
501	Taxes on income	13	182
(118,585)	(Profit) and losses on disposal of investments and changes in value of investments	14a	(23,999)
(136,020)	**Net returns on investments**		**(38,072)**
(124,204)	**Net (increase) / decrease in the net assets available for benefits during the year**		**(9,232)**
(680,241)	**Opening net assets of the scheme**		**(804,445)**
(804,445)	**Closing net assets of the scheme**		**(813,677)**

Pension Fund Net Assets Statement

31.3.2017 £'000		Note	31.3.2018 £'000
796,031	Investment Assets	14	832,446
11,490	Cash Deposits	14	735
807,521			**833,181**
(2,340)	Investment Liabilities	14	0
3,220	Current Assets	20	1,635
(3,956)	Current Liabilities	21	(11,319)
0	Long Term Liabilities	21	(9,820)
804,445	**Net assets of the scheme available to fund benefits at the period end**		**813,677**

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

Notes to the Financial Statements

1 Introduction to the Fund

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

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

(a) General

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

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

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

(b) Membership

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

Organisations participating in the Pension Fund include:

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

Numbers for employers and employees in the Fund are:

31 March 2017		31 March 2018
62	Number of employers with active members	71
	Number of employees in the Fund	
2,853	London Borough of Bexley	2,635
2,377	Other employers	2,850
5,230	*Total*	*5,485*
	Number of pensioners in the Fund	
4,729	London Borough of Bexley	4,821
573	Other employers	609
5,302	*Total*	*5,430*
	Number of deferred pensioners in the Fund	
3,692	London Borough of Bexley	3,757
871	Other employers	958
4,563	*Total*	*4,715*

(c) Funding

In 2017/18, 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 2016 and shows a funding level of 94% (2013 was 87%). The deficit on the Fund will generally be recovered over a period of 14 years. The Council's contribution in 2017/18 was calculated as 15.7% of payroll and a separate lump sum of £2.4m which roughly equates to 20.6% (20.6% in 2016/17) although the amount due was discounted for early payment. Other bodies' employer's future service contributions in 2017/18 varied between 11.4% and 29.4% but they also pay a separate lump sum deficit funding contribution. Further details on the funding and actuarial positions are shown in notes 18 and 19.

(d) Benefits

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

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

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

The Fund publishes a separate Annual Report for the Fund, which includes the Investment Strategy Statement, 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 Fund's website www.yourpension.org.uk/bexley

2 Basis of Preparation

These financial statements summarise the Fund's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. They have been prepared in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting 2017/18. The CIPFA Code is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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.

3 Accounting Policies

(a) Contribution income

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

(b) Transfers to and from other schemes

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

(c) Investment income

(i) Interest income

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

(ii) Dividend income

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

(iii) Distributions from pooled funds

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

(iv) Movement in the net market value of investments

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

(d) Benefits payable

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

(e) Taxation

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

(f) Management expenses

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

Administrative expenses

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

Oversight and governance costs

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

Investment management expenses

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

Net assets statement

(g) Financial assets

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

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

(i) Market-quoted investments

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

(ii) Fixed interest securities

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

(iii) Unquoted investments

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

(iv) Limited partnerships

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

(v) Pooled investment vehicles

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

(h) 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.

(i) Cash and cash equivalents

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

(j) Financial liabilities

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

(k) Actuarial present value of promised retirement benefits

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

(l) Additional voluntary contributions

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

(m) Contingent liabilities

A contingent liability arises where an event has taken place that gives the 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 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.

(n) 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 Fund for the financial years 2016/17 and 2017/18. This cycle of prepayment ended in 2017/18 and a new cycle of prepayment commenced in February 2017 with payments in advance totalling £33.1m in respect of its employer and employee contributions to the Fund for the financial years 2017- 2020; the remaining prepayment balance as at 31 March 2018 was £19.9m. Contributions relating to financial years 2018-2020 have been treated as receipts in advance and shown as a liability within the Fund.

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

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

4 Critical judgements in applying accounting policies

Unquoted private equity and infrastructure investments

It is important to recognise the highly subjective nature of determining the fair value of private equity and infrastructure investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities and infrastructure investments are valued by the investment managers. The value of unquoted private equities at 31 March 2018 was £68.8m and unquoted infrastructure at 31 March 2018 was £11.8m.

Prepayment of Employer Contributions

The accounting policies section above describes the actions that the London Borough of Bexley took in 2017/18 to make payments in advance to the 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 Fund have acknowledged that the Fund could, if it proved necessary, repay any outstanding amounts paid in advance by the Council back to it.

Pension Fund liability

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

5 Major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, because amounts cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the accounts at 31 March 2018 for which there is a significant risk of material adjustment in the following financial year are:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on 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 £80m. • 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 £25m.
Private Equity	Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines 2012. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £68.8m. There is a risk that this investment may be under- or overstated in the accounts.

Sensitivity analysis of Level 3 investments are disclosed in note 16.

6. Events after the reporting date

The Fund accounts were issued as part of the Statement of Accounts by the Director of Finance and Corporate Services on 31 May 2018. 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 2018, the figures in the accounts and notes have been adjusted in all material respects to reflect the impact of this information.

7. Contributions Receivable

2016/17		2017/18
£'000		**£'000**
	Contributions from Employers	
7,536	London Borough of Bexley – normal	7,972
4,099	Scheduled bodies – normal	5,073
1,431	Admitted bodies – normal	1,220
3,096	London Borough of Bexley – deficit funding	2,444
1,581	Scheduled bodies – deficit funding	1,536
240	Admitted bodies – deficit funding	(223)
7	London Borough of Bexley – augmentation	7
	Contributions from Members	
3,203	London Borough of Bexley – normal	3,407
1,468	Scheduled bodies – normal	1,703
504	Admitted bodies – normal	434
114	London Borough of Bexley – additional voluntary	48
7	Scheduled bodies – additional voluntary	7
23,286	**Total contributions**	**23,628**

The funding objective is to achieve and maintain a solvency funding level of 100% of liabilities. Where a shortfall exists at the date of the actuarial valuation a deficit recovery plan is put in place which requires additional contributions to correct the shortfall.

The additional voluntary contributions included above are those which are paid into the Fund to purchase additional benefits in the pension scheme.

8. Transfers in from other pension funds

2016/17		2017/18
£'000		**£'000**
1,785	London Borough of Bexley	3,623
139	Scheduled bodies	204
1	Admitted bodies	53
1,925	**Total**	**3,880**

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

9. Benefits Payable

By category

2016/17		2017/18
£'000		**£'000**
24,775	Pensions	25,259
7	Augmented service	7
4,414	Commutation of pensions and lump sum retirement benefits	3,763
494	Lump sum death benefits	430
26,690	**Total**	**29,459**

By authority

2016/17 £'000		2017/18 £'000
26,229	London Borough of Bexley	26,277
1,292	Scheduled bodies	1,330
2,169	Admitted bodies	1,852
29,690	**Total**	**29,459**

10. Payments to and on account of leavers

By category

2016/17 £'000		2017/18 £'000
85	Refunds of contributions	75
0	State scheme premiums	0
1,395	Individual transfers out to other schemes	5.855
337	Bulk transfers out to other schemes	15,735
1,817	**Total**	**21,665**

By authority

1,638	London Borough of Bexley	4,611
101	Scheduled bodies	16,819
78	Admitted bodies	235
1,817	**Total**	**21,665**

On 8 June 2017 the Fund paid £15.7m to the LPFA in respect of the bulk transfer of Bexley College. This scheduled body transfer was approved by the Secretary of State for Communities and Local Government effective from 1 August 2016. At the year end there were liabilities of £0.27m 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.

11. Management expenses

2016/17 (Restated) £'000		2017/18 £'000
367	Administrative costs	408
4,700	Investment management expenses	4,395
453	Oversight and governance costs	421
5,520	**Total**	**5,224**

(a) Investment Management expenses

2016/17 (Restated) £'000		2017/18 £'000
4,350	Management fees	4,240
78	Custody fees	63
272	Transaction costs	92
4,700	**Total**	**4,395**

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 Fund management expenses in accordance with the CIPFA guidance on accounting for LGPS management costs.

The Fund management fees above do not include estimates for the diversified growth fund and bond funds. They are not normally separately identified by the managers. The unit values of these funds are net of management fees. The estimated value of these management fees is £1,052,000 in 2017/18 (£893,000 in 2016/17 restated).

Included above is £92,000 in respect of transaction costs (£272,000 in 2016/17). These transaction costs were identified in the segregated equity manager's accounts. During the year the segregated mandates moved into pooled fund arrangements. The transaction costs can only be estimated at borough level and therefore have not been included in the expenses above. Transaction costs for LCIV equity based pooled funds are estimated at £252,000 in 2017/18. In addition to these costs, indirect costs are incurred through the bid–offer spread on investment sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see note 14a).

Included within the administrative costs is £21,000 for external auditor fees paid to Grant Thornton (£21,000 in 2016/17).

The LCIV has negotiated a performance related fee element with its global equity sub fund manager Newton. In 2017/18 no performance related fee was payable (no performance fee was due in 2016/17).

12. Investment income

2016/17		2017/18
£'000		**£'000**
11,728	Dividends from equities	4,664
2,317	Pooled investment vehicles	8,675
3,890	Pooled investment vehicles – Level 3	916
1	Interest on cash deposits	0
17,936	**Total**	**14,255**

The 2016/17 Pooled investment vehicles level 3 figure includes historical Private Equity adjustments for income previously included in sales and change in market value. This change had no overall impact on the net assets.

13. Taxes on Income

2016/17		2017/18
£'000		**£'000**
501	Withholding tax - equities	182
501	**Total**	**182**

14. Investments

31.3.2017 £'000		31.3.2018 £'000
	Investment assets	
490,154	Equities	150
304,977	Pooled investment vehicles	829,995
11,490	Cash/temporary investments	735
900	Investment income due	2,301
0	Amounts receivable for sales	0
807,521	**Total investment assets**	**833,181**
	Investment liabilities	
(2,340)	Amounts payable for purchases	0
805,181	**Net investment assets**	**833,181**

(a) Reconciliation of movements in investments

	Value at 31.3.2017 £'000	Purchases at cost £'000	Sales proceeds £'000	Transfers £'000	Change in Market value £'000	Value at 31.3.2018 £'000
Equities	490,154	17,500	(157,103)	(369,719)	19,319	150
Pooled investment vehicles (non bond)	155,747	50,624	(12,875)	0	(20,794)	172,703
Pooled investment vehicles (LCIV)	0	179,870	(143,146)	369,719	(425)	406,018
Pooled investment vehicles (non bond) - level 3	90,798	9,396	(19,619)	0	5,809	86,384
Pooled investment vehicles (bond)	58,432	90,000	0	0	16,458	164,890
	795,131	**347,390**	**(332,743)**	**0**	**20,367**	**830,145**
Cash/temporary investments	11,490				(2,283)	735
Outstanding investment transactions debtors	900				0	2,301
	807,521					**833,181**
Current Net Assets/(Liabilities)	(736)				13,395	(9,684)
Net Assets/(Liabilities)	0				(9,820)	(9,820)
Outstanding investment transactions creditors	(2,340)				2,340	0
Net assets	**804,445**				**23,999**	**813,677**

(Restated)	Value at 31.3.2016 £'000	Purchases at cost £'000	Sales proceeds £'000	Transfers £'000	Change in Market value £'000	Value at 31.3.2017 £'000
Equities	385,980	114,039	(105,108)		95,243	490,154
Pooled investment vehicles (non bond)	157,914	11,299	(16,869)		3,403	155,747
Pooled investment vehicles (non bond) - level 3	72,319	15,144	(13,591)		16,926	90,798
Pooled investment vehicles (bond)	56,040	0	0		2,392	58,432
	672,253	**140,482**	**(135,568)**	**0**	**117,964**	**795,131**
Cash/temporary investments	16,065				865	11,490
Outstanding investment transactions debtors	1,503				0	900
	689,821					**807,521**
Current Net Assets/(Liabilities)	(8,204)				720	(736)
Net Assets/(Liabilities)	0					0
Outstanding investment transactions creditors	(1,376)				(964)	(2,340)
Net assets	**680,241**				118,585	**804,445**

The 2016/17 change in market value has been restated to reflect underlying property manager fees. This change had no overall impact on the net assets.

(b) Analysis of investments

31.3.2017 £'000		31.3.2018 £'000
	Equities	
159,918	UK quoted	0
150	UK unquoted	150
330,086	Overseas quoted	0
490,154		**150**
	Pooled investment vehicles	
84,624	Managed funds – UK property unquoted	92,734
0	Managed funds- UK index-linked unquoted	81,849
58,432	Managed funds – Overseas fixed interest unquoted	83,041
90,795	Managed funds – Overseas limited liability partnership unquoted	86,381
57,319	Unitised insurance policy - Overseas unquoted	79,969
	London Collective Investment Vehicle (LCIV) Pooled Sub-Funds - Overseas Unquoted	
0	- Newton Global Equity Fund	241,907
0	- Epoch Income Equity Fund	81,958
0	- Ruffer Absolute Return Fund	82,153
3	Unit trusts – UK unquoted	3
13,804	Unit trusts – Overseas unquoted	0
304,977		**830,145**

11,490	Cash/temporary investments	735
900	Investment income due	2,301
0	Amounts receivable for sales	0
12,390		**3,036**
807,521	**Total investment assets**	**833,181**
	Investment liabilities	
(2,340)	Amounts payable for purchases	0
805,181	**Net investment assets**	**833,181**

(c) Investments analysed by fund manager

31.3.2017 £'000	31.3.2017 %		31.3.2018 £'000	31.3.2018 %
150	0	LCIV - Shareholding	150	0
0	0	LCIV –Newton Global Equity Fund	242,918	29.2
0	0	LCIV – Ruffer Absolute Return Fund	82,566	9.9
0	0	LCIV – Epoch Income Equity Fund	82,641	9.9
150	**0**	**LCIV Sub total** (London Collective Investment Vehicle)	**408,275**	**49.0**
30,517	3.8	BlackRock Bond Fund	123,029	14.8
84,938	10.5	Aviva Investors	93,663	11.2
57,319	7.1	Standard Life (GARS)	79,969	9.6
79,040	9.8	Partners Group	68,801	8.3
417,018	51.8	Newton Investment Management Ltd	41,861	5.0
11,755	1.5	UBS infrastructure Fund	17,580	2.1
124,444	15.5	UBS Global Asset Management Ltd	3	0
805,181			**833,181**	

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 LCIV unit trusts are unquoted, however all investments within the Newton Global Equity and Epoch Income Equity sub-funds are quoted.

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

Asset Class / Security Name	Manager	31.03.18 £'000	31.03.18 % of inv assets
BlackRock Aquila Index Linked	BlackRock	81,849	9.8
Standard Life GARS	Standard Life	79,969	9.6
Newton Global Bond Fund	Newton	41,861	5.0

Asset Class / Security Name	Manager	31.03.17 £'000	31.03.17 % of inv assets
Standard Life GARS	Standard Life	57,319	7.1%

(d) Stock Lending

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

(e) Property holdings

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

15. Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final	Not required	Not required
Unquoted bonds funds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Pooled investments – overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Unquoted private equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability. Control premium	Valuations could be affected by material events occuring between the the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Unquoted Overseas Infrastructure Managed Fund	Level 3	The fair value of the investments has been determined using valuation techniques appropriate to each investment. These techniques include discounted cashflow analysis and comparable transaction multiples in accordance with the International Private Equity and Venture Capital Valuation Guidelines ("IPEVCVG") December 2015.	Significant unobservable inputs and observable inflation.	Valuations could be affected by material events occuring between the the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with investment managers and independent advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2018.

	Assessed valuation range (+/-)	Value at 31 March 2018	Value on increase	Value on decrease
		£000	£000	£000
Unquoted overseas equity	10%	3	3	3
Private Equity	10%	68,801	75,681	61,921
Infrastructure Fund	18%	17,580	20,744	14,416
Total		**86,384**	**96,428**	**76,340**

a) Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

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 the Fund invests. This process is explained in more detail for each Limited Partnership (fund of funds investment arrangement) as follows:-

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

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

Values at 31 March 2018	Quoted market price Level 1 £000	Using Observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss	150	743,611	86,384	830.145
Net investment assets	**150**	**743,611**	**86,384**	**830,145**

Values at 31 March 2017	Quoted market price Level 1 £000	Using Observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss	490,153	214,180	90,798	795.131
Net investment assets	**490,153**	**214,180**	**90,798**	**795,131**

b) Transfers Between Levels 1 and 2

There were £370m of transfers between level 1 and level 2 in the year as the Newton segregated mandate was transferred to the London Collective Investment Vehicle (LCIV) pooled platform. In addition £130m equity investments were divested from the UBS segregated mandate and reinvested in Blackrock pooled funds and the LCIV Ruffer pooled fund.

c) Reconciliation of Fair Value Measurements Within Level 3

2017/18	Market value 1 April 2017 £000	Purchases during the year and derivative movements £000	Sales during the year and derivative receipts £000	Unrealised gains/ (losses) £000	Realised gains/ (losses) £000	Market Value 31 March 2018 £000
Equities – unquoted overseas	3	0	0	0	0	3
Overseas unit trusts	11,755	7,082	0	(1,544)	287	17,580
Private equity	79,040	2,314	(19,619)	(2,561)	9,627	68,801
	90,798	**9,396**	**(19,619)**	**(4,105)**	**9,914**	**86,384**

Unrealised and realised gains and losses are recognised in the profit and losses on disposal and changes in the market value of investments line of the fund account.

16. Financial Instruments

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

(a) Classification of financial instruments

Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost		Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
31 March 2017				31 March 2018		
£'000	£'000	£'000		£'000	£'000	£'000
			Financial Assets			
490,154			Equities	150		
155,747			Pooled investment vehicles (non bond)	172,703		
			Pooled investment vehicles (LCIV)	406,018		
90,798			Pooled investment vehicles (non bond) – level 3	86,384		
58,432			Pooled investment vehicles (bond)	164,890		
0			Derivatives			
	12,217		Cash		970	
900			Other investment balances	2,301		
	2,493		Debtors		1,400	
			Financial Liabilities			
(2,340)			Other investment balances			
		(3,956)	Creditors			(21,139)
793,691	**14,710**	**(3,956)**	**Total**	**832,446**	**2,370**	**(21,139)**

(b) Net gains and losses on financial instruments

2016/17 (Restated)		2017/18
£'000		£'000
	Financial Assets	
118,585	Fair value through profit or loss	**23,999**

17. Nature and Extent of Risks Arising from Financial Instruments

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

(a) Market risk

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

- Interest rates may vary which will impact on the valuation of fixed interest holdings. The coupon and the duration of such investments will be spread to minimise this risk.
- Currency risk is the risk that the value of financial instruments will vary with the foreign exchange rate of pounds sterling. This particularly affects the Fund's holdings in overseas equities. This is mitigated by the spread of investments across different countries. The manager will also take this risk into account when making investments, and would hedge the risk where thought necessary.

- Prices of equity and other investments will vary as the prices on the stock exchange respond to factors specific to particular stocks or factors affecting stock markets as a whole. This is mitigated by having a diverse portfolio of investments across different managers, asset classes, countries and industries.

Risk	Asset Type	Market Value 31Mar18	Market Value 31Mar17	% movement	£ movement 31Mar18	£ movement 31Mar17
Interest rate	Bonds	£164.9m	£58.4m	+1%	£1.6m	£0.6m
Currency	O/S Equities	£323.9m	£330.1m	10%	£32.4m	£33.0m
Price	Equities*	£324.0m	£490.2m	10% gain	£32.4m	£49.0m
Price	Bonds*	£164.9.0m	£58.4m	10% loss	(£16.5m)	(£5.8m)

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

(b) Credit risk

Credit risk is the risk that counterparties to the financial instruments will fail to pay the amounts due to the 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 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 (8.3% at 31 March 2018 and 9.8% at 31 March 2017) 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 2017/18 then a loss of income of £233,000 would have occurred (£586,000 in 2016/17). 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 2018 was £235,000. This was held with NatWest Bank plc who meet the Council’s credit rating criteria. In overall terms the Fund’s exposure to credit risk is the carrying amount of the financial assets at 31 March 2018.

(c) Liquidity risk

Liquidity risk is the risk that the Fund might not be able to meet its payment obligations as they fall due (such as pension payments to members). The 2017/18 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 2018 the value of illiquid assets was £180m, which represented 22% of total fund assets (31 March 2017: £176m which represented 22% of total fund assets).

18. Funding Arrangements

The Fund's actuary carries out a funding valuation every three years to set employer contribution rates for the following triennial period. The last such valuation took place as at 31 March 2016.

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 2016 actuarial valuation the Fund was assessed as 94% funded (87% at the March 2013 valuation). This represented a deficit of £45m (£81m in 2013) at that time. Contribution rates were set for the three year period ending 31 March 2020 for scheme employers and admitted bodies. The primary contribution rate (the rate which all employers in the Fund pay) was set at 16.4% (15.0% in 2013).

Individual employers' rates vary from the primary 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 2016 actuarial valuation report on the Fund's website.

19. Actuarial Present Value of Promised Retirement Benefits

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

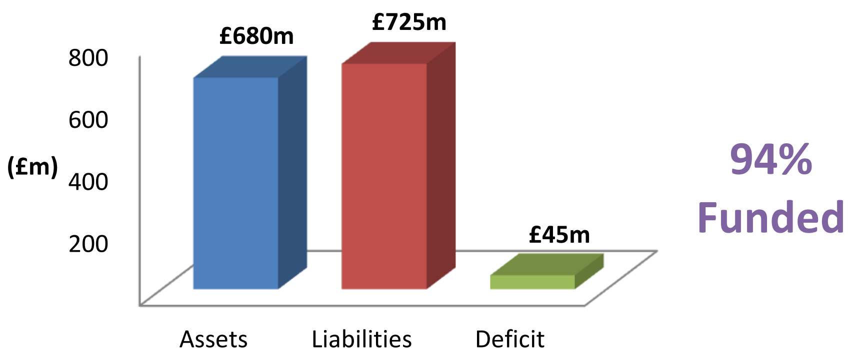
LONDON BOROUGH OF BEXLEY PENSION FUND

Accounts for the year ended 31 March 2018 - 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 2016 to determine the contribution rates with effect from 1 April 2017 to 31 March 2020.

On the basis of the assumptions adopted, the Fund’s assets of £680 million represented 94% of the Fund’s past service liabilities of £725 million (the “Funding Target”) at the valuation date. The deficit at the valuation was therefore £45 million.



The valuation also showed that a Primary contribution rate of 16.4% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and then maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus). The Secondary rate of the employer's contribution is an adjustment to the Primary rate to arrive at the overall rate the employers are required to pay.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average deficit recovery period adopted is approximately 13 years, and the total initial recovery payment (the "Secondary rate" for 2018/19) is approximately £3.6 million per annum.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2017.

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 Primary rate of contribution were as follows:

	For past service liabilities (Funding Target)	**For future service liabilities (Primary rate of contribution)**
Rate of return on investments (discount rate)	4.4% per annum	4.95% per annum
Rate of pay increases (long term)*	3.7% per annum	3.7% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.2% per annum	2.2% per annum

* allowance was also made for short-term public sector pay restraint over a 4 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2019. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2020.

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 2018 (the 31 March 2017 assumptions are included for comparison):

	31 March 2017	31 March 2018
Rate of return on investments (discount rate)	2.5% per annum	2.6% per annum
Rate of pay increases*	3.8% per annum	3.6% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.3% per annum	2.2% per annum
Rate of CPI Inflation/CARE benefit revaluation	2.3% per annum	2.1% per annum

* includes a corresponding allowance to that made in the latest formal 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 2017.

During the year, corporate bond yields rose slightly, resulting in a higher discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.6% p.a. versus 2.5% p.a.). The expected long-term rate of CPI inflation decreased during the year, from 2.3% p.a. to 2.1%. Both of these factors combined served to decrease the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2017 was estimated as £1,051 million. Interest over the year increased the liabilities by c£26 million, though allowing for net benefits accrued/paid over the period then decreased the liabilities by c£14 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). There was then a further decrease in liabilities of £37 million made up of "actuarial gains" (given the changes in the actuarial assumptions used, referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2018 is therefore £1,026 million.

Ian Kirk

Fellow of the Institute and Faculty of Actuaries

Mercer Limited

May 2018

20. Current Assets

2016/17 £'000		2017/18 £'000
	Debtors	
1,334	• Contributions due – employees	661
419	• Contributions due – employers	441
19	• Contributions due – i.r.o previous	35
721	• Sundry debtors	263
727	Cash balances	235
3,220	**Total**	**1,635**

Analysis of debtors

2016/17 £'000		2017/18 £'000
78	Central government bodies	40
1,273	Other local authorities	342
1	NHS bodies	1
1,141	Other entities and individuals	1,017
2,493	**Total**	**1,400**

21. Liabilities

(a) Current Liabilities

2016/17 £'000		2017/18 £'000
(350)	Sundry creditors	(351)
(135)	Benefits payable	(124)
(500)	Accrued expenses	(510)
(2,971)	Employer contributions prepayments	(10,334)
(3,956)	**Total**	**(11,319)**

Analysis of creditors

2016/17 £'000		2017/18 £'000
(314)	Central government bodies	(330)
(2,971)	Other local authorities	(10,060)
(671)	Other entities and individuals	(929)
(3,956)	**Total**	**(11,319)**

(b) Long Term Liabilities

2016/17 £'000		2017/18 £'000
0	Employer Contribution Prepayment	(9,820)
0	**Total**	**(9,820)**

The 2017/18 long term liability represented advance payments of employer's contributions by the London Borough of Bexley in respect of financial year 2019/20.

22. Additional Voluntary Contributions

2016/17 £'000		2017/18 £'000
842	Value of funds at start of year	928
158	Employees contributions	152
15	Investment income	26
51	Change in market value	13
(140)	Benefits paid and transfers out	(342)
2	Bonus restatement	10
928	**Value of funds at end of year**	**787**

23. Agency Services

The Fund does not pay any discretionary awards to agency services.

24. Related Party Transactions

As the London Borough of Bexley administers, and is the largest employer of members in, the 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 Fund accounts. Of particular note is the £306,892 recharge in 2017/18 from the London Borough of Bexley to the Fund included in administration and oversight and governance costs.

The Director of Finance and Corporate Services allocates 5% of his time to the Fund and is the only officer that is regarded as holding a key management post in respect of the Fund. In 2017/18 costs relating to the Director of Finance post totalled £10,350 in respect of the allocation to the Fund (£6,608 in 2016/17). The director was appointed in July 2017; the previous director's salary is included in these figures to provide a total annual figure.

The previous Director of Finance and Corporate Services, who left her post in July 2017, contributed 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 2017/18 this contribution was £340 in respect of the previous Director of Finance and Corporate Services' allocation to the Fund (£913 in 2016/17 in respect of the Fund allocation). There are no pension costs associated with the current director's post.

No Councillors of the London Borough of Bexley are members of the Local Government Pension Scheme. During the year, no Council Members or Designated Officers have undertaken any declarable transactions with the Fund. Each Member of the Pensions Committee is required to declare their interests at each meeting.

All Fund transactions are recorded in a separate part of the financial ledger system of the administering authority and pass through the Fund bank accounts.

25. Contingent Liabilities and Contractual Commitments

The Fund has a commitment to contribute a further £16.6m to the fund of private equity funds (£18.5m as at 31 March 2017), and a further £2.6m into the infrastructure fund. These contributions will be financed from sales of existing investments. The timing for paying over these commitments over the next few years is uncertain. The overall amount invested in private equity is not expected to change significantly as new drawdowns are likely to be offset by increased distributions.

There were no other material contingent liabilities or contractual commitments at 31 March 2018, or material non-adjusting events subsequent to this.

26. Contingent Assets

One admitted body in the Fund holds an insurance bond to guard against the possibility of being unable to meet its pension obligations. This bond is drawn in favour of the Fund and payment will be triggered in the event of employer default. It is not clear when or how much of this bond will ever be needed.

ANNUAL GOVERNANCE STATEMENT 2017/18

1 Scope

The London Borough of Bexley is responsible for ensuring that it serves its communities, residents and businesses in accordance with the law and proper standards, and that it safeguards and accounts for the public money, assets and resources that it holds on their behalf.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Council has approved and adopted a Constitution and Code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.

A copy of the code is on our website at www.bexley.gov.uk.

This Annual Governance Statement explains how the Council has implemented the Code and how the Council meets the requirements of the Accounts and Audit (England) Regulations 2015. The Council maintains a separate Governance Compliance Statement on pension fund matters to comply with the Local Government Pension Scheme Regulations 2013 and this forms part of the Pension Fund's annual report (available at www.yourpension.org.uk/bexley).

2 Purpose

The Council's governance framework includes the following elements:

- The Constitution and Code of Governance including Standing Orders , Financial Regulations, policies, procedures, codes and protocols;
- The systems and processes adopted by the Council; and
- The Council's Corporate Plan #Brilliant Bexley Shaping Our Future Together
- - The Values adopted by the Council that inform the way its staff and partners should work together.

These elements enable the Council to identify progress and monitor the achievement of its strategic priorities and outcomes. Together, they create a framework for the Council's management of performance and risk and a system to identify and prioritise the risks to the achievement of the Council's priorities and outcomes, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively.

The governance framework has been in place at the London Borough of Bexley for the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts.

3 Governance Arrangements

Governance comprises the elements described in Section 2 to ensure that the intended outcomes for stakeholders are defined and achieved.

3.1 Identifying and communicating the Borough's vision of its purpose and intended outcomes for citizens and service users

The Corporate Plan 'Brilliant Bexley' sets out the Council's key priorities and outcomes. The Plan was refreshed in 2017 to provide a clearer focus on the delivery of outcomes and reflecting the role of the Council in providing leadership for the Borough's residents, working closely and collaboratively with partners in other agencies and government. The Plan is published on our website. Each priority in the plan is supported by a delivery plan which describes how the Council and its partners will seek to achieve the agreed outcomes.

The new collaborative and whole process approach to developing the vision, by using engagement and user research from an early stage, means the vision is created and wholly owned by all the services.

To find out what is important to people and businesses a programme of high quality engagement activities was designed to give some deep and real insight into people's and business' aspirations and needs.

To facilitate the widest possible participation, a range of mechanisms and avenues were used. Local community development networks and support organisations and Council services such as regeneration, helped to identify residents, community stakeholders and businesses and their particular interests and needs and how best to engage with them.

The aim was to increase the personal ownership of the vision for every individual, helping every person involved understand what work needs to be done why it is important, and what part the individual plays in the overall effort.

Workshops bringing together services and staff from across levels were used to develop the cross cutting vision, reflecting the interaction and connectivity between services to tackle issues across our borough. A "roadshow" of the developing priorities took place throughout the Civic Offices, where all staff were invited to give feedback. Management meetings throughout the Council were used to refine the vision on an iterative basis.

Cabinet Members' advice and insight have been sought throughout the development of the vision to ensure that it reflects the aspirations and policy direction given by Members.

The Plan has been shared with residents through the Council's website, Bexley Magazine and through social media.

Elements of the Plan have also been the subject of more detailed strategy documents and consultation. In particular, the Council's Growth Strategy has been widely consulted upon and shared – www.bexley.gov.uk/services/planning-and-building-control/planning-policy/growth-strategy .

Progress against the key priorities is also reported through the Leader's Report to full Council and short articles in the Bexley Magazine, delivered to every household.

Service level performance is considered at Directorate Leadership Team meetings and issues escalated to Corporate Leadership Team.

3.2 Reviewing the Council's vision and its implications for the authority's governance arrangements

During the year, the Council has reviewed and developed a clear vision through its Corporate Plan. The Chief Executive has adjusted the resourcing of the Council's Directorates to reflect the key priorities. The Council's organisational structures are regularly reviewed to align with the Council's vision and priorities.

Following the implementation of new warding arrangements at the recent election, the Council has agreed revised Cabinet portfolios and Overview and Scrutiny arrangements that reflect the outcomes set out in the Corporate Plan.

3.3 Translating the vision into objectives for the authority and its partnerships

Progress against key priorities is measured by performance indicators and reported through the twice yearly Bexley Status Report (see above).

Internally, operational and financial performance is reviewed by senior leaders at Heads of Service meetings and Directorate Leadership Teams in each service area and in cross-cutting Boards. A number of other senior officer groups make up our officer governance structure. Each of these Governance Boards has terms of reference that support the delivery of the Council's priorities and the development of new ideas. These include an Economy Board, a Commissioning Board, a Corporate Governance and Improvement Board and a Design and Innovation Board. Each of these progress and monitor matters within their remit and report back to the Corporate Leadership Team on a five weekly basis.

For specific service areas, there are Boards or Working Groups that review performance. For example, in Children's Services, the Director chairs a performance board on a five weekly cycle, alternating between education and children's social care functions. Key issues are escalated to the lead elected member in his statutory role and to the Corporate Leadership Team as required.

The 'golden thread' runs from the Corporate Plan priorities, through to Departmental Service Plans and onwards into team plans and individual objectives agreed and monitored through regular appraisals.

3.4 Measuring the quality of services for users, ensuring they are delivered in accordance with the Council's objectives and ensuring that they represent the best use of resources and value for money

Bexley Business Process includes regular monitoring of progress against key priorities and outcomes. Internal performance monitoring includes consideration of key information for each department, considering budget, workforce, risk, performance and customer service standards, including complaints & FOI. Performance measures for each service aim to provide insight into the outcomes achieved by the service and the quality of the service as well as the quantity and timeliness of work undertaken.

Integrated Performance Reports are scheduled together so as to enable the quality of service to be considered alongside the financial and staffing data and other related information. Progress against savings plans is also reviewed.

The Council continues to prioritise its resources to agreed outcomes, especially in the context of continuing budget pressures. In 2015/16 the organisation introduced an outcomes based budgeting approach, designed to review the activities being undertaken to achieve each outcome and to match the resources available to their delivery. This approach is also designed to increase collaborative working across functions and agencies to ensure a focus on delivery of outcomes for residents and businesses.

The Council's approach going forward is to align the Corporate Plan more closely to the Medium Term Financial Strategy through a process of outcomes based planning. This will allow resources to be more closely prioritised to outcomes, assist in identifying areas for transformation and in particular where there are opportunities to improve commissioning, strengthen activities for prevention or early intervention and to maximise the impact of commercialisation so that the available resources are deployed effectively. Self-sufficiency and innovation is also a key priority in the Corporate Plan.

The Council's Corporate Plan is reviewed on an annual basis. The Bexley Status Report provides a twice yearly performance monitoring report to Council Members and the public. Key information is reported through the organisational & democratic decision making process – Corporate Leadership Team, Cabinet and Scrutiny Committees. It focuses on our progress in achieving our outcomes and priorities. The end of year Bexley Status Report provides the annual position statement of the Council's performance against its key outcomes. A summary is included in the Bexley Magazine. The Council's Budget Strategy and Medium Term Financial Strategy are published and reviewed annually. Summary of accounts is published in Bexley Magazine annually.

3.5 Defining and documenting the roles and responsibilities of the executive, non executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

The roles of officers, the executive and regulatory committees are set out in the Constitution and Code of Corporate Governance. There is a general scheme of delegations to officers and a Scheme of Specific Delegations to Officers. The Constitution has recently been streamlined and new Procedure Rules for Council and Committee meetings have been agreed by the Council.

Following the election in May 2018, changes have been made to both Cabinet Portfolios and to the arrangements for Overview and Scrutiny Committees to align these with outcomes in the Corporate Plan.

A Peer Review undertaken in March 2018 under the auspices of the Local Government Association recognised many strengths. An externally facilitated review of the Council's governance arrangements in relation to Overview and Scrutiny, including the elected member role, is taking place. The Centre for Public Scrutiny has been commissioned to support this review.

The Chief Executive keeps the Council's organisational and staffing arrangements under regular review and brings forward proposals for change when required..

3.6 Developing, communicating and embedding codes of conduct, defining the standards of behaviour for Members and staff

The Council has defined a set of Core Values – Innovation, Impact, Listening & responding, Open and accessible, Leadership and Collaboration.

These underpin all of the Council's work and its delivery of services. The values are an integral part of Bexley's Business Process and have been refreshed over the past year based on consultation and feedback from staff, Members' aspirations and best practice from within local government, to ensure that they remain relevant and resonate with stakeholders.

They are also articulated as a set of behaviours for staff and managers. Consideration of performance against these forms part of the assessment under the Council's appraisal scheme. Key messages are reinforced during staff briefings, in staff communications such as 360 and the Managers' Core Briefing.

In addition, the Council has remodelled and updated its approach to its staff, launching the Employment Deal for Bexley Staff which describes an emphasis on staff being empowered and supported to develop their careers through learning and opportunities to be involved in projects and new areas of work. The Employment Deal is articulated on the website https://ouremploymentdeal.com/ .

Immediately following election to the office of Councillor, all Members are given a copy of the Bexley Members' Code of Conduct. The Code of Conduct was also included as a key item in induction for all Members in May 2018 and further guidance provide in the Members Workspace (an online portal for key resources).

Regular updated information and training is provided to all Members on the operation of Bexley's Code, in addition to other topics as required throughout their time in office. Bexley's Code of Conduct for Members and procedures for dealing with any complaint of misconduct are available on the Council's website and within the Council's Members' Workspace where all important information significant to the role of Members is placed.

Members are specifically briefed on key issues or the approach to difficult issues, including legal and other requirements. Officers provide professional advice and options and report templates include paragraphs which specifically address key issues such as legal implications, consultation, equalities duties and other important prerequisites to sound decision making.

Officers are freely available to provide advice.

3.7 Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality

Delegation arrangements are regularly reviewed to reflect the Council's revised organisational structure. Decision-making arrangements have also been reviewed to ensure they comply with current legal requirements.

The Constitution and Code of Corporate Governance contains Financial Regulations and Contract Procedure Rules.

The Council acknowledges that there are benefits in further embedding and developing devolved financial management in a consistent way across the Authority. To this end, Bexley has introduced the Collaborative Planning System to provide a consistent approach to providing budget holder information, recording forecasts and ensuring accountability for effective management of budgets. The introduction of the system has the active support of the Corporate Leadership Team. The system is under continual review to ensure it remains fit for purpose.

The Finance function works with service areas to support effective use of the system and to ensure that there is recognition of financial management as a key management responsibility across all Council services. The system enables Directorate Management Teams to take a consolidated view of their financial position and budget holder forecasts before contributing to the corporate resource monitoring process. Finance retains a role in challenging forecasts where necessary, especially for high risk budgets.

The Constitution and Code of Corporate Governance has been simplified and continues to be reviewed through the Constitutional Working Group to deliver more streamlined and effective ways of working.

The Council undertook extensive work in preparation for the introduction of the General Data Protection Regulation with effect from 25 May 2018 and new Data Protection legislation that gave effect to this in the UK. This has included extensive briefing and discussion with staff around data issues and the working practices, including ensuring that data quality is high.

3.8 Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

The Council has a Risk Management Strategy, agreed by the Corporate Leadership Team and Members. The strategy sets out the process for managing risks. To complement the strategy a "Quick Guide" is available setting out how risks are to be identified, recorded and reviewed. Risks are regularly reviewed as part of the Corporate Planning process. The Corporate Risk Register was last reviewed and approved by CLT in March 2018.

The risk management strategy and supporting policies are currently being reviewed to ensure they are sufficient to support the objectives of the Council. This was undertaken by Zurich 2017/2018, who spoke to various members of SLT and are assisting in reviewing strategy and policy.

The risks will be further reviewed with services to ensure that they fully reflect the key risks inherent in delivering the outcomes set out in the Corporate Plan.

3.9 Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

The risk of fraud is included as a risk on the Council's corporate risk register. In February 2016, the Audit Committee approved the Council's Anti-Fraud and Corruption Strategy, which aims to prevent, deter and detect fraud and corruption. It sets out the roles and responsibilities of the Council and its officers. Financial Regulations, Contract Procedure Rules, and Codes of Conduct for Members and employees set out the framework for minimising the risk of fraud. The Council is a member of NAFN (the National Anti-Fraud Network).

Internal Audit bid successfully for Counter Fraud Funding from the DCLG in partnership with the London Borough of Croydon. The partnership was successful, and has exceeded its original targets. The partnership with Croydon ended on the 31 March 2018. The fraud investigators provided by Croydon have been TUPE'd in to the oneSource counter fraud team, who will continue to deliver the service to Bexley Council.

The team has a role in preventing, detecting and deterring fraud. It uses a number of methods to achieve these objectives. The section offers training courses and on line training packages, to raise awareness of the risk of fraud and to assist with fraud prevention. It uses publicity to raise the public's awareness of the consequences of fraudulent activity, helping to deter and prevent fraud. In terms of detection, the Council participates in data matching with the National Fraud Initiative.

Where fraud investigations take place they can be the result of a control weakness in the system. There is a close working relationship between Counter Fraud and Internal Audit. If a perceived weakness in control is identified, there is a system in place to report any such weakness to service managers, for them to take corrective action and put in preventative controls to prevent a re-occurrence.

3.10 Ensuring effective management of change and transformation

The Council has in place processes to encourage innovation, deliver change and manage transformation.

The Council has established a Design and Innovation Board as a cross–cutting supportive forum to encourage and agree resources for large and small scale innovations. A range of activities are regularly undertaken to introduce staff to new ways of working and collaborating together. Quarterly Innovation Events provide a forum for staff from across the Council to come together and use service design techniques to explore ideas and opportunities for doing things differently within their service area. They are then supported to develop these ideas further, with many going on to present to the Design and Innovation Board. Service areas and teams have also been supported through bespoke sessions using design thinking, and a toolkit of resources is being developed which will enable teams to explore the design process further. The Design and Innovation Board also provides opportunities to share lessons learned from one project to the next and to capture and corporate address challenges relating to change and transformation.

Transformation is embedded into the delivery plans for the achievement of the Corporate Plan outcomes.. This is now a key component of the Corporate Plan and sits under the priority of self-sufficiency and innovation. The outcomes based planning approach which is designed to align the Corporate Plan and the Medium Term Financial Strategy is led by the Interim Director of Finance and Corporate Services.

Transformation work streams have been co-ordinated by the Head of Transformation and Change and the approach combines strong programme management, design led thinking, financial modelling and change management expertise. Progress is reported to the Interim Director of Finance and Corporate Services who provides updates to Corporate Leadership Team and the Leader of the Council. The focus on transformation is to support the organisation's drive to self-sufficiency and improved outcomes for residents.

3.11 Ensuring that the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

The Interim Director of Finance and Corporate Services is a professionally qualified accountant (CIPFA) and his core responsibilities include those set out in the CIPFA Statement. He is a full member of the Corporate Leadership Team and reports directly to the Chief Executive. He is responsible for the promotion and delivery of good financial management so that public money is safeguarded and used appropriately, economically, efficiently and effectively. He ensures that the budget is robust and reserves are adequate, in line with CIPFA's guidance.

The Council has entered into a joint committee arrangement with LB Havering and LB Newham under oneSource to share finance, assurance and exchequer services. These arrangements are continually refined to meet Bexley's specific requirements. The oneSource Finance Management Team are responsible for allocating resources to ensure our statutory obligations are being met and that we are operating a robust financial control environment and supporting services appropriately.

Appropriate management accounting systems, functions and controls are in place so that finances are kept under review on a regular basis. Medium term business and financial planning processes are in place to deliver strategic objectives. Timely, accurate and impartial financial advice and information is provided to assist in decision making and to ensure that the authority meets its policy and service objectives and provides effective stewardship of public money and value for money in its use.

The authority maintains a prudential framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action when necessary.

The authority ensures compliance with CIPFA's Prudential Code Framework for Local Authority Capital Finance and CIPFA's Treasury Management Code.

The authority has put in place effective internal financial controls covering codified guidance, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes.

3.12 Ensuring the authority's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact

The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the HIA in public service organisations and the organisational arrangements needed to support them. Compliance with the Code requirements has been assessed**.**

The Head of Assurance is the Council's Head of Internal Audit and plays a critical role in delivering the Council's strategic objectives and meets the requirements of the Code in all material respects by:

- championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and
- providing an objective and evidence based opinion on all aspects of governance, risk management and internal control.

To perform this role the Head of Assurance:
- is a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee;
- leads and directs an internal audit service that is resourced to be fit for purpose; and
- is a professionally qualified internal auditor (Chartered Institute of Internal Auditors).

3.13 Ensuring effective arrangements are in place for the discharge of the monitoring officer function

The following arrangements are in place to enable to the Monitoring Officer to effectively discharge the statutory functions imposed by the post:

Maintaining and monitoring the Constitution. The Monitoring Officer maintains, monitors and reviews the Council's Constitution (in conjunction with the Head of the Paid Service and the Head of Committee Services and Scrutiny).

Ensuring lawfulness and fairness of decision making. Following consultation with the Head of Paid Services and the Chief Finance Officer, the Monitoring Officer will report to the full Council, or the Cabinet in relation to an executive function any proposal, decision or omission he considers has given rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision or omission being implemented until the report has been considered.

Supporting the Members' Code of Conduct. The Monitoring Officer contributes to the promotion and maintenance of high standards of conduct within the Council. This includes the provision of direct support to the Members' Code of Conduct Committee and all other relevant Committees and Members.

Conducting investigations. The Monitoring Officer, at his discretion, ensures the conduct of initial and formal investigations into complaints against Members. Unresolved complaints and/or particularly serious issues relating to breaches of the Members' Code of Conduct will be referred by the Monitoring Officer to the Members' Code of Conduct Committee.

Maintenance of the Register of Members' Interests. The Monitoring Officer is responsible for establishing and maintaining a register of interests of Members and co-opted Members of the Council.

Proper officer for access to information. The Monitoring Officer and the Head of Committee Services and Scrutiny ensure that executive decisions, together with reasons for those decisions and relevant officer reports and background papers are made publicly available as soon as possible.

Providing advice as to legality. The Monitoring Officer provides advice on the scope of powers and authority to take decisions, maladministration, financial impropriety and probity to Members and officers of the Council, drawing on expert and experienced officers in doing so.

To ensure the effective undertaking of these duties, the Monitoring Officer:

- has meetings with the Chief Executive, the Director of Finance and Corporate Services, and the Head of Committee Services and Scrutiny in order to review current and likely future issues with regard to legal, constitutional or ethical implications;
- maintains good liaison and working relations with the Independent Person(s) in relation to complaints against Members of the Council and the Council's internal auditors in relation to matters of financial propriety; and
- ensures that Members and officers are kept abreast of new legislation and changes in the law which are relevant to the carrying out of the Council's functions. This takes a variety of forms including reports, briefing notes and training sessions as appropriate to Members and officers

- Provides training for all Members of the Council.

From June 2017 this role was be undertaken by the Assistant Chief Executive. Since April, the role has been undertaken on an interim basis by the Deputy Director Corporate Services and this arrangement was confirmed by Annual Council on 23rd May 2018.

3.14 Ensuring effective arrangements are in place for the discharge of the head of paid service function

The Head of Paid Service has overall responsibility for the management and co-ordination of the employees appointed by the Council. The Head of Paid Service is required to report to the Council as appropriate with regard to the way in which the overall discharge by the Council of its different functions is co-ordinated, the number and grades of staff required for the discharge of these functions, the way in which these people are organised and managed and the way in which they are appointed.

In the London Borough of Bexley, this role is undertaken by the Chief Executive.

3.15Undertaking the core functions of an Audit Committee

The Council has an Audit Committee which deals with issues relating to the Council's system of internal control, risk management and financial reporting as well as providing a forum for the discussion of issues raised by internal and external auditors. The Committee also monitors the effective implementation of risk management and anti-fraud and corruption policies. In addition, it reviews the draft Annual Governance Statement and Annual Statement of Accounts.

3.16 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

There is an internal process to ensure that all relevant officers contribute to reports prior to publication. Every report is required to include an explanation of legal implications. Legal Services' contribution to this process is designed to ensure the Council has the relevant statutory authority to proceed. In addition, Legal Services facilitate briefing sessions with Members and officers on legislative developments and the implications for the Council.

Further, the Monitoring Officer has overall responsibility for ensuring the Council acts within its statutory powers and discharges its statutory duties. Part of this process includes procuring specialist external support (e.g. Counsel/Solicitors), where appropriate.

The Council's Internal Audit Section carried out a risk based programme of audit work which in part was aimed at ensuring compliance with Council policy, procedures rules and regulations.

3.17 Whistle-blowing and dealing with complaints from the public

The Council is committed to the highest standard of openness and accountability. Consistent with that commitment, the Council encourages employees and others with serious concerns about any aspect of the Council's work to come forward and voice those concerns. The Council's Whistle-blowing Policy and Anti-Fraud and Corruption Strategy is published on its web-site and includes an online facility for reporting suspected fraud or corruption. Reports are investigated in accordance with the Strategy.

The Complaints and FOI Service provides specialist professional support across the Council in the management and handling of complaints and information requests, in line with the relevant legislation and statutory guidance, to ensure that residents receive a responsive and efficient service.

A key objective for the Complaints and FOI Service is to maintain accessible systems that will identify problems and issues in a timely way, enabling interventions to be quickly made to contain problems as well as to remedy the underlying issues. Further work has been undertaken in respect of learning from complaints and the Complaints and FOI Service has set up routine monthly reporting of the improvements to be made following the identification and logging of improvement actions. These improvement actions are monitored against set timescales and quality standards, and routinely checked for completion.

During 2017/18 the Complaints and FOI Service dealt with 1584 FOI requests, which is almost identical to the number of requests received the previous year (2016/17).

In 2017/18 we have seen the first full year of the Council's FOI disclosure log. It will be important to monitor the number of requests received during 2018/19 to ensure that the impact of the Disclosure Log is maximised going forward.

3.18 Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training

Regular training and development for Members takes place across the Council. Councillors are elected for a four-year period and they are offered initial Induction Sessions in a range of topics in the first weeks of the adminsitration. Newly elected Councillors meet the Chief Executive and the Corporate Leadership Team before spending time with representatives from each Directorate. They are provided with a strategic overview of the work undertaken by the teams in that area of the Council's responsibilities. These visits ensure that new Members have the opportunity to meet senior managers, providing an opportunity to discuss priorities, current arrangements and successes.

A range of e learning on the Council's Evolve system or through the LGA website is made available to Members and there are some mandatory elements that all Members are required to complete (e.g. Safeguarding)

A programme of training and familiarisation for all Cabinet Members is available, dependent on the specific portfolio, by specialist officers. Cabinet Members are provided with regular meetings with officers and the Legal Team to enable them to understand the requirements of their new role, particularly with regard to their legal obligations on behalf of the Council.

All Members who sit on the Overview and Scrutiny Committees are required to attend an introduction training session on the purpose and function of Overview and Scrutiny. These sessions advise Members on the role and responsibilities of the Overview and Scrutiny Committees, the various tools available to Members of those committees and any current examples of good practice etc. In the coming year support will also be available from the Centre for Public Scrutiny to develop the effectiveness of the scrutiny function.

All senior officers are appraised in accordance with the Council's scheme and this includes discussion and consideration of training and development needs. This discussion includes professional and technical requirements, as well as broader development needs.

The Council provides a number of opportunities for senior staff including coaching and mentoring, membership of professional networks, seminars from those with previous experience, learning from other authorities and formal development in order to enhance their skills.

3.19 Establishing clear channels of communication with all sections of the community and stakeholders, ensuring accountability and encouraging open consultation

The Council continues to shift the focus of communications activity towards digital channels, but provides alternatives to ensure that it communicates effectively with all sections of the community.

A new website was launched in April 2017 providing the hub for much of the Council's communication and services.

At the same time, the Council has refreshed its quarterly Bexley Magazine for residents, which has demonstrated its effectiveness, particularly as a means of communicating with those who are reluctant or unable to embrace the digital world.

The Council continues to work closely with the local newspapers serving the borough. It works in partnership with the most popular and widely available of these to publish its public notices and summer activities programme for young people.

Through its longstanding partnership with JC DeCaux, the Council has access to a number of digital poster sites at key locations around the borough. It also has a number of prominent sites for banners, which are used for high profile campaigns.

Our use of social media, including Twitter, Facebook and Streetlife, continues to grow. These channels provide an invaluable way of monitoring local sentiment, as well as communicating and engaging with local people and other stakeholders.

The Council has recently given priority to improving its use of email for large-scale communications and engagement. The cloud platform it is now using allows the

Council to respond to people's preferences as to the type of information they receive, in a transparent, secure and convenient way.

The Council continues to webcast its most important meetings and to promote this service using all the available channels.

Partnership working continues to play a key part in the planning and delivery of the Council's communications. This extends to health, community safety, the voluntary sector and community organisations such as Neighbourhood Watch. The Council and these groups help each to achieve greater reach at lower cost.

A large number of consultations were carried out during the year, reflecting the pace of change and transformation in response to the Council's financial challenges. Several of these consultations played an important part in the Council's annual budget-making process.

Engagement also continues through a range of more formal mechanisms, including the Children's Parliament, Youth Council, Single Equality Forum and the local Voluntary Sector Forum.

3.20 Enhancing the accountability for service delivery and effectiveness of other public service providers

Other public sector service providers are held to account through a range of statutory and non-statutory boards and through the Scrutiny process. The key statutory arrangements include the Bexley Health and Wellbeing Board, the Bexley Community Safety Partnership. The Children & Social Work Act 2017 replaced LSCBs with new safeguarding partnership arrangements led by the Council, CCG and Police. Bexley's Safeguarding Board is still in existence until September 2018, but we have already put in place a Shadow Partnership Board (All Together for Children) and agreed arrangements to September 2018 when this Partnership Board will assume responsibility for safeguarding.

Health Scrutiny and Crime and Disorder Scrutiny oversee the work of partner agencies involved in delivering health and community safety services.

3.21 Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.

The Bexley Health and Well-being Board, chaired by the Leader of the Council, is the statutory partnership where key leaders from across the health and care system work together to improve the health of the Bexley population and reduce health inequalities. Members of the Board collaborate to understand the community's needs, agree priorities and encourage commissioners to work collaboratively and join up services. Sub Groups and project groups work with commissioners and providers to deliver on the priorities of the Board as set out in the Health and Wellbeing Strategy. Project groups work on a task and finish basis in order to develop multiagency action plans.

The broader thematic partnership arrangements, including the Bexley Community Safety Partnership and Children's Partnership service improvement boards, exist to bring together the efforts of organisations from the public, private, community and voluntary sectors, thereby co-ordinating shared strategic objectives which address key local issues. They also co-ordinate the production of partnership plans and strategic documents that address agreed local needs and priorities and encourage co-operation in the implementation of these plans and related initiatives.

4 Review of effectiveness

4.1 The London Borough of Bexley has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Executive Managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Assurance's Annual Report and by comments made by the external auditors and other review agencies and inspectorates. The Annual Governance Statement was completed following a review of the Council's local code of corporate governance against the CIPFA/SOLACE - Delivering Good Governance in Local Government Framework. The AGS is a corporate document therefore input has been obtained from across the Council. Officers with the appropriate knowledge and expertise and levels of seniority carry out the following:

- Considers the extent to which the authority complies with the principles and elements of good governance set out in the Framework:

- Identifies systems, processes and documentation that provide evidence of compliance:

- Identifies the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified:

- Identifies issues that have not been addressed in the authority and consider how they should be addressed: and

- Identifies the individuals who would be responsible for undertaking the actions that are required.

The group of officers is led by the Interim Director of Finance and Corporate Services, and includes the Monitoring Officer & senior officer representatives from Human Resources, Internal Audit, Risk Management, Policy and Performance, Committee Services and Scrutiny, and Members' Services.

The Corporate Governance and Improvement Board (CGIB) acts as the Custodian of our "well run" Council and seeks to promote a culture of collaborative improvement and learning across the organisation whilst maintaining oversight of the "corporate health" of the organisation. CGIB acts as an enabler for the production of an integrated performance report (Complaints and Freedom of Information; outcome success measures; Resource Monitoring, Risk and workforce issues), which is considered quarterly by the Corporate Leadership Team.

A Forward Plan is maintained to ensure that CGIB considers pertinent issues on a regular basis.

4.2 The results of the review are considered by the CGIB, reported to the Audit Committee and published with the Council's accounts. In doing this, the Council is looking to provide assurance that its governance arrangements are adequate and operating effectively in practice, or where gaps are revealed, that actions are planned to ensure effective governance in future.

This year there has been a review of governance arrangements within the Council with a view to ensuring that the governance structure reflects the Corporate Leadership Team's ambitions for Bexley. The review acknowledged the need for the Council to be active, inclusive and commercially aware. As a result of this review, the governance structure is now centred on four boards:

- Economy Board -
  To develop a thriving economy by leading on strong programme management to shape Bexley, ensure the right mix of skills and employability, and enable businesses.
- Commissioning Strategy Board -
  To consider the longer term commissioning strategy, provide oversight and stewardship of the commissioning cycle, provide proactive supplier and contract management and assist in shaping the market in which the Council operates.
- Design and Innovation Board -
  To coordinate innovation activity, be responsible for the allocation of incubation resources, and facilitate entrepreneurship.
- Corporate Governance and Improvement Board -
  To be the custodian of the "well run" Council, promote a culture of collaborative improvement and learning across the Council, and act as an enabler of corporate oversight in respect of the health of the organisation.

The boards consolidate the previous governance groups, improving the efficiency of the Council's governance arrangements. The boards will focus on the delivery of outcomes in partnership with other partners and organisations in the Borough whilst maintaining robust governance arrangements.

4.3 The Council implemented revised arrangements for its Senior Leadership through a report to the General Purposes Committee in October 2016 following a review conducted by the Chief Executive.

The report rebalanced portfolios between the senior leadership team and sought to strengthen arrangements in key areas to ensure that progress on key outcomes is accelerated in a changing and fast paced environment.

Key developments during the year have included the development of BexleyCo as a vehicle to deliver the Council's growth and regeneration ambitions. A Chairman, Directors and a permanent Managing Director are now in place and the Council's oversight of the Company is delivered through a shareholder function discharged by a Cabinet Committee.

The portfolios of the senior leadership team will need to be regularly reviewed as progress is made.

The recommendations of the Local Government Boundary Commission Review which determined that the number of Members should be reduced from 63 to 45, have been implemented successfully in the local election in May 2018.

4.4 Internal Audit is an assurance function that provides an independent and objective opinion to Bexley Council on its control environment. It operates to defined standards as set out in the Public Sector Internal Audit Standards. The Accounts and Audit Regulations contain a requirement for Councils to annually review the effectiveness of their internal audit and the Public Sector Internal Audit Standards state that "External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation". An assessment carried out in March 2016 confirmed that internal audit service at the London Borough of Bexley generally conforms to the UK Public Sector Internal Audit Standards. There were no major or significant observations that need to be addressed. In addition the review concluded that the service is well respected and has a positive impact on the Council's governance, risk and controls. Bexley's Internal Audit, Counter Fraud and Risk Management Services are part of oneSource, the shared service arrangement with L.B Newham and Havering. Consistent processes are being introduced across the three authorities with sharing of common methodology and best practice.

4.5 Grant Thornton issued unqualified opinions on the Council's 2016/17 financial statements in September 2017, meeting the deadline set by the Department for Communities and Local Government. Their opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council. The detail of this was reviewed in February 2018 to ensure that the Council was on track to deliver the financial statements for the earlier May 31st 2018 deadline, and the audited suite of documents by July 31st 2018.

4.6 Grant Thornton issued an unqualified VfM conclusion for 2016/17 in September 2017. On the basis of their work, and having regard to the guidance on the specified criteria published by the Audit Commission, they were satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017. This was reviewed at the February 2018 Audit Committee to understand how the position had moved on from the September 2017 position.

4.7 The Office of the Surveillance Commissioners (OSC) visited Bexley on the 9th January 2017 and carried out a planned inspection. This involved an examination of the arrangements made by the Council to ensure compliance with the statutory provisions which govern the use of covert surveillance. The OSC report contained two recommendations and confirms that the Council appreciates its responsibilities.

Guidance in respect of the use of social networking sites has been produced and RIPA policy and operational practices with regard to juvenile test purchases have been reviewed in conjunction with legal services.

5 Conclusion on the Results of the Review of Effectiveness

We, the Chief Executive and Leader of the Council have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new action plans are outlined below in Section 6.

6 Issues on the Horizon and Significant Governance Concerns

Changes on the policy and fiscal environment for local government and the operations of the London Borough of Bexley also cause significant challenges to governance. The Council is carefully reviewing them and is developing or has developed carefully considered strategies to address them.

	Issue	Action
6.1	The funding gap for 2018-2022 creates a significant challenge for the Council as this comes on top of savings secured since 2010. The budget for 2018/19 was set through a process of outcome based budgeting. These proposals were agreed at full Council in March 2018. Where there is impact on residents the proposals have been subject to external consultation and assessed with regard to any impact on equalities. The Council continues the process of identifying new savings and sources of income, necessary to build a balanced budget for 2019/20 and in preparation for self-sufficiency. It recognises that the London-wide pooled business rates arrangement is at present only a pilot and is not relying on the additional funding to fund the medium term financial strategy. However, the Government has reaffirmed its direction of travel towards greater local retention of business rates and this means the Council has to be ready to manage the associated risks. Whilst the Council has a good history of managing deep reductions in central government funding, Members, Senior Managers and Partners face difficult decisions in an environment where choices may be limited. It is also adopting a considered commercial approach to its activities.	Through a process of refreshing the corporate plan and outcome based budgeting, the council continues to identify a range of outcomes that it sees as priorities for the next few years and beyond. Resources continue to be aligned to those outcomes to create a plan for how it will invest tax payers' money to benefit the residents and businesses of Bexley. This process takes account of the need to reduce spending as well as identifying new or additional sources of income to maximize the use of resources. These proposals consist of a number of business cases for disinvesting from some current activities plus a range of transformational projects designed to either maximise opportunities for growth, increase income or reduce demand. The Council is also exploring ways in which its wholly owned company may produce both financial and wider benefits to the borough. It is taking a pragmatic view and accordingly, the MTFS contains a 'balanced basket' of options to ensure it maintains its resilience in the long-term.

6.2	The Council has entered into a joint committee arrangement with LB Havering and LB Newham under the oneSource banner to share finance, assurance and exchequer services. It is intended that this should add greater resilience to the service, while also supporting the wider transformation and modernisation of the finance function. These arrangements are continually refined to meet Bexley's specific requirements. It remains important that the transition is effectively managed to ensure that we meet our statutory obligations and fully realise the benefits from sharing services.	The Council has representation on the joint committee through the Cabinet Member for Finance and Corporate Services. The joint committee oversees the strategic direction of oneSource on behalf of the partner boroughs. The s151 officers meet with the OneSource Managing Director and Director of Finance and Corporate Services monthly at the s151s Forum to ensure the control environment is in place and needs are being met within the cost envelope available. The oneSource Finance Management Team are responsible for allocating resources to ensure our statutory obligations are being met and that we are operating a robust financial control environment and supporting services appropriately.
6.3	The outcome of the referendum on EU membership will require the Council to manage a range of risks and opportunities that emerge during the next few years as 'the new settlement' with Europe and others is negotiated by the HM Government.	The Council will ensure that opportunities and risks are identified through the Bexley Business process. The Corporate Governance and Improvement Board will take the lead in coordinating the review of regulation as necessary over the coming years. The financial risks and opportunities will be managed through the Medium Term Financial planning and budget setting cycle including consideration of any potential EU funding clawback.

6.4	The Council Growth strategy, adopted at Public Cabinet on 12 December 2017 which-will shape the Borough with the potential for over 31.5k new homes and 17.5k new jobs by 2050. Through the Housing Zone and other initiatives we aim to ensure that our borough grows sustainably by planning and securing funding for the right infrastructure, housing quality and tenure mix, jobs and skills to support a growing population. Without this approach, we expect to have far greater challenges to face in meeting the pressures of accelerating demographic change.	The Growth Strategy has been developed in full consultation with the community (residents, businesses and other partners), with Members and in partnership with the London Mayor, GLA and TfL, to ensure broad understanding and ownership. The Council will oversee the delivery of the Growth Strategy through the Economy Board chaired by the Chief Executive. The Council co-chairs a Growth Strategic Board with the Deputy Mayor of London for Planning. Members are apprised of work underway via facilitated workshops. The Council has established a Development and Investment Company to help deliver elements of the Growth Strategy and generate a financial return for the Council. This is a wholly Council owned Company, by shares. The Company is governed by the Companies Act 2006, with the Articles of Association being adopted by the Council by Special Resolution on 4 October 2016 and revised on 29th January 2018 by the Cabinet Committee. A Managing Director is responsible for the operational activities of the Company. This position will be supported through secondment arrangements, by Director of Development and Property with small teams of delivery project managers, commercial and property staff. In addition, BexleyCo will draw on the support and expertise of its Non-Executive Directors and Chairman. .

6.5	The position in Bexley reflects a similar trend throughout the Country and in particular the situation in London. The number of households accepted as homeless by local authorities and the number of households in temporary accommodation (TA) continues to increase in England. There are currently over 1,200 households who are in TA in Bexley. The main cause of homelessness is loss of private rented accommodation, with of clients stating this as the primary cause in the year March 2018. Exclusion from the home, either from parents, friends or relations, when combined is the second highest reason for homelessness, totalling 34%. The increase in the numbers of clients in temporary accommodation is a result of the in-balance between the high level of homeless acceptances and the shortage of social housing. The strategy for dealing with the issue looks to; • reduce the level of homeless acceptances, mainly through the housing early support model, and • Reduce the cost of temporary accommodation, mainly through increasing the supply of the more cost effective properties. The other aspect, increasing the supply of social rented housing, is a more difficult problem to resolve, but it has equal importance in any strategy to deal with the issue.	Council officers have active a broadly based response to this complex spectrum of Housing and Homelessness pressures. This includes:- • The recently adopted Growth Strategy which seeks to secure the opportunity of a very significant number of new build housing in Bexley over time. This will provide the main strategic framework for achieving more housing of all forms of tenure – including affordable Housing in the years ahead. • Engagement with Registered Providers – to ensure that we maximise all opportunities to make best use of existing stock within the Borough, including maximising the use of offsite affordable Housing contributions from earlier schemes, such as Howbury Park. • Direct purchase of suitable properties – reviewing the programme that has already actioned the purchase of around 190 units (of a 230 unit programme) in Bexley. • Seeking to achieve an appropriate level of affordable units as part of a package of sites to be released to the Council's approved Development company and ensuring that these are progressed at pace. • Immediate practical steps – such as seeking to retain the use of Homeleigh – a former care home – to meet short term housing needs.

	There is always a need to have temporary accommodation available to enable clients to be housed whilst their homeless application is being assessed. The current high numbers in temporary accommodation is not as a consequence of this operational need. It is as a result of the structural problem which creates an imbalance between acceptances and allocations.	• Other initiatives that may release units within the Borough over time to help address Housing pressures – Homefit scheme, accelerated construction, etc. • Reviewing local Housing Allocations Policy – and appropriate lobbying to secure changes in Housing legislation.
6.6	The General Data Protection Regulation (GDPR) (Regulations (EU) 2016/679) is a regulation by which the European Parliament, the European Council and the European Commission intend to strengthen and unify data protection for all individuals within the European Union (EU). It also addresses the export of personal data outside the EU. The primary objectives of the GDPR are to give citizens and residents back control of their personal data and to simplify the regulatory environment for international business by unifying the regulation within the EU. The EU GDPR will apply from 25 May 2018. The GDPR will be enshrined in a new Data Protection Act, which is anticipated to be introduced in May 2018.	To enable compliance with the GDPR, and emerging Data Protection Bill a permanent resource has been established to manage the annual data protection (implementation) plan. The Plan consists of three broad strands; structure, awareness, (both internally and externally) and processes which details specific actions related to working practices. The Information Governance Group acts as a Project Team with regular progress reported to the Corporate Leadership Team via the Corporate Governance and Improvement Board.

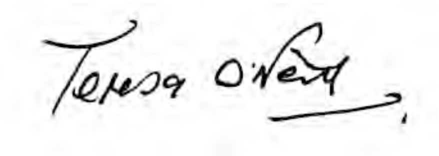
6.7	2018-19 will see significant changes to the funding of services for pupils with special educational needs (SEN). Under Government proposals, the Council will lose the flexibility to transfer funding from schools to support SEN costs. In addition a new national formula for SEN funding will be introduced which (based on indicative figures) will see Bexley on a protected “cash floor” and therefore with no prospect of an increase in SEN funding for the foreseeable future. Since recent years have seen demographic growth in demand for SEN services of around 3% (equivalent to £1m each year) there is a significant risk that future years’ funding allocations will be insufficient to cover the costs of the services the Council will be required to provide.	The Council has been working in recent years to ensure best possible use of limited funds through increasing local SEN provision and reducing reliance on expensive out of borough and independent sector providers. This was reflected in the 2017-18 budget which showed a slight increase in the overall planned expenditure but a reduction in external spend. In addition, a group including officers and members has been reviewing the strategy for SEN and supporting a review of existing SEN provision. These reviews take account of opportunities for re-provision through the SEN capital grant allocations made available by Government.

6.8	Adult Social Care (ASC) faces significant challenges with an aging population, reduced funding, social care market stability and could benefit from improved integration with health services. Pressures on ASC services have been widely reported in the national news and Bexley is facing the same pressures. ASC is demand led and with an aging population comes longer and sometimes more complex care needs. Added to this the council has been facing year on year cuts in central government funding resulting in savings strategy of £5.7m in 2017/18. The capacity of the care services market has not always kept pace in responding to the increasing demand along with rising costs of the national living wage (NLW). Furthermore, the transitions from children's to adult social care have not always been centred around the individual and delays in the transitions have knock on financial and social costs.	LBB is introducing more person-centred outcome strategies to help individuals maintain their independence for longer. Additionally, investment in early intervention and prevention strategies is aiming to reduce the demand for longer term services. The announcement in the March 2017 budget has resulted in a total of £7.5m one-off additional resources to help pay for ASC, health integration transitions and to help support the local care market. A much improved offer to the homecare market will help improve sustainability and drive up quality. The additional money amounts to £2.6m for 2018/19 and its use has been agreed through the existing Better Care Fund arrangements. Additionally a further one off adult social care grant of £580k has been awarded by DCLG for 2018/19. The council has agreed growth budgets of £0.6m for demographic and £1.471m to assist with the NLW in 2018/19. The £5.149m savings targets agreed in setting the budget for 2018/19 will still need to be met and these will be monitored and reassessed on a monthly basis. The council has entered into an Integrated Care Partnership with local NHS and voluntary sector partners. Additionally the Council has formed a collaborative partnership – Bexley Care - with Oxleas NHS Foundation Trust to provide integrated adult social care and community and mental health. This closer working relationship with a single senior management structure will help reduce duplications and create more efficient patient/client pathways. However, the working practices and efficiencies will need to be reviewed and refined to ensure long term benefits ensue.

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

Signed:
Deputy Chief Executive

Date: 27 July 2018.



Signed:
Leader of the Council

Date: 27 July 2018.

GLOSSARY OF TERMS

Accounts - A generic term for statements setting out details of income and expenditure or assets and liabilities or both in a structured manner. Accounts may be categorised by the type of transactions they record e.g. revenue accounts, capital accounts or by the purpose they serve e.g. management accounts, final accounts, balance sheets.

Actual - The final amount of expenditure or income which is recorded in the Council's accounts.

Actuarial Gains and Losses – For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:
(a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses); or
(b) the actuarial assumptions have changed.

Assets – resources controlled by the Council as a result of past events and from which future economic benefits or service potential is expected to flow to the authority.

Balance Sheet - A statement of the recorded assets, liabilities and other balances at a specific date at the end of an accounting period.

Budget - A statement of the Council's plans for net revenue and capital expenditure over a specified period of time.

Capital Expenditure –Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Receipts - Proceeds from the sale of fixed assets, repayments of grants or the realisation of certain investments. Capital receipts are available to finance other items of capital expenditure or to repay debt on assets originally financed from loan.

Collection Fund - The fund into which are paid amounts of council tax and non-domestic rates and from which are met demands by this Council and the Greater London Authority and payments to the national non-domestic rates pool.

Community Assets - Assets that the Council intends to hold in perpetuity, that have no determinable finite useful life, and in addition may have restrictions on their disposal, e.g. parks and cemetery land.

Council Tax - A local tax set by councils to help pay for local services. There is one bill per dwelling based on its relative value compared to others in the area. There are discounts, including where only one adult lives in the dwelling. Bills will also be reduced for properties with people on low incomes, for some people with disabilities and some other special cases.

Current Service Cost (Pensions) – The increase in the present value of a defined scheme's liabilities, expected to arise from employee service in the current period.

Deferred Credits - Income still to be received (or applied in the accounts) where deferred payments (or application) have been allowed.

Depreciation - The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

Events after the Balance Sheet date – those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Exit Packages – can include compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs.

Fair Value – is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Lease – a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

General Fund (GF) - The main revenue fund of the Council from which are made payments to provide services and into which receipts are paid, including the Council's share of council tax.

Heritage Assets – assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for its contribution to knowledge and culture.

Impairment – A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

Infrastructure Assets - Inalienable assets, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use, e.g. coast protection works.

Investment Assets – those assets that are held solely to earn rentals or for capital appreciation or both.

Lease – An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Liabilities – present obligations of an authority arising from past events, the settlement of which is expected to result in an outflow from the authority of resources embodying economic benefits or service potential.

Minimum Revenue Provision – A prudent annual provision has to be made for the repayment of debt in accordance with Capital Finance Regulations.

Net Book Value – The amount at which property, plant and equipment are included in the balance sheet i.e. their historical cost or fair value less the cumulative amounts provided for depreciation and impairment.

Net defined liability – also known as the net pension liability.

Net Service Expenditure - Comprises of all expenditure less all income, other than income from council tax and revenue support grant, in respect of a particular service.

Non Current Asset – Any asset which is not easily convertible to cash, or not expected to become cash within the next year.

Non-Domestic Rates - Businesses contribute to local government expenditure on the basis of a uniform rate, decided by the Government, levied on the rateable value of the business premises.

Non Distributed Costs – Overheads for which no user now benefits and should not be apportioned to services. Costs generally included under this heading are those arising from early retirement payments to the pension fund.

Non-specific Grant Income – grant that cannot be attributed to a specific revenue Service (e.g. New Homes Bonus).

Past Service Cost – The increase in the present value of the pension scheme liabilities, related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept - The demand on the collection fund by one authority (e.g. Greater London Authority) which is collected from the council tax payer by another (e.g. Bexley.)

Prior Period Adjustments – Those adjustments applicable to prior years arising from the correction of material errors.

Provisions - Amounts set aside for liabilities of uncertain timing or amount that have been incurred.

Public Works Loans Board - A government agency which provides longer term loans to the public sector at interest rates only slightly higher than those at which the government itself can borrow.

Remuneration – all sums paid to or receivable by an employee and sums due by way of expenses allowances and the money value of any other benefits received other than in cash (excludes employer pension contributions).

Reserves - The general capital and revenue balances of the Council. There are two types of reserves which might be described as either available or not available to finance expenditure. Revenue reserves which result from monies being set aside or surpluses or delayed expenditure can be spent or earmarked at the discretion of the Council (e.g. General Fund). The capital receipts reserve is also available to the extent allowed for by statute. However, other capital reserves are not available to meet expenditure, e.g. the capital adjustment account.

Revenue Expenditure - The day-to-day running costs of services including salaries, running expenses and capital charges.

Revenue Support Grant – A general grant paid by the Government to help finance the cost of local government services.