LONDON BOROUGH OF BEXLEY

Trusted by Bexley residents

Statement of Accounts for the year 2019/20

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Paul Thorogood
Director of Finance & Corporate Services

Dear Reader,

I am pleased to present the statement of accounts for the London Borough of Bexley for the financial year 2019/20, and I hope you will find it of interest.

My narrative report includes the financial statements with an overall explanation of the Council's financial position during 2019/20 and commentary on the medium-term picture. It also includes information about the operation of the Council and the major influences affecting the accounts. In addition, it includes information on service and financial performance over the financial year ending 31 March 2020. All this information is given with the aim of providing stakeholders and interested parties assurance as to the Council's financial standing and the care taken to account for public money.

At the end of the financial year the Council was responding to the coronavirus (COVID-19) pandemic. The full financial impact of COVID-19 is unknown at the date of signing of the accounts, this is detailed further within the narrative report.

2019/20: A Performance Overview

Bexley is all about its residents - who make the borough so enterprising, diverse and full of character. Our 250,000 residents are proud of their well-located and green borough, and the Council is ambitious for them, working to grow the borough for the benefit of residents today and in the future.

Our Corporate Plan is how we share our vision for Bexley in 2025 and our commitments to residents in delivering that vision. The plan is linked to **our Medium Term Financial Strategy** (which explains how we will resource and fund the vision and commitments).

Our five key priorities are:

1. Growth that benefits all
2. Clean and green local places
3. Strong and resilient communities and families
4. Living well
5. Innovation and self-sufficiency

Our Approach to Performance

To make sure we are on target to deliver our vision and commitments, we have agreed a set of performance indicators that we regularly manage, measure and communicate. The performance indicators show us what our target is and more importantly if we are on track to achieve our target.

We share and update our performance with elected Members regularly, as it's important to be open about how we're doing. We provide our elected Members with numerical data and written explanations of performance to make the information clear and open.

It's important to understand and show the link between our performance, our resources and our financial outturn so that we are open about any risks or challenges in achieving our vision and commitments. We produce an integrated performance report to make sure that our performance indicators help us manage risk, manage our finances and provide good governance. Any weaknesses identified in our governance arrangements are reported to the General Purposes & Audit Committee as part of the Annual Governance Statement.

Our Performance in 2019/20

In 2019/20 we monitored 52 performance indicators. These indicators were all closely linked to our Corporate Plan and they showed us if we were on target to achieving our aims and commitments.

At the end of the financial year, in March 2020, we experienced the COVID-19 outbreak in the UK. This situation has impacted some of our performance in March, and undoubtedly will impact some of our performance in the 2020/21 financial year.

Our performance, compared to last year, has been stable and we are making some good progress towards our 2025 vision. Some of the performance indicators are the responsibility of the Council alone, but many of them are shared and achieved in partnership with colleagues across the public sector. There have been some challenges this year; we've seen demand for services increase, funding reduce and at the end of this reporting period the outbreak of the COVID-19 pandemic. We are a learning organisation and our performance this year helps us plan and adapt for next year, supporting the Council to agree evidenced ways to improve our performance.

In the following sections, we will provide a summary and look back at our performance trends over the financial year. We'll use the commitment headings from our Corporate Plan as the best framework for this summary.

Corporate Plan – Growth that benefits all

We have committed to delivering sustainable and quality growth in Bexley. We aim for growth that benefits all residents - delivering homes, jobs, skills and infrastructure to create a positive and lasting impact.

This year we've been continuing to work on realising the benefits of the new Crossrail Elizabeth Line station in the borough, in Abbey Wood. The delays in opening the Elizabeth Line by Transport for London have been a cause of frustration for our residents and businesses. We are expecting this important transport connection to deliver increased performance for jobs, skills and homes and are continuing to press for the line to be open and operational as soon as possible. We are also working with the Government alongside other local authorities and partners on the possible extension of Crossrail to Ebbsfleet to create further quality growth for Bexley. The whole Thames Estuary area is aiming for 1.3 million new jobs, £190 billion of economic growth potential and 1 million new homes, and we stand at the forefront of the campaign to secure this growth in a way that benefits our Borough.

We've opened a small business engine house this year to build on the entrepreneurial spirit of the borough. We've seen steady progress against our Local Plan and we've delivered against our housing delivery test which in 2018/19 was 530 completions from the Ministry of Housing and Local Government and 566 completions from our local monitoring plan. The 2019/20 delivery plan will not be issued until September 2020 by the government.

Bexley is a safe borough, we're the third safest borough in London. Like London however we've seen increases in notifiable crime year this year. While theft has decreased, we've seen increases in public order offences, vehicle offences and violence against a person. We're working with our colleagues in the Police to keep Bexley a safe place to live and work.

Reducing domestic abuse is a key priority, and we've seen an increase in reported incidents of domestic abuse this year compared to last year. The rate of domestic abuse is lower in Bexley than the London rate, however, repeat incidents of domestic abuse MARAC cases (MARAC is a multi-agency risk assessment conference for domestic abuse) have slightly increased this year compared to last year. We monitor this closely and treat all incidents and cases as a priority. As such, we work closely with our partners to encourage more reporting and to provide support for those affected.

Having a high-quality home is important for all our residents and we are working to encourage sustainable housing growth in the Borough, including homes for sale, for private rent and social rent. Our Housing Strategy is being developed and will provide a strong guide to our residents and to prospective developers on our expectations for housing growth in the Borough, including securing increases in supply of affordable housing and homes for people with particular needs, such as care leavers and adults with disabilities.

The costs of housing continues to create pressures for households across London including Bexley and consequently, over the last year, more residents and families have gone into temporary accommodation. While the number of acceptances has increased, the rate of growth has not been as high as seen in previous years. The roll out of prevention strategies, including our implementation of the provisions of the Homelessness Prevention Act, has prevented more residents becoming homelessness compared to the previous year. The amount of time that residents are spending in emergency accommodation has reduced compared to the previous year.

However, we recognise the impact that going into temporary accommodation has on each household affected and the importance of providing those affected with support and assistance. The outbreak of COVID-19 in March has put additional pressure on our homelessness service and it is expected that this pressure will continue into 2020/21.

It is also critical that we have a good quality private rented sector and we've licensed 1,265 properties this year, which is more than the previous year. We will work with the sector to maintain standards and will take enforcement action when we need to do so.

Corporate Plan – Clean and Green Local Places

We're proud of having some of the best green spaces in London and we're committed to making the best of them. We aim for all residents to be able to access high quality green spaces and to be able to lead healthy and active lives. In our urban centres, we aim for accessible, safe and connected spaces that support residents to have a high quality of life. Importantly, we aim for all residents to take pride in their environment and for us to improve our impact on the environment.

Bexley's green spaces are excellent. In the past year, Lesnes Abbey Woods and Hall Place and Gardens were both awarded Green Flag status. Lesnes Abbey was awarded a Green Flag for the first time last year but Hall Place and Gardens has achieved this for 23 years in a row. This year Danson Park had been voted winner of the London Region in the UK's Best Park competition run by Fields in Trust.

We lead the way in recycling and our residents have helped us secure the highest recycling rate in London for the 15th year in a row. This year, we've rolled out two recycling wheelie bins per household (to replace the three boxes residents used to have for recycling). The number of residents recycling their garden waste collection has increased this year, with over 40,000 households now signed up to this service.

We had the lowest incidence of fly tipping in South East London in 2018/19 and the fourth lowest in London. However, we have seen reported incidents of fly tipping increasing this year, compared to last year. The launch of the 'Fix My Street' has increased the number of reports, with more residents being able to quickly and conveniently report fly tipping. In addition, we've taken more enforcement action and rolled out publicity across our communities and provided mobile CCTV in fly tipping hotspots.

We received fewer requests, enquiries and complaints about street cleansing and we've had to issue fewer littering fines due to positive support from our residents in keeping Bexley clean.

Corporate Plan – Strong and Resilient Communities and Families

It's our communities that make Bexley brilliant, and our aim is for communities to be safe, supported and resilient. We aim that our communities take action, volunteer and feel empowered. Our #DoItForBexley initiative is highlighting some of the many fantastic examples we have in the Borough. We aim for vulnerable young people and adults to be supported and not disadvantaged.

More residents have become community litter pickers this year, over 350 residents are championing their communities to be better places to live.

Every child in Bexley deserves the very best start in life and we are proud that our children's services are rated by Ofsted as Outstanding. The percentage of our nurseries that are good or outstanding has remained stable at 95% for the year. Over the year, the number of our pupils attending good or outstanding schools has slightly fallen, however we have seen a rise in primary pupils attending good and outstanding schools. The proportion of schools in Bexley that are judged good or better is similar to the national average.

There have been slightly more permanent exclusions in Bexley schools this year, although we have seen a reduction in school days lost due to fixed term exclusion. Bexley absence rates and persistent absence rates are better than national averages.

In addition, significantly fewer of our young people are accessing apprenticeships. This fall has been seen nationally following the apprenticeship reforms and Bexley is following this trend. We continue to host Bexley's Apprenticeship Strategy Group to identify challenges and concerns for local apprenticeship providers and consider what we can strategically do to support apprenticeship opportunities for our young people.

For our pupils who need additional support, we have seen a steady increase in the number of children with Education, Health and Care (EHC) Plans maintained by Bexley over the past year. Some of this increase is due to the movement of residents with EHC Plans who move into and out of the borough. Our performance on processing EHC plans assessments is high, with 95% of assessments processed within the 20-week statutory limit, which is significantly above the national average of 60%.

We support young people across the borough to live positive lives. Our youth offending service has seen a slight fall in the number of first time entrants, reporting 58 young people (rate of 237 per 100,000 population) for the period October 2018 to September 2019 compared to 61 first time entrants (rate of 250 per 100,000 population) for the period April 2018 to March 2019. The proven rate of re-offending has increased from 36% for the January to March 2017 cohort to 40.5% for the January to March 2018 cohort.

Providing high quality early support to children and families is important in preventing future challenges. Over the last year, the Family Wellbeing service has been able to support an average of 326 children per month, more than the average of 309 children per month in 2018/19.

The number of 'Children in Need' in the borough, those who are supported by Children's Social Care who have safeguarding and welfare needs, has slightly increased from a monthly average of 1,612 in 2018/19 to 1,664 in 2019/20. There has been an increase in children subject to a child protection plan (monthly average of 147 children in 2019/20 compared to the monthly average of 117 children in 2018/19) and a slight increase in the number of children looked after (monthly average of 235 in 2019/20, compared to the monthly average of 227 in 2018/19).

It is important that children who need extra support and safeguards can build positive futures and this is a focus across Council services. The percentage of care leavers in suitable accommodation after their period of care ends remains stable at 98% and we have exempted care leavers from paying council tax up to the age of 25. There has been a slight increase in the percentage of care leavers accessing education, employment or training from 69.3% in March 2019 to 70.1% in March 2020 and we continue to work with partners and look at ways to help care leavers maximise their potential and live fulfilling lives.

Corporate Plan – Living Well

Residents tell us that living well matters to them. Living well is all about our residents feeling in control and positive about their lives. We aim for residents to have good quality housing choices, have empowering social care, access to aspirational education and to live healthy and independent lives. And for our young residents with disabilities and special educational needs, we aim for the best possible opportunities and outcomes.

Our Prevention Strategy, launched in the last year, will improve outcomes for our residents by preventing issues in the future, like ill-health from obesity and smoking for example. Bexley has the second highest rate of excess weight in London for reception aged children and has the highest rate amongst its closest and most similar neighbours. Smoking is the borough's biggest contributor to ill-health and premature death, and we're proud to be the best in London for supporting residents to successfully stop smoking. Over the past year more Bexley residents have successfully quit smoking with treatment and support from the Bexley Stop Smoking service than in the previous year.

This year fewer residents have taken part in Council run physical activity, but we are aware of an expansion of health providers in the Borough in recent years, such as 24/7 gyms, and the use of fitness apps that residents use in the Borough to structure and develop their own activities and fitness programmes.

Over the last year we've been working with and listening to residents to deliver empowering adult social care.

We know that maintaining independence, after being in hospital or a period of reablement, is key to living well. Over the past year a higher percentage of residents have been enabled to remain living in their own home 91 days after discharge from hospital. Bexley performs (91.2% as at December 2019) better than London and England average (83% for 2018/19).

When our residents have to go to hospital it's important that we work together with our NHS partners to make sure they can come home, without delay, when they are well enough. The number of delayed bed days (attributable to the council's Adult Social Care service) has worsened compared to last year and may not achieve its target. And when we look at our combined performance with our NHS colleagues, Bexley has worsened its position compared to last year but is still likely to achieve its target.

Long term care is the term for residential, nursing and community care. We want as many of our residents to not need long term care, because it's better to live healthy and independent lives in their own homes. The rate of clients aged 18 or over accessing long term community support has slightly increased over the past year.

Key to independence is being able to make your own choices and to purchase the care you need, and that's why direct payments are so important. Over the last year, more clients accessing community based long term support received a direct payment. Our performance is below the London and England average, but we expect a very significant upward shift in the take-up of direct payments next year following significant investment this year in a new project and way of working.

Corporate Plan – Innovation and Self Sufficiency

Our aim is use new technology and new ideas to be more efficient in what we do and how we do it, and to be as financially self-sufficient as possible. A survey carried out earlier this year indicated that local people are interested in making the switch to electric vehicles but that their greatest concern is the availability of charging points. This year the Council installed 26 new charging points throughout the Borough to help residents feel confident about switching to cleaner, greener electric vehicles.

We are also rolling out more channels for digital communication and interaction with the Council to enable residents to engage in our services and make enquiries when it is convenient to them. Improving our digital offer will also make it easier for residents to report issues and for enquires to be tracked and resolved.

Group Accounts

The Council is required to produce group accounts if the council has a controlling interest over any other company or entity. For the first time this year the council has produced group accounts to include Bexley Co Ltd.

BexleyCo has been established with the intention being that it is used as a vehicle to drive development in the borough, while generating a profit in the long-term that is planned to be ploughed back into Bexley to keep the quality of services residents deserve. The Council has ambitious plans and each project is evaluated and business cases approved where they meet these plans.

BexleyCo's ten year target is to:

- Deliver 1,200 new homes for sale, affordable and market rent to local people with the ambition to increase to 2,500;

- Support the local economy through jobs, training opportunities and both direct and indirect investment;
- Stimulate good growth and regeneration through an exemplar approach to the design, marketing, sale and management of our new homes; and
- Generate significant financial returns for our Shareholder thereby helping to alleviate growing budgetary pressures.

2019/20: A Financial Overview

The Budget and Council Tax for 2019/20 was set by Full Council in March 2019 in the context of the Council's Medium Term Financial Strategy covering the period 2019/20 to 2022/23. The budget set out the detailed financial plans for the Council in its Revenue and Capital budgets for the financial year.

The Council has faced financial pressures as a result of funding formula changes by central Government in the mid-2000s, followed by the fiscal changes brought about as a consequence of the financial crisis and the scale of central Government borrowing. Uncertainty surrounding the future of local government funding, reforms to business rates and long-term sustainable funding for adult social care continue to have an effect on our medium-term financial planning. We are lobbying the Government on these matters and make frequent representations to Ministers as we seek to influence future decision-making.

The Council also faces financial pressures from contract inflation and the challenges posed by the changing needs of our residents and growth in some demand-led key frontline services. The Council set its budget in order to respond to these financial challenges while delivering the quality services our residents need and rely upon.

The focus of the Council in order to deliver a balanced budget has continued to focus on saving, efficiency and transformation opportunities in order to ensure we deliver the services local people need and ensure the safety of our vulnerable residents.

In a number of cases the savings have been delivered by transforming how we work and improving our efficiency with a clear focus on having no direct impact on residents. The capital programme has focussed on supporting our infrastructure and investments in the borough.

In 2019/20 the Council had a General Fund Budget of £174.195m. The Council Tax requirement for the borough was £110.503m. The remaining income comes from government grant and Non-Domestic Rates. The Council continued to pool its business rate income in 2019/20 with the rest of London. The budget included general fund savings of £8.155m but growth was also required of £15.284m. The final General Fund outturn was £177.272m which is an overspend of £2.587m.

Revenue Outturn

The Statement of Accounts sets out the Council's spending and financing in line with accounting and statutory requirements.

The table below provides a summary of the outturn position by Directorate. This leaves a net outturn position for service budgets of a £3.519m overspend. Once corporate budgets and funding have been taken into account, there is an overspend on the general fund of £2.587m. The £2.587m has been funded through the General Fund reserve.

Budget, Outturn and Variation 2019/20 by Directorate

	Budget 2019/20 £'m	Outturn 2019/20 £'m	Reserve Movements £'m	Final Outturn £'m	Variation 2019/20 £'m
Chief Executive	1.524	1.524	-	1.524	-
Total Chief Executive	**1.524**	**1.524**	**-**	**1.524**	**-**
Children's Services	34.724	35.837	(0.973)	34.864	0.140
Education	12.498	13.343	(0.504)	12.839	0.341
Skills and Resources	1.559	2.440	(0.507)	1.933	0.374
Total Children and Education	**48.781**	**51.620**	**(1.984)**	**49.636**	**0.855**
Adults' Services	57.067	57.268	(0.348)	56.920	(0.147)
Public Health	(1.030)	(0.155)	(0.875)	(1.030)	-
Total Adult Social Care and Public Health	**56.037**	**57.113**	**(1.223)**	**55.890**	**(0.147)**
Protection, Housing and Public Realm	45.452	46.811	(0.272)	46.539	1.087
Communities, Libraries, Leisure and Parks	13.627	14.936	(0.838)	14.098	0.471
Regeneration	1.118	2.293	(0.417)	1.876	0.759
Director	0.066	1.395	(0.636)	0.758	0.692
Total Places, Communities & Infrastructure	**60.262**	**65.434**	**(2.163)**	**63.271**	**3.008**
Finance and Corporate	6.338	6.036	(0.187)	5.849	(0.489)
OneSource	(0.529)	(0.238)	-	(0.238)	0.291
Total Finance and Corporate	**5.810**	**5.799**	**(0.187)**	**5.612**	**(0.198)**
Total Directorate outturn	**172.414**	**181.490**	**(5.557)**	**175.933**	**3.519**
Corporate budgets	1.781	1.339	-	1.339	(0.441)
TOTAL	**174.195**	**182.829**	**(5.557)**	**177.272**	**3.078**
Total External funding	(174.195)	(181.915)	7.229	(174.685)	(0.491)
Final Outturn	**-**	**0.915**	**1.673**	**2.587**	**2.587**

The main variations by Directorate are shown below:

Children & Education's overspend of £0.855m. There is a significant adverse year-end movement of £0.374m in respect of the Learning and Enterprise College (LECB) including Skills and Resources. This variation was not expected, and has revealed a control weakness as the college have their own accounting system which isn't maintained against the Councils. Measures are being put in place to address this.

The main financial pressure within children social care related to staffing (£0.258m) and Care leavers (£0.219m). This overspend on staffing relates to the continuing challenges around the labour market for children social workers. While Bexley has an excellent record of recruiting and retaining permanent staff compared to most other boroughs, there has been some use of locums to cover key front-line roles during the year and this has generated additional cost.

The overspend on care leavers is as a result of significant growth in the numbers of former looked after children reaching 18 and the national extension of the age range for which our care leavers are entitled to support to 25. This growth also includes unaccompanied asylum-seeking children. As a result, overall numbers are currently growing by more than 18% a year. In addition, while Government grant support has improved recently it remains the case that it does not fully cover the cost of supporting those care leavers who are former unaccompanied asylum-seeking children.

Significant additional expenditure has also been incurred on transport for children with special educational needs as a result of increased demand for transport in the academic year (final variation £1.021m).

These pressures were offset by underspends on specialist placements (£0.3m) together with a number of underspends across Education budgets (£0.3m) and additional income from traded services (£0.120m).

Adult Social Care and Public Health underspend of £0.147m. The main service budgets finished the year in line with forecast, but opportunities were taken to eliminate the expected overspend for the year through increased capitalisation of expenditure on equipment (£0.146m), reviewing and reducing the level of contribution to the provision for bad debts (£0.112m) and using an Adult Social Care provision of £0.760m.

The overspending budgets included the staffing budget (£0.632m) as a result of delays in achieving savings around Adult Social Care Pathways and Bexley Care and through use of agency staff (some of whom were originally expected to end their assignments at the end of March, before the outbreak of the pandemic);

A significant overspend also incurred on residential and supported living care placements totalling £1.107m (or 3.5% of budget). The main pressure here is high cost placements for supported living placements for people with learning disabilities;

Additional expenditure was also incurred on direct payments (£0.909m) reflecting efforts to increase personalisation, with the numbers taking a direct payment increasing from 330 to 392 over the past year. The budget will be re-aligned in 2020/21 to reflect the greater proportion of service users accessing care through this route;

An overspend on home care of £0.178m (or 1.2% of budget) was partly offset by additional income from service users under Fairer Charging (£0.135m);

The additional expenditure on care packages noted above was funded by use of government grants including winter pressures (£0.828m) and Better Care Fund (£0.631m). In addition, some of the services commissioned by Adult Social Care meet health needs and therefore attract joint funding income from the CCG, which exceeded the anticipated budget by £0.741m.

Places, Communities & Infrastructure overall overspend was £3.008m which was mainly due to an overspend of £1.6m on Housing, £0.985m on Waste services and £0.483m on commercial rent.

The scale of the variation in housing is being reviewed, including the causes of the variation, the quality of forecasting and reporting processes. Consequently, more robust financial and non-financial controls are being implemented within the service as part of an action plan to reduce the risk of major variations in forecasting reoccurring.

Costs for the storage of bins at Erith Distribution Centre amounted to £0.350m. The four-month delay in service roll out within Collections created a pressure of £0.276m. This pressure would have been £0.530m but £0.254m was met from contingency funds. There were also income shortfalls of £0.200m relating to commercial waste where external competition has taken away sales. Income relating to recycling activity also struggled to meet targets due to market conditions.

The Regeneration Service adverse variance of £0.759m is predominantly as a result of Commercial rent income underachievement of £0.483m due to vacant properties reported during the year. This has also generated an increased liability for the Council in relation to NNDR of £0.169m.

Finance & Corporate Services overall position was an underspend of £0.198m.
A number of one-off adjustments were concluded in 2019/20 which released funds from the balance sheet of £0.678m. The No Recourse to Public Funds budget also underspent by £0.489m as a result of a lower than expected number of people accessing services during 2019/20. These underspends were offset by overspends in financial services provided by oneSource of £0.290m as a result of an increased level of posts filled by agency staff, and a shortfall of income against target in relation to enforcement services due to a lower proportion of cases being passed to the oneSource enforcement team than Newham and Havering. On Facilities Management, the resolution of historic previously disputed historic invoices represented a cost pressure of £0.400m.

Corporate Budgets are considered to be non-service specific expenditure and include financing and investment costs, levies, movements in reserves, other operating income and expenditure and statutory adjustments

The table shows an outturn underspend of £0.441m for Corporate Budgets. For the final outturn the underspend on Contingency was £1.273m as there were fewer calls on the contingency budget than expected.

Interest payable and interest receivable ended the year with a net underspend of £0.635m, this was as a result of the decision to dispose of the Diversified Growth Fund. The favourable movements were partially offset by movements in capital charges and increased borrowing to fund capital incurred in 2018/19 which increased the Minimum Revenue Provision (MRP) charge.

There has been a very significant cost pressure in respect of services for children and young people with special educational needs funded through the High Needs Block of the **Dedicated Schools Grant** (DSG). The number of Education Health and Care Plans has increased by almost 18% in the course of a year and this, combined with increasing complexity of need, has caused an overspend of around £1.6m on the High Needs block (in addition to a planned drawing on reserves of £3.2m already assumed in the budget).

As a result of this pressure, Bexley will carry forward for the second year running a significant accumulated deficit on the DSG reserve of around £8.0m. A deficit budget of £4.5m has been set for 2020/21 which means that the accumulated deficit is likely to worsen to more than £12m by March 2021.

Capital Outturn

During the year, the Council's capital outlay was £60.2m against a revised budget of £73.9m, with an aggregate slippage of £13.7m. A robust review will also take place to ensure that all schemes are required in future years. The nature of the variance in 2019/20 relates to the profiling of expenditure and the level of activity on projects, as opposed to schemes being cancelled.

Directorate	2019/20 Original Budget	2019/20 Revised Budget	Addition/ (deletions)	(Slippage)/ acceleratedspend	2019/20 Outturn	Variance to Revised Budget	
	£'m	£'m	£'m	£'m	£'m	£'m	%
Children and Education	26.666	20.993	0.071	0.062	**21.126**	0.133	(1%)
Adult Social Care & Public Health	4.064	0.759	-	(0.301)	**0.458**	(0.301)	(40%)
Places & Communities	63.933	34.957	0.085	(7.849)	**27.193**	(7.764)	(22%)
Finance and Corporate	52.988	17.156	(0.556)	(5.194)	**11.406**	(5.750)	(34%)
Total Capital Expenditure	**147.651**	**73.865**	**(0.400)**	**(13.282)**	**60.183**	**(13.682)**	**(19%)**

Bexley's Balance Sheet

The Council maintained a strong balance sheet, with £897.686m of Long Term Assets as at 31 March 2020 and Current Assets of £92.780m, Current Liabilities of £78.462m, and Long Term Liabilities of £421.917m. Furthermore, the Council has usable reserves of £42.908m.

	As at 31/03/2019 £'m	As at 31/03/2020 £'m
Long Term Assets	932.036	885.253
Current Assets	69.365	79.287
Current Liabilities	(55.327)	(63.803)
Long Term Liabilities	(439.706)	(428.244)
Net Assets	**506.368**	**472.493**
Represented By		
Usable Reserves	(57.934)	(42.908)
Unusable Reserves	(448.434)	(429.585)
Total Reserves	**(506.368)**	**(472.493)**

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 £12m. This level is required to ensure there are sufficient resources for both working capital and to cover emergency expenditure. The General Fund level of reserves has fallen below my recommended level and plans are being put in place to recover those reserves during 2020/21.

	31/03/2018 £'m	Movement £'m	31/03/2019 £'m	Movement £'m	31/03/2020 £'m
Earmarked Reserves	(46.984)	16.358	(30.626)	3.760	(26.866)
General Fund	(13.732)	1.000	(12.732)	2.587	(10.143)
General Fund Reserves	**(60.716)**	**17.358**	**(43.358)**	**6.347**	**(37.009)**

Over the years, Bexley has prudently built up a number of earmarked reserves. Some are to fund very specific purposes, while others are to support future transformation programmes, such as the Financial Planning Reserve.

In 2019/20 the budget was set with a level of reserves being called upon. The drawdown of earmarked reserves was in line with those planned and related to an investment in projects that are planned to deliver a financial return in future years. The 2020/21 budget has removed the use of ring fenced reserves.

Borrowing and Capital Financing

The Council currently has £237.768m of financial liabilities outstanding as at 31 March 2020. During the financial year the Council took new long term external borrowing of £21.000m. There has also been new external short term borrowing of £14.000m.

The Capital Programme for 2019/20 to 2022/23 was agreed by the Council in March 2019. This outlined the capital expenditure planned of £122.725m for 2019/20 and £215.746m for the following years (excluding rephrasing of remaining 2018/19 schemes).

Collection Fund Rates for Council Tax and National-Non Domestic Rates

The collection rates achieved during 2019/20 are summarised below:

	Budget %	Actual %
Council Tax	96.33	96.33
Business Rates	98.95	98.58

Non-Current Asset Revaluation

The Council appointed Wilkes Head & Eve to carry out a rolling valuation programme of a proportion of the Council’s assets in 2019/20. The impact of these valuations is reported within the notes to the accounts.

Significant Changes in Accounting Policies

The accounts for 2019/20 are presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which specifies the principles and practices of accounting required to give a ‘true and fair’ view of the financial position and transactions of the local authority.

The Code sets out the proper accounting practices required by Section 21(2) of the Local Government Act 2003. These proper practices apply to the Statement of Accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2015.

The 2019/20 Code incorporates required accounting standard amendments, although there were no material impacts on the Council as a result of the amendments.

Bexley’s Medium-Term Financial Plan

The medium term financial planning process is an essential part of the Council’s strategic planning framework. The Medium Term Financial Strategy integrates strategic and financial planning over a four-year period. It translates the Corporate Plan priorities into a financial framework which enables the Cabinet and officers to ensure policy initiatives can be delivered within available resources and can be aligned to priority outcomes.

In February 2020, the Budget Gap was £29.264m, with the biggest pressure on 2021/22 as shown below.

	2021/22 £'m	**2022/23 £'m**	**2023/24 £'m**
February 2020 – Budget Gap	20.188	4.302	4.774

The Council's approach for closing the gap is building on that adopted for last year's budget; using an outcomes based approach for allocating resources in line with the Council's priority spending areas as per the Corporate Plan. Building on a strong foundation, this work has used a pragmatic approach, identifying opportunities for redesign and reshaping services in order to reduce cost and maximise income with a particular emphasis on:

- Maximising the potential of income generation and taking a clearly commercial approach where appropriate to do so;
- Seeking potential for working differently through partnership and with local communities;
- Ensuring we have secured all efficiencies and are practicing robust 'housekeeping' throughout;
- Looking for opportunities to support residents to do more for themselves;
- Re-procurement and re-negotiation of contracts;
- Exploiting the opportunity that digital transformation can provide;
- Making the best use of our assets; and
- Considering what action, we can take to influence and reduce demand.

On 16 March 2020 the country went into lockdown as a result of the COVID-19 virus. The impact of which has been felt across all areas of the economy and has had a significant effect on local government finances.

Economic Climate

Since 2011 the Council has delivered approximately £117m of efficiency savings to maintain a balanced budget ensuring it balances the reduction in funding received from central government and growth in demand for some services. There are a number of uncertainties relating to local government funding that will impact the Councils finances over time. These include:

- In early 2019, the Government consulted on reforms to the Business Rates Retention Scheme, and this may mean a change to the proportion of Business Rates funding the Council retains locally. This was planned to be implemented in 2020/21 but has now been delayed.
- At the same time, a fair funding review is being carried out, which will set new baseline funding allocations for local authorities. Together with the uncertainties around the outcome of the next Spending Review could have a significant impact to the funding of the Council. On 13th December 2018, the government published a technical paper on the "Review of local authorities' relative needs and resources", which consulted on the assessment of relative needs, relative resources and transitional arrangements. This consultation outlined Government proposals to change the way in which the funding, and assessment of need is calculated for Local Authorities. Again, this was planned to be implemented in 2020/21 but has now been delayed.

- The impact of negotiations to leave the European Union may also have wider impacts on the Councils finances in future years.

A more detailed financial outlook for the Council can be found in our medium term financial strategy which as presented to Public Cabinet in February 2020.

Impact of COVID-19

The COVID-19 pandemic has had a major impact on the Council. Although the financial impact will be primarily in 2020/21, it is likely to continue throughout the medium-term. The most significant impacts have been loss of car parking income, commercial rent deferrals, loss of income from leisure facilities and other fees and charges. The Council has incurred additional expenditure to ensure that key services such as homelessness prevention, adult social care and children social care are maintained.

The level of uncertainty created by the pandemic cannot be understated. To reduce the impact on the Council's financial reserve position, assuming the government do not fully support the Council, the Cabinet agreed to apply for capitalisation directive from the Ministry of Housing, Communities and Local Government. The capitalisation request was for £15.000m to be used flexibly over 2020/21 and 2021/22.

Following submission of the capitalisation request, discussions with the Ministry took place and a third party review was undertaken, commissioned through the Local Government Association, to give assurance on the Council's request. The directive was approved on 10 February 2021 for a total of £3.870m in 2021/21 and the Secretary of State is also minded to approve an amount of 5.125m in 2021/22. The reduction from the Councils original request is the result of the non-ringfenced grant being provided to the Council in 2021/22 as part of the Local Government Settlement. This funding was not known when the submission was made.

The Council is committed to not use the capitalisation directive unless absolutely required. Usage of the order will require financing by the Council through the Public Works Loan Board and therefore will accrue interest charges and minimium revenue provision charges. As part of the agreement a further external review will be undertaken with a particular focus on the Council's asset base.

The Cabinet Office issued Procurement Policy Note (PPN) in March 2020 relating to Supplier Relief - PPN 02/20: Supplier relief due to COVID-19. This note aims to guide public sector bodies to provide support to suppliers and contractors, which includes making advanced payments and enter into open book accounting. Appropriate support will be agreed for suppliers for a fixed period in line with the PPN where it is clearly demonstrated that they are in financial difficulty. Further support will be considered at the end of this period, taking into account current Government guidance and policy.

The Council has received some Government funding towards the additional costs and reduced income. The final financial impact will depend on the level of Government funding received and how quickly services are able to return to pre COVID-19 operating levels. The Local Government Secretary has made public assurances that Local Government will have the resources it needs to meet COVID-19 challenges.

Whilst the Council's un-ringfenced General Fund reserve would have some capacity to absorb some of the financial impact, a robust financial plan will be required to ensure the sustainability of the council's finances are maintained and this will form a substantial part of the financial resilience recovery work.

Over the next few months, officers will be reviewing the Medium Term Financial Strategy, taking into account the 2019/20 final outturn and the financial impact of COVID-19.

The Council has always used cashflow forecasting to assist with treasury management decisions, however it has gained greater significance as unplanned expenditure has been required to deal with the emerging situation and specific grants to deal with COVID-19 have been paid and received. Cashflow is being closely monitored to ensure sufficient funds are available for daily requirements.

Paul Thorogood ACCA CPFA
Director of Finance and Corporate Services
London Borough of Bexley

Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council 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 Council's Statement of Accounts, which in terms of the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"), is required to present fairly the financial position of the Council at the accounting date and of its income and expenditure for the year ended 31 March 2020. 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;
- Complied with the Code;
- 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 2015, I certify that the Accounts present a true and fair view of the financial position of the Council as at 31 March 2020 and of its income and expenditure for the year ended 31 March 2020.

Date: 05 March 2021

Signature: **Paul Thorogood ACCA CPFA**
Director of Finance and Corporate Service

I confirm that the 2019/20 Statement of Accounts for the London Borough of Bexley and Bexley Pension Fund were approved by the General Purpose and Audit Committee on 29 July 2020.

Signature: N. OHare

Cllr Nick O'Hare
Chair of the General Purposes and Audit Committee

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

Opinion

We have audited the financial statements of London Borough of Bexley for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement
- Related notes 1 to 44 of the Authority accounts
- Related notes 1-3 to the Group accounts
- Collection Fund and the related notes 1 to 5

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 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of the London Borough of Bexley and Group as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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 below. We are independent of the [authority/group] 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 the Comptroller and Auditor General's (C&AG) AGN01, 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.

Emphasis of matter – Impact of COVID-19

We draw attention to Note 3 of the financial statements, which describes the financial and operational consequences the Group is facing as a result of COVID-19 and the additional pressure that this presents to expenditure and funding. The note also explains that the Council has applied for, and been granted, a capitalisation direction from MHCLG of £3.87m for the period to 31 March 2021. Our opinion is not modified in respect of this matter.

We also draw attention to Note 4 Sources of estimation uncertainty and Note 15 Revaluations of property, plant and equipment of the financial statements, which describes the valuation uncertainty the Council is facing as a result of COVID-19 in relation to property valuations. Our opinion is not modified in respect of this matter.

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 & Corporate Service's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance & Corporate Service's 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 other information comprises the information included in the narrative statement set out on pages 1-15, other than the financial statements and our auditor's report thereon. The Director of Finance & Corporate Service's is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 obtained in the audit 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

Basis for Qualified Conclusion

- Financial Resilience

In its initial 2019/20 financial plans, the Council was forecasting a budget gap after savings of £29.3m over the period 2020/21 to 2023/24, with £20.2m of this gap arising in 2021/22. As at the 31st March 2020 the Council has £10.1m General Fund Reserves and a further £26.9m Earmarked Reserves. Although some of these Earmarked reserves could be used to support the budget, the level of available reserves is insufficient to meet the forecasted budget gap over the medium term.

For the year ended 31st March 2020 General Fund reserves fell below the minimum level of reserves deemed appropriate for the Council by the S151 Officer as a result of a £2.6m overspend against its approved budget. £1.6m of this overspend was a result of the unexpected Housing Service overspend which had not been forecast in the budget monitoring reports considered by the Council during the year.

The Council highlights the need to replenish reserves levels in its reporting to Members, however, as at 31 March 2020 the Council did not have detailed plans setting out how the reserves will be increased against a significant budget gap.

The issues above are evidence of weaknesses in proper arrangements for planning finances effectively to support the sustainable delivery of strategic priorities.

Qualified conclusion

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, with the exception of the matter(s) reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, the London Borough of Bexley put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Director of Finance & Corporate Services

As explained more fully in the Responsibilities of the Director of Finance & Corporate Services set out on page 16 the Director of Finance & 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 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Finance & 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 either intends to cease operations, or have no realistic alternative but to do so.

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

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 https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether the London Borough of Bexley 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 London Borough of Bexley put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the London Borough of Bexley had put in place proper arrangements to secure 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 satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Use of our report

This report is made solely to the members of London Borough of Bexley, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the London Borough of Bexley and the London Borough of Bexley's members as a body, for our audit work, for this report, or for the opinions we have formed.

Janet Dawson   Ernst + Young LLP

Janet Dawson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
London SE1 2AF
8 March 2021

Expenditure and Funding Analysis

The Expenditure and Funding Analysis is a note to the Comprehensive Income and Expenditure Statement and immediately precedes the Comprehensive Income and Expenditure Statement.

Expenditure and funding analysis adjustments are explained in Note 7a

2018/19 Net Expenditure Chargeable to the General Fund	2018/19 Adjustments	2018/19 Net Expenditure in the CIES		2019/20 Net Expenditure Chargeable to the General Fund	2019/20 Adjustments	2019/20 Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
3,659	4,998	8,657	Chief Executive	5,281	2,254	7,535
46,069	7,704	53,773	Children & Education	41,171	29,120	70,291
50,604	(2,693)	47,911	Adult Social Care & Public Health	50,108	(1,100)	49,008
48,404	13,248	61,651	Places, Community & Infrastructure	48,317	23,518	71,835
12,499	25,921	38,420	Finance & Corporate Services	26,728	8,270	34,998
161,235	**49,178**	**210,412**	**Net Cost of Services**	**171,604**	**62,062**	**233,666**
(160,235)	(23,163)	(183,397)	Other Income and Expenditure	(169,016)	50,485	(118,531)
1,000	**26,015**	**27,015**	**(Surplus) or Deficit on Provision of Services**	**2,588**	**112,547**	**115,135**
(13,732)			Opening Combined General Fund Balance	(12,732)		
1,000			Plus / less (Surplus) or Deficit on the General Fund Balance for the Year (Statutory basis)	2,589		
(12,732)			**Closing Combined General Fund Balance**	**(10,144)**		

Comprehensive Income and Expenditure Statement

This Statement shows the income and expenditure of the Council in providing services in the year 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.

2018/19 Gross Expenditure £'000	2018/19 Gross Income £'000	2018/19 Net Expenditure £'000		Notes	2019/20 Gross Expenditure £'000	2019/20 Gross Income £'000	2019/20 Net Expenditure £'000
15,146	(6,489)	**8,657**	Chief Executive		15,765	(8,230)	**7,535**
158,921	(105,148)	**53,773**	Children & Education		170,588	(100,298)	**70,290**
89,330	(41,419)	**47,911**	Adult Social Care & Public Health		90,429	(41,421)	**49,008**
96,105	(34,454)	**61,651**	Places, Community & Infrastructure		110,216	(38,381)	**71,835**
135,485	(97,065)	**38,420**	Finance & Corporate Services		123,052	(88,054)	**34,998**
494,987	**(284,575)**	**210,412**	**Cost of Services**		**510,050**	**(276,384)**	**233,666**
		152	Other Operating Expenditure	11			**62,785**
		6,345	Financing and Investment Income and Expenditure	12			**24,560**
		(189,894)	Taxation and Non-Specific Grant Income	13			**(205,876)**
		27,015	**Deficit on Provision of Services**				**115,135**
		(74,047)	Surplus on Revaluation of PPE and Heritage Assets	14,15			(30,462)
		(437)	Other Movements on Revaluation of Non Current Assets				
		7,874	Remeasurements of the Net Pensions Defined Benefit Liability	25			(50,798)
		(39,595)	**Total Comprehensive Income and Expenditure**				**33,875**

Movement in Reserves Statement 2019/20

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves and unusable reserves, and shows the increase or decrease in the net worth of the Council. It provides an explanation of the changes in, and movements between, reserve accounts to increase or reduce the resources available to the Council. It shows how the Council's total Comprehensive Income and Expenditure is allocated to the Council's reserves. The Surplus or (Deficit) on the provision of Services, Other Comprehensive Income and Expenditure and Total Comprehensive Income and Expenditure are shown in more detail on the face of the Comprehensive Income and Expenditure Statement.

	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 2019	**(12,732)**	**(30,626)**	**(43,358)**	**(1,892)**	**(12,684)**	**(57,934)**	**(448,434)**	**(506,368)**
Movement in Reserves during 2019/20								
Deficit/(Surplus) on Provision of Services (Accounting Basis)	115,135	-	**115,135**	-	-	**115,135**	**-**	**115,135**
Other Comprehensive Income	-	-	**-**	-	-	**-**	**(81,260)**	**(81,260)**
Total Comprehensive (Income)/Expenditure	**115,135**	**-**	**115,135**	**-**	**-**	**115,135**	**(81,260)**	**33,875**
Adjustments Between Accounting Basis and Funding Basis Under Regulations (Note 9)	(108,786)	-	**(108,786)**	1,492	7,185	**(100,109)**	**100,109**	**-**
Net (Increase) Before Transfers To Earmarked Reserves	**6,349**	**-**	**6,349**	**1,492**	**7,185**	**15,026**	**18,849**	**33,875**
Other adjustments						**-**	**-**	
Transfers To/(From) Earmarked Reserves (Note10)	(3,760)	3,760	**-**	-	-	**-**	**-**	**-**
(Increase)/Decrease In Year	**2,589**	**3,760**	**6,349**	**1,492**	**7,185**	**15,026**	**18,849**	**33,875**
Balance At 31 March 2020	**(10,143)**	**(26,866)**	**(37,009)**	**(400)**	**(5,499)**	**(42,908)**	**(429,585)**	**(472,493)**

Movement in Reserves Statement 2018/19

	General Fund Balance	Earmarked Reserves	Total General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance At 31 March 2018	**(13,732)**	**(46,984)**	**(60,716)**	**(159)**	**(13,341)**	**(74,216)**	**(392,557)**	**(466,773)**
Movement in Reserves during 2018/19								
Deficit/(Surplus) on Provision of Services (Accounting Basis)	27,015	-	**27,015**	-	-	**27,015**	**-**	**27,015**
Other Comprehensive Income	-	-	**-**	-	-	**-**	**(66,610)**	**(66,610)**
Total Comprehensive (Income)/Expenditure	**27,015**	**-**	**27,015**	**-**	**-**	**27,015**	**(66,610)**	**(39,595)**
		-	**-**	**-**	**-**	**-**	**-**	**-**
Adjustments Between Accounting Basis and Funding Basis Under Regulations (Note 9)	(9,657)	-	**(9,657)**	(1,733)	657	**(10,733)**	**10,733**	**-**
Net (Increase) Before Transfers To Earmarked Reserves	**17,358**	**-**	**17,358**	**(1,733)**	**657**	**16,282**	**(55,877)**	**(39,595)**
Other adjustments						**-**	**-**	
Transfers To/(From) Earmarked Reserves (Note10)	(16,358)	16,358	**-**	-	-	**-**	**-**	**-**
(Increase)/Decrease In Year	**1,000**	**16,358**	**17,358**	**(1,733)**	**657**	**16,282**	**(55,877)**	**(39,595)**
			-					
Balance At 31 March 2019	**(12,732)**	**(30,626)**	**(43,358)**	**(1,892)**	**(12,684)**	**(57,934)**	**(448,434)**	**(506,368)**

Balance Sheet

The Balance Sheet shows the value at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council are matched by the reserves. Only usable reserves are available to support delivery of the Council's services to residents. Details of the usable reserves can be seen in the Movement in Reserves Statement.

31 March 2019 £'000		Notes	31 March 2020 £'000
774,895	Property, Plant and Equipment	14	742,502
26,641	Heritage Assets	15	26,474
91,307	Investment Property	16	83,138
587	Intangible Assets	17	585
31,308	Long Term Investments	18	22,089
7,297	Long Term Debtors	20	10,464
932,036	**Long Term Assets**		**885,252**
272	Short-term Investments	18	324
2,526	Inventories	19	2,777
61,311	Short Term Debtors	20	56,240
5,256	Cash and Cash Equivalents	21	19,946
69,365	**Current Assets**		**79,287**
(4,814)	Cash and Cash Equivalents Overdrawn	21	(5,222)
(3,292)	Short-Term Borrowing	18	(14,717)
(39,805)	Short-Term Creditors	22	(39,180)
(7,416)	Provisions	23	(4,684)
(55,327)	**Current Liabilities**		**(63,803)**
(2,227)	Long-Term Provisions	23	(2,188)
(202,061)	Long Term Borrowing	18	(223,051)
(31,629)	Other Long-Term Liabilities	34	(29,495)
(194,484)	Pension Liabilities	41	(167,053)
(9,305)	Capital Grants Receipts in Advance	13	(6,457)
(439,706)	**Long Term Liabilities**		**(428,244)**
506,368	**Net Assets**		**472,493**
(57,934)	Usable Reserves		(42,908)
(448,434)	Unusable Reserves		(429,585)
(506,368)	**Total Reserves**		**(472,493)**

I certify that the Balance Sheet represents a true and fair view of the council's financial position as at 31 March 2020.

Paul Thorogood   Date 05 March 2021

Cash Flow Statement

This shows the changes in cash and cash equivalents of the Council during the year. The statement classifies the Council's cash flows between operating, investing and financing activities. Operating activities reflect the day to day income from grants and taxation together with expenditure on services provided by the council. Investing activities summarise the expenditure made to support future activities, for example capital expenditure on schools. Financing activities demonstrate how the Council has managed its borrowings to fund its operating and investing activities.

2018/19 £'000		Note	2019/20 £'000
(27,015)	Net Surplus/(Deficit)on Provision of Services		(115,135)
62,046	Adjustments to the Net (Surplus)/Deficit on the Provision of Services for Non-Cash Transactions	26	127,098
(26,269)	Adjustments to the Net (surplus)/Deficit on the Provision of Services that are Investing and Financing	26	(32,555)
8,762	**Net Cash Flows from Operating Activities**		**(20,592)**
(42,883)	Net cashflow from Investing Activities	27	4,413
30,402	Net cash flow from Financing Activities	28	30,461
(3,719)	**Net Increase/Decrease in Cash and Cash Equivalents**		**14,282**
4,161	Cash and Cash Equivalents at the Beginning of the Period		442
442	**Cash and Cash Equivalents at the End of the Period**		**14,724**

Note1 - Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the 31 March 2020. 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 2019/20 (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.

The Accounts are prepared on a going concern basis, i.e. on the assumption that the Council will continue to operate for the foreseeable future.

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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

- 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 inventory 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.

- An exception to this policy is housing benefit transactions which are accounted for on a cash basis, that is, when the payment is 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 highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant 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 (CIES) 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 i.e. 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; and
- 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. Depreciation, revaluation and impairment losses and amortisations are replaced by the contribution in the General Fund Balance Minimum Revenue Provision (MRP) by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.7 Collection Fund Income and Expenditure Account

Council Tax and Non-domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Collection Fund surpluses/deficits declared by the Billing Authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. For London Borough of Bexley, the Council Tax precepting body is Greater London Authority and the NNDR precepting bodies are Central Government (33% share) London Borough of Bexley (30% share) and Greater London Authority (37% share).

Accounting for Council Tax and NDR

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, 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.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments and provision for appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to 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 revised future cash flows.

Council Tax Reduction Scheme (CTRS)

Prior to 2013/14 certain eligible taxpayers had some, or all, of their charge met by Council Tax Benefits. The amount of the benefit was credited to the Collection Fund and appeared as a charge in the billing Council's Central Services to the Public line in the Comprehensive Income and Expenditure Statement. From 2013/14 Council Tax Benefits has been replaced by a Council Tax Reduction Scheme which is applied directly to the Council Tax base.

1.8 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) 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 charged to Surplus or Deficit on the Provision of Services but then reversed out through the Movement in Reserves Statement so that holiday benefits accrual has no impact on Council Tax.

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 Local Pensions Partnership (LPP) on behalf of the London Borough of Bexley. The London Borough of Bexley is the administering authority for the Pension Fund; and
- The National Health Service (NHS) Pension Scheme, administered by the Department of Health through the NHS Business Services Authority.

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

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet.

The Children and Education Services line in the CIES is charged with the employer's contributions payable to Teachers' Pensions in the year. The Adult Social Care and Public Health in the CIES is charged with the employer's contributions payable to the NHS scheme in the year.

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

- The liabilities of the London Borough of Bexley pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (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 i.e. net interest expense for the Council 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 considering 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.

1.9 Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period – 31 March 2020 – 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; and
- 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.

1.10 Financial Instruments

Financial instruments arise when contracts create financial assets and liabilities, and these are recognised on the council's balance sheet. Typical financial assets include bank deposits, investments and loans by the council and amounts receivable, whilst financial liabilities include amounts borrowed by the council and amounts payable.

Financial assets and liabilities are initially 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 carried at their amortised cost

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets, measured at:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI), and; Fair value through profit or loss (FVPL).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).
Financial assets measured at 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 financial assets held by the council, 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 made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (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 CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary 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 CIES 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.

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

Financial assets measured at fair value through other comprehensive income (FVOCI)
Where the council holds investments with the objective of collecting contractual cash flows and selling assets in order to meet long term investment requirements while ensuring the council is not subject to a high degree of credit risk. These assets are measured at FVOCI

The Council does not hold any asset measured at fair value through other comprehensive income (FVOCI)

Financial assets measured at fair value through profit or loss (FVPL)

Financial assets that are measured at FVPL 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. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

Fair value measurement of Financial Assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.
The fair value measurements of the financial assets are based on the following techniques:

Instruments with quoted market prices – the market price;
Other instruments with fixed and determinable payments – discounted cash flow analysis.

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.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

Where the fair value charged to the comprehensive income and expenditure statement related to Pooled Investment funds, Statutory regulations allow the impact on the general fund balance to be deferred for up to a maximum of 5 years. The amounts deferred are transferred to a Pooled Investment Adjustment Reserve in the movement in reserves statement.

Following the adoption of accounting standard IFRS 9 from 1 April 2018, financial instrument assets previously held as available for sale have been classified as fair value through Profit or Loss and financial assets held as loans and receivables have been classified at amortised cost.

Expected credit loss model

The adoption of IFRS 9 for the 2018-19 includes the requirement for disclosure of the expected credit loss impairment associated with financial instruments held at amortised costs '

The council recognises expected credit losses on its financial assets held at amortised cost (subject to materiality) either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed based on 12-month expected losses. Where credit rating matrices exist, they will be considered in measuring impairment losses

Impairment losses are charged to the Comprehensive income and expenditure statement under Financing and investment income and expenditure

Lifetime losses are recognised for trade receivables (debtors) held by the council.

Financial liabilities

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.

The amount presented in the balance sheet is the outstanding principal repayable plus accrued interest. Interest charged to the comprehensive income and expenditure statement is the amount payable for the year according to the loan agreement.

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's policy is to spread the gain or loss over the term 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 Instrument adjustment account in the movement in reserves statement.

1.11 Foreign Currency Translation

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

Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.12 Government Grants and Contributions

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

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

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

Business Improvement Districts

A Business Improvement District (BID) scheme applies across the whole of the Council The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund several infrastructure projects (these include transport, flood defences and schools) to support the development of the area.
CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges for this council may be used to fund revenue expenditure

1.13 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–measurement and valuation

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.

The Carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. where the asset has suffered physical deterioration, breakage or where doubts arise as to its authenticity. Such impairment will be recognised and measured in accordance with the council's general policies on impairments.

The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation. Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by the external valuers and with reference to appropriate insurance values and commercial markets using the most relevant and recent information from sales at auctions.

1.14 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) 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).

Intangible assets are measured initially at 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.

1.15 Interests in Companies and Other Entities

The Council reviews annually the extent to which other companies or entities need to be consolidated into the group accounts. An entity will be consolidated where the Council has a controlling interest. The Council has a controlling interest in BexleyCo Ltd which has the nature of a subsidiary and is therefore required to prepare group accounts.

In the Council’s own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses in 2019/20.

Group Accounts have been prepared in accordance with paragraph 9.1.2.60 of the Code, using uniform accounting policies for like transactions and other events in similar circumstances.

1.16 Inventories and Long-Term Contracts

Inventories are included in the Balance Sheet and are measured at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations year.

1.17 Investment Property

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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. 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. 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.

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.

1.18 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. There are currently no material operating leases.

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.

Where 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 noncurrent 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.

Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.19 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.

1.20 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.

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 prices.
- 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 initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located if the cost is above the £10,000 de minimis threshold.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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.
- Council Offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is an estimate of current value.
- Operational assets where there is no market-based evidence of current value because of the specialist nature of the asset and/or the asset is rarely sold (i.e. EUV cannot be

determined), depreciated replacement cost (DRC) using the 'instant build' approach as an estimate of current value.

- 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 yearend. 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.

At London borough of Bexley, all property valuations are currently carried out by Wilks Head & Eve. Heritage assets are valued by Barrett Corp Harrington.

The bases of valuations are undertaken in accordance with the Statement of Asset Valuation Practice and Guidance Notes, published by the Royal instate of Chartered Surveyors (RICS).

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); and
- 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:

- 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 the useful life of the asset, as advised by a suitably qualified officer, and/or Responsible Officer and/or valuer for that asset.

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 misstatement of either depreciation charges or the carrying amount of PP&E.
Capital expenditure is assessed and where expenditure on a component represents less than 10% of the asset's value it is not separately identified.

Any component parts of an asset are de-recognised when the component is replaced, even if the original component had not been recognised separately for depreciation purposes. If it is not practical to determine the carrying amount of the replaced components, the cost of the new component is indexed back and then adjusted for depreciation. This is used as a reasonable proxy.

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. 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.

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.

Minimum Revenue Provision

The Council is not required to use Council Tax to fund depreciation, revaluation and impairment losses or amortisation on Non-current assets. However, it is required to make an annual contribution from revenue towards provision for the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance.
Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the Minimum Revenue Provision in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

1.21 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.

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.

1.22 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.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim) this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

1.23 Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.
Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.24 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.

1.25 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.

1.26 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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.

1.27 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.

1.28 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.

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.

1.29 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

1.30 Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Council in conjunction with other parties that involve the use of the assets and resources of the joint parties rather than the establishment of a separate entity. The Council recognises on its Balance Sheet its share of the assets and liabilities controlled by the joint parties and recognises in its Comprehensive Income and Expenditure Statement its share of expenditure incurred and income generated from the activities of the Jointly Controlled Operations.

Note 2 - Accounting Standards Issued, Not Adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

At the time of drafting this Bulletin the deferral of implementation of IFRS 16 to the 2021/22 Code has meant that the 2020/21 Code has not yet completed its full due process. Annually, Appendix C of the Code confirms the requirements of accounting standards that have been issued and not yet adopted and the 2020/21 Code will confirm these for the 2019/20 financial year. Appendix C of the 2020/21 Code only includes standards adopted in the Code and therefore for 2019/20 local authorities are not required to include IFRS 16 in their consideration of accounting standards that have been issued but not yet adopted, although this is subject to approval of the 2020/21 Code.

Note 3 – Going concern and COVID-19

These accounts have been prepared on a going concern basis, assuming that that the Council will continue in operational existence for at least twelve months from the date the accounts are approved.

The provisions in the Code of Audit Practice in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies. If an authority were in financial difficulty, the prospects are thus that alternative arrangements would be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

The socio-economic impact of COVID-19 is global and UK local authorities are not immune from its impact and the effects have been seen since March 2020 and throughout 2020/21 to date. As set out in the Council's Medium Term Financial Strategy it is expected this will continue into 2021/22 if not beyond.

The impact on the Council's services and income has been regularly reported throughout the year to both Scrutiny Committees and Public Cabinet. The latest report was presented to Public Cabinet in January 2021 (link here) and a further report is due to be presented in February 2021. In this report the Council has forecast it will overspend £5.208m through a combination of increased expenditure and a reduction income. This is predominately due to the impact of the COVID-19 pandemic (£0.942m), temporary accommodation (£2.700m) and a series of other variances (£1.566m). There is significant uncertainty over how quickly and to what extent income streams will return. The pandemic has created significant issues for many businesses and residents and as a result from April 2020, in addition to additional service expenditure, Council income was affected detrimentally as payers sought to defer payments or were unable to pay at all.

The Council has received £17.567m to date from Government as non-ringfenced grant funding towards the cost of COVID-19. Further applications are being made to the Government sales, fees and charges funding scheme which is anticipated to repay approximately £5.938m in lost income. A series of other grants are continuing to be received from the government to support the Council, Bexley residents and businesses operating within the Borough. The Medium Term Financial Strategy is now updated monthly to ensure the ongoing situation is monitored and any known impacts are reflected in forecasts. This ensures that any mitigation steps can be taken early should they be required.

The most recent monitoring, reported to Public Cabinet in January 2021, set out the in year position as follows:

Revenue Variance
COVID £0.942m
Non COVID £4.267m
Total Variance £5.208m

At the time of authoring no further government grant is known which hasn't been factored into the in year position. However, the Council has concluded its application for additional financial support to the Ministry of Housing, Communities and Local Government. The Council has accepted a Capitalisation Directive not exceeding £3.870m in 2020/21 and has applied for but has not yet had fully approved £5.125m in 2021/22. This provides additional headroom if required and will help the Council mitigate the impact on reserves.

Through the Local Government Settlement and as outlined in the Medium Term Financial Strategy to Public Cabinet in January 2021 the Council has continued to focus on the saving, efficiency and transformational opportunities agreed throughout the year. Any benefit arising from the Settlement has been added to the contingency budget in 2021/22, increase the budget from £2.691m to £5.177m this will be used to support adverse budget variances should they arise. The Council have also set aside £1.807m to fund additional Council Tax Reduction Scheme applications.

The Government have confirmed a further un-ringfenced grant to support COVID for the first quarter of 2021/22 which for Bexley is £5.985m. The sales, fees and charges scheme is also expected to continue for the first quarter of the new year to support income losses and funding is being provided to support the Collection Fund. The Government have confirmed they will review this funding if required as the impact of the pandemic will continue after 1 July 2020.

The Council also continues to consider other alternative options to reduce expenditure and maximise income. In addition, as set out in the reports to Public Cabinet, a series of steps are in place to mitigate the in year financial overspend to reduce this by the end of the financial year as much as possible and these will continue into 2021/22.

Cashflow

The additional spending pressures on the Council in leading the community's response to the pandemic coupled with constrained income streams will place particular emphasis on the need to manage the Council's cashflow astutely.

The Council has undertaken a cashflow model to March 2022 to ensure it has sufficient liquidity to pay its liabilities as they become due. The model has considered income and expenditure levels based on historical trends and then amended these for the current economic conditions. Individual material items of expenditure, for example the forecast on redundancies payable in March and April 2021 and material income items such a new government grants have been built into the model along with other sensitivities.

The Council had a cash balance of £22.2m at the end of 5 February 2021. The Council also has £18.9m in money market funds available the same day. Whilst there is uncertainty on income, the Council remains confident in its ability to maintain sufficient cash for its services throughout the twelve months from the approval of the statement of accounts.

The cash balance for 31 March 2022 is forecast to be £9.6m

Reserves

The Council's key sources of funding face an uncertain future and the Council therefore holds earmarked reserves and a general fund reserve in order to mitigate future financial risks. There are two main types of reserves:

- Earmarked Reserves – which are held for identified purposes and are used to maintain a resource in order to provide for expenditure in a future year(s); and
- General Reserves – these are held for 'unforeseen' events.

The Council's most recent reserves balances, as reported in these financial statements, are as follows

Date	General Reserve	Earmarked reserves
31 March 2020	£10.143m	£26.866m

In comparison to others, the Council does not hold significant levels of reserves and the CIPFA Resilience Index has highlighted the pace and scale in which the Council has used these. To ensure the Council remains financially resilient It has been clear that there was a need to act and decisive action was taken to cease the depletion of reserves and will now assist to mitigate the financial impact of the COVID-19 pandemic. The Council also applied for the Capitalisation Directorate as set out above to mitigate the impact on reserves. The Ministry of Housing, Communities and Local Government have approved (10 February 2021) a capitalisation of £3.87m in 2020/21 and is minded to approve £5.125m subject to conditions for 2021/22 including an external review being undertaken. The Council is committed to reduce expenditure wherever possible to limit the need to use the capitalisation order.

Forecast reserves levels:

Date	General Reserve	Earmarked reserves
31 March 2021	£12.731m	£20.012m
31 March 2022	£12.731m	£20.696m

The planned use of reserves has been a vital part of the Council's financial strategy, but this was not a sustainable proposition. The current financial strategy has now removed the need to use reserves to balance the 2020/21 budget and the use of reserves to fund recurring service expenditure in the future. Instead the intention is to rebuild the level of reserves and ensure that they are sustained to create long term budgetary stability and to manage risk. They will enable the Council to manage change without undue impact on the Council Tax and are a key element of its financial standing and resilience.

Conclusion
Despite the impact of COVID-19 the Council has taken significant action in 2020/21 to mitigate the financial exposure of the pandemic.

In November 2020 a detailed report to update the Medium-Term Financial Strategy was published showing a detailed set of savings, efficiencies and opportunities to close the 2021/22 budget gap as well as bring the general fund reserve position back up the £12m minimum General Fund level. The Council's ability to do this and maintain the level of service provision assumed by the Medium Term Financial Strategy, will depend on the Council's ability to meet the detailed savings plans and the extent and duration of current income losses and expenditure demands. Considering all of the above, there are no material uncertainties that cast significant doubt upon the Council's ability to continue providing the current level of services without an increase in planned income or reduction in services to 31 March 22.

Note 3a - Critical Judgements in Applying Accounting Policies

In applying the accounting policies laid out in Note 1, the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events. In the accounts, these are as follows:

- The impact of the COVID-19 is mainly to be reflected in the council's 2020/21 financial statements. However the Ministry for Housing Communities and Local Government (MHCLG) made payments of £6.022m on 27 March 2020 which were due for payment during 2020/21 to ease local authority cash flows. The related grants have been accounted for as an earmarked reserve.
- The Council has interests in other entities that fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code. The Council's interests in BexleyCo Limited are material to the Council's overall financial position and therefore have been consolidated within the Council's group accounts.
- The Dedicated Schools Grant Reserve is a negative reserve. The Department for Education (DfE) regulations (The School and Early Years Finance (England) Regulations 2020) make clear the requirement for any DSG deficit balance to be held within the Council's overall DSG, meaning authorities cannot fund a deficit from the general fund without the Secretary of State's approval. The accumulated DSG deficit is disclosed as an earmarked usable reserve within the accounts.
- There is a high degree of uncertainty about future levels of funding for local government, particularly given the uncertainty of how the Council's response to the COVID-19 pandemic. However, the Council has determined that this uncertainty is not sufficiently clear to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities or reduce levels of service provision. This position will be clarified during 2020/21 and reflected in the Council's financial statements ending 31 March 2021.

Note 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 2020 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
Depreciation of Property, Plant & 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. Further, changes in circumstances such as technological advances, prospective economic utilisation and physical condition of the assets concerned could result in the actual useful lives differing from initial estimates. The outbreak of COVID-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not	Where the Council determines that the useful life of property, plant and equipment should be shortened, the revised remaining useful life, thereby increases the depreciation expense. Any change in an asset's life is reflected in the Council's accounts when the change in estimate is determined. The carrying value of assets in the balance sheet is £743m.

	possible to accurately predict the longevity and severity of the impact of COVID-19 on the economy. Therefore, values have been based on the situation prior to COVID-19, on the assumption that values will be restored when the market becomes more fluid. In applying the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards 2020 and RICS UK National Supplement ('Red Book'), the valuer has declared a 'material valuation uncertainty' in the valuation report used in carrying out this assessment. This is on the basis of uncertainties in markets caused by COVID-19. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Council.	
Fair Value Measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible	The Council uses Level 2 observable inputs for valuing its investment properties and surplus assets. The inputs are those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. Significant changes in any of the observable

	judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value. Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 14 and 17 below.	inputs would result in significantly lower or higher fair values.
Impairment allowance for doubtful debt	As at 31 March 2020, the Council has established provisions against its total debt base to reflect the likelihood of being able to recoup a proportion of the outstanding debt. It is not certain that this provision would be sufficient as the Council cannot assess with certainty which debts will be collected or not. The economic impact of the COVID-19 pandemic has made the estimation of debt recovery far more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts	An understatement of doubtful debts would lead to a future adjustment to be reflected. The provisions held are based on policies adapted to historic experience and success rates experienced in collection. The nature of the debt and service area have been considered and further review will need to be sustained in order to reflect the uncertainty of the collection rates as a result of COVID-19. If collection rates were to deteriorate then the Council would need to review its policies on the calculation of its debt provision.
Pensions	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and	The principal factors affecting the valuation of the pension liability are the discount rate and the longevity (mortality rate) assumptions:

	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 ongoing impact of the COVID-19 pandemic has created uncertainty surrounding illiquid asset values. As such, the Private Equity,Pension Fund property and infrastructure allocations as at 31 March 2020 are difficult to value.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption is likely to result in a significant decrease in the pension liability (£12,450m) but a 0.1% increase in the inflation assumption £12,630m or if longevity increases by 1 year £23,211m would result in a significant pensions liability increase. The value of the Pension Liability in the balance sheet is £167m.
Provision for Business Rates Appeals	The value of National Non-Domestic Rates (NNDR) income included in the accounts is reduced by a provision for the estimated value of appeals against valuation decisions. These estimates have been calculated using information from the Valuation Office Agency on outstanding appeals and experience of successful appeal rates..	If the provision for appeals was increased by 1% the resulting increase would be £753,952 shared across Central Government (25%), the GLA (27%) and London Borough of Bexley (48%)

Note 5 – Material Items of Income and Expenditure

During the 2019/20 Financial year, six schools transferred to Academies with a combined disposal value of £57.6m. These transactions are detailed in Note 14 under “Derecognition – other” and are reflected as appropriate within the Financial statements.

Note 6 – Events After the Reporting Period

The Director of Finance and Corporate Services authorised the Statement of Accounts on 5 March 2021. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Council has in place a private public partnership agreement for provision of its leisure centres. The Leisure Centres were closed on 20 March 2020 following Government instructions, which triggered a contractual Change in Law. This event has resulted in a number of contractual changes in the Leisure PPP Contract resulting in an increased financial exposure to the Council in the short term. The exact value can only be determined by the recovery of the leisure centres following the extended impact of the national lockdowns and other restrictions having been put in place since the year-end. It is estimated that in 2020/21 this will be £4.632m which will be funded through the non-ringfenced Government grant supporting the COVID pandemic. On current calculations a part year effect in 2021/22 is expected to be £2.076m

Note 7a - Note to the Expenditure and Funding Analysis

2018/19						2019/20			
Adjustments for Capital purposes	**IAS 19**	**Elimination of internal recharges and reclassification**	**Other Adjustments**	**Total Adjustments**		**Adjustments for Capital purposes**	**IAS 19**	**Other Adjustments**	**Total Adjustments**
£'000	**£'000**	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**
2,576	575	1,847	-	4,998	Chief Executive	1,930	324	-	2,254
14,860	1,969	(8,664)	(461)	7,704	Children & Education	28,083	1,037	-	29,120
931	1,185	(4,809)	-	(2,693)	Adults	(3,007)	1,907	-	(1,100)
18,209	720	(5,681)	-	13,248	Places, Community & Infrastructure	23,025	832	(339)	23,518
13	9,631	16,219	58	25,921	Finance & Corporate Services	10	8,236	24	8,270
36,589	**14,080**	**(1,088)**	**(403)**	**49,178**	**Net Cost of Services**	**50,041**	**12,336**	**(315)**	**62,062**
(25,381)	3,865	1,088	(2,735)	(23,163)	Other Income and Expenditure from the Funding Analysis	42,302	11,031	(2,848)	50,485
11,208	**17,945**	**-**	**(3,138)**	**26,015**	**Surplus or Deficit**	**92,343**	**23,367**	**(3,163)**	**112,547**

Adjustments for Capital purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service line.

- For other operating expenditure, it adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- For financing and investment income and expenditure, it adjusts for the statutory charges for capital financing and investment i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- For taxation and non-specific grant income and expenditure, capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net change for the pensions adjustments

This column adjusts for the net change for the renewal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income.

- For services, this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.

- For financing and investment income and expenditure, this adjusts for the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Other Statutory Adjustments

- Other statutory adjustments between amounts debited / credited to the Comprehensive Income and Expenditure Statement and amounts payable / receivable to be recognised under statute. For financing and investment income and expenditure the other differences column recognises adjustments to General Fund for the timing differences for premiums and discounts and financial instruments.

- The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and Non-Domestic Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference, as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Other Non-statutory Adjustments

Other non-statutory adjustments represent amounts debited/credited to service segments which need to be adjusted against the ‘Other income and expenditure from the Expenditure and Funding Analysis’ line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement:

- For financing and investment income and expenditure the other non-statutory adjustments column recognises adjustments to service segments, eg for interest income and expenditure and changes in the fair values of investment properties.
- For taxation and non-specific grant income and expenditure the other non-statutory adjustments column recognises adjustments to service segments, e.g. for unringfenced government grants.

7b. Segmental Income

Income received on a segmental basis is analysed below:

	Income from Serices 2018/19 £'000	Income from Services 2019/20 £'000
Adults	(41,419)	(41,421)
Children & Education	(105,148)	(100,298)
Places, Community & Infrastructure	(34,454)	(38,381)
Finance & Corporate Services	(97,065)	(88,054)
Chief Executive	(6,489)	(8,230)
Total Managed by Segments	(284,575)	(276,384)

Note 8 – Expenditure and Income Analysed by nature

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

2018/19 £'000	Nature of Expenditure or Income	2019/20 £'000
	Expenditure	
124,822	Employee benefits expenses	121,373
338,368	Other services expenses	354,103
(5,782)	Support service recharges	2,047
23,477	Depreciation, amortisation and impairment	26,538
(818)	Revaluation	2,846
13,692	Interest payments and other financing charges	31,576
8,741	Precepts, levies and concessions	8,759
(628)	Gain or loss on disposal of non-current assets	63,655
501,872	**Total Expenditure**	**610,897**
	Income	
(61,385)	Fees, charges and other service income	(86,154)
(9,283)	Interest and investment income	(13,254)
(156,495)	Income from council tax and non-domestic rates	(165,271)
(247,694)	Government grants and contributions	(231,083)
(474,857)	**Total Income**	**(495,762)**
27,015	**Surplus or Deficit on the Provision of Service**	**115,135**

Note 9 - Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2019/20	General Fund Balance	Earmarked Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'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	(26,313)	-	-	-	**26,313**
Revaluation (losses)/gain on Property, Plant and Equipment	(2,846)	-	-	-	**2,846**
Movements in the market value of Investment Properties	(6,237)	-	-	-	**6,237**
Amortisation of Intangible Assets	(225)	-	-	-	**225**
Deferred income written down	339	-	-	-	**(339)**
Reversal of Capital Grants credited to CIES	25,943	-	-	(25,943)	**-**
Capital Grants and Contributions Applied	-	-	-	33,128	**(33,128)**
Revenue expenditure funded from capital under Statute	(20,657)	-	-	-	**20,657**
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	(9,884)	-	-	-	**9,884**
Write out of non current assets - notional loss on academy transfers	(57,672)	-	-	-	**57,672**
Aborted scheme costs	-	-	-	-	**-**
Items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Voluntary provision for the financing of capital investment	8,722	-	-	-	**(8,722)**
Capital expenditure charged against the General Fund	903	-	-	-	**(903)**
Adjustments involving the Capital Receipts Reserve:					
Transfer of sale proceeds credited as part of the gain/ loss on disposal to the CIES	5,548	-	(5,548)	-	**-**
Amounts used to fund disposal costs of non current assets	-	-	-	-	**-**
Capital Receipts Reserve to finance capital expenditure	-	-	7,623	-	**(7,623)**
Contribution from the deffered capital receipts	-	-	-	-	**-**
Adjustment involving the Pooled Investment fund Adjustment Account					
Reversal of amounts credited to Comprehensive Income and expenditure account with respect to fair value of investments	(1,102)	-	-	-	**1,102**
Adjustments involving the Deferred Capital Receipts Reserve:					
Transfer of deferred sale proceeds	-	-	(583)	-	**583**
Write down of finance lease long term debtors	(15)	-	-	-	**15**
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	36	-	-	-	**(36)**
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(34,254)	-	-	-	**34,254**
Employer's pensions contributions and direct payments to pensioners payable in the year	10,887	-	-	-	**(10,887)**
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	(1,959)	-	-	-	**1,959**
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	-	-	-	-	**-**
Total Adjustments	**(108,786)**	**-**	**1,492**	**7,185**	**100,109**

2018/19	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	(23,149)	-	-	-	**23,149**
Revaluation (losses)/gain on Property, Plant and Equipment	818	-	-	-	**(818)**
Movements in the market value of Investment Properties	6,678	-	-	-	**(6,678)**
Amortisation of Intangible Assets	(329)	-	-	-	**329**
Deferred income written down	339	-	-	-	**(339)**
Reversal of Capital Grants credited to CIES	23,623	-	-	(23,623)	**-**
Capital Grants and Contributions Applied	-	-	-	24,280	**(24,280)**
Revenue expenditure funded from capital under Statute	(13,929)	-	-	-	**13,929**
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	(2,019)	-	-	-	**2,019**
Write out of non current assets - notional loss on academy transfers	-	-	-	-	**-**
Aborted scheme costs	-	-	-	-	**-**
Items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Voluntary provision for the financing of capital investment	8,531	-	-	-	**(8,531)**
Capital expenditure charged against the General Fund	1,281	-	-	-	**(1,281)**
Adjustments involving the Capital Receipts Reserve:					
Transfer of sale proceeds credited as part of the gain/ loss on disposal to the CIES	2,646	-	(2,646)	-	**-**
Amounts used to fund disposal costs of non current assets	-	-	-	-	**-**
Capital Receipts Reserve to finance capital expenditure	-	-	2,805	-	**(2,805)**
Contribution from the deffered capital receipts	-	-	-	-	**-**
Adjustment involving the Pooled Investment fund Adjustment Account					
Reversal of amounts credited to Comprehensive Income and expenditure account with respect to fair value of investments	635	-	-	-	**(635)**
Adjustments involving the Deferred Capital Receipts Reserve:					
Transfer of deferred sale proceeds	-	-	(1,892)	-	**1,892**
Write down of finance lease long term debtors	(11)	-	-	-	**11**
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	36	-	-	-	**(36)**
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(28,827)	-	-	-	**28,827**
Employer's pensions contributions and direct payments to pensioners payable in the year	10,882	-	-	-	**(10,882)**
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	2,735	-	-	-	**(2,735)**
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	403	-	-	-	**(403)**
Total Adjustments	**(9,657)**	**-**	**(1,733)**	**657**	**10,733**

Note 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 2019/20.

	Balance at 1 April 2018 £000	Movements 2018/19 £000	Balance at 31 March 2019 £000	Movements 2019/20 £000	Balance at 31 March 2020 £000
General Fund Reserves:					
Financial Planning Reserve	(7,726)	4,267	**(3,459)**	(2,406)	**(5,865)**
Financial Reserve	(5,957)	4,155	**(1,802)**	93	**(1,709)**
Information Technology Reserve	(2,019)	1,026	**(993)**	(887)	**(1,880)**
Insurance Reserve	(4,302)	19	**(4,283)**	25	**(4,258)**
Reorganisation Reserve	(3,727)	-	**(3,727)**	107	**(3,620)**
Transformation Reserve	(8,387)	2,923	**(5,464)**	4,284	**(1,180)**
Collection Fund Reserve	-	-	**-**	(2,119)	**(2,119)**
COVID-19 Grant Reserve	-	-	**-**	(6,022)	**(6,022)**
Broadway Shopping Centre Reserve	(502)	234	**(268)**	143	**(125)**
Dedicated Schools Grant (Centre-DSG)	(892)	3,748	**2,856**	5,190	**8,046**
Individual Schools Budget (ISB)	(3,252)	(646)	**(3,898)**	59	**(3,839)**
Other Earmarked Reserves	(4,684)	485	**(4,199)**	1,924	**(2,275)**
Revenue Grants Unapplied Amount	(5,536)	147	**(5,389)**	3,369	**(2,020)**
Total Earmarked Reserves	**(46,984)**	**16,358**	**(30,626)**	**3,760**	**(26,866)**
General Fund	(13,732)	1,000	**(12,732)**	2,589	**(10,143)**
Total General Fund Reserves	**(60,716)**	**17,358**	**(43,358)**	**6,349**	**(37,009)**

(i) **Financial Planning Reserve** The purpose of this reserve is to provide a resource with which to deal with the uncertainties in the forward financial planning process arising from further reductions in Government grant.

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

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

(iv) **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.

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

(vi) **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.

(vii) **Collection Fund Reserve reserve** to provide a means to manage fluctuations in the amount of income collected through council tax and business rates

(viii) **COVID 19 Grant Reserve** ringfenced to fund the additional costs incurred as a result of the Coronavirus pandemic

(ix) **Broadway Shopping Centre Reserve** This reserve provides for a Council contribution towards the refurbishment of the Broadway Shopping Centre.

(x) **Dedicated Schools Grant** This reserve is ringfenced to funding schools budget , the balance is currently a negative balance .

(xi) **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.

(xii) **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.

(xiii) **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.

Note 11 - Other Operating Expenditure

2018/19 £000		2019/20 £000
779	Levies	777
(627)	Gains/losses on the Disposal of Non-Current Assets	62,008
152	**Total Other Operating Expenditure**	**62,785**

Note 12 - Financing and Investment Income and Expenditure

2018/19 £'000		2019/20 £'000
9,827	Interest payable and similar charges	10,631
3,865	Pensions interest cost and expected return on pensions assets	11,031
(1,952)	Interest receivable and similar income	(3,788)
(635)	Financial Assets measured at fair value through Profit and Loss	449
1,918	Impairment Losses on Debtors	-
(6,678)	Income and expenditure in relation to investment properties and changes in their fair value	6,237
6,345	**Total**	**24,560**

Note 13 - Taxation and Non-Specific Grant Income

2018/19 £000		2019/20 £000
(106,498)	Council Tax Income	(112,988)
(49,997)	Business Rates (Retained Share)	(46,432)
(9,776)	General Government Grants	(20,513)
(23,623)	Capital Grants and Contributions	(25,943)
(189,894)	**Total**	**(205,876)**

13a. Grant Credited to Net cost of Services

The following Government Grants were credited to Net Cost of Services:

2018/19 £'000	Grant	Service	2019/20 £'000
(9,695)	Public Health Grant	Adults & Public Health	(9,439)
(4,693)	Improved Better Care Fund	Adults & Public Health	(8,766)
0	Other Adults social care grants and contributions	Adults & Public Health	(10,349)
(2,194)	Pupil Premium	Children and Education	(2,108)
0	Other Education grants	Children and Education	(10,545)
(75,848)	Dedicated Schools Grant	Children and Education	(70,387)
0	PE & Sports Grant	Children and Education	(1,555)
(1,131)	Universal Infants Free School Meals	Children and Education	(1,078)
(3,056)	Private Finance Initiative (PR) Grant	Children and Education	(3,053)
(89,431)	Rent Allowance: Subsidy	Finance and Corporate Services	(76,946)
(1,973)	Flexible Homelessness Support Grant	Places and Community and Infrastructure	(1,839)
(3,708)	Other Grants and Contributions	Places and Community and Infrastructure	(3,784)
(191,729)	**Total Grant Credited to the Net Cost of Service**		**(199,849)**

The following grants were credited to Taxation and non Specific Grant Income

2018/19 £'000		2019/20 £'000
	General Government Grants:	
-	Adults and Childrens Social care grant	(1,586)
(3,881)	Business Rates Relief Grant	(5,070)
-	COVID-19 Grant	(6,022)
	Improved Better Care Fund Grant	(2,865)
(2,588)	New Homes Bonus	(1,741)
(700)	Housing Benefit Administration	(629)
-	Homelessness Support Grant	(2,016)
(2,607)	Other Grants	(584)
(9,776)	**Total**	**(20,513)**
	Capital Grants and Contributions:	
(3,799)	Education Basic Needs Grant	(1,565)
(506)	Devolved Formula Grant	(99)
(1,711)	Condition Funding/Primary Modernisation	(1,647)
(3,735)	ESFA SEN Funding	(9,155)
(2,278)	Transport for London	(1,100)
-	CIL funding	(2,907)
(4,554)	Peabody Funding	(3,336)
(598)	GLA Funding	(143)
(2,738)	Renovation Grants	(2,613)
(2,450)	Affordable Housing Contribution	(1,390)
-	Cross Rail	(1,705)
(1,252)	Other	(283)
(23,623)	**Total**	**(25,943)**

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 giver. The balances at the year-end are as follows:

13b. Grants Receipts in Advance

2018/19 £'000		2019/20 £'000
(1,540)	Devolved Formula Grant	(1,540)
(6,531)	Section 106	(4,880)
(1,234)	Other	(37)
(9,305)	**Total**	**(6,457)**

Note 14 - Property, Plant and Equipment

Property Plant and Equipment 2019/20	Other Land and Buildings £'000	Vehicles Plant & Equipment £'000	Infrastructure Assets £'000	Communi ty Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Heritage Operational Assets £'000	Total Property, Plant & Equipment £'000	PFI Assets in Property, Plant & Equipment £'000
Cost or Valuation									
at 1 April 2019	547,304	17,681	263,598	9,260	21,213	11,202	8,890	**879,148**	52,857
Additions and Enhancements	12,214	5,792	10,949	294	44	2,162	36	**31,491**	501
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(6,601)	-	-	-	(1,033)	-	12,325	**4,690**	20,687
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,564)	-	-	-	(282)	-	-	**(2,846)**	-
Derecognition – disposals	(783)	-	-	-	(8,720)	(380)	-	**(9,883)**	-
Derecognition - other	(60,847)	(1,611)	-	-	-	(102)	-	**(62,560)**	(219)
Other reclassifications	(12,026)	-	5,807	-	4,072	4,114	-	**1,967**	-
at 31 March 2020	**476,697**	**21,862**	**280,354**	**9,554**	**15,294**	**16,996**	**21,251**	**842,007**	**73,826**
Accumulated Depreciation and Impairment	13,244	7,393	83,434		182			**104,253**	1,164
at 1 April 2019									
Depreciation charge	17,540	2,022	6,591	-	161	-	-	**26,314**	3,439
Depreciation written out to the Revaluation Reserve	(25,535)	-	-	-	(629)	-	-	**(26,164)**	(3,142)
Derecognition - other	(3,277)	(1,611)	-	-	-	-	-	**(4,888)**	(219)
Other reclassifications	(296)	-	-	-	286	-	-	**(10)**	-
at 31 March 2020	**1,676**	**7,804**	**90,025**	**-**	**-**	**-**	**-**	**99,505**	**1,242**
Net Book Value									
at 31 March 2020	**475,021**	**14,058**	**190,329**	**9,554**	**15,294**	**16,996**	**21,251**	**742,502**	**72,584**
at 31 March 2019	**534,060**	**10,288**	**180,164**	**9,260**	**21,031**	**11,202**	**8,890**	**774,895**	**51,693**

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

Operation heritage property assets are valued annually on a replacement cost basis. In 2019/20 specialist valuers, Barrett Corp & Harrington Ltd, (BCH), were engaged to complete these. Although the valuation basis remains the same, the BCH estimation of the costs to reconstruct the assets does, in some cases, differ significantly from the Council's previous estimation due to their access to more detailed and specific information. The net impact of this on the valuation of operational heritage assets is an upwards valuation of £12.325m.

Property Plant and Equipment 2018/19	Other Land and Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Heritage Operational Assets	Total Property, Plant & Equipment	PFI Assets in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
at 1 April 2018	494,111	16,627	252,052	7,906	10,642	18,676	-	**800,012**	48,383
Additions and Enhancements	11,963	1,728	6,844	484	131	6,740	-	**27,890**	227
Revaluation increases/(decreases) recognised in the Revaluation Reserve	36,343	-	-	(34)	11,588	-	-	**47,898**	2,459
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	454	-	-	-	32	-	-	**486**	2,065
Derecognition – disposals	(1,935)	(137)	-	-	-	-	-	**(2,072)**	-
Derecognition - other	-	(536)	-	-	-	(8)	-	**(544)**	(276)
Other reclassifications	6,368	-	4,702	904	(1,180)	(14,205)	8,890	**5,479**	-
at 31 March 2019	**547,304**	**17,681**	**263,598**	**9,260**	**21,213**	**11,202**	**8,890**	**879,149**	**52,857**
Accumulated Depreciation and Impairment									
at 1 April 2018	29,140	5,716	77,133	-	886	-	-	**112,875**	12,129
Depreciation charge	14,335	2,275	6,301	-	237	-	-	**23,149**	2,391
Depreciation written out to the Revaluation Reserve	(29,559)	-	-	-	(698)	-	-	**(30,257)**	(13,081)
Depreciation written out to the Surplus on the Provision of Services	(275)	-	-	-	(57)	-	-	**(332)**	-
Derecognition – disposals	-	(62)	-	-	-	-	-	**(62)**	-
Derecognition - other	-	(536)	-	-	-	-	-	**(536)**	(276)
Other reclassifications	(399)	-	-	-	(185)	-	-	**(584)**	
at 31 March 2019	**13,244**	**7,393**	**83,434**	**-**	**182**	**-**	**-**	**104,253**	**1,163**
Net Book Value									
at 31 March 2019	**534,061**	**10,288**	**180,164**	**9,260**	**21,031**	**11,202**	**8,890**	**774,895**	**51,694**
at 31 March 2018	**464,971**	**10,911**	**174,919**	**7,906**	**9,756**	**18,676**	**-**	**687,138**	**36,254**

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:

2018/19 £'000		2019/20 £'000
19,070	Schools Expansion	3,837
755	Street Services Fleet Replacement	2320
1,850	Abbey Wood Station Public Realm Improvements	-
309	Erith Regeneration	316
2,266	Temporary Accommodation Purchase	111
-	Investment /future developments	16,599
1,561	Harrow Manor Way Scheme	1,006
2,700	Affordable Housing	690
28,511	**TOTAL**	**24,879**

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, all properties valued at over £1m and any other properties subject to a significant change during the year are revalued. All valuations were carried out by external valuers Wilkes Head and Eve.

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.

All Surplus assets were also revalued to fair value, highest and best use in accordance with IFRS 13.

The Valuer has arrived at their opinion of Current Value and Fair Value from referring to recent comparable market transactions and are of the view that there are no assets within the portfolio which should be classed at Level 3 in the Fair Value hierarchy.

For Specialised properties the Current Value has been derived using Depreciated Replacement Cost methodology.

PPE analysis showing those assets held at cost and those at valuation sub divided by last revaluation date as at 31/03/2020

	Other Land & Building £'000	Vehicles, Plant & Equip £'000	Infrastructure £'000	Community £'000	Surplus £'000	AUC £'000	Operational Heritage £'000	Total PPE £'000
Carried at historic cost	-	14,058	190,329	9,554	-	16,996	-	230,937
Values at Fair value as at								
31st March 2020	393,477	-	-	-	15,294	-	21,251	430,022
31st March 2019	67,731	-	-	-	-	-	-	67,731
31st March 2018	2,886	-	-	-	-	-	-	2,886
31st March 2017	10,814	-	-	-	-	-	-	10,814
31st March 2016	112	-	-	-	-	-	-	112
Total Cost or Valuation	**475,020**	**14,058**	**190,329**	**9,554**	**15,294**	**16,996**	**21,251**	**742,502**

Material Uncertainty Disclosure

In applying the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards 2020 and RICS UK National Supplement (‘Red Book’), the valuer has declared a ‘material valuation uncertainty’ in the valuation report used in carrying out this assessment. This is on the basis of uncertainties in markets caused by COVID-19. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Council.

Property Plant & Equipment

Of the £490.3m net book value of PPE land and buildings subject to valuation, £334.7m relates to specialised assets valued on a depreciated replacement cost basis. Here the valuer bases their assessment on the cost to the Council of replacing the service potential of the assets. At the current time the Council considered that it is too early to assess whether there would be any long-term impact on the use or demand for Council properties as a result of Covid-19 and also too early to assess whether there would be any material effect on construction costs.

The remaining assets in this class comprises properties valued on an existing use or highest and best basis, which has regard to market evidence. Whilst it is widely predicted that the measures taken by the Government to contain the impact of Covid-19 will impact on the economy and possibly the property market, as at 31 March 2020 it is too early to be able to measure with any reliability this impact.

The Council therefore concludes that the measurement of its PPE assets is materially accurate as at 31 March 2020, but that the situation will be closely monitored and any changes in value that take place over the coming months will be reflected in the 2020/21 accounts.

Note 15 – Heritage Assets

	Museum Collection £'000	Hall Place House £'000	Granary £'000	Danson House £'000	Danson House Exhibits £'000	Bexleyheath & Crayford Clock Tower £'000	Five Arches Bridge £'000	Public Art £'000	Civic Regalla £'000	Total Heritage Assets £'000
Balance as at 1 April 2019	404	20,000	41	-	242	300	4,906	486	262	26,641
Additions	-	130	1	-	-	92	-	-	-	223
Disposals	-	-	-	-	-	-	-	-	-	-
Revaluations	-	3,128	92	-	-	389	(3,999)	-	-	(390)
Reclassifications & Transfers	-	-	1	-	(1)	-	-	-	-	-
At 31 March 2020	**404**	**23,258**	**135**	**-**	**241**	**781**	**907**	**486**	**262**	**26,474**
Balance as at 1 April 2018	404	25,130	37	8,072	242	273	4,460	486	262	39,366
Additions	-	262	-	10	-	-	-	-	-	272
Disposals	-	-	-	-	-	-	-	-	-	-
Revaluations	-	(5,392)	4	808	-	27	446	-	-	(4,107)
Reclassifications & Transfers	-	-	-	(8,890)	-	-	-	-	-	(8,890)
At 31 March 2019	**404**	**20,000**	**41**	**-**	**242**	**300**	**4,906**	**486**	**262**	**26,641**

Additional information regarding Heritage Assets is shown on the following page

15. Heritage Assets (contd.)

Revaluations

Heritage property assets are valued annually (last valued at 31/03/2020) on a replacement cost basis. In 2019/20 specialist valuers Barrett Corp & Harrington Ltd, (BCH), were engaged to complete the valuations. Although the valuation basis remains the same, the BCH estimation of the costs to reconstruct the assets does, in some cases, differ significantly from the Council's previous estimation due to their access to more detailed and specific information. The net impact of this on the valuation of heritage assets is a downwards valuation of £0.39m.

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.

Historic Buildings

The Council owns two Grade 1 listed historic buildings, Danson House and Hall Place. These buildings are valued on a replacement cost basis. Due to their specialist nature Barrett Corp & Harrington Ltd specialist valuers have been engaged.

Danson House is currently being used by the Registrar Service and so is classified as an Operational Heritage Asset and its value included within Operational Property, Plant and Equipment, (note 14).

Historic Structures and Monuments

The Council owns two Grade II listed clocktowers in Bexleyheath and Crayford. These buildings were are valued regularily on a replacement cost basis.

Five Arches Bridge is also owned by the Council, this structure is all that remains of the Foots Cray Estate and has historical significance. It is valued on a replacement cost basis.

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. All capitalised building maintenance budgets are the responsibility of the Director of Finance and Corporate Services, in the Finance and Corporate 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 Resources for approval.

Civic Regalia

The Civic Regalia Collection has been valued for insurance purposes and reported in the Balance Sheet.

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.

Note 16 - Investment Properties

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

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure

2018/19 £'000		2019/20 £'000
(2,920)	Rental income from investment property	(3,504)
74	Direct operating expenses from investment property	1,028
(2,846)		**(2,476)**

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

2018/19 £'000		2019/20 £'000
55,892	Balance at 1 April	91,307
25,072	Additions and Enhancement Expenditure	-
838	Subsequent Expenditure	45
-	Disposals	-
6,678	Net gains/losses from fair value adjustments	(6,237)
2827	Transfers: to/from Property Plant and Equipment	(1,977)
91,307	**Balance at the end of the year**	**83,138**

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.

Investment Property

The values in the Valuer's report have also been used to inform the measurement of the Council's investment properties. A significant part of the Council's investment portfolio is in retail property which was already experiencing a change in occupier demand in the 'High Street' prior to the Covid-19 pandemic and this change has been reflected in the valuations provided. However, on the specific issue of Civid-19 the Council considers that it is too early to assess with any certainty the longer-term effects on the retail market and therefore the Council concludes that its measurement of investment properties as at 31 March 2020 is materially accurate. However, like for PPE assets, the situation will be closely monitored over the coming 12 months.

Note 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 £0.225m charged to revenue in 2019/20 (£0.329m in 2018/19) 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.

2018/19 £'000	Balance at 1 April	2019/20 £'000
2,567	Gross Carrying Amounts	2,798
(1,882)	Accumulated Amortisation	(2,211)
685	**Net carrying amount at start of year**	**587**
	Additions	
231	Purchases	223
(329)	Amortisation	(225)
587	**Net carrying amount at the end of the year**	**585**
	Comprising	
2798	Gross Carrying Amount	3,021
(2,211)	Accumulated Amortisation	(2,436)
587		**585**

Note 18 - Financial Instruments

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

Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. These are reported at amortised costs.

Level 2 are those other than quoted prices included in level1 that are observable for the asset or liability, either directly or indirectly. They are reported at fair value through profit and loss.

Level 3 unobservable inputs for the asset or liability.

18a. Financial Instrument – Balances

Some of the Council’s financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

31 March 2019			Category of Financial Instrument	31 March 2020		
Long Term	Current	Total	Financial Assets	Long Term	Current	Total
£'000	£'000	£'000		£'000	£'000	£'000
3,000	253	3,253	Amortised Cost – Level 2	9,552	257	9,809
28,308	19	28,327	Current value through profit and loss – Level 2	12,538	67	12,605
31,308	**272**	**31,580**	**Total Investments**	**22,090**	**324**	**22,414**
7,297	12,407	19,704	Debtors – Level 1	10,464	22,653	33,117
-	5,256	5,256	Cash and Cash Equivalents – Level 1	-	19,946	19,946
38,605	**17,935**	**56,540**	**Total Financial Assets**	**32,554**	**42,923**	**75,477**

31 March 2019			Financial Liabilities	31 March 2020		
Long Term	Current	Total		Long Term	Current	Total
£'000	£'000	£'000		£'000	£'000	£'000
(202,061)	(3,292)	(205,353)	Amortised cost – Level 1	(223,051)	(14,717)	(237,768)
(31,629)	(2,435)	(34,064)	PFI and Finance Lease Liabilites – Level 2	(29,496)	(2,150)	(31,645)
-	(21,804)	(21,804)	Creditors – Level 1	-	(19,608)	(19,608)
-	(4,814)	(4,814)	Cash and Cash Equivalents – Level 1	-	(5,222)	(5,222)
233,690	**32,345**	**266,035**	**Total Financial Liabilites**	**(252,547)**	**(41,697)**	**(294,242)**

18b. Financial Assets and Liabilities that are carried at Amortised cost for which fair value disclosures are required:

Fair Value of Assets and Liabilities carried at Amortised Cost

31 March 2019 Carrying Amount	31 March 2019 Fair Value	Financial Liabilities	31 March 2020 Carrying Amount	31 March 2020 Fair Value
£'000	£'000		£'000	£'000
205,353	313,130	Financial Liabilities	237,768	411,018
24,858	41,137	PFI and Finance Lease Liabilities	23,313	41,637

The fair value of £411m is measured at the pre-mature repayment rate. For other financial liabilities carried at amortised cost, carrying value are deemed to equate to their fair value

31 March 2019 Carrying Amount	31 March 2019 Fair Value	Financial Assets	31 March 2020 Carrying Amount	31 March 2020 Fair Value
£'000	£'000		£'000	£'000
3,000	3,355	Loans (Bonds)	3,114	3,252
500	501	Cash and Cash Equivalents (MMF)	15,400	15,400

For other financial Assets carried at amortised cost, carrying value are deemed to equate to their fair value

18c. Categories of financial assets and liabilities

Investments		Debtors		Total	Financial Assets	Investments		Debtors		Total
Non-Current	Current	Non-Current	Current			Non-Current	Current	Non-Current	Current	
31 Mar 19	31 Mar 19	31 Mar 19	31 Mar 19	31 Mar 19		31 Mar 20	31 Mar 20	31 Mar 20	31 Mar 20	31 Mar 20
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
28,308	-	-	-	28,308	Fair value through profit and loss	12,538	67	-	-	12,605
3,114	272	7,297	12,407	23,090	Amortised Cost	9,552	257	10,464	42,599	62,872
31,422	272	7,297	12,407	**51,398**	**Total financial assets**	22,090	324	10,464	42,599	75,477

Borrowing		Creditors		Total	Financial Liabilities	Borrowing		Creditors		Total
Non-current	Current	Non-current	Current			Non-current	Current	Non-current	Current	
31 Mar 19	31 Mar 19	31 Mar 19	31 Mar 19	31 Mar 19		31 Mar 20	31 Mar 20	31 Mar 20	31 Mar 20	31 Mar 20
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
(202,061)	(3,292)	(31,629)	(29,053)	(266,035)	Amortised Cost	(223,051)	(14,717)	(29,496)	(26,980)	(294,242)
(202,061)	**(3,292)**	**(31,629)**	**(29,053)**	**(266,035)**	**Total Financial Liabilites**	**(223,051)**	**(14,717)**	**(29,496)**	**(26,980)**	**(294,242)**

This note shows the adjustments made to impairment loss allowances as a result of the reclassification of financial assets and the change from the incurred losses model for calculations.

18d. Comprehensive Income and Expenditure Statement disclosures

The gains and losses recognised in the Comprehensive Income and Expenditure statement in relation to financial instruments are made up of the following:

	Surplus or Deficit on the Provision of 2019/20 £'000
Net gains/losses on:	
financial assets measured at fair value through profit or loss – Realised gain	(1,064)
financial assets measured at fair value through profit or loss – Unrealised loss	449
financial assets measured at amortised cost	-
investments in equity instruments designated at fair value through other comprehensive income	-
financial assets measured at fair value through other comprehensive income	
financial liabilities measured at fair value through profit or loss	-
financial liabilities measured at amortised cost	-
Total net gains/losses	**(615)**

The disposal of two diversified growth funds on 6 March 2020 resulted in an in-year gain of £1.064m. The in-year unrealised loss (£0.449m) resulted from the revaluation of the property pooled funds. The revenue impact of unrealised gains/losses are transferred out of the CI&E and held in the Pooled Investment Fund Adjustment Account (PIFAA), in accordance with the IFRS9 statutory override.The in-year gain of £1.064m combined with £0.653m apportionment from the PIFAA for previous years' gain resulted in a total crystallised gain of £1.717m being realised.

Interest revenue:	
financial assets measured at amortised cost	(208)
other financial assets measured at fair value through other comprehensive income	(577)
Total interest revenue	**(785)**
Impairment losses based on 12 month loss model	**-**

Note 19 - Inventories

The table below provides details on the level of inventories balances set out in the Balance sheet.

2018/19 £'000		2019/20 £'000
1,613	Balance outstanding at start of year	2,526
1,940	Purchases	493
(1,027)	Recognised as an expense in the year	(242)
2,526	**Balance Outstanding at Year End**	**2,777**

A stocktake was originally planned for 27 March 2020, but was postponed on 24 March 2020 due to operational changes required to react to the Coronavirus (COVID-19) pandemic.

Note 20 - Debtors

An analysis of the debtors balance is shown below

Note 20a – Short Term Debtors

2018/19 £'000	Short Term Debtors	2019/20 £'000
33,202	Trade receivables	33,803
17,678	Prepayments	7,857
10,431	Other receivable amounts	14,580
61,311	**Total Short-Term Debtors**	**56,240**

The total short term debtors is shown net of impairment loss provision of £20.2m (2018/19 £19.4m)

Note 20b – Long Term Debtors

2018/19 £'000	Long Term Debtors	2019/20 £'000
2,498	Finance Leases	3,089
457	Thames Innovation Centre	452
91	Cleeve Park Loan	122
3,499	Serco	2,333
300	Bexley Co	3,608
-	Other	475
452	Mortgages	385
7,297	**Total Long-Term Debtors**	**10,464**

Note 20c - Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows;

2018/19 £'000	Debtors For Local Taxation	2019/20 £'000
4,382	Less than one year	5,961
4,896	One to two years	4,019
1,512	Two to three years	3,040
11,125	More than three years	17,227
21,914	**Total Debtors**	**30,247**

Note 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:

2018/19 £'000	Cash and Cash Equivalents	2019/20 £'000
4,756	Cash at Bank	4,546
500	Cash equivalents	15,400
5,256	**Cash and Cash Equivalents**	**19,946**
(4,814)	Cash and Cash Equivalents overdrawn	(5,222)
442	**Total Cash and Cash Equivalents**	**14,724**

Note 22 - Creditors

The table below provides details on the level of creditor balances set out in the Balance Sheet.

2018/19 £'000	Short term Creditors	2019/20 £'000
(19,731)	Trade payables	(16,954)
(20,074)	Other payables	(22,226)
(39,805)	**Total Creditors**	**(39,180)**

Note 23 - Provisions

Provisions are amounts set aside to meet future material liabilites of uncertain timing and amount

2019/20	Social Services	Insurance	Business Rates Appeals	Others	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	(760)	(2,227)	(5,056)	(1,600)	(9,643)
Increase/decrease in provision	-	(1,170)	-	1,450	280
Utilised during year	760	1,209	1,437	(915)	2,491
Balance at 31 March 2020	**-**	**(2,188)**	**(3,619)**	**(1,065)**	**(6,872)**
Short Term Provision	-	-	(3,619)	(1,065)	(4,684)
Long Term Provision	-	(2,188)	-	-	(2,188)
Balance at 31 March 2020	**-**	**(2,188)**	**(3,619)**	**(1,065)**	**(6,872)**

Insurance Provision

The Council operates an Insurance Provision. This is funded from contributions from revenue accounts and isused to pay the external insurance premium. The balance is maintained on the Insurance Provision and isused 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	£1,250,000
Motor	£25,000	£100,000
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.

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 2019/20 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.

Social Services

In prior years at the end of each year an estimate is made of outstanding adult placement unresolved charges and a provision has been made in the accounts to meet such liabilities . Processes for identifying the liabilities have since been improved and as a result the provision has been written back to revenue as no longer required.

Other

This heading includes movements on provisions for discounted PCNs, early retirement/redundancy, and charges for holiday pay.

Note 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 theLocal 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.

2018/19 £'000		note	2019/20 £'000
(12,732)	General Fund	10	(10,143)
(30,626)	Earmarked Reserves	10	(26,866)
(1,892)	Capital Receipts Reserve		(400)
(12,684)	Capital Grants Unapplied		(5,499)
(57,934)	**Total Usable Reserves**		**(42,908)**

24a - Usable Capital Receipts Reserve

The capital receipts are income from the sale of long-term assets and repayments of capital advances.

2018/19 £'000	Capital Receipts Reserve	2019/20 £'000
(159)	Balance 1 April	(1,892)
(1,892)	Transfer from Deferred capital receipts	(583)
(2,646)	Sale of other land and building	(5,548)
(4,538)	**Total Receipts**	**(6,131)**
2,805	Capital Receipts used for financing	7,623
(1,892)	**Balance 31 March**	**(400)**

24b - Capital Grants Unapplied

The Capital Grants Unapplied Account holds the grants and contributions received that have not yet been utilised on the capital projects to which they relate. The grants are not assumed to have any conditions attached that would trigger a repayment to the original provider.

2018/19 £'000	Capital Grants Unapplied	2019/20 £'000
(13,341)	Balance 1 April	(12,684)
(23,623)	Capital Grants in year	(25,943)
24,280	Capital Grants used for financing	33,128
(12,684)	**Balance 31 March**	**(5,499)**

Note 25 - Unusable Reserves

2018/19 £'000		note	2019/20 £'000
(359,627)	Revaluation Reserve	25a	(331,128)
(270,719)	Capital Adjustment Account	25b	(256,560)
1,299	Financial Instruments Adjustment Account	25c	1,263
(6,295)	Deferred Capital Receipts Reserve	25d	(5,697)
194,484	Pension Reserve	25e	167,053
(8,693)	Collection Fund Adjustment Account	25f	(6,734)
(635)	Pooled Investment Fund Adjustment Account		467
1,751	Accumulated Absences Account	25g	1,751
(448,434)	**Total**		**(429,585)**

25a - 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 are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

2018/19 £'000	Revaluation Reserve	2019/20 £'000
(291,792)	**Balance at 1 April**	**(359,627)**
(74,047)	Upward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(30,462)
6,212	Difference between fair value depreciation and historical cost depreciation	9,541
-	Accumualted gains on assets sold or scrapped	49,420
(359,627)	**Balance 31 March**	**(331,128)**

25b - Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. 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.

2018/19 £'000		2019/20 £'000
(259,203)	**Balance 1 April**	(270,719)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
23,149	Charges for depreciation of non-current assets	26,313
(818)	Revaluation (gains)/losses on non-current assets	2,846
329	Amortisation of intangible assets	225
(339)	Deferred income written down	(339)
13,929	Revenue expenditure funded from capital under statute	20,657
2,019	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	18,136
38,269	**Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement**	**67,838**
(6,212)	Adjusting Amounts written out of the Revaluation Reserve	(9,541)
32,057	**Net written out amount of the cost of non-current assets consumed in the year**	**58,297**
	Capital financing applied in the year:	
(2,803)	Use of Capital Receipts Reserve to finance new capital expenditure	(7,623)
(8,182)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(24,292)

(16,098)	Application of grants to capital financing from the Capital Grants Unapplied Account	(8,835)
(8531)	Provision for the financing of capital investment charged against the General Fund	(8,722)
(1281)	Capital expenditure charged against the General Fund	(903)
(36,895)	**Capital financing applied in year**	**(50,375)**
(6,678)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	6,237
(270,719)	**Balance 31 March**	**(256,560)**

25c – Financial Instrument Adjustment 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

2018/19 £'000		2019/20 £'000
1,518	**Balance at 1 April**	**1,299**
(183)	Write out change in impairment value of investment	-
(36)	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)
-	Accumualted gains on assets sold or scrapped	-
1,299	**Balance 31 March**	**1,263**

25d - Deferred Capital Receipts Reserve

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

2018/19 £'000		2019/20 £'000
(8,198)	Balance 1 April	(6,295)
1,892	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	583
11	Write down of finance Lease Long Term Debtor	15
(6,295)	**Balance 31 March**	**(5,697)**

25e - Pension Reserve

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

2018/19 £'000		2019/20 £'000
168,665	**Balance 1 April**	194,484
7,874	Actuarial (gains)/losses on pensions assets & liabilities	(42,576)
28,827	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	26,032
(10,882)	Employer's pensions contributions and direct payments to pensioners payable in the year	(10,887)
194,484	**Balance 31 March**	**167,053**

25f - 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.

2018/19 £'000		2019/20 £'000
(5,958)	Balance 1 April	(8,693)
(2,735)	Amount by which council tax and non-domestic 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	1,959
(8,693)	**Balance 31 March**	**(6,734)**

25g - Accumulated Absences Account

The Accumulated Absences Account absorbs the difference 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.

2018/19 £'000		2019/20 £'000
2,154	**Balance 1 April**	**1,751**
(2154)	Settlement or cancellation of accrual made at the end of the preceding year	(1,751)
1751	Amounts accrued at the end of the current year	1,751
1,751	**Balance 31 March**	**1,751**

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

2018/19 £'000	Description	2019/20 £'000
(27,015)	**Net deficit on the provision of services**	(115,135)
23,149	Depreciation	26,313
(818)	Revaluation charged to the Comprehensive Income and Expenditure Statement	2,846
329	Amortisation	225
-	Movement in Impairment Allowance	-
17,876	Movement in Debtors	4,988
(7,937)	Movement in Creditors	(579)
(913)	Movement in Inventories	(251)
17,945	Pension Liability	23,366
2,019	Carrying Amount of Non-Current Assets sold	67,556
3,779	Movement in Provisions	(2,771)
(6,678)	Movement in the value of Investment Properties	6,238
(635)	Financial Instruments Adjustments	(449)
13,930	Other Non-Cash Adjustments	(384)
62,046	**Total Adjustments for Non-Cash Transactions**	127,098
(26,269)	Investing and Financing Activities Adjustments to Net Surplus on the Provision of Services	(32,555)
35,777	**Net Cash Flows from Operating Activities**	**(20,592)**

Note 27 - Cash Flow Statement – Investing Activities

2018/19 £'000		2019/20 £'000
(68,232)	Purchase of Property, Plant and Equipment and Intangible Assets	(31,760)
167	Purchase of Short-Term Investments and Long-Term Investments	(6,103)
22,536	Other payments/receipts	(3,402)
2,646	Other Receipts from Investing Activities	23,162
	Proceeds from short and long term investments	16,385
-	Proceeds from the sale of Property, Plant and Equipment and Non-Current Assets	6,131
(42,883)	**Net Cash Flows from Investing Activities**	**4,413**

Note 28 - Cash Flow Statement – Financing Activities

2018/19 £'000		2019/20 £'000
32,620	Net cash received of Short-Term Borrowings and Long-Term Borrowings	32,369
(2,436)	Cash Payments to reduce Finance Lease and PFI Liabilities	(2,149)
218	Other payments for financing activities	241
30,402	**Net Cash Flows from Financing Activities**	**30,461**

Note 29 – Pooled Budgets

The Council operated pooled funds with Bexley NHS Clinical Commissioning Group (CCG) to support integration of health and social care services. The funds were administered under an agreement based on Section 75 of the National Health Service Act 2006. Contributions from the parties and expenditure and income for the year are summarised below.

London Borough of Bexley was the host for the Learning Disability and Community Equipment Pooled Funds and Bexley NHS CCG for the Mental Health Pooled Fund. Each party accounted for its own transactions within the Better Care Fund pooled budget.

2018/19				2019/20		
Mental Health	Learning Disability	Community Equipment		Mental Health	Learning Disability	Community Equipment
£'000	£'000	£'000		£'000	£'000	£'000
			Income			
2,768	20,100	610	London Borough of Bexley contribution	2,810	20,235	759
8,951	867	975	Bexley CCG contribution	9,517	867	1,035
-	2,552	-	Other Income	-	3,564	-
11,719	**23,519**	**1,585**	**Gross Income**	**12,327**	**24,666**	**1,794**
			Expenditure			
-	18,250	-	Residential and Supported Living Services	-	18,614	-
-	1,904	-	Day Care Services	-	1,972	-
11,503	-	-	Acute Services	12,205	-	-
-	2,032	1,585	Community Services	-	2,359	1,794
-	1,333	-	Other Expenditure	-	1,721	-
11,503	**23,519**	**1,585**	**Gross Expenditure**	**12,205**	**24,666**	**1,794**
216	-	-	**Surplus (+) / deficit (-) for the year**	**122**	**-**	**-**
(587)	-	242	Surplus (+) / deficit (-) brought forward	-	-	52
(371)	-	(190)	Use of surplus to support Adult Social Care expenditure			
-	**-**	**52**	**Surplus (+) / deficit (-) carried forward**	**-**	**-**	**52**

2018/19 £'000	Better Care Fund	2019/20 £'000
	Income	
2,422	Disabled Facilities Grant	2,613
4,693	Improved Better Care Fund	5,493
-	Winter Funding	928
524	LB Bexley additional contribution	1,054
14,850	NHS Bexley CCG minimum contribution	15,917
1,286	NHS Bexley CCG additional contribution	827
23,775	**Gross income**	**26,832**
1,381	Balance brought forward	1,477
25,156	**Total resource available**	**28,309**
	Expenditure	
2,422	Disabled Facilities Grant	2,613
4,597	Improved Better Care Fund	5,869
-	Winter Funding	928
524	LB Bexley additional contribution	1,054
14,878	NHS Bexley CCG minimum contribution	15,917
1,286	NHS Bexley CCG additional contribution	827
23,707	**Gross expenditure**	**27,208**
28	CCG overspend absorbed in outturn	-
1,477	**Unused Improved Better Care Fund carried forward to 2019/20**	**1,101**

Note 30 - Members’ Allowances

The total of Members’ Allowances paid in the year amounted to £708k. This compares to £662k in 2018/19.

2018/19 £'000		2019/20 £'000
662	Allowances	708
-	Expenses	-
662	**Total Members' Allowances**	**708**

Note 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 Council's external auditors Ernst & Young.

In 2018/19 an additional fee was incurred which was generated by further work which our external auditors were required to perform, largely in relation to PPE valuations and prior period adjustments. This additional fee was approved by PSAA. In 2019/20 Ernst & Young have provided an estimated additional fee of £75,000 to cover the increased regulatory requirements required in completing their audit. This fee is still subject to approval by PSAA.

2018/19 £'000		2019/20 £'000
91	Fees payable for external audit services	92
40	Professional and regulatory requirements (risk)	75
26	Fees payable for the certification of grant claims and returns	26
157		**193**

Note 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.

2018/19 Non Teaching Employees	2018/19 Teaching Employees	2018/19 Total Employees	Earnings Band	2019/20 Non Teaching Employees	2019/20 Teaching Employees	2019/20 Total Employees
28	5	33	50-54,999	54	11	65
26	9	35	55-59,999	13	15	28
15	2	17	60-64,999	31	4	35
7	2	9	65-69,999	10	1	11
-	1	1	70-74,999	1	7	8
7	3	10	75-79,999	-	5	5
-	-	-	80-84,999	1	-	1
1	-	1	85-89,999	-	3	3
3	-	3	90-94,999	-	-	-
1	-	1	95-99,999	2	-	2
-	1	1	100-104,999	-	-	-
1	-	1	105-109,999	-	-	-
-	-	-	110-114,999	2	-	2
1	-	1	115-119,999	-	-	-
90	**23**	**113**	**Total £50,000 and over**	**114**	**46**	**160**

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 Deputy Director of Corporate Services.

The remuneration paid to senior employees in London Borough of Bexley 2019/20 is as follows:

Post title	Salary Including Fees & Allowances	Election duties	Compensation for loss of office	Employer Pension Contributions	Total Remuneration
	£	£	£	£	£
Chief Executive - Jackie Belton	187,546	18,472		33,682	**239,700**
Assistant Chief Executive Growth and Regeneration	110,930	565	-	19,297	**130,792**
Director of Adult Social Care - Stuart Rowbotham	165,350	376	-	28,986	**194,712**
Director of Children's Services - (from 16 August 2019)	104,032	-	-	18,245	**122,276**
Director of Children's Services - (to 16 August 2019)	75,318	-	-	12,785	**88,104**
Director of Place, Communities & Infras./Acting Chief Exec Paul Moore	163,987	-	45,601	18,244	**227,832**
Interim Director of Place, Communities & Infras.	119,571	-	-	-	**119,571**
Deputy Director of Corporate Services & Monitoring Officer - Nick Hollier	126,920	2,091	-	22,192	**151,203**
Deputy Director of Communities	116,233	376	-	20,257	**136,866**
Deputy Director of Public protection, Housing and Public Realm	116,234	-	-	20,257	**136,491**
Director of Public Health	131,294	-	-	-	**131,294**
Director of Finace and Corporate Services - Paul Thorogood	151,320	997	-	26,446	**178,763**
Head of Communication	73,600	-	-	12,750	**86,350**
	1,642,334	**22,877**	**45,601**	**233,142**	**1,943,954**

The Deputy Director of Communities, Deputy Director of Public protection, Housing and Public Realm and Assistant Chief Executive for Growth & Regeneration reported to the Chief Executive until the Interim Director of Place started on 9 September 2019.

The remuneration paid to senior employees in London Borough of Bexley 2018/19 is as follows:

Name and position	Salary including fees and allowances	Bonus	Election duties	Compensation for loss of employment	Employer pension contributions	Total Remuneration
	£	£		£	£	£
Gillian Steward - Chief Executive (left 31 August 2018)	78,695	309		93,650	15,395	188,049
Paul Moore Acting Chief Executive(from1 September 2018 (formerly Director of Place, Communities & Infrastructure)	157,478	10,456	-		32,497	200,431
Leigh Whitehouse - Director Of Finance and Corporate Services (left 31 August 2018 and was covered by an interim until 31st December 18)	111,931	-				111,931
Paul Thorogood - Director Of Finance and Corporate Services (On secondment basis from 1st September 2018 and permanently from 2 January 2019)	91,840				6,444	98,284
Director of Adult Social Care & Health	134,512	1,317			26,842	162,671
Director of Children's Services	148,771	8,925			31,049	188,745
Service Director (Bexley Care)	134,171	194			26,529	160,894
Assistant Chief Exec Monitoring Officer (Left 8 April 2018)	4,498	-		53,647	485	58,630
Deputy Director Corporate Services-(Monitoring Officer)	110,615	4,615	517		22,700	138,447
Asst Chief Exec-(Growth & Regen)	97,287	4,615			19,870	121,772
Head of Communications & marketing	64,524	-	500		12,500	77,524
Total	**1,134,322**	**30,431**	**1,017**	**147,297**	**194,311**	**1,507,378**

The number of exit packages, with total cost per band, is set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0-£20,000	20	5	8	4	28	9	178,761	62,666
£20,001-£40,000	1		1	2	2	2	52,010	55,131
£40,001 - £60,000	1				1		41,447	
£60,001-£80,000								
£80,001-£100,000		-		1	-	1		98,896
Total	**22**	**5**	**9**	**7**	**31**	**12**	**272,218**	**216,693**

Note 33 – Dedicated Schools Grant

The Dedicated Schools Grant is ring-fenced and can only be applied to meet expenditure in the Schools Budget. There are two elements of the Schools Budget. The Individual Schools Budget relates to individual maintained schools which are funded through a pupil-based formula. The Central element of the Schools Budget covers local authority expenditure on high needs, early years, pupil-related revenue costs arising from schools expansion and certain specified central services. The accumulated balance (surplus or deficit) on each element of the Dedicated Schools Grant is separately carried forward at year-end.

2019/20	Central Expenditure £'000	Individual Schools £'000	Total £'000
Final DSG for 2019/20 before Academy recoupment	-	-	230,272
Academy figure recouped for 2019/20	-	-	(160,047)
Total DSG after Academy recoupment for 2019/20	-	-	**70,225**
Brought forward from 2018/19	-	-	(2,856)
6th form	-	-	94
Final budgeted distribution for 2019/20	**37,712**	**29,751**	**67,463**
Less Actual Central expenditure	(45,758)	-	(45,758)
Less Actual ISB deployed to schools	-	(29,751)	(29,751)
Carried forward to 2020/21	**(8,046)**	**-**	**(8,046)**

2018/19	Central Expenditure £'000	Individual Schools £'000	Total £'000
Final DSG for 2018/19 before Academy recoupment	-	-	226,193
Academy figure recouped for 2018/19	-	-	(150,803)
Total DSG after Academy recoupment for 2018/19	-	-	**75,390**
Brought forward from 2017/18	-	-	892
6th form	-	-	458
Final budgeted distribution for 2018/19	**40,052**	**36,688**	**76,740**
Less Actual Central expenditure	(42,908)	-	(42,908)
Less Actual ISB deployed to schools	-	(36,688)	(36,688)
Carried forward to 2019/20	**(2,856)**	**-**	**(2,856)**

Note 34 – Other Long Term Liabilities

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

	2018/19 £'000	2019/20 £'000
PFI/PPP contracts	(28,392)	(26,811)
Finance leases	(3,019)	(2,451)
Other	(218)	(233)
Total	**(31,629)**	**(29,496)**

Note 35 - Related Parties

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 2019/20. 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 2019/20. 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.

Members
The following Members held positions of control or significant influence in related parties to the Council during 2019/20:

Councillor Teresa O'Neill OBE is the London Borough Council Executive Member of the LGA Conservative Group Executive.

Councillor David Leaf is an LGA Resources Board member.

Councillor Louie French is a Director of the Bexleyheath Business Partnership Limited and a an LGA Resources Board member. .

Council Officers
The following Council Officer held positions of control or significant influence in related parties to the Council during 2019/20:

Mr Paul Moore as a Non-Executive Director of BexleyCo Ltd. Mr Moore resigned from this position on the 4th December 2019.

Mr Stuart Rowbotham as a Non-Executive Director of BexleyCo Ltd. Mr Rowbotham took up his position on the 8th July 2019.

Mr Graham Ward was on secondment during the year to BexleyCo Ltd. as their interim Managing Director but remains an employee of the Council. Mr Ward is also a Non-Executive Director of BexleyCo Ltd. which he took up from 12th August 2019.

	Loan £000	Expenditure £000	Income £000	Debtor £000
Bexleyheath Business Partnership	-	373	373	-
BexleyCo Ltd.	3,608	-	208	51
Crossroads Care South East London	-	89	-	-
Danson Youth Centre & Trust	-	163	25	-
Local Government Association	-	60	-	-
Engine House Bexley Limited (formerly Thames Innovation Centre Limited)	451	25	15	32

Engine House Bexley Limited (Formerly Thames Innovation Centre -TIC)
The Engine House 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 2018 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.

As at 31st March 2020 the amounts outstanding on the loan facilities was £451,393 plus accrued interest of £31,609.

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. It's primary activity will contribute to the Councils regeneration and commercialism agenda by purchasing and developing real estate.

The Company's Business Plan sets out the aims and objectives of the Company, its structure and key activities. This second Business Plan, covering the period 2019 – 2029, continues to build on and refine the Business Plan agreed by Cabinet Committee on 29 January 2018 and introduces diversification to both maximise the return and deliver it within a reduced timescale to the Council. The central aim of securing a strong delivery vehicle for housing and other development activity remains.

The Business Plan was agreed by the Company's Board on 4 November 2019 and by the Cabinet Committee as Shareholder on 19 November 2019.

As at the 31st of March 2020 ,the council had made a working capital loan facility of £2.0m to BexleyCo of which £1.075m had been accessed. The company also drew down £2.53m from a £120m Development Facility. in addition to this ,the sum of £55,677 was included in trade debtors as amounts due from BexleyCo in respect of recharges for staff costs and other expenses owed to the council.

The latest audited accounts for BexleyCo as at 31 March 2020, showed a net loss of £613,933 (£617.033m loss in 2018/19) and a net liability balance of £5,320m (£0.617m in 2018/19) .

Central Government
The Council received a number of grants – both revenue and capital – from Central Government. Further details of these are given in note 13.

London Borough of Bexley Pension Fund
The Council recharged £345,710 to the Pension Fund in 2019/20 for administration costs. The Director of Finance & Corporate Services for London Borough of Bexley allocates 5% of their time to the Pension Fund. During the year, no Council Members or designated officers have undertaken any declarable transactions with the Pension Fund.

Note 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 CFR is analysed in the second part of this note.

31 March 2019 £'000		31 March 2020 £'000
226,332	Opening Capital Financing Requirement	**257,669**
	Adjustment to opening balance	
226,332	Adjusted Opening balance	257,669
	Capital Investment:	
27,890	Property Plant and Equipment	31,491
272	Heritage Assets	223
25,910	Investment Property	46
231	Intangible Assets	223
	Share Capital	6,552
	Loan Capital	2,533
13,929	Revenue Expenditure Funded from Capital Under Statute	20,657
68,232	**Total Capital Spending**	**61,725**
	Sources of Finance:	
(2,805)	Capital receipts	(7,623)
(24,280)	Government Grants and other contributions	(33,128)
	Sums set aside from revenue:	
(1,281)	Reserves and Revenue Budgets	(903)
(8,529)	Minimum revenue Provision	(8,722)
(36,895)	**Total Sources of Finance**	**(50,376)**
(257,669)	**Closing Capital Financing Requirement**	**269,018**

31 March 2019 £'000	Explanation of movements in year	31 March 2020 £'000
39,866	Increase in underlying need to borrow (unsupported by government financial assistance)	20,071
(8,529)	Statutory provision for repayment of debt (minimum Revenue Provision	(8,722)
31,337	**Increase/(decrease) in Capital Financing Requirement**	**11,349**

Note 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.

2018/19 £'000	Minimum Lease Payments	2019/20 £'000
	Finance Lease Receivable	
13	Current	14
2,800	Non - Current	2,893
11,946	Interest	11,765
14,759	**Total**	**14,672**

2018/19 £'000	Gross Investment in Lease	2019/20 £'000
281	Not later than one year	281
1,122	Later than one year and not later than five years	1,126
13,343	Later than five years	13,169
14,746	**Total**	**14,576**

2018/19 £'000	Minimum Lease Payments	2019/20 £'000
13	Not later than one year	14
64	Later than one year and not later than five years	71
3,004	Later than five years	2,822
3,081	**Total**	**2,907**

Operating Leases

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

2018/19 £'000	Operating Leases	2019/20 £'000
1,999	Within 1 year	3,453
7,395	Within 2 – 5 years	11,501
149,748	Over 5 years	153,059
159,142	**Minimum Lease payments**	**168,013**

Council as Lessee

Finance Leases

The Council leases 31 vehicles for waste collection and recycling from Serco, the contract is due to last until March 2025. The following information present the minimum lease payments due and the balance of outstanding liabilities as at the year end.

2018/19 £'000	The minimum lease payments:	2019/20 £'000
	Finance lease receivable	
552	Current	569
3,020	Non-current	2,451
384	Finance costs payable in future years	277
3,956	**Total**	**3,297**

2018/19 £'000	Minimum Lease Payments	2019/20 £'000
659	Not later than one year	659
2,637	Later than one year and not later than five years	2,638
659	Later than five years	-
3,955	**Total**	**3,297**

2018/19 £'000	Finance Lease Liabilities	2019/20 £'000
552	Not later than one year	569
2,379	Later than one year and not later than five years	2,451
640	Later than five years	-
3,571	**Total**	**3,020**

2018/19 £'000		2019/20 £'000
	Assets included in Property Plant and Equipment	
5,953	Gross Cost	5,953
(2,380)	Accumulated Depreciation	(2,933)
3,573	**Total**	**3,020**

Note 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 £6.3m, of which 51% will increase annually in line with RPIX and 49% is fixed. They can also vary as a result of performance and availability deductions, benchmarking, certain changes in law and contract variations initiated by the Council. Renewal and termination options and other rights and obligations are available to the Council under the terms of the agreement. The costs are being met from the annual PFI grant provided by the government of £3.1m together with academy contributions and other school budgets approved by the Council.

The Council has also contracted with Parkwood Leisure for the redevelopment and operation of its sports and swimming centres, including both routine and lifecycle building maintenance. The annual payments (the unitary charge) are currently £2.6m, which are inflated by 3% each year. These payments commenced during 2005/06 and are payable over 30 years. They can vary as a result of performance and availability deductions, certain changes in law and contract variations initiated by the Council. In addition, the operational services 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.

2018/19		**2019/20**
PPP - Leisure Centres £'000		**PPP - Leisure Centres £'000**
36,253	Net book value at 1 April	51,693
227	Additions	501
(2,391)	Depreciation and impairment	(3,439)
17,604	Revaluation	23,829
-	Disposals	-
51,693	**Net Book Value at 31 March**	**72,584**

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 2018/19 and 2019/20 is shown in the table below:

2018/19 PFI - Schools	2018/19 PPP - Leisure Centres	2018/19 Total		2019/20 PFI - Schools	2019/20 PPP - Leisure Centres	2019/20 Total
£'000	£'000	£'000		£'000	£'000	£'000
2,353	546	**2,899**	Service Charges	2,410	641	**3,051**
1,408	112	**1,520**	Repayments made in year	1,537	7	**1,544**
2,425	1,680	**4,105**	Interest Lifecycle costs & Contingent Rents	2,319	1,839	**4,158**
6,186	**2,338**	**8,524**	**Value at 31 March**	**6,266**	**2,487**	**8,753**

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.

2019/20	PFI - Schools				PPP - Leisure Centres			
	Repayment of Liability	Interest	Service Charge	Other	Repayment of Liability	Interest	Service Charge	Other
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Payment in 2020/21	1,291	1,568	2,410	997	(48)	738	910	1,212
Payments within 2-5 years	6,706	4,934	9,641	3,785	309	2,917	3,923	4,967
Payments within 6-10 years	9,228	2,786	12,051	7,267	1,443	3,011	5,603	7,249
Payments within 11-15 years	1,021	30	1,406	1,198	3,287	1,399	7,021	8,353
Payments within 16-17 years		-	-	-	77	1	163	124
Total future payments (excluding any future indexation)	**18,246**	**9,318**	**25,508**	**13,247**	**5,068**	**8,066**	**17,620**	**21,905**

Note 39 – Termination Payments

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

Note 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 2019/20 the Council paid £2.93m (2018/19 £2.82m) to Teachers' Pensions in respect of teachers' retirement benefits, representing 20.6% of contributory Salary of £14.212m 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.

Note 41 - Defined Benefit Pension Scheme

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 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.

  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 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.

- 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.

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

When Eltham Crematorium was devolved the sum of £834k was incorporated in Bexley balance sheet to recognise a historic liability obligation in respect of Eltham Crematorium pension fund.

London Pension Fund Association

When the Greater London Council was disbanded , Bexley was allocated 1.23% of the fund with a liability of £324k there are now 2 members remaining on this scheme.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

41a. Balance sheet Pension funds Schemes	2018/19	2019/20
	£'000	£'000
Local Government Pension Scheme (all)	191,665	165,895
Eltham Crematorium**	834	834
London Pension Fund Authority**	1,985	324
Total Pensions liabilites	**194,484**	**167,053**

** No IAS19 revaluation insignificant changes

41b. Comprehensive Income & Expenditure Statement

Comprehensive Income & Expenditure Statement	Local Government Pension Scheme (Unfunded) 2018/19 £'000	Local Government Pension Scheme (Unfunded) 2019/20 £'000	Discretionary Benefits Arrangements 2018/19 £'000	Discretionary Benefits Arrangements 2019/20 £'000
Cost of Services:				
Current Service Cost	17,424	18,325	-	-
Past Service Cost/(Gain) – Including Curtailments	7,086	4,346	-	-
Administration Expense	452	552	-	-
Financing and Investment Income and Expenditure:				
Net Interest Expense	3,597	4,232	268	238
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**28,559**	**27,455**	**268**	**238**

Other Comprehensive Income & Expenditure:	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
Return on Plan Assets (excluding amounts included in net interest expense)	(31,216)	20,129	-	-
Actuarial (Gains) & Losses Arising on Changes in Demographic Assumptions	-	-	-	-
Actuarial Gains & Losses Arising on Changes in Financial Assumptions	38,749	(61,678)	341	(1,027)
Experience(Gain)/loss on defined benefit obligation	-	-	-	-
Other actuarial (Gains) & Losses on assets	-	-	-	-
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	**7,533**	**(41,549)**	**341**	**(1,027)**

Movement in Reserves Statement	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post-employment Benefits in accordance with the Code				
Employer's Contributions Payable to the Pension Scheme	(28,559)	(27,455)	(268)	(238)
Retirement Benefits payable to pensioners	10,822	10,286	613	601
Total	**(17,737)**	**(17,169)**	**345**	**363**

41c - Pension 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 plan is as follows:

	Local Government Pension Scheme (Unfunded)		Discretionary Benefits Arrangements	
Pension Assets & Liabilities Recognised in the Balance Sheet	**2018/19 £'000**	**2019/20 £'000**	**2018/19 £'000**	**2019/20 £'000**
Present value of the defined benefit obligation	874,390	832,814	10,214	8,824
Fair value of plan assets	(692,939)	(675,743)	-	-
Sub-total	**181,451**	**157,071**	**10,214**	**8,824**
Other movements in the liability	-	-	-	-
Net liability arising from defined benefit obligation	**181,451**	**157,071**	**10,214**	**8,824**

41d - Reconciliation of the movements in the current value of scheme (plan) assets

	Local Government Pension Scheme		Discretionary Benefits	
Reconciliation of Fair Value of Scheme Assets	**2018/19 £'000**	**2019/20 £'000**	**2018/19 £'000**	**2019/20 £'000**
Assets as of the Beginning of the Period	658,237	692,939	-	-
Interest on Assets	18,047	16,475	-	-
Return assets less interest	31,216	(20,129)	-	-
Actuarial Gains/(Losses)	-	-	-	-
Administration expenses	(452)	(552)	-	-
Employer Contributions	10,882	10,286	613	601
Contributions by Scheme Participants	3,537	3,720	-	-
Benefits Paid	(28,528)	(26,996)	(613)	(601)
Assets as of the End of the Period	**692,939**	**675,743**	**-**	**-**

Reconciliation of Present Value of Scheme Liabilities	Local Government Pension Scheme 2018/19 £'000	Local Government Pension Scheme 2019/20 £'000	Discretionary Benefits 2018/19 £'000	Discretionary Benefits 2019/20 £'000
Liabilities as of the Beginning of the Period	(813,865)	(874,390)	(10,218)	(10,214)
Current Service Cost	(17,424)	(18,325)	-	-
Interest Cost	(21,644)	(20,707)	(268)	(238)
Contributions by Scheme Participants	(3,537)	(3,720)	-	-
Change in financial assumptions	(38,749)	25,117	(341)	212
Change in demographic assumptions	-	37,142	-	386
Experience (Losses)/Gains on defined benefit obligation	-	(581)	-	429
Losses on Curtailments	-	-	-	-
Benefits Paid	27,915	26,996	613	601
Past Service Costs	(7,086)	(4,346)	-	-
Liabilities as of the End of the Period	**(874,390)**	**(832,814)**	**(10,214)**	**(8,824)**

41e - Local Government Pension Scheme assets comprised:

Asset Category	Quoted (Y/N)	Current value of scheme assets 31 Mar 2019 £'000	31 Mar 2020 £'000
Equities:		**315,980**	**322,330**
Energy	Y	7,622	10,677
Materials	Y	1,386	2,703
Industrial	Y	23,560	32,436
Consumer	Y	50,585	60,141
Health Care	Y	40,883	43,248
Financials	Y	36,726	39,193
Information Technology	Y	43,655	48,113
Telecommunication Services	Y	31,875	26,354
Utilities	Y	11,780	16,218
Other Equities	Y	67,908	43,247
Bonds:		**154,525**	**147,312**
UK Government Indexed	Y	76,223	70,277
Overseas Fixed Interest	Y	2,772	-
Overseas Other	Y	75,530	77,035
Alternatives:		**222,434**	**206,101**
Private Equity – Overseas LLP	Y	54,742	52,032
Funds – Overseas Equity	Y	-	-
Funds – Property	N	72,759	74,332
Funds – Diversified Growth	Y	64,443	62,844
Infrastructure	N	16,631	14,866
Cash and Cash Equivalents		**13,859**	**2,027**
Total		**692,939**	**675,743**

41e - Assumptions and Sensitivity

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 2020.

The principal assumptions used by the actuary have been:

Mortality Assumptions	2018/19 Years	2019/20 Years
Longevity at 65 for current pensioners in 20 years time		
Men	23.2	22.4
Women	26.2	25.1
Longevity at 65 for future pensioners		
Men	25.4	24.0
Women	28.5	27.1
Rate of CPI Inflation	2.3	2.1
Rate of Increase in salaries	3.8	3.6
Rate of increase in pensions	2.4	2.2
Rate for discounting scheme liabilites	2.4	2.4

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. 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 2018/19 £'000	2019/20 £'000
Rate of discount scheme liabilities	Increase by 0.1%	13,335	(12,450)
Rate of Inflation	Increase by 0.1%	13,539	12,638
Rate of increase in salaries	Increase in pay growth by 0.1%	1,145	1,042
Rate of discount scheme liabilities	life expectancy 1 year	17,726	23,211

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 most recent valuation of the Fund took place as at 31 March 2019. This showed that the Fund is 101% Funded. The next triennial valuation is due to be completed as at 31 March 2022

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 2021 is £7.0m Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2020 are £0.6m.

The weighted average duration of the defined benefit obligation for scheme members is 15 years at 31 March 2019 (15 years at 31 March 2016).

Note 42 - Contingent Liabilities

Contingent liabilities have been considered up to the authorisation date of the Financial Statements of 05 March 2021 by the Director of Finance and Corporate Services.

The Council has given an undertaking to provide financial support for BexleyCo (a wholly owned subsidiary) over the next 12 months until 31st March 2021, this means that the council will not make any call on the working capital loan facility and the council will provide support to BexleyCo. to meet its financial liability obligations over the next 12 months.The total amount of support is unknown .The council estimates that the cost of this support is unlikely to have a material impact on the funds of the council

The COVID-19 pandemic has had a major impact on the Council, although the financial impact will be primarily in 2020/21. The most significant impacts have been loss of car parking income, commercial rent deferrals, loss of income from leisure facilities and other fees and charges. The Council has incurred additional expenditure to ensure that key services such homelessness prevention, adult social care and children social care are maintained. The Council has received some Government funding towards the additional costs and reduced income. The final financial impact will depend on the level of Government funding received and how quickly services are able to return to pre COVID-19 operating levels. Whilst the Council's un-ringfenced General Fund reserve would have some capacity to absorb some of the financial impact, a robust financial plan will be required to ensure the sustainability of the council's finances are maintained and this will form a substantial part of the financial resilience recovery work.

The Council's legal department is involved in a number of legal issues, the outcome of which are unknown pending cases at the year-end included dispute over certification charges for services delivered by a company now in liquidation, Issues regarding resurfacing works, claims with respect to termination of development contract. The council estimates that the costs of these and the pending cases are unlikely have a material impact on the funds of the council, or misstatement of the council's liabilities

Note 43 - Contingent Assets

There are no material contingent assets to report.

Note 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.

The main risks covered are:

Credit Risk: The possibility that other parties might fail to pay amounts due to the Council;

Liquidity Risk: The possibility that the Council might not have funds available to meet its commitments to make payments;

Market Risk: The possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements

Re-financing risk - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.

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

Short-term core cash were invested for periods of up to one year. No new long term investments were made during the year.The Diversified Growth Funds were sold on 02 February 2020 and the resulting gain of £1.717m taken to revenue. Remaining investments met the Council's approved lending criteria as laid out in its Treasury Management Strategy. The portfolio consists of longer term investments in pooled property funds. The pooled investment vehicles (which do not have credit-ratings) are part of the Council's longer-term investment strategy with the potential to earn higher returns than in fixed term deposits. The impact of COVID-19 pandemic on these pooled property investments is too early to assess and they will be kept under close review during 2020/21. Fluctuations in the net asset value are expected over the life of these investments but the impact of the IFRS 9 Statutory override in 2020/21 means that they did not affect revenue. Current changes in capital value are not material and changing trends are currently being monitored by OneSource treasury management staff in consultation with the Council's financial advisors, Link Asset Services

Credit Risk Exposure

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 2020	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2020	Estimated maximum exposure to default and collectability	Estimated maximum exposure at 31 March 2020
	£'000	%	%	£'000	£'000
Deposits with financial institutions	-	-	-	-	-
Bonds	3,114	-	-	-	-
Pooled Funds	12,538	-	-	-	-

The following analysis summarises the Council's potential maximum exposure to credit risk on loans, based on the 12-month loss model:

	31 March 2019	31 March 2020
	£'000	£'000
Opening Balance	267	-
- Fair value adjustment on initial recognition	183	-
+ New loans granted	300	3,308
- Loans repaid	-	-

Impairment losses based on 12 month loss model		(750)	-
Balance carried forward		-	-
Nominal value of loans		-	3,308

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.

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

	31 March 2019 £'000	31 March 2020 £'000
Loans outstanding		
PWLB	202,503	223,471
Market debt	-	
Temporary borrowing	2,600	14,000
Total:-	**205,103**	**237,471**

	31 March 2019 £'000	31 March 2020 £'000
Maturity Profile		
Less than 1 year	2,631	14,031
Maturing between 1 and 2 years	31	31
Maturing between 2 and 5 years	94	2,794
Maturing between 5 and 10 years	17,778	20,047
Maturing between 10 and 15 years	23,769	19,268
Maturing between 15 and 20 years	2,500	14,500
Maturing between 20 and 25 years	-	-
Maturing between 25 and 30 years	9,000	12,000
Maturing between 30 and 35 years	30,300	35,800
Maturing between 35 and 40 years	40,500	42,500
Maturing between 40 and 45 years	44,500	42,500
Maturing over 45 years	34,000	34,000
Total:-	**205,103**	**237,471**

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 Comprehensive Income and ExpenditureStatement will rise

• borrowings at fixed rates – the fair value of the liabilities borrowings will fall (no impact on revenue balances)
• investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
• investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

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 2020
	£'000
Increase in interest payable on variable rate debt	147
Increase in interest receivable on variable rate investments	154
Net Impact on Comprehensive Income and Expenditure – Gain	**(7)**
Decrease in fair value of loans and receivables	(63)
Decrease in fair value of fixed rate borrowings liabilities	45,747

The Council has no investment in call accounts with falling interest rates at 31 March 2020.

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 rate

Collection Fund

2018/19 Council Tax £'000	2018/19 Business Rates £'000	2018/19 Business Rate Supp. £'000	2018/19 Total £'000	Collection Fund	2019/20 Council Tax £'000	2019/20 Business Rates £'000	2019/20 Business Rate Supp £'000	2019/20 Total £'000
				INCOME:				
(131,446)	-	-	(131,446)	Council Tax Receivable	(138,685)	-	-	(138,685)
-	(75,084)	-	(75,084)	**Business Rates Receivable**	**-**	(75,836)	-	(75,836)
-	-	-	-	Non - Domestic Rates	-	-	-	-
-	228	-	228	Transactional Protection payments - non-domestic rates	-	432	-	432
-	-	(2,101)	(2,101)	Income Collectable in respect of business rate suppliments	-	-	(2,056)	(2,056)
-	-	-	-	**Contribution towards previous years' collection fund deficit**	**-**	-	-	-
-	(2,391)	-	(2,391)	Central Government	-	1,404	-	1,404
-	(1,952)	-	(1,952)	London Borough of Bexley	-	1,111	-	1,111
-	(2,165)	-	(2,165)	Greater London Council	-	1,481	-	1,481
(131,446)	**(81,364)**	**(2,101)**	**(214,912)**		**(138,685)**	**(71,408)**	**(2,056)**	**(212,149)**
				EXPENDITURE:				
				Precepts, demands and shares:				
-	-	-	-	Central Government	-	17,742	-	17,742
105,170	46,291	-	151,461	London Borough of Bexley	111,306	34,064	-	145,370
23,917	26,039	-	49,956	Greater London Council	26,263	19,161	-	45,424
				Business Rate Suppliment				
-	-	2,095	2,095	Payment to Levying Council's Business Rate supplement Revenue Account	-	-	2,050	2,050
-	-	6	6	Administrative Costs	-	-	6	6
				Charges to Collection Fund:				
-	-	-	-	Write-Offs	13	121	-	134
711	-	-	711	Increase/(decrease) in allowance for impairment	(973)	(448)	-	(1,421)
-	-	-	-	Increase/(decrease) in allowance for appeals	-	(361)	-	(361)
-	252	-	252	Charge to General Fund for allowable collection costs for non-domestic rates	-	249	-	249
-	-	-	-	Non-domestic rate refund interest	-	-	-	-
-	-	-	-	**Other transfers to General Fund in accordance with non-domestic rates regulations**	**-**	-	-	-
-	-	-	-	**(Apportionment of previous year's estimated collection fund surplus)**	**-**	-	-	-
-	-	-	-	Central Government	-	-	-	-
2,000	-	-	2,000	London Borough of Bexley	4,871	-	-	4,871
460	-	-	460	Greater London Council	1,108	-	-	1,108
132,258	**72,582**	**2,101**	**206,940**	**Total Expenditure**	**142,588**	**70,528**	**2,056**	**215,172**
811	**(8,783)**	**-**	**(7,971)**	**(Surplus)/Deficit arising during the year**	**3,903**	**(880)**	**-**	**3,023**
(8,138)	2,255	-	(5,883)	(Surplus)/ Defecit b/f at 1 April	(7,327)	(6,528)	-	(13,855)
(7,327)	**(6,528)**	**-**	**(13,854)**	**(Surplus)/Deficit arising during the year**	**(3,424)**	**(7,408)**	**-**	**(10,832)**

Notes to the Collection Fund

Note 1. Council Tax

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

2018/19 £'000		2019/20 £'000
(156,864)	Gross Council Tax	(166,609)
2,797	Exemptions	3,087
11,406	Discount	12,217
(409)	Premiums	(299)
11,616	Council Tax Reductions Scheme	12,919
8	Write offs	-
(131,446)	**Income from Council Tax Payers**	**(138,685)**

For 2019/20, the Council Tax was set by the Council at £1,678.88 (£1,588.04 in 2018/19) for a property in band D. For 2019/20, the Council Tax was calculated using an estimated Council Tax Base of 81,941 Band D equivalents, as detailed below:

2018/19 Number of chargeable dwellings	2018/19 Band D equivalent dwellings*	2018/19 Council tax payable	Band	Ratio to Band D	Property value £	2019/20 Number of chargeable dwellings	2019/20 Band D equivalent dwellings*	2019/20 Council tax payable
2,568	1,744	1,058.69	A	6/9	up to 40,000	2,643	1,736	1119.25
6,743	5,166	1235.16	B	7/9	40,001 - 52,000	6,921	5,302	1305.80
23,617	20,678	1411.6	C	8/9	52,001- 68,000	23,745	20,790	1492.35
23,918	23,559	1588.04	D	9/9	68,001 - 88,000	24,142	23,780	1678.88
17,438	20,993	1940.92	E	11/9	88,001 - 120,000	17,526	21,100	2051.96
4,560	6,488	2293.85	F	13/9	120,001 - 160,000	4,592	6,534	2425.07
1,580	2,594	2646.75	G	15/9	160,001 - 320,000	1,603	2,632	2798.16
33	65	3176.08	H	18/9	320,001 and over	34	67	3357.76
80,457						**81,207**		
	81,287				**Council Tax base**		**81,941**	

*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.

Note 2. Income from Business Ratepayers

Under the arrangements for business rates that came into effect on 1 April 2013, the Council collects National Non Domestic Rates (NNDR) for the Bexley area on behalf of the Government, the Greater London Council (GLA) and Bexley. These are based on rateable values multiplied by uniform rates which, for 2019/20, were 50.4p and 49.1p for small businesses (for 2018/19, 49.3p and 48.0p 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	25%
GLA	27%
Bexley	48%

Income from business ratepayers can be analysed as follows:

2018/19 £'000		2019/20 £'000
(90,054)	Gross non domestic rates	(91,768)
1,592	Empty Properties	1,390
(228)	Transitional Relief	(432)
13,555	Mandatory & Discretionary Relief	14,975
51	Write off	-
(75,084)	**Income from Business Rate Payers**	**(75,835)**

The total business rateable value as at 31 March 2020 was £192.008m (£189.569m as at 31 March 2019). 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) - £111.306m in 2019/20 (£105.170m in 2018/19) and the Greater London Council (the precepting Council) - £26.263m in 2019/20 (£23.917m in 2018/19). These figures are before the distribution of any previous year's estimated Fund surplus or deficit. There was a surplus of £5.979m to distribute in 2019/20 - £4.871m to Bexley and £1.108m to the Greater London Council (there was a surplus of £2.460m to distribute in 2018/19 - £2.000m to Bexley and £0.460m 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 £70,000 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 2020 and were still outstanding.

Group Accounts

Group Comprehensive Income and Expenditure Statement

2018/19 Gross Expenditure £'000	2018/19 Gross Income £'000	2018/19 Net Expenditure £'000		2019/20 Gross Expenditure £'000	2019/20 Gross Income £'000	2019/20 Net Expenditure £'000
15,146	(6,489)	**8,657**	Chief Executive	15,765	(8,230)	**7,535**
158,921	(105,148)	**53,773**	Children & Education	170,588	(100,298)	**70,290**
89,330	(41,419)	**47,911**	Adult Social Care & Public Health	90,429	(41,421)	**49,008**
96,105	(34,454)	**61,651**	Places, Community & Infrastructure	110,216	(38,381)	**71,835**
136,102	(97,065)	**39,037**	Finance & Corporate Services	122,451	(87,214)	**35,236**
495,604	**(284,575)**	**211,029**	**Cost of Services**	**509,449**	**(275,544)**	**233,904**
		152	Other Operating Expenditure			**58,345**
		6,345	Financing and Investment Income and Expenditure			**24,943**
		(189,894)	Taxation and Non-Specific Grant Income			**(205,876)**
		27,632	**Deficit on Provision of Services**			**111,316**
		(74,047)	Surplus on Revaluation of PPE and Heritage Assets			(26,022)
		(437)	Other Movements on Revaluation of Non Current Assets			
		7,874	Remeasurements of the Net Pensions Defined Benefit Liability			(50,798)
		(38,978)	**Total Comprehensive Income and Expenditure**			**34,496**

Group Movement in Reserves Statement 2019/20

	General Fund Balance £'000	BexleyCo Retained Earnings £'000	Earmarked Reserve £'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 2019	**(12,732)**	**617**	**(30,626)**	**(1,892)**	**(12,684)**	**(57,317)**	**(448,434)**	**(505,751)**
Movement in Reserves during 2018/19								
Deficit/(Surplus) on Provision of Services (Accounting Basis)	115,135	621	-	-	-	**115,756**	**-**	**115,756**
Other Comprehensive Income	-		-	-	-	**-**	**(81,260)**	**(81,260)**
Total Comprehensive (Income)/Expenditure	**115,135**	**621**	**-**	**-**	**-**	**115,756**	**(81,260)**	**34,496**
Adjustments Between Accounting Basis and Funding Basis Under Regulations	(108,786)	-	-	5,392	7,185	**(96,209)**	**96,209**	**-**
Net (Increase) Before Transfers To Earmarked Reserves	**6,349**	**621**	**-**	**5,392**	**7,185**	**19,547**	**14,949**	**34,496**
Other adjustments								
Transfers To/(From) Earmarked Reserves	(3,760)		3,760	-	-	**-**	**-**	**-**
(Increase)/Decrease In Year	**2,589**	**621**	**3,760**	**5,392**	**7,185**	**15,647**	**14,949**	**34,493**
Balance At 31 March 2020	**(10,143)**	**1,238**	**(26,866)**	**3,500**	**(5,499)**	**(37,770)**	**(433,485)**	**(471,255)**

Group Balance Sheet

31 March 2019 £'000		31 March 2020 £'000
774,895	Property, Plant and Equipment	742,502
26,641	Heritage Assets	26,474
91,307	Investment Property	86,558
587	Intangible Assets	585
31,008	Long Term Investments	15,538
7,297	Long Term Debtors	7,188
931,736	**Long Term Assets**	**878,845**
272	Short-term Investments	324
2,526	Inventories	7,627
61,045	Short Term Debtors	56,278
5,261	Cash and Cash Equivalents	20,200
69,104	**Current Assets**	**84,429**
(4,814)	Cash and Cash Equivalents Overdrawn	(5,222)
(3,292)	Short-Term Borrowing	(14,717)
(39,861)	Short-Term Creditors	(39,257)
(7,416)	Provisions	(4,684)
(55,383)	**Current Liabilities**	**(63,880)**
(2,227)	Long-Term Provisions	(2,188)
(202,061)	Long Term Borrowing	(222,946)
(31,629)	Other Long-Term Liabilities	(29,496)
(194,484)	Pension Liabilities	(167,053)
(9,305)	Capital Grants Receipts in Advance	(6,457)
(439,706)	**Long Term Liabilities**	**(428,139)**
505,751	**Net Assets**	**471,255**
(57,317)	Usable Reserves	(37,770)
(448,434)	Unusable Reserves	(433,485)
(505,751)	**Total Reserves**	**(471,255)**

Group Cash Flow Statement

2018/19 £'000		2019/20 £'000
(27,015)	Net (Surplus)/Deficit on Provision of Services	(115,756)
62,051	Adjustments to the Net (Surplus)/Deficit on the Provision of Services for Non-Cash Transactions	127,968
(26,269)	Adjustments to the Net (surplus)/Deficit on the Provision of Services that are Investing and Financing	(32,555)
8,767	**Net Cash Flows from Operating Activities**	**(20,343)**
(42,883)	Net cashflow from Investing Activities	4,413
30,402	Net cash flow from Financing Activities	30,461
(3,714)	**Net Increase/Decrease in Cash and Cash Equivalents**	**14,531**
4,161	Cash and Cash Equivalents at the Beginning of the Period	447
447	**Cash and Cash Equivalents at the End of the Period**	**14,978**

Notes to Group Accounts

1. Introduction

For a variety of legal, regulatory and other reasons, local authorities often choose (or are required) to conduct their activities not through a single entity but through two or more legal entities which fall under their ultimate control. For this reason the financial statements of the Council do not necessarily, in themselves, present a full picture of it economic activities or financial position. Because of this, the Code requires a local authority to prepare group accounts if it has a control over one or more other legal entities. The aim of the group accounts is to give an overall picture of the extended services and economic activity that is under the control of the Council. The London Borough of Bexley (the reporting authority) has one subsidiary companies reported in the group accounts:

BexleyCo. The London Borough of Bexley owns 100% of the share capital of BexleyCo and BexleyCo operates at the Civic Offices, 2 Watling Street, Bexleyheath, Kent, DA6 7AT.

2. Basis of Consolidation

The group CIES, group balance sheet, group movement in reserves statement and group cash flow statement have been prepared by consolidating the accounts of the reporting authority (London Borough of Bexley) and its subsidiary (BexleyCo) on a line by line basis. The accounts of BexleyCo have been prepared in accordance with paragraph 9.1.2.60 of the Code, using uniform accounting policies for like transactions and other events in similar circumstances.

3. BexleyCo Limited a company limited by shares

i) Nature of Business

The London Borough of Bexley contracts with BexleyCo for development of housing real estate.

ii) Financial Performance

In 2019/20 the company made an operating loss of £0.614m. (£0.617m loss in 2018/19).

iii) Investment Properties

The Statement of Financial Position for BexleyCo includes £3.420m (2018/19 nil) of Investment Properties.

and

iv) Inventories

The Statement of Financial Position for BexleyCo includes £4.850m (2018/19 nil) of Work in Progress.

2019/20 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 in this Council is the Director of Finance and Corporate Services who has the Section 151 Officer's responsibilities. Also it is required to secure the economic, efficient and effective use of resources and safeguard its assets. The Council 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 Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

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 the subsequent pages and have been prepared in accordance with the accounting policies set out in Section 2.

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 2020.

Paul Thorogood

Director of Finance and Corporate Services
05 March 2021

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

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 23. 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 2019/20.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and the amount and disposition of the fund's assets and liabilities as at 31 March 2020 and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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 below. We are independent of the pension fund 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 the Comptroller and Auditor General's (C&AG) AGN01, 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.

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' 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 pension fund'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 other information comprises the information included in the "2019/20 *Pension Fund Accounts"*, other than the financial statements and our auditor's report thereon. The Director of Finance and Corporate Services' is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 obtained in the audit 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Director of Finance and Corporate Services

As explained more fully in the Statement of the Director of Finance and Corporate Services' Statement of Responsibilities set out on page 1 of the "2019/20 *Pension Fund Accounts"*, the Director of Finance and Corporate Services is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Finance and Corporate Services is responsible for assessing the Pension Fund'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 Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

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 https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of London Borough of Bexley as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the London Borough of Bexley and the London Borough of Bexley's members as a body, for our audit work, for this report, or for the opinions we have formed.

Suresh Patel for & on behalf of Ernst & Young LLP

Suresh Patel (Key Audit Partner) Ernst & Young LLP (Local Auditor) London
8 March 2021

Pension Fund Account

2018/19		Note	2019/20
£'000			**£'000**
	Dealings with members, employers and others directly involved in the scheme		
(24,546)	Contributions	6	(26,142)
(1,961)	Transfers in from other pension funds	7	(3,886)
(26,507)	**Total contributions**		**(30,028)**
31,191	Benefits	8	32,992
1,638	Payments to and on account of leavers	9	2,959
32,829	**Total benefits**		**35,951**
6,322	**Sub-total: Net (additions) / withdrawals from dealings with members**		**5,923**
6,501	**Management expenses**	10	**7,670**
	Returns on investments		
(13,172)	Investment income	11	(17,231)
(58,538)	(Profit) and losses on disposal of investments and changes in value of investments	12a	27,719
(71,710)	**Net returns on investments**		**10,488**
(58,887)	**Net (increase) / decrease in the net assets available for benefits during the year**		**24,081**

Pension Fund Net Assets Statement

2018/19		Note	2019/20
£'000			**£'000**
864,488	Investment Assets	12	831,463
17,064	Cash Deposits	12	16,272
881,552	**Total Net Investments**		**847,735**
1,595	Current Assets	18	1,619
83,147			**849,354**
(10,584)	Current Liabilities	19	(872)
872,563	**Net assets of the scheme available to fund**		**848,482**

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 17 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 2016 (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 and the Local Pensions Board. Day to day responsibility for the Fund is delegated to the Statutory Section 151 Officer.

(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 2019		31 March 2020
71	Number of employers with active members	75
	Number of employees in the Fund	
2,703	London Borough of Bexley	2,399
2,949	Other employers	3,173
5,652	*Total*	*5,572*
	Number of pensioners in the Fund	
4,884	London Borough of Bexley	4,912
691	Other employers	770
5,575	*Total*	*5,682*
	Number of deferred pensioners in the Fund	
3,766	London Borough of Bexley	3,729
1,149	Other employers	1,241
4,915	*Total*	*4,970*

(c) Funding

In 2019/20, 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 2019 and shows a funding level of 101% (2016 was 94%). This includes an estimate of the expected increase in liabilities following the McCloud court judgement. Further details on the McCloud court judgement can be found in Note 17. Whilst the Fund as a whole is fully funded the funding levels for individual employers in the fund varies with some being in a deficit position. The average deficit recovery period is ten years. Currently Employer contribution rates range from 15.3% to 32.1%. Further details on the funding position are contained in Note 17.

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 adjusted annually in line with the Consumer Prices Index.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website www.lgpsmember.org

2. Basis of Preparation

These financial statements summarise the Fund's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. They have been prepared in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting 2019/20 ('the Code'). The 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.

The Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2019/20.

The accounts report on the net assets available to pay pensions benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The code gives administering authorities the option to disclose this information in the assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in note 17.

We have prepared the financial statements of the Pension Fund on a going concern basis.

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code (CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM 2019/20) in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.
The Fund triennial valuation at 31 March 2019 reported a funding level of 101%. Whilst COVID-19 had an initial negative impact on Fund investments there has been a substantial recovery in valuation buoyed further still by benchmark outperformance returning the overall value of the Fund close to the level it was at valuation date of 31 March 2019. Currently contributions and investment income are sufficient to fund benefits as they fall due without the need to liquidate investments. A covenant review as at 31st March determined that there was no material risk to the Fund of employers defaulting on their contributions. If a need to obtain liquidity arises 80% of the Fund's assets are held in liquid investments. LGPS regulations remain in force with no expectation that the scheme will be wound up or substantive changes made to it.

Conclusion:

Considering the above, there are no material uncertainties that cast significant doubt upon the Pension Funds ability to continue to operate on a going concern basis to 31 March 2022.

3. Accounting Policies

(a) Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose.

(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 recognised as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

(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) Voluntary Scheme Pays, Mandatory Scheme Pays and lifetime allowance

Members are entitled to request the Pension Fund pays their tax liabilities due in respect of annual allowance and life time allowance in exchange for a reduction in pension.

Where the Fund pays member tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

(f) Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses.

(g) Management expenses

The fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the Fund on an accruals basis as follows:

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 and charged as expenses.

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. Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by the investment manager these are shown separately in note 10a and grossed up to increase the change in value of investments.

Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2019/20 £0.1m of fees is based on such estimates (2018/19: £0.1m).

Private Equity Management fees are estimated by taking a portion of the total management fees of the private equity partnership based on the percentage of the Fund holdings with the partnership. In 2019/20 £2.7m of fees is based on such estimates (2018/19: £1.6m).

Net assets statement

(h) Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 13). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

(i) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

(j) Cash and cash equivalents

Cash and cash equivalents is represented by the balance on the Fund’s bank account together with amounts held by the Fund’s external managers and invested in Money Market Funds.

(k) 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.

(l) 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 the code, the Fund has opted to disclose the actuarial present value of promised retirement benefits as a note to the net assets statement (see note 17).

(m) Additional voluntary contributions

Scheme members can 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 Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The AVC provider is Prudential and contributions are also collected for life assurance policies provided by Utmost Life and Pensions (Previously managed by Equitable Life).

(n) Prepayment of Employer Contributions

Following the 2016 valuation the London Borough of Bexley prepaid its employer contributions for 2017/18, 2018/19 and 2019/20. The remaining prepayment balance of £9.8m was shown as a current liability in the 2018/19 accounts and was fully discharged over 2019/20. The prepayment receipts were 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 in the actuary’s rates and adjustments certificate.

(o) Contingent Assets and Contingent Liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

4. Critical judgements in applying accounting policies

Unquoted investments

It is important to recognise the highly subjective nature of determining the fair value of private equity, infrastructure and pooled property investments. They are inherently based on forward-looking estimates and judgements involving many factors including the impact of market volatility following the COVID-19 outbreak. Unquoted investments are valued by the investment managers. Private equity and pooled property valuations are based on similar market available evidence as it has been judged that this evidence is comparable to the holdings in the Fund. It has been judged that the Fund’s infrastructure assets have not been significantly affected by the market volatility following the COVID-19 outbreak and have been valued accordingly.

The value of unquoted private equities at 31 March 2020 was £62.3m (2018/19: £72.2m) and unquoted infrastructure at 31 March 2020 was £23.1m (2018/19: £21.2m). The value of pooled property holdings as at 31 March 2020 was £98.3m (2018/19: £98.2m)

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 17. 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 2020 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 £83m. • A 0.25% reduction in assumed salary inflation would reduce liabilities by £3m, and • a one year increase in assumed life expectancy would increase the liability by around £30m.

McCloud Judgement	As a result of the McCloud judgement regarding age discrimination in the Fire Service and Judiciary pension schemes the Government is going to bring forward proposals to address the issue for other public pension schemes, including the LGPS. At this stage it is unknown what the proposals for the LGPS will be and therefore an estimation of the potential increase in liabilities has been disclosed in the accounts.	The Fund's actuary has estimated that the cost of the judgment could be an increase in past service liabilities of broadly £7 million and an increase in the primary contribution rate of 0.7% of pensionable pay per annum. Where an employer has elected to include a provision for the cost of the judgment, this is included within the secondary rate for that employer over 2020/23 (and also within the Whole Fund average secondary rate of £1.1 million). If the actual cost of the judgement differs from the estimate this will be reflected in contribution rates at the next valuation.
COVID-19	The COVID-19 pandemic has created market volatility and economic uncertainty, impacting the value of the assets in the Fund. Judgements have had to be made as to what the impact is on those assets which are not publicly listed such as Private Equity. There may also be an impact on the pension liabilities in the Fund, for example if the longevity of members differs from that in the actuary's assumptions. At this time, it is too early to determine the full impact that the pandemic will have on the Fund	Sensitivity analysis of the valuation of unquoted assets is included in note 13. The valuation results and employer contributions were assessed as at 31 March 2019. Employer contributions have not been revisited but the position will be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.
Private Equity Investment	Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines. 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 £62.3m. (2018/19: £72.2m) There is a risk that this investment may be under- or overstated in the accounts.
Pooled Property Investment	Pooled property valuations are reported on the basis of 'material valuation uncertainty' due to the impact of COIVD-19 as per VPS 3 and VPGA 10 of the RICS Red Book Global.	The total pooled property investment in the financial statements are £84.1m. (2018/19: £91.2m) There is a risk that this investment may be under- or overstated in the accounts.

6. Contributions Receivable

By category

2018/19 £'000		2019/20 £'000
5,946	Employees' contributions	6,375
	Employers' contributions:	
14,733	Normal contributions	15,409
3,860	Deficit recovery contributions	4,351
7	Augmentation contributions	7
18,600	**Total Employers' contributions:**	**19,767**
24,546	**Total contributions receivable**	**26,142**

By type of employer

2018/19 £'000		2019/20 £'000
13,814	Administering Authority	14,048
9,475	Scheduled bodies	10,548
1,257	Admitted bodies	1,546
24,546		**26,142**

7. Transfers in from other pension funds

2018/19 £'000		2019/20 £'000
1,166	London Borough of Bexley	3,658
794	Scheduled bodies	178
1	Admitted bodies	49
1,961	**Total**	**3,886**

All transfers in relate to individual transfers from other schemes as there were no bulk transfers in these periods.

8. Benefits Payable

By category

2018/19 £'000		2019/20 £'000
26,652	Pensions	28,084
7	Augmented service	7
3,728	Commutation of pensions and lump sum retirement benefits	3,875
804	Lump sum death benefits	1,026
31,191	**Total**	**32,992**

By authority

2018/19 £'000		2019/20 £'000
27,580	London Borough of Bexley	28,253
1,285	Scheduled bodies	2,059
2,326	Admitted bodies	2,680
31,191	**Total**	**32,992**

9. Payments to and on account of leavers

By category

2018/19 £'000		2019/20 £'000
70	Refunds of contributions	126
1,568	Individual transfers out to other schemes	2,833
1,638	**Total**	**2,959**

By authority

1,402	London Borough of Bexley	2,335
233	Scheduled bodies	608
3	Admitted bodies	16
1,638	**Total**	**2,959**

There were no bulk transfers in 2019/20.

10. Management expenses

2018/19		2019/20
£'000		**£'000**
491	Administrative costs	507
5,595	Investment management expenses	6,614
415	Oversight and governance costs	549
6,501	**Total**	**7,670**

(a) Investment Management expenses

2018/19		2019/20
£'000		**£'000**
4,962	Management fees	5,778
63	Custody and performance measurement fees	257
570	Transaction costs	579
5,595	**Total**	**6,614**

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 12a).

The LCIV has negotiated a performance related fee element with its global equity sub fund manager Newton. In 2019/20 a net performance related fee of £0.2m was paid by the Fund and this is included in the figures above. (no performance fee was due in 2018/19).

11. Investment income

2018/19		2019/20
£'000		**£'000**
210	Income from Equities	318
9,683	Income from Pooled Investments - unit trusts and other managed funds	13,434
695	Private Equity Income	603
2,560	Pooled Property Investments	2,818
24	Interest on cash deposits	58
13,172	**Total**	**17,231**

12. Investments

31.3.2019 £'000		31.3.2020 £'000
	Long term investments	
150	Equities	150
	Investment assets	
789,759	Pooled investment vehicles	767,704
72,181	Private Equity	62,257
17,064	Cash/temporary investments	16,272
2,398	Investment income due	1,352
881,552	**Total investment assets**	**847,735**

(a) Reconciliation of movements in investments

	Value at 31.3.2019 £'000	Purchases during the year £'000	Sales during the year £'000	Change in Market value £'000	Value at 31.3.2020 £'000
Equities	150	-	-	-	150
Pooled investment vehicles (LCIV)	541,398	14,382	(2,879)	(27,752)	525,149
Pooled investment vehicles (non-LCIV)	156,474	96,515	(96,875)	2,312	158,426
Pooled Property investment	91,887	4,186	(9,905)	(2,039)	84,129
Private Equity	72,181	4,688	(14,372)	(240)	62,257
	862,090	**119,771**	**(124,031)**	**(27,719)**	**830,111**
Other investment balance:					
Cash Deposits	17,064				16,272
Investment income due	2,398				1,352
Net Investment Asset	**881,552**			**(27,719)**	**847,735**
Current Net Assets/(Liabilities)	**(8,989)**				**747**
Net Asset	**872,563**			**(27,719)**	**848,482**

	Value at 31.3.2018 £'000	Purchases during the year £'000	Sales during the year £'000	Change in Market value £'000	Value at 31.3.2019 £'000
Equities	150	-	-	-	150
Pooled investment vehicles (LCIV)	406,018	95,464	(2,262)	42,178	541,398
Pooled investment vehicles (non-LCIV)	262,443	50,737	(160,834)	4,128	156,474
Pooled Property investment	92,733	13,342	(16,896)	2,708	91,887
Private Equity	68,801	4,132	(10,276)	9,524	72,181
	830,145	**163,675**	**(190,268)**	**58,538**	**862,090**
Other investment balance:					
Cash Deposits	735				17,064
Investment income due	2,301				2,398
Net Investment Asset	**833,181**			**58,538**	**881,552**
Current Net Assets/(Liabilities)	(9,684)				(8,989)
Long Term Liabilities	(9,820)				-
Payable of Purchases of Investment	-				-
Net Asset	**813,677**			**58,538**	**872,563**

(b) Analysis of investments

31.3.2019 £'000		31.3.2020 £'000
	Equities	
150	UK unquoted	150
150		**150**
	Pooled investment vehicles	
91,887	Managed funds – UK property unquoted	84,129
104,899	Managed funds - UK index-linked unquoted Bonds	107,065
30,402	Managed funds - Overseas index-linked unquoted Equities	28,771
93,354	Managed funds – Overseas limited liability partnership unquoted	84,846
	London Collective Investment Vehicle (LCIV) Pooled Sub-Funds - Global Unquoted	
276,300	- Global Equity Fund	268,497
92,953	- Income Equity Fund	81,323
81,700	- Absolute Return Fund	84,329
90,446	- Global Bond Fund	90,486
-	- Infrastructure Fund	515
861,940		**829,961**
17,064	Cash/temporary investments	16,272

2,398	Investment income due	1,352
19,462		**17,624**
881,552	**Total investment assets**	**847,735**

(c) Investments analysed by fund manager

2018/19 £'000	%		2019/20 £'000	%
150	-	LCIV - Shareholding	150	-
277,798	31.5	LCIV –Newton Global Equity Fund	268,892	31.7
81,700	9.3	LCIV – Ruffer Absolute Return Fund	84,329	10.0
93,780	10.6	LCIV – Epoch Income Equity Fund	82,203	9.7
-	-	LCIV – Stepstone Infrastructure Fund	515	0.1
90,446	10.3	LCIV – PIMCO Global Bond Fund	90,486	10.7
543,875	**61.7**	**LCIV Sub total (London Collective Investment Vehicle)**	**526,575**	**62.2**
104,899	11.9	BlackRock Index linked Bond	107,065	12.6
30,402	3.4	BlackRock Index linked Equity	28,771	3.4
98,219	11.1	La Salle	98,309	11.6
72,181	8.2	Partners Group	62,257	7.3
21,173	2.4	UBS infrastructure Fund	22,590	2.7
3	-	Cash Held at Custodian (Northern Trust)	168	-
10,800	1.2	LGIM Money Market Fund	2,000	0.2
881,552	**100.0**		**847,735**	**100.0**

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 Global Equity, Income Equity and Global Bond sub-funds are quoted.

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

Asset Class / Security Name	Manager	31.03.20 £'000	31.03.20 % of inv assets
BlackRock Aquila Index Linked Gilts	BlackRock	97,780	11.5

Asset Class / Security Name	Manager	31.03.19 £'000	31.03.19 % of inv assets
BlackRock Aquila Index Linked Gilts	BlackRock	95,759	10.9

13. 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 day of the financial year	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 3	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	Significant changes in rental growth, vacancy levels or the discounted rate could affect valuations as could more general changes to market prices
Pooled LCIV	Level 2	Quoted investments are valued at mid-market value as at close of business on the last working day of the relevant period Unquoted investments or if a quotation is not available at the time of valuation, the fair value shall be estimated on the basis of the probable realisation value of the investment. Collective investment schemes are valued at quoted bid prices for dual priced funds and at quoted prices for single priced funds, on the last business day of the relevant period.	Evaluated Price Feeds	Not required
Unquoted private equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines	EBITDA multiple Revenue multiple Discount for lack of marketability. Control premium	Valuations could be affected by material events occurring between 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 Infrastructure Managed Funds	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.	Significant unobservable inputs and observable inflation.	Valuations could be affected by material events occurring between 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 2020.

	Assessed valuation range (+/-)	Value at 31 March 2020	Value on increase	Value on decrease
		£000	**£000**	**£000**
Private Equity	15%	62,257	71,596	52,918
UBS Infrastructure Fund	15%	22,590	25,979	19,202
LCIV Infrastructure Fund	15%	515	592	438
La Salle Pooled Investment Property	10%	84,129	92,542	75,716
Total		**169,491**	**191,802**	**147,181**

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.

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 2020	Quoted market price Level 1	Using Observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets at fair value through profit and loss	150	660,471	169,490	830,111
Net investment assets	**150**	**660,471**	**169,490**	**830,111**

Values at 31 March 2019	Quoted market price Level 1	Using Observable inputs (restated) Level 2	With significant unobservable inputs (restated) Level 3	Total
	£000	£000	£000	£000
Financial assets at fair value through profit and loss	150	676,700	185,241	862,091
Net investment assets	**150**	**676,700**	**185,241**	**862,091**

Reconciliation of Fair Value Measurements Within Level 3

2018/19	Market Value	Purchases during the year and derivative movements	Sales during the year and derivative receipts	Unrealised gains/ (losses)	Realised gains/ (losses)	Market Value
	01-Apr-19					31-Mar-20
	£'000	£'000	£'000	£'000	£'000	£'000
UBS Infrastructure Fund	21,173	-	(360)	1,777	-	22,590
LCIV Infrastructure Fund	-	515	-	-	-	515
Private equity	72,181	4,688	(14,372)	(6,874)	6,634	62,257
La Salle Pooled Investment Property	91,887	4,186	(9,905)	(3,917)	1,878	84,129
	185,241	**9,389**	**(24,637)**	**(9,014)**	**8,512**	**169,491**

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.

14. Financial Instruments

The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and Net Assets Statement heading.

Classification of financial instruments

Fair value through profit and loss	Assets at amortised cost	Financial liabilities at amortised cost		Fair value through profit and loss	Assets at amortised cost	Financial liabilities at amortised cost
	2018/19				2019/20	
£'000	£'000	£'000		£'000	£'000	£'000
			Financial Assets			
150			Equities	150		
185,241			Pooled investment vehicles (non bond)	197,746		
541,398			Pooled investment vehicles (LCIV)	525,150		
135,301			Pooled investment vehicles (bond)	107,065		
	17,649		Cash		16,812	
2,398			Other investment balances	1,352		
	1,010		Debtors		1,079	
			Financial Liabilities			
		(10,584)	Creditors			(872)
864,488	**18,659**	**(10,584)**	**Total**	**831,463**	**17,891**	**(872)**

(a) Net gains and losses on financial instruments

2018/19		2019/20
£'000		£'000
	Financial Assets	
58,538	Fair value through profit or loss	**(27,719)**

15. 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. To mitigate market risk, the Committee and its investment /advisors undertake regular monitoring of market conditions and benchmark analysis. Market risk may be sub-divided into interest rate risk, price risk and currency risk, although these are to some extent inter-linked.

- 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, private equity and infrastructure. This is mitigated by the spread of investments across different countries and consideration given to hedging the risk where it is 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.

The tables below demonstrate the potential change in net assets available following movements in market risk. In 2018/19 the percentage used for the movement in price was based on past experience of the fund and interest and currency movements were based on market experience. In 2019/20 the percentage movement is based on ten-year volatility assumptions for each asset class and is therefore more forward looking and informative.

Risks	Asset Type	Market Value 31Mar20 (£m)	% movement	Movement on Increased Value 2020 (£m)	Movement on Decreased Value 2020 (£m)
Interest rate	Global Bonds (Investment Grade Credit)	90.49	5.5	95.46	85.51
Interest rate	UK Bonds (Investment Grade Credit)	9.29	9.0	10.12	8.45
Interest rate	UK Bonds (Gilts)	97.78	10.5	108.05	87.51
Currency, Price	Global Equities	378.74	20.0	454.49	302.99
Currency, Price	Private Equity	62.26	28.5	80.00	44.51
Currency, Price	Infrastructure	23.11	18.5	27.38	18.83
Price	UK Property	84.13	12.5	94.65	73.61
Price	Absolute Return Fund	84.33	9.5	92.34	76.32

Risk	Asset Type	Market Value 31Mar19 (£m)	% movement	Movement on Increased Value 2019 (£m)	Movement on Decreased Value 2019 (£m)
Interest rate	Bonds	195.35	1	197.30	193.39
Currency	O/S Equities	399.66	11.5	445.62	353.69
Currency	Private Equity	72.18	8.2	78.10	66.26
Currency	Infrastructure	21.17	9.3	23.14	19.20
Price	Equities	399.81	9.3	436.99	362.62
Price	Bonds	195.35	4	203.16	187.53

(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. There is a higher credit risk involved in the Fund’s allocation to private equity (7.3% at 31 March 2020 and 8.2% at 31 March 2019) but this risk is accepted as a trade off for potentially higher returns.

The selection of high quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. 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 table below details the Fund's cash holding under its treasury management arrangements.

Balance as at 31 March 2019 £'000		**Balance as at 31 March 2020 £'000**
	Bank Account	
586	Natwest Account	540
	Money Market Fund	
10,800	LGIM Money Market Fund	2,000
11,386		**2,540**

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. To mitigate this risk, the Fund regularly monitors the state of employers in the fund.

(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 2019/20 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 2020 the value of illiquid assets was £169m, which represented 20% of total fund assets (31 March 2019: £182m which represented 21% of total fund assets).

16. 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 2019.

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 2019 actuarial valuation the Fund was assessed as 101% funded (94% at the March 2016 valuation). This represented a surplus of £11m (£45m deficit in 2016) at that time. Contribution rates were set for the three year period ending 31 March 2023 for scheme employers and admitted bodies. The primary contribution rate (the rate which all employers in the Fund pay) was set at 18.5% (16.4% in 2016).

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 2019 actuarial valuation report on the Fund's website.

17. Actuarial Present Value of Promised Retirement Benefits

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

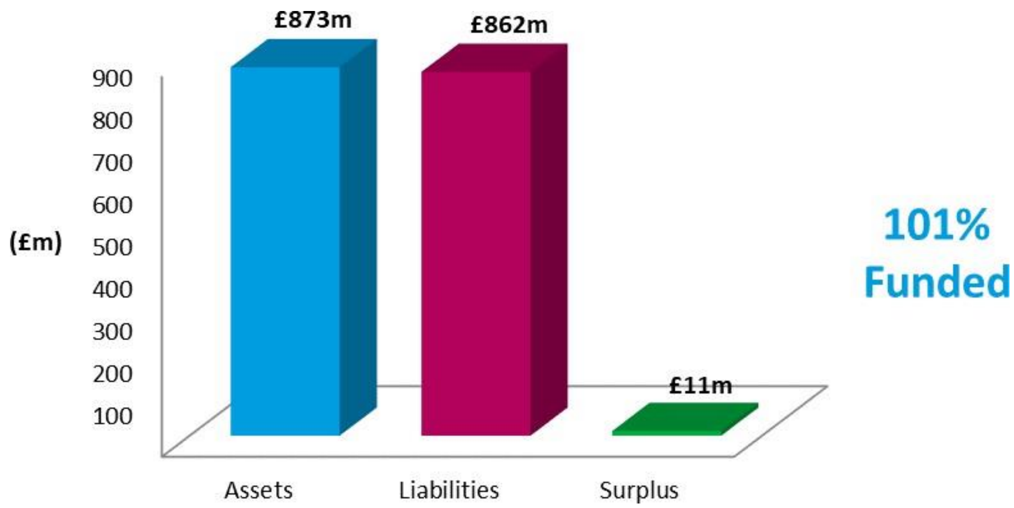
LONDON BOROUGH OF BEXLEY PENSION FUND

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2020 - 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 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

On the basis of the assumptions adopted, the Fund's assets of £873 million represented 101% of the Fund's past service liabilities of £862 million (the "Solvency Funding Target") at the valuation date. The surplus at the valuation was therefore £11 million.



The valuation also showed that a Primary contribution rate of 18.5% 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 FSS is to achieve and 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. Equally, where there is a surplus it is usually appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 10 years, and the total initial recovery payment (the "Secondary rate" for 2020-2023) is an addition of approximately £1.1 million per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS) although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020.

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 Solvency Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	3.65% per annum	4.40% per annum
Rate of pay increases (long term)*	3.90% per annum	3.90% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.40% per annum	2.40% per annum

* for certain employers, as agreed with the Administering Authority, 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 2022. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

The McCloud Judgment

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government announced in 2019 that this needs to be remedied for all public sector schemes including the LGPS. This is likely to result in increased costs for some employers. This remedy is not yet agreed but guidance issued requires that each Fund sets out its policy on addressing the implications.

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment. However, at the overall Fund level we estimate that the cost of the judgment could be an increase in past service liabilities of broadly £7 million and an increase in the Primary Contribution rate of 0.7% of Pensionable Pay per annum. Where an employer has elected to include a provision for the cost of the judgment, this is included within the secondary rate for that employer over 2020/23 (and also within the Whole Fund average secondary rate of £1.1 million per annum shown above).

Impact of Covid 19

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 we have so far seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Our view is that employer contributions should not be revisited but the position should be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

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 2020 (the 31 March 2019 assumptions are included for comparison):

	31 March 2019	31 March 2020
Rate of return on investments (discount rate)	2.4% per annum	2.4% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.2% per annum	2.1% per annum
Rate of pay increases*	3.7% per annum	3.6% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.3% per annum	2.2% per annum

* This is the long-term assumption. An allowance corresponding to that made at the latest formal actuarial valuation for short-term public sector pay restraint was also included.

The demographic assumptions are the same as those used for funding purposes, with the 31 March 2020 assumptions being updated to reflect the assumptions adopted for the 2019 actuarial valuation. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

Corporate bond yields were similar at the start and end of year resulting in the same discount rate of 2.4% p.a. being used for IAS 26 purposes at the year-end as for last year.

The expected long-term rate of CPI inflation decreased during the year, from 2.2% p.a. to 2.1%, which served to decrease the liabilities slightly over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2019 was estimated as £1,111 million excluding the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£27 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£21 million (this includes any increase in liabilities arising as a result of early retirements/augmentations and the potential impact of McCloud Judgment (about £10 million on IAS26 assumptions) and GMP Indexation – see comments elsewhere in this statement). There was also a decrease in liabilities of £77 million due to "actuarial gains" (i.e the effects of the *changes in the actuarial assumptions used, referred to above, and the incorporation of the 31 March 2019 actuarial valuation results into the IAS26 figures).*

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2020 is therefore £1,082 million.

GMP Indexation

At present, the public service schemes are required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government may well extend this at some point in the future to include members reaching State Pension Age from 6 April 2021 onwards, which would give rise to a further cost to the LGPS and its employers. If the Fund were required to index-link GMP benefits in respect of those members who reach their State Pension Age after April 2021, then this would increase the Fund liabilities by about £5 million on IAS26 assumptions, and we have included this amount within the final IAS26 liability figure above.

Michelle Doman

Fellow of the Institute and

Faculty of Actuaries

Paul Middleman

Fellow of the Institute and

Faculty of Actuaries

Mercer Limited

18. Current Assets

31 March 2019 £'000		31 March 2020 £'000
	Debtors	
173	Contributions due – employees	204
655	Contributions due – employers	622
828		826
181	Sundry debtors	253
1,009	**Total**	**1,079**
586	**Cash balances**	**540**
1,595		**1,619**

19. Current Liabilities

31 March 2019 £'000		31 March 2020 £'000
(233)	Sundry creditors	(510)
(63)	Benefits payable	(64)
(319)	Accrued expenses	(298)
(9,969)	Employer contributions prepayments	-
(10,584)	**Total**	**(872)**

20. Additional Voluntary Contributions

Market Value 31 March 2019 £'000		Market Value 31 March 2020 £'000
826	**Value of funds at end of year**	**937**

Additional voluntary contributions of £0.2m were paid during the year (2018/19: £0.2m). In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

21. 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 £345,710 recharge in 2019/20 from the London Borough of Bexley to the Fund included in administration and oversight and governance costs. (£306,968 in 2018/19)

The Director of Finance and Corporate Services allocates 5% of their time to the Fund and is the only officer that is regarded as holding a key management post in respect of the Fund. In 2019/20 costs relating to the Director of Finance post totalled £8,888 in respect of the allocation to the Fund (£10,510 in 2018/19). This includes employer pension fund contributions of £1,322 (£322 in 2018/19). The Director of Finance contributes 11.4% of their gross salary to the LGPS in employee contributions.

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.

22. Contingent Liabilities and Contractual Commitments

The Fund has a commitment to contribute a further £34.7m to the fund of private equity funds (£38.2m as at 31 March 2019), and a further £49.8m into infrastructure funds. 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 2020, or material non-adjusting events subsequent to this.

23. External Audit Cost

2018/19 £'000		2019/20 £'000
21	External Audit fees	16
-	Refund in respect of 2018/19 fees	(2)
21	**Total**	**14**

24. Post Balance Sheet Events

On 11th March 2019 the World Health Organisation declared that the spread of the COVID-19 virus had become a pandemic. In response governments around the world brought in measures to contain the virus which included social distancing and the closure of businesses. These measures led to big falls in global markets, market volatility and socioeconomic uncertainty. Governments and Central Banks around the world have introduced unprecedented fiscal and monetary action to stabilise economies leading to a sharp increase in government borrowing.

Employer contributions have not been revisited but the situation is being kept under review and all stakeholders will be nformed of any potential implications so that the outcome can be managed effectively

The sensitivity of the Funds investments to market movements is shown in note 13. The Fund has a long-term time horizon and its strategic asset allocation reflects this. Disciplined, policy-oriented rebalancing will be used where needed to ensure that market volatility doesn't lead to the Fund straying from its long-term investment objectives.

Following the 2019 valuation of the Fund the Pensions Committee reviewed the investment strategy and agreed a revised strategic asset allocation at its March 2019 Committee meeting. The revised strategy includes a 10% reduction in the allocation to equities and selling out of the Absolute Return Fund whilst increasing the allocation to bonds and cash.

Global Credit spreads significantly widened following the COVID-19 pandemic and the opportunity was taken to enact the first part of the revised strategic asset allocation. Therefore in May 2020 the Fund sold its LCIV Absolute Return Fund holdings. £42m of the proceeds were used to increase the Funds holdings in the LCIV Global Bond Fund and the remainder was taken in cash.

ANNUAL GOVERNANCE STATEMENT 2019/20

1. SCOPE

1.1. 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.

1.2. The Council 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.

1.3. 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.

1.4. 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

2.1. The Council's governance framework includes the following elements:

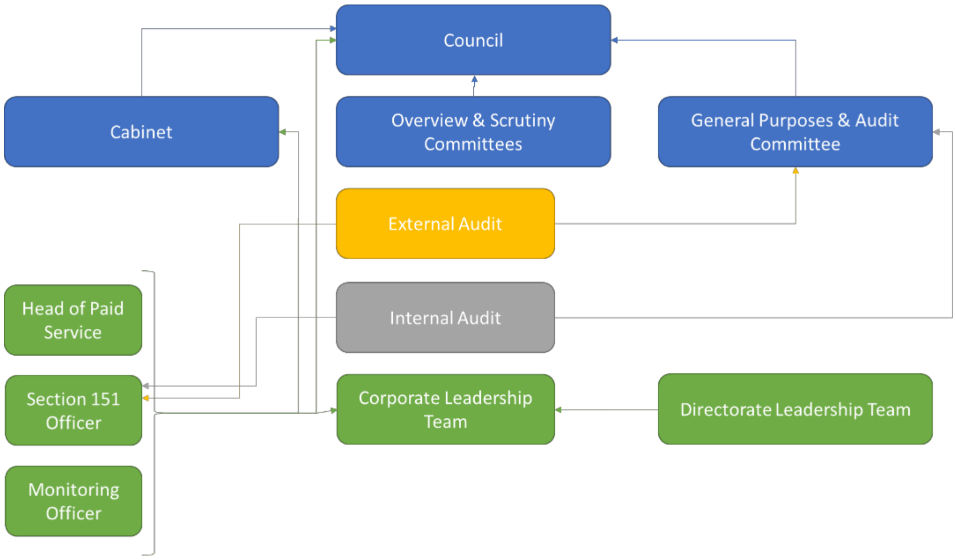
- The Council's Corporate Plan #Brilliant Bexley shaping Our Future Together;
- The Values adopted by the Council;
- The Constitution and Code of Governance including Procedure Rules, Code of Conduct for Members and protocols;
- The Officer arrangements for governance through the Corporate Leadership Team, Directorate Leadership Teams and Governance Boards; and
- The systems and processes adopted by the Council.

2.2. 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 decision-making and management of performance, resources and risk.

2.3. The governance framework described has been in place at the London Borough of Bexley for the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts.

3. GOVERNANCE ARRANGEMENTS

3.1. The chart below describes the internal governance arrangements in place within the Council with subsequent paragraphs explaining the role and purpose of each group or individual.



3.2. **The Council** - The Council consists of all elected Councillors. Members are responsible for agreeing the overarching policy framework for the Council, for agreeing the budget, and assessing, critiquing and approving the policy framework and strategies put forward to them by the Executive. The Council acts in accordance with the provisions contained in legislation and the provisions within the Council's Constitution and Code of Corporate Governance, including those stipulated in Article 4 of Part 2.

3.3. The Council have full access to the three statutory Officers responsible for governance, namely: Head of Paid Service, Section 151 Officer and the Monitoring Officer.

3.4. The Council are supported by the Overview and Scrutiny Committees and General Purposes & Audit Committee who have responsibility for governance.

3.5. **The Leader and Cabinet** - The Leader and Cabinet exercise the executive functions of the Council, in accordance with the provisions of Part 1A of the Local Government Act 2000, The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 and the Council's Constitution and Code of Corporate Governance. The Cabinet is at the heart of the day-to-day decision-making process and is responsible for proposing the policy framework and strategic direction of the Council. It also has a key role in proposing the budget and policy framework to the Council. It introduces both the traditional collective decision-taking and the possibilities for decision-making by individual Cabinet Members in respect of executive functions.

3.6. The responsibilities within each Cabinet Portfolio and the Executive Arrangements are reported at the Annual Council meeting. The Cabinet will carry out all the local authority's functions which are not the responsibility of any other part of the Council, whether by law or under the constitution.

3.7. The Cabinet are supported by the three statutory Officers and the wider Corporate Leadership Team.

3.8. **Overview and Scrutiny Committees** - The role, functions and terms of references of the Council's Overview and Scrutiny Committees are stipulated in the provisions of legislation and in Article 7 of Part 2 of the Council's Constitution and Code of Corporate Governance. These include reviewing and scrutinising decisions made or actions taken in connection with the discharge of any of the

Council's functions; making reports and/or recommendations to the Cabinet and/or Council in connection with the discharge of any functions; and consider any matter affecting the economic, environmental or social wellbeing of the area or its residents.

3.9. The Overview and Scrutiny Committees can also exercise the right to call-in, for reconsideration, decisions made but not yet implemented by the Cabinet, Cabinet Members or key decisions if made by Officers; and consider matters referred as a Councillor Call for Action. Overview and Scrutiny Committees may assist the Council and the Cabinet in the development of the budget and policy framework by in-depth analysis of policy issues; review performance; and question and challenge Members of the Cabinet and appropriate officers/partner agencies about proposals affecting the area. They may also review policy and challenge whether the Cabinet has made the right decisions about these policies and their implementation; and may take a long-term view of strategic issues and look in detail at key aspects of the Council's operations.

3.10. The Overview and Scrutiny Committees are composed of non-Executive Members of the Council and the Members of each Overview and Scrutiny Committee are allocated proportionately to reflect the balance between the respective Political Groups represented on the Council, in accordance with the provisions of the Local Government and Housing Act 1989. The Overview and Scrutiny Committees also operate under the relevant statutory guidance issued by the Government.

3.11. Every year at the Annual Council meeting a Review of the Committee structure, size and membership takes place with the appointments made accordingly. Orders of reference for the Overview and Scrutiny Committees and policy areas within the remit and focus of each Overview and Scrutiny Committee can be revised and the latest version was agreed at the May 2018 Annual Council meeting where the current configuration of four standing Overview and Scrutiny Committees was introduced.

3.12. **General Purpose & Audit Committee** - The role of the General Purpose and Audit Committee is to provide a source of effective assurance on the adequacy of the risk management framework and the internal control environment.

3.13. The Council's Chief Internal Auditor, External Auditors and Section 151 Officer have direct access, if necessary, to the Chairman of the General Purposes & Audit Committee.

3.14. **External Audit** - The Council is subject to review and appraisal from its external auditors, currently Ernst and Young LLP (EY). This organisation sends a report to the General Purpose & Audit Committee providing their opinion on whether the Council's and Pension Fund's financial statements give a true and fair view of the financial position and the Council's value for money.

3.15. Ernst and Young LLP have been the Council's external auditors since 2018/19 and their contract runs until 2024. This arrangement is through the Public Sector Audit Appointments (PSAA) process.

3.16. Ernst and Young LLP have direct access to the Section 151 Officer and the Chairman of the General Purposes & Audit Committee.

3.17. **Internal Audit** - Internal Audit is an independent assurance function that measures, evaluates and reports on the effectiveness of the controls in place to manage risk and governance processes. Their annual report states whether the systems of control are consistent and of adequate strength to allow the organisation to meet its objectives.

3.18. Details of the annual audit plan and works undertaken are reported to General Purposes & Audit Committee and the work undertaken by the internal audit and assurance function supports the Council's objectives, informs decision-making and assists the Cabinet and Corporate Leadership Team in making informed and effective decisions.

3.19. The **Corporate Leadership Team** is the employed senior managerial function of the Council, headed by the Chief Executive as the Head of Paid Service. The Corporate Leadership Team is supported by the statutory Monitoring Officer (Deputy Director for Corporate Services and subsequently (September 2020) Deputy Director of Legal and Committee Services), the Section 151 Officer (Director of Finance and Corporate Services) and the Directors of Adults Social Care, Children Social Care and Place and senior Council Officers.

4. COMPLIANCE WITH AND UNDERSTANDING OF THE CIPFA SOLACE FRAMEWORK

4.1. The Council has approved and adopted a Constitution and Code of Corporate Governance which are consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The overall aim of the CIPFA/SOLACE Framework is to ensure that:

- Resources are directed in accordance with agreed policy and according to priorities;
- There is sound and inclusive decision making; and
- There is clear accountability for the use of resources to achieve desired outcomes for service users and communities.

4.2. The principles that underpin these aims are laid out below:

Behaving with Integrity, Commitment to Ethical Values and Respect for the Rule of The Law

4.3. At Bexley, Codes of Conduct embed a strong public service ethos and high standards of behaviour for Members and Officers. This is stewarded by the organisation's Chief Officers, Directors and Deputy Directors who are supported by Legal Services in their overarching responsibility to ensure legal/regulatory compliance and maintain sound, effective internal procedures/policies. These high standards of openness, transparency and accountability are upheld and fostered by the Council's commitment to its Whistleblowing Policy and Anti-fraud and Corruption Strategy.

4.4. Council Officers have their own Codes of Conduct, contractual obligations and respective professional standards to uphold.

4.5. Elected Members are bound by the Members' Code of Conduct, which is enshrined into Part 5 of the Council's Constitution and Code of Corporate Governance. The Members' Code of Conduct Committee has been established and its functions, terms of reference and delegated powers are listed in Part 3 of the Council's Constitution and Code of Corporate Governance. These include advising on appropriate strategies and actions to maintain and promote high standards of conduct; monitor and review the Code of Conduct and the effectiveness of standards procedures and policies; to advise on or arrange training; and to receive reports, conduct hearings and determine action in respect of allegations and complaints of Members breaching the Code of Conduct.

Ensuring Openness and Comprehensive Stakeholder Engagement

4.6. Bexley communicates with its Stakeholders through various platforms including:

- Partnership Forums and Groups, and Service User Forums;
- Information and Press-releases on the Councils website and Social Media channels;
- Poster Campaigns across the Borough run by partners JC Decaux; and
- Quarterly Bexley Magazine distributed to residents.

4.7. The Council engages its residents through partnerships with key stakeholder groups ranging from large public organisations (e.g. the Metropolitan Police), through third sector and voluntary sector organisations (e.g. Bexley Voluntary Service Council), to citizen run networks such as the Neighbourhood Watch. Its residents also directly contribute to determining and realising Bexley's vision, through public consultations, formal forums, and informal meetings.

4.8. Individual elected Members engage with residents, businesses and organisations in their Wards and across the Borough in a variety of ways and bring the knowledge, information and experiences that brings to decision-making and overview and scrutiny processes within the Council.

Defining Outcomes in Terms of Sustainable Economic, Social and Environmental Benefits

4.9. The strategic vision for Bexley is set out in #Brilliant Bexley. To deliver this vision the Council defines specific outcomes and performance indicators for each service area. Operational and financial performance is reviewed by senior leaders at Heads of Service meetings, Directorate Leadership Teams, Corporate Leadership Team and cross-cutting boards incorporated within the Leadership Teams.

4.10. A number of cross-cutting Boards were incorporated in to the terms of reference of either the Corporate or Directorate Leadership Teams during 2019/20. The Boards previously established and now amalgamated with the Leadership Boards are:

- Transformation Board
- Commissioning Strategy Board
- Design and Innovation Board
- Corporate Governance Improvement Board

Determining the Intervention Necessary to Achieve Intended Outcomes

4.11. The Council continues to prioritise and monitor its resources against agreed plans and outcomes, continually assessing value for money on behalf of its residents. Directorate Leadership Teams review regular management performance information provided by their services assessing and adjusting for any variances from the Corporate Plan or Medium Term Financial Strategy. This process is scrutinised by Corporate Leadership Team, Cabinet and Scrutiny Committees. Key Performance Indicators (KPIs) are regularly published to support the monitoring of performance.

Developing the Entity's Capacity, Including the Capability of its Leadership and the Individuals Within it

4.12. The role of Officers, the Cabinet, Overview and Scrutiny Committees and regulatory committees are set out in the Constitution and Code of Corporate

Governance. Both Officers and Members are regularly offered and provided with training and guidance in relation to the London Borough of Bexley's Code of Conduct, principles of good decision-making, ICT facilities, information governance and any mandatory elements important to their role.

4.13. Senior Officers are provided with a number of opportunities to enhance their skills, including coaching/mentoring, attending seminars and Membership of professional networks.

4.14. All Members attend an induction programme and receive additional training relevant to specific roles, including dedicated training for Members of the Planning Committee, Licensing Committee and Pensions Committee. Members of Overview and Scrutiny Committees have attended workshops to share examples of good practice. Overview and Scrutiny Committee Chairmen meet regularly to review new guidance and review the success of their approach, to coordinate work between Overview and Scrutiny Committees and to instil a deep understanding of their role and responsibilities.

4.15. The Monitoring Officer provides on-going advice in connection with the legal standing of Council business and advice to Councillors on their responsibilities, alongside the maintenance/monitoring of the Constitution. To enable the Monitoring Officer to conduct their statutory role, in accordance with Section 5 Local Government and Housing Act 1989, the Monitoring Officer has access to all reports, attends key officer and committee meetings and is able to launch investigations in the eventuality of a breach of conduct.

4.16. The Council has in place a Top Management Review Panel. This Panel is a Committee that carries out the annual performance appraisals in respect of the Chief Executive and Directors.

Managing Risks and Performance Through Robust Internal Control and Strong Public Financial Management

4.17. The revised Risk Management Strategy was adopted by the General Purposes & Audit Committee in March 2019. This is reviewed annually and a revised version will be presented to the General Purposes & Audit Committee in October 2020.

4.18. The Strategic Risk Register has incorporated COVID 19 risks since March 2020, as have the Directorate risk registers. All risk registers have been reviewed weekly during the COVID 19 emergency response. The strategic risk register has been presented to the General Purposes & Audit Committee in October 2020 and January 2021..

4.19. It is important that risks are triangulated effectively with other Corporate performance monitoring as well as the budget management and reporting process. A greater focus on highlighting risks will also be highlighted in corporate decision-making, including in published decisions.

4.20. The Council's Anti-Fraud and Corruption Strategy lays out measures, processes and responsibilities for the prevention, deterrence and detection of fraud and corruption. Financial Regulations, Contract Procedure Rules, and Codes of Conduct for Members and employees adds to this framework. A close working relationship between the Counter Fraud and Internal Audit teams allows for the identification of control weaknesses. Detection is enhanced through participation in data-matching exercises with the National Fraud Initiative and best practice is kept current through Membership to the National Anti-Fraud Network.

4.21. Regular updates of anti-fraud activities which take place are provided to the General Purposes & Audit Committee.

Implementing Good Practices in Transparency, Reporting and Audit to Deliver Effective Accountability

4.22. The London Borough of Bexley has processes in place to ensure the Council provides clear, accurate and impartial information. The information supports the regular review of the Council's finances, ensuring medium term business/financial plans are aligned with strategic objectives and that public money is safeguarded. Work is underway to improve and strengthen those processes, including the analysis of budgets and monitoring of income and expenditure.

4.23. These processes were supported by the Shared Service 'oneSource' (a partnership between the London Borough of Bexley, the London Borough of Havering and the London Borough of Newham) throughout 2019/20 and the Director of Finance and Corporate services whom, in line with CIPFA's guidance, ensures that the budget is robust, and reserves are adequate. From 1st August 2020 onwards, the Council has brought the shared services in-house and using this as an opportunity to review and improve its financial processes. A Finance Service action and improvement plan is in place and will be presented to General Purposes and Audit Committee in October 2020.

4.24. The Council has updated its performance monitoring indicators, which are reported regularly to Members. In 2020/21 this will be further enhanced to ensure that key performance indicators are established in all Directorates and are reported consistently to Members. This will support Members to develop and scrutinise policies and decisions, consider interventions to support outcomes and monitor key financial and service area risks.

4.25. To aid with transparency and accountability to residents, businesses and interested parties, minutes of key meetings, decisions, all items of expenditure exceeding £500 and registers of interest are all published on the Council's website. Also detailed will be any approvals pertaining to BexleyCo Limited's (the Council's wholly owned subsidiary) annual business plan and the sanctioning of restricted financial matters relating to the company e.g. business loans and property purchase.

4.26. The system of internal control has been designed to manage the risks of Bexley not achieving its objectives to a reasonable level. It is a continuous process with significant risks being identified and brought to the attention of senior management and Members. Internal audit assesses the overall quality of these controls and makes, where necessary, recommendations for improvements.

BexleyCo Homes Ltd

4.27 Bexley Council wholly owns BexleyCo Homes Ltd, which was established to deliver private and affordable homes within the Borough, with its first development of 58 new homes and apartments initiated in December 2019. The activities of BexleyCo are overseen by a Board, consisting of an independent Chair and two Non-Executive Directors, which reports regularly to the Council. As the company is now actively engaged in developing residential sites, further assurance on the internal control environment will be provided through the Internal Audit plan for 2020/21.

5. REVIEW OF EFFECTIVENESS

5.1. 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 is informed by:

- Work undertaken by the Chief Executive and the Corporate Leadership Team;
- Head of Assurance's Annual Report; and
- External Auditors comments.

5.2. Effectiveness is assessed on the criteria:

- 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 required.

5.3. The review is led by the Head of Assurance and includes input from the Monitoring Officer, Directors and other Senior Managers. The results of the review are then considered by the Finance and Corporate Services Directorate Leadership Team before being presented to the Chief Executive and Leader of the Council.

6. HEAD OF INTERNAL AUDIT AND ASSURANCE OPINION

6.1. 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 (PSIAS). The Accounts and Audit Regulations contain a requirement for Councils to annually review the effectiveness of their internal audit and the PSIAS 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". The most recent assessment, carried out in March 2016, confirmed that internal audit service at the London Borough of Bexley generally conforms to the UK PSIAS. 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 Councils governance, risk and controls.

6.2. Bexley's Internal Audit, Counter Fraud and Risk Management Services were part of the shared service arrangements with the London Borough of Havering and London Borough of Newham up until 1 August 2020. The function is now provided in house under the Head of Assurance.

6.3. The Head of Assurance opinion for 2019/20 is that reasonable assurance can be provided that the Council has an adequate control framework in place. This is based on the internal audit programme of work undertaken during 2019/20, and additional advisory work which supports the opinion. During the 2019/20 financial year, one report with a limited assurance opinion was issued. All recommendations were agreed and an action plan to address the risks identified was established in this case.

6.4. Where issues were identified in the previous year by either internal or external audit or other assurance providers, or in the Annual Governance Statement, management has acted to address them.

6.5. The General Purposes & Audit Committee receives regular updates regarding the internal audit work plan, and risks and control issues identified during audits are highlighted in these reports.

6.6. Ernst and Young LLP (EY) issued unqualified opinions on the Council's 2018/19 financial statements in November 2019, missing the deadline set by the Ministry of

Housing, Communities and Local Government. Their opinion confirms that the financial statements gave a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

6.7. Ernst and Young LLP issued an unqualified Value for Money (VfM) conclusion for 2018/19 in November 2019. Based on their work and having regard to the guidance on the specified criteria published by the National Audit Office 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 2019. Ernst and Young LLP will also be auditing the Council's 2019/20 financial statements.

7. CONCLUSION

7.1. We, the Chief Executive and Leader of the Council have been advised on the implications of the result of the review of effectiveness of the governance framework by the General Purposes & 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 in the section below.

Leader of the Council	**Chief Executive**
Cllr Teresa O'Neill, OBE	Jackie Belton
5 March 2021	5 March 2021

8. ACTION PLAN FOR 2020/21

ACTIONS BOUGHT FORWARD TO 2021

Issue to be Addressed	Responsible Officer	Details	Planned Action 2019/20	Performance Assessment at 31 March 2020	Planned Action 2020/21
Performance and Finance Monitoring	Director of Finance & Corporate Services	Improvements required in respect to the timeliness and scope of monitoring provided to the Corporate Leadership Team and Members by services/corporate function	• Monthly reporting to Corporate Leadership Team • Quarterly reports presented to Public Cabinet • Consistency of quality of management information throughout Council (Managers, Members, Public)	• Full reports on finance and performance monitoring were reintroduced during the financial year, being reported to the Corporate Leadership Team and Members periodically. • The new reporting format was consistent for internal reporting to Officers as well as to Members and the Public.	• Continue with the practice established in 2019/20. • A new suite of performance indicators for all Directorates, informed by benchmarking, will be established and reviewed annually • It is import that risk management. Performance and budget monitoring activities are triangulated to ensure that issues are identified swiftly. The finance, risk and performance report currently sit separately and these will be aligned during 2020/21. • The quarterly performance report and monthly

					budget monitor will be shared with Members through the portal
Information Governance	**Deputy Director of Corporate Services**	Improvements required to ensure staff meet best practice standards in line with legislative requirements, with the aim of reducing number of decision notices from the Information Commissioners Office. . The challenge is to ensure that Council services meet their legal obligations in service delivery, particularly when working with partners.	• Continued emphasis on raising awareness of information governance issues at Directorate Leadership Team, Corporate Leadership Team briefings. • Managers provided with extensive best practice examples in guidance material	• The Council has in place excellent resources and policies to support services. The key challenge going forward is for services to ensure that good practice is followed in their working practices and that all staff are mindful of their obligations when undertaking their daily duties. • Training, advice and support will be required on an ongoing basis to ensure compliance with legislative and best practice requirements.	• This issue has been **closed** as a continuing governance issue which would need to be addressed, however the following ongoing will be taken to ensure the standard is maintained as the Council will always face the risk of data breaches: • All staff are required to complete their mandatory training course on Information Governance and Data Protection. • Guidance for staff will continue to be updated on B:Hive to reflect changes in legislation and requirements on the Council. • Roles and responsibilities on information governance are embedded within

					contracts with suppliers.
Health and Safety	**Deputy Director of Corporate Services**	Regularity of Directorate H&S meetings must increase to ensure all managers are aware of basic requirements for training and risk assessment Strengthening required for the arrangements relating to the Council premise's legislative requirements for fire and other hazards, including defining roles and responsibilities. The OHSAS18001 Management System (and the transition to the new standard) will support the Council to ensure that it is meeting its health and safety obligations, although further managerial focus on key actions such as compliance with mandatory training will be required.	• "Focussed effort will be required to address these issues in the coming year"	• **The implementation of a well-considered model for the corporate landlord function and the supporting resources including an ICT system will clarify and address weaknesses in the Council's management and oversight of its property assets and will provide assurance that all health and safety requirements are being suitably met.**	• This is an issue which will **continue** in 2020/21. • The Corporate Landlord model is now in development and will form after the new organisational Blue Print has been agreed by the General Purposes & Audit Committee and will start to be operational at the end of the year. • H&S matters need better compliance monitoring where tenants have the responsibility. • All commercial property decisions, both as leasor and lease will be taken by the Corporate Landlord. • New PI indicators to include H&S compliance for the full estate. • H&S COVID risk – managed through

					Gold group or CLT as appropriate
oneSource (Shared Service)	Director of Finance & Corporate Services	The shared service is not providing a sharing of processes/procedures, personnel or systems as envisaged which is leading to inefficiencies and this needs to be considered and developed in 2019/20.	• Ongoing review of effectiveness, economy and efficiency of the shared service needs to be continued to be monitored and must remain a governance issue for the Council.	• **Action has been taken for Bexley Council to exit the oneSource partnership and bring the finance function back in house. This is expected to be implemented by August 2020.**	• The withdrawal from oneSource on 31st July **closes** this governance issue. A new governance matter to address is included below.
The Council Growth Strategy – Bexley Co.	Director of Finance & Corporate Services	Bexley Co., a property development organisation and a wholly owned subsidiary of the Council was established to support the Council's Growth Strategy. Since its inception there have been multiple revisions of its business case and changes to personnel.	• Considering the changes to the company's long-term objectives and human capital, the governance arrangements for Bexley Co. need to be reviewed further to ensure transparency of monitoring.	• **The governance arrangements between the Council and BexleyCo were reviewed in 2019/20 and have been operational.** • Consistent liaison meetings between the company and Council personnel are now in place and engagement streamlined. • Board Papers are received monthly for the Council to review and comment. • Personnel changes within the company have stabilised,	• From a governance perspective this matter is **closed,** and the new arrangements put in place will continue. • The impact of COVID-19 and delivery of the business plan by BexleyCo continues to be tracked and monitored included within the Council's risk register as necessary.

				providing consistency to the company delivering their objectives.	
Temporary Accommodation – meeting supply	Deputy Director of Housing	An increase in the number of TA cases presenting is expected to continue rising following the introduction of the Homelessness Reduction Act.	• The Growth strategy tackles the future Housing crisis • 'Rent it Right' cash incentive scheme, MHCLG and other funding sourced to increase supply of affordable private sector rentals • £62m invested in property purchase scheme. • Prevention and assessment work to support residents.	• The Council has met and discharged its statutory housing duty throughout the 2019/20 financial year. • The supply of temporary accommodation continues to be monitored, assessed and addressed.	• From a governance perspective this matter is **closed** however will continue to be monitored and will be included on the Council's strategic risk register. • Following the overspend by Housing Services in 2019/20 there are new governance matters to be addressed and this has been included as a new governance issue.
Partnership Governance	Director of Adult Social Care	The Council has in place a number of existing partnerships with third party organisations which are underpinned by a form of governance arrangements. As delivery models change these partnership agreements and their associated governance arrangements need to be reviewed and	• Regularly review partnerships and performance; and consider there alternative and back-up plans may be necessary.	• The Section 75 agreement with Bexley CCG has been updated. • Relationships between Adult Social Care and other health partners continued to be monitored including that with the new South East	• This matter has been **closed** from a governance perspective however working partnerships will continue to be monitored.

		embedded within Council operations.		London CCG and Oxleas	
GDPR	Deputy Director of Corporate Services	Whilst the council has comprehensive policies and procedures in place, this is a new piece of legislation therefore ongoing work is required to embed good practice amongst all staff.	• A permanent resource has been established to manage the annual data protection (implementation plan). The information Governance Group will act as a Project Team with regular progress reported to the Corporate Leadership Team.	• The Information Governance Group have met regularly through out the year to consider GDPR. • Update reports have been taken periodically to both Directorate Leadership Teams and the Corporate Leadership Team. • Secure e-mail encryption software has been provided to all staff and tracking software has been installed to detect information breaches.	• From a governance perspective this matter is deemed **closed** however monitoring will continue to take place at both a Directorate Leadership Team and Corporate Leadership Team level.

NEW GOVERNANCE ISSUES TO ADDRESS IN 2020/21

Issue to be Addressed	Responsible Officer	Details	Planned Action 2020/21
Setting a Balanced Budget for 2021/22	Director of Finance & Corporate Services	The Council was able to set a balance budget for the 2019/20 financial year. There continues to be pressure over the medium term to the Council due to increased service demand and demographic pressures while available resources are reducing. As outlined in the budget setting report for 2020/21 approved in February 2020, uncertainty around many aspects of the future funding model for Local Government remains a challenge in the medium term. However, over and above all this sits the COVID19 pandemic and the emergency response which was initiated nationally in March 2020. This has brought an unprecedented challenge to local government generally and requires a reconsideration of the MTFS that was agreed and the corporate approach to recovery. The Council also needs to ensure that Members have all the required information to support their decision making regarding budget setting. The scale of the decisions which will be required is likely to be more significant than in previous years and the	• The Council has accelerated the Budget Setting process for 2021/22, with an awayday taking place with Leader and Cabinet in March 2020 and the refresh of the Medium Term Financial Strategy going to Public Cabinet in July 2020 along with saving, efficiency and transformational opportunities. • Further work will take place throughout the summer months reporting back to Public Cabinet in November and December with a strategy to set a balanced budget for 2021/22 and reduced the long term budget gap. • The Council will need to continue to manage and mitigate where possible the impact of the pandemic and consider the medium term impact if further government funding isn't provided. • The Director of Finance and Corporate Services will need to monitor and report to Members regularly on the in year budget monitoring position and the Medium Term Financial Strategy through Public Cabinet, Budget Scrutiny and wider briefings to ensure all Members understand the size of the budget challenge for 2021/22

		Council must ensure the decision making process is fully transparent and subject to the appropriate consultation and scrutiny by Members. It should be noted that the virtual world we are currently operating in may present an additional challenge in terms of communication.	and the steps and timescales required to set a balanced budget. • Members and Officers will need to continue to lobby the Government for further financial support for the pandemic for 2020/21 and into 2021/22 given the longer term impact. • The Dedicated Schools Grant places a significant financial risk to the Council and must be address through lobbying of the Department for Education to ensure a sustainable position can be achieved, specifically on the high needs block. • The additional financial controls introduced in 2019/20 will need to continue and further steps taken to control income and expenditure. • Budget Managers must take their responsibility seriously and manage their budgets within agreed parameters and put in place recovery plan where this can not be achieved.
Financial Services	Director of Finance & Corporate Services	Action has been taken for Bexley Council to exit the oneSource partnership and bring the finance function back in house. This is expected to be implemented by August 2020. Following the Finance Service coming back under direct control of the Council, the service needs to be improved to ensure it can meet the needs of the organisation, allow the Director to meet their statutory	• The restructuring and improvement of the finance function presents a risk and governance challenge. • A finance improvement programme needs to be put in place to improve the service to meet the needs of the organisation and enhanced the financial control environment. • The improvement plan will span 12-18 months, but the majority of deliverables will be

		responsibilities more consistently and ensure the future financial sustainability of the Council.	delivered in the next 12 months. • Once the finance function is brought back to the Council under its full control, regular updates on how the Council will monitor the performance for the year ahead will be provided to Cabinet as well as the Resources and Growth Overview and Scrutiny Committee and General Purposes & Audit Committee. • At the time of this statement, there is a significant proportion of temporary staff within the Finance Team. Permanent recruitment will need to be undertaken once the restructure has been agreed and the risk of loss of knowledge as we switch to a permanent staffing base addressed.
Housing Services	Director of Place	The Housing Service had a material overspend, based largely on Temporary Accommodation costs, at the end of 2019/20 which hadn't been raised during the financial year by the budget holder. This was the third year in a row for the service to overspend. The former governance risk identified was for the supply of temporary accommodation. This was too narrow an interpretation of the risk – managing costs and demand. An internal audit is being concluded to understand the cause of the overspend and the reason for late reporting	• An audit has been commissioned of the circumstances leading to the unreported overspend. • A Housing Improvement Board project group has been set up to review all areas of the Housing Service and address issues identified. • Improvement plan to be developed and put in place to ensure more robust management practices and systems result in accurate reporting and financial forecasting. • New management structure to be implemented. • Regular briefing to Lead Members.

		to ensure this doesn't happen again. This does identify a control weakness within the service.	• Regular reports to Cabinet and Members through relevant Committees on the progress being made. • Improvements to the budget setting process for this service area, performance, monitoring and oversight to be put in place. • Cost control and demand planning to be improved. • Performance reporting to be introduced and enhanced. • Need to address significant and longstanding weaknesses in the control environment. • Adoption of the Housing Strategy will be agreed in 2020/21. • The Housing allocation policy will be reviewed. • Further assurance will be provided on the improvement plan by the Internal Audit team during 2020/21 and 2021/22 the year.
Risk Management	Director of Finance & Corporate Services	Given the unprecedented financial challenges facing the Council and increased uncertainty, the need to transform it is essential that Officers and Members continue to have a clear understanding of risk management. As the Council faces more threats than ever before, risk management arrangements need to triangulate the risks the Council is facing with the budget reporting mechanism; the performance monitoring framework; and, the	• Regular updates of risk registers and reporting of new issues that have emerged and significant changes in the profiling of existing identified risks. • Directorate and Strategic risk registers are reviewed and approved through DLTs & CLT, and reported to the Leader, Cabinet and General Purposes and Audit Committee. • Training and advisory sessions for Officers, including budget holders, and Members. • Embedded focus and awareness of risks and

		external factors and wider economic environment.	risk management in decision-taking. • Risk management processes must move swiftly in this rapidly changing environment to ensure risks are updated as the threats to the Council change and develop. • Directors will discuss their Directorate risks with relevant Cabinet Members • Quarterly report of internal audits provided to Corporate Leadership Team and Cabinet and to the Chairman of General Purposes & Audit Committee. • Reporting of internal audit reports directly to the Leader of the Council, the Cabinet Member for Resources and relevant Cabinet Member whose portfolio covers the respective report. Review with General Purposes & Audit Committee how risk management, issues raised in internal audit reports and action plans are monitored and delivered. • Continued review of performance management quarterly reporting of KPIs to highlight areas of financial and service area risk and mitigating measures. • Risks will be clearly highlighted in any reports to Cabinet/ Council to inform decision making
EU Exit – Preparations and Impact	Director of Finance & Corporate Services	The Council is planning for when the UK leaves the European Union. The Council needs to ensure	• The Emergency Planning and Business Continuity Team are gathering information from each

		that it is ready for any outcome and the affect it will have on residents in the Borough. As this is a time of uncertainty all efforts are being undertaken to ensure any effects from a 'No Deal Brexit' will be mitigated to a point whereby the impact will be reduced to a level which will not adversely impact on Service Delivery.	department via their Business Continuity plans, to ensure that should a 'No Deal' Brexit occur, they could still maintain the services their teams provide to the community. This includes an assessment of any supply chain, staff availability and wider service impact. • Heads of Service to review their own business continuity plans; • the Council has worked closely with other official bodies such as London Resilience (who are acting as the focal point for information dissemination to Local Authorities from the Government), and London Councils. Also, within the Borough Resilience Forum, where the Bexley Emergency Team act as Chair, Brexit preparedness has been regularly raised as an agenda item for discussion. • Weekly meetings between the Council Emergency Planning & Business Continuity Manager and the London Resilience Forum to identify known issues.

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 Council.

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 a Council arising from past events, the settlement of which is expected to result in an outflow from the Council 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.