LONDON BOROUGH OF BEXLEY

STATEMENT OF ACCOUNTS
2012/13

September 2013

LONDON BOROUGH OF
BEXLEY

Contents

Explanatory Foreword

Introduction
Bexley's Statement of Accounts for 2012/13 sets out the Council's financial position and performance for the year. It has been prepared following International Financial Reporting Standards (IFRSs) and in accordance with the 2012 Code of Practice on Local Authority Accounting (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA) together with guidance notes issued by them.

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

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

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

The Borough covers an area of 23 square miles (6,400 hectares) and has five major district centres – Bexleyheath, Crayford, Erith, Sidcup and Welling. It is one of the greenest boroughs in London with over 100 parks and open spaces. Bexley is the 5th least deprived Borough in London (when based on 2010 Indices of Multiple Deprivation for the Borough as a whole) but areas of the borough such as parts of Slade Green, Footscray and Thamesmead rank in the most deprived 10-20% areas nationally. Bexley has the lowest level of crime in London.

The 2011 UK Census gave an estimated population for Bexley of 232,000, an increase of 14,000 since the last census.

The Council provides a wide range of services to the public. Many of these services are supplied by the private and voluntary sector ranging from waste collection and disposal to residential care of children and adults. The Council's gross revenue spending in 2012/13 was £515m of which £99m related to spending on schools and a further £109m related to benefit payments. Income came principally from the Government (£339m) and Council Tax (£95m) with the balance from charges for services and other minor sources.

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

- Keeping vulnerable people safe
- Helping people to develop the skills they need to get a job
- Encouraging people to take better care of their own health and well-being, to reduce the calls they need to make in the future on health and social care services
- Protecting services that help reduce other costs, for example recycling, which reduces the cost of landfill and landfill tax
- Minimising the demands on Council Taxpayers

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

Explanation of the Financial Statements

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

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

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

Balance Sheet
The Balance Sheet shows the value as at 31 March 2013 of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by its reserves. Reserves are reported in two categories as explained above. With regard to those reserves that the Council is not able to use to provide services, this category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves holding timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’. Details of the movements in Reserves are included in the Movement in Reserves Statement

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

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

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

Financial Performance for the Year

(a) Revenue Expenditure
The Council manages and controls spending on its services through its General Fund.

The Council's gross cost of providing services is reduced by specific grants (the biggest of which are Dedicated Schools Grant of £110m and Benefits subsidy of £110m) and other income such as charges levied for services to arrive at net expenditure. Net expenditure is financed from National Non-Domestic Rates, Revenue Support Grant, Core Grants, Council Tax and reserves.

The budget was monitored throughout the year and It was reported to the Public Cabinet on 4 March 2013 that there was a projected saving of £4.0m arising from unspent contingency provisions - largely reflecting good progress with delivery of Strategy 2014 - and financing costs. It was agreed that this would be transferred to the Financial Planning Reserve at the year end. When the accounts were closed, this saving had risen enabling a final transfer of £4.9m.

The final approved General Fund budget for net expenditure in 2012/13 was £179.843m whereas the actual amount charged was £176.323m, a variation of £3.520m. Of this, unspent budgets totalling £1.335m will be carried forward to the new financial year and, after adjustments to pooled budgets, this leaves a final net increase in the unallocated General Fund balance of £0.252m. The unallocated General Fund balance was therefore £12.740m at 31 March 2013; the last monitoring had projected a balance of £12.711m.

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

	Final Budget (1)	Actual Expend. (2)	Variation (2) – (1)
	£'000	£'000	£'000
Net Expenditure on Services	175,134	171,436	-3,698
Financing Costs & Movements in Reserves	-2,752	-2,752	-
Contingency Provision	-262	-	262
London Wide Payments	7,723	7,639	-84
Total to be financed	179,843	176,323	-3,520
Income from RSG/NNDR/Council Tax	-178,529	-178,529	-
Shortfall/ surplus (-) for year	1,314	-2,206	-3,520
Less:			
Council budgets carried forward			1,335
Adjustments to Pooled Budgets			1,933
Net increase in unallocated General Fund Balance			-252

Significant variations in spending against the budget include children's agency placements (£0.9m), learning disability services (£0.9m), residential and nursing care (-£0.5m) adults preventative services (-£0.3m), staffing budgets (-£0.7m), waste disposal income (-£0.1m) and audit fees (-£0.1m). Following an Ofsted inspection of children's services in July 2012, additional budgetary provision totalling £1.4m was agreed for the service of which £0.702m was financed by virements of underspendings in other budgets.

After the inclusion of schools, the Adult Education College, earmarked and carry forward elements, the General Fund overall shows a net surplus for the year of £1.923m, the accounting position presented in the CIES shows a surplus for the year of £21.932m. This is because the CIES is required to take a wider view of financial performance than that shown in the General Fund and show the true accounting position. The surplus for the year represents the total amount by which the Council's overall net worth has increased over the year as shown in the Balance Sheet. Therefore, in addition to the net General Fund underspend of £1.923m, the CIES also includes the following major items of expenditure and credits:

- A charge for the depreciation and impairment of fixed assets. The depreciation charge of £19.234m is a charge for the use of assets that reflects the notional consumption of assets during the year, whilst the impairment charge of £0.336m reflects a reduction in the valuation of assets during the year due to factors such as demolition, obsolescence or physical damage to an asset.

- A charge for revenue expenditure funded from capital under statute (REFCUS). A charge of £0.680m for expenditure which under proper accounting practice meets the definition of revenue expenditure but which statute allows to be funded from capital resources. This mainly relates to grants or other financial assistance made to other public bodies for capital expenditure purposes. This expenditure is therefore included in the capital expenditure totals given in Note 12.

- A credit for capital grant income. Capital grants and contributions of £28.044m have been credited to the CIES in accordance with proper accounting practice. However, for the statutory purposes of financing capital expenditure, these grants are included within the Council's capital programme.

- A charge for pensions of £8.968m representing the difference between the IAS 19 accounting cost of pensions (as calculated by the Council's Actuary) and the actual employer contributions paid to the Council's Pension Fund in the year. In addition, there is a further charge of £23.061m arising from actuarial losses in the year. Actuarial losses represent the extent to which the assumptions made by the Actuary at the start of the year differ from those at the end of the year i.e. inflation rates, asset returns, etc. See Note 34 in the Financial Statements for further details of movements in the pension fund liability during the year.

- A loss on the de-recognition of fixed assets of £4.897m. When assets are sold or are transferred to other bodies the carrying value of those assets is written-off to the CIES and, depending on the sale proceeds, a gain or loss is recognised.

- A revaluation loss on fixed assets of £3.103m arising from the decrease in the value of those fixed assets that have been revalued during the year.

In addition, statute requires that certain expenses are charged to the General Fund that are not considered to be proper accounting charges in accordance with the Code. These are therefore not shown in the CIES. In the main these statutory charges relate to the statutory capital financing charge called the Minimum Revenue Provision (£4.593m), which is an amount set aside from revenue to repay debt, and direct revenue financing of capital expenditure (£1.720m). The latter is often referred to as CERA (capital expenditure charged to a revenue account).

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

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

(b) Capital Expenditure

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

	£'000
Capital Investment	
Property, Plant and Equipment	29,406
Intangible Assets	432
Revenue Expenditure funded from Capital	4,936
Total Capital Investment	**34,774**
Sources of Finance	
Capital Receipts	14,038
Grants and Contributions	17,883
Direct Revenue Financing	1,720
Minimum Revenue Provision	4,593
Total Sources of Finance	**38,234**
Reduction in Capital Financing Requirement	**3,460**

All slippage in spending of the approved Capital Programme will be rolled into 2013/14 or later years as appropriate together with the resources for its financing.

(c) Material Items in the Accounts

The Council has not acquired any material assets in 2012/13.

The Council has not incurred any material liabilities in 2012/13 and there were no material or unusual charges or credits included in the accounts.

Financial Position at 31 March 2013

The net worth (total reserves) of the Council is shown in the Balance Sheet and has increased by £3.589m over the year to £355.863m. However, a number of the reserves making up net worth relate to the technical adjustments arising from fixed assets and pensions accounting and the reserves are not available to spend. An analysis of these reserves is provided further below.

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

(a) Property, Plant and Equipment
The value of non current assets at 31st March 2013 is £531.882m. During the year the Council undertook additional capital expenditure as explained above and purchased the new Civic Offices site and expanded a number of schools including Jubilee, Barrington, Mayplace, Gravel Hill and Crook Log.

During the year, the Council received total proceeds from disposals of land, buildings and repayments of mortgage advances of £14.795m. The largest element related to the first instalment of the disposal of the Civic Offices site (£13.450m) and the balance of this payment (£11.876m) is due when the purchaser takes vacant possession of the site in 2014. The Council transferred schools to academies for nil consideration and the value of their assets has been removed from the Council's Balance Sheet.

(b) Internal and External Sources of Funds

The Council has a balance of £30.083m on its Capital Grants Unapplied Reserve at 31 March 2013. There were no capital receipts unapplied at 31 March 2013.

(c) Pensions Liability

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

The net pensions liability shown on the Balance Sheet is £149.311m at 31 March 2013; an increase of £20.940m since 31 March 2012. This sum, which is determined in accordance with International Accounting Standard (IAS) 19, reflects the deficit on the Pension Fund after assessing the net present value of future pension liabilities and deducting the value of the Fund's assets. It does impact on the net worth of the authority, but it is important to recognise that the Pension Fund deficit is based on a snapshot at a point in time and does not predict the fund's future financial position or limit its ability to pay benefits in the future. The value of the Fund's assets can improve significantly in future years depending on investment performance and any shortfall will be made good by increasing contributions in future years as assessed by the Council's actuary at regular three-year intervals.

(d) Provisions and Contingent Liabilities

Where the Council has a liability to make future payments, but the precise timing of the payment and the amount is uncertain, then it creates provisions in the Balance Sheet. At 31 March 2013 the Council has the following main provisions:

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

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

The Council also maintains provisions for bad debts that are reviewed annually. The Debtors figure in the Balance Sheet is shown net of these provisions. There have been no material write-offs in 2012/13.

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

Contingent Liabilities are detailed in a separate note to the Accounts.

(e) Reserves

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

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

The Council's main earmarked reserves are as follows:

	Balance at 31 March 2013 £'000
Financing	10,014
Insurance	4,389
Service Support and Development	10,727
Stock Transfer Warranties	2,183
Broadway Shopping Centre	2,204
Information Technology	3,199
Income Collection	1,773
Reorganisation	2,336
Financial Planning	8,677
Other Earmarked	7,552
	53,054

The Unapplied Capital Grants reserve relates to grants which will be applied to fund capital expenditure in 2013/14 and future financial years.

The Balance Sheet also shows a number of technical reserves such as the Revaluation Reserve and Capital Adjustment Account. These reserves are not available to spend having been created to reconcile the Council's accounting position with the statutory financial position as used to set the budget.

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

(f) Borrowing
At 31 March 2013 the Council had outstanding borrowing of £103.190m. This was entirely sourced from the Public Works Loan Board (PWLB) and an analysis of loan maturities is given in note 37. Borrowing has been at a much lower level than that set under prudential limits for many years as a result of the Council's Treasury Management policies.

(g) Material Events after the Reporting Date
There were the following post-Balance Sheet events.

The Council transferred thirteen schools to academies in 2010/11 and 2011/12 and a further three schools in 2012/13. Six more schools have transferred to academy status since 1 April 2013 and further schools are likely to become academies in 2013/14. For schools that are not voluntary aided or Foundation status, as they transfer their non current assets are also transferred to the successor bodies reducing the amount of property, plant and equipment in the Balance Sheet.

The Council took over responsibility for Public Health functions from the Primary Care Trust on 1 April 2013. The Government has provided the Council with a ring-fenced grant of £6.7m in 2013/14 to cover the costs of staff and contracts that have transferred to the Council.

Following the Local Government Finance Act 2012, the Business Rates Retention Scheme was introduced from April 2013 to replace the Formula Grant system. From 2013/14, the starting point and future growth in business rates income will be shared 50/50 between local and central government. London boroughs will split their 50% share 60/40 with the Greater London Authority, meaning that Bexley will retain only 30% of its total business rates growth. Authorities will either receive a top-up on their business rates or pay a tariff, depending in part on the level of business rate income received and the level of government grant income received under the previous system. Bexley will receive a top-up. From 1 April 2013 the Council will also have to bear 30% of the result of any downward revaluations of business properties arising from appeals that would be repayable to taxpayers. As at 1 April 2013, these are estimated to be £2.1m.

In response to the continuing pressure facing children's social care services and the impact of the Ofsted report on children's services last summer, the Council has invested significantly in addressing the issues raised and improving its performance in a number of areas. This will include a significant restructuring of the service during 2013/14.

Significant Prior Period Adjustments and Changes in Accounting Policies

There were no prior period adjustments or changes in accounting policies in 2012/13.

Financial Outlook 2013/14 onwards

(a) Outlook for Public Sector Funding

The country's economic position has led to significant cuts in the resources made available for local government. At the same time, the downturn has created a risk of higher spending on some demand-led council services and reduced income on others. These budgets have been corrected each year as necessary and the Council continues to allow £0.5m each year for unexpected adverse impacts.

The Council's response to the significant reductions in public expenditure imposed by the Government was Strategy 2014 which seeks to deliver savings across the whole Council so that reductions in Government grant can be dealt with in a measured and structured fashion. Reductions to the budget totalling £5.451m were implemented in 2013/14 bringing the total reductions for the past three years to £35.1m. Full details are contained in the February 2013 update of the Council's Budget Strategy 2014 document.

All forecasters project further reductions in the resources for local government over the next few years and the Spending Round for 2015/16 published by the Government on 26 June 2013 has set out further reductions of 10% in support to local government. Bexley like other Councils therefore needs to identify major reductions in spending estimated at £40m by 2017/18. A financial planning reserve has been put in place to ease the transition that needs to be made and its balance at 31 March 2013 was £8.677m.

(b) Review of Local Government Finance System

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

The first change is the localisation of business rates whereby any growth or reduction in the rate base is shared with the Government and (in London) the Greater London Authority. The Council's share of all such changes is 30% and introduces a new volatility to the Council's income. In addition, the Council will bear a share of the cost of outstanding appeals against rateable value at 1 April 2013, many of which go back several years.

The abolition of Council Tax Benefit and its replacement with a Council Tax Discount Scheme means that from 1 April 2013, each Council receives a grant to compensate for the reduction in council tax income resulting from the application of the new discount. However, the grant covers only 90% of the previous level of benefits and Bexley has introduced a discount scheme designed to reduce expenditure in order to cover this shortfall in grant. However, this requires the collection of fairly small amounts of Council Tax from less well-off households. It also means that the cost of any increase in the claimant base falls on the Council as the grant will be consolidated into Revenue Support Grant and fixed. Therefore, any future increases in Council Tax itself will generate lower additional income than hitherto.

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

(c) New Statutory Requirements and Transfer of Functions
The Health and Social Care Act (March 2012) set out the transfer of public health functions from Primary Care Trusts to local authorities with effect from 1 April 2013. This change in organisational responsibilities has been delivered at the same time as significant organisational change within the National Health Service including the abolition of Primary Care Trusts and their replacement with the establishment of Clinical Commissioning Groups.

Further Enquiries and Information

The Statement of Accounts summarises the Council's financial activities and gives details of the overall financial position. Inevitably, much of the information in the document is of a technical nature satisfying the requirements of statute and local authority accounting practice. A user-friendly summary of the accounts will be published later in the year.

Details of the 2013/14 budget are included in the Budget Book. Copies of this document and enquiries relating to this Statement of Accounts should be made to Lesley Pine in the Finance Department, Bexley Civic Offices on 020 3045 5141. This Statement and the Budget Book are also available on the Council's web site, http://www.bexley.gov.uk

Michael Ellsmore
Director of Finance and Resources
16 September 2013

Statement of Responsibilities for the Statement of Accounts

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

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

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

(**1**) selected suitable accounting policies and then applied them consistently,

(2) made judgements and estimates that were reasonable and prudent,

(3) complied with the local authority Code.

Also, the Director of Finance and Resources has:-

(1) kept proper accounting records which were up to date,

(2) taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statements of the Director of Finance and Resources

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

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

The Statement of Accounts presents a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended 31 March 2013.

Michael Ellsmore
Director of Finance and Resources
16 September 2013

Approval of the Accounts

I certify that the Statement of Accounts for 2012/13 has been approved by resolution of the General Purposes Committee of the London Borough of Bexley in accordance with the Accounts and Audit Regulations 2011.

Councillor Lucia-Hennis
Chairman, General Purposes Committee
26 September 2013

MOVEMENT IN RESERVES STATEMENT

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

2011/12	**General Fund Balance £'000**	**Earmarked General Fund Reserves £'000**	**Capital Receipts Reserve £'000**	**Capital Grants Unapplied £'000**	**Total Usable Reserves £'000**	**Unusable Reserves £'000**	**Total Reserves of the Authority £'000**
Balance at 1 April 2011	**22,809**	**40,909**	**0**	**5,689**	**69,407**	**345,523**	**414,930**
Movement in reserves during 2011/12							
Surplus or deficit (-) on the provision of services	-49,186	0	0	0	**-49,186**	0	**-49,186**
Other comprehensive income and expenditure	0	0	0	0	**0**	-13,470	**-13,470**
Total comprehensive income and expenditure	**-49,186**	**0**	**0**	**0**	**-49,186**	**-13,470**	**-62,656**
Adjustments between accounting basis and funding basis under regulations (Note 7)	59,981	0	0	9,977	**69,958**	-69,958	**0**
Net increase or decrease before transfers to earmarked reserves	**10,795**	**0**	**0**	**9,977**	**20,772**	**-83,428**	**-62,656**
Transfers to or from earmarked reserves	-8,729	8,729	0	0	**0**	0	**0**
Increase or decrease in year	**2,066**	**8,729**	**0**	**9,977**	**20,772**	**-83,428**	**-62,656**
Balance at 31 March 2012	**24,875**	**49,638**	**0**	**15,666**	**90,179**	**262,095**	**352,274**
Movement in reserves during 2012/13							
Surplus or deficit (-) on the provision of services	21,932	0	0	0	**21,932**	0	**21,932**
Other comprehensive income and expenditure	0	0	0	0	**0**	-18,343	**-18,343**
Total comprehensive income and expenditure	**21,932**	**0**	**0**	**0**	**21,932**	**-18,343**	**3,589**
Adjustments between accounting basis and funding basis under regulations (Note 7)	-11,224	0	0	14,417	**3,193**	-3,193	**0**
Net increase or decrease before transfers to earmarked reserves	**10,708**	**0**	**0**	**14,417**	**25,125**	**-21,536**	**3,589**
Transfers to or from earmarked reserves	-8,785	8,785	0	0	**0**	0	**0**
Increase or decrease in year	**1,923**	**8,785**	**0**	**14,417**	**25,125**	**-21,536**	**3,589**
Balance at 31 March 2013	**26,798**	**58,423**	**0**	**30,083**	**115,304**	**240,559**	**355,863**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. The 2011/12 cost of services figures have been restated to transfer £2.352m to Housing Services income from Corporate and Democratic Core to correct the allocation in the 2011/12 Accounts.

2011/12 Restated				2012/13		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**	**Continuing Operations**	**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
203,545	-160,346	43,199	Children's and Education Services	182,432	-136,130	46,302
25,631	-7,541	18,090	Highways and Transport Services	26,449	-8,285	18,164
100,662	-92,569	8,093	Housing Services	107,290	-99,455	7,835
74,500	-21,073	53,427	Adult Social Care	76,245	-23,223	53,022
17,629	-2,437	15,192	Cultural and Related Services	16,733	-3,176	13,557
29,739	-6,339	23,400	Environment and Regulatory Services	29,802	-6,126	23,676
9,310	-1,955	7,355	Planning Services	8,031	-837	7,194
7,388	0	7,388	Corporate and Democratic Core	8,660	0	8,660
-6,782	0	-6,782	Non Distributed Costs (Note 34)	-1,264	0	-1,264
20,930	-18,503	2,427	Central Services	20,092	-18,115	1,977
482,552	**-310,763**	**171,789**	**Cost of Services**	**474,470**	**-295,347**	**179,123**
			Other Operating Expenditure			
1,046	-21	1,025	Precepts and Levies	966	-21	945
22	0	22	Payments to the Housing Capital Receipts Pool	16	0	16
86,687	0	86,687	Gains or losses on the disposal of non-current assets	4,897	0	4,897
			Financing and Investment Income and Expenditure			
8,300	0	8,300	Interest payable and similar charges	8,217	0	8,217
28,522	0	28,522	Pensions interest cost (Note 34)	26,658	0	26,658
0	-27,873	-27,873	Expected return on pensions assets (Note 34)	0	-25,449	-25,449
0	-2,493	-2,493	Interest income	0	-2,850	-2,850
9,103	-2,156	6,947	Income and expenditure and changes in the fair value of investment properties (Note 9)	0	-2,051	-2,051
0	0	0	Gains or losses on disposal of investment properties	0	0	0
0	0	0	Other investment income	0	0	0
0	0	0	**Profit or Loss on Discontinued Operations**	0	0	0
			Taxation and Non-Specific Grant Income			
0	-94,823	-94,823	Council Tax income	0	-95,294	-95,294
0	-50,905	-50,905	NNDR distribution	0	-61,702	-61,702
0	-37,992	-37,992	Non-ringfenced Government grants	0	-24,399	-24,399
0	-40,020	-40,020	Capital grants and contributions	0	-28,044	-28,044
0	0	0	Donated assets	0	-1,999	-1,999
616,232	**-567,046**	**49,186**	**Surplus (-) or Deficit on the provision of services**	**515,224**	**-537,156**	**-21,932**
		-29,089	Surplus or deficit on revaluation of non-current assets (Note 21)			-5,444
		0	Surplus or deficit on revaluation of available-for-sale financial assets			0
		42,559	Actuarial gains or losses on pension assets and liabilities (Note 34)			23,787
		13,470	**Other Comprehensive Income and Expenditure**			**18,343**
		62,656	**Total Comprehensive Income and Expenditure**			**-3,589**

BALANCE SHEET

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

31 March 2012		Notes	**31 March 2013**
£'000			**£'000**
	Property, plant and equipment	8	
301,386	Land and buildings		271,327
11,347	Vehicles, plant and equipment		7,776
155,266	Infrastructure		155,196
6,647	Community assets		6,754
6,799	Assets under construction		22,868
3,081	Surplus assets not held for sale		1,487
32,786	Heritage assets	41	32,805
30,219	Investment property	9	32,932
556	Intangible assets	10	737
23,000	Long-term investments	14	12,000
6,428	Long-term debtors	38	18,014
577,515	**Total Long Term Assets**		**561,896**
41,488	Short-term investments	14	61,111
483	Inventories	15	512
40,794	Short-term debtors	16	43,534
0	Assets held for sale	11	80
39,746	Cash and cash equivalents	17	48,046
122,511	**Total Current Assets**		**153,283**
-15,160	Bank overdraft	17	-14,495
-530	Short-term borrowing	14	-529
-46,934	Short-term creditors	18	-44,819
-1,161	Provisions	19	-479
-5,578	Capital grants receipts in advance	39	-988
-69,363	**Total Current Liabilities**		**-61,310**
-3,486	Provisions	19	-3,611
-102,661	Long-term borrowing	14	-102,644
	Other long-term liabilities		
-128,371	Net pensions liability	34	-149,311
-39,807	Deferred liabilities	40	-38,371
-4,064	Capital grants receipts in advance	39	-4,069
-278,389	**Total Long Term Liabilities**		**-298,006**
352,274	**TOTAL NET ASSETS**		**355,863**
90,179	Usable reserves	20	115,304
262,095	Unusable reserves	21	240,559
352,274	**TOTAL RESERVES**		**355,863**

CASH FLOW STATEMENT

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

2011/12 £'000		2012/13 £'000
	Operating Activities	
-78,033	Taxation	-79,194
-340,433	Grants	-318,972
-26,661	Sales of goods and rendering of services	-20,727
-1,903	Interest received	-2,731
0	Dividends received	0
-16,439	Other receipts from operating activities	-19,690
-463,469	**Cash inflows generated from operating activities**	**-441,314**
139,008	Cash paid to and on behalf of employees	118,768
87,692	Housing Benefit paid out	92,329
16	Payments to the Capital Receipts Pool	21
185,766	Cash paid to suppliers of goods and services	192,037
4,819	Interest paid	4,771
28,891	Other payments for operating activities	24,753
446,192	**Cash outflows generated from operating activities**	**432,679**
-17,277	**Net cash flows from operating activities**	**-8,635**
	Investing Activities	
41,519	Purchase of property, plant and equipment, heritage assets, investment property and intangible assets	29,165
117,400	Purchase of short-term and long-term investments	58,500
0	Other payments for investing activities	0
-1,738	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-14,718
-95,400	Proceeds from short-term and long-term investments	-50,000
-41,764	Other receipts from investing activities	-25,100
20,017	**Net cash flows from investing activities**	**-2,153**
	Financing Activities	
0	Cash receipts of short- and long-term borrowing	0
-3,657	Other receipts from financing activities	-3,084
3,553	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	3,472
31	Repayments of short- and long-term borrowing	31
82	Other payments for financing activities	1,404
9	**Net cash flows from financing activities**	**1,823**
2,749	**Net increase (-) or decrease in cash and cash equivalents**	**-8,965**
27,335	**Cash and cash equivalents at the beginning of the reporting period**	**24,586**
24,586	**Cash and cash equivalents at the end of the reporting period**	**33,551**

NOTES TO THE ACCOUNTS

1 Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 which require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRSs) and statutory guidance issued under section 21(2) of the Local Government Act 2003.

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

1.2 Accruals of Income and Expenditure

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

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

1.3 Acquired and Discontinued Operations

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

1.4 Cash and Cash Equivalents

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

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

1.5 Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Account or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance. Note 34 explains that as several schools converted to academies during 2011/12 and 2012/13 the pension assets and liabilities transferred to these academies to date have been recorded as a settlement and shown as a non distributed cost on the face of the Comprehensive Income and Expenditure Account.

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

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

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

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

1.7 Charges to Revenue for Non-Current Assets

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

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

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

1.8 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education.
- The Local Government Pension Scheme, administered by the London Pensions Fund Authority on behalf of the London Borough of Bexley.

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

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

The 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 4.2% (based on the redemption yields available on long-dated AA-rated corporate bonds, as required by the Local Authority Accounting Panel).
- The assets of the London Borough of Bexley pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value
- The change in the net pensions liability is analysed into seven components:
  - 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 or decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - 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 – debited to the Pensions Reserve.
  - Contributions paid to the London Borough of Bexley Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the

Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits

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

1.9 Events after the Balance Sheet Date

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

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

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

1.10 Financial Instruments

Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Available-for-Sale Assets

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

1.11 Foreign Currency Translation

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

1.12 Government Grants and Contributions

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

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

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

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

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

1.13 Intangible Assets

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

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

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

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

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

1.14 Interests in Companies and Other Entities

Bexley has an interest in the Thames Innovation Centre (TIC) Limited, which is a 100% local authority controlled company. The Council does not have any other interests in subsidiaries, associates and joint ventures. The amounts involved in the TIC for 2012/13 are not material for the Financial Statements and therefore the Council has not produced group accounts. TIC had a loss of £16,489 in 2012/13 (loss of £11,620 in 2011/12) and net liabilities of £471,936 as at 31 March 2013 (net liabilities of £455,447 as at 31 March 2012). The accounts for TIC for 2012/13 can be obtained from Luke Vincett, Company Secretary (telephone 020 8320 1000 or e-mail Luke.Vincett@thamesinnovationcentre.com). Further details of transactions between the London Borough of Bexley and the Thames Innovation Centre Limited are given in the Related Party Transactions note.

1.15 Inventories and Long Term Contracts

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

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year. Bexley had no work in progress (construction contracts) in 2012/13.

1.16 Investment Properties

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

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

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

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

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

1.17 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Under the Statement of Recommended Practice, all property leases were previously treated as operating leases. These have only been considered for re-categorisation under IFRS if the annual rental is more than £1,000. Leases below this level are considered immaterial for re-categorisation.

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

The Council as Lessee

Finance Leases
Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

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

The Council as Lessor

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

Lease rentals receivable are apportioned between:

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

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

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

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

1.18 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on some categories of assets.

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

1.19 Property, Plant and Equipment

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

Accounting Treatment of School Assets
Assets relating to community schools and voluntary controlled schools are recognised on the Council's balance sheet in accordance with IAS16. The assets of voluntary aided schools, with the exception of playing fields, are not recognised on the Council's balance sheet. 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 school and/or Academy schools is treated as revenue expenditure funded from capital under statute see note 1.24.

Recognition
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Measurement
Assets are initially measured at cost, comprising:

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

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

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

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value. Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

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

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

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

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

Deprecation is calculated on the following bases:

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

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

Component Accounting
Under the IFRS Code, from 1 April 2010, authorities are required to account for significant component elements of assets where the component has a different useful life and/or depreciation method to the remainder of the asset. The overall value of an asset is fairly apportioned over significant components that are accounted for separately and their useful lives and the method of depreciation are determined on a reasonable and consistent basis.

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

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

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

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

Componentisation will apply 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 will not be considered for componentisation. The

impact of not componentising buildings with a value below £1m is unlikely to result in a material mis-statement of either depreciation charges or the carrying amount of PP&E. Typical component elements have been identified from a sampling exercise as follows:

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

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

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

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

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

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

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

The authority is currently working on a Highways Asset Management Plan which will comply with the IFRS requirements for the proposed future implementation of a current cost approach for infrastructure assets. LAAP Bulletin 86 (June 2010) states that in relation to component accounting no action is required in this area of local authority accounts.

Therefore, componentisation has not been applied to infrastructure assets in 2012/13. However, capital expenditure on infrastructure assets is reviewed to determine whether component derecognition is applicable based on the potential risk of material 'double counting' in the value of the assets.

Disposals and Non-Current Assets Held for Sale

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

1.20 Private Finance Initiative and Similar Contracts

PFI and similar 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 contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the PPP contracts on its Balance Sheet as part of Property, Plant and Equipment. The schools involved in the PFI contract have become academies and are therefore not included in the Council's Balance Sheet.

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

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

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

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

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

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

1.21 Provisions

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

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

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

1.22 Contingent Liabilities

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

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

1.23 Reserves

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

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

1.24 Revenue Expenditure Funded from Capital under Statute

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

1.25 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.26 Capitalisation of Borrowing Costs

The Council has decided not to capitalise borrowing costs.

1.27 Heritage Assets

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

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

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

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

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

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

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

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

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

A number of items within Danson House have been valued separately for insurance purposes for example the Danson Organ, 19 Georgian naturalistic wall paintings, a salon chandelier, mirrors, landing lamps and hall lanterns. These items are reported in the Balance Sheet at insurance valuation and are updated on an annual basis.

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

Historical Structures and Monuments
Crayford & Bexleyheath Clock Towers
The Crayford Clock Tower was opened in 1902 to commemorate the Coronation of King Edward VII. The Bexleyheath Clock Tower was opened in 1912 to commemorate the Coronation of King George V the previous year.

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

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

War Memorials
There are eleven war memorials located within the borough.

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

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

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

Civic Regalia
The Council has a collection of civic regalia including maces and chains of office. The civic regalia collection is reported in the Balance Sheet at valuation which is based on market values. The collection is relatively static and acquisitions and donations are rare. The collection is subject to periodic revaluations. Where they do occur ,significant acquisitions are initially recognised at cost and donations are recognised at valuation.

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

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

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

In June 2011 amendments were made to IAS19 Employee Benefits. These were adopted in the 2013/14 Accounting Code of Practice. The change in accounting policy is not required to be made until April 2013 so no changes have been made to these accounts. However, the following notes summarise the changes that have been made and the impact they would have had on the 2012/13 accounts.

New terminology is introduced for the required disclosures, with the key ones being:-

- Interest on assets. This is interest on assets held at the start of the period and cashflows occurring during the period, calculated using the discount rate applying at the start of the year. It replaces the expected return on assets.
- Net interest cost. This is the interest on pension liabilities (the old interest cost) less interest on assets. It replaces the interest cost and expected return on assets.
- Remeasurements (assets) are the returns on plan assets net of expenses and interest income. It replaces the actuarial gains and losses on assets. It will also include any change resulting from a review of an employer's allocation of assets as at an actuarial valuation.
- Remeasurements (liabilities) replace the gains and losses on liabilities, although the figures are likely to be the same in most cases.

The interest on assets would have been £20.482m in 2012/13 (replacing the expected return on plan assets of £25.449m). The net interest cost was £5.944m in 2012/13, and comprised the old interest on pension liabilities (£26.658m reduced to £26.426m by the interest on current service cost – see below) less interest on assets (£20.482m). Remeasurements (assets) would have been £43.489m in 2012/13 (replacing the £37.978m actuarial gains on assets) but the remeasurements (liabilities) would have been the same £61.765m as the actuarial losses on liabilities. These actuarial gains and losses on liabilities due to changes in actuarial assumptions (£61.765m in 2012/13) have to be split between the effect of changes in financial assumptions (£55.747m) and changes in demographic assumptions (£6.018m).

Administration expenses are to be recognised as a separate item within the pension cost, and these have been calculated as £0.544m for 2012/13. Investment expenses are treated as a loss on assets (reducing the investment return achieved over the period), and are recognised via the statement of other comprehensive income. Interest on the current service cost is to be shown in the current service cost rather than in the interest cost on liabilities. In 2012/13 this would have added £0.232m to the £9.467m current service cost, and reduced the £26.658m interest cost on liabilities by the same amount.

The deficit calculated of £149.311m (see note 34) would remain unchanged as a result of these amendments. The total pensions cost recognised in income and expenditure of

£9.412m would have increased to £14.923m, but this increased cost would have been offset by former actuarial losses of £23.787m being replaced by net remeasurements (liabilities and assets) of £18.276m in the statement of other comprehensive income. This still leaves the pensions reserve and the net defined benefit liability unchanged.

Amendments have been made to IFRS 7 Financial Instruments: Disclosures (Offsetting Financial Assets and Liabilities), which was issued in December 2011, and the amendments apply from 1 April 2013. These amendments require information to be disclosed in the financial statements that will enable users of the accounts to evaluate the effect or potential effect of netting arrangements. CIPFA's view is that these amendments are not likely to have a material impact on the financial statements of local authorities. Bexley does not offset its financial assets and liabilities so these amendments will not have an impact on Bexley's financial statements.

In December 2010 amendments were made to IAS12 Deferred Tax: Recovery of Underlying Assets which come into place with effect from 1 April 2013. As these changes only apply to Group Accounts there is no impact on Bexley's financial statements.

3 Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council has made provision in the 2012/13 Accounts for the redundancies that would take effect in 2013/14 and which were known at 31 March 2013. There is also an earmarked reserve for future redundancies; this has a balance of £2.336m as at 31 March 2013.
- The non-current assets that are used in the contract arrangements with MCCH for learning disability services are included in the Balance Sheet under IFRIC 12.
- The Council has reviewed its treatment of schools' non-current assets in accordance with IAS 16 and subsequently schools that are Foundation Schools have been removed from the Council's Balance Sheet.
- Leases have been classified between operating and finance leases according to the guidance in the CIPFA Code of Practice. However, the fundamental issue in classification is the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee and therefore classification depends on the circumstances of each individual lease.
- Grant income is recognised in the Comprehensive Income and Expenditure Statement, but its accounting treatment is dependent on the conditions, and the interpretation of these, in respect of each grant funding stream.

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 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. However, the impact of an increase in depreciation is neutral on the General Fund balance as depreciation charged to service revenue accounts is reversed out in the Movement in Reserves Statement under regulation. The total carrying amount of Property, Plant and Equipment in the Balance Sheet as at 31 March 2013 was £465.408m.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The Government proposes that a number of changes to the Local Government Pension Scheme (LGPS) will take effect from 1 April 2014 designed to reduce the cost of the scheme to local government employers.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £42m, but a 0.5% increase in the inflation assumption would result in a pensions liability increase of £49m. The total carrying amount of the Pensions Liability in the Balance Sheet as at 31 March 2013 was £149.311m. The impact on liabilities from the proposed new LGPS from 1 April 2014 will be assessed by the 2013 actuarial valuation.
Arrears	At 31 March 2013, the Council had a balance of sundry debtors of £28.9m. A review of balances has	If collection rates were to deteriorate, an increase of 10% in the impairment of doubtful debts would require

	suggested that an impairment of doubtful debts of 39% (£11.3m) was appropriate. This impairment review was based on historic trends on collection (generally 3-year averages) and throughout this period the economy has been in recession. However, in the current economic climate it is not certain that such an allowance would be sufficient.	an additional £1.1m to be set aside as an allowance.

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

5 Material Items of Income and Expense

These are disclosed on the face of the Comprehensive Income and Expenditure Statement or in the notes to the Accounts. There were no disposals of investments in 2012/13. Part of the provision for the Carbon Reduction Commitment scheme (£50,000) was no longer required and therefore reversed out of provisions in 2012/13.

6 Post Balance Sheet Events

The Statement of Accounts was authorised for issue by the Director of Finance and Resources on 16 September 2013. 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 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2013 as they provide information that is relevant to an understanding of the Council’s financial position but do not relate to conditions at that date.

The Council transferred thirteen schools to academies in 2010/11 and 2011/12 and a further three schools in 2012/13. Six more schools have transferred to academy status since 1 April 2013 and further schools are likely to become academies in 2013/14. For schools that are not voluntary aided or Foundation status, as they transfer their non current assets are also transferred to the successor bodies reducing the amount of property, plant and equipment in the Balance Sheet.

The Council took over responsibility for Public Health functions from the Primary Care Trust on 1 April 2013. The Government has provided the Council with a ring-fenced grant of £6.7m in 2013/14 to cover the costs of staff and contracts that have transferred to the Council.

Following the Local Government Finance Act 2012, the Business Rates Retention Scheme was introduced from April 2013 to replace the Formula Grant system. From 2013/14, the starting point and future growth in business rates income will be shared 50/50 between local and central government. London boroughs will split their 50% share 60/40 with the Greater

London Authority, meaning that Bexley will retain only 30% of its total business rates growth. Authorities will either receive a top-up on their business rates or pay a tariff, depending in part on the level of business rate income received and the level of government grant income received under the previous system. Bexley will receive a top-up. From 1 April 2013 the Council will also have to bear 30% of the result of any downward revaluations of business properties arising from appeals that would be repayable to taxpayers. As at 1 April 2013, these are estimated to be £2.1m.

In response to the continuing pressure facing children's social care services and the impact of the Ofsted report on children's services last summer, the Council has invested significantly in addressing the issues raised and improving its performance in a number of areas. This will include a significant restructuring of the service during 2013/14.

7 Adjustments between accounting basis and funding basis under regulations

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

2012/13		**Usable Reserves**			**Unusable**
	General Fund Balance	**Earmarked General Fund Reserves**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Reserves**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)					
Charges for depreciation and impairment of non current assets	19,570	0	0	0	-19,570
Deferred income written down	-339	0	0	0	339
Revaluation losses on Property, Plant and Equipment	3,103	0	0	0	-3,103
Movements in the market value of Investment Properties	-13	0	0	0	13
Amortisation of intangible assets	251	0	0	0	-251
Capital grants and contributions	-28,044	0	0	14,417	13,627
Movement in the Donated Assets Account	-1,999	0	0	0	1,999
Revenue expenditure funded from capital under statute	680	0	0	0	-680
Amounts of non current assets written off on disposal or sale as part of the gain/ loss on disposal to the CIES	30,489	0	0	0	-30,489
Insertion of items not debited or credited to the CIES					
Statutory provision for the financing of capital investment	-4,593	0	0	0	4,593
Capital expenditure charged against the General Fund	-1,720	0	0	0	1,720
Adjustments involving the Capital Receipts Reserve:					
Transfer of sale proceeds credited as part of the gain/ loss on disposal to the CIES	-14,795	0	14,795	0	0
Amounts used to fund disposal costs of non current assets	741	0	-741	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	-14,038	0	14,038
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	16	0	-16	0	0
Adjustments involving the Deferred Capital Receipts Reserve:					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-11,538	0	0	0	11,538
Write down of finance lease long term debtors	-27	0	0	0	27
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	-108	0	0	0	108
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES	9,412	0	0	0	-9,412
Employer's pension contributions	-12,259	0	0	0	12,259
Adjustments involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	191	0	0	0	-191
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-242	0	0	0	242
Total Adjustments	**-11,224**	**0**	**0**	**14,417**	**-3,193**

2011/12 Comparative Figures	Usable Reserves General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)					
Charges for depreciation and impairment of non current assets	20,670	0	0	0	-20,670
Deferred income written down	-339	0	0	0	339
Revaluation losses on Property, Plant and Equipment	-27	0	0	0	27
Movements in the market value of Investment Properties	9,103	0	0	0	-9,103
Amortisation of intangible assets	219	0	0	0	-219
Capital grants and contributions	-40,020	0	0	9,977	30,043
Movement in the Donated Assets Account	0	0	0	0	0
Revenue expenditure funded from capital under statute	480	0	0	0	-480
Amounts of non current assets written off on disposal or sale as part of the gain/ loss on disposal to the CIES	86,234	0	0	0	-88,177
Insertion of items not debited or credited to the CIES					
Statutory provision for the financing of capital investment	-4,690	0	0	0	4,690
Capital expenditure charged against the General Fund	-1,573	0	0	0	1,573
Adjustments involving the Capital Receipts Reserve:					
Transfer of sale proceeds credited as part of the gain/ loss on disposal to the CIES	0	0	1,943	0	0
Amounts used to fund disposal costs of non current assets	57	0	-57	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	-1,864	0	1,864
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	22	0	-22	0	0
Adjustments involving the Deferred Capital Receipts Reserve:					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	395	0	0	0	-395
Write down of finance lease long term debtors	6	0	0	0	-6
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	-18	0	0	0	18
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES	2,803	0	0	0	-2,803
Employer's pension contributions	-12,870	0	0	0	12,870
Adjustments involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	788	0	0	0	-788
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-1,259	0	0	0	1,259
Total Adjustments	**59,981**	**0**	**0**	**9,977**	**-69,958**

8 Property, Plant and Equipment

Movements in 2012/13	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000	PFI Assets in PPE £'000
Cost or valuation								
At 1 April 2012	329,041	21,598	199,397	6,647	3,259	6,799	566,741	34,549
Additions	5,798	1,062	4,475	110	0	17,961	29,406	321
Donations	1,999	0	0	0	0	0	1,999	0
Revaluations increases/(decreases) recognised in the Revaluation Reserve	397	0	0	0	-742	0	-345	0
Revaluations increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-3,311	0	0	0	-757	0	-4,068	0
Impairments recognised in the Revaluation Reserve	-278	0	0	0	0	0	-278	0
Impairments recognised in the Surplus/ Deficit on the Provision of Services	-340	0	0		0	0	-340	0
Derecognition - Disposals	0	0	0	0	0	0	0	0
Derecognition - Other	-25,916	-2,753	0	0	0	0	-28,669	-92
Assets reclassified (to)/from Held for Sale	-6,880	0	0	0	-595	0	-7,475	0
Reclassifications and transfers	-1,629	0	464	-3	356	-1,892	-2,704	0
At 31 March 2013	**298,881**	**19,907**	**204,336**	**6,754**	**1,521**	**22,868**	**554,267**	**34,778**
Accumulated Depreciation and Impairments								
At 1 April 2012	27,655	10,251	44,131	0	178	0	82,215	2,428
Charge for 2012/13	10,647	3,566	5,009	0	12	0	19,234	911
Depreciation written out to the Revaluation Reserve	-5,786	0	0	0	-176	0	-5,962	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	-965	0	0	0	0	0	-965	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	-86	0	0	0	0	0	-86	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-3	0	0	0	0	0	-3	0
Derecognition - Disposals	0	0	0	0	0	0	0	0
Derecognition - Other	-3,888	-1,686	0	0	0	0	-5,574	-92
Reclassifications and transfers	-20	0	0	0	20	0	0	0
At 31 March 2013	**27,554**	**12,131**	**49,140**	**0**	**34**	**0**	**88,859**	**3,247**
Net Book Value								
Balance Sheet amount at 31 March 2012	**301,386**	**11,347**	**155,266**	**6,647**	**3,081**	**6,799**	**484,526**	**32,121**
Balance Sheet amount at 31 March 2013	**271,327**	**7,776**	**155,196**	**6,754**	**1,487**	**22,868**	**465,408**	**31,531**

8 Property, Plant and Equipment

Movements in 2011/12 *Restated to give details of impairments*	**Other Land & Buildings £'000**	**Vehicles, Plant & Equipment £'000**	**Infra-structure £'000**	**Community Assets £'000**	**Surplus Assets £'000**	**Assets Under Construction £'000**	**Total PPE £'000**	**PPP Assets in PPE £'000**
Cost or valuation								
At 1 April 2011	328,806	22,349	187,741	6,269	3,421	53,770	602,356	34,273
Additions	25,451	1,570	5,125	378	0	5,175	37,699	333
Donations	0	0	0	0	0	0	0	0
Revaluations increases/(decreases) recognised in the Revaluation Reserve	21,832	0	0	0	388	0	22,220	0
Revaluations increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	31	0	0	0	-10	0	21	0
Impairments recognised in the Revaluation Reserve	-210	0	0	0	0	0	-210	0
Impairments recognised in the Surplus/ Deficit on the Provision of Services	-738	0	0	0	0	0	-738	0
Derecognition - Disposals	0	0	0	0	0	0	0	0
Derecognition - Other	-90,653	-2,321	0	0	0	0	-92,974	-57
Assets reclassified (to)/from Held for Sale	-419	0	0	0	-760	0	-1,179	0
Reclassifications and transfers	44,941	0	6,531	0	220	-52,146	-454	0
At 31 March 2012	**329,041**	**21,598**	**199,397**	**6,647**	**3,259**	**6,799**	**566,741**	**34,549**
Accumulated Depreciation and Impairments								
At 1 April 2011	27,583	8,556	39,306	0	142	0	75,587	1,621
Charge for 2011/12	11,160	4,016	4,825	0	43	0	20,044	864
Depreciation written out to the Revaluation Reserve	-7,054	0	0	0	-7	0	-7,061	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	-6	0	0	0	0	0	-6	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-113	0	0	0	0	0	-113	0
Derecognition - Disposals	0	0	0	0	0	0	0	0
Derecognition - Other	-3,915	-2,321	0	0	0	0	-6,236	-57
Reclassifications and transfers	0	0	0	0	0	0	0	0
At 31 March 2012	**27,655**	**10,251**	**44,131**	**0**	**178**	**0**	**82,215**	**2,428**
Net Book Value								
Balance Sheet Amount at 31 March 2011	**301,223**	**13,793**	**148,435**	**6,269**	**3,279**	**53,770**	**526,769**	**32,652**
Balance Sheet Amount at 31 March 2012	**301,386**	**11,347**	**155,266**	**6,647**	**3,081**	**6,799**	**484,526**	**32,121**

8 Property, Plant and Equipment (PPE)

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.

All new asset expenditure incurs a half a normal year's depreciation charge in year 1. Capital expenditure accrued at year end does not attract capital charges until the following year.

Capital Commitments

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

31.3.12		31.3.13
£'000		£'000
0	New Civic Accommodation	25,055
468	Europa Gym	0
0	Social Care IT System	330
0	Colyers Site - Specialist ASD School	5,472
27	Burnt Oak Primary School	0
122	Brampton Primary School	32
3,059	Longlands Primary School	1,407
187	Southlake - Primary Places Review	24
1,446	Castilion - Primary Places Review	320
942	Jubilee - Primary Places Review	61
88	Mayplace Primary School Extension	123
51	Oakwood School Sports Hall	0
76	Pupil Referral Unit	8
658	Harris Academy	65
1,509	Haberdashers Academy	899
6	Lessness Heath - Additional Classroom	4
121	Crook Log - Additional Classroom	7
54	Hook Lane - Extension	7
0	Howbury Project	4,732
0	Welling Corridor	352
1,348	Highways Reconstruction	0
270	Eastern Way	0
116	Crayford Traffic Signal Optimisation	0
152	Bexleyheath Town Centre	2,220
119	Sidcup Town Centre	0
10,819	**TOTAL**	**41,118**

Revaluations

The Council carries out a rolling programme that ensures that all property assets are revalued at fair value over a 5 year period. In addition to the planned revaluation rolling programme, properties subject to a significant change during the year are revalued. All valuations were carried out internally under the responsibility of Suzanne Jackson, BSc

Estate Management, FRICS, Head of Property Services. The valuations have been undertaken in accordance with the standards set out in the Appraisal and Valuation Standards Manual published by the Royal Institution of Chartered Surveyors.

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

The significant assumptions applied in estimating the fair value are:

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

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

£'000	**Other Land and Buildings**	**Vehicles, Plant and Equipment**	**Infra-structure**	**Community Assets**	**Surplus Assets**	**Assets Under Construction**	**Total PPE**
Carried at Historical Cost	0	7,776	155,196	6,754	0	22,868	192,594
Valued at Fair Value as at:							
1 April 2008	36,448	0	0	0	363	0	36,811
1 April 2009	51,712	0	0	0	0	0	51,712
1 April 2010	51,192	0	0	0	357	0	51,549
1 April 2011	84,104	0	0	0	737	0	84,841
1 April 2012	47,871	0	0	0	30	0	47,901
As at 31 March 2013	**271,327**	**7,776**	**155,196**	**6,754**	**1,487**	**22,868**	**465,408**

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

9 Investment Properties

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

The Council has appointed external valuers to value two of its investment properties – Broadway Shopping Centre and Broadway Square. The work was carried out by Ollie Saunders BSc MRICS, partner of Deloitte LLP, assisted by Antony Clark BSc MRICS also of Deloitte LLP (trading as Drivers Jonas Deloitte). The basis of valuation was fair value as defined under International Financial Reporting Standards, following guidance in the RICS Valuation Standards Global and UK Edition and having regard to UKVS 1 Valuations for financial statements and UK Appendix 5 Valuations of local authority assets. The date of the last full valuation was 1 April 2011 and a follow up review was carried out for the 2012/13 accounts which concluded that the current valuation represented fair value.

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

2011/12 £'000		2012/13 £'000
38,979	**Balance at 1 April**	**30,219**
	Additions:	
0	Purchases	0
0	Construction	0
49	Subsequent expenditure	0
0	Disposals	0
-9,103	Net gains/losses from fair value adjustments	13
	Transfers:	
0	To/from Inventories	0
294	To/from Property Plant and Equipment	2,700
0	Other changes	0
30,219	**Balance at 31 March**	**32,932**

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

2011/12 £'000		2012/13 £'000
9,103	Changes in the fair value of investment properties	-13
-2,156	Rental income from investment property	-2,038
0	Direct operating expenses from investment property	0
6,947		**-2,051**

10 Intangible Assets

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.251m charged to revenue in 2012/13 was charged to the cost of services in the Comprehensive Income and Expenditure Statement as follows:

	£'000
Adult Social Care	124
Children's and Education Services	54
Corporate and Democratic Core	13
Cultural and Related Services	31
Housing Services	29
Total amortisation of intangible assets in 2012/13	**251**

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

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

2011/12 £'000		**2012/13 £'000**
	Balances at 1 April:	
1,118	- Gross carrying amounts	1,080
-622	- Accumulated amortisation	-524
496	**Net carrying amount at start of year**	**556**
	Additions	
279	- Purchases	432
-219	Amortisation for period	-251
556	**Net carrying amount at 31 March**	**737**

11 Assets held for Sale

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

2011/12 £'000		2012/13 £'000
260	**Balance at 1 April**	**0**
	Assets newly classified as held for sale:	
1,179	- Property, Plant and Equipment	7,475
0	- Intangible Assets	0
0	- Other assets/liabilities in disposal groups	0
-283	Revaluation losses	-141
0	Revaluation gains	0
0	Impairment losses	0
-1,156	Assets sold	-7,254
0	Transfers from non current to current	0
0	Other movements	0
0	**Balance at 31 March**	**80**

12 Capital Expenditure and Capital Financing

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

2011/12 £'000		2012/13 £'000
159,655	**Opening Capital Financing Requirement**	**159,992**
	Capital Investment	
37,699	Property, Plant and Equipment	29,406
49	Investment Properties	0
279	Intangible Assets	432
3,749	Revenue Expenditure funded from Capital	4,936
41,776	**Total Capital Investment**	**34,774**
	Sources of Finance	
1,864	Capital Receipts	14,038
33,312	Grants and Contributions	17,883
1,573	Direct Revenue Financing	1,720
4,690	Minimum Revenue Provision	4,593
41,439	**Total Sources of Finance**	**38,234**
159,992	**Closing Capital Financing Requirement**	**156,532**
Explanation of movements in year:		
5,027	Increase in underlying need for borrowing (unsupported by government financial assistance)	1,133
-4,690	Debt Redeemed - Minimum Revenue Provision	-4,593
337	**Increase/ (decrease) in Capital Financing Requirement**	**-3,460**

13 Impairment Losses

During 2012/13, the Council has recognised an impairment loss of £529,078 primarily in relation to the former Crayford Library building which has been demolished. A new library and community facility has been provided and is included in the Council's property asset register. Part of the impairment loss (£192,672) has been charged the revaluation reserve, the balance of £336,406 has been charged to the Cultural and Related Services line in the Comprehensive Income and Expenditure Statement.

14 Financial Instruments

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

Financial Instruments Balances

	Long Term		Short Term	
	31 March 2013 £'000	**31 March 2012 £'000**	**31 March 2013 £'000**	**31 March 2012 £'000**
Borrowings				
Financial liabilities at amortised cost	102,644	102,661	529	530
Financial liabilities at fair value through profit and loss	0	0	0	0
Other borrowings (finance lease)	30,704	31,913	1,209	1,238
Total Borrowings	**133,348**	**134,574**	**1,738**	**1,768**
Investments				
Loans and receivables	12,000	23,000	61,111	41,488
Available-for-sale financial assets	0	0	0	0
Fair value through profit and loss	0	0	0	0
Unquoted equity available for sale	0	0	0	0
Total Investments	**12,000**	**23,000**	**61,111**	**41,488**

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

Fair Value of Assets and Liabilities carried at Amortised Cost

	31 March 2013		31 March 2012	
	Carrying Amount £'000	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
Financial Liabilities	103,173	136,805	103,191	133,259

The fair value of PWLB borrowing is calculated by the PWLB on the basis that all loans are prematurely repaid on 31 March 2013 using the appropriate repayment rates. The fair value is more than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing PWLB repayment rates at the Balance Sheet date. This commitment to pay interest above current PWLB repayment rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans.

	31 March 2013		31 March 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables	73,111	74,151	64,488	65,537

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

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

15 Inventories

The Council had the following stock balances:

2012/13	**Bexprint Stock**	**Road Salt Stock**	**Social Care Aids and Equipment**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 April 2012	5	177	301	483
Purchases	0	55	355	410
Recognised as an expense in the year	0	-95	-111	-206
Written off balances	0	0	-175	-175
Reversals of write offs in previous years	0	0	0	0
Impairment	0	0	0	0
Balance at 31 March 2013	**5**	**137**	**370**	**512**

2011/12	**Bexprint Stock**	**Road Salt Stock**	**Social Care Aids and Equipment**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 April 2011	7	119	224	350
Purchases	0	109	318	427
Recognised as an expense in the year	-2	-51	0	-53
Written off balances	0	0	-144	-144
Reversals of write offs in previous years	0	0	0	0
Impairment	0	0	-97	-97
Balance at 31 March 2012	**5**	**177**	**301**	**483**

16 Debtors

31.3.2012 £'000		31.3.2013 £'000
11,505	Central Government bodies	10,416
1,906	Other Local Authorities	4,200
303	NHS bodies	23
0	Public corporations and trading funds	0
27,080	Other entities and individuals	28,895
40,794	**Total Debtors**	**43,534**

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

17 Cash and Cash Equivalents

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

31.3.2012 £'000		31.3.2013 £'000
655	Cash in hand at Bank	533
27,300	Instant Access Accounts	38,700
11,791	Cash in hand at Schools Bank Accounts	8,813
-15,160	Cash Overdrawn	-14,495
24,586	**Total**	**33,551**

18 Creditors

31.3.2012 £'000		31.3.2013 £'000
-7,724	Central Government bodies	-9,105
-6,328	Other Local Authorities	-1,373
-171	NHS bodies	-1,343
-65	Public corporations and trading funds	0
-32,646	Other entities and individuals	-32,998
-46,934	**Total Creditors**	**-44,819**

19 Provisions

The movements on these in 2012/13 are detailed in the table below:

	Insurance	TA End of Lease Repairs	Early Retirement/ Redundancy	Land Charges	Carbon Reduction Commitment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2012	-2,763	-1,085	-433	-66	-300	-4,647
Additional provisions made in 2012/13	-1,380	0	-51	0	0	-1,431
Amounts used in 2012/13	1,255	0	433	0	250	1,938
Unused amounts reversed in 2012/13	0	0	0	0	50	50
Unwinding of discounting in 2012/13	0	0	0	0	0	0
Balance at 31 March 2013	**-2,888**	**-1,085**	**-51**	**-66**	**0**	**-4,090**

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

Short term provisions	0	-362	-51	-66	0	-479
Long term provisions	-2,888	-723	0	0	0	-3,611
Balance at 31 March 2013	**-2,888**	**-1,085**	**-51**	**-66**	**0**	**-4,090**

(a) Insurance Provision

The Council operates an Insurance Provision. This is funded from contributions from revenue accounts and is used to pay the external insurance premium. The balance is maintained on the Insurance Provision and is used to pay claims which fall below the excess. All excess payments under a particular category each year are totalled and if they exceed a 'stop loss', then all further claims are met in full by external insurance. There are three 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	£100,000	£800,000
Motor	£25,000	£400,000

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

(b) Temporary Accommodation End of Lease Repairs

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

(c) Early Retirement/ Redundancy

This is to meet early retirement/ redundancy payments in 2013/14 that were identified at 31 March 2013.

(d) Land Charges

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

(e) Carbon Reduction Commitment

The opening balance of the provision reflected the estimated liability of the authority to purchase Carbon Reduction Commitment (CRC) allowances as at 31 March 2012 as the liability arises when energy is consumed and carbon dioxide emitted. This provision is no longer required as the cost of purchasing the allowances was built into the Council's overall revenue budget as part of the Medium Term Financial Plans.

20 Usable Reserves

The Council has the following usable reserves:

31.3.2012 £'000		31.3.2013 £'000
24,875	General Fund	26,798
49,638	Earmarked Reserves	58,423
0	Capital Receipts Reserve	0
15,666	Capital Grants Unapplied	30,083
90,179		**115,304**

General Fund

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

2011/12				2012/13			
Total £'000		Schools/ AECB Delegated £'000	Schools Central £'000	Council Carry-forward £'000	Ear-marked £'000	Unall-ocated £'000	Total £'000
22,809	**Balance B/F**	**9,560**	**1,155**	**1,314**	**358**	**12,488**	**24,875**
2,066	Movement	-1,601	1,318	21	1,933	252	1,923
24,875	**Balance C/F**	**7,959**	**2,473**	**1,335**	**2,291**	**12,740**	**26,798**

2010/11				2011/12			
Total £'000		Schools/ AECB Delegated £'000	Schools Central £'000	Council Carry-forward £'000	Ear-marked £'000	Unall-ocated £'000	Total £'000
16,804	**Balance B/F**	**8,939**	**-117**	**2,887**	**174**	**10,926**	**22,809**
6,005	Movement	621	1,272	-1,573	184	1,562	2,066
22,809	**Balance C/F**	**9,560**	**1,155**	**1,314**	**358**	**12,488**	**24,875**

Earmarked Reserves

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

2012/13	**Balance at 1 April 2012 £'000**	**Movements in year £'000**	**Balance at 31 March 2013 £'000**
Financing Reserve	9,433	581	10,014
Insurance Reserve	4,324	65	4,389
Service Support and Development Reserve	11,872	-1,145	10,727
Stock Transfer Warranties Reserve	2,183	0	2,183
Broadway Shopping Centre Reserve	2,004	200	2,204
Information Technology Reserve	3,536	-337	3,199
Collection Reserve	1,473	300	1,773
Reorganisation Reserve	861	1,475	2,336
Financial Planning Reserve	3,800	4,877	8,677
Other Earmarked Reserves	5,658	1,894	7,552
Revenue grants and contributions unapplied	4,494	875	5,369
TOTAL	**49,638**	**8,785**	**58,423**

2011/12	**Balance at 1 April 2011 £'000**	**Movements in year £'000**	**Balance at 31 March 2012 £'000**
Financing Reserve	9,116	317	9,433
Insurance Reserve	4,027	297	4,324
Service Support and Development Reserve	10,416	1,456	11,872
Stock Transfer Warranties Reserve	2,183	0	2,183
Broadway Shopping Centre Reserve	1,804	200	2,004
Information Technology Reserve	2,356	1,180	3,536
Collection Reserve	1,223	250	1,473
Reorganisation Reserve	861	0	861
Financial Planning Reserve	0	3,800	3,800
Other Earmarked Reserves	5,001	657	5,658
Revenue grants and contributions unapplied	3,922	572	4,494
TOTAL	**40,909**	**8,729**	**49,638**

(a) Financing Reserve

The Financing Reserve exists to deal with unbudgeted variations in financing costs, to finance direct capital expenditure where appropriate and to meet costs relating to Bexley First in advance of site disposal. The balance at 31 March 2013 is £10.014m. This is an increase of £0.581m from the previous year.

(b) Insurance Reserve

The Council self-insures for many risks and the Insurance Reserve exists to deal with the infrequent but expensive claims that have to be anticipated under such an arrangement. The Council's good claims record has enabled the reserve to grow to a balance at 31 March 2013 of £4.389m.

(c) Service Support and Development Reserve

The Service Support and Development Reserve (SSDR) was created following the housing stock transfer. It has been used to finance capital expenditure and to 'pump-prime' a number of projects including those associated with the Council's Value for Money programme. Repayments are made from the revenue budget as savings arise on the projects. The balance on the SSDR at 31 March 2013 is £10.727m which represents a decrease of £1.145m since the previous year. This reflects its use to finance Bexley First costs and implementation costs of Strategy 2014.

(d) Stock Transfer Warranties Reserve

As part of the housing stock transfer in 1998, the Council gave certain warranties regarding planning consents, liability to works on properties and pollution hazards. Whether these warranties will ever be called upon is unknown. The balance at 31 March 2013 is £2.183m.

(e) Broadway Shopping Centre Reserve

This reserve provides for a Council contribution towards the refurbishment of the Broadway Shopping Centre for which the Council received rental income of some £1.5m in 2012/13. The budgeted contribution of £0.200m into the reserve during the year resulted in a balance at 31 March 2013 of £2.204m.

(f) Information Technology Reserve

This will provide for the upgrade and replacement of personal computers and laptops, infrastructure and software Council-wide in future years, particularly in the context of Bexley First. Annual contributions (including budgeted contributions of £0.930m) made and expenditure during the year resulted in the balance on the reserve decreasing by £0.337m and a balance at 31 March 2013 of £3.199m.

(g) Collection Reserve

This is to meet possible future deficits such as in respect of Council Tax.

(h) Reorganisation Reserve

This reserve exists to meet possible redundancy costs in future years; the balance on this reserve at 31 March 2013 is £2.336m.

(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.

(j) Other Earmarked Reserves

The remaining Council controlled reserves total £7.552m at 31 March 2013 and are largely earmarked against possible future costs such as Bexley First and liabilities for contaminated land.

Capital Receipts Reserve

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

2011/12 £'000		2012/13 £'000
0	**Balance at 1 April**	**0**
1,943	Amounts receivable	14,795
-1,864	Amounts applied to finance new capital investment	-14,038
-22	Amounts paid to Housing Capital Receipts Pool	-16
-57	Amounts used to fund disposal costs of non current assets	-741
0	**Total increase/(decrease) in usable capital receipts**	**0**
0	**Balance at 31 March**	**0**

Capital Grants Unapplied

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

	1 April 2011 £'000	Movement in 2011/12 £'000	31 March 2012 £'000	Movement in 2012/13 £'000	31 March 2013 £'000
SEN Targeted Capital	2,065	-1,886	179	-179	0
New Primary Places Grant	0	10,478	10,478	14,170	24,648
Condition Funding/ Primary Modernisation	0	1,587	1,587	226	1,813
Other capital grants and contributions unapplied	3,624	-202	3,422	200	3,622
Total	**5,689**	**9,977**	**15,666**	**14,417**	**30,083**

21 Unusable Reserves

The Council has the following unusable reserves:

31.3.2012 £'000		31.3.2013 £'000
101,757	Revaluation Reserve	94,758
288,710	Capital Adjustment Account	283,389
-2,287	Financial Instruments Adjustment Account	-2,179
-128,371	Pensions Reserve	-149,311
4,132	Deferred Capital Receipts Reserve	15,697
986	Collection Fund Adjustment Account	795
-2,832	Accumulating Absences Adjustment Account	-2,590
262,095	**Total Unusable Reserves**	**240,559**

Revaluation Reserve

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

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

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

2011/12 £'000		2012/13 £'000
84,465	**Balance at 1 April**	**101,757**
29,388	Upward revaluation of assets	7,680
-299	Downward revaluation of assets and impairment losses not charged to the Surplus/ Deficit on the Provision of Services	-2,236
29,089	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	5,444
-2,659	Difference between fair value depreciation and historical cost depreciation	-2,662
-9,138	Accumulated gains on assets sold or scrapped	-9,781
-11,797	Amount written off to the Capital Adjustment Account	-12,443
101,757	**Balance 31 March**	**94,758**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2011/12		2012/13
£'000		**£'000**
357,026	**Balance at 1 April**	**288,710**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES)	
-20,670	- Charges for depreciation and impairment of non current assets	-19,570
27	- Revaluation losses on Property, Plant and Equipment	-3,103
-219	- Amortisation of intangible assets	-251
-480	- Revenue expenditure funded from capital under statute	-680
339	- Deferred income written down	339
-88,177	- Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-30,489
-109,180		**-53,754**
11,797	Adjusting amounts written out of the Revaluation Reserve	12,443
-97,383	Net written out amount of the cost of non current assets consumed in the year	**-41,311**
	Capital financing applied in the year:	
1,864	- Use of the Capital Receipts Reserve to finance new capital expenditure	14,038
27,063	- Capital grants and contributions credited to the CIES that have been applied to capital financing	12,928
2,980	- Application of grants to capital financing from the Capital Grants Unapplied Account	699
4,690	- Statutory provision for the financing of capital investment charged against the General Fund balance	4,593
1,573	- Capital expenditure charged against the General Fund	1,720
38,170		**33,978**
-9,103	Movements in the market value of Investment Properties debited or credited to the CIES	13
0	Movement in Donated Assets with CIES	1,999
288,710	**Balance at 31 March**	**283,389**

Financial Instruments Adjustment Account

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

2011/12 £'000		2012/13 £'000
-2,305	**Balance at 1 April**	**-2,287**
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
24	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	24
-6	Adjustments for loans at less than market rates	84
18	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	108
-2,287	**Balance 31 March**	**-2,179**

Pensions Reserve

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

2011/12 £'000		2012/13 £'000
-95,879	**Balance at 1 April**	**-128,371**
-42,559	Actuarial gains or losses on pension assets and liabilities	-23,787
-2,803	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	-9,412
12,870	Employer's pension contributions and direct payments to pensioners payable in the year	12,259
-128,371	**Balance at 31 March**	**-149,311**

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.

2011/12 £'000		2012/13 £'000
4,533	**Balance at 1 April**	**4,132**
-395	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	11,538
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
-6	Write down of finance lease long term debtors	27
4,132	**Balance at 31 March**	**15,697**

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.

2011/12 £'000		2012/13 £'000
1,774	**Balance at 1 April**	**986**
-788	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	-191
986	**Balance at 31 March**	**795**

Accumulating Compensated Absences Adjustment Account

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

2011/12 £'000		2012/13 £'000
-4,091	**Balance at 1 April**	**-2,832**
4,091	Settlement or cancellation of accrual made at the end of the preceding year	2,832
-2,832	Amounts accrued at the end of the current year	-2,590
1,259	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	242
-2,832	**Balance at 31 March**	**-2,590**

22 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Cabinet portfolios.
The Cabinet portfolios have changed in 2012/13 following a reorganisation of the Cabinet. The income and expenditure of the Council analysed by Cabinet Portfolio for 2012/13 is as follows:

2012/13

	Finance and Corporate Services £'000	Adults' Services £'000	Children's Services and Community Safety £'000	Education £'000	Economic Development and Regeneration £'000	Environment and Public Realm £'000	Leisure £'000	TOTAL £'000
Fees, charges and other service income	-5,072	-20,831	-1,506	-2,954	-6,479	-10,827	-2,011	-49,680
Government grants	-109,986	-1,245	-867	-117,493	-3,648	-84	-72	-233,395
Total Income	**-115,058**	**-22,076**	**-2,373**	**-120,447**	**-10,127**	**-10,911**	**-2,083**	**-283,075**
Employee expenses	15,120	8,985	14,460	79,241	9,486	8,353	3,820	139,465
Other operating expenses	123,302	65,842	18,874	40,996	6,086	32,783	4,432	292,315
Support service recharges	-12,251	4,764	4,267	2,420	-2,718	2,561	957	0
Financing costs	305	945	600	8,213	4,441	5,745	2,681	22,930
Total Expenditure	**126,476**	**80,536**	**38,201**	**130,870**	**17,295**	**49,442**	**11,890**	**454,710**
Net Cost of Services	**11,418**	**58,460**	**35,828**	**10,423**	**7,168**	**38,531**	**9,807**	**171,635**

22 Amounts Reported for Resource Allocation Decisions

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

The Cabinet portfolios have changed in 2012/13 following a reorganisation of the Cabinet and the 2011/12 figures have therefore been restated in the revised Cabinet portfolios.

2011/12 Restated

	Finance and Corporate Services £'000	Adults' Services £'000	Children's Services and Community Safety £'000	Education £'000	Economic Development and Regeneration £'000	Environment and Public Realm £'000	Leisure £'000	TOTAL £'000
Fees, charges and other service income	-4,803	-16,673	-2,257	-4,454	-6,188	-10,383	-1,133	-45,891
Government grants	-105,554	-289	-271	-150,905	-4,523	-133	0	-261,675
Total Income	**-110,357**	**-16,962**	**-2,528**	**-155,359**	**-10,711**	**-10,516**	**-1,133**	**-307,566**
Employee expenses	15,893	8,895	15,515	88,852	10,369	8,461	4,955	152,940
Other operating expenses	117,387	62,050	21,314	61,038	6,895	32,153	4,812	305,649
Support service recharges	-10,896	4,024	3,130	2,577	-1,940	2,194	911	0
Financing costs	307	751	902	9,008	2,215	5,552	2,270	21,005
Total Expenditure	**122,691**	**75,720**	**40,861**	**161,475**	**17,539**	**48,360**	**12,948**	**479,594**
Net Cost of Services	**12,334**	**58,758**	**38,333**	**6,116**	**6,828**	**37,844**	**11,815**	**172,028**

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

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

2011/12 £'000		2012/13 £'000
172,028	Net expenditure in the Cabinet Portfolio Analysis	171,635
6,525	Net expenditure of services and support services not included in the Analysis	6,694
-9,820	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	-2,262
3,056	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	3,056
171,789	**Cost of Services in Comprehensive Income and Expenditure Statement**	**179,123**

Reconciliation to Subjective Analysis

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

2012/13	Cabinet Portfolio Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to manage-ment for decision making £'000	Amounts not included in I&E £'000	Allocation of Recharges £'000	Cost of Services (sub-total) £'000	Corporate Amounts £'000	Total £'000
Fees, charges and other service income	-49,680	0	2,038	0	0	**-47,642**	-9,351	**-56,993**
Surplus or deficit on associates and joint ventures	0	0	0	0	0	**0**	0	**0**
Interest and investment income	0	0	0	0	0	**0**	-28,299	**-28,299**
Income from council tax	0	0	0	0	0	**0**	-95,294	**-95,294**
Government grants and contributions	-233,395	0	0	3,056	0	**-230,339**	-108,831	**-339,170**
Total income	**-283,075**	**0**	**2,038**	**3,056**	**0**	**-277,981**	**-241,775**	**-519,756**
Employee expenses	139,465	0	-4,300	0	0	**135,165**	0	**135,165**
Other service expenses	292,315	6,694	0	0	0	**299,009**	0	**299,009**
Support service recharges	0	0	0	0	0	**0**	0	**0**
Depreciation, amortisation and impairment	22,930	0	0	0	0	**22,930**	-13	**22,917**
Interest payments	0	0	0	0	0	**0**	34,875	**34,875**
Precepts and levies	0	0	0	0	0	**0**	945	**945**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	**0**	16	**16**
Gain or loss on disposal of fixed assets	0	0	0	0	0	**0**	4,897	**4,897**
Total expenditure	**454,710**	**6,694**	**-4,300**	**0**	**0**	**457,104**	**40,720**	**497,824**
Surplus or deficit on the provision of services	**171,635**	**6,694**	**-2,262**	**3,056**	**0**	**179,123**	**-201,055**	**-21,932**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Cabinet Portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement. The figures in the Corporate Amounts column have been restated by transferring non-Government grants and contributions of £4.041m from the Government grants and contributions line to Fees, charges and other service income.

2011/12 Restated	Cabinet Portfolio Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I&E £'000	Allocation of Recharges £'000	Cost of Services (sub-total) £'000	Corporate Amounts £'000	Total £'000
Fees, charges and other service income	-45,891	0	2,156	0	0	**-43,735**	-6,197	**-49,932**
Surplus or deficit on associates and joint ventures	0	0	0	0	0	**0**	0	**0**
Interest and investment income	0	0	0	0	0	**0**	-30,366	**-30,366**
Income from council tax	0	0	0	0	0	**0**	-94,823	**-94,823**
Government grants and contributions	-261,675	0	0	3,056	0	**-258,619**	-124,876	**-383,495**
Total income	**-307,566**	**0**	**2,156**	**3,056**	**0**	**-302,354**	**-256,262**	**-558,616**
Employee expenses	152,940	0	-11,976	0	0	**140,964**	0	**140,964**
Other service expenses	305,649	6,525	0	0	0	**312,174**	0	**312,174**
Support service recharges	0	0	0	0	0	**0**	0	**0**
Depreciation, amortisation and impairment	21,005	0	0	0	0	**21,005**	9,103	**30,108**
Interest payments	0	0	0	0	0	**0**	36,822	**36,822**
Precepts and levies	0	0	0	0	0	**0**	1,025	**1,025**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	**0**	22	**22**
Gain or loss on disposal of fixed assets	0	0	0	0	0	**0**	86,687	**86,687**
Total expenditure	**479,594**	**6,525**	**-11,976**	**0**	**0**	**474,143**	**133,659**	**607,802**
Surplus or deficit on the provision of services	**172,028**	**6,525**	**-9,820**	**3,056**	**0**	**171,789**	**-122,603**	**49,186**

23 Staff Remuneration

The number of Council employees (including teachers) whose remuneration was £50,000 or more in bands of £5,000 is shown below, split between schools and other staff. Remuneration includes all sums paid to or received by an employee. Payments include salary (including performance related pay), redundancy, expenses and other benefits received other than in cash (e.g. leased car benefit), excluding pension contributions. The reduction in the number of non-school employees between years, whose remuneration is over £50,000, reflects the significant reduction in senior manager posts as a result of the Council's Strategy 2014 programme. The reduction in the number of schools employees between years, whose remuneration was over £50,000, reflects the transfer of schools to academy status. The figures also exclude voluntary aided schools whose staff are not employed by the London Borough of Bexley. The Chief Executive, Directors and the Monitoring Officer have also been excluded from the table below since they are shown separately in the next table in this note. The 2011/12 figures have been restated because two schools staff had been included with other employees.

No. of Employees 2011/12 Restated		Remuneration Band	No. of Employees 2012/13	
Other	Schools		Other	Schools
25	23	£50,000 to £54,999	15	27
23	18	£55,000 to £59,999	30	14
11	12	£60,000 to £64,999	8	9
4	6	£65,000 to £69,999	4	8
2	12	£70,000 to £74,999	1	8
2	1	£75,000 to £79,999	4	3
5	2	£80,000 to £84,999	3	1
2	1	£85,000 to £89,999	3	1
2	1	£90,000 to £94,999	1	0
0	0	£95,000 to £99,999	0	0
1	0	£100,000 to £104,999	1	0
0	0	£105,000 to £109,999	0	0
0	0	£110,000 to £114,999	0	0
1	0	£115,000 to £119,999	0	0
78	**76**	**TOTAL**	**70**	**71**

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 and the statutory Monitoring Officer – in Bexley, this was the Head of Legal Services.

SENIOR STAFF REMUNERATION 2012/13

Post/ Name	Salary, fees and allowances £	Benefits in Kind £	Total £
Chief Executive - Will Tuckley *A	185,397	10,621	196,018
Director of Environment and Wellbeing - Peter Ellershaw	167,343	5,178	172,521
Director of Education and Social Care - Mark Charters	152,130	5,178	157,308
Director of Customer and Corporate Services	124,197	5,178	129,375
Director of Finance and Resources	120,575	1,262	121,837
Head of Legal Services and Monitoring Officer	66,675	3,603	70,278

SENIOR STAFF REMUNERATION 2011/12

Post/ Name	Salary, fees and allowances £	Benefits in Kind £	Total £
Chief Executive - Will Tuckley *B	185,397	10,382	195,779
Director of Environment and Wellbeing - Peter Ellershaw	167,343	5,247	172,590
Director of Education and Social Care	148,961	5,247	154,208
Director of Customer and Corporate Services *C	124,197	5,247	129,444
Director of Finance and Resources *D*E	124,223	1,994	126,217
Head of Legal Services and Monitoring Officer	66,675	3,603	70,278

*A Additional election fees paid – London Mayor and Assembly – May 2012 £4,634. Allowance for expenses £2,925.

*B Additional election fees paid – Referendum – May 2011 £7,561. Allowance for expenses £2,829.

*C Additional election fees paid – Referendum – May 2011 £232.

*D Additional election fees paid – Referendum – May 2011 £232.

*E Salary, fees and allowances include an emergency planning standby payment of £8,823 for 2011/12.

There was no compensation for loss of office paid to senior officers in 2011/12 and 2012/13.

The pay of all staff in the Council is determined by assessing the responsibilities and requirements of the role in accordance with the job evaluation scheme. This determines the pay package that each role should attract. All senior management posts at the Council are evaluated by Hay Group consultants using their widely recognised job evaluation scheme.

Senior posts had a pay scale consisting of four points, which is agreed annually by Public Cabinet taking into account a number of factors including comparisons from the Hay Group of existing salaries against the local market. Any annual cost of living award is agreed annually by Public Cabinet. For the last four years, Public Cabinet determined that no cost of living award be made to senior staff.

The job evaluation points scores for the four Director posts differ and as a result Directors are currently on one of two salary bands. Director posts responsible for the delivery of large scale services to the public are on the higher salary band.

The performance of the Chief Executive and his four Directors is assessed annually by the Council's Top Management Review Panel. Where performance has met previously set objectives then Members may agree to progression along the incremental scale. Additional performance payments may also be awarded where exceptional performance has been demonstrated against one or more key objectives. As performance is assessed annually it is usual to observe that those Directors with greater length of service have progressed the furthest along the incremental scale.

The Council operates a contributory pension scheme for its employees. Employees' contributions are tiered according to earnings and all staff with earnings in 2012/13 over £85,300 pay contributions of 7.5% of their gross salary (those earning between £45,501 and £85,300 pay 7.2%). These contributions are set to rise substantially from April 2014.

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

	2011/12 £	2012/13 £
Chief Executive	38,728	38,192
Director of Environment and Wellbeing	33,482	34,473
Director of Education and Social Care	29,933	31,339
Director of Customer and Corporate Services	24,853	25,585
Director of Finance and Resources	24,166	26,159
Head of Legal Services and Monitoring Officer	13,335	13,735

The numbers of exit packages for 2011/12 and 2012/13, including schools, with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12 £	2012/13 £
£0 - £20,000	89	23	22	10	111	33	940,123	250,233
£20,001 - £40,000	22	10	0	2	22	12	556,015	328,966
£40,001 - £60,000	6	4	1	2	7	6	328,989	272,816
£60,001 - £80,000	2	0	1	0	3	0	193,101	0
£80,001 - £100,000	0	1	0	0	0	1	0	84,331
	119	**38**	**24**	**14**	**143**	**52**	**2,018,228**	**936,346**

The total cost of £936,346 in 2012/13 in the table above includes £885,346 for exit packages that have been agreed, accrued for and charged to the Comprehensive Income and Expenditure Statement in the current year. The total cost also includes £51,000 provided from the Comprehensive Income and Expenditure Statement for the Early Retirement/ Redundancy provision for those redundancies taking place in 2013/14 that were known about at 31 March 2013. For 2011/12, of the total cost of £2,018,228, £432,974 was met from the redundancy provision as at 31 March 2012 and £1,521,183 was charged to the Comprehensive Income and Expenditure Statement in 2011/12. The balance of £64,071 was met from the redundancy provision as at 31 March 2011.

24 Members' Allowances

The total of Members' allowances paid during 2012/13 was £0.866m (£0.882m in 2011/12). This figure excludes employer's National Insurance contributions and travel and subsistence allowances.

25 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the external auditors, Grant Thornton, who replaced the Audit Commission on 1 November 2012.

2011/12		**2012/13**
Restated		
£'000		**£'000**
223	Fees payable for external audit services	157
0	Fees payable for statutory inspection	0
49	Fees payable for the certification of grant claims and returns	41
7	Fees payable in respect of other services	15
279	**Total**	**213**

The fees payable for other services related to work on the National Fraud Initiative in 2011/12 and 2012/13 and for dealing with objections to the 2010/11 accounts in 2011/12 and 2012/13. The fees payable for external audit services in 2011/12 have been restated as the Audit Commission gave a rebate on the 2011/12 fees in 2012/13. The fees payable for the certification of grant claims and returns in 2011/12 have been restated to take account of the actual fees paid; the 2011/12 Accounts had included an estimate of the fees payable (£59,000).

26 Pooled Budgets

There were three agreements with Bexley Care Trust (BCT) set up under Section 75 of the National Health Services Act 2006 that were in operation in 2012/13; these agreements allow the Council and Bexley Care Trust to pool their budgets to provide services for certain client groups. BCT hosts the pooled budget for mental health services and the Council hosts those for learning disability services and community equipment stores.

2011/12				2012/13		
Mental Health	Learning Disability	Community Equipment		Mental Health	Learning Disability	Community Equipment
£'000	£'000	£'000		£'000	£'000	£'000
			Income			
3,007	21,156	703	London Borough of Bexley contribution	3,135	21,670	733
11,342	958	276	Bexley Care Trust contribution	11,028	1,020	526
0	0	0	Other Income	0	460	0
14,349	**22,114**	**979**	**Gross Income**	**14,163**	**23,150**	**1,259**
			Expenditure			
3,185	16,513	0	Residential and Supported Living Services	2,628	17,582	0
523	1,902	0	Day Care Services	503	2,211	0
4,562	0	0	Acute Services	3,653	0	0
6,555	962	907	Community Services	7,553	1,062	1,200
443	2,422	0	Other Expenditure	100	2,479	0
15,268	**21,799**	**907**	**Gross Expenditure**	**14,437**	**23,334**	**1,200**
-919	**315**	**72**	**Surplus(+)/ deficit(-) for year**	**-274**	**-184**	**59**
0	0	221	Surplus(+)/ deficit(-) brought forward	0	315	293
-919	**315**	**293**	**Surplus(+)/deficit(-) carried forward**	**-274**	**131**	**352**

27 PFI/ PPP Contracts

The Council has contracted with Investors in the Community (IIC) for the redevelopment and facilities management of Welling and Bexleyheath secondary schools to provide education services for Bexley pupils. Annual payments commenced during 2005/06 for 25 years and are currently £5.8m, of which 50% will increase annually in line with RPIX and 50% 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 budgets approved by the Council.

The Council has also contracted with Parkwood Leisure for the redevelopment and operation of its sports and swimming centres, including both routine and lifecycle building maintenance. The annual payments (the unitary charge) are currently £2.4m, which are inflated by 3% each year. These payments commenced during 2005/06 and are payable over 30 years. They can vary as a result of performance and availability deductions, certain changes in law and contract variations initiated by the Council. In addition, the operational services are benchmarked as at July 2010 (when it was agreed no change would be made to the unitary charge) and five-yearly thereafter, and at a future benchmarking date (2020 or later) may be market tested. The costs are being met from budgets approved by the Council. At the end of the contract term, which is fixed, all the facilities return to the Council for nil consideration.

These arrangements are accounted for in accordance with IFRIC12 and the assets involved are included on the balance sheet. However, the schools involved in the PFI contract are Academies and are therefore not included in the Council's Balance Sheet. The movement in the value of the PPP assets is included in the table below.

	PPP – Leisure Centres £'000
Cost or valuation	
At 1 April 2011	34,273
Additions	333
Derecognition - Other	-57
At 31 March 2012	**34,549**

Accumulated Depreciation and Impairments	
At 1 April 2011	-1,621
Charge for 2011/12	-864
Derecognition - Other	57
At 31 March 2012	**-2,428**
Net Book Value - Balance Sheet as at 1 April 2011	**32,652**
Net Book Value - Balance Sheet as at 31 March 2012	**32,121**

	PPP – Leisure Centres £'000
Cost or valuation	
At 1 April 2012	34,549
Additions	321
Derecognition - Other	-92
At 31 March 2013	**34,778**
Accumulated Depreciation and Impairments	
At 1 April 2012	-2,428
Charge for 2012/13	-911
Derecognition - Other	92
At 31 March 2013	**-3,247**
Net Book Value - Balance Sheet as at 31 March 2012	**32,121**
Net Book Value - Balance Sheet as at 31 March 2013	**31,531**

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 18 years until 2031. The PPP payments will be made for the next 23 years until 2036. An analysis of the payments in 2011/12 and 2012/13 is shown in the table below:

2011/12	**PFI – Schools £'000**	**PPP – Leisure Centres £'000**
Service charges 2011/12	1,960	911
Repayment of liability 2011/12	887	57
Interest, lifecycle costs, contingent rents	2,779	1,400
Total unitary charge	**5,626**	**2,368**

2012/13	**PFI – Schools £'000**	**PPP – Leisure Centres £'000**
Service charges 2012/13	2,032	881
Repayment of liability 2012/13	876	52
Interest, lifecycle costs, contingent rents	2,860	1,449
Total unitary charge	**5,768**	**2,382**

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

PFI Scheme

	Repayment of Liability £'000	Interest £'000	Service Charges £'000	Other £'000	Total £'000
Within one year	796	2,239	2,032	701	5,768
Within two to five years	3,593	8,213	8,128	3,140	23,074
Within six to ten years	7,258	7,851	10,160	3,573	28,842
Within eleven to fifteen years	8,324	4,331	10,160	6,027	28,842
Within sixteen to twenty years	5,608	655	5,249	3,390	14,902
TOTAL	**25,579**	**23,289**	**35,729**	**16,831**	**101,428**

PPP Scheme

	Repayment of Liability £'000	Interest £'000	Service Charges £'000	Other £'000	Total £'000
Within one year	124	759	1,023	663	2,569
Within two to five years	-26	3,056	4,408	3,632	11,070
Within six to ten years	79	3,691	6,296	5,745	15,811
Within eleven to fifteen years	1,111	3,383	7,299	6,536	18,329
Within sixteen to twenty years	2,310	2,186	8,461	8,291	21,248
Within twenty one to twenty five years	1,686	285	3,914	3,944	9,829
TOTAL	**5,284**	**13,360**	**31,401**	**28,811**	**78,856**

Other includes lifecycle costs and contingent rents.

28 Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2012/13 of £110.183m are as follows:

Schools Budget funded by Dedicated Schools Grant (DSG)

	Central Expenditure £'000	Individual Schools Budget (ISB) £'000	Total £'000
Final DSG for 2012/13 before Academy recoupment			191,373
Academy figure recouped for 2012/13			-81,190
Total DSG after Academy recoupment for 2012/13			110,183
Brought forward from 2011/12			1,325
Carry forward to 2013/14 agreed in advance			0
Agreed initial budgeted distribution in 2012/13	**16,533**	**94,975**	**111,508**
In year adjustments			0
Final budgeted distribution for 2012/13	**16,533**	**94,975**	**111,508**
Less Actual Central Expenditure	-14,060	0	-14,060
Less Actual ISB deployed to Schools	0	-94,975	-94,975
Plus Local Authority contribution for 2012/13	0	0	0
Carried forward to 2013/14	**2,473**	**0**	**2,473**

29 Government Grants

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

2011/12 £'000		**2012/13 £'000**
15,735	Revenue Support Grant	1,196
	General Core Grants	
1,666	Housing Benefit Administration	1,590
8,862	Early Intervention	9,659
500	Preventing Homelessness	500
131	Lead Local Flood Authorities	204
4,994	Learning Disability and Health Reform	5,129
30	Extended Right to Free Travel	37
229	Community Safety	0
415	New Homes Bonus	641
2,374	Council Tax Freeze	2,387
3,056	Private Finance Initiative Grant	3,056
37,992	**TOTAL**	**24,399**

The Government's grant funding of local authorities changed on 1 April 2011 with many specific grants ceasing and being replaced by core grants whose use is not restricted – or 'ringfenced' – to any specific service. Community Safety grant has been included in the Environment and Regulatory Services line in Continuing Services – Cost of Services for 2012/13.

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

2011/12 £'000		2012/13 £'000
6,090	Academies Framework - Haberdashers	0
7,832	Academies Framework - Harris Falconwood	0
2,295	Devolved Formula Grant	805
11,088	New Primary Places Grant	15,639
0	Early Education for Two Year Olds	437
3,250	Condition Funding/Primary Modernisation	2,397
2,624	Primary Capital Programme	3,659
149	Belvedere Green Links Grants	0
3,408	Transport for London	4,052
2,088	Grant for Europa Gym Project	321
0	Outer London Funding	214
1,196	Other	520
40,020	**Total**	**28,044**

30 Related Party Transactions

Related party transactions have been considered for current Members of the Council and senior officers. Following changes to the CIPFA Code, the transactions that need to be disclosed are those where a Council Member or senior officer has control over one party to the transaction and significant influence over the other. The transactions in the table below have been identified for 2012/13. Some of the appointments listed below continue throughout 2013/14. The declaration of a related party transaction does not imply any personal involvement of the Councillors shown below. Transactions between the London Borough of Bexley and other organisations that total less than £10,000 in the year are not included in this note.

Councillor	**Organisation and Position**	**Transactions in 2012/13**
Gareth Bacon	London Assembly – Member	£27,919,645 paid to the Greater London Authority
Gareth Bacon	London Fire and Emergency Planning Authority (LFEPA) – Member	£22,500 paid to LFEPA
Colin Campbell Gareth Bacon	Eltham Crematorium Joint Management Committee – Chairman and Member	Non Current Asset share (40%) £1,368,588 Net liabilities share (40%) £361,712 Net surplus share (40%) £504,800
John Fuller	Belvedere Community Centre – Vice Chairman	£38,037 paid to the Community Centre
Teresa O'Neill Colin Campbell	Local Government Association (LGA) – Member of the Executive and Member of the Improvement Board Member of the General Assembly	£42,732 paid to the LGA
Teresa O'Neill Katie Perrior	London Councils – Vice Chairman, Executive/ Lead Member for Health Conservative Lead on	£607,126 paid to London Councils

Colin Campbell Chris Taylor	crime and public protection London Councils Leaders Committee (Deputy) London Councils Grants Executive & Committee Leaders Committee – Substitute Member	
Teresa O'Neill Colin Campbell Linda Bailey	Thames Innovation Centre – Board Members	See below

Thames Innovation Centre (TIC) is a not-for-profit local authority controlled company that commenced trading at the end of 2006. The London Borough of Bexley has made a loan to TIC of £450,000 as at 31 March 2013 under a loan agreement dated 14th March 2007. No interest will be charged within the initial ten year period from the date of the agreement. Under a service level agreement dated 29th March 2007, the Council is entitled to reasonable free use of TIC's facilities. Turnover earned, including grant, from the London Borough of Bexley during 2012/13 was £171,476 (£183,278 in 2011/12). TIC owed Bexley £7,406 at 31 March 2013 (£7,498 at 31 March 2012). Services provided by Bexley to TIC amounted to £52,809 in 2012/13 (£53,722 in 2011/12). The Council entered into a lease agreement with TIC on 15th March 2007 for the TIC building; the first four years are to be rent free. Furniture and equipment valued at £431,713 was transferred from the Council to TIC on 29th March 2007. These assets will revert back to the Council at the end of the service level agreement on 31st March 2027. There is a further loan agreement dated 10th February 2010 between the London Borough of Bexley and TIC, providing up to £60,000 for TIC to undertake internal works to convert two existing offices into six smaller offices. Interest will be charged at 0.5% above the Public Works Loan Board 10 year annuity rate. At 31 March 2013, a loan of £56,300 had been drawn down.

The Council received many grants in 2012/13 – both revenue and capital – from central Government. Further details of these are given in separate notes.

The Council recharged £433,540 to the Pension Fund in 2012/13 for administration costs. During the year, no Council Members or designated officers have undertaken any declarable transactions with the Pension Fund.

Any debtors arising from related party transactions would have been considered in the calculation of the bad debt provision for 2012/13.

31 Leases

Authority as Lessee – Finance Leases

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

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

31.3.2012 £'000		**31.3.2013 £'000**
1,358	Vehicles, Plant and Equipment	1,049

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

31.3.2012 £'000		**31.3.2013 £'000**
	Finance lease liabilities (net present value of minimum lease payments)	
309	- current	290
1,049	- non-current	759
126	Finance costs payable in future years	86
1,484	**Minimum lease payments**	**1,135**

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

	Minimum Lease Payments		**Finance Lease Liabilities**	
	31.3.2012 £'000	**31.3.2013 £'000**	**31.3.2012 £'000**	**31.3.2013 £'000**
Not later than one year	349	322	309	290
Later than one year and not later than five years	934	713	857	661
Later than five years	201	100	192	98
	1,484	**1,135**	**1,358**	**1,049**

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

Authority as Lessee – Operating Leases

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

31.3.2012 £'000		31.3.2013 £'000
77	Not later than one year	109
221	Later than one year and not later than five years	236
117	Later than five years	104
415	**Minimum lease payments**	**449**

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

2011/12 £'000		2012/13 £'000
8	Children's and Education Services	14
0	Housing	28
44	Adult Social Care	45
25	Cultural Services	26
77		**113**

Authority as Lessor – Finance Leases

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

31.3.2012 £'000		31.3.2013 £'000
	Finance lease debtor (net present value of minimum lease payments)	
10	- current	7
2,815	- non-current	2,712
12,321	Unearned finance income (interest)	12,160
0	Unguaranteed residual value of property	0
15,146	**Gross investment in the leases**	**14,879**

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

31.3.2012 £'000	**Gross investment in the leases**	31.3.2013 £'000
268	Not later than one year	268
1,072	Later than one year and not later than five years	1,072
13,806	Later than five years	13,539
15,146	**Gross investment in the leases**	**14,879**

31.3.2012	Minimum lease payments	31.3.2013
£'000		**£'000**
10	Not later than one year	7
47	Later than one year and not later than five years	36
2,768	Later than five years	2,676
2,825	**Minimum lease payments**	**2,719**

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

Authority as Lessor – Operating Leases

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

31.3.2012	Minimum lease payments	31.3.2013
£'000		**£'000**
3,051	Not later than one year	2,608
10,504	Later than one year and not later than five years	9,112
202,811	Later than five years	166,451
216,366	**Minimum lease payments**	**178,171**

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

32 Termination Benefits

The Authority terminated the contracts of a number of employees in 2012/13, incurring liabilities of £0.936m (£2.018m in 2011/12). Many of these terminations were as a result of business cases put forward as part of the Council's Strategy 2014 initiative.

33 Pensions Schemes Accounted for as Defined Contribution Schemes

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

The Scheme is technically a defined benefit scheme. However, 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. The Authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2012/13, the Council paid £5.728m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2011/12 were £7.805m and 14.1%. There were no contributions remaining payable at the year-end.

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

34 Defined Benefit Pension Schemes

Participation in pension schemes
As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by the Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

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.

There were 10 schools which converted to academies during 2011/12 and a further 3 converted during 2012/13. Rather than waiting for the 2013 valuation, the pension assets and liabilities transferred to the academies to date have been shown as settlements in the table below. The actuary has calculated that, based on the details held for the 2010 valuation, assets of £2.061m (£10.062m in 2011/12) and liabilities of £3.875m (£17.635m in 2011/12) relate to the academies. These figures, together with curtailments of £0.088m (£0.779m in 2011/12) comprise the net figure of -£1.726m (-£6.794m in 2011/12) shown as settlements and curtailments below.

	Local Government Pension Scheme £'000		Discretionary Benefits Arrangements £'000	
	2012/13	2011/12	2012/13	2011/12
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• current service cost	9,467	8,936	0	0
• past service costs	462	12	0	0
• settlements and curtailments	-1,726	-6,794	0	0
Financing and Investment Income and Expenditure				
• interest cost	26,214	28,028	444	494
• expected return on scheme assets	-25,449	-27,873	0	0
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	8,968	2,309	444	494
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
• actuarial gains and losses	23,061	42,349	726	210
• entity combinations	0	0	0	0

Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	32,029	44,658	1,170	704
Movement in Reserves Statement				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-8,968	-2,309	-444	-494
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to scheme	12,259	12,870		
• retirement benefits payable to pensioners			621	639

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £70.686m (loss of £46.899m at 31 March 2012).

Assets and liabilities in relation to post employment benefits
Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded liabilities: Local Government Pension Scheme £'000		Unfunded liabilities: Discretionary Benefits £'000	
	2012/13	2011/12	2012/13	2011/12
Opening balance at 1 April	542,067	524,797	9,368	9,303
Current service cost	9,467	8,936	0	0
Interest cost	26,214	28,028	444	494
Contributions by scheme participants	3,618	3,954	0	0
Actuarial gains and losses	61,039	16,557	726	210
Benefits paid	-23,256	-23,361	-621	-639
Past service costs	462	12	0	0
Entity combinations	0	0	0	0
Curtailments	88	779	0	0
Settlements	-3,875	-17,635	0	0
Closing balance at 31 March	615,824	542,067	9,917	9,368

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme	
	2012/13	2011/12
	£'000	£'000
Opening balance at 1 April	423,064	438,221
Expected rate of return	25,449	27,873
Actuarial gains and losses	37,978	-25,792
Employer contributions	12,259	12,870
Contributions by scheme participants	3,618	3,954
Benefits paid	-23,877	-24,000
Entity combinations	0	0
Settlements	-2,061	-10,062
Closing balance at 31 March	476,430	423,064

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £63.428m (2011/12: £2.081m).

Scheme history

	2008/09	2009/10	2010/11	2011/12	2012/13
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities:					
Local Government Pension Scheme	-413,476	-567,618	-524,797	-542,067	-615,824
Discretionary Benefits	-8,113	-9,637	-9,303	-9,368	-9,917
Fair value of assets in the Local Government Pension Scheme	**275,034**	**384,657**	**438,221**	**423,064**	**476,430**

Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	-138,442	-182,961	-86,576	-119,003	-139,394
Discretionary Benefits	-8,113	-9,637	-9,303	-9,368	-9,917
Total	-146,555	-192,598	-95,879	-128,371	-149,311

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £149m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a positive overall balance of £354m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie, before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 are £11.2m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2014 are £0.6m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Under the projected unit method the current service cost will increase as members of the scheme approach retirement (where there is an increase in the age profile of the active membership). Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	31/03/13	**31/03/12**	**31/03/13**	**31/03/12**
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.0%	7.0%	–	–
Government Bonds	2.8%	3.1%	–	–
Other Bonds	3.9%	4.1%	–	–
Property	5.7%	6.0%	–	–
Cash/Liquidity	0.5%	0.5%	–	–
Other	7.0%	7.0%	–	–
Mortality assumptions:				

Longevity at 65 for current pensioners:				
Men	22.3	21.9	22.3	21.9
Women	24.9	24.5	24.9	24.5
Longevity at 65 for future pensioners:				
Men	24.2	23.3	-	-
Women	26.9	26.0	-	-
Rate of CPI inflation	2.4%	2.5%	2.4%	2.5%
Rate of increase in salaries	3.9%	4.0%	-	-
Rate of increase in pensions	2.4%	2.5%	2.4%	2.5%
Rate for discounting scheme liabilities	4.2%	4.9%	4.2%	4.9%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	-	-

The Discretionary Benefits arrangements have no assets to cover the liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2013 %	31 March 2012 %
Equity investments	60.4	60.8
Debt Instruments – Government Bonds	0.0	3.1
- Other Bonds	10.8	7.8
Other assets – Property	6.3	6.8
- Cash/liquidity	1.3	1.3
- Other	21.2	20.2
	100.0	100.0

History of experience gains and losses

The actuarial loss identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Differences between the expected and actual return on assets	-30.8	22.6	3.4	-6.1	8.0
Experience gains and losses on liabilities	0.0	0.0	5.5	0.0	0.0

35 Contingent Liabilities

Contingent liabilities have been considered up to the authorisation date of the Financial Statements of 16 September 2013 by the Director of Finance and Resources and the following are disclosed.

In 1998, as part of the transfer of the housing stock, the Council agreed to certain warranties and established a reserve which stands at £2.183m at 31 March 2013, for this purpose. Whether or not these warranties will ever be called upon cannot be known. There are a number of potentially contaminated sites across the borough, particularly in the north, as a result of former industrial uses as well as historic landfill operations, although no sites have been declared as contaminated land under the Environmental Protection Act. However, future redevelopment of these sites could raise issues leading to a liability in relation to the warranties. At present, it is not possible to know whether there is any possibility of reimbursement if costs are incurred.

With regard to personal searches for land charges, there is a provision in the accounts for claims that are being dealt with by the Local Government Association on behalf of Bexley and a large number of other local authorities. In addition, it has recently been discovered that the Council is also subject to another group of claims, as yet not issued against us. The sum involved is not yet known.

36 Contingent Assets

The Council had no contingent assets at the 31 March 2013.

37 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

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

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

- investments should be restricted to relatively low risk securities which do not suffer from significant changes in their capital value, and

- a balance should be sought between investment in securities which yield a variable or a fixed rate of interest. This provides an element of diversification in the Council's investment portfolio and reduces the impact of changes in interest rates on the Council's interest earnings.

All new deposits during the year were made only with UK banks and building societies and AAA rated money market funds. These banks and building societies had Fitch short-term ratings of F1 (very high), long-term rating of at least A and a support rating of 1 (the very highest).

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

	Amount at 31 March 2013	**Historical experience of default**	**Historical experience adjusted for market conditions at 31 March 2013**	**Estimated maximum exposure to default and uncollectability**	**Estimated maximum exposure at 31 March 2013**
	£'000	**%**	**%**	**£'000**	**£'000**
Deposits with financial institutions	73,111	0	0	0	0
Bonds	0	0	0	0	0

No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

Liquidity Risk

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

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

	31 March 2013 £000	31 March 2012 £000
Loans outstanding		
PWLB	103,190	103,221
Market debt	0	0
Temporary borrowing	0	0
Total	**103,190**	**103,221**

	31 March 2013 £000	31 March 2012 £000
Maturity Profile		
Less than 1 year	31	31
Maturing between 1 and 2 years	31	31
Maturing between 2 and 5 years	94	94
Maturing between 5 and 10 years	2,156	2,156
Maturing between 10 and 15 years	12,810	7.841
Maturing between 15 and 20 years	13,568	16,568
Maturing between 20 and 25 years	3,000	5,000
Maturing between 25 and 30 years	0	0
Maturing between 30 and 35 years	6,000	3,000
Maturing between 35 and 40 years	15,500	13,000
Maturing between 40 and 45 years	32,500	31,500
Maturing over 45 years	17,500	24,000
Total	**103,190**	**103,221**

Market Risk

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

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

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

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

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

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

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

	£000
Increase in interest payable on variable rate debt	0
Increase in interest receivable on variable rate investments*	987
Net Impact on Income and Expenditure – Gain	**987**
Increase/(Decrease) in fair value of fixed rate investments	(192)
Increase/(Decrease) in fair value of fixed rate debt	(22,095)

*For the purposes of this analysis, fixed rate deposits less than one year are treated as variable rate. In addition, the analysis includes the impact on the £38.7m investments shown on the balance sheet as ‘cash’.

Foreign exchange risk

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

38 Long-Term Debtors

31.3.2012 £'000		31.3.2013 £'000
0	Civic Offices site	11,876
2,787	Finance leases	2,812
1,286	Bexley Heritage Trust loan	1,344
289	Thames Innovation Centre loans	296
949	Deferred capital receipts	633
635	Mortgages	602
330	Other loans and advances	451
152	Payments in advance	0
6,428	**Total Long Term Debtors**	**18,014**

39 Capital Grants Receipts in Advance

31.3.2012 £'000		31.3.2013 £'000
	Short Term	
-3,659	Primary capital programme	0
-205	Academies Framework - Harris Falconwood	0
-950	Academies Framework - Haberdashers Askes	0
-323	Devolved Formula Grant	-267
-229	Child Care Sustainability	0
0	Empty Property Fund	-310
0	Loans Scheme Private Sector Renewal	-191
-212	Other	-220
-5,578	**Total Short Term**	**-988**
	Long Term	
-862	Devolved Formula Grant	-446
-2,341	S106 Contributions	-2,738
-861	Other	-885
-4,064	**Total Long Term**	**-4,069**

40 Deferred Liabilities

31.3.2012 £'000		31.3.2013 £'000
-38,313	PFI/PPP contracts	-37,055
-1,049	Finance leases	-759
-445	Other	-557
-39,807	**Total Deferred Liabilites**	**-38,371**

41 Heritage Assets

	Museum Collection £'000	Hall Place Hall Place House £'000	Granary £'000	Danson House House £'000	Exhibits £'000	Bexleyheath & Crayford Clock Towers £'000	Five Arches Bridge £'000	Public Art £'000	Civic Regalia £'000	Total Assets £'000
Cost or valuation										
At 1 April 2011	381	20,787	35	6,504	228	235	4,000	180	262	32,611
Additions (including donations)	0	0	0	0	0	0	0	157	0	157
Disposals	0	0	0	0	0	0	0	0	0	0
Revaluations increases/(decreases) recognised in the Revaluation Reserve	11	0	0	0	7	0	0	0	0	18
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0	0	0
At 31 March 2012	**392**	**20,787**	**35**	**6,504**	**235**	**235**	**4,000**	**337**	**262**	**32,786**
Cost or valuation										
At 1 April 2012	392	20,787	35	6,504	235	235	4,000	337	262	32,786
Additions (including donations)	0	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0	0
Revaluations increases/(decreases) recognised in the Revaluation Reserve	12	0	0	0	7	0	0	0	0	19
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0	0	0
At 31 March 2013	**404**	**20,787**	**35**	**6,504**	**242**	**235**	**4,000**	**337**	**262**	**32,805**

41 Heritage Assets

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

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

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

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

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

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

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

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

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

The Trust is responsible for maintenance and repair work at both Danson and Hall Place and have allowed an annual maintenance provision of £38,000 based on guidance from English Heritage. Danson House and Hall Place have both been fully restored in recent years and as a consequence there are no specific capital works planned. When maintenance work is carried out the expenditure incurred will be reflected in the Trust's accounts.

Danson House, Hall Place and Hall Place granary are reported at valuation and are subject to further revaluations as part of the Council's 5 year rolling revaluation programme.

Danson House
Danson House was built in 1766 for Sir John Boyd, a wealthy sugar merchant and vice-chairman of the British East India company. During the twentieth century the house fell into decay and was eventually acquired by the Bexley Urban District Council in 1924. In 1995 an agreement with English Heritage enabled a major restoration of the building to be undertaken. Danson House is open to the public from Sunday to Thursday each week from the beginning of April to the end of October .

A number of items within Danson House are reported in the Balance Sheet at insurance valuation which is updated annually. Particularly significant items in terms of both value and note are the Danson Organ (valued at £87,009), opulent Georgian mirrors (valued at £68,921), 19 Georgian naturalistic wall paintings (valued at £57,437) and a salon chandelier (valued at £20,677).

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

In 2006 Bexley Heritage Trust secured Lottery funding to enable the Trust to undertake a programme of restoration works and in February 2009 Hall Place reopened after the completion of these works.

Hall Place is open to the public all year around with the exception of Christmas and New Year.

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

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

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

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

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 around.

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 (Public Realm Management). All capitalised building maintenance budgets are the responsibility of the Head of Building Services, in the Finance & Resources Directorate. Priority criteria for works are reviewed and set each year to develop a programme of work targeting those assets most in need. The proposed work schedule is reported to the Cabinet Member for Finance and Resources for approval.

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

The Cob was sculpted by Andy Scott and is a 5m high steel Gypsy cob horse located in Belvedere and celebrates the unique character and industrial heritage of the area. The De Luci Pike, by Gary Drostle, is a 7.5m mosaic sculpture located in the centre of the roundabout at the end of Bronze Age Way, Erith. The artwork was inspired by the former Erith Urban District Council's coat of arms that incorporated three pikes, the symbol of the powerful De Luci family (local landowners in medieval Erith). The Earth Core Columns, by Gary Drostle and Onya McCausland are a series of five sculptures inspired by the archaeology and geology of Erith, and in particular the finds discovered during the construction of Bronze Age Way, next to which the art works are sited.

The Council's Arts Manager oversees the commissioning of Public Art work in accordance with the Council's published Arts Strategy 2008-2013, which is available on the Council's website. The Arts Manager reports to the Head of Libraries, Heritage and Archives. Regular reports are also received by the Council's Environment and Leisure Overview Committee. The Arts Manager maintains a record of public art commissioned in the borough detailing the nature, provenance, condition and current location of each asset.

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

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

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

The Council's Macebearer is responsible for the upkeep of the Council's Civic regalia. The Macebearer reports to the Member's Services Manager. 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 not on public display.

Local Studies and Archive Centre
The Council's local studies and archives collection forms a diverse mix of historical and cultural documents and includes newspapers from 1873 to the present; unique photographs, postcards and illustrations; books and journals on all aspects of Bexley, Kent and London;

pamphlets; posters; local maps and plans from around the 18th Century to present; street and trade directories and south east London telephone directories from 1940 onwards.

The archives are stored in the Council's Local Studies and Archive Centre within the Central Library which is open to public access six days a week. The Local Studies and Archives collection is managed by the Local Studies and Archives Manager who reports to the Head of Libraries, Heritage and Archives. Regular reports are also received by the Council's Environment and Leisure Overview Committee. The collection is managed in accordance with policies approved by the Council. Further information is provided in the separate publications *A Strategy for Bexley Local Studies and Archives Centre 2008-2013, Collection Management Action Plan 2008-2013, Collection and Cataloguing Policy* and *Preservation Policy*, all of which have been produced in accordance with national guidelines and are available on the Council's website. Assets are collated, preserved and managed in accordance with the aforementioned guidelines.

Additions to Heritage Assets in 2012/13
There were no acquisitions of heritage assets in 2012/13.

Disposals of Heritage Assets in 2012/13
There were no disposals of heritage assets in 2012/13.

Five Year Summary of Transactions

	2008/09	2009/10	2010/11	2011/12	2012/13
	£'000	£'000	£'000	£'000	£'000
Cost of Acquisitions of Heritage Assets					
Museum Collection	0	0	0	0	0
Historical Buildings and Structures	0	0	0	0	0
Public Art Work	0	0	0	157	0
Civic Regalia	0	0	0	0	0
Total Cost of Acquisitions	**0**	**0**	**0**	**157**	**0**

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

The Collection Fund

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

2011/12			2012/13
£'000	**INCOME**	**Note**	**£'000**
-136,385	Gross Council Tax		-137,123
3,480	Exemptions		3,738
11,269	Discounts		11,130
564	Write-offs		567
16,451	Council Tax Benefit		16,216
-104,621	Income from Council Tax Payers		-105,472
-16,451	Council Tax Benefit		-16,216
-59,474	Income from Business Ratepayers	2	-66,394
-1,995	Income from Business Rate Supplement (BRS)	4	-2,187
-182,541	**TOTAL INCOME**		**-190,269**
	EXPENDITURE		
94,983	Bexley's Demand on the Collection Fund	3	95,484
26,075	Greater London Authority Precept	3	25,950
121,058	Total Demands and Precepts		121,434
59,110	Contribution to Business Rate Pool		66,208
259	Allowance for Cost of Business Rate Collection		263
48	Interest on Business Rate Refunds		2
1,984	Payments to Greater London Authority's BRS Account	4	2,178
11	BRS Administrative Costs	4	10
57	Provision made for Business Rate Bad Debts		-79
221	Provision made for Council Tax Bad Debts		498
	Distribution of previous year's estimated Fund Deficit(-) or Surplus		
628	- London Borough of Bexley		0
172	- Greater London Authority		0
183,548	**TOTAL EXPENDITURE**		**190,514**
1,007	**Surplus (-)/ Deficit For The Year**		**245**
-2,261	**Collection Fund Balance Brought Forward**		**-1,254**
-1,254	**Collection Fund Balance Carried Forward**		**-1,009**

Notes to the Collection Fund Account

Note 1 - Council Tax

For 2012/13, the Council Tax was set by the Council at £1,435.31 (£1,438.41 in 2011/12) for a property in band D. For 2012/13, the Council Tax was calculated using an estimated Council Tax Base of 84,605 Band D equivalents, as detailed below:

Band	Dwellings per Valuation List	Revised Dwellings after Adjustments*	Ratio To Band D	Band D Equivalent
A (Disabled)		5	5/9	3
A	4,867	3,807	6/9	2,538
B	10,154	8,320	7/9	6,471
C	28,069	25,996	8/9	23,108
D	26,661	23,291	9/9	23,291
E	19,148	17,644	11/9	21,564
F	4,622	4,331	13/9	6,256
G	1,656	1,560	15/9	2,600
H	46	31	18/9	62
Total	**95,223**	**84,985**		**85,893**
Less Allowance for Non-Collection				**-1,288**
Council Tax Base 2012/13				**84,605**

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

*Adjustments are made for exemptions, discounts, disabled banding changes, and an estimate made for new properties and appeals.

Note 2 - Income from Business Ratepayers

Under the arrangements for business rates, the Council collects National Non Domestic Rates (NNDR) for the Bexley area on behalf of the Government. These are based on rateable values multiplied by uniform rates which, for 2012/13, were 45.8p in the pound and 45.0p in the pound for small businesses (for 2011/12, 43.3p in the pound and 42.6p in the pound for small businesses). The total amount less certain reliefs and other deductions is paid to a central pool (the Business Rate pool) managed by Central Government, which pays back to the Council its share of the pool based on a standard amount per head of Bexley's relevant population. Under these arrangements, the amounts included in these accounts can be analysed as follows:

2011/12			2012/13
£'000			**£'000**
70,831	Gross Non-domestic rateable value *		77,022
2,961	Less:	Voids	2,890
-849		Transitional Relief	-526
8,405		Mandatory & Discretionary Relief	6,785
840		Write off	1,479
59,474	**TO COLLECTION FUND**		**66,394**
307	Less:	Cost of Collection Allowance, etc	265
57		Bad and Doubtful Debt Provision	-79
59,110	Net Contribution to Business Rate Pool		66,208
-8,205	Redistribution from/to Business Rate Pool		-4,506
50,905	**Net Income paid to General Fund**		**61,702**

* The total non-domestic rateable value as at 31 March 2013 was £173.941m (£167.630m as at 31 March 2012). There was a revaluation of non-domestic properties effective from 1 April 2010.

Note 3 – Precepts

Payments are made from the Collection Fund to the London Borough of Bexley (the billing authority) - £95.484m in 2012/13 (£94.983m in 2011/12) and the Greater London Authority (the precepting authority) - £25.950m in 2012/13 (£26.075m in 2011/12). These figures are before the distribution of any previous year's estimated Fund surplus or deficit; there was no surplus or deficit to distribute in 2012/13 (for the London Borough of Bexley £0.628m surplus distribution in 2011/12 and for the Greater London Authority £0.172m surplus distribution in 2011/12). The Council Tax income accrued in the General Fund adjusts the estimated demand from the Collection Fund by the actual surpluses or deficits on the Collection Fund.

Note 4 – Crossrail Business Rate Supplement

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

Statement of Responsibilities for the Pension Fund Accounts

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

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

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

(1) kept proper accounting records which were up to date,

(2) taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statements of the Director of Finance and Resources

The required financial statements for the pension fund appear on pages 102 to 124 and have been prepared in accordance with the accounting policies set out on page 105.

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 2013.

Michael Ellsmore

Director of Finance and Resources

16 September 2013

Pension Fund Account

2011/12 £'000		Note	2012/13 £'000
	Dealings with members, employers and others directly involved in the scheme		
-20,375	Contributions	6	-20,348
-1,847	Transfers in from other pension funds	7	-1,160
-22,222	**Total contributions**		**-21,508**
26,154	Benefits	8	24,286
1,996	Payments to and on account of leavers	9	1,563
782	Administrative expenses borne by the scheme	10	727
28,932	**Total benefits and administration expenses**		**26,576**
6,710	**Sub-total: Net additions (-) / withdrawals from dealings with members**		**5,068**
	Returns on investments		
-12,781	Investment income	11	-12,070
338	Taxes on income		452
5,560	Profit (-) and losses on disposal of investments and changes in value of investments	12	-68,780
1,223	Investment management expenses	15	1,216
-5,660	**Sub-total: Net returns on investments**		**-79,182**
1,050	**Net increase (-) / decrease in the net assets available for benefits during the year**		**-74,114**

Pension Fund Net Assets Statement

31.3.2012 £'000		Note	31.3.2013 £'000
484,671	Investment Assets	12	559,051
-374	Investment Liabilities	14	0
0	Borrowings		0
2,057	Current Assets	16	1,884
-593	Current Liabilities	17	-1,060
485,761	**Net assets of the scheme available to fund benefits at the period end**		**559,875**

The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of the fund. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme accounting year. The actuarial position of the scheme, which does take into account such obligations, is detailed in note 25 below.

Notes to the Financial Statements

1 Introduction to the Fund

The London Borough of Bexley Pension Fund ("the fund") is part of the Local Government Pension Scheme (LGPS). It is administered by the London Borough of Bexley under the provisions of the Local Government Superannuation Acts and the associated 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 Superannuation Act 1972. It is administered in accordance with the detailed regulations of:
~ the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
~ the LGPS (Administration) Regulations 2008 (as amended)
~ the LGPS (Management and Investment of Funds) Regulations 2009
It is a contributory defined benefit pension scheme, and operates to provide pension benefits for employees of the London Borough of Bexley and its scheduled and admitted bodies. Teachers are not included as they come within another national pension scheme.
The fund is overseen by the Pensions Committee of the London Borough of Bexley.

(b) Membership
Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme, or to make their own personal arrangements outside the scheme.

The Scheduled Bodies (bodies whose staff are automatically entitled to be members of the fund) are:-
London Borough of Bexley (Administering Authority)
Beths Grammar School
Bexley College
Bexley Grammar School
Bexleyheath Academy
Blackfen School for Girls
Chislehurst and Sidcup Grammar School
Cleeve Park School
East Wickham Infant School
Erith School
Harris Academy Falconwood
Hurstmere School
St Catherine's Catholic School
St Columba's Catholic Boys School
Townley Grammar School
Trinity Church of England School, Belvedere
Welling School
Woodland Academy Trust

The Admitted Bodies (bodies whose staff are entitled to be members of the fund because of an agreement between that body and the Fund) are:-
Rose Bruford College
MCCH Society
Orbit South Housing Association
London and Quadrant Housing Trust

Avante Partnership
Bexley Heritage Trust
Danson Youth Trust
Business Academy Bexley
Inspire Community Trust
Kier Street Services Ltd
Serco Ltd
Mytime Active
Wilson James Ltd
Capita Business Services Ltd
Blenheim CDP

Numbers for employers and employees in the fund are:

31 March 2012		**31 March 2013**
30	Number of employers with active members	33
	Number of employees in the fund	
3,279	London Borough of Bexley	3,280
1,191	Other employers	1,320
4,470	*Total*	*4,600*
	Number of pensioners in the fund	
3,805	London Borough of Bexley	3,860
402	Other employers	431
4,207	*Total*	*4,291*
	Number of deferred pensioners in the fund	
3,246	London Borough of Bexley	3,338
366	Other employers	445
3,612	*Total*	*3,783*

Over the last five years membership numbers have increased:

Membership Analysis 31 March 2009- 31 March 2013

	31.3.09	**31.3.10**	**31.3.11**	**31.3.12**	**31.3.13**
Employees in the Fund	4,744	4,742	4,593	4,470	4,600
Deferred Pensioners	3,216	3,319	3,466	3,612	3,783
Pensioners in the Fund	3,727	3,877	4,025	4,207	4,291

(c) Funding

In 2012/13, 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 5.25% to 7.5% 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 2010 and shows a funding level of 87% (2007 was 86%). The deficit on the fund will be recovered over a period of 14 years (the balance remaining of the 20 year recovery plan set in 2004). The Council's contribution in 2012/13 was 20.6% of payroll (20.0% in 2011/12). Other bodies employer's future service contributions in 2012/13 varied between 11.7% and 21.6% but they also pay a separate lump sum deficit funding contribution. Further details on the funding and actuarial positions are shown in notes 24 and 25.

Financial Analysis 2008/09 – 2012/13

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Contributions to the Scheme	-21,422	-24,570	-26,323	-22,222	-21,508
Benefits Paid and Admin Expenses	23,341	24,949	24,585	28,932	26,576
Net Return on Investments	65,689	-121,735	-37,405	-5,660	-79,182
Net Increase (-) / Decrease in Year	**67,608**	**-121,356**	**-39,143**	**1,050**	**-74,114**
Value of Fund Brought Forward	393,920	326,312	447,668	486,811	485,761
Value of Fund Carried Forward	326,312	447,668	486,811	485,761	559,875

The Fund publishes a separate Annual Report for the Pension Fund, which includes the Statement of Investment Principles, and other documents, and these can be obtained from the Finance Department, Bexley Civic Offices, Broadway, Bexleyheath, Kent DA6 7LB or from the Pension Fund's website www.yourpension.org.uk/bexley

2 Basis of Preparation

These financial statements summarise the fund's transactions for the 2012/13 financial year and its position at the year end of 31 March 2013. They have been prepared in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting 2012/13, and with the guidelines set out in Section 2 of the Statement of Recommended Practice for Financial Reports of Pension Schemes 2007. The CIPFA Code is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

3 Accounting Policies

Accrual Basis

The accounts have been prepared on the accruals basis. This means that income and expenditure is recognised as it is earned or incurred, not when it is received or paid. The exception to this is transfer values which are accounted for on a cash basis.

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

Pensions, benefits, administrative and investment management expenses payable include all amounts due as at the end of the financial year. Any amounts unpaid show as current liabilities. Costs of the external pension fund administrator and other suppliers are charged direct to the fund, whereas internal staff, accommodation and other overhead costs are apportioned to the fund on a monthly basis. The fees of the external investment managers are mainly based on the market value of the funds they invest and will increase or decrease with the value of their investments. A performance related element has been negotiated with some of the managers - this amount will also vary from year to year and may need to be estimated at year end.

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

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

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

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

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

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

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

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

Derivatives
The fund's managers use derivative financial instruments to manage exposure to specific risks arising from their investment activities, not for speculative purchases. The future value of forward currency contracts is based on market forward exchange rates at the year end and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

Actuarial present value of promised retirement benefits
The actuarial present value of promised retirement benefits is assessed on a triennial basis by the fund's actuary in accordance with IAS19 and relevant actuarial standards. As permitted under IAS26, the fund has opted to disclose the actuarial present value of promised retirement benefits as a note to the net assets statement (see note 25).

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

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

Events after the Net Assets Statement date
The Pension Fund accounts were issued as part of the Statement of Accounts by the Director of Finance and Resources on 26 September 2013. 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 2013, the figures in the accounts and notes have been adjusted in all material respects to reflect the impact of this information. Note 19 details any such specific events.

4 Critical judgements in applying accounting policies

Pension fund liability
The pension fund liability is calculated every three years by the fund's actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 25. This estimate is subject to significant variances based on changes to the underlying assumptions.

5 Major sources of estimation uncertainty

These accounts contain 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 accounts at 31 March 2013 for which there is a significant risk of material adjustment in the following financial year are:

Actuarial present value of promised retirement benefits
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The fund employs a professional actuary to provide expert advice about the assumptions to be used. The effects on the net pension liability of changes in individual assumptions can be measured. For example a 0.5% increase in the discount rate assumption would reduce the pension liability by £42m. A 0.25% reduction in assumed earnings inflation would reduce liabilities by £25m and a one year increase in assumed life expectancy would increase the liability by around £13m.

Private equity

Private equity investments are valued by their individual fund managers. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. By the time these valuations are all received by the fund of funds manager and he has reviewed them and adjusted as necessary to fair value standards they are likely to be a quarter out of date. The total private equity investments in the accounts are valued at £32.0m. There is a risk that this investment may be under- or overstated in the accounts.

6 Contributions

2011/12		2012/13
£'000		**£'000**
	From Employers	
7,466	London Borough of Bexley – normal	7,064
1,240	Scheduled bodies – normal	1,821
1,147	Admitted bodies – normal	1,084
4,384	London Borough of Bexley – deficit funding	4,148
692	Scheduled bodies – deficit funding	919
313	Admitted bodies – deficit funding	292
6	London Borough of Bexley – augmentation	7
0	Scheduled bodies – augmentation	0
0	Admitted bodies – augmentation	0
	From Members	
3,856	London Borough of Bexley – normal	3,524
596	Scheduled bodies – normal	863
541	Admitted bodies – normal	510
120	London Borough of Bexley – additional voluntary	92
7	Scheduled bodies – additional voluntary	7
7	Admitted bodies – additional voluntary	17
20,375	**Total contributions**	**20,348**

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

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

The movement in investments during the year were:-

2011/12		2012/13
£'000		**£'000**
551	Value of funds at start of year	581
191	Employees contributions	249
48	Investment income	7
23	Transfers in	0
7	Change in market value	7
-239	Benefits paid and transfers out	-64
581	**Value of funds at end of year**	**780**

7 Transfers in from other pension funds

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

2011/12		2012/13
£'000		**£'000**
1,725	London Borough of Bexley	675
22	Scheduled bodies	470
100	Admitted bodies	15
1,847	**Total**	**1,160**

8 Benefits

2011/12		2012/13
£'000		**£'000**
19,156	Pensions	20,645
6	Augmented service	7
6,263	Commutation of pensions and lump sum retirement benefits	3,225
729	Lump sum death benefits	409
26,154	**Total**	**24,286**

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

23,786	London Borough of Bexley	22,081
707	Scheduled bodies	747
1,661	Admitted bodies	1,458
26,154	**Total**	**24,286**

9 Payments to and on account of leavers

2011/12		2012/13
£'000		**£'000**
2	Refunds of contributions	25
1,994	Individual transfers out to other schemes	1,538
1,996	**Total**	**1,563**

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

1,961	London Borough of Bexley	1,489
35	Scheduled bodies	68
0	Admitted bodies	6
1,996	**Total**	**1,563**

At the year end there were liabilities of £0.24m where further transfers out had been agreed but not paid. There are also potential liabilities which cannot easily be quantified in respect of individuals transferring out of the fund where a final decision has yet to be taken.

10 Administrative expenses

2011/12 £'000		2012/13 £'000
226	Administrative services	228
434	Payroll, personnel and finance services	434
24	Actuarial services	31
32	Audit fee	21
0	Tax advisory services	0
66	Miscellaneous expenses	13
782	**Total**	**727**

11 Investment income

2011/12 £'000		2012/13 £'000
932	Income from fixed interest securities	0
9,592	Dividends from equities	9,352
11	Income from index-linked securities	0
2,185	Income from pooled investment vehicles	2,663
48	Interest on cash deposits	32
13	Other investment income	23
12,781		**12,070**
-338	Irrecoverable withholding tax (equities)	-452
12,443	**Total investment income**	**11,618**

12 Investment Assets

12a Changes in investments during the year

In February 2011, following a review of investment strategy, a new long term asset allocation target was set for the fund. This envisaged 10% invested in bonds, 60% in equities and 30% in alternatives. The alternatives allocation would be split equally between property, private equity and a diversified growth fund. Considerable progress was made during 2011/12 towards implementing that allocation and this was maintained in 2012/13.

Aviva Investors were appointed as the Fund's new property fund manager. The IMA was finalised in March 2013 and they immediately began to make changes to the Bexley Pension Fund portfolio with the sale of the investment in X-Leisure at the year end.

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

31.3.2012		31.3.2013
10.6%	Bonds	10.3%
61.0%	Equities	63.5%
3.9%	Private Equity	5.6%
6.5%	Property	5.6%
16.2%	Diversified Growth	13.9%
1.8%	Cash	1.1%

The Fund's investment return for the year was a gain of 16.5%, with total assets increasing from £485.761m to £559.875m. This was better than the return on the Fund's specific benchmark of 13.2%. Stock markets were still volatile during the year but made steady progress by year end. Over a five year period the Fund's annual return was 7.9% pa compared to the average return of 7.9% pa that the benchmark would have achieved.

12b Reconciliation of movements in investments

	Value at 31.3.2012 £'000	Purchases at cost £'000	Sales proceeds £'000	Transfers £'000	Change in Market value £'000	Value at 31.3.2013 £'000
Fixed interest securities	0	0	0		0	0
Index linked securities	0	0	0		0	0
Equities	283,609	92,129	-77,295		42,516	340,959
Pooled investment vehicles (non bond)	139,864	12,863	-11,352		10,900	152,275
Pooled investment vehicles (bond)	51,141	739	-40		4,914	56,754
Derivatives	-273	205,418	-205,418		1,261	988
	474,341	**311,149**	**-294,105**	**0**	**59,591**	**550,976**
Cash/temporary investments	4,034				12,935	5,297
Outstanding investment transactions debtors	6,296				-4,062	2,778
	484,671					**559,051**
Current Net Assets/Liabilities (-)	1,464				-58	824
Outstanding investment transactions creditors	-374				374	0
Net assets	**485,761**				**68,780**	**559,875**

Equivalent figures for 2011/12 were:

	Value at 31.3.2011	Purchases at cost	Sales proceeds	Transfers	Change in Market value	Value at 31.3.2012
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	54,998	5,304	-42,959	-20,147	2,804	0
Index linked securities	3,323	0	-1,970		-1,353	0
Equities	325,477	149,538	-177,364		-14,042	283,609
Pooled investment vehicles (non bond)	92,992	97,672	-55,969		5,169	139,864
Pooled investment vehicles (bond)	0	47,129	-18,808	20,147	2,673	51,141
Derivatives	0	294,535	-294,535		-273	-273
	476,790	**594,178**	**-591,605**	**0**	**-5,022**	**474,341**
Cash/temporary investments	6,193				-1,974	4,034
Outstanding investment transactions debtors	4,894				1,023	6,296
	487,877					**484,671**
Current Net Assets/Liabilities (-)	-278				-1	1,464
Outstanding investment transactions creditors	-788				414	-374
Net assets	**486,811**				**-5,560**	**485,761**

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

Transaction costs are included in the cost of purchases and in sale proceeds. These include costs charged directly to the fund such as fees, commissions, and stamp duty. The total direct transaction costs incurred in 2012/13 were £244,000 (£341,000 in 2011/12). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

12c Analysis of investments

31.3.2012 £'000		31.3.2013 £'000
0	**Fixed interest securities**	**0**
0	**Index linked securities**	**0**
	Equities	
101,533	UK quoted	106,007
182,076	Overseas quoted	234,952
283,609		**340,959**
	Pooled investment vehicles	
31,243	Managed funds – UK property unquoted	31,291
13,957	Managed funds – UK fixed interest unquoted	15,631
23,268	Managed funds – Overseas fixed interest unquoted	25,524
13,916	Managed funds – UK index linked unquoted	15,599
19,704	Managed funds – Overseas limited liability partnership unquoted	31,962
78,018	Unitised insurance policy - Overseas unquoted	77,370
1,006	Unit trusts – UK unquoted	3
9,893	Unit trusts – Overseas unquoted	11,649
191,005		**209,029**
-273	Derivatives	988
4,034	Cash/temporary investments	5,297
	Other investment balances	
6,296	Debtors	2,778

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. The net valuation was €37.795m which equates to £31.962m, using the exchange rate of €1.1825 to £1 applicable at 31 March 2013.

The unit trusts UK unquoted are mainly investments in the Newton UK Smaller Companies Fund. The unit trusts overseas unquoted are investments in the Newton Emerging Markets Fund (formerly Newton South East Asia Fund). However, all the securities held within the two Newton Funds are quoted.

Investments exceeding 5% within each class of security are as follows:

Asset Class / Security Name	Manager	31.3.2013 £'000	31.3.2013 % within asset class
UK Equities			
GlaxoSmithKline PLC	Newton and UBS	11,028	10.4
BP PLC	UBS	8,567	8.1
Royal Dutch Shell PLC	UBS	7,275	6.9

Centrica PLC	Newton and UBS	5,534	5.2
Pooled Investment Vehicles - Unit Trusts			
Newton Emerging Markets Exempt Fund (formerly South East Asia Fund)	Newton	11,649	100
Pooled Investment Vehicles - Managed Funds			
BlackRock Bond Fund	BlackRock	31,230	26.0
Newton Global Dynamic Bond Fund	Newton	25,524	21.3
Partners Group Global Value 2006	Partners	12,916	10.8
Partners Group Global Value 2011	Partners	10,503	8.8
WELPUT Property Fund	WELPUT	10,296	8.6
Partners Group Global Value 2008	Partners	8,543	7.1
Standard Life Shopping Centres Fund	Standard Life	7,029	5.9
Pooled Investment Vehicles – Unitised Insurance Policy			
Standard Life Global Absolute Return Strategy	Standard Life	77,370	100

Equivalent figures as at 31st March 2012 were as follows:

Asset Class / Security Name	Manager	31.03.12 £'000	31.03.12 % within asset class
UK Equities			
GlaxoSmithKline PLC	Newton and UBS	11,507	11.3
BP PLC	UBS	9,296	9.2
Vodafone Group PLC	UBS	7,514	7.4
Royal Dutch Shell PLC	UBS	6,195	6.1
Pooled Investment Vehicles - Unit Trusts			
Newton South East Asia Fund	Newton	9,893	90.8
Newton UK Smaller Companies	Newton	1,002	9.2
Pooled Investment Vehicles - Managed Funds			
BlackRock Bond Fund	BlackRock	27,873	27.3
Newton Global Dynamic Bond Fund	Newton	23,268	22.8
Partners Group Global Value 2006	Partners	12,165	11.9
WELPUT Property Fund	WELPUT	9,234	9.0
Partners Group Global Value 2008	Partners	7,539	7.4
Standard Life Shopping Centres Fund	Standard Life	7,053	6.9
Standard Life Retail Parks Fund	Standard Life	5,595	5.5
Pooled Investment Vehicles – Unitised Insurance Policy			
Standard Life Global Absolute Return Strategy	Standard Life	78,018	100

12d Analysis of derivatives

A significant proportion of the fund's quoted equity portfolio is in overseas stock markets. In order to reduce the volatility associated with fluctuating currency rates, the fund's global equity manager (Newton) enters into forward foreign currency contracts. The only contract that was open at 31 March 2013 was a £16.244m forward purchase of US dollars in December 2012 for June 2013 valued at £17.232m as at 31 March 2013.

12e Investments analysed by fund manager

31.3.2012 £'000	%		31.3.2013 £'000	%
246,157	50.8	Newton Investment Management Ltd	298,102	53.3
80,781	16.7	UBS Global Asset Management Ltd	87,571	15.7
78,018	16.1	Standard Life (GARS)	77,370	13.8
28,104	5.8	BlackRock Bond Fund	31,779	5.7
19,704	4.1	Partners Group	31,962	5.7
12,791	2.7	Standard Life	12,590	2.3
9,346	1.9	WELPUT	10,296	1.9
4,627	1.0	Threadneedle	4,686	0.8
4,065	0.8	BlackRock Property	3,972	0.7
704	0.1	X-Leisure/Aviva custody account	723	0.1
484,297			**559,051**	
1,464		Current Net Assets/Liabilities (-)	824	
485,761			**559,875**	

The figures above include the managers' cash allocation.

12f Investment Risk

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

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

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

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

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

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

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

13 Financial instruments

13a. Classification of financial instruments

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

31.3.2012 £'000	Financial Assets	31.3.2013 £'000
12,387	Loans and receivables	9,959
474,614	Financial assets at fair value through profit or loss	550,976
487,001	**Total**	**560,935**

31.3.2012 £'000	Financial Liabilities	31.3.2013 £'000
-967	Financial liabilities at amortised cost	-1,060
-273	Financial liabilities at fair value through profit or loss	0
-1,240	**Total**	**-1,060**

As all investments are disclosed at fair value, carrying value and fair value are therefore the same. All assets and liabilities may be classified as current as they arise primarily from trading.

13b Net gains and losses on financial instruments

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

	Financial Assets		Financial Liabilities		
2012/13	**Loans and receivables**	**Financial assets at fair value through profit or loss**	**Financial liabilities at amortised cost**	**Financial liabilities at fair value through profit or loss**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Interest expense		-452			-452
Losses on derecognition		-4,768		-665	-5,433
Total expense in Fund Account	**0**	**-5,220**	**0**	**-665**	**-5,885**
Interest income		55			55
Dividend income		12,015			12,015
Gains on derecognition		14,663		127	14,790
Total income in Fund Account	**0**	**26,733**	**0**	**127**	**26,860**
Gains on revaluation	18,532	48,841	374	1,799	69,546
Losses on revaluation	-9,193	-463	-467		-10,123
Surplus/deficit arising on financial assets in the Fund Account	**9,339**	**48,378**	**-93**	**1,799**	**59,423**
Net gain / loss(-) for the year	**9,339**	**69,891**	**-93**	**1,261**	**80,398**

2011/12	Financial Assets		Financial Liabilities		
	Loans and receivables	Financial assets at fair value through profit or loss	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Interest expense		-338			-338
Losses on derecognition		-13,721		-111	-13,832
Total expense in Fund Account	**0**	**-14,059**	**0**	**-111**	**-14,170**
Interest income		1,916			1,916
Dividend income		10,865			10,865
Gains on derecognition		29,984			29,984
Total income in Fund Account	**0**	**42,765**	**0**	**0**	**42,765**
Gains on revaluation	7,839	10,942	509		19,290
Losses on revaluation	-8,707	-31,954	-179	-162	-41,002
Surplus/deficit arising on financial assets in the Fund Account	**-868**	**-21,012**	**330**	**-162**	**-21,712**
Net gain / loss(-) for the year	**-868**	**7,694**	**330**	**-273**	**6,883**

13c Nature and extent of risks arising from financial instruments

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

Credit risk is the risk that counterparties to the financial instruments will fail to pay the amounts due to the Pension Fund, thereby causing financial loss. This may arise if the value of a particular stock falls substantially or if a dividend is not paid out. Investment managers will usually assess this risk when making investments on behalf of the Pension Fund. The market price of investments generally also includes a credit assessment and risk of loss into the valuations. In essence, therefore, the Fund's entire investment portfolio is exposed to some form of credit risk, except the derivatives position where the risk equates to the net market value of a positive derivative position. There is a higher credit risk involved in the Fund's allocation to private equity (5.7% at 31 March 2013 and 4.1% at 31 March 2012) but this risk is accepted as a trade-off for potentially higher returns.

The Fund's custodians are tasked with ensuring that dividends are paid when due. If 5% of equity dividends had not been collected in 2012/13 then a loss of income of £468,000 would have occurred (£480,000 in 2011/12). The fund sets an annual treasury management policy for its investment of cash flow balances and deposits are not made unless they meet the credit criteria set. The fund's cash holding under its treasury management arrangements at 31 March 2013 was £217,000. This was held with NatWest Bank plc which has a Fitch long term rating of A. In overall terms the Fund's exposure to credit risk is the carrying amount of the financial assets at 31 March 2013.

Liquidity risk is the risk that the Pension Fund might not be able to meet its payment obligations as they fall due (such as pension payments to members). The 2012/13 accounts show that the benefits and administrative expenses paid out exceeded the contributions to the Fund. The majority of the Fund's investments were sufficiently liquid as to be sold to provide the additional cash 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 2013 the value of illiquid assets was £64m, which represented 11% of total fund assets (31 March 2012: £51m which represented 11% of total fund assets).

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

- Interest rates may vary which will impact on the valuation of fixed interest holdings. The coupon and the duration of such investments will be spread to minimise this risk. At 31 March 2013 the Fund had £56.8m invested in three bond funds (bond investments were £51.1m at 31 March 2012). If interest rates on these investments varied by 1% the impact on the fund would be £568,000 (£511,000 at 31 March 2012).
- Prices of equity and other investments will vary as the prices on the stock exchange respond to factors specific to particular stocks or factors affecting stock markets as a whole. This is mitigated by having a diverse portfolio of investments across different managers, asset classes, countries and industries. If equities, which are the largest asset class in which the Fund invests, had been priced 10% lower at 31 March 2013, the Fund valuation would have been £34.1m lower (£28.4m lower at 31 March 2012). However, in this scenario it is quite likely that bond funds would have been priced 10% higher offsetting the lower valuation by £5.7m at 31 March 2013 (£5.1m at 31 March 2012).
- Currency risk is the risk that the value of financial instruments will vary with the foreign exchange rate of pounds sterling. This particularly affects the Fund's holdings in overseas equities. This is mitigated by the spread of investments across different countries. The manager will also take this risk into account when making investments, and would hedge the risk where thought necessary. The Fund held £235.0m overseas equities at 31 March 2013 (£182.1m at 31 March 2012), so if the exchange rate of sterling against the local currencies in which the assets were invested had varied by 10%, the valuation would have varied by some £23.5m (£18.2m at 31 March 2012).

13d Valuation of financial instruments carried at fair value

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

Level 1

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

Level 2

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

Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. The values of investments in private equity are based on valuations provided by the general partners to the private equity funds which are part of the fund of funds in which Bexley's fund invests.

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

Values at 31 March 2013

Financial Assets	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Loans and receivables	9,959			9,959
Financial assets at fair value through profit or loss	341,947	177,064	31,965	550,976
Total financial assets				**560,935**
Financial Liabilities				
Financial liabilities at amortised cost	-1,060			-1,060
Financial liabilities at fair value through profit or loss				
Total financial liabilities				**-1,060**
Net financial assets				**559,875**

Values at 31 March 2012

Financial Assets	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Loans and receivables	12,387			12,387
Financial assets at fair value through profit or loss	283,609	171,297	19,708	474,614
Total financial assets				**487,001**
Financial Liabilities				
Financial liabilities at amortised cost	-967			-967
Financial liabilities at fair value through profit or loss	-273			-273
Total financial liabilities				**-1,240**
Net financial assets				**485,761**

14 Investment Liabilities

2011/12 £'000		2012/13 £'000
374	Creditors	0
374	**Total**	**0**

These amounts represent unsettled investment transactions as at year end.

15 Investment management expenses

2011/12 £'000		2012/13 £'000
917	Investment manager fees	1,095
0	Fee rebate	-117
10	Custodian fees	21
281	Advisory fees	200
15	Performance measurement services	17
1,223	**Total**	**1,216**

The fund management fees for the funds of private equity funds and property funds are not included above as they are not normally separately identified by the managers. The unit values of these funds are net of management fees. The estimated value of these management fees is £1,545,000 in 2012/13 (£833,000 in 2011/12). A one-off funds of private equity fund fee rebate is included above as it was identified separately by the manager.

The fund has negotiated a performance related fee element with its global equity manager, Newton. In 2012/13 this element of the fee amounted to £0.25m (2011/12 £0.0m).

16 Current assets

2011/12 £'000		2012/13 £'000
	Contributions due from employers	
1,251	- in respect of employer	1,180
404	- in respect of members	391
7	- in respect of previous employment	9
82	Sundry debtors	87
313	Cash at bank	217
2,057	**Total**	**1,884**
25	- in respect of central government bodies	50
1,300	- in respect of other local authorities	1,271
2	- in respect of NHS bodies	4
417	- in respect of other entities and individuals	342
1,744	**Total**	**1,667**

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

17 Current liabilities

2011/12 £'000		2012/13 £'000
-44	Unpaid benefits	-227
-223	Sundry creditors	-235
-326	Accrued expenses	-598
-593	**Total**	**-1,060**
Restated		
-210	- in respect of central government bodies	-234
-37	- in respect of other local authorities	-37
-8	- in respect of public corporation and trading funds	0
-338	- in respect of other entities and individuals	-789
-593	**Total**	**-1,060**

18 Administration

The scheme is administered by the London Pensions Fund Authority on behalf of the London Borough of Bexley.

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

19 Subsequent Events

Aviva Investors made new property investments for the Pension Fund in May (£3.5m), June (£5.6m) and August (£4.0m) and these were funded from redemptions in the Standard Life Diversified Growth Fund and Newton equity portfolio. There were no other material subsequent events.

20 Contingent Liabilities

The Pension Fund has a commitment to contribute a further £29.5m (£7.1m as at 31 March 2012, a new £33.3m commitment was entered into in April 2012) to the fund of private equity funds (see also note 12). These contributions will be financed from sales of existing investments. The timing for paying over this commitment over the next few years is uncertain.

There were no other material contingent liabilities or contractual commitments at 31 March 2013, or material non-adjusting events subsequent to this.

21 Contingent Assets

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

22 Related Party Transactions

As the London Borough of Bexley administers, and is the largest employer of members in, the pension fund there is a strong relationship between the Council and the fund.

Information in respect of material transactions with related parties is disclosed elsewhere within the Pension Fund accounts. Of particular note is the £433,540 recharge in 2012/13 from the London Borough of Bexley to the Pension Fund included in administration costs.
The Director of Finance and Resources allocates 5% of his time to the Pension Fund. He is the only officer that is regarded as holding a key management post in respect of the Pension Fund. In 2012/13 he received salary, fees and allowances totalling £120,575 (£124,223 in 2011/12 including £8,823 in emergency planning standby payment) and benefits in kind of £1,262 (£1,994 in 2011/12), giving total remuneration of £121,837 (£126,217 in 2011/12). In 2011/12 he was also paid £232 for election duties at the May 2011 Referendum.
The Director of Finance and Resources contributes 7.5% of his gross salary to the LGPS. The Council also pays a flat rate percentage of employees' pay as employer's contribution. In 2012/13 this contribution was £26,159 (£24,166 in 2011/12) in respect of the Director of Finance and Resources.
No Councillors of the London Borough of Bexley are members of the Local Government Pension Scheme, and neither they, nor officers, can influence the level of benefits from or contributions to the scheme as its terms and conditions are set by statute.
During the year, no Council Members or Designated Officers have undertaken any declarable transactions with the Pension Fund. Each Member of the Pensions Committee is required to declare their interests at each meeting.
All pension fund transactions are recorded in a separate part of the financial ledger system of the administering authority and pass through the pension fund bank accounts.

23 Stock Lending

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

24 Funding Arrangements

The fund's actuary carries out a funding valuation every three years to set employer contribution rates for the following triennial period. The last such valuation took place as at 31 March 2010, and the next one is currently underway.

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 2010 actuarial valuation the fund was assessed as 87% funded (86% at the March 2007 valuation). This represented a deficit of £69m (£66m in 2007) at that time. Contribution increases were phased in over the three year period ending 31 March 2014 for scheme employers and admitted bodies. The common contribution rate (the rate which all employers in the fund pay) was set at 12.9% (13.6% in 2007).

Individual employers' rates vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2010 actuarial valuation report on the fund's website.

25 Actuarial Present Value of Promised Retirement Benefits

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

LONDON BOROUGH OF BEXLEY PENSION FUND

Accounts for the year ended 31 March 2013 - Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 34(1)(d) of The Local Government Pension Scheme (Administration) Regulations 2008.

An actuarial valuation of the London Borough of Bexley Pension Fund was carried out as at 31 March 2010 to determine the contribution rates with effect from 1 April 2011 to 31 March 2014.

On the basis of the assumptions adopted, the Fund’s assets of £448 million represented 87% of the Fund’s past service liabilities of £517 million (the “Funding Target”) at the valuation date.

The valuation also showed that a common rate of contribution of 12.9% of pensionable pay per annum was required from employers. The common 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.
Adopting the same method and assumptions as used for assessing the Funding Target the deficit would be eliminated by an average additional contribution rate of 6.8% of pensionable pay for 14 years. This would imply an average employer contribution rate of 19.7% of pensionable pay in total.

Further details regarding the results of the valuation are contained in our formal report on the actuarial valuation dated 4 February 2011.

In practice, each individual employer's position is assessed separately and the contributions required are set out in our 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). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process.
The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)		
- pre retirement	6.25% per annum	6.75% per annum
- post retirement	6.25% per annum	6.75% per annum
Rate of pay increases	4.5% per annum	4.5% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	3.0% per annum	3.0% per annum

The assets were assessed at market value.
The next triennial actuarial valuation of the Fund is due as at 31 March 2013. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2014.

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 2013 (the 31 March 2012 assumptions are included for comparison):

	31 March 2012	31 March 2013
Rate of return on investments (discount rate)	4.9% per annum	4.2% per annum
Rate of pay increases	4.0% per annum	3.9% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.5% per annum	2.4% per annum

The demographic assumptions are the same as those used for funding purposes other than the allowance for future improvements in life expectancy, which has been updated taking into account the latest evidence on this issue. The updated allowance underlying the 31 March 2013 calculations is in line with the projections model published in November 2009 by the Continuous Mortality Investigation (CMI) with a long-term improvement rate of 1.25% p.a. The previous allowance as at 31 March 2012 used a long-term improvement rate of 1.0% p.a.

During the year, corporate bond yields reduced, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (4.2% p.a. versus 4.9% p.a.). The impact of this was offset slightly by the 0.1% p.a. fall in assumed inflation.

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2012 was estimated as £648 million. The effect of the changes in actuarial assumptions between 31 March 2012 and 31 March 2013 as described above is to increase the liabilities by *c*£75 million. Adding interest over the year increases the liabilities by a further *c*£32 million, and allowing for net benefits accrued/paid over the period decreases the liabilities by *c*£6 million. The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2013 is therefore £749 million.

Ian Kirk
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
May 2013

Glossary of Financial Terms

Accruals
Sums included in the final accounts to cover income and expenditure attributable to the financial year, but for which payments had not been received or made as at 31 March.

Balances
The capital or revenue reserves of an authority are made up of the accumulated surplus of income over expenditure. Revenue balances may be utilised to provide for unforeseen circumstances or to ensure that payments can be made pending the receipt of income, and may be used to reduce the Council Tax.

Balance Sheet
This is a statement of the assets and liabilities at the balance sheet date.

Capital Expenditure
This is expenditure on items deemed to be of value to the Council beyond the end of the financial year, such as purchase of land and buildings, construction or improvement of buildings.

Capital Receipts
Generally, capital receipts arise from the sale of capital assets. Receipts are fully spendable and are utilised to finance capital expenditure, unless they are receipts from housing assets which fall under the Government's pooling arrangements. Any receipts below the de minimis level of £10,000 are credited directly to revenue accounts.

Creditors
Creditors are owed money by the Council for work done, goods received, or services rendered but for which payment had not been made at the date of the balance sheet.

Current Assets
Assets whose value varies on a day to day basis are called current assets. Usually, these assets will be consumed or realised during the next accounting period. Stocks (inventories), cash, bank balances and debtors are examples of these assets.

Current Liabilities
Those amounts which will become payable or could be called upon within the next accounting period e.g. creditors and cash overdrawn.

Debtors
Debtors owe money to the Council at the balance sheet date.

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

Fair Value
The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities, for example, trade payables, loans receivable and investments.

Impairment
A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

Intangible Assets
Non-financial non-current assets that do not have physical substance but are identifiable and are controlled by the authority, for example, purchased software licences, patents and trademarks.

International Financial Reporting Standard (IFRS)
IFRSs set out the accounting standards that need to be followed in the preparation of statutory accounts.

Long Term Borrowing
This is defined as borrowing from external sources for more than a year.

Minimum Revenue Provision (MRP)
The MRP is the minimum amount which must be charged to an authority's revenue account each year and set aside as provision for credit liabilities.

Non-current Assets
Capital assets such as land and buildings with a realisable value comprise the Council's non-current assets (under IFRSs).

Precepts
Precepts are charges made on the Collection Fund by the Greater London Authority and this Council's General Fund.

Provisions
These are amounts set aside for future liabilities that often cannot be quantified accurately.

Recharges
The transfer of costs from one account to another.

Related Party Transactions
A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a price is charged. The principal issue is the degree of control or influence by one party over the other. For transactions not disclosed elsewhere in these accounts, a related party with this Council is either a Member of the Council's Cabinet or a senior officer of the Council.

Revenue Expenditure
Payments made for items such as staff salaries, goods and services arising from the day to day operation of the Council's services and capital charges are included in revenue expenditure.

Revenue Support Grant
This is the general grant paid by the Government to local authorities, which takes account of the amount expected to be raised through Council Tax and the Council's entitlement from the Business Rate pool.

Work in Progress
The cost of work done on an uncompleted project at the year end which had not been recharged at the balance sheet date is termed work in progress.

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

Opinion on the Authority financial statements

We have audited the financial statements of London Borough of Bexley for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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

Respective responsibilities of the Director of Finance and Resources and auditor

As explained more fully in the Statement of the Director of Finance and Resources Responsibilities, the Director of Finance and Resources 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the London Borough of Bexley as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Basis of qualified conclusion

In seeking to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we have considered reports issued by other regulators. In August 2012, a report by Ofsted concluded that arrangements for safeguarding outcomes for children and young people in the London Borough of Bexley area were judged to be inadequate.

Qualified Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, with the exception of the matter reported in the basis for qualified conclusion paragraph above, we are satisfied that in all significant respects London Borough of Bexley put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of London Borough of Bexley in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Susan M Exton
Director, for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

27 September 2013

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

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of the London Borough of Bexley for the year ended 31 March 2013 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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

Respective responsibilities of the Director of Finance and Resources and auditor

As explained more fully in the Statement of the Director of Finance and Resources Responsibilities, the Director of Finance and Resources 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Resources and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword and the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matters

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

Opinion on pension fund financial statements
In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Susan M Exton
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

27 September 2013