LONDON BOROUGH OF BEXLEY

STATEMENT OF ACCOUNTS 2011/12

September 2012

LONDON BOROUGH OF BEXLEY

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Explanatory Foreword

The 2011/12 Statement of Accounts has been prepared following International Financial Reporting Standards (IFRSs) and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code). The main statements in the Accounts are:

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure Statement

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. 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.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council 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 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

The Collection Fund records income from National Non-Domestic Rates and Council Tax. The Collection Fund also records the transactions arising from the Crossrail Business Rate Supplement levied on some business ratepayers.

Pension Fund

The financial statements of the London Borough of Bexley Pension Fund summarise the transactions of the pension scheme and deal with the net assets at the disposal of the Fund.

Revenue Income and Expenditure

The costs of most of the Council's services are met from its General Fund. In 2011/12, the Council planned to spend £162.250m (net of income) on General Fund (GF) services after taking account of contributions to and from reserves.

The final position showed that after taking account of movements in balances held by schools and the Adult Education College for Bexley and other Council controlled budgets carried forward, there was a net increase in the General Fund balance of £1.6m. This was due to underspendings across a number of services including staffing budgets (-£0.7m), social care (-£0.6m) and refuse collection and disposal (-£0.5m).

The Council's Cabinet Members receive quarterly reports which show projected spending variations against the budget. At the end of the year, the Council's available General Fund balance is £12.5m.

The Council's gross cost of services of £480m is adjusted by financing of capital expenditure, appropriations to and from reserves, the fees and charges it makes for service provision and other income such as rents and a number of Government grants. The biggest specific grant is Dedicated Schools Grant of £136m. After taking account of all such adjustments, this leaves £184m to be financed as follows:

	£m
National Non-Domestic Rates	50.905
Revenue Support Grant	15.735
General Government Grant/ PFI Grant	22.257
Income from Council Tax	94.823

Material Items in the Accounts

The Council has not acquired any material assets in 2011/12.

The Council has not incurred any material liabilities in 2011/12 and there were no material or unusual charges or credits included in the accounts.

Pensions Liability

The net pensions liability shown on the Balance Sheet is £128.371m at 31 March 2012; an increase of £32.492m since 31 March 2011. 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 the deficit will be made good by increasing contributions in future years as assessed by the Council's actuary at regular three-year intervals.

The majority of the increase in the pensions liability is due to actuarial losses of £42m, covering both assets and liabilities over the last year.

Changes in Accounting Policies

The main change to Accounting Policies in 2011/12 is the adoption of FRS 30 Heritage Assets. These assets are now identified separately in the Balance Sheet and additional disclosures are required. There are further details on Heritage Assets accounting policies in note 1.27. The above changes have involved restatement of figures included in the 2010/11 audited Accounts – see note 41. The overall change to the opening Balance Sheet at 1 April 2010 was an increase in long term assets of £25.2m and an increase in reserves of £25.2m. These changes did not affect the General Fund balance.

Details of the Council's accounting policies are included in note 1.

Changes in Services

There have been no changes to the Council's statutory functions in 2011/12 which would have an impact on the accounts.

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 £18.8m were implemented in 2011/12 with further reductions of £11.2m and £4.7m taking effect over the following two years. Full details are contained in the February 2012 update of the Council's Budget Strategy 2014 document.

Borrowing

The level of external borrowing decreased from £103.253m at 31 March 2011 by £0.032m to £103.221m as at 31 March 2012. This was entirely sourced from the Public Works Loans Board and an analysis of loan maturities is given in note 37. Borrowing has been at a much lower level than that set under credit approvals or prudential limits for many years as a result of the Council's Treasury Management policies.

Non Current Assets – Acquisitions and Disposals

The Council's total capital expenditure, including revenue expenditure funded from capital resources, in 2011/12 was £41.8m. A summary of the expenditure incurred, together with a statement showing the method by which it was financed, is shown in note 12. The main source of funding capital expenditure in 2011/12 was Government grant and contributions (£33.3m). The Council's Budget Book contains the original approved Capital Programme and the Programme was updated regularly by the Cabinet.

During the year, the Council received total proceeds from disposals of land, buildings and repayments of mortgage advances of £1.9m. The Council transferred schools to academies for nil consideration.

Internal and External Sources of Funds

The Council has a balance of £15.666m on its Capital Grants Unapplied Reserve at 31 March 2012. There were no capital receipts unapplied at 31 March 2012.

Provisions and Contingencies

Details of the Council's provisions are shown in note 19. A new provision for 2011/12 was set up for the Carbon Reduction Commitment since this is the first year that the Council has an obligation to purchase and surrender Carbon Reduction Commitment (CRC) allowances in relation to carbon dioxide emissions. The provision reflects the estimated liability of the authority to purchase allowances as at 31 March 2012 as the liability arises when energy is consumed and carbon dioxide emitted.

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 2011/12.

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

Material Events after the Reporting Date

There were the following post Balance Sheet events.

The Council transferred three schools to academies in 2010/11 and a further 10 schools in 2011/12. Three more schools have transferred to academy status since 1 April 2012 and further schools are likely to become academies in 2012/13. 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.

In August 2011 the Council exchanged contracts with Tesco Stores Ltd for the sale of the Civic Offices to Tesco and the acquisition by the Council of part of the former Woolwich head office site, now known as 2 Watling Street. The planning application to refurbish 2 Watling Street was approved in May 2012. This will enable the creation of a Council Headquarters that can accommodate the majority of its staff together on one site and provision for these refurbishment works is in the Council's approved Capital Programme. The financing of the refurbishment programme will be met by the sale of office sites no longer required and the overall estimated impact on the revenue budget from the move to one site will be a saving of £1m per annum. Tesco's plans for a retail development on the Civic Offices site and a residential development on the remainder of the former Woolwich site were agreed by Planning Committee in July 2012. The development agreement between the Council and Tesco is now subject to a 3 month judicial review period after which time it will become unconditional. This is expected to take place in November 2012.

For further details see note 6.

Impact of the Current Economic Climate on the Council

The economic downturn creates a continuing risk of higher spending on some demand-led Council services and reduced income on others. Following adverse budget variations in previous years, the 2011/12 budget setting process incorporated adjustments to affected areas and the only significant variation during the year that may be attributable to the economic background was an overspending on children's agency placements. An allowance of £0.5m remains as part of the budget for 2012/13.

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 2012/13 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
27 September 2012

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 2012.

Michael Ellsmore
Director of Finance and Resources
27 September 2012

Approval of the Accounts

I certify that the Statement of Accounts for 2011/12 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
27 September 2012

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. The 2010/11 figures have been restated for the introduction of FRS 30 Heritage Assets.

2010/11 Restated for the introduction of FRS 30 Heritage Assets	**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 2010 (Restated)	**16,804**	**35,535**	**0**	**6,752**	**59,091**	**187,726**	**246,817**
Movement in reserves during 2010/11							
Surplus or deficit (-) on the provision of services	79,646	0	0	0	**79,646**	0	**79,646**
Other comprehensive income and expenditure	0	0	0	0	**0**	88,467	**88,467**
Total comprehensive income and expenditure	**79,646**	**0**	**0**	**0**	**79,646**	**88,467**	**168,113**
Adjustments between accounting basis and funding basis under regulations (Note 7)	-68,267	0	0	-1,063	**-69,330**	69,330	**0**
Net increase or decrease before transfers to earmarked reserves	**11,379**	**0**	**0**	**-1,063**	**10,316**	**157,797**	**168,113**
Transfers to or from earmarked reserves	-5,374	5,374	0	0	**0**	0	**0**
Increase or decrease in year	**6,005**	**5,374**	**0**	**-1,063**	**10,316**	**157,797**	**168,113**
Balance at 31 March 2011 (Restated)	**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**

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 2010/11 figures have been restated to take account of the revised analysis for Cultural, Environmental, Regulatory and Planning Services that are now shown on separate lines in accordance with CIPFA's Service Reporting Code of Practice 2011/12 and also for the introduction of FRS 30 Heritage Assets.

2010/11 (Restated)				2011/12		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**	**Continuing Operations**	**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
249,914	-215,246	34,668	Children's and Education Services	203,545	-160,346	43,199
27,854	-9,096	18,758	Highways and Transport Services	25,631	-7,541	18,090
94,828	-86,697	8,131	Housing Services	100,662	-90,217	10,445
67,348	-16,609	50,739	Adult Social Care	74,500	-21,073	53,427
19,017	-2,909	16,108	Cultural and Related Services	17,629	-2,437	15,192
31,005	-7,379	23,626	Environment and Regulatory Services	29,739	-6,339	23,400
12,156	-5,238	6,918	Planning Services	9,310	-1,955	7,355
7,561	0	7,561	Corporate and Democratic Core	5,036	0	5,036
-31,976	0	-31,976	Non Distributed Costs (Note 34)	-6,782	0	-6,782
21,240	-18,593	2,647	Central Services	20,930	-18,503	2,427
498,947	**-361,767**	**137,180**	**Cost of Services**	**480,200**	**-308,411**	**171,789**
			Other Operating Expenditure			
1,446	-20	1,426	Precepts and Levies	1,046	-21	1,025
17	0	17	Payments to the Housing Capital Receipts Pool	22	0	22
-100	0	-100	Gains or losses on the disposal of non-current assets	86,687	0	86,687
			Financing and Investment Income and Expenditure			
8,296	0	8,296	Interest payable and similar charges	8,300	0	8,300
33,130	0	33,130	Pensions interest cost (Note 34)	28,522	0	28,522
0	-25,900	-25,900	Expected return on pensions assets (Note 34)	0	-27,873	-27,873
0	-1,772	-1,772	Interest income	0	-2,493	-2,493
0	-2,232	-2,232	Income and expenditure and changes in the fair value of investment properties (Note 9)	9,103	-2,156	6,947
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	-95,597	-95,597	Council Tax income	0	-94,823	-94,823
0	-57,274	-57,274	NNDR distribution	0	-50,905	-50,905
0	-23,759	-23,759	Non-ringfenced Government grants	0	-37,992	-37,992
0	-53,061	-53,061	Capital grants and contributions	0	-40,020	-40,020
541,736	**-621,382**	**-79,646**	**Surplus (-) or Deficit on the provision of services**	**613,880**	**-564,694**	**49,186**
		-19,843	Surplus or deficit on revaluation of non-current assets (Note 21)			-29,089
		0	Surplus or deficit on revaluation of available-for-sale financial assets			0
		-68,624	Actuarial gains or losses on pension assets and liabilities (Note 34)			42,559
		-88,467	**Other Comprehensive Income and Expenditure**			**13,470**
		-168,113	**Total Comprehensive Income and Expenditure**			**62,656**

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'. The figures for 1.4.2010 and 31.3.2011 have been restated for the introduction of FRS 30 Heritage Assets.

1 April 2010 Restated £'000	**31 March 2011 Restated £'000**		Notes	**31 March 2012 £'000**
		Property, plant and equipment	8	
290,465	301,223	Land and buildings		301,386
12,880	13,793	Vehicles, plant and equipment		11,347
146,523	148,435	Infrastructure		155,266
6,027	6,269	Community assets		6,647
7,897	53,770	Assets under construction		6,799
3,449	3,279	Surplus assets not held for sale		3,081
32,599	32,611	Heritage assets	42	32,786
38,896	38,979	Investment property	9	30,219
581	496	Intangible assets	10	556
2,000	0	Long-term investments	14	23,000
7,699	7,236	Long-term debtors	38	6,428
549,016	**606,091**	**Total Long Term Assets**		**577,515**
28,847	41,874	Short-term investments	14	41,488
221	350	Inventories	15	483
60,717	49,358	Short-term debtors	16	40,794
0	260	Assets held for sale	11	0
29,710	52,363	Cash and cash equivalents	17	39,746
119,495	**144,205**	**Total Current Assets**		**122,511**
-31,904	-25,028	Bank overdraft	17	-15,160
-440	-529	Short-term borrowing	14	-530
-45,822	-49,343	Short-term creditors	18	-46,934
-362	-1,134	Provisions	19	-1,161
-2,217	-10,596	Capital grants receipts in advance	39	-5,578
-80,745	**-86,630**	**Total Current Liabilities**		**-69,363**
-3,203	-3,373	Provisions	19	-3,486
-95,714	-102,679	Long-term borrowing	14	-102,661
		Other long-term liabilities		
-192,598	-95,879	Net pensions liability	34	-128,371
-43,124	-41,251	Deferred liabilities	40	-39,807
-6,310	-5,554	Capital grants receipts in advance	39	-4,064
-340,949	**-248,736**	**Total Long Term Liabilities**		**-278,389**
246,817	**414,930**	**TOTAL NET ASSETS**		**352,274**
59,091	69,407	Usable reserves	20	90,179
187,726	345,523	Unusable reserves	21	262,095
246,817	**414,930**	**TOTAL RESERVES**		**352,274**

These financial statements replace the unaudited financial statements certified by the Director of Finance and Resources on 29 June 2012.

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.

2010/11 £'000		**2011/12 £'000**
	Operating Activities	
-80,069	Taxation	-78,033
-402,740	Grants	-340,433
-24,832	Sales of goods and rendering of services	-26,661
-2,361	Interest received	-1,903
0	Dividends received	0
-14,191	Other receipts from operating activities	-16,439
-524,193	**Cash inflows generated from operating activities**	**-463,469**
172,951	Cash paid to and on behalf of employees	139,008
79,896	Housing Benefit paid out	87,692
47	Payments to the Capital Receipts Pool	16
193,413	Cash paid to suppliers of goods and services	185,766
4,847	Interest paid	4,819
35,983	Other payments for operating activities	28,891
487,137	**Cash outflows generated from operating activities**	**446,192**
-37,056	**Net cash flows from operating activities**	**-17,277**
	Investing Activities	
59,320	Purchase of property, plant and equipment, heritage assets, investment property and intangible assets	41,519
164,000	Purchase of short-term and long-term investments	117,400
0	Other payments for investing activities	0
-1,571	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-1,738
-152,500	Proceeds from short-term and long-term investments	-95,400
-58,187	Other receipts from investing activities	-41,764
11,062	**Net cash flows from investing activities**	**20,017**
	Financing Activities	
-7,000	Cash receipts of short- and long-term borrowing	0
-236	Other receipts from financing activities	-3,657
3,633	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	3,553
0	Repayments of short- and long-term borrowing	31
68	Other payments for financing activities	82
-3,535	**Net cash flows from financing activities**	**9**
-29,529	**Net increase (-) or decrease in cash and cash equivalents**	**2,749**
-2,194	**Cash and cash equivalents at the beginning of the reporting period**	**27,335**
27,335	**Cash and cash equivalents at the end of the reporting period**	**24,586**

NOTES TO THE ACCOUNTS

1 Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. 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 2011/12 and the Service Reporting Code of Practice 2011/12, 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 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. The 2010/11 figures have therefore been restated because the CIPFA Code for 2011/12 adopts the requirements of FRS 30 Heritage Assets.

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 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 Non Distributed Costs line in 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 4.9% (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 2011/12 are not material for the Financial Statements and therefore the Council has not produced group accounts. TIC had a loss of £11,620 in 2011/12 (profit of £26,786 in 2010/11) and net liabilities of £455,447 as at 31 March 2012 (net liabilities of £443,827 as at 31 March 2011). The accounts for TIC for 2011/12 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 2011/12.

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 two properties – Broadway Shopping Centre and Broadway Square, 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. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. where there is a rent-free period at the commencement of the lease).

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. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. where there is a premium paid at the commencement of the lease).

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 2011/12 (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 Assets Held for Sale.

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 Services.

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.

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 – 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 2011/12. 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. However, the schools involved in the PFI contract are foundation schools 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.

A new provision for 2011/12 was set up for the Carbon Reduction Commitment since this is the first year that the Council has an obligation to purchase and surrender Carbon Reduction Commitment (CRC) allowances in relation to carbon dioxide emissions. The provision reflects the estimated liability of the authority to purchase allowances as at 31 March 2012 as the liability arises when energy is consumed and carbon dioxide emitted.

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.

The Council owns two Grade 1 listed historic houses - Danson House and Hall Place. 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.

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 accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below. The Council's heritage assets are accounted for as follows:

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.

The Trust 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 was built in 1766 and is a Grade 1 listed Georgian Mansion. Hall Place is a Grade I listed Tudor mansion built in 1537 and also houses the Bexley Museum Collection. In addition to the house, a staddlestone granary is located in the grounds of Hall Place.

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.

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. The types of art commissioned include both permanent features, such as sculptures and temporary time limited art works such as lighting displays and environmental sculptures. The permanent sculptures commissioned to reflect the heritage and history of the local area that have been classified as heritage assets are 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. The Council is committed to developing and incorporating public art into the borough's town centres and open spaces including streets, parks, roundabouts and areas surrounding buildings. Further commissions will be recognised in the Balance Sheet at cost. New sculptures, with working titles of 'Propella' and 'Captain Crayford', are planned for 2012/13 as part of the redevelopment of Crayford Town Centre.

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 recognized 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, people, businesses and societies. The archives are not recognised in the Balance Sheet. 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. This is because of the diverse nature of the assets held and the lack of comparable values. 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, e.g. 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. 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.

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

Amendments have been made to IFRS 7 Financial Instruments – Disclosures (transfers of financial assets), which was issued in October 2010, and the amendments apply from 1 April 2012. These amendments are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the authority's financial position. CIPFA's view is that the transfers described by the standard do not occur frequently in local authorities. Bexley does not currently have any financial assets where these amendments would apply.

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 yet 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 2011/12 Accounts for the redundancies that would take effect in 2012/13 and which were known at 31 March 2012. There is also an earmarked reserve for future redundancies; this has a balance of £0.861m as at 31 March 2012.
- 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. This position has not changed since the 2010/11 Accounts.
- 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 2012 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 2012 was £484.526m.
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	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

	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.	inflation assumption would result in a pensions liability increase of £43m. The total carrying amount of the Pensions Liability in the Balance Sheet as at 31 March 2012 was £128.371m. 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 2012, the Council had a balance of sundry debtors of £26.1m. A review of balances has suggested that an impairment of doubtful debts of 44% (£11.5m) 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.	If collection rates were to deteriorate, an increase of 10% in the impairment of doubtful debts would require an additional £1.2m 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 or reversals of provisions in 2011/12.

6 Post Balance Sheet Events

The Statement of Accounts was authorised for issue by the Director of Finance and Resources on 17 September 2012. 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 2012, 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 2012 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 three schools to academies in 2010/11 and a further 10 schools in 2011/12. Three more schools have transferred to academy status since 1 April 2012 and further schools are likely to become academies in 2012/13. 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.

In August 2011 the Council exchanged contracts with Tesco Stores Ltd for the sale of the Civic Offices to Tesco and the acquisition by the Council of part of the former Woolwich head office site, now known as 2 Watling Street. The planning application to refurbish 2 Watling Street was approved in May 2012. This will enable the creation of a Council Headquarters that can accommodate the majority of its staff together on one site and provision for these refurbishment works is in the Council's approved Capital Programme. The financing of the refurbishment programme will be met by the sale of office sites no longer required and the overall estimated impact on the revenue budget from the move to one site will be a saving of £1m per annum. Tesco's plans for a retail development on the Civic Offices site and a residential development on the remainder of the former Woolwich site were agreed by Planning Committee in July 2012. The development agreement between the Council and Tesco is now subject to a 3 month judicial review period after which time it will become unconditional. This is expected to take place in November 2012.

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.

2011/12	Usable Reserves				Unusable Reserves
	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	
	£'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**

2010/11 Comparative Figures Restated for the introduction of FRS30 Heritage Assets (see lines in italics)	**General Fund Balance**	**Usable Reserves 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	*18,469*	*0*	*0*	*0*	*-18,469*
Deferred income written down	-339	0	0	0	339
Revaluation losses on Property, Plant and Equipment	*2,665*	*0*	*0*	*0*	*-2,665*
Movements in the market value of Investment Properties	-83	0	0	0	83
Amortisation of intangible assets	226	0	0	0	-226
Capital grants and contributions	-53,061	0	0	-1,063	54,124
Movement in the Donated Assets Account	-375	0	0	0	375
Revenue expenditure funded from capital under statute	1,623	0	0	0	-1,623
Amounts of non current assets written off on disposal or sale as part of the gain/ loss on disposal to the CIES					
Insertion of items not debited or credited to the CIES					
Statutory provision for the financing of capital investment	-4,699	0	0	0	4,699
Capital expenditure charged against the General Fund	-847	0	0	0	847
Adjustments involving the Capital Receipts Reserve:					
Transfer of sale proceeds credited as part of the gain/ loss on disposal to the CIES	-639	0	1,639	0	-1,000
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	-1,622	0	1,622
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	17	0	-17	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	539	0	0	0	-539
Write down of finance lease long term debtors	5	0	0	0	-5
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	79	0	0	0	-79
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES	-11,729	0	0	0	11,729
Employer's pension contributions	-16,366	0	0	0	16,366
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	-1,881	0	0	0	1,881
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	-1,871	0	0	0	1,871
Total Adjustments	**-68,267**	**0**	**0**	**-1,063**	**69,330**

8 Property, Plant and Equipment

Movements in 2011/12	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	21,503	0	0	0	388	0	21,891	0
Revaluations increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-588	0	0	0	-10	0	-598	0
Derecognition - Disposals	-89,899	0	0	0	0	0	-89,899	0
Derecognition - Other	-754	-2,321	0	0	0	0	-3,075	-57
Assets reclassified (to)/from Held for Sale	-419	0	0	0	-760	0	-1,179	0
Other movements in cost or Valuation	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	-7,173	0	0	0	-7	0	-7,180	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition - Disposals	-3,161	0	0	0	0	0	-3,161	0
Derecognition - Other	-754	-2,321	0	0	0	0	-3,075	-57
Other movement in Depreciation and Impairment	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 1 April 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

Movements in 2010/11 (Restated)	**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 2010	315,253	19,636	181,229	6,027	3,557	7,897	533,599	34,021
Additions	4,297	4,659	6,512	215	82	45,950	61,715	302
Donations	375	0	0	0	0	0	375	0
Revaluations increases/(decreases) recognised in the Revaluation Reserve	13,192	0	0	0	-60	0	13,132	0
Revaluations increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-1,480	0	0	-1,273	-8	0	-2,761	0
Derecognition - Disposals	0	0	0	0	0	0	0	0
Derecognition - Other	-498	-1,946	0	0	0	0	-2,444	-50
Assets reclassified (to)/from Held for Sale	-1,110	0	0	0	-150	0	-1,260	0
Other movements in cost or Valuation	-1,223	0	0	1,300	0	-77	0	0
At 31 March 2011	**328,806**	**22,349**	**187,741**	**6,269**	**3,421**	**53,770**	**602,356**	**34,273**
Accumulated Depreciation and Impairments								
At 1 April 2010	24,788	6,756	34,706	0	108	0	66,358	856
Charge for 2010/11	9,989	3,746	4,600	0	37	0	18,372	815
Depreciation written out to the Revaluation Reserve	-6,696	0	0	0	-3	0	-6,699	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0	0	0
Derecognition - Other	-498	-1,946	0	0	0	0	-2,444	-50
Other movement in Depreciation and Impairment	0	0	0	0	0	0	0	0
At 31 March 2011	**27,583**	**8,556**	**39,306**	**0**	**142**	**0**	**75,587**	**1,621**
Net Book Value								
Balance Sheet amount at 31 March 2010	**290,465**	**12,880**	**146,523**	**6,027**	**3,449**	**7,897**	**467,241**	**33,165**
Balance Sheet amount at 31 March 2011	**301,223**	**13,793**	**148,435**	**6,269**	**3,279**	**53,770**	**526,769**	**32,652**

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 and all assets disposed of during the year incur depreciation to the date of disposal. 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:

31.3.11 Restated £'000		31.3.12 £'000
4,600	Europa Gym	468
920	Barnehurst Golf Course	0
6	Choice Based Lettings	0
51	Dryden and Bellegrove Road Renovations	0
30	Burnt Oak Primary School	27
16	Eastcote Primary School	0
8	Barnes Cray Primary School	0
165	Upton Primary School	0
1,740	Brampton Primary School	122
194	Longlands Primary School	3,059
0	Southlake - Primary Places Review	187
0	Castilion - Primary Places Review	1,446
0	Jubilee - Primary Places Review	942
77	Hurstmere School Roof	0
376	Mayplace Primary School Extension	88
1,039	Oakwood School Sports Hall	51
36	Hillsgrove Nursery	0
119	Belvedere Nursery	0
773	Pupil Referral Unit	76
9,353	Harris Academy	658
9,076	Haberdashers Academy	1,509
77	Lessness Heath - Additional Classroom	6
78	Crook Log - Additional Classroom	121
0	Hook Lane - Extension	54
603	Highway Maintenance	0
57	Principal Roads - Perry Street	0
0	Highways Reconstruction	1,348
121	Eastern Way	270
0	Crayford Traffic Signal Optimisation	116
114	Bexleyheath Town Centre	152
174	Sidcup Town Centre	119
29,803	**TOTAL**	**10,819**

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	11,347	155,266	6,647	0	6,799	180,059
Valued at Fair Value as at:							
1 April 2007	53,692	0	0	0	1,622	0	55,314
1 April 2008	49,666	0	0	0	559	0	50,225
1 April 2009	54,453	0	0	0	0	0	54,453
1 April 2010	53,497	0	0	0	571	0	54,068
1 April 2011	90,078	0	0	0	329	0	90,407
As at 31 March 2012	**301,386**	**11,347**	**155,266**	**6,647**	**3,081**	**6,799**	**484,526**

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

2010/11 £'000		2011/12 £'000
38,896	**Balance at 1 April**	**38,979**
	Additions:	
0	Purchases	0
0	Construction	0
0	Subsequent expenditure	49
0	Disposals	0
83	Net gains/losses from fair value adjustments	-9,103
	Transfers:	
0	To/from Inventories	0
0	To/from Property Plant and Equipment	294
0	Other changes	0
38,979	**Balance at 31 March**	**30,219**

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:

2010/11 £'000		2011/12 £'000
-83	Changes in the fair value of investment properties	9,103
-2,149	Rental income from investment property	-2,156
0	Direct operating expenses from investment property	0
-2,232		**6,947**

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 £0.219m charged to revenue in 2011/12 was charged to the cost of services in the Comprehensive Income and Expenditure Statement as follows:

	£'000
Adult Social Care	68
Children's and Education Services	64
Central Services	1
Corporate and Democratic Core	14
Cultural and Related Services	33
Housing Services	19
Planning Services	10
Total amortisation of intangible assets in 2011/12	**219**

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:

2010/11 £'000		**2011/12 £'000**
	Balances at 1 April:	
1,087	- Gross carrying amounts	1,118
-506	- Accumulated amortisation	-622
581	**Net carrying amount at start of year**	**496**
	Additions	
0	- Internal development	0
141	- Purchases	279
-226	Amortisation for period	-219
496	**Net carrying amount at 31 March**	**556**

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:

2010/11 £'000		2011/12 £'000
0	**Balance at 1 April**	**260**
	Assets newly classified as held for sale:	
1,260	- Property, Plant and Equipment	1,179
0	- Intangible Assets	0
0	- Other assets/liabilities in disposal groups	0
-34	Revaluation losses	-283
0	Revaluation gains	0
0	Impairment losses	0
-966	Assets sold	-1,156
0	Transfers from non current to current	0
0	Other movements	0
260	**Balance at 31 March**	**0**

12 Capital Expenditure and Capital Financing

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

2010/11 £'000		2011/12 £'000
157,469	**Opening Capital Financing Requirement**	**159,655**
	Capital Investment	
61,715	Property, Plant and Equipment	37,699
0	Investment Properties	49
141	Intangible Assets	279
6,239	Revenue Expenditure funded from Capital	3,749
68,095	**Total Capital Investment**	**41,776**
	Sources of Finance	
1,622	Capital Receipts	1,864
58,741	Grants and Contributions	33,312
847	Direct Revenue Financing	1,573
4,699	Minimum Revenue Provision	4,690
65,909	**Total Sources of Finance**	**41,439**
159,655	**Closing Capital Financing Requirement**	**159,992**

Explanation of movements in year:

0	Increase in underlying need for borrowing (supported by government financial assistance)	0
2,186	Increase in underlying need for borrowing (unsupported by government financial assistance)	337
0	Assets acquired under finance leases	0
2,186	**Increase/ (decrease) in Capital Financing Requirement**	**337**

13 Impairment Losses

During 2011/12, the Council has recognised an impairment loss of £835,355 primarily in relation to a number of buildings demolished as part of major capital investment schemes undertaken at Longlands, Mayplace and Brampton schools. Buildings were also demolished to make way for the construction of the new Pathway Short Stay school. In addition, Belvedere Infants school main building was impaired following the discovery of asbestos in the roof and work has subsequently been carried out to clear the asbestos and renew the roof. Part of the impairment loss (£210,192) has been charged to the Revaluation Reserve and the balance of £625,163 has been charged to the Children's and Education Service line in the Comprehensive Income and Expenditure Statement.

14 Financial Instruments

Accounting regulations require the “financial instruments” (investment, lending and borrowing of the Council) 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 2012 £’000	**31 March 2011 £’000**	**1 April 2010 £’000**	**31 March 2012 £’000**	**31 March 2011 £’000**	**1 April 2010 £’000**
Borrowings						
Financial liabilities at amortised cost	102,661	102,679	95,714	530	529	440
Financial liabilities at fair value through profit and loss	0	0	0	0	0	0
Other borrowings (finance lease)	31,913	33,151	34,450	1,238	1,300	1,346
Total Borrowings	**134,574**	**135,830**	**130,164**	**1,768**	**1,829**	**1,786**
Investments						
Loans and receivables	23,000	0	2,000	41,488	41,874	28,847
Available-for-sale financial assets	0	0	0	0	0	0
Fair value through profit and loss	0	0	0	0	0	0
Unquoted equity available for sale	0	0	0	0	0	0
Total Investments	**23,000**	**0**	**2,000**	**41,488**	**41,874**	**28,847**

Fair Value of Assets and Liabilities carried at Amortised Cost

	31 March 2012		31 March 2011		1 April 2010	
	Carrying Amount £’000	**Fair Value £’000**	**Carrying Amount £’000**	**Fair Value £’000**	**Carrying Amount £’000**	**Fair Value £’000**
Financial Liabilities	103,191	133,259	103,208	112,829	96,154	102,254

The fair value of PWLB borrowing is calculated by the PWLB on the basis that all loans are prematurely repaid on 31 March 2012 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 2012		31 March 2011		1 April 2010	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount	Fair Value	Carrying Amount £'000	Fair Value £'000
Loans and Receivables	64,488	65,537	41,874	41,972	30,847	31,076

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:

2011/12	Bexprint Stock £'000	Road Salt Stock £'000	Social Care Aids and Equipment £'000	Total £'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**

2010/11	Bexprint Stock £'000	Road Salt Stock £'000	Social Care Aids and Equipment £'000	Total £'000
Balance at 1 April 2010	5	82	134	221
Purchases	2	115	171	288
Recognised as an expense in the year	0	-78	0	-78
Written off balances	0	0	-81	-81
Reversals of write offs in previous years	0	0	0	0
Balance at 31 March 2011	**7**	**119**	**224**	**350**

16 Debtors

1.4.2010 £'000	31.3.2011 £'000		31.3.2012 £'000
18,979	11,645	Central Government bodies	11,505
17,750	9,094	Other Local Authorities	1,906
1,003	69	NHS bodies	303
0	0	Public corporations and trading funds	0
22,985	28,550	Other entities and individuals	27,080
60,717	**49,358**	**Total Debtors**	**40,794**

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:

1.4.2010 £'000	31.3.2011 £'000		31.3.2012 £'000
1,027	652	Cash in hand at Bank	655
15,200	36,600	Instant Access Accounts	27,300
13,483	15,111	Cash in hand at Schools Bank Accounts	11,791
-31,904	-25,028	Cash Overdrawn	-15,160
-2,194	**27,335**	**Total**	**24,586**

18 Creditors

1.4.2010 £'000	31.3.2011 £'000		31.3.2012 £'000
-6,432	-4,529	Central Government bodies	-7,724
-6,273	-4,205	Other Local Authorities	-6,328
-2,164	-582	NHS bodies	-171
-306	-48	Public corporations and trading funds	-65
-30,647	-39,979	Other entities and individuals	-32,646
-45,822	**-49,343**	**Total Creditors**	**-46,934**

19 Provisions

The movements on these in 2011/12 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 2011	-2,873	-750	-818	-66	0	-4,507
Additional provisions made in 2011/12	-1,298	-335	-433	0	-300	-2,366
Amounts used in 2011/12	1,408	0	818	0	0	2,226
Unused amounts reversed in 2011/12	0	0	0	0	0	0
Unwinding of discounting in 2011/12	0	0	0	0	0	0
Balance at 31 March 2012	**-2,763**	**-1,085**	**-433**	**-66**	**-300**	**-4,647**

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

	Insurance	TA End of Lease Repairs	Early Retirement/ Redundancy	Land Charges	Carbon Reduction Commitment	Total
Short term provisions	0	-362	-433	-66	-300	-1,161
Long term provisions	-2,763	-723	0	0	0	-3,486
Balance at 31 March 2012	**-2,763**	**-1,085**	**-433**	**-66**	**-300**	**-4,647**

(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 2012/13 that were identified at 31 March 2012.

(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

This is a new provision for 2011/12 since this is the first year that the Council has an obligation to purchase and surrender Carbon Reduction Commitment (CRC) allowances in relation to carbon dioxide emissions. The provision reflects the estimated liability of the authority to purchase allowances as at 31 March 2012 as the liability arises when energy is consumed and carbon dioxide emitted.

20 Usable Reserves

The Council has the following usable reserves:

1.4.2010 £'000	31.3.2011 £'000		31.3.2012 £'000
16,804	22,809	General Fund	24,875
35,535	40,909	Earmarked Reserves	49,638
0	0	Capital Receipts Reserve	0
6,752	5,689	Capital Grants Unapplied	15,666
59,091	**69,407**		**90,179**

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.

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**

2009/10		2010/11					
Total £'000		Schools/ AECB Delegated £'000	Schools Central £'000	Council Carry-forward £'000	Ear-marked £'000	Unall-ocated £'000	Total £'000
18,989	**Balance B/F**	**5,101**	**-143**	**1,221**	**39**	**10,586**	**16,804**
-2,185	Movement	3,838	26	1,666	135	340	6,005
16,804	**Balance C/F**	**8,939**	**-117**	**2,887**	**174**	**10,926**	**22,809**

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.

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**

2010/11	Balance at 1 April 2010 £'000	Movements in year £'000	Balance at 31 March 2011 £'000
Financing Reserve	8,750	366	9,116
Insurance Reserve	3,854	173	4,027
Service Support and Development Reserve	5,891	4,525	10,416
Stock Transfer Warranties Reserve	2,183	0	2,183
Broadway Shopping Centre Reserve	1,604	200	1,804
Information Technology Reserve	2,895	-539	2,356
Collection Reserve	923	300	1,223
Reorganisation Reserve	861	0	861
Other Earmarked Reserves	5,405	-404	5,001
Revenue grants and contributions unapplied	3,169	753	3,922
TOTAL	**35,535**	**5,374**	**40,909**

(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 2012 is £9.433m. This is an increase of £0.317m from the previous year and this is due to a surplus on interest income in 2011/12.

(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 2012 of £4.324m.

(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 2012 is £11.872m which represents an increase of £1.456m since the previous year. Budgeted net withdrawals of £0.294m were made from this reserve in 2011/12.

(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 2012 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 £1.8m in 2011/12. The budgeted contribution of £0.200m into the reserve during the year resulted in a balance at 31 March 2012 of £2.004m.

(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 £1.297m) made and expenditure during the year resulted in the balance on the reserve increasing by £1.180m and a balance at 31 March 2012 of £3.536m.

(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 future redundancy costs in future years; the balance on this reserve at 31 March 2012 is £0.861m.

(i) Financial Planning Reserve

This reserve has been created from the underspending on the Contingency Provision in 2011/12. Its purpose is to provide a resource with which to deal with the uncertainties in the forward financial planning process arising from the Local Government Resource Review.

(j) Other Earmarked Reserves

The remaining Council controlled reserves total £5.658m at 31 March 2012 and are largely earmarked against expected future costs such as liabilities for contaminated land and the PFI/PPP schemes.

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.

2010/11 £'000		2011/12 £'000
0	**Balance at 1 April**	**0**
1,639	Amounts receivable	1,943
-1,622	Amounts applied to finance new capital investment	-1,864
-17	Amounts paid to Housing Capital Receipts Pool	-22
0	Amounts used to fund disposal costs of non current assets	-57
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 2010 £'000	Movement in 2010/11 £'000	31 March 2011 £'000	Movement in 2011/12 £'000	31 March 2012 £'000
SEN Targeted Capital	3,811	-1,746	2,065	-1,886	179
New Primary Places Grant	0	0	0	10,478	10,478
Condition Funding/ Primary Modernisation	0	0	0	1,587	1,587
Other capital grants and contributions unapplied	2,941	683	3,624	-202	3,422
Total	**6,752**	**-1,063**	**5,689**	**9,977**	**15,666**

21 Unusable Reserves

The Council has the following unusable reserves:

1.4.2010 £'000 Restated	31.3.2011 £'000 Restated		31.3.2012 £'000
67,499	84,465	Revaluation Reserve	101,757
316,043	357,026	Capital Adjustment Account	288,710
-2,226	-2,305	Financial Instruments Adjustment Account	-2,287
-192,598	-95,879	Pensions Reserve	-128,371
5,077	4,533	Deferred Capital Receipts Reserve	4,132
-107	1,774	Collection Fund Adjustment Account	986
-5,962	-4,091	Accumulating Absences Adjustment Account	-2,832
187,726	**345,523**	**Total Unusable Reserves**	**262,095**

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. The 2010/11 figures have been restated to meet the requirements of FRS 30 Heritage Assets that were adopted in the CIPFA 2011/12 Code.

2010/11 Restated £'000		2011/12 £'000
67,499	**Balance at 1 April**	**84,465**
20,550	Upward revaluation of assets	29,388
-707	Downward revaluation of assets and impairment losses not charged to the Surplus/ Deficit on the Provision of Services	-299
19,843	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	29,089
-2,012	Difference between fair value depreciation and historical cost depreciation	-2,659
-865	Accumulated gains on assets sold or scrapped	-9,138
-2,877	Amount written off to the Capital Adjustment Account	-11,797
84,465	**Balance 31 March**	**101,757**

Capital Adjustment Account

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

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. The 2010/11 figures have been restated to meet the requirements of FRS 30 Heritage Assets that were adopted in the CIPFA 2011/12 Code.

2010/11 Restated £'000		**2011/12 £'000**
316,043	**Balance at 1 April**	**357,026**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES)	
-18,469	- Charges for depreciation and impairment of non current assets	-20,670
-2,665	- Revaluation losses on Property, Plant and Equipment	27
-226	- Amortisation of intangible assets	-219
-1,623	- Revenue expenditure funded from capital under statute	-480
339	- Deferred income written down	339
-1,000	- Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-88,177
-23,644		**-109,180**
2,877	Adjusting amounts written out of the Revaluation Reserve	11,797
-20,767	Net written out amount of the cost of non current assets consumed in the year	**-97,383**
	Capital financing applied in the year:	
1,622	- Use of the Capital Receipts Reserve to finance new capital expenditure	1,864
50,407	- Capital grants and contributions credited to the CIES that have been applied to capital financing	27,063
3,717	- Application of grants to capital financing from the Capital Grants Unapplied Account	2,980
4,699	- Statutory provision for the financing of capital investment charged against the General Fund balance	4,690
847	- Capital expenditure charged against the General Fund	1,573
61,292		**38,170**
83	Movements in the market value of Investment Properties debited or credited to the CIES	-9,103
375	Movement in Donated Assets with CIES	0
357,026	**Balance at 31 March**	**288,710**

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.

2010/11 £'000		2011/12 £'000
-2,226	**Balance at 1 April**	**-2,305**
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
-103	Adjustments for loans at less than market rates	-6
-79	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	18
-2,305	**Balance 31 March**	**-2,287**

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.

2010/11 £'000		2011/12 £'000
-192,598	**Balance at 1 April**	**-95,879**
68,624	Actuarial gains or losses on pension assets and liabilities	-42,559
11,729	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	-2,803
16,366	Employer's pension contributions and direct payments to pensioners payable in the year	12,870
-95,879	**Balance at 31 March**	**-128,371**

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.

2010/11 £'000		2011/12 £'000
5,077	**Balance at 1 April**	**4,533**
-539	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-395
	Transfer to the Capital Receipts Reserve upon receipt of cash	
-5	Write down of finance lease long term debtors	-6
4,533	**Balance at 31 March**	**4,132**

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.

2010/11 £'000		2011/12 £'000
-107	**Balance at 1 April**	**1,774**
1,881	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	-788
1,774	**Balance at 31 March**	**986**

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.

2010/11 £'000		2011/12 £'000
-5,962	**Balance at 1 April**	**-4,091**
5,962	Settlement or cancellation of accrual made at the end of the preceding year	4,091
-4,091	Amounts accrued at the end of the current year	-2,832
1,871	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	1,259
-4,091	**Balance at 31 March**	**-2,832**

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 changed from April 2011 to take account of the change in management groupings arising from Strategy 2014 and the 2010/11 figures have therefore been restated to reflect the new Cabinet portfolios. The income and expenditure of the Council analysed by Cabinet Portfolio for 2011/12 is as follows:

2011/12	Corporate Policy £'000	Finance and Corporate Services £'000	Adults' Services £'000	Children's Services £'000	Education £'000	Economic Development and Regeneration £'000	Environment £'000	Leisure £'000	Public Realm and Community Safety £'000	TOTAL £'000
Fees, charges and other service income	-367	-4,436	-16,673	-1,972	-4,454	-6,188	-5,668	-1,133	-5,000	-45,891
Government grants	0	-105,554	-289	-271	-150,905	-4,523	-133	0	0	-261,675
Total Income	**-367**	**-109,990**	**-16,962**	**-2,243**	**-155,359**	**-10,711**	**-5,801**	**-1,133**	**-5,000**	**-307,566**
Employee expenses	1,313	14,580	8,895	14,621	88,852	10,369	7,130	4,955	2,225	152,940
Other operating expenses	1,170	115,767	62,050	20,539	61,038	6,895	29,737	4,812	3,641	305,649
Support service recharges	571	-11,467	4,024	2,793	2,577	-1,940	1,823	911	708	0
Financing costs	26	281	751	781	9,008	2,215	4,978	2,270	695	21,005
Total Expenditure	**3,080**	**119,161**	**75,720**	**38,734**	**161,475**	**17,539**	**43,668**	**12,948**	**7,269**	**479,594**
Net Cost of Services	**2,713**	**9,171**	**58,758**	**36,491**	**6,116**	**6,828**	**37,867**	**11,815**	**2,269**	**172,028**

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 changed from April 2011 to take account of the change in management groupings arising from Strategy 2014 and the 2010/11 figures have therefore been restated to reflect the new Cabinet portfolios. The income and expenditure of the Council analysed by Cabinet Portfolio restated for 2010/11 (including restatements for FRS 30 Heritage Assets) is as follows:

2010/11	**Corporate Policy £'000**	**Finance and Corporate Services £'000**	**Adults' Services £'000**	**Children's Services £'000**	**Education £'000**	**Economic Development and Regeneration £'000**	**Environment £'000**	**Leisure £'000**	**Public Realm and Community Safety £'000**	**TOTAL £'000**
Fees, charges and other service income	-34	-4,764	-12,837	-2,855	-2,307	-4,948	-6,726	-1,336	-5,521	-41,328
Government grants	0	-100,526	-1,596	-11,473	-196,723	-6,949	-150	-365	-94	-317,876
Total Income	**-34**	**-105,290**	**-14,433**	**-14,328**	**-199,030**	**-11,897**	**-6,876**	**-1,701**	**-5,615**	**-359,204**
Employee expenses	1,066	17,157	9,679	15,404	142,804	7,959	6,663	4,929	3,355	209,016
Other operating expenses	1,213	111,730	57,626	19,007	55,771	6,560	30,501	4,516	4,565	291,489
Support service recharges	656	-17,507	3,822	3,232	2,544	2,798	2,344	876	1,235	0
Financing costs	27	1,355	825	555	8,153	982	5,158	3,540	640	21,235
Total Expenditure	**2,962**	**112,735**	**71,952**	**38,198**	**209,272**	**18,299**	**44,666**	**13,861**	**9,795**	**521,740**
Net Cost of Services	**2,928**	**7,445**	**57,519**	**23,870**	**10,242**	**6,402**	**37,790**	**12,160**	**4,180**	**162,536**

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 Portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement

2010/11 £'000		2011/12 £'000
162,536	Net expenditure in the Cabinet Portfolio Analysis	172,028
6,635	Net expenditure of services and support services not included in the Analysis	6,525
-35,047	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	-9,820
3,056	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	3,056
137,180	**Cost of Services in Comprehensive Income and Expenditure Statement**	**171,789**

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

2011/12	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**	-2,156	**-45,891**
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**	-128,917	**-387,536**
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**

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

2010/11	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	-41,328	0	2,149	0	0	**-39,179**	0	**-39,179**
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**	-29,904	**-29,904**
Income from council tax	0	0	0	0	0	**0**	-95,597	**-95,597**
Government grants and contributions	-317,876	0	0	3,056	0	**-314,820**	-134,094	**-448,914**
Total income	**-359,204**	**0**	**2,149**	**3,056**	**0**	**-353,999**	**-259,595**	**-613,594**
Employee expenses	209,016	0	-37,196	0	0	**171,820**	0	**171,820**
Other service expenses	291,489	6,635	0	0	0	**298,124**	0	**298,124**
Support service recharges	0	0	0	0	0	**0**	0	**0**
Depreciation, amortisation and impairment	21,235	0	0	0	0	**21,235**	0	**21,235**
Interest payments	0	0	0	0	0	**0**	41,426	**41,426**
Precepts and levies	0	0	0	0	0	**0**	1,426	**1,426**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	**0**	17	**17**
Gain or loss on disposal of fixed assets	0	0	0	0	0	**0**	-100	**-100**
Total expenditure	**521,740**	**6,635**	**-37,196**	**0**	**0**	**491,179**	**42,769**	**533,948**
Surplus or deficit on the provision of services	**162,536**	**6,635**	**-35,047**	**3,056**	**0**	**137,180**	**-216,826**	**-79,646**

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 schools employees, whose remuneration was over £50,000, between years reflects the transfer of most secondary schools to academy status. The 2010/11 figures have been restated to exclude voluntary aided schools whose staff are not employed by the London Borough of Bexley. Senior officers have also been excluded from the table below since they are shown separately in the next table in this note.

No. of Employees 2010/11 Restated		Remuneration Band	No. of Employees 2011/12	
Other	Schools		Other	Schools
25	40	£50,000 to £54,999	25	23
26	24	£55,000 to £59,999	23	18
10	13	£60,000 to £64,999	11	12
3	22	£65,000 to £69,999	4	6
3	9	£70,000 to £74,999	3	11
3	3	£75,000 to £79,999	2	1
2	3	£80,000 to £84,999	6	1
2	2	£85,000 to £89,999	2	1
4	1	£90,000 to £94,999	2	1
1	0	£95,000 to £99,999	0	0
1	0	£100,000 to £104,999	1	0
1	0	£105,000 to £109,999	0	0
0	0	£110,000 to £114,999	0	0
0	0	£115,000 to £119,999	1	0
0	0	£120,000 to £124,999	0	0
0	0	£125,000 to £129,999	0	0
0	0	£130,000 to £134,999	0	0
0	0	£135,000 to £139,999	0	0
0	0	£140,000 to £144,999	0	0
0	1	£145,000 to £149,999	0	0
81	**118**	**TOTAL**	**80**	**74**

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. As a result of a reorganisation within the Council from 1 April 2011 which saw the departure of two members of the Council's Management Board, other members assumed additional duties. As part of this change, the former Director of Environment and Regeneration Services became the Director of Environment and Wellbeing, the former Director of Social and Community Services became the Director of Education and Social Care, the Director of Customer Services became the Director of Customer and Corporate Services and the Director of Finance became the Director of Finance and Resources. The 2011/12 table below reflects these changes to the management structure.

SENIOR STAFF REMUNERATION 2011/12

Post/ Name	Salary, fees and allowances £	Benefits in Kind £	Total £
Chief Executive - Will Tuckley *A	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 *B	124,197	5,247	129,444
Director of Finance and Resources *C*D	124,223	1,994	126,217
Head of Legal Services and Monitoring Officer	66,675	3,603	70,278

SENIOR STAFF REMUNERATION 2010/11

Post/ Name	Salary, fees and allowances £	Benefits in Kind £	Total £
Chief Executive - Will Tuckley *E	185,747	10,819	196,566
Director of Children's and Young People's Services - Deborah Absalom	167,343	6,291	173,634
Director of Environment and Regeneration Services - Peter Ellershaw	167,343	5,989	173,332
Director of Social and Community Services	140,671	5,989	146,660
Director of Customer Services *F	121,092	5,989	127,081
Director of Finance *G*H	115,778	2,493	118,271
Assistant Chief Executive	99,039	5,266	104,305
Deputy Director (Legal Services)	13,688	1,750	15,438
Deputy Head of Legal Services	56,318	3,062	59,380

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

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

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

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

*E Additional election fees paid – Parliament and Council elections – May 2010 £18,577. Allowance for expenses £2,682.

*F Additional election fees paid – Parliament and Council elections – May 2010 £892.

*G Additional election fees paid – Parliament and Council elections – May 2010 £581.

*H Salary, fees and allowances include an emergency planning standby payment of £7,106 for 2010/11.

The Deputy Director (Legal Services) received £41,000 as compensation for loss of office in 2010/11. There was no other compensation for loss of office paid to senior officers in 2010/11 and 2011/12.

The Director of Children's and Young People's Services left on 31 March 2011.
The Assistant Chief Executive left on 31 March 2011.
The Deputy Director (Legal Services) left on 31 May 2010.
The Head of Legal Services (formerly Deputy Head of Legal Services) was Monitoring Officer from 1 June 2010 and the remuneration details included in the 2010/11 table above are for the period 1 June 2010 to 31 March 2011.

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 three 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 2011/12 over £81,101 pay contributions of 7.5% of their gross salary (those earning between £43,301 and £81,100 pay 7.2%). These contributions are likely to rise substantially over the next few years.

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:

	2010/11	**2011/12**
	£	**£**
Chief Executive	40,957	38,728
Director of Children's and Young People's Services	33,631	0
Director of Environment and Wellbeing	33,631	33,482
Director of Education and Social Care	28,620	29,933
Director of Customer and Corporate Services	24,588	24,853
Director of Finance and Resources	23,040	24,166
Assistant Chief Executive	19,808	0
Deputy Director (Legal Services)	2,764	0
Head of Legal Services and Monitoring Officer	12,624	13,335

The numbers of exit packages for 2010/11 and 2011/12, 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	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
							£	£
£0 - £20,000	33	89	0	22	33	111	167,249	940,123
£20,001 - £40,000	8	22	0	0	8	22	230,976	556,015
£40,001 - £60,000	3	6	0	1	3	7	153,397	328,989
£60,001 - £80,000	2	2	0	1	2	3	143,860	193,101
£80,001 - £100,000	2	0	0	0	2	0	179,489	0
£100,001 - £150,000	1	0	0	0	1	0	101,703	0
	49	**119**	**0**	**24**	**49**	**143**	**976,674**	**2,018,228**

The total cost of £2,018,228 in 2011/12 in the table above includes £1,521,183 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 £432,974 provided from the Comprehensive Income and Expenditure Statement for the Early Retirement/ Redundancy provision for those redundancies taking place in 2012/13 that were known about at 31 March 2012. The balance of £64,071 was met from the redundancy provision as at 31 March 2011. For 2010/11, of the total cost of £976,674, £739,864 was met from the redundancy provision as at 31 March 2011 and £236,810 was charged to the Comprehensive Income and Expenditure Statement in 2010/11.

24 Members' Allowances

The total of Members' allowances paid during 2011/12 was £0.882m (£0.879m in 2010/11). 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, the Audit Commission:

2010/11 *Restated* **£'000**		**2011/12** **£'000**
260	Fees payable for external audit services	240
0	Fees payable for statutory inspection	0
79	Fees payable for the certification of grant claims and returns	59
2	Fees payable in respect of other services	7
341	**Total**	**306**

For 2010/11, the fees payable for the certification of grant claims and returns was the actual fee paid for 2010/11 grant certification work and for 2011/12, an estimate of fees payable for 2011/12. The 2010/11 figure has been restated as it previously included the actual fees paid in the year for the previous year's grant claims. The fees payable for other services related to work on the National Fraud Initiative in 2010/11 and 2011/12 and for dealing with an objection to the 2010/11 accounts in 2011/12. The Audit Commission gave a rebate on the fees payable for external audit services in 2011/12.

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 2011/12; 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 integrated equipment stores.

2010/11				2011/12		
Mental Health	**Learning Disability**	**Integrated Stores**		**Mental Health**	**Learning Disability**	**Integrated Stores**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			Income			
3,111	15,972	693	London Borough of Bexley contribution	3,007	21,156	703
12,071	5,147	186	Bexley Care Trust contribution	11,342	958	276
73	414	100	Other Income	0	0	0
15,255	**21,533**	**979**	**Gross Income**	**14,349**	**22,114**	**979**
			Expenditure			
3,180	16,693	0	Residential and Supported Living Services	3,185	16,513	0
528	1,793	0	Day Care Services	523	1,902	0
4,709	0	0	Acute Services	4,562	0	0
6,958	793	872	Community Services	6,555	962	907
455	2,254	0	Other Expenditure	443	2,422	0
15,830	**21,533**	**872**	**Gross Expenditure**	**15,268**	**21,799**	**907**
-575	**0**	**107**	**Surplus(+)/ deficit(-) for year**	**-919**	**315**	**72**
0	0	114	Surplus(+)/ deficit(-) brought forward	0	0	221
-575	**0**	**221**	**Surplus(+)/deficit(-) carried forward**	**-919**	**315**	**293**

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 £5.6m, of which 48% will increase annually in line with RPIX and 52% 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 foundation schools 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 and the 2010/11 figures have been restated for equipment that had been fully depreciated out of the accounts as at 31 March 2011:

	PPP – Leisure Centres £'000
Cost or valuation	***Restated***
At 1 April 2010	34,021
Additions	302
Derecognition - Other	-50
At 31 March 2011	**34,273**
Accumulated Depreciation and Impairments	
At 1 April 2010	-856
Charge for 2010/11	-815
Derecognition - Other	50
At 31 March 2011	**-1,621**
Net Book Value - Balance Sheet as at 1 April 2010	**33,165**
Net Book Value - Balance Sheet as at 31 March 2011	**32,652**

	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 31 March 2011	**32,652**
Net Book Value - Balance Sheet as at 31 March 2012	**32,121**

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 nineteen years until 2031. The PPP payments will be made for the next 24 years until 2036. An analysis of the payments in 2010/11 and 2011/12 is shown in the table below:

2010/11	**PFI – Schools £'000**	**PPP – Leisure Centres £'000**
Service charges 2010/11	1,877	836
Repayment of liability 2010/11	918	83
Interest, lifecycle costs, contingent rents	2,705	1,331
Total unitary charge	**5,500**	**2,250**

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**

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

PFI Scheme

	Repayment of Liability £'000	Interest £'000	Service Charges £'000	Total £'000
Within one year	877	2,313	1,960	5,150
Within two to five years	3,368	8,521	7,840	19,729
Within six to ten years	6,666	8,467	9,800	24,933
Within eleven to fifteen years	8,209	5,065	9,800	23,074
Within sixteen to twenty years	7,335	1,237	7,023	15,595
TOTAL	**26,455**	**25,603**	**36,423**	**88,481**

PPP Scheme

	Repayment of Liability £'000	Interest £'000	Service Charges £'000	Total £'000
Within one year	52	770	993	1,815
Within two to five years	57	3,061	4,280	7,398
Within six to ten years	168	3,711	6,112	9,991
Within eleven to fifteen years	743	3,513	7,086	11,342
Within sixteen to twenty years	2,086	2,505	8,215	12,806
Within twenty one to twenty five years	2,232	570	5,708	8,510
TOTAL	**5,338**	**14,130**	**32,394**	**51,862**

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 2011/12 of £135.9m are as follows:

Schools Budget funded by Dedicated Schools Grant

	Central Expenditure £'000	Individual Schools Budget (ISB) £'000	Total £'000
Final Dedicated Schools Grant for 2011/12			135,882
Brought forward from 2010/11			12
Carry forward to 2012/13 agreed in advance			0
Agreed budgeted distribution in 2011/12	**19,141**	**116,753**	**135,894**
Actual Central Expenditure	17,816	0	17,816
Actual ISB deployed to Schools	0	116,753	116,753
Local Authority contribution for 2011/12	0	0	0
Carried forward to 2012/13	**1,325**	**0**	**1,325**

29 Government Grants

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

2010/11 £'000		2011/12 £'000
8,317	Revenue Support Grant	15,735
12,386	Area Based Grant	0
	General Core Grants	
0	Housing Benefit Administration	1,666
0	Early Intervention	8,862
0	Preventing Homelessness	500
0	Lead Local Flood Authorities	131
0	Learning Disability and Health Reform	4,994
0	Extended Right to Free Travel	30
0	Community Safety	229
0	New Homes Bonus	415
0	Council Tax Freeze	2,374
3,056	Private Finance Initiative Grant	3,056
23,759	**TOTAL**	**37,992**

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. Area Based Grant (ABG) was a non-ringfenced general grant and this ceased on 31 March 2011. ABG had replaced many individual specific grants and an analysis of these grants for 2010/11 is given below.

2010/11 £'000	
	AREA BASED GRANT
	Department for Communities and Local Government
57	Cohesion
3,656	Supporting People
138	Preventing Violent Extremism
23	Climate Change Planning
65	Economic Assessment Duty
1	Social Housing Allocations
15	Petitions
	Department for Children, Schools and Families
142	School Development Grant (LA Element)
277	Extended Schools Start Up Costs
136	Primary National Strategy Central Coordination
164	Secondary National Strategy Central Coordination
68	Secondary National Strategy Behaviour and Attendance
94	School Improvement Partners
56	Education Health Partnerships
24	School Travel Advisers
27	Choice Advisers
55	School Intervention Grant
79	14-19 Flexible Funding Pot
17	Sustainable Travel General Duty
23	Extended Rights to Free Transport
2,242	Connexions
452	Childrens' Fund
3	Child Trust Fund
329	Positive Activities for Young People
111	Teenage Pregnancy
83	Childrens' Social Care Workforce
229	Care Matters White Paper
35	Child Death Review Processes
27	Young Peoples Substance Misuse partnership
12	Designated Teacher Funding
24	January Guarantee
275	LSC Staff Transfer
41	Child Poverty Unit - Local Child Poverty Duties
-1,194	Pro-rata reduction for 2010/11
	Department of Health
515	Adult Social Care Workforce
992	Carers'
468	Child and Adolescent Mental Health Services
152	Learning and Disability Development Fund
131	Local Involvement Networks
105	Mental Capacity Act and Independent Mental Capacity Advocate Service
536	Mental Health
1,413	Preserved Rights
	Home Office
252	Stronger Safer Communities Fund
58	Young Peoples Substance Misuse
2	Community Calls for Action
-24	Pro-rata reduction for 2010/11
12,386	**TOTAL AREA BASED GRANT**

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

2010/11 £'000		2011/12 £'000
17,606	Academies Framework - Haberdashers	6,090
15,114	Academies Framework - Harris Falconwood	7,832
5,204	Belvedere Green Links Grants	149
3,512	Transport for London	3,408
2,236	Devolved Formula Grant	2,295
1,615	SEN Target Capital	0
0	New Primary Places Grant	11,088
1,056	Children's Centre Grant	0
915	Grant for Europa Gym Project	2,088
897	Child Care Sustainability	0
804	Performance Reward Grant	0
0	Condition Funding/Primary Modernisation	3,250
0	Primary Capital Programme	2,624
4,102	Other	1,196
53,061	**Total**	**40,020**

30 Related Party Transactions

Related party transactions have been considered for current Members of the Council and senior officers. Following changes to the 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 2011/12. Some of the appointments listed below continue throughout 2012/13. 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 2011/12
Gareth Bacon	London Assembly - Member	£28,175,559 paid to the Greater London Authority
Gareth Bacon	London Fire and Emergency Planning Authority (LFEPA) – Member	£80,000 paid to LFEPA
Colin Campbell Gareth Bacon	Eltham Crematorium Joint Management Committee – Chairman and Member	Non Current Asset share (40%) £1,348,588 Net liabilities share (40%) £173,703 Net surplus share (40%) £538,000
John Fuller	Belvedere Community Centre - Chairman	£23,427 paid to the Community Centre
Teresa O'Neill	Local Government Association (LGA) – Member of the Executive and Member of the Improvement Board	£44,317 paid to the LGA
Teresa O'Neill Katie Perrior	London Councils – Executive Member Conservative Lead on crime and public	£704,905 paid to London Councils

	protection	
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 2012 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 2011/12 was £183,278 (£201,229 in 2010/11). Bexley owed TIC £36 as at 31st March 2012 (£2,436 at 31 March 2011) and TIC owed Bexley £7,534 at the same date (£9,671 at 31 March 2011). Services provided by Bexley to TIC amounted to £53,722 in 2011/12 (£49,977 in 2010/11). 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 2012, a loan of £56,300 had been drawn down.

The Council received many grants in 2011/12 – 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 2011/12 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 2011/12.

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:

1.4.2010 £'000	31.3.2011 £'000		31.3.2012 £'000
2,058	1,713	Vehicles, Plant and Equipment	1,358

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:

1.4.2010 £'000	31.3.2011 £'000		31.3.2012 £'000
		Finance lease liabilities (net present value of minimum lease payments)	
345	355	- current	309
1,713	1,358	- non-current	1,049
240	178	Finance costs payable in future years	126
2,298	**1,891**	**Minimum lease payments**	**1,484**

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 (1 April 2010 – £2,298,000):

	Minimum Lease Payments		Finance Lease Liabilities	
	31.3.2011 £'000	31.3.2012 £'000	31.3.2011 £'000	31.3.2011 £'000
Not later than one year	407	349	355	309
Later than one year and not later than five years	1,163	934	1,055	857
Later than five years	321	201	303	192
	1,891	**1,484**	**1,713**	**1,358**

The Council had several finance leases entered into by a secondary school. The estimated value of the leased equipment was £199,000 and was brought into the Council's fixed assets in 2007/08 and then written out of fixed assets in the same year. The minimum lease payments under these finance leases, which were met from the delegated schools budget, are shown in the tables below. However, the school transferred to Academy status in 2011/12 resulting in the Council no longer being liable for the lease payments.

1.4.2010 £'000	31.3.2011 £'000		31.3.2012 £'000
		Finance lease liabilities (net present value of minimum lease payments)	
7	56	- current	0
56	0	- non-current	0
22	21	Finance costs payable in future years	0
85	**77**	**Minimum lease payments**	**0**

The minimum lease payments will be payable over the following periods:

1.4.2010 £'000	31.3.2011 £'000		31.3.2012 £'000
8	77	Not later than one year	0
77	0	Later than one year and not later than five years	0
0	0	Later than five years	0
85	**77**	**Minimum lease payments**	**0**

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:

1.4.2010 Restated £'000	31.3.2011 Restated £'000		31.3.2012 £'000
73	77	Not later than one year	77
283	266	Later than one year and not later than five years	221
195	147	Later than five years	117
551	**490**	**Minimum lease payments**	**415**

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.

2010/11 Restated £'000		2011/12 £'000
8	Children's and Education Services	8
44	Adult Social Care	44
25	Cultural Services	25
77		**77**

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:

1.4.2010 £'000	31.3.2011 £'000		31.3.2012 £'000
		Finance lease debtor (net present value of minimum lease payments)	
5	6	- current	10
2,695	2,689	- non-current	2,815
12,838	12,579	Unearned finance income (interest)	12,321
0	0	Unguaranteed residual value of property	0
15,538	**15,274**	**Gross investment in the leases**	**15,146**

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

1.4.2010 £'000	31.3.2011 £'000	Gross investment in the leases	31.3.2012 £'000
264	264	Not later than one year	268
1,057	1,057	Later than one year and not later than five years	1,072
14,217	13,953	Later than five years	13,806
15,538	**15,274**	**Gross investment in the leases**	**15,146**

1.4.2010 £'000	31.3.2011 £'000	Minimum lease payments	31.3.2012 £'000
5	6	Not later than one year	10
27	29	Later than one year and not later than five years	47
2,668	2,660	Later than five years	2,768
2,700	**2,695**	**Minimum lease payments**	**2,825**

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:

1.4.2010 £'000	31.3.2011 £'000	Minimum lease payments	31.3.2012 £'000
2,935	2,986	Not later than one year	3,051
9,911	10,707	Later than one year and not later than five years	10,504
204,490	202,970	Later than five years	202,811
217,336	**216,663**	**Minimum lease payments**	**216,366**

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 2011/12, incurring liabilities of £2.018m (£0.977m in 2010/11). 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 2011/12, the Council paid £7.805m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2010/11 were £10.975m 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 a significant number of schools which converted to academies during 2011/12. Rather than waiting for the 2013 valuation, the pension assets and liabilities transferred to the academies to date have been shown as a settlement in the table below in 2011/12. The actuary has calculated that, based on the details held for the 2010 valuation, assets of £10.062m and liabilities of £17.635m relate to the academies. These figures, together with curtailments of £0.779m comprise the net figure of -£6.794m shown as settlements and curtailments below.

In his budget statement in June 2010, the Chancellor of the Exchequer announced that the Government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. The effect of this is to reduce the calculated value of an employer's liabilities for accounting purposes. This is shown as a negative "past service cost", totalling £32.194m, for 2010/11 in the note below. This sum along with the settlements and curtailments of £0.218m below comprise the £31.976m credit of non distributed costs in 2010/11 in the Comprehensive Income and Expenditure Statement.

	Local Government Pension Scheme £'000		Discretionary Benefits Arrangements £'000	
	2011/12	**2010/11**	**2011/12**	**2010/11**
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• current service cost	8,936	13,017	0	0
• past service costs	12	-31,682	0	-512
• settlements and curtailments	-6,794	218	0	0
Financing and Investment Income and Expenditure				
• interest cost	28,028	32,608	494	522
• expected return on scheme assets	-27,873	-25,900	0	0
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	2,309	-11,739	494	10
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
• actuarial gains and losses	42,349	-73,058	210	289
• entity combinations	0	4,145	0	0

Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	44,658	-80,652	704	299
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	-2,309	11,739	-494	-10
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to scheme	12,870	16,366		
• retirement benefits payable to pensioners			639	633

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £46.899m (loss of £4.520m at 31 March 2011).

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**	
	2011/12	**2010/11**	**2011/12**	**2010/11**
Opening balance at 1 April	524,797	567,618	9,303	9,637
Current service cost	8,936	13,017	0	0
Interest cost	28,028	32,608	494	522
Contributions by scheme participants	3,954	4,660	0	0
Actuarial gains and losses	16,557	-58,136	210	289
Benefits paid	-23,361	-18,689	-639	-633
Past service costs	12	-31,682	0	-512
Entity combinations	0	15,183	0	0
Curtailments	779	218	0	0
Settlements	-17,635	0	0	0
Closing balance at 31 March	542,067	524,797	9,368	9,303

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

	Local Government Pension Scheme	
	2011/12 £'000	2010/11 £'000
Opening balance at 1 April	438,221	384,657
Expected rate of return	27,873	25,900
Actuarial gains and losses	-25,792	14,922
Employer contributions	12,870	16,366
Contributions by scheme participants	3,954	4,660
Benefits paid	-24,000	-19,322
Entity combinations	0	11,038
Settlements	-10,062	0
Closing balance at 31 March	423,064	438,221

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 £2.081m (2010/11: £34.262m).

Scheme history

	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
Present value of liabilities:					
Local Government Pension Scheme	-479,659	-413,476	-567,618	-524,797	-542,067
Discretionary Benefits	-9,851	-8,113	-9,637	-9,303	-9,368
Fair value of assets in the Local Government Pension Scheme	**338,795**	**275,034**	**384,657**	**438,221**	**423,064**

Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	-140,864	-138,442	-182,961	-86,576	-119,003
Discretionary Benefits	-9,551	-8,113	-9,637	-9,303	-9,368
Total	-150,415	-146,555	-192,598	-95,879	-128,371

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £128m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a positive overall balance of £353m. 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 2013 are £12.2m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2013 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	
	31/03/12	31/03/11	31/03/12	31/03/11
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.0%	7.5%	–	–
Government Bonds	3.1%	4.4%	–	–
Other Bonds	4.1%	5.1%	–	–
Property	6.0%	6.5%	–	–
Cash/Liquidity	0.5%	0.5%	–	–
Other	7.0%	7.5%	–	–
Mortality assumptions:				

Longevity at 65 for current pensioners:				
Men	21.9	21.8	21.9	21.8
Women	24.5	24.4	24.5	24.4
Longevity at 65 for future pensioners:				
Men	23.3	23.2	-	-
Women	26.0	26.0	-	-
Rate of CPI inflation	2.5%	2.9%	2.5%	2.9%
Rate of increase in salaries	4.0%	4.4%	-	-
Rate of increase in pensions	2.5%	2.9%	2.5%	2.9%
Rate for discounting scheme liabilities	4.9%	5.5%	4.9%	5.5%
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 2012 %	31 March 2011 %
Equity investments	60.8	72.4
Debt Instruments – Government Bonds	3.1	7.4
- Other Bonds	7.8	10.9
Other assets – Property	6.8	3.3
- Cash/liquidity	1.3	0.9
- Other	20.2	5.1
	100.0	100.0

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between the expected and actual return on assets	-11.4	-30.8	22.6	3.4	-6.1
Experience gains and losses on liabilities	1.1	0.0	0.0	5.5	0.0

35 Contingent Liabilities

Contingent liabilities have been considered up to the authorisation date of the Financial Statements of 27 September 2012 by the Director of Finance and Resources and the following is 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 2012, 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.

36 Contingent Assets

The Council had no contingent assets at the 31 March 2012.

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 Treasury Management Strategy, which requires that deposits are only made with financial institutions that meet identified minimum credit criteria. The Treasury Management 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 (the very highest), long-term rating of at least A and a support rating of 1 (very high).

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 2012	**Historical experience of default**	**Historical experience adjusted for market conditions at 31 March 2012**	**Estimated maximum exposure to default and uncollectability**	**Estimated maximum exposure at 31 March 2012**
	£'000	**%**	**%**	**£'000**	**£'000**
Deposits with financial institutions	64,488	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 2012 £000	31 March 2011 £000
Loans outstanding		
PWLB	103,221	103,253
Market debt	0	0
Temporary borrowing	0	0
Total	**103,221**	**103,253**

	31 March 2012 £000	31 March 2011 £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	7,841	6,857
Maturing between 15 and 20 years	16,568	14,516
Maturing between 20 and 25 years	5,000	8,068
Maturing between 25 and 30 years	0	0
Maturing between 30 and 35 years	3,000	0
Maturing between 35 and 40 years	13,000	12,000
Maturing between 40 and 45 years	31,500	27,000
Maturing over 45 years	24,000	32,500
Total	**103,221**	**103,253**

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*	678
Net Impact on Income and Expenditure – Gain	**678**
Increase/(Decrease) in fair value of fixed rate investments	(441)
Increase/(Decrease) in fair value of fixed rate debt	(21,672)

*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 £27.3m 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

1.4.2010 £'000	31.3.2011 £'000		31.3.2012 £'000
2,803	2,793	Finance leases	2,787
2,095	1,891	Bexley Heritage Trust loan	1,286
229	267	Thames Innovation Centre loans	289
1,682	1,266	Deferred capital receipts	949
703	682	Mortgages	635
157	185	Other loans and advances	330
30	152	Payments in advance	152
7,699	**7,236**	**Total Long Term Debtors**	**6,428**

39 Capital Grants Receipts in Advance

1.4.2010 £'000	31.3.2011 £'000		31.3.2012 £'000
		Short Term	
-1,565	-6,282	Primary capital programme	-3,659
0	-3,868	Academies Framework - Harris Falconwood	-205
-227	0	Academies Framework - Haberdashers Askes	-950
-147	-22	Devolved Formula Grant	-323
-55	0	Children's Centres	0
-32	-229	Child Care Sustainability	-229
-191	-195	Other	-212
-2,217	**-10,596**	**Total Short Term**	**-5,578**
		Long Term	
-4,053	-3,002	Devolved Formula Grant	-862
-1,883	-1,991	S106 Contributions	-2,341
-374	-561	Other	-861
-6,310	**-5,554**	**Total Long Term**	**-4,064**

40 Deferred Liabilities

1.4.2010 £'000	31.3.2011 £'000		31.3.2012 £'000
-40,862	-39,580	PFI/PPP contracts	-38,313
-1,713	-1,358	Finance leases	-1,049
-549	-313	Other	-445
-43,124	**-41,251**	**Total Deferred Liabilites**	**-39,807**

41 MOVEMENT IN RESERVES STATEMENT RESTATED FOR FRS 30 HERITAGE ASSETS

	Audited A/cs 2010/11 General Fund Balance £'000	Heritage Assets Adjustment £'000	Restated A/cs 2010/11 General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Restated A/cs 2010/11 Total Usable Reserves £'000	Unusable Reserves £'000	Heritage Assets Adjustment £'000	Restated A/cs 2010/11 Unusable Reserves £'000	Restated A/cs 2010/11 Total Reserves of the Authority £'000
Balance at 1 April 2010	**16,804**	**0**	**16,804**	**35,535**	**0**	**6,752**	**59,091**	**162,489**	**25,237**	**187,726**	**246,817**
Movement in reserves during 2010/11											
Surplus or deficit (-) on the provision of services	72,450	7,196	79,646	0	0	0	**79,646**	0	0	0	**79,646**
Other comprehensive income and expenditure	0	0	0	0	0	0	**0**	88,455	12	88,467	**88,467**
Total comprehensive income and expenditure	**72,450**	**7,196**	**79,646**	**0**	**0**	**0**	**79,646**	**88,455**	**12**	**88,467**	**168,113**
Adjustments between accounting basis and funding basis under regulations (Note 7)	-61,071	-7,196	-68,267	0	0	-1,063	**-69,330**	62,134	7,196	69,330	**0**
Net increase or decrease before transfers to earmarked reserves	**11,379**	**0**	**11,379**	**0**	**0**	**-1,063**	**10,316**	**150,589**	**7,208**	**157,797**	**168,113**
Transfers to or from earmarked reserves	-5,374	0	-5,374	5,374	0	0	**0**	0	0	0	**0**
Increase or decrease in year	**6,005**	**0**	**6,005**	**5,374**	**0**	**-1,063**	**10,316**	**150,589**	**7,208**	**157,797**	**168,113**
Balance at 31 March 2011	**22,809**	**0**	**22,809**	**40,909**	**0**	**5,689**	**69,407**	**313,078**	**32,445**	**345,523**	**414,930**

41 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2010/11 RESTATED

Continuing Operations	Audited A/cs 2010/11 Net Expenditure £'000	Change to Service Analysis £'000	Heritage Assets £'000	Restated 2010/11 Net Expenditure £'000
Children's and Education Services	34,668	0	0	34,668
Highways and Transport Services	18,761	0	-3	18,758
Housing Services	8,131	0	0	8,131
Adult Social Care	50,520	219	0	50,739
Cultural, Environmental, Regulatory and Planning Services	54,064	-54,064	0	0
Cultural and Related Services	0	23,299	-7,191	16,108
Environment and Regulatory Services	0	23,626	0	23,626
Planning Services	0	6,920	-2	6,918
Corporate and Democratic Core	7,561	0	0	7,561
Non Distributed Costs (Note 34)	-31,976	0	0	-31,976
Central Services	2,647	0	0	2,647
Cost of Services	**144,376**	**0**	**-7,196**	**137,180**
Other Operating Expenditure				
Precepts and Levies	1,426	0	0	1,426
Payments to the Housing Capital Receipts Pool	17	0	0	17
Gains or losses on the disposal of non-current assets	-100	0	0	-100
Financing and Investment Income and Expenditure				
Interest payable and similar charges	8,296	0	0	8,296
Pensions interest cost (Note 34)	33,130	0	0	33,130
Expected return on pensions assets (Note 34)	-25,900	0	0	-25,900
Interest income	-1,772	0	0	-1,772
Income and expenditure and changes in the fair value of investment properties (Note 9)	-2,232	0	0	-2,232
Gains or losses on disposal of investment properties	0	0	0	0
Other investment income	0	0	0	0
Profit or Loss on Discontinued Operations	0	0	0	0
Taxation and Non-Specific Grant Income				
Council Tax income	-95,597	0	0	-95,597
NNDR distribution	-57,274	0	0	-57,274
Non-ringfenced Government grants	-23,759	0	0	-23,759
Capital grants and contributions	-53,061	0	0	-53,061
Surplus (-) or Deficit on the provision of services	**-72,450**	**0**	**-7,196**	**-79,646**
Surplus or deficit on revaluation of non-current assets	-19,831	0	-12	-19,843
Surplus or deficit on revaluation of available-for-sale financial assets	0	0	0	0
Actuarial gains or losses on pension assets and liabilities	-68,624	0	0	-68,624
Other Comprehensive Income and Expenditure	**-88,455**	**0**	**-12**	**-88,467**
Total Comprehensive Income and Expenditure	**-160,905**	**0**	**-7,208**	**-168,113**

41 BALANCE SHEET 31.3.2011 RESTATED FOR THE INTRODUCTION OF FRS 30 HERITAGE ASSETS

	AUDITED A/CS 31.3.2011 £'000	Heritage Assets £'000	RESTATED A/CS 31.3.2011 £'000
Property, plant and equipment			
Land and buildings	301,223	0	301,223
Vehicles, plant and equipment	13,793	0	13,793
Infrastructure	148,592	-157	148,435
Community assets	6,278	-9	6,269
Assets under construction	53,770	0	53,770
Surplus assets not held for sale	3,279	0	3,279
Heritage Assets	0	32,611	32,611
Investment property	38,979	0	38,979
Intangible assets	496	0	496
Long-term investments	0	0	0
Long-term debtors	7,236	0	7,236
Total Long Term Assets	**573,646**	**32,445**	**606,091**
Short-term investments	41,874	0	41,874
Inventories	350	0	350
Short-term debtors	49,358	0	49,358
Assets held for sale	260	0	260
Cash and cash equivalents	52,363	0	52,363
Total Current Assets	**144,205**	**0**	**144,205**
Bank overdraft	-25,028	0	-25,028
Short-term borrowing	-529	0	-529
Short-term creditors	-49,343	0	-49,343
Provisions	-1,134	0	-1,134
Capital grants receipts in advance	-10,596	0	-10,596
Total Current Liabilities	**-86,630**	**0**	**-86,630**
Provisions	-3,373	0	-3,373
Long-term borrowing	-102,679	0	-102,679
Other long-term liabilities			
Net pensions liability	-95,879	0	-95,879
Deferred liabilities	-41,251	0	-41,251
Capital grants receipts in advance	-5,554	0	-5,554
Total Long Term Liabilities	**-248,736**	**0**	**-248,736**
TOTAL NET ASSETS	**382,485**	**32,445**	**414,930**
Usable reserves	69,407	0	69,407
Unusable reserves	313,078	32,445	345,523
TOTAL RESERVES	**382,485**	**32,445**	**414,930**

41 BALANCE SHEET 1.4.2010 RESTATED FOR THE INTRODUCTION OF FRS 30 HERITAGE ASSETS

	AUDITED A/CS 1.4.2010 £'000	Heritage Assets £'000	RESTATED A/CS 1.4.2010 £'000
Property, plant and equipment			
Land and buildings	297,665	-7,200	290,465
Vehicles, plant and equipment	12,880	0	12,880
Infrastructure	146,685	-162	146,523
Community assets	6,027	0	6,027
Assets under construction	7,897	0	7,897
Surplus assets not held for sale	3,449	0	3,449
Heritage Assets	0	32,599	32,599
Investment property	38,896	0	38,896
Intangible assets	581	0	581
Long-term investments	2,000	0	2,000
Long-term debtors	7,699	0	7,699
Total Long Term Assets	**523,779**	**25,237**	**549,016**
Short-term investments	28,847	0	28,847
Inventories	221	0	221
Short-term debtors	60,717	0	60,717
Assets held for sale	0	0	0
Cash and cash equivalents	29,710	0	29,710
Total Current Assets	**119,495**	**0**	**119,495**
Bank overdraft	-31,904	0	-31,904
Short-term borrowing	-440	0	-440
Short-term creditors	-45,822	0	-45,822
Provisions	-362	0	-362
Capital grants receipts in advance	-2,217	0	-2,217
Total Current Liabilities	**-80,745**	**0**	**-80,745**
Provisions	-3,203	0	-3,203
Long-term borrowing	-95,714	0	-95,714
Other long-term liabilities			
Net pensions liability	-192,598	0	-192,598
Deferred liabilities	-43,124	0	-43,124
Capital grants receipts in advance	-6,310	0	-6,310
Total Long Term Liabilities	**-340,949**	**0**	**-340,949**
TOTAL NET ASSETS	**221,580**	**25,237**	**246,817**
Usable reserves	59,091	0	59,091
Unusable reserves	162,489	25,237	187,726
TOTAL RESERVES	**221,580**	**25,237**	**246,817**

42 Heritage Assets

	Museum Collection £'000	Hall Place Hall Place House £'000	Hall Place Granary £'000	Danson House House £'000	Danson House 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 2010	374	20,787	35	6,504	223	235	4,000	180	262	32,599
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	7	0	0	0	5	0	0	0	0	12
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 2011	**381**	**20,787**	**35**	**6,504**	**228**	**235**	**4,000**	**180**	**262**	**32,611**
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**

42 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.

Historic Buildings
The Council owns two Grade 1 listed historic houses - Danson House and Hall Place. In July 2009 following a programme of restoration, Bexley Heritage Trust commissioned Zurich Risk Engineering Services, a subsidiary of Zurich Insurance Company, to carry out an assessment of building reinstatement costs for Hall Place. In addition, the Council's Property Services Section carried out a valuation of the Hall Place granary as at 31 March 2010. An initial assessment of building reinstatement costs has also been carried out by Zurich Insurance for Danson House. Hall Place, Danson House and Hall Place granary are subject to further revaluations as part of the Council's 5 year rolling revaluation programme.

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 £84,475), opulent Georgian mirrors (valued at £66,914), 19 Georgian naturalistic wall paintings (valued at £55,764) and a salon chandelier (valued at £20,075).

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 and the Five Arches bridge were valued as at 31 March 2010. In addition, both assets are subject to further revaluations as part of the Council's 5 year rolling revaluation programme.

Public Art Work
Public art work is reported in the Balance Sheet at cost.

Civic Regalia
The Council commissioned a local jewellers, Beever's Ltd, to value the Civic Regalia Collection for insurance purposes in June 2009. The Civic Regalia is subject to periodic valuations.

Additions of Heritage Assets in 2011/12
The Cob, a five metre high steel Gypsy Cob horse, was completed by artist Andy Scott during 2011/12 at a cost of £156,550.

Disposals of Heritage Assets in 2011/12
There were no disposals of heritage assets in 2011/12.

Five Year Summary of Transactions

	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'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	120	0	0	0	157
Civic Regalia	0	0	0	0	0
Total Cost of Acquisitions	**120**	**0**	**0**	**0**	**157**

There were no heritage assets donated to the Council in the period 2007/08 to 2011/12.
There were no disposals or impairments of heritage assets in the period 2007/08 to 2011/12.

Further Information

Museum Collection
Bexley Heritage Trust manages the Bexley museum collection which has over 50,000 objects collected since the 1920s. The collection has expanded over many years through acquisitions and donations and the majority of items are linked to the borough, local people, places and events. It includes pottery, coins, toys, agricultural tools, natural history items, archaeology items and armour. The museum exhibitions on display are housed on the first floor of Hall Place house, the ground floor of Danson House and in display cases in the new Erith Library and the service provided is constantly under review by the Collections Manager.

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 working towards compiling the collection on-line for the public to search and view remotely.

Historical Buildings
Danson House
Danson House was built in 1766 in Bexleyheath for Sir John Boyd, a wealthy sugar merchant and vice-chairman of the British East India company, by his architect Sir Robert Taylor (who was also the architect of the Bank of England).

During the twentieth century the house fell into decay having been uninhabited since 1923. The building was acquired by the Bexley Urban District Council in 1924. In 1995 English Heritage identified the house as 'the most significant building at risk in London' and an agreement with English Heritage enabled a major restoration of the building to be undertaken. The Grade 1 listed building was renovated by English Heritage and in 2004 Bexley Heritage Trust took on the management of Danson House

In 2005 the restored interior opened to the public with period room displays, exhibitions, audiovisual presentations and knowledgeable room stewards to guide visitors. The house is an excellent example of a lavish Georgian Palladian style house. Danson House is open to the public from Sunday to Thursday each week from the beginning of April to the end of October.

Hall Place
Hall Place is a fine Grade I listed country house built in 1537 for Sir John Champneys, a wealthy merchant and former Lord Mayor of London. The house boasts a panelled Tudor Great Hall, overlooked by a minstrel's gallery, and various period rooms.

In 2006 Bexley Heritage Trust secured lottery funding to enable the Trust to undertake a programme of restoration works. In February 2009 Hall Place reopened after completion of an extensive restoration and development programme. This work included improved access to the house and refurbishment of several rooms including the Great Hall and Tudor kitchen.

In addition to the house, a staddlestone granary is sited at Hall Place. Staddle stones were originally used to raise tithe barns and granaries off the ground. This kept the produce from spoilage by damp; the mushroom shaped staddle stone caps also prevented mice and other vermin from gaining access to the barn.

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

Historical Structures and Monuments
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 Bexleyheath Clock Tower has alcoves with busts of King George V and William Morris, the designer and writer who lived in The Red House between 1860 - 1865.

The clock towers are situated in Bexleyheath Broadway and Crayford Tower Retail Park 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. Sir Francis (1532-90) was Secretary of State (1573-90) to Elizabeth I. The estate remained in the Walsingham family until the end of the 17th century. 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 by Richard de Luci the Chief Justiciar of England in 1178. The Abbey never became a large community, and was closed by Cardinal Wolsey, Henry VIII's chief minister, in 1525, under a licence to suppress monasteries of less than seven inmates. Most of the abbey was pulled down soon after and used for building materials. Since this time it's ownership has passed through many hands before London County Council purchased the land in 1930 and opened it as a public park a year later. Since 1986 the site has belonged to 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.

Public Art Work
The key permanent sculptures commissioned are The Cob, De Luci Pike and Earth Core Columns.

Artist Andy Scott was commissioned in 2010/11 to develop a towering five metre high steel Gypsy cob horse in Belvedere (located on a roundabout at the junction of Bronze Age Way and Picardy Manorway) as a key focal point of a public art project in the area. The Cob celebrates the unique character and industrial heritage of the area. The Cob was completed in 2011/12.

The Erith Public Art Scheme was commissioned in 2004 as part of the regeneration of Erith Town Centre. The objective was to reflect the town's location on the River Thames which has been key to the development and growth of Erith and resulted in the commissioning of the De Luci Pike. 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. 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 sculpture is intended to be a vibrant local landmark that marks one of the key gateways into Erith.

In addition, in 2007/08, Gary Drostle and Onya McCausland were commissioned to sculpt the Earth Core Columns. This series of five sculptures were 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 designs featured on each column include words and art-work created by children and young people, snapshots of their personal history as Erith residents and drawings of fossils and finds.

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

Civic Regalia
The maces, robes and chains of office used by the Mayor and the Deputy Mayor and their partners are collectively known as the Civic Regalia and are symbols of the authority of the Civic Office which the Mayor holds. The Council has many fine pieces of civic regalia the vast majority of which have been given over the years by its citizens and leaders of industry.

The mace is unique in design. It is shaped in the form of a battle axe, thus reviving the concept of the one time use of a mace, as a fighting weapon of war. Made of silver and silver gilt, it is 1.2 metres long with the borough coat of arms on each side of the axe. The head is embossed with the royal coat of arms, representing the royal authority.

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.

Heritage Assets of Particular Importance
As explained above, the Council owns two Grade 1 listed historic houses - Danson House and Hall Place - which it regards as particularly significant. Danson House is an excellent example of a lavish Georgian Palladian style house. Hall Place is a fine example of a Tudor country house complete with a panelled Tudor Great Hall, overlooked by a minstrel's gallery.

Preservation and Management
Bexley Heritage Trust is responsible for Hall Place and Danson House including the museum collections. It took over the management of Hall Place in 2000 from the Council under a management agreement. In 2004 the Council granted the Trust a thirty year lease of Danson House with a separate management agreement and the house opened to the public in March 2005. In 2007 the Trust was granted a thirty year management agreement and lease for Hall Place. The Trust's mission statement is as follows:

"To preserve and enhance the buildings, gardens and collections under Bexley Heritage Trust's control and to provide vibrant and viable cultural sites and activities for the education and enjoyment of everyone."

The Trust submit an annual Business Plan to the Council for approval by the Cabinet. The Council pay the Trust a management fee based on their Business Plan and the grant is reflected in the Council's Comprehensive Income and Expenditure Statement. The Trust is required to prepare a quarterly management report against agreed performance indicators which is reported to the Council's 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 £28,000 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.

Hall Place and Danson House have full museum accreditation and the collections are managed by a 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 2009–2012, Bexley Museums Documentation Plan* and *Bexley Museums Acquisition and Disposal Policy 2007–2012*.

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 Trust's objectives for the Museum Collection. In 2011/12 the Trust has focused on collections management and the computerisation of and development of museum records to improve the collections management in line with Accreditation Standards.

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.

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.

The Council's Macebearer is responsible for the upkeep of the Council's Civic regalia. The Macebearer reports to the Members' Services Manager. Repairs are undertaken on an ad-hoc basis as and when necessary and expenditure incurred would be charged to the Comprehensive Income and Expenditure Statement.

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 and Scrutiny 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* 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.

Change in Accounting Policy Required by the Code of Practice for Local Authority Accounting

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Council. As set out in the accounting policies, the Council now requires heritage assets to be carried in the Balance Sheet at valuation.

Heritage Assets

For 2011/12, the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost), or in some instances as land and building or infrastructure, in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. The Council's accounting policies for recognition and measurement of heritage assets are set out in note 1.27.

In applying the new accounting policy, the Council has identified that as at 1 April 2010 the assets that were previously held as property, plant and equipment at £7.4m should now be recognised as heritage assets and measured at £28m with a corresponding increase in the Revaluation Reserve of £20.6m. These assets relate to Danson House, Bexleyheath and Crayford Clock Towers and the Council's civic regalia which were previously recognised in the community assets classification of property, plant and equipment. In addition, Hall Place was previously recognised in the land and buildings classification of property, plant and equipment as at 1 April 2010 and during 2010/11 was reclassified and transferred to community assets. In accordance with the new accounting policy Hall Place has been recognised as a heritage asset as at 1 April 2010. Two pieces of public art work previously recognised in infrastructure assets have also been reclassified as heritage assets. The Council will also recognise an additional £4.6m for the recognition of heritage assets in relation to a proportion of the Council's museum collection, Danson House exhibits and Five Arches Bridge that were not previously recognised in the Balance Sheet. Again, this increase is also recognised in the Revaluation Reserve. The 1 April 2010 and 31 March

2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation of £32.6m. The element that was previously recognised in property, plant and equipment has been reclassified and written down by £7.4m primarily in respect of Hall Place. The revaluation reserve has increased by £25.2m. In addition, £18,000 of depreciation previously charged in respect of infrastructure costs in relation to public art works reclassified as heritage assets has been written out to the Capital Adjustment Account.

- The fully restated 1 April 2010 Balance Sheet is provided in note 41. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Opening Balance Sheet as at 1 April 2010

	Opening Balance as at 1 April 2010	Restatement	Restated opening balance as at 1 April 2010
	£'000	£'000	£'000
Property, Plant and Equipment	474,603	-7,362	467,241
Heritage Assets	0	32,599	32,599
Long-term Assets	**474,603**	**25,237**	**499,840**
Unusable Reserves			
- Revaluation Reserve	42,280	25,219	67,499
- Capital Adjustment Account	316,025	18	316,043
	358,305	**25,237**	**383,542**

Comprehensive Income and Expenditure Statement
During 2010/11 Hall Place was reclassified as a Community Asset and the valuation adjusted to historic cost with a revaluation loss of £7.2m reflected in the Comprehensive Income and Expenditure Statement. Under the restatement, Hall Place has been reclassified as a Heritage Asset as at 1 April 2010 and the line in the Comprehensive Income and Expenditure Statement has been restated to reverse this revaluation loss.

A further minor restatement has been made to two lines in the Comprehensive Income and Expenditure Statement. During 2010/11 depreciation of £4,500 relating to street furniture infrastructure assets which included two pieces of public art work subsequently reclassified as heritage assets has been reversed.

Movement in Reserves Statement
The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2011, as a result of the application of this new accounting policy is presented in note 41.

The resulting restated balance Sheet for 31 March 2011 is provided in note 41. The adjustments have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Balance Sheet as at 31 March 2011

	Balance as at 31 March 2011	Restatement	Restated Balance as at 31 March 2011
	£'000	£'000	£'000
Property, Plant and Equipment	526,935	-166	526,769
Heritage Assets	0	32,611	32,611
Long-term Assets	**526,935**	**32,445**	**559,380**
Unusable Reserves			
- Revaluation Reserve	59,234	25,231	84,465
- Capital Adjustment Account	349,812	7,214	357,026
	409,046	**32,445**	**441,491**

The effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at £32.6m on the Balance Sheet resulting in an increase to the Revaluation Reserve of £25.2m. The Capital Adjustment Account has been restated by £7.2m in respect of the reversal of the previous downward revaluation of Hall Place, when it was transferred to community assets, as under the new accounting policy Hall Place has been reclassified as a heritage asset as at 1 April 2010. Property, plant and equipment has been restated by the amount of heritage assets previously recognised at cost in community assets and infrastructure (a sub-classification of property, plant and equipment) of £0.2m.

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.

2010/11			2011/12
£'000	**INCOME**	**Note**	**£'000**
-136,631	Gross Council Tax		-136,385
3,292	Exemptions		3,480
10,802	Discounts		11,269
238	Write-offs		564
16,319	Council Tax Benefit		16,451
-105,980	Income from Council Tax Payers		-104,621
-16,319	Council Tax Benefit		-16,451
-56,124	Income from Business Ratepayers	2	-59,474
-1,992	Income from Business Rate Supplement (BRS)	4	-1,995
-180,415	**TOTAL INCOME**		**-182,541**
	EXPENDITURE		
93,951	Bexley's Demand on the Collection Fund	3	94,983
25,791	Greater London Authority Precept	3	26,075
119,742	Total Demands and Precepts		121,058
55,181	Contribution to Business Rate Pool		59,110
260	Allowance for Cost of Business Rate Collection		259
160	Interest on Business Rate Refunds		48
1,959	Payments to Greater London Authority's BRS Account	4	1,984
33	BRS Administrative Costs	4	11
523	Provision made for Business Rate Bad Debts		57
459	Provision made for Council Tax Bad Debts		221
	Distribution of previous year's estimated Fund Deficit(-) or Surplus		
-235	- London Borough of Bexley		628
-65	- Greater London Authority		172
178,017	**TOTAL EXPENDITURE**		**183,548**
-2,398	**Surplus (-)/ Deficit For The Year**		**1,007**
137	**Collection Fund Balance Brought Forward**		**-2,261**
-2,261	**Collection Fund Balance Carried Forward**		**-1,254**

Notes to the Collection Fund Account

Note 1 - Council Tax

For 2011/12, the Council Tax was set by the Council at £1,438.41 (£1,438.41 in 2010/11) for a property in band D. For 2011/12, the Council Tax was calculated using an estimated Council Tax Base of 84,161 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	4,834	3,836	6/9	2,557
B	9,977	8,124	7/9	6,318
C	28,015	24,538	8/9	21,812
D	26,617	24,262	9/9	24,262
E	19,172	17,691	11/9	21,622
F	4,597	4,295	13/9	6,204
G	1,659	1,561	15/9	2,602
H	44	31	18/9	62
Total	**94,915**	**84,343**		**85,442**
Less Allowance for Non-Collection				**-1,281**
Council Tax Base 2011/12				**84,161**

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 2011/12, were 43.3p in the pound and 42.6p in the pound for small businesses (for 2010/11, 41.4p in the pound and 40.7p 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:

2010/11 £'000			2011/12 £'000
63,594	Gross Non-domestic rateable value *		70,831
3,489	Less:	Voids	2,961
-922		Transitional Relief	-849
4,709		Mandatory & Discretionary Relief	8,405
194		Write off	840
56,124	**TO COLLECTION FUND**		**59,474**
420	Less:	Cost of Collection Allowance, etc	307
523		Bad and Doubtful Debt Provision	57
55,181	Net Contribution to Business Rate Pool		59,110
2,093	Redistribution from/to Business Rate Pool		-8,205
57,274	**Net Income paid to General Fund**		**50,905**

* The total non-domestic rateable value as at 31 March 2012 was £167.630m (£165.238m as at 31 March 2011). 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) - £94.983m in 2011/12 (£93.951m in 2010/11) and the Greater London Authority (the precepting authority) - £26.075m in 2011/12 (£25.791m in 2010/11). These figures are before the distribution of any previous year's estimated Fund surplus or deficit; for the London Borough of Bexley this is £0.628m surplus distribution in 2011/12 (£0.235m deficit distribution in 2010/11) and for the Greater London Authority this is £0.172m surplus distribution in 2011/12 (£0.065m deficit distribution in 2010/11). 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 105 to 127 and have been prepared in accordance with the accounting policies set out on page 108.

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 2012.

Michael Ellsmore

Director of Finance and Resources

September 2012

Pension Fund Account

2010/11 £'000		Note	2011/12 £'000
	Dealings with members, employers and others directly involved in the scheme		
-23,423	Contributions	6	-20,375
-2,900	Transfers in from other pension funds	7	-1,847
-26,323	**Total contributions**		**-22,222**
21,639	Benefits	8	26,154
2,177	Payments to and on account of leavers	9	1,996
769	Administrative expenses borne by the scheme	10	782
24,585	**Total benefits and administration expenses**		**28,932**
-1,738	**Sub-total: Net additions (-) / withdrawals from dealings with members**		**6,710**
	Returns on investments		
-14,225	Investment income	11	-12,781
382	Taxes on income		338
-24,980	Profit and losses on disposal of investments and changes in value of investments	12	5,560
1,418	Investment management expenses	15	1,223
-37,405	**Sub-total: Net returns on investments**		**-5,660**
-39,143	**Net increase (-) / decrease in the net assets available for benefits during the year**		**1,050**

Pension Fund Net Assets Statement

31.3.2011 £'000		Note	31.3.2012 £'000
487,877	Investment Assets	12	484,671
-788	Investment Liabilities	14	-374
0	Borrowings		0
314	Current Assets	16	2,057
-592	Current Liabilities	17	-593
486,811	**Net assets of the scheme available to fund benefits at the period end**		**485,761**

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 .

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)
Bexley College
Harris Academy Falconwood
Erith School
Bexley Grammar School
Beths Grammar School
Trinity Church of England School, Belvedere
East Wickham Infant School
Welling School
Chislehurst and Sidcup Grammar School
Hurstmere School
Bexleyheath Academy
Woodland Academy Trust
St Catherine's Catholic School
Townley Grammar School

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 2011 Restated		**31 March 2012**
19	Number of employers with active members	30
	Number of employees in the fund	
3,770	London Borough of Bexley	3,279
823	Other employers	1,191
4,593	*Total*	*4,470*
	Number of pensioners in the fund	
3,511	London Borough of Bexley	3,805
514	Other employers	402
4,025	*Total*	*4,207*
	Number of deferred pensioners in the fund	
3,072	London Borough of Bexley	3,246
394	Other employers	366
3,466	*Total*	*3,612*

The membership analysis by employing body has been restated for 2010/11 to reflect the London Borough of Bexley taking responsibility for benefit payments to pensioners of bodies with no contributing members.

Over the last five years membership numbers have increased:

Membership Analysis 31 March 2008- 31 March 2012

	31.3.08	**31.3.09**	**31.3.10**	**31.3.11**	**31.3.12**
Employees in the Fund	4,594	4,744	4,742	4,593	4,470
Deferred Pensioners	3,067	3,216	3,319	3,466	3,612
Pensioners in the Fund	3,569	3,727	3,877	4,025	4,207

(c) Funding

In 2011/12, 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 2011/12 was 20.0% of payroll (20.0% in 2010/11). Other bodies employer's future service contributions in 2011/12 varied between 11.9% and 21.9% 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 2007/08 – 2011/12

	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
Contributions to the Scheme	-18,146	-21,422	-24,570	-26,323	-22,222
Benefits Paid and Admin Expenses	22,993	23,341	24,949	24,585	28,932
Net Return on Investments	4,403	65,689	-121,735	-37,405	-5,660
Net Increase (-) / Decrease in Year	**9,250**	**67,608**	**-121,356**	**-39,143**	**1,050**
Value of Fund Brought Forward	403,170	393,920	326,312	447,668	486,811
Value of Fund Carried Forward	393,920	326,312	447,668	486,811	485,761

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 2011/12 financial year and its position at the year end of 31 March 2012. They have been prepared in accordance with the guidelines set out in Section 2 of the Statement of Recommended Practice for Financial Reports of Pension Schemes 2007, and with the requirements of the CIPFA Code of Practice on Local Authority Accounting 2011/12. The CIPFA Code is based upon International Financial Reporting Standards (IFRSs), 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 27 September 2012. 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 2012, 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 2012 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 £22m and a one year increase in assumed life expectancy would increase the liability by around £11m.

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 £19.7m. There is a risk that this investment may be under- or overstated in the accounts.

6 Contributions

2010/11 £'000		2011/12 £'000
	From Employers	
9,449	London Borough of Bexley – normal	7,466
493	Scheduled bodies – normal	1,240
1,225	Admitted bodies – normal	1,147
6,361	London Borough of Bexley – deficit funding	4,384
145	Scheduled bodies – deficit funding	692
266	Admitted bodies – deficit funding	313
6	London Borough of Bexley – augmentation	6
0	Scheduled bodies – augmentation	0
0	Admitted bodies – augmentation	0
	From Members	
4,465	London Borough of Bexley – normal	3,856
229	Scheduled bodies – normal	596
625	Admitted bodies – normal	541
149	London Borough of Bexley – additional voluntary	120
4	Scheduled bodies – additional voluntary	7
6	Admitted bodies – additional voluntary	7
23,423	**Total contributions**	**20,375**

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:-

2010/11 £'000		2011/12 £'000
546	Value of funds at start of year	551
95	Employees contributions	191
28	Investment income	48
8	Transfers in	23
11	Change in market value	7
-137	Benefits paid and transfers out	-239
551	**Value of funds at end of year**	**581**

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.

2010/11 £'000		2011/12 £'000
2,814	London Borough of Bexley	1,725
65	Scheduled bodies	22
21	Admitted bodies	100
2,900	**Total**	**1,847**

8 Benefits

2010/11 £'000		2011/12 £'000
17,731	Pensions	19,156
6	Augmented service	6
3,385	Commutation of pensions and lump sum retirement benefits	6,263
517	Lump sum death benefits	729
21,639	**Total**	**26,154**

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

Restated		
19,218	London Borough of Bexley	23,786
417	Scheduled bodies	707
2,004	Admitted bodies	1,661
21,639	**Total**	**26,154**

The analysis by employing body has been restated for 2010/11 to reflect the London Borough of Bexley taking responsibility for benefit payments to pensioners of bodies with no contributing members.

9 Payments to and on account of leavers

2010/11 £'000		2011/12 £'000
10	Refunds of contributions	2
2,167	Individual transfers out to other schemes	1,994
2,177	**Total**	**1,996**

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

2,137	London Borough of Bexley	1,961
39	Scheduled bodies	35
1	Admitted bodies	0
2,177	**Total**	**1,996**

At the year end there were liabilities of £0.01m 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

2010/11 £'000		2011/12 £'000
226	Administrative services	226
430	Payroll, personnel and finance services	434
49	Actuarial services	24
35	Audit fee	32
18	Tax advisory services	0
11	Miscellaneous expenses	66
769	**Total**	**782**

11 Investment income

2010/11 £'000		2011/12 £'000
3,987	Income from fixed interest securities	932
9,521	Dividends from equities	9,592
43	Income from index-linked securities	11
645	Income from pooled investment vehicles	2,185
26	Interest on cash deposits	48
3	Other investment income	13
14,225		**12,781**
-382	Irrecoverable withholding tax	-338
13,843	**Total investment income**	**12,443**

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.

In April £25m was transferred from Newton's bond portfolio to a new bond investment with BlackRock. This was allocated 60% to their gilts fund and 40% to the corporate bond fund. In November the gilts fund was sold and the bond holding rebalanced to be 50% index-linked gilts and 50% corporate bonds.

At the end of September further changes to Newton's mandate were made to leave them with around £220m - 50% of the overall fund. 90% of their portfolio was invested in a segregated global equity fund and 10% in their global dynamic bond fund. This enabled an initial investment of £62m to be made in Standard Life's Global Absolute Return Strategies (GARS) fund, a diversified growth fund.

In October the £10m received from the redemption of Man Investments' fund of hedge funds was added to Standard Life's GARS fund. Partners Group continued to draw down funds for investment in private equity and they had at 31 March 2012 drawn down £22m of a £29m (€35m) commitment. Further property investments of £10m were made in the year into the WELPUT and Standard Life Retail Parks property funds/unit trusts following advice from Jones Lang LaSalle.

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

31.3.2011		31.3.2012
12.1%	Bonds	10.6%
72.1%	Equities	61.0%
3.4%	Private Equity	3.9%
4.1%	Property	6.5%
0.0%	Diversified Growth	16.2%
2.2%	Hedge Funds	0.0%
6.1%	Cash	1.8%

The Fund's investment return for the year was a gain of 1.4%, although total assets decreased from £486.811m to £485.761m as some investment income was used to finance benefits in the year. This was worse than the return on the Fund's specific benchmark of 4.1%. Stock markets were very volatile during the year reflecting the downturn in economic activity and financial problems in the Eurozone. Over a five year period the Fund's annual return was 4.5% pa compared to the average return of 5.1% pa that the benchmark would have achieved.

12b Reconciliation of movements in investments

	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**

Equivalent figures for 2010/11 were:

	Value at 31.3.2010	Purchases at cost	Sales proceeds	Transfers	Change in Market value	Value at 31.3.2011
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fixed interest securities	74,636	57,221	-77,087		228	54,998
Index linked securities	0	8,445	-5,237		115	3,323
Equities	317,761	91,653	-102,652		18,715	325,477
Pooled investment vehicles (non bond)	46,954	43,253	-3,340		6,125	92,992
Derivatives	329	106,972	-105,282		-2,019	0
	439,680	**307,544**	**-293,598**	**0**	**23,164**	**476,790**
Cash/temporary investments	8,481				-1,649	6,193
Outstanding investment transactions debtors	1,120				3,537	4,894
	449,281					**487,877**
Current Net Assets/Liabilities (-)	-768				-129	-278
Outstanding investment transactions creditors	-845				57	-788
Net assets	**447,668**				**24,980**	**486,811**

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 2011/12 were £341,000 (£335,000 in 2010/11). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

12c Analysis of investments

31.3.2011 £'000		31.3.2012 £'000
	Fixed interest securities	
20,799	UK Quoted – public sector	0
30,789	UK Quoted – other	0
3,410	Overseas Quoted – other	0
54,998		**0**
3,323	**Index linked securities UK quoted – public sector**	**0**
	Equities	
170,757	UK quoted	101,533
154,720	Overseas quoted	182,076
325,477		**283,609**
	Pooled investment vehicles	
20,094	Managed funds – UK property unquoted	31,243
0	Managed funds – UK fixed interest unquoted	13,957
0	Managed funds – Overseas fixed interest unquoted	23,268
0	Managed funds – UK index linked unquoted	13,916
17,126	Managed funds – Overseas limited liability partnership unquoted	19,704
21,654	Managed funds – UK Liquidity Fund quoted	0
1,767	Unitised insurance policy - UK quoted	0
0	Unitised insurance policy - Overseas unquoted	78,018
5,001	Unit trusts – UK unquoted	1,006
27,350	Unit trusts – Overseas unquoted	9,893
92,992		**191,005**
0	Derivatives	-273
6,193	Cash/temporary investments	4,034
	Other investment balances	
4,894	Debtors	6,296

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 €23.64m which equates to £19.704m, using the exchange rate of €1.1998 to £1 applicable at 31 March 2012.

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 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	31.3.2012 £'000	31.3.2012 % 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			
Standard Life Global Absolute Return Strategy	Standard Life	78,018	43.3
BlackRock Bond Fund	BlackRock	27,873	15.5
Newton Global Dynamic Bond Fund	Newton	23,268	12.9
Partners Group Global Value 2006	Partners	12,165	6.8
WELPUT Property Fund	WELPUT	9,234	5.1

Equivalent figures as at 31st March 2011 were as follows:

Asset Class / Security Name	Manager	31.03.11 £'000	31.03.11 % within asset class
UK Equities			
Vodafone Group PLC	Newton and UBS	16,412	9.6
Royal Dutch Shell PLC	Newton and UBS	15,149	8.9
GlaxoSmithKline PLC	Newton and UBS	14,039	8.2
BP PLC	Newton and UBS	12,577	7.4
UK Fixed Interest			
UK Treasury Gilt 4%	Newton	7,784	15.1
UK Treasury Stock 4.75%	Newton	4,300	8.3
UK Treasury Gilt 5%	Newton	3,508	6.8
UK Treasury Gilt 4.25%	Newton	3,179	6.2
Overseas Fixed Interest			
Norway (Kingdom of) 4.25%	Newton	3,410	100.0
Index Linked			
UK Treasury Gilt 0.625%	Newton	2,075	62.4
UK Treasury Stock 2.5%	Newton	1,248	37.6

Pooled Investment Vehicles - Managed Funds			
Newton South East Asia Fund	Newton	16,843	52.1
Newton UK Smaller Companies	Newton	4,997	15.4
Pooled Investment Vehicles - Unit Trusts			
BNY Mellon Liquidity Funds Sterling Adv	Newton Liquidity Fund	21,654	35.7
Man Four Seasons Strategies GBP	Man Investments	10,507	32.5
Partners Group Global Value 2006	Partners	11,036	18.2
Shopping Centre Property Fund	Standard Life	6,998	11.5
Partners Group Global Value 2008	Partners	6,090	10.0
Threadneedle Property Fund	Threadneedle	4,384	7.2
BlackRock Property Fund	BlackRock	4,009	6.6

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 2012 was a £11.447m forward purchase of US dollars in December 2011 for June 2012 valued at £11.174m as at 31 March 2012.

12e Investments analysed by fund manager

31.3.2011 £'000	%		31.3.2012 £'000	%
324,570	66.6	Newton Investment Management Ltd	246,157	50.8
89,661	18.4	UBS Global Asset Management Ltd	80,781	16.7
25,001	5.1	Newton Liquidity Fund	0	
0		Standard Life (GARS)	78,018	16.1
0		BlackRock Bond Fund	28,104	5.8
17,126	3.5	Partners Group	19,704	4.1
10,507	2.2	Man Investments	0	
8,766	1.8	Standard Life	12,791	2.7
2,394	0.5	WELPUT	9,346	1.9
4,384	0.9	Threadneedle	4,627	1.0
4,048	0.9	BlackRock Property	4,065	0.8
632	0.1	X-Leisure	704	0.1
487,089			**484,297**	
-278		Current Net Assets/Liabilities (-)	1,464	
486,811			**485,761**	

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 new allocations to hedge funds and private equity have been made, and the long term asset allocation agreed in February 2011 includes a new allocation to Diversified Growth Funds and increases in 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

At March 2011 the majority of financial assets were classified as “available for sale”. These have been reclassified this year as “at fair value through profit or loss” to more closely meet the requirements of the Code.

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.

31.3.2011 £’000	**Financial Assets**	**31.3.2012 £’000**
11,401	Loans and receivables	12,387
476,790	Financial assets at fair value through profit or loss	474,614
488,191	**Total**	**487,001**

31.3.2011 £’000	**Financial Liabilities**	**31.3.2012 £’000**
-1,380	Financial liabilities at amortised cost	-967
0	Financial liabilities at fair value through profit or loss	-273
-1,380	**Total**	**-1,240**

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		
2011/12	**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**

	Financial Assets		Financial Liabilities		
2010/11	**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		-383			-383
Losses on derecognition		-6,534			-6,534
Total expense in Fund Account	**0**	**-6,917**	**0**	**0**	**-6,917**
Interest income		4,059			4,059
Dividend income		10,167			10,167
Gains on derecognition		19,357			19,357
Total income in Fund Account	**0**	**33,583**	**0**	**0**	**33,583**
Gains on revaluation	5,465	14,014	430		19,909
Losses on revaluation	-3,486	-3,671	-595		-7,752
Surplus/deficit arising on financial assets in the Fund Account	**1,979**	**10,343**	**-165**	**0**	**12,157**
Net gain / loss(-) for the year	**1,979**	**37,009**	**-165**	**0**	**38,823**

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. There is a higher credit risk involved in the Fund's allocation to private equity (3.9% at 31 March 2012 and 3.4% at 31 March 2011) 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 2011/12 then a loss of income of £480,000 would have occurred (£476,000 in 2010/11). 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

2012 was £313,000. 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 2012.

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 2011/12 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. From 1 April 2011 the Fund operated 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 2012 the value of illiquid assets was £51m, which represented 11% of total fund assets (31 March 2011: £48m which represented 10% 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 2012 the Fund had £51.1m invested in three bond funds. (Bond investments were £58.3m at 31 March 2011). If interest rates on these investments varied by 1% the impact on the fund would be £511,000 (£583,000 at 31 March 2011).
- 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 2012, the Fund valuation would have been £28.4m lower (£32.5m lower at 31 March 2011). However, in this scenario it is quite likely that bond funds would have been priced 10% higher offsetting the lower valuation by £5.1m at 31 March 2012 (£5.8m at 31 March 2011).
- 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 £182.1m overseas equities at 31 March 2012 (£154.7m at 31 March 2011), 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 £18.2m (£15.5m at 31 March 2011).

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 and hedge fund of funds, 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 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**

Values at 31 March 2011

Financial Assets	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Loans and receivables	11,401			11,401
Financial assets at fair value through profit or loss	407,219	41,934	27,637	476,790
Total financial assets				**488,191**
Financial Liabilities				
Financial liabilities at amortised cost	-1,380			-1,380
Financial liabilities at fair value through profit or loss				0
Total financial liabilities				**-1,380**
Net financial assets				**486,811**

14 Investment Liabilities

2010/11 £'000		**2011/12 £'000**
788	Creditors	374
788	**Total**	**374**

These amounts represent unsettled investment transactions as at year end.

15 Investment management expenses

2010/11 £'000		2011/12 £'000
1,086	Investment manager fees	917
-68	Fee rebate	0
10	Custodian fees	10
374	Advisory fees	281
16	Performance measurement services	15
1,418	**Total**	**1,223**

The fund management fees for the fund of hedge funds, 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 £833,000 in 2011/12 (£608,000 in 2010/11). A one-off funds of private equity fund fee rebate is included above as it was identified separately by the manager.

16 Current assets

2010/11 £'000		2011/12 £'000
	Contributions due from employers	
163	- in respect of employer	1,251
145	- in respect of members	404
6	- in respect of previous employment	7
0	Sundry debtors	82
0	Cash at bank	313
314	**Total**	**2,057**

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

0	- in respect of central government bodies	25
4	- in respect of other local authorities	1,300
2	- in respect of NHS bodies	2
308	- in respect of other entities and individuals	417
314	**Total**	**1,744**

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

17 Current liabilities

2010/11 £'000		2011/12 £'000
-178	Unpaid benefits	-44
-83	Balances due to the administering authority	0
0	Sundry creditors	-223
-331	Accrued expenses	-326
-592	**Total**	**-593**

These liabilities can also be analysed as follows:-

-3	- in respect of central government bodies	-3
-1	- in respect of other local authorities	-37
-9	- in respect of public corporation and trading funds	-8
-579	- in respect of other entities and individuals	-545
-592	**Total**	**-593**

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

Shortly after the end of the financial year a new £33.3m commitment to a fund of private equity funds was entered into. This new partnership drew down £8.2m on 27 April 2012. There were no other material subsequent events.

20 Contingent Liabilities

The Pension Fund has a commitment to contribute a further £7.1m (£11.6m as at 31 March 2011) 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 2012, 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 2011/12 from the London Borough of Bexley to the Pension Fund included in administration costs. Full details of key management personnel compensation is disclosed in the Council's main accounts. The Director of Finance and Resources allocates 5% of his time to the Pension Fund, but the full capital value of his pension entitlement at 31 March 2012 was £1.36m (£1.26m as at 31 March 2011)

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. These Pension Fund bank accounts began operating from 1 April 2011.

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 will take place as at 31 March 2013.

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:-

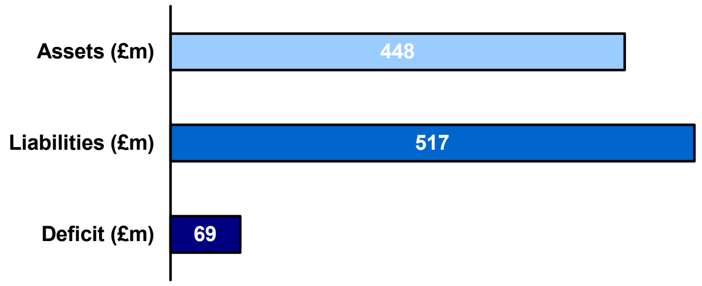
LONDON BOROUGH OF BEXLEY PENSION FUND

Accounts for the year ended 31 March 2012 - 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 - post retirement	6.25% per annum 6.25% per annum	6.75% 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:

	31 March 2011	31 March 2012
Rate of return on investments (discount rate)	5.5% per annum	4.9% per annum
Rate of pay increases	4.4% per annum	4.0% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.9% per annum	2.5% per annum

We have also used methodology in connection with ill-health and death benefits which is consistent with IAS 19. Demographic assumptions are the same as those used for funding purposes.

On this basis, the value of the Fund's promised retirement benefits as at 31 March 2011 and 31 March 2012 were £603 million and £648 million respectively. During the year, corporate bond yields reduced significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (4.9% p.a. versus 5.5% p.a.), and in addition there was a reduction in inflation expectations (from 2.9% p.a. to 2.5% p.a.). The net effect of these changes is an increase in the Fund's liabilities for the purposes of IAS26 of about £20 million.

Ian Kirk
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2012

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.

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.

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

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.

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

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.

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 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.