LONDON BOROUGH OF BEXLEY

STATEMENT OF ACCOUNTS 2013/14

September 2014

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Explanatory Foreword

Introduction

Bexley's Statement of Accounts for 2013/14 sets out the Council's financial position and performance for the year. It has been prepared following International Financial Reporting Standards (IFRSs) and in accordance with the 2013/14 Code of Practice on Local Authority Accounting (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA) together with guidance notes issued by them.

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

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

Background to the London Borough of Bexley

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

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

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

The Council provides a wide range of services to the public. Many of these services are supplied by the private and voluntary sector ranging from waste collection and disposal to residential care of children and adults. The Council's gross revenue spending in 2013/14 was £491m of which £105m related to spending on schools and a further £96m related to benefit payments. Income came principally from the Government (£283m), Council Tax (£84m) and business rates (£32m) with the balance from charges for services and other minor sources.

The Council's Corporate Aims and Objectives

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

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

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

Explanation of the Financial Statements

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

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

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

Balance Sheet
The Balance Sheet shows the value as at 31 March 2014 of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by its reserves. Reserves are reported in two categories as explained above. With regard to those reserves that the Council is not able to use to provide services, this category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves holding timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’. Details of the movements in Reserves are included in the Movement in Reserves Statement

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

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

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

Financial Performance for the Year

(a) Revenue Expenditure

The Council manages and controls spending on its services through its General Fund.

The Council's gross cost of providing services is reduced by specific grants (the biggest of which are Dedicated Schools Grant of £104m and Benefits subsidy of £94m) and other income such as charges levied for services to arrive at net expenditure. Net expenditure is financed from National Non-Domestic Rates, Revenue Support Grant, Core Grants, Council Tax and reserves.

The budget was monitored throughout the year and the last quarterly monitoring published on the Council's website projected a small net underspend of £0.121m. Further underspendings totalling £0.762m have been identified since that time and following the procedure adopted in the last two years, the net underspending has been transferred to the Financial Planning Reserve.

The final approved General Fund budget for net expenditure in 2013/14 was therefore £175.175m whereas the actual amount charged was £175.057m, a variation of £0.118m. In respect of the funding, Bexley received additional Government grant of £0.109m, which was mainly due to the distribution of money it previously held back to finance capitalisation. This took the final surplus for the year to £0.227m which represents the increase in pooled budgets. Therefore, the unallocated General Fund balance at 31 March 2014 was unchanged during the year and stood at £12.740m.

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

	Final Budget (1)	Actual Expend. (2)	Variation (2) – (1)
	£'000	£'000	£'000
Net Expenditure on Services	180,685	180,149	-536
Financing Costs & Movements in Reserves	-12,894	-12,894	-
Contingency Provision	-495	-	495
London Wide Payments	7,879	7,802	-77
Total to be financed	175,175	175,057	-118
Income from RSG/NNDR/Council Tax	-173,840	-173,949	-109
Shortfall/ surplus (-) for year	1,335	1,108	-227
Less:			
Council budgets carried forward			-
Adjustments to Bexley element of Pooled Budgets			227
Net increase in unallocated General Fund Balance			-

Significant variations in spending against the budget include children's agency placements (£1.3m), learning disability services (£0.6m), fostering and adoption (£0.7m), staffing budgets (£0.8m), residential and nursing care (-£0.9m) preventative and community based services (-£0.7m), public health (-£0.6m) and a rebate of insurance costs from the Leisure contractor.

After the inclusion of schools, the Adult Education College and earmarked balances, the General Fund overall shows a net deficit for the year of £0.841m, however, the accounting position presented in the CIES shows a deficit for the year of £29.157m. This is because the CIES is required to take a wider view of financial performance than that shown in the General Fund and show the true accounting position. In addition to the net General Fund deficit of £0.841m, the CIES also includes the following major items of expenditure and credits:

- A charge for the depreciation and impairment of fixed assets. The depreciation charge of £19.314m is a charge for the use of assets that reflects the notional consumption of assets during the year, whilst the impairment charge of £0.494m reflects a reduction in the valuation of assets during the year due to factors such as demolition, obsolescence or physical damage to an asset.

- A charge for revenue expenditure funded from capital under statute (REFCUS). A charge of £1.017m for expenditure which under proper accounting practice meets the definition of revenue expenditure but which statute allows to be funded from capital resources. This mainly relates to grants or other financial assistance made to other public bodies for capital expenditure purposes. This expenditure is therefore included in the capital expenditure totals given in Note 12.

- A credit for capital grant income. Capital grants and contributions of £4.868m have been credited to the CIES in accordance with proper accounting practice. However, for the statutory purposes of financing capital expenditure, these grants are included within the Council's capital programme.

- A charge for pensions of £17.176m representing the difference between the IAS 19 accounting cost of pensions (as calculated by the Council's Actuary) and the actual employer contributions paid to the Council's Pension Fund in the year. In addition, there is a benefit of £28.376m arising from actuarial gains in the year. Actuarial gains represent the extent to which the assumptions made by the Actuary at the start of the year differ from those at the end of the year i.e. inflation rates, asset returns, etc. See Note 34 in the Financial Statements for further details of movements in the pension fund liability during the year.

- A loss on the de-recognition of fixed assets of £9.373m. When assets are sold or are transferred to other bodies the carrying value of those assets is written-off to the CIES and, depending on the sale proceeds, a gain or loss is recognised.

- A revaluation loss on fixed assets of £0.202m arising from the decrease in the value of those fixed assets that have been revalued during the year.

In addition, statute requires that certain expenses are charged to the General Fund that are not considered to be proper accounting charges in accordance with the Code. These are therefore not shown in the CIES. In the main these statutory charges relate to the statutory capital financing charge called the Minimum Revenue Provision (£7.707m), which is an amount set aside from revenue to repay debt, and direct revenue financing of capital expenditure (£1.331m). The latter is often referred to as CERA (capital expenditure charged to a revenue account).

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

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

(b) Capital Expenditure

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

	£'000
Capital Investment	
Property, Plant and Equipment	60,593
Investment Properties	8
Intangible Assets	540
Heritage Assets	35
Revenue Expenditure funded from Capital	12,088
Total Capital Investment	**73,264**
Sources of Finance	
Capital Receipts	13,288
Grants and Contributions	33,798
Direct Revenue Financing	1,331
Minimum Revenue Provision	7,707
Total Sources of Finance	**56,124**
Increase in Capital Financing Requirement	**17,140**

All slippage in spending of the approved Capital Programme will be rolled into 2014/15 or later years as appropriate together with the resources for its financing.

(c) Material Items in the Accounts

In 2013/14 the Authority made payments in advance of £17.7m in respect of its employer's contributions to the Pension Fund for the financial years 2015/16 and 2016/17 to take advantage of an actuarial calculation of greater returns than could be achieved by investing this sum as part of the Authority's treasury management strategy. The difference in investment income is a saving to the General Fund. Full details are set out in Section 1.29 of the Statement of Accounting Policies.

The Council has not acquired any material assets in 2013/14.

The Council has not incurred any material liabilities in 2013/14 and there were no material or unusual charges or credits included in the accounts.

Financial Position at 31 March 2014

The net worth (total reserves) of the Council is shown in the Balance Sheet and has increased by £72.799m over the year to £428.662m. However, a number of the reserves making up net worth relate to the technical adjustments arising from fixed assets and pensions accounting and the reserves are not available to spend. An analysis of these reserves is provided further below.

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

(a) Property, Plant and Equipment
The value of non current assets at 31st March 2014 is £588.427m. During the year the Council undertook

additional capital expenditure as explained above including major renovations to the new Civic Offices at 2 Watling Street, a new Social Care Adult Learning Centre and a new special education school. The Council also undertook expansions at a number of schools including Longlands, Castilion, Old Bexley, Pearsewood, Northumberland Heath, Gravel Hill and Crook Log.

During the year, the Council received total proceeds from disposals of land, buildings and repayments of mortgage advances of £13.575m. The largest element related to the sale of two parcels of land at the Howbury Centre site (£9.662m). The Council transferred schools to academies for nil consideration and the value of their assets has been removed from the Council's Balance Sheet.

(b) Internal and External Sources of Funds

The Council has a balance of £12.224m on its Capital Grants Unapplied Reserve at 31 March 2014. There were no capital receipts unapplied at 31 March 2014.

(c) Pensions Liability

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

The net pensions liability shown on the Balance Sheet is £90.213m at 31 March 2014; a decrease of £59.098m since 31 March 2013. This sum, which is determined in accordance with International Accounting Standard (IAS) 19, reflects the deficit on the Pension Fund after assessing the net present value of future pension liabilities and deducting the value of the Fund's assets. It does impact on the net worth of the authority, but it is important to recognise that the Pension Fund deficit is based on a snapshot at a point in time and does not predict the fund's future financial position or limit its ability to pay benefits in the future. The value of the Fund's assets can improve significantly in future years depending on investment performance and any shortfall will be made good by increasing contributions in future years as assessed by the Council's actuary at regular three-year intervals.

(d) Provisions and Contingent Liabilities

Where the Council has a liability to make future payments, but the precise timing of the payment and the amount is uncertain, then it creates provisions in the Balance Sheet. At 31 March 2014 the Council has the following main provisions:

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

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

A provision for refunding business ratepayers where they have successfully appealed against the rateable value on their properties.

The Council also maintains provisions for bad debts that are reviewed annually. The Debtors figure in the Balance Sheet is shown net of these provisions. There have been no material write-offs in 2013/14.

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

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

(e) Reserves

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

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

The Council's main earmarked reserves are as follows:

	Balance at 31 March 2014 £'000
Financing	9.287
Insurance	4,284
Service Support and Development	8,198
Stock Transfer Warranties	2,183
Broadway Shopping Centre	2,169
Information Technology	2,709
Income Collection	1,843
Reorganisation	2,336
Financial Planning	8,859
Other Earmarked	3,065
	44,933

The Unapplied Capital Grants reserve relates to grants which will be applied to fund capital expenditure in 2014/15 and future financial years.

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

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

(f) Borrowing

At 31 March 2014 the Council had outstanding borrowing of £103.158m. This was entirely sourced from the Public Works Loan Board (PWLB) and an analysis of loan maturities is given in note 37. Borrowing has been at a much lower level than that set under prudential limits for many years as a result of the Council's Treasury Management policies.

(g) Material Events after the Reporting Date

There were the following post-Balance Sheet events.

The Council transferred sixteen schools to academies between 2010/11 and 2012/13; a further eleven schools transferred to academy status in 2013/14. One more school has transferred to academy status since 1 April 2014 and further schools are likely to become academies in 2014/15. For schools that are not voluntary aided or Foundation status, as they become academies, their non current assets are also transferred to the successor bodies reducing the amount of property, plant and equipment in the Balance Sheet.

In response to the continuing pressure facing children's services and the impact of the Ofsted report on children's services in 2012, the Council has invested significantly in addressing the issues raised and improving its performance in a number of areas. This has included a significant restructuring of the service during 2013/14. Ofsted carried out a further inspection of the Council's children's services over four weeks in March and April 2014 and its final inspection report was published on 23 May 2014. The Ofsted inspectors overall judgement was that Bexley's service for children in need of help and protection, looked after children and care leavers "requires improvement". They also commented on the commitment to improvement demonstrated by leading Members and senior managers.

On 12 May 2014 the Council's new Civic Offices opened at 2 Watling Street, Bexleyheath and on 5 June 2014 the Council received a capital receipt of £11.876m that was the final instalment of the payment for the old Civic Offices site.

Significant Prior Period Adjustments and Changes in Accounting Policies

There were no prior period adjustments in 2013/14. A new accounting policy has been added to deal with the prepayment of employer pension contributions to the Pension Fund – see note 1.29.

Financial Outlook 2014/15 onwards

(a) Outlook for Public Sector Funding

The country's economic position has led to significant cuts in the resources made available for local government. The Council's response to this was Strategy 2014 which has delivered savings across the whole Council so that reductions in Government grant could be dealt with in a measured and structured fashion. The Programme of £35.5m was 95% completed in 2013/14 leaving only £1.7m to be achieved, largely in 2014/15. Full details are contained in the Council's Budget Strategy 2014/15 document.

Further savings of £7.7m were agreed for 2014/15 and the full year impact of these will be £11.4m by 2017/18. In addition, further efficiency savings and a reduced allowance for inflation – each of £0.5m – were agreed for 2014/15. After taking account of these savings, a withdrawal of £3.8m was required from the Financial Planning Reserve to balance the 2014/15 budget leaving £5.1m available on the Reserve for future years.

All forecasters project further reductions in the resources for local government over the next few years and the Spending Round for 2015/16 published by the Government on 26 June 2013 and the Chancellor's budget in March 2014 set out further reductions in support to local government. Bexley estimates that the total savings needed by 2018/19 will be £45.5m of which £11.7m has so far been identified.

(b) Review of Local Government Finance System

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

The first change is the localisation of business rates whereby any growth or reduction in the rate base is shared with the Government and (in London) the Greater London Authority. The Council's share of all such changes is 30% and introduces a new volatility to the Council's income. In addition, the Council bears a share of the cost of outstanding appeals against rateable value at 1 April 2013, many of which go back several years. At 31 March 2014, there was a deficit of £4.2m on the Collection Fund relating to business rates which is largely due to an increased cost of empty property relief.

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

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

(c) New Statutory Requirements and Transfer of Functions

There are no significant new statutory requirements or transfer of functions that will affect the Council in 2014/15.

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 2014/15 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
15 September 2014

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 2014.

Michael Ellsmore
Director of Finance and Resources
15 September 2014

Approval of the Accounts

I certify that the Statement of Accounts for 2013/14 has been approved by resolution of the Audit Committee of the London Borough of Bexley.

Councillor Joseph Pollard
Chairman, Audit Committee
24 September 2014

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 2012/13 figures have been restated due to the changes in IAS19 Employee Benefits. There is no overall change to the General Fund balance or the reserves of the authority.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves of the Authority
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2012	**24,875**	**49,638**	**0**	**15,666**	**90,179**	**262,095**	**352,274**
Movement in reserves during 2012/13							
Surplus or deficit (-) on the provision of services	16,421	0	0	0	**16,421**	0	**16,421**
Other comprehensive income and expenditure	0	0	0	0	**0**	-12,832	**-12,832**
Total comprehensive income and expenditure	**16,421**	**0**	**0**	**0**	**16,421**	**-12,832**	**3,589**
Adjustments between accounting basis and funding basis under regulations (Note 7)	-5,713	0	0	14,417	**8,704**	-8,704	**0**
Net increase or decrease (-) before transfers to earmarked reserves	**10,708**	**0**	**0**	**14,417**	**25,125**	**-21,536**	**3,589**
Transfers to or from earmarked reserves	-8,785	8,785	0	0	**0**	0	**0**
Increase or decrease (-) in year	**1,923**	**8,785**	**0**	**14,417**	**25,125**	**-21,536**	**3,589**
Balance at 31 March 2013	**26,798**	**58,423**	**0**	**30,083**	**115,304**	**240,559**	**355,863**
Movement in reserves during 2013/14							
Surplus or deficit (-) on the provision of services	-29,157	0	0	0	**-29,157**	0	**-29,157**
Other comprehensive income and expenditure	0	0	0	0	**0**	101,956	**101,956**
Total comprehensive income and expenditure	**-29,157**	**0**	**0**	**0**	**-29,157**	**101,956**	**72,799**
Adjustments between accounting basis and funding basis under regulations (Note 7)	21,110	0	0	-17,859	**3,251**	-3,251	**0**
Net increase or decrease (-) before transfers to earmarked reserves	**-8,047**	**0**	**0**	**-17,859**	**-25,906**	**98,705**	**72,799**
Transfers to or from earmarked reserves	7,206	-7,206	0	0	**0**	0	**0**
Increase or decrease (-) in year	**-841**	**-7,206**	**0**	**-17,859**	**-25,906**	**98,705**	**72,799**
Balance at 31 March 2014	**25,957**	**51,217**	**0**	**12,224**	**89,398**	**339,264**	**428,662**

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 2012/13 figures have been restated and terminology revised due to the changes in IAS19 Employee Benefits.

	2012/13				**2013/14**	
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**	**Continuing Operations**	**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
Restated	*Restated*	*Restated*				
182,808	-136,130	46,678	Children's and Education Services	177,411	-121,732	55,679
26,488	-8,285	18,203	Highways and Transport Services	27,301	-8,856	18,445
107,302	-99,455	7,847	Housing Services	111,894	-103,222	8,672
76,302	-23,223	53,079	Adult Social Care	77,979	-23,236	54,743
0	0	0	Public Health	6,142	-6,125	17
16,774	-3,176	13,598	Cultural and Related Services	15,434	-2,972	12,462
29,849	-6,126	23,723	Environment and Regulatory Services	29,894	-5,914	23,980
8,089	-837	7,252	Planning Services	7,671	-368	7,303
8,803	0	8,803	Corporate and Democratic Core	9,410	0	9,410
-1,264	0	-1,264	Non Distributed Costs (Note 34)	-1,757	0	-1,757
20,095	-18,115	1,980	Central Services	4,363	-2,085	2,278
475,246	**-295,347**	**179,899**	**Cost of Services**	**465,742**	**-274,510**	**191,232**
			Other Operating Expenditure			
966	-21	945	Precepts and Levies	893	-22	871
16	0	16	Payments to the Housing Capital Receipts Pool	12	0	12
4,897	0	4,897	Gains (-) or losses on the disposal of non-current assets	9,373	0	9,373
			Financing and Investment Income and Expenditure			
8,217	0	8,217	Interest payable and similar charges	8,127	0	8,127
5,944	0	5,944	Net interest on the net defined benefit liability (Note 34)	6,017	0	6,017
0	-2,850	-2,850	Interest income	0	-2,051	-2,051
0	-2,051	-2,051	Income and expenditure and changes in the fair value of investment properties (Note 9)	0	-2,119	-2,119
			Taxation and Non-Specific Grant Income			
0	-95,294	-95,294	Council Tax income	0	-84,402	-84,402
0	-61,702	-61,702	NNDR distribution	0	0	0
0	0	0	Non-domestic rates income and top-up grant		-32,295	-32,295
0	-24,399	-24,399	Non-ringfenced Government grants	0	-60,740	-60,740
0	-28,044	-28,044	Capital grants and contributions	0	-4,868	-4,868
0	-1,999	-1,999	Donated assets	0	0	0
495,286	**-511,707**	**-16,421**	**Surplus (-) or Deficit on the provision of services**	**490,164**	**-461,007**	**29,157**
		-5,251	Surplus (-) or deficit on revaluation of non-current assets (Note 21)			-37,414
		-193	Impairment losses on non-current assets charged to the revaluation reserve (Note 13)			-346
		18,276	Remeasurements of the net defined benefit liability (Note 34)			-46,496
		0	Prepayment of pension contributions (Note 1.29)			-17,700
		12,832	**Other Comprehensive Income and Expenditure**			**-101,956**
		-3,589	**Total Comprehensive Income and Expenditure**			**-72,799**

BALANCE SHEET

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

31 March 2013		Notes	**31 March 2014**
£'000			**£'000**
	Property, plant and equipment	8	
271,327	Land and buildings		295,295
7,776	Vehicles, plant and equipment		5,738
155,196	Infrastructure		161,019
6,754	Community assets		6,962
22,868	Assets under construction		49,908
1,487	Surplus assets not held for sale		2,552
32,805	Heritage assets	41	32,840
32,932	Investment property	9	33,123
737	Intangible assets	10	990
12,000	Long-term investments	14	5,000
18,014	Long-term debtors	38	23,045
561,896	**Total Long Term Assets**		**616,472**
61,111	Short-term investments	14	44,996
512	Inventories	15	808
43,534	Short-term debtors	16	56,631
80	Assets held for sale	11	0
48,046	Cash and cash equivalents	17	11,803
153,283	**Total Current Assets**		**114,238**
-14,495	Bank overdraft	17	-12,142
-529	Short-term borrowing	14	-529
-44,819	Short-term creditors	18	-48,170
-479	Provisions	19	-2,081
-988	Capital grants receipts in advance	39	-515
-61,310	**Total Current Liabilities**		**-63,437**
-3,611	Provisions	19	-3,585
-102,644	Long-term borrowing	14	-102,628
	Other long-term liabilities		
-149,311	Net pensions liability	34	-90,213
-38,371	Deferred liabilities	40	-37,146
-4,069	Capital grants receipts in advance	39	-5,039
-298,006	**Total Long Term Liabilities**		**-238,611**
355,863	**TOTAL NET ASSETS**		**428,662**
115,304	Usable reserves	20	89,398
240,559	Unusable reserves	21	339,264
355,863	**TOTAL RESERVES**		**428,662**

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.

2012/13 £'000		2013/14 £'000
	Operating Activities	
-79,194	Taxation	-107,554
-318,972	Grants	-298,040
-20,727	Sales of goods and rendering of services	-7,965
-2,731	Interest received	-2,717
0	Dividends received	0
-19,690	Other receipts from operating activities	-12,960
-441,314	**Cash inflows generated from operating activities**	**-429,236**
118,768	Cash paid to and on behalf of employees	108,007
92,329	Housing Benefit paid out	95,893
21	Payments to the Capital Receipts Pool	15
192,037	Cash paid to suppliers of goods and services	217,393
4,771	Interest paid	4,770
24,753	Other payments for operating activities	22,990
432,679	**Cash outflows generated from operating activities**	**449,068**
-8,635	**Net cash flows from operating activities**	**19,832**
	Investing Activities	
29,165	Purchase of property, plant and equipment, heritage assets, investment property and intangible assets	57,308
58,500	Purchase of short-term and long-term investments	40,500
0	Other payments for investing activities	0
-14,718	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-11,237
-50,000	Proceeds from short-term and long-term investments	-63,000
-25,100	Other receipts from investing activities	-15,290
-2,153	**Net cash flows from investing activities**	**8,281**
	Financing Activities	
0	Cash receipts of short- and long-term borrowing	-8,000
-3,084	Other receipts from financing activities	0
3,472	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	3,382
31	Repayments of short- and long-term borrowing	8,031
1,404	Other payments for financing activities	2,364
1,823	**Net cash flows from financing activities**	**5,777**
-8,965	**Net increase (-) or decrease in cash and cash equivalents**	**33,890**
-24,586	**Cash and cash equivalents at the beginning of the reporting period**	**-33,551**
-33,551	**Cash and cash equivalents at the end of the reporting period**	**339**

NOTES TO THE ACCOUNTS

1 Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. 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 2013/14 (the Code) and the Service Reporting Code of Practice 2013/14, 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

From 1 April 2013 the Public Health service transferred from the NHS to the Council. Expenditure on the service is met by Government grant so there is no net effect on the General Fund balance. Net liabilities of £0.404m transferred to the Council and these have been included in the Balance Sheet. The Council had no material operations which were discontinued during the year and therefore no separate disclosure is required in the Accounts.

1.4 Cash and Cash Equivalents

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

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

1.5 Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Account or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

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

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

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

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

1.7 Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, the Minimum Revenue Provision

(MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.8 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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 4.4% (based on the redemption yields available on long-dated AA-rated corporate bonds, as required by the Local Authority Accounting Panel).
- The assets of the London Borough of Bexley pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value
- The change in the net pensions liability is analysed into the following components:
  - Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Net interest on the net defined benefit liability (asset) ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
  - Remeasurements comprising:
  - The return on plan assets excluding amounts included in net interest on the net defined benefit liability (asset) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Contributions paid to the London Borough of Bexley Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

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

Discretionary Benefits

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

1.9 Events after the Balance Sheet Date

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

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

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

1.10 Financial Instruments

Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. No such repayments or early settlements took place in 2012/13 or 2013/14.

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 2013/14 are not material for the Financial Statements and therefore the Council has not produced group accounts. TIC had a profit of £3,013 in 2013/14 (loss of £16,489 in 2012/13) and net liabilities of £468,923 as at 31 March 2014 (net liabilities of £471,936 as at 31 March 2013). The accounts for TIC for 2013/14 can be obtained from Luke Vincett, Financial and Commercial Officer (telephone 020 8320 1006 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 2013/14.

1.16 Investment Properties

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

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

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

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

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

1.17 Leases

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

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

The Council as Lessee

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

present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

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

The Council as Lessor

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

Lease rentals receivable are apportioned between:

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

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

Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

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

1.18 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the past service cost element of changes in the net pension liability and impairment losses chargeable on some categories of assets.

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

1.19 Property, Plant and Equipment

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

Accounting Treatment of School Assets
Assets relating to community schools and voluntary controlled schools are recognised on the Council's balance sheet in accordance with IAS16. The assets of voluntary aided schools, with the exception of playing fields, are not recognised on the Council's balance sheet. Assets relating to Foundation and Academy schools are not recognised on the Council's balance sheet. Expenditure on the enhancement of the assets of voluntary aided schools (with the exception of playing fields), Foundation schools and/or Academy schools is treated as revenue expenditure funded from capital under statute see note 1.24. Schools held on the balance sheet are disposed for nil consideration when they transfer to Academy status.

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

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

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

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

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

Componentisation applys to property assets which are currently already separated between land and buildings and further separated between the various buildings on a site.
A de-minimis threshold of £1m has been set in respect of componentisation, therefore individual buildings with a value below £1m are not considered for componentisation. The impact of not componentising buildings with a value below £1m is unlikely to result in a material mis-statement of either depreciation charges or the carrying amount of PP&E.
Typical component elements have been identified from a sampling exercise as follows:

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

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

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

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

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

Capital expenditure is assessed and where expenditure on a component represents less than 10% of the asset's value it is not separately identified. Each year Bexley's revaluation process includes scheduled revaluations of 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 is always 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 2013/14. However, capital expenditure on infrastructure assets is reviewed to determine whether component derecognition is applicable based on the potential risk of material 'double counting' in the value of the assets.

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

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

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

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

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

1.20 Private Finance Initiative and Similar Contracts

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

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

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

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

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

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

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

1.21 Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the

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

1.22 Contingent Liabilities

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

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

1.23 Reserves

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

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

1.24 Revenue Expenditure Funded from Capital under Statute

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

1.25 VAT

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

1.26 Capitalisation of Borrowing Costs

The Council has decided not to capitalise borrowing costs.

1.27 Heritage Assets

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

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

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

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

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

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

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

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

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

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

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

Historical Structures and Monuments

Crayford & Bexleyheath Clock Towers

The Crayford Clock Tower was opened in 1902 to commemorate the Coronation of King Edward VII. The Bexleyheath Clock Tower was opened in 1912 to commemorate the Coronation of King George V.

Five Arches Bridge (within Foots Cray Meadows)

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

Lesnes Abbey Ruins (within Lesnes Abbey open space)

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

War Memorials

There are eleven war memorials located within the borough.

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

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

Public Art Work

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

Civic Regalia

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

Local Studies and Archive Centre

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

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

1.28 Council Tax and Business Rates

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

The collection of Business Rates or National Non-Domestic Rates (NNDR) is carried out by authorities as an agent activity on behalf of central government and the GLA and is accounted for accordingly. From 1 April 2013 the accounting is the same as that for Council Tax where there is a debtor/creditor position between the billing Authority and central government and the GLA as the net cash paid to them in the year is not the share of cash collected from Business Rate payers. The Code confirms that Business Rate income included in the Comprehensive Income and Expenditure Statement for the year shall be the accrued income for the year.

1.29 Prepayment to the Pension Fund

In 2013/14 the Authority made payments in advance of £17.7m in respect of its employer's contributions to the Pension Fund for the financial years 2015/16 and 2016/17.

This change in policy took advantage of the independent actuary's calculation of the return these contributions could achieve once invested as assets in the Pension Fund. The return was judged to be far greater than could have been achieved by investing the amounts as part of the Authority's treasury management strategy. The amounts are in respect of the latter two years of the three year actuarial valuation period that the actuary was assessing.

The risk on the return assumption lies entirely within the Pension Fund in line with the risks for its other assets. The risk of the transferred amounts arriving in the Pension Fund at an inauspicious time for investment returns was mitigated by making the investments over a period of time between November 2013 and March 2014.

The actuary's valuation certificate took account of the prepayments and specifically noted the impact that they had on the employer contribution rate for each relevant year. The contribution rate that would have been payable if the contributions had been made monthly in arrears would have been 20.6%, but with the amounts paid in advance the rate fell to 18.9% in 2015/16 and 17.9% in 2016/17. The difference in the amounts derived from these rates represents a saving to the General Fund after an allowance is made for the interest the amounts could have earned as treasury investments.

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

The Code of Practice on Local Authority Accounting for 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for 2013/14 there would be no material changes to the Statement of Accounts as detailed below.

A number of new and revised accounting standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities. These include:

- IFRS 10 Consolidated Financial Statements – This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The Council does have one subsidiary, the Thames Innovation Centre, but has not produced consolidated accounts for 2013/14 on the basis of materiality. See note 1.14.
- IFRS 11 Joint Arrangements – This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities. The Council has no material joint venture arrangements.
- IFRS 12 Disclosures of Involvement with Other Entities – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The Council has a number of arrangements with other entities under IFRIC12 but no further disclosure is required.
- IAS27 Separate Financial Statements and IAS28 Investments in Associates and Joint Ventures – These statements have been amended to conform with the changes in IFRS10, IFRS11 and IFRS 12. As there would be no changes in the financial statements due to the changes to IFRS10, IFRS11 and IFRS 12, there is also no impact as a result of changes in IAS27 and IAS28.

IAS32 Financial Instruments Presentation – The Code refers to amended application guidance when offsetting a financial asset and a financial liability. Bexley does not offset its financial assets and liabilities so these amendments will not have an impact on Bexley's financial statements.

IAS1 Presentation of the Financial Statements – The changes clarify the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the Statement of Accounts.

3 Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council has an earmarked reserve for future redundancies; this has a balance of £2.336m as at 31 March 2014.
- The non-current assets that are used in the contract arrangements with MCCH for learning disability services are included in the Balance Sheet under IFRIC 12.
- The Council has reviewed its treatment of schools' non-current assets in accordance with IAS 16 and subsequently schools that are Foundation Schools have been removed from the Council's Balance Sheet.
- Leases have been classified between operating and finance leases according to the guidance in the CIPFA Code of Practice. However, the fundamental issue in classification is the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee and therefore classification depends on the circumstances of each individual lease.
- Grant income is recognised in the Comprehensive Income and Expenditure Statement, but its accounting treatment is dependent on the conditions, and the interpretation of these, in respect of each grant funding stream.
- The Authority has obtained Counsel's opinion to confirm that the amounts of employer contributions to the Pension Fund that have been charged to the General Fund in 2013/14 are those payable for the financial year as set out on the actuary's certificate. It is considered that the payments in advance in respect of later years are not required to be charged to the General Fund in 2013/14.

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 2014 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	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

	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.	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 2014 was £521.474m.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. A number of changes to the Local Government Pension Scheme (LGPS) take effect from 1 April 2014 that are designed to reduce the cost of the scheme to local government employers.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £48m, but a 0.5% increase in the inflation assumption would result in a pensions liability increase of £48m. The total carrying amount of the Pensions Liability in the Balance Sheet as at 31 March 2014 was £90.213m. The impact on liabilities from the new LGPS from 1 April 2014 has been included in the 2013 actuarial valuation.
Arrears	At 31 March 2014, the Council had a balance of sundry debtors of £33.3m. A review of balances has suggested that an impairment of doubtful debts of 39% (£12.9m) was appropriate. This impairment review was based on historic trends on collection (generally 3-year averages).	If collection rates were to vary, a change of 10% in the impairment of doubtful debts would require a variation in the impairment allowance of £1.3m.

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

5 Material Items of Income and Expense

These are disclosed on the face of the Comprehensive Income and Expenditure Statement or in the notes to the Accounts. There were no disposals of investments in 2013/14.

6 Post Balance Sheet Events

The Statement of Accounts was authorised for issue by the Director of Finance and Resources on 15 September 2014. 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 2014, 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 2014 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 sixteen schools to academies between 2010/11 and 2012/13; a further eleven schools transferred to academy status in 2013/14. Three more schools have transferred to academy status since 1 April 2014 and further schools are likely to become academies in 2014/15. 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 response to the continuing pressure facing children's social care services and the impact of the Ofsted report on children's services in 2012, the Council has invested significantly in addressing the issues raised and improving its performance in a number of areas. This has included a significant restructuring of the service during 2013/14. Ofsted carried out a further inspection of the Council's children's services over four weeks in March and April 2014 and their final inspection report was published on 23 May 2014. The Ofsted inspectors overall judgement was that Bexley's service for children in need of help and protection, looked after children and care leavers "requires improvement". They also commented on the commitment to improvement demonstrated by leading Members and senior managers.

On 12 May 2014 the Council's new Civic Offices opened at 2 Watling Street, Bexleyheath and on 5 June 2014 the Council received a capital receipt of £11.876m that was the final instalment of the payment for the old Civic Offices site.

7 Adjustments between accounting basis and funding basis under regulations

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

2013/14		**Usable Reserves**			**Unusable Reserves**
	General Fund Balance £'000	**Earmarked General Fund Reserves £'000**	**Capital Receipts Reserve £'000**	**Capital Grants Unapplied £'000**	**£'000**
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)					
Charges for depreciation and impairment of non current assets	19,808	0	0	0	-19,808
Deferred income written down	-339	0	0	0	339
Revaluation losses on Property, Plant and Equipment	202	0	0	0	-202
Movements in the market value of Investment Properties	-169	0	0	0	169
Amortisation of intangible assets	287	0	0	0	-287
Capital grants and contributions	-4,868	0	0	-17,859	22,727
Movement in the Donated Assets Account	0	0	0	0	0
Revenue expenditure funded from capital under statute	1,017	0	0	0	-1,017
Amounts of non current assets written off on disposal or sale as part of the gain/ loss on disposal to the CIES	22,341	0	0	0	-22,341
Aborted scheme costs	2				-2
Insertion of items not debited or credited to the CIES					
Statutory provision for the financing of capital investment	-7,707	0	0	0	7,707
Capital expenditure charged against the General Fund	-1,331	0	0	0	1,331
Adjustments involving the Capital Receipts Reserve:					
Transfer of sale proceeds credited as part of the gain/ loss on disposal to the CIES	-13,575	0	13,575	0	0
Amounts used to fund disposal costs of non current assets	275	0	-275	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	-13,288	0	13,288
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	12	0	-12	0	0
Adjustments involving the Deferred Capital Receipts Reserve:					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	333	0	0	0	-333
Write down of finance lease long term debtors	-149	0	0	0	149
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	140	0	0	0	-140
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES	17,176	0	0	0	-17,176
Employer's pension contributions	-12,078	0	0	0	12,078
Adjustments involving the Collection Fund Adjustment Account:					
Amount by which council tax and business rate income credited to the CIES is different from council tax and business rate income calculated for the year in accordance with statutory requirements	-432	0	0	0	432
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	165	0	0	0	-165
Total Adjustments	**21,110**	**0**	**0**	**-17,859**	**-3,251**

2012/13 Comparative Figures

The 2012/13 figures have been restated due to the changes in IAS19 Employee Benefits.

	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	19,570	0	0	0	-19,570
Deferred income written down	-339	0	0	0	339
Revaluation losses on Property, Plant and Equipment	3,103	0	0	0	-3,103
Movements in the market value of Investment Properties	-13	0	0	0	13
Amortisation of intangible assets	251	0	0	0	-251
Capital grants and contributions	-28,044	0	0	14,417	13,627
Movement in the Donated Assets Account	-1,999	0	0	0	1,999
Revenue expenditure funded from capital under statute	680	0	0	0	-680
Amounts of non current assets written off on disposal or sale as part of the gain/ loss on disposal to the CIES	30,489	0	0	0	-30,489
Insertion of items not debited or credited to the CIES					
Statutory provision for the financing of capital investment	-4,593	0	0	0	4,593
Capital expenditure charged against the General Fund	-1,720	0	0	0	1,720
Adjustments involving the Capital Receipts Reserve:					
Transfer of sale proceeds credited as part of the gain/ loss on disposal to the CIES	-14,795	0	14,795	0	0
Amounts used to fund disposal costs of non current assets	741	0	-741	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	-14,038	0	14,038
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	16	0	-16	0	0
Adjustments involving the Deferred Capital Receipts Reserve:					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-11,538	0	0	0	11,538
Write down of finance lease long term debtors	-27	0	0	0	27
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	-108	0	0	0	108
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES	14,923	0	0	0	-14,923
Employer's pension contributions	-12,259	0	0	0	12,259
Adjustments involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	191	0	0	0	-191
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-242	0	0	0	242
Total Adjustments	**-5,713**	**0**	**0**	**14,417**	**-8,704**

8 Property, Plant and Equipment

Movements in 2013/14	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000	PFI Assets in PPE £'000
Cost or valuation								
At 1 April 2013	298,881	19,907	204,336	6,754	1,521	22,868	554,267	34,778
Additions	14,607	1,290	7,845	208	27	36,616	60,593	261
Donations	0	0	0	0	0	0	0	0
Revaluations increases/(decreases) recognised in the Revaluation Reserve	33,086	0	0	0	89	0	33,175	0
Revaluations increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-1,306	0	0	0	0	0	-1,306	0
Impairments recognised in the Revaluation Reserve	-474	0	0	0	0	0	-474	0
Impairments recognised in the Surplus/ Deficit on the Provision of Services	-520	0	0	0	0	0	-520	0
Derecognition - Disposals	0	0	0	0	0	0	0	0
Derecognition - Other	-21,581	-5,278	0	0	-28	0	-26,887	-234
Assets reclassified (to)/from Held for Sale	-2,211	0	0	0	-30	0	-2,241	0
Reclassifications and transfers	5,335	0	3,185	0	1,040	-9,576	-16	0
At 31 March 2014	**325,817**	**15,919**	**215,366**	**6,962**	**2,619**	**49,908**	**616,591**	**34,805**
Accumulated Depreciation and Impairments								
At 1 April 2013	27,554	12,131	49,140	0	34	0	88,859	3,247
Charge for 2013/14	10,897	3,161	5,207	0	49	0	19,314	943
Depreciation written out to the Revaluation Reserve	-4,773	0	0	0	-158	0	-4,931	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	-1,104	0	0	0	0	0	-1,104	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	-128	0	0	0	0	0	-128	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-26	0	0	0	0	0	-26	0
Derecognition - Disposals	0	0	0	0	0	0	0	0
Derecognition - Other	-1,551	-5,111	0	0	0	0	-6,662	-234
Reclassifications and transfers	-347	0	0	0	142	0	-205	0
At 31 March 2014	**30,522**	**10,181**	**54,347**	**0**	**67**	**0**	**95,117**	**3,956**
Net Book Value								
Balance Sheet amount at 31 March 2013	**271,327**	**7,776**	**155,196**	**6,754**	**1,487**	**22,868**	**465,408**	**31,531**
Balance Sheet amount at 31 March 2014	**295,295**	**5,738**	**161,019**	**6,962**	**2,552**	**49,908**	**521,474**	**30,849**

8 Property, Plant and Equipment

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

8 Property, Plant and Equipment (PPE)

Depreciation

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

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

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

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

Capital Commitments

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

31.3.13		31.3.14
£'000		**£'000**
25,055	New Civic Accommodation	2,355
330	Social Care IT System	0
5,472	Colyers Site - Specialist ASD School	35
32	Brampton Primary School	0
1,407	Longlands Primary School	333
24	Southlake - Primary Places Review	0
320	Castilion - Primary Places Review	45
61	Jubilee - Primary Places Review	0
0	Primary Schools Expansion	6,321
123	Mayplace Primary School Extension	0
0	Marlborough/ Chislehurst & Sidcup	481
0	Northwood School	664
0	Erith School - New Primary School	81
0	Danson School Clinic - Nursery	133
8	Pupil Referral Unit	0
65	Harris Academy	0
899	Haberdashers Academy	710
4	Lessness Heath - Additional Classroom	0
7	Crook Log - Additional Classroom	0
0	Marlborough - Additional Classrooms	434
7	Hook Lane - Extension	0
0	Adult Education Programme	2,965
0	Early Intervention Module	390
4,732	Howbury Project	4,785
352	Welling Corridor	0
2,220	Bexleyheath Town Centre	63
0	Sidcup Town Centre	444
0	Vicarage Road	109
0	Crook Log and Parkview Road	130
0	A206 Fraser Road	208
0	Parkview Hub	69
41,118	**TOTAL**	**20,755**

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 and Facilities Services. The valuations have been undertaken in accordance with the professional standards set out in the Appraisal and Valuation Standards Manual published by the Royal Institution of Chartered Surveyors. In estimating fair value, regard has been given to the nature of the property by reference to its use, location, size, method of construction, age, all other relevant matters, and the prevailing market forces.

During 2013/14, as part of the Council's rolling 5 year revaluations programme, all of the assets within the Other Land and Building's asset category of office accommodation were revalued and a sample of assets were revalued from the following asset categories; libraries, schools, adult education colleges, youth centres, community centres, car parks, social care facilities and other miscellaneous properties. The exercise identified significant increases in some of the asset categories and, based on these findings, the whole of these asset categories were uplifted as at 31 March 2014 to ensure that the carrying value of assets within the Balance Sheet is not materially different from their fair value as at that date. In addition, the asset categories of leisure centres, park buildings, nurseries/children's centres and cemeteries, which were not subject to sample revaluations in 2013/14, were uplifted by building cost inflation to ensure that the carrying value of these assets is not materially different from their fair value.

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

The significant assumptions applied in estimating the fair value are:

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

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

£'000	Other Land and Buildings	Vehicles, Plant and Equipment	Infra-structure	Community Assets	Surplus Assets	Assets Under Construction	Total PPE
Carried at Historical Cost	0	5,738	161,019	6,962	0	49,908	223,627
Valued at Fair Value as at:							
1 April 2009	0	0	0	0	193	0	193
1 April 2010	0	0	0	0	384	0	384
1 April 2011	0	0	0	0	728	0	728
1 April 2012	0	0	0	0	0	0	0
1 April 2013	0	0	0	0	1,247	0	1,247
31 March 2014	295,295	0	0	0	0	0	295,295
As at 31 March 2014	**295,295**	**5,738**	**161,019**	**6,962**	**2,552**	**49,908**	**521,474**

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

9 Investment Properties

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

The Property Services' section undertake an annual review of the Council's Investment Property Portfolio, focusing on the most significant assets within the portfolio. For 2013/14 this involved three of its investment properties – Broadway Shopping Centre, Broadway Square and Webster House. The work was carried out by Graham Muirhead MRICS, Principal Valuer, from the Council's Property, FM and Surveying Services. The basis of valuation was fair value as defined under International Financial Reporting Standards, following guidance in the RICS Valuation Standards Manual 8th Edition. This review was carried out for the 2013/14 accounts which concluded that the current valuation represented fair value.

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

2012/13 £'000		2013/14 £'000
30,219	**Balance at 1 April**	**32,932**
	Additions:	
0	Purchases	0
0	Construction	0
0	Subsequent expenditure	8
0	Disposals	0
13	Net gains/losses from fair value adjustments	169
	Transfers:	
0	To/from Inventories	0
2,700	To/from Property Plant and Equipment	14
0	Other changes	0
32,932	**Balance at 31 March**	**33,123**

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:

2012/13 £'000		2013/14 £'000
-13	Changes in the fair value of investment properties	-169
-2,038	Rental income from investment property	-1,950
0	Direct operating expenses from investment property	0
-2,051		**-2,119**

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 £0.287m charged to revenue in 2013/14 was charged to the cost of services in the Comprehensive Income and Expenditure Statement as follows:

	£'000
Adult Social Care	196
Children's and Education Services	37
Corporate and Democratic Core	1
Cultural and Related Services	24
Housing Services	29
Total amortisation of intangible assets in 2013/14	**287**

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:

2012/13 £'000		2013/14 £'000
	Balances at 1 April:	
1,080	- Gross carrying amounts	1,306
-524	- Accumulated amortisation	-569
556	**Net carrying amount at start of year**	**737**
	Additions	
432	- Purchases	540
-251	Amortisation for period	-287
737	**Net carrying amount at 31 March**	**990**

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:

2012/13 £'000		2013/14 £'000
0	**Balance at 1 April**	**80**
	Assets newly classified as held for sale:	
7,475	- Property, Plant and Equipment	2,035
0	- Intangible Assets	0
0	- Other assets/liabilities in disposal groups	0
-141	Revaluation losses	
0	Revaluation gains	0
0	Impairment losses	0
-7,254	Assets sold	-2,115
0	Transfers from non current to current	0
0	Other movements	0
80	**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.

The opening CFR for 2012/13 has been restated to take account of the deferred income aspect on the PPP contract. The financing of the leisure centres PPP scheme included a prepayment and, following a review, the accounting treatment has been amended to adjust the Minimum Revenue Provision (MRP) in 2013/14 in respect of financing the prepayment.

2012/13 £'000 *Restated*		2013/14 £'000
149,826	**Opening Capital Financing Requirement**	**146,366**
	Capital Investment	
29,406	Property, Plant and Equipment	60,593
0	Investment Properties	8
432	Intangible Assets	540
0	Heritage Assets	35
4,936	Revenue Expenditure funded from Capital	12,088
34,774	**Total Capital Investment**	**73,264**
	Sources of Finance	
14,038	Capital Receipts	13,288
17,883	Grants and Contributions	33,798
1,720	Direct Revenue Financing	1,331
4,593	Minimum Revenue Provision	7,707
38,234	**Total Sources of Finance**	**56,124**
146,366	**Closing Capital Financing Requirement**	**163,506**
Explanation of movements in year:		
1,133	Increase in underlying need for borrowing (unsupported by government financial assistance)	24,847
-4,593	Debt Redeemed - Minimum Revenue Provision	-7,707
-3,460	**Increase/ decrease (-) in Capital Financing Requirement**	**17,140**

13 Impairment Losses

During 2013/14, the Council has recognised an impairment loss of £840,193 primarily in relation to the former Hoblands Community Home which has been demolished. A new facility has been completed and is included in the Council's property asset register. In addition, a temporary classroom was demolished at Castilion Primary in order to complete a new classroom extension.

Part of the impairment loss (£345,699) has been charged to the Revaluation Reserve; the balance of £494,494 has been charged to the following lines in the Comprehensive Income and Expenditure Statement - £287,250 to the Children's and Education Service line and £207,244 to the Adult Social Care line.

14 Financial Instruments

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

Financial Instruments Balances

	Long Term		Short Term	
	31 March 2014 £’000	**31 March 2013 £’000**	**31 March 2014 £’000**	**31 March 2013 £’000**
Borrowings				
Financial liabilities at amortised cost	102,628	102,644	529	529
Financial liabilities at fair value through profit and loss	0	0	0	0
Other borrowings (finance lease)	29,811	30,704	892	1,209
Total Borrowings	**132,439**	**133,348**	**1,421**	**1,738**
Investments				
Loans and receivables	5,000	12,000	44,996	61,111
Available-for-sale financial assets	0	0	0	0
Fair value through profit and loss	0	0	0	0
Unquoted equity available for sale	0	0	0	0
Total Investments	**5,000**	**12,000**	**44,996**	**61,111**

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

Fair Value of Assets and Liabilities carried at Amortised Cost

	31 March 2014		31 March 2013	
	Carrying Amount £’000	**Fair Value £’000**	**Carrying Amount £’000**	**Fair Value £’000**
Financial Liabilities	103,157	128,137	103,173	136,805

The fair value of PWLB borrowing is calculated by the PWLB on the basis that all loans are prematurely repaid on 31 March 2014 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 2014		31 March 2013	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	£'000	**£'000**	**£'000**	**£'000**
Loans and Receivables	49,996	50,311	73,111	74,151

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:

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

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

16 Debtors

31.3.2013 £'000		31.3.2014 £'000
10,416	Central Government bodies	5,575
4,200	Other Local Authorities	3,023
23	NHS bodies	84
0	Public corporations and trading funds	0
28,895	Other entities and individuals	47,949
43,534	**Total Debtors**	**56,631**

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

17 Cash and Cash Equivalents

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

31.3.2013 £'000		31.3.2014 £'000
533	Cash in hand at Bank	487
38,700	Instant Access Accounts	3,000
8,813	Cash in hand at Schools Bank Accounts	8,316
-14,495	Cash Overdrawn	-12,142
33,551	**Total**	**-339**

18 Creditors

31.3.2013 £'000		31.3.2014 £'000
-9,105	Central Government bodies	-7,082
-1,373	Other Local Authorities	-2,998
-1,343	NHS bodies	-1,033
0	Public corporations and trading funds	0
-32,998	Other entities and individuals	-37,057
-44,819	**Total Creditors**	**-48,170**

19 Provisions

The movements on these in 2013/14 are detailed in the table below:

	Insurance	TA End of Lease Repairs	Early Retirement/ Redundancy	Land Charges	Business Rates Appeals	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2013	-2,888	-1,085	-51	-66	0	-4,090
Additional provisions made in 2013/14	-1,275	0	0	-150	-1,631	-3,056
Amounts used in 2013/14	1,179	184	51	66	0	1,480
Unused amounts reversed in 2013/14	0	0	0	0	0	0
Unwinding of discounting in 2013/14	0	0	0	0	0	0
Balance at 31 March 2014	**-2,984**	**-901**	**0**	**-150**	**-1,631**	**-5,666**

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

Short term provisions	0	-300	0	-150	-1,631	-2,081
Long term provisions	-2,984	-601	0	0	0	-3,585
Balance at 31 March 2014	**-2,984**	**-901**	**0**	**-150**	**-1,631**	**-5,666**

(a) Insurance Provision

The Council operates an Insurance Provision. This is funded from contributions from revenue accounts and is used to pay the external insurance premium. The balance is maintained on the Insurance Provision and is used to pay claims which fall below the excess. All excess payments under a particular category each year are totalled and if they exceed a 'stop loss', then all further claims are met in full by external insurance. There are four main areas of risk as follows: -

Risk	Excess	Stop Loss
Fire - Education Properties	£250,000	£1,000,000
- Other Properties	£100,000	£400,000
Liability	£100,000	£800,000
Motor	£25,000	£400,000
Catastrophic Storm	£1,000,000	

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

(b) Temporary Accommodation End of Lease Repairs

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

(c) Early Retirement/ Redundancy

There were no early retirement/ redundancy payments in 2014/15 that were identified at 31 March 2014.

(d) Land Charges

There have been changes to the charges for personal searches for Land Charges. These changes have resulted in potential restitutionary claims and this provision has been set up to meet potential claims. To date claims in excess of £85,000 have been settled and paid. The new balance on the provision relates to further anticipated claims.

(e) Business Rates Appeals

The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013. Bexley, as a billing authority, is required to make provision for refunding ratepayers who have successfully appealed against the rateable value on their properties. This will include amounts relating to non-domestic rates charged to businesses in 2012/13 and earlier financial years. Assets and liabilities relating to business rates are shared between the Government (50%), Bexley (30%) and the Greater London Authority (20%). The provision shown above is the Council's 30% share of the total amount.

20 Usable Reserves

The Council has the following usable reserves:

31.3.2013 £'000		31.3.2014 £'000
26,798	General Fund	25,957
58,423	Earmarked Reserves	51,217
0	Capital Receipts Reserve	0
30,083	Capital Grants Unapplied	12,224
115,304		**89,398**

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.

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

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

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.

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

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

(a) Financing Reserve

The Financing Reserve exists to deal with unbudgeted variations in financing costs and to finance direct capital expenditure where appropriate. The balance at 31 March 2014 is £9.287m.

(b) Insurance Reserve

The Council self-insures for many risks and the Insurance Reserve exists to deal with the infrequent but expensive claims that have to be anticipated under such an arrangement. The Council's good claims record has resulted in a balance at 31 March 2014 of £4.284m.

(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 2014 is £8.198m which represents a decrease of £2.529m since the previous year. This reflects its use to finance the Children's services transformation project, Bexley First costs and implementation costs of Strategy 2014.

(d) Stock Transfer Warranties Reserve

As part of the housing stock transfer in 1998, the Council gave certain warranties regarding planning consents, liability to works on properties and pollution hazards. Whether these warranties will ever be called upon is unknown. The balance at 31 March 2014 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 £1.55m in 2013/14. There was a reduction of £0.035m in the year resulting in a balance at 31 March 2014 of £2.169m.

(f) Information Technology Reserve

This will provide for the upgrade and replacement of personal computers and laptops, infrastructure and software Council-wide in future years. Annual contributions (including budgeted contributions of £1.110m) made and expenditure (including a major upgrade of software and hardware) during the year resulted in the balance on the reserve decreasing by £0.490m and a balance at 31 March 2014 of £2.709m.

(g) Collection Reserve

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

(h) Reorganisation Reserve

This reserve exists to meet possible redundancy costs in future years; the balance on this reserve at 31 March 2014 is £2.336m.

(i) Financial Planning Reserve

The purpose of this reserve is to provide a resource with which to deal with the uncertainties in the forward financial planning process arising from further reductions in Government grant. The balance was £8.859m at 31 March 2014.

(j) Other Earmarked Reserves

The remaining Council controlled reserves total £3.065m at 31 March 2014 and are largely earmarked against possible future costs such as liabilities for contaminated land, elections and office furniture and equipment.

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.

2012/13 £'000		2013/14 £'000
0	**Balance at 1 April**	**0**
14,795	Amounts receivable	13,575
-14,038	Amounts applied to finance new capital investment	-13,288
-16	Amounts paid to Housing Capital Receipts Pool	-12
-741	Amounts used to fund disposal costs of non current assets	-275
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 2012 £'000	Movement in 2012/13 £'000	31 March 2013 £'000	Movement in 2013/14 £'000	31 March 2014 £'000
SEN Targeted Capital	179	-179	0	0	0
New Primary Places Grant	10,478	14,170	24,648	-20,938	3,710
Condition Funding/ Primary Modernisation	1,587	226	1,813	-328	1,485
Education Basic Needs Grant	0	0	0	4,144	4,144
Other capital grants and contributions unapplied	3,422	200	3,622	-737	2,885
Total	**15,666**	**14,417**	**30,083**	**-17,859**	**12,224**

21 Unusable Reserves

The Council has the following unusable reserves:

31.3.2013 £'000		31.3.2014 £'000
94,758	Revaluation Reserve	121,561
283,389	Capital Adjustment Account	296,250
-2,179	Financial Instruments Adjustment Account	-2,319
-149,311	Pensions Reserve	-90,213
15,697	Deferred Capital Receipts Reserve	15,513
795	Collection Fund Adjustment Account	1,227
-2,590	Accumulating Absences Adjustment Account	-2,755
240,559	**Total Unusable Reserves**	**339,264**

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.

2012/13 £'000		2013/14 £'000
101,757	**Balance at 1 April**	**94,758**
7,680	Upward revaluation of assets	39,006
-2,236	Downward revaluation of assets and impairment losses not charged to the Surplus/ Deficit on the Provision of Services	-1,245
5,444	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	37,761
-2,662	Difference between fair value depreciation and historical cost depreciation	-2,732
-9,781	Accumulated gains on assets sold or scrapped	-8,226
-12,443	Amount written off to the Capital Adjustment Account	-10,958
94,758	**Balance 31 March**	**121,561**

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.

2012/13		**2013/14**
£'000		**£'000**
288,710	**Balance at 1 April**	**283,389**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES)	
-19,570	- Charges for depreciation and impairment of non current assets	-19,808
-3,103	- Revaluation losses on Property, Plant and Equipment	-202
-251	- Amortisation of intangible assets	-287
-680	- Revenue expenditure funded from capital under statute	-1,017
339	- Deferred income written down	339
-30,489	- Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-22,341
-53,754		**-43,316**
12,443	Adjusting amounts written out of the Revaluation Reserve	10,958
-41,311	Net written out amount of the cost of non current assets consumed in the year	**-32,358**
	Capital financing applied in the year:	
14,038	- Use of the Capital Receipts Reserve to finance new capital expenditure	13,288
12,928	- Capital grants and contributions credited to the CIES that have been applied to capital financing	9,847
699	- Application of grants to capital financing from the Capital Grants Unapplied Account	12,880
4,593	- Statutory provision for the financing of capital investment charged against the General Fund balance	7,707
1,720	- Capital expenditure charged against the General Fund	1,331
33,978		**45,053**
13	Movements in the market value of Investment Properties debited or credited to the CIES	169
1,999	Movement in Donated Assets with CIES	0
0	Reversal of 2012/13 funding re aborted scheme	-3
283,389	**Balance at 31 March**	**296,250**

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.

2012/13 £'000		2013/14 £'000
-2,287	**Balance at 1 April**	**-2,179**
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	25
84	Adjustments for loans at less than market rates	-165
108	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	-140
-2,179	**Balance 31 March**	**-2,319**

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.

2012/13 £'000		2013/14 £'000
-128,371	**Balance at 1 April**	**-149,311**
-23,787	Remeasurements of the net defined benefit liability	46,496
-9,412	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	-17,176
12,259	Employer's pension contributions and direct payments to pensioners payable in the year	12,078
0	Employer's pension contributions prepayments	17,700
-149,311	**Balance at 31 March**	**-90,213**

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.

2012/13 £'000		2013/14 £'000
4,132	**Balance at 1 April**	**15,697**
11,538	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-333
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
27	Write down of finance lease long term debtors	149
15,697	**Balance at 31 March**	**15,513**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and, from 1 April 2013, business rate income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2012/13 £'000		2013/14 £'000
986	**Balance at 1 April**	**795**
-191	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,681
0	Amount by which business rate income credited to the Comprehensive Income and Expenditure Statement is different from business rate income calculated for the year in accordance with statutory requirements	-1,249
795	**Balance at 31 March**	**1,227**

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.

2012/13 £'000		2013/14 £'000
-2,832	**Balance at 1 April**	**-2,590**
2,832	Settlement or cancellation of accrual made at the end of the preceding year	2,590
-2,590	Amounts accrued at the end of the current year	-2,755
242	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	-165
-2,590	**Balance at 31 March**	**-2,755**

22 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Cabinet portfolios.
The Cabinet portfolios have changed in 2013/14 following a reorganisation of the Cabinet; Community Safety has moved from Children' Services to Leisure. The income and expenditure of the Council analysed by Cabinet Portfolio for 2013/14 is as follows:

2013/14

	Finance and Corporate Services £'000	Adults' Services £'000	Children's Services £'000	Education £'000	Economic Development and Regeneration £'000	Environment and Public Realm £'000	Community Safety and Leisure £'000	TOTAL £'000
Fees, charges and other service income	-4,598	-21,368	-908	-1,760	-5,564	-11,705	-2,126	-48,029
Government grants	-96,654	-7,106	-779	-110,981	-3,864	-120	-72	-219,576
Total Income	**-101,252**	**-28,474**	**-1,687**	**-112,741**	**-9,428**	**-11,825**	**-2,198**	**-267,605**
Employee expenses	16,076	10,638	16,399	66,882	8,580	8,120	4,302	130,997
Other operating expenses	113,414	72,025	20,650	47,121	4,044	34,411	4,758	296,423
Support service recharges	-16,512	4,960	3,804	2,645	1,496	2,245	1,362	0
Financing costs	1,653	845	561	8,019	1,308	5,580	2,265	20,231
Total Expenditure	**114,631**	**88,468**	**41,414**	**124,667**	**15,428**	**50,356**	**12,687**	**447,651**
Net Cost of Services	**13,379**	**59,994**	**39,727**	**11,926**	**6,000**	**38,531**	**10,489**	**180,046**

22 Amounts Reported for Resource Allocation Decisions

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

The Cabinet portfolios have changed in 2013/14 following a reorganisation of the Cabinet; Community Safety has moved from Children's Services to Leisure. The 2012/13 figures have therefore been restated in the revised Cabinet portfolios.

2012/13 Restated	Finance and Corporate Services £'000	Adults' Services £'000	Children's Services £'000	Education £'000	Economic Development and Regeneration £'000	Environment and Public Realm £'000	Community Safety and Leisure £'000	TOTAL £'000
Fees, charges and other service income	-5,072	-20,831	-1,260	-2,954	-6,479	-10,827	-2,372	-49,795
Government grants	-109,986	-1,245	-752	-117,493	-3,648	-84	-72	-233,280
Total Income	**-115,058**	**-22,076**	**-2,012**	**-120,447**	**-10,127**	**-10,911**	**-2,444**	**-283,075**
Employee expenses	15,120	8,985	13,695	79,241	9,486	8,353	4,585	139,465
Other operating expenses	123,302	65,842	17,724	40,996	6,086	32,783	5,582	292,315
Support service recharges	-12,251	4,764	3,894	2,420	-2,718	2,561	1,330	0
Financing costs	305	945	467	8,213	4,441	5,745	2,814	22,930
Total Expenditure	**126,476**	**80,536**	**35,780**	**130,870**	**17,295**	**49,442**	**14,311**	**454,710**
Net Cost of Services	**11,418**	**58,460**	**33,768**	**10,423**	**7,168**	**38,531**	**11,867**	**171,635**

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

This reconciliation shows how the figures in the analysis of Cabinet income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement. The 2012/13 figures have been restated to take into the account the changes in IAS19.

2012/13 £'000 Restated		**2013/14 £'000**
171,635	Net expenditure in the Cabinet Portfolio Analysis	180,046
6,694	Net expenditure of services and support services not included in the Analysis	6,931
-1,486	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	1,199
3,056	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	3,056
179,899	**Cost of Services in Comprehensive Income and Expenditure Statement**	**191,232**

Reconciliation to Subjective Analysis

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

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

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Cabinet Portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement. The 2012/13 figures have been restated to take account of the changes in IAS19.

2012/13 Restated	**Cabinet Portfolio Analysis £'000**	**Services and Support Services not in Analysis £'000**	**Amounts not reported to manage-ment for decision making £'000**	**Amounts not included in I&E £'000**	**Allocation of Recharges £'000**	**Cost of Services (sub-total) £'000**	**Corporate Amounts £'000**	**Total £'000**
Fees, charges and other service income	-49,795	0	2,038	0	0	**-47,757**	-9,351	**-57,108**
Surplus or deficit on associates and joint ventures	0	0	0	0	0	**0**	0	**0**
Interest and investment income	0	0	0	0	0	**0**	-2,850	**-2,850**
Income from council tax	0	0	0	0	0	**0**	-95,294	**-95,294**
Government grants and contributions	-233,280	0	0	3,056	0	**-230,224**	-108,831	**-339,055**
Total income	**-283,075**	**0**	**2,038**	**3,056**	**0**	**-277,981**	**-216,326**	**-494,307**
Employee expenses	139,465	0	-3,524	0	0	**135,941**	0	**135,941**
Other service expenses	292,315	6,694	0	0	0	**299,009**	0	**299,009**
Support service recharges	0	0	0	0	0	**0**	0	**0**
Depreciation, amortisation and impairment	22,930	0	0	0	0	**22,930**	-13	**22,917**
Interest payments	0	0	0	0	0	**0**	14,161	**14,161**
Precepts and levies	0	0	0	0	0	**0**	945	**945**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	**0**	16	**16**
Gain or loss on disposal of fixed assets	0	0	0	0	0	**0**	4,897	**4,897**
Total expenditure	**454,710**	**6,694**	**-3,524**	**0**	**0**	**457,880**	**20,006**	**477,886**
Surplus or deficit on the provision of services	**171,635**	**6,694**	**-1,486**	**3,056**	**0**	**179,899**	**-196,320**	**-16,421**

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 between years, whose remuneration was over £50,000, reflects the transfer of schools to academy status. The figures also exclude voluntary aided schools whose staff are not employed by the London Borough of Bexley. The Chief Executive, Directors and the Monitoring Officer have also been excluded from the table below since they are shown separately in the next table in this note.

No. of Employees 2012/13		Remuneration Band	No. of Employees 2013/14	
Other	**Schools**		**Other**	**Schools**
15	27	£50,000 to £54,999	21	18
30	14	£55,000 to £59,999	22	11
8	9	£60,000 to £64,999	9	8
4	8	£65,000 to £69,999	3	6
1	8	£70,000 to £74,999	1	7
4	3	£75,000 to £79,999	2	1
3	1	£80,000 to £84,999	4	1
3	1	£85,000 to £89,999	3	2
1	0	£90,000 to £94,999	1	0
0	0	£95,000 to £99,999	1	0
1	0	£100,000 to £104,999	1	0
0	0	£105,000 to £109,999	1	0
70	**71**	**TOTAL**	**69**	**54**

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. Following the transfer of the Public Health function from the NHS to local authorities on 1 April 2013, this table includes in 2013/14, the Director of Public Health, who is a statutory chief officer.

SENIOR STAFF REMUNERATION 2013/14

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

SENIOR STAFF REMUNERATION 2012/13

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

*A Allowance for expenses £3,027.

*B The Director of Public Health is employed by the London Borough of Bromley and works for Bexley for one and a half days per week. The above figure is the apportioned remuneration cost that is paid by Bexley to Bromley.

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

There was no compensation for loss of office paid to senior officers in 2012/13 and 2013/14.

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 previous four years, Public Cabinet determined that no cost of living award be made to senior staff, but there was a 1% pay award effective from 1 July 2013.

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.

The Council operates a contributory pension scheme for its employees. Employees' contributions are tiered according to earnings and all staff with earnings in 2013/14 over £85,300 pay contributions of 7.5% of their gross salary (those earning between £45,501 and £85,300 pay 7.2%). These contributions are set to rise substantially from April 2014.

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

	2012/13	**2013/14**
	£	**£**
Chief Executive	38,192	38,192
Director of Environment and Wellbeing	34,473	34,473
Director of Education and Social Care	31,339	31,574
Director of Customer and Corporate Services	25,585	25,776
Director of Finance and Resources	26,159	26,777
Head of Legal Services and Monitoring Officer	13,735	13,838

The numbers of exit packages for 2012/13 and 2013/14, 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**	
	2012/13	**2013/14**	**2012/13**	**2013/14**	**2012/13**	**2013/14**	**2012/13**	**2013/14**
							£	**£**
	Restated		Restated		Restated		Restated	
£0 - £20,000	10	20	9	11	19	31	114,597	210,766
£20,001 - £40,000	5	2	2	2	7	4	200,473	100,002
£40,001 - £60,000	1	1	2	0	3	1	138,248	47,758
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
	16	**23**	**13**	**13**	**29**	**36**	**453,318**	**358,526**

The 2012/13 figures have been restated to take account of the accrued position. The total cost of £358,526 in 2013/14 in the table above includes exit packages that have been agreed, accrued for and charged to the Comprehensive Income and Expenditure Statement in the current year. For 2012/13, of the total cost of £453,318, £402,318 was charged to the Comprehensive Income and Expenditure Statement in 2012/13. The balance of £51,000 was met from the redundancy provision as at 31 March 2013 for those redundancies taking place in 2013/14 that were known about at 31 March 2013.

24 Members' Allowances

The total of Members' allowances paid during 2013/14 was £0.862m (£0.866m in 2012/13). This figure excludes employer's National Insurance contributions and travel and subsistence allowances.

25 External Audit Costs

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

2012/13 *Restated*		**2013/14**
£'000		**£'000**
135	Fees payable for external audit services	157
0	Fees payable for statutory inspection	0
36	Fees payable for the certification of grant claims and returns	27
15	Fees payable in respect of other services	2
186	**Total**	**186**

The fees payable for other services related to work on the National Fraud Initiative in 2012/13 and 2013/14 and for dealing with objections to the 2010/11 accounts in 2012/13. The fees payable for external audit services in 2012/13 have been restated as the Audit Commission gave a rebate on the 2012/13 fees in 2013/14. The fees payable for the certification of grant claims and returns in 2012/13 have been restated to take account of the actual fees paid; the 2012/13 Accounts had included an estimate of the fees payable (£41,000).

26 Pooled Budgets

There were three agreements set up under Section 75 of the National Health Services Act 2006 that were in operation in 2013/14. These agreements were previously with Bexley Care Trust but following reorganisation within the NHS were taken over by Bexley Clinical Commissioning Group (CCG) on 1 April 2013. The agreements allow the Council and Bexley CCG to pool their budgets to provide services for certain client groups. Bexley CCG hosts the pooled budget for mental health services and the Council hosts those for learning disability services and community equipment stores.

2012/13				2013/14		
Mental Health	**Learning Disability**	**Community Equipment**		**Mental Health**	**Learning Disability**	**Community Equipment**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			Income			
3,135	21,670	733	London Borough of Bexley contribution	3,504	20,091	860
11,028	1,020	526	Bexley Care Trust contribution	0	0	0
0	0	0	Bexley CCG contribution	10,313	958	248
0	460	0	Other Income	0	831	0
14,163	**23,150**	**1,259**	**Gross Income**	**13,817**	**21,880**	**1,108**
			Expenditure			
2,628	17,582	0	Residential and Supported Living Services	2,503	16,944	0
503	2,211	0	Day Care Services	495	2,183	0
3,653	0	0	Acute Services	3,613	0	0
7,553	1,062	1,200	Community Services	7,547	785	1,111
100	2,479	0	Other Expenditure	109	1,968	0
14,437	**23,334**	**1,200**	**Gross Expenditure**	**14,267**	**21,880**	**1,111**
-274	**-184**	**59**	**Surplus(+)/ deficit(-) for year**	**-450**	**0**	**-3**
0	315	293	Surplus(+)/ deficit(-) brought forward	0	131	352
-274	**131**	**352**	**Surplus(+)/deficit(-) carried forward**	**-450**	**131**	**349**

27 PFI/ PPP Contracts

The Council has contracted with Investors in the Community (IIC) for the redevelopment and facilities management of Welling and Bexleyheath academies to provide education services for Bexley pupils. Annual payments commenced during 2005/06 for 25 years and are currently £5.9m, of which 51% will increase annually in line with RPIX and 49% is fixed. They can also vary as a result of performance and availability deductions, benchmarking, certain changes in law and contract variations initiated by the Council. Renewal and termination options and other rights and obligations are available to the Council under the terms of the agreement. The costs are being met from the annual PFI grant provided by the government of £3.1m together with academy contributions and other school budgets approved by the Council.

The Council has also contracted with Parkwood Leisure for the redevelopment and operation of its sports and swimming centres, including both routine and lifecycle building maintenance. The annual payments (the unitary charge) are currently £2.5m, which are inflated by 3% each year. These payments commenced during 2005/06 and are payable over 30 years. They can vary as a result of performance and availability deductions, certain changes in law and contract variations initiated by the Council. In addition, the operational services were benchmarked as at July 2010 (when it was agreed no change would be made to the unitary charge) and five-yearly thereafter, and at a future benchmarking date (2020 or later) may be market tested. The costs are being met from budgets approved by the Council. At the end of the contract term, which is fixed, all the facilities return to the Council for nil consideration.

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

	PPP – Leisure Centres £'000
Cost or valuation	
At 1 April 2012	34,549
Additions	321
Derecognition - Other	-92
At 31 March 2013	**34,778**

Accumulated Depreciation and Impairments	
At 1 April 2012	-2,428
Charge for 2012/13	-911
Derecognition - Other	92
At 31 March 2013	**-3,247**
Net Book Value - Balance Sheet as at 1 April 2012	**32,121**
Net Book Value - Balance Sheet as at 31 March 2013	**31,531**

	PPP – Leisure Centres £'000
Cost or valuation	
At 1 April 2013	34,778
Additions	261
Derecognition - Other	-234
At 31 March 2014	**34,805**
Accumulated Depreciation and Impairments	
At 1 April 2013	-3,247
Charge for 2013/14	-943
Derecognition - Other	234
At 31 March 2014	**-3,956**
Net Book Value - Balance Sheet as at 31 March 2013	**31,531**
Net Book Value - Balance Sheet as at 31 March 2014	**30,849**

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 17 years until 2031. The PPP payments will be made for the next 22 years until 2036. An analysis of the payments in 2012/13 and 2013/14 is shown in the table below:

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

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

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

PFI Scheme

	Repayment of Liability £'000	Interest £'000	Service Charges £'000	Other £'000	Total £'000
Within one year	783	2,169	2,098	793	5,843
Within two to five years	4,217	7,869	8,392	2,896	23,374
Within six to ten years	7,611	7,193	10,489	3,924	29,217
Within eleven to fifteen years	8,679	3,578	10,489	6,471	29,217
Within sixteen to twenty years	3,493	241	3,322	2,196	9,252
TOTAL	**24,783**	**21,050**	**34,790**	**16,280**	**96,903**

PPP Scheme

	Repayment of Liability £'000	Interest £'000	Service Charges £'000	Other £'000	Total £'000
Within one year	-190	754	1,054	1,028	2,646
Within two to five years	276	3,048	4,540	3,538	11,402
Within six to ten years	114	3,680	6,485	6,006	16,285
Within eleven to fifteen years	1,283	3,206	7,518	6,872	18,879
Within sixteen to twenty years	2,704	1,829	8,715	8,638	21,886
Within twenty one to twenty five years	973	84	2,066	2,066	5,189
TOTAL	**5,160**	**12,601**	**30,378**	**28,148**	**76,287**

Other includes lifecycle costs and contingent rents.

28 Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2013/14 of £103.996m are as follows:

	Central Expenditure £'000	Individual Schools Budget (ISB) £'000	Total £'000
Final DSG for 2013/14 before Academy recoupment			196,250
Academy figure recouped for 2013/14			-92,254
Total DSG after Academy recoupment for 2013/14			103,996
Brought forward from 2012/13			2,473
Carry forward to 2014/15 agreed in advance			0
Agreed initial budgeted distribution in 2013/14	**40,308**	**66,161**	**106,469**
In year adjustments			0
Final budgeted distribution for 2013/14	**40,308**	**66,161**	**106,469**
Less Actual Central Expenditure	-37,019	0	-37,019
Less Actual ISB deployed to Schools	0	-66,161	-66,161
Plus Local Authority contribution for 2013/14	0	0	0
Carried forward to 2014/15	**3,289**	**0**	**3,289**

29 Government Grants

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

2012/13 £'000		**2013/14 £'000**
1,196	Revenue Support Grant	48,128
	General Core Grants	
1,590	Housing Benefit Administration	1,479
9,659	Early Intervention	0
500	Preventing Homelessness	0
204	Lead Local Flood Authorities	73
5,129	Learning Disability and Health Reform	0
37	Extended Right to Free Travel	24
641	New Homes Bonus (including topslice)	2,258
2,387	Council Tax Freeze	959
0	Education Services Grant	2,768
0	Adoption Reform Grant	698
0	Local Reform & Community Voices Grant	164
0	Small Business Rate Relief	567
0	Capitalisation Grant	254
0	Transparency Code Set-up Grant	2
0	Council Tax Support Scheme Transition Grant	310
3,056	Private Finance Initiative Grant	3,056
24,399	**TOTAL**	**60,740**

The use of the Government's core grants is not restricted – or 'ringfenced' – to any specific service. Some of the general core grants received as separate grants in 2012/13 have been included within Revenue Support Grant in 2013/14.

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

2012/13 £'000		2013/14 £'000
0	Academies Framework - Harris Falconwood	-107
0	Education Basic Needs Grant	4,144
805	Devolved Formula Grant	686
15,639	New Primary Places Grant	-8,831
437	Early Education for Two Year Olds	-430
2,397	Condition Funding/Primary Modernisation	1,555
3,659	Primary Capital Programme	0
4,052	Transport for London	5,541
0	Community Capacity Grant	499
321	Grant for Europa Gym Project	0
214	Outer London Funding	692
520	Other	1,119
28,044	**Total**	**4,868**

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

30 Related Party Transactions

Related party transactions have been considered for current Members of the Council and senior officers. Following changes to the CIPFA Code, the transactions that need to be disclosed are those where a Council Member or senior officer has control over one party to the transaction and significant influence over the other. The transactions in the table below have been identified for 2013/14. Some of the appointments listed below continue throughout 2014/15. 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 2013/14
Gareth Bacon	London Assembly – Member	£37,628,411 paid to the Greater London Authority
Colin Campbell Gareth Bacon	Eltham Crematorium Joint Management Committee – Chairman and Member	Non Current Asset share (40%) £1,444,588 Net liabilities share (40%) £494,316 Net surplus share (40%) £558,000
Teresa O'Neill Colin Campbell	Local Government Association (LGA) – Member of the Councillors' Forum and Member of the Improvement and Innovation Board Member of the General	£56,769 paid to the LGA

	Assembly and Deputy to Teresa O'Neill	
Teresa O'Neill Colin Campbell Chris Taylor	London Councils – Vice Chairman, Executive/ Lead Member for Health London Councils Leaders Committee (Deputy) London Councils Grants Executive & Committee London Councils Leaders Committee – Substitute Member	£950,132 paid to London Councils
Colin Campbell	Bexley Heritage Trust – Director	£665,130 paid to Bexley Heritage Trust
Donald Massey	Mind in Bexley - Wife, Cllr Sharon Massey, as Mayor of Bexley in 2013/14 was President	£275,376 paid to Mind in Bexley
Donald Massey	Bexley Voluntary Services Council - Wife, Cllr Sharon Massey, as Mayor of Bexley in 2013/14 was President	£228,564 paid to Bexley Voluntary Services Council
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 2014 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 2013/14 was £160,894 (£171,476 in 2012/13). TIC owed Bexley £4,421 at 31 March 2014 (£7,406 at 31 March 2013). Services provided by Bexley to TIC amounted to £64,305 in 2013/14 (£52,809 in 2012/13). The Council entered into a lease agreement with TIC on 15th March 2007 for the TIC building; the first four years were rent free. Furniture and equipment valued at £431,713 was transferred from the Council to TIC on 29th March 2007. These assets will revert back to the Council at the end of the service level agreement on 31st March 2027. There is a further loan agreement dated 10th February 2010 between the London Borough of Bexley and TIC, providing up to £60,000 for TIC to undertake internal works to convert two existing offices into six smaller offices. Interest will be charged at 0.5% above the Public Works Loan Board 10 year annuity rate. At 31 March 2014, a loan of £56,300 had been drawn down.

The Council received many grants in 2013/14 – 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 2013/14 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 2013/14.

31 Leases

Authority as Lessee – Finance Leases

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

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

31.3.2013 £'000		31.3.2014 £'000
1,049	Vehicles, Plant and Equipment	759

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

31.3.2013 £'000		31.3.2014 £'000
	Finance lease liabilities (net present value of minimum lease payments)	
290	- current	299
759	- non-current	460
86	Finance costs payable in future years	54
1,135	**Minimum lease payments**	**813**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31.3.2013 £'000	31.3.2014 £'000	31.3.2013 £'000	31.3.2014 £'000
Not later than one year	322	321	290	299
Later than one year and not later than five years	713	492	661	460
Later than five years	100	0	98	0
	1,135	**813**	**1,049**	**759**

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

Authority as Lessee – Operating Leases

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

31.3.2013 £'000		31.3.2014 £'000
109	Not later than one year	279
236	Later than one year and not later than five years	630
104	Later than five years	397
449	**Minimum lease payments**	**1,306**

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.

2012/13 £'000		2013/14 £'000
14	Children's and Education Services	21
28	Housing	112
45	Adult Social Care	38
26	Cultural Services	25
0	Planning Services	12
113		**208**

Authority as Lessor – Finance Leases

The Council has leased out four properties (three in 2012/13) that are treated as finance leases. The Council has a gross investment in the leases made up of the minimum lease payments expected to be received over the remaining term. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31.3.2013 £'000		31.3.2014 £'000
	Finance lease debtor (net present value of minimum lease payments)	
7	- current	8
2,712	- non-current	2,852
12,160	Unearned finance income (interest)	13,288
0	Unguaranteed residual value of property	0
14,879	**Gross investment in the leases**	**16,148**

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

31.3.2013 £'000	**Gross investment in the leases**	31.3.2014 £'000
268	Not later than one year	280
1,072	Later than one year and not later than five years	1,122
13,539	Later than five years	14,746
14,879	**Gross investment in the leases**	**16,148**

31.3.2013	Minimum lease payments	31.3.2014
£'000		**£'000**
7	Not later than one year	8
36	Later than one year and not later than five years	40
2,676	Later than five years	2,812
2,719	**Minimum lease payments**	**2,860**

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

Authority as Lessor – Operating Leases

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

31.3.2013	Minimum lease payments	31.3.2014
£'000		**£'000**
2,608	Not later than one year	2,415
9,112	Later than one year and not later than five years	9,037
166,451	Later than five years	170,751
178,171	**Minimum lease payments**	**182,203**

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 2013/14, incurring liabilities of £0.359m (£0.453m in 2012/13). 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 Capita Teachers' Pension on behalf of the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 3,700 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2013, the Authority's own contributions equate to approximately 0.175%.

In 2013/14, the Council paid £5.022m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2012/13 were £5.728m and 14.1%. There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £4.8m.

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

The authority is not liable to the scheme for any other entities' obligations under the plan.

There are also a few staff who are members of the National Health Service Superannuation Scheme administered by the Department of Health. This scheme is also an unfunded multi-employer defined benefit scheme. In the NHS, the scheme is accounted for as if it were a defined contribution scheme. The number of staff contributing to this scheme increased on 1 April 2013 when Public Health staff transferred to the Authority. In 2013/14 the Authority made employers' contributions of £0.120m to the scheme, representing 14% of pensionable pay.

34 Defined Benefit Pension Schemes

Participation in pension schemes

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

The authority participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by the Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to

meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

- The London Borough of Bexley pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of the London Borough of Bexley. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the fund are appointed by the Committee and consist of six external Investment Fund managers.

- The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Transactions relating to post employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The transactions in the table below have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

More schools converted to academies in 2013/14. The pension assets and liabilities transferred to the academies have been shown as settlements in the table below. The actuary has calculated that assets of £1.188m (£2.061m in 2012/13) and liabilities of £3.294m (£3.875m in 2012/13) relate to the academies. These figures, together with curtailments of £0.168m (£0.088m in 2012/13) comprise the net figure of -£1.938m (-£1.726m in 2012/13) shown as a gain or loss from settlements below.

	Local Government Pension Scheme £'000		Discretionary Benefits Arrangements £'000	
	2013/14	2012/13	2013/14	2012/13
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Service cost comprising:				
• current service cost	12,378	9,699	0	0
• past service costs	181	462	0	0
• (gain)/ loss from settlements	-1,938	-1,726	0	0
• administration expenses	538	544	0	0
Financing and Investment Income and				

	Local Government Pension Scheme £'000		Discretionary Benefits Arrangements £'000	
	2013/14	2012/13	2013/14	2012/13
Expenditure				
Net interest expense	5,614	5,500	403	444
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	16,773	14,479	403	444
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
• Return on plan assets (excluding the amount included in the net interest expense)	-18,120	-43,489	0	0
• Actuarial gains and losses arising on changes in demographic assumptions	4,895	5,943	30	75
• Actuarial gains and losses arising on changes in financial assumptions	-36,057	55,096	-217	651
• Experience gains and losses	2,667	0	306	0
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	-46,615	17,550	119	726
Movement in Reserves Statement				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-16,773	-14,479	-403	-444
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to scheme	12,078	12,259		
• retirement benefits payable to pensioners			658	621

Pensions assets and liabilities recognised in the Balance Sheet

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

	Local Government Pension Scheme £'000		Discretionary Benefits £'000	
	2013/14	2012/13	2013/14	2012/13
Present value of the defined benefit obligation	600,182	615,824	9,781	9,917
Fair value of the plan assets	-519,750	-476,430	0	0
Net liability arising from defined benefit obligation	80,432	139,394	9,781	9,917

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

	Local Government Pension Scheme £'000		Discretionary Benefits £'000	
	2013/14	2012/13	2013/14	2012/13
Opening fair value of scheme assets	476,430	423,064	0	0
Interest income	19,788	20,482	0	0
Remeasurement gain/(loss):				
• The return on plan assets, excluding the amount included in the net interest expense	18,120	43,489	0	0
Contributions from employer	29,120	11,638	658	621
Contributions from employees into the scheme	3,559	3,618	0	0
Benefits paid	-25,541	-23,256	-658	-621
Settlements	-1,188	-2,061	0	0
Administration expenses	-538	-544	0	0
Closing fair value of scheme assets	519,750	476,430	0	0

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

	Funded liabilities: Local Government Pension Scheme £'000		Unfunded liabilities: Discretionary Benefits £'000	
	2013/14	2012/13	2013/14	2012/13
Opening balance at 1 April	615,824	542,067	9,917	9,368
Current service cost	12,378	9,699	0	0
Interest cost	25,402	25,982	403	444
Contributions by scheme participants	3,559	3,618	0	0
Remeasurement gains and losses				
• Actuarial gains and losses arising on changes in demographic assumptions	4,895	5,943	30	75
• Actuarial gains and losses arising on changes in financial assumptions	-36,057	55,096	-217	651
• Experience gains and losses	2,667	0	306	0
Past service costs	181	462	0	0
Losses/ (gains) on curtailment	168	88	0	0
Benefits paid	-25,541	-23,256	-658	-621
Liabilities extinguished on settlements	-3,294	-3,875	0	0
Closing balance at 31 March	600,182	615,824	9,781	9,917

Local Government Pension Scheme assets comprised:

		Fair value of scheme assets	
Asset Category	**Quoted (Y/N)**	**31 March 2014 £000**	**31 March 2013 £000**
Equities:		**305,287**	**292,052**
Energy	Y	34,360	31,675
Materials	Y	24,279	19,578
Industrial	Y	27,450	22,675
Consumer	Y	84,338	68,735
Health Care	Y	46,590	53,816
Financials	Y	43,640	43,595
Information Technology	Y	26,598	26,923
Telecommunication Services	Y	10,925	19,816
Utilities	Y	7,107	5,239
Bonds:		**48,261**	**48,605**
UK Fixed Interest	N	13,431	13,369
UK Index Linked	N	12,616	13,341
Overseas Fixed Interest	N	22,214	21,895
Alternatives:		**155,093**	**131,067**
Private Equity – Overseas LLP	N	38,165	27,336
Funds – Overseas Equity	N	10,413	9,952
Funds – Property	N	52,455	26,762
Funds – Diversified Growth	N	53,168	66,172
Forward Forex Contract	N	0	845
FTSE Future	N	892	0
Cash and Cash Equivalents	N	**11,109**	**4,706**
Total		**519,750**	**476,430**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Under the projected unit method the current service cost will increase as members of the scheme approach retirement (where there is an increase in the age profile of the active membership). Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	31/03/14	31/03/13	31/03/14	31/03/13
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	23.0	22.3	23.0	22.3
Women	25.4	24.9	25.4	24.9
Longevity at 65 for future pensioners:				
Men	25.3	24.2	-	-
Women	28.3	26.9	-	-
Rate of CPI inflation	2.4%	2.4%	2.4%	2.4%
Rate of increase in salaries	3.9%	3.9%	-	-
Rate of increase in pensions	2.4%	2.4%	2.4%	2.4%
Rate for discounting scheme liabilities	4.4%	4.2%	4.4%	4.2%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Factor	Change	Impact on the Defined Benefit Obligation in the Scheme £000
Longevity	Increase life expectancy 1 year	30,738
Rate of inflation	Increase by 0.1%	9,699
Rate of increase in salaries	Increase pay growth by 0.1%	1,576
Rate for discounting scheme liabilities	Increase by 0.1%	-9,548

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible, subject to the administering authority not taking undue risk. The Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 14 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2015 is £10.8m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2015 are £0.7m.

The weighted average duration of the defined benefit obligation for scheme members is 16 years at 31 March 2013 (14 years at 31 March 2010).

35 Contingent Liabilities

Contingent liabilities have been considered up to the authorisation date of the Financial Statements of 15 September 2014 by the Director of Finance and Resources and the following are disclosed.

In 1998, as part of the transfer of the housing stock, the Council agreed to certain warranties and established a reserve which stands at £2.183m at 31 March 2014, for this purpose. Whether or not these warranties will ever be called upon cannot be known. There are a number of potentially contaminated sites across the borough, particularly in the north, as a result of former industrial uses as well as historic landfill operations, although no sites have been declared as contaminated land under the Environmental Protection Act. However, future redevelopment of these sites could raise issues leading to a liability in relation to the warranties. At present, it is not possible to know whether there is any possibility of reimbursement if costs are incurred.

With regard to personal searches for land charges, claims have been settled in 2013/14 and payments totalling £85,000 were made by the Council. In addition, the Council is also subject to another group of claims and a provision of £150,000 has been made for these. There may be further claims and the amount of these is not yet known.

36 Contingent Assets

The Council had no contingent assets at the 31 March 2014.

37 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

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

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

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

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

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

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

	Amount at 31 March 2014	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2014	Estimated maximum exposure to default and uncollectability	Estimated maximum exposure at 31 March 2014
	£'000	%	%	£'000	£'000
Deposits with financial institutions	49,996	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 2014 £000	31 March 2013 £000
Loans outstanding		
PWLB	103,158	103,190
Market debt	0	0
Temporary borrowing	0	0
Total	**103,158**	**103,190**

	31 March 2014 £000	31 March 2013 £000
Maturity Profile		
Less than 1 year	31	31
Maturing between 1 and 2 years	31	31
Maturing between 2 and 5 years	2,094	94
Maturing between 5 and 10 years	156	2,156
Maturing between 10 and 15 years	13,278	12,810
Maturing between 15 and 20 years	13,568	13,568
Maturing between 20 and 25 years	2,500	3,000
Maturing between 25 and 30 years	0	0
Maturing between 30 and 35 years	9,000	6,000
Maturing between 35 and 40 years	18,000	15,500
Maturing between 40 and 45 years	33,500	32,500
Maturing over 45 years	11,000	17,500
Total	**103,158**	**103,190**

Market Risk

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

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

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

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

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

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

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

	£000
Increase in interest payable on variable rate debt	0
Increase in interest receivable on variable rate investments*	475
Net Impact on Income and Expenditure – Gain	**475**
Increase/(Decrease) in fair value of fixed rate investments	(71)
Increase/(Decrease) in fair value of fixed rate debt	(19,945)

*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 £3.0m investments shown on the balance sheet as 'cash'.

Foreign exchange risk

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

38 Long-Term Debtors

31.3.2013 £'000		31.3.2014 £'000
11,876	Civic Offices site	0
2,812	Finance leases	2,961
1,344	Bexley Heritage Trust loan	1,232
296	Thames Innovation Centre loans	259
633	Deferred capital receipts	316
602	Mortgages	573
451	Other loans and advances	4
0	Payments in advance	17,700
18,014	**Total Long Term Debtors**	**23,045**

The Civic Offices site has moved from long-term debtors to short-term debtors as the final instalment of the capital receipt is due in 2014/15.

The payments in advance are employer's contributions to the Pension Fund for 2015/16 and 2016/17. For further details see accounting policy 1.29.

39 Capital Grants Receipts in Advance

31.3.2013 £'000		31.3.2014 £'000
	Short Term	
-267	Devolved Formula Grant	-99
-310	Empty Property Fund	-57
-191	Loans Scheme Private Sector Renewal	-160
-220	Other	-199
-988	**Total Short Term**	**-515**
	Long Term	
-446	Devolved Formula Grant	-256
-2,738	S106 Contributions	-4,067
-885	Other	-716
-4,069	**Total Long Term**	**-5,039**

40 Deferred Liabilities

31.3.2013 £'000		31.3.2014 £'000
-37,055	PFI/PPP contracts	-36,123
-759	Finance leases	-460
-557	Other	-563
-38,371	**Total Deferred Liabilites**	**-37,146**

41 Heritage Assets

	Museum Collection £'000	Hall Place Hall Place House £'000	Granary £'000	Danson House House £'000	Exhibits £'000	Bexleyheath & Crayford Clock Towers £'000	Five Arches Bridge £'000	Public Art £'000	Civic Regalia £'000	Total Assets £'000
Cost or valuation										
At 1 April 2012	392	20,787	35	6,504	235	234	4,000	337	262	32,786
Additions (including donations)	0	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0	0
Revaluations increases/(decreases) recognised in the Revaluation Reserve	12	0	0	0	7	0	0	0	0	19
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0	0	0
At 31 March 2013	**404**	**20,787**	**35**	**6,504**	**242**	**234**	**4,000**	**337**	**262**	**32,805**
Cost or valuation										
At 1 April 2013	404	20,787	35	6,504	242	234	4,000	337	262	32,805
Additions (including donations)	0	0	0	0	0	35	0	0	0	35
Disposals	0	0	0	0	0	0	0	0	0	0
Revaluations increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0	0	0
At 31 March 2014	**404**	**20,787**	**35**	**6,504**	**242**	**269**	**4,000**	**337**	**262**	**32,840**

41 Heritage Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The asset management of highways and parks structures which includes Crayford and Bexleyheath Clock Towers, Five Arches Bridge, Lesnes Abbey Ruins and the Council's War Memorials, is the responsibility of the Deputy Director (Public Realm Management). All capitalised building maintenance budgets are the responsibility of the Head of Property 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 Corporate Services for approval.

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

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

The Council's Arts Manager oversees the commissioning of Public Art and reports to the Head of Libraries, Arts and Archives. The Arts Manager maintains a record of public art commissioned in the borough detailing the nature, provenance, condition and current location of each asset.

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

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

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

The Council's Macebearer is responsible for the upkeep of the Council's Civic regalia. The Macebearer reports to the Head of Electoral and Members' Services. Repairs are undertaken on an adhoc basis as and when necessary and expenditure incurred would be charged to the Comprehensive Income and Expenditure Statement. The Council's Civic Regalia is 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 and at the Crayford Archive Store. The Local Studies and Archives collection is managed by the Local Studies and Archives Manager who reports to the Head of Libraries, Heritage and Archives. The collection is managed in accordance with policies approved by the Council. Further information is provided in the separate publications *A Strategy for Bexley Local Studies and Archives Centre, Collection Management Action Plan, Collection and Cataloguing Policy* and *Preservation Policy*, all of which have been produced in accordance with national guidelines and are available on the Council's website. Assets are collated, preserved and managed in accordance with the aforementioned guidelines.

Additions to Heritage Assets in 2013/14
During 2013/14, a bust of Queen Elizabeth II was commissioned and installed in a niche in the Bexleyheath Clock Tower.

Disposals of Heritage Assets in 2013/14
There were no disposals of heritage assets in 2013/14.

Five Year Summary of Transactions

	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Cost of Acquisitions of Heritage Assets					
Museum Collection	0	0	0	0	0
Historical Buildings and Structures	0	0	0	0	22
Public Art Work	0	0	157	0	0
Civic Regalia	0	0	0	0	0
Total Cost of Acquisitions	**0**	**0**	**157**	**0**	**22**

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

The Collection Fund

Under the Local Government Finance Act 1988 (Section 89) the Council is required to operate a separate Collection Fund, which is consolidated with the Council's other accounts. It is an agent’s statement that shows the transactions of the billing authority (Bexley) in relation to the collection from taxpayers and distribution to the Greater London Authority and the Government of council tax and business rates. There were no community charge transactions in 2013/14. The new arrangements for distributing business rates between the Government, Greater London Authority (GLA) and Bexley commenced on 1 April 2013 and the statement below reflects these changes.

2012/13	2012/13			2013/14	2013/14
	£'000	**INCOME**	Note		£'000
	-105,472	Income from Council Tax Payers	1		-108,298
	-16,216	Council Tax Benefit			0
	-66,394	Income from Business Ratepayers	2		-67,446
	-2,187	Income from Business Rate Supplement (BRS)	4		-1,835
	-190,269	**TOTAL INCOME**			**-177,579**
		EXPENDITURE			
	95,484	Council Tax - Bexley's Demand on the Collection Fund	3		82,721
	25,950	Council Tax - Greater London Authority Precept	3		22,209
	121,434	Total Council Tax Demands and Precepts			104,930
	66,208	Contribution to Business Rate Pool			0
	0	Business Rates - estimate due to Bexley			19,703
	0	Business Rates - estimate due to the GLA			13,135
	0	Business Rates - estimate due to the Government			32,839
	0	Business Rates - Transitional Protection Payments			391
	263	Allowance for Cost of Business Rate Collection			264
	2	Interest on Business Rate Refunds			0
	2,178	Payments to Greater London Authority's BRS Account	4		1,826
	10	BRS Administrative Costs	4		9
	0	Business Rates - provision for appeals	5		5,437
	-79	Provision made for Business Rate Bad Debts			-159
	498	Provision made for Council Tax Bad Debts			1,241
		Distribution of previous year's estimated Fund Deficit(-) or Surplus for Council Tax			
	0	- London Borough of Bexley			0
	0	- Greater London Authority			0
	190,514	**TOTAL EXPENDITURE**			**179,616**
		Surplus (-)/ Deficit For The Year			
245		Council Tax		-2,127	
0		Non-Domestic Rates		4,164	
0		Business Rate Supplement		0	
	245				**2,037**
		Collection Fund Balance Brought Forward			
-1,254		Council Tax		-1,009	
0		Non-Domestic Rates		0	
0		Business Rate Supplement		0	
	-1,254				**-1,009**
		Collection Fund Balance Carried Forward			
-1,009		Council Tax		-3,136	
0		Non-Domestic Rates		4,164	
0		Business Rate Supplement		0	
	-1,009				**1,028**

Notes to the Collection Fund Account

Note 1 - Council Tax

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

2012/13 £'000		2013/14 £'000
-137,123	Gross Council Tax	-136,938
3,738	Exemptions	2,036
11,130	Discounts	11,058
0	Premiums	-104
0	Council Tax Reduction Scheme	14,972
567	Write-offs	678
16,216	Council Tax Benefits	0
-105,472	**Income from Council Tax Payers**	**-108,298**

For 2013/14, the Council Tax was set by the Council at £1,431.59 (£1,435.31 in 2012/13) for a property in band D. For 2013/14, the Council Tax was calculated using an estimated Council Tax Base of 73,296 Band D equivalents, as detailed below:

Band	Dwellings per Valuation List	Revised Dwellings after Adjustments*	Ratio To Band D	Band D Equivalent
A (Disabled)	0	6	5/9	3
A	4,869	2,190	6/9	1,460
B	10,300	4,756	7/9	3,699
C	28,438	20,429	8/9	18,159
D	26,757	22,127	9/9	22,127
E	19,131	16,803	11/9	20,537
F	4,612	4,207	13/9	6,076
G	1,667	1,553	15/9	2,589
H	45	33	18/9	66
Total	**95,819**	**72,104**		**74,716**
Less Allowance for Non-Collection				**-1,420**
Council Tax Base 2013/14				**73,296**

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

*Adjustments are made for exemptions, discounts (including the Council Tax reduction scheme that has replaced Council Tax benefit), disabled banding changes, and an estimate made for new properties and appeals.

Note 2 - Income from Business Ratepayers

Under the new arrangements for business rates that came into effect on 1 April 2013, the Council collects National Non Domestic Rates (NNDR) for the Bexley area on behalf of the Government, the Greater London

Authority (GLA) and Bexley. These are based on rateable values multiplied by uniform rates which, for 2013/14, were 47.1p in the pound and 46.2p in the pound for small businesses (for 2012/13, 45.8p in the pound and 45.0p in the pound for small businesses). The total amount less certain reliefs and other deductions is paid to the Government, GLA and Bexley's General Fund in the following proportions:

Government	50%
GLA	20%
Bexley – General Fund	30%

Income from business ratepayers can be analysed as follows:

2012/13 £'000			2013/14 £'000
-77,022	Gross Non-domestic rateable value *		-79,193
2,890	Less:	Empty Properties	2,576
-526		Transitional Relief	0
6,785		Mandatory & Discretionary Relief	8,563
1,479		Write off	608
-66,394	**TO COLLECTION FUND**		**-67,446**

* The total non-domestic rateable value as at 31 March 2014 was £174.224m (£173.941m as at 31 March 2013). There was a revaluation of non-domestic properties effective from 1 April 2010.

Note 3 – Council Tax Precepts

Payments are made from the Collection Fund to the London Borough of Bexley (the billing authority) - £82.721m in 2013/14 (£95.484m in 2012/13) and the Greater London Authority (the precepting authority) - £22.209m in 2013/14 (£25.950m in 2012/13). These figures are before the distribution of any previous year's estimated Fund surplus or deficit; there was no surplus or deficit to distribute in 2013/14 (there was no surplus or deficit to distribute in 2012/13). The Council Tax income accrued in the General Fund adjusts the estimated demand from the Collection Fund by the actual surpluses or deficits on the Collection Fund.

Note 4 – Crossrail Business Rate Supplement

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

Note 5 – Business Rates – Provision for Appeals

Under the new arrangements for the retention of business rates that came into effect on 1 April 2013, Bexley, as a billing authority, is required to make provision for refunding ratepayers who have successfully appealed against the rateable value on their properties. This includes amounts relating to non-domestic rates charged to businesses in 2012/13 and earlier financial years. The provision is based on an estimate of the likely success rate of those appeals that were submitted to the Valuation Officer as at 31 March 2014 and were still outstanding.

Statement of Responsibilities for the Pension Fund Accounts

The Council is required to make arrangements for the proper administration of its pension fund affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Director of Finance 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 103 to 127 and have been prepared in accordance with the accounting policies set out on page 107.

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 2014.

Michael Ellsmore

Director of Finance and Resources

24 September 2014

Pension Fund Account

2012/13 £'000		Note	2013/14 £'000
	Dealings with members, employers and others directly involved in the scheme		
-20,348	Contributions	6	-20,331
-1,160	Transfers in from other pension funds	7	-1,622
-21,508	**Total contributions**		**-21,953**
24,286	Benefits	8	26,828
1,563	Payments to and on account of leavers	9	2,806
727	Administrative expenses borne by the scheme	10	808
26,576	**Total benefits and administration expenses**		**30,442**
5,068	**Sub-total: Net additions (-) / withdrawals from dealings with members**		**8,489**
	Returns on investments		
-12,070	Investment income	11	-12,529
452	Taxes on income	11	553
-68,780	Profit (-) and losses on disposal of investments and changes in value of investments	12	-34,538
1,216	Investment management expenses	15	1,650
-79,182	**Sub-total: Net returns on investments**		**-44,864**
-74,114	**Net increase (-) / decrease in the net assets available for benefits during the year**		**-36,375**

Pension Fund Net Assets Statement

31.3.2013 £'000		Note	31.3.2014 £'000
559,051	Investment Assets	12	614,367
0	Investment Liabilities	14	-1,040
0	Borrowings		0
0	Long Term Liabilities	16	-17,700
1,884	Current Assets	17	1,924
-1,060	Current Liabilities	18	-1,301
559,875	**Net assets of the scheme available to fund benefits at the period end**		**596,250**

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 26 below.

Notes to the Financial Statements

1 Introduction to the Fund

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

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

(a) General
The fund is governed by the Superannuation Act 1972. It is administered in accordance with the detailed regulations of:
~ the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
~ the LGPS (Administration) Regulations 2008 (as amended)
~ the LGPS (Management and Investment of Funds) Regulations 2009

New regulations were introduced during 2013/14, but they cover service in the scheme after 1 April 2014. They were:
~ the LGPS Regulations 2013
~ the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014

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

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

The Scheduled Bodies (bodies whose staff are automatically entitled to be members of the fund) are:-
London Borough of Bexley (Administering Authority)
Barnehurst Infant School
Barnehurst Junior School
Belvedere Junior School
Beths Grammar School
Bexley College
Bexley Grammar School
Bexleyheath Academy
Blackfen School for Girls
Bursted Wood Primary School
Chislehurst and Sidcup Grammar School
Christ Church Primary
Cleeve Park School
East Wickham Primary Academy
Erith School
Harris Academy Falconwood
Hope Community School
Hurst Primary School
Hurstmere School
Pelham Primary School

Sherwood Park Primary School
St Augustine of Canterbury Primary School
St Catherine's Catholic School
St Columba’s Catholic Boys School
Townley Grammar School
Trinity Church of England School, Belvedere
Welling School
Woodland Academy Trust

The Admitted Bodies (bodies whose staff are entitled to be members of the fund because of an agreement between that body and the Fund) are:-
Avante Partnership
Bexley Heritage Trust
Blenheim CDP
Business Academy Bexley
Capita Business Services Ltd
Caterlink
Danson Youth Trust
Inspire Community Trust
Kier Street Services Ltd
London and Quadrant Housing Trust
MCCH Society Ltd
Mytime Active
Orbit South Housing Association
Rose Bruford College
Serco Ltd
Wilson James Ltd

Numbers for employers and employees in the fund are:

31 March 2013		**31 March 2014**
33	Number of employers with active members	44
	Number of employees in the fund	
3,280	London Borough of Bexley	3,189
1,320	Other employers	1,599
4,600	*Total*	*4,788*
	Number of pensioners in the fund	
3,860	London Borough of Bexley	4,074
431	Other employers	484
4,291	*Total*	*4,558*
	Number of deferred pensioners in the fund	
3,338	London Borough of Bexley	3,412
445	Other employers	560
3,783	*Total*	*3,972*

Over the last five years membership numbers have increased:

Membership Analysis 31 March 2010- 31 March 2014

	31.3.10	**31.3.11**	**31.3.12**	**31.3.13**	**31.3.14**
Employees in the Fund	4,742	4,593	4,470	4,600	4,788
Deferred Pensioners	3,319	3,466	3,612	3,783	3,972
Pensioners in the Fund	3,877	4,025	4,207	4,291	4,558

(c) Funding

In 2013/14, 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 2013 and shows a funding level of 87% (2010 was 87%). The deficit on the fund will generally be recovered over a period of 14 years. The Council's contribution in 2013/14 was 20.6% of payroll (20.6% in 2012/13). Other bodies employer's future service contributions in 2013/14 varied between 11.7% and 26.9% but they also pay a separate lump sum deficit funding contribution. Further details on the funding and actuarial positions are shown in notes 25 and 26.

Financial Analysis 2009/10 – 2013/14

	2009/10	**2010/11**	**2011/12**	**2012/13**	**2013/14**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Contributions to the Scheme	-24,570	-26,323	-22,222	-21,508	-21,953
Benefits Paid and Admin Expenses	24,949	24,585	28,932	26,576	30,442
Net Return on Investments	-121,735	-37,405	-5,660	-79,182	-44,864
Net Increase (-) / Decrease in Year	**-121,356**	**-39,143**	**1,050**	**-74,114**	**-36,375**
Value of Fund Brought Forward	326,312	447,668	486,811	485,761	559,875
Value of Fund Carried Forward	447,668	486,811	485,761	559,875	596,250

The Fund publishes a separate Annual Report for the Pension Fund, which includes the Statement of Investment Principles, and other documents, and these can be obtained from the Finance Department, Bexley Civic Offices, 2 Watling Street, Bexleyheath, Kent DA6 7AT or from the Pension Fund's website www.yourpension.org.uk/bexley

2 Basis of Preparation

These financial statements summarise the fund's transactions for the 2013/14 financial year and its position at the year end of 31 March 2014. They have been prepared in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting 2013/14, and with the guidelines set out in Section 2 of the Statement of Recommended Practice for Financial Reports of Pension Schemes 2007. The CIPFA Code is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

3 Accounting Policies

Accrual Basis

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

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

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

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

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

Basis of Financial Assets

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

Basis of Valuation of Investments

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

Market-quoted investments

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

Unquoted investments

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

Pooled investment vehicles

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

Foreign currency transactions

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

Derivatives

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

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the fund's actuary in accordance with IAS19 and relevant actuarial standards. As permitted under IAS26, the fund has opted to disclose the actuarial present value of promised retirement benefits as a note to the net assets statement (see note 26).

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 15 September 2014. 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 2014, the figures in the accounts and notes have been adjusted in all material respects to reflect the impact of this information. Note 20 details any such specific events.

Prepayment of Employer Contributions
In 2013/14 the London Borough of Bexley made payments in advance of £17.7m in respect of its employer's contributions to the Pension Fund for the financial years 2015/16 and 2016/17. These contributions have been treated as receipts in advance and shown as a liability within the Pension Fund.

The additional receipts have been invested as pension fund assets and are assumed by the actuary to earn similar returns to other Pension Fund assets. The risk of the extra amounts arriving in the Pension Fund at an inauspicious time for investment returns was mitigated by making the investments over a period of time between November 2013 and March 2014.

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

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

4 Critical judgements in applying accounting policies

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 26. 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 2014 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 £56m. A 0.25% reduction in assumed salary inflation would reduce liabilities by £5m and a one year increase in assumed life expectancy would increase the liability by around £15m.

Private equity
Private equity investments are valued by their individual fund managers. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. By the time these valuations are all received by the fund of funds manager and he has reviewed them and adjusted as necessary to fair value standards they are likely to be a quarter out of date. The total private equity investments in the accounts are valued at £45.8m. There is a risk that this investment may be under- or overstated in the accounts.

6 Contributions

2012/13 £'000		2013/14 £'000
	From Employers	
7,064	London Borough of Bexley – normal	6,990
1,821	Scheduled bodies – normal	2,230
1,084	Admitted bodies – normal	1,008
4,148	London Borough of Bexley – deficit funding	4,104
919	Scheduled bodies – deficit funding	1,054
292	Admitted bodies – deficit funding	-155
7	London Borough of Bexley – augmentation	7
0	Scheduled bodies – augmentation	0
0	Admitted bodies – augmentation	0
	From Members	
3,524	London Borough of Bexley – normal	3,467
863	Scheduled bodies – normal	1,039
510	Admitted bodies – normal	474
92	London Borough of Bexley – additional voluntary	92
7	Scheduled bodies – additional voluntary	7
17	Admitted bodies – additional voluntary	14
20,348	**Total contributions**	**20,331**

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:-

2012/13		2013/14
£'000		**£'000**
581	Value of funds at start of year	849
249	Employees contributions	270
7	Investment income	10
0	Transfers in	0
7	Change in market value	20
-64	Benefits paid and transfers out	-117
69	Bonus *(restatement)*	
849	**Value of funds at end of year**	**1,032**

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.

2012/13		2013/14
£'000		**£'000**
675	London Borough of Bexley	1,192
470	Scheduled bodies	356
15	Admitted bodies	74
1,160	**Total**	**1,622**

8 Benefits

2012/13		2013/14
£'000		**£'000**
20,645	Pensions	21,729
7	Augmented service	7
3,225	Commutation of pensions and lump sum retirement benefits	4,285
409	Lump sum death benefits	807
24,286	**Total**	**26,828**

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

22,081	London Borough of Bexley	24,128
747	Scheduled bodies	814
1,458	Admitted bodies	1,886
24,286	**Total**	**26,828**

9 Payments to and on account of leavers

2012/13 £'000		2013/14 £'000
25	Refunds of contributions	39
0	State scheme premiums	-1
1,538	Individual transfers out to other schemes	2,768
1,563	**Total**	**2,806**

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

1,489	London Borough of Bexley	2,621
68	Scheduled bodies	172
6	Admitted bodies	13
1,563	**Total**	**2,806**

At the year end there were liabilities of £0.69m 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

2012/13 £'000		2013/14 £'000
228	Administrative services	228
434	Payroll, personnel and finance services	434
31	Actuarial services	73
21	Audit fee	21
0	Audit fee rebate	-2
13	Miscellaneous expenses	54
727	**Total**	**808**

11 Investment income

2012/13 £'000		2013/14 £'000
0	Income from fixed interest securities	0
9,352	Dividends from equities	10,164
0	Income from index-linked securities	0
2,663	Income from pooled investment vehicles	2,329
32	Interest on cash deposits	25
23	Other investment income	11
12,070		**12,529**
-452	Irrecoverable withholding tax (equities)	-553
11,618	**Total investment income**	**11,976**

12 Investment Assets

12a Changes in investments during the year

The Investment Management Agreement (IMA) with Aviva Investors, the Fund's property fund manager, was finalised in March 2013. They made changes to existing investments and new additions at the end of March 2013. Throughout 2013/14 they used further cash injections of £24.4m to expand the Fund's property portfolio. During 2013/14 new commitments were made with private equity managers Partners Group in order to maintain asset allocation in this sector as earlier investments were realised. Around £9.4m of the total £33.1m commitment was funded during the year.

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

31.3.2013		31.3.2014
10.3%	Bonds	9.3%
63.5%	Equities	60.8%
5.6%	Private Equity	6.5%
5.6%	Property	10.2%
13.9%	Diversified Growth	10.2%
1.1%	Cash	3.0%

The Fund's investment return for the year was a gain of 8.3%, with total assets increasing from £559.875m to £596.250m. This was better than the return on the Fund's specific benchmark of 7.0%. Stock markets were still volatile during the year but made steady progress by year end. Over a five year period the Fund's annual return was 13.8% pa compared to the average return of 13.7% pa that the benchmark would have achieved.

12b Reconciliation of movements in investments

	Value at 31.3.2013	Purchases at cost	Sales proceeds	Transfers	Change in Market value	Value at 31.3.2014
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	340,959	84,152	-71,421		4,429	358,119
Pooled investment vehicles (non bond)	152,275	57,553	-36,446		9,162	182,544
Pooled investment vehicles (bond)	56,754	633	-479		-254	56,654
Derivatives	988	218,283	-217,244		-980	1,047
	550,976	**360,621**	**-325,590**	**0**	**12,357**	**598,364**
Cash/temporary investments	5,297				22,505	12,659
Outstanding investment transactions debtors	2,778				799	3,344
	559,051					**614,367**
Current Net Assets/Liabilities (-)	824				17,617	623
Net Assets/Liabilities (-)	0				-17,700	-17,700
Outstanding investment transactions creditors	0				-1,040	-1,040
Net assets	**559,875**				**34,538**	**596,250**

Equivalent figures for 2012/13 were:

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

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 2013/14 were £257,000 (£244,000 in 2012/13). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

12c Analysis of investments

31.3.2013 £'000		31.3.2014 £'000
	Equities	
106,007	UK quoted	119,968
234,952	Overseas quoted	238,151
340,959		**358,119**
	Pooled investment vehicles	
31,291	Managed funds – UK property unquoted	62,088
15,631	Managed funds – UK fixed interest unquoted	15,768
25,524	Managed funds – Overseas fixed interest unquoted	26,075
15,599	Managed funds – UK index linked unquoted	14,811
31,962	Managed funds – Overseas limited liability partnership unquoted	45,811
77,370	Unitised insurance policy - Overseas unquoted	62,417
3	Unit trusts – UK unquoted	3
11,649	Unit trusts – Overseas unquoted	12,225
209,029		**239,198**

988	Derivatives	1,047
5,297	Cash/temporary investments	12,659
	Other investment balances	
2,778	Debtors	3,344

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 unit trusts overseas unquoted are investments in the Newton Emerging Markets Fund (formerly Newton South East Asia Fund). However, all the securities held within the Newton Fund are quoted. Investments exceeding 5% within each class of security are as follows:

Asset Class / Security Name	Manager	31.3.2014 £'000	31.3.2014 % within asset class
UK Equities			
GlaxoSmithKline PLC	Newton and UBS	9,860	8.2
BP PLC	UBS	9,392	7.8
Royal Dutch Shell PLC	UBS	9,027	7.5
Centrica PLC	Newton and UBS	6,256	5.2
Vodafone Group PLC	Newton and UBS	6,086	5.1
Pooled Investment Vehicles - Unit Trusts			
Newton Emerging Markets Exempt Fund (formerly Newton South East Asia Fund)	Newton	12,225	100.0
Pooled Investment Vehicles - Managed Funds			
BlackRock Bond Fund	BlackRock	30,579	18.6
Newton Global Dynamic Bond Fund	Newton	26,075	15.8
Partners Group Global Value 2011	Partners	16,587	10.1
Partners Group Global Value 2006	Partners	11,740	7.1
WELPUT Property Fund	Aviva	9,170	5.6
Pooled Investment Vehicles – Unitised Insurance Policy			
Standard Life Global Absolute Return Strategy	Standard Life	62,417	100.0

Equivalent figures as at 31st March 2013 were as follows:

Asset Class / Security Name	Manager	31.03.13 £'000	31.03.13 % within asset class
UK Equities			
GlaxoSmithKline PLC	Newton and UBS	11,028	10.4
BP PLC	UBS	8,567	8.1
Royal Dutch Shell PLC	UBS	7,275	6.9
Centrica PLC	Newton and UBS	5,534	5.2

Pooled Investment Vehicles - Unit Trusts

Newton Emerging Markets Exempt Fund (formerly Newton South East Asia Fund)	Newton	11,649	100.0

Pooled Investment Vehicles - Managed Funds

BlackRock Bond Fund	BlackRock	31,230	26.0
Newton Global Dynamic Bond Fund	Newton	25,524	21.3
Partners Group Global Value 2006	Partners	12,916	10.8
Partners Group Global Value 2011	Partners	10,503	8.8
WELPUT Property Fund	WELPUT	10,296	8.6
Partners Group Global Value 2008	Partners	8,543	7.1
Standard Life Shopping Centres Fund	Standard Life	7,029	5.9

Pooled Investment Vehicles – Unitised Insurance Policy

Standard Life Global Absolute Return Strategy	Standard Life	77,730	100.0

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. There were no foreign currency contracts open at 31 March 2014. The fund's UK equity manager (UBS) used a FTSE future contract in place of cash towards the year end pending reinvestment in stocks as opportunities arose. The only contract that was open at 31 March 2014 was a £1.039m forward purchase of FTSE 100 Index Future in March 2014 for June 2014 valued at £1.047m as at 31 March 2014.

12e Investments analysed by fund manager

31.3.2013			31.3.2014	
£'000	**%**		**£'000**	**%**
298,102	53.3	Newton Investment Management Ltd	308,994	50.4
87,571	15.7	UBS Global Asset Management Ltd	102,520	16.7
0	0	Aviva Investors	62,708	10.2
77,370	13.8	Standard Life (GARS)	62,417	10.2
31,962	5.7	Partners Group	45,811	7.5
31,779	5.7	BlackRock Bond Fund	30,877	5.0
12,590	2.3	Standard Life	0	
10,296	1.9	WELPUT	0	
4,686	0.8	Threadneedle	0	
3,972	0.7	BlackRock Property	0	
723	0.1	X-Leisure/Aviva custody account	0	
559,051			**613,327**	
824		Current Net Assets/Liabilities (-)	623	
0		Employer contributions prepayment	-17,700	
559,875		**Net assets**	**596,250**	

The figures above include the managers' cash allocation.

12f Investment Risk

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

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

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

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

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

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

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

13 Financial instruments

13a. Classification of financial instruments

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

31.3.2013 £'000	**Financial Assets**	**31.3.2014 £'000**
9,959	Loans and receivables	17,927
550,976	Financial assets at fair value through profit or loss	598,364
560,935	**Total**	**616,291**

31.3.2013 £'000	**Financial Liabilities**	**31.3.2014 £'000**
-1,060	Financial liabilities at amortised cost	-20,041
0	Financial liabilities at fair value through profit or loss	0
-1,060	**Total**	**-20,041**

The financial assets are disclosed at fair value and this is also their carrying value. However, the loans and receivables and financial liabilities at amortised cost are not measured at fair value even though their carrying value is equivalent to fair value. Most assets and liabilities may be classified as current as they arise primarily from trading. One liability of £17.7m at 31 March 2014 relates to advance payments of employer contributions for 2015/16 and 2016/17 and is a longer term liability.

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:-

2013/14	Financial Assets: Loans and receivables	Financial Assets: Financial assets at fair value through profit or loss	Financial Liabilities: Financial liabilities at amortised cost	Financial Liabilities: Financial liabilities at fair value through profit or loss	Total
	£'000	£'000	£'000	£'000	£'000
Interest expense		-553			-553
Losses on derecognition		-4,384		-1,456	-5,840
Total expense in Fund Account	**0**	**-4,937**	**0**	**-1,456**	**-6,393**
Interest income		37			37
Dividend income		12,492			12,492
Gains on derecognition		30,161		859	31,020
Total income in Fund Account	**0**	**42,690**	**0**	**859**	**43,549**
Gains on revaluation	43,137	10,420		190	53,747
Losses on revaluation	-1,993	-22,841	-18,981	-574	-44,389
Surplus/deficit arising on financial assets in the Fund Account	**41,144**	**-12,421**	**-18,981**	**-384**	**9,358**
Net gain / loss(-) for the year	**41,144**	**25,332**	**-18,981**	**-981**	**46,514**

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

13c Nature and extent of risks arising from financial instruments

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

Credit risk is the risk that counterparties to the financial instruments will fail to pay the amounts due to the Pension Fund, thereby causing financial loss. This may arise if the value of a particular stock falls substantially or if a dividend is not paid out. Investment managers will usually assess this risk when making investments on behalf of the Pension Fund. The market price of investments generally also includes a credit assessment and risk of loss into the valuations. In essence, therefore, the Fund's entire investment portfolio is exposed to some form of credit risk, except the derivatives position where the risk equates to the net market value of a positive derivative position. There is a higher credit risk involved in the Fund's allocation to private equity (7.5% at 31 March 2014 and 5.7% at 31 March 2013) 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 2013/14 then a loss of income of £508,000 would have occurred (£468,000 in 2012/13). 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 2014 was £113,000. 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 2014.

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 2013/14 accounts show that the benefits and administrative expenses paid out exceeded the contributions to the Fund. The majority of the Fund's investments were sufficiently liquid as to be sold to provide the additional cash required. The Fund operates its own separate bank account and the liquidity position is monitored on a day to day basis. The fund is also permitted to borrow for up to 90 days if its cash flow is insufficient to meet short term commitments.

The fund defines liquid assets as those that can be easily converted to cash within three months. Illiquid assets are those assets that will take longer than three months to convert to cash. As at 31 March 2014 the value of illiquid assets was £109m, which represented 18% of total fund assets (31 March 2013: £64m which represented 11% of total fund assets).

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

- Interest rates may vary which will impact on the valuation of fixed interest holdings. The coupon and the duration of such investments will be spread to minimise this risk. At 31 March 2014 the Fund had £56.7m invested in three bond funds (bond investments were £56.8m at 31 March 2013). If interest rates on these investments varied by 1% the impact on the fund would be £567,000 (£568,000 at 31 March 2013).
- 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 2014, the Fund valuation would have been £35.8m lower (£34.1m lower at 31 March 2013). However, in this scenario it is quite likely that bond funds would have been priced 10% higher offsetting the lower valuation by £5.7m at 31 March 2014 (£5.7m at 31 March 2013).
- 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 £238.2m overseas equities at 31 March 2014 (£235.0m at 31 March 2013), so if the exchange rate of sterling against the local currencies in which the assets were invested had varied by 10%, the valuation would have varied by some £23.8m (£23.5m at 31 March 2013).

13d Valuation of financial instruments carried at fair value

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

Level 1

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

Level 2
Financial instruments at level 2 are those where quoted market prices are not available. This may be where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and those techniques use inputs that are based significantly on observable market data.
Level 3
Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. The values of investments in private equity are based on valuations provided by the general partners to the private equity funds which are part of the fund of funds in which Bexley's fund invests. This process is explained in more detail for each Limited Partnership (fund of funds investment arrangement) as follows:-

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

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

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

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

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

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

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

Values at 31 March 2014

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

Values at 31 March 2013 (Restated)

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

14 Investment Liabilities

2012/13 £'000		2013/14 £'000
0	Creditors	1,040
0	**Total**	**1,040**

These amounts represent unsettled investment transactions as at year end.

15 Investment management expenses

2012/13 £'000		2013/14 £'000
1,095	Investment manager fees	1,504
-117	Fee rebate	-98
21	Custodian fees	28
200	Advisory fees	199
17	Performance measurement services	17
1,216	**Total**	**1,650**

The fund management fees for the funds of private equity funds and property funds are not included above as they are not normally separately identified by the managers. The unit values of these funds are net of management fees. The estimated value of these management fees is £1,620,000 in 2013/14 (£1,545,000 in 2012/13). One-off fee rebates for new commitments to fund of private equity funds are included above as they were identified separately by the manager.

The fund has negotiated a performance related fee element with its global equity manager, Newton. In 2013/14 this element of the fee amounted to £0.39m (2012/13 £0.25m).

16 Long Term Liabilities

2012/13 £'000		2013/14 £'000
0	Long Term Liabilities	17,700
0	**Total**	**17,700**

These amounts represent advance payments of employer's contributions by the London Borough of Bexley in respect of financial years 2015/16 and 2016/17.

17 Current assets

2012/13 £'000		2013/14 £'000
	Contributions due from employers	
1,180	- in respect of employer	1,206
391	- in respect of members	412
9	- in respect of previous employment	7
87	Sundry debtors	186
217	Cash at bank	113
1,884	**Total**	**1,924**

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

50	- in respect of central government bodies	35
1,271	- in respect of other local authorities	1,341
4	- in respect of NHS bodies	2
342	- in respect of other entities and individuals	433
1,667	**Total**	**1,811**

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

18 Current liabilities

2012/13 £'000		2013/14 £'000
-227	Unpaid benefits	-219
-235	Sundry creditors	-277
-598	Accrued expenses	-805
-1,060	**Total**	**-1,301**

These liabilities can also be analysed as follows:-

-234	- in respect of central government bodies	-283
-37	- in respect of other local authorities	-7
0	- in respect of public corporation and trading funds	0
-789	- in respect of other entities and individuals	-1,011
-1,060	**Total**	**-1,301**

19 Administration

The Local Government Pension Scheme in Bexley is administered by the London Pensions Fund Authority on behalf of the London Borough of Bexley. The London Borough of Bexley is the administering authority for the Pension Fund.

20 Subsequent Events

In June 2014 the fixed interest and index linked bond investments with BlackRock (totalling £30.9m) were transferred to their fixed income global opportunities (FIGO) fund. There were no other material subsequent events.

21 Contingent Liabilities

The Pension Fund has a commitment to contribute a further £45.7m to the fund of private equity funds (£29.5m as at 31 March 2013; a new £16.6m commitment was entered into in March 2014) (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. The overall amount invested in private equity is not expected to change significantly as new drawdowns are likely to be offset by increased distributions.

There were no other material contingent liabilities or contractual commitments at 31 March 2014, or material non-adjusting events subsequent to this.

22 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.

23 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 2013/14 from the London Borough of Bexley to the Pension Fund included in administration costs.
The Director of Finance and Resources allocates 5% of his time to the Pension Fund. He is the only officer that is regarded as holding a key management post in respect of the Pension Fund. In 2013/14 he received salary, fees and allowances totalling £124,715 (£120,575 in 2012/13 including £8,823 in emergency planning standby payment) and benefits in kind of £1,262 (£1,262 in 2012/13), giving total remuneration of £125,977 (£121,837 in 2012/13).
The Director of Finance and Resources contributes 7.5% of his gross salary to the LGPS. The Council also pays a flat rate percentage of employees' pay as employer's contribution. In 2013/14 this contribution was £26,777 (£26,159 in 2012/13) in respect of the Director of Finance and Resources.

No Councillors of the London Borough of Bexley are members of the Local Government Pension Scheme, and neither they, nor officers, can influence the level of benefits from or contributions to the scheme as its terms and conditions are set by statute.

During the year, no Council Members or Designated Officers have undertaken any declarable transactions with the Pension Fund. Each Member of the Pensions Committee is required to declare their interests at each meeting.

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

24 Stock Lending

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

25 Funding Arrangements

The fund's actuary carries out a funding valuation every three years to set employer contribution rates for the following triennial period. The last such valuation took place as at 31 March 2013, and has recently been completed. The valuation took account of the changes to the scheme which came into effect on 1 April 2014, the main elements of which are a move to a career averaged revalued earnings basis and a 1/49th accrual rate for benefits.
The key elements of the funding policy are to:

~ enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled and admitted bodies
~ manage employers' liabilities effectively
~ ensure that sufficient resources are available to meet all liabilities as they fall due, and
~ maximise the likelihood of reaching 100% funding on an ongoing basis over the next three valuation periods subject to an acceptable level of downside risk.

At the 2013 actuarial valuation the fund was assessed as 87% funded (87% at the March 2010 valuation). This represented a deficit of £81m (£69m in 2010) at that time. Contribution rates were set for the three year period ending 31 March 2017 for scheme employers and admitted bodies. The common contribution rate (the rate which all employers in the fund pay) was set at 15.0% (12.9% in 2010).

Individual employers' rates vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2013 actuarial valuation report on the fund's website.

26 Actuarial Present Value of Promised Retirement Benefits

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

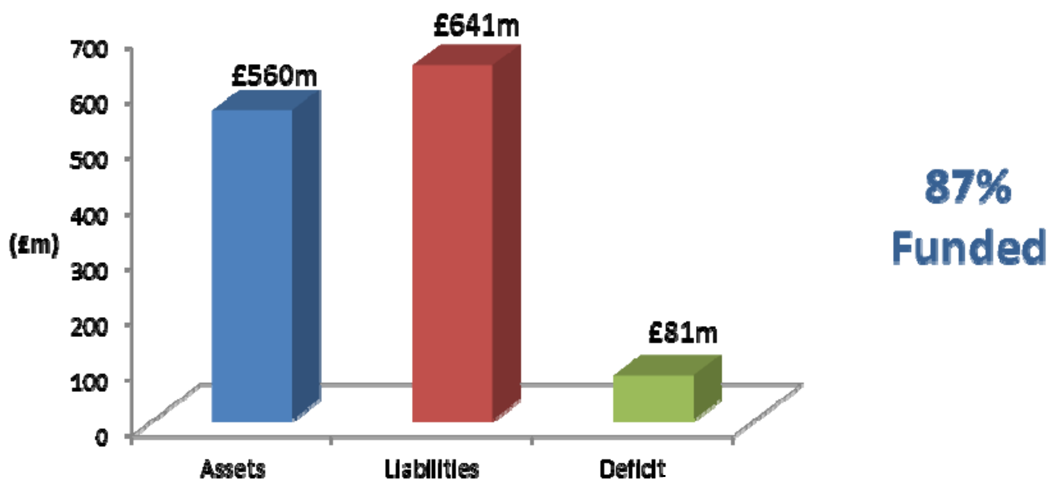
LONDON BOROUGH OF BEXLEY PENSION FUND

Accounts for the year ended 31 March 2014 - Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the London Borough of Bexley Pension Fund was carried out as at 31 March 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £560 million represented 87% of the Fund's past service liabilities of £641 million (the "Funding Target") at the valuation date. The deficit at the valuation date was therefore £81 million.



The valuation also showed that a common rate of contribution of 15.0% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allows for the new LGPS benefit structure effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 92% with a resulting deficit of £47 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £3.8 million per annum increasing at 4.1% per annum (equivalent to approximately 5.0% of projected Pensionable Pay at the valuation date) for 14 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)	4.95% per annum	5.6% per annum
Rate of pay increases (long term)	4.1% per annum*	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

* allowance was also made for short-term public sector pay restraint over a 6 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2014 (the 31 March 2013 assumptions are included for comparison):

	31 March 2013	31 March 2014
Rate of return on investments (discount rate)	4.2% per annum	4.5% per annum
Rate of pay increases	3.9% per annum	3.9% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% per annum	2.4% per annum

* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields increased, resulting in a higher discount rate being used for IAS26 purposes at the year end than at the beginning of the year (4.5% p.a. versus 4.2% p.a.). The pay increase assumption at the year end has also changed to allow for a short-term public sector pay restraint as detailed in the actuarial valuation.

The value of the Fund’s promised retirement benefits for the purposes of IAS26 as at 31 March 2013 was estimated as £749 million. The effect of the changes in actuarial assumptions between 31 March 2013 and 31 March 2014 as described above is to decrease the liabilities by *c*£46 million. Adding interest over the year increases the liabilities by *c*£31 million, and allowing for net benefits accrued/paid over the period decreases the liabilities by *c*£5 million (including any increase in liabilities arising as a result of early retirements/augmentations). Finally, allowing for actual vs expected membership experience, which emerged at the 2013 valuation, gives a reduction in liabilities of c£26 million.

The net effect of all the above is that the estimated total value of the Fund’s promised retirement benefits as at 31 March 2014 is therefore £703 million.

Ian Kirk
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2014

Glossary of Financial Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Recharges
The transfer of costs from one account to another.

Related Party Transactions
A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a price is charged. The principal issue is the degree of control or influence by one party over the other. For transactions disclosed elsewhere in these accounts, a related party with this Council is either with a Member of the Council's Cabinet or a senior officer of the Council.

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

Revenue Support Grant
This is the general grant paid by the Government to local authorities, which takes account of the amount expected to be raised through Council Tax and business rates.

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

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

Opinion on the Authority financial statements

We have audited the financial statements of the London Borough of Bexley for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

Respective responsibilities of the Director of Finance and Resources and auditor

As explained more fully in the Statement of the Responsibilities for the Statement of Accounts, the Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:
- give a true and fair view of the financial position of the London Borough of Bexley as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, the London Borough of Bexley put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Delay in certification of completion of the audit

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

Susan M Exton
Director

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

Grant Thornton UK LLP
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London
NW1 2EP

26 September 2014

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

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of the London Borough of Bexley Pension Fund for the year ended 31 March 2014 under the Audit Commission Act 1998. The pension fund financial statements comprise the Pension Fund Account, the Pension Fund Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

Respective responsibilities of the Director of Finance and Resources and auditor

As explained more fully in the Statement of Responsibilities for the Pension Fund Accounts, the Director of Finance and Resources is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

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

Opinion on the pension fund financial statements

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2014 and the amount and disposition of the fund's assets and liabilities as at 31 March 2014 and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

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

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

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26th September 2014