Royal Borough of Greenwich

Statement of Accounts

2015/16

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Introduction from Councillor Denise Hyland, Leader, Royal Borough of Greenwich

The past year has been one of immense change, development and progress in the Royal Borough and I am pleased to present our annual Statement of Accounts 2015/16.

I believe our shrewd financial management in recent years has equipped us to cope with the raft of cuts that we have had to manage, whilst ensuring that we protect services, wherever possible, for our residents.

Indeed, we have already managed revenue pressures in excess of £100 million since 2010; our strong four-year programme of savings, aimed at protecting vital frontline services for our residents, continues to keep on track with our financial planning whilst enabling to make wide-ranging changes to services to ensure they are delivered more efficiently – while at the same time offering support to help people become more self-reliant.

We continue to drive through improvements to our services, to look at our resources and refine the way we operate our day to day business, to ensure that we can deliver the best possible service for residents for the best value that we can. I believe that this year's Annual Accounts, which are independently audited, demonstrate that we have maintained the correct management of our finances, whilst continuing to protect valuable frontline services.

Despite the financial pressures, we work to offer a brighter future for the Royal Borough and the people who live here. We are working hard to ensure that our borough grows, not in size, but in terms of housing, transport and job opportunities. We also have a range of initiatives in place to help support our residents out of poverty, for instance our campaign to encourage local businesses to sign up to the London Living Wage, as well as offering opportunities for our residents to upskill by signposting to adult education courses across the borough, and, of course, the work of the Greenwich Local Labour and Business service to help support people back into work.

Our adult and children's social services continue to face huge pressures, and, with further cuts from Central Government and the benefits system continuing to bite, the financial situation for local authorities remains extremely challenging.

It is only right and proper that we prioritise services and it is imperative that we maintain prudent financial management of our budgets.

I am immensely proud to be both the Leader and a resident of such a creative, historic and desirable place to live - my Cabinet colleagues and I believe we have the right fiscal strategy in place to help us deliver service change and the drive for continual improvement and enrichment of our borough, whilst managing our income and assets, and delivering vital services to the citizens of Royal Greenwich.

Councillor Denise Hyland
Leader
Royal Borough of Greenwich

Narrative Report

Introduction

The Statement of Accounts was compiled and handed to the appointed auditor on 27 May 2016, which is:

- ***40 working days*** after the financial year end
- the ***earliest the Authority has produced a set of accounts*** (never previously achieved a May close)
- ***over one month before they are due*** for submission under current legislation
- ***a few days ahead of the governments new deadline*** of 31 May - ***two years before required***
- allowing finance staff to ***concentrate on the value add activities*** earlier in the financial cycle
- a demonstration of ***strong project management discipline*** and ***technologically improved working practices*** enabling ***constrained resources to deliver at pace***.

This Narrative Report replaces the Explanatory Foreword and in doing so, brings the Authority's accounts closer in line with those from the private sector. The report goes on to cover:

- Council Performance
- Financial Performance
- Looking Ahead
- Summary
- Structure of the Statement of Accounts.

A Glossary is provided on page 147.

Council Performance

Governance

The Authority operates the Leader / Cabinet system and the borough comprises 17 wards, each served by 3 councillors, leading to 51 members in total - the current political balance is 43 Labour and 8 Conservative councillors.

Authority Structure

Within the Authority, there is also a Teckal company (Greenwich Service Plus) and the Council is the sole shareholder for Greenwich Service Solutions, Meridian Home Start and DG Cities. Councillors also have seats on the boards of many external bodies, including those of the Royal Borough of Greenwich Destination Management Company and the Heritage Trust.

Medium Term Financial Strategy

The last year has largely been dominated by the launch of the latest phase of the MTFS, which, in addressing a £77m overall savings target, had four main workstreams:

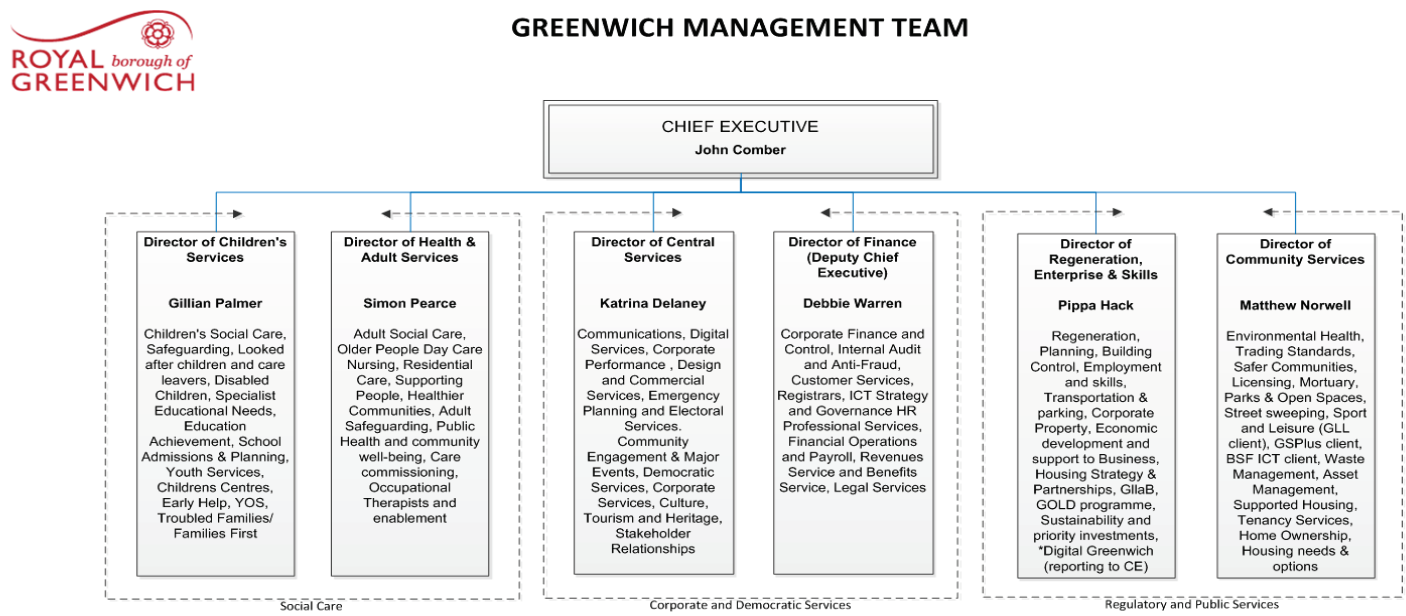
1. Workforce Strategy
2. Social Care Transformation
3. Growth and Investment
4. Housekeeping

Workforce Strategy

Compared to its London peers, the Authority had:

- The 2nd lowest staff turnover, with almost a quarter having more than 20 years' service
- The 4th lowest proportion of staff aged 25-39
- The 6th highest average staff age (47 years) with 44% of staff aged 50-64 years.

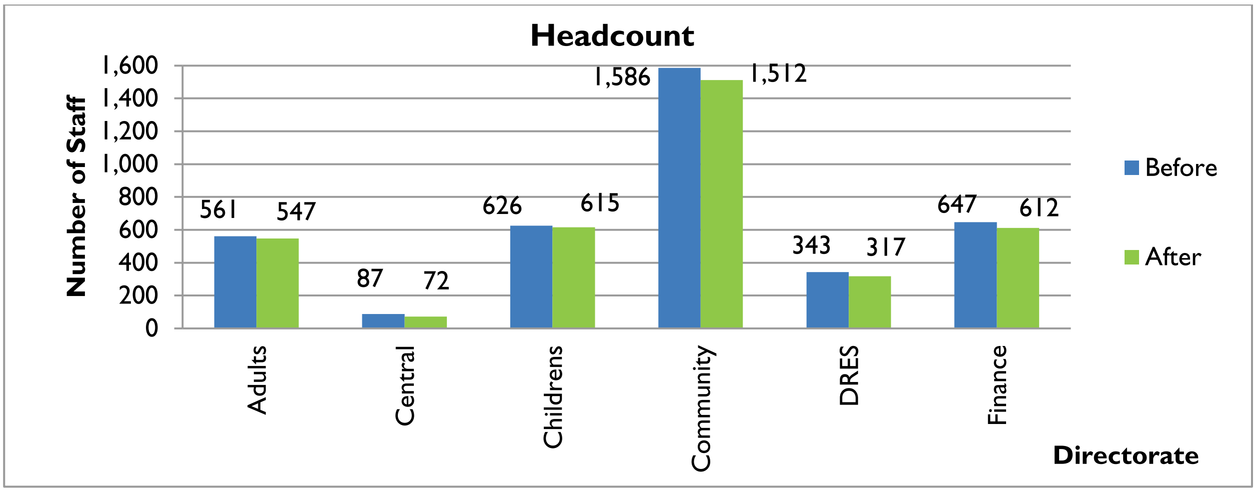
In addressing these and other salient factors (e.g. increasing control over and reducing the quantum of agency use), the Authority agreed to the release of a number of middle managers and experienced members of staff and brought in a revised structure for the authority, reducing the number of direct reports to the Chief Executive.



There are demographic and structural effects flowing from the workforce reorganisations. Firstly, the composition of the workforce has changed and achieved some of the central aims, such as reducing the average age of the workforce and making the Council more representative of the diverse borough which it serves.

%	BME	Disabled	Female	Age
Before	27.9	5.3	56.0	46.6 yrs
After	28.7	5.1	56.3	46.0 yrs

Secondly, the consequential workforce reorganisations are being designed to achieve £14m of general fund staff savings identified in the MTFS and have led to a reduction of 175 members of staff across the Council, representing 4½% of the non-schools workforce, for which the authority has made the necessary provision within the accounts. Each directorate has seen a reduction in headcount.



Social Care Transformation

Adult Social Care has an extensive transformation programme, which cover all areas of work. The programme is made up of a number of projects, which model best practice and benchmark costs against national and regional comparators. The programme overall will run for up to four years, although some projects will be completed in a much shorter timescale. Each project will transform services and aim to improve outcomes. This programme is the main vehicle to deliver a sustainable budget for Adult Social Care.

Regeneration

The Council has embarked upon an ambitious regeneration programme of investment led proposals that will deliver its Growth Strategy Masterplans.

In taking early investment decisions across the borough, including in areas of rising land values, the Council has been able to secure interest from developers and other partners in order to undertake delivery of a range of ambitious strategic proposals.

The benefit of these decisions will be seen through the significant appreciation of the land (as the masterplans progress), along with direct benefits to the local economies of the projects and across the borough as a whole, through housing, new businesses, jobs and visitor levels, each of which provide valuable revenue streams for the borough.

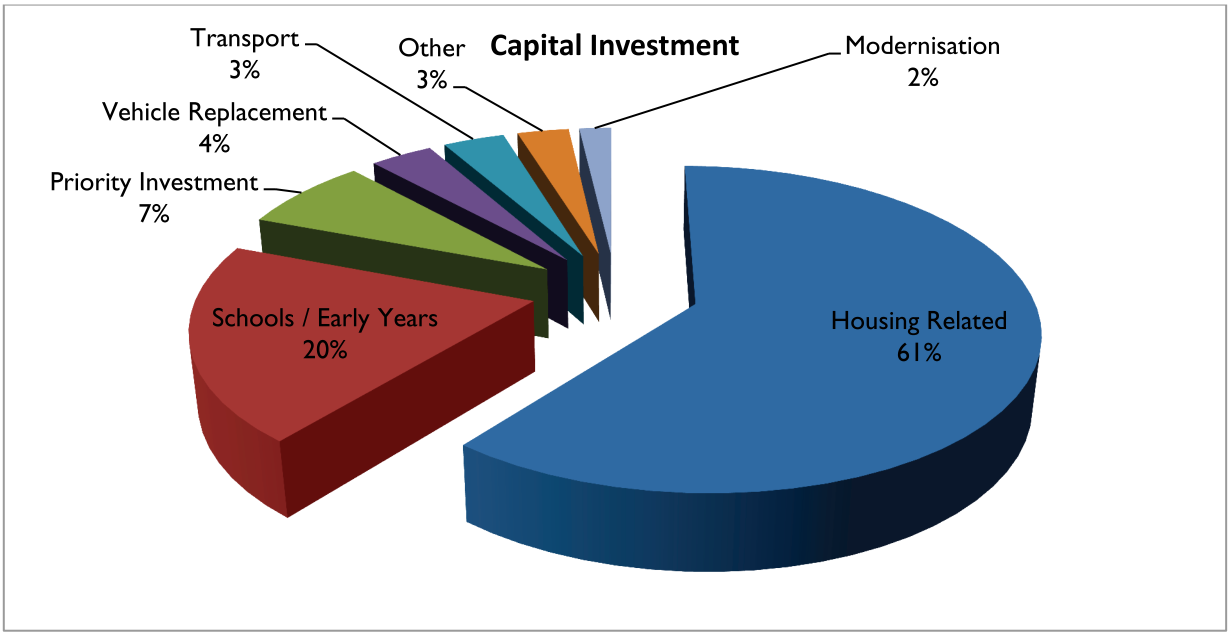
Financial Performance

Revenue

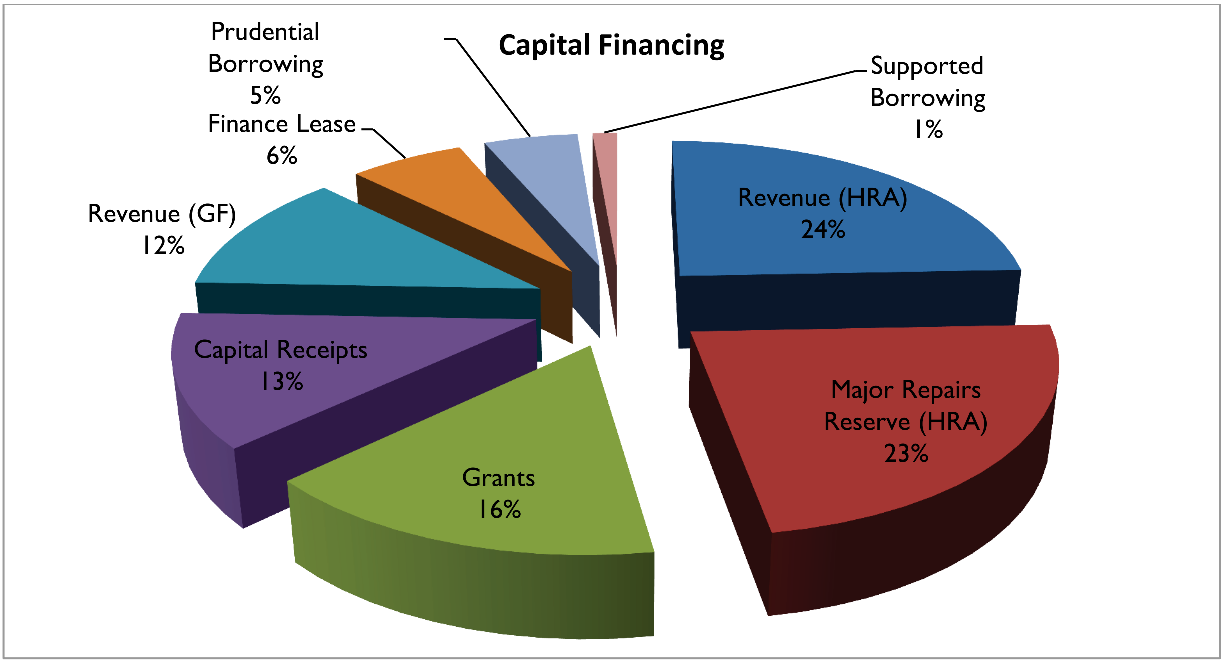
From October 2015, the Authority took on further public health responsibilities, in respect of children. Overall, the Council achieved a balanced position, albeit with considerable demand led pressures in adult social care overspending by a net £7½m, plus other smaller departmental strains, offset by corporate under spending / additional income (e.g. from reduced loan interest payments, council tax freeze grant and areas of general financial housekeeping). A full outturn report for services is reported to Cabinet, which is made available via the Council’s website (www.royalgreenwich.gov.uk).

Capital Investment

In total, £97m of capital investment has been made in 2015/16, with the majority of this deployed to housing, education and regeneration based projects.



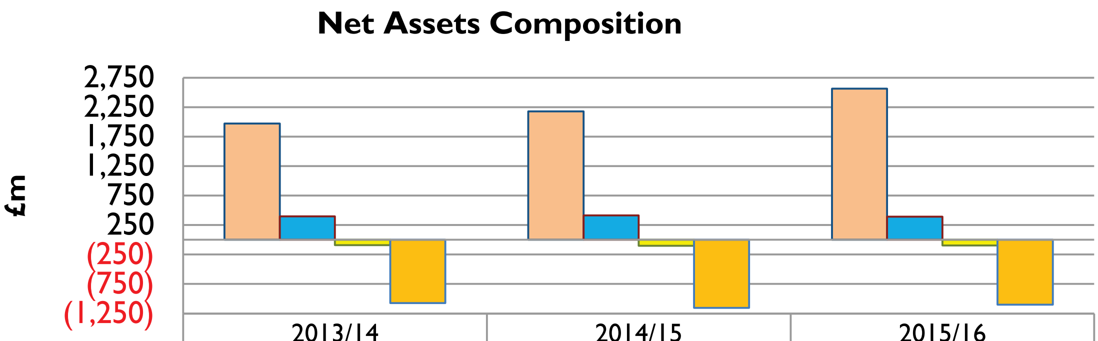
The majority of financing for the above capital investment is derived from revenue and grant streams.



All borrowing undertaken is sustainable in that debt servicing costs are supported by identified revenue budgets. Borrowing for Housing purposes is restricted through the Self Financing regime, such that debt cannot rise above a government imposed cap of almost £335m. Total nominal borrowing ended the financial year at £404m - a further reduction of £7m and interest payable has reduced by £1m.

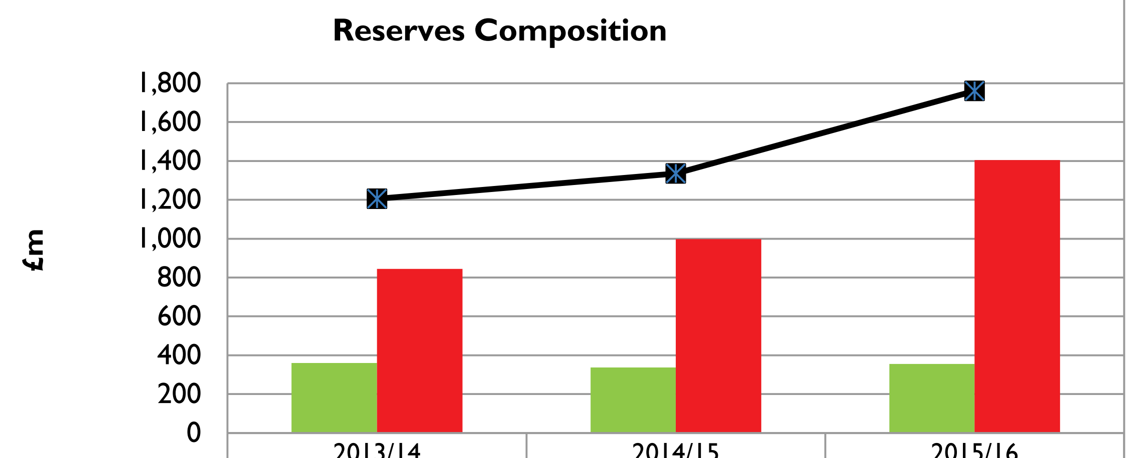
Balance Sheet Summary

The top half of the balance sheet has seen a further rise in long term asset values, with the continuation of a buoyant local property market. The Council has a consistently strong net current asset position, thereby being able to readily service its debts as they become due.



	2013/14	2014/15	2015/16
Long Term Assets	1,969	2,177	2,564
Current Assets	399	414	395
Current Liabilities	(93)	(100)	(99)
Long Term Liabilities	(1,071)	(1,156)	(1,100)

The bottom half of the balance sheet shows total reserves split into those that are usable and those that are unusable (they are not cash backed). The main driver for the increase in reserves comes from the latter, including net revaluation increases of £210m and an accounting improvement of £48m (to £560m) in the Council's position with respect to the defined benefit pension schemes to which it contributes. The pension deficit should be seen within the context of gross reserves totalling £2.3bn.



	2013/14	2014/15	2015/16
Usable	360	337	356
Unusable	844	997	1,404
Total Reserves	1,204	1,335	1,760

Looking Ahead

The combined Autumn Statement and Spending Review in 2015 forecast that by 2020, there would have effectively been a decade of austerity measures. A further £39m of government support is forecast to be lost over the next few years.

Moving away from recent times of encouraging local authorities to maintain their council tax levels by way of a freeze grant incentivisation, government forecasts now assume that local authorities will raise their local council tax levels each year. Further encouragement is also given with regard to raising funds for adult social care.

Overall, this combined with proposals for 100% business rate retention, is a switch from central government to locally raised funding and the attendant risks that this brings.

Accounting Changes

In 2016/17, the Authority will be required to recognise the Highways Network Asset (HNA). In doing so, it will replace items of infrastructure (e.g. roads, bridges etc) currently shown in the balance sheet at depreciated historic cost and replace them with the HNA which will be valued using depreciated replacement cost. This change will be significantly material, leading to a substantial increase in the value of net assets reported. Accounting standards normally require that changes are made retrospectively to the previous year's accounts, however, in this case, the change will be prospective. Work has been undertaken to ensure that the relevant data is available for use in 2016/17.

Risks

The Authority faces a broad range of risks and maintains a corporate risk register. Key financial risks include:

Area	**Issue**
Business Rate Appeals	VO backlog - leading to uncertainty surrounding the Collection Fund
Council Suppliers	Potential company failures – specific examples include care providers
Demographic	• Adult social care / nil recourse - demand led • Increasing numbers of cases with complex needs
Funding	• Government support to reduce by £39m over MTFS • Better Care Fund deployment • National schools funding formula • Efficiency Strategy – decision on take up • 100% business rates retention – possible transfer of responsibilities
Government Policy	• Care Act • Right to Buy • Academisation • Rent reduction
Inflation / Interest Rate / Pay	Shape and timing of changes to the economy
Regeneration	• Reducing slippage • Cost control • Maintaining close partnership working • Ensuring project viability
Safeguarding	Keeping vulnerable and young persons safe
Unachieved Savings	Early implementation of savings to lock in savings
Workforce Management	• Timing of change • Retention of skills and knowledge

The United Kingdom held a Referendum on 23 June 2016 on whether or not to remain a member of the European Union. The decision to leave has led to a higher degree of uncertainty over many of the areas identified above and others. At this stage, it is too early to quantify many of these aspects.

Meeting the Challenge

The published MTFS provides a roadmap for the future in respect of ensuring there is financing to maintain service provision. Transforming the way that the Council operates is key to addressing these challenges, with directorates right-sizing and developing lean models. Plans are in place to meet the challenges ahead, with a specific example being the finance area which is developing IT enhancements that will deliver the "securing stewardship" function more efficiently and ensure budget managers have their relevant financial information delivered directly to them, allowing staff to concentrate on supporting performance and importantly, enabling transformation.

Summary

This Narrative Report provides a high level view of the Authority's accounts - further details can be found by reading the full document. The final section of the Narrative Report below explains how the Statement of Accounts is presented.

Structure of the Statement of Accounts

The format for this document is derived from the Code of Practice on Local Authority Accounting in the UK 2015/16, which specifies the principles and practices of accounting required to give a "true and fair" view of the financial position, financial performance and cash flows of a local authority. It primarily comprises the Main Financial Statements (including notes to the accounts) and Additional Statements / Other Notes.

Main Financial Statements

<u>Movement in Reserves Statement</u>

This shows the movement in the year on the different reserves held by the Authority and represents the net worth and is split into two elements:

- Usable (can be spent in the future)
- Unusable (cannot be spent):
    - derived from accounting entries that make adjustments in respect of items required by accounting standards or legislation
    - examples include the Capital Adjustment Account, Revaluation Reserve and Pension Reserve.

<u>Comprehensive Income & Expenditure Statement</u>

This shows the accounting cost in the year of providing services and the resultant surplus / loss (this latter figure does not directly impact the taxpayer), split into five elements:

- Cost of Services (gross income and expenditure for each service is presented)
- Other Operating I&E (includes the surplus / deficit from property, plant and equipment sales)
- Financing and Investment I&E (interest payable and receivable)
- Taxation & General Grant (revenue from council tax, business rates and the government)
- Other I&E (entries not included elsewhere such as revaluation or actuarial gains / losses).

<u>Balance Sheet</u>

This shows the value of the assets and liabilities of the Authority at the end of the reporting period. The net assets are matched by the reserves held.

- Non-Current Assets (this contains assets with a life of greater than one year)
- Current Assets (includes cash, amounts owed to the Authority and other items that will be consumed in the short term)
- Current Liabilities (includes amounts owed by the Authority in the short term)
- Long Term Liabilities (includes longer term borrowing and the accounting cost of pensions)
- Provisions (liabilities where the timing and amount may be uncertain)
- Reserves (the net of the above entries, split between usable and non usable).

Cash Flow Statement

This shows the changes in and use of cash and cash equivalents during the period.

- Operating (cashflows from day to day operations)
- Investing (cashflows relating to capital activities)
- Financing (cashflows relating to financing operations).

Notes to the Accounts

There are 34 notes to the accounts which provide additional disclosures in respect of the entries within the Main Financial Statements.

Additional Statements / Other Notes

Collection Fund Account

This contains statements that reflect the statutory obligation for billing authorities to maintain a separate Collection Fund. The statements show the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government, of council tax and non-domestic rates.

Housing Revenue Account

This shows the economic cost in the year of the landlord responsibility for social housing provision in accordance with accounting standards, rather than the amount to be funded from rents and government grants.

Pension Fund Account

The Royal Borough of Greenwich Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by the Royal Borough of Greenwich.

Accounting Policies

The main underlying accounting policies underpinning the financial statements.

Annual Governance Statement

This sets out a framework in relation to risk management and internal control, along with efficiency and effectiveness.

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

Approval of Accounts

I certify that the Statement of Accounts was approved by Council at its meeting on 27 July 2016.

Cllr Olu Babatola
Mayor of the Royal Borough of Greenwich **Dated** **27 July 2016**

The Director of Finance Responsibilities

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

In preparing this Statement of Accounts, the Director of Finance has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.

The Director of Finance has also:

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

Certification of Director of Finance

I hereby certify that the Statement of Accounts on pages 16-146 give a true and fair view of the financial position of the Authority at the reporting date and of its expenditure and income for the year ended 31st March 2016.

Debbie Warren CPFA **Dated** **27 July 2016**
Director of Finance

Independent Auditor's Report to the Members of Royal Borough of Greenwich

We have audited the financial statements of Royal Borough of Greenwich (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement, the Collection Fund Account and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/ LAASAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance Responsibilities, the Director of Finance 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 2015/16, which 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 Responsibilities; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement 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:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

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

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. 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 has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects *the Authority* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code until:

1) we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2016. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.
2) we have resolved a matter raised by a local authority elector

Paul Dossett

Paul Dossett

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

Grant Thornton House

Melton Street

Euston Square

LONDON

NW1 2EP

28 July 2016

Movement in Reserves Statement

Movement in Reserves Statement	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£000	£000	£000	£000	£000	£000	**£000**	£000	**£000**
Balance at 31 March 2014 brought forward	**(37,592)**	**(202,474)**	**(23,692)**	**(66,978)**	**-**	**(29,622)**	**(360,358)**	**(843,962)**	**(1,204,320)**
(Surplus) / deficit on the provision of services	69,434	-	(171,463)	-	-	-	**(102,029)**	-	**(102,029)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	**-**	(28,305)	**(28,305)**
Total Comprehensive Income and Expenditure	**69,434**	**-**	**(171,463)**	**-**	**-**	**-**	**(102,029)**	**(28,305)**	**(130,334)**
Adj between accounting basis & funding basis under regs (Note 1)	(53,063)	-	159,970	(3,004)	17,078	3,961	**124,942**	(124,942)	**-**
Net (Incr) / Decr before Transfers to Earmarked Res	**16,371**	**-**	**(11,493)**	**(3,004)**	**17,078**	**3,961**	**22,913**	**(153,247)**	**(130,334)**
Transfers (to) / from Earmarked Reserves (Note 2)	(14,781)	14,781	17,078	-	**(17,078)**	**-**	**-**	-	**-**
(Increase) / Decrease in 2014/15	**1,590**	**14,781**	**5,585**	**(3,004)**	**-**	**3,961**	**22,913**	**(153,247)**	**(130,334)**
Balance at 31 March 2015 carried forward	**(36,002)**	**(187,693)**	**(18,107)**	**(69,982)**	**-**	**(25,661)**	**(337,445)**	**(997,209)**	**(1,334,654)**
(Surplus) / deficit on provision of services	2,919	-	(122,764)	-	-	-	**(119,845)**	-	**(119,845)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	**-**	(305,104)	**(305,104)**
Total Comprehensive Income and Expenditure	**2,919**	**-**	**(122,764)**	**-**	**-**	**-**	**(119,845)**	**(305,104)**	**(424,949)**
Adj between accounting basis & funding basis under regs (Note 1)	25,014	-	109,481	(29,571)	22,296	(25,520)	**101,700**	(101,700)	**-**
Net (Incr) / Decr before Transfers to Earmarked Res	**27,933**	**-**	**(13,283)**	**(29,571)**	**22,296**	**(25,520)**	**(18,145)**	**(406,804)**	**(424,949)**
Transfers (to) / from Earmarked Reserves (Note 2)	(27,731)	27,731	22,296	-	**(22,296)**	**-**	**-**	-	**-**
(Increase) / Decrease in 2015/16	**202**	**27,731**	**9,013**	**(29,571)**	**-**	**(25,520)**	**(18,145)**	**(406,804)**	**(424,949)**
Balance at 31 March 2016 carried forward	**(35,800)**	**(159,962)**	**(9,094)**	**(99,553)**	**-**	**(51,181)**	**(355,590)**	**(1,404,013)**	**(1,759,603)**

Comprehensive Income and Expenditure Statement

2014/15 Gross Expenditure	2014/15 Gross Income	2014/15 **Net Expenditure**	**Comprehensive Income and Expenditure Statement**	2015/16 Gross Expenditure	2015/16 Gross Income	2015/16 **Net Expenditure**
£000	£000	**£000**		£000	£000	**£000**
11,049	(16,459)	(5,410)	Central services to public	17,079	(16,474)	605
18,288	(1,201)	17,087	Cultural and related services	10,390	(689)	9,701
43,886	(6,997)	36,889	Environmental and regulatory services	43,386	(7,693)	35,693
15,248	(12,019)	3,229	Planning services	17,210	(14,208)	3,002
350,203	(270,517)	79,686	Education & children's services	334,973	(267,133)	67,840
27,735	(10,618)	17,117	Highways & transport services	30,166	(11,117)	19,049
(56,168)	(120,235)	(176,403)	Local authority housing (HRA)	(4,688)	(125,464)	(130,152)
183,522	(166,906)	16,616	Other housing services	184,424	(173,243)	11,181
114,722	(31,218)	83,504	Adult social care	118,103	(35,469)	82,634
19,714	(20,225)	(511)	Public Health	19,174	(22,381)	(3,207)
6,138	-	6,138	Corporate & democratic core	7,028	-	7,028
1,764	-	1,764	Non distributed costs	19,417	-	19,417
736,101	**(656,395)**	**79,706**	**Cost Of Services**	**796,662**	**(673,871)**	**122,791**
		(4,837)	Other Operating Expenditure (Note 5)			(14,967)
		111,690	Financing and Investment Income and Expenditure (Note 6)			47,906
		(288,588)	Taxation and Non-Specific Grant Income (Note 7)			(275,575)
		(102,029)	**(Surplus) or Deficit on Provision of Services**			**(119,845)**
		(88,653)	(Surplus) or deficit on revaluation of property, plant & equipment assets			(209,564)
		60,348	Re-measurement of the net defined benefit liability / (asset)			(95,540)
		(28,305)	**Other Comprehensive Income and Expenditure**			(305,104)
		(130,334)	**Total Comprehensive Income and Expenditure**			**(424,949)**

Balance Sheet

31 March 2015 £000	Balance Sheet	Notes	31 March 2016 £000
2,174,946	Property, Plant & Equipment	10	2,561,844
770	Heritage Assets		770
274	Intangible Assets		0
552	Long Term Investments	16	465
938	Long Term Debtors	16	833
2,177,480	**Long Term Assets**		**2,563,912**
276,673	Short Term Investments	16	284,821
34,098	Assets Held for Sale	12	6,451
245	Inventories		152
55,287	Short Term Debtors	20	55,681
47,281	Cash and Cash Equivalents	Cashflow	47,511
413,584	**Current Assets**		**394,616**
(325)	Cash and Cash Equivalents	Cashflow	(306)
(10,601)	Short Term Borrowing	16	(10,176)
(77,832)	Short Term Creditors	21	(79,321)
(3,646)	Receipts in Advance	8	(918)
(8,075)	Provisions	22	(8,113)
(100,479)	**Current Liabilities**		**(98,834)**
(607,730)	Long Term Creditors	19	(559,820)
(12,487)	Provisions	22	(10,084)
(403,675)	Long Term Borrowing	16	(396,765)
(132,039)	Other Long Term Liabilities	14 / 16	(133,422)
(1,155,931)	**Long Term Liabilities**		**(1,100,091)**
1,334,654	**Net Assets**		**1,759,603**
(337,445)	Usable Reserves	2 / 3	(355,590)
(997,209)	Unusable Reserves	4	(1,404,013)
(1,334,654)	**Total Reserves**		**(1,759,603)**

Cash Flow Statement

2014/15 £000	Cash Flow Statement	2015/16 £000
102,029	Net surplus or (deficit) on the provision of services	119,845
(12,003)	Adj to net surplus or deficit on the provision of services for non cash movements	(20,218)
(47,026)	Adj for items incl in net surplus / deficit on the provision of services that are investing and financing activities (Cash Flow Note 1)	(84,720)
43,000	Net cash flows from Operating Activities	14,907
(28,218)	Investing Activities (Cash Flow Note 2)	(5,446)
(12,323)	Financing Activities (Cash Flow Note 3)	(9,212)
2,459	Net increase or (decrease) in cash and cash equivalents	249
44,497	Cash and cash equivalents at the beginning of the reporting period	46,956
46,956	**Cash and cash equivalents at the end of the reporting period (Cash Flow Note 4)**	**47,205**

Cash Flow Note 1 - Operating Activities

The cash flows for operating activities include the following items:

1,346	Interest received	1,611
(30,076)	Interest paid	(29,445)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

33,233	Depreciation	40,230
(154,681)	Impairment and downward valuations	(130,955)
18,313	Increase / (decrease) in creditors	1,987
(6,074)	(Increase) / decrease in debtors	(2,237)
(102)	(Increase) / decrease in inventories	94
2,965	Increase / (decrease) in receipts in advance	(222)
25,885	Movement in pension liability	47,630
(1,886)	Increase / (decrease) in provisions	(2,365)
74,844	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	25,620
(4,500)	Other non-cash items charged to the net surplus or deficit on the provision of services	0
(12,003)		**(20,218)**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financial activities:

(22,392)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(44,203)
(24,634)	Any other items for which the cash effects are investing or financing cash flows	(40,517)
(47,026)		**(84,720)**

Cash Flow Note 2 - Investing Activities

(100,831)	Purchase of property, plant and equipment, investment property and intangible assets	(81,553)
(6,249,214)	Purchase of short-term and long-term investments	(7,198,509)
22,392	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	44,203
6,273,564	Proceeds from short-term and long-term investments	7,190,488
25,871	Other receipts from investing activities	39,925
(28,218)	**Net cash flows from investing activities**	**(5,446)**

Cash Flow Note 3 - Financing Activities

(2,164)	Other receipts from financing activities	0
(2,834)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(2,467)
(7,325)	Repayments of short-term and long-term borrowing	(7,351)
0	Other payments for financing activities	606
(12,323)	**Net cash flows from financing activities**	**(9,212)**

Cash Flow Note 4 - Cash and Cash Equivalents

47,281	Cash and bank balances	47,511
(325)	Bank overdraft	(306)
46,956	**Total cash and cash equivalents**	**47,205**

Note 1 - 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.

Adjustments between Accounting Basis and Funding Basis under Regulations 2015/16	**Usable Reserves**					
	General Fund Balance	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments involving the Capital Adjustment Account:						
<u>Reversal of items debited or credited to the Comprehensive I&E Statement:</u>						
Charges for depreciation and impairment of non current assets	(17,934)	(22,296)	-	-	-	40,230
Revaluation losses on Property Plant and Equipment	(1,885)	(27,016)	-	-	-	28,901
Reverse previous revaluation losses on Property, Plant & Equipment	27,668	132,197	-	-	-	(159,865)
Capital grants and contributions applied	-	-	-	-	6,675	(6,675)
Revenue expenditure funded from capital under statute	(8,375)	(3,869)	-	-	-	12,244
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I&E Statement	(10,749)	(14,614)	-	-	-	25,363
<u>Insertion of items not debited or credited to the Comprehensive I&E Statement:</u>						
Statutory provision for the financing of capital investment	5,637	-	-	-	-	(5,637)
Capital expenditure charged against the General Fund and HRA balances	11,358	23,515	-	-	-	(34,873)
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive I&E Statement	37,673	2,844	-	-	(40,517)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	8,322	(8,322)
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive I&E Statement	17,401	27,615	(45,016)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	12,212	-	-	(12,212)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(122)	(695)	817	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2,371)	-	2,371	-	-	-

Adjustments between Accounting Basis and Funding Basis under Regulations 2015/16	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Balance of reserved receipts at year end	-	-	49	-	-	(49)
Adjustments involving the Deferred Capital Receipts Reserve:						
Transfer to the Capital Receipts Reserve upon receipt of cash	-	-	(4)	-	-	4
Adjustment involving the Major Repairs Reserve:						
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	22,296	-	(22,296)
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive I&E Statement are different from finance costs chargeable in the year in accordance with statutory requirements	269	(503)	-	-	-	234
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive I&E Stmt (see Note 19)	(67,323)	(12,765)	-	-	-	80,088
Employer's pensions contributions and direct payments to pensioners payable in the year	27,453	5,005	-	-	-	(32,458)
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive I&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	5,704	-	-	-	-	(5,704)
Amount by which business rates income credited to the Comprehensive I&E Statement is different from business rate income calculated for the year in accordance with statutory requirements	(737)	-	-	-	-	737
Adjustment involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive I&E Statementt on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,347	63	-	-	-	(1,410)
Total Adjustments	**25,014**	**109,481**	**(29,571)**	**22,296**	**(25,520)**	**(101,700)**

Adjustments between Accounting Basis and Funding Basis under Regulations 2014/15

	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive I&E Statement:						
Charges for depreciation and impairment of non current assets	(16,156)	(17,078)	-	-	-	33,234
Revaluation losses on Property Plant and Equipment	(12,785)	(1,093)	-	-	-	13,878
Reverse previous revaluation losses on Property, Plant & Equipment	25,289	143,269	-	-	-	(168,559)
Capital grants and contributions applied	-	-	-	-	13,349	(13,349)
Revenue expenditure funded from capital under statute	(12,211)	-	-	-	-	12,211
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I&E Statement	(63,714)	(11,058)	-	-	-	74,772
Insertion of items not debited or credited to the Comprehensive I&E Statement:						
Statutory provision for the financing of capital investment	8,804	-	-	-	-	(8,804)
Capital expenditure charged against the General Fund and HRA balances	11,396	25,483	-	-	-	(36,879)
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive I&E Statement	26,064	3,070	-	-	(29,134)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	19,746	(19,746)
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive I&E Statement	841	22,240	(23,081)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	17,240	-	-	(17,240)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	(704)	704	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2,026)	-	2,026	-	-	-
Balance of reserved receipts at year end	-	-	122	-	-	(122)
Adjustments involving the Deferred Capital Receipts Reserve:						
Transfer to the Capital Receipts Reserve upon receipt of cash	-	-	(15)	-	-	15
Adjustment involving the Major Repairs Reserve:						
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	17,078	-	(17,078)
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive I&E Statement are different from finance costs chargeable in the year in accordance with statutory requirements	269	(503)	-	-	-	234

Adjustments between Accounting Basis and Funding Basis under Regulations 2014/15	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive I&E Stmt (see Note 19)	(49,450)	(8,750)	-	-	-	58,200
Employer's pensions contributions and direct payments to pensioners payable in the year	26,718	5,597	-	-	-	(32,315)
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive I&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	4,235	-	-	-	-	(4,235)
Amount by which business rates income credited to the Comprehensive I&E Statement is different from business rate income calculated for the year in accordance with statutory requirements	(1,428)	-	-	-	-	1,428
Adjustment involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive I&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,090	(504)	-	-	-	(586)
Total Adjustments	**(53,063)**	**159,970**	**(3,004)**	**17,078**	**3,961**	**(124,942)**

Note 2 - Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2015/16.

Earmarked Reserves	31/03/14	Transfers Out	Transfers In	31/03/15	Transfers Out	Transfers In	31/03/16
	£000	£000	£000	£000	£000	£000	£000
Corporate Capacity	**(17,363)**	7,782	(11,485)	**(21,066)**	9,260	(13,363)	**(25,169)**
Corporate Strategy	**(11,745)**	4,355	(3,483)	**(10,873)**	7,121	(2,216)	**(5,968)**
Council Tax & Business Rates	**(10,435)**	0	0	**(10,435)**	51	(969)	**(11,353)**
Schools	**(35,961)**	13,223	(10,579)	**(33,317)**	17,456	(12,566)	**(28,427)**
Social Care	**(18,844)**	9,256	(811)	**(10,399)**	7,007	(2,190)	**(5,582)**
Other Earmarked Reserves	**(21,986)**	11,320	(7,886)	**(18,552)**	6,499	(2,455)	**(14,508)**
Total (Excluding Capital specific reserves)	**(116,334)**	**45,936**	**(34,244)**	**(104,642)**	**47,394**	**(33,759)**	**(91,007)**

Reserves specifically held for Capital purposes							
Priority Investment Programme	**(61,167)**	10,183	(758)	**(51,742)**	10,852	(882)	**(41,772)**
Revenue Support for Capital Programme	**(12,548)**	4,876	(11,984)	**(19,656)**	10,749	(5,199)	**(14,106)**
Other Capital Reserves	**(12,425)**	10,303	(9,531)	**(11,653)**	3,522	(4,946)	**(13,077)**
Total Reserves held specifically for Capital purposes	**(86,140)**	**25,362**	**(22,273)**	**(83,051)**	**25,123**	**(11,027)**	**(68,955)**
Total Reserves	**(202,474)**	**71,298**	**(56,517)**	**(187,693)**	**72,517**	**(44,786)**	**(159,962)**

Note 3 - Usable Reserves

- Capital Grants Unapplied are capital grants that are available to finance new capital expenditure but have yet to be applied for that purpose.
- The Capital Receipts Reserve contains usable capital receipts that are available for financing new capital expenditure.

2014/15 £000	Capital Grants Unapplied	2015/16 £000
(29,622)	**Balance at 1 April**	**(25,661)**
(9,388)	Capital grants and contributions unapplied credited to the Comprehensive I&E Statement	(32,195)
13,349	Application of grants to capital financing transferred to the Capital Adjustment Account	6,675
(25,661)	**Balance at 31 March**	**(51,181)**

2014/15 £000	Capital Receipts Reserve	2015/16 £000
(66,978)	**Balance at 1 April**	**(69,982)**
(20,941)	Cash sale proceeds credited as part of the gains/loss on disposal to the Comprehensive I&E Statement	(42,598)
17,239	Use of receipts to finance new capital expenditure	12,212
704	Contribution towards administrative costs of disposals	817
(6)	Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(2)
(69,982)	**Balance at 31 March**	**(99,553)**

Note 4 – Unusable Reserves

2014/15 £000	Unusable Reserves	2015/16 £000
(354,569)	Revaluation Reserve	(544,421)
(1,249,401)	Capital Adjustment Account	(1,412,305)
2,215	Financial Instruments Adjustment Account	2,449
(492)	Deferred Capital Receipts Reserve	(488)
607,730	Pensions Reserve	559,820
(10,606)	Council Taxpayers Adjustment Account	(16,310)
222	Business Ratepayers Adjustment Account	959
7,692	Accumulated Absences Account	6,283
(997,209)	**Total Unusable Reserves**	**(1,404,013)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its 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 Reserve contains only revaluation gains accumulated since its inception on 1 April 2007. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2014/15 £000	Revaluation Reserve		2015/16 £000
(291,266)	**Balance at 1 April**		**(354,569)**
(264,675)	Upward revaluation of assets	(384,026)	
(1,140)	Newly recognised assets	0	
177,161	Downward revaluation of assets & impairment losses not charged to the Surplus or Deficit on the Provision of Services	174,462	
(88,654)	Surplus / deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(209,564)
7,653	Difference between fair value depreciation and historical cost depreciation	13,505	
17,698	Accumulated gains on assets sold or scrapped	6,207	
25,351	Amount written off to the Capital Adjustment Account		19,712
(354,569)	**Balance at 31 March**		**(544,421)**

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).
- is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement
- contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Authority
- contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 1 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2014/15 £000	Capital Adjustment Account	2015/16 £000	2015/16 £000
(1,076,368)	**Balance at 1 April**		**(1,249,401)**
71	Adjustment to balance b/fwd		0
(1,076,297)	**Balance at 1 April**		**(1,249,401)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive I&E Statement		
25,562	Charges for depreciation and impairment of non current assets	26,706	
(154,681)	Revaluation losses on property, plant and equipment	(130,965)	
19	Amortisation of intangible assets	19	
12,139	Revenue expenditure funded from capital under statute	12,244	
74,772	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I&E Statement	25,363	
(42,189)		(66,633)	
(17,698)	Adjusting amounts written out of the Revaluation Reserve	(6,207)	
(59,887)	**Net written out amount of the cost of non current assets consumed in the year**		**(72,840)**
	Capital financing applied in the year		
(17,239)	Use of the Capital Receipts Reserve to finance new capital expenditure	(12,212)	
(17,078)	Use of the Major Repairs Reserve to finance new capital expenditure	(22,296)	
(15,246)	Capital grants and contributions credited to the Comprehensive I&E Statement that have been applied to capital financing	(8,322)	
(13,349)	Application of grants to capital financing from the Capital Grants Unapplied Account	(6,675)	
(8,804)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(5,637)	
(36,879)	Capital expenditure charged against the General Fund and HRA balances	(34,873)	

(122)	Reserved capital receipts	(49)	
(108,717)			**(90,064)**
(4,500)	Movement in the Donated Assets Account credited to the Comprehensive I&E Statement	0	
(4,500)			**0**
(1,249,401)	**Balance at 31 March**		**(1,412,305)**

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 benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2016 will be charged to the General Fund until extinguished in 2031/32.

2014/15	Financial Instruments Adjustment Account	2015/16	
£000		£000	£000
1,981	**Balance at 1 April**		**2,215**
234	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	234	
234	Amount by which finance costs charged to the Comprehensive I&E Statement are different from finance costs chargeable in the year in accordance with statutory requirements		234
2,215	**Balance at 31 March**		**2,449**

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 Authority 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 Authority makes employers' 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 shortfall in the benefits earned by past and current employees and account for the resources that the Authority 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.

2014/15 £000	Pensions Reserve	2015/16 £000
521,497	**Balance at 1 April**	**607,730**
60,348	Actuarial gains or losses on pensions assets and liabilities	(95,540)
58,200	Reversal of retirement benefit items debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive I&E Statement	80,088
(32,315)	Employer's pensions contributions and direct payments to pensioners payable in the year	(32,458)
607,730	**Balance at 31 March**	**559,820**

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 Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2014/15 £000	Deferred Capital Receipts Reserve	2015/16 £000
(506)	**Balance at 1 April**	**(492)**
(1)	Adjustment to Balance b/fwd	0
15	Transfer to the Capital Receipts Reserve upon receipt of cash	4
(492)	**Balance at 31 March**	**(488)**

Council Taxpayers Adjustment Account

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

2014/15 £000	Council Taxpayers Adjustment Account	2015/16 £000
(6,371)	**Balance at 1 April**	**(10,606)**
(4,235)	Amount by which council tax income credited to the Comprehensive I&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(5,704)
(10,606)	**Balance at 31 March**	**(16,310)**

Business Ratepayers Adjustment Account

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

2014/15 £000	Business Ratepayers Adjustment Account	2015/16 £000
(1,207)	**Balance at 1 April**	**222**
1,429	Amount by which business rates income credited to the Comprehensive I&E Statement is different from business rates income calculated for the year in accordance with statutory requirements	737
222	**Balance at 31 March**	**959**

Accumulated Absences Account

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

2014/15 £000	Accumulated Absences Account	2015/16 £000	2015/16 £000
8,278	**Balance at 1 April**		**7,691**
(8,278)	Settlement or cancellation of accrual made at the end of the preceding year	(7,691)	
7,691	Amounts accrued at the end of the current year	6,283	
(587)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(1,408)
7,691	**Balance at 31 March**		**6,283**

Note 5 - Other Operating Expenditure

2014/15 £000	Other Operating Expenditure	2015/16 £000
1,508	Levies	1,498
2,026	Payments to the Government Housing Capital Receipts Pool	2,371
(8,371)	(Gains) / losses on the disposal of non current assets	(18,836)
(4,837)	Total	**(14,967)**

Note 6 - Financing and Investment Income and Expenditure

2014/15 £000	Financing and Investment Income and Expenditure	2015/16 £000
30,046	Interest payable and similar charges	29,459
22,168	Pensions interest cost and expected return on pensions assets	20,113
60,923	(Gains) / losses on the disposal of Academies	0
(1,447)	Interest receivable and similar income	(1,666)
111,690	**Total**	**47,906**

Note 7 - Taxation and Non Specific Grant Income

2014/15 £000	Taxation and Non Specific Grant Income	2015/16 £000
(72,719)	Council tax income	(75,787)
(77,831)	Non domestic rates	(79,298)
(89,932)	Revenue support grant	(65,249)
(18,972)	Non-ringfenced government grants	(14,724)
(29,134)	Capital grants and contributions	(40,517)
(288,588)	**Total**	**(275,575)**

Note 8 - Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16.

Grant Income	2014/15 £000	2015/16 £000
Dedicated Schools Grant	(218,942)	(213,910)
Education Funding Agency	(7,863)	(6,616)
Pupil Premium	(14,955)	(14,136)
Rent Allowance Subsidy	(95,761)	(96,615)
Rent Rebate Subsidy	(64,719)	(63,088)
Benefit Administration Grant	(3,223)	(2,971)
Public Health Grant	(19,061)	(21,283)
Private Finance Initiative – Building Schools for the Future	(12,291)	(12,291)

Private Finance Initiative – Neighbourhood Resource	(2,091)	(2,091)
Infants Free School Meal Grant	(1,757)	(3,193)
Skills Funding Agency	(1,613)	(1,870)
Local Implementation and Planning Grant	(1,529)	(2,160)
Other Miscellaneous Grants	(6,330)	(5,758)
Total	**(450,135)**	**(445,982)**

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

Capital Grant Receipts in Advance	2014/15 £000	2015/16 £000
Transforming Care	(100)	(100)
Targeted Basic Need	(2,407)	0
Total	**(2,507)**	**(100)**

Revenue Grant Receipts in Advance	2014/15 £000	2015/16 £000
Standards Fund	(660)	(516)
Skills Funding Agency	(478)	(302)
Total	**(1,138)**	**(818)**

Note 9 - 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 Authority on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer’s pensions contributions) rather than current service cost of benefits accrued in the year.

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

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

2014/15 £000	Reconciliation of Directorate I&E to Cost of Services in Comprehensive I&E	2015/16 £000
259,521	Net expenditure in the Directorate analysis	235,440
(148,642)	Amounts in the Comprehensive I&E Statement not reported to management in the analysis	(90,413)
(31,172)	Amounts included in the analysis not included in the Comprehensive I&E Statement	(22,236)
79,707	**Cost of Services in Comprehensive Income and Expenditure Statement**	**122,791**

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the year is as follows:

Income and Expenditure 2015/16	**Adults & Health £000**	**Central & Finance £000**	**Children's Services £000**	**Community Services £000**	**Housing Revenue Account £000**	**Regeneration & Skills £000**	**Total £000**
Fees, charges & other service income	(58,407)	(83,035)	(241,808)	(44,749)	(169,745)	(57,121)	**(654,865)**
Government grants	(25,246)	(163,966)	(242,794)	(618)	(183)	(16,838)	**(449,645)**
Total Income	**(83,653)**	**(247,001)**	**(484,602)**	**(45,367)**	**(169,928)**	**(73,959)**	**(1,104,510)**
Employee expenses	29,419	36,433	203,035	37,058	36,276	17,203	**359,424**
Other service expenses	127,227	217,186	357,735	42,954	131,709	66,535	**943,346**
Support service recharges	2,786	10,371	4,842	3,978	10,957	4,246	**37,180**
Total Expenditure	**159,432**	**263,990**	**565,612**	**83,990**	**178,942**	**87,984**	**1,339,950**
Net Expenditure	**75,779**	**16,989**	**81,010**	**38,623**	**9,014**	**14,025**	**235,440**

Income and Expenditure 2014/15	**Adults & Older People**	**Chief Executive's Department**	**Children's Services**	**Community Safety**	**Housing Revenue Account**	**Housing General Fund**	**Regeneration & Skills**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(53,706)	(78,820)	(242,748)	(36,391)	(164,065)	(6,709)	(51,795)	**(634,235)**
Government grants	(21,699)	(167,061)	(247,660)	(315)	(100)	(1,378)	(15,740)	**(453,954)**
Total Income	**(75,405)**	**(245,882)**	**(490,408)**	**(36,706)**	**(164,165)**	**(8,087)**	**(67,536)**	**(1,088,189)**
Employee expenses	27,998	35,194	203,389	34,430	32,874	2,805	15,759	**352,448**
Other service expenses	125,041	236,054	365,201	31,254	129,525	11,078	60,892	**959,045**
Support service recharges	2,814	12,785	4,933	3,830	7,349	539	3,968	**36,218**
Total Expenditure	**155,853**	**284,033**	**573,522**	**69,513**	**169,748**	**14,422**	**80,618**	**1,347,710**
Net Expenditure	**80,448**	**38,151**	**83,114**	**32,807**	**5,583**	**6,336**	**13,083**	**259,521**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate 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.

Income and Expenditure 2015/16	**Directorate Analysis**	**Services and Support Services not in Analysis**	**Amounts not reported to management for decision making**	**Amounts not included in I&E**	**Allocation of Recharges**	**Cost of Services**	**Corporate Amounts**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(654,865)	-	-	67,276	359,700	**(227,889)**	-	**(227,889)**
Interest and investment income	-	-	-	-	-	**-**	(1,666)	**(1,666)**
Income from council tax	-	-	-	-	-	**-**	(75,787)	**(75,787)**
Government grants and contributions	(449,645)	-	-	3,663	-	**(445,982)**	(199,789)	**(645,771)**
Total Income	**(1,104,510)**	**-**	**-**	**70,939**	**359,700**	**(673,871)**	**(277,242)**	**(951,113)**
Employee expenses	359,424	-	26,110	-	(86,778)	**298,756**	20,113	**318,869**
Other service expenses	923,508	-	(25,799)	(73,336)	(235,743)	**588,630**	-	**588,630**
Support Service recharges	37,179	-	-	-	(37,179)	**-**	-	**-**

Depreciation, amortisation and impairment	-	-	(90,724)	-	-	**(90,724)**	-	**(90,724)**
Interest Payments	18,341	-	-	(18,341)	-	**-**	29,459	**29,459**
Precepts & Levies	1,498	-	-	(1,498)	-	**-**	1,498	**1,498**
Payments to Housing Capital Receipts Pool	-	-	-	-	-	**-**	2,371	**2,371**
Gain or Loss on Disposal of Non Current Assets	-	-	-	-	-	**-**	(18,835)	**(18,835)**
Total Expenditure	**1,339,950**	**-**	**(90,413)**	**(93,175)**	**(359,700)**	**796,662**	**34,606**	**831,268**
Surplus or Deficit on the Provision of Services	**235,440**	**-**	**(90,413)**	**(22,236)**	**-**	**122,791**	**(242,636)**	**(119,845)**

Income and Expenditure 2014/15	**Directorate Analysis**	**Services and Support Services not in Analysis**	**Amounts not reported to management for decision making**	**Amounts not included in I&E**	**Allocation of Recharges**	**Cost of Services**	**Corporate Amounts**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(634,234)	-	-	58,574	369,402	**(206,260)**	-	**(206,260)**
Interest and investment income	-	-	-	-	-	**-**	(1,447)	**(1,447)**
Income from council tax	-	-	-	-	-	**-**	(72,719)	**(72,719)**
Government grants and contributions	(453,954)	-	-	3,819	-	**(450,135)**	(215,869)	**(666,004)**
Total Income	**(1,088,189)**	**-**	**-**	**62,392**	**369,402**	**(656,395)**	**(290,035)**	**(946,430)**
Employee expenses	352,448	-	3,131	-	(91,268)	**264,311**	22,168	**286,479**
Other service expenses	938,888	-	(30,328)	(73,408)	(278,134)	**557,018**	-	**557,018**
Support Service recharges	36,218	-	-	-	-	**36,218**	-	**36,218**
Depreciation, amortisation and impairment	-	-	(121,445)	-	-	**(121,445)**	-	**(121,445)**
Interest Payments	18,648	-	-	(18,648)	-	**-**	30,046	**30,046**
Precepts & Levies	1,508	-	-	(1,508)	-	**-**	1,508	**1,508**
Payments to Housing Capital Receipts Pool	-	-	-	-	-	**-**	2,026	**2,026**
Gain or Loss on Disposal of Non Current Assets	-	-	-	-	-	**-**	52,552	**52,552**
Total Expenditure	**1,347,710**	**-**	**(148,642)**	**(93,565)**	**(369,402)**	**736,102**	**108,300**	**844,402**
Surplus or Deficit on the Provision of Services	**259,521**	**-**	**(148,642)**	**(31,172)**	**-**	**79,707**	**(181,735)**	**(102,028)**

Note 10 - Property, Plant and Equipment

Movements 2015/16	**Council Dwellings**	**Other Land and Buildings**	**Vehicles Plant Furniture and Equipment**	**Infrastructure Assets**	**Community Assets**	**Surplus assets**	**Assets under Construction**	**Total Property Plant and Equipment**	**PFI assets within PPE**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or valuation									
At 1 April 2015	1,179,954	868,595	21,054	146,161	5,831	11,286	33,176	2,266,057	80,930
Additions	53,028	23,159	3,456	3,394	137	-	1,132	84,306	10,683
Revaluation increases / (decreases) recognised in Revaluation Reserve	210,999	118,861	-	-	-	1,542	-	331,402	-
Revaluation increases / (decreases) recognised in SoDoPS	(27,016)	(1,895)	-	-	-	-	-	(28,911)	-
Derecognise – Disposals	(13,368)	(500)	(3,148)	-	-	-	-	(17,016)	-
Derecognise – Other	-	-	-	(17)	-	-	-	(17)	-
Assets reclassified (to) / from Held for Sale	-	18,486	-	-	-	-	-	18,486	-
Other movements in cost or valuation	8,916	22,108	-	-	-	(55)	(30,969)	-	-
At 31 March 2016	**1,412,513**	**1,048,814**	**21,362**	**149,538**	**5,968**	**12,773**	**3,339**	**2,654,307**	**91,613**
Accumulated depreciation and Impairment									
At 1 April 2015	(51,725)	(862)	(9,423)	(28,714)	-	(387)	-	(91,111)	-
Depreciation charge	(20,547)	(13,491)	(2,678)	(2,364)	-	(1,132)	-	(40,212)	(1,277)
Depreciation written out to the Revaluation Reserve	20,335	14,056	-	-	-	1,132	-	35,523	1,277
Impairment losses reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Derecognise – Disposals	217	8	3,112	-	-	-	-	3,337	-
Other movements in depreciation and Impairment	(5)	-	-	-	-	5	-	-	-
At 31 March 2016	**(51,725)**	**(289)**	**(8,989)**	**(31,078)**	**-**	**(382)**	**-**	**(92,463)**	**-**
Net Book Value:									
At 31 March 2015	1,128,229	867,733	11,631	117,447	5,831	10,898	33,176	2,174,946	80,930
At 31 March 2016	**1,360,788**	**1,048,525**	**12,373**	**118,460**	**5,968**	**12,391**	**3,339**	**2,561,844**	**91,613**
Revaluations:									
Historic Cost	-	-	12,373	118,460	5,968	-	3,339	140,140	-
At 31 March 2015	-	6,943	-	-	-	-	-	6,943	-
At 31 March 2016	1,360,788	1,041,582	-	0	-	12,391	-	2,414,761	-

Movements 2014/15	Council Dwellings	Other Land and Buildings	Vehicles Plant Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus assets	Assets under Construction	Total Property Plant and Equipment	PFI assets within PPE
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2014	1,013,964	836,859	15,115	136,324	6,214	3,874	41,690	2,054,040	112,760
Adj to Bal b/fwd	-	-	-	-	-	-	(71)	(71)	-
Additions	39,665	26,314	8,906	10,547	452	503	19,418	105,805	35
Revaluation increases/ (decreases) recognised in Revaluation Reserve	138,660	87,336	-	-	-	1,115	-	227,111	-
Revaluation increases/ (decreases) recognised in SoDoPS	(1,094)	(12,785)	-	-	-	-	-	(13,879)	-
Derecognise – Disposals	(11,241)	(62,835)	(2,967)	-	(673)	-	-	(77,716)	(39,528)
Derecognise – Other	-	-	-	(710)	(162)	-	-	(872)	-
Assets reclassified (to) / from Held for Sale	-	(28,361)	-	-	-	-	-	(28,361)	-
Other movements in cost or valuation	-	22,067	-	-	-	5,794	(27,861)	-	-
At 31 March 2015	**1,179,954**	**868,595**	**21,054**	**146,161**	**5,831**	**11,286**	**33,176**	**2,266,057**	**73,267**
Accumulated depreciation and Impairment									
At 1 April 2014	(51,725)	2,125	(10,555)	(26,495)	(55)	(385)	-	(87,090)	-
Depreciation charge	(15,619)	(12,598)	(1,787)	(2,231)	(11)	(969)	-	(33,215)	(1,920)
Depreciation written out to the Revaluation Reserve	15,436	11,065	-	-	-	970	-	27,471	1,219
Impairment losses reversals recognised in the Revaluation Reserve	-	(2,492)	-	-	-	-	-	(2,492)	-
Derecognise – Disposals	183	1,035	2,919	-	-	-	-	4,137	701
Derecognise – Other	-	-	-	12	66	-	-	78	-
Other movements in depreciation and Impairment	-	3	-	-	-	(3)	-	-	-
At 31 March 2015	**(51,725)**	**(862)**	**(9,423)**	**(28,714)**	**-**	**(387)**	**-**	**(91,111)**	**-**
Net Book Value:									
At 31 March 2014	962,239	838,984	4,560	109,829	6,159	3,489	41,690	1,966,950	112,760
At 31 March 2015	**1,128,229**	**867,733**	**11,631**	**117,447**	**5,831**	**10,898**	**33,176**	**2,174,946**	**73,267**
Revaluations:									
Historic Cost	-	-	11,631	117,447	5,831	-	33,176	168,085	-
At 31 March 2013	1,128,229	829,651	-	-	-	8,889	-	1,966,769	-
At 31 March 2014	-	38,082	-	-	-	2,010	-	40,092	-

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings: 40 years
- Other Land and Buildings: 40 – 125 years
- Vehicles, Plant, Furniture and Equipment: 2 - 11 years
- Infrastructure: 30 – 120 years
- Surplus: 3 – 40 years
- Community Assets: The majority of these assets are not depreciated as they have an indeterminable life. Where a community asset is being used as an operational building, then it has been depreciated in line with the policy relating to that category of asset.

Capital Commitments

As at 31 March 2016, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to cost £33.9m. Similar commitments at 31 March 2015 were £36.1m. The major commitments are:

- Housing Revenue Account projects - £18.0m
- Transportation Capital Programme - £4.3m
- Schools Capital Programme - £7.8m
- Leisure - £2.4m.

Non Current Assets – Schools

As at 31 March 2016 no schools had converted to academy status during the year. However, a number are seeking to convert and the following schools received approval from the Department of Education to convert to academy status on 10 March 2016:

- Millennium Primary
- Brooklands Primary
- Timbercroft Primary

These assets are classed as Other Land & Buildings within Property, Plant and Equipment at values of £26.8m.

Revaluations

The Authority carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimations set out in the professional standards of 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.
The Valuer has advised that there has been a significant movement in 2015/16 for those assets with a residential element to the valuation process. A further revaluation has been undertaken as at 31 March 2016 to ensure that the carrying value of non-dwellings is not materially different from their fair value as at that date. With over 98% of Other Land and Buildings (not carried at historic cost) within PPE (measured with reference to their opening value) revalued at the end of the reporting period, valuers have provided sufficient support that the values of residual assets have not moved significantly during the year. Dwellings are valued as at 31 March 2016.

As a result of this, the valuation gains have resulted in significant reversals of losses that were charged to the I&E in previous years, totaling £159.865m.

All Held for Sale assets and Surplus assets are measured at fair value and have been categorised as having a level 3 input level in the fair value hierarchy. Further information on fair value measurement can be found under accounting policies.

Note 11 – Impairment Losses

The Valuer has assessed there has been no impairment with regards to the overall asset portfolio.

Note 12 – Assets Held for Sale

Assets Held for Sale	**2014/15**	**2015/16**
	£000	**£000**
Balance outstanding at start of year	**2,155**	**34,098**
Assets newly classified as held for sale – Property, Plant and Equipment	28,361	28
Revaluation gains	3,982	2,506
Assets declassified as held for sale – Property, Plant and Equipment	0	(18,513)
Assets sold	(400)	(11,668)
Balance outstanding at year-end	**34,098**	**6,451**

Note 13 – Capital Expenditure and Capital Financing

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

2014/15 £000	Capital Expenditure and Capital Financing	2015/16 £000
602,278	**Opening Capital Financing Requirement**	**605,863**
	Capital Investment	
100,165	Property, Plant and Equipment	84,306
12,139	Revenue expenditure funded from capital under statute	12,244
	Sources of Finance	
(17,240)	Capital receipts	(12,212)
(45,674)	Government grants and other contributions	(37,293)
(36,880)	Direct revenue contributions	(34,873)
(8,803)	MRP / loans fund principal	(5,637)
0	Impairment non dwellings	(10)
(122)	Reserved capital receipts	(49)
605,863	**Closing Capital Financing Requirement**	**612,339**
	Explanation of Movement in Year	
1,020	Increase in underlying need to borrow (supported by government financial assistance)	(537)
2,565	Increase in underlying need to borrow (unsupported by government financial assistance)	3,501
0	Assets acquired under finance leases	3,512
3,585	**Increase / (decrease) in Capital Financing Requirement**	**6,476**

Note 14 – Private Finance Initiatives and Similar Contracts

The Authority has two PFI contracts.

Provision of Neighbourhood Resource Centres (NRCs)

A PFI agreement was signed in 2002 for the provision of three Centres. The three NRCs were designed to replace the Authority's four Homes for Elderly People (HEP) and deliver a range of high quality services for older people. The NRCs opened between May and August 2004 and the contract is for 30 years. The Authority is leasing the sites to the Provider for 30 years at nil value and will be returned to the Authority for nil consideration at the end of the contract.

Provision of two secondary schools

The Authority entered into an agreement in 2009 for the provision of two schools, Crown Woods and Thomas Tallis. The schools came into operation during 2011/12 and the contract runs for 25 years. The sites were made available to the operator at nil value for the duration of the contract. In September 2014, Crown Woods converted to academy status.

In accordance with the Code of Practice on Local Authority Accounting the assets provided under the PFI contracts and the sites provided by the Authority are recognised on the authority's Balance Sheet. Movements in value are detailed in the analysis movement on Property, Plant and Equipment.

Under these contracts the Authority paid £10.032m (NRCs) and £15.489m (secondary schools) in 2015/16. The Authority is required to make the following payments to the Providers of these contracts:

	NRCs			Secondary Schools		
Year	**Services £000**	**Interest £000**	**Capital £000**	**Services £000**	**Interest £000**	**Capital £000**
2016/17	8,342	1,576	320	3,234	9,140	2,284
2017/18 to 2020/21	35,013	6,008	2,012	16,471	33,660	9,568
2021/22 to 2025/26	50,470	5,460	2,948	26,088	35,473	15,669
2026/27 to 2030/31	55,342	4,400	5,480	36,001	23,818	20,660
2031/32 to 2035/36	42,678	1,102	6,132	34,374	13,442	36,339
2036/37	0	0	0	2,947	876	6,308
Total	**191,845**	**18,546**	**16,892**	**119,115**	**116,409**	**90,828**

Although the payments made to the contractors are described as unitary payments, they have been calculated to compensate the contractors for the fair value of the services delivered, the capital expenditure incurred in providing the facilities and interest payable. The payments under these PFI agreements are partially linked to Retail Price Index, adjusted for on an annual basis, and can be reduced if the contractor fails to meet the service or availability standards set-out in the contracts. The liability outstanding to pay the contractors for the capital expenditure incurred is as follows:

	NRCs		Secondary Schools	
Outstanding Liability	**2014/15**	**2015/16**	**2014/15**	**2015/16**
	£000	**£000**	**£000**	**£000**
Balance outstanding at start of year	**17,127**	**17,015**	**95,090**	**92,925**
Payments during the year	(112)	(123)	(2,165)	(2,096)
Balance outstanding at year-end	**17,015**	**16,892**	**92,925**	**90,829**

The Authority has the right to terminate the contracts provided it compensates the contractors in full for all costs incurred, including the repayment of outstanding debt. In accordance with the contracts, the Authority may opt to refinance the PFIs through the contractors. In such instances, any refinancing gains would be shared between the Authority and contractors. There have been no changes to the contracts or financing arrangements during the year.

S106 Liabilities

Section 106 receipts are monies paid to the Council by developers in relation to the granting of planning permission and typically detail works that are required to be carried out or relate to the provision of new facilities as a result of that permission (e.g. affordable homes, early years provision). These sums are ring-fenced and can only be spent as part of an agreement with the developer. As at 31st March 2016, the Council held £26.630m of S106 liabilities (£22.641m 2014/15).

Note 15 – Leases

Authority as Lessee

Finance Leases

The Authority has an industrial estate, three premises and some IT and telecommunications equipment held under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

Finance Lease (Lessee)	**2014/15**	**2015/16**
	£000	**£000**
Vehicles, Plant , Furniture and Equipment	382	5,979

During the year the authority acquired new leases on the Royal Arsenal site with a carrying value of £5.979m.

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the asset acquired and finance costs payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

Finance Lease Liabilities (net present value of minimum lease payments)	**2014/15**	**2015/16**
	£000	**£000**
Current	248	1
Non Current	1,677	1,676
Finance costs payable in future years	5,578	5,496
Minimum lease payments	**7,503**	**7,173**

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

Finance Lease Liabilities	**Minimum Lease Payments**		**Finance Lease Liabilities**	
	2014/15	**2015/16**	**2014/15**	**2015/16**
	£000	**£000**	**£000**	**£000**
Not later than one year	330	82	248	1
Later than one year and not later than five years	326	326	6	6
Late than five years	6,847	6,765	1,671	1,670
Total	**7,503**	**7,173**	**1,925**	**1,677**

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. In 2015/16 contingent rents payable by the Authority were £179,082 (2014/15: £179,082).
The Authority has sub-let some units of the industrial estate held under the finance lease. At 31 March 2016 the minimum payments expected to be received under non-cancellable sub-leases was £276,883 (£420,813 at 31 March 2015).

Operating Leases

<u>Property</u>

The Authority has acquired some land and a number of buildings to assist with service provision throughout the Borough. The future minimum lease payments due under non-cancellable leases in future years are:

Operating Leases	2014/15 £000	2015/16 £000
Not later than one year	1,020	1,003
Later than one year and not later than five years	3,787	2,997
Later than five years	10,385	10,436
Minimum Lease payments	**15,192**	**14,436**

The leases are held for a variety of reasons and are charged to their relevant service line in the Comprehensive Income & Expenditure Statement. The lease payments recognised as an expense in the period total £1,038,586 (£1,052,554 in 2014/15). The Authority has sub-let some of the assets held under the above operating leases. At 31 March 2016 the minimum payments expected to be received under non-cancellable sub-leases was £1,996,625 (£2,251,125 at 31 March 2015).

Internal Leasing

The Authority operates an internal leasing fund for the acquisition of vehicles used principally in the provision of waste collection, building maintenance, street cleansing and passenger services. In 2015/16 the Authorities' accounts include expenditure to the value of £3,448,632 (£8,905,726 in 2014/15), which was funded by the internal leasing fund. Repayments were made to the fund in 2015/16 totalling £2,604,120 (£1,138,805 in 2014/15). The repayments are made to the fund to enable future replacement and are based on the expected primary life of the vehicle.

Authority as Lessor

Finance Leases

The Authority has leased out part of a Car Park (Calderwood Street) to a Building Management company on a finance lease with a remaining term of 111 years. The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated of the property when the lease comes to an end. 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 Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

Finance Lease Debtor (net present value of minimum lease payments)	2014/15 £000	2015/16 £000
Non-current	308	308
Unearned finance income	8,072	7,997
Gross Investment in the Lease	**8,380**	**8,305**

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

Finance Lease Debtor	Gross Investment in the Lease		Minimum Lease Payments	
	2014/15	2015/16	2014/15	2015/16
	£000	£000	£000	£000
Not later than one year	75	75	75	75
Later than one year and not later than five years	299	299	299	299
Later than five years	8,006	7,931	8,006	7,931
Minimum Lease Payments	**8,380**	**8,305**	**8,380**	**8,305**

There have been no contingent rents received in respect of the Calderwood Street Car Park lease in 2015/16 (£nil in 2014/15).

Operating Leases

The Authority leases out property and equipment under operating leases for the following purposes:

- For the provision of community services, such as sports facilities and community centres.
- For economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

Future Minimum Lease Payments	2014/15	2015/16
	£000	£000
Not later than one year	3,707	3,608
Later than one year and not later than five years	11,483	11,395
Later than five years	19,010	23,091
Minimum Lease Payments	**34,200**	**38,094**

There have been no contingent rents received under operating lease agreements in 2015/16 (£nil in 2014/15).

Note 16 - Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Carrying Value			
	Long Term		Short Term	
2015/16	2014/15	2015/16	2014/15 Restated	2015/16
£000	£000	£000	£000	£000
Investments				
Loans and Receivables	552	465	41,972	234
Available for Sale Financial Assets	0	0	234,701	284,588
Total Investments	**552**	**465**	**276,673**	**284,822**
Debtors*				
Loans and Receivables	938	833	36,244	37,148
Total Debtors	**938**	**833**	**36,244**	**37,148**
Cash at Bank / In Hand	**0**	**0**	**47,281**	**47,511**
Cash Overdrawn	**0**	**0**	**(325)**	**(306)**
Borrowings				
Financial Liabilities at amortised cost	(403,675)	(396,765)	(10,601)	(10,175)
Total Borrowings	**(403,675)**	**(396,765)**	**(10,601)**	**(10,175)**
Other Long Term Liabilities				
PFI and Finance Lease Liabilities	(109,397)	(106,792)	(2,467)	(2,605)
Total Other Long Term Liabilities	**(109,397)**	**(106,792)**	**(2,467)**	**(2,605)**
Creditors**				
Financial Liabilities at amortised cost	0	0	(46,247)	(51,198)
Total Creditors	**0**	**0**	**(46,247)**	**(44,631)**

** The figure for debtors (net of bad debts provision) excludes prepayments of £1.969m (2014/15 £1.618m) and also excludes Collection Fund and Government entries of £16.564m (2014/15 £17.425m).*

*** The figure for creditors excludes prepaid income of £4.602m (2014/15 £5.281m) and also excludes Collection Fund and Government entries of £23.521m (2014/15 £26.304m).*

Income, Expense, Gains and Losses

Income, Expense, Gain and Loss	2014/15			2015/16		
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale
	£000	£000	£000	£000	£000	£000
Interest Expense	(30,046)	0	0	(29,459)	0	0
Interest Income	0	306	1,047	0	234	1,432

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables, long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- based on rates for equivalent loans at that date (premature redemption rates for PWLB)
- no impairment is recognised
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.

Except for the financial assets carried at fair value (described below), all other financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the PWLB payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price. As an alternative, we have assessed the cost of taking a new loan at PWLB new loan rates applicable to existing loans on Balance Sheet date (which could be viewed as a proxy for transfer value);
- For non-PWLB loans payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial liabilities are held with PWLB and Market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation provided by Capita Asset Services. This valuation applies the net present value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. The accounting policy uses early repayment rates to discount the future cash flows.

The fair values calculated are as follows:

Liabilities	**31 March 2015**		**31 March 2016**	
	Restated Carrying Amount £000	**Restated Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Financial Liabilities	(526,465)	(729,068)	(516,643)	(783,946)
Creditors	(46,247)	(46,247)	(51,198)	(51,198)

The fair value of the liabilities is higher 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 rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to lenders above current market rates.

Assets	**31 March 2015**		**31 March 2016**	
	Restated Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Loans and Receivables	89,805	89,852	48,210	48,242
Available for Sale	234,701	234,656	284,588	284,583
Short Term Debtors	36,244	36,244	37,148	37,148
Long Term Debtors	938	938	833	833

The fair value of the assets is higher than the carrying amount where the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions as at 31 March 2016) attributable to the commitment to receive interest above current market rates. Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument. Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Financial assets measured at fair value

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

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2015 £000	31 March 2016 £000
Available for Sale:				
UK Treasury Bills	Level 1	Valuation is made by comparison of the fixed term investment with a comparable investment with the same/similar lender for the remaining period of the deposit.	234,656	284,583
Total			**234,656**	**284,583**

Soft Loans

Loans made or received at less than market rates are as follows:

- The Authority granted an interest free loan to Long Lane Junior Football Club. The outstanding balance on the loan at the Balance Sheet date is £0.052m.
- The Authority granted an interest free loan to Blackheath Rugby. The outstanding balance on the loan at the Balance Sheet date is £0.029m.

The Authority has deemed both these amounts de minimis and will account for them on a cash basis, rather by determining the equivalent interest rate.

Note 17 - 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.

Overall Procedures for Managing Risk

The Authority's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. This requires the Authority to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations.
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - the Authority's overall borrowing
    - its maximum and minimum exposures to fixed and variable rates
    - its maximum and minimum exposures to the maturity structure of its debt
    - its maximum annual exposures to investments maturing beyond a year.
- by the adoption of a Treasury Policy Statement and treasury management by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update. These policies are implemented by a central treasury team.

Credit Risk

Credit risk arises from deposits with financial institutions, investment securities and as credit exposures to the Authority's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- credit default swap spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries
- share prices
- UK institutions provided with support from the UK Government
- a £30m credit limit (with the exception of the UK Government)
- news and information from the City via Bloomberg and other sources.

The Authority does not expect any losses from non- performance by any of its counterparties in relation to deposits and securities. There has been no occurrence of a default with regard to the investments held at the Balance Sheet date. The Director of Finance has reviewed the portfolio and determined that no allowance is required for such within these accounts. The Authority does not generally allow credit for customers. The past due but not impaired amount (forming part of the Authority's debtors) can be analysed by age as follows (all sums owing are due to be settled within one year):

Debtor Age	**2014/15 £000**	**2015/16 £000**
Less than three months	19,124	13,670
Three to six months	1,605	2,672
Six to one year	2,098	3,157
More than one year	4,498	5,314
Total	**27,325**	**24,813**

Liquidity Risk

The Authority manages its liquidity position through the risk management procedures above, as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed. The Authority has investments in Treasury Bills, which are classified as "Available for Sale", which are readily tradable in a liquid market. The Authority has ready access to borrowings from the money markets to cover any day to day cash flow need and the PWLB and money markets for access to longer term funds. The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore 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 (see Refinancing Risk).

Refinancing Risk

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets. The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Authority approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Authority sets limits on the proportion of its fixed rate borrowing during specified periods. Interest rates on loans varied between 3.480% -11.625% (2014/15: 3.480% - 11.625%). The principal maturity analysis of financial liabilities is as follows:

Principal Debt Maturity Profile	**2014/15**	**2015/16**
	£000	**£000**
Less than one year	7,350	6,910
Between one and five years	25,566	22,111
Between five and ten years	15,201	11,747
Between ten and twenty years	39,731	39,731
More than twenty years	323,176	323,176
Total	**411,024**	**403,675**

Within the “more than twenty years” category are £129m of market loans. They have options built into them whereby after a period of time, the lender may ask for the rate payable to be changed. The Authority has the option to either accept this increase or repay the loan in full, without penalty. The risk to the Authority is that these options are exercised at a time of unfavourable interest rates. The Authority has set a limit on its long term borrowing that can be undertaken on this basis. The option dates have been spread over several years to ensure that the risk of this scenario occurring is reduced. All trade and other payables are due to be paid in less than one year.

Market Risk

<u>Interest Rate Risk</u>

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 Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services 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 Surplus of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.
The Authority 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 risk of loss is ameliorated by the fact that a proportion of government grant

payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs. The treasury management team has an active strategy for assessing interest rate exposure. The long term borrowing of the Authority is held at a fixed rate and thus there would be no effect on the Comprehensive Income and Expenditure Statement, or the debit to the Housing Revenue Account, if interest rates were different from those that prevailed on the Balance Sheet date. Investments are also held at fixed rate.

Price Risk

The Authority does not generally invest in equity shares but does have holdings of Treasury Bills. The Authority is consequently exposed to gains or losses arising from movements in the prices of these instruments should it wish to sell them before their maturity date. The Treasury Bills are all classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure. There has been no major change in interest rate expectation between the date on which the securities were acquired and the Balance Sheet date, the carrying value thus equates to the fair value of the Treasury Bills. It is the Authority's current policy not to trade the securities before their maturity date unless there are exceptional circumstances.

Foreign Exchange Risk

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

Financial Guarantees

The Widehorizons Trust Ltd delivers outdoor education services at various establishments. In 2008 the Council agreed to guarantee a loan of up to £1.5m to the Trust by Futurebuilders Ltd. As at 31 March 2016, the total loan drawn down was £1.5m. The lender is a government backed fund offering support and investment to third sector organisations delivering public services. The Council has reviewed the company's accounts and other relevant material for the period 1 August 2014 to 31 July 2015 and has determined that, based on current information, the guarantee will not be called.

Note 18 - Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Authority are eligible to be members of the Teachers' Pension Scheme, administered by the Department for Education.
Certain Public Health employees who transferred to the Authority on 1 April 2013 are eligible to be members of the NHS Pension Scheme. The Schemes provide relevant employees 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 Schemes are technically defined benefit schemes. However, the Schemes are unfunded and use notional funds as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of the underlying financial position and performance of the Schemes with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, they are accounted for on the same basis as defined contribution schemes.

In respect of Teacher's Pensions, 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 included within Note 19.

Scheme	Year ending 31 March 2015		Year ending 31 March 2016	
	Contributions paid	Percentage of pensionable pay	Contributions paid	Percentage of pensionable pay
	£000	%	£000	%
Teacher's Pensions	11,077	14.1	11,690	14.1/ 16.48*
NHS Pension scheme	275	14.0	253	14.1
Total	**11,352**	**-**	**11,943**	**-**

**The rate of contributions for Teacher's Pensions as a percentage of pensionable pay in 2015/16 was 14.1% until it changed in September 2015 to 16.48%.*

Note 19 - Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Authority participates in two post- employment schemes:

- The Local Government Pension Scheme (LGPS), administered locally by the Royal Borough of Greenwich (RBG) – this is a funded defined benefit career average re-valued earnings 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. The Authority is an employer within the London Pension Fund Authority (LPFA), which is also a LGPS fund.
- 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. No further awards have been made since 2008 in respect of the LGPS, however, this facility remains as part of the Teachers' Pension Scheme.

The policy for recognising actuarial gains and losses is that actuarial gains and losses are recognised in the reserves i.e. in Other Comprehensive Income and Expenditure.

Transactions Relating to Post-employment Benefits

The costs of retirement benefits are recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions (in accordance with IAS 19). However, the charge required to be made against council tax is based on the cash payable in the year (derived from the employer contribution rates of 18.5% for RBG and 24.2% for LPFA, plus lump sums as required), therefore, the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Total Expense Recognised in the Comprehensive I&E Statement for Post-Employment Benefits	**LGPS (Funded)**				**Discretionary Benefits (Unfunded)**			
	2014/15	**2015/16**			**2014/15**	**2015/16**		
	Total Restated	**RBG**	**LPFA**	**Total**	**Total Restated**	**RBG**	**LPFA**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Comprehensive I&E Statement								
Cost of Services								
Service cost comprising								
Current service cost including admin expenses	**38,513**	44,073	656	**44,729**	**0**	0	0	**0**
Settlements and curtailments	**(2,481)**	15,011	235	**15,246**	**0**	0	0	**0**
Financing and Investment Income and Expenditure								
Net interest expense	**19,267**	17,520	350	**17,870**	**2,901**	2,150	93	**2,243**
Total Post Employment Benefit Charged to SoDoPS	**55,299**	**76,604**	**1,241**	**77,845**	**2,901**	**2,150**	**93**	**2,243**
Other Post Employment benefit Charged to the Comprehensive I&E Statement								
Re-measurement of the net defined benefit liability comprising:								
Return on plan assets	**(75,547)**	36,251	2,847	39,098	**0**	0	0	**0**
Actuarial (gains) or losses arising on changes in financial assumptions	**132,545**	(113,960)	(8,497)	(122,457)	**3,332**	(1,563)	(166)	**(1,729)**
Other	**0**	0	0	0	**18**	(10,457)	5	**(10,452)**
Total Post Employment Benefit Charged to the Comprehensive I&E	**112,297**	**(1,105)**	**(4,409)**	**(5,514)**	**6,251**	**(9,870)**	**(68)**	**(9,938)**
Movement in Reserves Statement								
Reversal of net charges made to SoDoPS for post- employment benefits (per Code)	**(55,299)**	(76,604)	(1,241)	**(77,845)**	**(2,901)**	(2,150)	(93)	**(2,243)**
Actual amount charged against the General Fund Balance for Pensions in the Year								
Employer's contributions payable to the scheme	**28,223**	**27,592**	**811**	**28,403**				
Retirement benefits payable to pensioners					**4,092**	**3,845**	**210**	**4,055**

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 it defined benefits plans is as follows:

Pensions Assets and Liabilities recognised in the Balance Sheet	**LGPS (Funded)**			
	2014/15	**2015/16**		
	Total	**RBG**	**LPFA**	**Total**
	£000	**£000**	**£000**	**£000**
Present value of defined benefit obligation	**(1,583,280)**	(1,444,953)	(79,243)	**(1,524,196)**
Fair value of plan assets	**1,045,806**	948,270	72,369	**1,020,639**
Net liability arising from Defined Benefit Obligation	**(537,474)**	**(496,683)**	**(6,874)**	**(503,557)**

Pensions Assets and Liabilities recognised in the Balance Sheet	**Discretionary Benefits (Unfunded)**			
	2014/15	**2015/16**		
	Total	**RBG**	**LPFA**	**Total**
	£000	**£000**	**£000**	**£000**
Net liability arising from Defined Benefit Obligation	**(70,256)**	(53,352)	(2,911)	**(56,263)**

Reconciliation of the movements in the Fair Value of Scheme (Plan) Assets

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. However, from 2013/14 the expected return and the interest cost has been replaced with a single net interest cost, which will effectively set the expected return equal to the IAS19 discount rate.

Reconciliation of movements in the Fair Value of the scheme (plan) assets	**Local Government Pension Scheme**			
	2014/15	**2015/16**		
	Total	**RBG**	**LPFA**	**Total**
	£000	**£000**	**£000**	**£000**
Opening balance 1 April	**940,915**	**968,137**	**77,669**	**1,045,806**
Interest on scheme assets	**41,007**	31,150	2,262	**33,412**
Re-measurement gain/ loss:				
Return on assets less interest	**75,547**	(36,251)	(2,847)	**(39,098)**
Administration expenses	**(694)**	(647)	(117)	**(764)**
Employer contributions	**32,315**	31,437	1,021	**32,458**

Contributions by scheme participants	10,162	10,318	100	10,418
Benefits paid	(48,770)	(48,237)	(5,719)	(53,956)
Settlements	(4,676)	(7,637)	0	(7,637)
Closing balance 31 March	**1,045,806**	**948,270**	**72,369**	**1,020,639**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

Reconciliation of present value of the Scheme Liabilities (Defined Benefit Obligation)	LGPS (Funded)				Discretionary (Unfunded)			
	2014/15	2015/16			2014/15	2015/16		
	Total	RBG	LPFA	Total	Total	RBG	LPFA	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Opening balance 1 April	(1,394,315)	(1,493,517)	(89,763)	(1,583,280)	(68,097)	(67,067)	(3,189)	(70,256)
Current service cost	(37,819)	(43,426)	(539)	(43,965)	0	0	0	0
Interest cost	(60,274)	(48,670)	(2,612)	(51,282)	(2,901)	(2,150)	(93)	(2,243)
Contributions by scheme participants	(10,162)	(10,318)	(100)	(10,418)	0	0	0	0
Remeasurement gains and losses	(132,545)	113,960	8,497	122,457	(3,350)	12,020	161	12,181
Benefits paid	44,678	44,392	5,509	49,901	4,092	3,845	210	4,055
Past service costs	0	0	0	0	0	0	0	0
Settlements	(1,353)	(9,342)	(235)	(9,577)	0	0	0	0
Curtailments	8,510	1,968	0	1,968	0	0	0	0
Closing balance 31 March	(1,583,280)	(1,444,953)	(79,243)	(1,524,196)	(70,256)	(53,352)	(2,911)	(56,263)

Local Government Pension Scheme Assets

The Discretionary Benefits arrangement has no assets to cover its liabilities. The LGPS assets consist of the following categories, by amount and proportion of the total assets held:

RBG Pension Fund	2014/15			2015/16		
	Quoted price in active markets	Not quoted price in active markets	Total	Quoted price in active markets	Not quoted price in active markets	Total
	£000	£000	£000	£000	£000	£000
UK and Overseas Unit Trusts	0	230,810	230,810	0	224,928	224,928
Unitised insurance policies	0	228,087	228,087	0	209,343	209,343
Equity investments	192,615	22,156	214,771	188,598	16,959	205,557

Bonds	0	180,819	**180,819**	0	177,516	**177,516**
Alternatives	0	0	**0**	0	0	**0**
Property	0	99,027	**99,027**	0	112,748	**112,748**
Cash	0	14,623	**14,623**	0	18,178	**18,178**
Closing balance 31 March	**192,615**	**775,522**	**968,137**	**188,598**	**759,672**	**948,270**

LPFA	**2014/15**			**2015/16**		
	Quoted price in active markets £000	**Not quoted price in active markets £000**	**Total £000**	**Quoted price in active markets £000**	**Not quoted price in active markets £000**	**Total £000**
Equity investments	33,697	0	**33,697**	33,617	0	33,617
Gilts / Cashflow Matching	5,830	0	**5,830**	7,336	0	7,336
Property	0	2,201	**2,201**	0	2,583	2,583
Infrastructure	0	3,848	**3,848**	0	3,965	3,965
Commodities	723	0	**723**	324	0	324
Target Return Portfolio	22,453	0	**22,453**	15,394	0	15,394
Cash	0	8,917	**8,917**	0	9,150	9,150
Closing balance 31 March	**62,703**	**14,966**	**77,669**	**56,671**	**15,698**	**72,369**

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. Both the LGPS and Discretionary Benefits liabilities have been assessed by Barnett-Waddingham, an independent firm of actuaries, using data from the full triennial valuation as at 31 March 2013 rolled forward to 31 March 2016. The principal assumptions used by the actuary have been:

Assumptions	**RBG**		**LPFA**	
	2014/15	**2015/16**	**2014/15**	**2015/16**
Mortality assumptions (yrs)				
Longevity at 65 for current pensioners				
Men	23.7	23.8	21.3	21.4
Women	24.8	25.0	24.5	24.6
Longevity at 65 for future pensioners				
Men	26.0	26.1	23.7	23.8
Women	27.2	27.3	26.8	26.9

Other assumptions (%)				
Rate of inflation (RPI)	3.2	3.3	3.0	3.3
Rate of inflation (CPI)	2.2	2.3	2.2	2.3
Rate of increase in salaries	3.7	4.1	4.0	4.1
Rate of increase in pensions	2.2	2.3	2.2	2.3
Rate for discounting scheme liabilities*	3.3	3.7	3.0	3.7
Take up of option to convert annual pensions into retirement lump sum	50.0	50.0	50.0	50.0
50/50 take up	10.0	10.0	0.0	0.0

*effectively also equal to the expected return.

RBG and LPFA assume all members will retire at one age for all tranches of benefit, which will be the weighted average tranche retirement age.

There have been increases in the rate for discounting scheme liabilities between 2014/15 and 2015/16 for RBG and the LPFA scheme. They have increased by 0.4% and 0.7% respectively. Had the discount rate remained at 2014/15 levels, the defined benefits obligation would have increased by £103.706m and £8.043m respectively.

Change in Assumptions	**Increase in assumption**			**Decrease in assumption**		
	RBG	**LPFA**	**Total**	**RBG**	**LPFA**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Rate for discounting scheme liabilities (increase or decrease by 0.1 %)	(25,461)	(1,132)	**(26,593)**	25,926	1,149	**27,075**
Rate of increase in salaries (increase or decrease by 0.1 %)	2,736	60	**2,796**	(2,720)	(60)	**(2,780)**
Rate of increase in pensions (increase or decrease by 0.1 %)	23,522	1,104	**24,626**	(23,112)	(1,089)	**(24,201)**
Longevity (increase or decrease in 1 year)	46,384	2,759	**49,143**	(44,949)	(2,668)	**(47,617)**

<u>Asset and Liability Matching Strategy</u>

Under LDI investments held within the LPFA scheme, investment RPI swaps are used to hedge 25% of the Fund's cash flow liability against inflation.

<u>Impact on the authority's cash flows</u>

The liabilities show the underlying commitments that the Authority has in the long run to pay post- employment (retirement) benefits. The total liability of £559.820m (2014/15: £607.730m) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in an overall balance of £1.760bn (2014/15: £1.335bn). However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the LGPS will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary

- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The objective of the scheme is to achieve 100% funding. Funding levels are monitored on an annual basis. A triennial valuation was carried out as at 31 March 2013, utilising three pools of employers within the scheme. The valuation has taken account of the national changes to the scheme under the Public Pensions Services Act 2013. The Act provides for scheme regulations to be made within a common framework, to establish new career average re-valued earnings to pay pensions and other benefits to certain public servants. The next triennial valuation is due to be completed as at 31 March 2016. The total contributions expected to be made in respect of funded defined benefits by the Authority in the year to 31 March 2017 are £29.542m. The weighted average duration of the defined benefit obligation for RBG scheme members is 18 years and LPFA scheme members 14 years. There has been no change in the duration since the previous year.

Note 20 - Short Term Debtors

31 March 2015 £000	Short Term Debtors	31 March 2016 £000
9,601	Central government bodies	10,237
3,867	Other local authorities	2,235
9,828	NHS bodies	8,334
31,991	Other entities and individuals	34,875
55,287	**Total**	**55,681**

Debtors are shown net of bad debts provision of £34.785m at 31 March 2016 and £34.437m at 31 March 2015.

Note 21 - Short Term Creditors

31 March 2015 £000	Short Term Creditors	31 March 2016 £000
(14,130)	Central government bodies	(10,887)
(7,247)	Other local authorities	(10,421)
(2,880)	NHS bodies	(4,089)
(53,575)	Other entities and individuals	(53,924)
(77,832)	**Total**	**(79,321)**

Note 22 – Provisions

Provisions	1 April 2015 £000	Amounts Used £000	Additional Provisions £000	31 March 2016 £000
Accumulated Absence	(7,692)	1,408	0	(6,284)
CRC Allowances	(256)	256	(281)	(281)
Redundancy Related	(127)	127	(1,548)	(1,548)
Total (Short Term)	**(8,075)**	**1,791**	**(1,829)**	**(8,113)**
Insurance	(11,220)	3,409	0	(7,811)
Business Rates Appeals	(1,267)	0	(1,006)	(2,273)
Total (Long Term)	**(12,487)**	**3,409**	**(1,006)**	**(10,084)**

The Accumulated Absences provision represents the accrual for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March.

The Redundancy provision is in respect of employees whose contracts were terminated after the 31st March (thereby relating to a probable future transfer of economic benefits) and in respect of several reorganisations that were in progress at the balance sheet date.

The Authority's internal insurance fund account is used to cover the cost of insurance. The fund is used to meet the insurance premiums, meet the cost of the insurance claims beneath the insurance excess and provide for insurance claims that have yet to be settled. Through the fund a wide range of insurance risks are covered. These include public liability, employer's liability, vehicles and fire. The timing of any outstanding claims is dependent upon third party solicitors and the courts and it is therefore impossible to state clearly when the resultant economic benefit transfer will occur. There is also uncertainty around existing claims so no assumptions have been made in respect of future events, and reimbursements. The costs within the Authority's internal insurance fund are met through contributions from departmental services towards the cost of insurance, through central support charges. The Authority previously used Municipal Mutual Insurance Limited to provide insurance cover, until its demise in the 1990s. MMI has continued to meet claims covering the period up until it ceased providing further cover. However, under the administration arrangements, there was provision for scheme creditors (of which the Authority is one) to be called upon to contribute to future scheme liability.

The Business Rates Appeals provision represents the Authority’s share of contributions made to the Collection Fund Income and Expenditure Account for a provision in relation to business rate appeals.

The Authority is required to participate in the CRC Energy Efficiency Scheme. The Authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. A provision arises at the point at which the energy is consumed and carbon dioxide emitted.

Note 23 - Dedicated Schools Grant

The Authority's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2014. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school. The DSG has been deployed in accordance with regulations set out in Schedule 14 to the Schools Standards Framework Act 1998 (England).

Dedicated Schools Grant	**Central Expenditure** **£000**	**Individual Schools Budget** **£000**	**Total** **£000**
Final DSG for 2015/16 before academy recoupment			**260,470**
Academy figure recouped for 2015/16			**(46,560)**
Total DSG after academy recoupment for 2015/16			**213,910**
Brought forward from 2014/15			**9,064**
Agreed initial budgeted distribution in 2015/16	48,344	174,630	**222,974**
In year adjustments	(8,393)	8,393	**0**
Final budgeted distribution for 2015/16	39,951	183,023	**222,974**
Less actual central expenditure	(32,469)	0	**(32,469)**
Less actual ISB deployed to schools	0	(183,023)	**(183,023)**
Carry forward to 2016/17	**0**	**0**	**7,482**

The total amount of reserves held by schools at 31 March 2016 was £13.042m (£13.242m at 31 March 2015).

Note 24 - Pooled Budgets

Under the terms of a Section 75 Agreement (National Health Service Act 2006), a partnership arrangement exists between the Authority and Oxleas National Health Service Foundation Trust in respect of mental health. The pooled budgets meet the cost of providing all services for people from this client group.

Greenwich Integrated Mental Health Service	**2014/15** **£000**	**2015/16** **£000**
Funding provided to the pooled budget by		
the Authority	2,362	2,214
the Trust	22,547	22,479
Sub Total	**24,909**	**24,693**

Expenditure met from the pooled budget by		
the Authority	2,223	2,187
the Trust	22,621	24,057
Sub Total	**24,844**	**26,244**
Net surplus / (deficit) arising on the pooled budget during the year	**65**	**(1,551)**

The National Better Care Fund (BCF) was announced by the Government in the June 2013 spending round as a mechanism for transforming the integration of health and social care. From 2015/16 there was a national requirement to operate the BCF as a pooled budget. Resources previously given direct to CCG or to local authorities via S256 arrangement, would be transferred to individual Clinical Commissioning Groups (CCG's) from NHS England, and then from CCG's to the pooled budgets. Royal Greenwich and Greenwich CCG have entered into such an arrangement where an agreed level of pooled resources have been combined into a single pot that has then been used (with the prior agreement of both parties) to commission or deliver health and social care services.

Better Care Fund	**2014/15 £000**	**2015/16 £000**
Pooled Budget Funding		
the Authority	0	12,597
Disabled Facilities Grant (Capital)	0	1,761
the Greenwich CCG	0	5,413
Sub Total	**0**	**19,771**
Expenditure incurred from pooled budget		
the Authority	0	14,358
the Greenwich CCG	0	5,413
Sub Total	**0**	**19,771**
Net surplus / (deficit) arising on the pooled budget during the year	**0**	**0**

Note 25 - External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by the Authority's external auditors:

External Audit Costs	**2014/15 £000**	**2015/16 £000**
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	237	195
Fees payable to external auditors for the certification of grant claims and returns for the year.	63	83
Fees payable to external auditors for non-audit services provided for the year.	10	10
Total	**310**	**288**

Note 26 - Related Parties

The Authority is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. The UK Government exerts significant control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides a significant amount of its funding in the form of grants and prescribes the terms of many transactions that the Authority has with other parties (e.g. housing benefits). Grants received from government departments are set out in the subjective analysis in Note 9 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2016 are shown in Note 8.

Officers

- S Bailey, an employee of the Authority is a Governor of Greenwich Community College. An amount of £1,409,673 was paid to the organisation from the Authority during the year, with £86,208 outstanding at year end.
- T Dorling, an employee of the Authority is a Director of D G Cities Limited. See note below.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 27.

- Councillor MacCarthy, acting in a personal capacity, is a member of the board of the Greenwich Dance Agency. An amount of £152,300 was paid to the organisation from the Authority during the year.
- Councillor G Parker is a director of CNT Associates who had a fundraising contract with Bridge Mental Health to the sum of £17,875. An amount of £275,920 was paid to the organisation from the Authority during the year.
- Councillor G Parker, acting in a personal capacity, holds a general management position in SE London Chamber of Commerce. An amount of £5,130 was paid to the organisation during the year, with £130 outstanding at year end.
- Councillor Walker, acting in a personal capacity, is on the management committee of the "Turning Pages" Community Centre. An amount of £19,880 was paid to the organisation from the authority during the year with £1,239 outstanding at year end.
- Councillor Hartley is a director of Greenwich & Bexley Credit Union. An amount of £37,720 was paid to the organisation for support costs from the Authority during the year. Further payments for investments on behalf of members were paid over from the Authority to the amount of £1,731,269 during the year. An amount of £23,640 was outstanding at year end.

Some Members of the Authority are nominated to the board of local organisations as Authority appointed Members and have declarable transactions not listed above, as follows:

Name of Organisation	Councillor(s)	Value of Transactions £	Outstanding Balances £
Children's Trust Board	Councillor Hyland Councillor S James Councillor J Smith	178,002	0
Royal Borough of Greenwich Destination Management Company	Councillors Hyland Councillor Scott McDonald	See note below	See note below
Eltham Crematorium Joint Committee	Councillor Fahy (Deputy) Councillor Gardener Councillor Hyland (Deputy) Councillor S James (Deputy) Councillor Kirby (Deputy) Councillor O'Mara (Deputy) Councillor Scott McDonald (Deputy) Councillor J Smith Councillor Thorpe (Deputy) Councillor Williams (Deputy)	See note below	See note below
Firepower	Councillor Austen Councillor Grice	70,485	0
Greenwich & Docklands International Festival	Councillor Barwick	245,000	0
Greenwich Community College	Councillor S James	1,409,673	86,208
Greenwich Co-operative Development Agency	Councillor Singh Councillor Hisbani	354,643	20
Greenwich Dance Agency	Councillor Adams	152,300	0
Greenwich Housing Rights	Councillor Khan	151,973	0
Greenwich Leisure Ltd	Councillor Brooks Councillor J Smith Councillor Bird Councillor Stanley Councillor Singh Councillor Williams	9,081,429	83,986
Greenwich Services Plus	Councillor Brooks	See note below	See note below
Greenwich Service Solutions	Councillor Brooks	See note below	See note below
Greenwich Starting blocks	Councillor Bird	12,460	0
Greenwich Theatre Board	Councillor Adams Councillor Brain	137,500	196
Greenwich Young People's Theatre	Councillor J Smith	78,733	0
Local Government Information Unit	Councillor C Parker	19,420	0
Long Lane Football Club	Councillor Stanley	(7,920)	0

Meridian Home Start	Councillor Offord	See note below	See note below
Middle Park Community Centre	Councillor May Councillor Morris	64,973	0
New Charlton Community Centre	Councillor Barwick	33,613	0
Oxleas Foundation Trust	Councillor Gardner	6,419,724	648,563
Royal Greenwich Heritage Trust	Councillor Scott McDonald Councillor G Parker	See note below	See note below
South East Enterprise	Councillor S James	233,725	0
South East London Combined Heat and Power Company	Councillor Thorpe	5,814,325	0
Widehorizons Outdoor Education Trust	Councillor May	11,448	447

Other Public Bodies

The Authority has entered into a pooled budget agreement with Oxleas NHS Foundation Trust as outlined in Note 24.

Eltham Crematorium

The Authority runs the Eltham Crematorium under a joint committee arrangement with the London Borough of Bexley and Dartford Borough Council.

2014/15 £000	Eltham Crematorium Transactions	2015/16 £000
(110)	Amounts held in Royal Borough of Greenwich bank account	627
144	Annual Support Service Cost	147
469	Surplus Distribution	517

Pension Fund

The Royal Borough of Greenwich is the Administering Authority for the Royal Borough of Greenwich Pension Fund.

2014/15 £000	Pension Fund Transactions	2015/16 £000
661	Annual Support Service Cost	654
27,354	Employer Contributions into the Fund	27,524

Entities Controlled or Significantly Influenced by the Authority

Greenwich Service Solutions Limited (GSS) – subsidiary

Established in 2008 with a share capital of one hundred £1 shares, GSS activities include:

- Catering
- Cleaning
- Facilities Management.

Greenwich Service Plus Limited (GSP) - subsidiary
Established in 2009, limited by guarantee, GSP is a Teckal company undertaking activities including:
- Catering
- Fleet Management and Maintenance
- Passenger Services
- Building Cleaning
- Facilities Management.

Meridian Home Start Limited (MHS) - subsidiary
Established in 2011, with a share capital of one £1 share, the principal activity of MHS is that of renting out residential properties across the Royal Borough of Greenwich at "intermediate" discounted rent levels to working families who would otherwise find it hard to buy or rent on the open market.

D G Cities Limited – subsidiary
Formed in 2015 with a share capital of one hundred £1 shares, DG Cities Ltd is a wholly owned Council company. The company was established to advance the Council's work on the digital economy, smart city innovation, and secure innovation funding for the Borough.

Transactions during the year included a grant from the Authority to DG Cities Ltd to create an Innovation Fund and to provide initial support and match-funding for future bids.

Further transactions included payments to DG Cities Ltd from the Authority for reimbursement of costs in delivery of the Gateway Driverless Car Project. The cost to the Authority will be negated with funding provided by Innovate UK.

Royal Borough of Greenwich Destination Management Company (RBGDMC) - associate
Established in 2013, RBGDMC is a community interest company, which was formed between six parties:

- Royal Borough of Greenwich
- Greenwich Hospital
- Ansco Arena Limited
- Enderby Wharf Limited
- Greenwich Trading Company Limited
- National Maritime Museum

The Board has capacity for thirteen directors, with the authority appointing two, each other member appointing one and six to be appointed by those seven directors.

Its main objectives are to promote tourism and investment into the Royal Borough, and contribute to enhancing perceptions of the Royal Borough of Greenwich as a place to visit, live, work and study.

Royal Greenwich Heritage Trust (RGHT) - associate
Established in 2014, RGHT is a Charitable Incorporated Organisation. The Board has capacity for thirteen trustees, with the authority appointing two.
A formal Transfer Agreement between the authority and RGHT included Charlton House, the Greenwich Heritage Centre & the Tudor Barn in Eltham.

RGHT will act in the role of custodian for certain borough memorials and includes as its key charitable objectives:

- Care and conservation of assets
- Education concerning the history of the Royal Borough.

Related Party Transactions of Entities Controlled or Significantly Influenced by the Authority

2014/15				Transactions	2015/16			
Payable £000	Creditor £000	Receivable £000	Debtor £000		Payable £000	Creditor £000	Receivable £000	Debtor £000
(5)	0	6	0	GSS	(412)	0	0	0
(25,884)	(3,730)	2,649	2,097	GSP	(26,598)	(3,011)	3,938	2,198
279	(18)	0	0	MHS	(281)	(8)	32	0
0	0	0	0	D G Cities	(133)	0	0	0
(477)	(3)	0	0	RBGDMC	(386)	0	0	0
(546)	(23)	12	66	RGHT	(762)	0	0	0

Note 27 - Members' Allowances

The Authority paid the following amounts to members of the Authority during the year.

Members Allowances	2014/15 £	2015/16 £
Allowances	931,487	945,271

Note 28 - Officers' Remuneration

Senior Employees

The remuneration paid to the Authority's senior employees is as follows:

Post Title	Note	Name	Year	Salary, Fees and Allowances £	Pension Contributions £	Totals £
Chief Executive	1	J Comber	2015/16	187,000	34,595	221,595
			2014/15	177,083	32,760	209,843
Director of Finance (Section 151 Officer)	2	D Warren	2015/16	170,000	31,450	201,450
			2014/15	158,750	29,369	188,119
Director of Children's Services		G Palmer	2015/16	150,000	27,750	177,750
			2014/15	150,000	27,750	177,750
Director of Regeneration, Enterprise and Skills	3		2015/16	145,000	26,825	171,825
			2014/15	128,063	23,695	151,778
Director of Community Services	4		2015/16	132,333	24,482	156,815
			2014/15	125,000	23,125	148,125
Director of Central Services			2015/16	125,200	23,162	148,362
			2014/15	125,000	23,125	148,125
Head of Law and Governance			2015/16	124,543	21,460	146,003
			2014/15	116,000	21,460	137,460
Director of Adult's and Older People's Services	5		2015/16	122,958	22,740	145,698
			2014/15	N/A	N/A	N/A
Director of Housing	6		2015/16	118,367	16,650	135,017
			2014/15	135,000	24,975	159,975

1. Promotion to Chief Executive during 2014/15, previously Director of Regeneration, Enterprise and Skills.
2. Promoted to Deputy Chief Executive during 2014/15.
3. Promoted to Director of Regeneration, Enterprise and Skills during 2014/15, previously Assistant Director of Regeneration Enterprise and Skills.
4. The Director of Community Services received a pay rise on 19th November 2015 – the base rate for this role is now £145,000.
5. Started role on 7th April 2015 following previous director's retirement- the base rate for this role is £125,000 as it was in 2014/15.
6. Last day of service 30/11/15 - the base rate for this role is a £135,000 (post deleted during reorganisation)

Officer Bandings

The Authority's employees receiving more than £50,000 remuneration for the year, including the senior officers listed above (but excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	2014/15 No of employees	2015/16 No of employees
£50,000 - £54,999	238*	246*
£55,000 - £59,999	130*	163*
£60,000 - £64,999	65*	60
£65,000 - £69,999	63*	57*
£70,000 - £74,999	29*	40*
£75,000 - £79,999	30*	27
£80,000 - £84,999	14	11*
£85,000 - £89,999	13*	19*
£90,000 - £94,999	4	2*
£95,000 - £99,999	8*	7
£100,000 - £104,999	7*	4*
£105,000 - £109,999	1	3
£110,000 - £114,999	5	5
£115,000 - £119,999	4*	2*
£120,000 - £124,999	2*	3*
£125,000 - £129,999	3	1
£130,000 - £134,999	1	2
£135,000 - £139,999	2	2
£140,000 - £144,999	0	2
£145,000 - £149,999	0	1*
£150,000 - £154,999	3*	2
£155,000 - £159,999	1	0
£160,000 - £164,999	0	0
£165,000 - £169,999	0	0
£170,000 - £174,999	0	1
£175,000 - £179,999	1	0
£180,000 - £184,999	0	0
£185,000 - £189,999	1*	1

* includes amounts payable in respect of compensation for loss of office

Termination Benefits

A number of employee contracts have been terminated. Amounts contained within the Accounts relating to their remuneration by way of redundancy / other payments made are shown below. An element relating to pension fund strain is also recorded within the figures. The strain is calculated under IAS19, but the amounts actually payable by the Authority to the relevant pension fund are calculated separately and are on a different basis. The vast majority of the strain is taken into account at each triennial valuation - totals within the bandings below for the year include £1.095m relating to pension strain (£1.312m in 2014/15). The numbers of exit packages with total value per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package Cost Band	**Compulsory Redundancies**		**Other Departures Agreed**		**Total Exit Packages by Cost Band**		**Total Cost of Exit Packages in each Band***	
	2014/15	**2015/16**	**2014/15**	**2015/16**	**2014/15**	**2015/16**	**2014/15**	**2015/16**
	No	**No**	**No**	**No**	**No**	**No**	**£**	**£**
£0 - £20,000	3	5	76	91	79	96	£684,411	£843,981
£20,001 - £40,000	0	1	24	29	24	30	£ 669,755	£873,627
£40,001 - £60,000	0	0	10	15	10	15	£ 495,849	£732,847
£60,001 - £80,000	0	0	5	9	5	9	£353,913	£631,573
£80,001 - £400,000	0	0	11	8	11	8	£1,696,641	£985,111
Total	**3**	**6**	**126**	**152**	**129**	**158**	**£3,900,569**	**£4,067,139**
Creditors							**£0**	**£6,574,104**
Exit Provisions							**£127,248**	***£10,506,049**
Cost Charged to the Comprehensive I&E Statement							**£4,027,817**	**£21,147,292**

* *In connection with the authority's MTFS (see Narrative Report), directorate workforce re-organisations commenced towards the end of 2015/16, whereby a number of staff have a last day of service of 31 March 2016 or early in 2016/17. This value includes a £1.360m provision for redundancy payments, with the remainder accounting for strain on the pension fund.*

Note 29 - Contingent Liabilities

As at 31 March 2016 the Authority had the following contingent liabilities:

- Following a decision by the Government to review the operation of land charges, the Local Government Association is assessing possible claims against authorities. It is thus possible that the Authority could receive claims for reimbursement of fees charged in the delivery of this service. The timing and amounts of any potential claims are uncertain.
- The authority has made a provision for NDR appeals based upon information available at the year end. It is possible that appeals, not known at the balance sheet date, could yet arise. Timings and amounts are unknown.
- Amounts have been provided in the accounts in respect of Mutual Municipal Insurance. However, given the uncertain level of ultimate claims that could arise, further sums may be payable, the timing and level of which are unclear.

Note 30 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The accounts contain estimated figures that are based on assumptions made by the Authority 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 Authority's balance sheet at 31 March 2016 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Effect if actual results differ from assumptions
Arrears	At 31 March 2016, the Authority had a general fund balance of sundry debtors totalling £29.1m. A review of significant balances suggested that an impairment of doubtful debts of 11.2% (£3.2m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates attributable to collecting aged general fund debt were to deteriorate by 5%, the allowance would need to increase by £1.4m.
Business Rates	The Authority must meet its relevant share of backdated business rate appeals. A provision has been made within the accounts, utilising Valuation Office data, previous experience, facts and intelligence gathered, as at the end of the reporting period.	It is possible that the estimate provided may not be sufficient to meet claims arising e.g. through greater success rates than previously experienced.
Fair Value Estimations	When the fair values of surplus assets and assets held for sale cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets. Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value.	The authority primarily uses evidence of property transactions and market interest in properties not yet transacted to measure the fair value of its surplus assets and assets held for sale. The significant unobservable inputs used in the fair value measurement include judgements made by valuers on how to apply such evidence. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for surplus assets and assets held for sale.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements, including those relating to: • the discount rate used • the rate at which salaries are projected to increase • the rate at which pensions are projected to increase • longevity rates. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.	The effect upon the net pensions liability of changes in individual assumptions can be measured and these are disclosed within note 19 e.g. for each member, if their longevity was actually more representative of someone that was one year older, liabilities would increase by £49m (and decrease by £48m if one year younger). If discount rates had maintained their 2014/15 levels, then the net pensions liability would have increased by £112m compared to that calculated herein. However, the assumptions interact in complex ways and during 2015/16, the actuaries advised that, overall, the net pensions liability had reduced by £48m as a result of updating estimates to reflect current market conditions.

PFI / Finance Leases	These arrangements have an implied finance lease within the agreement which (on a constant basis) has been used to calculate future payments disclosed within the accounts.	The PFI arrangements are inherently long term in nature. Fluctuations in the inflation indexation could result in future payments being higher than presented.
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic environment makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to the assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £1.4m for every year that useful lives had to be reduced.

Note 31 - Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code has introduced several changes in accounting standards which will be required in the 2016/17 Statement of Accounts. The adoption of these standards is not considered likely to have a significant impact on the accounts.

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010–2012 Cycle
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012–2014 Cycle
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- Changes to the format of the Fund Account and the Net Assets Statement.

Note 32 - Critical Judgements in Applying Accounting Policies

Significant judgements are made by management in applying accounting policies, which could have a material effect upon the accounts.

Funding

An organisation can be judged to be a “going concern” if, for the foreseeable future, there is a high level of confidence that it will have the necessary liquid resources to meet its liabilities as they fall due and will be able to sustain its business model, strategy and operations and remain solvent, including in the face of reasonably predictable internally or externally-generated shocks. Despite there being a high degree of uncertainty about future levels of funding for local government, the Authority has undertaken a robust analysis of its financial strength. There is no indication that the assets of the Authority are likely to be impaired.

Group Boundaries

The group boundaries have been estimated using the criteria associated with the Code. In line with this, the Authority has identified four subsidiaries and two associates. The authority has deemed that the activities of these entities are not sufficient to produce full group accounts

Leases

The Authority classifies these as either operational or finance leases. It is not always clear which type may be the correct one to use and as such, the Authority uses judgement to determine whether the lease is a finance lease (i.e. it transfers substantially the risks and rewards relating to ownership) or not (in which case it is an operating lease).

Schools

There are several types of school within the borough. The Code in relation to their recognition on the balance sheet is an area that has been supplemented by Technical Guidance and the authority has undertaken a review of schools on a case by case basis. The authority recognises schools' assets on the balance sheet where future economic benefits or service potential associated with the school will flow to the authority. Control over service potential is based on control over use of assets over their useful life. The table outlines the types of school within the borough and whether appear on the authority's balance sheet. Furthermore, schools held on the balance sheet are disposed for nil consideration when they transfer to Academy status.

School Type	**On Balance Sheet**
Community	✓
Voluntary Controlled (VC)	✓
Voluntary Aided (VA)	✗
Trust	✗
Foundation	✗
Academies	✗
Independent	✗
Free schools	✗

Note 33 - Material Items of Income and Expense

The authority recognises that materiality has both quantitative and qualitative characteristics and for the purposes of this note, considers that level to be £16m.

During the year, the authority received a capital receipt of £16.2m in respect of land upon which the Arches leisure centre was previously based.

Note 34 - Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Director of Finance on 27 July 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There were no adjusting events taking place between the reporting period end and the authorised for issue date.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2016 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date:

Schools Transferring to Academy Status

A number of schools are seeking to convert to academy status. In addition to those schools who received approval to convert during 2015/16 (disclosed in note 10), the following schools received approval to convert to academy status from the Department of Education on 21 April 2016:

- Windrush Primary
- Alderwood Primary
- Halstow Primary
- Horn Park Primary
- Wingfield Primary
- Deansfield Primary
- South Rise Primary
- Willow Dene Special School

These assets are classed as Other Land & Buildings within Property, Plant and Equipment at values of £94m.

Meridian Home Start

At a board meeting of Meridian Home Start held on 19 May 2016, a number of new members of the board were elected, replacing the existing board. Subsequently, the new board agreed that the company, registered under the Companies Acts, be converted, pursuant to Section 115 of the Cooperative and Community Benefit Societies Act 2014, to a society registered under that Act. This conversion from a wholly owned company to a Community Benefit Society is not yet complete and will take a couple of months to convert, subject to any queries raised during that process.

Collection Fund Account

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statements show the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Income and Expenditure Account	**Note**	**Council Tax £000**	**Business Rates £000**	**Total 31/03/15 £000**	**Council Tax £000**	**Business Rates £000**	**Total 31/03/16 £000**
Income							
Council Tax Income	4	(97,014)	0	**(97,014)**	(99,911)	0	**(99,911)**
Business Rates Receivable	5	0	(67,520)	**(67,520)**	0	(70,758)	**(70,758)**
Business Rates Supplement	6	0	(2,033)	**(2,033)**	0	(2,082)	**(2,082)**
Business Rates Transitional Payments		0	(49)	**(49)**	0	5	**5**
Total Income		**(97,014)**	**(69,602)**	**(166,616)**	**(99,911)**	**(72,835)**	**(172,746)**
Expenditure							
Precepts and Demands							
Council Tax							
Royal Borough of Greenwich		66,784	0	**66,784**	68,381	0	**68,381**
Greater London Authority		20,354	0	**20,354**	20,562	0	**20,562**
Business Rates							
Royal Borough of Greenwich		0	20,154	**20,154**	0	20,668	**20,668**
Greater London Authority		0	13,436	**13,436**	0	13,779	**13,779**
Central Government		0	33,590	**33,590**	0	34,447	**34,447**
Business Rates Supplement	6	0	2,025	**2,025**	0	2,075	**2,075**
Previous Year's Surplus							
Council Tax	7	2,225	0	**2,225**	2,220	0	**2,220**
Business Rates	7	0	4,386	**4,386**	0	0	**0**
Collection Fund Charges							
Council Tax bad debts	8	2,168	0	**2,168**	1,523	0	**1,523**
Business Rates bad debts	9	0	398	**398**	0	690	**690**
Business Rates appeals	10	0	30	**30**	0	3,352	**3,352**
Business Rates cost of collection		0	279	**279**	0	280	**280**
Business Rates Supplement cost of collection	6	0	8	**8**	0	6	**6**
Business Rates transitional payments		0	49	**49**	0	(5)	**(5)**
Interest		0	8	**8**	0	0	**0**

Total Expenditure	**91,531**	**74,363**	**165,894**	**92,686**	**75,292**	**167,978**
(Surplus) / Deficit for Year	**(5,483)**	**4,761**	**(722)**	**(7,225)**	**2,457**	**(4,768)**

Fund Statement (£000)	**Note**	**Council Tax £**	**Business Rates £**	**Total 31/03/15 £**	**Council Tax £**	**Business Rates £**	**Total 31/03/16 £**
Fund Balance B/F		**(8,320)**	**(4,022)**	**(12,342)**	**(13,803)**	**739**	**(13,064)**
(Surplus) / Deficit for Year		(5,483)	4,761	(722)	(7,225)	2,457	(4,768)
Fund Balance C/F	11	**(13,803)**	**739**	**(13,064)**	**(21,028)**	**3,196**	**(17,832)**

Note 1 - The Council Tax System

The council tax is the means of raising income from local residents to pay for services within the Royal Borough. The council tax is levied on domestic properties and the charge is based on the valuation band assessed for each dwelling. The Valuation Office has appointed a Listing Officer for the Royal Borough who is responsible for property valuations, valuation registers and appeals. Council tax collected in the Borough is split between relevant preceptors, the Borough (78%) and the GLA (22%).

Note 2 - The Business Rates System

The business rate is the means of raising income from local businesses to pay for services within the Royal Borough. The business rate is levied on non-domestic properties and the charge is based on the valuation band assessed for each premise. The Valuation Office has appointed a Listing Officer for the Royal Borough who is responsible for property valuations, valuation registers and appeals. Business rates collected in the Borough is split between relevant preceptors, the Borough (30%), the GLA (20%) and Central Government (50%).

Note 3 - Accounting Policies

The Collection Fund Income and Expenditure Account is prepared on an accruals basis and complies with appropriate regulations and the Code of Practice on Local Authority Accounting. The transactions of the Collection Fund are wholly prescribed by legislation. The year-end surplus or deficit on the Collection Fund is apportioned between the relevant interested parties.

Note 4 - Council Tax Income

In 2015/16 the Royal Borough set a band D tax of £1,275.91 (£1,279.91 in 2014/15). These charges are before any appropriate discounts. The charge for each band is a ratio of band D. The 2015/16 charges were:

Band	Ratio to Band D	Council Tax 2014/15	Council Tax 2015/16
		£	£
A	6/9	853.27	850.61
B	7/9	995.49	992.37
C	8/9	1,137.70	1,134.14
D	1	1,279.91	1,275.91
E	11/9	1,564.33	1,559.45
F	13/9	1,848.76	1,842.98
G	15/9	2,133.18	2,126.52
H	18/9	2,559.82	2,551.82

The Royal Borough's taxbase, which is used in the tax calculation, is based on the number of dwellings in each band on the listing produced by the Listing Officer. This is adjusted for exemptions, discounts, disabled banding changes and appeals. The taxbase estimate for 2015/16 was 69,702 (68,074 in 2014/15) as calculated below.

2014/15 Band D Equivalent	Band	2015/16 Dwellings Per Valuation List	Adjustment For Disabled Banding Appeals, Discounts and Exemptions	Revised Dwellings	Ratio to Band D	Band D Equivalent
3	A (Disabled)	0	5	5	5/9	3
3,564	A	10,219	(4,992)	5,227	6/9	3,485
9,203	B	20,769	(9,033)	11,736	7/9	9,128
24,822	C	39,571	(10,241)	29,330	8/9	26,071
16,261	D	21,232	(4,506)	16,726	1	16,726
10,840	E	10,571	(1,668)	8,903	11/9	10,881
4,126	F	3,189	(293)	2,896	13/9	4,183
3,133	G	2,045	(120)	1,925	15/9	3,209
579	H	338	(41)	297	18/9	594
72,531	**Total**	**107,934**	**(30,889)**	**77,045**		**74,280**
(4,715)	less Allowance for Non Collection					(4,829)
258	plus Adjustment for Armed Forces Dwellings					251
68,074	**Royal Borough Tax Base**					**69,702**

Based on the estimated tax base of 69,702 an income yield for 2015/16 of £88.9m (£87.1m in 2014/15) was anticipated. The actual taxbase was equivalent to 78,305 (75,798 in 2014/15) including backdated transactions and the equivalent yield was £99.9m (£97.0m in 2014/15).

Note 5 - Business Rate Income

Business Rate Income	2014/15 £000	2015/16 £000
Debits Raised	85,636	87,357
Relief and Exemption granted	(16,034)	(14,522)
Total Collectable	**69,602**	**72,835**

The Non-Domestic Rate Multiplier is set nationally and for 2015/16 was 49.3p (48.2p in 2014/15). The total rateable value for non-domestic rated property in the Royal Borough for 2015/16 was £177.0m (£176.1m in 2014/15).

Note 6 - Business Rates Supplement

In April 2010, a levy of 2p on non-domestic properties with a rateable value of over £55,000 in London was introduced. This is paid to the GLA and helps to finance Cross Rail.

Note 7 - Collection Fund apportionment of surplus

A council tax surplus of £2.220m was distributed in 2015/16 to the Royal Borough (£1.701m) and the GLA (£0.519m). There was no business rate surplus distribution in 2015/16.

Note 8 - Provision for Irrecoverable Council Tax Debts

Contributions are made from the Collection Fund Income and Expenditure Account to a provision for bad debts. During 2015/16 £1.523m (£2.168m in 2014/15) was contributed to the council tax bad debt provision and £0.115m (£0.555m in 2014/15) of irrecoverable debts were written off.

Note 9 - Provision for Irrecoverable Business Rates Debts

Contributions are made from the Collection Fund Income and Expenditure Account to a provision for bad debts. During 2015/16 £0.690m (£0.398m in 2014/15) was contributed to the business rates bad debt provision and £0.678m (£0.722m in 2014/15) of irrecoverable debts were written off.

Note 10 - Provision for Business Rates Appeals

Contributions are made from the Collection Fund Income and Expenditure Account to a provision for business rate appeals. The provision was calculated on the basis of outstanding appeals at 31 March 2016 as supplied by the Valuation Office. The percentage of appeals that are likely to be successful and the percentage reduction in rateable value on successful appeals were estimated based on historical trends. Local intelligence identified possible appeals that are yet to be notified to the Valuation Office and this was also taken into account. During 2015/16 a net contribution of £3.352m (£0.030m in 2014/15) was made to the provision.

Note 11 - Collection Fund Position

Council Tax Surplus

The balance on the Fund for council tax at 31 March 2016 is £21.028m. Of this sum, £4.718m is the GLA's share of the Collection Fund and is shown as a creditor in the Authority's Balance Sheet. The balance of £16.310m is the Royal Borough's share of the Collection Fund. £3.032m will be distributed to the GLA in 2016/17. The remaining council tax balance will be taken into account in future budget setting processes.

Business Rates Deficit

The balance on the Fund for Business Rates at 31 March 2016 is £3.196m. Of this sum £0.639m is the GLA's share and £1.598m is the Government share. Both of these items are shown as a debtor in the Authority's Balance Sheet. The balance is the Royal Borough's share of the Collection Fund. A recovery of the balance on the Fund will be made in 2016/17. Central Government will contribute £1.635m and the GLA will contribute £0.654m. The remaining Business Rate balance will be taken into account in future budget setting processes.

Housing Revenue Account

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2014/15 £000	HRA Income and Expenditure Statement	2015/16 £000
	Expenditure	
24,092	Repairs and Maintenance	24,658
40,316	Supervision and Management	47,773
2,300	Rent, Rates, Taxes and Other Charges	1,771
(125,096)	Depreciation, Impairments and Revaluation Losses in relation to Non-current Assets	(79,006)
113	Debt Management Costs	116
2,108	Movement in the allowance for bad debts (not specified by code)	0
(56,167)	**Total Expenditure**	**(4,688)**
	Income	
(113,561)	Dwelling Rents	(116,320)
(2,658)	Non Dwelling Rents	(2,583)
(3,938)	Charges for services and facilities	(4,700)
0	Movement in the allowance for bad debts (not specified by code)	(1,655)
(78)	Contribution towards expenditure	(206)
(120,235)	**Total Income**	**(125,464)**
(176,402)	**Net Income of HRA Services as included in the whole Authority Comprehensive I&E Statement**	**(130,152)**
494	HRA Services Share of Corporate and Democratic Core	672
806	HRA share of other amounts included in the whole authority Net Expenditure of Continuing Operations but not allocated to specific services	3,551
(175,102)	**Net Income of HRA Services**	**(125,929)**
	HRA share of the operating income and expenditure included in the whole Authority Comprehensive I&E Statement	
(10,478)	(Gain) or Loss on sale of HRA non-current Assets	(12,305)
15,164	Interest Payable and Similar Charges	15,197
(3,070)	Capital Grants and contributions receivable	(2,844)
(11)	Interest and Investment Income	(7)
2,035	Net interest on the net defined benefit liability / (asset)	3,124
(171,462)	**(Surplus) / Deficit for the Year on HRA Services**	**(122,764)**

2014/15 £000	Movement on the HRA Statement	2015/16 £000
(23,692)	**Balance on the HRA as at the end of the previous reporting period**	**(18,107)**
(171,462)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(122,764)
159,969	Adjustment between accounting basis and funding basis under statute	109,481
(11,493)	**Net (Increase) or decrease before transfers to or from reserves**	**(13,283)**
17,078	Transfers to or from earmarked reserves	22,296
5,585	**(Increase) or decrease in year on the HRA**	**9,013**
(18,107)	**Balance on the HRA at the end of the current reporting period**	**(9,094)**

Note 1 - Depreciation and Impairment

HRA Depreciation and Impairment	2014/15 £000	2015/16 £000
Dwellings	15,619	20,547
Other Land & Buildings	528	603
Vehicles	4	59
Surplus	927	1,087
Total Depreciation	**17,078**	**22,296**
Impairment and Revaluation Losses	**2,798**	**38,435**

HRA valuations were reviewed at 1 April 2015 and the 31 March 2016. The valuations are based on Stock Valuation for Resource Accounting, a guide issued by CLG. This guide incorporates a factor to recognise the specific nature of valuing social housing. This factor, which reduces the assessed value, has remained at 25%. An increase in the value of residential property over the reporting period has resulted in valuation gains, which in turn has led to a significant reversal of losses that were charged to the HRA I&E in previous years, totalling £132.2m.

Note 2 - Housing Stock

The Council was responsible for managing 21,837 dwellings as at 31 March 2016. The property is analysed below:

Analysis of HRA Dwellings at 31 March 2016	**1 Bed**	**2 Beds**	**3 & more**	**Total**
Low rise flats in blocks up to 2 storeys	1,393	1,031	351	2,775
Medium rise flats in blocks of 3-5 storeys	3,793	3,326	1,633	8,752
High rise flats in blocks of 6 or more storeys	1,555	1,753	232	3,540
Houses and bungalows	247	1,214	5,302	6,763
Multi occupied dwellings				7
Total				**21,837**

The HRA valuations were reviewed as at 1 April 2015 and the 31 March 2016. These figures represent the valuation less disposals and depreciation:

31 March 2015 £000	**Balance Sheet Valuation of HRA Assets**	**31 March 2016 £000**
1,128,229	Dwellings	1,360,789
50,752	Property Plant and Equipment Assets – Other	43,875
5,372	Assets held for Sale	4,231
1,184,353	**Total**	**1,408,895**

The Vacant Possession Value is the Authority's estimate of the total sum that it would receive if all the assets were sold on the open market. The balance sheet value is calculated on the basis of rents receivable on existing tenancies. These are less than the rent that would be obtainable on the open market, and the balance sheet value is therefore lower than the Vacant Possession Valuation. The difference between the two values therefore shows the economic cost of providing housing at less than market value:

1 April 2014 £000	**Vacant Possession Value**	**1 April 2015 £000**
3,838,837	HRA Dwellings	5,040,896

The Royal Borough has provided grant funding to Viridian Housing to provide 80 affordable rented homes, under the Right to Buy Retention Agreement funded from Right to Buy Retained receipts:

2014/15	HRA Revenue Expenditure Funded From Capital Under Statute	2015/16
£000		**£000**
0	Houses	3,869
0	**Total**	**3,869**
	Financed by:	
0	Capital Receipts	3,869
0	**Total**	**3,869**

Note 3 - Major Repairs Reserve

2014/15	Major Repairs Reserve	2015/16
£000		**£000**
0	**Balance as at 1 April**	**0**
17,078	Financing of Capital Expenditure for year	22,196
(17,078)	Depreciation for the year	(22,196)
0	**Balance as at 31 March**	**0**

Note 4 - HRA Capital Financing

2014/15	HRA Capital Expenditure	2015/16
£000		**£000**
39,665	Houses	53,028
7,994	Other Property	0
296	Vehicles & Equipment	0
47,955	**Total**	**53,028**
	Financed by:	
2,459	Capital Receipts	5,257
17,078	Major Repairs Reserve	22,296
2,935	Other Grants	1,960
25,483	Revenue	23,515
47,955	**Total**	**53,028**

Summary of HRA Capital Receipts

2014/15 £000	Capital Receipts	2015/16 £000
0	Land	1,332
21,494	Houses	25,416
54	Other Property	175
21,548	**Total**	**26,923**

Note 5 - Rent Arrears

HRA rent arrears at 31 March 2016 totalled £11.048m. These arrears are charges due from tenants i.e. rent, heating and other charges. The HRA has been setting aside funds to meet irrecoverable debts in respect of such arrears. At 31st March 2016 the provision totaled £8.292m.

2014/15 £000	Arrears	2015/16 £000
7,169	Due from Current Tenants	7,142
3,579	Due from Former Tenants	3,906
10,748	**Total**	**11,048**

Note 6 - Pension Costs - IAS 19

IAS19 has been incorporated in the HRA. Entries have been calculated on the basis of the HRA's apportioned share of pension costs during the financial year.

Independent Auditor's Report to the Members of Royal Borough of Greenwich

We have audited the pension fund financial statements of Royal Borough of Greenwich (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund 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 pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund 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:

- present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and of the amount and disposition at that date of the fund’s assets and liabilities, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts is consistent with the audited pension fund financial statements.

Grant Patterson

Grant Patterson

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

The Colmore Building
20 Colmore Circus
Birmingham
West Midlands

B4 6AT

27 July 2016

Royal Borough of Greenwich Pension Fund

2014/15 £000	Fund Account	Notes	2015/16 £000
	Dealings with Members, Employers and Others directly involved in the Scheme		
	Contributions Receivable:	6	
(32,149)	Employer Contributions		(32,549)
(11,830)	Member Contributions		(12,259)
(3,034)	Transfers in from Other Pension Funds	7	(2,696)
	Benefits:	8	
35,929	Pensions		37,250
8,120	Lump Sum & Death Benefits		8,688
1,629	Payments to and on account of Leavers	9	3,267
(1,335)	**Subtotal: Net (additions) / withdrawals from Dealings with Members**		**1,701**
2,319	Management Expenses	10	2,698
	Returns on Investment		
(10,307)	Investment Income	11	(10,980)
(111,258)	Profit and Losses on disposal of Investments and Changes in Value of Investments	13	11,500
315	Taxes on Income	12	154
(121,250)	**Net Returns on Investment**		**674**
(120,266)	**Net (increase) / decrease in the Net Assets available for Benefits during the year**		**5,073**

31 March 2015 £000	Net Asset Statement	Notes	31 March 2016 £000
	Investment assets		
210,587	Equities	14	209,154
	Pooled Investment Vehicles:	14	
197,649	Fixed Interest		196,865
106,394	Property Unit Trusts		123,187
240,388	Unitised Insurance Policies		232,161
261,221	Other Unit Trusts		249,444
1,850	Property – Freehold	3&14	1,850
22,341	Private Equity	14&22	18,808
1,237	Cash Deposits	19	1,883
4,035	Cash Equivalents	15	2,476
1,217	Other Investment Balances	18	1,118
	Investment Liabilities		
(891)	Other Investment Balances	18	(523)
1,046,028	**Net Investment Assets / (Liabilities)**		**1,036,423**
	Current Assets		
368	Contributions Due	18	340
420	Other Current Assets	18	60
10,585	Cash Balances	19	15,670
	Current Liabilities		
(137)	Unpaid Benefits	18	(235)
(562)	Other Current Liabilities	18	(629)
10,674	**Net Current Assets / (Liabilities)**		**15,206**
1,056,702	**Net Assets of the Scheme available to fund Benefits at the Period End**		**1,051,629**

The financial statements of the Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2016. The triennial actuarial valuation of the Fund does take into account the long term liabilities of the fund. An overview of the valuation is provided in note 17. The full valuation report can be viewed by visiting www.royalgreenwich.gov.uk

Note 1 - Description of Fund

The following description of the Fund is a summary only. For more detail, reference should be made to the Royal Borough of Greenwich Pension Fund Annual Report 2015/16 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme Regulations.

General

The Royal Borough of Greenwich Pension Fund (the "Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by the Royal Borough of Greenwich. It is a defined benefit pension scheme providing pensions and other benefits for employees of the Royal Borough of Greenwich and those organisations with admitted or scheduled body status within the Fund. The Fund is overseen by the Royal Borough of Greenwich Pension Investment and Administration Panel. The Fund is governed and administered in accordance with the Public Service Pensions Act 2013 and the following Local Government Pension Scheme Regulations:

- The LGPS Regulations 2013
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014
- The LGPS (Management and Investment of Funds and Amendment) Regulations 2009.

Membership

All employees are able to join the pension scheme (except teachers), those with a contract of employment of at least 3 months are contractually enrolled into the pension scheme on commence of employment. Membership of the Fund is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the fund include:

- Administering Authority: This is the Royal Borough of Greenwich (the "Authority")
- Scheduled Bodies: Local authorities and similar bodies whose staff are automatically entitled to be members of the Fund. The scheduled bodies of the Fund are Eltham Crematorium, St Paul's Academy, Greenwich Service Solutions Limited, Greenwich Service Plus Limited, Corelli College, Greenwich Free School, Charlton Academy, Harris Academy, Shooters Hill Academy, University Technical College, Woolwich Polytechnic School, Stationers Crown Woods Academy and St Thomas More Academy.
- Admitted Bodies: Other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. These include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There were 42 active employer organisations within the Fund as at 31 March 2016 (42 as at 31 March 2015), with Oxleas NHS trust being added in year. The following table summarises the composition of the registered membership of the Fund as at 31 March 2016.

Membership	Administering Authority		Admitted Bodies		Scheduled Bodies	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
Employees contributing into Fund	6,963	7,254	414	418	1,030	1,141
Pensioners / Dependents	5,818	5,994	135	145	122	149
Former Members entitled to Deferred Benefits	5,077	5,046	188	188	161	179
Totals	17,858	18,294	737	751	1,313	1,469

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members in accordance with the LGPS Regulations 2013 and by employers whose rates are set based on the triennial actuarial funding valuations.

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index. There are a range of other benefits provided under the scheme including early retirement, ill-health pensions and death benefits.

Note 2 - Basis of Preparation

The Statement of Accounts (the “Accounts”) summarise the Fund’s transactions for the 2015/16 financial year and its position at year-end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the “Code”) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The Accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The Accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in Note 17 of these accounts. Many values throughout the Pension Fund accounts are rounded to the nearest £000, as such tables and notes may not appear to cross-cast or exactly match the sum of the individual items.

Note 3 - Summary of Significant Accounting Policies

Accounts

The Accounts summarise the transactions and net assets of the Fund and comply in all material respects with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 which is IFRS compliant.

Basis of Preparation

An actuarial valuation was carried out as at 31 March 2013. This determined contribution rates for the next three years (from 1 April 2014) with an aim to maintain the solvency of the fund. Therefore these Accounts have been produced on a going concern basis. The next actuarial valuation will be carried out as at 31 March 2016 and will determine the contribution rates for the next three years from 1 April 2017.

Investment Valuations and their effects

Investments are shown in the Net Asset Statement at either their market or fair value, which has been determined as follows:

a) Listed securities are shown by reference to bid-market price at the close of business on 31 March 2016.
b) Unit trusts are priced as follows:
   i) Unit trust and managed fund investments are stated at the bid price quoted by their respective managers prior to the close of business on 31 March 2016
   ii) Single priced funds, closed ended property funds, and fixed interest Open Ended Investment Companies (OEICs), which are valued on a Net Asset Value basis.
c) Unitised insurance policies are valued at mid-price and are calculated on each business day at noon.
d) Property unit trusts and other similar property funds valuations are based upon the underlying investments within each portfolio, the majority of which are based upon the latest available valuations (ranging from as at 31 December 2015 to 31 March 2016).
e) Private Equity valuations are based upon the underlying investments within each portfolio, the majority of which are based upon figures as at 31 December 2015, reflecting the nature of valuing those investments. The cash flows are adjusted up to 31 March 2016 using the same accounting policies. It is less easy to trade private equity than it is for quoted investments. Therefore, when the assets are realised the amount received may not necessarily be the amount that they are valued at and any differences could be significant.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than a three month period from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Fund'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 prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Events after the Reporting Period

Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Accounts are authorised for issue. Events taking place after the date of authorisation for issue are not reflected in the Accounts. Two types of events can be identified:

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

Financial Instruments

Financial assets are recognised on the Net Asset Statement when the Fund becomes a party to the contractual provisions of a financial instrument. 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
- fair value through profit or loss - assets that are held for trading.

Financial liabilities are recognised on the Net Asset Statement when the Fund 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.

Debtors and Creditors

Except where otherwise stated, the Accounts have been prepared on an accruals basis i.e. income and expenditure is recognised as it is earned or incurred, not as it is received or paid. The main exception to this is transfers in and out of the fund which are accounted for on a cash basis.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Fund a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. 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 Net Asset Statement but are disclosed in a note to the Accounts.

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. Any recoverable amounts outstanding at the Reporting Period end will be classified as a debtor.

Property

The fund owns the freehold of one investment property – New Lydenburg Industrial Estate. The property was revalued as at 31 March 2015 at a value of £1.85m by Courage Ikonagbon, whom is a Valuer, RICS member and member of the Fund employed by the Royal Borough of Greenwich. The property was valued utilising the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition). The valuation was based on the Open Market Value of the freehold interest, having regard to the actual lease terms and evidence of current levels of rent and yields for the class of property, adjusted to reflect age, condition and characteristics of the particular locality. Any surplus / deficit on valuation is reflected in the Fund Account and is shown as a Change in Market Value of Investments. The fund receives £0.115m rental income per year in respect of this property.

Fees

Investment management fees are calculated by reference to the market value of portfolio assets under management at the end of each quarter. The exceptions to this are Fidelity, where market value based fees are charged on a daily basis and Private Equity fees, which are based upon amounts committed to each manager.

Foreign Currency

Where appropriate, investments held in foreign currencies have been valued on the relevant basis and translated into Sterling at the rate ruling on 31 March 2016.

Income

a) Interest income is recognised in the Fund as it accrues. Any amount not received by the end of the reporting period is reflected within the net assets statement as "Other Investment Balances" and disclosed within the note on Debtors and Creditors.
b) Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is reflected within the net assets statement as "Other Investment Balances" and disclosed within the note on Debtors and Creditors.
c) Some pooled investment vehicles within the portfolio are accumulation funds and as such, the change in market value also includes income, which is re-invested in the fund. The market price for those units reflects this re-invested income. Non accumulating units give rise to dividends.
d) Other than unitised holdings (above), freehold property gives rise to rental income. These amounts are recognised on a straight line basis over the life of the operating lease.
e) Private equity distributions are split between their constituent elements i.e. dividend, interest, gain / loss or return of capital, as advised by the fund manager.

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

Note 4 - Critical Judgements in Applying Accounting Policies and Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Accounts contain critical judgements in applying accounting policies and estimated figures based on assumptions made by the Authority about the future or that are otherwise uncertain. The following items have a significant risk of material adjustment in the forthcoming financial year:

Private Equity

- The management of LGT uses its judgement to select a variety of methods and makes assumptions that are not always supported by observable market prices or rates. The majority of the Company's investments use either U.S. GAAP or utilise a combination of IFRS and International Private Equity and Venture Capital valuation guidelines to value their underlying investments. The predominant methodology adopted by the general partners for the buyout investments in LGT is a market approach which takes market multiples using a specified financial measure (e.g. EBITDA), recent public market and private transactions and other available measures for valuing comparable companies.
- Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Wilshire generally use the capital balance reported by the investee fund manager of the limited partnership investment as the primary input to its valuation; however adjustments to the reported capital balance (net asset value) may be made based on various factors, including, but not limited to, the attribute of the interest held, including the rights and obligations and any restrictions or illiquidity on such interests and the fair value of such investment partnership's investment portfolio or other assets and liabilities. The manager generally holds interests in such funds for which there is no active market, although, in some situations a transaction may occur in the 'secondary market' where an investor purchases a limited partner's existing interest and remaining commitment. To the extent these transactions become known to Wilshire, they may be considered as a data point in Wilshire's determination of an investment's fair value.

Pension Fund Liability

It is a statutory requirement that the funding level is calculated every three years by the appointed actuary in order to determine employer contribution rates for the forthcoming three years. However the methodology used within the accounts 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 16. These estimates are subject to significant variances based upon changes to the underlying assumptions.

Note 5 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

Note 6 - Contributions Receivable

Contributions represent the total amounts receivable from employers within the scheme in respect of their own contributions and any of their employees who are members of the scheme. The employer's contributions are made at a rate determined by the Fund's Actuary as necessary to maintain the Fund in a state of solvency, having regard to existing and future liabilities. The Primary Contribution Rate used during 2015/16 was 18.5%. Member contribution rates are determined by a banding mechanism linked to pensionable pay. Contributions shown in the revenue statement can be broken down as follows:

2014/15 £000	Contributions Receivable	2015/16 £000
	Employee Contributions	
(9,942)	Administering Authority	(10,122)
(821)	Admitted Bodies	(999)
(1,067)	Scheduled Bodies	(1,138)
(11,830)	**Total Employee Contributions**	**(12,259)**
	Employer Contributions	
(27,354)	Administering Authority	(27,524)
(1,982)	Admitted Bodies	(2,053)
(2,813)	Scheduled Bodies	(2,972)
(32,149)	**Total Employer Contributions**	**(32,549)**
(43,979)	**Total Contributions Receivable**	**(44,808)**

Note 7 - Transfers in from Other Pension Funds

2014/15 £000	Transfers in from Other Pension Funds	2015/16 £000
(3,034)	Individual Transfers	(2,696)

Note 8 - Benefits

Benefits payable are made up of pension payments and lump sums payable upon retirement and death. These have been brought into the accounts on the basis of all valid claims approved during the year.

2014/15 £000	Benefits	2015/16 £000
	Pensions	
34,837	Administering Authority	36,021
655	Admitted Bodies	697
437	Scheduled Bodies	532
35,929	**Total Pensions Payable**	**37,250**
	Lump Sums	
6,426	Administering Authority	6,267
375	Admitted Bodies	433
347	Scheduled Bodies	845
7,148	**Total Lump Sums**	**7,545**
	Death Benefits	
970	Administering Authority	1,068
2	Admitted Bodies	37
0	Scheduled Bodies	38
972	**Total Death Benefits**	**1,143**
44,049	**Total Benefits Payable**	**45,938**

Note 9 - Payments to and on Account of Leavers

2014/15 £000	Payments to and on Account Of Leavers	2015/16 £000
417	Refunds to Members leaving Service	184
26	Payments for Members joining State Scheme	92
1,186	Individual Transfers	2,991
1,629	**Total Payments to and on Account of Leavers**	**3,267**

Note 10 – Management Expenses

2014/15 £000	Management Expenses	2015/16 £000
673	Administration Expenses	666
117	Oversight and Governance	120
1,529	Investment Management Expenses	1,912
2,319	**Total Administration Expenses**	**2,698**

This analysis of the management expenses of the Fund during the period has been prepared in accordance with new CIPFA guidance. This includes a new expenses category “oversight and governance”. Investment management expenses have been restated from £1.616m in 2014/15 and administration expenses restated from £0.703m. This reflects the new categorisation of part of these expenses as oversight and governance.

Note 11 - Investment Income

2014/15 £000	Investment Income	2015/16 £000
(115)	Rental Income from Property	(115)
(5,561)	Dividends from Equities	(6,177)
0	Dividends From unit trusts	(223)
	Income from Pooled Investment Vehicles:	
(4,477)	Property Unit Trusts	(4,241)
(131)	Withholding Tax Reclaimed	(194)
(9)	Interest	(27)
(14)	Commissions	(3)
(10,307)	**Total Investment Income**	**(10,980)**

Note 12 - Taxes on Income

<u>UK Income Tax</u>

The Fund is exempt and approved under the Finance Act 1970. It is therefore not liable to UK income tax on interest, dividends and property income, or to capital gains tax.

Value Added Tax

By virtue of the Royal Borough of Greenwich being the Administrating Authority, VAT input tax is recoverable on Fund activities.

Overseas Tax

Taxation agreements exist between the UK and certain EU and other countries whereby a proportion of the tax deducted locally from investment earnings may be reclaimed. The proportion reclaimable and the timescale involved vary from country to country.

2014/15 £000	Withholding Tax	2015/16 £000
114	Withholding Tax Non Reclaimable – Equities	101
201	Withholding Tax Non reclaimable – Property Unit Trusts	53
315	**Total Taxes on Income**	**154**

Note 13 - Investments

The investment managers and their mandates are as follows:

Manager	Mandate
Bernstein*	Active Global Equity
Blackrock	Passive Global Equity
CBRE Global Investors	Property
Fidelity	Bonds
LGT Capital Partners	Private Equity
State Street Global Markets*	Passive Global Equity
Wilshire	Private Equity

*In September 2013 Bernstein's mandate was terminated. The assets were moved to a State Street Global Markets Liquidity Fund.

The market value of the Fund is comprised as follows:

	2014/15 Market Value £000	2014/15 Market Value %	2015/16 Market Value £000	2015/16 Market Value %
Bernstein	301	0	279	0

Blackrock	476,125	45	458,495	44
CBRE Global Investors	103,759	10	119,218	11
Fidelity	197,648	19	99,781	10
Fidelity GMAC	0	0	97,023	9
LGT Capital Partners	9,633	1	8,347	1
Royal Borough of Greenwich	14,215	1	18,436	2
State Street Global Markets	242,313	23	239,439	22
Wilshire	12,708	1	10,461	1
London CIV	0	0	150	0
Total	**1,056,702**	**100**	**1,051,629**	**100**

The change in market value of the Fund during the year is represented as follows:

Manager	**Market Value 31 March 2015**	**Purchases**	**Sales**	**Change in Market Value Of Investments**	**Change in Working Capital**	**Market Value 31 March 2016**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Bernstein	301	0	2	(2)	(22)	279
Blackrock	476,125	169	(1,746)	(15,990)	(63)	458,495
CBRE Global Investors	103,759	11,162	(4,696)	9,711	(718)	119,218
Fidelity	197,648	4,498	(103,787)	1,481	(59)	99,781
LGT	9,633	(405)[b]	(3,204)	2,322	0	8,346
Royal Borough of Greenwich	14,215	0	(3)	6	4,218	18,436
State Street Global Markets	242,313	10,944	(5,792)	(8,608)	582	239,439
Wilshire	12,708	209[b]	(3,927)	1,472	0	10,462
Fidelity GMAC	0	98,967	0	(1,892)	(52)	97,023
London CIV	0	150	0	0	0	150
Total	**1,056,702**	**125,694**	**(123,153)**	**(11,500)**	**3,886**	**1,051,629**

The prior year comparator is as follows:

Manager	Market Value 31 March 2014	Purchases	Sales	Change in Market Value of Investments	Change in Working Capital	Market Value 31 March 2015
	£000	£000	£000	£000	£000	£000
Bernstein	53	0	(4)	4	248	301
Blackrock	456,702	50,000	(62,690)	41,863	(9,750)	476,125
CBRE Global Investors	67,460	25,062	(7,436)	9,903	8,770	103,759
Fidelity	172,985	(212) [a]	(1)	24,876	0	197,648
LGT	13,180	171 [b]	(2,250)	(1,468)	0	9,633
Royal Borough of Greenwich	8,192	0	1	250	5,772	14,215
State Street Global Markets	205,015	9,872	(4,859)	32,037	248	242,313
Wilshire	12,849	316 [b]	(4,250)	3,793	0	12,708
Total	**936,436**	**85,209**	**(81,489)**	**111,258**	**5,288**	**1,056,702**

a. The negative Fidelity purchase relates to management fees which are charged by reducing the market value of the holdings by the amount of the fee.
b. Distributions have been split into income (dividends, interest and gains) and distributions of capital reducing the book cost.

The change in market value of investments during the year is comprised of new money invested and the realised and unrealised profits or losses for the year:

2014/15 £000	Change Market Value	2015/16 £000
936,436	Opening Market Value	1,056,702
9,007	Net Revenue Cash in / (out) flow	6,428
22,271	Realised profit / (loss)	47,389
88,988	Unrealised profit / (loss)	(58,890)
1,056,702	**Closing Market Value**	**1,051,629**

The value of quoted and unquoted securities is broken down as follows:

2014/15 £000	Change Market Value	2015/16 £000
210,587	Quoted	209,154
	Unquoted	
22,341	Private Equity	18,808
807,503	Other	803,507
16,271	Working Capital	20,160

1,056,702	**Total**	**1,051,629**

Of the total amount classified as "unquoted – other" £686.8m relates to investment vehicles where the underlying investments are themselves quoted (£699.3m in 2014/15).

The following table analyses the investment assets between UK and overseas:

2014/15 £000		2015/16 £000
655,080	UK	657,056
385,351	Non UK	374,413
16,271	Working capital	20,160
1,056,702	**Total**	**1,051,629**

Individual investment assets with a market value of greater than 5% of the total fund value are as follows:

Investment Assets	Manager	2015/16 £000	2015/16 %
Blackrock Collective Investment	Blackrock	147,632	14
Aquila Life UK Equity Index Fund	Blackrock	126,160	12
UK Aggregate Bond Fund	Fidelity	99,842	10
Global Multi Asset Credit	Fidelity	97,023	9

The prior year comparator is as follows:

Investment Assets	Manager	2014/15 £000	2014/15 %
UK Aggregate Bond Fund	Fidelity	197,649	19
Blackrock Collective Investment UK Equity Tracker	Blackrock	154,360	15
Aquila Life UK Equity Index Fund	Blackrock	132,278	13

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

Class of Security Asset	Manager	2015/16 £000	2015/16 % within asset class
Fixed Interest			
Fidelity UK Aggregate Bond Fund	Fidelity	99,842	51
Fidelity Global Multi Asset Credit	Fidelity	97,022	49
Property Unit Trusts			
Schroders UK Property Fund	CBRE	11,267	9
IPIF Feeder Unit Trust	CBRE	9,414	8
West End of London Property Unit Trust	CBRE	8,660	7
CBRE UK Property	CBRE	8,112	7
UBS Global Asset Management	CBRE	7,991	6
Ardstone UK	CBRE	7,445	6
Curlew Student	CBRE	7,372	6
Airport Industrial property	CBRE	6,268	5
Unite UK Student	CBRE	6,191	5
Lend Lease Retail	CBRE	6,049	5
The PCDF111 Unit Trust	CBRE	5,862	5
Unitised Insurance Policies			
Aquila Life UK Equity Index Fund	Blackrock	126,160	54
Aquila Life US Equity Index Fund	Blackrock	40,971	18
Aquila Life Pacific Rim Equity Index Fund	Blackrock	26,581	11
Aquila Life European Equity Index Fund	Blackrock	18,960	8
Aquila Life Japan Equity Index Fund	Blackrock	16,907	7
Other Unit Trusts			
Blackrock Collective Investment UK Equity Tracker	Blackrock	147,632	59
Blackrock Institutional Series	Blackrock	50,169	20
iShares MSCI emerging Markets	State Street Global	22,928	9
Blackrock Emerging Markets Fund	Blackrock	20,424	8
Property – Freehold			
New Lydenburg Industrial Estate	Internal	1,850	100
Private Equity			
LGT Crown European Private Equity	LGT	8,346	44
Wilshire US Private Markets Fund VII, L.P.	Wilshire	7,045	37
Wilshire European Private Markets Fund VII, L.P.	Wilshire	2,710	14

The prior year comparator is as follows:

Class of Security Asset	Manager	2014/15 £000	2014/15 % within asset class
Fixed Interest OIEC			
Fidelity UK Aggregate Bond Fund	Fidelity	197,649	100
Property Unit Trusts			
Schroders UK Property Fund	CBRE	10,250	10
IPIF Feeder Unit Trust	CBRE	8,052	8
West End of London Property Unit Trust	CBRE	7,209	7
UBS Global Asset Management	CBRE	7,055	7
Ardstone UK	CBRE	6,598	6
CBRE UK Property	CBRE	6,527	6
Rockspring Hanover Property Unit Trust	CBRE	6,126	6
Lend Lease retail Partnership	CBRE	5,745	5
Curlew Student	CBRE	5,657	5
BL UK Property Fund	CBRE	5,489	5
Unite UK Student	CBRE	5,366	5
Unitised Insurance Policies			
Aquila Life UK Equity Index Fund	Blackrock	132,278	53
Aquila Life US Equity Index Fund	Blackrock	39,901	16
Aquila Life Pacific Rim Equity Index Fund	Blackrock	28,070	11
Aquila Life European Equity Index Fund	Blackrock	19,818	8
Aquila Life Japan Equity Index Fund	Blackrock	17,570	7
Other Unit Trusts			
Blackrock Collective Investment UK Equity Tracker	Blackrock	154,360	61
Blackrock Institutional Series	Blackrock	50,000	20
iShares MSCI emerging Markets	State Street Global	25,416	10
Blackrock Emerging Markets Fund	Blackrock	22,519	9
Property – Freehold			
New Lydenburg Industrial Estate	Internal	1,850	100
Private Equity			
LGT Crown European Private Equity	LGT	9,633	43
Wilshire US Private Markets Fund VII, L.P.	Wilshire	8,536	35
Wilshire European Private Markets Fund VII, L.P.	Wilshire	3,216	14

Stock Lending / Derivatives

The Fund has a policy of not entering into stock lending arrangements - there were no stock lending arrangements in place during 2014/15 or 2015/16. The following investment products are classed as derivatives and may be used by the Fund managers (none held on 31 March 2016):

- Stock index futures – used for the purposes of efficient portfolio management.
- Short currency forwards – used for defensively hedging non UK exposure back to sterling.
- Local access products – used to gain exposure to stocks where the manager is unable to purchase them directly.

Note 14 - Financial Instruments

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

31 March 2015				31 March 2016		
Fair Value through Profit and Loss £000	**Loans And Receivables £000**	**Financial Liabilities at Amortised Cost £000**		**Fair Value through Profit and Loss £000**	**Loans And Receivables £000**	**Financial Liabilities at Amortised Cost £000**
			Financial Assets			
210,587			Equities	209,154		
			Pooled Investment Vehicles:			
197,649			Fixed Interest	196,865		
106,394			Property Unit Trusts	123,187		
240,388			Unitised Insurance Policies	232,161		
261,221			Other Unit Trusts	249,444		
22,341			Private Equity	18,808		
	1,237		Cash Deposits		1,883	
	4,035		Cash Equivalents		2,476	
	768		Other investment balances		717	
	368		Contributions Due		340	
	276		Other Current Assets		29	
	10,585		Cash Balances		15,670	
1,038,580	**17,269**	**0**	**Total Financial Assets**	**1,029,619**	**21,115**	**0**

			Financial Liabilities			
		(891)	Other Investment Balances			(523)
		(137)	Unpaid Benefits			(235)
		(124)	Other Current Liabilities			(174)
0	**0**	**(1,152)**	**Total Financial Liabilities**	**0**	**0**	**(932)**
1,038,580	**17,269**	**(1,152)**	**Net Financial Assets**	**1,029,619**	**21,115**	**(932)**

The net gains and losses on financial instruments are as follows:

2014/15 £000	Gains and Losses	2015/16 £000
	Financial Assets	
110,999	Fair Value Through Profit and Loss	(11,750)
10	Loans and Receivables	27
	Financial Liabilities	
(1)	Fair Value Through Profit and Loss	0
111,008	**Total**	**(11,723)**

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values:

31 March 2015		Carrying versus Fair Value	31 March 2016	
Carrying Value £000	Fair Value £000		Carrying Value £000	Fair Value £000
		Financial Assets		
1,038,580	1,038,580	Fair Value Through Profit and Loss	1,029,619	1,029,619
17,269	17,269	Loans and Receivables	21,116	21,116
1,055,849	**1,055,849**	**Total Financial Assets**	**1,050,735**	**1,050,735**
		Financial Liabilities		
(1,152)	(1,152)	Financial Liabilities at Amortised Cost	(932)	(932)
(1,152)	**(1,152)**	**Total Financial Liabilities**	**(932)**	**(932)**

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 – Where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities and unit trusts.

Level 2 – Where quoted market prices are not available; for example 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 where these techniques use inputs that are based significantly on observable market data.

Level 3 – Where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Included in this level are the Fund's private equity investments, the valuations of which are provided by the private equity managers. A breakdown of the opening market value to closing market value for Private Equity investments can be found in Note 13. This shows Private Equity movements in year for Wilshire and LGT.

The following table provides an analysis of the Financial Assets and Liabilities of the Fund and are grouped, based upon the level at which the fair value is observable.

Values as at 31 March 2016	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial Assets				
Financial Assets at Fair Value through profit and loss	209,003	735,204	85,412	1,029,619

Values as at 31 March 2015	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial Assets				
Financial Assets at Fair Value through profit and loss	210,587	805,652	22,341	1,038,580

Note 15 - Nature and Extent of Risks arising from Financial Instruments

Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall risk management programme. Responsibility for the Fund's risk management strategy rests with the Pension

Fund Investment and Administration Panel. Risk management policies are established to identify and analyse the risks faced by the Fund. Policies are reviewed regularly to reflect changes in activity and market conditions.

Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset risk. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis. The Fund manages these risks in two ways:

- The exposure of the Fund to market risk is monitored through risk analysis, to ensure that risk remains within tolerable levels
- Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contacts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the Fund investment strategy.

Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's performance management advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the reporting period:

This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market price of the Fund investments moved in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows:

Asset	Value as at 31 March 2016 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents	20,030	0.01	20,031	20,027
UK Equities	340,730	10.68	377,121	304,340
Overseas Equities	350,028	9.99	384,996	315,060
Bonds	196,865	5.65	207,988	185,742
Property	125,037	5.25	131,601	118,472
Private Equity	18,808	2.88	19,349	18,266
Other Investment Balances	131	0.00	131	131
Total Assets available to Pay Benefits	**1,051,629**		**1,141,217**	**962,038**

The prior year comparator is as follows:

Asset	Value as at 31 March 2015 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents	15,857	0.01	15,859	15,857
UK Equities	354,117	10.23	390,343	317,890
Overseas Equities	358,080	9.47	391,990	324,170
Bonds	197,649	5.82	209,152	186,146
Property	108,243	2.99	111,480	105,007
Private Equity	22,341	5.66	23,606	21,076
Other Investment Balances	(122)	0.00	(122)	(122)
Total Assets available to Pay Benefits	**1,056,165**		**1,142,308**	**970,024**

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's direct exposure to interest rate movements is through its cash and fixed interest security holdings.

Interest Rate Risk - Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. It is currently felt that interest rates are unlikely to move up or down by more than 50 basis points (bps) over the course of the next year. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant and shows the effect in the year on the net assets available to pay benefits of a +/- 50 bps change in interest rates:

Asset	Carrying Amount as at 31 March 2016	Change in Year in the Net Assets available to Pay Benefits	
		+ 50 bps	-50 bps
	£000	£000	£000
Cash Balances	15,670	78	(78)
Cash on Deposit	1,883	9	(9)
Cash Equivalents	2,476	12	(12)
Fixed Interest	196,865	984	(984)
Blackrock Institutional Series	50,169	251	(251)
Total Interest Rate Risk Assets	**267,063**	**1,334**	**(1,334)**

The prior year comparator is as follows:

Asset	Carrying Amount as at 31 March 2015	Change in Year in the Net Assets available to Pay Benefits	
		+ 50 bps	+ 50 bps
	£000	£000	£000
Cash Balances	10,585	53	(53)
Cash on Deposit	1,237	6	(6)
Cash Equivalents	4,035	20	(20)
Fixed Interest OEIC	197,649	988	(988)
Blackrock Institutional Series	50,000	250	(250)
Total Interest Rate Risk Assets	**263,506**	**1,317**	**(1,317)**

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than Sterling. The Fund holds both monetary and non-monetary assets denominated in currencies other than Sterling.

Currency Risk – Sensitivity Analysis

Following consultation with the Fund's performance management advisors, the following table shows the potential impact of foreign exchange rate movements on the overseas holdings within the Fund (the analysis assumes that all other variables, in particular interest rates, remain constant):

Asset	**Asset Value as at 31 March 2016**	**Potential Change in Foreign Exchange Rate**	**Value on Increase**	**Value on Decrease**
	£000	%	**£000**	**£000**
Private Equity	18,807	4.88	19,726	17,890
Overseas Property Unit Trusts	5,577	6.68	5,949	5,204
Overseas Unitised Insurance Policies	106,002	6.30	112,680	99,324
Overseas Unit Trust Other	51,642	6.78	55,142	48,142
Overseas Equities	192,655	6.61	205,397	179,913
Cash held in Foreign Currencies	1,183	6.15	1,257	1,112
Total Currency Risk Assets	**375,866**		**400,151**	**351,585**

The prior year comparator is as follows:

Asset	**Asset Value as at 31 March 2015**	**Potential Change in Foreign Exchange Rate**	**Value on Increase**	**Value on Decrease**
	£000	%	**£000**	**£000**
Private Equity	22,341	5.66	23,606	21,076
Overseas Property Unit Trusts	4,929	6.50	5,250	4,609
Overseas Unitised Insurance Policies	108,110	5.75	114,323	101,897
Overseas Unit Trust Other	56,863	6.83	60,746	52,981
Overseas Equities	193,107	9.47	205,102	181,111
Cash held in Foreign Currencies	1,103	6.12	1,170	1,035
Total Currency Risk Assets	**386,453**		**410,197**	**362,709**

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions held in year where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. Contractual credit risk is represented by the net payment or receipt that remains outstanding and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency. The Fund has a private equity portfolio where there is a higher credit risk. At the reporting date 2% of the Fund was in private equity thereby capping exposure to this asset class. In January 2015, the pension fund investment and administration panel elected not to renew any specific additional private equity investments. This should minimise direct credit risk exposure in this area. Deposits are not made with banks and financial institutions unless they are rated independently and have a high credit rating. The Fund's cash holding under its treasury management arrangements at 31 March 2016 was £15.7m (£10.6m at 31 March 2015). This was held as follows:

Counterparty Type	31 March 2015 £000	31 March 2016 £000
UK Banks	10,585	15,670

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The cash position of the Fund is monitored to ensure that the Fund has adequate cash resources to meet its commitments. The Fund has immediate access to monies held in its current account. Monies on deposit are also highly liquid and are available to the Fund if needed. If the Fund found itself in a position where it did not have the monies to meet its immediate commitments, it is able to borrow for up to 90 days. If there was a longer term shortfall, then investments could be sold to provide additional cash. Financial liabilities of £1.387m are all due to be settled within 12 months of the net asset statement date.

Refinancing risk

The key risk is that the Fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

Note 16 - Actuarial Position

The adequacy of the Fund's investments and contributions in relation to its overall and future obligations is reviewed every three years by an Actuary appointed by the Fund. This actuarial valuation also assesses the contribution rate required to meet the future liabilities of the Fund by considering the benefits that accrue over the course of the three years to the next full valuation.

In line with the regulations that funds should be re-valued every three years, the actuarial valuation applicable for 2015/16 was carried out as at 31 March 2013 (effective from 1 April 2014).

The method of calculating the employer's contribution rate is derived from the cost of the benefits building up over the year following the valuation date. This method is known as the 'Projected Unit Method'. It is a method considered appropriate by the Actuary for a fund open to new members. As the Fund remains open to new members, its age profile is not currently rising significantly. If the age profile began to rise significantly, the projected unit method would calculate an increase in current service cost as scheme members approached retirement.

Assets have been valued at a 6 month smoothed market value straddling the valuation date. The assumptions used in the calculation and applied during the inter-valuation period are summarised as follows:

Financial Assumptions	**March 2013**	
	% p.a.	**Real % p.a.**
Investment Return		
Equities	6.9	4.2
Gilts	3.3	0.6
Bonds	3.9	1.2
Property	6.0	3.3
Discount Rate	6.0	3.3
Pay Increases	4.2	1.5
Price Inflation	2.7	0.0
Pension Increases	2.7	0.0

Demographic assumptions- Life expectancy from age 65		**31 March 2015**	**31 March 2016**
Retiring today	Males	23.7	23.8
	Females	24.8	25.0

Retiring in 20 years	Males	26.0	26.1
	Females	27.2	27.3

The difference between the assumptions applied and actual performance in the intervaluation (01/04/2010 - 31/03/2013) period are as follows:

Financial Experience	**Actual** %	**Assumed** %	**Difference** %
Pay Increases	1.0	3.2	(2.2)
Pension Increases	3.5	3.0	0.5
Investment Returns	7.6	6.7	0.9

The market value of the Fund at the 2013 review date was £885m (£729m in 2010) and results showed that assets represented 86% of the liabilities (85% in 2010). The Fund deficit arising from the valuation was £141m as at 31 March 2013 (£121m as at 31 March 2010), which is to be spread and recovered over a 23 year period. The reconciliation of the primary contribution rate is shown below:

Contribution Rate Analysis	**March 2013** %
Future Service Total	13.5
Deficit Contribution	5.0
Total Employer Contribution Rate	**18.5**

The agreed contribution rates in accordance with the results of the actuarial valuation are as follows (new employers admitted to the fund after 31 March 2013 have been actuarially assessed to determine their individual employer contribution rates):

Year	**Royal Borough of Greenwich**	**Other Bodies**
2014/15	18.5%	16.0% - 18.5%
2015/16	18.5%	16.0% - 18.5%
2016/17	18.5%	16.0% - 18.5%

Note 17 - Actuarial Present Value of Promised Retirement Benefits (IAS 19 basis)

The net liability of the Fund in relation to the actuarial present value of promised retirement benefits and the net assets available to fund these benefits is:

Net Present Value	**31 March 2015 £000**	**31 March 2016 £000**
Present Value of Funded Obligation		
Vested Obligation	(1,586,519)	(1,539,898)
Non-Vested Obligation	(58,503)	(55,311)
Total Present Value of Funded Obligation	(1,645,022)	(1,595,209)
Fair Value of Scheme Assets	1,056,702	1,051,666
Net Liability	**(588,320)**	**(543,543)**

Note 18 - Debtors and Creditors

The following material amounts were due to, or payable from, the Fund as at 31 March 2016:

2014/15 £000	**Debtors**	**2015/16 £000**
	Investment Debtors	
121	Sale of Investments	94
449	Tax Refunds Due	401
647	Dividends Due	571
0	Other	52
1,217	**Total Investment Debtors**	**1,118**
	Member Debtors	
368	Contributions	340
420	Other	60
788	**Total Member Debtors**	**400**
2,005	**Total Debtors**	**1,518**
	Analysed By	
1,413	Other Entities and Individuals	1,086
592	Central Government Bodies	432
2,005	**Total Debtors**	**1,518**

2014/15 £000	Creditors	2015/16 £000
	Investment Creditors	
(303)	Management Fees	(363)
(559)	Purchase of Investments	(13)
(9)	Custody Fees	(68)
(20)	Other	(79)
(891)	**Total Investment Creditors**	**(523)**
	Member Creditors	
(137)	Benefits Unpaid	(235)
(562)	Other	(629)
(699)	**Total Member Creditors**	**(864)**
(1,590)	**Total Creditors**	**(1,387)**
	Analysed By	
(439)	Central Government Bodies	(456)
(68)	Local Authorities	(78)
(1,083)	Other entities and individuals	(853)
(1,590)	**Total Creditors**	**(1,387)**

Note 19 - Cash

The cash balance can be further analysed as follows:

Cash	2014/15 £000	2015/16 £000
Royal Borough of Greenwich Pension Fund Cash at Hand	10,585	15,670
Bernstein Cash at Hand	91	210
CBRE Cash at Hand	37	667
State Street Global Markets	956	907
Blackrock Cash at Hand	5	0
Others	148	99
Total Cash	**11,822**	**17,553**

The balance against 'Royal Borough of Greenwich Cash in hand' in 2014/15 (£10.733m) has been restated, splitting this amount between this line (£10.585m) and 'Other' (£0.148m), to improve transparency. The balance held in the Fund bank account as at 31 March 2016 was £15.670m (£10.585m as at 31 March 2015).

Note 20 - Additional Voluntary Contributions

Contributing members have the right to make Additional Voluntary Contributions (AVCs) to enhance their pension. The Authority made such a scheme available to staff through Equitable Life. During 2000/01, Equitable Life announced itself closed to new business. On 23 December 2010 the Government passed an Equitable Life Bill to enable it to compensate Equitable Life policyholders who lost money due to the near collapse of the insurer in 2000. Since 2000, employees have had the option to pay current contributions into a Clerical Medical Fund. In accordance with section 4 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, AVCs are prohibited from being credited to the Local Government Pension Scheme and are thus not consolidated within the Fund accounts. However, a summary of the contributions made by members during the year and the total value of the AVC funds, at 31 March 2016, are shown below:

2014/15 £000	AVC Contributions	2015/16 £000
83	AVC Contributions to Clerical Medical	126
3	AVC Contributions to Equitable Life	3
86	**Total Contributions**	**129**

31 March 2015 £000	AVC Market Values	31 March 2016 £000
1,096	Clerical Medical Market Value	1,123
504	Equitable Life Market Value	464
1,600	**Total Market Value**	**1,587**

Note 21 - Related Party Transactions

The UK Government exerts a significant influence over the Fund through enacting the various Regulations (mentioned herein). It is a major source of funding for the Royal Borough of Greenwich (the Administering Authority and largest employer within the fund). During the year, no trustees or Key Management Personnel of the Authority with direct responsibility for pension fund issues have undertaken any material transactions with the Pension Fund, other than the following:

a) Administrative services were undertaken by the Authority on behalf of the Fund, under the SLA, valued at £0.654m (2014/15: £0.661m).
b) The Royal Borough of Greenwich is the single largest employer of members of the pension fund and contributed £27.524m to the fund in 2015/16 (2014/15: £27.354m).
c) With respect to other Scheduled Bodies, an amount of £0.100m was owed to the Fund by Academies at year-end for contributions due.
d) The Royal Borough of Greenwich Pension Fund is a Member of the London Councils Collective investment vehicle. Councillor Austen is the Fund's representative on the Board, with Councillor Brooks his Deputy. £0.025m was paid to this organisation during the year for 2015/16 administration fees, with a further £0.150m invested in share capital.

e) The key management personnel of the Pension Fund are the Director of Finance (D Warren) and the Chair of the Pension Fund Investment and Administration Panel. Their remuneration packages are as follows:
    i) Director of Finance: Salary £170,000
    ii) Chair of the Panel: Special Responsibility Allowance £9,849, Basic allowance £10,210

f) The following members of the Pension Fund Investment and Administration Panel are also members of the Pension Fund:
    i) Councillor Austen

Note 22 - Commitments

The Fund has commitments in relation to its private equity holdings. These commitments are drawn down in tranches over time as and when the private equity managers request them. As of 31 March 2016 the Fund had £2.215m of private equity commitments outstanding (31 March 2015: £2.361m). These are not required to be included in the Accounts.

Note 23 - Events after the Reporting Period

The Administering Authority commenced workforce reorganisations towards the end of the financial year. This resulted in a number of early retirements shortly after the end of the reporting period. £7.856m was paid out in retirement lumps in respect of this cohort of employees in April 2016.

As part of the Pension Fund's portfolio restructure two significant transactions took place:

a) On 27 June 2016 The Pension Fund transferred £25m from its Blackrock cash pooled fund to its new Diversified Alternatives portfolio with Partners Group. This is the first of four tranches that will be transferred to Partners Group.
b) As part of an exercise in managing volatility the Fund sold £85m from its State Street segregated equity portfolio on 14 July 2016. This was transferred to its Blackrock cash fund on a temporary basis while the Fund's two new mandates (for Multi-asset and Emerging Markets Global Equity) await funding.

Accounting Policies

General

The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which states that the Accounts are 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 2015/16 (the "Code") and the Service Reporting Code of Practice 2015/16 ("SeRCoP"), based upon International Financial Reporting Standards (IFRS), supported by policies and statutory guidance issued under Section 12 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. Many values throughout the accounts are rounded to the nearest £000, as such tables and notes may not appear to cross-cast or exactly match the sum of the individual items.

Accruals of Income and Expenditure

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

Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

The Authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The Authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions (i.e. carbon dioxide produced as energy is used). As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services and is apportioned to services on the basis of energy consumption.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than a three month period from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

Acquired Operations

Acquired operations are those that the authority has acquired during the reporting period as a result of the reorganisation of local government, or the transfer of services acquired as a consequence of legislation. The authority will account for these in accordance with IAS 1 if material, and disclose any comparative amounts, if applicable.

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

Change in Accounting Policy

Policies are the principles used to prepare the financial statements. A change in policy generally originates from the accounting standards although it could come from being able to provide more relevant and reliable information. These are normally processed retrospectively, although in some cases can be prospective, where stated.

Change in Accounting Estimate

This is an adjustment of the carrying amount of an asset or liability resulting from new information. These are processed prospectively in the current and future reporting periods.

Prior Period Error

This is a material omission or misstatement that could reasonably have been accounted for in the preparation of the accounts for the previous reporting period. This is processed through retrospective restatement of the accounts by amending the opening balances and comparative amounts for the prior period.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

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

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 wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and 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 so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement at the earlier of the following dates:

- When the Authority can no longer withdraw the offer of those benefits
- When the Authority recognises costs of a restructuring and involves the payment of termination benefits.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority 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 Authority are members of three separate pension schemes:

- The NHS Pension Scheme
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The Local Government Pension Scheme, administered by the Royal Borough of Greenwich or the London Pension Fund Authority (LPFA).

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority. However, the arrangements for the NHS and Teachers Schemes' means that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The relevant cost of services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS and Teachers' Pensions schemes in the year.

The Local Government Pension Scheme

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

- The liabilities of the Royal Borough of Greenwich and LPFA pension funds attributable to the Authority 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 projected earnings for current employees.
- Liabilities are discounted to their value at current prices based on the annualised yield at the point on the Merrill Lynch AA rated corporate bond curve that equates to the estimated duration of the liabilities, for the respective fund of which the Borough is an employer.
- The assets of the Royal Borough of Greenwich and LPFA pension funds attributable to the Authority are included in the Balance Sheet at their fair value:
  - for quoted securities – current bid price
  - for unquoted securities – professional estimate
  - for unitised securities – current bid price, except where only a single price is available in which case, net asset value
  - for property – market value.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority 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 are earned by employees.

Discretionary Benefits

The Authority 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.

Events after the Reporting Period

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

Adjusting

Those events that provide evidence of conditions that existed at the end of the reporting period. Where material, the financial statements and notes are amended to reflect the impact of the events.

Non-Adjusting

Those events that are indicative of conditions that arose after the reporting period. The financial statements are not amended to reflect the events, but additional explanatory notes are provided.

Income from Taxation and Social Housing Rents

Revenue relating to social Housing Rents, Council Tax and Non Domestic Rates is measured at the full amount receivable (net of any impairment losses). Council Tax and Non Domestic Rates are accounted for in accordance with IPSAS 23 (i.e. non-contractual, non-exchange transactions). Housing rental income is shown within the Comprehensive Income and Expenditure Statement but local taxes collected as part of an agency arrangement (Council Tax and Non Domestic Rates) are not.

Material Items of Income and Expenditure

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

Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and assets held for sale and some of its financial assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:
a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

This policy is applied prospectively with effect from 1 April 2015, in accordance with the Code of Practice on Local Authority Accounting.

Financial Instruments

<u>Financial Liabilities</u>

Financial liabilities are recognised on the Balance Sheet when the Authority 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 Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority 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 Guarantees

These will be assessed at fair value at their inception and will be kept under review.

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 Authority 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 Authority 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. 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

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

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

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

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

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, 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. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Realised gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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 Authority when there is reasonable assurance that:

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

Amounts recognised as due to the Authority 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. Monies advanced as grants and contributions are shown as liabilities on the Balance Sheet until outstanding conditions are satisfied. 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-ringfenced 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.

Heritage Assets

Where an asset is primarily retained for its contribution to knowledge and culture, it is designated as a heritage asset. However, where an asset is in operational use then it is classified accordingly, rather than as a heritage asset. Heritage Assets are recognised and measured in accordance with the Authority'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 collection, as a whole, is relatively static and acquisitions and donations are infrequent. Where they do occur, acquisitions are initially recognised at cost and donations are recognised at valuation, ascertained by the museum's staff, utilising professional valuation organisations where appropriate. Where material, these items are reported in the Balance Sheet, with items in excess of £10,000 being individually disclosed. In relation to the Authority's overall asset base, values are relatively low and, as such, revaluations are not undertaken frequently due to the high cost of the process involved in valuing a diverse set of assets and the lack of comparative values. The items themselves are enduring in nature and, therefore, are not depreciated. The carrying amounts of heritage assets are reviewed when there is evidence of impairment. Any impairment is recognised and measured in accordance with the Authority's general policy on impairment. The proceeds of any disposals are disclosed separately in the notes to the financial statements and are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority 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 Authority. Intangible assets are measured initially at cost and are carried thereafter 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.

Interests in Companies & Collaborative / Joint Arrangements

In accordance with IFRS 10, 11 and 12 the authority has assessed the level of control it exerts with those organisations deemed to be within the group boundaries and categorised them accordingly and where appropriate, interests shown at book cost. This process has led to the conclusion that entries in relation to the preparation of Group Accounts are not material and therefore not required. Details of the categorisation of entities, with further description relating to their composition and activities, are provided in note 26. Those activities in relation to joint committee activities are deemed to be outside of joint arrangement accounting.

Inventories

Inventories are included in the Balance Sheet at cost.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment will be accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, unless another systematic basis is more representative of the benefits received by the Authority.

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, 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. The sale proceeds, representing the Authority's net investment in the lease, 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), 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 or loss presented in the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase or decrease the General Fund Balance. The net investment in the lease is required to be treated as a capital receipt and the carrying value of the asset is posted to the Capital Adjustment Account. 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 or the General Fund where the lease was entered into on or before 31 March 2010. 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 Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, unless another systematic basis is more representative of the time pattern in which the benefit derived from the leased asset is diminished.

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 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 Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early, and impairment losses chargeable on assets under construction and other surplus 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 Services.

Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority 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. A de minimis level of £10,000 has been adopted for the inclusion of Property, Plant and Equipment.

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 Authority does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). 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 Authority. 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. The valuations are undertaken by Mr Simon Marsh M.R.I.C.S and are made in accordance with the guidance from the Department of Communities and Local Government and the RICS Valuation-Professional Standards published by the Royal Institution of Chartered Surveyors. Valuations for use within the Accounts are sought by the Director of Finance from the Director of Regeneration, Enterprise and Skills. The relevant staff work in separate directorates, are professionally qualified and abide by their respective institute's ethical and other requirements. Assets, including HRA assets are valued as at 01 April. If the Valuer advises that there has been significant movement in the value of assets during the year, then a further revaluation may take place to ensure that their carrying amounts are not materially different from their values. Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure and community assets– depreciated historical cost
- assets under construction- historic cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH). The Beacon method has been applied to arrive at the vacant possession value of dwellings before adjusting to 25% for EUV-SH. Both those parts of the valuations are as recommended by the Department for Communities and Local Government in their Stock Valuation for Resource Accounting – Guidance for Values 2010.
- surplus assets and assets held for sale – fair value, determined by the measurement of the highest and best use value of the asset.

- all other operational assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of 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 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.

Componentisation

In accordance with the Code, land and buildings are separated, however, further componentisation has not taken place. Depreciation is charged on the opening carrying value and the amounts charged to the Comprehensive Income and Expenditure Statement would not be materially different had further componentisation been undertaken. Items of Property, Plant and Equipment are revalued at the end of the reporting period.

Depreciation

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

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

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.

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 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.

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.

<u>Disposals and Non-current Assets Held for Sale</u>

Assets held for sale are assets:

• immediately available for sale;
• where the sale is highly probable;
• actively marketed;
• expected to be sold within 12 months.

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 previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. Schools held on the balance sheet are disposed for nil consideration when they transfer to Academy status. 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 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 Authority's underlying need to borrow, as represented by the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Private Finance Initiative

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 Authority 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 Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The Authority has two PFI schemes (the provision of three Neighbourhood Resource Centres and two schools) where the assets are carried in its Balance Sheet (excluding one school which converted to academy status 2014/15). 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. The assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority. 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
- 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 during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- lifecycle replacement costs – these are charged against the unitary payment as incurred

Provisions, Contingent Assets and Liabilities

Provisions

Provisions are made where an event has taken place that gives the Authority 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 Authority becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Assets

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

Contingent Liabilities

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

Reserves

The Authority sets aside reserves for earmarked purposes. 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 Authority – these reserves are explained in the relevant policies.

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 Authority 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.

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.

Annual Governance Statement

1. Scope of responsibility

The Royal Borough of Greenwich is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Royal Borough also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Royal Borough is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Royal Borough has approved and adopted a code of corporate governance based on the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code can be obtained from the Assistant Director of Finance (Governance and Audit). This statement explains how the Royal Borough has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2011 in relation to the effectiveness of its system of internal control.

CIPFA and SOLACE reviewed the Framework in 2015 to ensure it remains 'fit for purpose' and published a revised edition in April 2016. This new guidance will take affect from 2016/17 accounts.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which it is accountable to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot totally eliminate risks in achieving policies, aims and objectives and therefore provides a reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Royal Borough's policies, aims and objectives, to evaluate the likelihood of those risks occurring and the impact on the Royal Borough should they occur and how to manage them efficiently, effectively and economically.

The governance framework has been in place during the year ended 31 March 2016 and up to the date of approval of the annual statement of accounts.

3. The governance framework

The following paragraphs outline the key elements of the systems and processes that comprise the Royal Borough's governance framework and arrangements. This is summarised in the Royal Borough's Local Code of Corporate Governance.

Identifying and communicating the authority's vision

In 2014 the Council's corporate business plan set out:

- The Council's vision and values
- High-level objectives for the four years 2014/15 to 2017/18
- The priority actions to be delivered over the coming year to support the achievement of these objectives

- The directorate core service priorities

The business plan provides a key element of the framework for performance and resource management, setting the context for individual directorates' service planning and the operation of the Personal Review and Development Scheme.

Our Vision:

The Council's overarching priorities are:

- To promote economic growth and rising prosperity as a foundation for sustainable improvements in quality of life;
- To tackle poverty in the borough, helping to ensure that all our residents are able to benefit from the new opportunities; and
- To provide high quality services to support improved outcomes for local people.

Our Purpose:

The Council will work with its partners in the public, private and voluntary sectors to deliver the vision:

- Providing democratic leadership
- Promoting the social, economic and environmental wellbeing of the area
- Commissioning and providing services
- Working to deliver agreed outcomes from within available resources

Our Values:

In exercising its duties and responsibilities, the Council is committed to:

- Delivering high quality, value for money services to Greenwich residents
- Protecting the vulnerable and promoting independence
- Promoting equality
- Challenging discrimination
- Listening to our communities
- Providing a model of open democratic local government
- Fostering high levels of achievement
- Developing effective partnerships
- Maximising the impact of the Council as a champion of Greenwich and the well-being of its citizens

High Level Objectives

The Council continued to pursue its High-Level Objectives for 2014-2018 which are linked to its vision for the future of the Royal Borough, and has the following core objectives, for the period 2014/15 to 2017/18.

1. Promote economic prosperity
2. Promote excellence in education
3. Ensure a healthy and safe living environment
4. Support and protect children and families in need
5. Social care and health
6. Housing
7. Tourism, Culture and Sport
8. Continue to achieve excellence and good governance in the management of public finances

Medium-term Financial Strategy

The Council has reviewed its MTFS for 2015/16 and assessed the feasibility of continuing to pursue the objects as originally planned. The Council through maximising efficiencies has been able to protect front line services. The review concluded that the Council was in a position to be able to consider the scope for extending its investment in a Growth Strategy. In particular growth in housing, the business sector and the local economy have been identified as critical factors for the Council's future Medium Term Financial Strategy. This in part was as a result of recent changes to the way local authorities are financed; in particular, the Business Rates Retention scheme and new Homes Bonus.

The Council agreed objectives for a new Financial Strategy for 2015/16 to 2018/19 as follows:

- Maintaining the highest possible quality and efficient services commensurate with the cuts imposed by Central Government. This underpins a commitment to continuing to provide value for money services and seeking to keep increases in council tax to a minimum.
- Recognition of front line service pressures. This recognises the prioritisation of key services, in particular those provided to children and vulnerable adults, as well as those that underpin the quality of life in the public realm and support reductions in violent crime.
- Maintenance of reserves at a prudent level. This allows the Council to maintain and deliver service stability, longer term plans and respond to a range of financial risks and uncertainties, thus supporting the Council's approach to developing its financial standing whilst delivering major capital investment.
- Investing in and delivering the Growth Strategy. This means maximising, as far as possible, investment and delivery of the Growth Strategy and prioritising interventions which will have the greatest impact on growing the local economy with the consequent benefit for jobs, housing (including New Homes Bonus) and business rate growth.
- Security of the Council's robust financial standing. The Council shall maintain sufficient financial standing to withstand turbulence and financial risk and to permit underwriting of capital investment programmes.

Measuring the quality of services for users

The Royal Borough seeks to secure continuous improvement in service delivery and has a robust performance management framework, including strong scrutiny arrangements.

The Royal Borough has key objectives in place across services that have been communicated to service managers. These objectives are incorporated into Directorate Service Plans which are designed to be improvement planning tools, against which performance and key tasks can be tracked. Each directorate's Senior Management Team regularly receives performance reports based on an assessment of data.

The Royal Borough participates in a number of benchmarking arrangements, including with other London Boroughs through the Local Area Performance Solution. This provides benchmarking information to enable rigorous comparison of performance, and inform service improvement strategies

The service plan itself is designed to be a monitoring tool as well as an improvement planning tool. Thus, performance against targets and the performance in implementing the key tasks for the year can be tracked.

There is an officer group, the Corporate Performance Management Group, made up of representatives from all directorates. The group is responsible for the development, maintenance and quality of performance management and monitoring arrangements based around the corporate performance framework. Regular bulletins are issued and disseminated on any matters which relate to performance management issues, whether at the national, regional or local level. The group reports directly into GMT performance sessions.

At Member level, the Leader allocates portfolios to each Member of the Cabinet and agrees priorities and he/she is then responsible for performance in that area. Directors regularly provide Cabinet Members with performance information. In addition, the Royal Borough has arrangements for councillor scrutiny of performance across the whole authority and also with regard to performance measures being taken forward with partner organisations.

The Overview and Scrutiny Committee, the overarching scrutiny body, monitors and reviews Council services and performance generally at a more strategic level to make sure local needs and service standards are met. The Members of the Overview and Scrutiny Committee are notified of all executive decisions taken by the Leader, Cabinet, individual Cabinet Members and Chief Officer key decisions and have the opportunity to call these in for further consideration. The Committee carries out pre-decision scrutiny on budget proposals and has an opportunity to submit comments to the Cabinet.

The Committee's thematic scrutiny panels monitor performance across a range of key services and, where appropriate, can require Cabinet Members to attend and also partner organisations. Cabinet Members submit regular reports to the appropriate Scrutiny Panel and are questioned on the delivery of their priorities for the year. The Leader of the Council attends Overview and Scrutiny Committee to report on progress with priorities.

Ensuring quality data

The Royal Borough has an agreed Performance Data Quality Policy which sets out the Council's approach and commitment to the production of high quality performance management data, including associated actions and risks, for use in service planning and improvement. It sets out the principles and responsibilities that should be in place within directorates to maintain high standards of performance data. High quality, timely and meaningful data is essential to Royal Greenwich in making informed decisions, improving services and for public accountability.

The Royal Borough's guidance document, *Performance Data Quality in Greenwich,* sets out the quality standards required, advises on the usage of data and defines the key roles and responsibilities in the process.

Within the Royal Borough, Chief Officers have responsibility for ensuring that performance data quality meets the standards required and the Assistant Director Customer Services has the role of Corporate Performance Data Quality Champion. He ensures that data quality was considered by the Royal Borough's management team (GMT) and the officers' Corporate Performance Management Group.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions and protocols for communication

The Royal Borough's Constitution defines and documents the roles and responsibilities of the Cabinet (executive), Council and Scrutiny (non executive) and Chief Officers. It also provides clear direction for decision making and delegation and is continuously reviewed to ensure that it is current and up to date. The Scheme of Delegation includes delegation to individual Cabinet Members. The provisions of the Constitution take account of the scheme of delegation. The Leader of the Council is responsible for the executive scheme of delegation. It is included in the Constitution and written notification of any in-year changes are reported to the Council's Monitoring Officer and reported to full Council.

Developing, communicating and embedding codes of conduct

The Head of Law and Governance is the Royal Borough's Monitoring Officer. He is responsible for ensuring the lawfulness and fairness of decision making and monitors and reviews the Royal Borough's Constitution. He is also the lead officer supporting the Royal Borough's Standards Committee. Following the enactment of the Localism Act the Council, in June 2012, adopted a revised Code of Conduct and established a new Standards Committee (replacing the former statutory committee). The code of conduct goes beyond the statutory minimum set by the legislation. The Standards Committee includes three independent members (appointed by full Council) and three councillors, the Committee is chaired by one of the independent members.

Within the Royal Borough's Human Resources Policies and Procedures, there are the Rules and Codes of Conduct for employees and Officers Declaration of Interests Policy, which includes the policy on the acceptance of gifts and hospitality, and conflicts of interest and the use of confidential information. Within the Constitution, there is also a protocol for working relationships between Members and Officers of the Royal Borough.

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation, defining how decisions are taken and managing risks

Financial Control

Responsibility for the financial management of the Royal Borough falls within the statutory functions of the S.151 Officer. It is primarily discharged through the Finance Directorate Financial Standing Orders (Regulations) and Procedures, and Schemes of Delegation which provide the framework for financial management across the Royal Borough. The S.151 Officer ensures that these are kept under continuous review and the current arrangements comply with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

There are regularly updated financial systems procedures and manuals which cover all the Royal Borough's main financial systems. The Royal Borough's Budget and Policy Framework comprises all key strategies and plans which are required by statute to be agreed by the full Council. The Royal Borough has in place established mechanisms for the reporting of financial/management information to both Members and Officers. There are periodic revenue monitoring and annual outturn reports presented to Cabinet, which are also provided to the Greenwich Management Team.

Decision Making/Scrutiny

The Royal Borough's constitution clearly outlines the roles and responsibilities of the Executive (Leader, Cabinet Members, Cabinet bodies and Chief Officers), and how decisions are scrutinised by the Overview and Scrutiny Committee and its Scrutiny Panels. Also included are the arrangements for 'Calling In' executive decisions and Councillor Call for Action.

The Royal Borough's committee report writing guidelines outline the necessity of having both financial and legal comments, and where applicable a risk assessment of the various decisions that Members are being asked to make. Detailed guidelines also exist for the taking of key decisions by Chief Officers and individual decisions by Cabinet Members. The Council also fully complies with the revised Access to Information requirements and ensures that 28 day notice is given before an executive key decision is taken.

Overview and Scrutiny Committee receives referrals from Cabinet to scrutinise the use of exemptions to standing orders with regard to letting contracts and also waivers to standing orders. A report on all such items is examined closely by the Committee on a regular basis-following consideration by Cabinet.

Managing Risks

The Royal Borough has an established and effective risk management framework, which includes, a Corporate Risk Management Strategy approved by Cabinet. It has an up to date Risk Management Strategy, the Royal Borough has undertaken a recent review to identify its strategic, directorate, service and project/partnership risks and prioritises, evaluates and controls its risks to support the delivery of the Royal Borough's objectives. Through the Corporate Performance Management Group there is an integrated approach to the implementation and embedding of risk management within the planning and decision making process, assessing risks and considering the impact of risks upon departmental and service performance and delivery. There is a clearly defined process for reviewing the Corporate and Departmental risks, reporting, and monitoring risks through Departmental Management Teams, the Greenwich Management Team and the Audit and Risk Management Panel.

All directorates and divisions have Emergency Planning and Business Continuity Management (BCM) Plans which are reviewed annually in line with the Royal Borough's Emergency Planning and Business Continuity Management Strategy.

The Royal Borough also has an Internal Audit and Anti-Fraud Service which, through its risk assessed and prioritised annual plans, ensures that significant risks are regularly reviewed and reported to senior managers and Members. There is a Counter Fraud and Corruption Policy which states the Royal Borough's commitment to protecting public monies.

Undertaking the core functions of an Audit Committee

The Royal Borough has an Audit and Risk Management Panel (which serves as an Audit Committee) whose main responsibilities are to receive the annual review of governance and internal control and be satisfied that it properly reflects the governance framework of the Royal Borough and any actions required to improve it. The ARM Panel receives a comprehensive suite of reports on governance issues including the annual plans and performance reports of Internal Audit and Anti Fraud. Summary audit reports are also presented to the panel to provide assurances that action is being taken where necessary to improve control. On risk management, the ARM panel receives reports on how strategic risks are being effectively managed. The Audit and Risk Management Panel is underpinned by an officer governance group responsible for financial governance matters.

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

All Chief Officers are required to plan and discharge their departmental functions in accordance with Royal Borough policies and legislative requirements. Departmental Management Teams provide local leadership and operational management. Corporate leadership is provided by the Greenwich Management Team led by the Chief Executive.

The Chief Finance (s151) Officer, who within Greenwich is the Director of Finance, and the Monitoring Officer have the ability, after consulting with the Chief Executive, to report to Cabinet or full Council and the Royal Borough's external auditor, if either considers that any proposal, decision or course of action will involve incurring unlawfulness or unlawful expenditure.

It is embedded within the Royal Borough's reporting system that all committee reports contain a financial implications paragraph which has been cleared by the s151 Officer or nominated representatives, and a legal implications paragraph which has been cleared by the Monitoring Officer or his nominated representatives.

Of particular importance are the Royal Borough's Financial Regulations, Procedures and Schemes of Delegation. These are kept under continuous review and are properly communicated to the relevant level of officer, assisting in ensuring that financial transactions are adequately controlled.

Through the Royal Borough's procurement arrangements, contracts are awarded through a competitive process and in accordance with the appropriate legislation. The contract register is maintained and updated to take account of new contract and contractual arrangements, and to help underpin the Councils' response to the Government's transparency agenda. The Council keeps under continual review ways of working with other councils to identify possible collaborative opportunities in procurement, supplier relationship management and contract management.

There is an information governance framework in place with the Greenwich Management Team having overall responsibility for the Royal Borough's IT Strategy. The Assistant Director Customer Services is the Proper Officer for the duty to notify the Information Commissioner of any changes in accordance with Section 20 of the Data Protection Act 1998 and is the Senior Information Risk Owner for the Royal Borough in accordance with Local Government Association guidance and best practice.

Processes for whistle-blowing and for receiving and investigating complaints from the public

The Royal Borough has a Whistle Blowing policy which outlines how it will respond to any concerns raised. There is a formal complaints procedure which enables complaints to be raised about Councillors, services and staff, and these complaints are rigorously investigated and responded to.

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

The Royal Borough identifies Members' learning and development needs designed to support them in their strategic roles and to undertake their various roles. Needs are met in a variety of ways to enhance Members' knowledge and skills, for example via formal training sessions, briefings and networking opportunities.

- Detailed briefing sessions for Members on child and adult safeguarding.
- In depth training for designated Members concerning: planning; licencing; audit and risk management; pension fund and investment administration.
- Briefings and seminars to support portfolio holders and scrutiny work programme topics.
- Cabinet portfolio briefings.
- Access to Local Government Association Councillor Workbooks providing guidance and information on over 20 topics
- Continued development of the Council's intranet providing quick and easy access to information in a 'Members' Zone' and also for Officers in relation to decision making processes
- Members identifying their own training and development needs with attendance at events and conferences facilitated by the Council

In addition the Royal Borough runs a comprehensive programme for all levels of staff particularly managers, aimed at developing and supporting them. There are also support networks including Corporate Senior Managers (senior officers) and Managers Network which ensures that the latest developments within the Royal Borough, affecting how officers work and services are delivered, are communicated and cascaded. There has been a continued development of the Council's Staff Networks.'

Establishing clear channels of communication with all sections of the community and other stakeholders

The Royal Borough of Greenwich is committed to effective communication and engagement with all our communities and empowering local people. A host of communication vehicles and techniques are used to achieve this. The council produces a weekly newspaper which is distributed to every household in the borough to ensure that council opportunities, information and consultation exercises are widely distributed. In addition, the Council has a transactional website to enable residents to communicate and transact with the Council 24/7. A range of social media channels are also used so that subscribers can receive live information on a range of issues from traffic to community events. The Council also hosts a number of community engagement events so that local residents can share their views and influence service delivery, where appropriate. These include: Borough-wide events, Housing Panels of tenants and councillors; borough-wide housing tenant and leaseholder panels; community safety panels; Greenwich Young People's Council; service-specific consultation exercises, including satisfaction surveys; questionnaires and focus groups. Specific meetings and events are also arranged for a wide group of stakeholders including local traders and businesses, faith leaders and amenity societies. Members and officers regularly present at established events organised by groups across the borough.

For example, in January 2016 the Royal Borough adopted a 'Local Information Requirements List for Planning Applications'. This document sets out explicitly the information that Royal Borough of Greenwich will require to be able to register, assess and determine planning applications. A draft of the local validation list was publicly consulted upon, and the final list has been formally adopted. It will be reviewed every two years to ensure that it is reasonable and up-to-date.

The Overview and Scrutiny Committee also reported in 2015-16 on its Review of Community Engagement, which considered alternative options to improve community engagement, including guidance to departments, area based engagement, engagement with the voluntary sector, the use of technology and social media, surveys and ways to identify changes in the local population.

In relation to internal communications, this is carried out via various officer networking groups, the Council intranet, a number of specialist or departmental staff newsletters, circulated Departmental Management Team minutes and section/staff meetings etc.

Incorporating good governance arrangements in respect of partnerships and other group working

The Royal Borough is involved in various partnerships. Council members are involved with a number strategic partnership boards including the Children's Trust Board and the Safer Greenwich and in their representative role serve on a range of local bodies. The performance of the Council's partnerships is monitored by the Overview and Scrutiny Committee and its scrutiny panels and representatives of partners regularly attend meetings.

The Royal Borough also has arrangements in place with four arm's length management organisations. These companies deliver services to the Royal Borough and received some support services from the Royal Borough, but are able to compete for additional contracts beyond the borough boundaries and work in partnership with other commercial organisations. These organisations are:

- Greenwich Service Plus Limited which supplies building cleaning, catering and fleet management services to the Royal Borough;
- Greenwich Service Solutions Limited which is primarily responsible for supplying school catering services to the Royal Borough but through its trading activities else where it offers cleaning services facilities management security services, agency staff, skills training and ICT support; and
- Meridian Home Start Limited which took over responsibility for the letting, management and maintenance of a selection of homes.
- DG Cities which was established to advance the Council's work on the digital economy & smart city innovation, and secure innovation funding for the Borough.

In addition the Royal Borough is a major partner in a Destination Management Company, which began trading in 2013. Visit Greenwich aims to promote the Royal Borough as a place to visit, a place to live, and a place to work and do business.

The Royal Borough has also established the Royal Greenwich Heritage Trust as a community interest company in order to preserve, enhance and strengthen the management of some of Greenwich's historical buildings and memorials.

4. Review of effectiveness

The Royal Borough has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, i.e. the governance review group, the Head of Internal Audit's annual report, and by comments made by external auditors.

Within the Royal Borough's governance framework, there are various levels of assurance that the governance review group has weighted in relation to priority of importance. First and foremost is the level of internal control exerted by the management of the Royal Borough. This is summarised in the Sources of Assurance for 2015/16.

In terms of Risk Management, the Royal Borough's risk management arrangements are maintained by regular periodic review with a robust and clearly documented risk strategy.

A key part of any risk strategy is the requirement for an up to date and clearly owned Strategic Risk Register consisting of the key strategic risks facing the organisation and details of how they are being effectively managed.

The Strategic Risk Register, in its entirety, is owned by the Greenwich Management Team with individual Directors having responsibility for each specific risk and nominated individuals in Directorates undertaking a key role in managing the specific actions in order to mitigate and monitor each risk.

Overall, the review of effectiveness concluded that the governance arrangements had been in place for the financial year ended 31 March 2016 and with the exception of the governance issues detailed in the following section (5), these arrangements were operating effectively and in accordance with good practice.

The review process has been performed by senior officers who reviewed evidence of how governance operated during the year and determined its effectiveness. The process included reviewing the;

- Council's constitution; arrangements for communicating with the citizens of Royal Greenwich and other stakeholders;
- Performance management arrangements;
- Roles, responsibilities and training of the Members and Officers responsible for governance;
- Process for making financially and legally prudent risk assessed decisions;
- Internal control arrangements to ensure compliance with policies and procedures;
- Overall risk management arrangements and the process for reporting concerns and complaints;
- Activities of the relevant member committees and panels;
- Governance control self-assessments undertaken by Departmental Chief Officers;
- Head of Internal Audit report on the Royal Borough's internal control arrangements based on Audit's work programme during the year;
- Arrangements for following up actions identified from the previous Annual Governance Review process; and
- Findings of the Royal Borough's external auditors on any work undertaken on the governance of the Royal Borough.

5. Significant governance issues

The 2014/15 Annual Governance Statement action raised three areas that represented significant governance issues.

- IT Disaster Recovery and Business Continuity
- Freedom of Information
- No recourse to Public Funds

Whilst it is clear that there has been marked progress made in respect of all three areas it is felt necessary to retain the items on the 2015/16 action plan until further improvements and agreed tasks have been completed. These are detailed in the table below.

During 2016/17 Members of the Audit & Risk Management Panel will be kept abreast of on-going progress achieved in these areas with a view to removing each area as a significant governance issue in the next Annual Governance Statement.

In addition to this it is important to note that this year's Annual Governance Statement coincides with the first year of the recently developed balanced Medium Team Financial Strategy (MTFS) for the period 2016/17 onwards.

Although it is felt that any risks in achieving the required financial savings contained within the strategy have been assessed, other factors could impact on the Council's ability to deliver the plan and therefore the delivery of the MTFS is considered to be a significant governance issue and has consequently been included within this Annual Governance Statement.

Furthermore the recent decision of the UK to leave the European Union clearly adds to the risks faced by the Council and therefore supports the rationale for the MTFS' inclusion in the action plan of the Annual Governance Statement.

Governance Area	Governance Control Issue	Action Required	Responsible Officer
IT - Disaster Recovery /Business Continuity	The Council's IT Disaster Recovery / Business Continuity systems remains a strategic risk to the Council, due to the pivotal nature of the service to the Council's operations. The geographical risks will be addressed in line with the ICT Strategy, with a new, out of borough data centre, plus a cloud based backup system. These will be delivered via re-tendering of the Core ICT Servers and Storage solutions.	Improvements in operational resiliency and speed of recovery delivered by the new ICT infrastructure, has enabled the Council to downgrade the likelihood of losing access to the Council's business data. However, while the systems are provided in borough, the risk of physical loss of the systems, remains an area where risk mitigation is required until the new arrangements are in place. With the new arrangements planned to be in place by March 2017, the Council's Internal Audit function's review, that was scheduled for 2015-16, has been realigned to this timetable, with the addition of a desktop assessment of the plans, followed by a post implementation review of the solution. Any decision on whether the issue can be removed from this action plan as a significant governance control issue will be referred to the ARM panel, via the outcome of the Internal Audit review.	Senior Assistant Director (Corporate and Customer Services)

Governance Area	Governance Control Issue	Action Required	Responsible Officer
Freedom of Information	In 2014, the Information Commissioners Office identified the Royal Borough as having difficulty meeting its	Following the reorganisation of Central Services, responsibility for the corporate management of Freedom of Information	Director of Central Services

	statutory obligations in relation to the time taken to respond to Freedom of Information (FOI) requests and requested that the Royal Borough submit 'monitoring Returns'. Finance & Performance Scrutiny Panel received a report on FOI performance in November 2015. The Panel noted improvements and changes made to the FOI operational processes and were also updated on further planned improvements including FOI training for managers and a review of the Royal Borough's publication scheme. Although there has been significant improvement within 2015/16 and the Royal Borough has in periods achieved an average monthly response time within the statutory 20 working days it is felt prudent to retain this issue as a significant governance control issue going forward until such time as performance can be maintained over a sustained period.	requests transferred to the new Performance and Information team. This team will focus on Freedom of Information, performance and complaints, ensuring that dedicated resources are available for handling Freedom of Information requests. A programme of proactive engagement with departments with poor response times is planned to identify and resolve issues with departmental processes. A new IT system will be rolled out across the Council to handle Freedom of Information requests. This system will help to reduce the time spent on administration and will facilitate the real time tracking of requests and monitoring to reduce unnecessary delays.	

Governance Area	**Governance Control Issue**	**Action Required**	**Responsible Officer**
No Recourse to Public Funds (NRPF)	No Recourse to Public Funds (NRPF) is an immigration condition restricting access to public funds, including many mainstream benefits such as Income Support and Housing Benefit. Families and individuals may have a right to financial support (accommodation and subsistence) from social services to avoid destitution or because of complex health needs. In these cases, the Royal Borough has a duty to support the accommodation and subsistence costs of residents with NRPF. These cases are often complex to assess and unpredictable as to how much they cost or how long they last. Expenditure in this area has steadily increased and as the Royal Borough receives no funding to support this work represents a significant budget pressure. There are also increasing legal costs and legal challenges. As Case Law expands there is a significant risk that the Council's duties and	Since September 2014 Adults and Older People Services has provided a dedicated NRPF team to provide accommodation, subsistence and to liaise with the Home Office. Health and Adult Services are currently developing a Council wide strategy to be presented to Members, which will aim to deliver the Council's obligations across all Council Departments, but also to help to manage demand and reduce NRPF presentations in Greenwich.	Director of Health and Adult Services

	responsibilities also expand. The issue remains as a significant governance control issue going forward and the position is under regular review.		

Governance Area	**Governance Control Issue**	**Action Required**	**Responsible Officer**
Council's Financial Health/Standing	Following the imposition of the Government's austerity measures from 2010 onwards the Council developed a robust Medium Team Financial Plan which was successfully managed over the period up until 2015/16. In 2015 the Chancellor's Autumn Statement placed further funding reductions upon local authorities combined with a plan to incentivise Councils by devolving more financial resources, such as business rates, to local authorities. Details of the Chancellor's fiscal devolution plan are expected later in the year which will enable an assessment of the impact upon the Council to take place. Notwithstanding the Chancellor's devolution plans the Council has recently developed a balanced Medium Term Financial Strategy for the period 2016/17 onwards. The strategy developed is inevitably not without risk. It is predicated upon: a) Future forecasts of Government support b) A transformation of Adult Social Care services in order to manage future demand for services c) The delivery of the Council's growth agenda alongside the agreed financial savings Other key risks within the strategy include the previously mentioned Government devolution agenda and of course the level of pressures upon Council services generally including any repercussions from the demands being made upon the NHS. Clearly since the development of the strategy the result of the referendum on the position of the UK within the EU has clearly added substantially to the uncertainty of the outlook for the UK economy and therefore inevitably the Council's future economic wellbeing. Future details	The Council has in place a series of robust plans and controls in relation to the future delivery of its medium term financial strategy. The key details of such plans have been reported to members via Cabinet, Overview and Scrutiny and full Council. Clearly plans will be flexed to reflect any changes to the financial environment faced by the Council and members will be fully informed of progress in relation to the plans. Where appropriate the ARM Panel will also be provided with any updates.	Director of Finance

	in relation to the impact upon UK growth levels, interest rates, employment levels, public finances, etc, will of course need to be evaluated as details become clear which will of course lead to the MTFS being flexed accordingly to support the Council's overriding strategy.		

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

Cllr Denise Hyland
Leader of the Council

Dated : 27 July 2016

John Comber
Chief Executive

Dated : 27 July 2016

Glossary

Accounting Policies
Rules and Practices are adopted by the Authority that dictate how transactions and events are shown.

Accruals
Income and expenditure are recognised as they are earned or incurred not as money is received or paid.

Actuary
An independent professional who advises on the position of the Pension Fund.

Actuarial Valuation
The Actuary reviews the assets & liabilities of the Pension Fund every three years.

Appropriation
The assignment of revenue for a specific purpose.

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

Better Care Fund
A pooled budget between the Authority and the Clinical Commissioning Group.

BSF
Building Schools for the Future.

Capital Expenditure
Expenditure on new assets such as land and buildings or on the enhancement of existing assets so as to significantly prolong their useful life or increase their market value.

Capital Receipts
Income received from the disposal of land, buildings & other capital assets.

Carrying Amount
The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

Code
The Accounting Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Collection Fund Account
A Fund operated by the billing authority into which all receipts of council tax and national non- domestic rates are paid.

Community Assets
Assets that the Authority intends to hold in perpetuity, which have no determinable useful life and which may have restrictions on their disposal e.g parks and historic buildings.

Comprehensive Income and Expenditure Statement
Statement of net cost for the year of all the Authority's services, and how this cost is financed from government grant and local taxpayers.

Council Tax
A tax on domestic properties introduced 1st April 1993 to replace the Community Charge.

CPI
Consumer Prices Index – a measure of inflation.

Creditors
Amounts owed by the Authority for goods and services received where payment has not been made at the date of the Balance Sheet.

Debtors
Amounts owed to the Authority for goods and services provided but not received at the Balance Sheet date.

Depreciation
The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Earmarked Reserves
Amounts set aside for a specific purpose or a particular service or type of expenditure.

EBIDTA (Earnings Before Interest Dividends Tax and Amortisation)
Essentially net income with interest, taxes, depreciation, and amortisation added back to it, and can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.

Efficiency Premium
A one off sum generated whereby there is an excess of budgeted income over budgeted expenditure for the period in question.

Fair Value
Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Finance Lease
A lease that transfers substantially all the risks and rewards of ownership to the lessee. Assets under such leases are recognised as the lessee's property.

FIAA – Financial Instruments Adjustment Account
Provides a balancing mechanism between the different rates at which gains and losses are recognised under the Code and are required by statute to be met from the General Fund.

General Fund
The account that summarises the revenue costs of providing services that are met by the Authority's demand on the collection fund, specific government grants and other income.

Gross Expenditure
Total expenditure before deducting income.

Heritage Asset
An asset with, historical, artistic, scientific, technological, geophysical, environmental or cultural significance.

Highways Network Asset
A grouping of interconnected components, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use. Components include carriageways, footways and cycletracks, structures, street lighting, street furniture, traffic management systems and land.

HRA
This is the Housing Revenue Account, which includes the expenditure and income for the provision of rented dwelling. Items to be included are prescribed by the Local Government and Housing Act 1989.

IAS19
IAS19 is a complex accounting standard, but is based upon a simple principle – that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. Following the adoption of IAS19, the net pensions asset/liability to be recognised is made up of two main elements:
- Liabilities – the retirement benefits that have been promised
- Assets – the attributable share of investments held to cover the liabilities.

IFRS
International Financial Reporting Standards.

Infrastructure Assets
Non-current assets that cannot be easily disposed of, expenditure on which is only recovered by continued use of the asset e.g. highways and footpaths.

Liability Driven Investment (LDI)
A form of investing in which the main goal is to gain sufficient assets to meet all liabilities, both current and future. This form of investing is most prominent with defined-benefit pension plans.

MTFS
Medium Term Financial Strategy.

Minimum Revenue Provision
Amount that the Authority has determined to set aside each year as a provision for the repayment of debt.

Net Expenditure
Gross expenditure less income.

Non-Current Assets
(In)tangible assets that result in benefits to the Authority and the services it provides for more than one year.

Non Domestic Rates (also known as Business Rates)
A flat rate in the pound set by Government and levied on businesses in the borough. The tax is collected by the Authority. 30% is retained by the Authority, 20% is paid to the GLA and 50% is paid to Government.

Non-Operational Assets
Non-current assets held by the Authority but not used or consumed in the delivery of services e.g. investment properties and assets that are surplus to requirements.

NRC
Neighbourhood Resource Centre.

Operating Lease
A lease under which the asset can never become the property of the lessee.

Outturn
Actual income and expenditure for a financial year.

Precept
The charge made by one authority on another to finance its net expenditure.

Private Finance Initiative
Government initiative under which the Authority buys the services of a private sector supplier to design build finance and operate a public facility.

Provision
Amounts set aside for any liability or loss that is likely to be incurred, but where the exact amount and date is uncertain.

PWLB
Public Works Loans Board (advances loans to local authorities).

Rateable Value
The value of a property for rating purposes set by the Valuation Office Agency, an executive agency of HM Revenue and Customs. Business rates payable are calculated by multiplying the rateable value of the property by the rate in the pound set by the government.

Reserves
The amount held in balances and funds that are free from specific liabilities or commitments.

Revenue Expenditure
Regular day-to-day running costs incurred in providing services e.g. employee costs and purchase of materials.

Revenue Expenditure Funded from Capital under Statute
Expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation or enhancement of Authority owned assets.

Revenue Support Grant
The main grant paid by central government to the Authority towards the costs of all its services.

RPI
Retail Prices Index – a measure of inflation.

SeRCOP
Service Reporting Code of Practice

SoDoPS
Surplus or Deficit on the Provision of Services

Soft Loans
Funds advanced or taken on at less than market rates.

Support Services
Activities of a professional, technical and administrative nature, which support front line services.

Teckal
A company that carries out the essential part of its activities and in any case, more than 80% of its work, for the Authority, whereby the local authority exercises control over it which is similar to that which it exercises over its own departments.