Royal Borough of Greenwich

Statement of Accounts

2016/17

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

The past year has seen the Royal Borough strive to continue to improve day-to-day life for our residents so I am pleased to present our annual Statement of Accounts 2016/17.

We are currently part-way through a forward thinking four-financial strategy which has enabled us to keep our budgets stable. Our upfront savings in the last financial year have brought our total savings since 2010 to over £100m, protecting vital frontline services for our residents at a time when many other local authorities are making drastic cuts.

On-going unprecedented financial pressures have not stopped us improving housing, transport and job opportunities in the Royal Borough. We are continuing to invest in the local economy to attract new developments and have renewed our e-business support programme to safeguard and create local jobs as well as encouraging businesses to pay the London Living Wage. We have listened to concerns about air quality and set up a Low Emission neighbourhood and received Cleaner Air Borough Status from the Greater London Authority. We are also continuing to provide a weekly refuse collection when other councils have changed to fortnightly and our priorities for 2017-19 include taking tough action on fly-tippers.

However the financial situation for local authorities remains extremely challenging, particularly as adult and children's social services continue to face huge financial pressures as further cuts loom from Central Government.

But we have much to be proud of from the last year and we will strive to build on our successes going forward. We are continuing to improve our services and look at how they are delivered to ensure the best possible service for our residents at the best possible value. We are also cracking down on people who abuse our valuable resources for personal gain. I believe that this year's Annual Accounts, which are independently audited, show that we have maintained the correct management of our finances whilst continuing to protect valuable frontline services.

I am incredibly proud to be not only the Leader but a resident too of such a vibrant, historic and remarkable place. My Cabinet colleagues and I are ensuring that we maintain the right balance in prioritising services appropriately and prudently managing our budgets. We are sure that our fiscal strategy will help continue to improve and enrich our borough, while managing our income and assets and delivering vital services to residents of Royal Greenwich.

Councillor Denise Hyland
Leader
Royal Borough of Greenwich

Narrative Report

Introduction

The Statement of Accounts was delivered to the appointed auditor on 26 May 2017:

- ***37 working days*** after the financial year end
- ***3 days earlier*** than last year's record
- ***over one month before they are due*** for submission under current legislation

This Narrative Report goes on to cover:

- The Council
- Progress in Delivering Royal Greenwich's High Level Objectives
- Financial Performance
- Summary
- Structure of the Statement of Accounts.

A Glossary is provided on page 156.

The Council

<u>Governance</u>

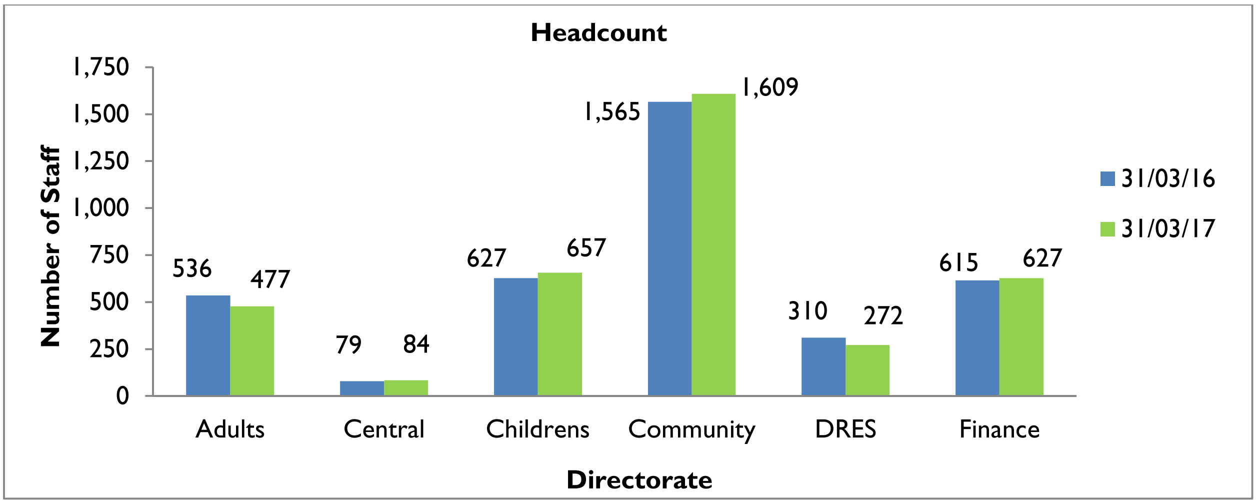
The Authority operates the Leader / Cabinet system with 51 councillors in total (17 wards comprising 3 members each) - the current political balance is 42 Labour and 9 Conservative councillors.

<u>Authority Structure</u>

Within the Authority, there is also a Teckal company (Greenwich Service Plus) and the Council is the sole shareholder for Greenwich Service Solutions 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 Royal Greenwich Heritage Trust.

<u>Demographics</u>

A workforce strategy was implemented in late 2015/16, which was designed to address a number of factors. The last year has seen overall numbers for the authority remain relatively stable.



The demographic composition of the workforce as at 31 March 2017 is shown below.

Indicator	BME	Disabled	Female	Age
Q4 2016/17	29.5%	4.7%	55.7%	45.9 years

Progress in Delivering Royal Greenwich's High Level Objectives

Promoting Economic Prosperity

- New developments:
  - plan for Charlton Riverside
  - Eltham Cinema
  - Woolwich Leisure Centre
  - Industrial Estate at Nathan Way
  - Expanded leisure provision at Sutcliffe Park and Plumstead
  - Housing zone for Abbey Wood / Thamesmead
- E-business support for 441 businesses delivering £8½m increase in turnover, safeguarding 488 jobs and creating 60 new ones
- Planning permission for 4,266 dwellings, with 1,362 completed in year, of which 25% were affordable

Promoting Excellence in Education

- Early Years Foundation Stage outcomes for 5 year olds ranked 1st in England
- Key Stage 1 ranked 1st for English and Maths

Ensuring a Healthy and Safe Living Environment

- New Greener Greenwich strategy adopted to tackle environmental challenges including Climate Change and Air Pollution

Supporting and Protecting Children and Families in Need

- Creation of Greenwich Fairness Commission

Social Care and Health

- Good joint working arrangements leading to improvements in key indicators:
  - 5th in London for performance on delayed transfers

- 7th in London for emergency readmissions

Housing

- Improvements in Asset Management Performance:
    - Waiting time for non-urgent repairs reduced from 12.3 days to 10.8 days
    - Complaints answered on time risen from 77% to 91%
- Around 1,000 cases of homelessness prevented

Tourism, Culture and Sport

- Final preparations for the Rendez-Vous 2017 Tall Ships Regatta in April
- Development of a Creative District at the Royal Arsenal

Excellence and Good Governance in the Management of Public Finances

- Efficiency Plan agreed to accept the governments offer of a multi-year financial settlement
- Relaunch of the Greenwich Partnership.

Financial Performance

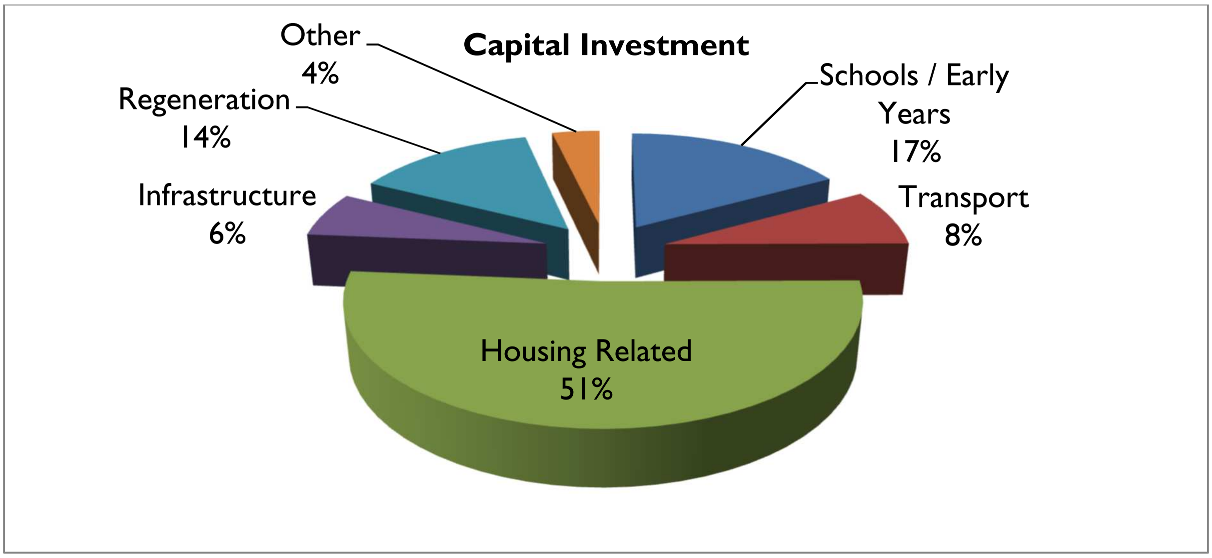
Revenue

A summary of the Council's outturn is shown below – a more detailed report for services is reported to Cabinet, which is made available via the Council's website (www.royalgreenwich.gov.uk).

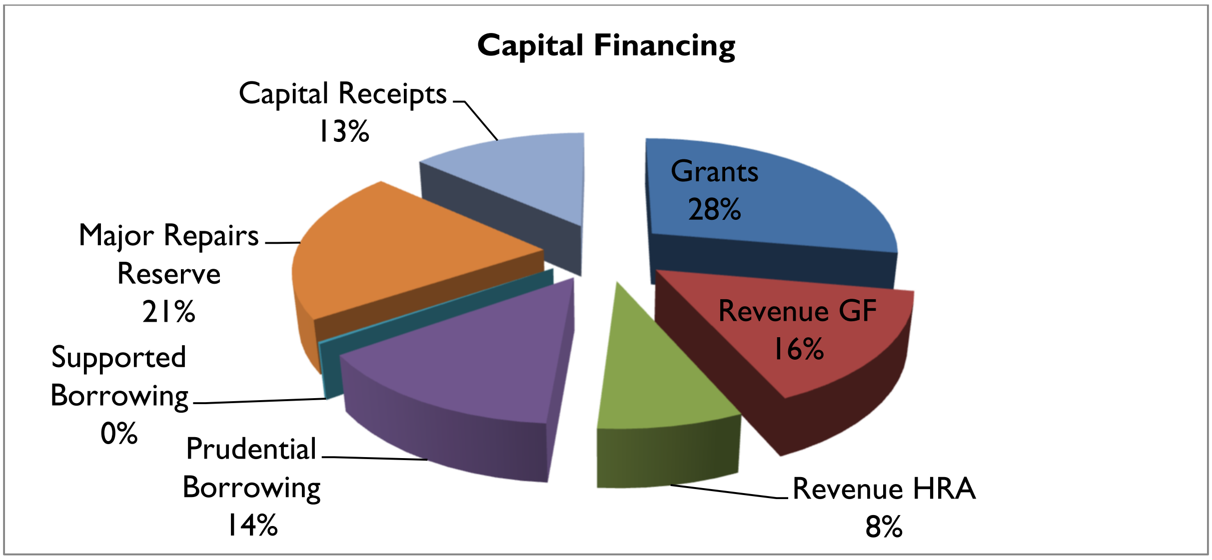
Outturn	2015/16 £m	2016/17 £m	Variance £m
Health and Adults	7.3	13.1	5.8
Childrens	0.6	1.2	0.6
Community	1.9	3.8	1.9
Central	0.0	0.1	0.1
Finance	0.0	(2.4)	(2.4)
DRES	2.2	1.7	(0.5)
Treasury Management	(10.2)	(12.2)	(2.0)
Sub Total	**1.8**	**5.3**	**3.5**
No Recourse to Public Funds	4.2	3.7	(0.5)
Other Capacity	(6.0)	(6.7)	(0.7)
General Reserve	0.0	(2.3)	(2.3)
Net Position	**0.0**	**0.0**	**0.0**

Capital Investment

In total, £114m of capital investment has been made in 2016/17, with the majority of this deployed to housing, education and regeneration based projects.



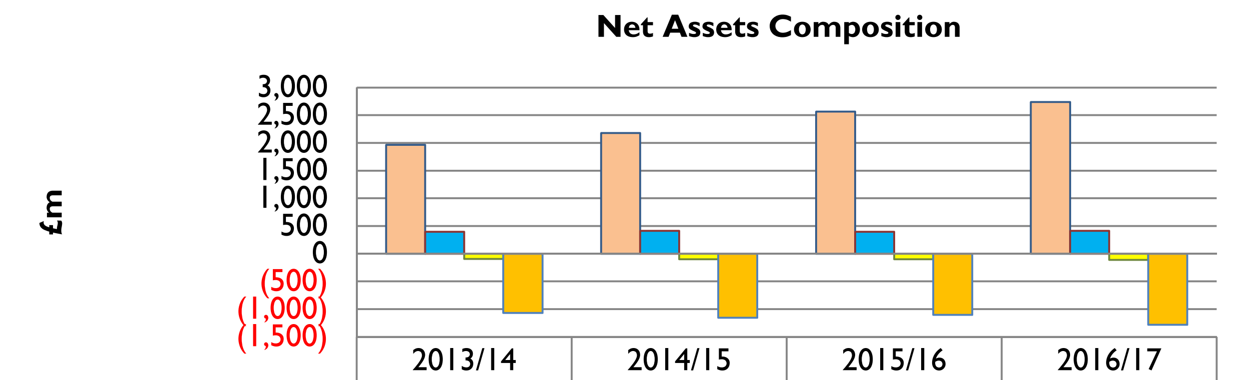
The majority of financing for the above capital investment is derived from revenue and grant streams.



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 £397m - a further reduction of £7m.

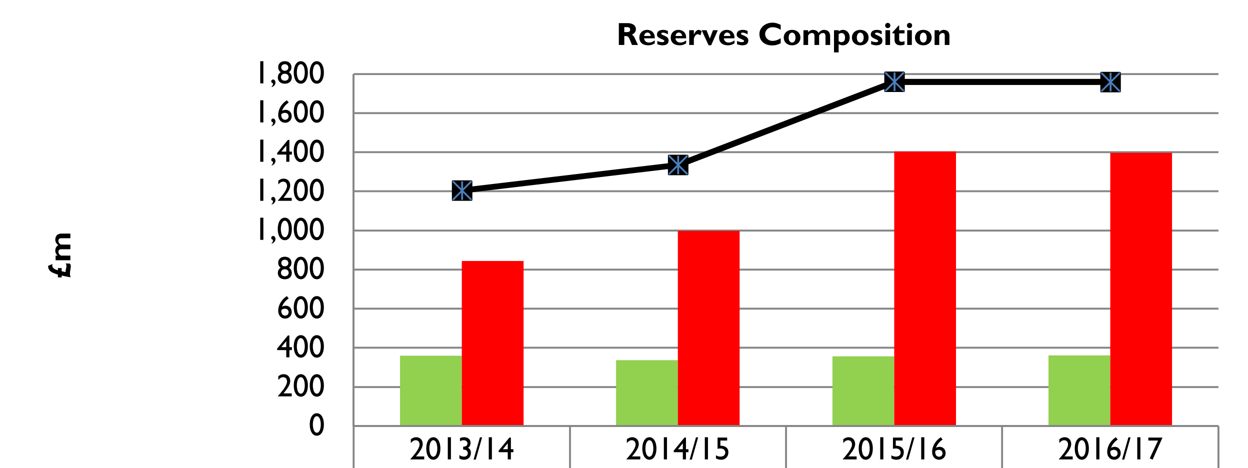
<u>Balance Sheet Summary</u>

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	2016/17
Long Term Assets	1,969	2,177	2,564	2,739
Current Assets	399	414	395	412
Current Liabilities	(93)	(100)	(99)	(111)
Long Term Liabilities	(1,071)	(1,156)	(1,100)	(1,281)

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).



	2013/14	2014/15	2015/16	2016/17
Usable	360	337	356	361
Unusable	844	997	1,404	1,397
Total Reserves	1,204	1,335	1,760	1,759

Accounting Update

CIPFA previously indicated that authorities would be required to account for their Highways Network Assets on a depreciated replacement cost going forward. This proposal has now been dropped.

Risks

The Authority faces a broad range of risks and maintains a corporate risk register. Key financial risks were published as part of the Budget and Council Tax Setting 2017/18 report considered by Council on 22 February 2017 and the Royal Borough Risk Management Strategy considered by Cabinet on 19 April 2017 (these are available by visiting www.royalgreenwich.gov.uk) and largely remain valid.

Key updates to this surround the continuing fallout from Brexit and the calling of a snap General Election.

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 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 2016/17, 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

Expenditure and Funding Analysis

This analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Movement in Reserves Statement

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.

Comprehensive Income & Expenditure Statement

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).

Balance Sheet

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 33 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 19 July 2017.

Cllr Peter Brooks
Mayor of the Royal Borough of Greenwich **Dated** **19 July 2017**

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 15-155 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 2017.

Debbie Warren CPFA **Dated** **19 July 2017**
Director of Finance

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

We have audited the financial statements of the Royal Borough of Greenwich (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Expenditure and Funding Analysis, the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, 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/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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 Authority's 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 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 2016/17, 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, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and 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 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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 the financial year for which the financial statements are prepared 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: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

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

Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements for securing 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 for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, 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 this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

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 of Audit Practice until 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 2017. 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 economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017; and
- our consideration of objections brought to our attention by a local authority elector under Section 27 of the Act. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Paul Dossett

Paul Dossett

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

30 Finsbury Square
London
EC2A 1RR

20 July 2017

Expenditure and Funding Analysis

2015/16 Restated Net Expenditure Chargeable to the General Fund and HRA Balances £000	2015/16 Restated Adjustments Between the Funding and Accounting Basis £000	2015/16 Restated **Net Expenditure in CIES £000**	**Expenditure and Funding Analysis**	2016/17 Net Expenditure Chargeable to the General Fund and HRA Balances £000	2016/17 Adjustments Between the Funding and Accounting Basis £000	2016/17 **Net Expenditure in CIES £000**
83,641	1,410	85,051	Health & Adults Services	84,231	1,004	85,235
20,397	18,204	38,601	Central & Finance Services	19,213	2,413	21,626
70,691	(17,079)	53,612	Children's Services	86,633	11,482	98,115
51,424	2,263	53,687	Community Services	45,957	2,632	48,589
(6,176)	(119,753)	(125,929)	Housing Revenue Account	(17,897)	(43,283)	(61,180)
17,769	1	17,770	Regeneration, Enterprise and Skills	7,876	(2,803)	5,073
237,746	**(114,954)**	**122,792**	**Net Cost of Services**	**226,013**	**(28,555)**	**197,458**
1,498	(16,465)	(14,967)	Other Operating Expenditure (Note 3)	1,542	(12,395)	(10,853)
27,793	20,113	47,906	Financing and Investment Income and Expenditure (Note 4)	27,148	57,108	84,256
(230,091)	(45,484)	(275,575)	Taxation and Non-Specific Grant Income (Note 5)	(228,185)	(61,389)	(289,574)
(200,800)	**(41,836)**	**(242,636)**	**Other Income and Expenditure**	**(199,495)**	**(16,676)**	**(216,171)**
36,946	**(156,790)**	**(119,844)**	**(Surplus) or Deficit on the Provision of Services**	**26,518**	**(45,231)**	**(18,713)**
(241,802)			Opening General Fund Balance & Housing Revenue Account Balance	(204,857)		
36,946			(Surplus) or Deficit on General Fund & Housing Revenue Account Balance in Year	26,518		
(204,856)			**Closing General Fund Balance & Housing Revenue Account Balance**	**(178,339)**		

Comprehensive Income and Expenditure Statement

2015/16 Restated			Comprehensive Income and Expenditure Statement	2016/17		
Gross Expenditure	Gross Income	**Net Expenditure**		Gross Expenditure	Gross Income	**Net Expenditure**
£000	£000	**£000**		£000	£000	**£000**
143,054	(58,003)	85,051	Health & Adult's Services	143,735	(58,500)	85,235
222,114	(183,513)	38,601	Central & Finance Services	206,080	(184,454)	21,626
306,311	(252,699)	53,612	Children's Services	352,709	(254,594)	98,115
65,784	(12,097)	53,687	Community Services	61,347	(12,758)	48,589
(465)	(125,464)	(125,929)	Housing Revenue Account	60,458	(121,638)	(61,180)
59,867	(42,097)	17,770	Regeneration, Enterprise & Skills	45,836	(40,763)	5,073
796,662	**(673,871)**	**122,791**	**Net Cost Of Services**	**870,165**	**(672,707)**	**197,458**
3,869	(18,839)	(14,967)	Other Operating Expenditure (Note 3)	3,942	(14,795)	(10,853)
49,572	(1,666)	47,906	Financing and Investment Income and Expenditure (Note 4)	85,426	(1,170)	84,256
-	(275,575)	(275,575)	Taxation and Non-Specific Grant Income (Note 5)	-	(289,574)	(289,574)
53,441	**(296,080)**	**(242,636)**	**Other Income and Expenditure**	**89,368**	**(305,539)**	**(216,171)**
850,103	**(969,951)**	**(119,845)**	**(Surplus) or Deficit on Provision of Services**	**959,533**	**(978,246)**	**(18,713)**
		(209,564)	(Surplus) or deficit on revaluation of property, plant & equipment assets			(135,051)
		(95,540)	Re-measurement of the net defined benefit liability / (asset)			154,863
		(305,104)	**Other Comprehensive Income and Expenditure**			**19,812**
		(424,949)	**Total Comprehensive Income and Expenditure**			**1,099**

Movement in Reserves Statement

Movement in Reserves Statement 2016/17	Revenue Reserves		Capital Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£000	£000	£000	£000	**£000**	£000	**£000**
Balance at 31 March 2016 carried forward	**(195,762)**	**(9,094)**	**(99,553)**	**(51,181)**	**(355,590)**	**(1,404,013)**	**(1,759,603)**
Movement in Reserves During 2016/17							
Total Comprehensive Income and Expenditure	39,336	(58,049)	-	-	(18,713)	19,812	1,099
Adj between accounting basis & funding basis under regs (Note 6)	(9,889)	55,119	(8,405)	(23,766)	13,059	(13,059)	-
(Increase) / Decrease in 2016/17	**29,447**	**(2,930)**	**(8,405)**	**(23,766)**	**(5,654)**	**6,753**	**1,099**
Balance at 31 March 2017 carried forward	**(166,315)**	**(12,024)**	**(107,958)**	**(74,947)**	**(361,244)**	**(1,397,260)**	**(1,758,504)**

General Fund Analysed Over:	
Amounts Earmarked (Note 7)	(153,464)
Amounts Committed	(12,851)
Total General Fund Balance at 31 March 2017	**(166,315)**

Movement in Reserves Statement 2015/16 Restated	Revenue Reserves		Capital Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£000	£000	£000	£000	**£000**	£000	**£000**
Balance at 31 March 2015 carried forward	**(223,695)**	**(18,107)**	**(69,982)**	**(25,661)**	**(337,445)**	**(997,209)**	**(1,334,654)**
Movement in Reserves During 2015/16							
Total Comprehensive Income and Expenditure	2,919	(122,764)	-	-	(119,845)	(305,104)	(424,949)
Adj between accounting basis & funding basis under regs (Note 6)	25,014	131,777	(29,571)	(25,520)	101,700	(101,700)	-
(Increase) / Decrease in 2015/16	**27,933**	**9,013**	**(29,571)**	**(25,520)**	**(18,145)**	**(406,804)**	**(424,949)**
Balance at 31 March 2016 carried forward	**(195,762)**	**(9,094)**	**(99,553)**	**(51,181)**	**(355,590)**	**(1,404,013)**	**(1,759,603)**

General Fund Analysed Over:	
Amounts Earmarked (Note 7)	(180,504)
Amounts Uncommitted	(15,258)
Total General Fund Balance at 31 March 2016	**(195,762)**

Balance Sheet

31 March 2016 £000	Balance Sheet	Notes	31 March 2017 £000
2,561,844	Property, Plant & Equipment	9	2,732,614
770	Heritage Assets		770
0	Intangible Assets		250
465	Long Term Investments	15	438
833	Long Term Debtors	15	4,677
2,563,912	**Long Term Assets**		**2,738,749**
284,821	Short Term Investments	15	294,090
6,451	Assets Held for Sale	11	21,455
152	Inventories		197
55,681	Short Term Debtors	19	71,897
47,511	Cash and Cash Equivalents	Cashflow	24,549
394,616	**Current Assets**		**412,188**
(306)	Cash and Cash Equivalents	Cashflow	(339)
(10,176)	Short Term Borrowing	15	(13,521)
0	Short Term Deferred Income	13	(440)
(79,321)	Short Term Creditors	20	(85,431)
(918)	Receipts in Advance	5	(4,878)
(8,113)	Provisions	21	(6,741)
(98,834)	**Current Liabilities**		**(111,350)**
(559,820)	Long Term Creditors	18	(744,255)
(10,084)	Provisions	21	(10,863)
(396,765)	Long Term Borrowing	15	(386,400)
0	Long Term Deferred Income	13	(3,822)
(133,422)	Other Long Term Liabilities	13 / 15	(135,743)
(1,100,091)	**Long Term Liabilities**		**(1,281,083)**
1,759,603	**Net Assets**		**1,758,504**
(355,590)	Usable Reserves	MIRS	(361,242)
(1,404,013)	Unusable Reserves	8	(1,397,262)
(1,759,603)	**Total Reserves**		**(1,758,504)**

Cash Flow Statement

2015/16 £000	Cash Flow Statement	2016/17 £000
119,845	Net surplus or (deficit) on the provision of services	18,713
(20,218)	Adj to net surplus or deficit on the provision of services for non cash movements	74,032
(84,720)	Adj for items incl in net surplus / deficit on the provision of services that are investing and financing activities (Cash Flow Note 1)	(81,568)
14,907	Net cash flows from Operating Activities	11,177
(5,446)	Investing Activities (Cash Flow Note 2)	(35,734)
(9,212)	Financing Activities (Cash Flow Note 3)	1,562
249	Net increase or (decrease) in cash and cash equivalents	(22,995)
46,956	Cash and cash equivalents at the beginning of the reporting period	47,205
47,205	**Cash and cash equivalents at the end of the reporting period (Cash Flow Note 4)**	**24,210**

Cash Flow Note 1 - Operating Activities

The cash flows for operating activities include the following items:

1,611	Interest received	1,368
(29,445)	Interest paid	(28,428)

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

40,230	Depreciation	45,006
(130,955)	Impairment and downward valuations	(42,735)
1,987	Increase / (decrease) in creditors	1,910
(2,237)	(Increase) / decrease in debtors	(12,430)
94	(Increase) / decrease in inventories	(46)
(222)	Increase / (decrease) in receipts in advance	1,139
47,630	Movement in pension liability	29,572
(2,365)	Increase / (decrease) in provisions	(593)
25,620	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	52,209
(20,218)		**74,032**

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

(44,203)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(26,148)
(40,517)	Any other items for which the cash effects are investing or financing cash flows	(55,420)
(84,720)		**(81,568)**

Cash Flow Note 2 - Investing Activities

(81,553)	Purchase of property, plant and equipment, investment property and intangible assets	(103,224)
(7,198,509)	Purchase of short-term and long-term investments	(7,998,793)
44,203	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	26,148
7,190,488	Proceeds from short-term and long-term investments	7,989,355
39,925	Other receipts from investing activities	50,780
(5,446)	**Net cash flows from investing activities**	**(35,734)**

Cash Flow Note 3 - Financing Activities

0	Other receipts from financing activities	0
(2,467)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(2,605)
(7,351)	Repayments of short-term and long-term borrowing	(6,910)
606	Other payments for financing activities	11,077
(9,212)	**Net cash flows from financing activities**	**1,562**

Cash Flow Note 4 - Cash and Cash Equivalents

47,511	Cash and bank balances	24,549
(306)	Bank overdraft	(339)
47,205	**Total cash and cash equivalents**	**24,210**

Note 1 – Expenditure and Funding Analysis

Adjustments from General Fund to arrive at Comprehensive Income & Expenditure Statement amounts 2016/17	Adjustments for Capital Purposes £000	Net Change in Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Health & Adult's Services	(150)	814	340	1,004
Central & Finance Services	787	1,577	49	2,413
Children's Services	8,440	3,066	(24)	11,482
Community Services	1,478	1,085	69	2,632
Housing Revenue Account	(45,632)	2,354	(5)	(43,283)
Regeneration, Enterprise and Skills	(3,284)	509	(28)	(2,803)
Net Cost of Services	**(38,361)**	**9,405**	**401**	**(28,555)**
Other Operating Expenditure	(12,395)	-	-	(12,395)
Financing and Investment Income and Expenditure	36,940	20,168	-	57,108
Taxation and Non-Specific Grant Income	(62,487)	-	1,098	(61,389)
Other Income and Expenditure	**(37,942)**	**20,168**	**1,098**	**(16,676)**
Difference Between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (Surplus)/Deficit on Provision of Services	**(76,303)**	**29,573**	**1,499**	**(45,231)**

Adjustments from General Fund to arrive at Comprehensive Income & Expenditure Statements amounts 2015/16 Restated

	Adjustments for Capital Purposes £000	Net Change in Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Health & Adult's Services	191	1,199	20	1,410
Central & Finance Services	3,951	14,590	(337)	18,204
Children's Services	(20,686)	4,815	(1,208)	(17,079)
Community Services	2,140	124	0	2,264
Housing Revenue Account	(124,828)	4,635	440	(119,753)
Regeneration, Enterprise and Skills	(2,065)	2,154	(90)	(1)
Net Cost of Services	**(141,297)**	**27,517**	**(1,175)**	**(114,955)**
Other Operating Expenditure	(16,465)	-	-	(16,465)
Financing and Investment Income and Expenditure	-	20,113	-	20,113
Taxation and Non-Specific Grant Income	(40,517)	-	(4,967)	(45,484)
Other Income and Expenditure	**(56,982)**	**20,113**	**(4,967)**	**(41,836)**
Difference Between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (Surplus)/Deficit on Provision of Services	**(198,279)**	**47,630**	**(6,142)**	**(156,791)**

Note 2 – Expenditure and Income Analysed by Nature

2015/16 £000	Expenditure and Income Analysed by Nature	2016/17 £000
	Expenditure	
318,869	Employee Benefits Expenses	285,056
588,630	Other Service Expenditure	603,007
(90,724)	Depreciation, Amortisation, Impairment	2,271
29,459	Interest Payments	28,318
1,498	Precepts & Levies	1,541
2,371	Payments to Housing Capital Receipts Pool	2,400
0	Loss on the disposal of non-current assets	36,940
850,103	**Total Expenditure**	**959,533**
	Income	
(227,889)	Fees, Charges and Other Service Income	(219,707)
(1,666)	Interest and Investment Income	(1,170)
(155,085)	Income From Council Tax and Business Rates	(154,891)
(566,473)	Government Grants & Contributions	(587,683)
(18,835)	Gain on the Disposal of Non-Current Assets	(14,795)
(969,948)	**Total Income**	**(978,246)**
(119,845)	**Surplus or Deficit on the Provision of Services**	**(18,713)**

Note 3 - Other Operating Expenditure

2015/16 £000	Other Operating Expenditure	2016/17 £000
1,498	Levies	1,542
2,371	Payments to the Government Housing Capital Receipts Pool	2,400
(18,836)	(Gains) / losses on the disposal of non current assets	(14,795)
(14,967)	Total	**(10,853)**

Note 4 - Financing and Investment Income and Expenditure

2015/16 £000	Financing and Investment Income and Expenditure	2016/17 £000
29,459	Interest payable and similar charges	28,318
20,113	Pensions interest cost and expected return on pensions assets	20,168
0	(Gains) / losses on the disposal of Academies	36,940
(1,666)	Interest receivable and similar income	(1,170)
47,906	**Total**	**84,256**

Note 5 – Taxation and Grant Income

Taxation and non-specific grant income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17.

2015/16 £000	Taxation and Non Specific Grant Income	2016/17 £000
(75,787)	Council tax income	(70,598)
(79,298)	Business Rates	(84,293)
(65,249)	Revenue support grant	(53,122)
(14,724)	Non-ringfenced government grants	(19,074)
(40,517)	Capital grants and contributions	(62,487)
(275,575)	**Total**	**(289,574)**

Specific grant income

Grant Income	2015/16 £000	2016/17 £000
Dedicated Schools Grant	(213,910)	(216,944)
Post 16 Grant	(6,616)	(6,285)
Pupil Premium	(14,136)	(13,340)
Rent Allowance Subsidy	(96,615)	(98,666)
Rent Rebate Subsidy	(63,088)	(61,923)
Benefit Administration Grant	(2,971)	(2,313)
Public Health Grant	(21,283)	(24,247)
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	(3,193)	(3,499)
Skills Funding Agency	(1,870)	(1,736)
Local Implementation and Planning Grant	(2,160)	(2,637)
Other Miscellaneous Grants	(5,758)	(7,028)
Total	**(445,982)**	**(453,000)**

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	2015/16 £000	2016/17 £000
Transforming Care	(100)	0
New Homes Bonus Top Slice	0	(1,783)
Early Years Capital Fund	0	(1,139)
Total	**(100)**	**(2,922)**

Revenue Grant Receipts in Advance	2015/16 £000	2016/17 £000
Eltham Regeneration Project	0	(1,199)
Standards Fund	(516)	(474)
Skills Funding Agency	(302)	(283)
Total	**(818)**	**(1,956)**

Note 6 - 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 2016/17	**Usable Reserves**				
	General Fund Balance	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**
	£000	**£000**	**£000**	**£000**	**£000**
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pensions costs (transferred to (or from) the Pensions Reserve)	(24,282)	(5,293)	-	-	-
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	266	(460)	-	-	-
Council Tax and Business Rates (transfers to or from Collection Fund Adjustment Account)	(1,098)	-	-	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	(672)	465	-	-	-
Equal pay settlements (transferred to the Unequal Pay/Back Pay Account)	-	-	-	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(5,550)	21,543	(58)	-	(40,773)
Total Adjustments to Revenue Resources	**(31,336)**	**16,255**	**(58)**	**-**	**(40,773)**
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	119	30,587	(26,789)	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(641)	641	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(2,400)	-	2,400	-	-
Posting of Housing Revenue Account resources from revenue to the Major Repairs Reserve	-	-	-	(23,910)	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	5,969	-	-	-	-
Capital expenditure financed from the revenue balances (transfer to the Capital Adjustment Account)	17,759	8,917	-	-	-
Total Adjustments between Revenue and Capital Resources	**21,447**	**38,863**	**(23,748)**	**(23,910)**	**-**

Adjustments between Accounting Basis and Funding Basis under Regulations 2016/17	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£000	£000	£000	£000	£000
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	15,401	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	23,910	-
Application of capital grants to finance capital expenditure	-	-	-	-	17,007
Cash payments in relation to deferred capital receipts	-	-	-	-	-
Total Adjustments to Capital Resources	**-**	**-**	**15,401**	**23,910**	**17,007**
Total Adjustments	**(9,889)**	**55,118**	**(8,405)**	**-**	**(23,766)**

Adjustments between Accounting Basis and Funding Basis under Regulations 2015/16 Restated

	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pensions costs (transferred to (or from) the Pensions Reserve)	(39,870)	(7,760)	-	-	-
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	269	(503)	-	-	-
Council Tax and Business Rates (transfers to or from Collection Fund Adjustment Account)	4,967	-	-	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	1,345	62	-	-	-
Equal pay settlements (transferred to the Unequal Pay/Back Pay Account)	-	-	-	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	26,399	67,247	49	-	(33,842)
Total Adjustments to Revenue Resources	**(6,890)**	**59,047**	**49**	**-**	**(33,842)**
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	17,401	27,615	(45,016)	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(122)	(695)	817	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(2,371)	-	2,371	-	-
Posting of Housing Revenue Account resources from revenue to the Major Repairs Reserve	-	22,296	-	(22,296)	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	5,637	-	-	-	-
Capital expenditure financed from the revenue balances (transfer to the Capital Adjustment Account)	11,358	23,515	-	-	-
Total Adjustments between Revenue and Capital Resources	**31,903**	**72,731**	**(41,828)**	**(22,296)**	**-**
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	12,212	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	22,296	-
Application of capital grants to finance capital expenditure	-	-	-	-	8,322
Cash payments in relation to deferred capital receipts	-	-	(4)	-	-
Total Adjustments to Capital Resources	**-**	**-**	**12,208**	**22,296**	**8,322**
Total Adjustments	**25,012**	**131,777**	**(29,571)**	**-**	**(25,520)**

Note 7 - 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 2016/17.

Earmarked Reserves	**31/03/15 Restated £000**	**Transfers Out Restated £000**	**Transfers In Restated £000**	**31/03/16 Restated £000**	**Transfers Out £000**	**Transfers In £000**	**31/03/17 £000**
Corporate Capacity	**(21,067)**	9,260	(13,363)	**(25,170)**	7,035	(4,886)	**(23,021)**
Corporate Strategy	**(18,372)**	7,121	(2,216)	**(13,467)**	7,900	(14,589)	**(20,156)**
Council Tax & Business Rates	**(10,435)**	51	(969)	**(11,353)**	2,077	0	**(9,276)**
Schools	**(46,561)**	17,658	(12,566)	**(41,469)**	12,096	(4,417)	**(33,790)**
Social Care	**(10,399)**	7,007	(2,190)	**(5,582)**	3,828	(391)	**(2,145)**
Other Earmarked Reserves	**(18,552)**	6,499	(2,455)	**(14,508)**	4,089	(2,829)	**(13,248)**
Total (Excluding Capital specific reserves)	**(125,386)**	**47,596**	**(33,759)**	**(111,549)**	**37,025**	**(27,112)**	**(101,636)**
Reserves specifically held for Capital purposes							
Priority Investment Programme	**(51,742)**	10,852	(882)	**(41,772)**	13,369	(923)	**(29,326)**
Revenue Support for Capital Programme	**(19,656)**	10,749	(5,199)	**(14,106)**	6,709	(3,913)	**(11,310)**
Other Capital Reserves	**(11,653)**	3,522	(4,946)	**(13,077)**	5,302	(3,417)	**(11,192)**
Total Reserves held specifically for Capital purposes	**(83,051)**	**25,123**	**(11,027)**	**(68,955)**	**25,380**	**(8,253)**	**(51,828)**
Total Reserves	**(208,437)**	**72,719**	**(44,786)**	**(180,504)**	**62,405**	**(35,365)**	**(153,464)**

Note 8 – Unusable Reserves

2015/16 £000	Unusable Reserves	2016/17 £000
(544,421)	Revaluation Reserve	(637,210)
(1,412,305)	Capital Adjustment Account	(1,494,783)
2,449	Financial Instruments Adjustment Account	2,643
559,820	Pensions Reserve	744,255
(16,310)	Council Taxpayers Adjustment Account	(11,070)
(488)	Deferred Capital Receipts Reserve	(4,404)
959	Business Ratepayers Adjustment Account	(3,183)
6,283	Accumulated Absences Account	6,490
(1,404,013)	**Total Unusable Reserves**	**(1,397,262)**

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.

2015/16 £000	Revaluation Reserve		2016/17 £000
(354,569)	**Balance at 1 April**		**(544,421)**
(384,026)	Upward revaluation of assets	(195,114)	
174,462	Downward revaluation of assets & impairment losses not charged to the Surplus or Deficit on the Provision of Services	60,063	
(209,564)	Surplus / deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(135,051)
13,505	Difference between fair value depreciation and historical cost depreciation	17,180	
6,207	Accumulated gains on assets sold or scrapped	25,082	
19,712	Amount written off to the Capital Adjustment Account		42,262
(544,421)	**Balance at 31 March**		**(637,210)**

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.

2015/16 £000	Capital Adjustment Account	2016/17 £000	2016/17 £000
(1,249,401)	**Balance at 1 April**		**(1,412,305)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive I&E Statement		
26,706	Charges for depreciation and impairment of non current assets	27,994	
(130,965)	Revaluation losses on property, plant and equipment	(42,903)	
19	Amortisation of intangible assets	0	
12,244	Revenue expenditure funded from capital under statute	15,923	
25,363	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	52,209	
(66,633)		53,223	
(6,207)	Adjusting amounts written out of the Revaluation Reserve	(25,082)	
(72,840)	**Net written out amount of the cost of non current assets consumed in the year**		**28,141**
	Capital financing applied in the year		
(12,212)	Use of the Capital Receipts Reserve to finance new capital expenditure	(15,401)	
(22,296)	Use of the Major Repairs Reserve to finance new capital expenditure	(23,910)	
(8,322)	Capital grants and contributions credited to the Comprehensive I&E Statement that have been applied to capital financing	(17,007)	
(6,675)	Application of grants to capital financing from the Capital Grants Unapplied Account	(14,647)	
(5,637)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(5,969)	
(34,873)	Capital expenditure charged against the General Fund and HRA balances	(26,676)	
(49)	Reserved capital receipts	58	
(90,064)			**(103,552)**
(0)	Movement in the Donated Assets Account credited to the Comprehensive I&E Statement	(7,067)	
(0)			**(7,067)**
(1,412,305)	**Balance at 31 March**		**(1,494,783)**

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 2017 will be charged to the General Fund until extinguished in 2031/32.

2015/16 £000	Financial Instruments Adjustment Account	2016/17 £000	2016/17 £000
2,215	**Balance at 1 April**		**2,449**
234	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	194	
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		194
2,449	**Balance at 31 March**		**2,643**

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.

2015/16 £000	Pensions Reserve	2016/17 £000
607,730	**Balance at 1 April**	**559,820**
(95,540)	Actuarial gains or losses on pensions assets and liabilities	154,863
80,088	Reversal of retirement benefit items debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive I&E Statement	62,769
(32,458)	Employer's pensions contributions and direct payments to pensioners payable in the year	(33,197)
559,820	**Balance at 31 March**	**744,255**

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.

2015/16 £000	Deferred Capital Receipts Reserve	2016/17 £000
(492)	**Balance at 1 April**	**(488)**
0	Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive I&E Statement	(3,917)
4	Transfer to the Capital Receipts Reserve upon receipt of cash	1
(488)	**Balance at 31 March**	**(4,404)**

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.

2015/16 £000	Council Taxpayers Adjustment Account	2016/17 £000
(10,606)	**Balance at 1 April**	**(16,310)**
(5,704)	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	5,240
(16,310)	**Balance at 31 March**	**(11,070)**

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.

2015/16 £000	Business Ratepayers Adjustment Account	2016/17 £000
222	**Balance at 1 April**	**959**
737	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	(4,142)
959	**Balance at 31 March**	**(3,183)**

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.

2015/16	Accumulated Absences Account	2016/17	
£000		£000	£000
7,691	**Balance at 1 April**		**6,283**
(7,691)	Settlement or cancellation of accrual made at the end of the preceding year	(6,283)	
6,283	Amounts accrued at the end of the current year	6,490	
(1,408)	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		207
6,283	**Balance at 31 March**		**6,490**

Note 9 - Property, Plant and Equipment

Movements 2016/17	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus assets £000	Assets under Construction £000	Total Property Plant and Equipment £000	PFI assets within PPE £000
Cost or valuation									
At 1 April 2016	1,412,513	1,048,814	21,362	149,538	5,968	12,773	3,339	2,654,307	91,613
Additions	35,109	40,741	2,731	16,341	55	0	10,228	105,205	0
Revaluation increases / (decreases) recognised in Revaluation Reserve	91,864	58,225	0	0	0	(304)	0	149,785	4,799
Revaluation increases / (decreases) recognised in SoDoPS	(3,722)	(2,153)	0	0	0	0	0	(5,875)	0
Derecognise – Disposals	(11,502)	(37,444)	(224)	0	0	0	0	(49,170)	0
Derecognise – Other	0	0	0	(6)	0	0	0	(6)	0
Assets reclassified (to) / from Held for Sale	0	(17,922)	0	0	0	(560)	0	(18,482)	0
Other movements in cost or valuation	(2,333)	(4,552)	0	0	0	6,885	0	0	0
At 31 March 2017	**1,521,929**	**1,085,709**	**23,869**	**165,873**	**6,023**	**18,794**	**13,567**	**2,835,764**	**96,412**
Accumulated depreciation and Impairment									
At 1 April 2016	(51,725)	(289)	(8,989)	(31,078)	0	(382)	0	(92,463)	0
Depreciation charge	(22,079)	(16,509)	(2,775)	(2,419)	0	(1,224)	0	(45,006)	(1,537)
Depreciation written out to the Revaluation Reserve	21,892	15,754	0	0	0	1,231	0	38,877	1,537
Impairment losses reversals recognised in the Revaluation Reserve	0	(5,274)	0	0	0	0	0	(5,274)	0
Derecognise – Disposals	187	504	193	0	0	0	0	884	0
Other movements in depreciation and Impairment	0	(153)	0	0	0	(15)	0	(168)	0
At 31 March 2017	**(51,725)**	**(5,967)**	**(11,571)**	**(33,497)**	**0**	**(390)**	**0**	**(103,150)**	**0**
Net Book Value:									
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
At 31 March 2017	**1,470,204**	**1,079,742**	**12,298**	**132,376**	**6,023**	**18,404**	**13,567**	**2,732,614**	**96,412**
Revaluations:									
Historic Cost	0	0	12,298	132.376	6,023	0	13,567	164,264	0
At 31 March 2016	0	19,958	0	0	0	490	0	20,448	0
At 31 March 2017	1,470,204	1,059,784	0	0	0	17,914	0	2,547,902	96,412

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 2014	-	6,943	-	-	-	-	-	6,943	-
At 31 March 2015	1,360,788	1,041,582	-	0	-	12,391	-	2,414,761	-

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 2017, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to cost £39.8m. Similar commitments at 31 March 2016 were £33.9m. The major commitments are:

- Housing Projects - £9.5m
- Transportation Capital Programme - £4.3m
- Schools Capital Programme - £10.9m
- Leisure - £2.1m.
- Regeneration projects - £10.4m

Non Current Assets – Schools

As at 31 March 2017 the following schools converted to academy status during the year:

- Millennium Primary
- Brooklands Primary
- Timbercroft Primary
- Windrush Primary

This resulted in the sum of £36.9m being written out of the Royal Borough's Balance Sheet to reflect the 125 year leases.

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 2016/17 for those assets with a residential element to the valuation process. A further revaluation has been undertaken as at 31 March 2017 to ensure that the carrying value of non-dwellings is not materially different from their fair value as at that date. With over 97% 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 2017.

As a result of this, the valuation gains have resulted in reversals of losses that were charged to the I&E in previous years, totaling £49.278m.

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, except for these valued at £1. Further information on fair value measurement can be found under accounting policies.

Note 10 – Impairment Losses

As part of the Government's Priority Schools Building Programme, Invicta School has been rebuilt. This has given rise to an associated impairment loss.

The Authority's Valuer has assessed that the value of the old school should be impaired for the purposes of the Statement of Accounts. The total impairment charge is £5.4m of which £0.168 has been charged to the Surplus or Deficit on the Provision of Services with the balance being taken to the Revaluation Reserve.

Note 11 – Assets Held for Sale

Assets Held for Sale	**2015/16** **£000**	**2016/17** **£000**
Balance outstanding at start of year	**34,098**	**6,451**
Assets newly classified as held for sale – Property, Plant and Equipment	28	18,482
Revaluation gains	2,506	940
Revaluation losses	0	(500)
Assets declassified as held for sale – Property, Plant and Equipment	(18,513)	0
Assets sold	(11,668)	(3,918)
Balance outstanding at year-end	**6,451**	**21,455**

Note 12 – Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI 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.

2015/16 £000	Capital Expenditure and Capital Financing	2016/17 £000
605,863	**Opening Capital Financing Requirement**	**612,339**
	Capital Investment	
84,306	Property, Plant and Equipment	98,138
12,244	Revenue expenditure funded from capital under statute	15,922
	Sources of Finance	
(12,212)	Capital receipts	(15,402)
(37,293)	Government grants and other contributions	(55,563)
(34,873)	Direct revenue contributions	(26,676)
(5,637)	MRP / loans fund principal	(5,969)
(10)	Impairment non dwellings	0
(49)	Reserved capital receipts	58
612,339	**Closing Capital Financing Requirement**	**622,847**
	Explanation of Movement in Year	
(537)	Increase in underlying need to borrow (supported by government financial assistance)	(1,500)
3,501	Increase in underlying need to borrow (unsupported by government financial assistance)	12,008
3,512	Assets acquired under finance leases	0
6,476	**Increase / (decrease) in Capital Financing Requirement**	**10,508**

Note 13 – 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. During the year the Authority undertook a refinancing exercise of the PFI contract that generated a £4.498m saving over the remaining life of the contract.

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 £10.099m (NRCs) and £15.494m (secondary schools) in 2016/17. 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**
2017/18	8,467	1,560	415	3,370	8,919	2,473
2018/19 to 2021/22	35,777	5,833	2,287	18,608	32,338	9,196
2022/23 to 2026/27	52,261	4,910	2,915	27,658	33,476	16,714
2027/28 to 2031/32	55,812	4,258	6,518	38,633	20,783	21,762
2032/33 to 2036/37	31,187	409	4,438	27,613	11,752	38,399
Total	**183,504**	**16,970**	**16,573**	**115,882**	**107,268**	**88,544**

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	**2015/16**	**2016/17**	**2015/16**	**2016/17**
	£000	**£000**	**£000**	**£000**
Balance outstanding at start of year	**17,015**	**16,892**	**92,925**	**90,829**
Payments during the year	(123)	(320)	(2,096)	(2,284)
Balance outstanding at year-end	**16,892**	**16,572**	**90,829**	**88,545**

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. During the year the Authority authorised the refinancing of its Secondary School PFI with the gain shared with the contractor. The savings realised by the Authority will be applied over the remainder of the contract as a reduction in the interest charge. The amounts held as deferred income in respect of this transaction at 31 March 2017 is;

PFI Deferred Income	**2015/16**	**2016/17**
	£000	**£000**
Not later than one year	0	440
Later than one year and not later than five years	0	1,417
Late than five years	0	2,405
Total	**0**	**4,262**

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 2017, the Council held £31.840m of S106 liabilities (£26.630m 2015/16).

Note 14 – Leases

<u>Authority as Lessee</u>

Finance Leases

The Authority has an industrial estate and three premises 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)	2015/16 £000	2016/17 £000
Vehicles, Plant , Furniture and Equipment	5,635	5,979

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)	2015/16 £000	2016/17 £000
Current	1	**1**
Non Current	1,676	**1,674**
Finance costs payable in future years	5,496	5,416
Minimum lease payments	**7,173**	**7,091**

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

Finance Lease Liabilities	Minimum Lease Payments		Finance Lease Liabilities	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Not later than one year	82	82	1	82
Later than one year and not later than five years	326	326	6	326
Late than five years	6,765	6,683	1,670	7,009
Total	**7,173**	**7,091**	**1,677**	**7,417**

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 2016/17 contingent rents payable by the Authority were £211,687 (2015/16: £179,082).

The Authority has sub-let some units of the industrial estate held under the finance lease. At 31 March 2017 the minimum payments expected to be received under non-cancellable sub-leases was £135,222 (£276,883 at 31 March 2016).

Operating Leases

Property

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	**2015/16**	**2016/17**
	£000	**£000**
Not later than one year	1,003	1,018
Later than one year and not later than five years	2,997	2,302
Later than five years	10,436	10,298
Minimum Lease payments	**14,436**	**13,618**

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 £1,033,334 (£1,038,586 in 2015/16). The Authority has sub-let some of the assets held under the above operating leases. At 31 March 2017 the minimum payments expected to be received under non-cancellable sub-leases was £1,746,125 (£1,996,625 at 31 March 2016).

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 2016/17 the Authorities' accounts include expenditure to the value of £427,647 (£3,448,632 in 2015/16), which was funded by the internal leasing fund. Repayments were made to the fund in 2016/17 totalling £2,438,759 (£2,604,120 in 2015/16). 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)	2015/16	2016/17
	£000	£000
Non-current	308	307
Unearned finance income	7,997	7,923
Gross Investment in the Lease	**8,305**	**8,230**

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	
	2015/16	2016/17	2015/16	2016/17
	£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	7,931	7,856	7,931	7,856
Minimum Lease Payments	**8,305**	**8,230**	**8,305**	**8,230**

There have been no contingent rents received in respect of the Calderwood Street Car Park lease in 2016/17 (£nil in 2015/16).

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	2015/16	2016/17
	£000	£000
Not later than one year	3,608	3,397
Later than one year and not later than five years	11,395	10,104
Later than five years	23,091	20,665
Minimum Lease Payments	**38,094**	**34,166**

There have been no contingent rents received under operating lease agreements in 2016/17 (£nil in 2015/16).

Note 15 - Financial Instruments

Categories of Financial Instruments

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

	Carrying Value			
	Long Term		Short Term	
2016/17	**2015/16**	**2016/17**	**2015/16**	**2016/17**
£000	**£000**	**£000**	**£000**	**£000**
Investments				
Loans and Receivables	465	438	234	179,118
Available for Sale Financial Assets	0	0	284,588	114,972
Total Investments	**465**	**438**	**284,822**	**294,090**
Debtors*				
Loans and Receivables	833	4,677	37,148	51,831
Total Debtors	**833**	**4,677**	**37,148**	**51,831**
Cash at Bank / In Hand	**0**	**0**	**47,511**	**24,549**
Cash Overdrawn	**0**	**0**	**(306)**	**(339)**
Borrowings				
Financial Liabilities at amortised cost	(396,765)	(386,400)	(10,175)	(13,521)
Total Borrowings	**(396,765)**	**(386,400)**	**(10,175)**	**(13,521)**
Other Long Term Liabilities				
PFI and Finance Lease Liabilities	(106,792)	(103,903)	(2,605)	(2,889)
Total Other Long Term Liabilities	**(106,792)**	**(103,903)**	**(2,605)**	**(2,889)**
Creditors**				
Financial Liabilities at amortised cost	0	0	(51,198)	(36,817)
Total Creditors	**0**	**0**	**(51,198)**	**(36,817)**

** The figure for debtors (net of bad debts provision) excludes prepayments of £1.509m (2015/16 £1.969m) and also excludes Collection Fund and Government entries of £18.557m (2015/16 £16.564m).*

*** The figure for creditors excludes prepaid income of £4.486m (2015/16 £4.602m) and also excludes Collection Fund and Government entries of £44.128m (2015/16 £23.521m).*

Income, Expense, Gains and Losses

Income, Expense, Gain and Loss	2015/16 Financial Liabilities measured at amortised cost	2015/16 Financial Assets: Loans and Receivables	2015/16 Financial Assets: Available for Sale	2016/17 Financial Liabilities measured at amortised cost	2016/17 Financial Assets: Loans and Receivables	2016/17 Financial Assets: Available for Sale
	£000	£000	£000	£000	£000	£000
Interest Expense	(29,459)	0	0	(28,318)	0	0
Interest Income	0	234	1,432	0	154	1,016

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 2016**		**31 March 2017**	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Financial Liabilities	(516,643)	(783,946)	(533,042)	(854,498)
Creditors	(51,198)	(51,198)	(36,817)	(36,817)

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 2017) arising from a commitment to pay interest to lenders above current market rates.

Assets	**31 March 2016**		**31 March 2017**	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Loans and Receivables	48,210	48,242	204,105	204,077
Available for Sale	284,588	284,583	114,972	114,987
Short Term Debtors	37,148	37,148	51,831	51,831
Long Term Debtors	833	833	4,677	4,677

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 2017) 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 2016 £000**	**31 March 2017 £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.	284,583	114,987
Total			**284,583**	**114,987**

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 £0.043m.
- The Authority granted an interest free loan to Blackheath Rugby. The outstanding balance on the loan at the Balance Sheet date is £0.022m.

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 16 - 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	2015/16	2016/17
	£000	£000
Less than three months	13,670	21,641
Three to six months	2,672	2,209
Six to one year	3,157	3,911
More than one year	5,314	6,767
Total	**24,813**	**34,528**

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% (2015/16: 3.480% - 11.625%). The principal maturity analysis of financial liabilities is as follows:

Principal Debt Maturity Profile	2015/16	2016/17
	£000	£000
Less than one year	6,910	10,365
Between one and five years	22,111	15,201
Between five and ten years	11,747	15,201
Between ten and twenty years	39,731	67,370
More than twenty years	323,176	288,628
Total	**403,675**	**396,765**

Within the "more than twenty years" category, are £129m of market loans, many of which 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

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the 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 2017, 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 2015 to 31 July 2016 and has determined that, based on current information, the guarantee will not be called.

Note 17 - 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 2016		Year ending 31 March 2017	
	Contributions paid	Percentage of pensionable pay	Contributions paid	Percentage of pensionable pay
	£000	%	£000	%
Teacher's Pensions	11,690	14.1/ 16.48*	12,404	16.48
NHS Pension scheme	253	14.1	189	14.3
Total	**11,943**	**-**	**12,593**	**-**

**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 18 - 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)**			
	2015/16	**2016/17**			**2015/16**	**2016/17**		
	Total	**RBG**	**LPFA**	**Total**	**Total**	**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	**44,729**	40,773	443	**41,216**	**-**	-	-	**-**
Settlements and curtailments	**15,246**	1,084	301	**1,385**	**-**	-	-	**-**
Financing and Investment Income and Expenditure								
Net interest expense	**17,870**	17,912	248	**18,160**	**2,243**	1,904	104	**2,008**
Total Post Employment Benefit Charged to SoDoPS	**77,845**	**59,769**	**992**	**60,761**	**2,243**	**1,904**	**104**	**2,008**
Other Post Employment benefit Charged to the Comprehensive I&E Statement								
Re-measurement of the net defined benefit liability comprising:								
Return on plan assets	**39,098**	(137,870)	(11,927)	(149,797)	**-**	-	-	**-**
Actuarial (gains) or losses arising on changes in demographic assumptions	**0**	(25,343)	(1,909)	(27,252)	**-**	-	-	**-**
Actuarial (gains) or losses arising on changes in financial assumptions	**(122,457)**	388,672	16,309	404,981	**(1,729)**	7,159	(405)	**6,754**
Other	**-**	(77,472)	(2,351)	(79,823)	**(10,452)**	-	-	**-**
Total Post Employment Benefit Charged to the Comprehensive I&E	**(5,514)**	**207,756**	**1,114**	**208,870**	**(9,938)**	**9,063**	**(301)**	**8,762**
Movement in Reserves Statement								
Reversal of net charges made to SoDoPS for post- employment benefits (per Code)	**(77,845)**	(59,769)	(992)	**(60,761)**	**(2,243)**	(1,904)	(104)	**(2,008)**
Actual amount charged against the General Fund Balance for Pensions in the Year								
Employer's contributions payable to the scheme	**28,403**	**28,196**	**968**	**29,164**				
Retirement benefits payable to pensioners					**4,055**	**3,823**	**210**	**4,033**

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)**			
	2015/16	**2016/17**		
	Total	**RBG**	**LPFA**	**Total**
	£000	**£000**	**£000**	**£000**
Present value of defined benefit obligation	**(1,524,196)**	(1,777,855)	(89,898)	**(1,867,753)**
Fair value of plan assets	**1,020,639**	1,099,327	83,607	**1,182,934**
Net liability arising from Defined Benefit Obligation	**(503,557)**	**(678,528)**	**(6,291)**	**(684,819)**

Pensions Assets and Liabilities recognised in the Balance Sheet	**Discretionary Benefits (Unfunded)**			
	2015/16	**2016/17**		
	Total	**RBG**	**LPFA**	**Total**
	£000	**£000**	**£000**	**£000**
Net liability arising from Defined Benefit Obligation	**(56,263)**	**(56,307)**	**(3,129)**	**(59,436)**

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			
	2015/16	**2016/17**		
	Total	**RBG**	**LPFA**	**Total**
	£000	**£000**	**£000**	**£000**
Opening balance 1 April	**1,045,806**	**948,270**	**72,369**	**1,020,639**
Interest on scheme assets	**33,412**	34,711	2,616	**37,327**
Re-measurement gain/ loss:				
Return on assets less interest	**(39,098)**	137,870	11,927	**149,797**
Other	**-**	(507)	147	**(360)**
Administration expenses	**(764)**	(820)	(94)	**(914)**
Employer contributions	**32,458**	32,019	1,178	**33,197**
Contributions by scheme participants	**10,418**	10,235	74	**10,309**
Benefits paid	**(53,956)**	(60,938)	(4,610)	**(65,548)**
Settlements	**(7,637)**	(1,513)	-	**(1,513)**
Closing balance 31 March	**1,020,639**	**1,099,327**	**83,607**	**1,182,934**

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)			
	2015/16	**2016/17**			**2015/16**	**2016/17**		
	Total	**RBG**	**LPFA**	**Total**	**Total**	**RBG**	**LPFA**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Opening balance 1 April	**(1,583,280)**	**(1,444,953)**	**(79,243)**	**(1,524,196)**	**(70,256)**	**(53,352)**	**(2,911)**	**(56,263)**
Current service cost	**(43,965)**	(39,953)	(349)	**(40,302)**	**0**	-	-	**-**
Interest cost	**(51,282)**	(52,623)	(2,864)	**(55,487)**	**(2,243)**	(1,904)	(104)	**(2,008)**
Contributions by scheme participants	**(10,418)**	(10,235)	(74)	**(10,309)**	**0**	-	-	**-**
Remeasurement gains and losses	**122,457**	(310,693)	(15,499)	**(326,192)**	**12,181**	(7,159)	(405)	**(7,564)**
Change in demographic assumptions	**-**	23,058	1,828	**24,886**	**-**	2,285	81	**2,366**
Experience loss/(gain) on defined benefit obligation	**-**	-	2,204	**2,204**	**-**	-	-	**-**
Benefits paid	**49,901**	57,115	4,400	**61,515**	**4,055**	3,823	210	**4,033**
Past service costs	**-**	-	-	**-**	**-**	-	-	**-**
Settlements	**(9,577)**	(5,067)	(301)	**(5,368)**	**-**	-	-	**-**

Curtailments	**1,968**	5,496	-	**5,496**	**-**	-	-	**-**
Closing balance 31 March	**(1,524,196)**	**(1,777,855)**	**(89,898)**	**(1,867,753)**	**(56,263)**	**(56,307)**	**(3,129)**	**(59,436)**

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		**2015/16**			**2016/17**	
	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**
UK and Overseas Unit Trusts	-	224,928	**224,928**	-	357,169	**357,169**
Unitised insurance policies	-	209,343	**209,343**	-	291,362	**291,362**
Equity investments	188,598	16,959	**205,557**	48,979	62,823	**111,802**
Bonds	-	177,516	**177,516**	-	194,771	**194,771**
Alternatives	-	-	**-**	-	-	**-**
Property	-	112,748	**112,748**	-	110,910	**110,910**
Cash	-	18,178	**18,178**	-	33,313	**33,313**
Closing balance 31 March	**188,598**	**759,672**	**948,270**	**48,979**	**1,050,348**	**1,099,327**

LPFA		**2015/16**			**2016/17**	
	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	33,617	0	**33,617**	49,541	0	**49,541**
Gilts / Cashflow Matching	7,336	0	**7,336**	0	0	**0**
Property	0	2,583	**2,583**	0	4,262	**4,262**
Infrastructure	0	3,965	**3,965**	0	4,402	**4,402**
Commodities	324	0	**324**	0	0	**0**
Target Return Portfolio	15,394	0	**15,394**	17,666	0	**17,666**
Cash	0	9,150	**9,150**	0	7,736	**7,736**
Closing balance 31 March	**56,671**	**15,698**	**72,369**	**67,207**	**16,400**	**83,607**

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. The principal assumptions used by the actuary have been:

Assumptions	**RBG**		**LPFA**	
	2015/16	**2016/17**	**2015/16**	**2016/17**
Mortality assumptions (yrs)				
Longevity at 65 for current pensioners				
Men	23.8	22.5	21.4	20.8
Women	25.0	24.6	24.6	24.1
Longevity at 65 for future pensioners				
Men	26.1	24.7	23.8	23.2
Women	27.3	26.9	26.9	26.3
Other assumptions (%)				
Rate of inflation (RPI)	3.3	3.6	3.3	3.3
Rate of inflation (CPI)	2.3	2.7	2.3	2.4
Rate of increase in salaries	4.1	4.2	4.1	3.9
Rate of increase in pensions	2.3	2.7	2.3	2.4
Rate for discounting scheme liabilities*	3.7	2.7	3.7	2.3
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	10.0

*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 decreases in the rate for discounting scheme liabilities between 2015/16 and 2016/17 for RBG and the LPFA scheme. They have decreased by 1.0% and 1.4% respectively. Had the discount rate remained at 2015/16 levels, the defined benefits obligation would have decreased by £336m and £11m 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 %)	(31,996)	(1,170)	**(33,166)**	32,595	1,186	**33,781**
Rate of increase in salaries (increase or decrease by 0.1 %)	3,798	55	**3,853**	(3,773)	(55)	**(3,828)**
Rate of increase in pensions (increase or decrease by 0.1 %)	28,765	1,129	**29,894**	(28,255)	(1,115)	**(29,370)**
Longevity (increase or decrease in 1 year)	70,560	3,956	**74,516**	(67,866)	(3,791)	**(71,657)**

Asset and Liability Matching Strategy

Previously, synthetic equities, swaps and other Liability Driven Investment were included in the LDI/Cashflow matching category with any cash collateral included in the Cash category. This year, to reflect the way that the LPFA show this in their asset allocation, the synthetic equities have been grouped with traditional equities and the swaps and other Liability Driven Investment are grouped as Cash.

Impact on the authority's cash flows

The liabilities show the underlying commitments that the Authority has in the long run to pay post- employment (retirement) benefits. The total liability of £ 744.255m (2015/16: £559.820m) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet resulting in an overall balance of £1.759bn (2015/16: £1.760bn). 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 valuation was calculated as at 31 March 2016, effective from 1 April 2017. The total contributions expected to be made in respect of funded defined benefits by the Authority in the year to 31 March 2018 are £28.924m. The weighted average duration of the defined benefit obligation for RBG scheme members is 18 years and LPFA scheme members 13 years.

Note 19 - Short Term Debtors

31 March 2016 £000	Short Term Debtors	31 March 2017 £000
10,237	Central government bodies	10,051
2,235	Other local authorities	10,262
8,334	NHS bodies	12,643
34,875	Other entities and individuals	38,941
55,681	**Total**	**71,897**

Debtors are shown net of bad debts provision of £38.401m at 31st March 2017 and £34.785m at 31st March 2016.

Note 20 - Short Term Creditors

31 March 2016 £000	Short Term Creditors	31 March 2017 £000
(10,887)	Central government bodies	(18,895)
(10,421)	Other local authorities	(14,092)
(4,089)	NHS bodies	(4,399)
(53,924)	Other entities and individuals	(48,045)
(79,321)	**Total**	**(85,431)**

Note 21 – Provisions

Provisions	1 April 2016 £000	Amounts Used £000	Additional Provisions £000	31 March 2017 £000
Accumulated Absence	(6,284)	0	(207)	(6,491)
CRC Allowances	(281)	523	(492)	(250)
Redundancy Related	(1,548)	7,948	(6,400)	0
Total (Short Term)	**(8,113)**	**8,471**	**(7,099)**	**(6,741)**
Insurance	(7,811)	0	(157)	(7,968)
Business Rates Appeals	(2,273)	0	(622)	(2,895)
Total (Long Term)	**(10,084)**	**0**	**(779)**	**(10,863)**

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 22 - Dedicated Schools Grant

The Authority's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, 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 and Early Years (England) Regulations 2015. 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.

Dedicated Schools Grant	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2016/17 before academy recoupment			**265,728**
Academy figure recouped for 2016/17			**(48,784)**
Total DSG after academy recoupment for 2016/17			**216,944**
Brought forward from 2015/16			**7,482**
Agreed initial budgeted distribution in 2016/17	45,384	179,042	**224,426**
In year adjustments	(2,826)	2,826	**-**
Final budgeted distribution for 2016/17	42,558	181,868	**224,426**
Less actual central expenditure	(36,426)	-	**(36,426)**
Less actual ISB deployed to schools	-	(182,614)	**(182,614)**
Carry forward to 2017/18			**5,386**

The total amount of reserves held by schools at 31 March 2017 was £9.981m (£13.042m at 31 March 2016).

Note 23 - 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	2015/16 £000	2016/17 £000
Funding provided to the pooled budget by		
the Authority	(2,214)	(2,215)
the Trust	(22,479)	(23,803)
Sub Total	**(24,693)**	**(26,018)**
Expenditure met from the pooled budget by		
the Authority	2,187	2,288
the Trust	24,057	24,158
Sub Total	**26,244**	**26,446**
Net (surplus) / deficit arising on the pooled budget during the year	**1,551**	**428**

The national £3.8bn Better Care Fund (BCF) was announced by the Government in the June 2013 spending round as a mechanism for the transformation of integrated health and social care. From 2015/16, there was a national requirement to operate the BCF as a pooled budget. Resources would be transferred to individual Clinical Commissioning Groups (CCG's) from NHS England, and from the CCG's to the pooled budgets. Royal Greenwich and Greenwich CCG have entered into such an arrangement and an agreed level has been entered into a single pot that has then been used to commission or deliver health and social care services. The total BCF pot for Greenwich in 2016/17 (CCG and RBG) was £20.352m.

Better Care Fund	**2015/16 £000**	**2016/17 £000**
Pooled Budget Funding		
the Authority	(14,358)	(14,371)
the Greenwich CCG	(5,413)	(5,981)
Sub Total	**(19,771)**	**(20,352)**
Expenditure incurred from pooled budget		
the Authority	14,358	13,749
the Greenwich CCG	5,413	4,200
Sub Total	**19,771**	**17,949**
Net (surplus) / deficit arising on the pooled budget during the year	**0**	**(2,403)**

Note 24 - 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	**2015/16 £000**	**2016/17 £000**
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	195	195
Fees payable to external auditors for the certification of grant claims and returns for the year.	83	101
Fees payable to external auditors for non-audit services provided for the year.	10	0
Total	**288**	**296**

Note 25 - 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 Note 8 Grant Income.

Officers

- 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 2016/17 is shown in Note 26.

- Councillor Austen is the chair of Shrewsbury House Community Centre. An amount of £27,466 was paid to the organisation from the Authority during the year. An amount of £130 was outstanding at year end.
- Councillor Hartley is a director of Greenwich & Bexley Credit Union. An amount of £36,765 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 £1,566,900 during the year.
- Councillor Khan, acting in a personal capacity, is a member of the London Fire and Emergency Planning Authority. An amount of £24,179 was paid to the organisation from the Authority during the year.
- Councillor MacCarthy, acting in a personal capacity, is a member of the board of the Greenwich Dance Agency. An amount of £148,910 was paid to the organisation from the Authority during the year.
- Councillor May, a member of the Authority is married to an employee of Bikeworks CIC. An amount of £220,458 was paid to the organisation for a cycle training for school`s contract from the Authority during the year. An amount of £5,273 was outstanding at year end.
- Councillor Offord, acting in a personal capacity, is on the management committee of the Greenwich Toy and Leisure Library Association. An amount of £150,138 was paid to the organisation from the authority during the year. An amount of £265 was outstanding at year end.
- Councillor C Parker, acting in a personal capacity, is a trustee of the Age Exchange, Blackheath. An amount of £6,050 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 £25,850 during the year. An amount of £417,738 was paid to the organisation from the Authority during the year. An amount of £52,123 was outstanding at year end.
- Councillor G Parker is a director of CNT Associates who had a fundraising contract with Visit Greenwich (RBGDMC) to the sum of £5,400 during the year. See note below for RBGDMC.
- Councillor G Parker, acting in a personal capacity, holds a general management position in SE London Chamber of Commerce. An amount of £10,882 was paid to the organisation during the year, with £1,336 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 £8,439 was paid to the organisation from the authority during the year.

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 (The)	Councillor D Hyland Councillor S James Councillor J Smith	49,582	50,057
Royal Borough of Greenwich Destination Management Company	Councillors D Hyland Councillor D Scott McDonald	See note below	See note below
DG Cities Limited	Councillor A Hisbani Councillor S James	See note below	See note below
Eltham Crematorium Joint Committee	Councillor J Fahy (Deputy) Councillor D Gardner Councillor D Hyland (Deputy) Councillor S James (Deputy) Councillor C Kirby (Deputy) Councillor M O'Mara (Deputy) Councillor D Scott McDonald (Deputy) Councillor J Smith Councillor D Thorpe (Deputy) Councillor M Williams (Deputy)	See note below	See note below
Firepower	Councillor C Grice	7,200	0
Greenwich & Docklands International Festival	Councillor B Barwick	194,780	0
Greenwich Community College	Councillor S James Councillor S Brain	520,003	0
Greenwich Co-operative Development Agency	Councillor H Singh Councillor A Hisbani Councillor D Hyland	303,917	73,767
Greenwich Dance Agency	Councillor N Adams	148,910	0
Greenwich Housing Rights	Councillor M Khan	155,448	0
Greenwich Leisure Ltd	Councillor P Brooks Councillor L Bird		

	Councillor H Singh Councillor J Smith Councillor D Stanley Councillor M Williams	8,498,052	679,166
Greenwich Peninsula Estate Management Co.	Councillor D Scott McDonald	11,037	0
Greenwich Services Plus	Councillor P Brooks	See note below	See note below
Greenwich Service Solutions	Councillor P Brooks	See note below	See note below
Greenwich Starting Blocks	Councillor L Bird Councillor B Barwick	8970	0
Greenwich Theatre Board	Councillor S Brain Councillor N Adams	116,196	25,000
Greenwich Young People's Theatre	Councillor J Smith	71,592	200
LGA General Assembly	Councillor D Hyland Councillor M Khan Councillor D Scott McDonald Councillor H Singh	43,425	0
Local Government Information Unit	Councillor C Parker	39,860	0

Name of Organisation	Councillor(s)	Value of Transactions £	Outstanding Balances £
London Councils (Grants Committee) London Councils (Leaders Committee) London Councils (Pensions Collective Investment Vehicle) London Councils (Transport & Environment Committee)	Councillor M O'Mara Councillor D Scott McDonald Councillor J Fahy (Deputy) Councillor D Hyland Councillor M O'Mara (Deputy) Councillor D Thorpe (Deputy) Councillor D Austen Councillor J Smith Councillor D Thorpe	9,107,907	0
Long Lane Football Club	Councillor D Stanley	(3,537)	0
Meridian Home Start	Councillor S Offord *	7,588	0
Middle Park Community Centre	Councillor C May Councillor C Morris	64,498	0
MIND Management Committee (Greenwich Mind)	Councillor M Morrow	296,818	18,200
New Charlton Community Centre	Councillor B Barwick	36,477	74
Oxleas Foundation Trust	Councillor D Gardner	13,134,398	13,442
Royal Greenwich Heritage Trust	Councillor G Parker Councillor D Scott McDonald	See note below	See note below
South East Enterprise	Councillor S James	212,500	0
South East London Combined Heat and Power Company	Councillor D Thorpe	5,938,983	504,166
Trinity Laban	Councillor A MacCarthy	24,019	0
Wide horizons Outdoor Education Trust	Councillor C May	9,896	900

* Director until 19/05/2016

Other Public Bodies

The Authority has entered into a pooled budget agreement with Oxleas NHS Foundation Trust as outlined in Note 23.

Eltham Crematorium

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

2015/16 £000	Eltham Crematorium Transactions	2016/17 £000
627	Amounts held in Royal Borough of Greenwich bank account	1,108
147	Annual Support Service Cost	195
517	Surplus Distribution	435

Pension Fund

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

2015/16 £000	Pension Fund Transactions	2016/17 £000
654	Annual Support Service Cost	759
27,524	Employer Contributions into the Fund	28,218

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.

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 payments to DG Cities Ltd from RBG for reimbursement of costs in delivery of the Gateway Driverless Car Project. The cost to RBG 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

2015/16				Transactions	2016/17			
Payable £000	**Creditor £000**	**Receivable £000**	**Debtor £000**		**Payable £000**	**Creditor £000**	**Receivable £000**	**Debtor £000**
(412)	0	0	0	GSS	(154)	0	0	0
(26,598)	(3,011)	3,938	2,198	GSP	(28,167)	(3,231)	3927	3356
(133)	0	0	0	D G CITIES	(189)	0	43	0
(386)	0	0	0	RBGDMC	(389)	0	19	0
(762)	0	0	0	RGHT	(680)	0	66	0

Note 26 - Members' Allowances

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

Members Allowances	2015/16 £	2016/17 £
Allowances	945,271	948,434

Note 27 - 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 £	Compensation for loss of office £	Pension Contributions £	Totals £
Chief Executive		J Comber	2016/17	188,870		34,941	223,811
			2015/16	187,000		34,595	221,595
Director of Finance (Section 151 Officer)	1	D Warren	2016/17	175,908		32,543	208,451
			2015/16	170,000		31,450	201,450
Director of Children's Services	2		2016/17	75,132		13,900	89,032
		G Palmer	2016/17	75,189		-	-
		G Palmer	2015/16	150,000		27,750	177,750
Director of Regeneration, Enterprise and Skills			2016/17	146,467		27,093	173,560
			2015/16	144,800		26,825	171,625
Director of Community Services	3		2016/17	139,357	67,407	19,009	225,773
			2015/16	132,042		24,482	156,524
Director of Central Services			2016/17	126,249		23,356	149,605
			2015/16	125,200		23,161	148,361
Head of Legal	4		2016/17	49,992		9,242	59,234
Head of Law and Governance			2016/17	-	133,480	-	133,480
Head of Law and Governance			2015/16	124,543		21,460	146,003
Director of Health and Adult's Services			2016/17	126,250		23,356	149,606
			2015/16	122,958		22,740	145,698

1. This includes the Deputy Chief Executive role.
2. The previous Director of Children's Services last day of service was 31st August 2016. The new Director of Children's Services commenced their first day of service on the 5th September 2016. The basic rate for the latter is £131,300.
3. The Director of Community Services last day of service was13th December 2016.
4. The Head of Law and Governance last day of service was 31st March 2016. Head of Legal Services commenced their first day of service on 3rd October 2016. The basic rate for this role is £101,000.

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	2015/16 No of employees	2016/17 No of employees
£50,000 - £54,999	246*	251*
£55,000 - £59,999	163*	156*
£60,000 - £64,999	60*	74*
£65,000 - £69,999	57*	63*
£70,000 - £74,999	40*	40*
£75,000 - £79,999	27*	26*
£80,000 - £84,999	11	17*
£85,000 - £89,999	19*	13*
£90,000 - £94,999	2	13*
£95,000 - £99,999	7*	7*
£100,000 - £104,999	4*	7*
£105,000 - £109,999	3	6*
£110,000 - £114,999	5	4*
£115,000 - £119,999	2*	3*
£120,000 - £124,999	3*	1*
£125,000 - £129,999	1	3*
£130,000 - £134,999	2	3*
£135,000 - £139,999	2	0
£140,000 - £144,999	2	1*
£145,000 - £149,999	1*	2
£150,000 - £154,999	2	0
£155,000 - £159,999	0	0
£160,000 - £164,999	0	0
£165,000 - £169,999	0	1*
£170,000 - £174,999	1	0
£175,000 - £179,999	0	1
£180,000 - £184,999	0	0
£185,000 - £189,999	1	1
£190,000+	0	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 £1.996m relating to pension strain (£1.095m in 2015/16). 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***	
	2015/16	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**
	No	**No**	**No**	**No**	**No**	**No**	**£**	**£**
£0 - £20,000	5	2	91	132	96	134	£843,981	£1,476,596
£20,001 - £40,000	1	0	29	65	30	65	£ 873,627	£1,729,364
£40,001 - £60,000	0	1	15	30	15	31	£ 732,847	£1,765,025
£60,001 - £80,000	0	0	9	22	9	22	£631,573	£1,521,645
£80,001 - £400,000	0	0	8	6	8	6	£985,111	£623,958
Total	**6**	**3**	**152**	**255**	**158**	**258**	**£4,067,139**	**£7,116,588**
Creditors							**£6,574,104**	**£94,412**
Exit Provisions							***£10,506,049**	**£0**
Cost Charged to the Comprehensive I&E Statement							**£21,147,292**	**£7,211,000**

* In connection with the authority's MTFS, 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. A provision of £1.360m relating to redundancy payments was created, with the remainder accounting for early retirement strain.

Note 28 - Contingent Liabilities

As at 31 March 2017 the Authority had no material contingent liabilities.

Note 29 - 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 2017 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 2017, the Authority had a general fund balance of sundry debtors totalling £48.6m. A review of significant balances suggested that an impairment of doubtful debts of 8.1% (£3.9m) 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 £2.4m.
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 18. If their longevity was actually more representative of someone that was one year older, liabilities would increase by £75m (and decrease by £72m if one year younger). If discount rates had maintained their 2015/16 levels, then the net pensions liability would have decreased by £336m compared to that calculated herein. However, the assumptions interact in complex ways and during 2016/17, the actuaries advised that, overall, the net pensions liability had increased by £184m 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 £1.6m for every year that useful lives had to be reduced.

Note 30 - Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the new or amended standards within the 2017/18 Code. There are no new standards in the 2017/18 Code which are likely to have a material impact on the accounts.

Note 31 - 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 three 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 they 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 32 - 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 £20m. There are no material items that have not been disclosed on the face of the Comprehensive Income and Expenditure Statement or elsewhere within the Accounts

Note 33 - Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Director of Finance on 19 July 2017. 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 2017, 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 2017 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 2017/18. The following schools have received approval to convert from the Department of Education:

- Alderwood Primary

- Deansfield Primary
- Foxfield Primary
- Halstow Primary
- Horn Park Primary
- Rockcliffe Manor Primary
- South Rise Primary
- Wingfield Primary
- Willow Dene Special School
- Woodhill Primary

These assets are classed as Other Land & Buildings within Property, Plant and Equipment at a value totalling £122.6m.

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 business rates.

Income and Expenditure Account	Note	Council Tax £000	Business Rates £000	Total 31/03/16 £000	Council Tax £000	Business Rates £000	Total 31/03/17 £000
Income							
Council Tax Income	4	(99,911)	0	**(99,911)**	(104,901)	0	**(104,901)**
Business Rates Receivable	5	0	(70,758)	**(70,758)**	0	(82,711)	**(82,711)**
Business Rates Supplement	6	0	(2,082)	**(2,082)**	0	(2,515)	**(2,515)**
Business Rates Transitional Payments		0	5	**5**	0	(108)	**(108)**
Total Income		**(99,911)**	**(72,835)**	**(172,746)**	**(104,901)**	**(85,334)**	**(190,235)**
Expenditure							
Precepts and Demands							
Council Tax							
Royal Borough of Greenwich		68,381	0	**68,381**	75,838	0	**75,838**
Greater London Authority		20,562	0	**20,562**	20,517	0	**20,517**
Business Rates							
Royal Borough of Greenwich		0	20,668	**20,668**	0	20,668	**20,668**
Greater London Authority		0	13,779	**13,779**	0	13,778	**13,778**
Central Government		0	34,447	**34,447**	0	34,446	**34,446**
Business Rates Supplement	6	0	2,075	**2,075**	0	2,510	**2,510**
Previous Year's Surplus							
Council Tax	7	2,220	0	**2,220**	13,114	0	**13,114**
Business Rates	7	0	0	**0**	0	(3,269)	**(3,269)**
Collection Fund Charges							
Council Tax bad debts	8	1,523	0	**1,523**	2,430	0	**2,430**
Business Rates bad debts	9	0	690	**690**	0	930	**930**
Business Rates appeals	10	0	3,352	**3,352**	0	2,074	**2,074**
Business Rates cost of collection		0	280	**280**	0	277	**277**
Business Rates Supplement cost of collection	6	0	6	**6**	0	5	**5**
Business Rates transitional payments		0	(5)	**(5)**	0	108	**108**
Interest		0	0	**0**	0	1	**1**
Total Expenditure		**92,686**	**75,292**	**167,978**	**111,899**	**71,528**	**183,427**
(Surplus) / Deficit for Year		**(7,225)**	**2,457**	**(4,768)**	**6,998**	**(13,806)**	**(6,808)**

Fund Statement (£000)	Note	Council Tax £	Business Rates £	Total 31/03/16 £	Council Tax £	Business Rates £	Total 31/03/17 £
Fund Balance B/F		**(13,803)**	**739**	**(13,064)**	**(21,028)**	**3,196**	**(17,832)**
(Surplus) / Deficit for Year		(7,225)	2,457	(4,768)	6,998	(13,806)	(6,808)
Fund Balance C/F	11	**(21,028)**	**3,196**	**(17,832)**	**(14,030)**	**(10,610)**	**(24,640)**

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 (79%) and the GLA (21%).

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 2016/17 the Royal Borough set a band D tax of £1,296.05 (£1,275.91 in 2015/16). These charges are before any appropriate discounts. The charge for each band is a ratio of band D. The 2016/17 charges were:

Band	Ratio to Band D	Council Tax 2015/16 £	Council Tax 2016/17 £
A	6/9	850.61	864.03
B	7/9	992.37	1,008.04
C	8/9	1,134.14	1,152.04
D	1	1,275.91	1,296.05
E	11/9	1,559.45	1,584.06
F	13/9	1,842.98	1,872.08
G	15/9	2,126.52	2,160.08
H	18/9	2,551.82	2,592.10

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 2016/17 was 74,338 (69,702 in 2015/16) as calculated below.

2015/16	2016/17					
Band D Equivalent	**Band**	**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	3	3	5/9	2
3,485	A	10,329	(4,392)	5,937	6/9	3,958
9,128	B	21,007	(8,048)	12,959	7/9	10,079
26,071	C	40,277	(9,386)	30,891	8/9	27,458
16,726	D	21,878	(3,867)	18,011	1	18,010
10,881	E	10,684	(1,331)	9,353	11/9	11,432
4,183	F	3,214	(203)	3,011	13/9	4,349
3,209	G	2,072	(75)	1,997	15/9	3,329
594	H	339	(28)	311	18/9	623
74,280	**Total**	**109,800**	**(27,327)**	**82,473**		**79,240**
(4,829)	less Allowance for Non Collection					(5,150)
251	plus Adjustment for Armed Forces Dwellings					248
69,702	**Royal Borough Tax Base**					**74,338**

Based on the estimated tax base of 74,338 an income yield for 2016/17 of £96.3m (£88.9m in 2015/16) was anticipated. The actual taxbase was equivalent to 80,939 (78,305 in 2015/16) including backdated transactions and the equivalent yield was £104.9m (£99.9m in 2015/16).

Note 5 - Business Rate Income

Business Rate Income	2015/16 £000	2016/17 £000
Debits Raised	87,357	101,562
Relief and Exemption granted	(14,522)	(16,228)
Total Collectable	**72,835**	**85,334**

The Business Rate Multiplier is set nationally and for 2016/17 was 49.7p (49.3p in 2015/16). The total rateable value for non-domestic rated property in the Royal Borough for 2016/17 was £189.9m (£177.0m in 2015/16).

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 £13.114m was distributed in 2016/17 to the Royal Borough (£10.082m) and the GLA (£3.032m). There was a recovery of a business rate deficit of £3.269m in 2016/17 (Central Government £1.634m / RBG £0.981m / GLA £0.654m).

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 2016/17 £2.430m (£1.523m in 2015/16) was contributed to the council tax bad debt provision and £0.138m (£0.115m in 2015/16) 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 2016/17 £0.930m (£0.690m in 2015/16) was contributed to the business rates bad debt provision and £0.580m (£0.678m in 2015/16) 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 2017 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. During 2016/17 a net contribution of £2.074m (£3.352m in 2015/16) was made to the provision.

Note 11 - Collection Fund Position

Council Tax Surplus

The balance on the Fund for council tax at 31 March 2017 is £14.030m. Of this sum, £2.959m is the GLA's share of the Collection Fund and is shown as a creditor in the Authority's Balance Sheet. The balance of £11.071m is the Royal Borough's share of the Collection Fund. A distribution of the balance on the Fund will be made in 2017/18. The GLA will receive £1.911m in 2017/18. The remaining council tax balance will be taken into account in future budget setting processes.

Business Rates Surplus

The balance on the Fund for Business Rates at 31 March 2017 is £10.610m. Of this sum £2.122m is the GLA's share and £5.305m is the Government share. Both of these items are shown as a creditor in the Authority's Balance Sheet. The balance of £3.183m is the Royal Borough's share of the Collection Fund. A distribution of the balance on the Fund will be made in 2017/18. Central Government will receive £3.383m and the GLA will receive £1.353m. 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.

2015/16 £000	HRA Income and Expenditure Statement	2016/17 £000
	Expenditure	
24,658	Repairs and Maintenance	22,537
51,996	Supervision and Management	47,638
1,771	Rent, Rates, Taxes and Other Charges	1,519
(79,006)	Depreciation, Impairments and Revaluation Losses in relation to Non-current Assets	(12,804)
116	Debt Management Costs	124
0	Movement in the allowance for bad debts (not specified by code)	1,442
(465)	**Total Expenditure**	**60,456**
	Income	
(116,320)	Dwelling Rents	(111,987)
(2,583)	Non Dwelling Rents	(2,667)
(4,700)	Charges for services and facilities	(5,350)
(1,655)	Movement in the allowance for bad debts (not specified by code)	0
(206)	Contribution towards expenditure	(1,634)
(125,464)	**Total Income**	**(121,638)**
(125,929)	**Net Income of HRA Services**	**(61,182)**
	HRA share of the operating income and expenditure included in the whole Authority Comprehensive I&E Statement	
(12,305)	(Gain) or Loss on sale of HRA non-current Assets	(14,713)
15,197	Interest Payable and Similar Charges	14,967
(2,844)	Capital Grants and contributions receivable	(61)
(7)	Interest and Investment Income	0
3,124	Net interest on the net defined benefit liability / (asset)	2,939
(122,764)	**(Surplus) / Deficit for the Year on HRA Services**	**(58,050)**

2015/16 £000	Movement on the HRA Statement	2016/17 £000
(18,107)	**Balance on the HRA as at the end of the previous reporting period**	**(9,094)**
(122,764)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(58,050)
131,777	Adjustment between accounting basis and funding basis under statute	55,119
9,013	**(Increase) or decrease in year on the HRA**	**(2,931)**
(9,094)	**Balance on the HRA at the end of the current reporting period**	**(12,025)**

Note 1 - Depreciation and Impairment

HRA Depreciation and Impairment	2015/16 £000	2016/17 £000
Dwellings	20,547	22,079
Other Land & Buildings	603	724
Vehicles	59	55
Surplus	1,087	1,052
Total Depreciation	**22,296**	**23,910**
Impairment and Revaluation Losses	**38,435**	**6,056**

HRA valuations were reviewed at 1 April 2016 and the 31 March 2017. 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 £44.2m.

Note 2 - Housing Stock

The Council was responsible for managing 21,696 dwellings as at 31 March 2017. The property is analysed below:

Analysis of HRA Dwellings at 31 March 2017	1 Bed	2 Beds	3 & more	Total
Low rise flats in blocks up to 2 storeys	1,378	1,018	349	2,745
Medium rise flats in blocks of 3-5 storeys	3,837	3,287	1,603	8,727
High rise flats in blocks of 6 or more storeys	1,542	1,740	231	3,513
Houses and bungalows	247	1,199	5,258	6,704
Multi occupied dwellings				7
Total				**21,696**

The HRA valuations were reviewed as at 1 April 2016 and the 31 March 2017. These figures represent the valuation less disposals and depreciation.

31 March 2016 £000	Balance Sheet Valuation of HRA Assets	31 March 2017 £000
1,360,789	Dwellings	1,470,206
43,875	Property Plant and Equipment Assets – Other	49,702
4,231	Assets held for Sale	688
1,408,895	**Total**	**1,520,596**

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 2015 £000	Vacant Possession Value	1 April 2016 £000
5,040,896	HRA Dwellings	5,423,643

The Royal Borough has provided grant funding to three Registered Providers which has resulted in the provision of 55 affordable rented homes, under the Right to Buy Retention Agreement funded from Right to Buy Retained receipts.

2015/16 £000	HRA Revenue Expenditure Funded From Capital Under Statute	2016/17 £000
3,869	Houses	3,790
3,869	**Total**	**3,790**
	Financed by:	
3,869	Capital Receipts	3,790
3,869	**Total**	**3,790**

Note 3 - Major Repairs Reserve

2015/16 £000	Major Repairs Reserve	2016/17 £000
0	**Balance as at 1 April**	**0**
22,196	Financing of Capital Expenditure for year	23,910
(22,196)	Depreciation for the year	(23,910)
0	**Balance as at 31 March**	**0**

Note 4 - HRA Capital Financing

2015/16 £000	HRA Capital Expenditure	2016/17 £000
53,028	Houses	39,511
0	Other Property	183
0	Vehicles & Equipment	0
53,028	**Total**	**39,694**
	Financed by:	
5,257	Capital Receipts	6,684
22,296	Major Repairs Reserve	23,910
1,960	Other Grants	183
23,515	Revenue	8,917
53,028	**Total**	**39,694**

Summary of HRA Capital Receipts

2015/16 £000	Capital Receipts	2016/17 £000
1,332	Land	36
25,416	Houses	25,993
175	Other Property	0
26,923	**Total**	**26,029**

Note 5 - Rent Arrears

HRA rent arrears at 31 March 2017 totalled £11.009m. 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 2017 the provision totaled £8.447m.

2015/16 £000	Arrears	2016/17 £000
7,142	Due from Current Tenants	6,905
3,906	Due from Former Tenants	4,104
11,048	**Total**	**11,009**

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.

Note 7 – Tenants Service Charges

From February 2017 the Authority agreed to introduce service charges for tenant's services and facilities that were previously pooled in the HRA.

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 Pension Fund (the "Authority") for the year ended 31 March 2017 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 2016/17.

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 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 2016/17, 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, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 2017 and of the amount and disposition at that date of the fund's assets and liabilities; and
- the pension fund financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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 for the financial year for which the financial statements are prepared 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
Colmore Plaza
20 Colmore Circus
Birmingham
West Midlands
B4 6AT

20 July 2017

Royal Borough of Greenwich Pension Fund

2015/16 £000	Fund Account	Notes	2016/17 £000
	Dealings with Members, Employers and Others directly involved in the Scheme		
	Contributions Receivable:	6	
(32,549)	Employer Contributions		(33,336)
(12,259)	Member Contributions		(12,304)
(2,696)	Transfers in from Other Pension Funds	7	(1,471)
	Benefits:	8	
37,250	Pensions		40,877
8,688	Lump Sum & Death Benefits		18,440
3,267	Payments to and on account of Leavers	9	1,447
1,701	**Subtotal: Net (additions) / withdrawals from Dealings with Members**		**13,653**
2,698	Management Expenses	10	3,856
	Returns on Investment		
(10,980)	Investment Income	11	(10,059)
11,500	(Profit) and Losses on disposal of Investments and Changes in Value of Investments	13	(190,006)
154	Taxes on Income	12	154
674	**Net Returns on Investment**		**(199,911)**
5,073	**Net (increase) / decrease in the Net Assets available for Benefits during the year**		**(182,402)**

31 March 2016 £000	Net Asset Statement	Notes	31 March 2017 £000
	Investment assets		
209,154	Equities	14	4
	Pooled Investment Vehicles:	14	
196,865	Fixed Interest		224,690
123,187	Property Unit Trusts		119,763
232,161	Unitised Insurance Policies		330,814
249,444	Other Unit Trusts		426,871
1,850	Property – Freehold	3&14	1,850
18,808	Private Equity	14&22	117,392
1,883	Cash Deposits	19	780
2,476	Cash Equivalents	15	3,742
1,118	Other Investment Balances	18	232
	Investment Liabilities		
(523)	Other Investment Balances	18	(976)
1,036,423	**Net Investment Assets / (Liabilities)**		**1,225,162**
	Current Assets		
340	Contributions Due	18	373
60	Other Current Assets	18	76
15,670	Cash Balances	19	9,376
	Current Liabilities		
(235)	Unpaid Benefits	18	(129)
(629)	Other Current Liabilities	18	(826)
15,206	**Net Current Assets / (Liabilities)**		**8,870**
1,051,629	**Net Assets of the Scheme available to fund Benefits at the Period End**		**1,234,032**

The financial statements of the Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2017. The Fund has restructured its investment assets and added three new mandates, an overview is in note 13.

Note 1 – Description of the 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 2016/17 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 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The LGPS (Management and Investment of Funds and Amendment) Regulations 2016

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, Charlton Athletic, Endeavour Partnership Trust*, International Academy of Greenwich*, Maritime Academy Trust*, Oxleas NHS Foundation.
- 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.

*New Scheduled Bodies

There were 49 active employer organisations within the Fund as at 31 March 2017 (42 as at 31 March 2016). The following table summarises the composition of the registered membership of the Fund as at 31 March 2017.

Membership	**Administering Authority**		**Admitted Bodies**		**Scheduled Bodies**	
	2015/16	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**
Employees contributing into Fund	7,254	7,090	418	384	1,141	1,354
Pensioners / Dependents	5,994	6,296	145	169	149	176
Former Members entitled to Deferred Benefits	5,869*	6,477	225*	229	316*	492
Totals	19,117	19,863	788	782	1,606	2,022

* 2015/16 figures have been restated to include leavers who had not taken a decision on their retirement benefit options

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 updated 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 2016/17 financial year and its position at year-end as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (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 2016/17 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 most recent actuarial valuation was carried out 31 March 2016 and determines 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 bid price quoted by their respective managers prior to the close of business on 31 March 2017
    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.
b) Unitised insurance policies are valued at mid-price and are calculated on each business day at noon.
c) 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 2016 to 31 March 2017).
d) Private Equity valuations are based upon the underlying investments within each portfolio, the majority of which are based upon figures as at 31 December 2017, reflecting the nature of valuing those investments. The cash flows are adjusted up to 31 March 2017 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 £1.850m 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 2017.

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.

AVC (Additional Voluntary Contributions)

The current value of the investments in Equitable Life is based on estimated market movement.

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 2016/17 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:

2015/16 £000	Contributions Receivable	2016/17 £000
	Employee Contributions	
(10,122)	Administering Authority	(10,087)
(999)	Admitted Bodies	(1,017)
(1,138)	Scheduled Bodies	(1,200)
(12,259)	**Total Employee Contributions**	**(12,304)**
	Employer Contributions	
(27,524)	Administering Authority	(28,218)
(2,053)	Admitted Bodies	(2,042)
(2,972)	Scheduled Bodies	(3,076)
(32,549)	**Total Employer Contributions**	**(33,336)**
(44,808)	**Total Contributions Receivable**	**(45,640)**

Note 7 - Transfers in from Other Pension Funds

2015/2016 £000	Transfers in from other Pension Funds	2016/2017 £000
(2,696)	Individual Transfers	(1,471)

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.

2015/2016 £000	Benefits	2016/2017 £000
	Pensions	
36,021	Administering Authority	39,666
697	Admitted Bodies	664
532	Scheduled Bodies	547
37,250	**Total Pensions Payable**	**40,877**
	Lump Sums	
6,267	Administering Authority	16,642
433	Admitted Bodies	394
845	Scheduled Bodies	396
7,545	**Total Lump Sums**	**17,432**
	Death Benefits:	
1,068	Administering Authority	895
37	Admitted Bodies	-

38	Scheduled Bodies	113
1,143	**Total Death Benefits**	**1,008**
45,938	**Total Benefits Payable**	**59,317**

Note 9 - Payments to and on Account of Leavers

2015/16 £000	Payments to and on Account Of Leavers	2016/17 £000
184	Refunds to Members leaving Service	176
92	Payments for Members joining State Scheme	51
2,991	Individual Transfers	1,220
3,267	**Total Payments to and on Account of Leavers**	**1,447**

Note 10A – Management Expenses

2015/16 £000	Management Expenses	2016/17 £000
666	Administration Expenses	768
120	Oversight and Governance	122
1,912	Investment management Expenses	2,966
2,698	**Total Administration Expenses**	**3,856**

Investment management expenses are further analysed below in line with the CIPFA Guidance on Accounting for Management Costs in the LGPS.

Note 10B Investment Management Expenses

2015/16 £000	Management Expenses	2016/17 £000
1,831	Management Expenses	2,675
-	Performance Fees	147
68	Custody Fees	12
13	Transaction Costs*	132
1,912	**Total Management Expenses**	**2,966**

* This note includes early adoption of the requirement to disclose transaction costs as required by the 2017/18 Code. Transaction cost for 2015/16 has been added for comparative purposes.

Note 11 - Investment Income

2015/16 £000	Investment Income	2016/17 £000
(115)	Rental Income from Property	(115)
(6,177)	Dividends from Equities	(3,748)
(223)	Dividend from Unit Trusts	(192)
	Income from Pooled Investment Vehicles:	
(4,241)	Property Unit Trusts	(5,883)
(194)	Withholding Tax Reclaimed	(12)
(27)	Interest	(47)
(3)	Other Income	(62)
(10,980)	**Total Investment Income**	**(10,059)**

Note 12a - Taxes on Income

UK Income Tax

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.

2015/16 £000	Withholding Tax	2016/17 £000
101	Withholding Tax Non Reclaimable – Equities	142
53	Withholding Tax Non reclaimable – Property Unit Trusts	12
154	**Total Taxes on Income**	**154**

Note 12b - External Audit Costs

2015/2016 £000		2016/2017 £000
21	Payable in respect of external audit	21
21	**Total External Audit Costs**	**21**

Note 13 - Investments

The investment managers and their mandates are as follows:

Manager	Mandate
Blackrock	Passive Global Equity
CBRE Global Investors	Property
Fidelity	Bond/GMAC/GEME*
LGT Capital Partners	Private Equity

State Street Global Markets	Passive Global Equity
Wilshire	Private Equity
Partners Group*	Private Equity
Invesco*	Multi Asset Strategy

*New investment portfolio started in 2016/17

In March 2015, RBG Pension Fund Investment and Administration Panel agreed to restructure the Fund's assets as set out in the table below. The market value and proportion of investments managed by each fund manager at 31 March 2017 was as follows:

	2015/16 Market Value £000	**2015/16 Market Value %**	**Mandate**	**2016/17 Market Value £000**	**2016/17 Market Value %**
Bernstein	278	-		-	-
Blackrock	458,495	44	Passive Global Equity	529,404	43
CBRE Global Investors	119,218	11	Property	123,082	10
Fidelity	99,782	10	Bond	120,357	10
Fidelity GMAC	97,023	9	Fixed Interest	104,135	8
LGT Capital Partners	8,347	1	Private Equity	5,321	-
Royal Borough of Greenwich	18,436	2	Internal	11,732	1
State Street Global Markets	239,439	22	Passive Global Equity	337	-
Wilshire	10,461	1	Private Equity	9,088	1
London CIV	150	-	UK Equity (Passive)	150	-
Partners Group*	-	-	Private Equity	102,623	8
Fidelity GEME*	-	-	Global Emerging Market Equity	105,319	9
Invesco*	-	-	Multi Asset Strategy	122,484	10
Total	**1,051,629**	**100**	**Total**	**1,234,032**	**100**

*New investment portfolio started in 2016/17

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

Manager	**Market Value 31 March 2016 £000**	**Purchases £000**	**Sales £000**	**Change in Market Value Of Investments £000**	**Change in Working Capital £000**	**Market Value 31 March 2017 £000**
Blackrock	458,495	480,946	(523,558)	113,541	(30)	529,393

CBRE Global Investors	119,218	9,627	(4,852)	(2,351)	1,440	123,082
Fidelity AGG	99,781	9,830	52	10,830	(138)	120,355
LGT	8,347	(2)	(5,322)	2,299	-	5,321
Royal Borough of Greenwich*	18,715	-	9	38	(7,017)	11,745
State Street Global Markets	239,439	6,173	(289,216)	45,269	(1,328)	337
Wilshire	10,462	19	(2,967)	1,574	-	9,087
Fidelity GMAC	97,023	(284)	-	7,345	52	104,136
London CIV	150	-	-	-	-	150
Partners Group	-	100,000	(359)	3,342	(360)	102,623
Fidelity GEME	-	99,860	-	5,459	-	105,319
Invesco	-	120,000	-	2,660	(176)	122,484
Total	**1,051,629**	**826,169**	**(826,215)**	**190,006**	**(7,557)**	**1,234,032**

The prior year comparator is 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
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[a]	(103,787)	1,481	(59)	99,781
LGT	9,633	(405)	(3,204)	2,322	-	8,347
Royal Borough of Greenwich*	14,516	-	(1)	4	4,196	18,715
State Street Global Markets	242,313	10,944	(5,792)	(8,608)	582	239,439
Wilshire	12,708	209[b]	(3,927)	1,472	-	10,462
Fidelity GMAC	-	98,967	-	(1,892)	(52)	97,023
London CIV	-	150	-	-	-	150
Total	**1,056,702**	**125,694**	**(123,153)**	**(11,500)**	**3,886**	**1,051,629**

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:

2015/16 £000	Change Market Value	2016/17 £000
1,056,702	Opening Market Value	1,051,629
6,428	Net Revenue Cash in / (out) flow	(7,604)
47,389	Realised profit / (loss)	218,811
(58,890)	Unrealised profit / (loss)	(28,804)
1,051,629	**Closing Market Value**	**1,234,032**

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

2015/16 £000	Change Market Value	2016/17 £000
209,154	Quoted	4
	Unquoted	
18,808	Private Equity	117,392
803,507	Other	1,104,035
20,160	Working Capital	12,601
1,051,629	**Total**	**1,234,032**

Included in the total amount classified as "unquoted – other" is £859.6m, relating to investment vehicles where the underlying investments are themselves quoted (£686.8m in 2015/16).

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

2015/16 £000		2016/17 £000
657,056	UK	656,629
374,413	Non UK	564,802
20,160	Working capital	12,601
1,051,629	**Total**	**1,234,032**

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

Investment Assets	Manager	2016/17 £000	2016/17 %
Aquila Life MGM World EX UK Equity	Blackrock	196,589	16
Blackrock Collective Investment UK Equity	Blackrock	191,173	15
Aquila Life	Blackrock	134,225	11
Fidelity UK Aggregate	Fidelity	120,555	10
Fidelity Institutional Funds Emerging Markets ACC	Fidelity	105,319	9
Fidelity Qualifying Investor	Fidelity	104,135	8
Partners IC RBG LTD	Partners	102,983	8

The prior year comparator is 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

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

Class of Security Asset	Manager	2016/17 £000	2016/17 % within asset class
Fixed Interest OIEC			
Fidelity UK Aggregate Bond Fund	Fidelity	120,555	54
Fidelity Qualifying Investor	Fidelity GMAC	104,135	46
Property Unit Trusts			
Schroder UK Real Estate Fund	CBRE	11,364	9
IPIF Feeder unit Trust	CBRE	9,809	8
CBRE Global Investors Mutual Fund	CBRE	8,033	7
Curlew Student Trust Mutual Fund	CBRE	7,741	6
UBS GBL Asset MGT Triton Property UT	CBRE	7,571	6
Ardstone UK Regional Office Trustee Ltd	CBRE	7,227	6
Airport Industrial Property Mutual Fund	CBRE	6,895	6
Unite UK Student Accommodation Unit Trust	CBRE	6,573	5

The PCDFIII Unit Trust Mutual Fund	CBRE	6,567	5
Cordatus Property Trust	CBRE	5,922	5
Lend Lease Retail Partnership Mutual Fund	CBRE	5,790	5
Rockspring Property Hanover Prop Unit Trust	CBRE	5,735	5
Unitised Insurance Policies			
Aquila Life MGM World EX UK Equity Series 1	Blackrock	196,589	59
Aquila Life GLB 3000 MTL WGTED	Blackrock	134,225	41
Other Unit Trusts			
Blackrock Collective Investment UK Equity Tracker	Blackrock	191,173	45
Invesco Perpetual GL TRGTD RTR Mutual Fund	Invesco	122,660	55
Fidelity Inst Funds Emerging Markets ACC	Fidelity	105,319	25
Property – Freehold			
New Lydenburg Industrial Estate	Internal	1,850	100
Private Equity			
LGT Crown European Private Equity	LGT	5,321	5
Wilshire US Private Markets Fund VII, L.P.	Wilshire	6,438	5
PG IC RBG Ltd	Partners	102,983	88

The prior year comparator is 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

Stock Lending / Derivatives

The Fund has a policy of not entering into stock lending arrangements - there were no stock lending arrangements in place during 2015/16 or 2016/17. The following investment products are classed as derivatives and may be used by the Fund managers (none held on 31 March 2017):

- 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 2016				31 March 2017		
Fair Value through Profit and Loss	Loans And Receivables	Financial Liabilities at Amortised Cost		Fair Value through Profit and Loss	Loans And Receivables	Financial Liabilities at Amortised Cost
£000	£000	£000		£000	£000	£000
			Financial Assets			
209,154			Equities	4		
			Pooled Investment Vehicles:			
196,865			Fixed Interest OEIC	224,690		
123,187			Property Unit Trusts	119,763		
232,161			Unitised Insurance Policies	330,814		
249,444			Other Unit Trusts	426,871		
18,808			Private Equity	117,392		
	1,883		Cash Deposits		780	
	2,476		Cash Equivalents		3,742	
	717		Other investment balances		232	
	340		Contributions Due		373	
	29		Other Current Assets		20	
	15,670		Cash Balances		9,376	
1,029,619	**21,115**	**0**	**Total Financial Assets**	**1,219,534**	**14,523**	**0**
			Financial Liabilities			
		(523)	Other Investment Balances			(976)
		(235)	Unpaid Benefits			(129)
		(174)	Other Current Liabilities			(383)
0	**0**	**(932)**	**Total Financial Liabilities**	**0**	**0**	**(1,488)**
1,029,619	**21,115**	**(932)**	**Net Financial Assets**	**1,219,534**	**14,523**	**(1,488)**

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

2015/16	Gains and Losses	2016/17
£000		£000
	Financial Assets	
(11,750)	Fair Value Through Profit and Loss	189,756
27	Loans and Receivables	47

	Financial Liabilities	
0	Fair Value Through Profit and Loss	0
(11,723)	**Total**	**189,803**

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 2016		Carrying versus Fair Value	31 March 2017	
Carrying Value £000	**Fair Value £000**		**Carrying Value £000**	**Fair Value £000**
		Financial Assets		
1,029,619	1,029,619	Fair Value Through Profit and Loss	1,219,534	1,219,534
21,116	21,116	Loans and Receivables	14,524	14,524
1,050,735	**1,050,735**	**Total Financial Assets**	**1,234,058**	**1,234,058**
		Financial Liabilities		
(932)	(932)	Financial Liabilities at Amortised Cost	(1,488)	(1,488)
(932)	**(932)**	**Total Financial Liabilities**	**(1,488)**	**(1,488)**

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.

Sensitivity of assets value at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that valuation methods described above are likely to be accurate to within the following ranges, and set out below the consequent potential impact on the closing value of investment held at 31 March 2017.

Asset	Value as at 31 March 2017 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Pooled Investment- Multi Asset	122,660	6.32	130,412	114,908
Freehold Property	1,850	2.65	1,899	1,801
Private Equity	117,391	2.70	120,561	114,222
Pooled Investment-Property	61,593	2.65	63,256	59,930
Total Assets available to Pay Benefits	**303,496**		**316,129**	**290,862**

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 2017	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Financial Assets at Fair Value through profit and loss	4	917,884	303,495	1,221,384
Non-Financial assets at Fair Value through profit and loss			1,850	1,850
	4	**917,884**	**305,345**	**1,223,233**

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	735,203	85,412	1,029,618
Non-Financial assets at Fair Value through profit and loss			1,850	1,850
	209,003	735,203	87,262	1,031,468

* The information for 15/16 has been restated from the audited 2015/16 accounts to include investments in directly held property as a result of changes to the code

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

Having analysed historical data and expected investment return movement during the financial year, and 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

Asset	**Potential Market Movements (+/-)**
UK Equities	7.66%
Overseas Equities	10.45%
Bonds	5.35%
Property	2.65%
Cash	0.01%
Private Equity	2.70%
Multi Asset	6.32%

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 2017 £000**	**Percentage Change %**	**Value on Increase £000**	**Value on Decrease £000**
Cash and Cash Equivalents	21,467	0.01	20,031	21,465
UK Equities	296,492	7.66	377,121	273,781
Overseas Equities	330,819	10.45	384,996	296,248
Bonds	224,690	5.35	207,988	212,669
Property	121,613	2.65	131,601	118,390
Private Equity	117,391	2.70	120,561	114,221
Multi Asset	122,660	6.32	130,412	114,908
Other Investment Balances	(1,100)	-	(1,100)	(1,100)
Total Assets available to Pay Benefits	**1,234,032**		**1,371,610**	**1,150,582**

The prior year comparator is 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	-	131	131
Total Assets available to Pay Benefits	**1,051,629**		**1,141,217**	**962,038**

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 25 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 +/- 25 bps change in interest rates.

Asset	**Carrying Amount as at 31 March 2017**	**Change in Year in the Net Assets available to Pay Benefits**	
		+ 25 bps	**-25 bps**
	£000	**£000**	**£000**
Cash Balances	9,376	23	(23)
Cash on Deposit	780	2	(2)
Cash Equivalents	3,742	9	(9)
Fixed Interest OEIC	224,690	562	(562)
Blackrock Institutional Series	7,568	19	(19)
Total Interest Rate Risk Assets	**246,156**	**615**	**(615)**

The prior year comparator is as follows:

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)**

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 2017**	**Potential Change in Foreign Exchange Rate**	**Value on Increase**	**Value on Decrease**
	£000	**%**	**£000**	**£000**
Private Equity	14,409	8.11	15,579	13,241
Overseas Unitised Insurance Policies	330,814	9.02	360,651	300,978
Overseas Unit Trust Other	219,528	9.27	239,887	199,169
Overseas Equities	4	7.25	4	3
Cash held in Foreign Currencies	475	8.92	517	432
Total Currency Risk Assets	**565,230**		**616,638**	**513,823**

The prior year comparator is as follows:

Asset	**Asset Value**	**Potential**	**Value on**	**Value on**

	as at 31 March 2016	Change in Foreign Exchange Rate	Increase	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**

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 9% of the Fund was in private equity thereby capping exposure to this asset class. 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 2017 was £9.4m (£15.7m at 31 March 2016). This was held as follows:

Counterparty Type	31 March 2016 £000	31 March 2017 £000
UK Banks	15,670	9,376

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 £1.931m 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 – Funding Arrangements

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 2016/17 was carried out as at 31 March 2013 (effective from 1 April 2014). The subsequent Actuarial revaluation of the Fund was calculated as at 31 March 2016 and the results were published before the 31st March 2017. This revaluation will impact on the 2017/18 Financial statements.

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	-
Pension Increases	2.7	-

Demographic assumptions – Life expectancy from age 65	**31 March 2016 £000**	**31 March 2017 £000**
Retiring Today		
Males	23.8	22.5
Females	25.0	24.6
Retiring in 20 years		
Males	26.1	24.7
Females	27.3	26.9

The difference between the assumptions applied and actual performance in the inter-valuation (01/04/2013 - 31/03/2016) 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 2016**
	%
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)

To assess the value of the Fund's liabilities at 31 March 2017, the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2013 have been rolled forward, using financial assumptions that comply with IAS19. 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 2016 £000	31 March 2017 £000
Present Value of Funded Obligation		
Vested Obligation	(1,539,898)	(1,937,254)
Non-Vested Obligation	(55,311)	(66,478)
Total Present Value of Funded Obligation	(1,595,209)	(2,003,732)
Fair Value of Scheme Assets	1,051,666	1,233,985
Net Liability	**(543,543)**	**(769,747)**

Note 18 - Debtors and Creditors

The following material amounts were due to, or payable from, the Fund as at 31 March 2017:

2015/16 £000	Debtors	2016/17 £000
	Investment Debtors	

94	Sale of Investments	0
401	Tax Refunds Due	205
571	Dividends Due	27
52	Other	0
1,118	**Total Investment Debtors**	**232**
	<u>Member Debtors</u>	
340	Contributions	373
60	Other	76
400	**Total Member Debtors**	**449**
1,518	**Total Debtors**	**681**
	<u>Analysed By</u>	
1,086	Other Entities and Individuals	625
432	Central Government Bodies	56
1,518	**Total Debtors**	**681**

2015/16 £000	**Creditors**	**2016/17 £000**
	<u>Investment Creditors</u>	
(363)	Management Fees	(783)
(13)	Purchase of Investments	(0)
(68)	Custody Fees	(4)
(79)	Other	(189)
(523)	**Total Investment Creditors**	**(976)**
	<u>Member Creditors</u>	
(235)	Benefits Unpaid	(129)
(629)	Other	(826)
(864)	**Total Member Creditors**	**(955)**
(1,387)	**Total Creditors**	**(1,931)**
	<u>Analysed By</u>	
(456)	Central Government Bodies	(432)
(78)	Local Authorities	(70)
(853)	Other entities and individuals	(1,429)
(1,387)	**Total Creditors**	**(1,931)**

Note 19 - Cash

The cash balance can be further analysed as follows:

Cash	2015/16 £000	2016/17 £000
Royal Borough of Greenwich Pension Fund	15,670	9,376
CBRE Cash at Hand	667	205
State Street Global Markets	907	150
Others	309	425
Total Cash	**17,553**	**10,156**

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 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, 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 2017, are shown below:

2015/16 £000	AVC Contributions	2016/17 £000
126	AVC Contributions to Clerical Medical	125
3	AVC Contributions to Equitable Life	1
129	**Total Contributions**	**126**

31 March 2016 £000	AVC Market Values	31 March 2017 £000
1,123	Clerical Medical Market Value	766
464	Equitable Life Market Value	401
1,587	**Total Market Value**	**1,167**

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 £0.759 m (2015/16: £0.654m).
b) The Royal Borough of Greenwich is the single largest employer of members of the pension fund and contributed £28.218m to the fund in 2016/17 (2015/16: £27.524m).
c) With respect to other Scheduled Bodies, an amount of £0.087m 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. In 2016/17, administration fee of £0.030m was paid to this organisation.

Key Management Personnel Remuneration

The Key Management personnel of the Fund are the Director of Finance, the chair of the Pension Fund Investment and Administration Panel and the pension investment manager. The total remuneration payable to key management personnel is set out below:

2015/16 £000		2016/17 £000
64	Short-term benefits	67
33	Post-employment benefits	32
97		**99**

* This information is a recommendation of the CIPFA Guidance 2016/17 to make the account more transparent

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 at 31 March 2017, the Fund had £2.072m of private equity commitments outstanding (31 March 2016: £2.215m). These are not required to be included in the Accounts.

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 2016/17 (the "Code") 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.

New Requirements under the 2016/17 Code

The 2016/17 Code introduces a new expenditure and funding analysis that brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund and Housing Revenue Account.

The new reporting formats and requirements for the Expenditure and Funding Analysis (EFA), Comprehensive Income and Expenditure Statement (CIES) and Movement in Reserves Statements (MiRS) should be reported retrospectively from 1 April 2016. These new requirements have resulted in full retrospective restatement for the EFA, CIES and MiRS and related notes where indicated.

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. 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

<u>Change in Accounting Policy</u>

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.

<u>Change in Accounting Estimate</u>

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.

<u>Prior Period Adjustment</u>

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. A note to the accounts will be included for prior period adjustments where necessary.

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

<u>Benefits Payable during Employment</u>

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.

<u>Termination Benefits</u>

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 Statements 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 Statements 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 Business Rates is measured at the full amount receivable (net of any impairment losses). Council Tax and Business Rates are accounted for in accordance with IPSAS 23 (i.e. non-contractual, non-exchange transactions). Housing rental income is shown within the Statements but local taxes collected as part of an agency arrangement (Council Tax and Business 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 Statements 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.

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 Statements 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 within the Statements 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 Statements 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 in the Statements are spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the Statements, 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 Statements 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 Statements 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 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. 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.

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 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 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, 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. 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, 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.

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 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). Where capital grants are credited, 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). 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). Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line. 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 25. 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).

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 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 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 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).

The gain or loss presented 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. 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. 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.

The following overhead items are included in the revenue costs of Finance and Central Services:

- 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.

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.

<u>Measurement</u>

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, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited, 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 2016.
- 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 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).

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 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).

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

Disposals and Non-current Assets Held for Sale

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. 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 as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line 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
- finance cost – an interest charge on the outstanding Balance Sheet liability, which is reduced by the applied refinancing gain and debited to the Financing and Investment Income and Expenditure line
- 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
- 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 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's reserves are reflected in the Movement in Reserves Statement. They include reserves the Authority sets aside for earmarked purposes. An analysis of earmarked reserves is contained within Note 7.

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 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

Definition

The *International Framework: Good Governance in the Public Sector (2014)* defines and explains governance as follows:

- *governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved*
- *to deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times*
- *acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.*

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.

Arrangements have been reviewed and updated based upon the CIPFA / SOLACE publication *Delivering Good Governance in Local Government: Framework (2016)*. The Royal Borough has approved and adopted a code of corporate governance based on the principles of the Framework - a copy of the code can be obtained from the Assistant Director of Finance (Governance and Audit). In accordance with this framework the Royal Borough is required to undertake a review of its systems of internal control at least annually. This statement explains how the Royal Borough has complied with the code and also meets the requirements of regulation 6 (1) (a) of the Accounts and Audit Regulations 2015 in relation to the effectiveness of its system of internal control.

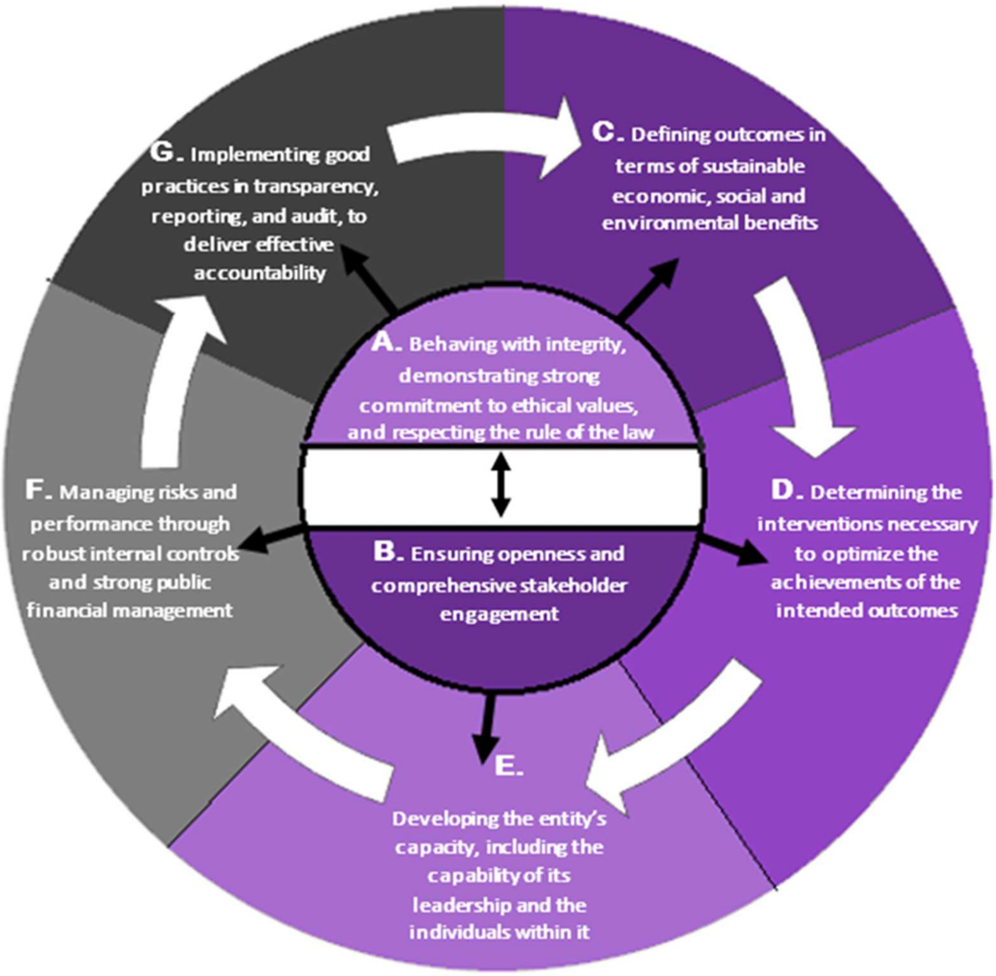
The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values, by which the Royal Borough is accountable and also 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. The system evaluates 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

The core principles of good governance are set out in the Framework and the first two are expected to permeate the other core principles:



The Royal Borough's governance framework is summarised in its Local Code of Corporate Governance. The following sections outline the key elements of the systems and processes that comprise the Royal Borough's governance framework and arrangements in place in 2016/17 and summarises how the principles of good governance have been met.

A - Behaving with Integrity, Demonstrating Strong Commitment to Ethical Values and Respecting the Rule of Law

The Royal Borough's Constitution provides a clear statement of the principles and values for decision making for the organisation. It defines and documents the roles and responsibilities of the Cabinet (executive), the Council and the scrutiny (non-executive) function and the Chief Officers. It also sets out how those standard operating principles are delegated and it is continuously reviewed to ensure that it is current and up to date.

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. The Scheme of Delegation includes delegation to individual Cabinet Members. The provisions of the Constitution take account of the scheme of delegation.

The Royal Borough has a clear framework in place to ensure that members and officers behave with integrity and lead a culture, acting in the public interest visibly and consistently and demonstrate that they are protecting the reputation of the organisation.

The Royal Borough is underpinned by strong ethical values. The Royal Borough's Standards Committee, which includes independent members (appointed by full Council) and an independent chair, oversees the activities of members and compliance with the Code of Conduct. The Committee is supported by the Head of Legal Services who is also the Royal Borough's Monitoring Officer, responsible for ensuring the lawfulness and fairness of decision making and monitors and reviews the Royal Borough's Constitution. The Standards Committee aims to promote high standards of conduct by members, reviews the Code of Conduct and related Codes and considers requests or complaints.

The Royal Borough's Human Resources Policies and Procedures include 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.

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.

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 Access to Information requirements and ensures that 28 day notice is given before an executive key decision is taken.

The 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. The Overview and Scrutiny function has a number of committees examining specific areas.

The Council has appropriate guidance and procedures in place for members and officers to declare any possible conflicts of interest and these declaration of interests are required as changes occur or at least annually.

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. A team of investigators are in place to proactively identify issues through exercises such as the National Fraud Initiative and to investigate those issues taking action to prevent, prosecute and recover resources where appropriate.

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

B - Ensuring Openness and Comprehensive Stakeholder Engagement

The Royal Borough of Greenwich promotes an open culture and is committed to effective communication and engagement with all our communities and empowering local people. The Council does this in many ways and the techniques used to achieve this continue to evolve. The Council:

- has a transactional website to enable residents to communicate and transact with the Council 24/7
- has a range of social media channels so that subscribers can receive live information on a range of issues from traffic to community events
- produces an electronic newsletter providing information, council opportunities and consultation exercises that residents can subscribe to.

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.

The Royal Borough engages with institutional stakeholders and in 2016 relaunched the Greenwich Partnership. 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 and outcomes of the Council's partnerships are monitored by the Overview and Scrutiny Committee and its scrutiny panels and representatives of partners regularly attend meetings. This ensures that partnerships are based on trust, they promote effective engagement and deliver outcomes successfully.

The Royal Borough also has arrangements in place with three arm's length management organisations to improve services and outcomes. 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
- 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 has arrangements in place with three organisations through which it exerts a lower degree of control / influence than above:

- Royal Borough of Greenwich Destination Management Company (Visit Greenwich), which aims to promote the Royal Borough as a place to visit, a place to live and a place to work and do business
- Royal Greenwich Heritage Trust is a community interest company in order to preserve, enhance and strengthen the management of some of Greenwich's historical buildings and memorials
- Meridian Home Start Limited is a community benefit society responsible for the letting, management and maintenance of a selection of homes.

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.

Also, 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 to ensure that delivery is sustainable.

C - Defining Outcomes in terms of Sustainable Economic, Social and Environmental Benefits

The Council's corporate business plan to 2017/18 explicitly sets out the Council's vision and values, its high-level objectives for the four years, the priority actions to be delivered over the coming year to support the achievement of these objectives and the directorate core service priorities.

The stated 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.

The Council includes a clear statement explaining how it will work with its partners in the public, private and voluntary sectors to deliver the vision, will provide democratic leadership, promote the social, economic and environmental wellbeing of the area, commission and provide services and will work to deliver agreed outcomes from within available resources.

In exercising its duties and responsibilities, the Council commits 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

The Council continues 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 to 2017/18:

- Promote economic prosperity
- Promote excellence in education
- Ensure a healthy and safe living environment
- Support and protect children and families in need
- Social care and health
- Housing
- Tourism, Culture and Sport
- Continue to achieve excellence and good governance in the management of public finances

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

D - Determining the Interventions Necessary to Optimise the Achievement of the Intended Outcomes

The Council has reviewed its Medium Term Financial Strategy (MTFS) for the year and assessed the feasibility of continuing to pursue the objects as originally planned. The Council through maximising efficiencies has been able to continue 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 MTFS. This in part was as a result of changes to the way local authorities are financed from 2013/14 onwards - in particular, the Business Rates Retention scheme and New Homes Bonus.

The Council's agreed objectives for the Financial Strategy to 2019/20 are as follows:

- Maintaining the highest possible quality and efficient services commensurate with the cuts imposed by Central Government - which 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 - which 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 - which 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

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 Performance Review and Development Scheme. In 2016/17 a review of the current performance reporting arrangements made recommendations and those changes are to be applied from 2017/18.

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 section 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. Social value is embedded in the procurement procedures.

There is an information governance framework in place with the Greenwich Management Team having overall responsibility for the Royal Borough's IT Strategy. The Deputy Director Corporate Resources, ICT and 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.

E - Developing the Entity's Capacity, including the Capability of its Leadership and the Individuals within it

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
- 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
- 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 Forum hosted by the Chief Executive 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 various Council's staff networks and learning programmes. This is underpinned by the Council's staff appraisal and 1 to 1 arrangements to help develop and communicate with staff throughout the organisation.

F - Managing Risks and Performance through Robust Internal Control and Strong Public Financial Management

The Royal Borough recognises that an established and effective risk management framework should be considered in all aspects of decision making. The Corporate Risk Management Strategy has been approved by Cabinet. 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, and assigning responsibilities to manage individual risks. 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.

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. 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.

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 ensure 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 and individual Cabinet Members and key decisions of Chief Officer. The Committee has 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.

The Royal Borough has an Audit and Risk Management Panel 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.

The Royal Borough is commited 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.

Responsibility for the financial management of the Royal Borough falls within the statutory functions of the s151 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 s151 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.

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

The Council has adopted guidance on the nature and contents on report writing and also adopts a range of strategies to communicate effectively. As part of this process appropriate arrangements are in place for providing information such as responding to Freedom of Information Act (FOIA) request while complying with the Data Protection Act (DPA).

The framework for the reporting arrangements adopted by Cabinet clearly maps the reporting arrangements from the Royal Borough's Strategy through the corporate plan and it partnership arrangements through the performance arrangements to the Council's services level and staff.

The remit of the committees of the Council are documented within the Constitution which ensures that there is an effective process of assurance and accountability:

- The ARM Panel considers the findings of the Council's external auditor and receives reports on the progress implementing recommendations. It also receives regular reports from the internal audit service, approving the annual audit plan, receiving monitoring reports and considering the head of internal audit's annual report. The Panel also considers reports on investigations, irregularities and risk management.
- The Overview and Scrutiny Committee considers the findings of external regulatory bodies and the working arrangements of partnerships.

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 Chief Officers 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.

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, 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
- Findings of the Royal Borough's external auditors on any work undertaken on the governance of the Royal Borough.

Significant Governance Issues

The AGS for the previous year raised four areas that represented significant governance issues:

- IT Disaster Recovery and Business Continuity
- Freedom of Information
- No Recourse to Public Funds
- Council's Financial Standing / Health

The Freedom of Information issue is removed given the progress achieved, but whilst it is clear that there has been marked progress made in respect of the IT Disaster Recovery and Business Continuity and No Recourse to Public Funds areas, it is felt necessary to retain the items on the action plan until further improvements and agreed tasks have been completed. These are detailed in the table below.

Although there are continued risks in maintaining a balanced MTFS for the period 2017/18 onwards, 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.

There continues to be uncertainty around the decision of the UK to leave the European Union. The additional risks faced by the Council and the rationale that supports the MTFS will need to be assessed as the risks become clearer.

During 2017/18 Members of the Audit and 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.

Governance Area	**Governance Control Issue**	**Action Required**	**Responsible Officer**
IT - Disaster Recovery /Business Continuity	The Council's IT Disaster Recovery / Business Continuity system remains a strategic risk to the Council, due to the pivotal nature of the service to the Council's operations. Having completed the move to our new Data Centre in Slough, the geographical risks have been replaced with contractor failure, network linkage and a new physical location. The Council's user estate is now operated in a hybrid mode, with some users on the core environment, while other work with cloud services. Loss of access to the cloud services is now a new strategic risk, along with the hacking of our cloud tenancy.	Having completed the upgrading of the core environment in April 2017, the primary risk around the TWC Data Centre has been mitigated. Servers have now been transferred to Slough, a new backup system is in place and contractual arrangement cover the people management issues implemented as part of the new data centre contract. However, management of the primary risk must now be done via good Council contract management of our data centre provider, good life-cycle management of the live servers in the estate and active capacity / performance management of the systems. High risk and vulnerable users have been moved to Office 365. This cloud-based solution has mitigated the total loss of the estate but introduced a new risk of the tenancy being accessed / compromised. Mitigation will be via software locks on the cloud tenancy and contract management of our cloud providers.	Deputy Director of Corporate Resources

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 responsibilities also expand. The issue remains as a significant governance control issue going forward and the position is under regular review.	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. Members have been briefed in 2016 on NRPF options and agreed to a joint Council wide strategy, which includes Adults, Children's and Housing. In 2017 there has been a Council Scrutiny process to oversee development of a joint approach. Numbers of supported adults continues to slowly decrease	Director of Health and Adult Services

Governance Area	Governance Control Issue	Action Required	Responsible Officer
Council's Financial	The Council has recently developed a balanced Medium	The Council has in place a series of robust plans and	Director of Finance

Health/Standing	Term Financial Strategy for the period to 2019/20. 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 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 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. Whereas in previous years the Council has successfully negotiated the annual financial challenges, 2016/17 has seen the need for a relatively small amount of support from general	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.	

	reserves. This is step change from recent years and highlights the need for transformational programmes to deliver.		

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

19 July 2017

John Comber

Chief Executive

19 July 2017

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.

Business Rates
A tax on non-domestic properties.

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 (CSIE)
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.

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.

Financial Instruments Adjustment Account (FIAA)
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-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 (PFI)

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.

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.