

LONDON BOROUGH OF LEWISHAM

2017/ 2018 PRE-AUDIT STATEMENT OF ACCOUNTS

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Narrative Statement

NARRATIVE STATEMENT BY THE EXECUTIVE DIRECTOR FOR RESOURCES AND REGENERATION

This Narrative Report provides information about Lewisham the place, together with the key issues affecting the Council and its accounts.

1. COUNCIL STRUCTURE AND PERFORMANCE

a) Corporate structure and governance

Lewisham Council is made up of one Mayor, elected by the whole borough, and 54 ward councillors, three elected by each of the 18 wards within the borough. The Mayor is Labour and there are 53 Labour councillors and 1 Green Party councillor. Details of the way that the Council governs itself are given in the Annual Governance Statement in section 9 of these accounts.

b) Management structure

Supporting the work of Councillors is the organisational structure of the Council headed by the Executive Management Team (EMT), led by the Chief Executive. EMT Members are:

- Chief Executive
- Executive Director Children and Young People
- Executive Director Community Services
- Executive Director Customer Services
- Executive Director Resources and Regeneration

EMT provides managerial leadership of the Council and supports elected members in:

- Developing strategies
- Identifying and planning the use of resources
- Delivering plans
- Reviewing the Authority's effectiveness

c) Service delivery

Including teachers, Lewisham employs approximately 5,800 full time equivalent staff to deliver services. The workforce generally reflects the diversity of Lewisham's population and a full staffing profile can be found on the Council's website.

The Council also provides services through two wholly-owned subsidiary companies:

- Lewisham Homes Ltd: An arms-length management organisation (ALMO) set up in 2007 as part of the Council's initiative to deliver better housing services and achieve the Decent Homes Standard. The company manages approximately 18,000 homes.
- Catford Regeneration Partnership Ltd: The company owns the Catford shopping centre and aims to drive forward a regeneration programme for the town centre and the surrounding area.

More detail concerning these companies is shown in the Group Accounts in section 8 of this document.

Narrative Statement

d) The Council's vision

Lewisham's vision is: 'Together, we will make Lewisham the best place in London to live, work and learn'. Our vision was developed following consultation with Lewisham residents, public sector agencies, local business, voluntary and community sector organisations. This vision is not just for the Council, it has been adopted by the Lewisham Strategic Partnership and continues to be a bold aspiration that stretches and motivates the Council and its partners to set priorities and deliver services that will achieve the vision. The key strategic document for Lewisham and for the Lewisham Strategic Partnership is "Shaping Our Future - Lewisham's Sustainable Community Strategy 2008-2020", which can be viewed on the Council's website.

e) Corporate priorities in achieving the vision

The Council's ten corporate priorities determine what contribution the Council will make towards the delivery of Shaping our Future. The priorities focus on the needs of local people and are geared towards ensuring that, in delivering services, the Council focuses on its citizens, is transparent and responds to changing needs and demands. The priorities are as follows:

- Community Leadership and Empowerment – Creating opportunities for people within the community to participate and become engaged.
- Young people's achievement and involvement – Increasing educational achievement, and through partnership working to improve facilities for young people within the borough.
- Clean green and liveable – Through improvement to environmental management, the maintained care for roads and pavements. Encouraging a sustainable way of life/sustainable environment.
- Safety security and visible presence – Through working with the police to reduce crime levels, prevention of anti-social behaviour through Council powers/resources.
- Strengthening the local economy – Through the gain of resources to redevelop key localities, strengthen employment skills and encouraging the use of public transport.
- Decent homes for all – The creation of housing that is social and affordable to achieve 'the decent homes standard', reducing homelessness.
- Protection of children – Improved safeguarding and for children at risk the presence of joined services.
- Caring for adults and older people – To provide support to the elderly and adults that require help by working with health services.
- Active healthy citizens – Providing leisure, sporting and learning activities for everyone.
- Inspiring efficiency, effectiveness and equity – Ensuring that the services provided to meet the communities needs is efficient.

f) Performance measurement

A management report is produced each month to place on record our performance against priorities. Each month we attempt to give a full account of what is being done, what has been achieved and which areas require additional management attention to secure future achievements. The report focuses on the Council's performance in line with our corporate priorities, drawing data from:

- performance indicators (PIs)
- project monitoring information
- risk register assessments
- Financial reports.

A dashboard summary gives an overall picture on one page using a red, amber, green rating. The full Management Report can be viewed on the Council's website.

Narrative Statement

2. FINANCIAL PERFORMANCE**a) 2017/18 Revenue Budget Setting and Funding**

The Council set a net budget requirement of £232.7m for 2017/18 at its meeting on 8th February 2017. This was a decrease of £3.5m or 1.5% on the previous year's net budget requirement of £236.2m. The main sources of income were Revenue Support Grant (RSG), Business Rates and Council Tax. With central RSG diminishing, Council Tax funds a higher proportion of the budget than it did last year, with bills increasing by 4.99%. A year on year comparison of revenue budget funding is shown in the following table.

2017/18 Revenue Budget Funding

	2017/18 £m	2016/17 £m
Revenue Support Grant	46.1	59.6
Business Rates	88.9	87.1
Council Tax	91.1	84.9
Social Care Precept	2.7	1.7
Surplus on Collection Fund	3.9	2.9
Budget Requirement	232.7	236.2

b) Council Tax

In 2017/18, in addition to an increase in Council Tax for general purposes, Councils were given the ability to raise Council Tax by up to a further 2% as a precept to fund Adult Social Care expenditure without the need for a referendum. This was in response to the concerns about the growing funding gap for Adult Social Care caused by an increase in demand and the introduction of the National Living Wage, which impacted directly on the cost of care provision.

The Council increased the general rate of Council Tax by 2.99% and agreed to levy the 2% Adult Social Care precept resulting in an overall 4.99% increase in 2017/18. The actual Council Tax charge is determined by dividing the net amount to be met from Council Tax by the tax base, which for Lewisham is 81,088 equivalent Band D properties for 2017/18 (78,528 for 2016/17).

The comparison of Council Tax Band D levels from 2016/17 to 2017/18 for Lewisham is shown in the following table, together with the Greater London Authority precept.

Band D Council Tax by Tax Raising Body

	2017/18 £	2016/17 £	Variation £	Variation %
Lewisham Council	1,157.68	1,102.66	55.0	5.0
Greater London Authority	280.02	276.00	4.0	1.5
Council Tax for Band D	1,437.70	1,378.66	59.0	4.3

Narrative Statement

c) 2017/18 Revenue Budget Outturn

The Council's 2017/18 revenue outturn position is shown in the following table. Further detail can be found in the Expenditure and Funding Analysis in section 3 of this document.

Directorate	Gross budgeted expenditure	Gross budgeted income	Net budget	Variance	Variance
	£m	£m	£m	£m	%
Children & Young People	66.7	(18.0)	48.7	15.6	32.0%
Community Services	167.0	(80.0)	87.0	(0.9)	-1.0%
Customer Services	102.7	(60.1)	42.6	5.0	11.7%
Resources & Regeneration	76.9	(51.8)	25.1	(1.9)	-7.6%
Directorate totals	413.3	(209.9)	203.4	17.8	8.8%
Corporate items	29.3	0.0	29.3	(1.3)	-4.4%
Net Revenue Budget	442.6	(209.9)	232.7	16.5	7.1%

During 2017/18, the overall overspend against the directorates' net controllable budgets was £17.8m. After applying the sum of £1.3m which was the residual sum set aside in setting the 2017/18 budget for 'risks and other budget pressures', this brought the final directorate overspend down to £16.5m. The reasons for these variances are being reported to the Mayor and Cabinet on the 27th June 2018. The level of overspend recorded at the close of the 2017/18 financial year is unprecedented for Lewisham. It would firmly suggest that these are budgetary pressures of an order not previously seen by the council and in particular with regards to children's social care.

Throughout the year, Mayor & Cabinet and Executive Directors have received regular financial monitoring reports and continued to implement measures to alleviate the Council's overall budget pressures and to control spending insofar as is possible. These measures have included the maintaining of local controls on particular expenditure in the short term.

With a new set of challenges in terms of the delivery of revenue budget savings, the council will continue to apply sound financial controls in 2018/19. It is clear that the short and medium-term outlook will remain difficult and exceptionally challenging. However, as the local authority's section 151 officer, the Executive Director for Resources and Regeneration will continue to work with directorate management teams across the council to effect the necessary continued actions to manage their services.

Budget overspends

There were significant overspends in 2017/18 in the placement budgets for the following areas:

For residential care the placements budget was overspent by £3.2m. These placements have grown throughout the year and totalled 42 as at the end of March 2018. At the end of 2017/18, the cost was on average £3,970 per week.

For services related to fostering both in-house and external, this overspend by £2m with the number of clients at the year-end being 357. The total number of external foster placements has moved from 171 in 2016/17 to 191 for 2017/18.

The schools transport budget within the partnerships and targeted services area overspent by £2.2m. The cost of travel assistance has been the main cause of the budget pressure due to the increased use of taxis for extra pupils being transported. This has resulted in overall additional costs of £1m on schools' transport for 2017/18.

Adult services is overspent by £0.8m. The main variances relate to (i) costs associated with deprivation of liberty safeguards (DOLS), (ii) placement budgets where existing pressures are compounded by the cost of new transition cases of £0.9m, by pressures from earlier discharges from hospital and (iii) by the difficulty in achieving the £4.5m savings required for 2017/18.

Narrative Statement

The environment service has overspent by £3.2m. This includes the refuse service overspend by £2.1m. Additional costs have been incurred by the service as a result of the delay in implementing the move to fortnightly collections and the introduction of a new service for food and garden waste collection, pertaining to staffing and equipment. Furthermore, part of this overspend relates to vehicle costs for the service, where an overspend of £0.7m relates to additional vehicle hire costs, as a result of a number of vehicles coming to the end of their useful life, with vehicle hire costs being at least three times the cost of council owned vehicles.

Dedicated Schools Grant

There were nine schools with licenced deficit budgets at the year end. Of these schools, three of them were granted loans in excess of £0.5m. At the end of the financial year there are a further six schools who have a deficit balances and will need to apply for a licensed deficit (See also Note 38 – Contingent Liabilities).

Total school balances increased by £5.8m in 2017/18. The final balance held by schools including external funds now stands at £18.6m. This should not detract from the fact that overall, secondary schools have a cumulative deficit of £0.3m, with four of the 11 secondary schools in deficit.

d) Balances and Reserves

After transfers to and from reserves the General Fund balance has been kept at £13.0m due to the proposed reduction in future Government funding and the corresponding requirement on the Council to make savings. This is an adequate level of cover and represents approximately 5.6% of Lewisham's Net Budget Requirement. The Council also has a number of earmarked reserves for specific on-going initiatives and these are shown in Note 9 to the Core Financial Statements.

The Housing Revenue Account (HRA) spent to budget after transfers to reserves as at 31st March 2018. It continues to build reserves up on an annual basis, mainly to ensure that there are sufficient resources available to fund the current 30 year business plan. This aims to continue to invest in decent homes and to significantly increase the supply of housing in the borough over the medium to long term. The business plan is reviewed each year to ensure that the resources available from HRA reserves can be profiled appropriately to meet the business needs. After transfers to and from reserves the HRA balance at the end of the year, including earmarked reserves, now stands at £108.7m (£97.0m as at 31st March 2017). These reserves include the Major Repairs Reserve and are for specific on-going projects as outlined in the notes to the HRA in Section 4 of the Accounts.

Narrative Statement

e) 2017/18 Capital Budget Outturn

The capital programme expenditure incurred during the year and how it was resourced is shown below. The percentage spent compared to the revised programme budget was 86%. Where programme slippage has occurred, the scheme budgets have been carried forward to 2018/19.

2017/18 Capital Programme

	2017/18 Final Outturn £m	2017/18 Budget Report £m	2016/17 Final Outturn £m
CAPITAL PROGRAMME EXPENDITURE			
General Fund	54.9	64.5	42.2
Housing Revenue Account	32.1	36.2	28.7
Total Spent	87.0	100.7	70.9
CAPITAL PROGRAMME FINANCING			
Borrowing	14.9	12.8	7.0
Capital Grants	18.5	25.0	18.2
Capital Receipts	18.8	10.7	19.2
Use of reserves and revenue financing	34.8	52.2	26.5
Total Financed	87.0	100.7	70.9

Major Projects of over £1m**General Fund**

Lewisham Homes – Property Acquisition
 School Places Programme
 Highways & Bridges (incl. TFL programme)
 Heathside & Lethbridge Estates
 Schools minor works

Housing Revenue Account

Decent Homes Programme

2017/18 Expenditure £m
12.0
10.5
10.0
6.7
1.1
24.3

3. LOOKING AHEAD**a) Revenue Budget Outlook**

When preparing the Council's Medium Term Financial Strategy (MTFS) the Council makes provisional spending plans for future financial years ensuring these are balanced against the expected funding from Government, Council Tax payers and Business Rate payers. The MTFS is a four year incremental process that builds on the work and achievements of previous years, taking into account demographic, legislative and other pressures; mitigated by a series of savings proposals to ensure a balanced budget can be achieved in the coming year, and that there is financial sustainability for future years.

Narrative Statement

The Council set a net budget requirement of £242.3m for 2018/19 at its meeting on 21 February 2018, which is £8.6m higher than the equivalent figure for 2017/18. The Council has made savings reductions of £4.8m to its budget and added £16.9m to provide for significant spending pressures which are being experienced and £5.0m to make up for one-off reserves used in 2017/18. An amount of £8.5m is being taken from reserves to fund the budget, but action is also being taken to ensure that expenditure is affordable in future years. The Council is maintaining adequate reserves to enable it to manage the significant funding risks it faces as the national programme of public sector expenditure reduction continues.

The report to Council projected that estimated savings of circa £35.0m are likely to be required by 2020/21. The Lewisham Future Programme (LFP) was established to carry out cross-cutting and thematic reviews to deliver ongoing savings and their work to date was presented in a report to the Mayor in December 2017. Some examples of the LFP's reviews include: smarter assessment arrangements and deeper integration of social & health care, including public health; approach to safeguarding and early intervention services; opportunities for asset rationalisation; a strategic review of income generation and the drive to make further reductions in management and corporate overheads. This work continues and further savings proposals may be brought forward in 2018/19 to help close the long term budget gap identified above.

The Council has prepared forecasts beyond 2019/20 to 2022/23, However, these are tentative at this stage as they are be subject to, amongst other things, the results of the next Comprehensive Spending Review, results of the delayed Fair Funding Review, any move to 100% business rates retention by local government in 2020, and possible changes to health and social care governance and funding arrangements. From the government's financial forecasts and outlook, further reductions to local government funding are to be expected into at least the mid-2020s.

b) Capital Budget Outlook

The Council set its capital programme budget at its meeting on 21 February 2018. This outlined the Council's programme of £271.5m for the years 2018/19 to 2020/21. The most significant parts of the programme are school expansion to provide additional pupil places, major regeneration schemes, including Catford town centre, improvement and restoration of Beckenham Place Park, plus acquiring additional housing stock under the Housing Matters programme, to be delivered by the Council's ALMO, Lewisham Homes.

The amount to be invested in 2018/19 is shown in the table below.

2018/19 Capital Programme	2018/19 Budget £m
General Fund	
Schools – Pupil Places Programme	17.7
Lewisham Homes – Property acquisition	10.0
Beckenham Place Park	5.5
Edward St. development	4.9
Catford town centre	4.8
Highways and bridges	3.1
Corporate estate	3.9
Fleet replacement	2.6
Other schemes	10.7
	63.2
Housing Revenue Account	
Decent Homes Programme	43.9
Housing Matters Programme	28.8
	72.7
Total Capital Programme	135.9

Narrative Statement

c) Corporate Risks

The Council has an embedded process to manage risks and assist the achievement of its objectives. The Risk Management Strategy was approved by EMT in July 2017 and noted by Audit Panel in December 2017. It is summarised as part of the Annual Governance Statement in section 9 of this document.

Risks are scored in terms of likelihood and impact, with a range from 1 to 5 (with 5 being the highest) and the result is plotted on a matrix to produce a Red/Amber/Green rating. The risks currently rated red for the Council are as follows:

- Loss of a strategic asset or premises through failure to maintain it in a safe and effective condition
- noncompliance with Health & Safety legislation
- Strategic programme to develop and implement transformational change does not deliver
- financial failure and inability to maintain service delivery within a balanced budget
- loss of income to the Council
- serious adult safeguarding concerns
- failure of child safeguarding arrangements

The risk register contains action plans to manage the risks to target and these are subject to regular review by Directorate Management Teams. The risk registers are reported to Heads of Service and Internal Control Board on a quarterly basis.

4. PENSION FUND VALUATION

The actuarial valuation of the Council's pension scheme liabilities and pension reserve shown on the Balance Sheet have decreased by £4.5m during the year, mainly as a result of changes to the financial assumptions used by the pension fund Actuary (Hymans-Robertson). The Council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation.

It is important to understand that pension benefits do not become payable until employees retire, however the council is required to account for the future obligations at the same time as the employees earn their future entitlement, in accordance with proper accounting practices. Further details are given in Note 37.

5. THE COUNCIL'S STATEMENT OF ACCOUNTS

The statement of accounts reports the income and expenditure on service provision for the year and the value of the council's assets and liabilities at the end of the financial year. This is prepared in accordance with proper accounting practices as defined in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Local authorities are required to produce a comprehensive income and expenditure statement, a balance sheet and a cash flow statement, as a private sector company would. For 2016/17 an expenditure and funding analysis was introduced. However, as local authorities are also tax raising bodies (through council tax), they are required to produce an additional financial statement, accounting for movements to and from the general fund, through a movement in reserves statement. A review of materiality has also concluded that Group Accounts are required this year. A brief explanation of the purpose of each of financial statements is provided below:

Narrative Statement

Section 1 – The Core Financial Statements

Section 1a – Comprehensive Income and Expenditure Statement (CIES)

This statement shows the cost of providing services in the year in accordance with International Financial Reporting Standards, rather than the amount funded from Council Tax, and other Government grants. The amount funded from Council Tax and Government grants differ from this by a series of adjustments made in accordance with regulations. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Section 1b - Movement in Reserves Statement (MiRS)

This statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax [or rents] for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

Section 1c - Balance Sheet

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

Section 1d - Cash Flow Statement

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

Narrative Statement

Section 2 – Statement of Accounting Policies

These outline the accounting and measurement bases used for the recognition, measurement and disclosure of figures and events in preparing the financial statements in the accounts. Other accounting policies used that are relevant to an understanding of the financial statements are also included.

Section 3 – Notes to the Core Financial Statements

This section contains notes that help to explain or give more detail to the Core Financial Statements.

Section 4 – Housing Revenue Account (HRA)

This is a statutory account which shows the major elements of income and expenditure on Council Housing provision and associated services to Council tenants and leaseholders.

Section 5 – Collection Fund Accounts

This is a statutory account which shows the transactions relating to Council Tax and Non-Domestic Rates. It shows how the amounts collected have been distributed to the Council's General Fund, the Greater London Authority and Central Government.

Section 6 – Group Accounts

The Group Accounts combine the financial results of Lewisham Council with that of its subsidiaries, Lewisham Homes Ltd and Catford Regeneration Partnership Ltd. Transactions between the two subsidiaries and the Council are removed on merging the accounts of all parties. The Group Accounts therefore add the surpluses and balances and show the combined financial position for all three entities.

Section 7 - Glossary

This explains some technical and commonly used terms.

Section 8 – Pension Fund Accounts

The Lewisham Pension Fund is a separate entity from the Council and thus has its own accounts. These show the income and expenditure for the year, the value of the investments held and an assessment of the liabilities at the year end.

Section 9 – Annual Governance Statement (AGS)

This sets out the control and governance framework for all significant corporate systems and processes, cultures and values by which the Council is directed and controlled. It describes the activities with which the community is engaged and enables the monitoring of the achievement of the strategic objectives and the delivery of appropriate and cost effective services. It also reports any significant issues and the actions already taken and planned to be taken to address these.

Statement of Responsibilities & Independent Auditor's Reports

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

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

Responsibility of the Executive Director for Resources and Regeneration

The Executive Director for Resources and Regeneration 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 of Practice').

In preparing the Statement of Accounts as set out in this document, I certify that I have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the CIPFA Local Authority Code of Practice.

I certify that I have also:

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

The Statement of Accounts gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2018.

The Statement of Accounts is unaudited and may be subject to change.



Janet Senior CPFA
Executive Director for Resources and Regeneration
31st May 2018

Statement of Responsibilities & Independent Auditor's Reports

**INDEPENDENT AUDITOR'S REPORTS TO THE MEMBERS OF LONDON
BOROUGH OF LEWISHAM**

Statement of Responsibilities & Independent Auditor's Reports

Statement of Responsibilities & Independent Auditor's Reports

Statement of Responsibilities & Independent Auditor's Reports

Core Financial Statements

SECTION 1 - CORE FINANCIAL STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 31ST MARCH 2018

2016/17				2017/18			Note
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	SERVICE	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	
379,729	(305,440)	74,289	Children & Young People Directorate	251,594	(310,848)	(59,254)	
174,877	(72,459)	102,418	Community Services Directorate	171,781	(92,334)	79,447	
333,855	(274,771)	59,084	Customer Services Directorate	330,008	(271,004)	59,004	
57,899	(45,189)	12,710	Resources & Regeneration Directorate	59,280	(46,343)	12,937	
90,852	(98,510)	(7,658)	HRA	105,107	(100,748)	4,359	
17,606	(11,078)	6,528	Corporate Services	7,305	(5,553)	1,752	
1,054,818	(807,447)	247,371	Cost of Services	925,075	(826,830)	98,245	1
			Other Operating Expenditure				
0	(9,823)	(9,823)	(Gain) / Loss on the disposal of non-current assets	0	(8,182)	(8,182)	
1,632	0	1,632	Levies	1,638	0	1,638	7
1,947	0	1,947	Contribution of housing capital receipts to Government Pool	1,927	0	1,927	19
3,579	(9,823)	(6,244)		3,565	(8,182)	(4,617)	
			Financing and Investment Income and Expenditure				
34,995	0	34,995	Interest payable and similar charges	34,169	0	34,169	
0	0	0	Loan Restructuring	23,314	0	23,314	
0	(3,002)	(3,002)	Interest and Investment Income	0	(3,050)	(3,050)	
57,359	(36,207)	21,152	Net interest on the net defined benefit liability	49,554	(32,512)	17,042	37
92,354	(39,209)	53,145		107,037	(35,562)	71,475	
			Taxation and non-specific Grant Income				
0	(89,527)	(89,527)	Income from Council Tax	0	(97,726)	(97,726)	
0	(74,920)	(74,920)	General Government Grants	0	(58,390)	(58,390)	
0	(15,577)	(15,577)	Recognised Capital Grants and Contributions	0	(18,474)	(18,474)	
0	(87,083)	(87,083)	Non-Domestic Rates income and expenditure	0	(92,188)	(92,188)	
0	(267,107)	(267,107)		0	(266,778)	(266,778)	
		27,165	Deficit/(Surplus) on provision of services			(101,675)	1
		(101,871)	Surplus on revaluation of non-current assets			(154,972)	21
		19,316	Remeasurement of the net defined benefit liability			(38,950)	20, 37
		(82,555)	Other Comprehensive Income and Expenditure			(193,922)	
		(55,390)	Total Comprehensive Income and Expenditure			(295,597)	

Core Financial Statements

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31ST MARCH 2018

YEAR ENDING 31ST MARCH 2018	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Sub-Total General Fund £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000	Note
Balance at 01 April 2017 Brought Forward	13,000	149,577	162,577	57,123	39,907	55,495	14,132	329,234	1,133,198	1,462,432	
Movement in Reserves during 2017/18											
Surplus or (Deficit) on the provision of services	106,322	0	106,322	(4,647)	0	0	0	101,675	0	101,675	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	193,922	193,922	
Total Comprehensive Income and Expenditure	106,322	0	106,322	(4,647)	0	0	0	101,675	193,922	295,597	
Adjustments between accounting basis and funding basis under regulations	(95,776)	0	(95,776)	17,733	(1,436)	(7,145)	3,167	(83,457)	83,457	0	8
Net Increase / (Decrease) before Transfers to Earmarked Reserves	10,546	0	10,546	13,086	(1,436)	(7,145)	3,167	18,218	277,379	295,597	
Transfers to / (from) Earmarked Reserves	(10,546)	10,546	0	0	0	0	0	0	0	0	9, HRA 14, HRA 15
Increase / (Decrease) in 2017/18	0	10,546	10,546	13,086	(1,436)	(7,145)	3,167	18,218	277,379	295,597	
Balance at 31 March 2018 Carried Forward	13,000	160,123	173,123	70,209	38,471	48,350	17,299	347,452	1,410,577	1,758,029	
Note		9		HRA 15	HRA 14	19			20, 21, 22		Coll Fd 3

Core Financial Statements

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31ST MARCH 2017

YEAR ENDING 31ST MARCH 2017	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Sub-Total General Fund £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000	Note
Balance at 01 April 2016 Brought Forward	13,000	152,528	165,528	42,894	37,475	57,231	8,149	311,277	1,095,765	1,407,042	
Movement in Reserves during 2016/17											
Surplus or (Deficit) on the provision of services	(33,272)	0	(33,272)	6,107	0	0	0	(27,165)	0	(27,165)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	82,555	82,555	
Total Comprehensive Income and Expenditure	(33,272)	0	(33,272)	6,107	0	0	0	(27,165)	82,555	55,390	
Adjustments between accounting basis and funding basis under regulations	30,321	0	30,321	11,399	(845)	(1,736)	5,983	45,122	(45,122)	0	8
Net Increase / (Decrease) before Transfers to Earmarked Reserves	(2,951)	0	(2,951)	17,506	(845)	(1,736)	5,983	17,957	37,433	55,390	
Transfers to / (from) Earmarked Reserves	2,951	(2,951)	0	(3,277)	3,277	0	0	0	0	0	9, HRA 14, HRA 15
Increase / (Decrease) in 2016/17	0	(2,951)	(2,951)	14,229	2,432	(1,736)	5,983	17,957	37,433	55,390	
Balance at 31 March 2017 Carried Forward	13,000	149,577	162,577	57,123	39,907	55,495	14,132	329,234	1,133,198	1,462,432	
Note		9		HRA 15	HRA 14	19			20, 21, 22 Coll Fd 3		

Core Financial Statements

BALANCE SHEET AS AT 31ST MARCH 2018

31/03/2017 £000		31/03/2018 £000	Note
	Property, Plant & Equipment		
1,229,068	Council Dwellings	1,255,843	10b, HRA 1a, 9
774,672	Other Land and Buildings	1,011,061	10b
27,865	Vehicles, Plant, Furniture and Equipment	25,170	10b
114,893	Infrastructure	117,424	10b
4,982	Community Assets	4,975	10b
76,893	Surplus Assets not Held for Sale	94,623	10b
23,115	Assets under Construction	23,690	10b
2,251,488		2,532,786	
257	Heritage Assets	257	41
0	Investment Property	0	11
2,049	Long Term Investments	2,076	
32,566	Long Term Debtors	44,948	14a
2,286,360	Total Long Term Assets	2,580,067	
280,731	Short Term Investments	310,648	12
0	Assets Held for Sale	0	
181	Inventories	152	
47,486	Debtors	45,541	14b
92,048	Cash and Cash Equivalents	104,250	15
3,637	Prepayments	3,941	
424,083	Current Assets	464,532	
3,532	Bank Overdraft	9,530	15
26,854	Short Term Borrowing	42,468	12
3,758	Provisions (Less than 1 year)	3,378	17
76,453	Creditors	78,193	16
76,789	Receipts in Advance	90,493	18
7,580	PFI Liabilities due within one year	7,945	34d
194,966	Current Liabilities	232,007	
2,515,477	Total Assets less Current Liabilities	2,812,592	
166,126	Long Term Borrowing	179,453	12
4,843	Provisions (More than 1 year)	5,393	17
236,196	Deferred PFI Liabilities	228,124	34d
1,616	Capital Grants Receipts in Advance	1,858	
644,264	Liability related to defined benefit pension scheme	639,735	20, 37
1,053,045	Long Term Liabilities	1,054,563	
1,462,432	NET ASSETS	1,758,029	
	Usable Reserves		
13,000	General Fund Balance	13,000	
149,577	Earmarked Revenue Reserves	160,123	9
57,123	Housing Revenue Account	70,209	HRA 15
39,907	Major Repairs Reserve	38,471	HRA 14
55,495	Usable Capital Receipts Reserve	48,350	19
14,132	Capital Grants Unapplied	17,299	
329,234		347,452	
	Unusable Reserves		
890,273	Revaluation Reserve	1,025,482	21
895,587	Capital Adjustment Account	1,052,696	22
95	Deferred Capital Receipts	93	
(3,841)	Financial Instruments Adjustment Account	(26,450)	
(644,264)	Pensions Reserve	(639,735)	20, 37
3,096	Collection Fund Adjustment Account	5,547	Coll Fd 3
(7,748)	Short Term Compensated Absences Account	(7,056)	
1,133,198		1,410,577	
1,462,432	TOTAL RESERVES	1,758,029	

Core Financial Statements

CASH FLOW STATEMENT FOR THE YEAR ENDING 31ST MARCH 2018

2016/17 £000s		2017/18 £000s	Note
(27,165)	Net surplus or (deficit) on the provision of services	101,675	
105,498	Adjustment to surplus or deficit on the provision of services for non-cash movements	(50,276)	42
(41,131)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(33,185)	43
37,202	Net Cash flows from Operating Activities	18,214	
(40,791)	Net Cash flows from Investing Activities	(38,838)	45
(6,142)	Net Cash flows from Financing Activities	26,828	46
(9,731)	Net Increase or (decrease) in Cash and Cash Equivalents	6,204	
98,247	Cash and Cash Equivalents at the beginning of the reporting period	88,516	15
88,516	Cash and Cash Equivalents at the end of the reporting period	94,720	15

Statement of Accounting Policies

SECTION 2 - STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require them 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 2017/18 and the SERCOP 2017/18, both published by CIPFA, and based on IFRS and statutory guidance under Section 12 of the Local Government Act 2003 (see Glossary for definitions). The accounting convention adopted in the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a 'going concern' basis (in other words, on the expectation that the Council will continue to operate in its current form for the foreseeable future).

2. CHANGES IN ACCOUNTING ESTIMATES AND ACCOUNTING POLICIES, MATERIAL ERRORS AND PRIOR PERIOD ADJUSTMENTS

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. Prior period adjustments may arise from a change in an accounting policy or to correct a material error. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

3. ACCRUALS OF INCOME AND EXPENDITURE

The Council's revenue and capital accounts are prepared on an accruals basis. This means that activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Income from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that the economic benefits or service potential associated with the transaction will be received by the Council.
- Income from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will be received by the Council.
- Income from Council Tax, Non-Domestic Rates and rents is accounted for in the year it is due.
- 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.
- Expenditure on supplies is accounted for when they are used. When there is a significant gap between the date on which supplies are received and the date of their use, and the value is material, they are carried as inventories on the Balance Sheet.
- Expenditure on services received (including those provided by employees) is accounted for when the services are received rather than when payments are made.

Statement of Accounting Policies

Where income and expenditure have been recognised in the accounts, but cash has not been received or paid, a debtor or creditor for the amount is recorded in the Balance Sheet. Where it is likely that debts may not be settled, a charge is made to revenue for the income that might not be collected and the debtor is impaired.

4. EXCEPTIONAL ITEMS

Where items of expenditure and income are material, their nature and amount are disclosed separately, either in the Comprehensive Income and Expenditure Statement (the "CIES") or in a note to the accounts, depending on their significance.

5. FOREIGN CURRENCY TRANSLATION

Where the Council has entered into a foreign currency transaction, it is converted into sterling at the exchange rate prevailing on the transaction date. Where amounts are outstanding at year end, they are converted at the exchange rate on 31 March. Any material gains or losses are charged to the Financing and Investment Income and Expenditure line in the CIES.

6. VALUE ADDED TAX (VAT)

Income and Expenditure excludes any amounts related to VAT, unless it is irrecoverable from Her Majesty's Revenue and Customs. VAT is paid on invoices received and charged to an input tax account and VAT is collected with income and posted to an output tax account. These accounts are reconciled and claims made to HM Revenue and Customs for the net VAT incurred on a monthly basis.

7. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, 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 events can be identified:-

- those that give evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events where they are considered to be material;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events. However, where they would have a material effect, disclosure is made in the notes of the nature of the event and its estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

8. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to the services where those budgets are controlled, in line with the organisational structure of the Council. This approach follows a change in the Code of Practice for last year 2016/17. However, overheads and support services still continue to be allocated across the benefiting services to cover statutory requirements (for example, between the General Fund and Housing Revenue Account) and for statutory returns to Central Government.

9. GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments, and the grants or contributions will be received. Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential of the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or else the future economic benefits or service potential must be returned to the transferor. Amounts received as grants and contributions for which conditions have not been satisfied are carried on the Balance Sheet as receipts in advance. When conditions are satisfied, they are credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the CIES.

Statement of Accounting Policies

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement (MiRS). 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.

10. LEASES

Leases are classified as finance leases where the terms of the lease substantially transfer 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 which do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where the fulfilment of the arrangement is dependent on the use of specific assets.

a) The Council as Lessee

i) Finance Leases

The Council as lessee does not have any finance leases.

ii) Operating Leases

Rentals paid under operating leases are charged to the CIES as expenditure of the services which benefit from the use of the leased asset. Charges are made on a straight-line basis over the life of the lease, even if this does not match the incidence of payments (e.g. where there is a rent-free period).

b) The Council as Lessor

i) Finance Leases

When the Council grants a finance lease over a property or 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 is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Any gain, representing the Council's net investment in the lease, is credited to the same line in the CIES 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 asset (long-term debtor) in the Balance Sheet. The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. 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 MiRS.

Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the MiRS. 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 MiRS. When the future rentals are received, the capital receipt for the disposal of the asset is used to write down the lease debtor, and the associated deferred capital receipt is transferred to the Capital Receipts Reserve.

Lease rentals received are apportioned between a charge for the acquisition of the interest in the property, which is applied to write down the lease debtor (together with any premiums received), and finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

ii) Operating Leases

Where the Council grants an operating lease over a property or item of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES on a straight-line basis over the life of the lease, even if this does not match the incidence of payments received.

Statement of Accounting Policies

11. INVENTORIES (STOCK)

Highways and fleet stores are valued and included in the Balance Sheet at cost price as a proxy for average price. Revenue accounts are charged with the cost of obsolescent stock written off.

12. LONG TERM CONTRACTS

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

13. EMPLOYEE BENEFITS

a) Benefits Payable during Employment

Short-term employee benefits are those which are settled within 12 months of the year-end. They include salaries, paid annual leave and sick leave for current employees and are recognised as an expense in the year in which employees render their services to the Council. An accrual is made for the cost of entitlements (or any form of leave) 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 salary rates applicable in the year in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the MiRS using the Short Term Compensated Absences Account so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. This account shows the differences arising 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 each year. Statutory requirements are that the impact on Council Tax is reversed through the Account.

b) Termination and Discretionary Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before their normal retirement date. They are charged on an accruals basis to the relevant Service Cost line in the CIES in the year in which the Council is committed to the termination of the employment of the officer. The Council has an approved scheme to make awards of benefits in the event of early retirements which requires a panel to consider and agree proposals on the grounds of redundancy and/or efficiency and applications for voluntary early retirement from employees.

Where termination benefits have involved the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MiRS, 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 amounts payable but unpaid at the year-end.

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities arising 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.

Statement of Accounting Policies

c) Post-Employment Benefits

Employees of the Council are members of four separate pension schemes:-

- The Teachers' Pension Scheme, administered by Capita Teachers Pensions for the DfE;
- The NHS Pension Scheme, administered by EA Finance NHS Pensions;
- The London Pension Fund administered by the Local Pensions Partnership (LPP) on behalf of the London Pensions Fund Authority (LPFA);
- The Local Government Pension Scheme (LGPS), administered by Lewisham Council.

These schemes provide defined benefits to members (retirement lump sums and pensions), which are earned as they work for the Council.

(i) Teachers' Pension Scheme and the NHS Pension Scheme

These schemes are defined benefit schemes, but are accounted for as if they were defined contributions schemes, since their liabilities cannot be separately identified to individual Local Authorities. No liabilities for future payment of benefits are therefore recognised in the Balance Sheet for these schemes. The CIES is charged with the employer's contributions paid to the schemes during the year.

(ii) London Pension Fund Scheme

This scheme is a defined benefit scheme and is accounted for as such, since its liabilities and assets can be identified to individual Councils. The CIES is charged with a levy from the LPFA to meet the employer's contributions and the costs of administration.

(iii) Local Government Pension Scheme

This scheme is a defined benefit scheme and is accounted for as such, since its liabilities and assets are attributable to individual Local Authorities. The Council's attributed liabilities are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments to be made by the Scheme in relation to benefits earned to date, based on a number of assumptions about mortality rates, turnover, projected earnings etc. These liabilities are discounted to their value at current prices, using a discount rate recommended by the Scheme's Actuaries.

The assets of the Scheme are included in the Balance Sheet at their fair value as follows:-

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value.

The change in the net pensions liability is analysed into the following components:-

- Service Costs comprising
The current service cost which is the increase in liabilities as a result of years of service earned this year. These are allocated in the CIES to the services for which the employees worked.
The past service cost which is the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. These are debited to the relevant Service Directorate in the Surplus or Deficit on the Provision of Services in the CIES.
- Net interest on the net defined benefit liability
This is the change in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate to the net defined benefit liability at the beginning of the period, accounting for any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Re-measurement comprising
The return on plan assets excluding amounts included in net interest.
The actuarial gains and losses arising from changes in demographic and financial assumptions since the last actuarial valuation.
Other changes not accounted for elsewhere.

Statement of Accounting Policies

Statutory regulations require Council Tax to fund the amounts payable to the Pension Scheme in the year, rather than the amount calculated according to the relevant accounting standards. The notional entries for assets and liabilities are therefore matched with appropriations to and from the Pension Reserve in the Movement in Reserves Statement. The negative balance on the Pensions Reserve thus measures the beneficial impact on the General Fund of being required to account on the basis of cash flows rather than as benefits are earned by employees.

The detailed accounting policies followed in preparing the pension fund accounts are disclosed separately in the Council's Pension Fund Accounts in Section 8 of the Statement of Accounts.

14. INTERESTS IN COMPANIES

The Council has two wholly owned subsidiary companies, Lewisham Homes and Catford Regeneration Partnership Ltd. It also has a minority interest (significantly lower than 50%) in a number of other companies. The transactions between the Council and all of these companies are included in the Council's accounts. An annual review of the necessity of preparing Group Accounts is undertaken, and for 2017/18 it has again been concluded that the activities of Group's entities are sufficiently material to warrant the production of Group Accounts. See also Section 6 – Group Accounts, and Note 25 - Investment in Companies.

15. REVENUE PROVISIONS AND IMPAIRMENT ALLOWANCES

a) Provisions

The Council has set aside amounts from revenue as provisions which will be used to cover future expenditure. Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement at a later date and where a reliable estimate can be made of the amount of the obligation. Provisions are charged to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision in the Balance Sheet. All provisions are reviewed at the end of the financial year, and where it is assessed that it is less than probable that a settlement 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 Council settles the obligation.

b) Impairment Allowances

Impairment allowances to cover Council Tax, housing rents and other debtors are set up where it is doubtful that the debts will be settled. A charge is made to the relevant account for the income and is deducted from the current debtors balance on the Balance Sheet. When it is deemed that the debts are irrecoverable they are written off to the impairment allowance. Where payments are made, they are credited to the provision on the Balance Sheet.

16. RESERVES

The Council has set aside specific amounts as reserves to cover future expenditure for contingencies or policy purposes, which fall outside the definition of provisions, and are shown in Note 8 of Section 3. The reserves are created by appropriating amounts out of the General Fund Balance in the MiRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then credited back to the General Fund Balance in the MiRS so that there is no net charge against Council Tax. Statutory reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and are not available for the Council to use to finance services.

Statement of Accounting Policies

17. CONTINGENT LIABILITIES AND ASSETS

A contingent liability or asset arises where an event has taken place that gives the Council a possible obligation or asset. However, this will only be confirmed by the occurrence or otherwise of another event not wholly within the control of the Council. These are not recognised in the Balance Sheet but are disclosed in a note to the accounts. A contingent liability could also arise in circumstances where a provision would otherwise be made but either it is not probable that a payment will be required or the amount of the obligation cannot be measured reliably.

18. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred which can be capitalised under statutory provisions but does not result in the creation of a non-current asset for the Council (e.g. home improvement grants or voluntary aided schools expenditure), is charged to the relevant service cost line in the CIES. Where this expenditure is met from existing capital resources or by borrowing, a transfer in the MiRS from the General Fund Balance to the Capital Adjustment Account reverses out the amounts charged so that there is no impact on Council Tax.

19. FINANCIAL INSTRUMENTS

a) Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council enters into a financial instrument and are initially measured at fair value and carried at their amortised cost. Charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by its effective rate of interest. This rate exactly discounts estimated future cash payments over its life to the amount at which it was originally recognised. For the Council's borrowings, the amount on the Balance Sheet is the outstanding principal repayable (plus accrued interest), and the interest charged to the CIES is the amount payable for the year for the loan. Where market loans are defined as Lender Option Borrower Option (LOBO's), these are accounted for as short term loans if they have options occurring within the next financial year.

In 2017/18 the Council restructured one of its market loans in what classifies as a substantial modification, given that the variance between the present values of the net cash flows under the modified loan and the cash flows programmed over the remaining life of the original loan is greater than 10%. The increase in debt principal as a result of the restructure has been accounted for by creating a premium which will be charged to the CIES over the remaining life of the loan.

Premiums and discounts from previous year's settlements are charged to the CIES in accordance with regulations requiring the impact on the General Fund and the HRA to be spread over future years. The Council's policy is to spread the gain or loss over the remaining term of the loan repaid on which the premium was payable or discount receivable. As required by statute, the amounts charged to the CIES are adjusted to the required charge against Council Tax or Housing Rents by a transfer to or from the Financial Instruments Adjustment Account in the MiRS. This account holds the accumulated difference between the financing costs charged to the CIES and the accumulated financing costs required to be charged to the General Fund Balance in accordance with regulations.

b) Financial Assets

i) Loans and Receivables

Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market. They are recognised on the Balance Sheet initially at fair value and subsequently at their amortised cost, and include short term investments and sundry debtors. The credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by its effective rate of interest. For loans that the Council has made, this means that the amount shown on the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year for the loan. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Statement of Accounting Policies

ii) Available-for-Sale Assets

These are assets which have a quoted market price and/or do not have fixed or determinable payments. The Council does not have any assets in this category.

20. 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 twenty four hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value. The Cash Flow Statement shows cash and cash equivalents net of repayable on demand bank overdrafts which form an integral part of the Council's cash management.

21. INTANGIBLE NON CURRENT ASSETS

Intangible Non-Current Assets (e.g. software licences) do not have any physical substance and are identifiable and controllable by the Council through custody or legal rights. The expenditure is only capitalised when it and the future economic benefits or service potential flowing from it are both material. The level of spend on these assets is immaterial and therefore is charged direct to the CIES.

22. NON CURRENT 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.

a) Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided it adds value, increases its ability to deliver future economic benefits or service potential, or can be capitalised as a component and exceeds the Council's de-minimus limit of £40,000. Expenditure financed from the government's Devolved Formula Capital Grant is also capitalised on the basis that it increases the school's service potential. Expenditure that only maintains an asset's value (i.e. repairs and maintenance) and does not increase its ability to deliver benefits or services is charged as revenue expenditure when it is incurred.

b) Measurement and Valuation

Non-current assets are initially measured at cost, comprising the purchase price and 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 Council capitalises costs incurred whilst assets are under construction if these costs are directly attributable to an asset and it is probable that future economic benefits will flow to the authority (in accordance with IAS 16). These balances are held on the balance sheet under the category Assets Under Construction and are transferred to the specific non-current assets category when the project reaches practical completion. Non-current assets are carried on the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – current value, using the basis of existing use value for social housing (EUV-SH);
- all other assets – current value, being 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 have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Non-current assets included in the Balance Sheet at fair value are revalued regularly in accordance with the Statements of Appraisal and Valuation Manual and Guidance Notes issued by the RICS and recommended by CIPFA.

Statement of Accounting Policies

The cost of an asset acquired other than by purchase is deemed to be its fair value. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the CIES. Where the donation has been made conditionally, the gain is held in the Donated Assets Account until conditions are satisfied. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the MiRS. The Council did not receive any donated assets in 2017/18 (nor in 2016/17).

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the CIES where they arise from the reversal of a loss previously charged to a service. Where decreases in value are identified, they are accounted for as follows:

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

Surplus Assets not Held for Sale are assets that are not being used to supply goods and services and do not meet the criteria of assets held for sale. The adoption of IFRS 13 requires that these assets are measured at fair value and not existing use value. 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.

c) Charges to Revenue for Non-Current Assets

All services are charged with the following amounts to reflect the cost of using Property, Plant and Equipment 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).

These amounts are not required to be charged against Council Tax; however the Council is required to make an annual contribution from revenue (the Minimum Revenue Provision – MRP) to reduce its overall outstanding borrowing, calculated on a prudent basis in accordance with statutory guidance. The difference between the two is accounted for within the Capital Adjustment Account in the Movement in Reserves Statement.

d) Impairment

Non-current assets held on the Balance Sheet are reviewed at year-end to assess whether they may be impaired. Where an impairment exists, the recoverable amount of the asset is estimated and if material, an impairment loss is recognised for the shortfall and is accounted for as follows:-

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

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

Statement of Accounting Policies

e) Depreciation

Depreciation is charged on all Property, Plant and Equipment assets by applying the straight-line method based on the asset's useful life. Depreciation is not charged for assets with an indeterminable finite useful life, a long life such that depreciation would be immaterial, assets where the recoverable amount exceeds the carrying amount (i.e. freehold land, community assets) and assets under construction. Depreciation is calculated on the following bases:

- council dwellings – 40 years
- other land & buildings (including hostels) – 40 years
- vehicles, plant & equipment – range of 5 to 20 years
- infrastructure – range of 10 to 40 years (but the majority being 25 years)

The Council's policy is to charge depreciation on the assets value at 1 April each year. It is charged from the year following the date of purchase or completion of construction, and is not adjusted for disposals or additions of assets during the year. Where an asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

f) Non-Current Assets Held for Sale

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

When 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 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.

g) Disposals of Non-Current Assets

When an asset is disposed of or decommissioned, the carrying amount in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Any receipts from disposals are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for asset disposals are classified as capital receipts. A proportion of receipts from housing disposals (as per the relevant regulations) are payable to the Government. The retained receipts are required to be credited to the Usable Capital Receipts Reserve, and can only be used to finance new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the MiRS. The written-off value of disposals is not a charge against Council Tax. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MiRS.

h) Deferred Capital Receipts

This reserve holds the gains recognised on the disposal of non-current assets but for which a cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the cash settlement eventually takes place, the amounts are transferred to the Usable Capital Receipts Reserve.

Statement of Accounting Policies

23. HERITAGE ASSETS

These are assets which are primarily held for their contribution to knowledge or culture, however, where they are used as operational assets, they are classified as such. They are recognised and measured in accordance with the accounting policies on Property, Plant and Equipment in respect of revaluation, impairment and disposal. The Council has, however, opted not to depreciate these assets since they are enduring by nature. The threshold for disclosure is £40,000.

24. INVESTMENT PROPERTIES

The Council no longer holds any Investment Properties – these were all reclassified to Property, Plant & Equipment in a previous year (2015/16) as part of a review resulting from IFRS 13 – Fair Value Measurement.

25. PRIVATE FINANCE INITIATIVE (PFI) CONTRACTS

These are agreements to receive services where the responsibility for making available the assets needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The original recognition of these assets at fair value is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Where schemes include a capital contribution, the liability is written down accordingly. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as other non-current assets owned by the Council. The amounts payable to the PFI operators each year are analysed into the following five elements:

- fair value of the services received during the year – debited to the relevant service in the CIES;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the CIES;
- contingent rent – increases in the amount to be paid for the asset arising during the contract, debited to Interest Payable and Similar Charges in the CIES;
- payment towards liability – applied to write down the liability towards the PFI operator;
- lifecycle replacement costs – recognised as prepayments in the Balance Sheet and then recognised as non-current assets on the Balance Sheet when the work is carried out.

26. ACCOUNTING FOR SCHOOLS

Schools' accounting policies are the same as the Council's, with their income and expenditure being attributed to the appropriate service line in the CIES and their assets, liabilities and balances being included on the Balance Sheet. Schools' earmarked reserves are shown separately within Note 9 to the Core Financial Statements. An analysis of Dedicated Schools' Grant (the main source of funding for schools) is shown in Note 29. Any critical judgements made relating to accounting for schools' non-current assets (i.e. land and buildings) are shown in Note 3.

Notes to the Core Financial Statements

SECTION 3 – NOTES TO THE CORE FINANCIAL STATEMENTS

1. EXPENDITURE AND FUNDING ANALYSIS – YEAR ENDING 31ST MARCH 2018

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax [and rent] payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis 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.

SERVICE	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis (see Notes to EFA (i)) £'000	Net Expenditure in the CIES £'000
Children & Young People Directorate	57,538	(116,792)	(59,254)
Community Services Directorate	74,594	4,853	79,447
Customer Services Directorate	55,170	3,834	59,004
Resources & Regeneration Directorate	4,314	8,623	12,937
HRA	(13,865)	18,224	4,359
Corporate Services	(27)	1,779	1,752
Cost of Services	177,724	(79,479)	98,245
Other Income and Expenditure	(199,920)	0	(199,920)
(Surplus) or Deficit	(22,196)	(79,479)	(101,675)

Opening General Fund and HRA Balance at 01 April 2017	(259,607)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	(22,196)
Closing General Fund and HRA Balance at 31 March 2018	(281,803)

Analysed between General Fund and HRA Balances			
	General Fund	HRA	Total
Opening General Fund and HRA Balance at 01 April 2017	(162,577)	(97,030)	(259,607)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	(10,546)	(11,650)	(22,196)
Closing General Fund and HRA Balance at 31 March 2018	(173,123)	(108,680)	(281,803)

Notes to the Core Financial Statements

EXPENDITURE AND FUNDING ANALYSIS – YEAR ENDING 31ST MARCH 2017

SERVICE	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis (see Notes to EFA (i)) £'000	Net Expenditure in the CIES £'000
Children & Young People Directorate	53,797	20,492	74,289
Community Services Directorate	94,883	7,535	102,418
Customer Services Directorate	55,939	3,145	59,084
Resources & Regeneration Directorate	4,121	8,589	12,710
HRA	(17,479)	9,821	(7,658)
Corporate Services	15,235	(8,707)	6,528
Cost of Services	206,496	40,875	247,371
Other Income and Expenditure	(220,206)	0	(220,206)
(Surplus) or Deficit	(13,710)	40,875	27,165

Opening General Fund and HRA Balance at 01 April 2016	(245,897)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	(13,710)
Closing General Fund and HRA Balance at 31 March 2017	(259,607)

Analysed between General Fund and HRA Balances			
	General Fund	HRA	Total
Opening General Fund and HRA Balance at 01 April 2016	(165,528)	(80,369)	(245,897)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	2,951	(16,661)	(13,710)
Closing General Fund and HRA Balance at 31 March 2017	(162,577)	(97,030)	(259,607)

Notes to the Core Financial Statements

Notes to the EFA

(i) Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the CIES amounts	2017/18			
	Adjustment for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
SERVICE				
Children & Young People Directorate	(128,863)	12,798	(727)	(116,792)
Community Services Directorate	2,855	1,998	0	4,853
Customer Services Directorate	3,709	2,555	(2,430)	3,834
Resources & Regeneration Directorate	7,088	1,521	14	8,623
HRA	15,335	3,011	(122)	18,224
Corporate Services	(33,490)	12,538	22,731	1,779
Cost of Services	(133,366)	34,421	19,466	(79,479)
Other Income and Expenditure	0	0	0	0
Difference between General Fund surplus or deficit and CIES surplus or deficit	(133,366)	34,421	19,466	(79,479)

Adjustments from General Fund to arrive at the CIES amounts	2016/17			
	Adjustment for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
SERVICE				
Children & Young People Directorate	13,667	3,689	3,136	20,492
Community Services Directorate	6,987	558	(10)	7,535
Customer Services Directorate	7,391	693	(4,939)	3,145
Resources & Regeneration Directorate	8,185	404	0	8,589
HRA	7,879	2,427	(485)	9,821
Corporate Services	(23,776)	15,371	(302)	(8,707)
Cost of Services	20,333	23,142	(2,600)	40,875
Other Income and Expenditure	0	0	0	0
Difference between General Fund surplus or deficit and CIES surplus or deficit	20,333	23,142	(2,600)	40,875

Notes to the Core Financial Statements

(ii) Segmental Income and Expenditure

	2017/18
	£'000
Revenues from external customers	(236,465)
Revenues from transactions with other operating segments of the authority	0
Interest revenue	(3,050)
Interest expense	34,169
Depreciation and amortisation	(98,431)
Material items of income and expense (related to disposals of PPE and investments and reversals of provisions)	(8,182)
The authority's interest in the profit or loss of associates and joint ventures accounted for by the equity method	0
Income tax expense or income	0
Material non-cash items other than depreciation and amortisation	0

	2016/17
	£'000
Revenues from external customers	(220,114)
Revenues from transactions with other operating segments of the authority	0
Interest revenue	(3,002)
Interest expense	34,995
Depreciation and amortisation	61,954
Material items of income and expense (related to disposals of PPE and investments and reversals of provisions)	(9,823)
The authority's interest in the profit or loss of associates and joint ventures accounted for by the equity method	0
Income tax expense or income	0
Material non-cash items other than depreciation and amortisation	0

2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED IN THE 2017/18 ACCOUNTS

The Code of Practice 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 following new or amended standards within the Code:

- Leases: IFRS 16 will require lessees to recognise most leases on their balance sheet – this is a significant change from current practice. Lessees will have a single accounting model for all leases, with two exemptions (low value assets and short term leases). Lessor accounting will be substantially unchanged. The new standard will come into effect in financial year 2018/19 (that is, from 1st January 2019, with limited early application permitted). Therefore, there is no impact on the 2017/18 Accounts. In 2018/19, as regards the Council as lessee, an initial assessment indicates that the current annual charge to the CIES of £1.5m will increase slightly to £1.6m, and the Existing Use Value of the leases would add approximately £18.8m to the balance sheet.

Notes to the Core Financial Statements

- Financial Instruments: IFRS 9 replaces IAS 39 from April 2018 and will require the Council to comprehensively review its existing financial instruments and their ongoing accounting treatment, to ensure that assets are classified and measured at fair value initially, with any changes in fair value recognised in the CIES as and when they arise. The standard also introduces an “expected credit loss” model for the impairment of assets, loans and receivables which assesses the risk that a loan/receivable will default while taking into account the Council’s business reasons for holding those assets. The overall impact of the new standard to the Council is still yet to be fully assessed, although in general the authority currently deals in fairly simple ‘vanilla’ instruments which may lessen the overall impact. Officers will work in year to develop and adapt any existing business practices in order to meet the requirements of the new standard and fully understand the financial impact on the Council.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the Accounting Policies the Council has had to make certain judgements about complex transactions (shown in this note) and a number of assumptions which involve uncertainty about future events (shown in the following note). The major judgements made are as follows:

- a. There is uncertainty about future levels of funding for local government. However, the Council has concluded that it is unlikely that the assets of the Council will be impaired as a result of the actions required to achieve the necessary savings, including closing facilities and reducing services.
- b. A number of judgements have been made under IFRS concerning the classification of and the accounting for Non-Current Assets, Investment Properties, Leases, PFI and other major contracts, Capital and Revenue Grants and other miscellaneous items. The adoption of IFRS 13 Fair Value Measurement in 2015/16 led to an assessment of the Council’s Investment Properties and their reclassification to Property, Plant & Equipment (for further details, see Note 24 – Investment Properties – in Accounting Policies above). In summary, there are no material changes to these judgements for the 2017/18 Accounts compared to those for last year.
- c. An accounting judgement has been made for each school as to whether their land and buildings should be included within the Council’s Balance Sheet:-
 - Included are 41 Community Primary Schools, 5 Community Secondary Schools, 3 Community Special Schools, 2 Foundation Schools and 2 Nursery Schools (53 schools).
 - Excluded are 23 Voluntary-aided Schools, 3 Foundation Schools, 4 Academies and 3 Other Schools (33 schools).
 - Also excluded are assets acquired via PFI contracts where they relate to the excluded schools given above, although the PFI liability remains with the Council.
- d. A judgement has been made by the Council that it is proper practice to prepare Group Accounts for 2017/18, on grounds of materiality. For further information, see Section 2 – Accounting Policies (para. 14 – Interests in Companies); also Section 6 – Group Accounts; and Note 25 – Investment in Companies.
- e. The Council has previously agreed that it will indemnify all the pension costs of Lewisham Homes staff. The Council’s judgement is that this indemnity is most accurately represented by accounting for the liability under IAS 19, rather than as an accrual, provision, reserve or contingent liability. The Council’s 2017/18 Single Entity Accounts therefore include the full costs of the Lewisham Homes IAS 19 liability and are consistent with the Council’s 2016/17 Accounts and Lewisham Homes’ Accounts for both years.

Notes to the Core Financial Statements

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

These Accounts contain a number of estimated figures that are based on assumptions made about the future or that are otherwise uncertain, and take into account historical experience, current trends and other relevant factors. Because of this, the actual outcomes could be materially different from the assumptions and estimates made. The areas in the Council's Accounts at 31st March 2018 for which there is a significant possibility of material adjustment in the forthcoming financial year are as follows:-

a) Property, Plant and Equipment

Non-Current Assets are depreciated over their useful lives which are partially dependent on assumed levels of repairs and maintenance that will be achieved. However the current economic climate makes it uncertain that the Council will be able to sustain its current level. If the useful life of assets is reduced, the depreciation will increase and the carrying amount of the assets will decrease. The annual depreciation charge for buildings could increase by approximately £1m for every year that useful lives are reduced. For further information on Non-Current Assets, see Note 10.

b) Insurance Provisions

The insurance provision is made up of contributions to cover liabilities arising over a number of years. It is split between less than and greater than one year, estimating what proportion of the monies held relate to each of the years, what has been paid in each of those years and what remains outstanding. An annual review is commissioned from insurance advisors to inform this split. The balance on the provision < 1 year at 31st March 2018 is £2.5m, and so an increase over the forthcoming year of 10% in the total number of claims or in the average settlement could add £0.25m to the provision needed.

c) Non-Domestic Rates - Appeals

Since the introduction of the Business Rates Retention Scheme from 1st April 2013, Councils are liable for successful appeals against NDR charged to businesses in 2017/18 and earlier financial years in their proportionate share. Therefore, a provision has been raised for the estimate of the amount that businesses have been overcharged up to 31st March 2018, using the Valuation Office (VOA) ratings list of appeals and the analysis of successful appeals to date. The balance on this provision at 31st March 2018 is £2.0m.

d) Arrears of Significant Debtors

The Council had debtors balances of Council Tax, Non Domestic Rates, Housing Rents and sundry others of £120.8m as at 31st March 2018. All of the significant balances have been reviewed and impairment allowances for doubtful debts have been set at appropriate levels, with an overall impairment allowance of £75.5m. Although the current economic climate, including the Government's welfare benefits reform initiative, has been taken into account, it is not certain that these allowances will be sufficient, as the judgements made are mainly based on historical trends. If collection rates were to deteriorate, an increase of 10% in the amount of the impairment allowance would require an additional sum of £7.5m to be set aside.

e) Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured and are outlined in the Defined Benefits note to these Accounts (Note 37).

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

There are no material items of Income and Expenditure that are not disclosed elsewhere in these Accounts.

Notes to the Core Financial Statements

6. EVENTS AFTER THE BALANCE SHEET DATE

The pre-audit Statement of Accounts was authorised for issue by the Executive Director for Resources and Regeneration at the end of May 2018. Events taking place after this date are not reflected in the accounts. Where events took place before this date which materially altered the conditions existing at 31st March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect these altered conditions.

St George's CE Primary School became an academy on 1st May 2018 and this will be reflected in Council's DSG funding for 2018/19. This will have no effect on the Council's balance sheet, because the school's land and buildings are already excluded as being those of a voluntary-aided school (see Note 3 – Critical Judgements in Applying Accounting Policies – paragraph C).

7. OTHER OPERATING EXPENDITURE - LEVIES

These are included under the "Other Operating Expenditure" line in the Comprehensive Income and Expenditure Statement, and comprises the statutory levies for services carried out by other bodies.

	2017/18 £000	2016/17 £000
London Pension Fund Authority	1,241	1,229
Lee Valley Regional Park Authority	213	224
Environment Agency	184	179
Total Levies Paid	1,638	1,632

8. TECHNICAL NOTE: AN ANALYSIS OF THE MOVEMENT IN RESERVES STATEMENT ADJUSTMENTS BETWEEN THE ACCOUNTING BASIS AND FUNDING BASIS

This note details the adjustments that are made to the CIES recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The total of these adjustments appears as a line on the Movement in Reserves Statement.

Notes to the Core Financial Statements

2017/18	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments to 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/ from the Pensions Reserve)	31,410	3,011				(34,421)
Financial instruments (transferred to the Financial Instruments Adjustment Account)	22,731	(122)				(22,609)
Council Tax and NDR (transfers to/ from Collection Fund Adjustment Account)	(2,451)					2,451
Holiday Pay (transferred to the Accumulated Absences Account)	(692)					692
Reversal of entries included in the Surplus/ Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account (CAA))	(121,042)	29,267	(951)			92,726
Total Adjustments to Revenue Resources	(70,044)	32,156	(951)	0	0	38,839
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,986)	(11,608)		13,596		(2)
Payments to the Government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	1,927			(1,927)		0
Statutory provision for the repayment of debt (transfer from the CAA)	(10,580)	(2,662)				13,242
Revenue Expenditure Funded from Capital under Statute	10,925					(10,925)
Capital expenditure funded from revenue balances (transfer to the CAA)	(6,428)	(153)				6,581
Total Adjustments between Revenue and Capital Resources	(6,142)	(14,423)	0	11,669	0	8,896
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure				(18,814)		18,814
Use of the Major Repairs Reserve to finance capital expenditure			(485)			485
Application of capital grants to finance capital expenditure	(19,590)				3,167	16,423
Total Adjustments to Capital Resources	(19,590)	0	(485)	(18,814)	3,167	35,722
Total Adjustments	(95,776)	17,733	(1,436)	(7,145)	3,167	83,457

Notes to the Core Financial Statements

2016/17	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments to 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/ from the Pensions Reserve)	20,715	2,427				(23,142)
Financial instruments (transferred to the Financial Instruments Adjustment Account)	(301)	(485)				786
Council Tax and NDR (transfers to/ from Collection Fund Adjustment Account)	(4,934)					4,934
Holiday Pay (transferred to the Accumulated Absences Account)	3,121					(3,121)
Reversal of entries included in the Surplus/ Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account (CAA))	40,922	30,801	0			(71,723)
Total Adjustments to Revenue Resources	59,523	32,743	0	0	0	(92,266)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(3,133)	(16,226)		19,364		(5)
Payments to the Government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	1,947			(1,947)		0
Statutory provision for the repayment of debt (transfer from the CAA)	(10,696)	(2,460)				13,156
Revenue Expenditure Funded from Capital under Statute	5,799					(5,799)
Capital expenditure funded from revenue balances (transfer to the CAA)	(1,207)	(2,658)				3,865
Total Adjustments between Revenue and Capital Resources	(7,290)	(21,344)	0	17,417	0	11,217
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure				(19,153)		19,153
Use of the Major Repairs Reserve to finance capital expenditure			(845)			845
Application of capital grants to finance capital expenditure	(21,912)				5,983	15,929
Total Adjustments to Capital Resources	(21,912)	0	(845)	(19,153)	5,983	35,927
Total Adjustments	30,321	11,399	(845)	(1,736)	5,983	(45,122)

Notes to the Core Financial Statements

9. EARMARKED RESERVES

The Council has a number of earmarked reserves on its Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up to provide resources for future spending plans. This note shows the amounts used to meet General Fund expenditure in 2017/18 and amounts set aside in the year to finance future expenditure plans. The use of HRA earmarked reserves is shown in the notes to the HRA in Section 4.

Name of Reserve	Balance	2017/18 Transfers		Balance	
	31/03/17 £000	Out £000	In £000	31/03/18 £000	
Specific Revenue Earmarked	71,343	(14,355)	12,163	69,151	(a)
PFI and BSF Schemes	23,892	0	2,172	26,064	(b)
New Homes Bonus Reserve	20,036	(5,325)	9,699	24,410	(c)
Insurance	16,729	(600)	295	16,424	(d)
Capital Programme Expenditure	929	(8,787)	8,735	877	(e)
	132,929	(29,067)	33,064	136,926	
Schools Reserves and External Funds	16,648	(19,406)	25,954	23,196	(f)
	16,648	(19,406)	25,954	23,196	
Total	149,577	(48,473)	59,018	160,122	

a) Specific Earmarked Reserves

These comprise a number of specific reserves which are earmarked for particular purposes.

The Transfers In include £10.9m in 2017/18 due to the reclassification of Creditors after a review to ensure that the accounts are consistent with the Whole of Government Accounts

b) PFI and BSF Schemes Reserves

These reserves enable services to make revenue contributions towards their committed PFI and Building Schools for the Future (BSF) schemes in future years. This now includes the Street Lighting PFI Sinking Fund which was previously reported under the "Specific Revenue Earmarked Reserves" line.

c) New Homes Bonus Reserve

The reserve is made up of unused grant from central government. The grant is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. Use of the reserve is not ring-fenced.

d) Insurance Reserve

This has been established in order to supplement the insurance provision and covers potential costs arising from self-insured risks.

e) Capital Programme Expenditure Reserve

This reserve will be used to finance capital programme expenditure in future years. £2m has been allocated from Revenue reserves in 2017/18 to fund Capital written off to revenue in year. This was needed due to a delay in planned Capital Receipts being received. It is anticipated that this will be repaid in 2018/19 when the receipts are received.

f) Schools Reserves and Schools External Funds

The Schools Reserves consist of the unspent year-end balances from schools' self-managed budgets. School External Funds are unspent balances from schools' locally generated funds. All these balances are earmarked to be used by schools in future years.

Notes to the Core Financial Statements

10. NON CURRENT ASSETS**a) Non-Current Assets Revaluations**

Assets are valued at least every five years as a minimum or more regularly where a five-yearly valuation is insufficient to keep pace with material changes in fair value, to ensure that the Council's assets are valued in accordance with RICS and CIPFA guidance. The valuations this year were undertaken and signed off by the valuers Wilkes, Head and Eve. Where revaluations have occurred in 2017/18, their exact effective date was 28th February 2018 for council dwellings and 31st January 2018 for other assets.

	Council Dwellings £000	Other Land & Buildings £000	Surplus Assets £000	Total £000
Valued at Historic Cost	0	1,879	10,223	12,102
Valued at Current Value				
2017/18	1,220,379	843,038	82,097	2,145,514
2016/17	35,464	165,519	403	201,386
2015/16	0	57	1,900	1,957
2014/15	0	0	0	0
2013/14	0	568	0	568
Total Net Book Value	1,255,843	1,011,061	94,623	2,361,527

b) Movements in Non-Current Assets

The movements in non-current assets during 2017/18 were as follows:

Notes to the Core Financial Statements

2017/18	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Comm. Assets £000	Surplus Assets £000	Assets under Construction £000	TOTAL £000
Gross Book Value b/fwd at 1st April 2017	1,229,227	775,614	53,750	170,686	5,013	77,693	23,115	2,335,098
Additions	1,734	1,836	1,901	9,264	16	7,939	10,908	33,598
Revaluations (recognised in Revaluation Reserve)	46,151	84,706	0	0	0	(1,554)	0	129,303
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	(52)	147,847	0	0	0	(3,215)	0	144,580
Impairments (recognised in Revaluation Reserve)	0	(2,991)	0	0	0	(311)	0	(3,302)
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	(1,371)	0	0	0	(1,508)	0	(2,879)
Disposals	(5,410)	(278)	(2,387)	0	0	0	0	(8,075)
Transfers	(14,979)	9,114	0	421	0	15,777	(10,333)	0
Gross Book Value c/fwd at 31st March 2018	1,256,670	1,014,477	53,264	180,370	5,029	94,821	23,690	2,628,321
Depreciation b/fwd at 1st April 2017	(159)	(942)	(25,885)	(55,793)	(31)	(800)	0	(83,610)
Depreciation for year	(22,059)	(14,797)	(4,584)	(7,153)	(23)	(604)	0	(49,220)
<u>Depreciation written back on:</u>								
Transfers	7	0	0	0	0	(7)	0	0
Revaluations (recognised in Revaluation Reserve)	20,367	8,061	0	0	0	542	0	28,970
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	1,017	4,262	0	0	0	447	0	5,726
Impairments (recognised in Revaluation Reserve)	0	0	0	0	0	0	0	0
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	0	0	0	0	224	0	224
Assets Sold	0	0	2,375	0	0	0	0	2,375
Depreciation c/fwd at 31st March 2018	(827)	(3,416)	(28,094)	(62,946)	(54)	(198)	0	(95,535)
Net Book Value at 31st March 2018	1,255,843	1,011,061	25,170	117,424	4,975	94,623	23,690	2,532,786

Notes to the Core Financial Statements

The movements in non-current assets during 2016/17 were as follows:

2016/17	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Comm. Assets £000	Surplus Assets £000	Assets under Construction £000	TOTAL £000
Gross Book Value b/fwd at 1st April 2016	1,149,956	795,553	58,976	159,096	7,163	76,026	23,992	2,270,762
Additions	1,564	4,014	3,155	11,666	0	3,693	12,952	37,044
Revaluations (recognised in Revaluation Reserve)	87,636	(13,643)	0	0	0	4,585	0	78,578
Revaluations (recognised in Surplus/Deficit on the Provision of Services)	190	(8,821)	0	0	0	54	0	(8,577)
Impairments (recognised in Revaluation Reserve)	0	(663)	0	0	0	(2,589)	0	(3,252)
Impairments (recognised in Surplus/Deficit on the Provision of Services)	(139)	(889)	(504)	0	(2,581)	(13,142)	(4,550)	(21,805)
Disposals	(9,215)	(560)	(7,877)	0	0	0	0	(17,652)
Transfers	(765)	623	0	(76)	431	9,066	(9,279)	0
Gross Book Value c/fwd at 31st March 2017	1,229,227	775,614	53,750	170,686	5,013	77,693	23,115	2,335,098
Depreciation b/fwd at 1st April 2016	(3,643)	(3,966)	(29,312)	(49,179)	(8)	(369)	0	(86,477)
Depreciation for year	(20,444)	(15,665)	(4,625)	(6,633)	(4)	(526)	0	(47,897)
Depreciation written back on:								
<u>Transfers</u>	30	625	0	19	(19)	(655)	0	0
Revaluations (recognised in Revaluation Reserve)	20,447	6,049	0	0	0	35	0	26,531
Revaluations (recognised in Surplus/Deficit on the Provision of Services)	3,434	11,946	0	0	0	80	0	15,460
Impairments (recognised in Revaluation Reserve)	0	0	0	0	0	0	0	0
Impairments (recognised in Surplus/Deficit on the Provision of Services)	0	65	175	0	0	635	0	875
Assets Sold	17	4	7,877	0	0	0	0	7,898
Depreciation c/fwd at 31st March 2017	(159)	(942)	(25,885)	(55,793)	(31)	(800)	0	(83,610)
Net Book Value at 31st March 2017	1,229,068	774,672	27,865	114,893	4,982	76,893	23,115	2,251,488

Notes to the Core Financial Statements

11. INVESTMENT PROPERTIES

Investment Properties were all reclassified to Property, Plant & Equipment in a previous year (2015/16), hence the nil balance. (See also Section 2 – Accounting Policies – paragraph 24.)

12. FINANCIAL INSTRUMENTS

The Code of Practice requires the accounts to be compliant with IFRS but some of these requirements are not consistent with primary legislation. Where this occurs, the CIES complies with IFRS, with the MiRS containing the reversals required to ensure that the closing balances comply with Statute. The figures shown in the table do not all appear as investments on the face of the balance sheet due to the reclassification of some short term investments as Cash Equivalents under IFRS. Where values are zero, the relevant lines have been excluded from the table.

a) Financial Instruments Balances

	Long-Term		Current		
	31/03/18 £000	31/03/17 £000	31/03/18 £000	31/03/17 £000	
Financial Liabilities (Principal)	179,453	165,910	40,000	25,000	1
Accrued Interest	-	216	2,431	1,854	1
Total Borrowings	179,453	166,126	42,431	26,854	
PFI and Finance Lease liabilities	228,224	236,196	7,945	7,580	
Total Other Liabilities	228,224	236,196	7,945	7,580	
Financial Liabilities at contract amount	-	-	58,186	59,153	2
Total Creditors	-	-	58,186	59,153	

	Long-Term		Current		
	31/03/18 £000	31/03/17 £000	31/03/18 £000	31/03/17 £000	
Loans and Receivables (Principal)	-	-	404,688	368,514	1
Accrued Interest	-	-	680	734	1
Total Investments	-	-	405,368	369,248	
Loans and Receivables	44,948	32,566	-	-	2
Financial Assets at contract amounts	-	-	27,525	31,639	2
Total Debtors	44,948	32,566	27,525	31,639	

1) Under accounting requirements the carrying value of financial instruments is shown in the balance sheet (including the principal amount borrowed or lent and adjustments for accrued interest where relevant). Accrued interest is included in current assets / liabilities where it is due within one year.

2) These are carried at cost as this is a fair approximation of their value. The breakdown of these figures are shown in the appropriate Debtors and Creditors Notes and exclude statutory amounts.

Notes to the Core Financial Statements

Other Required Declarations

There were no reclassifications of financial instruments in the year or the previous year.

There were no unusual movements during the year or the previous year.

The Council provided no financial guarantees in the year and has none outstanding from previous years.

The Council has made no loans to voluntary organisations at less than market rates (soft loans), nor has it received any such loans.

No de-recognition is expected where the Council has transferred financial assets to a third party.

The Council did not hold and did not obtain any collateral for third party debts or other credit enhancements in the year or the previous year.

No allowance for credit losses were made during the year or the previous year.

No defaults or breaches relating to the Council's financial instruments were incurred during the year or the previous year.

Borrowing costs capitalised in the year were £0.474m, at a rate of 4.38%. These were included in interest payable in the CIES.

b) Financial Instruments Gains / (Losses)

The gains and losses recognised in the CIES in relation to financial instruments are as follows (there were no revaluations on financial instruments in 2017/18 or 2016/17, or assets classified as Available for Sale):

	2017/18			2016/17
	Liabilities - Amortised Cost £000	Assets - Loans and Receivables £000	Totals £000	Totals £000
Interest Expense	8,810	-	8,810	9,029
Total Expense in Surplus or Deficit on Provision of Services	8,810	-	8,810	9,029
Interest Income	-	(2,142)	(2,142)	(2,338)
Total Income in Surplus or Deficit on Provision of Services	-	(2,142)	(2,142)	(2,338)
Net (Gain) / Loss for the Year	8,810	(2,142)	6,668	6,691

c) Fair Values of Assets and Liabilities

Financial liabilities and assets represented by loans and receivables are carried on the balance sheet at amortised cost (in long term assets / liabilities with accrued interest in current assets / liabilities). Their fair value can be assessed by calculating the net present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- Borrowing rates from the PWLB have been applied to PWLB loans, termed the New Loan and Premature Repayment Rates;
- For non-PWLB loans, PWLB discount rates as above have been used as a reasonable proxy for market rates;
- 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 values for loans and receivables have been assessed by reference to Level 2 Inputs, i.e. inputs other than quoted prices that are observable for the financial asset/liability. These give a reasonable estimate for the fair value of a financial instrument, and includes accrued interest.

Notes to the Core Financial Statements

The following tables show the carrying amount of assets and liabilities on the balance sheet compared to the fair value amounts (undisclosed on the balance sheet). The fair value of Public Works Loan Board (PWLB) loans of £122m at the New Loan Rate compares the terms of existing PWLB commitments with the new borrowing rates available from the PWLB, given that the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets (the Certainty rate).

A supplementary measure of the fair value of PWLB commitments is to compare the terms of these loans with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB Premature Repayment Rate. If the authority were to seek to repay the loans to the PWLB, the PWLB would raise a penalty charge for early redemption, based on the repayment interest rates, for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £144m.

	Premature Repayment Rate		New Loan Rate		Premature Repayment Rate		New Loan Rate	
	31/03/18		31/03/18		31/03/17		31/03/17	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt	89,945	143,512	89,945	121,980	77,557	130,001	77,557	111,012
Non-PWLB Debt *	131,939	220,451	131,939	179,443	115,423	195,775	115,423	162,336
Total Debt / Liabilities	221,884	363,963	221,884	301,423	192,980	325,776	192,980	273,348
Money Market Investments	411,550	411,702	411,550	411,702	373,191	373,313	373,191	373,313
Long Term Debtors	44,948	44,948	44,948	44,948	32,566	32,566	32,566	32,566
Total Assets	456,498	456,650	456,498	456,650	405,757	405,879	405,757	405,879

*The fair value for non-PWLB debt at the premature repayment rate is provided for illustrative purposes only.

13. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Key Risks

The Council's activities necessarily expose it to a variety of financial risks. The key risks are:

Credit Risk - The possibility that other parties might fail to pay amounts due to the Council;

Liquidity Risk - The possibility that the Council might not have funds available to meet its commitments to make payments;

Re-financing Risk - The possibility that the Council might need to renew a financial instrument on maturity at disadvantageous interest rates or terms;

Market Risk - The possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

b) Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the uncertainty of financial markets, and are structured to implement suitable controls to minimise these risks. They set out a legal framework based on the *Local Government Act 2003* and associated regulations, and require the Council to do the following:

- formally adopt the requirements of the CIPFA Treasury Management Code of Practice;
- adopt a Treasury Policy Statement and include treasury management clauses within its financial regulations/standing orders/constitution;
- approve annually in advance prudential and treasury indicators for the following three years.
- approve an investment strategy for the forthcoming year setting out its criteria for investing and selecting investment counterparties in compliance with Government guidance.

Notes to the Core Financial Statements

These procedures are required to be reported and approved at Council 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 Council's financial instrument exposure. Actual performance is also reported after each year. The annual treasury management strategy which incorporates the prudential indicators was last approved by Council in February 2018 and is available on the Council website. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These are a requirement of the Code of Practice and are reviewed periodically.

c) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council'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, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. This also considers maximum amounts and time limits in respect of each financial institution. The Council uses the creditworthiness service provided by Capita Asset Services which uses a sophisticated modelling approach with credit ratings from all three rating agencies forming the core element. This is combined with credit watches and credit outlooks in a weighted scoring system, with an overlay of CDS spreads for which the end product is an indication of the relative creditworthiness of counterparties.

The Council's maximum exposure to credit risk in respect of its investments cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to that institution. It is rare for institutions to be unable to meet their commitments and a risk applies to all of the Council's deposits, however at the 31 March 2018 there was no evidence that this was likely to happen.

d) Liquidity Risk

The Council manages its liquidity position through the procedures above as well as using a comprehensive cash flow management system, as required by the CIPFA Code of Practice, which ensures that cash is available when needed. The Council 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. All sums invested are either due to be paid in less than one year or can be easily realised.

e) Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered sufficient to manage the refinancing risk, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments over one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the corporate treasury team address the operational risks within these parameters.

f) Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments and these impact according to how variable and fixed interest rates move across differing financial instrument periods. The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy includes expected interest rate movements. A treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure, and this is monitored regularly.

If variable interest rates had been 0.1% higher (with all other variables held constant) the financial effect would be a net increase in income of £0.3m. The impact of a 0.1% fall in interest rates would be a net decrease in income of £0.3m.

Notes to the Core Financial Statements

14. DEBTORS**a) Long Term Debtors**

These consist of sums repayable to the Council over a period of time of more than one year.

	31/03/18 £000	31/03/17 £000
Lewisham Homes - Loan	26,000	14,000
Catford Regeneration Partnership Ltd (CRPL) - Loan	12,034	12,223
Street Lighting PFI Sinking Fund	3,245	3,245
Lewisham Gateway Development - Loan	2,000	2,000
Land Charges Debts	278	384
Mortgages	155	177
Other Long Term Debtors	1,236	537
Total Long Term Debtors	44,948	32,566

a) Lewisham Homes Loan

A loan of £8m was advanced to Lewisham Homes in 2015/16, a further £6m in 2016/17 and a further £12m in 2017/18. (See Section 6 – Group Accounts.)

b) Catford Regeneration Partnership Limited Loan

A loan of £12m was advanced to CRPL in 2010/11, followed by further loans of £0.25m in 2015/16 and £1m in 2016/17. (See Section 6 – Group Accounts.)

c) Street Lighting PFI Sinking Fund

This fund is held by LB Croydon on behalf of the Council in their role as lead borough for the on-going PFI scheme for the upgrade and maintenance of the borough's street lights.

d) Lewisham Gateway Development

A loan of £2m was advanced to the consortium which is undertaking the Lewisham Gateway development.

e) Other Long Term Debtors

Other long term debtors includes a social investment business loan to Wide Horizons for £0.7m in 2017/18. This totals £1.3m shared between Lewisham and Greenwich.

Notes to the Core Financial Statements

b) Current Debtors

These are short term debts for goods and services which are expected to be repayable within a year.

	31/03/18 £000	31/03/17 £000
Government and Other Public Bodies:		
HM Revenue & Customs - VAT	4,240	4,562
Central Government bodies	4,720	2,464
Other Local Authorities	962	2,866
NHS bodies	16	94
Other Public bodies	80	241
Council Tax Payers	32,307	28,995
NDR Payers	984	1,187
Council Tax Court Costs	8,290	7,389
Housing Benefit Overpayments	25,776	24,172
Housing Rents (inc PSL, B & B, Hostels, Commercial)	8,576	8,935
Leaseholders Services Charges	6,153	4,272
Parking	270	415
LBL Pension Fund	1,315	176
General Debtors due for Supplies and Services	27,316	29,228
Total Current Debtors	121,005	114,996
Impairment Allowances	(75,464)	(67,510)
Total Net Current Debtors	45,541	47,486

c) Impairment Allowances

	Balance at 31/03/17 £000	Movement in 2017/18 £000	Balance at 31/03/18 £000
Council Tax Payers	(26,918)	(2,941)	(29,859)
Council Tax Court Costs	(6,681)	(820)	(7,501)
NDR Payers	(702)	155	(547)
Housing Benefit Overpayments	(17,115)	(1,799)	(18,914)
Housing Rents (inc PSL, B & B, Hostels, Commercial)	(4,656)	642	(4,014)
Leaseholders Services Charges	(1,392)	(610)	(2,002)
General Debtors due for Supplies and Services	(10,046)	(2,581)	(12,627)
Total Impairment Allowances	(67,510)	(7,954)	(75,464)

The above have been determined individually according to the particular factors for each type of debtor.

Notes to the Core Financial Statements

15. CASH AND CASH EQUIVALENTS

	Balance 31/03/17 £000	Movement in 2017/18 £000	Balance 31/03/18 £000
Cash Equivalents			
Short Term Deposits	0		0
Cash			
Money Market Funds	92,461	8,440	100,901
Call Accounts with Banks	0		0
	92,461	8,440	100,901
Other Cash and Bank Balances			
Main Bank Accounts	0	0	0
Other Cash and Bank Accounts	(413)	3,725	3,312
	(413)	3,725	3,312
Total Cash and Cash Equivalents	92,048	12,165	104,213
Bank Accounts Overdrawn			
Main Bank Accounts	(3,370)	(6,391)	(9,761)
Schools Bank Accounts	(162)	430	268
	(3,532)	(5,961)	(9,493)
Net Cash and Cash Equivalents	88,516	6,204	94,720

a) Short term deposits are made for varying periods of between one day and three months (less than 92 days), depending on the immediate cash requirements, and earn interest at the respective rates.

b) The carrying amounts of cash equivalents, cash and bank overdrafts approximate to their fair values.

c) The schools bank accounts are an integral part of the Council's overall cash management arrangements, and are therefore included under Net Cash and Cash Equivalents. They consist of individual accounts for each school, and an overall treasury account which is used to invest the net balance in conjunction with the Council's other balances. The balances on these accounts were £24.7m (2016/17 £15.2m) and overdrawn £24.4m (2016/17 overdrawn £15.3m) respectively.

Notes to the Core Financial Statements

16. CREDITORS

These are amounts owed to the Government and other public bodies and all unpaid sums for goods and services received as at the end of the year.

	31/03/18 £000	31/03/17 £000
Government and other public bodies:		
HM Revenue & Customs	5,619	5,413
Central Government bodies	13,670	4,403
Other Local Authorities	7,118	8,422
NHS bodies	3,722	13,527
Other Public bodies	403	1,571
	30,532	33,336
Short Term Compensated Absences	7,056	7,748
General Creditors (amounts owed for supplies and services)	40,605	35,369
Total Creditors	78,193	76,453

17. REVENUE RECEIPTS IN ADVANCE

	31/03/18 £000	31/03/17 £000
Capital Contributions Unapplied	40,423	32,805
PFI Schemes	23,142	22,486
Council Tax	7,929	7,558
NDR	3,470	2,295
Rents in Advance	5,165	4,161
Revenue Grants and Contributions	5,681	2,264
Other Receipts in Advance	4,683	5,220
Total Receipts in Advance	90,493	76,789

18. PROVISIONS

These are amounts which are set aside to meet liabilities that are likely or certain to arise from events which have taken place, but where it is not possible to determine precisely when the event will take place.

	Balance 31/03/17 £000	2017/18 Transfers		Balance 31/03/18 £000
		Out £000	In £000	
Current (less than 1 year)				
Insurance Provision	2,703	(1,790)	1,619	2,532
Other Provisions	1,055	(5,347)	5,138	846
	3,758	(7,137)	6,757	3,378
Non Current (Over 1 year)				
Insurance Provision	3,726	0	702	4,428
Other Provisions	1,117	(517)	365	965
	4,843	(517)	1,067	5,393
Total - Provisions	8,601	(7,654)	7,824	8,771

Notes to the Core Financial Statements

Insurance Provisions

The Council's insurance programme comprises a mix of external insurance, largely for cover at catastrophe level or where required by contract or lease arrangements, and self-insurance. Dedicated Insurance Provisions and Reserves are maintained to provide 'self-insurance' to meet either uninsured losses or losses that fall below the external insurance excess. The appropriate levels are assessed annually by the Council's insurance actuaries.

19. USABLE CAPITAL RECEIPTS

Capital Receipts are mainly sums received from the sale of non-current assets. Housing capital receipts are subject to pooling arrangements whereby under certain conditions a portion is payable to central government. Non housing capital receipts are wholly usable to finance new capital expenditure. The balance on this account is available to fund future capital expenditure.

	2017/18 £000	2016/17 £000
Balance brought forward at start of year	55,495	57,231
Amounts Received	13,596	19,364
Poolable to Central Government	(1,927)	(1,947)
Amounts applied to finance new capital investment	(18,814)	(19,153)
Total increase/(decrease) in capital receipts in year	(7,145)	(1,736)
Balance carried forward at end of year	48,350	55,495

20. PENSION RESERVE

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

	2017/18 £000	2016/17 £000
Balance brought forward at start of year	(644,264)	(601,806)
Actuarial gains or losses on pensions assets and liabilities	38,950	(19,316)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(67,129)	(57,622)
Employer's pensions contributions and direct payments to pensioners payable in the year	32,708	34,480
Balance carried forward at end of year	(639,735)	(644,264)

Notes to the Core Financial Statements

21. REVALUATION RESERVE

The Revaluation Reserve records the accumulated gains since 1st April 2007 on non-current assets held by the Council arising from increases in value (to the extent that these gains have not been consumed by subsequent downward movements in value). The Reserve is also debited with the part of the depreciation that has been incurred because the asset has been revalued. On disposal of an asset, its Revaluation Reserve balance is written out to the Capital Adjustment Account. The overall balance on the Reserve thus represents the amount by which the value of non-current assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historical cost.

	2017/18 £000	2016/17 £000
Balance brought forward at start of year	890,273	808,913
Revaluation of Assets	158,273	105,109
Impairment Losses	(3,302)	(3,252)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	154,971	101,857
Difference between fair value and historic cost depreciation	(17,086)	(15,946)
Accumulated gains on assets sold or scrapped	(2,676)	(4,551)
Amount written off to the Capital Adjustment Account	(19,762)	(20,497)
Balance carried forward at end of year	1,025,482	890,273

Notes to the Core Financial Statements

22. CAPITAL ADJUSTMENT ACCOUNT

This reflects the timing differences arising from the accounting treatment for the use 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 CIES (with reconciling entries from the Revaluation Reserve to convert fair value figures to a historical cost basis). It is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

	2017/18 £000	2016/17 £000
Balance brought forward at start of year	895,587	899,650
<u>Reversal of capital expenditure items debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	98,431	(61,954)
Revenue expenditure funded from capital under statute	(10,925)	(5,799)
Non-current assets written off on disposal - gain/loss to the CIES	(3,029)	(5,217)
	84,477	(72,970)
Adjusting amounts written out of the Revaluation Reserve	17,086	15,960
Net amount written out of the cost of non-current assets consumed in the year	101,563	(57,010)
<u>Capital Financing applied in the year:</u>		
Use of Capital Receipts to finance new capital expenditure	18,814	19,153
Use of Major Repairs Reserve to finance new capital expenditure	485	844
Capital grants and contributions credited to the CIES	16,423	15,929
Statutory Provision for the financing of capital investment	5,534	6,089
Repayment of Principal on PFI schemes	7,708	7,067
Capital expenditure charged to General Fund and HRA	6,582	3,865
	55,546	52,947
Balance carried forward at end of year	1,052,696	895,587

Notes to the Core Financial Statements

23. EXPENDITURE AND INCOME ANALYSED BY NATURE

	2017/18 £000	2016/17 £000
Employee expenses - LBL	266,309	273,772
Employee expenses - Schools not part of LBL Payroll	58,363	58,558
Other Expenditure	698,834	660,534
Depreciation, amortisation and impairment	(98,431)	61,954
Interest payments	34,169	34,995
Loan Restructuring	23,314	0
Precepts and levies	1,638	1,632
Payments to Housing Capital Receipts Pool	1,927	1,947
Gain or loss on disposal of non-current assets	0	0
Net interest on the net defined benefit liability	17,042	21,152
Total Expenditure	1,003,165	1,114,544
Government grants and contributions	(648,754)	(662,253)
Fees, Charges and Other service income	(236,465)	(220,114)
Interest and Investment income	(3,050)	(3,002)
Income from council tax, non-domestic rates, district rate income	(189,915)	(176,610)
Recognised Capital Grants and Contributions	(18,474)	(15,577)
Gain or loss on disposal of non-current assets	(8,182)	(9,823)
Other Income	0	0
Total Income	(1,104,840)	(1,087,379)
(Surplus) or Deficit on the Provision of Services	(101,675)	27,165

24. AGENCY SERVICES AND POOLED BUDGETS

The Council did not carry out any agency services, construction work or any other work for any other Local Authorities, public bodies or entities in 2017/18 (nor 2016/17).

In 2017/18 the Council operated a pooled budget as defined by the terms of a Section 75 Agreement (National Health Service Act 2006). The pooled budget is hosted by Lewisham Borough Council ("LBL") on behalf of LBL and NHS Lewisham CCG being the two partners to the agreement.

Pooled Budget - Better Care Fund

	2017/18 £000	2016/17 £000
Funding provided to the pooled budget:		
Lewisham Borough Council	(9,683)	(1,781)
NHS Lewisham CCG	(20,425)	(20,165)
	(30,108)	(21,946)
Expenditure met from the pooled budget:		
Lewisham Borough Council	18,194	11,206
NHS Lewisham CCG	11,914	10,740
	30,108	21,946
Net surplus arising in year	0	0

Note:

- (i) The LBL share of any in-year net surplus would be 9.6%. This was nil in 2017/18 (and 2016/17) due to there not being a surplus.

Notes to the Core Financial Statements

25. INVESTMENT IN COMPANIES**a) Companies of which the Council is the sole owner.**

The Council is sole owner of two companies:

- i) Lewisham Homes Limited
- ii) Catford Regeneration Partnership Limited

Further detail on these companies is given in the Group Accounts section of these statements.

b) Companies of which the Council is a joint owner or shareholder.**i) Lewisham Schools for the Future LEP and SPV's**

The Council has a stake of 10% in Lewisham Schools for the Future LEP Limited which is the Local Education Partnership company also comprising Costain Engineering & Construction Limited, Babcock Project Investments Limited and Building Schools for the Future Limited as well. It was established under the Council's Building Schools for the Future (BSF) programme to rebuild and refurbish the secondary schools within the Borough.

The Council also has a 10% stake in four Special Purpose Vehicles which were set up in relation to the schools which were built within this BSF Programme. Amounts paid to these companies in 2017/18 are shown in brackets and are included in the Resources & Regeneration line of the CIES.

The companies concerned are Lewisham SPV Ltd (£9.0m), Lewisham SPV2 Ltd (£3.0m), Lewisham SPV3 Ltd (£4.4m) and Lewisham SPV4 Ltd (£8.3m). The Head of Financial Services is the Council's Director on all of these companies' boards. The corporate structure is standard to BSF schemes.

ii) South-East London Combined Heat and Power Ltd (SELCHP)

The Council has a minority share of less than 1% in South-East London Combined Heat and Power Ltd (SELCHP) which is a joint venture with the London Borough of Greenwich for the provision of waste disposal and waste to energy services. Payments of £4.6m were made in 2017/18 to the company (£5.4m in 2016/17) and are included in the Customer Services line of the CIES.

iii) Newable Ltd

The Council has a minority share in Newable Ltd (formerly Greater London Enterprise Ltd) which is a company limited by guarantee and provides property management & consultancy services. No payments were made by the Council in 2017/18.

26. MEMBERS' ALLOWANCES

The Council paid the following amounts to elected members of the Council during the year.

	2017/18 £000	2016/17 £000
Allowances (incl. NI)	939	932
Other Expenses	86	70
Total Expenditure in Year	1,025	1,002

Notes to the Core Financial Statements

27. OFFICERS' REMUNERATION**a) The number of Employees whose Remuneration was £50,000 or more:-**

Remuneration Band	Non-Schools		Schools		Totals	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
£50,000 to £54,999	68	51	162	178	230	229
£55,000 to £59,999	26	24	86	89	112	113
£60,000 to £64,999	18	16	55	54	73	70
£65,000 to £69,999	14	17	26	23	40	40
£70,000 to £74,999	10	8	28	26	38	34
£75,000 to £79,999	3	2	18	19	21	21
£80,000 to £84,999	2	2	8	9	10	11
£85,000 to £89,999	2	0	8	9	10	9
£90,000 to £94,999	0	1	7	5	7	6
£95,000 to £99,999	8	7	2	2	10	9
£100,000 to £104,999	4	1	2	1	6	2
£105,000 to £109,999	1	1	3	4	4	5
£110,000 to £114,999	0	1	0	0	0	1
£115,000 to £119,999	2	2	1	1	3	3
£120,000 to £124,999	0	0	2	0	2	0
£125,000 to £129,999	0	0	0	0	0	0
£130,000 to £134,999	0	0	0	0	0	0
£135,000 to £139,999	0	1	0	0	0	1
£140,000 to £144,999	3	3	0	0	3	3
£150,000 to £154,999	0	1	0	0	0	1
£150,000 to £154,999	1	0	0	0	1	0
Total	162	138	408	420	570	558

Note - These figures include the senior employees disclosed separately in note b) below.

Notes to the Core Financial Statements

b) Disclosure of Senior Employees' Remuneration

The definition of a "Senior Employee" is set out in Regulation 7 of the Accounts and Audit (England) Regulations 2011 (SI 2011/817). In summary, they are either a statutory chief officer, or have the power to direct or control the major activities of the council or report direct to the head of the council's paid service. They are not the same group of senior staff whose salaries are published on the Council's website.

Financial Year 2017/18**Senior Employees**

Executive Director for Children and Young People	143,961	32,391	176,352
Executive Director for Resources and Regeneration - Ms J Senior (a)	155,083	34,894	189,977
Executive Director for Community Services	143,961	32,391	176,352
Executive Director for Customer Services	143,961	32,391	176,352
Chief Executive (Part time) (b)	116,552	0	116,552
Director of Children's Social Care and Health	117,060	26,339	143,399
Director of Public Health	123,240	16,683	139,923
Head of Law and Monitoring Officer (Part time)	65,819	14,809	80,628

Totals

Salary (inc fees and allowances)	Employer's Pension Contributions	Total (inc. Pension Contributions)
£	£	£
143,961	32,391	176,352
155,083	34,894	189,977
143,961	32,391	176,352
143,961	32,391	176,352
116,552	0	116,552
117,060	26,339	143,399
123,240	16,683	139,923
65,819	14,809	80,628
1,009,637	189,898	1,199,535

(a) Salary includes an allowance for acting as Chief Executive following the resignation of the previous postholder

(b) The Chief Executive resigned effective from 31 January 2018. A new postholder will commence in May 2018.

Financial Year 2016/17**Senior Employees**

Executive Director for Children and Young People	139,871	31,471	171,342
Executive Director for Resources and Regeneration	142,536	32,071	174,607
Executive Director for Community Services	143,472	32,281	175,753
Executive Director for Customer Services	142,536	32,071	174,607
Chief Executive (Part time)	116,586	0	116,586
Director of Children's Social Care and Health	115,974	26,094	142,068
Director of Public Health - Dr D Ruta (a)	153,874	18,200	172,074
Head of Law and Monitoring Officer (Part time)	66,067	14,865	80,932

Totals

Salary (inc fees and allowances)	Employer's Pension Contributions	Total (inc. Pension Contributions)
£	£	£
139,871	31,471	171,342
142,536	32,071	174,607
143,472	32,281	175,753
142,536	32,071	174,607
116,586	0	116,586
115,974	26,094	142,068
153,874	18,200	172,074
66,067	14,865	80,932
1,020,916	187,053	1,207,969

(a) Dr Ruta's total remuneration includes £26,414 in pay arrears backdated from 01/04/13 to 28/02/17

Note – No payments in respect of bonuses, expenses or compensation for loss of office were made to any of these employees in 2017/18 (or 2016/17).

Notes to the Core Financial Statements

c) Termination Benefits - Exit Packages Agreed in Year

The number and cost of exit packages granted to employees in the year are shown below. These costs include redundancy payments to employees which were charged to the CIES. They also include payments to the Pension Fund in respect of the extra pension costs of employees who were granted early access to their pensions.

Cost Band (inc Pension Fund Contributions)

	Total Number of Exit Packages		Total Cost of Exit Packages	
	2017/18 No.	2016/17 No.	2017/18 £000	2016/17 £000
£0 to £20,000	78	70	609	435
£20,001 to £40,000	14	26	380	782
£40,001 to £60,000	3	14	135	670
£60,001 to £80,000	2	3	130	200
£80,001 to £100,000	2	3	180	258
Total	99	116	1,434	2,345

28. EXTERNAL AUDIT COSTS

	2017/18 £000	2016/17 £000
External Audit Services	193	193
Certification of Grant Claims and Returns	41	41
Other services provided by the appointed auditor	11	10
	245	244

The Council's External Auditors are Grant Thornton.

Notes to the Core Financial Statements

29. DEDICATED SCHOOLS' GRANT

The Council's expenditure on schools is funded primarily by the Dedicated Schools' Grant (DSG) provided by the DfE. The DSG is ring-fenced and can only be used to meet expenditure as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on a Council wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

	2017/18			Restated 2016/17		
	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000
Final DSG before academy recoupment			289,626			282,643
Academy figure recouped			(29,441)			(26,804)
Total DSG after academy recoupment			260,185			255,839
Brought forward from previous year			0			0
Carry forward to next year agreed in advance			0			0
Agreed initial budgeted distribution	71,632	188,553	260,185	64,406	191,433	255,839
In year adjustments	(801)		(801)	1,246	0	1,246
Final Budget Distribution	70,831	188,553	259,384	65,652	191,433	257,085
Actual Central Expenditure	70,831		70,831	65,652		65,652
Actual ISB deployed to schools		188,553	188,553		191,433	191,433
Carry Forward	0	0	0	0	0	0

30. GRANT INCOME

The following grants were credited to services during the year:

	2017/18 £000	2016/17 £000
Dedicated Schools Grant	(259,656)	(257,242)
Housing Benefit Grant	(217,325)	(225,422)
Housing Subsidy/ Decent Homes Backlog Grant	(10,353)	(10,353)
BSF/ Grouped Schools PFI Unitary Charge Grant	(26,290)	(26,346)
Public Health Grant	(24,967)	(25,598)
Pupil Premium Grant	(15,125)	(15,877)
Other Grants	(36,537)	(26,231)
Total	(590,253)	(587,069)

Notes to the Core Financial Statements

31. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties, which are bodies or individuals that have the potential to control or influence the Council or to be controlled by the Council.

(a) Central Government and Other Local Authorities

Central government exerts significant influence over the Council through legislation and grant funding. The general government grants received are shown in Note 30 to the Core Financial Statements. The precept to the Greater London Authority is shown in the notes of the Collection Fund in Section 5 of these Accounts. There were numerous other transactions between the Council and other Local Authorities.

(b) Subsidiaries, Associated Companies and Joint Ventures

The companies that are related to the Council are detailed in Note 25 to the Core Financial Statements.

(c) Elected Members (Councillors) and Chief Officers

Councillors have direct control over the Council's financial and operating policies, and their total cost is shown in Note 26. They are required to declare all related party transactions which they have with any organisation in which they have a controlling interest. This information is recorded on the Council's Register of Members and Chief Officers' Declarations of Interests and is open to public inspection at the Civic Suite at Lewisham Civic Suite during office hours. The information is also published on the Council's website. The Council is compliant with the Localism Act 2012. The material instances (over £100,000) where a Councillor has declared a related party transaction are as follows:

- **Councillor Alan Till is a board member of the Marsha Phoenix Memorial Trust (£0.201m)**
- **Councillor Brenda Dacres is a board member of the Albany Trust (£0.868m)**

(d) Lewisham Pension Fund

The Pension Fund Accounts are included in Section 7 of this document.

Notes to the Core Financial Statements

32. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The capital expenditure incurred in the year (excluding the value of assets acquired under finance leases and PFI contracts) and the resources used to finance it are shown below. Any expenditure which is not financed in the year will add to the Capital Financing Requirement (CFR), which measures the capital expenditure incurred historically by the Council that has yet to be financed. The Council is required to set aside an amount each year (the Minimum Revenue Provision - MRP) to repay debt, this reduces the CFR.

	2017/18 £000	2016/17 £000
Opening Capital Financing Requirement	242,638	241,725
Capital Investment		
Property, Plant and Equipment	46,297	40,963
Revenue Expenditure Funded from Capital under Statute	10,925	5,799
	57,222	46,762
Resources Used for Financing		
Capital Receipts	(18,814)	(19,153)
Government Grants and Other Contributions	(18,479)	(15,898)
Sums set aside from Revenue:	(5,012)	(4,709)
	(42,305)	(39,760)
Increase in the underlying need to borrowing	14,917	7,002
Debt Redeemed - Minimum Revenue Provision	(5,534)	(6,089)
Increase/ (decrease) in Capital Financing Requirement	9,383	913
Closing Capital Financing Requirement	252,021	242,638

33. LEASES**a) Council as a Lessee**i) Finance Leases

The council does not have any assets held under Finance Leases.

ii) Operating Leases

The Council has operating leases in the areas of Council Dwellings, School Plant and Equipment and Refuse Vehicles. The expenditure charged to services in the CIES during the year in relation to these leases was £1.6m (£1.5m in 2016/17). The future minimum lease payments due under non-cancellable leases in futures are:

	31/03/18 £000	31/03/17 £000
Not later than one year	1,427	1,258
Later than one year and not later than five years	3,017	2,896
Later than five years	18,824	14,794
	23,268	18,948

Notes to the Core Financial Statements

b) Council as a Lessori) Finance Leases

The council does not have any assets held under Finance Leases.

ii) Operating Leases

The Council leases out a number of commercial properties for Investment purposes. The future minimum lease payments receivable under non-cancellable leases in future years are:

	31/03/18 £000	31/03/17 £000
Not later than one year	1,842	2,091
Later than one year and not later than five years	3,206	4,614
Later than five years	1,258	2,258
	6,306	8,963

34. PRIVATE FINANCE INITIATIVES (PFI) CONTRACTS**a) Summary of PFI Schemes**

PFI Scheme	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF 1	BSF 2	BSF 3	BSF 4	Street Lighting
Start of Contract	2007	2007	2007	2009	2011	2012	2012	2011
End of Contract	2027	2039	2036	2035	2037	2037	2038	2036
Total Estimated Cost	£287m	£77m	£227m	£241m	£86m	£118m	£224m	£95m
Total PFI Credits	£207m	£30m		£674m				£54m
Net PFI Cost	£80m	£47m		£222m				£41m

b) Payments made under PFI contracts

	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF 1	BSF 2	BSF 3	BSF 4	Street Lighting	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
2017/18									
Service Charges	8,156	456	3,402	3,204	860	933	1,702	779	19,492
Interest	4,369	1,604	3,313	4,178	1,788	2,660	5,232	2,392	25,536
Liability Repayment	2,662	231	737	1,392	348	698	1,101	538	7,707
Unitary Charge	15,187	2,291	7,452	8,774	2,996	4,291	8,035	3,709	52,735
2016/17									
Service Charges	7,798	437	3,182	2,822	769	857	1,434	897	18,196
Interest	4,563	1,606	3,393	4,342	1,827	2,693	5,307	2,235	25,966
Liability Repayment	2,460	306	735	1,470	361	671	1,171	532	7,706
Unitary Charge	14,821	2,349	7,310	8,634	2,957	4,221	7,912	3,664	51,868

c) Movement in PFI Assets in year

The assets which are used to provide the services under these PFI contracts are recognised within the Council's Balance Sheet. The movements in value over the year are detailed in the following table.

Notes to the Core Financial Statements

	2017/18		2016/17	
	£000	£000	£000	£000
Gross Book Value b/fwd		336,938		324,467
Additions		355		3,076
Revaluations (recognised in Revaluation Reserve)	48,076		5,419	
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	22,945	71,021	5,133	10,552
Impairments (recognised in Revaluation Reserve)	0		0	
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	(355)	(355)	0	0
Disposals		(372)		(1,157)
Transfers		0		0
Assets reclassified (to)/ from Held for Sale		0		0
Gross Book Value c/fwd		407,587		336,938
Depreciation b/fwd		(2,675)		(1,632)
Depreciation for year		(7,215)		(6,981)
<u>Depreciation written back on:</u>				
Transfers		0		0
Revaluations (recognised in Revaluation Reserve)	4,215		3,462	
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	1,372	5,587	2,474	5,936
Impairments (recognised in Revaluation Reserve)	0		0	
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0		0	0
Assets sold		0		2
Depreciation c/fwd		(4,303)		(2,675)
Net Book Value at End of Year		403,283		334,262

d) PFI Liabilities

The unitary payments made to the contractors have been calculated to pay them the fair value of the services they provide, the capital expenditure they have incurred and interest they will pay whilst the capital expenditure remains to be reimbursed. The Council's total outstanding liability to the contractors is shown in the following table.

	Current Liabilities (Due within 1 Year)		Deferred (Future) Liabilities	
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
Balance outstanding at start of year	7,580	7,706	236,196	240,061
Balance outstanding at end of year	7,945	7,580	228,124	236,196

Notes to the Core Financial Statements

e) Payments due under PFI contracts in future years

The Council makes an agreed payment each year which is linked to inflation and can be reduced if the contractor fails to meet availability and performance standards. The following table shows the estimated payments due to be paid (as part of a unitary charge) for each PFI. The price base is in nominal terms assuming a 1.9% RPI increase per annum compounded until the end of the contract. The amounts are broken down into the different elements of the payments reflecting how they will be accounted for.

Note: Amounts shown for Brockley HRA PFI relate only to the unitary charge for tenanted properties.

	In 2018/19	2 to 5 years	6 to 10 years	11 to 15 years	16 to 20 years	21 to 25 years	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Brockley HRA							
Service charges	7,952	36,580	40,006				84,538
Interest	4,142	13,072	8,091				25,305
Repayment of liability	2,954	12,504	20,303				35,761
Planned lifecycle replacement	428	2,454	2,369				5,250
Downham Lifestyles							
Service charges	235	999	1,396	1,580	1,787	385	6,382
Interest	1,563	6,373	8,078	7,628	6,674	1,115	31,430
Repayment of liability	116	639	1,404	2,197	3,972	1,140	9,467
Planned lifecycle replacement	246	1,049	1,479	1,687	1,909	411	6,780
Grouped Schools							
Service charges	2,722	11,681	16,566	19,064	13,335		63,368
Interest	3,231	12,049	12,826	9,383	2,773		40,261
Repayment of liability	769	3,501	6,737	12,162	11,175		34,345
Planned lifecycle replacement	853	4,157	5,515	4,032	2,410		16,967
BSF 1							
Service charges	2,582	11,128	15,895	18,435	8,173		56,213
Interest	3,959	14,751	14,656	8,981	441		42,789
Repayment of liability	1,212	6,255	11,013	17,935	7,921		44,336
Planned lifecycle replacement	1,143	4,549	6,977	6,542	2,522		21,733
BSF 2							
Service charges	772	3,285	4,590	5,193	5,156		18,995
Interest	1,759	6,563	7,116	5,301	2,134		22,874
Repayment of liability	393	1,582	2,902	4,834	6,813		16,525
Planned lifecycle replacement	102	967	1,602	1,772	1,855		6,299
BSF 3							
Service charges	958	4,155	6,628	8,315	8,452		28,509
Interest	2,605	9,907	10,539	7,738	4,058		34,846
Repayment of liability	682	3,347	5,001	6,742	9,172		24,945
Planned lifecycle replacement	99	464	1,382	2,263	2,331		6,539
BSF 4							
Service charges	1,621	7,550	11,286	14,000	16,934		51,391
Interest	5,160	19,717	21,661	16,552	8,813		71,903
Repayment of liability	1,232	5,035	8,807	12,540	19,040		46,655
Planned lifecycle replacement	111	1,055	2,044	3,325	4,596		11,131
Streetlighting							
Service charges	798	3,397	4,746	5,370	4,000		18,311
Interest	2,359	9,018	9,919	7,524	2,994		31,814
Repayment of liability	585	2,895	5,260	7,944	7,450		24,135
Planned lifecycle replacement	0	0	0	0	0		0
Totals	53,344	220,679	276,795	219,041	166,888	3,050	939,796

Notes to the Core Financial Statements

35. LONG TERM CONTRACTS

The table below shows the significant long term contracts that the Council has entered into:

Contract Name	Contractor	Start/ End Date	Total Contract Value
School Meals Catering Contract	Chartwells	May-15/ Apr-20	£40m
Parks and Open Spaces	Glendale Grounds Management	Mar-10/ Feb-20	£26.1m
Leisure Centre Management	Fusion Lifestyles	Oct-12/ Oct-27	£12.7m
Parking Contract	NSL	Aug-13/ Jul-19	£10.8m
Highway Maintenance Contract	FM Conway	Apr-14/ Mar-19	£7.5m
Data Centre Provision	Logicalis	Apr-11/ Mar-21	£4.0m

36. DEFINED CONTRIBUTION PENSION SCHEMES

The Teachers and the National Health Service Pension Schemes are technically defined benefit schemes. However, their assets and liabilities cannot reliably be identified at individual employer level and therefore for the purposes of the Council's accounts they are accounted for as defined contribution schemes.

Teachers employed by the Council are members of the Teachers' Pension Scheme, which is run by the Department for Education (DfE). The scheme provides benefits upon retirement with both the Council and the employee making contributions to the scheme. The scheme is "unfunded" and the DfE use a notional fund to set a national employers contribution rate based on a percentage of members' pensionable pay – in 2016/17 this rate was 16.48% (14.1% for the first part of 2015/16 then 16.48%). In 2016/17, the Council paid £14.9m to the DfE in respect of teachers' pension costs (£13.9m in 2015/16).

Public Health staff employed by the Council are members of the NHS Pension Scheme, which is run by the Department of Health (DoH). The scheme provides benefits upon retirement with both the Council and the employee making contributions to the scheme. The scheme is "unfunded" and the DoH use a notional fund to set a national employers contribution rate based on a percentage of members pensionable pay – this rate was 14.3% for 2016/17 (14.0% in 2015/16). In 2016/17 the Council paid £0.087m to the DoH in respect of employees' pension costs (£0.115m in 2015/16).

37. DEFINED BENEFIT PENSION SCHEMES**a) Participation in Pension Schemes**

The Council offers retirement benefits as part of the terms and conditions of staff employment. Although these benefits will not actually be payable until employees retire, the Council is committed to making these payments, and they are required to be disclosed at the time that employees earn their future entitlement. The Council makes contributions on behalf of its employees to the Local Government Pension Scheme (LGPS) and the London Pensions Fund Authority (LPFA). These are defined benefit final salary schemes, meaning that both the Council and the employees pay contributions into a fund, calculated at a level which is intended to balance the pensions liabilities with investment assets.

Notes to the Core Financial Statements

b) Assessment of the Assets and Liabilities of the Pension Schemes

These are assessed on an actuarial basis using the projected unit method and an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. They have been prepared by independent firms of actuaries (the LGPS by Hymans Robertson and the LPFA by Barnett Waddingham), and are based on IAS19 assumptions and calculations for the year and the latest triennial valuations as at 31st March 2016. It should be noted the Council has guaranteed any pension liability that may arise for its wholly owned subsidiary, Lewisham Homes and as such the figures shown in the balance sheet incorporate the figures for Lewisham Homes.

c) Transactions relating to Retirement Benefits

In accordance with IAS19, the Council recognises the cost of retirement benefits relating to these schemes in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the required charge to the Council Tax is based on the cash paid in the year so the real cost of retirement benefits is reversed out of the General Fund via the MiRS. The following transactions were made during the year in the CIES and the General Fund Balance via the MiRS:

Comprehensive Income and Expenditure Statement**Cost of Service**

Current Service Cost

49,734

35,679

Past Service Cost (inc.settlements and curtailments)

456

791

50,190

36,470

Financing and Investment Income and ExpenditureNet Interest on the Net Defined Benefit Liability

Interest Income on Scheme Assets

(32,615)

(36,207)

Interest Cost on Defined Benefit Obligation (Liabilities)

49,554

57,359

16,939

21,152

Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services

67,129

57,622

Remeasurements of the Net Defined Benefit Liability

Return on Assets excluding amounts included in Net Interest

(816)

(204,685)

Actuarial Losses from changes in Demographic Assumptions

0

(18,395)

Actuarial Losses from changes in Financial Assumptions

(35,883)

291,213

Other Gains and Losses

(2,251)

(48,817)

Total Remeasurements recognised in CIES

(38,950)

19,316

Total Post Employment Benefits Charged to the CIES

28,179

76,938

Movement in Reserves Statement

Reversal of Net Charges made to the the Surplus or Deficit on the Provision of Services

(67,129)

(57,622)

Employers' Contributions Payable to the Scheme

816

34,480

Return on Assets excluding amounts included in Net Interest

38,134

204,685

Actuarial Gains and Losses

38,134

(224,001)

Net Movement in Pensions Reserve

(28,179)

(42,458)

Notes to the Core Financial Statements

d) Pensions Assets and Liabilities Recognised in the Balance Sheet

	31/03/18 £000	31/03/17 £000
Fair Value of Plan Assets	1,293,992	1,273,563
Present Value of Defined Benefit Liability (Obligation)	(1,933,727)	(1,843,419)
	(639,735)	(569,856)
Present Value of Unfunded Liabilities	0	(74,408)
Pensions Reserve - Year End Balance	(639,735)	(644,264)

e) Reconciliation of the Movements in the Fair Value of Scheme Assets

	31/03/18 £000	31/03/17 £000
Opening Fair Value of Scheme Assets	1,273,563	1,045,251
Interest Income on Scheme Assets	32,615	36,207
Administration	(103)	(89)
<u>Remeasurement Gains / Losses</u>		
Return on Assets excluding amounts included in Net Interest	816	204,685
Employer Contributions	28,109	29,519
Contributions in respect of Unfunded Benefits	4,599	4,961
Contributions from Scheme Participants	8,409	8,409
Benefits Paid	(49,417)	(50,582)
Unfunded Benefits Paid	(4,599)	(4,961)
Other Gains and Losses	0	163
Closing Fair Value of Scheme Assets	1,293,992	1,273,563

Notes to the Core Financial Statements

f) Reconciliation of the Movements in the Present Value of Scheme Liabilities

	31/03/18 £000	31/03/17 £000
Opening Present Value of Scheme Liabilities (Obligations)	(1,917,827)	(1,647,057)
Current Service Cost	(49,631)	(35,679)
Interest Cost on Defined Benefit Obligation (Liabilities)	(49,554)	(57,270)
Contributions from Scheme Participants	(8,409)	(8,409)
<u>Remeasurement Gains / Losses</u>		
Benefits Paid	49,417	50,582
Unfunded Benefits Paid	4,599	4,961
Actuarial Losses from changes in Demographic Assumptions	0	18,395
Actuarial Losses from changes in Financial Assumptions	35,883	(291,213)
Other Gains and Losses	2,251	48,654
Past Service Costs / Curtailments / Settlements	(456)	(791)
Closing Present Value of Scheme Liabilities (Obligations)	(1,933,727)	(1,917,827)

g) Pension Scheme Assets

	31/03/18			31/03/17		
	Active Market £000	Not in Active Markets £000	Total £000	Active Market £000	Not in Active Markets £000	Total £000
LGPS (LBL and LH)						
Equities	0	0	0	0	10,367	10,367
Debt Securities	115,056	0	115,056	110,095	0	110,095
Real Estate	0	96,429	96,429	0	113,020	113,020
Investment Funds / Unit Trusts	802,824	70,846	873,670	873,333	9,640	882,973
Private Equity	0	27,278	27,278	0	29,724	29,724
Cash and Cash Equivalents	0	101,709	101,709	0	48,178	48,178
Total LGPS Assets	917,880	296,262	1,214,142	983,428	210,929	1,194,357

	31/03/18			31/03/17		
	Active Market £000	Not in Active Markets £000	Total £000	Active Market £000	Not in Active Markets £000	Total £000
LPFA						
Equities	39,746	9,080	48,826	39,073	7,860	46,933
LDI Cashflow matching	0	0	0	0	0	0
Target Return Portfolio	9,737	8,158	17,895	9,511	7,225	16,736
Infrastructure	0	3,493	3,493	401	3,770	4,171
Commodities	0	0	0	0	0	0
Properties	0	5,746	5,746	0	4,038	4,038
Cash	3,890	0	3,890	7,328	0	7,328
Total LPFA Assets	53,373	26,477	79,850	56,313	22,893	79,206

Notes to the Core Financial Statements

h) Basis for Estimating Assets and Liabilities

	Local Government Pension Scheme		LPFA	
	2017/18	2016/17	2017/18	2016/17
Rate of Inflation – CPI	2.4%	2.4%	2.4%	2.4%
Salary Increase Rate	3.1%	3.1%	3.9%	3.9%
Pensions Increases	2.4%	2.4%	2.4%	2.4%
Rate for discounting scheme liabilities	2.7%	2.6%	2.5%	2.2%
Mortality assumptions				
Longevity at 65 for current pensioners - Men	22.2yrs	22.2yrs	21.0yrs	20.9yrs
Longevity at 65 for current pensioners - Women	24.6yrs	24.6yrs	24.0yrs	23.9yrs
Longevity at 65 for future pensioners - Men	24.0yrs	24.0yrs	23.4yrs	23.2yrs
Longevity at 65 for future pensioners - Women	26.5yrs	26.5yrs	26.3yrs	26.2yrs

i) Sensitivity Analysis

Change in Assumption at 31st March 2018	Approximate % Increase in Employer Liability	Approximate Monetary Amount (£000)
LGPS - LB Lewisham		
0.5% Decrease in Real Discount Rate	9%	159,168
1 Year Increase in Member Life Expectancy	4%	70,741
0.5% Increase in the Salary Increase Rate	1%	15,389
0.5% Increase in the Pension Increase Rate	8%	142,278
LGPS - Lewisham Homes		
0.5% Decrease in Real Discount Rate	11%	15,871
1 Year Increase in Member Life Expectancy	4%	5,771
0.5% Increase in the Salary Increase Rate	2%	2,335
0.5% Increase in the Pension Increase Rate	10%	13,323
LPFA		
0.5% Decrease in Real Discount Rate	n/a	238
1 Year Increase in Member Life Expectancy	n/a	242
0.5% Increase in the Salary Increase Rate	n/a	235
0.5% Increase in the Pension Increase Rate	n/a	238

These are based on reasonably possible changes to the assumptions occurring at the end of the year and assumes for each change that the assumption changes while all the other assumptions remain constant.

j) Future Contributions

The objectives of the scheme are to keep the employer's contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve an increased funding level over the next 3 years. Funding levels are monitored on an annual basis and the next triennial valuation is due at 31st March 2019. The Council anticipates paying £25.5m in contributions to the scheme in 2018/19.

The scheme will need to assess and take account of the national changes to the Local Government Pension Scheme and other main public service schemes under the Public Pensions Services Act 2013. These took effect from 1st April 2014 and provided for regulations to be made within a common framework to establish new career average earnings provisions to pay pensions and other benefits.

Notes to the Core Financial Statements

38. CONTINGENT LIABILITIES

A contingent liability is an item of expenditure that is likely but not certain and is subject to a further event or decision. At the date of approval of the Accounts the Council had the following contingent liabilities:

As indicated in the Narrative Statement, the total of school deficits / loans stands at just over £1.5m at the end of 2017/18. Because of the complexities and future uncertainties over the arrangements for dealing with school deficits / loans, some or all of this £1.5m may ultimately fall to be met from the Council's General Fund, either in 2018/19 or a later year.

Additionally, there is also potential liability around redundancy costs of circa £0.8m (based on 2017/18 figures). These costs arise from schools implementing management action to reduce staffing in order to balance their budgets. At the moment there is a grey area as to who will bear the ultimate liability and the Council is discussing with DFE and its Legal adviser on this matter.

In addition, the NHS has a current application for charitable status. If accepted this would require a backdated payment of around £8m by the Council and an ongoing annual loss of business rates of £1.5m.

39. CONTINGENT ASSETS

A contingent asset is an item of income that is likely but not certain and is subject to a further event or decision. At the date of approval of the Accounts the Council has no contingent assets.

40. TRUST FUNDS

The Council acts as a trustee for other funds which are not included in the Balance Sheet. Interest on these funds is credited annually at the average rate earned on the Council's revenue balances. The total amount held as at 31st March 2018 was £0.2m (£1.0m as at 31st March 2017).

41. HERITAGE ASSETS

These assets comprise Lewisham Clock Tower and the Civic Regalia. Their values in the accounts are insurance values which are assessed internally and based on current market values. The value of the assets at 31st March 2018 is £0.26m (£0.26m as at 31st March 2017).

The Council has two other "categories" of heritage asset which have not been included on the Balance Sheet. 28 assets, mainly works of art with a total insurance value of approximately £45,000, have individual insurance values which are immaterial. Another 28 assets, mainly paintings and sculptures, have not been included on the balance sheet because the cost of obtaining valuations is not felt to be economic to the benefits of the users of the accounts.

Notes to the Core Financial Statements

42. CASH FLOW STATEMENT - ADJUSTMENT TO SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

	2017/18 £000	2016/17 £000
Depreciation, Impairment and Downward Valuations	(98,431)	57,843
Increase/ (decrease) in creditors	8,056	10,906
(Increase)/ decrease in debtors	(224)	2,702
(Increase)/ decrease in inventories (stock)	29	10
Movement in pension liability	34,421	23,142
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	5,705	9,749
Other non-cash items charged to the net surplus or deficit on the provision of services	168	1,146
Total Adjustment to net surplus or deficit on the provision of services for non-cash movements	(50,276)	105,498

43. CASH FLOW STATEMENT - ADJUSTMENT FOR ITEMS INCLUDED IN THE NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES THAT ARE INVESTING AND FINANCING ACTIVITIES

	2017/18 £000	2016/17 £000
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0	140
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(13,594)	(19,359)
Any other items for which the cash effects are investing or financing cash flows.	(19,591)	(21,912)
Total Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(33,185)	(41,131)

44. CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2017/18 £000	2016/17 £000
Interest Received	3,156	3,130
Interest Paid	(33,231)	(35,096)
Net Interest Paid	(30,075)	(31,966)

Notes to the Core Financial Statements

45. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2017/18 £000	2016/17 £000
Purchase of Property, Plant and Equipment, investment property and intangible assets	(35,240)	(32,518)
Purchase of short and long term investments	(1,178,554)	(495,017)
Other payments for Investing Activities	(9,264)	(6,424)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	13,596	19,364
Proceeds from short-term and long-term investments	1,148,557	445,000
Other Receipts from Investing Activities	22,067	28,804
Net Cash Flows from Investing Activities	(38,838)	(40,791)

46. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2017/18 £000	2016/17 £000
Cash receipts of short and long term borrowing	28,580	918
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(7,707)	(7,706)
Repayment of Short-Term and Long-Term Borrowing	0	(1,263)
Other payments for financing activities	5,955	1,909
Net Cash Flows from Financing Activities	26,828	(6,142)

Housing Revenue Account

SECTION 4 - HOUSING REVENUE ACCOUNT

This account is maintained in accordance with the provisions of the Local Government and Housing Act 1989 to show all income and expenditure relating to the Council's responsibilities as landlord of dwellings and associated property.

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT	2017/18	2016/17	
	£000	£000	Note
INCOME			
Gross Rent - Dwellings	(70,320)	(71,539)	1
Gross Rent - Other Housing Properties	(3,409)	(3,088)	1
Charges for Services and Facilities	(11,133)	(11,355)	1
Housing Subsidy and Government Grants	(10,353)	(10,353)	2
Contribution towards Expenditure	(5,293)	(1,934)	4
Total Income	(100,508)	(98,269)	
EXPENDITURE			
Supervision and Management - General Expenses	35,583	33,863	5
Supervision and Management - Special Expenses	5,333	4,862	5
Repairs and Maintenance	39,196	31,866	6
Rent, Rates and Other Charges	663	544	8
Rent Rebate Subsidy Shortfall	18	0	3
Contribution to Doubtful Debts Provision	984	409	7
Depreciation - Dwellings	22,059	20,426	10
Depreciation - Other Housing Assets	761	725	10
Impairment of Non Current Assets	73	438	
Debt Management Expenses	24	26	
Total Expenditure	104,694	93,159	
Net Cost of Services included in the Council's Income and Expenditure Account	4,186	(5,110)	
HRA Services share of Corporate and Democratic Core Costs	173	134	
Net Cost of HRA Services	4,359	(4,976)	
HRA share of the Operating Income and Expenditure incl.in the Comprehensive Income and Expenditure Statement			
(Gain) / Loss on Sale of HRA Non Current Assets	(6,338)	(9,673)	
Interest Payable and Similar Charges	6,903	7,580	11
Interest and Investment Income	(638)	(649)	
Net Pension Interest Cost	361	1,611	12
(Surplus) / Deficit for the Year on HRA Services	4,647	(6,107)	

Housing Revenue Account

HOUSING REVENUE ACCOUNT - MOVEMENT IN RESERVES STATEMENT

	2017/18 £000	2016/17 £000
Balance on the HRA at the End of the Previous Year	57,122	42,894
<u>Movement in Year</u>		
Surplus or (Deficit) for the year on the HRA Income and Expenditure Statement	(4,647)	6,107
Adjustments between Accounting Basis and Funding Basis under Statute	16,782	11,398
Net Increase or (Decrease) before Transfers (To) / From Reserves	12,135	17,505
Transfers (To) / From Reserves	951	(3,277)
Increase or (Decrease) in Year on the HRA	13,086	14,228
Balance on the HRA at the End of the Year	70,208	57,122

An analysis of the amounts included within the figures for "Adjustments between Accounting Basis and Funding Basis under Statute" can be found within Note 8 to the Core Financial Statements.

Details of the movement in the Housing Revenue Account Reserves and Balances can be found in Note 15 to the Housing Revenue Account.

Housing Revenue Account

NOTES TO THE HOUSING REVENUE ACCOUNT**1. GROSS RENT OF DWELLINGS**

This is the total rent collectable for the year after allowance is made for empty property. At 31 March 2018, 0.32% of lettable property was empty (0.52% at 31 March 2017). These figures for empty property exclude accommodation for the homeless and dwellings designated for sale, major works and improvements. Average rents were £96.69 in 2017/18 and £97.58 per week in 2016/17.

Service charges have been disaggregated from rents and are now shown under charges for services and facilities.

(a) Housing stock

The Council was responsible for managing 14,158 dwellings as at 31 March 2018 (14,256 as at 31 March 2017).

There have been no stock transfers undertaken in 2017/18.

The stock was made up as follows:

	31/03/18	31/03/17
<u>Stock Numbers at year end</u>		
Houses and Bungalows	2,377	2,424
Flats and Maisonettes	11,781	11,832
Stock at End of Year	14,158	14,256

	2017/18	2016/17
<u>Change in Stock Numbers during the year</u>		
Stock at 1 April	14,256	14,390
Less Sales, Demolitions, etc.	(147)	(155)
Add Re-purchases, Conversions etc.	49	21
Stock at End of Year	14,158	14,256

b) Rent Arrears

	2017/18 £000	2016/17 £000
Rent Arrears due from Current Tenants	3,408	3,129
Rent Arrears due from Former Tenants	1,549	2,178
Total Arrears	4,957	5,307
Total Arrears as % of Gross Rent of Dwellings Due	5.7%	6.1%

The arrears shown in this note exclude water charges, heating charges and all other charges collected as part of tenants' rent. Housing rent represents 91% of the total collectable from tenants.

Housing Revenue Account

c) Rent – Other Housing Property

	2017/18 £000	2016/17 £000
Aerial Sites	205	187
Garages	128	140
Reception Hostels	2,626	2,592
Commercial Property	393	116
Ground Rents	57	53
Total Other Rents and Charges	3,409	3,088

d) Charges for Services and Facilities to Tenants and Leaseholders.

Service charges include caretaking, grounds maintenance, communal lighting, bulk household waste removal and disposal, window cleaning, pest control and the Lewisham Tenants Levy. The average tenants' service charge was £8.27 in 2017/18 (£7.84 in 2016/17).

	2017/18 £000	2016/17 £000
Heating Charges	583	680
Leasehold Service Charges	4,549	4,879
Tenants Service Charges	6,001	5,796
Total Charges for Services and Facilities	11,133	11,355

2. GOVERNMENT HOUSING GRANTS AND SUBSIDY

From 1st April 2012 HRA accounts were prepared under the Government's HRA self-financing regime. Under this system no further housing subsidy transactions are made between government and stock owning Councils. This is in recognition that all rent collected will be retained by the Council and not contributed into the national rent pool.

As the Council has a housing PFI scheme, it will continue to receive the PFI credit until completion of the contract in 2027. This represents an annual payment of £10.353m.

	2017/18 £000	2016/17 £000
Charges for Capital	0	0
PFI Credit	10,353	10,353
Decent Homes Grant	0	0
Total Grants and Subsidy	10,353	10,353

3. REBATES

Assistance with rents is available under the Housing benefits scheme for those on low income. The scheme is administered by the Council and approximately 50% of tenants received help in 2017/18 (53% in 2016/17). Rent rebates are chargeable to, and the corresponding subsidy is credited to the General Fund.

Subsidy on rent rebates is capped and if the Council's rent exceeds the Government's limit for subsidy, the cost is charged to the HRA. The shortfall on subsidy due to overpayments is charged to the General Fund, as are the administration costs.

Housing Revenue Account

The costs, income and rebates over limitation charged back to the HRA are shown below:

	2017/18 £000	2016/17 £000
Rent Rebates Given (GF)	42,774	42,774
Subsidy Received on Rebates (GF)	(42,774)	(42,774)
Net cost to the HRA	0	0

4. CONTRIBUTIONS TOWARDS EXPENDITURE

	2017/18 £000	2016/17 £000
Court Costs	95	76
Recharges of repairs	4,539	1,073
Recharge to Capital Receipts	455	606
Hostels: Heat, Light and Water Charges	102	92
Other miscellaneous income	102	87
Total Other Income	5,293	1,934

5. SUPERVISION AND MANAGEMENTGeneral expenses

This includes the provision of services to all tenants including rent collection and accounting, rent arrears recovery, tenancy application and lettings, finance and administration, policy and management functions.

Special expenses

This includes the provision of services applicable to particular tenants including central heating, metered energy supplies, maintenance of grounds, communal lighting, lifts and ancillary services.

6. REPAIRS AND MAINTENANCE

This includes day-to-day repairs to Council housing stock and cyclical external decoration. Void properties prior to re-letting and certain tenants' properties are eligible for internal decoration. Repairs & Maintenance expenditure was as follows:

	2017/18 £000	2016/17 £000
Revenue R&M works	15,425	13,992
R&M works charged to MRR	23,771	17,874
Total Repairs and Maintenance	39,196	31,866

Housing Revenue Account

7. CONTRIBUTIONS TO IMPAIRMENT ALLOWANCE

A contribution of £0.984m (2016/17 £0.409m) was transferred from the HRA to an impairment allowance to meet doubtful debts. Details of the accumulated provisions are as follows:

	2017/18 £000	2016/17 £000
Housing Tenants	4,541	4,541
Leaseholders	1,507	1,507
Commercial Properties, Miscellaneous Debts	900	900
Total Impairment Allowance	6,948	6,948

8. HRA OUTSTANDING DEBT (CAPITAL FINANCING REQUIREMENT)

Under the current HRA self-financing system, which began on 1st April 2012, there is no requirement to repay principal on housing debt. The total housing debt at 31st March 2018 was £57.5m

9. NON CURRENT ASSETS VALUATION

A full valuation of the housing stock is commissioned every five years with a market adjustment being applied in the year's in-between. The difference between the value of dwellings in their existing use as social housing and the vacant possession value reflects the economic cost to the council of providing housing at less than open market rents.

	31/03/18 £000	31/03/17 £000
Operational Assets:		
Dwellings (Existing Use Value - Social Housing)	1,255,843	1,229,068
Other Land and Buildings	15,580	14,566
Infrastructure	105	102
Vehicles, Plant and Equipment	7,386	7,413
	1,278,914	1,251,149
Investment Properties	0	0
Surplus Assets	32,386	8,864
Total Housing Assets	1,311,300	1,260,013
Full Valuation of Council Dwellings	5,023,372	4,916,272

Housing Revenue Account

10. DEPRECIATION

The total charge for the depreciation of housing assets is as follows:

	2017/18 £000	2016/17 £000
Operational Assets		
Dwellings	22,059	20,427
Other Land and Buildings	253	243
Infrastructure	4	4
Vehicles, Plant and Equipment	504	477
Total Depreciation	22,820	21,151

11. INTEREST PAYABLE AND SIMILAR CHARGES

This line includes the charge of £4.7m for capital assets calculated in accordance with the DCLG's Item 8 Debit Determination for 2017/18 (£3.1m in 2016/17). It also includes £0.122m for the net cost of amortised loan redemption premiums and discounts (£0.485m 2016/17).

12. PENSIONS COSTS – IAS 19

In accordance with IAS 19, Lewisham recognises the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the cost to the HRA is based on the amounts payable in the year, so the accrued cost of retirement benefits is reversed out of the HRA.

13. HOUSING CAPITAL EXPENDITURE

Any expenditure on the Capital Programme which cannot be capitalised as a component or did not add value to an existing asset has been charged to revenue. These amounts have been mainly funded from the Major Repairs Reserve, which can be used for both revenue and capital expenditure.

	2017/18 £000	2016/17 £000
Expenditure:		
Dwellings	8,397	11,065
Revenue Expenditure Funded from Capital under Statute	0	0
	8,397	11,065
Financed by:		
Capital Receipts	7,912	10,220
Major Repairs Reserve	485	845
Total Capital Expenditure Financed	8,397	11,065

Housing Revenue Account

14. MAJOR REPAIRS RESERVE

The movements on the major repairs reserve are as follows:

	2017/18 £000	2016/17 £000
Balance brought forward at start of year	39,907	37,475
Transferred in (depreciation dwellings)	22,820	21,151
Financing of capital expenditure on housing assets	(485)	(845)
Financing Major Revenue Repairs	(23,771)	(17,874)
Contributions from Revenue (Capital)		
Balance carried forward at end of year	38,471	39,907

15. HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

The movements in housing revenue account reserves and balances are as follows:

	Balance at 31/03/17 £000	Transfers In £000	Transfers Out £000	Balance at 31/03/18 £000
Property and Stock Related Reserves	4,687	195	0	4,882
Staff Related Reserves	750	0	0	750
Other Earmarked Reserves	51,686	12,890	0	64,576
Total Reserves and Balances	57,123	13,085	0	70,208

Collection Fund

SECTION 5 - THE COLLECTION FUND

Lewisham Council is a designated 'Billing' Authority and is required by statute to maintain a separate Collection Fund. The transactions are on an accruals basis and include income from Council Tax and Non-Domestic Rates (NDR) and distributions to the Council's General Fund and the Greater London Authority (GLA) in respect of both Council Tax & NDR, and to the Government in respect of NDR only.

The costs of collecting these taxes are charged to the General Fund, but an allowance towards the cost of collecting NDR is credited to the General Fund from the NDR receipts.

The Council's share of the year end balances of the Collection Fund is included in the Council's Balance Sheet and its share of the transactions is included in the Council's Cash Flow Statement.

COLLECTION FUND REVENUE ACCOUNT

	2017/18			2016/17			Note
	Council Tax	NDR	Total	Council Tax	NDR	Total	
	£000	£000	£000	£000	£000	£000	
INCOME							
Income from Council Tax (net)	129,500		129,500	116,837		116,837	4
Income from Non-Domestic Rates (net) *		66,046	66,046		52,849	52,849	5
Income from Non-Domestic Rates (net) - BRS *		1,742	1,742		1,335	1,335	5
TOTAL INCOME	129,500	67,788	197,288	116,837	54,184	171,021	
EXPENDITURE							
Precepts and Demands upon Fund (C. Tax)							
- London Borough of Lewisham	93,874		93,874	86,590		86,590	
- Greater London Authority **	22,706		22,706	21,674		21,674	
Precepts and Demands upon Fund (NDR)							
- London Borough of Lewisham		20,285	20,285		15,515	15,515	
- Greater London Authority		25,667	25,667		10,426	10,426	
- Central Government		21,665	21,665		26,064	26,064	
- Cost of Collection Allowance		332	332		303	303	
Business Rate Supplement (BRS)							
- Paid to Greater London Authority		1,914	1,914		1,334	1,334	
- Administrative Costs		8	8		3	3	
Bad and Doubtful Debts							
- Net adj to Impairment Allowance	3,728		3,728	2,813		2,813	6a
- Net adj to Impairment Allowance		(517)	(517)		(811)	(811)	6b
- Amounts Written Off	816		816	101		101	
- Amounts Written Off		884	884		807	807	
Contributions from previous year							
- London Borough of Lewisham	3,853		3,853	2,938		2,938	
- Greater London Authority **	964		964	817		817	
Provision for Appeals							
- Net contribution		(1,058)	(1,058)		487	487	
TOTAL EXPENDITURE	125,941	69,180	195,121	114,933	54,128	169,061	
Deficit / (Surplus) for the year	(3,559)	1,392	(2,167)	(1,904)	(56)	(1,960)	3
Deficit / (Surplus) at start of year	(6,013)	5,820	(193)	(4,109)	5,876	1,767	3
Deficit / (Surplus) at end of year	(9,572)	7,212	(2,360)	(6,013)	5,820	(193)	

Collection Fund

NOTES TO THE COLLECTION FUND

1. THE COUNCIL TAX BASE AND THE "BAND D" EQUIVALENT

The annual budget process requires that each Council determines its own 'Band D' tax charge by dividing its own budget requirement by the respective tax base for the financial year. The 'Band D' tax calculated forms the basis of the charge for all properties. Properties fall into one of eight valuation bands based on market values at 1st April 1991. Those that fall in other valuation bands pay a proportion of the 'Band D' tax charge according to its banding and the band proportion.

The tax base used in setting the Council Tax is set by the end of January for the following financial year. It is based on the actual number of dwellings on the Valuation List that fall within each valuation band. The total in each band is adjusted for exemptions, single person occupancy discounts, discounts for second homes and long term empty properties, disabled band relief and new properties. The total for each band is then expressed as a "Band D" equivalent number by multiplying the resulting total by the relevant band proportion. The tax base for 2017/18 assumed a collection rate of 96.0% (96.0% for 2016/17).

The table below sets out the original tax base calculation for 2017/18 and has been prepared in accordance with The Welfare Reform Act that abolished the system of council tax benefits and replaced it with the Council Tax Reduction Scheme (CTRS) with effect from 1st April 2013.

		2017/18			2017/18		2016/17	
Council Tax Band	Property Value £000	No. of Properties		Band D Ratio	Band D Equivalents as per Ratio No.	Council Tax Charge £	Band D Equivalents as per Ratio No.	Council Tax Charge £
		Actual Number	Adjusted Number					
		(1)	(2)					
A	up to 40	7,726	4,245	6/9	2,830.2	£958.47	2,691.8	919.11
B	40 - 52	33,691	22,319	7/9	17,359.6	£1,118.21	16,616.3	1,072.29
C	52 - 68	43,868	32,780	8/9	29,138.1	£1,277.95	27,942.6	1,225.47
D	68 - 88	25,762	21,256	1	21,256.1	£1,437.70	20,872.8	1,378.66
E	88 - 120	7,413	6,453	11/9	7,887.1	£1,757.19	7,724.3	1,685.02
F	120 - 160	2,736	2,519	13/9	3,639.0	£2,076.68	3,623.0	1,991.40
G	160 - 320	1,292	1,222	15/9	2,036.7	£2,396.16	2,016.3	2,297.76
H	over 320	169	160	18/9	319.5	£2,875.41	313.5	2,757.32
Totals		122,657	90,955		84,466.3		81,800.6	
Add: Contributions in lieu					0.0		0.0	
Total Band D Equivalents					84,466.3		81,800.6	
Estimated Collection Rate					96.0%		96.0%	
NET COUNCIL TAX BASE					81,087.6		78,528.6	

(1) Total number of dwellings as per Valuation Officer's List

(2) Total number of dwellings after allowing for Discounts, Exemptions and Other Adjustments

2. COLLECTION FUND SURPLUS OR DEFICIT

Every January, a forecast of the estimated Collection Fund balance at the end of the financial year is made. This estimated surplus or deficit is then distributed to or recovered from the Council and the GLA in the following year in proportion to their respective annual demands made on the Fund. Any difference between the estimated and actual year-end balance on the Fund is taken into account as part of the forecast to be made of the Fund's balance during the following financial year.

Collection Fund

3. COLLECTION FUND BALANCE SPLIT INTO ITS ATTRIBUTABLE PARTS

	(Surplus)/ Deficit			(Surplus)/ Deficit	
	Balance at 31/03/16 £000	Movement in 2016/17 £000	Balance at 31/03/17 £000	Movement in 2017/18 £000	Balance at 31/03/18 £000
Council Tax					
London Borough of Lewisham	(3,220)	(1,622)	(4,842)	(2,954)	(7,796)
Greater London Authority	(889)	(282)	(1,171)	(605)	(1,776)
	(4,109)	(1,904)	(6,013)	(3,559)	(9,572)
Non-Domestic Rates					
London Borough of Lewisham	1,764	(17)	1,747	418	2,165
Greater London Authority	1,175	(11)	1,164	278	1,442
Central Government	2,937	(28)	2,909	696	3,605
	5,876	(56)	5,820	1,392	7,212
Collection Fund Balances	1,767	(1,960)	(193)	(2,167)	(2,360)

Collection Fund Adjustment Account

The Council's share of the Collection Fund balance is managed by the Collection Fund Adjustment Account which shows the differences arising from the recognition of Council Tax income in the CIES 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.

4. COUNCIL TAX INCOME

	2017/18		2016/17
	£000	£000	£000
Gross Council Tax Income Due		164,523	156,659
Less: Adjustments to charge	2,276		2,250
Exemptions	(5,290)		(4,106)
Disabled Relief	(99)		(77)
Discounts	(15,011)		(15,462)
Adjustment for Council Tax Reduction Scheme	(16,898)		(22,427)
		(35,022)	(39,822)
Total Due from Council Tax payers		129,501	116,837

Collection Fund

5. NON-DOMESTIC RATES

The Council is responsible for collecting the Non-Domestic Rates (NDR) (often referred to as Business Rates) which are payable within its area. The amount payable is based upon the rateable value of commercial properties multiplied by the NDR multiplier, which is set annually by the Government. The amount due is paid as precepts to London Borough of Lewisham's General Fund (30%), Greater London Authority (20%) and Central Government (50%).

	2017/18		2016/17
	£000	£000	£000
Gross NDR Collectable (after voids and exemptions)		84,538	65,511
Reductions and Relief:			
Mandatory Relief	(15,044)		(10,942)
Discretionary Relief	(1,706)		(385)
		(16,750)	
Total Receivable from Business Rates		67,788	54,184

	2017/18	2016/17
	£m	£m
Non-Domestic Rateable Value	191.0	139.2

	2017/18	2016/17
	pence	pence
Non-Domestic Rate Multiplier	47.9	49.7
Non-Domestic Rate Multiplier (Small Business)	46.6	48.4

6. COLLECTION FUND ARREARS AND IMPAIRMENT ALLOWANCES

a) Council Tax

	31/03/18	31/03/17
	£000	£000
Council Tax Arrears	40,203	36,008
Impairment Allowance	(37,157)	(33,430)
As a Percentage of Arrears	92.4%	92.8%

	2017/18		2016/17	
	Amount	Percentage	Amount	Percentage
	£000	%	£000	%
Age of Arrears				
Year of Accounts	8,018	20	6,229	17
Under 2 Years old	4,533	11	4,384	12
Under 3 Years old	3,855	10	3,708	10
Under 5 Years old	6,661	17	6,348	18
Over 5 Years old	17,136	43	15,339	43
Total	40,203	100	36,008	100

Collection Fund

Arrears of income from court costs and penalties resulting from recovery action are accounted for in the General Fund.

b) Non-Domestic Rates

	31/03/2018 £000	31/03/17 £000
NDR Arrears	3,272	3,957
Impairment Allowance	(1,822)	(2,338)
As a Percentage of Arrears	55.7%	59.1%

	2017/18		2016/17	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Arrears				
Year of Accounts	1,250	38	1,458	37
Under 2 Years old	634	19	585	15
Under 3 Years old	312	10	316	8
Under 5 Years old	378	12	714	18
Over 5 Years old	698	21	884	22
Total	3,272	100	3,957	100

Arrears of income from court costs and penalties resulting from recovery action are accounted for in the General Fund.

Group Accounts

SECTION 6 – GROUP ACCOUNTS

In order to provide a full picture of the Council's economic activities and financial position, the accounting statements of the Council and its wholly owned local authority trading companies, Lewisham Homes Ltd and Catford Regeneration Partnership Ltd have been consolidated.

The group accounts are presented in addition to the Council's "single entity" financial statements and comprise:

- Group Comprehensive Income and Expenditure Statement
- Group Movement in Reserves Statement;
- Group Balance Sheet; and
- Group Cash flow Statement

These statements (the purposes of which are explained on pages 3 and 4), together with those explanatory notes that are considered necessary in addition to those accompanying the "single entity" accounts and accounting policies are set out in the following pages.

Group Accounts

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDING 31ST MARCH 2018

2016/17				2017/18		
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
SERVICE						
379,729	(305,440)	74,289	Children & Young People	251,594	(310,848)	(59,254)
174,877	(72,459)	102,418	Community Services	171,781	(92,334)	79,447
344,153	(287,254)	56,899	Customer Services	346,165	(289,579)	56,586
54,619	(30,733)	23,886	Resources & Regeneration	60,011	(47,598)	12,413
90,852	(98,510)	(7,658)	HRA	105,107	(100,748)	4,359
21,649	(41,967)	(20,318)	Corporate Services	7,305	(5,553)	1,752
1,065,879	(836,363)	229,516	Cost of Services	941,963	(846,660)	95,303
			Other Operating Expenditure			
0	(9,823)	(9,823)	(Gain) / Loss on the disposal of non-current assets	0	(8,182)	(8,182)
1,632	0	1,632	Levies	1,638	0	1,638
1,947	0	1,947	Contribution of housing capital receipts to Government Pool	1,927	0	1,927
3,579	(9,823)	(6,244)		3,565	(8,182)	(4,617)
			Financing and Investment Income and Expenditure			
34,552	0	34,552	Interest payable and similar charges	33,332	0	33,332
0	0	0	Loan Restructuring	23,314	0	23,314
443	(3,083)	(2,640)	Interest and Investment Income	837	(2,981)	(2,144)
57,359	(36,207)	21,152	Net interest on the net defined benefit liability	49,554	(32,512)	17,042
92,354	(39,290)	53,064		107,037	(35,493)	71,544
			Taxation and non-specific Grant Income			
0	(89,527)	(89,527)	Income from Council Tax	0	(97,726)	(97,726)
0	(59,608)	(59,608)	General Government Grants	0	(58,390)	(58,390)
0	(15,577)	(15,577)	Recognised Capital Grants and Contributions	0	(18,474)	(18,474)
0	(87,083)	(87,083)	Non-Domestic Rates income and expenditure	0	(92,188)	(92,188)
31	0	31	Corporation Tax Payable	56	0	56
31	(251,795)	(251,764)		56	(266,778)	(266,722)
		24,572	Deficit/(Surplus) on provision of services			(104,492)
		(101,871)	Surplus or deficit on revaluation of non-current assets			(154,020)
		19,316	Remeasurement of the net defined benefit liability			(38,950)
		(82,555)	Other Comprehensive Income and Expenditure			(192,970)
		(57,983)	Total Comprehensive Income and Expenditure			(297,462)

Group Accounts

GROUP MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31ST MARCH 2018

YEAR ENDING 31ST MARCH 2018	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2017 Brought Forward	13,000	150,491	63,686	39,907	55,495	14,132	336,711	1,134,922	1,471,633
Movement in Reserves during 2017/18									
Surplus or (Deficit) on the provision of services	106,322	630	(2,229)	0	0	0	104,723	0	104,723
Other Comprehensive Income and Expenditure	0	(1,058)	(820)	0	0	0	(1,878)	193,922	192,044
Total Comprehensive Income and Expenditure	106,322	(428)	(3,049)	0	0	0	102,845	193,922	296,767
Adjustments between accounting basis and funding basis under regulations	(95,776)	696	18,553	(1,436)	(7,145)	3,167	(81,941)	82,636	695
Net Increase / Decrease before Transfers to Earmarked Reserves	10,546	268	15,504	(1,436)	(7,145)	3,167	20,904	276,558	297,462
Transfers to / from Earmarked Reserves	(10,546)	10,546	0	0	0	0	0	0	0
Increase / (Decrease) in 2017/18	0	10,814	15,504	(1,436)	(7,145)	3,167	20,904	276,558	297,462
Balance at 31 March 2018 Carried Forward	13,000	161,305	79,190	38,471	48,350	17,299	357,615	1,411,480	1,769,095

Group Accounts

GROUP MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31ST MARCH 2017

YEAR ENDING 31ST MARCH 2017	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2016 Brought Forward	13,000	153,084	47,222	37,475	57,231	8,149	316,161	1,097,489	1,413,650
Movement in Reserves during 2016/17									
Surplus or (Deficit) on the provision of services	(33,272)	233	8,421	0	0	0	(24,618)	0	(24,618)
Other Comprehensive Income and Expenditure	0	125	0	0	0	0	125	82,555	82,680
Total Comprehensive Income and Expenditure	(33,272)	358	8,421	0	0	0	(24,493)	82,555	58,062
Adjustments between accounting basis and funding basis under regulations	30,321	0	11,320	(845)	(1,736)	5,983	45,043	(45,122)	(79)
Net Increase / Decrease before Transfers to Earmarked Reserves	(2,951)	358	19,741	(845)	(1,736)	5,983	20,550	37,433	57,983
Transfers to / from Earmarked Reserves	2,951	(2,951)	(3,277)	3,277	0	0	0	0	0
Increase / (Decrease) in 2016/17	0	(2,593)	16,464	2,432	(1,736)	5,983	20,550	37,433	57,983
Balance at 31 March 2017 Carried Forward	13,000	150,491	63,686	39,907	55,495	14,132	336,711	1,134,922	1,471,633

Group Accounts

GROUP BALANCE SHEET AS AT 31ST MARCH 2018

31/03/2017 £000		31/03/2018 £000
	Property, Plant & Equipment	
1,229,068	Council dwellings	1,285,145
790,795	Other land and buildings	1,011,061
29,292	Vehicles, plant, furniture and equipment	26,787
114,893	Infrastructure	117,424
4,982	Community	4,975
76,893	Surplus Assets not held for Sale	94,623
26,494	Assets under Construction	26,726
2,272,417		2,566,741
257	Heritage Assets	257
14,872	Investment Property	14,672
2,049	Long term investments	2,076
6,377	Long term debtors	6,684
2,295,972	Total Long Term Assets	2,590,430
280,731	Short Term Investments	310,648
229	Inventories	189
48,162	Debtors	46,551
94,276	Cash and Cash Equivalents	107,606
3,637	Prepayments	3,941
427,035	Current Assets	468,935
3,717	Bank Overdraft	9,553
26,854	Short term borrowing	42,468
3,789	Provisions	3,796
79,600	Creditors	81,052
76,789	Receipts in advance	90,493
7,580	PFI Liabilities due within one year	7,945
198,329	Current Liabilities	235,307
2,524,678	Total Assets less Current Liabilities	2,824,058
166,126	Long term borrowing	179,453
4,843	Provisions	5,793
236,196	Deferred PFI Liabilities	228,124
1,616	Capital Grants Receipts in Advance	1,858
644,264	Liability related to defined benefit pension scheme	639,735
1,053,045	Long Term Liabilities	1,054,963
1,471,633	NET ASSETS	1,769,095
	Usable Reserves	
13,000	General Fund Balance	13,000
149,577	Earmarked Revenue Reserves	160,123
6,563	Lewisham Homes Reserves	8,981
914	Catford Regeneration Partnership Reserves	1,182
57,123	Housing Revenue Account	70,209
39,907	Major Repairs Reserve	38,471
55,495	Usable Capital Receipts Reserve	48,350
14,132	Capital Grants Unapplied	17,299
336,711		357,615
	Unusable Reserves	
891,997	Revaluation Reserve	1,026,385
895,587	Capital Adjustment Account	1,052,696
95	Deferred capital receipts	93
(3,841)	Financial Instruments Adjustment Account	(26,450)
(644,264)	Pensions Reserve	(639,735)
3,096	Collection Fund Adjustment Account	5,547
(7,748)	Short Term Compensated Absences Account	(7,056)
1,134,922		1,411,480
1,471,633	TOTAL RESERVES	1,769,095

Group Accounts

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDING 31ST MARCH 2018

2016/17 £000s		2017/18 £000s
(24,226)	Net surplus or (deficit) on the provision of services	104,723
105,776	Adjustment to surplus or deficit on the provision of services for noncash movements	(48,914)
(42,699)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(33,185)
38,851	Net Cash flows from operating activities	22,624
(40,791)	Net Cash flows from Investing Activities	(54,033)
(6,142)	Net Cash flows from Financing Activities	38,903
(8,082)	Net increase or (decrease) in cash and cash equivalents	7,494
98,641	Cash and cash equivalents at the beginning of the reporting period	90,559
90,559	Cash and cash equivalents at the end of the reporting period	98,053

Group Accounts

Notes to the Group Accounts**1. General**

The Group Accounts should be read in conjunction with the Lewisham Council single entity accounts on pages 3 to 88. Only notes to the accounts that are materially different from the single entity accounts are produced for the group accounts.

2. Group Boundary

The Council has an interest in a number of entities, the most significant of which are the wholly owned subsidiaries Lewisham Homes Ltd and Catford Regeneration Partnership Ltd which are consolidated into these accounts. The table below provides information on the nature of company business and associated risks:

Company	Business	Risks
Lewisham Homes Ltd	An arms-length management organisation (ALMO) set up in 2007 as part of the Council's initiative to deliver better housing services and achieve the Decent Homes Standard. The company manages approximately 18,000 homes.	If Lewisham Homes was in any way unable to deliver a satisfactory housing management service, the Council would have to provide such a service itself
Catford Regeneration Partnership Ltd (CRPL)	The company owns the Catford Shopping Centre and aims to drive forward a regeneration programme for the town centre and the surrounding area.	As a property investment company, CRPL is exposed to risk in market movements in terms of the capital value of properties and in the level of income that can be generated through rental charges

3. Accounting Policies

In preparing the Group Accounts the Council has aligned the accounting policies of its companies with those of the Council and made consolidation adjustments where necessary. It has consolidated the companies' financial statements with those of the Council on a line by line basis and has eliminated in full balances, transactions, income and expenses between the Council and its subsidiaries.

4. Investment Properties

Whilst the Council has no investment properties, CRPL owns Catford shopping centre and several surrounding properties. As these properties were solely being used to generate income at 31 March 2018, under the code of practice they are classed as investment properties.

The fair value of the properties owned by CRPL as at 31 March 2018 was £14.672m.

5. Pensions

Lewisham Homes Ltd is a scheduled body in the London Borough of Lewisham Pension Fund. The Council has indemnified Lewisham Homes against any liability that may arise on its notional share of the Pension Fund's assets and obligations.

Glossary of Terms Used in the Accounts

SECTION 7 - GLOSSARY OF TERMS USED IN THE ACCOUNTS

ACCRUALS	These are amounts included in the accounts to cover income and expenditure attributable to the financial year, but for which payment had not been received or made as at 31 March.
ACTUARY	An independent professional who advises on the financial position of the Pension Fund and carries out a full valuation every three years.
CAPITAL EXPENDITURE	This is expenditure on the acquisition or enhancement of assets which significantly prolongs their useful lives or increases their market value. This is considered to be of benefit to the Council over a period of more than one year, e.g. land and buildings.
CAPITAL ADJUSTMENT ACCOUNT	This represents the capital resources which have been set aside to meet past capital expenditure.
CAPITAL RECEIPTS	Income received from the sale of land, buildings and plant.
COLLECTION FUND	A separate statutory account into which Council Tax and Non-Domestic Rates (NDR) are paid in order to account for payments due to the Council's General Fund and Preceptors (currently the Greater London Authority for Council Tax and NDR, and Central Government for NDR).
CONTINGENT LIABILITY	A possible liability to incur future expenditure at the balance sheet date dependent upon the outcome of uncertain events.
CREDITORS	This is an amount of money owed by the Council for goods, works or services received.
DEBTORS	This is an amount of money owed to the Council by individuals and organisations.
DEPRECIATION	This is the loss in value of an asset due to age, wear and tear, deterioration or obsolescence. An annual charge in respect of this is made to service revenue accounts over the life of most assets to reflect the usage in the year.
EARMARKED RESERVES	These are amounts set aside for specific purposes to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.
FAIR VALUE	This is defined as the amount for which an asset could be exchanged or 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.
GENERAL FUND	This is the account which comprises the revenue costs of providing services, which are met by General Government Grants and the Council's demand on the Collection Fund.
INFRASTRUCTURE	These are non-current assets which do not have a market value and primarily exist to facilitate transportation and communication (e.g. roads, street lighting). They are usually valued at historic cost.

Glossary of Terms Used in the Accounts

LEASES	<p>A Lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. The definition of a lease includes hire purchase contracts. Lease classification is made at the inception of the lease.</p> <p>A Finance lease is a lease that transfers substantially all the risk and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An Operating lease is a lease other than a finance lease.</p>
MEMORANDUM ACCOUNT	<p>These Accounts are not part of the Council's formal statutory Accounts and are included in the Statement for added information.</p>
MINIMUM REVENUE PROVISION (MRP)	<p>The prudent amount which must be charged to the Council's revenue account each year for the principal repayment of debt.</p>
NON-DOMESTIC RATES (NDR)	<p>Also known as Business Rates, these are set by the Government and collected by the Council. The income due is paid as precepts to the Council's General Fund, the Greater London Authority and Central Government.</p>
PRIVATE FINANCE INITIATIVE (PFI)	<p>This is a scheme whereby contracts for specified services are let to private sector suppliers by the Council which may include capital investment as well as the provision of the service. Payments are made to the supplier in return, which are reduced if performance targets are not met.</p>
PRECEPTS	<p>These are demands made upon the Collection Fund by the Council's General Fund and the Greater London Authority in accordance with their budget requirements. A share of the NDR precept is also paid to Central Government.</p>
PROVISIONS	<p>This is an amount which is set-aside for a specific liability or loss, which is likely to be incurred, but where the exact amount and date on which they will arise is uncertain.</p>
REVALUATION RESERVE	<p>This represents the gains on the revaluation of non-current assets which have not yet been realised through sales.</p>
REVENUE SUPPORT GRANT (RSG)	<p>This is the main general grant which is paid to the Council by Central Government to fund local services.</p>
REVENUE EXPENDITURE	<p>Day-to-day expenditure incurred in the running of Council services, e.g. salaries, wages, supplies and services.</p>
SPECIAL PURPOSE VEHICLE	<p>This is a legal entity (usually a limited company) created to fulfil narrow, specific or temporary objectives.</p>
SUPPORT SERVICES	<p>These are activities of a professional, technical and administrative nature which are not Council services in their own right, but support main front-line services.</p>

Glossary of Terms Used in the Accounts

COMMON ACRONYMS USED IN THE ACCOUNTS

CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
COP	Code of Practice on Local Authority Accounts in the United Kingdom
DSG	Dedicated Schools Grant
DfE	Department for Education
HRA	Housing Revenue Account
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
LEP	Local Education Partnership
LGPS	Local Government Pension Scheme
LPFA	London Pensions Fund Authority
LSP	Local Strategic Partnership
MiRS	Movement in Reserves Statement
MRP	Minimum Revenue Provision
NDR	Non-Domestic Rates
PFI	Private Finance Initiative
RICS	Royal Institution of Chartered Surveyors
SeRCOP	Service Reporting Code of Practice
SPV	Special Purpose Vehicle
SSAP	Statement of Standard Accounting Practice
TfL	Transport for London
TPS	Teachers' Pensions Scheme
VAT	Value Added Tax

PENSION FUND

PENSION FUND ACCOUNTS

FOREWORD

This Pension Fund Statement of Accounts details the financial position and performance of the Lewisham Pension Fund for the year 2017/18.

The Pension Fund's value increased over the year by £29m (2.3%), a year which saw the Fund initiate a rebalancing exercise by selling a proportion of its equity holdings to reinvest in alternative asset classes, being diversified growth and multi-asset credit, in line with the Fund's agreed Investment and Funding Strategies following the triennial valuation of 2016.

INTRODUCTION

The London Borough of Lewisham Pension Fund ('the Fund') is part of the Local Government Pension Scheme. The Fund is a contributory defined benefit pension scheme administered by the London Borough of Lewisham to provide benefits to London Borough of Lewisham employees and former employees and admitted and scheduled bodies. These benefits include retirement allowances and pensions payable to former employees and their dependants, lump sum death gratuities and special short-term pensions. The Fund is financed by income from investments and contributions from employees, the Council and other admitted and scheduled bodies.

ORGANISATION

The fund is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended);
- The Local Government Pension Scheme (Transition Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Formal responsibility for investment management of the Pension Fund is delegated to the Council's Pensions Investment Committee (PIC), which appoints and monitors external investment managers. Each investment manager has an individual performance target and benchmark tailored to balance the risk and return appropriate to the element of the Fund they manage. The investment managers also have to consider the PIC's views on socially responsible investments. Details of the Socially Responsible Investment policy are contained in the Investment Strategy Statement (see web address below).

The Pension Board operates independently of PIC and assists the administering authority in securing compliance with the Regulations and any other legislation relating to the governance and administration of the Scheme. Further information about the Board, together with its Terms of Reference, can be found at the website further below.

The Pension Fund administration is managed by a small in-house team, which is also responsible for other areas of work such as redundancy payments, gratuities and teachers compensation.

A statement of the Fund's corporate governance, funding strategy and investment strategy can be found on the authority's pension's website, at the following address:

www.lewishampensions.org

PENSION FUND

ACCOUNTING POLICIES

The Pension Fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 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 the obligations to pay pensions and benefits which fall due after the end of the financial year. In respect of future obligations, the actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis.

The Local Government Pension Scheme (Administration) Regulations 2013 requires administering authorities in England and Wales to prepare a Pension Fund Annual Report which must include the Fund Account and a Net Assets Statement with supporting notes prepared in accordance with proper practices. The Regulations summarise the Pension Code and the minimum disclosure requirements.

The date for publishing the Pension Fund Annual Report is on or before 1 December following the end of the financial year. The Council will be taking its Annual Report to its Pensions Investment Committee later in the year to comply with this deadline.

A summary of the significant accounting policies and the basis of preparation of the accounts are shown below:

- (a) Fund Assets at 31 March 2018 – the below table outlines the fund managers, asset classes, and values of those assets held by the fund as at 31 March 2018:

Fund Manager	Asset	Asset Value 31 March 2018 £000	Proportion of the Fund 31 March 2018 %	Asset Value 31 March 2017 £000
Blackrock	Passive Equity and Bonds	484,194	37.2	549,121
UBS	Passive Equity and Bonds	478,595	36.7	544,085
Schroders Property	Property	111,446	8.5	100,946
Invesco	Diversified Growth/Targeted Returns	77,240	5.9	0
Pemberton	Multi-Asset Credit	27,717	2.1	0
HarbourVest	Private Equity	51,036	3.9	49,481
M&G	Credit	8,927	0.7	8,822
Securities Lending	Securities Lending	122	0.0	119
Unallocated Funds	Cash	64,809	5.0	18,662
Lewisham	Cash and Net Current Liabilities	(560)	0.0	3,333
Total Fund Assets		1,303,526	100.0	1,274,569

- (b) Basis of Preparation - The accounts have been prepared on an accruals basis (i.e. income and expenditure attributable to the financial year have been included) even where payment has not actually been made or received, except Transfer Values which are prepared on a cash basis. The financial statements do not take account of liabilities to pay pensions and other benefits due after the period end; these are reported upon separately in the Actuary's report and reflected in the Council's income and expenditure account. The accounts are prepared on a going concern basis for accounting purposes.
- (c) Investments - Investments in the Net Assets Statement are shown at Fair Value, the basis of measurement being market value based on bid prices, as required by IAS 26 Retirement Benefit Plans outlined in the 2017/18 Local Authority Code of Practice and in accordance with the provisions of IAS 39 Financial Instruments: Recognition and Measurement. The market value of equity investments is based on the official closing data, in the main, with last trade data being used in a small number of countries. Unitised equities are quoted based on last trade or official closing price. Northern Trust, the Fund's custodian, sets out its pricing policies in a document entitled "Asset pricing guidelines" which details its pricing process and sets out preferred pricing sources and price types.

PENSION FUND

- (d) The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on the sale of investments during the year.
- (e) Income - Dividend income earned from equity and bonds with BlackRock is reinvested and not repaid directly to the fund as cash, but from UBS is repaid to the Fund. Interest income is recognised in the Fund as it accrues. Any amount not received by the end of the accounting period will be disclosed in the note on Debtors and Creditors.
- (f) Private equity investments are valued in accordance with United States generally accepted accounting principles, including FAS 157, which is consistent with the International Private Equity and Venture Capital Valuation Guidelines. These guidelines set out that all investments are carried at fair value and they recommend methodologies for measurement. Due to timing differences in the valuation of this investment, the value carried in the accounts as at 31 March 2018 is the actual fair value using the latest available valuation on or after 31 December 2017, plus an estimated valuation for the period up to 31 March 2018.
- (g) Property – The Fund does not have any direct investments in property, but does use a property Fund of Funds manager, Schroders, to invest in pooled property/unit trust funds. The Schroders funds are all currently valued at least quarterly. The majority of property assets to which the fund has exposure are located in the UK. They are valued in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards at Fair Value based on their Open Market Value (OMV).

The only non-UK fund is the Real Continental European Fund. The net asset value is derived from the net asset value of the underlying funds. Like the UK, the values of the underlying assets are assessed by professionally qualified valuers. Valuation practices will differ between countries according to local Generally Accepted Accounting Practices. The frequency of independent valuations varies. All the property funds are independently valued on a rolling basis at least annually.

- (h) Financing Fund - The fair value of the M&G fund is based on different pricing policies depending on the instrument being valued. The fund is close to maturity with debt instruments being repaid; at this stage of its life fund valuations are based on the manager's own internal valuation model which makes use of discounted cash flows. Due to timing differences in the valuation of this investment, the value carried in the accounts as at 31 March 2018 is the actual fair value using the latest available valuation on or after 31 December 2017, plus an estimated valuation for the period up to 31 March 2018.
- (i) Diversified Growth/Targeted Returns Fund – The pension fund is allocated notional units in the Invesco fund based on its overall contribution. Units will be valued on every business day in which units are created and realised. The value given to the fund's assets will be the recognised market quotation; if this is not available, the latest independent valuation will be used. Where no independent valuation can be used, the value will be determined by the manager in such manner as it deems appropriate.
- (j) Multi-Asset Credit Fund – the Pemberton private debt fund is valued at Fair Value using external benchmarks such as the equity values of comparable companies to borrowers, Credit Default Swap or commodity price movements and macro-economic data.
- (k) Contributions – These represent the total amounts received from the employers and employees within the scheme. From 1 April 2017 the employee contribution bands (revised annually in line with inflation) are as follows:

Full Time Pay for the Post	Contribution Rate 2017/18
Up to £13,700	5.5%
£13,701 to £21,400	5.8%
£21,401 to £34,700	6.5%
£34,701 to £43,900	6.8%
£43,901 to £61,300	8.5%
£61,301 to £86,800	9.9%
£86,801 to £102,200	10.5%
£102,201 to £153,300	11.4%
More than £153,301	12.5%

PENSION FUND

The employer's contribution is reviewed every three years and is determined by the fund's Actuary as the rate necessary to ensure that the Fund is able to meet its long-term liabilities. This is assessed at each triennial actuarial revaluation. The employer's contribution rate for 2017/18 is 22.5% and for 2018/19 it will remain unchanged.

- (l) Benefits – Benefits payable are made up of pension payments and lump sums payable to members of the Fund upon retirement and death. These have been brought into the accounts on the basis of all valid claims approved during the year.
- (m) Transfer Values – Transfer values are those sums paid to, or received from, other pension schemes relating to periods of previous pensionable employment. Transfer values are calculated in accordance with the Local Government Pension Scheme Regulations and have been brought into the accounts on a cash basis.
- (n) Taxation – The fund is a registered public service scheme under section (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as an expense as it arises.
- (o) VAT – By virtue of Lewisham Council being the administrating authority, VAT input tax is recoverable on fund activities. Any irrecoverable VAT is accounted for as an expense.
- (p) Actuarial – 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 Council. The Council's Actuary, Hymans Robertson, assesses the Fund's assets and liabilities in accordance with Regulation 77 of the Local Government Scheme Regulations 1997. The contribution rate required for benefits accruing in future is assessed by considering the benefits which accrue over the course of the three years to the next valuation.

The most recent triennial valuation carried out under Regulation 36 of the LGPS (Administration) Regulations 2008 was as at 31 March 2016.

Some of the triennial valuation financial assumptions made, with comparison to the previous valuation, are presented in the table below:

Financial Assumption	March 2016 (%)	March 2013 (%)
Discount Rate	4.0	4.6
Price Inflation (CPI*)	2.1	2.5
Pay Increases	2.9	4.3
Pension Increase:		
Pension in excess of GMP**	2.1	2.5
Post - 88 GMP	2.1	2.5
Pre - 88 GMP	0.0	0.0
Revaluation of Deferred Pension	2.1	2.5
Expenses	0.6	0.7

* Consumer Price Index

** Guaranteed Minimum Pension

With effect from the 1 April 2016, the actuarial review carried out for 31 March 2013 resulted in increases to the Council's contribution rate up to 22.5%.

The triennial valuation on the 31 March 2016 revealed that the Fund's assets, which at 31 March 2016 were valued at £1,041 million, were sufficient to meet 78% (71% in 2013) of the past service liabilities valued at £1,328 million (£1,215 million in 2013) accrued up to that date. The resulting deficit as at the 2016 valuation was £288 million (£348 million in 2013).

- (q) Actuarial Present Value of Promised Retirement Benefits – The Actuary has calculated the actuarial present value of future retirement benefits (on an IAS 19 basis) to be £1,934 million as at 31 March 2018 (£1,847 million as at 31 March 2017).

PENSION FUND

- (r) Investment Management and Administration - paragraph 42 of the Local Government Pension Scheme (Administration) Regulations 2008, permit the Council to charge the scheme's administration costs to the Fund. A proportion of relevant Council officers' salaries, including related on-costs, have been charged to the Fund on the basis of actual time spent on scheme administration and investment-related business. The fees of the Fund's general investment managers are charged on a quarterly basis and are generally calculated as a set percentage of the market value funds under management as at the end of those quarters. Some managers invoice fees, others deduct fees from asset holdings; in the latter instance, the fees are added back to the accounts to accurately reflect the management expense.
- (s) Foreign currency transactions are made using the WM/Reuters exchange rate in the following circumstances:
- Purchase and sales: the foreign exchange rate applicable on the day prior to the trade date is used.
 - Stock holdings: all holdings valuations are made using the WM/Reuters close of previous business day.
 - Dividend receipts: the rate applicable on the day prior to the date the dividend received is used.
- (t) Commitments - Where capital committed to investments is not fully drawn down at the end of the financial year the outstanding commitment is not included in the net asset statement but is referred to in the notes to the accounts; please see note 11.
- (u) Financial Instruments –
- (i) 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.
- (ii) 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; and
 - Fair value through profit or loss – assets that are held for trading.
- (v) Critical judgements in applying accounting policies and assumptions made about the future and other major sources of estimation uncertainty – The statement of 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. There are two areas in the accounts where critical judgements are applied which are materially significant to the accounts:
- Actuarial present value of promised retirement benefits – the figure of net liability to pay pensions is based on a significant number of assumptions including the discount rate, mortality rates and expected returns on fund assets. The Pension Fund's qualified actuary calculates this figure to ensure the risk of misstatement is minimised.
 - Private Equity valuations – the value of the Fund's private equity holdings is calculated by the General Partners of the fund on the basis of their Valuation Policy, which follows best practice in the industry. However this is based upon a 31 December audited accounts valuation adjusted for estimated distributions and capital calls up to 31 March. Other mandates such as the diversified growth and multi-asset credit funds also adopt their own valuation policies when other quoted or comparable inputs are unavailable..
- (w) Additional Voluntary Contributions ("AVCs")

Members of the Fund are able to make AVCs in addition to their normal contributions. The related assets are invested separately from the main fund, and In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, are not accounted for within the financial statements. If on retirement members opt to enhance their Scheme benefits using their AVC funds, the amounts returned to the Scheme by the AVC providers are disclosed as transfers-in. Further details about the AVC arrangements are disclosed in note 13 to the financial statements.

PENSION FUND

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2018

The fund account shows the surplus or deficit on the fund for the year.

	2017/18 £000	2016/17 £000	See note
<u>DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED WITH THE SCHEME</u>			
Contributions Receivable:			
- from Employers	(30,417)	(33,411)	1
- from Employees	(9,211)	(9,099)	1
- Reimbursement for Early Retirement	(609)	(955)	
Transfer Values In	(6,136)	(2,123)	
Other Income	(30)	(72)	
Sub-Total: Income	(46,403)	(45,660)	
Benefits Payable:			
- Pensions	40,420	39,096	2
- Lump Sums: Retirement allowances	6,779	8,611	2
- Lump Sums: Death grants	1,039	1,720	2
Payments to and on account of leavers:			
- Refunds of Contributions	140	86	
- Transfer Values Out	4,438	4,331	
Sub-Total: Expenses	52,816	53,844	
Sub-Total: Net (Additions)/ Withdrawals from dealings with members	6,413	8,184	
Management Expenses	1,929	2,143	3
Sub-Total: Net (Additions)/ Withdrawals including fund management expenses	8,342	10,327	
<u>RETURNS ON INVESTMENTS</u>			
Investment Income	(6,594)	(6,670)	4
Change in market value of investments (Realised & Unrealised)	(30,897)	(236,975)	5a
Taxes on Income	192	178	
Total Net Returns on Investments	(37,299)	(243,467)	
NET (INCREASE) / DECREASE IN THE FUND DURING YEAR	(28,957)	(233,140)	
OPENING NET ASSETS OF THE FUND	(1,274,569)	(1,041,429)	
CLOSING NET ASSETS OF THE FUND	(1,303,526)	(1,274,569)	

PENSION FUND

NET ASSETS STATEMENT AS AT 31 MARCH 2018

The Net Assets Statement shows the market value of the investments and other assets held by the Pension Fund as at 31 March 2018.

	31/03/18 £000	31/03/17 £000	See note
INVESTMENT ASSETS			
Equities			
United Kingdom	11,487	11,777	5
Global	0	13,805	5
	11,487	25,582	
Managed Funds			
Property	108,401	98,174	5
Equities	710,103	830,606	5
Fixed Interest	210,101	206,232	5
Index Linked	42,600	41,599	5
Other Assets	135,223	32,862	5
	1,206,428	1,209,473	
Cash Held with Custodian	86,154	36,517	9
Derivative Contracts			
Assets	1,069	800	7
Liabilities	(1,069)	(800)	7
Other Investment Balances			
Debtors - Investment Transactions	3,101	3,118	8
Creditors - Investment Transactions	(3,085)	(3,453)	8
TOTAL INVESTMENTS	1,304,085	1,271,237	
NET CURRENT ASSETS AND LIABILITIES			
Debtors	287	701	8
Creditors	(1,689)	(475)	8
Cash in Hand	843	3,107	9
TOTAL NET ASSETS	1,303,526	1,274,570	

The financial statements of the Fund do not take account of the liability to pay pensions or benefits after 31 March 2018. This liability is included within the Authority's balance sheet.

The value for derivative contracts in 2016/17 has been restated but does not impact the total net assets value for 2016/17. It was previously shown as £0 for both assets and liabilities.

PENSION FUND

NOTES TO THE PENSION FUND ACCOUNTS

1. CONTRIBUTIONS RECEIVED

	2017/18 £000	2016/17 £000
Employer Contributions		
Administering Authority	(24,771)	(27,346)
Scheduled Bodies	(4,913)	(5,209)
Admitted Bodies	(733)	(856)
	(30,417)	(33,411)
Employee Contributions		
Administering Authority	(7,281)	(7,265)
Scheduled Bodies	(1,687)	(1,607)
Admitted Bodies	(243)	(227)
	(9,211)	(9,099)

2. BENEFITS PAID

<u>By Category</u>	2017/18 £000	2016/17 £000
Pensions	40,420	39,096
Commutation and Lump Sum Retirement Benefits	6,779	8,611
Lump Sum Death Grants	1,039	1,720
	48,238	49,427

<u>By Authority</u>	2017/18 £000	2016/17 £000
Administering Authority	44,572	45,788
Scheduled Bodies	2,748	2,912
Admitted Bodies	918	727
	48,238	49,427

3. MANAGEMENT EXPENSES

	2017/18 £000	2016/17 £000
Administration Expenses	696	705
Oversight and Governance Expenses	257	433
<u>Investment Management Expenses:</u>		
- Transaction Costs	12	0
- Management Fees	917	978
- Performance Fees	0	0
- Custody Fees	47	27
	1,929	2,143

The reduction in Oversight and Governance expenses in 2017/18 is in part due to the mis-categorisation of Management Fees to Oversight and Governance expenses in 2016/17 of approximately £90k. Actuarial and advisory fees were also approximately £41k higher in 2016/17 due to the triennial valuation.

PENSION FUND

4. INVESTMENT INCOME

	2017/18 £000	2016/17 £000
Cash	(90)	(100)
Equities	(216)	(467)
Fixed Interest	(430)	(955)
Index Linked	(88)	(208)
Managed Funds (incl Property)	(5,416)	(4,561)
Securities Lending	(5)	(11)
Other	(349)	(368)
	(6,594)	(6,670)

5 INVESTMENT ANALYSIS

Individual Investment assets with a market value exceeding 5% of the total fund value are:

Asset	Manager	31 March 2018	
		£000	%
UBS Asset Management Life World Equity Tracker	UBS	221,735	17.0
Aquila Life US Equity Index Fund	Blackrock	145,507	11.2
Blackrock Pensions Aquila Life UK Equity Index Fund	Blackrock	90,457	6.9
UBS Asset Management Life UK Equity Tracker A Nav	UBS	89,239	6.8

PENSION FUND

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

UK Equities			
Harbourvest GE PE Shares	Harbourvest	11,530	100.0
Property			
Schroder Unit TST UK Real Estate	Schroders	15,677	14.4
Legal and General Managed Property Fund	Schroders	14,071	12.9
Hermes Property Unit	Schroders	10,658	9.8
Blackrock UK FD	Schroders	10,012	9.2
Real Income Fund	Schroders	9,720	8.9
Metro Ppty Unit Trust	Schroders	9,221	8.5
Mayfair Cap Ppty (MCPUT)	Schroders	8,725	8.0
Multi-Let INDL Property Unit Trust	Schroders	6,887	6.3
IPIF Feeder Unit Trust Fund	Schroders	6,372	5.9
Standard Life Pooled Property Fund	Schroders	6,240	5.7
Metro Ppty Unit Trust	Schroders		
Managed Equities			
UBS Asset Management Life World Equity Tracker	UBS	221,735	31.6
Aquila Life US Equity Index Fund	Blackrock	145,507	20.8
BlackRock Pensions Aquila Life UK Equity Index	Blackrock	90,457	12.9
UBS Asset Management Life UK Equity Tracker A Nav	UBS	89,239	12.7
Aquila Life European Equity Index Fund	Blackrock	41,227	5.9
BlackRock AM (IE) ISHS Emerging Markets Index	Blackrock	35,961	5.1
Fixed Interest			
Blackrock Pensions Aquila Over 15 Years UK	Blackrock	43,384	20.6
Blackrock AM (IE) UK Credit	Blackrock	42,005	19.9
UBS Asset Mgmt STG Corp	UBS	42,090	20.0
Aquila Life Over 5 yrs Index Fund	Blackrock	40,223	19.1
UBS GBL Asset Life UK Over 15 Year Gilt	UBS	43,123	20.5
Index Linked			
UBS Asset Mgmt Life Over 5 Year Index Linked Gilt Tracker	UBS	42,808	100.0
Alternatives			
Invesco Fund Managers Perpetual Targeted Returns	Invesco	77,240	57.1
Pemberton Euro Debt Investments Jersey II	Pemberton	27,717	20.5
HIPEP VII (AIF) Partnership Fund LP	Harbourvest	11,309	8.4

PENSION FUND

An analysis of investment movements is set out below:

5. INVESTMENT ANALYSIS

INVESTMENT MOVEMENTS 2017/18	Value at 31 March 2017 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Capital Value £000	Change in Market Value £000	Value at 31 March 2018 £000
UK Equities	11,777	0	0	0	(290)	11,487
Global Equities	13,805	4	(13,411)	8	(406)	0
Managed Equities	830,606	243,467	(385,544)	0	21,574	710,103
Property	98,174	9,723	(5,488)	(8)	6,000	108,401
Fixed Interest Securities	206,232	6,451	(4,409)	279	1,548	210,101
Index Linked Securities	41,599	1,600	(910)	73	238	42,600
Other Assets*	32,862	111,208	(11,362)	(74)	2,589	135,223
Derivatives	0	0	0	0	0	0
	1,235,055	372,453	(421,124)	278	31,253	1,217,915
Cash Deposits	36,517				(365)	86,154
Other Investment Balances	(336)				9	16
Total Investments	1,271,236				30,897	1,304,085

* Includes Venture Capital, Multi-Asset Credit, Private Equity and Diversified Growth funds.

The Pension Fund's fixed interest and index linked bond investments are held with UBS and Blackrock in the form of pooled funds. The asset denoted 'Index Linked Securities' above is comprised wholly of UK Government index linked gilts. The 'Fixed Interest Securities' comprise various government and corporate bonds.

Apart from global equities, overseas managed equities and bonds, the other overseas investments held by the Fund fall under the 'Other Assets' category comprising of private equity with a value of £29.4m and multi-asset credit/private debt, with a value of £27.7m

The total value of unquoted securities held by the fund as at 31 March 2018 was £884m, this includes equities, bonds, private equity, diversified growth and multi-asset credit funds.

The total value of quoted securities held by the fund as at 31 March 2018 was £217m, this includes equities and bonds.

The Fund has investment assets that are classed as pooled investment vehicles. The Fund holds unitised/unit-linked insurance policies valued at £877m and unit trusts valued at £187m, of which £109m relates to pooled property investments. The Fund also holds assets with value £28m as a Limited Partner in a compartment of a common limited partnership.

PENSION FUND

As at 31 March 2017:

INVESTMENT MOVEMENTS 2016/17	Value at 31 March 2016 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Capital Value £000	Change in Market Value £000	Value at 31 March 2017 £000
UK Equities	8,735	0	0	0	3,042	11,777
Global Equities	10,714	2	0	(57)	3,146	13,805
Managed Equities	656,010	11,567	(33,820)	0	196,849	830,606
Property	96,263	11,400	(9,371)	(83)	(35)	98,174
Fixed Interest Securities	162,329	26,746	(2,985)	0	20,142	206,232
Index Linked Securities	33,177	3,716	(2,341)	0	7,047	41,599
Other *	33,077	5,278	(11,266)	(27)	5,800	32,862
Derivatives	0	0	0	0	0	0
	1,000,305	58,709	(59,783)	(167)	235,991	1,235,055
Cash Deposits	40,667				984	36,517
Other Investment Balances	389					(336)
Total Investments	1,041,361				236,975	1,271,236

* Includes Venture Capital, Credit Mandates and Private Equity.

5A. FINANCIAL INSTRUMENTS

The accounting policies describe how the different asset classes of financial instruments are measured, and how income and expenses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category. No financial assets were reclassified during the accounting period. All assets are held at fair value, therefore there is no difference between fair value and carrying value.

PENSION FUND

	31-Mar-18			31-Mar-17		
	Fair Value through Profit & Loss	Loans and Receivables	Financial Liabilities at Amortised Cost	Fair Value through Profit & Loss	Loans and Receivables	Financial Liabilities at Amortised Cost
	£000	£000	£000	£000	£000	£000
Financial Assets						
Equities	11,487			25,582		
Managed Funds:						
Property	108,401			98,174		
Managed Equity	710,103			830,606		
Fixed Interest	210,101			206,232		
Index Linked	42,600			41,599		
Other Alternative Assets	135,223			32,862		
Derivative contracts	1,069					
Cash deposits		86,154			36,517	
Pending Trades		361			2,700	
Dividends & Income		2,740			418	
Contributions Due		189			645	
Cash Balances		843			3,107	
Other Current Assets		98			57	
Total Financial Assets	1,218,984	90,385	0	1,235,055	43,444	0
Financial Liabilities						
Derivative Contracts			(1,069)			
Pending Trades			(3,085)			(3,453)
Unpaid benefits						
Other Current Liabilities			(1,689)			(475)
Total Financial Liabilities	0	0	(5,843)	0	0	(3,928)
Net Financial Assets	1,218,984	90,385	(5,843)	1,235,055	43,444	(3,928)

Net Gains and Losses on Financial Instruments

The following table shows net gains on financial instruments:

	31/03/18 £000	31/03/17 £000
Financial Assets		
Fair Value through Profit and Loss	30,897	236,975
Loans and Receivables	0	0
Financial Liabilities		
Fair Value through Profit and Loss	0	0
	30,897	236,975

Valuation of Financial Instruments carried at Fair Value

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into three levels, according to the quality and reliability of information used to determine fair values.

PENSION FUND

Level 1 - consists of assets where the fair values are derived from unadjusted quoted prices in active markets for identical assets and liabilities (e.g. quoted equities, quoted fixed securities, quoted index linked securities and unit trusts).

Level 2 - consists of assets where quoted market prices are not available (e.g. 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).

Level 3 - consists of assets where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Values as at 31 March 2018

	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total at 31/03/18 £000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	11,487	1,176,161	30,267	1,217,915
Loans and Receivables	90,384	0	0	90,384
	101,872	1,176,161	30,267	1,308,300
Financial Liabilities				
Fair Value through Profit and Loss	0	0	0	0
Financial Liabilities at Amortised Cost	(4,774)	0	0	(4,774)
	(4,774)	0	0	(4,774)
Net Financial Assets	97,098	1,176,161	30,267	1,303,526

Values as at 31st March 2017

	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total at 31/03/17 £000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	25,582	1,176,611	32,862	1,235,055
Loans and Receivables	43,443	0	0	43,443
	69,025	1,176,611	32,862	1,278,498
Financial Liabilities				
Fair Value through Profit and Loss	0	0	0	0
Financial Liabilities at Amortised Cost	(3,929)	0	0	(3,929)
	(3,929)	0	0	(3,929)
Net Financial Assets	65,096	1,176,611	32,862	1,274,569

PENSION FUND

5B. FINANCIAL 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). As an investment fund, the Lewisham Pension Fund's objective is to generate positive investment returns for an accepted level of risk. Therefore the Fund holds a mix of financial instruments such as securities (equities, bonds), collective investment schemes (pooled funds), and cash equivalents. In addition, debtors and creditors arise as a result of its operations. The value of these financial instruments is reflected in the financial statements at their fair value.

Responsibility for the Fund's risk management strategy rests with the Council's Pension Investment Committee (PIC). Risk management policies are established to identify and analyse the risks faced by the Council's pension operations. The main risks from the Fund's holding of financial instruments are market risk, credit risk, and liquidity risk. These policies are reviewed regularly to reflect change in activity and in market conditions.

The Committee regularly monitors each investment manager, and its investment consultant (Hymans Robertson) advises on the nature of the investments made and associated risks.

The Fund's investments are managed on behalf of the Fund by the appointed investment managers. Each investment manager is required to invest the assets managed by them in accordance with the terms of their investment guidelines or pooled fund prospectus.

The Committee has determined that the current largely passive investment management structure is appropriate and is in accordance with its latest investment strategy. In 2017/18 the Fund reduced its equity exposure by approximately 12% of the Fund's total value, committing the sales proceeds to new mandates in diversified growth and multi-asset credit, in line with the Funding Strategy and Investment Strategy Statements approved by PIC towards the end of 2016/17.

The Fund's custodian is Northern Trust, who manage investments and report on them on behalf of the Fund. As the Fund adopts a long term investment strategy, the high level strategic risks described below will not alter significantly during any one year unless there are significant strategic or tactical changes made to the portfolio.

i) Market Risk

Market risk represents the risk that fair value of a financial instrument will fluctuate because of changes in market prices, interest rates or currencies. The Fund is exposed, through its investments in equities, bonds and investment funds, to all these market risks. The aim of the investment strategy is to manage and control exposure to market risk within acceptable parameters while optimising the return from the investment portfolio. In general, market risk is managed through the diversification of the investments held by asset class, investment mandate guidelines and investment managers. The risk arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the PIC.

a) Other Price Risk – Market

The risk that the value of a financial instrument will fluctuate as a result of factors other than interest rate or foreign currency movements, whether those changes are caused by factors specific to the individual instrument, its issuer or factors affecting the market in general. Market price risk arises from uncertainty about the future value of the financial instruments that the Fund holds. All investments present a risk of loss of capital, the maximum risk being determined by the fair value of the financial instruments. The investment managers mitigate this risk through diversification in line with their own investment strategies and mandate guidelines.

b) Other Price Risk – Sensitivity analysis

The Council and its investment advisors also undertake appropriate monitoring of market conditions and benchmark analysis. The Fund has a long term view on expected investment returns which smoothes out short term price volatility.

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's advisors, the Council has determined that the following movements in market price risk are reasonably possible for the 2017/18 reporting period.

PENSION FUND

Asset Type	Potential Market Movement +/- (% p.a.)
UK Equities	9.6
Global Equities	10.1
Bonds and Index Linked	9.3
Alternatives	4.6
Property	2.9
Cash	0.8

The potential volatilities are broadly consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the period end asset mix as follows:

Asset Type	Final Market Value as at 31 March 2018 £000	Percentage Change	Value on Increase £000	Value on Decrease £000
UK Equities	408,655	9.6	447,753	369,557
Global Equities	312,935	10.1	344,577	281,293
Bonds and Index Linked	252,700	9.3	276,156	229,244
Other Assets	135,223	4.6	141,396	129,050
Property	108,401	2.9	111,498	105,304
Cash	86,154	0.8	86,875	85,433
Total Assets*	1,304,068	**7.0	**1,395,092	**1,213,044

* This figure excludes derivatives and other investment balances.

** The % change and value change for Total Assets includes the impact of correlation across asset classes

c) Interest Rate Risk is the risk the Pension Fund is exposed to changes in interest rates and relates to its holdings in bonds and cash. The risk is mitigated by the Fund holding minimum cash balances and a diversified portfolio.

d) Currency Risk is the risk to which the Pension Fund is exposed to fluctuations in foreign currency exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£GBP). The fund was exposed to the following significant foreign currency levels (i.e. £2m and over) as at the 31 March 2018 with the previous year in brackets:

Euro	£16.9m	(£15.8m)
US Dollars	£88.4m	(£77.5m)

The remaining exposures arise from much smaller investments relating to other currencies.

e) Currency risk – sensitivity analysis

The Fund's currency rate risk is routinely monitored by the Council and its investment advisors. In practice, this is achieved by the use of futures and forward foreign exchange contracts, which entitle and oblige the seller and holder to exchange assets or currency on a future date at a predetermined price or rate. The former are tradable on exchanges and the latter are "over the counter" agreements, which neither the purchaser nor the seller may transfer. There is no cost on entering into these contracts but the market value is established as the gain or loss that would arise at the settlement date from entering into an equal and opposite contract at the reporting date. As at 31 March 2018 there were pending foreign exchange purchases of £1.1m and corresponding of sales £1.1m. Following analysis of historical data in consultation with the Fund's advisors, the Council considers the likely volatility associated with foreign exchange rate movements to be 9.2%. This volatility is applied to the Fund's overseas assets as follows:

PENSION FUND

Asset Type	Asset Value at 31 March 18 £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas Equities	312,935	9.2	341,735	284,135
Overseas Fixed Income	84,025	9.2	91,758	76,292
Other Alternatives	57,094	9.2	62,348	51,840
Total	454,054	9.2	495,841	412,267

ii) Credit Risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to meet an obligation and cause the Fund to incur a financial loss. This is often referred to as counterparty risk. The market values of investments generally reflect an assessment of credit risk 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. The Fund is exposed to credit risk through its underlying investments (including cash balances) and the transactions it undertakes to manage its investments. The careful selection and monitoring of counterparties – including; brokers, custodian and investment managers - seeks to minimise the credit risk that may occur through the failure to settle transactions in a timely manner.

The Fund is also exposed to credit risk through Securities Lending. The Securities Lending (SL) programme is run by the Fund's custodian, Northern Trust. Northern Trust assign four different risk management oversight committees to control counterparty risk, collateral risk and the overall securities lending programme. The minimum level of collateral for securities on loan is 102%. However, more collateral may be required depending on the type of transaction. To further mitigate risks, the collateral held on behalf of the Pension Fund is ring fenced from Northern Trust. Securities lending is capped by investment regulations and statutory limits are in place to ensure no more than 25% of eligible assets can be on loan at any one time. The Fund's exposure through the SL programme is now reduced as the Fund is now passively managed and SL activity has greatly reduced.

iii) Liquidity Risk

Liquidity risk is the risk that the Pension Fund will have difficulties in paying its financial obligations as they fall due. For example; the benefits payable costs and capital commitments. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The Fund holds a large proportion of assets in instruments which can be liquidated at short notice, normally three working days. As at the 31 March 2018 these assets totalled approximately £0.974m, comprising of bonds and equities, with a further £86.2m held in cash by the custodian on behalf of the Fund and fund managers.

6. PRIOR YEAR ADJUSTMENT

No prior year adjustments have been made to these accounts.

7. DERIVATIVE CONTRACTS

As at 31 March 2018 there were pending forward foreign exchange purchases of £1.1m and sales of £1.1m, with an unrealised loss of £62. The net gains and losses in the table below relate to foreign exchange forward contracts.

Asset Type	2017/18 £'000	2016/17 £'000
Foreign Exchange Gains	2	0
Foreign Exchange Losses	(4)	0
Total Realised Gains/(Losses)	(2)	0

PENSION FUND

8. DEBTORS & CREDITORS

These comprise the following amounts:

Investment Transactions**Debtors**

	31/03/18 £000	31/03/17 £000
Equity Dividends / Income from Managed Funds	0	31
Interest and Other Income	2,740	387
Pending Trades	361	2,700
	3,101	3,118

Creditors

	31/03/18 £000	31/03/17 £000
Pending Trades	(3,085)	(3,453)
	(3,085)	(3,453)

Non-Investment Transactions**Debtors**

	31/03/18 £000	31/03/17 £000
Contributions Due from Admitted/ Scheduled Employers/ Employees	189	645
Interest and Other Income	0	21
LB Lewisham	64	35
Tax Refunds	34	0
	287	701

Creditors

	31/03/18 £000	31/03/17 £000
Fund Manager and Custody Fees	(283)	(251)
Consultancy/ Advisory Fees	(56)	(48)
LB Lewisham	(1,350)	(176)
	(1,689)	(475)

9. CASH AND BANK**Cash Held With Custodian**

The Northern Trust Company is the Fund's global custodian and the cash is held to meet the cash flow requirements of the Fund and its managers. The total cash held as at 31 March 2018 was £86.2m (£36.5m as at 31 March 2017). Approximately £14.0m from the 2015/16 disinvestment in Investec was held by the custodian in a cash fund which is drawn down to meet cashflow requirements during the year, whilst £50.7m representing proceeds from equity sales as part of the Fund's rebalancing was held in a separate cash fund to meet commitments to the Fund's multi-asset credit mandate. £10.1m of the cash held was from HarbourVest, £8.1m from M&G, £3.0m from Schroders and approximately £138k was being held on behalf of the other managers.

PENSION FUND

Pension Fund Bank Account

The Lewisham cash balance represents uninvested cash held in the Pension Fund bank account as at 31 March 2018.

10. POST YEAR END EVENTS

The Fund executed the first stage of a rebalancing exercise in 2017/18, consistent with the Funding Strategy and Investment Strategy Statement amendments following the triennial valuation results, part of which was to procure two new fund managers with multi-asset credit mandates. As at 31 March 2018 the Fund had not yet been admitted to one of these funds, the Partners Group Multi Asset Credit 2017 (IV) GBP fund. In April 2018 Lewisham was successfully onboarded into the fund, with a commitment to invest £40m; the first capital call was issued and payment made of £20m on 23 April 2018.

The Fund also procured a new infrastructure mandate in March 2018 with J.P. Morgan, but as at 31 March 18 had not been admitted to the fund. Lewisham's commitment to the infrastructure fund will be approximately £80m, with a first capital call likely mid-year.

Following the local elections of May 2018, a new Pensions Investment Committee will convene for its first meeting on 28 June 2018. The Committee comprises four previously sitting Councillors, including the re-elected Chair, and four new Councillors with varying degrees of pensions knowledge and experience. The Fund's strategic direction, in line with its Funding and Investment Strategies, will be reassessed by Members in the coming months in conjunction with the results of the next triennial valuation to be carried out as at March 2019.

11. COMMITMENTS

The Pension Fund was committed to the following capital contributions as at the 31 March 2018:

Fund Manager	Fund	Amount (‘000)	Translated (£’000)
HarbourVest	Harbourvest Partners VIII - Cayman Venture Fund L.P	\$190	135
HarbourVest	Harbourvest Partners VIII - Cayman Buyout Fund L.P	\$833	593
HarbourVest	HarbourVest Partners X AIF L.P.	\$24,158	17,215
HarbourVest	HIPEP VII (AIF) Partnership Fund L.P.	\$14,550	10,368
HarbourVest	Harbourvest International Private Equity Partners V - Cayman Partnership Fund L.P	€ 700	613
HarbourVest	Harbourvest International Private Equity Partners V - Cayman Direct Fund L.P	€ 180	158
Pemberton	European Debt Investments Jersey II LP	£12,226	12,226
	Total		41,308

12. RELATED PARTY TRANSACTIONS

There have been no material transactions with related parties in the financial year. There were no provisions for doubtful debt and amounts written off in the period.

Eight Councillors sit on the Pensions Investment Committee which oversees the Fund. At each meeting of the Pensions Investment Committee, Councillors are required to make declarations of interest which are recorded.

During the year the following declarations were made:

- Councillor Simon Hooks declared he now works in the life insurance and pensions field.

Four members and an independent chair make up the membership of the Pensions Board, which assists the administering authority in adhering to the Regulations with regards to its administration and governance of the scheme. At each meeting of the Board, members are required to make declarations of interest which are recorded.

During the year no declarations of interest were made apart from the members being participants in the scheme, although this is a requirement of their Board membership.

PENSION FUND

No other trustees or Council chief officers with direct responsibility for pension fund issues made any declarable transactions with the Pension Fund in the period to 31 March 2018.

The Council, the administering body, had dealings with the Fund as follows:

- Recharges from the Council for the in-house administration costs borne by the scheme were transacted for £661k (included in Administration Expenses in Note 3). Some cash transactions relating to pension activities are currently effected through the Council's bank account and consequently pension fund cash balances are held by the Council from time to time and vice versa.
- The salary of the Executive Director for Resources and Regeneration for 2017/18 was £189,977 including employer pension contributions of £34,894. This total also includes an allowance for acting as Chief Executive following the resignation of the previous post holder.

13. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

Contributing members have the right to make AVCs to enhance their pension. There are currently 40 'open' AVC contracts for LGPS members (i.e. excluding members with AVC contracts who have left Lewisham and now have preserved benefits). Some of these 'open contracts' will be for members who have paid AVCs in the past but who have suspended payments to the scheme for the time being.

The fund has two AVC providers: Clerical Medical and Equitable Life. The value of AVC investments is shown below. The contributions are held by the providers and do not form part of the Lewisham fund's assets in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

	2017/18			2016/17		
	Equitable Life £000	Clerical Medical £000	Total £000	Equitable Life £000	Clerical Medical £000	Total £000
Value at the Beginning of Year	461	848	1,309	442	792	1,234
Contributions and Transfers Received	4	173	177	4	112	116
Investment Return	17	10	27	18	80	98
Paid Out	(48)	(155)	(203)	(3)	(136)	(139)
Value at the End of the Year	434	876	1,310	461	848	1,309

14. SCHEDULED BODIES

The following are scheduled bodies to the Fund as at 31 March 2018, arranged in descending order by the value of their contributions in 2016/17:

Lewisham Homes
Haberdashers' Aske's Knights Academy
Christ The King Sixth Form College
St Matthew Academy
Tidemill Academy
Griffin Schools Trust

15. ADMITTED BODIES

The following are admitted bodies to the Fund as at 31 March 2018, arranged in descending order by the value of their contributions in 2016/17:

Phoenix
Youth First LTD
Phoenix Agency Services
Chartwells Compass

PENSION FUND

Skanska
Lewisham Music
3 C's Support
One Housing
NSL (formerly known as National Car Parks Ltd)
Wide Horizons
Change Grow Live
Nviro
Fusions Leisure Management
Quality Heating
Housing 21
Pre-School Learning Alliance
Blenheim CDP (Ceased November 2017)
Excalibur (Ceased March 2017)
Tower Services
Chequers Contract Services – Lee Manor
Lewisham Nexus Services (Ceased April 2017)

16. STOCK LENDING

The Statement of Investment Principles and Investment Strategy Statement permit the Fund to enter into stock lending whereby the Fund lends other bodies stocks in return for a fee and collateral whilst on loan. Equities and fixed income assets held in segregated accounts in custody may be lent.

The economic benefits of ownership are retained when securities are on loan. The Fund has its full entitlements at all times to any income due, or rights on its securities on the anticipated date of the entitlement so that no economic benefits are foregone as a result of securities lending activity.

Northern Trust is responsible for collecting dividend and interest income on loaned securities from borrowers. The right to vote moves with the securities.

As at the 31 March 2018 the value of aggregate stock on loan was £0m (£9.3m as at 31 March 2017). As part of the Fund's rebalancing in year and the sale of equities to finance investments in new mandates, assets in segregated accounts which participated in stock lending arrangements were sold or traded into pooled life funds.

Collateral

The collateral held as security on loans cannot be sold or repledged in the absence of default by the borrower. The Council entered into stock lending transactions during the financial year earning £3k net of direct expenses (compared to £8k in 2016/17). The value of collateral held as at 31 March 2017 was £0m (£9.8m as at 31 March 2017).

17. MEMBERSHIP

	Active Members		Deferred Beneficiaries		Retired Members	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Administering Authority	5,331	5,814	8,701	9,679	7,184	7,098
Scheduled Bodies	1,180	916	1,166	825	339	243
Admitted Bodies	126	137	122	117	99	90
	6,637	6,867	9,989	10,621	7,622	7,431

18. AUTHORISATION

These accounts were approved by Council on XXth July 2018

ANNUAL GOVERNANCE STATEMENT

To Follow