
Contents

	PAGE NUMBER
FOREWORD BY THE EXECUTIVE DIRECTOR FOR RESOURCES	3
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS	13
INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF THE LB LEWISHAM (NOT INCLUDED, WILL BE INCLUDED AFTER AUDIT IS COMPLETED)	14
SECTION 1 – STATEMENT OF ACCOUNTING POLICIES STATEMENT OF ACCOUNTING POLICIES.....	16
SECTION 2 – CORE FINANCIAL STATEMENTS INCOME AND EXPENDITURE ACCOUNT.....	24
MOVEMENT ON THE GENERAL FUND BALANCE.....	26
TOTAL RECOGNISED GAINS AND LOSSES	30
BALANCE SHEET.....	32
CASH FLOW STATEMENT.....	36
NOTES TO THE CORE FINANCIAL STATEMENTS.....	39
SECTION 3 – SUPPLEMENTARY FINANCIAL STATEMENTS HOUSING REVENUE ACCOUNT.....	73
COLLECTION FUND	83
SECTION 4 – PENSION FUND ACCOUNTS (NOT INCLUDED, TO FOLLOW)	88
SECTION 5 – GROUP ACCOUNTS LEWISHAM GROUP ACCOUNTS.....	90
SECTION 6 – ANNUAL GOVERNANCE STATEMENT (AGS) (SEE SEPARATE DOCUMENT – WILL BE INCLUDED AFTER APPROVAL BY THE AUDIT PANEL).....	.98
ANNEXE 1 – ANNUAL GOVERNANCE STATEMENT ACTION PLAN (SEE SEPARATE DOCUMENT – WILL BE INCLUDED AFTER APPROVAL BY THE AUDIT PANEL).....	100
ANNEXE 2 – GLOSSARY OF TERMS AND ACRONYMS	102
ANNEXE 3 – CAPITAL EXPENDITURE ANALYSIS	106

**FOREWORD
TO THE
STATEMENT
OF ACCOUNTS**

2009/10

Foreword

FOREWORD BY THE EXECUTIVE DIRECTOR FOR RESOURCES

1. INTRODUCTION

This document sets out the London Borough of Lewisham's Annual Accounts for the year 2009/10. The financial position is regularly monitored and reviewed throughout the year and the Statement of Accounts brings together the financial results of all the Council's operations for the financial year and the financial position as at 31 March 2010.

The Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting Statement of Recommended Practice in the United Kingdom 2009 (the SORP), and the Best Value Accounting Code of Practice (BVACOP) jointly developed by CIPFA and the Accounting Standards Board. The Code constitutes 'proper accounting practice' which local authorities must comply with by statute.

The Code for 2009 introduced two major changes to the Statement of Accounts. The first major change concerned accounting for Private Finance Initiative (PFI) schemes and similar contracts. For 2009/10, the treatment is based on International Financial Reporting Standards (IFRS) which will require PFI's to be recognised on the Balance Sheet. More details of this are given in Accounting Policy 11 and Note 8 to the financial statements. The other major change relates to the accounting for Council Tax and National Non-Domestic Rates (NNDR). The Council now accounts for the collection of these taxes on an agency basis rather than on a cash basis. Thus the Council's Core Financial Statements only includes the Council's share of the Council Tax collected, and does not include any of the NNDR collected, since it is all collected on behalf of the government.

The significant events that have had a major impact on the Statement of Accounts during 2009/10 are outlined in section 5 of the foreword below.

2. THE COUNCIL'S ACCOUNTS

The Accounts are divided into the following 6 sections, the purpose of each is shown below.

Section 1 – Statement of Accounting Policies

This explains the basis for the recognition, measurement and disclosure of figures and events in the accounts.

Section 2 – The Core Financial Statements

Section 2a - Income and Expenditure Account (I & E Account) – This account summarises the income and expenditure for the year and shows the cost of the major functions, including the Education and Housing Services, for which the Council is responsible. It is a requirement of the SORP that the analysis is by service rather than by Directorate as is used in the Council's budget.

Section 2b - Statement of Movement on the General Fund Balance (SMGFB) – This statement links the income and expenditure account to the amount to be met from Council Tax and the balances available at year end.

Section 2c - Statement of Recognised Gains and Losses (STRGL) – This statement links the income and expenditure and other gains and losses to the increase or decrease in the total equity as shown on the balance sheet.

Section 2d - Balance Sheet

This statement is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves position, the Council's long-term debt, the net current assets employed in its operations and summarised information on the fixed assets held. It includes the Housing Revenue Account and the Council's own share of the Collection Fund, but excludes the Pension Fund and Trust Funds.

Foreword

Section 2e - Cash Flow Statement

The Cash Flow Statement summarises the outflows and inflows of cash for the year arising from transactions with third parties for revenue and capital purposes.

Section 2f – Notes to the Core Financial Statements - This section contains all the notes that help to explain or give more detail to the Core Financial Statements.

Section 3 – Supplementary Financial Statements

Section 3a – Housing Revenue Account

This reflects the statutory obligation to account separately for local authority housing provision and associated services to council tenants and leaseholders. It shows the major elements of income and expenditure on Council Housing.

Section 3b – Collection Fund

This statutory account shows the transactions relating to Council Tax and National Non-Domestic Rates and how the amounts collected have been distributed to the Council's General Fund and preceptor (GLA).

Section 4 – Pension Fund

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 5 – Lewisham Group Accounts

The Group Accounts combine the financial results of Lewisham Council with that of its subsidiaries Lewisham Homes 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 6 – Annual Governance Statement

The Annual Governance Statement 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. The framework describes the activities with which it engages the community, and enables it to monitor the achievement of its 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.

Appendices

These include the Action Plan for the Annual Governance Statement, a Glossary which explains some technical terms and a detailed analysis of capital expenditure incurred during the year.

3. SUMMARY OF THE 2009/10 FINANCIAL YEAR

The Council incurs revenue and capital expenditure in the year. Revenue spending is generally on items which are consumed within a year (such as employee's salaries) and is financed from Government Grants, Council Tax, National Non-Domestic Rates and other income. Capital expenditure is incurred on items that have a life over one year (such as the construction of major new facilities in a school) and is financed from loans, government and other grants, capital receipts or revenue contributions.

3a REVENUE SPENDING 2009/10

(i) The Revenue Budget Setting

The Council's net budget for 2009/10 was agreed by Council in March 2009 and was set at a total figure of £268.251 million. This was after implementing savings of £10.785 million and financing budget pressures of £10.405 million.

Foreword

(ii) The Revenue Budget Outturn

During 2009/10, Mayor and Cabinet received regular financial monitoring reports to enable it to ensure spending was being kept within approved budgets, or to take corrective action if this was not the case. At the end of the 2009/10 financial year there was a net underspend of £0.388m on the Directorate service budgets. The reasons for the Directorate budget variances were reported to Public Accounts Committee on the 22 June 2010 and the Mayor and Cabinet on the 23 June 2010. The main areas of underspend were on Resources of £0.555m and Customer Services of £0.427m. There was an overspend of £0.580m on Children and Young People and minor variations on the other two Directorates. On the corporate budgets there was a net overspend of £0.113m after transfers to earmarked reserves. Therefore, the net underspend on the General Fund overall was £0.275m and this amount has been added to General Fund Balances.

(iii) The Revenue Budget Outlook for 2010/11

The Council set a net budget of £271.454 million for 2010/11, an increase of £3.203 million or 1.2% on the previous year's net budget. This increase includes £3.44 million for inflation, savings of £4.188 million and unavoidable budget pressures of £6.75 million.

3b CAPITAL PROGRAMME 2009/10

A summary of the capital expenditure incurred during the year and its financing compared to the original programme budget is shown below:

	2009/10 Actual Outturn £000	2009/10 Adjusted Budget £000	2009/10 Programme Budget £000	2008/09 Actual Outturn £000
CAPITAL EXPENDITURE				
Directorates' Capital Programme	60,128	59,621	62,786	65,452
Lewisham Homes Capital Programme	3,472	4,026	13,884	11,181
Total Capital Expenditure for the Year	63,600	63,647	76,670	76,633
CAPITAL FINANCING				
Government Supported Borrowing	12,997	12,997	12,997	12,778
Unsupported Borrowing	13,484	13,489	13,489	5,911
Capital Grants	26,038	25,520	38,543	41,248
Capital Receipts	5,663	9,037	9,037	9,923
Capital Expenditure financed from Revenue	5,418	2,604	2,604	6,773
Total Capital Expenditure Financed	63,600	63,647	76,670	76,633

i) The percentage of the 2009/10 budget that has been spent is 83%. This compares to a figure of 104% for 2008/09.

ii) The reason for the apparent low percentage is that during quarter 4 of 2009/10 a review of the capital programme was carried out to enable the adoption of component accounting under International Financial Reporting Standards (IFRS) rules. This technical accounting adjustment resulted in £13.0m being written off to revenue (£3.2m Directorates' capital programme, £9.8m Lewisham Homes). If the amount written off to revenue is added back to the capital spend, the total spend is £76.7m (100% spend to budget).

iii) Major projects (with spend over £1m) in the directorates' capital programme 2009/10 were: Acquisition of Catford Centre (£12.3m), Devolved schools capital (£3.8m), Monson school (£3.2m), ICT - Telephony and Data Network (£2.7m), Borough Road Reconstruction & Resurfacing Works (£2.5m), Tidemill school

Foreword

(£2.0m), Gordonbrock school (£1.3m), Quality & Access for All Young Children (£1.2m), Rushey Green school (£1.1m), Private sector grants (£1.0m).

iv) The one major project (with spend over £1m) in the Lewisham Homes capital programme 2009/10 was: Domestic boilers (£2.4m).

Capital Programme 2010/11

The budget report for the Council's capital programme was agreed at Mayor and Cabinet on 10 February 2010. This is for the three year programme 2010/11 to 2012/13. The total resources available to the programme are £232.5m. The directorates' capital programme for 2010/11 is £90.0m and Lewisham Homes programme for 2010/11 is £34.1m. Principle programmes and projects of over £1m include:

	2010/11 Programme Budget £000
Directorates' Capital Programme	
Primary Places programme	16,172
Deptford Town centre	9,475
Deptford Station	6,305
Tidemill school	5,956
Schools minor works programme	3,357
Highways BVR	3,000
Surrey Canal road station	3,000
BSF Design & Build	2,914
Pepys Environmental	2,636
North Lewisham Links - Route 1	2,219
Property AMP programme	2,145
Forest Hill pool	2,019
Brockley PFI	2,000
Schools AMP	1,714
Parklands: Ladywell Fields and the Waterlink Way	1,553
Kender New Build Grant: Phase 4	1,540
Quality & Access for All Young Children - Capital Grant	1,532
Heathside & Lethbridge	1,500
SEN Strategy	1,492
Kender New Build Grant: Phase 3 South (NDC)	1,485
Other	17,855
Directorates' Capital Programme	89,869
Lewisham Homes Capital Programme	34,144
Total Capital Programme - 2010/11	124,013

3c FUNDING OF THE REVENUE BUDGET

The Council Tax is a major source of local revenue. The other main sources of income are the Government determined National Non-Domestic Rates (NNDR) and the Revenue Support Grant (RSG). The amount to be raised from Council Tax was calculated as shown in the following table.

Foreword

Note: The variations between the years on RSG and NNDR come about due to changes by Central Government in the redistributable amount. For variance purposes they are considered as one block.

	2009/10 £000	2008/09 £000
Lewisham's Net Budget	268,251	262,521
Less: Revenue Support Grant	33,304	21,340
Less NNDR received from the national pool	144,288	153,295
Less: Surplus on Collection Fund	49	30
General Fund Services to be met from Council Tax	90,610	87,856
Add Precept (GLA)	26,939	26,773
Total to be met from Council Tax	117,549	114,629

3d COUNCIL TAX BASE

The actual Council Tax is determined by dividing the net amounts to be met from Council Tax by the tax base, which for Lewisham is 86,949 equivalent Band D properties. This then equates to the following Council Tax at Band D:

	2009/10 £000	2008/09 £000	Increase £	Increase %
Lewisham's Demand	1,042.11	1,016.69	25.42	2.50
Add: Preceptor Requirements:				
Greater London Authority	309.82	309.82	0.00	0
Council Tax for Band D	1,351.93	1,326.51	25.42	1.92

3e COLLECTION RATES

Actual Collection Rates	2009/10 %	2008/09 %	2007/08 %
Council Tax	92.7	93.1	94.4
National Non-Domestic Rates	98.8	99.2	99.4

Further information on Council Tax and National Non-Domestic Rates can be found in the Collection Fund statements in Section 3b of the Accounts.

4. FINANCIAL HEALTH**4a General Fund**

After transfers to reserves a surplus of £0.275m was added to General Fund balance, which now stands at £11.511m. This is considered to be an adequate level of cover and represents approximately 2.5% of Lewisham's net budget (including Dedicated Schools Grant expenditure). Lewisham also has other

Foreword

earmarked reserves for specific ongoing projects and these are detailed in Note 23 to the Core Financial Statements in Section 2 of the Accounts.

4b Housing Revenue Account

After transfers to and from earmarked reserves, the HRA non earmarked balance has now been fully allocated. The earmarked reserves are for specific ongoing projects and these are outlined in Note 16 of the HRA statements in Section 3a of the Accounts.

4c Collection Fund

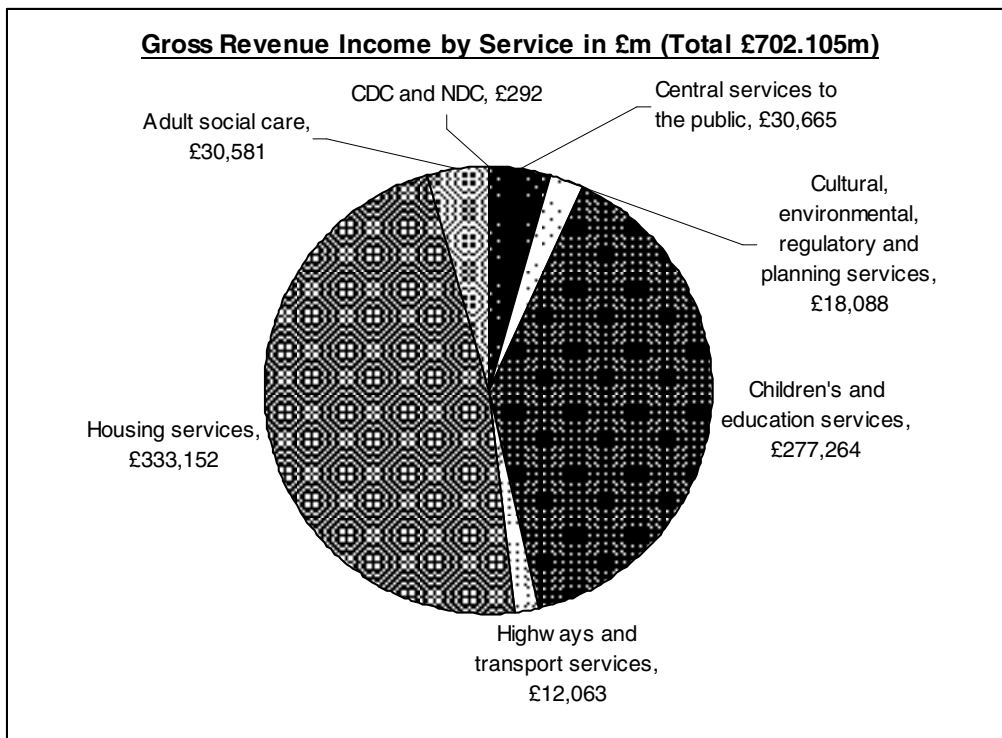
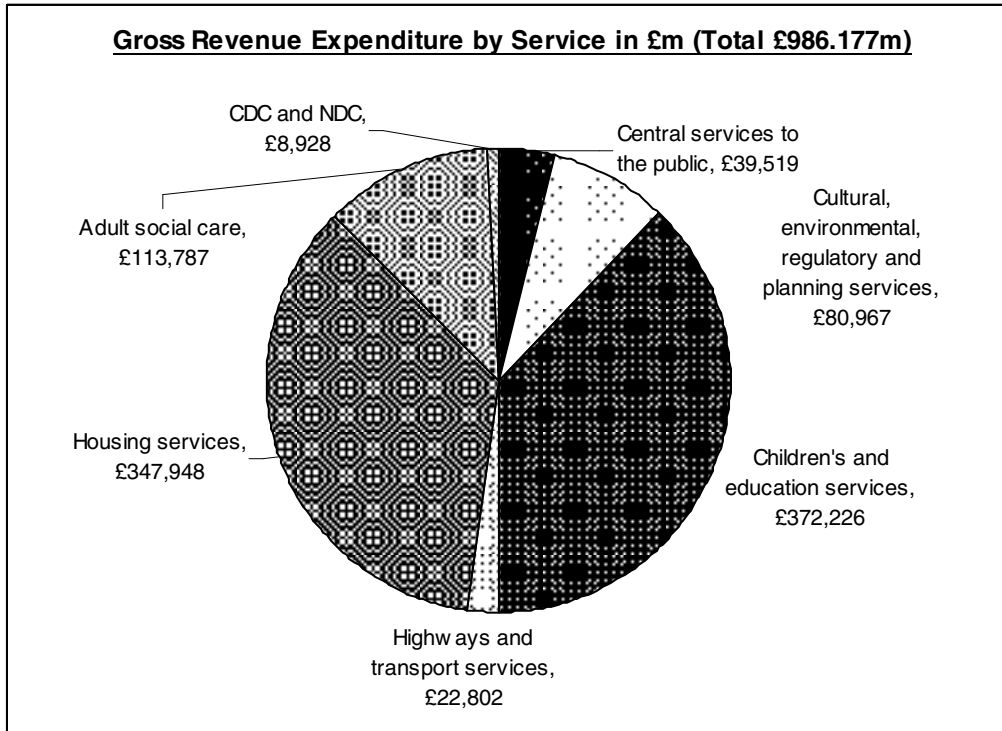
The Collection Fund had a deficit of £0.112m for the year, which when added to the brought forward balance of £0.144m, leaves a surplus of £0.032m to carry forward to 2010/11. The details are shown in the Collection Fund statements in Section 3b of the Accounts.

5. SIGNIFICANT EVENTS IN 2009/10 THAT HAVE HAD AN IMPACT ON THE ACCOUNTS

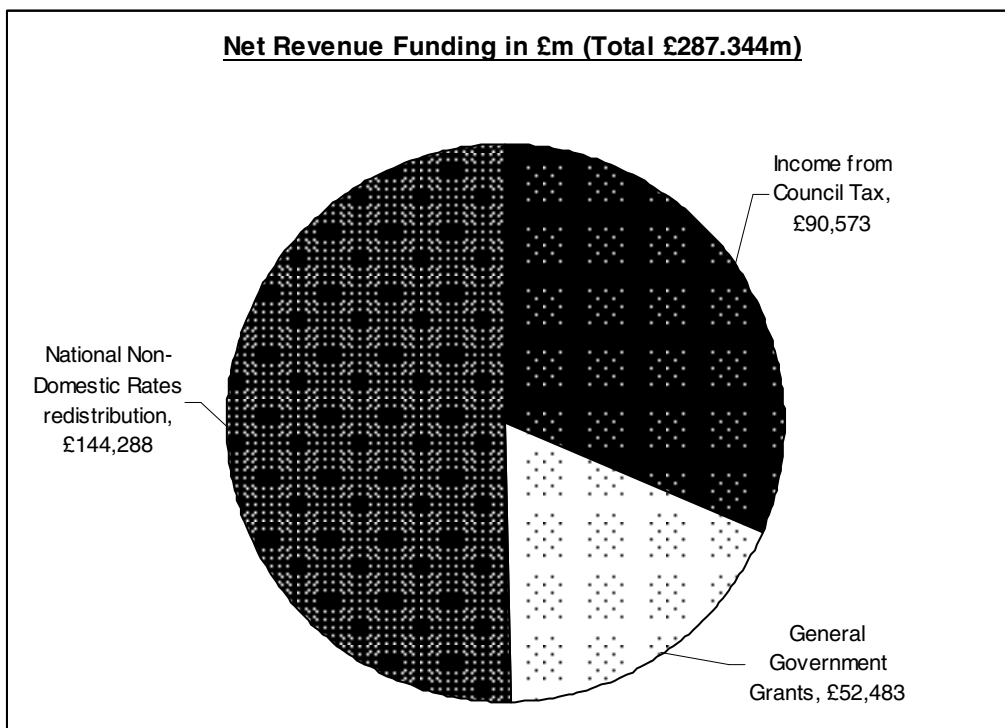
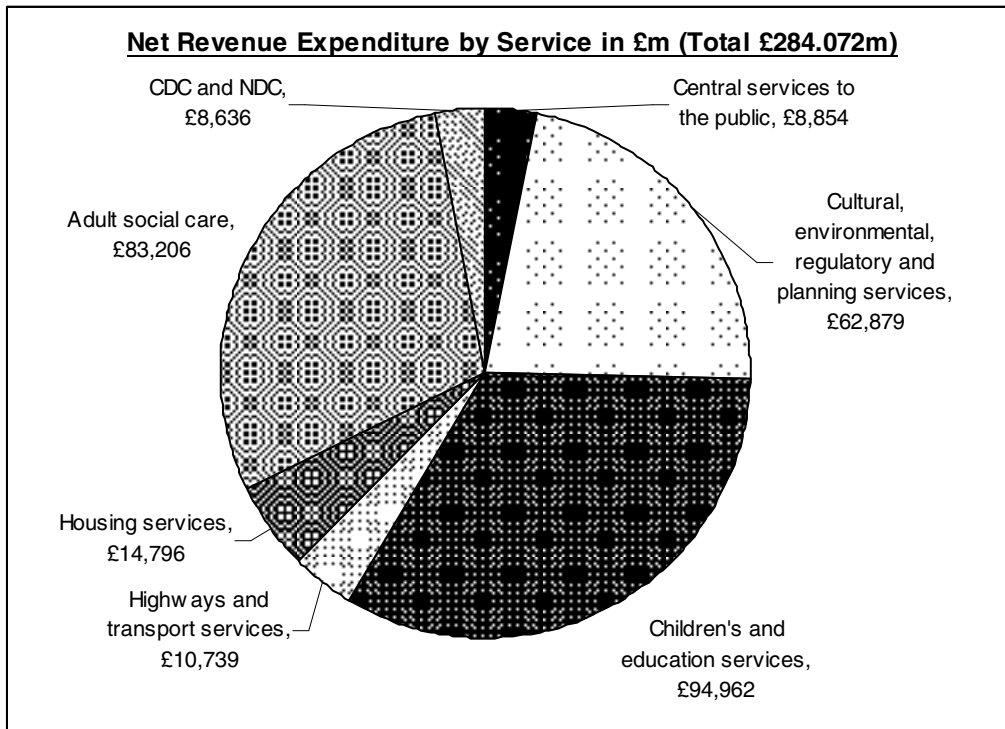
- a) **Decent Homes Strategy** – A further Housing stock transfer took place in October 2009. A total of 475 Housing Units have been transferred in the Lee area with a total asset value of £19.7m being removed from the total of Fixed Assets on the Balance Sheet.
- b) **Efficiency Programme 2008/09 to 2010/11** – As part of the 3 year Efficiency Programme the Council has a target of 4% for 2009/10 and 2010/11, which is approximately £8.5m per year. The actual efficiency gains achieved for 2009/10 totalled £11.4m.
- c) **Pension Fund Valuation** – The gradual recovery of the financial markets has increased the value of the Fund during the year by £187m to £706m.
- d) **Economic Downturn** – In comparison to 2008/09 price swings on the raising of debt has not been so exaggerated. Base rates have remained at historic lows and the UK economy has only emerged from recession in the last quarter of the financial year after six quarters of negative growth. During 2009/10 there was a net reduction of 6% in Gross Domestic Product (GDP). For Lewisham in 2009/10 this has meant a significant reduction in interest receipts of £4.5m.
- e) **Inflation and Pay Award** – The annual rate of inflation rose towards the end of the financial year. The Retail Price Index (RPI) rose by 2.4% for the year. The pay award for 2009/10 was agreed at 1%.
- f) **Accounting for Private Finance Initiative (PFI) Schemes** – For 2009/10 new rules introduced under IFRS have altered the accounting requirements for PFI's. This has had a significant effect on the Accounts as Lewisham has had to bring 4 major schemes onto the Balance Sheet which were previously excluded. The overall effect has been to increase the value of fixed assets on the Balance Sheet by £156m. Further details are contained in Accounting Policy Number 11 and Note 8 to the Statement of Accounts.
- g) **Catford Regeneration Partnership Ltd (CRPL)** – In February 2010, the Council set up a limited company to acquire and regenerate the Catford Centre. A loan of £12.3m was advanced to the company to carry out the purchase. Further information is given in the Group Accounts statements in Section 5 of the Accounts.

Foreword

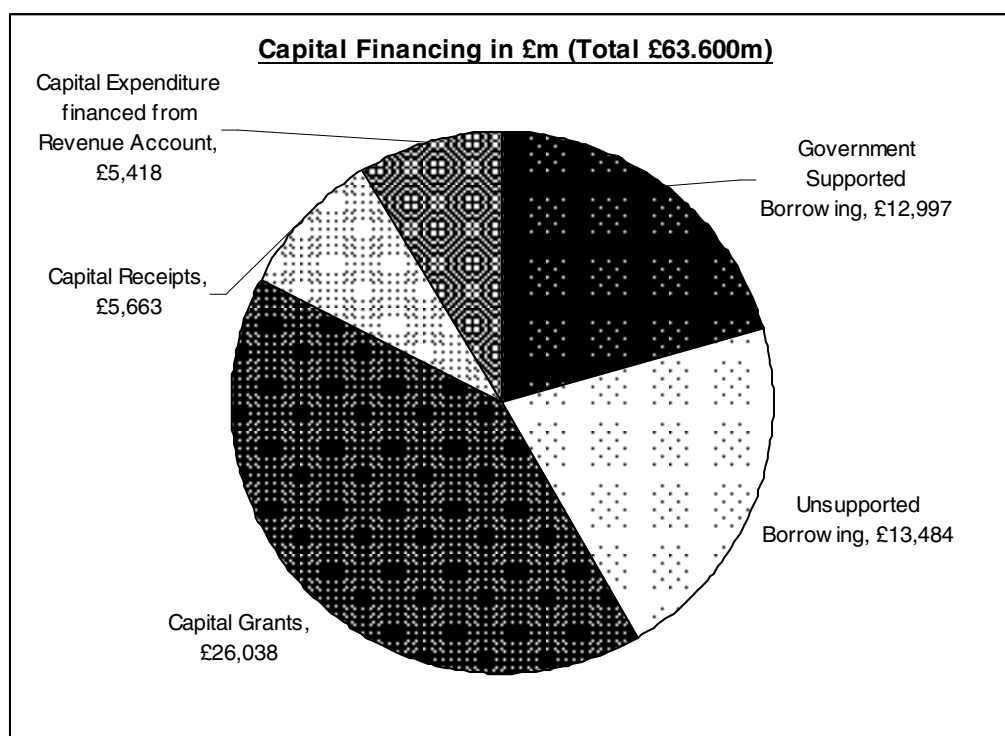
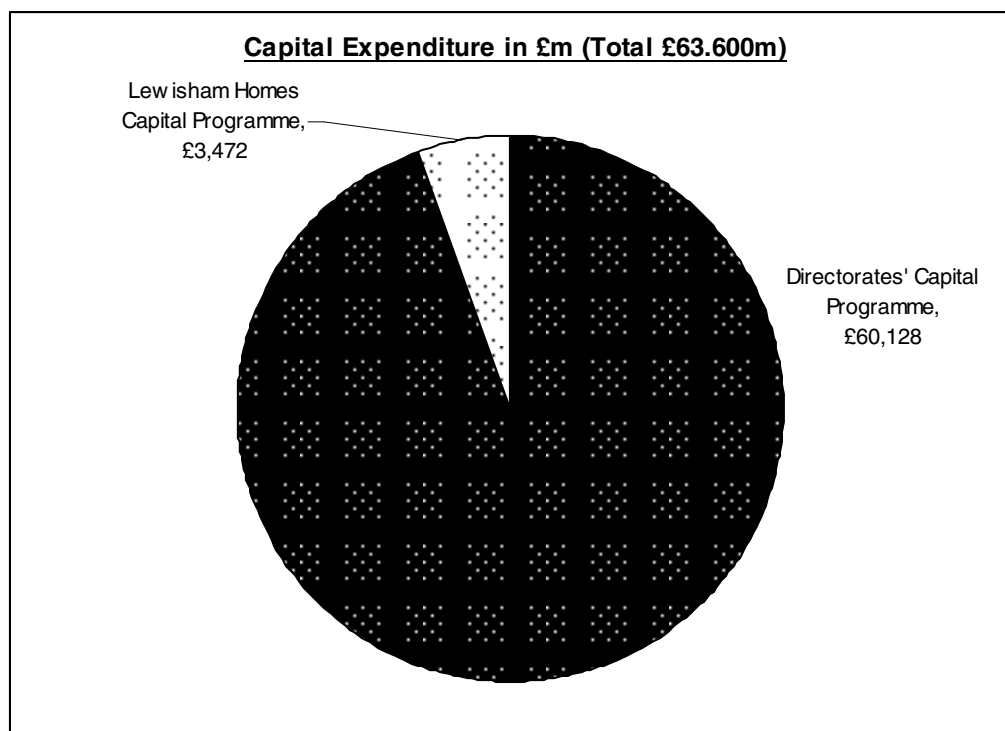
6. ANALYSIS OF 2009/10 REVENUE AND CAPITAL SPENDING BY SERVICE



Foreword



Foreword



Statement of Responsibilities

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 secure 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.
- 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

The Executive Director for Resources is responsible for the preparation of the Authority's Statement of Accounts, which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code of Practice'), is required to give 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 2010.

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.

Janet Senior CPFA

Executive Director for Resources

Dated: 24th June 2010

I confirm that these accounts were approved by the Council at the meeting held on 30th June 2010

Signed on behalf of the London Borough of Lewisham:

Councillor M Long

Chair of Council

Dated: 30th June 2010

Independent Auditor's Report

Independent Auditor's report to the Members of the London Borough of Lewisham

THIS REPORT WILL BE INSERTED UPON COMPLETION OF THE EXTERNAL AUDIT

Statement of Accounting Policies

SECTION 1

**STATEMENT OF
ACCOUNTING
POLICIES**

2009/10

Statement of Accounting Policies

STATEMENT OF ACCOUNTING POLICIES

The general principles adopted in compiling and presenting these Accounts are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). Guidance is contained in the *Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (the SORP)* and any relevant Statements of Standard Accounting Practice (SSAP), Financial Reporting Standards (FRS) and International Financial Reporting Standards (IFRS). Any departures from recommended practice are stated within this section and/or within the Notes to the Accounts.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

1. FIXED ASSETS

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis in the accounts (provided the spend adds value to the property or can be capitalised as a component under IFRS rules and exceeds Lewisham's de minimus limit of £40,000). Expenditure on fixed assets is capitalised, provided that such expenditure yields benefits to the authority and the services it provides for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to service revenue accounts.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Appraisal and Valuation Manual and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the categories required by the SORP. The assets are valued on the following basis:

- Land, Dwellings and Operational Properties are included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use.
- Non-operational assets include investment and commercial properties, assets that are surplus to requirements and assets under construction. Investment and Commercial Properties are valued by capitalising the rental income stream associated with each asset. Surplus Assets are valued on the basis of similar market transactions. The cost of uncompleted building work is included in the balance sheet at historic cost and classified as Assets under Construction.
- Plant assets are valued at historic cost but are not material in value. Vehicles and Equipment (mostly IT) is included in the balance sheet at historic cost as a proxy for net current replacement cost. Any difference between historic cost and a valuation based on the lower of net current replacement cost or net realisable value in existing use would be adjusted if considered material.
- Infrastructure Assets and Community Assets are included in the balance sheet at historic cost (net of depreciation for infrastructure).
- Intangible Fixed Assets (e.g. software licenses) do not have any physical substance but are identifiable and controllable by the Council through custody or legal rights. The Council has reviewed the level of spend on these assets and they continue to be immaterial and therefore are not capitalised but charged to the Income and Expenditure Account.

Revaluations of fixed assets are undertaken on a rolling five yearly programme, although material changes to asset valuations are adjusted in the interim period, as they occur. Revaluation gains arising from revaluations of fixed assets are generally credited to the Revaluation Reserve (see the Note 15 to the Core Financial Statements in Section 2 of the Accounts). However, if the asset was previously impaired and the rationale for the revaluation gain is the same as that for the impairment, then the previous impairment is reversed and the credit goes to the Income and Expenditure Account.

Statement of Accounting Policies

2. IMPAIRMENT

A decrease in the value of an asset is known as impairment. There are two ways in which this can arise and there are separate accounting treatments for each as below.

- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets are charged to the Income and Expenditure Account.
- Impairment losses due to a general change in prices are charged against accumulated gains in the Revaluation Reserve. Any loss greater than the individual asset balance held in the Revaluation Reserve is charged to the Income and Expenditure Account.

The Council undertakes an annual review of all capital expenditure on single assets greater than the de minimus level of £40,000. The Valuation and Estates Manager advises on which of these assets have had their value (or life) increased as a result of the expenditure and these changes are reflected in the fixed asset valuations. Where the value has not increased, the capital spend will be charged as an impairment. All impairments which are charged to the Income and Expenditure Account will be reversed out in the Statement of Movement on Balances and debited to the Capital Adjustment Account (see Note 16 to the Core Financial Statements in Section 2 of the Accounts) to ensure that there is no impact on Council Tax.

3. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

This occurs where capital expenditure is incurred although no fixed asset attributable to the authority is created. They include home improvement grants to individuals and capital expenditure on buildings not owned by the Council such as Voluntary Aided schools. The Council's policy is to write down the expenditure to revenue in the year in which it is incurred, on the basis that there is no ongoing benefit to the authority that should be represented in the balance sheet. This charge is reversed out to the Capital Adjustment Account so that there is no impact on Council Tax.

4. DEPRECIATION

Charges for depreciation are made to service revenue accounts for all fixed assets used in the provision of services (operational assets). This is fully compliant with the requirements of FRS 15.

The Council's policy is to base the depreciation charge on the value of the asset as at 1 April each year (i.e. opening value), and is calculated using the straight-line method based on finite useful life, which can be determined at the time of acquisition or revaluation. Council dwellings are depreciated over 25 years and buildings are normally depreciated over 40 years, although this can vary depending on the valuers' opinion. Vehicles are depreciated over a period between 5 to 10 years depending upon the type of the vehicle. Depreciation is charged from the beginning of the year that follows the date of purchase or completion of construction, and is not adjusted for disposals or additions of assets during the year.

The charge would also include any amortisation of material Intangible Fixed Assets attributable to services, but for 2009/10 the Council has no intangible assets.

5. LEASES

Leasing arrangements come in two types, finance and operating leases. Assets acquired under finance leases must be capitalised in the authority's accounts, together with the liability to pay future rentals. The Council does not currently hold any assets under finance leases. Operating leases have been used for equipment such as vehicles and IT. Existing operating lease rentals are financed direct from revenue on a straight-line basis over the term of the lease (see the note to the Core Financial Statements in Section 2 of the Accounts).

Statement of Accounting Policies

6. CAPITAL RECEIPTS

Capital Receipts from the disposal of assets are accounted for on an accruals basis in accordance with requirements set out in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. The housing receipts are split between an element that is pooled (75% for dwellings, 50% for housing land and other housing assets, net of statutory deductions and allowances) to the Department for Communities and Local Government and an element which is retained by the Council to finance capital expenditure. The general receipts are credited to a Usable Capital Receipts Reserve and are available to finance capital expenditure or to repay debt.

7. GAINS OR LOSSES ON DISPOSAL

Gains or losses on the disposal of fixed assets are charged to the Income and Expenditure Account. This is the amount by which the disposal proceeds are more (gain) or less (loss) than the carrying amount of the fixed asset. The carrying amount of the asset used for comparison with the disposal proceeds is based on the brought forward value of the asset adjusted for any movements as a result of routine revaluations, impairment reviews and depreciation.

8. REDEMPTION OF DEBT AND THE TREATMENT OF PREMIUMS AND DISCOUNTS

Repayment of debt is made in accordance with the statutory guidance to set aside a provision from revenue calculated on a prudent basis. A provision is also made for the repayment of the inherited ex-ILEA debt and this is shown as a contribution in the Statement of Movement in the General Fund Balance.

For early redemption of debt, premiums or discounts incurred are accounted for as follows:

- Premiums and discounts are charged to the Income and Expenditure Account in the year in which they are incurred, unless the redemption and simultaneous replacement of the debt represents a modification of the original loan agreement. In these circumstances, the premium or discount will be applied to the carrying value of the replacement loan. These amounts are to be shown against "Interest payable and similar charges".
- Premiums and discounts are split between the General Fund and Housing Revenue Account in accordance with their share of debt as identified by the Council's Capital Financing Requirement as at 1 April in the year in which they are incurred.
- In accordance with statute, the impact on both the General Fund and Housing Revenue Account is adjusted in the Statement of Movement on Balances to ensure there is no effect on the amounts charged against Council Tax or Housing Rents.

9. FINANCIAL INSTRUMENTS

The financial instruments recognised in the Council's accounts fall into three categories:

- **Loans and Receivables**
This includes short term investments and sundry debtors, which are required to be held on the balance sheet at amortised cost. Interest on investments is recorded in the Income and Expenditure Account on an accrued basis and the accrual increases the carrying value of the instruments until realised. There is no net impact on the balance sheet as a result of this treatment. For short term debtors, the carrying amount is the invoiced amount (less any impairment).
- **Financial Liabilities at Amortised Cost**
This includes sundry creditors and loans taken out by the Council. Short term creditors are held at their invoice amount and longer term instruments are held at amortised cost.

Statement of Accounting Policies

- Financial Assets at Fair Value through the Income and Expenditure Account

This includes funds currently held by Invesco and Investec. These externally managed funds are held at fair value (market value at bid price) and any change in value is reflected in the Income and Expenditure Account.

In compliance with the SORP and the Pensions SORP, Pension Fund investments are valued at bid-price.

10. INTEREST ON BALANCES

Surplus cash balances held during the year are invested in accordance with the Council's Treasury Investment Strategy. Interest earned on the Council's balances is calculated and accounted for on an accrued basis and is credited to the Income and Expenditure Account and the HRA .

11. PRIVATE FINANCE INITIATIVE (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed 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 fixed assets will pass to the council at the end of the contracts for no additional charge, the council carries the fixed assets used under the contracts on the Balance Sheet.

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. Where schemes include a capital contribution, the liability is written down accordingly. Fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as other fixed assets which are owned by the council.

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

- fair value of the services received during the year – debited to the relevant service in the Income and Expenditure Account.
- finance cost – an interest charge of x% on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator.
- lifecycle replacement costs – recognised as fixed assets on the Balance Sheet.

12. ACCRUALS OF INCOME AND EXPENDITURE

The revenue and capital accounts are maintained on an accruals basis. This means that the accounts have been prepared by matching income and expenditure against the timing of when goods, works or services were provided or received respectively.

- Debtors: All sums due to the Council are recorded in the accounts at the time they become due. Therefore, the debtors shown on the balance sheet represent sums due to the Council, which have not been received at the year-end.

- Creditors: At the year-end the accounts are adjusted so that they reflect the value of all goods and services received during the year but not paid for by the Council within the financial year.

- Interest payable on borrowings and receivable on investments is accounted for in the year to which it relates, on a basis that reflects the effective interest rate, rather than the cash flows, of the loan or investment.

Statement of Accounting Policies

13. REVENUE PROVISIONS AND RESERVES

The Council has set aside amounts from its revenue account to form provisions and reserves, which will be used to cover future expenditure. Details of provisions and reserves are contained in [notes 41 and 23](#) to the Core Financial Statements in Section 2 of the Accounts.

- Provisions have only been recognised in the accounts when there is a legal or constructive obligation to transfer economic benefits as a result of a past event, but the timing is uncertain. Provisions are charged to the Income and Expenditure Account in the year in which the authority is aware of the obligation.
- Provisions for bad debts (i.e. 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 bad debt provision. Where payments are made, they are credited to the provision on the Balance Sheet.
- Reserves are amounts set aside for purposes falling outside the definition of provisions. These include earmarked reserves set aside for specific policy purposes and general reserves, which represent resources set-aside for purposes such as general contingencies and cash flow management. They are created by appropriating amounts from the Statement of Movement in the General Fund Balance, and therefore count as expenditure against Council Tax in that year. When expenditure to be financed from a reserve is incurred in subsequent years, it is charged to the relevant services revenue account and counts against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the SMGFB to ensure that there is no net effect on the Council Tax for that year. A number of statutory reserves are maintained to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council.

14. VALUE ADDED TAX (VAT)

Income and Expenditure excludes any amounts related to VAT. VAT on payments is paid on invoice and charged to an input tax holding account. VAT is collected with income at source and posted to an output tax holding account. VAT holding accounts are reconciled on a monthly basis and claims to HM Revenues and Customs for the net VAT incurred are similarly made on a monthly basis.

15. STOCKS

- Building stores and fleet stock is valued and included in the Balance Sheet at average price (mid-point between price at start and end of year). Revenue accounts are charged with the cost of obsolescent stock written off.

16. OVERHEADS AND THE COSTS OF SUPPORT SERVICES

The method of recharging Central Support Services to services is based on CIPFA's latest Best Value Accounting Code of Practice (BVACOP). Centrally provided support services such as Legal, Human Resources, Finance and ICT are fully recharged to services using the most appropriate basis of allocation or apportionment. Management and administration costs that enable the Council to operate as a multi-purpose authority (e.g. members' services, external audit fees), are not recharged to services and are shown separately in the Income and Expenditure Account as Corporate and Democratic Core. Non-distributed costs (e.g. the cost of discretionary benefits awarded to employees retiring early) are also not recharged.

Statement of Accounting Policies

17. GOVERNMENT GRANTS AND CONTRIBUTIONS

(a) Capital Grants

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the Government Grants Deferred Account. Amounts are released to the Income and Expenditure Account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

(b) Revenue Grants

Sums due in respect of grants from the Government are based on the best assessment made on the data available at the time the accounts are closed. Amounts due may also be varied by subsequent Government action or external audit of the final claims. Grants received to cover general expenditure (e.g. Revenue Support Grant) are credited to the Income and Expenditure Account after Net Operating Expenditure.

18. FINANCIAL RELATIONSHIPS WITH COMPANIES

Lewisham Homes (LH) and Catford Regeneration Partnership Ltd (CRPL) are wholly owned subsidiary companies of the Council. Group Accounts have been prepared which incorporate the accounts of LB Lewisham, LH and CRPL and these are included in Section 5 of the Accounts.

The Council has relationships with a number of other companies, details of which are shown in **note 43** to the Core Financial Statements in Section 2 of the Accounts. During 2009/10 the Council had a minority interest (less than 50%) in these companies.

19. RETIREMENT BENEFITS

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

- The Teachers Pension Scheme administered by the Teacher's Pensions Agency (TPA) on behalf of the Department of Education (previously the Department for Children, Schools and Families (DCSF)).
- The Local Government Pension Scheme (LGPS) administered by Lewisham Council.
- The London Pension Fund administered by the London Pension Fund Authority (LPFA).

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

(a) Teachers' Pension Scheme

This scheme is a defined benefit scheme, but is accounted for as if it was a defined contributions scheme, since its liabilities can not be separately identified to individual local authorities. No liabilities for future payment of benefits are therefore recognised in the balance sheet for this scheme.

The Income and Expenditure Account is charged with the employer's contributions paid to the TPA during the year.

(b) Local Government Pension Scheme

This scheme is a defined benefit scheme and is accounted for as such, since its liabilities and assets can be identified to individual local authorities.

The liabilities of the Scheme which are attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie 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 advised by the Scheme's Actuaries (based on the gross redemption yield of a high quality corporate bond, using the iboxx Sterling Corporate Index).

The assets of the Scheme which are attributable to the Council are included in the Balance Sheet at their fair value. The asset categories are:

Statement of Accounting Policies

Quoted securities – current bid price (previously mid-market value)
Unquoted securities – professional estimate
Unitised securities – current bid price
Property – market value

Statutory provisions only allow the Council to raise council tax to fund the amounts payable to the Pension Scheme in the year. The notional entries for assets and liabilities are therefore matched with appropriations to and from the Pension Reserve in the Statement of Movement on the General Fund Balance.

The detailed accounting policies followed in preparing the pension fund accounts are disclosed separately in the Pension Fund Accounts in Section 4 of the Accounts.

(c) London Pension Fund

This scheme is a defined benefit scheme and is accounted for as such, since its liabilities and assets can be identified to individual local authorities.

The Income and Expenditure Account is charged with a levy from the LPFA to meet the employer's contributions and the costs of administration.

(d) Discretionary Benefits

The Council has a Panel which considers applications for early voluntary retirement and also approves retirements on grounds of redundancy / efficiency for all employees including Teachers. Any additional liabilities arising to the Pension Funds are matched by payments from the Income and Expenditure Account.

20. PRIOR PERIOD ADJUSTMENTS

Material prior period adjustments are accounted for by restating the comparative figures in the financial statements and notes. Prior period adjustments will be indicated in the accounts.

21. CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities and assets are obligations that arise from past events and will only be confirmed by uncertain events not in the Council's control, or cannot be measured with sufficient reliability. They have no effect on the current year's accounts (see the notes to the Core Financial Statements in Section 2 of the Accounts).

SECTION 2a

**INCOME AND
EXPENDITURE
ACCOUNT**

2009/10

Core Financial Statements

INCOME AND EXPENDITURE ACCOUNT

The Income and Expenditure Account sets out the revenue expenditure and income for all services including Housing. The service headings follow CIPFA's Best Value Accounting Code of Practice 2009.

Income and Expenditure Account for the year ending 31 March 2010:

2008/09 Net Exp. £000s	SERVICE	2009/10			Note
		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	
7,383	Central services to the public	39,519	(30,665)	8,854	
61,769	Cultural, environmental, regulatory and planning services	80,967	(18,088)	62,879	
170,454	Children's and education services	372,226	(277,264)	94,962	
12,502	Highways and transport services	22,802	(12,063)	10,739	
77,443	Housing services	347,948	(333,152)	14,796	
87,954	Adult social care	113,787	(30,581)	83,206	
6,673	Corporate and democratic core	7,520	(292)	7,228	
14,791	Non distributed costs	1,408	0	1,408	
438,969	Net Cost of Services	986,177	(702,105)	284,072	
(1,190)	(Gain) / Loss on the disposal of fixed assets			22,509	
1,779	Levies			1,772	1
35,147	Interest payable and similar charges			32,544	
213	Contribution of housing capital receipts to Government Pool			0	1
(8,084)	Interest and Investment Income			(3,589)	
12,301	Pensions interest cost and expected return on pensions assets			24,869	6
479,136	Net Operating Expenditure			362,177	
(87,942)	Income from Council Tax			(90,573)	
(39,245)	General Government Grants			(52,483)	3
(153,295)	National Non-Domestic Rates redistribution			(144,288)	
198,654	Deficit/(Surplus) for the Year			74,833	

SECTION 2b

**STATEMENT OF
MOVEMENT ON THE
GENERAL FUND BALANCE**

2009/10

Core Financial Statements

MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows Lewisham's actual financial position for the year, measured in terms of the resources generated and consumed over the last 12 months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government is shown as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares Lewisham's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions made to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

Statement of Movement on the General Fund Balance for the year ending 31 March 2010:

2008/09 £000		2009/10 £000
198,654	Deficit for the year on the Income & Expenditure Account	74,833
(198,954)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(75,108)
(300)	Increase in General Fund Balance for the Year	(275)
(10,936)	General Fund Balance brought forward	(11,236)
(11,236)	General Fund Balance carried forward	(11,511)

Core Financial Statements

SUPPLEMENT TO THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

This supplement to the Statement of Movement on the General Fund Balance provides a reconciliation of the items that make up the net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year.

2008/09 £000s		2009/10 £000s	Note
	Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(204,949)	Depreciation and impairment of fixed assets	(47,088)	
29,859	Government Grants Deferred amortisation	23,391	36
(6,247)	Revenue Expenditure Funded from Capital under Statute	(6,977)	
1,062	Revenue contributions to Deferred Assets	0	
(2,697)	Deferred Contribution Written Down	0	
(1,062)	Build up of PFI Asset Residual Value	0	8
3,081	Amortisation of prepayments	0	
56		(86)	
	Amount by which Council Tax income included in the Income and Expenditure Account is different from the amount taken to the General Fund in accordance with regulation.		
(6,716)	Difference between amounts debited/credited to the Income and Expenditure Account and amounts payable/ receivable to be recognised under statutory provisions relating to premiums and discounts on the early redemption of debt	2,412	
1,224	Net gain / (loss) on sale of fixed assets	(22,509)	
(35,256)	Net charges made for retirement benefits in accordance with FRS17	(39,322)	6
(221,645)			(90,179)
	Amounts not included in the Income & Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
4,236	Minimum revenue provision for capital financing	4,674	
451	Revenue provision for ex-ILEA debt	1,564	
3,785	Revenue provision for PFI schemes	4,375	8
6,282	Capital expenditure charged in-year to the General Fund Balance	5,218	
(213)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	0	1
29,430	Employers contributions to the Pension Fund and retirement benefits payable direct to pensioners	30,028	6
43,971			45,859
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
(4,082)	Housing Revenue Account balance	(2,334)	
2,170	Net transfer to or from earmarked reserves	(2,198)	19
(19,367)	Transfer from Major Repairs Reserve	(26,257)	
(21,279)			(30,788)
(198,954)	Net additional amount to be required to be credited to the General Fund balance		(75,108)

Statement of Total Recognised Gains and Losses

SECTION 2c

**STATEMENT OF
TOTAL RECOGNISED
GAINS AND LOSSES**

2009/10

Statement of Total Recognised Gains and Losses

TOTAL RECOGNISED GAINS AND LOSSES

The Statement of Total Recognised Gains and Losses brings together all the recognised gains and losses of the authority during the period. The inclusion of this statement reflects the requirement for organisations to present a primary statement of total recognised gains and losses.

Statement of Total Recognised Gains and Losses for the year ending 31 March 2010

2008/09 £000s		2009/10 £000s
198,654	Deficit for the year on the Income and Expenditure Account	74,833
18,221	(Surplus)/deficit arising on revaluation of fixed assets	(19,842)
131,289	Actuarial (gains)/losses on pension fund assets and liabilities	318,232
(1,388)	Other (gains)/losses	(407)
346,776	Total recognised (gains)/losses for the year	372,816

Balance Sheet

SECTION 2d

**BALANCE
SHEET**

2009/10

Balance Sheet

BALANCE SHEET

This is a summary of the Council's financial position as at 31 March 2010. It brings together all the balances on the accounts except those relating to Trust Funds (note 42) and the Pension Fund.

31/03/2009 £000		31/03/2010 £000	Note
	Fixed assets		
	Operational assets		
985,730	Council dwellings	962,267	
883,692	Other land and buildings	891,105	
24,292	Vehicles, plant, furniture and equipment	28,469	
52,780	Infrastructure	55,938	
7,965	Community	8,451	
	Non-operational assets		
65,774	Investment properties and surplus assets	89,719	
36,756	Assets under construction	38,785	
2,056,988	Total fixed assets	2,074,734	21
	Other long-term assets		
55,787	Long term investments	56,216	27
1,365	Long term debtors	13,437	25
2,114,140	Total long-term assets	2,144,387	
	Current assets		
225	Stocks	257	29
32,733	Debtors	45,045	25
116,334	Short Term Investments	135,228	28
3,630	Prepayments	3,172	30
152,922	Total current assets	183,702	
	Current liabilities		
35,325	Short term borrowing	45,013	33
61,883	Creditors	68,514	31
14,269	Bank overdraft and other cash holdings	14,691	34
57,022	Receipts in advance	66,513	32
4,283	PFI Liabilities due within one year	6,968	8
172,782	Total current liabilities	201,699	
2,094,280	Total assets less current liabilities	2,126,390	
	Long term liabilities		
331,392	Long term borrowing	344,194	26
12,143	Provisions	13,016	20
488	Deferred capital receipts	365	35
92,353	Deferred PFI Liabilities	146,189	8
143,165	Government grants deferred	150,767	36
320,733	Liability related to defined benefit pension scheme	650,669	6
900,274	Total long term liabilities	1,305,200	
1,194,006	Total assets less liabilities	821,190	

Balance Sheet

Balance Sheet (continued)

31/03/2009 £000		31/03/2010 £000	Note
	Reserves and balances		
	Reserves		
88,585	Revaluation Reserve	106,890	15
1,324,609	Capital Adjustment Account	1,259,925	16
(15,760)	Financial Instruments Adjustment Account	(13,100)	17
17,411	Usable Capital Receipts Reserve	20,298	18
111	Collection Fund Adjustment Account	25	
1,310	Major Repairs Reserve	4,320	HRA16
(320,733)	Pensions Reserve	(650,669)	6
75,143	Earmarked Revenue Reserves	72,230	19
1,170,676	Total Reserves	799,919	
	Balances		
11,236	General Fund Balance	11,511	
12,094	Housing Revenue Account	9,760	HRA17
23,330	Total Balances	21,271	
1,194,006	TOTAL EQUITY	821,190	39

Cash Flow Statement

SECTION 2e

**CASH FLOW
STATEMENT**

2009/10

Cash Flow Statement

CASH FLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

2008/09 £'000		2009/10	
		£'000	£'000
	REVENUE ACTIVITIES		
	Cash Outflows		
337,677	Cash paid to and on behalf of employees	345,451	
352,540	Other operating cash payments	370,395	
1,779	Precepts & levies	1,772	
1,308	Contribution to Capital Receipts Pool	0	
0	Payment to NNDR Pool	0	
108,839	Housing benefit paid out	130,473	
802,143			848,091
	Cash Inflows		
(71,452)	Council Tax income	(72,142)	
(501,826)	Government grants	(543,057)	
(159,337)	NNDR received from ratepayers and national pool	(147,203)	
(42,990)	Rent received from council housing	(42,992)	
(37,100)	Cash received for goods and services	(40,386)	
(4,867)	Other operating cash receipts	(11,640)	
(817,572)			(857,420)
(15,429)	Revenue Activities Net Cash Inflow		(9,329)
	SERVICING OF FINANCE		
	Cash Outflows		
18,645	Interest paid	19,737	
	Cash Inflows		
(5,529)	Interest received	(6,890)	
13,116	Net Cash Outflow from Servicing of Finance		12,847
	CAPITAL ACTIVITIES		
	Cash Outflows		
70,962	Purchase of fixed assets	38,314	
6,246	Deferred charges	6,977	
2,633	PFI Prepayments	788	
0	Long-Term Debtors	12,295	
79,841			58,374
	Cash Inflows		
(5,428)	Sale of fixed assets	(8,525)	
(55,928)	Capital grants and other capital cash received	(47,356)	
(61,356)			(55,881)
18,485	Net Cash Outflow from Capital Activities		2,493
16,172	NET CASH OUTFLOW BEFORE FINANCING		6,011
	MANAGEMENT OF LIQUID RESOURCES		
18,310	Net increase in short term deposits		20,560
20,000	Net decrease in long term deposits		0
6,693	Net increase in other liquid resources		3,728
45,003			24,288
	FINANCING		
	Cash Outflows		
124,128	Repayments of amounts borrowed		250,391
	Cash Inflows		
(60,000)	New loans raised	(30,000)	
(118,798)	New short term borrowing	(250,268)	
			(280,268)
(54,670)	Net Cash (Inflow)/Outflow from Financing		(29,877)
6,505	NET (INCREASE)/DECREASE IN CASH		422

SECTION 2f

**NOTES TO THE
CORE FINANCIAL
STATEMENTS**

2009/10

Notes to the Core Financial Statements

NOTES TO THE CORE FINANCIAL STATEMENTS

1. INCOME AND EXPENDITURE ACCOUNT – NET OPERATING EXPENDITURE

Items included under this section of the Income and Expenditure Account are:

(a) Levies

This includes statutory levies for services carried out by other bodies.

	2009/10 £000	2008/09 £000
London Pension Fund Agency	1,330	1,341
Environment Agency	174	174
Lee Valley Regional Park	267	264
Total Levies Paid	1,771	1,779

(b) Housing Pooled Receipts

Councils in England have to pay a proportion of specified housing related capital receipts into a Government pool for redistribution. The expenditure is matched by an appropriation from Usable Capital Receipts so that there is no net effect on the movement on the General Fund Balance.

2. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Department of Education (formerly the Department for Children, Schools and Families), the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on a Council wide basis as well as the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2009/10 are as follows:

	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000
Final DSG for 2009/10	27,998	150,218	178,216
Brought forward from 2008/09	1,122	9,005	10,127
Carry forward to 2010/11 agreed in advance	0	0	0
Agreed budgeted distribution in 2009/10	29,120	159,223	188,343
Actual Central Expenditure	28,730	0	28,730
Actual ISB deployed to schools	0	159,223	159,223
Local authority contribution for 2009/10	0	0	0
Use of DSG in 2009/10	28,730	159,223	187,953
Carried forward to 2010/11	390	0	390

Notes to the Core Financial Statements

3. GOVERNMENT GRANTS (NOT ATTRIBUTABLE TO SPECIFIC SERVICES)

Some of the government grants which the Council receives do not relate to a particular service area and are therefore available for general rather than specific use. These include the following grants;

	2009/10 £000	2008/09 £000
Revenue Support Grant (RSG)	(33,304)	(21,340)
Local Authority Business Growth Incentive Scheme (LABGI)	(367)	(652)
Area Based Grants (ABG)	(18,812)	(17,253)
Accounted for in the Income and Expenditure Account	(52,483)	(39,245)
National Non-Domestic Rates redistribution	(144,288)	(153,295)
Total of General Government Grants	(196,771)	(192,540)

The variances between 2008/09 and 2009/10 for RSG and NNDR are due to a change in the redistributable amount from Central Government to different classes of authority.

The Area Based Grant (ABG) is a non-ring fenced general government grant which can be used for any purpose. It was introduced in 2008/09 and replaced a number of specific grants. It has been used to support the delivery of services to Lewisham's residents through collaboration with the Local Strategic Partnership (LSP).

4. AGENCY SERVICES OR WORK FOR OTHER LOCAL AUTHORITIES OR PUBLIC BODIES

The Council did not carry out any agency services or any other work for other local authorities or public bodies in 2009/10 or 2008/09.

5. TRADING OPERATIONS

The following services trade with the public or other third parties. The relevant line in the Service Expenditure Analysis is also shown for each category.

	2009/10			2008/09 (Surplus)/ Deficit £000
	Expenditure £000	Income £000	(Surplus)/ Deficit £000	
Planning & Development Services				
Markets	1,321	(1,257)	64	0
Industrial Estates	138	(519)	(381)	(319)
Cultural & Related Services				
Theatre	1,649	(934)	715	504
Total - Trading Operations	3,108	(2,710)	398	185

Under the Local Authorities Act 1990 (amended) Street Markets operate as a trading account and any surplus or deficit at the year end is carried over into the following year. In 2009/10 there was a deficit of £16k (2008/09 - deficit of £23k), and the total accumulated surplus is now £123k. This is after allowing for a one-off subsidy of £64k granted to Lewisham 6-day Market to help with rising expenditure (including single status costs).

Notes to the Core Financial Statements

6. FRS 17 PENSION COSTS AND RETIREMENT BENEFITS

a) Participation in pensions schemes

Lewisham 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 authority has a commitment to make these payments which needs to be disclosed at the time that employees earn their future entitlement.

Lewisham makes contributions on behalf of its employees to three pension schemes:

(a) the Local Government Pension Scheme (LGPS), which is a defined benefit final salary scheme, meaning that both the authority and the employees pay contributions into a fund, calculated at a level which is intended to balance the pensions liabilities with investment assets.

(b) the London Pensions Fund Authority (LPFA), which provides retirement benefits for former GLC staff and operates in the same way as the LGPS.

(c) the Teachers Pension Agency (TPA), which provides retirement benefits for teachers on behalf of the Department for Children, Schools and Families. Benefits are payable by the TPA on an unfunded basis and any liability is ultimately the responsibility of the Department for Children, Schools and Families; the Council is therefore not required to account for teachers' pensions in the same way as the LGPS and LPFA. In 2009/10 the Council paid £11.914m to the Department for Children, Schools and Families in respect of teachers' pension costs (£11.507m in 2008/09). This represented 14.1% of pensionable pay between April 2009 and March 2010.

b) Transactions relating to retirement benefits

In accordance with FRS 17, Lewisham recognises the cost of retirement benefits relating to the LGPS and LPFA in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge which is required against council tax is based on the cash payable in the year so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and the Statement of Movement in the General Fund Balance during the year:

	Local Government Pension Scheme		LPFA	
	2009/10 £000s	2008/09 £000s	2009/10 £000s	2008/09 £000s
Income and Expenditure Account				
Net Cost of Services				
Current Service Cost	13,528	15,286	457	563
Past Service Cost	140	5,880	0	373
Curtailments and Settlements	300	685	28	19
Net Operating Expenditure				
Interest Cost	53,659	55,973	4,029	4,227
Expected Return on Scheme Assets	(30,856)	(45,276)	(1,963)	(2,623)
Net Charge to the I&E Account	36,771	32,548	2,551	2,559
Statement of Movement on the General Fund and HRA Balances				
Reversal of net charges made for retirement benefits	(36,771)	(32,548)	(2,551)	(2,559)
Actual amount charged against General Fund and HRA Balances for pensions in the year:				
Employers' contributions payable to scheme	29,172	28,047	856	1,233

Notes to the Core Financial Statements

In addition to the recognised gains and losses included in the Income and Expenditure Account, an actuarial loss for the Local Government Pension Scheme and LPFA in 2009/10 of £318.232m, (loss of £131.289m for 2008/09) was included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is a loss of £452.930m.

c) Assets and liabilities in relation to retirement benefits

The LGPS, LPFA and TPA are all defined benefit schemes. However, the assets and liabilities for the Teachers' scheme cannot be identified at individual employer level and for the purposes of this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme. The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These benefits are fully accrued in the pensions liability shown below.

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2010 are shown in the following tables detailing a reconciliation of opening and closing balances. It should be noted that the valuation of the assets was based on February 2010 data and may differ from the final valuation shown in the Pension Fund Accounts.

Reconciliation of present value of the scheme liabilities

	Local Government Pension Scheme		LPFA	
	31 Mar 10 £000s	31 Mar 09 £000s	31 Mar 10 £000s	31 Mar 09 £000s
Opening Scheme Liabilities	783,497	812,380	59,938	62,474
Current Service Cost	13,528	15,286	457	563
Interest Cost	53,659	55,973	4,029	4,227
Contributions by Members	8,301	8,010	172	193
Actuarial Losses/(Gains)	434,334	(71,260)	25,332	(4,297)
Past Service Costs	140	5,880	0	373
Losses on Curtailments	300	685	28	19
Liabilities Extinguished on Settlements	0	(11,194)	0	0
Estimated Unfunded Benefits Paid	(4,783)	(4,780)	(257)	(262)
Estimated Benefits Paid	(29,348)	(27,481)	(3,518)	(3,352)
Closing Scheme Liabilities	1,259,628	783,497	86,181	59,938

Reconciliation of fair value of the scheme assets

	Local Government Pension Scheme		LPFA	
	31 Mar 10 £000s	31 Mar 09 £000s	31 Mar 10 £000s	31 Mar 09 £000s
Opening Fair Value of Scheme Assets	473,070	635,822	47,221	54,611
Expected Return on Assets	30,856	45,276	1,963	2,623
Actuarial Gains/(Losses)	138,009	(199,023)	3,426	(7,825)
Contributions by the employer	24,389	23,267	599	971
Contributions by members	8,301	8,010	172	193
Contributions in respect of Unfunded Benefits	4,783	4,780	257	262
Benefits Paid	(29,348)	(27,481)	(3,518)	(3,352)
Unfunded Benefits Paid	(4,783)	(4,780)	(257)	(262)
Assets Distributed on Settlements	0	(12,800)	0	0
Closing Fair Value of Scheme Assets	645,277	473,070	49,863	47,221

The actual return on scheme assets in the year showed a gain of £168.865m (loss of £153.553m for 2008/09) for the Local Government Pension Scheme and a gain of £5.389m (loss of £4.978m for 2008/09) for the LPFA.

Notes to the Core Financial Statements

d) Scheme history

	2009/10 £000s	2008/09 £000s	2007/08 £000s	2006/07 £000s	2005/06 £000s
Local Government Pension Scheme					
Fair Value of Scheme Assets	645,277	473,070	635,822	722,000	663,400
Present Value of Scheme Liabilities	(1,259,628)	(783,497)	(812,380)	(939,600)	(944,100)
Surplus/Deficit	(614,351)	(310,426)	(176,558)	(217,600)	(280,700)
LPFA					
Fair Value of Scheme Assets	49,863	47,221	54,611	53,420	52,630
Present Value of Scheme Liabilities	(86,181)	(59,938)	(62,474)	(71,797)	(72,810)
Surplus/Deficit	(36,318)	(12,717)	(7,863)	(18,377)	(20,180)
Total Liability	(650,669)	(323,143)	(184,421)	(235,977)	(300,880)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. Whilst the total liability of £650.669m has a significant impact on the net worth of the authority as recorded in the balance sheet, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy; the deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2011 are £23.9m. The total expected contributions to the LPFA in the year to 31 March 2011 are £0.6m.

e) Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, based on their latest triennial valuation as at 31 March 2007. The main assumptions used in their calculations are:

	Local Government Pension Scheme		LPFA	
	2009/10 £000s	2008/09 £000s	2009/10 £000s	2008/09 £000s
<i>Expected rate of return on scheme assets:</i>				
Equities	7.8%	7.0%	7.3%	7.0%
Bonds	5.0%	5.6%	-	-
Property	5.8%	4.9%	-	-
Cash	4.8%	4.0%	3.0%	4.0%
Cashflow Matching	-	-	4.5%	4.2%
Rate of Inflation	3.8%	3.1%	3.9%	3.1%
Salary Increase Rate	5.3%	4.6%	5.4%	4.6%
Rate for discounting scheme liabilities	5.5%	6.9%	5.5%	6.9%
<i>Mortality assumptions</i>				
Longevity at 65 for current pensioners				
Men	20.8yrs	19.6yrs	21.0yrs	21.0yrs
Women	24.1yrs	22.5yrs	23.4yrs	23.4yrs
Longevity at 65 for future pensioners				
Men	22.3yrs	20.7yrs	22.0yrs	22.0yrs
Women	25.7yrs	23.6yrs	24.2yrs	24.2yrs

Notes to the Core Financial Statements

Assets are valued at fair value, principally market value for investments, and consist of the following:

Fair Value of Total Scheme Assets	Local Government Pension Scheme		LPFA	
	2009/10 £000s	2008/09 £000s	2009/10 £000s	2008/09 £000s
Equities	483,958	329,257	5,485	3,778
Bonds	109,697	90,356	-	-
Property	45,169	38,319	-	-
Target Return Portfolio	-	-	26,926	-
Cash	6,453	15,138	(1,496)	472
Cashflow Matching	-	-	18,948	42,971
Total	645,277	473,070	49,863	47,221

f) History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, shown also as a percentage of assets or liabilities as at 31 March 2010.

	2009/10 £000s	2008/09 £000s	2007/08 £000s	2006/07 £000s	2005/06 £000s
Local Government Pension Scheme					
Experience Gains/(Losses) on Assets	138,009	(199,461)	(136,900)	8,400	89,100
As a percentage of Assets	21.4%	(25.1%)	(16.9%)	0.9%	9.4%
Experience Gains/(Losses) on Liabilities	(2,015)	135	36,809	900	(1,000)
As a percentage of Liabilities	(0.2%)	0.0%	5.8%	0.1%	(0.2%)
LPFA					
Experience Gains/(Losses) on Assets	3,426	(7,825)	1,512	1	1,953
As a percentage of Assets	6.9%	(16.6%)	2.8%	0.0%	3.7%
Experience Gains/(Losses) on Liabilities	633	(11)	5,098	86	(12)
As a percentage of Liabilities	0.7%	0.0%	(8.2%)	(0.1%)	0.0%

7. OPERATING AND FINANCE LEASES

The Council uses vehicles, plant and equipment under the terms of operating leases and has no finance leases. It also leases housing properties from Hyde Housing Association. The future liability of housing operating leases is stated in 2010/11 prices, although the lease rents are subject to annual review in line with market rents indexation. The details of the operating leases are given below.

Operating Leases	2009/10			2008/09	
	Housing £000	Other £000		Housing £000	Other £000
Total rentals payable	452	75	Total rentals payable	915	228
Outstanding undischarged obligations:			Outstanding undischarged obligations:		
- 2010/2011	45	2	- 2008/2009	480	174
- 2011/2012 - 2015/2016	225	6	- 2009/2010 - 2013/2014	225	9
- 2016/2017 onwards	1,598	0	- 2014/2015 onwards	1,643	0
Totals	1,868	8	Totals	2,348	183

Notes to the Core Financial Statements

8. PRIVATE FINANCE INITIATIVES (PFI) / LONG TERM CONTRACTS

PRIVATE FINANCE INITIATIVES

a) Downham Lifestyles Centre PFI

A PFI agreement was signed in September 2005 for the provision of the Downham Lifestyles Centre for a period of 32 years. The centre provides health and leisure facilities and opened in March 2007. Under this contract the Council made a capital contribution of £1.7m before the facilities opened. Unitary charge payments were £1.8m in 2008/09 and £1.8m in 2009/10. It is expected that the lifetime unitary charge payments are expected to be £74m.

b) Brockley Area Housing PFI

A Housing Revenue Account PFI agreement was signed in June 2007 for the provision of the housing management services, repairs and maintenance and Decent Homes Standard refurbishment work to 1,845 leasehold and tenanted properties in the Brockley area. Under this contract the Council has made unitary charge payments of £3.8m in 2007/08, £7.9m in 2008/09 and of £10.4m in 2009/10. The contract is for a 20 year period and over its lifetime the project is expected to cost £314m, including £280m of unitary charges and £2m of capital contributions.

c) Grouped Schools PFI

A PFI contract was signed in August 2006 for the rebuild and running of three schools for 30 years at an estimated cost of £224m;

- Greenvale Special School - which opened in September 2007
- Forest Hill Secondary School - which opened in January 2008.
- Prendergast Ladywell Fields College (formerly Crofton Secondary School) - phase 1 opened in January 2008 and phase 2 opened in September 2008.

The unitary charge for 2009/10 was £6.6m (in 2008/09 the unitary charge was £6.8m and capital spend was £1.7m).

d) BSF Catford and Sedgemoor Schools

A PFI contract was signed in December 2007 for the rebuild and running of two secondary schools, Sedgemoor and Catford High. The operational start date for Sedgemoor school was 5th January 2009, and Catford High school was in April 2009. The unitary charge for 2009/10 was £7.1m (in 2008/09 there was a unitary charge of £1.5m and capital contribution of £0.4m). The total expenditure on the PFI contract over the 26 year operational life is estimated to be £236m (nominal assuming RPI at 2.5%).

e) BSF Northbrook School

A PFI contract was signed in 2009/10 for the construction of Northbrook school. Construction started in June 2009. It is due to become operational in January 2011, with total unitary charge payments over 27 years of £84m.

PFI PRIOR YEAR ADJUSTMENTS – EFFECT ON THE CORE FINANCIAL STATEMENTS

The table on the next page details the prior year adjustments made in relation to the above PFI contracts as a result of changes in the accounting rules for PFIs due to the introduction of International financial Reporting Standards (IFRS).

For each PFI, prior year adjustments dating before 1 April 2008 are shown as an adjustment to the balance sheet.

The effect on prior year comparators for 2008/09 across the Statement of Accounts are also shown for each PFI.

Notes to the Core Financial Statements

£000	Brockley HRA PFI		Downham Lifestyles PFI		Grouped Schools PFI		BSF Catford & Sedgemoor PFI	TOTAL ADJUSTMENT
	Adj to 1 Apr 08 balance	Adj to 2008/09 entries	Adj to 1 Apr 08 balance	Adj to 2008/09 entries	Adj to 1 Apr 08 balance	Adj to 2008/09 entries	Adj to 2008/09 entries	
Income and Expenditure Account								
Net Cost of Services								
Cultural, environmental and planning services				(1,334)				(1,334)
Children's and education services						(3,947)	(1,137)	(5,084)
Housing services		(2,665)						(2,665)
Net Operating Expenditure								
Interest payable and similar charges		1,338		1,415		4,183	394	7,330
Deficit/(Surplus) for the Year		(1,327)		81		236	(743)	(1,753)

Statement of Movement on the General Fund Balance

Deficit for the year on the Income & Expenditure Account		(1,327)		81		236	(743)	(1,753)
non-statutory proper practices to be debited or credited to the General Fund Balance for the year		1,327		(81)		(236)	743	1,753
Increase in General Fund Balance		0		0		0	0	0

Supplement to SMGFB

Depreciation and impairment of fixed assets		(2,377)		(325)		(1,349)		(4,051)
Build Up of PFI Asset Residual Value		(884)		(70)		(108)		(1,062)
Amortisation of prepayments		2,697		53		331		3,081
Revenue provision for PFI schemes		1,891		261		890	743	3,785
Net additional amount to be required to be credited to the General Fund balance		1,327		(81)		(236)	743	1,753

Balance Sheet

Long term assets								
Fixed assets	56,589	15,916	12,636	(200)	53,961	(1,349)	18,490	156,043
Long term debtors		(884)	(35)	(35)		(108)		(1,062)
Current assets								
Prepayments	(51,069)	2,697	(1,647)	53	(9,450)	(1,780)	(406)	(61,602)
Current liabilities								
PFI liabilities due within one year		(2,409)		(106)		(648)	(1,120)	(4,283)
Long term liabilities								
Deferred PFI liabilities	(8,351)	(16,901)	(11,004)	207	(43,732)	3,649	(16,221)	(92,353)
Total assets less liabilities	(2,831)	(1,581)	(50)	(81)	779	(236)	743	(3,257)
Reserves and balances								
Revaluation Reserve	4,724	(2,870)						1,854
Capital Adjustment Account	(7,555)	1,289	(50)	(81)	779	(236)	743	(5,111)
TOTAL EQUITY	(2,831)	(1,581)	(50)	(81)	779	(236)	743	(3,257)

Housing Revenue Account

Net Cost of HRA Services								
expenses		(5,043)						(5,043)
Depreciation - dwellings		2,377						2,377
Impairment of fixed assets		1						1
Net Operating Expenditure								
Interest payable and similar charges		1,338						1,338
(Surplus) or deficit for the year on HRA services		(1,327)						(1,327)

Statement of Movement on the HRA Balance

(Surplus) or deficit for the year on the HRA Income and Expenditure Account		(1,327)						(1,327)
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year		1,327						1,327
(Increase) or decrease in the HRA Balance		0						0

Supplement to the SMHRAB

Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements		(564)						(564)
Revenue provision for PFI schemes		1,891						1,891
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year		1,327						1,327

Notes to the Core Financial Statements

PFI: FIXED ASSETS AND LEASE LIABILITY BALANCES AND ANALYSIS OF MOVEMENTS

The table below shows the movements in balances for Fixed Assets and Lease Liabilities relating to PFI contracts. The liabilities relate to the value of the assets provided under the PFI contract which have not yet been paid for through the unitary charge payments or capital contributions.

	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF Catford & Sedgell	Total
	£000s	£000s	£000s	£000s	£000s
<u>Fixed Assets balance</u>					
Balance @ 1 April 2008	56,589 ¹	12,636	53,961 ²		123,186
5% uplift @ 1 Apr	2,829				2,829
2008/09 depreciation	-2,377	-324	-1,349		-4,050
RTB disposal	-37				-37
10% impairment @ 31 March	-5,700				-5,700
2008/09 additions	21,201	124		18,490	39,815
Balance @ 31 March 2009	72,505	12,436	52,612	18,490	156,043
2009/10 depreciation	-2,900	327	-1,349	-462	-4,384
2009/10 additions	22,423	137		38,381	60,941
Balance @ 31 March 2010	92,028	12,900	51,263	56,409	212,600
<u>PFI Lease liability balance</u>					
Balance @ 1 April 2008	-8,351	-11,004	-43,732		-63,087
Increase in liability	-21,201			-18,490	-39,691
Repayment of liability	1,891	101	3,001 ³	1,149 ³	6,142
Balance @ 31 March 2009	-27,661	-10,903	-40,731	-17,341	-96,636
Increase in liability	-22,423			-38,381	-60,804
Repayment of liability	2,409	106	648	1,120	4,283
Balance @ 31 March 2010	-47,675	-10,797	-40,083	-54,602	-153,157

Notes

¹ Brockley PFI involves refurbishing existing properties, and so the fixed assets value includes their existing value and is increased by works carried out through the PFI. Therefore the fixed asset value

² The arrangements for the Grouped Schools PFI included significant capital contributions in the early years, leading to a large gap between the fixed assets value and the lease liability.

³ Higher values here due to release of capital contribution from Prepayments account.

PAYMENTS DUE UNDER PFI

The following table shows an estimate of the cash amounts due to be paid (as part of a unitary charge) for each PFI. The price base is in nominal terms assuming 2.5% RPI 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: Contingent rents are an element of interest, that vary with inflation. Expected contingent rents are included in the line for interest. The Contingent rent prepayment is where payments are classed as an advance payment towards the contingent rent.

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

Notes to the Core Financial Statements

	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF Catford & Sedgehill	BSF Northbrook	Total
	£000	£000	£000	£000	£000	£000
Payments due within 1 year						
Service charges	4,214	184	2,083	1,946	153	8,580
Interest	5,551	1,450	3,853	4,888	483	16,225
Repayment of liability	3,078	119	672	1,099	59	5,027
Planned lifecycle replacement	0	140	132	28	0	300
Contingent rent prepayment			-28			-28
	12,843	1,893	6,712	7,961	695	30,104
within 2 to 5 years						
Service charges	21,191	781	8,899	8,386	2,603	41,860
Interest	22,232	5,885	14,735	18,654	7,583	69,089
Repayment of liability	11,361	519	2,914	4,862	1,108	20,764
Planned lifecycle replacement	165	730	1,135	801	46	2,877
Contingent rent prepayment			-40			-40
	54,949	7,915	27,643	32,703	11,340	134,550
within 6 to 10 years						
Service charges	36,266	1,092	12,603	11,961	3,614	65,536
Interest	21,486	7,493	16,832	20,602	8,864	75,277
Repayment of liability	14,342	722	3,678	6,745	1,734	27,221
Planned lifecycle replacement	1,799	1,119	3,641	3,671	521	10,751
Contingent rent prepayment			-260			-260
	73,893	10,426	36,494	42,979	14,733	178,525
within 11 to 15 years						
Service charges	45,153	1,235	14,491	13,863	4,061	78,803
Interest	13,797	7,671	14,866	16,996	7,842	61,172
Repayment of liability	18,497	1,021	4,860	8,526	2,212	35,116
Planned lifecycle replacement	2,941	1,301	5,269	6,216	1,315	17,042
Contingent rent prepayment			-571			-571
	80,388	11,228	38,915	45,601	15,430	191,562
within 16 to 20 years						
Service charges	19,929	1,398	16,670	16,073	4,595	58,665
Interest	3,062	7,574	11,835	12,554	6,478	41,503
Repayment of liability	11,452	1,780	8,727	13,470	3,566	38,995
Planned lifecycle replacement	1,156	1,487	4,522	6,471	1,578	15,214
Contingent rent prepayment			-99			-99
	35,599	12,239	41,655	48,568	16,217	154,278
within 21 to 25 years						
Service charges		1,581	19,186	18,641	5,198	44,606
Interest		6,908	6,330	5,020	4,224	22,482
Repayment of liability		2,792	14,956	19,900	5,916	43,564
Planned lifecycle replacement		1,689	3,763	5,700	1,770	12,922
Contingent rent prepayment			517			517
		12,970	44,752	49,261	17,108	124,091
within 26 to 30 years						
Service charges		1,413	4,684		2,756	8,853
Interest		4,598	341		756	5,695
Repayment of liability		3,843	4,276		4,064	12,183
Planned lifecycle replacement		1,510	907		1,065	3,482
Contingent rent prepayment			319			319
		11,364	10,527		8,641	30,532
TOTAL PAYMENTS DUE	257,672	68,035	206,698	227,073	84,164	843,642

Notes to the Core Financial Statements

OTHER PRIVATE FINANCE INITIATIVE SCHEMES**f) Parks and Open Spaces**

The Council entered into a new 10 year Green Space Contract with Glendale Grounds Management on 1st March 2010. The contract has a 5 year break clause and a value of £3.5 million which includes the London Living wage allocation. The contract covers parks and open spaces, highways enclosure and housing grounds maintenance on Lewisham homes sites. There is no investment element to this contract.

g) Leisure Centre Management

The Council has a PFI contract for the management of three of its five leisure facilities (Bridge Leisure Centre, Ladywell Arena and the Wavelengths Leisure Centre). The arrangement includes investment, totalling £2.7m over the life of the contract, to upgrade and maintain the facilities. The contract commenced in October 2001 and runs until October 2011. However, due to the extension of the Wavelengths Leisure Centre and Library to include a new 25m pool and changing areas, a variation was agreed to manage the extended facility. The new facilities opened in August 2008 and attracted additional payments of £0.128m. The total payment under the revised contract in 2009/10 was £1.33m (£1.42m in 2008/09).

LONG TERM CONTRACTS**h) Networks and Telecommunications and Primary ICT Services**

The current contracts with SunGard Public Sector expire on 31 March 2011. The Council is now engaged in a joint procurement process with Bromley Council for contracts covering these services. Although there will be separate contracts with each Borough, it is hoped that possible economies of scale will generate some reduction in costs. The contracts will be for a period of up to 9 years, beginning on 1 April 2011. Tenders are due in on 5 July 2010, and it is hoped that a report recommending provider(s) will go to Mayor and Cabinet on 6 October 2010.

i) Schools ICT Framework

As part of the Building Schools for the Future programme, an ICT Framework agreement was signed in December 2007 for the provision of interim and full ICT managed service provision for secondary schools in the Borough over a period of 10 years. Capital investment in ICT equipment for 2009/10 was £2m (£4.2m in 2008/09), with the total estimated capital expenditure over the life of the contract to be £19m. The revenue implications of the ICT managed service are being met by the individual schools.

j) Leisure Centre Management

The two remaining centres were run under management only contracts which were due to expire on the 14 October 2006. The Forest Hill Pools contract was allowed to expire on its due date but was still managed under an extension contract to enable the site to be maintained and secured. The Ladywell Leisure Centre contract was due to expire in April 2010 but a further Variation was secured to allow the contract to be extended until October 2011 to bring it in line with the existing Parkwood Contract. The total payment for these contracts in 2009/10 was £0.675m (£0.74m in 2008/09).

9. EXTERNAL AUDIT FEES

Payments due to the Audit Commission for external audit work are as follows:

	2009/10 £000	2008/09 £000
Fees payable with regard to external audit services	427	443
Fees payable in respect of statutory inspection	20	27
Fees payable for the certification of grant claims and returns	148	149
Fees payable in respect of other services provided by the appointed auditor	0	2
External Auditor Fees	595	621

These fees exclude a £38,500 fee payable for the audit of the Pension Fund.

Notes to the Core Financial Statements

10. OFFICERS EMOLUMENTS

Employees whose Remuneration was £50,000 or more

The number of employees (including senior employees whose details are also disclosed separately below) whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 was:

Remuneration Band	2009/10			2008/09		
	School Employees	Non-School Employees	Total Employees	School Employees	Non-School Employees	Total Employees
£50,000 to £54,999	157	66	223	111	59	170
£55,000 to £59,999	62	34	96	50	32	82
£60,000 to £64,999	40	17	57	39	15	54
£65,000 to £69,999	37	13	50	26	13	39
£70,000 to £74,999	19	4	23	14	4	18
£75,000 to £79,999	9	8	17	5	7	12
£80,000 to £84,999	8	4	12	8	4	12
£85,000 to £89,999	7	5	12	2	8	10
£90,000 to £94,999	1	5	6	1	4	5
£95,000 to £99,999	0	2	2	3	1	4
£100,000 to £104,999	2	2	4	0	0	0
£105,000 to £109,999	0	3	3	1	3	4
£110,000 to £114,999	1	0	1	0	0	0
£130,000 to £134,999	0	0	0	0	1	1
£135,000 to £139,999	0	2	2	0	3	3
£140,000 to £144,999	0	2	2	0	0	0
£190,000 to £194,999	0	1	1	0	1	1
£230,000 to £234,999	1	0	1	0	0	0
Total	344	168	512	260	155	415

Note - Where salary bands are not quoted, there are no employees in those bands for either year.

Disclosure of Senior Employees Remuneration for financial year 2009/10

Post Holder Information	Salary (inc fees and allowances)	Total excluding Pension Contributions	Employer's Pension Contributions	Total including Pension Contributions
	£	£	£	£
Senior Employees - Salary over £150,000				
Head Teacher Tidemill School - M Elms	231,400	231,400	45,123	276,523
Chief Executive - B Quirk	192,387	192,387	37,515	229,902
Senior Employees - Salary below £150,000				
Executive Director of Customer Services	141,123	141,123	27,519	168,642
Executive Director for Children and Young People	141,123	141,123	27,519	168,642
Executive Director for Resources	138,495	138,495	27,007	165,502
Executive Director of Community Services	135,867	135,867	26,494	162,361
Director of Programme Management and Property	109,538	109,538	21,360	130,898
Director of Children's Social Care	109,538	109,538	21,360	130,898
Head of Law and Monitoring Officer	107,538	107,538	20,970	128,508
Totals	1,307,009	1,307,009	254,867	1,561,876

Notes to the Core Financial Statements

Disclosure of Senior Employees Remuneration for financial year 2008/09

Post Holder Information	Salary (inc fees and allowances)	Total excluding Pension Contributions	Employer's Pension Contributions	Total including Pension Contributions
	£	£	£	£
Senior Employees - Salary over £150,000				
Chief Executive - B Quirk	192,387	192,387	37,515	229,902
Senior Employees - Salary below £150,000				
Executive Director of Customer Services	138,495	138,495	27,007	165,502
Executive Director for Children and Young People	138,495	138,495	27,007	165,502
Executive Director for Resources	135,867	135,867	26,494	162,361
Executive Director of Community Services	133,239	133,239	25,982	159,221
Director of Programme Management and Property	109,538	109,538	21,360	130,898
Director of Children's Social Care	109,205	109,205	21,295	130,500
Head of Law and Monitoring Officer	107,538	107,538	20,970	128,508
Totals	1,064,764	1,064,764	207,629	1,272,393

11. MEMBERS' ALLOWANCES

The total amount of Members' Allowances paid in 2009/10 was £0.999m (£0.997m in 2008/09). These figures include the related pensions contributions, but exclude expenses such as IT, equipment, telephones, training etc.

12. RELATED PARTY TRANSACTIONS

This note concerns the disclosure of additional information on transactions between the Council and its related parties. The purpose of the note is to demonstrate fairness and openness in the Accounts. The related party transactions are as follows:

(a) Central Government and Other Local Authorities

The total government grants received are shown in Note 45 to the Core Financial Statements. The precept to the Greater London Authority is shown in the notes of the Collection Fund in Section 3b of the 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 38 to the Core Financial Statements. Material transactions were as follows:

- Payment of £4.93m (£4.84m in 2008/09) was made to South-East London Combined Heat and Power Ltd (SELCHP) which is a joint venture with the London Borough of Greenwich for the provision of a waste disposal service.
- The Council owns 10% of the shares of the Lewisham Schools for the Future Local Education Partnership (LEP), and its subsidiary Special Purpose Vehicle (SPV). The Council made payments in 2009/10 to the LEP of £6.85m (£4.9m in 2008/09) and to the SPV of £8.82m (£1.48m in 2008/09).
- Lewisham Homes is a wholly owned subsidiary of the Council and Councillors Nisbet, Paschoud and Stockbridge sit on its board. The Council made payments of £26.13m to Lewisham Homes in 2009/10 (payments in 2008/09 totalled £30.50m).
- Catford Regeneration Partnership Ltd (CRPL) is a wholly owned subsidiary of the Council and the Head of Property and Programme Management and the Head of Business Management and Support are directors of the board. The Council gave a loan of £12.295m to CRPL in 2009/10.

Notes to the Core Financial Statements

(c) Members and Chief Officers

This has been approached by using the Council's Register of Members and Chief Officers' Declarations of Interests. Declarable related party transactions are as follows:

- The Mayor's wife is an employee of London Councils whom Lewisham paid £1.216m in 2009/10.
- The Deputy Mayor, Councillor Alexander, is a member of South East Enterprise to whom Lewisham paid £0.220m in 2009/10 and is a member of Shelter Charities to whom Lewisham paid £0.003m in 2009/10.
- Councillor Anderson is a committee member of the Marsha Phoenix Memorial Trust to whom Lewisham paid £0.231m in 2009/10.
- Councillor Bentley's wife is an employee of Northbrook School.
- Councillor Best is a member of London Wildlife Trust to whom Lewisham paid £0.002m in 2009/10, and a member of the Chartered Institute of Housing to whom Lewisham paid £0.002 in £2009/10.
- Councillor Clutten is a student member of Goldsmith University College Council to whom Lewisham paid £0.047m in 2009/10.
- Councillor Edgerton is the treasurer of Lewisham Park Housing Association Management Committee to whom Lewisham paid £0.595m in 2009/10.
- Councillor Feakes is a board member of London Youth Games Ltd to whom Lewisham paid £0.006m in 2009/10.
- Councillor Fletcher is a board member of the Ilderton Motor Project to whom Lewisham paid £0.076m in 2009/10 and is on the Council of Management of the Lewisham Youth Theatre to whom Lewisham paid £0.066m in 2009/10.
- Councillor Flood is employed at City University to whom Lewisham paid £0.015m.
- Councillor Gyechie is a committee member of the Marsha Phoenix Memorial Trust to whom Lewisham paid £0.231m in 2009/10, and is a member of National Autistic Society, to whom Lewisham paid £0.075m in 2009//10.
- Councillor Hall is a board member of the Phoenix Community Centre to whom Lewisham paid £2.016m in 2009/10, and is a member of the South London and Maudsley NHS Trust to whom Lewisham paid £3.69m in 2009/10.
- Councillor Ibitson is a Church Warden at St Dunstan's Church to whom Lewisham paid £0.003m in 2009/10.
- Councillor Johnson is a committee member of the Marsha Phoenix Memorial Trust to whom Lewisham paid £0.231m in 2009/10.
- Councillor Keogh is a part time contractor of Glendale Grounds Management to whom Lewisham paid £0.012m in 2009/10.
- Councillor Klier is a board member of Blackheath Concert Halls to whom Lewisham paid £0.003m in 2009/10.
- Councillor Long is Chair of the South London and Maudsley NHS Trust to whom Lewisham paid £3.69m in 2009/10.
- Councillor Luxton is a member of the London Wildlife Trust to whom Lewisham paid £0.002m, is a member of Shelter to whom Lewisham paid £0.003m, is a member of Friends of Brockley & Ladywell Cemeteries to who Lewisham paid £0.001m, and is a member of Ladywell Village Improvement Group to whom Lewisham paid £0.009m, all payments made in 2009/10.
- Councillor Maines is a consultant to the Improvement & Development Agency to whom Lewisham paid £0.011m in 2009/10.
- Councillor Maslin is a member of Deptford Challenge Trust to whom Lewisham paid £0.229m in 2009/10.
- Councillor Massey is a board member of Trinity Laban Conservatoire of Music and Dance to whom Lewisham paid £0.146m in 2009/10 and is a board member of Lewisham College to whom Lewisham paid £0.672m in 2009/10.
- Councillor Milton is a member of the Advisory Board of Envirowork Lewisham to whom Lewisham paid £0.572m, is a board member of Lewisham Park Housing Association to whom Lewisham paid £0.595m, and is a member of Voluntary Action Lewisham to whom Lewisham paid £0.450m, all payments made in 2009/10.
- Councillor Muldoon is a member of the Noah's Ark Children's Venture to whom Lewisham paid £0.077m in 2009/10, and is a board member of the South London and Maudsley NHS Trust to whom Lewisham paid £3.69m.

Notes to the Core Financial Statements

- Councillor Nesbit is a member of Lewisham & Southwark Age Concern to whom Lewisham paid £0.269m in 2009/10, and a member of Sydenham Music to whom Lewisham paid £0.018m in 2009/10
- Councillor Owolabi-Oluyole is a member of Race Equality Action Lewisham to whom Lewisham paid £0.098m in 2009/10.
- Councillor Paschould is a member of the Lewisham Disability Coalition to whom Lewisham paid £0.184m, a member of British Computer Science to whom Lewisham paid £0.001m, a member of Ravensbourne Project to whom Lewisham paid £0.217m, and a member of Contact a Family – Lewisham to whom Lewisham paid £0.157m, all payments made in 2009/10.
- Councillor Peake is a member of the Lewisham Citizen Advice Bureau to whom Lewisham paid £0.581m in 2009/10.
- Councillor Stockbridge is a member of Phoenix Community Homes to whom Lewisham paid £2.016m in 2009/10.
- Councillor Till is employed by Dinardo Ltd to whom Lewisham paid £0.431m, a member of the North Downham Training Project to whom Lewisham paid £0.215m, a member of the Rockbourne Youth Management Committee to whom Lewisham paid £0.018m, a member of the Noah's Ark Children's Venture to whom Lewisham paid £0.77m, is a committee member of the Marsha Phoenix Memorial Trust to whom Lewisham paid £0.231m, is a member of the Goldsmith Community Association to whom Lewisham paid £0.044m, a member of the Ilderton Motor Project to whom Lewisham paid £0.076m and a board member of London Youth Games Ltd to whom Lewisham paid £0.006m in 2009/10.
- The Head of Human Resources is on the Board of PPMA (Putting people at the heart of public service), to whom Lewisham paid £0.001m in 2009/10.
- The wife of the Director of Children's Social Care is Director / Chief Executive of St. Michael's Fellowship to whom Lewisham paid £0.509m in 2009/10.
- The Interim Executive Director for Regeneration is the Director of Interea Consulting, to whom Lewisham paid £0.204m in 2009/10 for his services.

(d) Lewisham Pension Fund

- The Council's contribution to the Pension Fund in 2009/10 on behalf of its employees was £24.4m (£24.1m in 2008/09).
- The cost of administering the Pension Fund of £0.863m (£0.725 in 2008/09) was charged to the fund in 2009/10.
- The Pension Fund owed £1.4m of cash balances to the Council as at 31 March 2010 (on 31 March 2009 the Pension Fund had £1.8m of cash balances invested with the Council).

13. PARKING CONTROL ACCOUNT

In accordance with the 1984 Road Traffic Act, the Council maintains a Parking Control Account as a memorandum to the Statement of Accounts. Any surplus is ring fenced to Transport related projects and schemes.

	2009/10	2008/09
	£000	£000
Income	(5,164)	(3,481)
Expenditure	4,482	2,217
Surplus	(682)	(1,264)
Use of surplus:		
Traffic Management Schemes	149	498
Improved signing/safety maintenance	0	131
Improved lighting	533	635
Total	(682)	(1,264)

Notes to the Core Financial Statements

14. MOVEMENTS ON RESERVES

Lewisham keeps a number of reserves in the 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 voluntarily to earmark resources for future spending plans.

Reserve	Balance 1 April 2009 £000	Net Movement in Year £000	Balance 31 March 2010 £000	Purpose of Reserve	Further Detail of Movements
Revaluation Reserve	88,585	18,305	106,890	Store of gains on revaluation of fixed assets not yet realised through sales.	Note 15
Capital Adjustment Account	1,324,609	(64,684)	1,259,925	Store of capital resources set aside to meet past expenditure.	Note 16
Financial Instruments Adjustment Account	(15,760)	2,660	(13,100)	Balancing Account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.	Note 17
Usable Capital Receipts	17,411	2,887	20,298	Proceeds of fixed assets sales available to meet future expenditure.	Note 18
Collection Fund Adjustment Account	111	(86)	25	Balance arising from excess or shortfall in budgeted Council Tax collection, net of provision for bad debts.	Collection Fund Revenue Account
Major Repairs Reserve	1,310	3,010	4,320	Resources available to meet capital investment in council housing.	Note 15 to the HRA Statement
Pensions Reserve	(320,733)	(329,936)	(650,669)	Balancing account to allow inclusion of Pension Liability in the Balance Sheet.	Note 6
Earmarked Revenue Reserves	75,143	(2,913)	72,230	Amounts set aside to finance future earmarked revenue expenditure.	Note 19
General Fund	11,236	275	11,511	General non-earmarked revenue balances.	Statement of Movement on the General Fund Balance
Housing Revenue Account	12,094	(2,334)	9,760	Earmarked and non-earmarked revenue balances ringfenced to the HRA.	Note 16 to the HRA Statement
Total	1,194,006	(372,816)	821,190		

Notes to the Core Financial Statements

15. REVALUATION RESERVE

	2009/10 £000	2008/09 £000
Revaluation gains	26,453	93,388
Impairment losses (not due to consumption of economic benefits)	(6,611)	(111,609)
	19,842	(18,221)
Write out of gains on assets with impairments due to consumption of economic benefits	0	(4)
Additional depreciation incurred due to assets being revalued	(581)	(4,046)
Write out of gains on assets disposed of in year	(956)	(682)
Total movement on reserve in year	18,305	(22,953)
Balance brought forward at start of year	86,732	109,685
Adjustments relating to previous year	1,853	0
Balance carried forward at end of year	106,890	86,732

16. CAPITAL ADJUSTMENT ACCOUNT

	2009/10 £000	2008/09 £000
Historical cost of acquiring, creating or enhancing fixed assets:		
Depreciation and impairment losses from the Statement of Movement on Balances	(75,518)	(136,297)
Transfer from Revaluation Reserve to convert current value depreciation / impairment losses to historical cost	581	4,050
Amounts written off fixed asset balances for disposals	(27,273)	(101,002)
Transfer from Revaluation Reserve of revaluation gains outstanding on disposal of fixed assets	956	682
Amortisation of PFI prepayment	0	(3,081)
Build up of PFI residual value	0	1,062
	(101,254)	(234,586)
Total historical cost of acquiring, creating or enhancing fixed assets		
Revenue Expenditure Funded from Capital under Statute	(6,977)	(6,247)
Resources set aside to finance capital expenditure:		
Usable receipts applied	5,401	8,904
Capital expenditure financed from revenue	5,418	6,462
Minimum revenue provision	6,238	4,688
Revenue provision for PFI schemes	4,375	0
Capital grants and contributions	22,115	41,333
Total resources set aside to finance capital expenditure	43,547	61,387
Total movement on reserve	(64,684)	(179,446)
Balance brought forward at start of year	1,329,719	1,509,165
Adjustments relating to previous year	(5,110)	0
Balance carried forward at end of year	1,259,925	1,329,719

Notes to the Core Financial Statements

17. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The Financial Instruments Adjustment Account is used to hold the accumulated difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.

	2009/10 £000	2008/09 £000
Opening balance at start of year	(15,760)	(10,247)
Premiums paid for early redemption of debt	248	0
Amortisation of premiums and discounts	2,412	(5,513)
Balance carried forward at end of year	(13,100)	(15,760)

18. USABLE CAPITAL RECEIPTS

Capital receipts are mainly sums received from the sale of fixed assets. All Housing capital receipts are split into two parts: a usable part, which may be used to finance new capital expenditure; and a poolable part, which is paid to central government. Non housing capital receipts are wholly usable to finance new capital expenditure. The balance on this account represents amounts available for the financing of future capital expenditure.

	2009/10 £000	2008/09 £000
Amounts receivable in year	8,550	5,428
Poolable to Central Government	0	(213)
Amounts applied to finance new capital investment in year	(5,663)	(6,354)
Total increase/(decrease) in capital receipts in year	2,887	(1,139)
Balance brought forward at start of year	17,411	18,550
Balance carried forward at end of year	20,298	17,411

19. REVENUE RESERVES

Revenue reserves are amounts set aside to finance future revenue expenditure. Contributions to and from reserves are outside service expenditure, so are shown in the Statement of Movement on the General Fund Balance rather than the Income and Expenditure Account. A summary of movements in revenue reserves is as follows:

	Balance at 01/04/2009 £000s	Transfers In £000s	Transfers Out £000s	Balance at 31/03/2010 £000s
General Earmarked	44,449	15,134	(10,673)	48,910
Insurance	12,410	786	0	13,196
Capital Expenditure	9,339	10,303	(13,710)	5,932
School Balances	8,280	6,645	(11,357)	3,568
School's External Funds	665	624	(665)	624
Total	75,143	33,492	(36,405)	72,230

The net transfer from reserves is therefore £2.913m, as shown in the Statement of Movement on the General Fund Balance.

Notes to the Core Financial Statements

Capital Expenditure Reserve

This is a reserve created to enable directorates to make revenue contributions towards their committed capital spending in future years.

Schools Balances

This reserve was set up as a result of the Education Reform Act 1988 and represents schools' self-managed budgets that remain unspent at the year-end. It is earmarked for use by the schools only.

Schools' External Funds

This is the unspent balances from schools' locally generated funds and is earmarked for schools only.

20. PROVISIONS

A provision is an amount set aside to meet liabilities or losses that are likely or certain to arise. For the provisions shown below, it is not possible to determine precisely when any transfer of economic benefits will take place.

	Balance 31/03/2009 £000s	Contribution In £000s	Contribution Out £000s	Balance 31/03/2010 £000s
Insurance Provision	8,233	1,591	(1,214)	8,610
Other Provisions	3,910	542	(46)	4,406
Total	12,143	2,133	(1,260)	13,016

a) Insurance Provisions

The Council holds insurance provisions for property and employers & public liability claims, which fall below the policy excess of insurance placed with external insurers. The Council does not arrange 'All Risks' insurance for all of its properties, but insures its buildings and contents for limited perils such as fire, lightning, aircraft impact, explosion and riot & civil commotion, It does not insure against water or weather perils or theft. All Risks cover is obtained for more attractive property such as cash, computers and other specified property. A reserve is also held to cover insurable but uninsured losses and to fund risk management initiatives.

b) Other Provisions

This includes a provision to cover the liability for repayment of charges made under the Section 117 1983 Mental Health Act that have now been declared unlawful by the Court of Appeal, provisions to meet the dilapidation costs of leased properties that are primarily used as office accommodation and which are to be vacated as part of the authority's office accommodation strategy and private sector leasing properties.

Notes to the Core Financial Statements

21. FIXED ASSETS

(a) The movements in fixed assets during the year were as follows:

	Council Dwellings £000s	Other Land & Bldgs £000s	Vehicles, Plant & Equip't £000s	Infra-structure Assets £000s	Comm. Assets £000s	Investment props/surplus £000s	Assets under construction £000s	TOTAL £000s
Gross Book Value b/fwd at 1st April 2009	990,438	897,805	44,557	92,180	7,965	65,774	36,756	2,135,475
Additions	25,816	45,941	8,571	5,660	486	2,323	16,212	105,009
Disposals	(20,472)	(4,903)	(952)	0	0	(2,935)	(501)	(29,763)
Transfers	1,731	(5,626)	363	737	0	12,522	(9,727)	0
Re-valuations	106	5,313	0	0	0	17,723	0	23,142
Impairments	(3,811)	(28,391)	0	(375)	0	(5,688)	(3,955)	(42,220)
Gross Book Value c/fwd at 31st March 2010	993,808	910,139	52,539	98,202	8,451	89,719	38,785	2,191,643
Depreciation b/fwd at 1st April 2009	(4,708)	(14,113)	(20,265)	(39,400)	0	0	0	(78,486)
Depreciation for year	(27,400)	(10,181)	(4,742)	(2,896)	0	0	0	(45,219)
Depreciation written back on:								
Transfers	(31)	1,339	0	0	0	0	0	1,308
Assets Revalued	0	2,825	0	0	0	0	0	2,825
Assets Impaired	37	525	0	32	0	0	0	594
Assets Sold	561	571	937	0	0	0	0	2,069
Depreciation c/fwd at 31st March 2010	(31,541)	(19,034)	(24,070)	(42,264)	0	0	0	(116,909)
Net Book Value at 31st March 2010	962,267	891,105	28,469	55,938	8,451	89,719	38,785	2,074,734

(b) A reconciliation of expenditure on fixed assets with total capital expenditure is detailed below:

	2009/10 £'000	2008/09 £'000
Fixed Assets (additions net of WIP & appropriations)	37,627	60,374
PFI Prepayments	788	2,174
Long-Term Loan	12,295	0
Deferred Charges	6,907	6,247
(Decrease) / Increase in work in progress	5,983	7,838
Total Capital Expenditure	63,600	76,633

Notes to the Core Financial Statements

The total capital expenditure of £63.6m (£76.6m in 2008/09) as detailed above and shown in the foreword, was financed as follows:

	2009/10 £'000	2008/09 £'000
Borrowing	26,481	18,689
Capital Grants	26,038	41,248
Capital Receipts	5,401	8,808
Capital Receipts - PFI Prepayments	262	1,115
Capital Expenditure charged to Revenue Account	5,418	6,773
Total Capital Expenditure	63,600	76,633

22. NUMBERS OF FIXED ASSETS

A summary of physical assets owned by the Council is shown below:

	31- Mar -10 (Number)	31- Mar -09 (Number)
Council Dwellings	17,864	17,072 *
Housing non residential	214	235
Garages	2,827	2,865
Nursery Schools	2	3
Day centre - Early Years	13	13
Primary Schools	47	48
Secondary Schools	6	6 *
Sixth Form Centre	1	1
Special Schools	6	6 *
Adult Education Centres	4	4
Youth Centres	6	6 *
Hostel for the Mentally ill persons with Disabilities	1	1
Social Services Centres	13	13
Administrative Buildings	9	9
Leisure Centres/Pools	4	4 *
Parks/Recreation Grounds	87	87
Libraries	10	10
Theatre	1	1
Cemeteries	4	4
Crematorium	1	1
Mortuary	1	1
Depots	3	4
Car/Lorry Parks	16	17
Roads (in Kms)	390	390
Allotments	37	43
Travellers Site	0	0
Civic Amenity & Recycling Centre	1	1

* Some of the categories above have been restated from those disclosed in the 2008/09 accounts.

Note : The assets above exclude the Vehicle, Plant and Equipment category.

Notes to the Core Financial Statements

23. FIXED ASSET VALUATION

(a) A five-year rolling programme of revaluation for land and buildings has been in operation since 1994/95 to ensure that the Council's assets are held at valuations in accordance with RICS and CIPFA guidance. These are signed off by the Council's Valuer, the Head of Property and Development, Mr P Clark FRICS. The Council's policies on valuing its assets are set out in the Accounting Policies on Fixed Assets in Section 1 of the Accounts.

(b) The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets:

	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles Plant & Equip. £000s	Infra-structure Assets £000s	Comm-unity Assets £000s	Invest Props / surplus assets £000s	Assets under constr'n £000s	Total £000s
Valued at Historic Cost	25,972	9,913	28,469	55,938	8,451	9,929	38,785	177,457
Valued at current value								
As at 31 March 2010	0	24,715	0	0	0	0	0	24,715
As at 1 April 2009	936,295	299,834	0	0	0	72,594	0	1,308,723
As at 31 March 2009	0	479,075	0	0	0	29	0	479,104
As at 1 April 2008	0	49,160	0	0	0	3,483	0	52,643
As at 31 March 2008	0	8,855	0	0	0	0	0	8,855
As at 1 April 2007	0	7,847	0	0	0	3,684	0	11,531
As at 1 April 2006	0	9,040	0	0	0	0	0	9,040
As at 1 April 2005	0	2,666	0	0	0	0	0	2,666
Total Net Book Value	962,267	891,105	28,469	55,938	8,451	89,719	38,785	2,074,734

24. CAPITAL COMMITMENTS

The significant capital commitments over £0.5m which had been entered into by the Council at 31 March 2010 are shown below. This expenditure will be incurred in future financial years:

	As at 31 March 10 £000
Children & Young People:	
Rushey Green School	1,052
Monson (Hatcham Temple Grove) School*	2,328
Regeneration:	
Deptford Town Centre Programme	17,614
Pepys Parks	1,711
NLL - Fordham Park & New Cross Underpass	1,405
Acquisition of freehold interests	579
Customer Services:	
Brockley PFI	2,000
Total Commitments	26,689

* It must be noted that there was a fire at the Monson school site in April 2010 (post balance sheet). This project is currently suspended with the way forward dependent on the insurance outcome.

Notes to the Core Financial Statements

25. DEBTORS

a) Long Term Debtors

These consist of sums repayable to the Council over a period of time of more than one year. Balances outstanding at the end of the year are:

	2009/10 £000s	2008/09 £000s
Mortgages:		
For Private House Purchase	14	15
For Sale of Council Houses	366	489
To Housing Associations	162	162
Land Charges Debts	499	554
Catford Regeneration Partnership Ltd	12,295	0
Other Long Term Debtors	101	145
Total Long Term Debtors	13,437	1,365

Catford Regeneration Partnership Ltd (CRPL) is a wholly owned subsidiary of the Council.

b) Current Debtors

These are short term debts consisting of amounts due from the Government, other local authorities and amounts for goods and services provided as at 31 March 2010:

	2009/10 £000s	2008/09 £000s
Government and Other Public Bodies:		
HM Revenue & Customs - VAT	6,340	5,168
Education Recoupment	1,200	1,206
Other Govt. & Local Authority Accounts	16,664	4,548
Council Tax Payers	22,684	19,973
Housing Benefit Overpayments	8,446	7,729
Housing Rents	8,672	9,303
	64,006	47,927
General Debtors due for Supplies and Services	24,315	22,730
Total Current Debtors	88,321	70,657
Provision for Bad Debts - Collection Fund	(19,501)	(16,793)
Provision for Bad Debts - Housing	(12,080)	(12,160)
Provision for Bad Debts - Sundry	(11,695)	(8,971)
Total Provision for Bad Debts	(43,276)	(37,924)
Net Current Debtors	45,045	32,733

Notes to the Core Financial Statements

c Provision for Bad Debts

An analysis of the contributions to and from Provisions for Bad Debts is shown below:

	Balance at 31/03/2009 £000s	Contributions In £000s	Use of Provision £000s	Balance at 31/03/2010 £000s
Collection Fund				
Council Tax	16,793	3,582	(874)	19,501
Total Collection Fund	16,793	3,582	(874)	19,501
Housing				
Rents	7,187	848	(1,787)	6,248
Overpayments	4,973	1,171	(312)	5,832
Total Housing	12,160	2,019	(2,099)	12,080
Sundry				
CYP	294	0	0	294
Community	1,708	291	(324)	1,675
Customer	6,285	627	(389)	6,523
Regeneration	485	2,489	(13)	2,961
Resources & Corporate	199	163	(120)	242
Total Sundry	8,971	3,570	(846)	11,695
Total Provision for Bad Debts	37,924	9,171	(3,819)	43,276

26. FINANCIAL INSTRUMENTS DISCLOSURES

The 2009 SORP requires compliance with the Financial Reporting Standards 25, 26 and 29, but many of the requirements are non-compliant with primary legislation such as the Local Government and Housing Acts 1989 and 2003 and subsequent subordinate legislation. Where this occurs, the Income and Expenditure Account complies with the new arrangements, with the SMGFB statements displaying any reversals required to ensure closing balances comply with Statute. Debtors and creditors are excluded from the tables below where the equivalent disclosures are present in notes 28 and 35. The focus of these notes is the Council's strategic borrowing and investment.

a) FINANCIAL INSTRUMENTS BALANCES

The table below shows how the borrowings and investments disclosed in the balance sheet are derived.

	Long Term		Current	
	31 Mar 09 £000	31 Mar 08 £000	31 Mar 09 £000	31 Mar 08 £000
Financial Liabilities (Principal Amount)	(344,035)	(331,237)	(40,000)	(30,122)
Financial Liabilities at Amortised Cost	(344,194)	(331,392)	(45,013)	(35,325)
Loans and Receivables (Principal Amount)	-	-	135,120	114,560
Loans and Receivables	-	-	135,228	116,334
Financial Assets at Fair Value through I&E	56,216	55,787	-	-
Total Investments	55,787	34,635	135,228	116,334

Notes to the Core Financial Statements

Amounts relating to accrued interest (which increase the liability at amortised cost) are now included in current liabilities if due within one year.

b) FINANCIAL INSTRUMENTS GAINS / (LOSSES)

	Financial Liabilities measured at amortised cost £000	Financial Assets		2008/09 Total £000	2007/08 Totals £000
		Loans and Receivables £000	Fair value through the I&E £000		
Interest expense	(19,557)	-	-	(19,557)	(18,784)
Losses on derecognition	-	-	-	-	-
Interest payable and similar charges	(19,557)	-	-	(19,557)	(18,784)
Interest and investment income	-	1,805	433	2,238	7,283
Net gain/(loss) for the year	(19,557)	1,805	443	(17,319)	(11,501)

There have been no revaluations or impairments of financial instruments, excepting

- Market Value changes of external cash manager funds, recognised through the I&E as part of the investment income total above.
- Impairment of debtors, analysed below and in Note 25c.

	2009/10 £000	2008/09 £000
New provision made	(9,171)	(8,378)
Total Impairment Loss	(9,171)	(8,378)
Debt Written Off	3,819	4,062
Change in Provision Balance	(5,352)	(4,316)

c) FAIR VALUE OF FINANCIAL INSTRUMENTS NOT DISCLOSED ON THE BALANCE SHEET

£000s	31 March 2009		31 March 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
PWLB debt	247,426	293,773	216,962	259,132
Market Debt	119,291	121,410	103,614	114,312
Total Loan Debt at Amortised Cost	366,717	415,183	320,576	373,444
Money market loans less than 1 year	116,334	116,904	97,586	97,586
Total Investments at Amortised Cost	116,334	116,904	97,586	97,586

The fair value represents the value the Council would need to pay to settle the liabilities at the balance sheet date. This equates to principal value plus accrued interest plus/minus any premiums/discounts due on redemption.

For PWLB debt, the fair value was provided by that organisation and for market debt and investments, the estimates provided by the Council's Treasury consultants, Sector.

Notes to the Core Financial Statements

d) CREDIT RISK

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined in the Council's Annual Investment Strategy. Currently, the Council's officers are operating to a strict list of counterparties with credible sovereign guarantees or support or with minimum ratings from the agency, Fitch, of F1+ AA-, and of those, only institutions domiciled in states with AA+ sovereign ratings.

The following analysis summarises the Authority's potential maximum exposure to credit risk from investments:

	Fitch Long Term Rating	Sum invested at 31 March 2010 £000	Historical Experience of Default	Estimated Maximum Exposure to Default £000	2008/09 Totals £000
Deposits	A	19,700	0.00%	0	21
	AA-	115,420	0.07%	81	36
		135,120		81	57
Cash Managers	AA	56,216	0.00%	0	14
Total Investments		191,336		81	71

The historical experience of default has been taken from Fitch, the primary credit rating organisation used by the Council, and applies to the period 1990 to 2008.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Our external cash managers' portfolios change on a daily basis and include gilts and certificates of deposit. At 31 March 2010 the cash managers operated to the strict list mentioned above, with no counterparty rated below AA-, so this default rate has been applied to their entire portfolios to calculate a prudent maximum exposure.

Debtors are considered individually by Service managers and Finance Officers. Judgement based on historical experience is applied to estimate credit risk exposure and this quantity is credited to provisions for bad and doubtful debts (see Note 25c).

e) FINANCIAL ASSETS THAT ARE EITHER PAST DUE OR IMPAIRED

The Council generally requires trade debtors to be settled within 30 days. An age analysis of unpaid invoices issued through the accounts receivable system is as follows.

Accounts Receivable System	2009/10		2008/09	
	Amount £000	Percentage £000	Amount £000	Percentage £000
Age of Debt				
Current (1 to 30 days)	4,114	42	3,390	35
31 to 60 Days	294	3	686	7
61 to 90 Days	397	4	339	3
91 to 180 Days	674	7	588	6
181 to 365 Days	809	8	1,256	13
Over 1 Year	3,616	37	3,534	36
Total	9,904	100	9,793	100

The following tables show the aged analysis for Housing Rents, Day to Day Service Charges (excluding Major Works) and Council Tax Court Costs. The notes to the Collection Fund include an age analysis of Council Tax and NNDR arrears.

Notes to the Core Financial Statements

Housing Rents Debts	2009/10	
	Amount	Percentage
	£000	£000
Age of Debt		
Current (1 to 30 days)	5,128	59
31 to 90 Days	620	7
91 to 180 Days	539	6
181 to 365 Days	674	8
Over 1 Year	1,711	20
Total	8,672	100

Service Charges (Day to Day, excludes Major Works)	2009/10	
	Amount	Percentage
	£000	£000
Age of Debt		
Current (1 to 30 days)	1,457	17
31 to 90 Days	215	3
91 to 180 Days	22	0
181 to 365 Days	5	0
Over 1 Year	40	0
Total	1,739	20

Council Tax Court Costs	2009/10		2008/09	
	Amount	Percentage	Amount	Percentage
	£000	£000	£000	£000
Age of Debt				
Year of Account	1,086	35	686	26
Under 2 Years old	534	17	526	20
Under 3 Years old	379	12	389	15
Under 5 Years old	523	17	536	20
Over 5 Years old	593	19	482	18
Total	3,115	100	2,619	100

f) LIQUIDITY RISK

The Council maintains a significant debt and investment portfolio. This introduces a risk to meeting day to day cash flow needs without borrowing, and meeting repayments of existing debt. Further risk is introduced by the maturity profile of debt, since an excessive concentration of maturities within a given period may increase the risk of having to refinance larger sums at disadvantageous rates.

(i) MATURITY ANALYSIS FOR FINANCIAL LIABILITIES

The table below shows the maturity profile of long term borrowing, based on the Principal sums due for repayment.

	2009/10	2008/09
Average Interest Rates at 31 March	%	%
PWLB	5.58	5.65
Money Market	4.78	4.87
Long-Term Borrowing	£000	£000
PWLB	265,529	243,409
Money Market	78,665	87,828
	344,194	331,237

Notes to the Core Financial Statements

An analysis of loans by maturity:	£000	£000
Maturity in 1-2 years	0	15,000
Maturity in 2-5 years	90,400	17,040
Maturity in 5-10 years	21,325	74,954
Maturity in 10-15 years	18,954	19,589
Maturity in 15-20 years	35,132	31,037
Maturity in 20-25 years	30,599	31,623
Maturity in 25-30 years	25,038	31,146
Maturity in over 30 years	122,746	110,848
Total Long-Term Borrowing	344,194	331,237

(ii) FINANCIAL ASSETS

All of the Council's deposits (£135.12m) are due to be returned within one year. The externally managed funds (£56.216m), whilst long term investments within the Council's Treasury Strategy, could be recalled within one year if required.

(iii) MANAGEMENT OF LIQUIDITY RISK

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the Capital and Treasury Group address the operational risks within the approved parameters. Activities include:

- Monitoring the maturity profile and being mindful of this when considering new borrowing or possible rescheduling of existing debt;
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

g) COLLATERAL OR OTHER CREDIT ENHANCEMENTS OBTAINED

The council has not obtained any such enhancements in the financial year 2009/10 or 2008/09.

h) MARKET RISK

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- Borrowings at fixed rates – the fair value of the borrowing liability will fall;
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings and assets classified as Loans and Receivables are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL.

However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance, subject to influences from Government grants.

Changes in fair value for assets held at Fair Value through the Income and Expenditure Account will be posted to the Income and Expenditure Account. The assets the Council holds under this heading are managed by our external cash managers. Their portfolios are in a constant state of flux as the managers seek to exploit the market. Changes in market value will not necessarily mirror general market conditions.

Notes to the Core Financial Statements

The Council has a number of strategies for managing interest rate risk. The Annual Investment Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Capital and Treasury Section will monitor market and forecast interest rates within the year to adjust exposures appropriately.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs. If all interest rates had been 1% higher with all other variables held constant, the financial effect based on balances held at 31 March 2010 is estimated to be:

	2009/10 £000	2008/09 £000
Interest Payable on Assessed Variable Rate Debt	(400)	(300)
Interest Receivable on Variable Rate Investments	1,124	772
Net Impact on Income & Expenditure Account - Gain	724	472
Share of overall impact charged to HRA	(253)	(190)
Government Grant receivable on increased charges	306	230
Net impact on the HRA	53	40

Market risk also includes price (i.e. market value of equities) and foreign exchange risk. The Council holds no equity investments or assets or liabilities denominated in foreign currency, so is not exposed to these.

27. LONG-TERM INVESTMENTS

Long term investments comprise of funds which are held with two external cash managers, Invesco and Investec, who were appointed during 2007/08.

28. SHORT-TERM INVESTMENTS

Short-term investments consist of £135.2m that represents the temporary investment of bank surpluses in the money markets.

29. STOCK

	2009/10 £000	2008/09 £000
Building stores and fleet stock	220	217
Other stock	37	8
Total Stocks	257	225

30. PREPAYMENTS

	2009/10 £000	2008/09 £000
Directorate prepayments	2,437	2,888
Insurance Premiums	735	742
Total Prepayments	3,172	3,630

Notes to the Core Financial Statements

31. CREDITORS

These consist of amounts owed to the Government and other public bodies and all unpaid sums for goods and services received as at 31 March 2010.

	2009/10 £000	2008/09 £000
Government and other public bodies:		
Inland Revenue - Tax & NI Contributions	6,459	6,017
Education Recoupment	4,221	3,418
Other Govt. and Local Authority Accounts	6,190	11,291
Sub-Total	16,870	20,726
Add: General creditors (amounts owed for supplies and services)	51,644	41,157
Total Creditors	68,514	61,883

32. RECEIPTS IN ADVANCE

	2009/10 £000	2008/09 £000
Council Tax	5,245	4,668
Capital Contributions Unapplied	33,827	13,420
Other Receipts in Advance	27,441	38,934
Total Receipts in Advance	66,513	57,022

33. SHORT TERM BORROWING

This consists of borrowing repayable within twelve months or on demand.

34. BANK ACCOUNT AND OTHER CASH HOLDINGS

This is the total of all the Council's cash and bank balances.

	Balance 31/03/2009 £000	Movement in 2009/10 £000	Balance 31/03/2010 £000
Schools Bank Accounts	(2,399)	(1,191)	(3,590)
Euro Bank Account	508	(498)	10
Main Bank Accounts	1,041	212	1,253
Other Cash Balances	(13,419)	1,055	(12,364)
Totals	(14,269)	(422)	(14,691)

35. DEFERRED CAPITAL RECEIPTS

Deferred Capital Receipts represent amounts derived from sales of assets, which will be received in instalments over agreed periods of time. They arise principally from mortgages on the sale of Council Houses.

Notes to the Core Financial Statements

36. GOVERNMENT GRANTS DEFERRED

Grants and contributions used to finance capital expenditure are paid into this account. A proportion of the grant is transferred to the Net Cost of Services in the Income and Expenditure Account each year, corresponding to the life of the asset financed by the grant. Movements in the year were:

	2009/10 £'000	2008/09 £'000
Balance at Beginning of Year	143,165	126,067
Grants Received:		
DCLG (Lee LSVT)	9,649	17,778
Standards Fund	10,910	16,330
Transport for London	2,661	2,458
Central Government	3,011	4,272
Other Contributions	6,530	6,119
	175,926	173,024
Written down to Income and Expenditure Account	(25,159)	(29,859)
Balance at End of Year	150,767	143,165

37. TRUST FUNDS

The Council acts as a trustee for other funds which are not included in the Balance Sheet.

	Balance 31/03/2009 £000	Income £000	Expenditure £000	Balance 31/03/2010 £000
Children and Young People	26	1	0	27
Community Services	22	13	6	29
Cemeteries Graves Maintenance	12	0	1	11
Comforts Fund	1	0	0	1
Total Trust Funds	61	14	7	68

Interest on trust funds is credited annually at the average rate earned on the Council's revenue balances. The fund balances as at 31 March 2010 were invested as follows:

	£000s
Cash	41
External investments (at market value)	27
Total Trust Funds	68

Notes to the Core Financial Statements

38. INVESTMENTS: RELATED BUSINESSES AND COMPANIES

This note provides details of companies related to the Council. Also see notes A, B and C below.

Registered Name of Company	SELCHP (South East London Combined Heat & Power Ltd)	Greater London Enterprise Ltd.
Nature of Company's Business and trading with Council	Waste Disposal / Waste to Energy	Property management & consultancy
Proportion of Shares held by Council	< 1% share	Company limited by guarantee
Value of Shares	£750	1/13 of surplus assets to £13m + interest; 1/32 of assets above this level (v)
Company's Net Assets		
- at end of last financial year	£7.924m (i)	£30.658m (iii)
- at end of previous financial year	£2.797m (ii)	£49.610m (iv)
Company's Profit/(Loss) before Tax		
- at end of last financial year	£5.684m (i)	(£21.036m) (iii)
- at end of previous financial year	£3.164m (ii)	£0.501m (iv)
Company's Profit/(Loss) after Tax		
- at end of last financial year	£5.127m (i)	(£18.084m) (iii)
- at end of previous financial year	£2.470m (ii)	£0.853m (iv)
Amounts owing to Council at year-end	Nil	Nil
Nature of Amounts owing to Council at year-end	N/A	N/A
Status of Company's Audit of Accounts	Accounts year to 31/12/08 audited	Accounts year to 31/3/09 audited
Copies of Accounts may be obtained from:	Veolia House, 154A Pentonville Road, London N1 9PE	St Martins House, 210-212 Chapeltown Road, LEEDS LS7 4HZ

Notes:-

(i) As at 31 December 2008; (ii) As at 31 December 2007; (iii) As at 31 March 2009; (iv) As at 31 March 2008; (v) Only on winding up or dissolution of the company

Note A: The Council has 10% ownership of the shares of the Local Education Partnership. For further details of the Local Education Partnership see Note 12 (Related Party Transactions).

Note B: Lewisham Homes Limited is a related company to the council. For further details of Lewisham Homes see note 12 (Related Parties Transactions) and also the Group Accounts (Section 5).

Note C: Catford Regeneration Partnership Limited is a wholly owned company of the council. For further details see note 12 (Related Parties Transactions) and also the Group Accounts (Section 5).

Notes to the Core Financial Statements

39. NET ASSETS EMPLOYED

This represents the aggregate of the Council's reserves, both revenue and capital, corresponding to Total Equity as stated in the Balance Sheet. An analysis of each area at the year end is shown below:

	2009/10	2008/09
	£000	£000
General Fund	132,123	468,725
Housing Revenue Account	689,067	725,281
Total Net Assets Employed	821,190	1,194,006

The Pensions Reserve credit, which is virtually all apportioned to the General Fund, has decreased the General Fund by £334m.

40. CONTINGENT LIABILITIES

The Council has the following Contingent Liabilities as at the date of the approval of the Accounts:

The Council wholly owns Lewisham Homes, which is an arms-length management organisation (ALMO) who are responsible for managing and providing housing related services for the Council. In the event that they cease to be a "going concern", all their assets and liabilities would revert to the Council, with the Council being responsible for the net liability. Since the 2009/10 audited accounts of Lewisham Homes show that they made a surplus and that they are a going concern, it is appropriate that this indemnity is disclosed as a contingent liability, rather than raise a provision in the accounts.

It is not possible to quantify the extent of the costs that may result from this event happening. However, there is a potential FRS 17 pensions liability, estimated at £20m as at 31 March 2010, which would be met by an increase in the Council's Pension Reserve rather than from revenue.

41. 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 the following contingent asset:

A further claim has been submitted to Her Majesties Revenues and Customs (HMRC) for repayment of overpaid VAT in connection with the Fleming legal case. The claim is for a net sum of approximately £0.5m including interest on VAT on sales income from Leisure courses. This case relates to changes in VAT legislation that the Courts have now decreed should be backdated to when they were first introduced. This means that any VAT reimbursed to HMRC on items of income that, for example, have subsequently become exempt, should be repaid to the Council

42. EVENTS AFTER THE BALANCE SHEET DATE

There are no material post balance sheet events that have a significant impact on the Accounts.

Notes to the Core Financial Statements

43. RECONCILIATION OF REVENUE CASH FLOW

This note is to follow

44. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

Analysis of changes in Net Debt:

	31/03/2009 £'000	Cash Flow £'000	Non-Cash Redemption (see note A) £'000	Transfers & Adjustments to Carrying Values (see note B) £'000	31/03/2010 £'000
Cash Balance					
Bank overdraft	(14,269)	(422)	0	0	(14,691)
Financing Activities					
Debt due within one year	(35,325)	0	0	(9,688)	(45,013)
Debt due after one year	(331,392)	(29,877)	7,881	9,194	(344,194)
	(366,717)	(29,877)	7,881	(494)	(389,207)
Management of Liquid Resources					
Short term investments	116,334	20,560	0	(1,666)	135,228
Long term investments	55,787	0	0	429	56,216
Other liquid resources	0	3,728	0	(3,728)	0
	172,121	24,288	0	(4,965)	191,444
Total	(208,865)	(6,011)	7,881	(5,459)	(212,454)

Reconciliation of Net Cash Flow to Movement in Net Debt:

	2009/10	
	£'000	£'000
Net cash flow		(422)
Net cash inflow from financing	(29,877)	
Net cash outflow from management of liquid resources	24,288	
Non-cash redemption (note A)	7,881	
Transfers & adjustments to carrying values (note B)	(5,459)	
		(3,167)
Movement in Net Debt		(3,589)

Notes:

A) Non-Cash Redemption - this represents redemption of PWLB loan debt related to the transfer of housing stock for Lee. The Government paid this amount directly to the PWLB on behalf of the Council in lieu of grant.

Notes to the Core Financial Statements

B) Transfers and Adjustments to Carrying Values - this represents transfers between categories of long-term and short-term debt, and adjustments to carrying values as required by the SORP, and an adjustment for capitalisation of interest.

45. ANALYSIS OF GOVERNMENT GRANTS IN CASH FLOW

	2009/10 £000s	2008/09 £000s
Housing & Council Tax Benefit	(203,304)	(192,531)
Dedicated Schools Grant	(178,913)	(172,753)
Standards Fund	(56,774)	(42,200)
Revenue Support Grant	(33,303)	(21,340)
Supporting People	(17,349)	(17,243)
Area Based Grant	(18,837)	(17,253)
Schools Sixth Form	(9,938)	(10,070)
Adult & Community Learning	(4,321)	(4,516)
NDC New Cross Gate	(2,071)	(2,913)
Childcare Partnership	(10,101)	(3,792)
Other Grants	(8,146)	(17,215)
	(543,057)	(501,826)

* In 2008/09 Childcare Partnership Grant of £3,792k was included in Other Grants

Housing Revenue Account

SECTION 3a

**HOUSING
REVENUE
ACCOUNT**

2009/10

Housing Revenue Account

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.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

	2009/10 £000	2008/09 £000	Note
INCOME			
Gross rent - dwellings	70,144	71,057	1
- other housing property	3,319	2,857	1
Charges for services and facilities	8,821	7,800	1
Housing subsidy - housing element	4,703	4,638	2
Contribution towards expenditure	4,914	4,639	4
Overhanging debt grant	7,881	17,778	
Total Income	99,782	108,769	
EXPENDITURE			
Supervision & management - General expenses	26,088	32,588	5
- Special expenses	6,823	6,675	6
Repairs and maintenance	21,977	19,896	7
Repairs and Maintenance funded by Major Repairs Allowance	13,608	0	14/16
Rent, rates and other charges	858	1,419	8
Rent Rebate Subsidy Shortfall	1,514	485	3
Contribution to doubtful debt provision	476	1,267	9
Depreciation - dwellings	26,023	33,183	11
- other housing assets	1,025	1,202	11
Impairment of fixed assets	5,988	77,769	12
Debt management expenses	58	63	
Total Expenditure	104,438	174,547	
Net Cost of Services as included in the Council's Income and Expenditure Account	4,656	65,778	
HRA services share of CDC	190	195	
HRA share of other amounts included in the whole authority net cost of services but not allocated to specific services	0	0	
Net Cost of HRA Services	4,846	65,973	
(Gain) / loss on sale of HRA fixed assets	21,423	(1,224)	
Interest payable and similar charges	15,985	15,005	
Amortisation of premiums and discounts	0	0	13
Interest and investment income	(131)	(583)	
Pension interest cost and expected return on pension assets	137	137	18
Net Operating Expenditure	42,260	79,308	

Housing Revenue Account

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

	2009/10 £000	2008/09 £000	Note
Statement of movement on the HRA balance			
(Surplus) / deficit for the year on the HRA income & expenditure account	42,260	79,308	
Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	(39,927)	(75,226)	
(Increase) or decrease in the Housing Revenue Account Balance	2,333	4,082	
Housing Revenue Account Surplus Brought Forward	(12,094)	(16,176)	
Housing Revenue Account Surplus Carried Forward	(9,761)	(12,094)	16

SUPPLEMENT TO THE STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

	2009/10 £000	2008/09 £000	Note
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year			
Difference between amounts charged to income and expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	2,111	1,893	
Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	3,282	(61,630)	
Gain / (loss) on sale of HRA fixed assets	(21,423)	1,224	
Net Charges made for retirement benefits re FRS17	(249)	0	
Subtotal: Items Included	(16,279)	(58,513)	
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year			
Revenue contribution to capital	0	750	
HRA set-aside (contribution to minimum revenue provision)	2,409	0	
Revenue Provision for PFI schemes	0	1,891	
Transfer to/(from) Major Repairs Reserve	(26,257)	(19,367)	15
Employers contribution payable to the pension fund & retirement benefits payable direct to pensioners	200	13	18
Subtotal: Items Not Included	(23,648)	(16,713)	
Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	(39,927)	(75,226)	

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 2010, 2.7% of lettable property was empty (3.1% at 31 March 2009). These figures for empty property exclude accommodation for the homeless and dwellings designated for sale, major works and improvements. Average rents were £76.79 in 2009/10 and £74.80 per week in 2008/09.

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 17,893 dwellings as at 31 March 2010 (18,347 as at 31 March 2009).

During the year one stock transfer has taken place: 475 flats and houses in the Lee area were transferred to Broomleigh Housing Association.

The stock was made up as follows:

	2009/10 Nos.	2008/09 Nos.
Houses/Bungalows	3,216	3,256
Flats/Maisonettes	14,677	15,181
Stock at 31 March	17,893	18,437

The changes in stock can be summarised as follows:

	2009/10 Nos.	2008/09 Nos.
Stock at 1 April	18,437	19,642
Less Sales, Demolitions, etc.	(78)	(13)
Less Stock Transfers	(475)	(1,210)
Add Re-purchases, Conversions etc.	9	18
Stock at 31 March	17,893	18,437

b) Rent arrears

	2009/10 £'000	2008/09 £'000
Arrears due from - current tenants	3,229	3,976
- former tenants	3,028	3,568
Total Arrears	6,257	7,544
Total Arrears as % of Gross Rent of Dwellings Due	8.9%	10.6%

The arrears shown in this note exclude water charges, heating charges and all other charges collected as part of tenants' rent. Housing rent represents 93% of the total collectable from tenants.

Housing Revenue Account

c) Rent – other housing property

	2009/10 £'000	2008/09 £'000
Aerial Sites	309	190
Garage rents	708	728
Reception Hostels	1,165	1,073
Commercial property rent	1,065	856
Ground Rents	72	10
Total Other Rents & Charges	3,319	2,857

d) Charges for services and facilities (including Heating and Services Charges to Tenants and leaseholders).

From 5 April 2003, service charges for caretaking and grounds maintenance were separated from rent and charged separately to tenants. From 5 April 2004, service charges for communal lighting were separated from rent and charged separately to tenants. From 4 April 2005, service charges for the Lewisham Tenants Levy were separated from rent and charged separately to tenants. The average tenants' service charge was £4.49 in 2009/10 (£3.17 in 2008/09).

	2009/10 £'000	2008/09 £'000
Heating Charges	942	705
Leasehold Service Charges	3,780	3,775
Tenants Service Charges	4,099	3,320
Total Charges for Services and Facilities	8,821	7,800

2. GOVERNMENT HOUSING EXCHEQUER SUBSIDY

This is a Government grant towards the net cost of management and maintenance and financing costs (i.e. capital financing, lease costs and deferred interest payments) after allowing for an assumed rent increase. From April 2001, the subsidy includes the major repairs allowance. This represents the Government's estimate of the long-term average amount of capital spending required to maintain the housing stock in its present condition.

The Subsidy is made up of the following elements:

	2009/10 £'000	2008/09 £'000
Management Allowance	19,010	16,660
Maintenance Allowance	26,889	24,951
Major Repairs Allowance	15,788	13,379
Charges for Capital	17,156	18,566
Other Reckonable Expenditure	264	519
Allowance for Tenant Participation Compacts	0	0
Allowance for Resource Accounting	0	0
Guideline Rent Income	(74,367)	(69,390)
Rental Constraint Allowance	0	0
Interest on Receipts	(37)	(47)
Total Housing Element of Subsidy	4,703	4,638

Housing Revenue Account

3. REBATES

Assistance with rents is available under the Housing benefits scheme for those on low income. Approximately 60% of Council tenants received help under this scheme as at 31 March 2010 (60% as at 31 March 2009). The scheme is administered by the Council.

Rent rebates are chargeable to the General Fund and similarly, the corresponding subsidy is credited to General Fund.

Subsidy on rent rebates is subject to capping as the Council's rent is in excess of the Government's limit for subsidy on rebates. 2005/06 was the last year of transitional protection which required that the shortfall on subsidy due to overpayments (incentive areas) should be recharged back to the HRA. These costs are now picked up by General Fund from 2006/07. The cost of rebates over the subsidy limit is recharged back to the HRA. Rent rebate administration costs are fully chargeable to general fund.

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

	2009/10 £'000	2008/09 £'000
Rent Rebates Given (GF)	45,486	42,704
Subsidy Received on Rebates (GF)	(43,972)	(42,219)
Net cost to council	1,514	485
Recharge from GF to HRA		
Shortfall on limitation	1,514	485
Shortfall on overpayments	0	0
Net cost to the HRA	1,514	485
Net cost to GF	0	0

4. OTHER INCOME

	2009/10 £'000	2008/09 £'000
Asset rentals	0	91
Commission on insurance and water rates	736	961
Corporate recharges	0	0
Court costs	83	90
Inter-borough nominations	43	0
Hsg Mgt Contract Retentions	76	0
Government grants	462	576
Recharges of repairs	2,801	1,386
Professional fees	36	41
Recharge to capital receipts	278	375
Hostels: Heat, Light and Water Charges	242	254
Transfer from Leaseholders Insurance Fund	0	0
Fees and Charges to Lewisham Homes	0	373
Other miscellaneous income	157	492
Total Other Income	4,914	4,639

Housing Revenue Account

5. SUPERVISION AND MANAGEMENT – GENERAL EXPENSES

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.

6. SUPERVISION AND MANAGEMENT - SPECIAL EXPENSES

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

7. 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. Gross repairs and maintenance expenditure for 2009/10 was £21.977m (2008/09 - £21.313m).

8. RENT, RATES AND OTHER CHARGES

Expenditure relating to business rates, ground rents and lease rents payable.

9. CONTRIBUTIONS TO PROVISION FOR DOUBTFUL DEBTS

A contribution of £0.476m (2008/09 - £1.267m) was provided from the HRA to a provision set aside to meet doubtful debts. Details of the accumulated provision are as follows:

	2009/10 £'000	2008/09 £'000
Housing tenants	5,661	7,187
Leaseholders	2,230	1,962
Commercial properties, miscellaneous debts	361	428
Total Provision for Bad and Doubtful Debts	8,252	9,577

Housing Revenue Account

10. FIXED ASSETS

The following table gives details of the valuation of housing assets:

	31/03/06 £'000	31/03/07 £'000	31/03/08 £'000	31/03/09 £'000	31/03/10 £'000
Operational Assets:					
Dwellings	1,427,261	1,294,331	1,064,389	913,226	962,267
Other Land and Buildings	21,813	102,618	57,428	52,937	38,431
Infrastructure	0	0	495	473	124
Vehicles, Plant & Equipment	0	0	0	0	1,356
Total Operational Assets	1,449,074	1,396,949	1,122,312	966,636	1,002,178
Non-operational assets	8,463	745	9,152	30,099	60,938
Total Housing Assets	1,457,537	1,397,694	1,131,464	996,735	1,063,116
Valuation of Council dwellings					
Existing use value - social housing	1,247,261	1,294,331	1,064,389	913,226	962,267
Vacant possession value	3,530,834	3,507,027	2,876,727	2,468,178	2,600,722

The difference between the vacant possession value and the value of dwellings in their existing use as social housing reflects the economic cost to the council (and the Government) of providing housing at less than open market rents.

11. DEPRECIATION

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

	2009/10 £'000	2008/09 £'000
Operational Assets:		
Dwellings	27,400	31,502
Govt Grants Deferred	(1,377)	(696)
Total Depreciation Dwellings	26,023	30,806
Other Land and Buildings	938	1,244
Govt Grants Deferred	(12)	(42)
Total Depreciation Other land and buildings	926	1,202
Total Operational Assets	26,949	32,008
Non-operational assets	0	0
Total Housing Assets	26,949	32,008

Housing Revenue Account

12. IMPAIRMENT OF FIXED ASSETS

This is in respect of capital expenditure which was impaired because it did not add value to the assets, and the revaluation of council dwellings which resulted in a 10% decrease in the value of the stock.

13. AMORTISATION OF PREMIUMS AND DISCOUNTS

The cost to the HRA of loan redemption premiums is amortised over 10 years. The same applies to income from loan redemption discounts.

14. HOUSING CAPITAL EXPENDITURE

The following table shows total capital expenditure on housing assets and how it was financed:

	2009/10 £'000	2008/09 £'000
Capital expenditure on housing	8,736	19,305
Financed by:		
Government Supported Borrowing	2,600	2,697
Capital Grants	1,243	722
Capital Receipts	1,967	3,818
Major repairs reserve	2,926	12,068
Revenue contribution	0	0
Total Capital Expenditure Financed	8,736	19,305

The significant reduction in capital expenditure from 2008/09 (£19.3m) to 2009/10 (£8.7m) is due to the write off of £9.9m from capital to revenue. This was necessary under the new IFRS component accounting rules. Expenditure that cannot be capitalised as a component or does not add value to an existing building has to be written off to revenue. The £9.9m written off was fully funded from the Major repairs reserve.

Total capital receipts from the disposal of housing assets were £2.348m in 2009/10 (£2.051m in 2008/09) of which £0.617m (£0.545 in 2008/09m) were usable capital receipts.

15. HRA SET-ASIDE (CONTRIBUTION TO MINIMUM REVENUE PROVISION)

This is the repayment of principal on housing debt. As from 1st April 2004, there is no requirement to repay housing debt. The total housing debt was £246m (£255m in 2008/09).

Housing Revenue Account

16. MAJOR REPAIRS RESERVE

The movements on the Major Repairs Reserve are as follows:

	2009/10 £'000	2008/09 £'000
Balance as at 1 April	(1,310)	0
Transferred in (depreciation dwellings)	(28,437)	(32,745)
Financing of capital expenditure on housing assets	2,926	12,068
Financing Revenue MRP repairs	9,853	0
Transfer to the HRA	12,648	19,367
Balance as at 31 March	(4,320)	(1,310)

17. MOVEMENT IN HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

	Balance at 31/03/2009 £'000	Transfers in £'000	Transfers out £'000	Balance at 31/03/2010 £'000
Non-earmarked Balance	703	0	703	0
Property and Stock Related Reserves	7,604	1,114	1,783	6,935
Staff Related Reserves	1,010	300	1,010	300
Other Earmarked Reserves	2,777	366	617	2,526
Total	12,094	1,780	4,113	9,761

18. PENSIONS COSTS - FRS 17

In accordance with FRS 17, 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 cash payable in the year, so the accrued cost of retirement benefits is reversed out of the HRA in the Statement of Movement on the Housing Revenue Account Balance.

Collection Fund

SECTION 3b

**COLLECTION
FUND**

2009/10

Collection Fund

THE COLLECTION FUND

Lewisham Council is a designated 'billing' authority and as such is required by statute to set up and maintain a separate Collection Fund. The accounts of the Collection Fund are prepared on an accruals basis and show the transactions relating to both the Council Tax and the National Non-Domestic Rates (NNDR). The account also shows how the amount collected has been distributed to the Council's General Fund, the Greater London Authority (the Preceptor) in respect of Council Tax and to the Government in respect of NNDR.

The costs of collecting local taxes are accounted for in the General Fund as part of the Council's own budget. An allowance towards the cost of collecting NNDR, calculated on a formula basis, is however deducted from the monies paid to the Government and transferred to the General Fund. The Council's share of the year end balances are included in the Council's Balance Sheet and its share of the transactions in the Council's Cash Flow Statement.

COLLECTION FUND REVENUE ACCOUNT

	2009/10 £000	2008/09 £000	Note
INCOME			
Income from Council Tax (net)	94,778	93,756	3
Transfers from General Fund:			
- Council Tax Benefits	27,109	24,611	
Income from National Non-Domestic Rates (net)	44,873	43,813	4
TOTAL INCOME	166,760	162,180	
EXPENDITURE			
Precepts and Demands upon the Collection Fund			
- London Borough of Lewisham	90,610	87,856	
- Greater London Authority	26,939	26,773	
National Non-Domestic Rates			
- Payment to National Pool	43,784	42,903	4
- Cost of Collection Allowance	328	330	4
Bad and Doubtful Debts			
- Net adjustment to Provisions (Council Tax)	3,512	2,529	5
- Net adjustment to Provisions (NNDR)	345	(55)	5
- Amounts Written Off (Council Tax)	874	1,096	
- Amounts Written Off (NNDR)	416	635	
Contributions from previous year's Collection Fund Surplus			
- London Borough of Lewisham	50	31	2
- Greater London Authority	14	9	2
TOTAL EXPENDITURE	166,872	162,107	
DEFICIT / (SURPLUS) FOR THE YEAR	112	(73)	
SURPLUS AT THE BEGINNING OF THE YEAR	(144)	(71)	
FUND SURPLUS AT THE END OF THE YEAR	(32)	(144)	

COLLECTION FUND BALANCE SPLIT INTO ITS ATTRIBUTABLE PARTS

	LB Lewisham £000	GLA £000	Total £000
Surplus at 1st April 2009	(111)	(33)	(144)
Deficit for 2009/10	86	26	112
Surplus at 31st March 2010	(25)	(7)	(32)

Collection Fund

NOTES TO THE COLLECTION FUND REVENUE ACCOUNT

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

The annual budget process requires that each authority 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 both 2009/10 and 2008/09 assumed a collection rate of 96.25%.

The table below sets out the tax base calculation for 2009/10;

Council Tax Band	2009/10		Band D Ratio	2009/10		2008/09	
	Number of Properties Actual Number (1)	Adjusted Number (2)		Band D Equivalents as per Ratio	Council Tax Charge £	Band D Equivalents as per Ratio	Council Tax Charge £
A	6,949	5,372	6/9	3,581	901.29	3,631	884.34
B	31,418	25,419	7/9	19,771	1,051.50	19,515	1,031.73
C	40,446	34,441	8/9	30,614	1,201.73	30,314	1,179.12
D	25,081	22,308	1	22,308	1,351.93	22,277	1,326.51
E	7,200	6,586	11/9	8,050	1,652.36	8,059	1,621.29
F	2,781	2,571	13/9	3,714	1,952.79	3,693	1,916.07
G	1,293	1,205	15/9	2,008	2,253.22	1,996	2,210.85
H	173	145.25	18/9	290.5	2,703.86	296	2,653.02
Total	115,341	98,047		90,336.5		89,781	
Add: Contributions in lieu				0		0	
Total Band D equivalents				90,336.5		89,781	
Estimated Collection Rate				96.25%		96.25%	
NET COUNCIL TAX BASE				86,949		86,414	

- (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

An initial forecast is made in January each year of the estimated Collection Fund balance at the end of the financial year. 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. COUNCIL TAX INCOME

The income from Council Tax is shown in the table below;

	2009/10		2008/09
	£000	£000	£000
Gross Council Tax Due		143,028	139,397
Less: Adjustments to charge	561		671
Exemptions	(5,943)		(6,113)
Disabled Relief	(79)		(77)
Discounts	(15,680)		(15,511)
		(21,141)	(21,030)
Total Due from Council Tax payers		121,887	118,367
Transfers from General Fund for Council Tax Benefits		(27,109)	(24,611)
Net amount of Council Tax Receivable		94,778	93,756

4. NATIONAL NON-DOMESTIC RATES

The Council is responsible for collecting the National Non Domestic Rates (NNDR) (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 NNDR multiplier, which is set annually by the Government. The amount due is paid over to the Government and redistributed back to councils via the formula grant mechanism. The Council's share of this redistributed money is paid into the General Fund.

The total Non-Domestic Rateable Value for the Council at the end of 2009/10 was £118.1m (£113.6m at the end of 2008/09). The National Non-Domestic rate multiplier for 2009/10 was 48.5p (46.2p in 2008/09), with the small business National Non-Domestic rating multiplier being 48.1p (45.8p in 2008/09).

	2009/10		2008/09
	£000	£000	£000
Gross NNDR Collectable (after voids and exemptions)		48,985	47,719
Reductions and Relief:			
Mandatory Relief	(4,035)		(3,823)
Discretionary Relief	(152)		(154)
Interest on Refunds and Other Adjustments	75	(4,112)	71
Total Receivable from Business Rates		44,873	43,813
Irrecoverable Amounts Written Off		(416)	(635)
Net Adjustment to Provision for Bad Debts		(345)	55
Net Amount Collectable from Business Ratepayers		44,112	43,233
Cost of Collection Allowance transfer		(328)	(330)
Amount Payable to NNDR Pool		43,784	42,903

Collection Fund

5. COLLECTION FUND ARREARS AND BAD DEBT PROVISION

(a) Council Tax

	31/03/2010 £000	31/03/2009 £000
Council Tax Arrears	29,428	25,910
Provision for Bad Debts	(25,298)	(21,786)
As a Percentage of Arrears	86.0%	84.1%

	2009/10		2008/09	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Arrears				
Year of Accounts	8,048	27	7,645	30
Under 2 Years old	5,176	18	4,908	19
Under 3 Years old	4,100	14	3,580	14
Under 5 Years old	5,524	19	4,744	18
Over 5 Years old	6,580	22	5,033	19
Total	29,428	100	25,910	100

Income from court costs and penalties (and the associated debtors provision) as a result of arrears recovery action are accounted for in the General Fund. As at 31 March 2010, these amounted to £3.12m (£2.62m at 31 March 2009) with an accumulated provision for bad debts totalling £2.72m or 87% (£2.22m or 85% at 31 March 2009).

(b) National Non-Domestic Rates

	31/03/2010 £000	31/03/2009 £000
NNDR Arrears	2,922	1,438
Provision for Bad Debts	(728)	(383)
As a Percentage of Arrears	24.9%	26.6%

	2009/10		2008/09	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Arrears				
Year of Accounts	2,036	70	907	63
Under 2 Years old	517	18	227	16
Under 3 Years old	206	7	163	11
Under 5 Years old	140	5	106	7
Over 5 Years old	23	1	35	2
Total	2,922	100	1,438	100

For 2009/10, the overall arrears have increased for a number of reasons. The overall collection rate has reduced from 99.2% to 98.8%, the total amount collectable has increased and the government's "deferred scheme" has resulted a significant number of ratepayers deferring their payments for six months into 2010/11. However, the percentage of the arrears which are over 2 years old has decreased from 20% to 13%. The collection rate on NNDR has been over 99% in recent years.

Income from court costs and penalties (and the associated debtors provision) as a result of arrears recovery action are accounted for in the General Fund. As at 31 March 2010, these amounted to £0.062m (£0.066m at 31 March 2009) with an accumulated provision for bad debts totalling £0.056m or 90% (£0.060m or 91% at 31 March 2009).

Pension Fund Accounts

SECTION 4

**PENSION
FUND
ACCOUNTS**

2009/10

Pension Fund Accounts

PENSION FUND ACCOUNTS

TO FOLLOW

Group Accounts

SECTION 5

**GROUP
ACCOUNTS**

2009/10

Group Accounts

GROUP ACCOUNTS

The following Group Accounts present the financial position of the Council's group of organisations. The Council's group includes Lewisham Homes Limited and Catford Regeneration Partnership Limited. These organisations are both wholly owned subsidiaries of the Council.

Lewisham Homes Limited is an arms-length management organisation (ALMO) that was set up as part of the Council's initiative to deliver better housing services and achieve the government's Decent Homes Standard by 2012. Lewisham Homes Limited is responsible for managing and providing housing related services such as repairs and maintenance of council dwellings. Catford Regeneration Partnership Ltd (CRPL) is a wholly owned subsidiary of the Council and the Head of Property and Programme Management and the Head of Business Management and Support are directors of the board

Group Income and Expenditure Account for the year ending 31 March 2010

2008/09		2009/10		
Net Exp. £000s	SERVICE	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
7,383	Central services to the public	39,519	(29,963)	9,556
63,926	Cultural, environmental and planning services	80,980	(15,926)	65,054
173,233	Childrens' and education services	372,226	(275,179)	97,047
12,894	Highways, roads and transport services	22,802	(11,727)	11,075
69,506	Housing services	334,145	(329,159)	4,986
89,606	Adult social care	113,787	(28,853)	84,934
7,370	Corporate and democratic core	7,520	267	7,787
14,791	Non distributed costs	1,408	0	1,408
438,709	Net Cost of Services	972,387	(690,540)	281,847
(1,190)	Loss on the disposal of fixed assets			22,509
1,779	Levies			1,772
35,147	Interest payable and similar charges			32,791
213	Contribution of housing capital receipts to Government Pool			0
(8,243)	Interest and Investment Income			(3,639)
12,182	Pensions interest cost and expected return on pensions assets			6,834
28	Corporation Tax			11
478,625	Net Operating Expenditure			342,125
(87,942)	Income from Council Tax			(90,573)
(39,245)	General government grants			(52,483)
(153,295)	Non-domestic rates redistribution			(144,288)
198,143	Deficit/(Surplus) for the Year			54,781

Group Accounts

Reconciliation of the Single Entity Surplus or Deficit for the year to the Group Surplus or Deficit

	2009/10 £000s	2008/09 £000s
Deficit for the year on the Authority Income and Expenditure Account	74,833	198,654
Adjustments for transactions with other group entities	(29,067)	(22,737)
Deficit in the Group Income and Expenditure Account attributable to the authority	45,766	175,917
Deficit in the Group Income and Expenditure Account attributable to group entities	9,015	22,227
Deficit for the year on the Group Income and Expenditure Account	54,781	198,143

Group Statement of Total Recognised Gains and Losses

	2009/10 £000s	2008/09 £000s
Deficit for the year on the Income and Expenditure Account	54,781	199,953
Surplus arising on revaluation of fixed assets	(19,842)	18,234
Actuarial (gains)/losses on pension fund assets and liabilities	318,232	134,880
Net assets acquired as a result of a business combination	0	(1,606)
Other (gains)/losses	18,365	(3,507)
Total recognised (gains)/losses for the year	371,536	347,954

Group Accounts

Group Balance Sheet

	31/03/2010 £000s	31/03/2009 £000s
Fixed assets		
Operational assets		
Council dwellings	962,267	985,730
Other land and buildings	891,105	883,692
Vehicles, plant, furniture and equipment	29,179	24,469
Infrastructure	55,938	52,780
Community	8,451	7,965
Non-operational assets		
Investment properties	102,014	65,774
Assets under construction	38,785	36,756
Total fixed assets	2,087,739	2,057,165
Other long-term assets		
Long term investments	56,216	55,787
Lewisham Homes Pension Asset	20,046	2,011
Long term debtors	1,150	1,365
Total long-term assets	2,165,151	2,116,328
Current assets		
Stocks	344	309
Debtors	44,557	29,680
Cash	3,177	1,386
Short Term Investments	135,228	116,334
Landfill usage allowance	0	0
Prepayments	3,172	3,630
Total current assets	186,478	151,339
Current liabilities		
Short term borrowing	45,013	35,325
Creditors	69,679	59,054
Bank overdraft	14,691	14,269
Receipts in advance	66,513	57,022
PFI Liabilities due within one year	6,968	4,283
Landfill usage - liability to DEFRA	0	0
Total current liabilities	202,864	169,953
Total assets less current liabilities	2,148,765	2,097,714
Long term liabilities		
Long term borrowing	344,194	331,392
Provisions	13,084	12,585
Deferred capital receipts	365	488
Deferred PFI Liabilities	146,189	92,353
Government grants deferred	150,767	143,165
Liability related to defined benefit pension scheme	670,715	322,744
	1,325,314	902,727
Total assets less liabilities	823,451	1,194,987

Group Accounts

Group Balance Sheet (continued)

	31/03/2010 £000s	31/03/2009 £000s
Reserves and balances		
Reserves		
Revaluation Reserve	106,890	88,585
Capital Adjustment Account	1,259,925	1,324,609
Financial Instruments Adjustment Account	(13,100)	(15,760)
Usable Capital Receipts Reserve	20,298	17,411
Collection Fund Adjustment Account	25	111
Major Repairs Reserve	4,320	1,310
Pensions Reserve	(650,669)	(320,733)
Revenue Reserves	72,230	75,143
	799,919	1,170,676
Balances		
General Fund Balance	11,511	11,236
Housing Revenue Account	9,760	12,094
Catford Regeneration Partnership Ltd Reserves	(3)	0
Lewisham Homes Reserves	2,264	981
	23,532	24,311
TOTAL EQUITY	823,451	1,194,987

Group Accounts

Group Cash Flow Statement

TO FOLLOW

Group Accounts

Notes to the Group Accounts**1. Method of preparation**

The Group Accounts have been prepared using the acquisition method and include the accounts of the Council and its subsidiaries, Lewisham Homes Limited and Catford Regeneration Partnership Limited.

2. Lewisham Homes Limited

Lewisham Homes Limited was incorporated on the 22 January 2007 and is a wholly owned subsidiary of the council and is limited by guarantee. Lewisham Homes Limited's auditors are:

KPMG LLP
2 Cornwall Street
Birmingham
B3 2DL
United Kingdom.

3. Lewisham Homes Limited's Accounts

Lewisham Homes Limited's Accounts for 2008/09 received an unqualified audit opinion and their Statement of Accounts can be obtained from:

Lewisham Homes Limited
9 Holbeach Road
Catford
London
SE6 4TW

4. Accounting Policies

The accounting policies of the London Borough of Lewisham, Lewisham Homes Limited, and Catford Regeneration Partnership Limited are in line with those stated in section 1 of these accounts.

5. Summary of Subsidiaries' Transactions included in the Group Revenue Account

This is a summary of Lewisham Homes' and Catford Regeneration Partnership's transactions included in the 2009/10 Group Revenue Account, prior to the elimination of intra-group transactions (the transactions that took place between the subsidiaries and the council):

	Catford RP Ltd	Lewisham Homes	Total
	£000s	£000s	£000s
Operating (Gain) / Loss	3	(2,228)	(2,225)
Interest payable and similar charges	0	247	247
Interest and Investment Income	0	(50)	(50)
Pensions Interest Cost and Expected Returns on Pensions Assets	0	(18,035)	(18,035)
Corporation Tax	0	11	11
	3	(20,055)	(20,052)

Group Accounts

6. Summary of Subsidiaries' Transactions included in the Group Balance Sheet

This is a summary of Lewisham Homes' and Catford Regeneration Partnership's transactions included in the 2009/10 Group Balance Sheet, prior to the elimination of intra-group transactions (the transactions that took place between the subsidiaries and the council):

	Catford RP Ltd £000s	Lewisham Homes £000s	Total £000s
Fixed Assets	12,295	710	13,005
Lewisham Homes Pension Asset	0	20,046	20,046
Stock	0	87	87
Debtors	0	2,418	2,418
Cash	231	2,946	3,177
Creditors	(242)	(3,829)	(4,071)
Provisions	0	(68)	(68)
Long term borrowing	(12,287)	0	(12,287)
Liability related to defined benefit pension scheme	0	(20,046)	(20,046)
Net assets	(3)	2,264	2,261

7. Reconciliation of Group Cash Flow:**TO FOLLOW**

ANNUAL GOVERNANCE STATEMENT

SECTION 6

**ANNUAL
GOVERNANCE
STATEMENT**

2009/10

ANNUAL GOVERNANCE STATEMENT

ANNUAL GOVERNANCE STATEMENT

TO BE INCLUDED AFTER APPROVAL BY AUDIT PANEL AND COUNCIL

ANNEXE 1

**SIGNIFICANT
GOVERNANCE ISSUES –
ACTION PLAN**

2009/10

SIGNIFICANT GOVERNANCE ISSUES – ACTION PLAN

TO BE INCLUDED AFTER APPROVAL BY AUDIT PANEL AND COUNCIL

ANNEXE 2

**GLOSSARY OF TERMS
AND ACRONYMS USED
IN THE ACCOUNTS**

2009/10

Annexe 2

TERMS USED IN THE ACCOUNTS

ACCRUALS	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.
CAPITAL EXPENDITURE	Expenditure on the acquisition or enhancement of assets which are considered to be of benefit to the authority over a period of more than one year, e.g. land and buildings.
CAPITAL ADJUSTMENT ACCOUNT	Represents a store of capital resources set aside to meet past expenditure.
CAPITAL RECEIPTS	Income received from the sale of land, buildings and plant.
COLLECTION FUND	A separate statutory account into which Council Tax and National Non-Domestic Rates are paid in order to meet payments due to the Council's General Fund and Preceptors (currently the Greater London Authority).
CONTINGENT LIABILITY	A possible liability to future expenditure at the balance sheet date dependant upon the outcome of uncertain events.
CREDITORS	Amount of money owed by Lewisham for goods, works or services received.
DEBTORS	Amount of money owed to Lewisham by individuals and organisations.
DEPRECIATION	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 the asset to reflect the usage in the year.
EARMARKED RESERVES	Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.
GENERAL FUND	The account which comprises the revenue costs of providing services, which are met by the Council's demand on the Collection Fund.
INFRASTRUCTURE	A classification of fixed assets which have no market value and which exist primarily to facilitate transportation and communication requirements (e.g. roads, street lighting). They are usually valued at historic cost.
LEASES	There are two types of leases: Finance lease - Transfers the risks and rewards of ownership of an asset to the Lessee and at the end of the lease term substantially all the asset value and interest payments have been paid. Operating leases - The Lessor is paid a rental for the hire of an asset for a period that is substantially less than the useful economic life of the asset.
MEMORANDUM ACCOUNT	These Accounts are not part of the Council's formal statutory Accounts and are included in the Statement for added information.
MINIMUM REVENUE PROVISION	The minimum amount which must be charged to an authority's revenue account each year for principal repayments on loans .

Annexe 2

NATIONAL NON-DOMESTIC RATE (NNDR)	National Non-Domestic Rate (NNDR) is set by the Government and collected by each authority and paid into the central pool. The Government pays back to the authorities their share of the pool as part of the formula grant allocation.
PRIVATE FINANCE INITIATIVE	A central government initiative whereby contracts are let to private sector suppliers for both services and capital investment in return for a unitary payment, which may be reduced if performance targets are not met.
PRECEPT	These are demands made upon the Collection Fund by the Council's General Fund and the Greater London Authority in accordance with its demand.
PROVISIONS	An amount set-aside for any liability or loss, which is likely to be incurred, but where the exact amount and date on which they will arise is uncertain.
REVALUATION RESERVE	Represents a store of gains on revaluation of fixed assets not yet realised through sales.
REVENUE SUPPORT GRANT	The main grant paid to local authorities by the Central Government in aid of local services generally.
REVENUE EXPENDITURE	Day-to-day payments on the running of Council services, e.g. salaries, wages, supplies and services, and debt charges.
SUPPORT SERVICES	Activities of a professional, technical and administrative nature which are not local authority services in their own right, but support main front-line services.

Annexe 2

ACRONYMS USED IN THE ACCOUNTS

ABG	Area Based Grant
BVACOP	Best Value Code of Practice
BVR	Best Value Review
CDC	Corporate and Democratic Core
CIPFA	Chartered Institute of Public Finance and Accountancy
DSG	Dedicated Schools Grant
Ex-ILEA	Ex-Inner London Education Authority
FRS	Financial Reporting Standard
HRA	Housing Revenue Account
I&E A/c	Income and Expenditure Account
IFRS	International Financial Reporting Standards
LEP	Local Education Partnership
LGPS	Local Government Pension Scheme
LPFA	London Pensions Fund Authority
LSP	Local Strategic Partnership
MRP	Minimum Revenue Provision
NNDR	National Non-Domestic Rates
PCT	Primary Care Trust
PFI	Private Finance Initiative
SMGFB	Statement of Movement on the General Fund Balance
SORP	Statement of Recommended Practice
SSAP	Statement of Standard Accounting Practice
STRGL	Statement of Total Recognised Gains and Losses
TPA	Teacher's Pensions Agency
VAT	Value Added Tax

ANNEXE 3

**CAPITAL
EXPENDITURE
ANALYSIS**

2009/10

Annexe 3

CAPITAL EXPENDITURE ANALYSIS 2009/2010

The reason for the apparent low percentage is that during quarter 4 of 2009/10 a review of the capital programme was carried out to enable the adoption of component accounting under IFRS rules. This technical adjustment resulted in £13.0m being written off to revenue (£3.2m Directorates' capital programme, £9.8m Lewisham Homes). If the amount written off to revenue is added back to the capital spend, the total spend through the capital programme was £76.7m (100% spend to budget / forecast).

Directorates' Capital Programme:

	Actual	Forecast/	Variation of Actual	
	Expenditure £'000	Budget £'000	£'000	%
Community Services				
Integrated Adult Social Care System	642	643	(1)	-0.2%
Forest Hill Pool	529	541	(12)	-2.2%
Manor House	441	490	(49)	-10.0%
Loampit Vale Pool	306	378	(72)	-19.0%
- Other projects	234	832	(598)	-71.9%
Community Services Sub Total	2,152	2,884	(732)	-25.4%
Resources				
ICT - Technology & Transformation	2,977	3,252	(275)	-8.5%
ICT - Tech Refresh	554	555	(1)	-0.2%
- Other projects	20	762	(742)	-97.4%
Resources Sub Total	3,551	4,569	(1,018)	-22.3%
Children and Young People (CYP)				
Monson school	3,170	4,564	(1,394)	-30.5%
Tidemill School	2,031	2,520	(489)	-19.4%
BSF - ICT	1,994	2,235	(241)	-10.8%
Quality & Access for All Young Children - Capital Grant	1,484	1,580	(96)	-6.1%
BSF Programme	1,460	926	534	57.7%
Gordonbrock primary school	1,322	1,531	(209)	-13.7%
Rushey Green school	1,138	1,571	(433)	-27.6%
Woodpecker Youth project	448	415	33	8.0%
Schools minor works programme	462	556	(94)	-16.9%
Play Builder programme	431	511	(80)	-15.7%
Extended Schools Capital	404	497	(93)	-18.7%
Primary place expansion	265	370	(105)	-28.4%
Brockley primary school	276	294	(18)	-6.1%
Big Lottery for Play	243	291	(48)	-16.5%
- Other projects	986	1,969	(983)	-49.9%
Children and Young People Sub Total	16,114	19,830	(3,716)	-18.7%
CYP Schools				
Standards Fund Projects	5,024	174	4,850	2787.4%
CYP Schools Sub Total	5,024	174	4,850	2787.4%

Annexe 3

Directorates' Capital Programme (continued):

	Actual	Forecast/	Variation of Actual	
	Expenditure £'000	Budget £'000	£'000	%
Regeneration				
Acquisition of the Catford Centre	12,295	12,210	85	0.7%
TfL Programme	2,568	2,446	122	5.0%
Borough Road Reconstruction & Resurfacing Works	2,498	1,800	698	38.8%
Deptford Town Centre Regeneration	1,793	535	1,258	235.1%
North Lewisham Links	1,645	1,691	(46)	-2.7%
New Cross NDC Programme	1,412	1,801	(389)	-21.6%
Worksmart	1,242	3,683	(2,441)	-66.3%
Highways BVR Programme	1,031	862	169	19.6%
AMP Programme	693	830	(137)	-16.5%
Deptford Station	535	718	(183)	-25.5%
Hatcham Gardens	464	0	464	N/A
Parklands: Ladywell Fields and the Waterlink Way	415	387	28	7.2%
Brockley Common	383	127	256	201.6%
- Other projects	510	1,253	(743)	-59.3%
Regeneration SubTotal	27,484	28,343	(859)	-3.0%
Customer Services				
Kender Estate - Phase 4	1,507	1,497	10	0.7%
Private Sector Grants	1,024	839	185	22.1%
Disabled Facilities Grant (DFG)	826	775	51	6.6%
Heathside & Lethbridge - Partnership Works	819	1,293	(474)	-36.7%
Honor Oak New Build: Hilton House	652	652	0	0.0%
Parks Works - Envirowork Lewisham	258	258	0	0.0%
Cash Incentive scheme	238	210	28	13.3%
Homelessness Group	144	206	(62)	-30.1%
Vehicle Purchases	109	369	(260)	-70.5%
- Other projects	226	887	(661)	-74.5%
Customer Services Sub Total	5,803	6,986	(1,183)	-16.9%
Total Directorates' Capital Programme	60,128	62,786	(2,658)	-4.2%

Lewisham Homes Capital Programme:

	Actual	Forecast	Variation of Actual	
	Expenditure £'000	Budget £'000	£'000	%
Boilers	2,617	2,021	596	29.5%
Tenants Panel	473	391	82	21.0%
Lift Refurbishment Programme	234	227	7	3.1%
Roofs	148	147	1	0.7%
- Other projects	0	11,098	(11,098)	-100.0%
Total Lewisham Homes Capital Programme	3,472	13,884	(10,412)	-75.0%
Total Council's Capital Programme	63,600	76,670	(13,070)	-17.0%