

**LONDON BOROUGH OF LEWISHAM
2021/ 22 DRAFT STATEMENT OF ACCOUNTS
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**NARRATIVE STATEMENT BY THE
EXECUTIVE DIRECTOR OF CORPORATE RESOURCES**

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

1. COUNCIL STRUCTURE AND PERFORMANCE

a) Corporate structure and governance

Lewisham Council is made up of one Mayor, elected by the whole borough, and 54 ward Councillors, for 19 wards within the borough, 16 with three elected Councillors and 3 with two elected Councillors. Elections were held on 5 May 2022. Damien Egan, Labour party, was returned as Mayor for his second term. The 54 Councillor positions were all filled by candidates from the Labour party and the Labour and Co-operative party (at 31 March 2021 there were 49 Labour Councillors, 1 Independent and 4 vacancies). Details of the way that the Council governs itself are given in the Annual Governance Statement in section 9 of these accounts.

b) Management structure

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

- Chief Executive
- Executive Director Children and Young People
- Executive Director Community Services
- Executive Director Housing, Regeneration and Public Realm
- Executive Director Corporate Resources
- Assistant Chief Executive
- Director of Law, Governance and Human Resources (from July 2021)
- Monitoring Officer (to June 2021)

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

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

c) Service delivery

The total workforce for Lewisham at the end of FY 2020/21 was of 3,017, which consisted of 2,487 staff members (excluding casual workers) and 530 agency workers. The schools staff headcount is 3,215. The demographic composition of the workforce as at 31 March 2022 was:

- 62.6% female
- 46.5% BAME
- 4.9% disabled
- One third of the workforce are over the age of 50.

The overall workforce generally reflects the diversity of Lewisham's population.

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

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- Lewisham Homes Limited: An arms-length management organisation (ALMO) set up in 2007 as part of the Council's initiative to deliver better housing services and sustain the Decent Homes Standard. *The company manages approximately 19,000 homes.*
- Catford Regeneration Partnership Limited: The Company owns significant interests in the Catford shopping centre area and aims to support the Council to deliver a regeneration programme for the town centre and the surrounding area.

More detail concerning these companies is shown in the Group Accounts in section 6 of this document.

d) Future Lewisham

There are four core themes run through the heart of the Council's plans for Future Lewisham:

- A greener future
- A healthy and well future
- An economically sound future
- A future we all have a part in

The key strategic document for Lewisham is "Lewisham's Corporate Strategy 2018-2022", which can be viewed on the Council's website.

e) Corporate priorities

The Council has seven corporate priorities within its corporate strategy as follows:

- Open Lewisham – Lewisham will be a place where diversity and cultural heritage are recognised as a strength and are celebrated.
- Tackling the housing crisis – Everyone has a decent home that is secure and affordable.
- Giving children and young people the best start in life – Every child has access to an outstanding and inspiring education and is given the support they need to keep them safe, well and able to achieve their full potential.
- Building an inclusive local economy – Everyone can access high-quality job opportunities, with decent pay and security in our thriving and inclusive local economy.
- Delivering and defending health, social care and support – Ensuring everyone receives the health, mental health, social care and support services they need.
- Making Lewisham greener – Everyone enjoys our green spaces, and benefits from a healthy environment as we work to protect and improve our local environment.
- Building safer communities – Every resident feels safe and secure living here, as we work together towards a borough free from the fear of crime.

These priorities are being updated in 2022/23 following the local elections in May 2022

f) Core values

The Council also has the following four core values:

- We put service to the public first.
- We respect all people and all communities.
- We invest in employees.
- We are open, honest, and fair in all we do.

As a Council we will do everything in our power to support those who need us most and build on the amazing community spirit and local activism. We will continue to make Lewisham's voice heard and ensure that our values which make Lewisham a special place are at the forefront of our future journey. In quarter four of the 2021/22 financial year Lewisham became the London Borough of Culture for 2022.

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g) Performance management

In 2021/22 reports from the five directorates have been periodically presented at Directorate Management Team (DMT) and Executive Management Team (EMT) meetings, each of which is also shared with the relevant lead Cabinet member.

The Council continues to publish performance information on our website. This includes various reports and progress updates which are also presented on a cyclical basis to Members. The Council seeks to continuously improve and identify ways to increase the transparency and accountability of performance information to the public. This work was assisted in 2021/22 with the Local Government Association (LGA) Peer Review process that the Council undertook with the full report published on the website.

2. LOCAL GOVERNMENT FINANCE CONSIDERATIONS

a) The Council's response to Covid-19

The Covid-19 pandemic had a significant on the Council's operations through 2020/21 and into 2021/22 with continuing, albeit lesser, restrictions in force requiring services to be delivered differently. The Council has adapted to new ways of working, such as increased remote and hybrid working for many and a reliance on redeployment and volunteering to support those services where the need is greatest. For example, this includes the resources diverted to support the work needed to make the vaccines rollout a success and underpin the community work to manage local food banks and similar services.

Throughout this period the Council has continued to deliver its critical services – keeping schools open, supporting those with care needs, addressing the pressures on residents and businesses through housing options and administering additional government grants, maintaining the parks and public spaces, and ensuring bin collections and recycling continue as usual.

The Council's continued focus will be on:

- protecting critical services;
- managing increased demand as a result of the impact of the pandemic on the community;
- promoting good public health and minimising the spread of infection;
- preparing for the ongoing demands on already stretched public services, across the Council and with our partners.

b) Government funding for Covid-19

The Council received some new additional funding from the Government during 2021/22 for the continuing costs of responding to Covid-19, as well as managing the continued disbursement of funds from schemes carried over from 2020/21. The main elements included:

- Extended business rates relief for 2021/22, with grants to small businesses and those in the retail, hospitality, and leisure sectors, and a grant to support Small and Medium Enterprises (SMEs) – those with less than 50 employees – not covered by the initial grant arrangements.
- A number of other government backed financial packages provided to support local businesses during the course of 2021/22, with circa 20 different schemes being in operation at one time or another during the course of the pandemic.
- In addition, the Council has disbursed over £4m in hardship monies via the Government's Household Support Fund and £1.4m in self-isolation grants to those eligible to support the residents most severely financially impacted by the pandemic.

In respect of the burden on Council services, the Government has provided some funding in the form of grant and new burden support to meet the financial impact of this additional work. This also included the early payment of some grants to support the cash flow. Lewisham has received (and carried forward from 2020/21) £17.8m to cover the costs of the Covid-19 response and a further £1.2m to support the

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shortfalls in the Council's sales, fees and charges income. A further £12.1m has been received (including carry forwards) in grant income for targeted and specific Covid-19 related activity, providing an overall envelope of £31.1m. Some £25.2m of these sums have been spent in 2021/22, with the balance being carried forward to help alleviate the on-going pressures of the coronavirus pandemic or as Creditors to be repaid to DLUHC in 2022/23. Monthly monitoring to the Department of Levelling Up, Housing and Communities (DLUHC) was in place throughout the year 2021/22 and has now stopped.

c) Financial impacts, risks and uncertainties, going concern considerations

The current situation has given rise to a number of risks and uncertainties. There is significant uncertainty in respect of the outlook for Council Tax and business rates income and market stability in some of the Council's key supplier base as the UK economy slows at the same time as experiencing rising inflationary pressures. The Council seeks to anticipate and prepare for these pressures through its Medium Term Financial Strategy (MTFS). However, this is within the constraints of the limited certainty provided by the economic transition post Brexit and the Covid-19 pandemic, current local government funding arrangements set annually, and the emerging policy agenda for areas such as health and social care, academisation of schools and special needs demand, and a looser planning framework. If these changes are not fully funded the initial pressure will fall on reserve balances; firstly from the general unallocated reserves and then, the earmarked reserves.

The 2021/22 budget was set without the use of reserves and after the funding of growth and pressures of £19.7m to reset service baseline budgets and reduce the risk of the in-year overspending seen in recent years. The budget was also set with the commitment from services to deliver £28m of agreed savings. Some of these revenue plans are at risk of delay or not being delivered and the risk extends to potential material slippage in the expanded capital programme. The regular financial monitoring reported quarterly to Mayor & Cabinet keep these matters under constant review to enable plans to be flexed or changed as needed.

The Council has sufficient reserves to meet its financial commitments at present, including the estimated costs and lost income considerations, and despite these risks and pressures the current situation does not alter the Council's position as a going concern.

d) Impact on 2021/22 final accounts

There are two important implications worth noting for the 2021/22 final accounts:

- The statutory deadlines for the production of the draft accounts and audited accounts have been changed from 31 August to 31 July for the draft with the audited date remaining as the 30 November.
- The changes for the implementation of IFRS 19 and treatment of leases has been deferred by the CIPFA LAASC code for one further year, taking into account the other pressures still on local government finance teams.

3. FINANCIAL PERFORMANCE

a) 2021/22 Revenue Budget Setting and Funding

The Council set a net budget requirement of £243.1m for 2021/22 at its meeting on 3 March 2021. This was a decrease of £5.6m or 2.3% on the previous year's net budget requirement of £248.7m. The main sources of income were Revenue Support Grant (RSG), Business Rates and Council Tax. With central RSG and Business Rates similar to the previous year, Council Tax funds a higher proportion of the budget than it did last year, with bills increasing by 4.99% (3.99% in 2020/21). A year on year comparison of revenue budget funding is shown in the following table.

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	2021/22 £m	2020/21 £m
Revenue Support Grant	28.2	28.0
Business Rates	96.2	102.6
Council Tax	118.7	116.2
Social Care Precept	3.5	2.3
Surplus/ (deficit) on Collection Fund	-3.5	-0.4
Budget Requirement	243.1	248.7

b) Council Tax

In 2017/18, in addition to an increase in Council Tax for general purposes, Councils were given the ability to raise Council Tax by a further 6% over the years 2017/18 to 2019/20 as a precept to fund Adult Social Care expenditure without the need for a referendum. This was in response to concerns about the growing funding gap for Adult Social Care caused by an increase in demand and the introduction of the National Living Wage, which impacted directly on the cost of care provision. In 2017/18, the Council increased the precept by the maximum allowed, 3%, in 2018/19 by 1%, in 2019/20 by 2% and 2% in 2020/21. There was a further announcement to allow Council's to levy a 3% precept in 2021/22 which the Council agreed.

For 2021/22, the Council increased the general rate of Council Tax by 1.99% and agreed to levy the 3% Adult Social Care precept resulting in an overall increase of 4.99%.

The actual Council Tax charge is determined by dividing the net amount to be met from Council Tax by the tax base, which for Lewisham is 88,614 equivalent Band D properties for 2021/22 (90,099 in 2020/21).

The comparison of Council Tax Band D levels from 2020/21 to 2021/22 for Lewisham is shown in the following table, together with the Greater London Authority precept.

	2021/22	2020/21	Variation	Variation
	£	£	£	%
Lewisham Council	1,379.96	1,314.37	65.59	4.99
Greater London Authority	363.66	332.07	31.59	9.51
Council Tax for Band D	1,743.62	1,646.44	97.18	5.90

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c) 2021/22 Revenue Budget Outturn

The Council's 2021/22 revenue outturn position is shown in the following table. Further detail can be found in the Expenditure and Funding Analysis in Section 3, Note 1 of this document.

General Fund	Net budget	Outturn Full Year	Forecast Variance Over/ (Under)	Covid-19 related Variance	Business as Usual Outturn Over/ (Under)
	£m	£m	£m	£m	£m
Children & Young People	59.0	64.0	5.0	4.4	0.6
Community Services	81.8	96.5	14.7	13.4	1.3
Housing, Regeneration and Public Realm	22.5	26.7	4.2	4.8	(0.6)
Corporate Resources	33.1	35.4	2.3	2.5	(0.2)
Chief Executives	11.2	10.7	(0.5)	0.1	(0.6)
Directorate Totals	207.6	233.3	25.7	25.2	0.5
Covid-19 Government Grant Income – Applied	N/A	(25.2)	(25.2)	(25.2)	0.0
Corporate Items	35.5	35.5	0.0	0.0	0.0
Net Revenue Budget	243.1	243.6	0.5	0.0	0.5

During 2021/22, the overspend against the Directorates' net controllable budgets was £25.7m. This consists of Covid related spend of £25.2m for the year which is met by Covid-19 government grant income and a general fund 'business as usual' overspend of £0.5m. The final overspend of £0.5m has been managed from provisions without an unplanned drawing down of reserves. Detailed reasons for budget variances have been reported to Mayor & Cabinet on 15 June 2021.

The council has carried forward £4.0m of unspent local authority support grant and £0.4m of Contain Outbreak Management Fund to use to fund some of the legacy impact of Covid in 2022/23.

Savings of £8.1m were outstanding from 2020/21 and the services worked on the delivery of these alongside £22.6m of savings added to the budget for 2021/22 as part of agreeing a balanced budget. The total level of savings to be delivered in 2021/22 was £30.7m, £17.8m of these savings have been delivered with the undelivered £12.9m to be delivered during 2022/23.

Throughout the year, Mayor & Cabinet and Executive Directors have received regular financial monitoring reports. The financial position demonstrates the impact of the very severe financial constraints which have been imposed on Council services with the cuts made year on year, alongside the increasing demand due to the growing number of the borough's residents and the impact the coronavirus pandemic has had on the Council's finances.

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As the new financial year begins, with a new set of challenges in terms of the delivery of revenue budget cuts, the Council will continue in its resolve to apply sound financial controls. It is clear that the short and medium-term outlook will remain difficult and challenging. However, the Executive Director for Corporate Resources, as the Council's Section 151 officer, will continue to work with directorate management teams to effect the necessary continued actions to manage their services and intervene early where necessary to avoid a budgetary situation becoming unmanageable.

Dedicated Schools Grant

As at 2021/22, there are 13 schools in deficits totalling £3.1m and there are now three schools remaining with loans of which one is currently in deficit. Lewisham finance continues to work effectively with schools to ensure long term sustainability. Schools continue to face challenges including in particular pupil number reductions in primary schools, cost pressures on energy and other inflationary pressures. It should be noted that deficits could potentially revert back as a pressure on the General Fund

d) Balances and Reserves

After transfers to and from reserves the General Fund balance has remained at £20m. This is an adequate level of cover and represents approximately 8% of Lewisham's Net Budget Requirement for 2022/23. The Council also has a number of earmarked reserves for specific on-going initiatives and these are shown in Note 9 to the Core Financial Statements.

The Housing Revenue Account (HRA) spent to budget after transfers to reserves as at 31 March 2022. It continues to build reserves up on an annual basis, mainly to ensure that there are sufficient resources available to fund the current 30 year business plan. This aims to continue to invest in decent homes and to significantly increase the supply of housing in the borough over the medium to long term. The business plan is reviewed each year to ensure that the resources available from HRA reserves can be profiled appropriately to meet the business needs. After transfers to and from reserves the HRA balance at the end of the year, including earmarked reserves, now stands at £32.1m (£76.9m in 2020/21). These reserves include the Major Repairs Reserve and are for specific ongoing projects as outlined in the notes to the HRA in Section 4 of the Accounts.

e) Cashflow

Cash and Cash equivalents held by the Council increased from £77.6m to £111.7m in 2021/22. The detailed analysis of the movements in Cash throughout the year can be found in the Cashflow Statement and related notes. The summary is as follows:

	2021/22	2020/21
	£000s	£000s
Net Cash flows from Operating Activities	58,893	100,227
Purchases of PPE	(108,214)	(101,146)
Sales of PPE	15,815	11,267
Net Purchases of Short & Long-term investments	38,000	(45,000)
Net Receipts from Investing activities	20,700	36,601
Cash receipts of short and Long-Term Borrowing	0	0
Repayment of Short and Long-Term Borrowing	(8,239)	(12,952)
Net payments for Other Financing activities	17,115	(24,202)
Net Increase or (Decrease) in Cash and Cash Equivalents	34,070	(35,205)

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f) 2021/22 Capital Budget Outturn

The capital programme expenditure incurred during the year and how it was resourced is shown below.

	2021/22 Final Outturn £m	2021/22 Original Budget M&C - Feb-21 £m	2021/22 Revised Budget Proposed - Mar-22 £m	2020/21 Final Outturn £m
CAPITAL PROGRAMME EXPENDITURE				
General Fund	42.2	70.3	63.1	58.0
Housing Revenue Account	82.8	114.0	117.7	62.1
Total Spent	125.0	184.3	180.8	120.1

During the year, the budget was revised to reflect the forecast development of the programme. The percentage spent compared to the revised programme budget was 69% (2020/21 70%).

The Financing of the Capital Programme spend is shown in the table below:

	2021/22 Final Outturn £m	2021/22 Original Budget M&C - Feb-21 £m	2020/21 Final Outturn £m
CAPITAL PROGRAMME FINANCING			
Borrowing	10.2	63.5	8.2
Capital Grants	26.4	39.3	43.6
Capital Receipts	7.8	7.8	12.4
Use of reserves and revenue financing	80.6	73.7	55.9
Total Financed	125.0	184.3	120.1

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Spend on the major projects, where in year spend exceeded £1m, is shown in the table below.

Major Projects of over £1m

	2021/22 Expenditure £m	2020/21 Expenditure £m
General Fund		
School Places Programme	7.5	1.9
Temporary Accommodation Conversion	4.9	4.2
Schools minor works	4.7	4.2
Edward Street Development	4.4	5.7
Highways & Bridges (incl. TFL programme)	3.8	5.8
Lewisham Homes Property Acquisition	3.0	0.0
Private Sector Grants and Loans (inc. DFG)	2.3	1.5
Deptford Southern Sites Regeneration	2.2	2.6
Leisure Schemes	2.0	0.0
Lewisham Gateway (Phase 2)	0.6	14.8
Fleet Replacement Programme	0.0	6.3
Residential Portfolio Acquisition – Hyde Housing Association	0.0	2.1
Housing Revenue Account		
Building for Lewisham Programme	33.5	15.8
HRA Capital Programme	48.1	38.1
Creekside Acquisition	0.0	6.7

4. LOOKING AHEAD

a) Revenue Budget Outlook

Local government continues to face an extremely challenging financial outlook following a prolonged period of austerity and growth in demand for services. The economic backdrop, post Brexit and recovery from the Covid-19 pandemic, has increased the pressure on costs. This has also driven changes to regulations and service delivery that in turn bring additional risks and uncertainties.

The Council set a net budget requirement of £248.6m for 2022/23 at its meeting on 02 March 2022, which is £5.5m higher than the equivalent figure for 2021/22. The Council has made reductions of £11.8m to its budget, and added £17.3m to provide for risks and pressures. This is sufficient to set a balanced budget for the year, without the need to use reserves, but action is also being taken to ensure that expenditure is affordable in future years. Reserves may be used at the start of the financial year to underpin selected service budgets, pending actions being taken to bring these budgets back in line on an ongoing basis.

- The Medium Term Financial Strategy (MTFS) has been reported to Mayor & Cabinet in July 2022. This sets out that an estimated £36m of cuts would be required from 2023/24 to 2026/27 to meet the remaining budget gap with a profile of £10m, £10m, £8m and £7m, respectively.

Looking further ahead, the Government is due to conclude the delayed work to review arrangements for Local Government financing. This follows consultations on two potential changes that will contribute to shaping the future of Local Government funding:

- A Fair Funding Review of local authorities' relative needs and resources, to now include the recently published Census 2021 data; and
- Business Rates Retention Reform – and the viability of this national tax which disproportionately impacts asset based businesses, in particular retail compared to the growing level of online services.

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b) Capital Budget Outlook

The Council set its capital programme budget at its meeting on 03 March 2021. This outlined the Council's programme of £517.5m for the years 2021/22 to 2023/24. The most significant parts of the programme are school expansion to provide additional pupil places, highways and bridges, major regeneration schemes including Catford town centre, plus the Building for Lewisham programme.

The budgeted amount to be invested in 2022/23 is shown in the table below:

2022/23 Capital Programme	2022/23 Budget
	£m
General Fund	
Schools – Pupil Places Programme & other capital works	11.1
Edward St. Development	7.6
Broadway Theatre	6.2
Asset Management programme	5.2
Highways, footways and bridges	4.9
Temporary Accommodation	4.7
Mayow Rd. Development	4.4
Lewisham Gateway (Phase 2)	2.9
Leisure Schemes	1.8
Town Centres & High Street improvements	1.6
Beckenham Place Park	1.3
Traveller's Site Relocation	1.1
Place Ladywell	1.1
Achilles St. Development	1.0
Private Sector Grants and Loans	0.6
Other schemes	4.2
	59.7
Housing Revenue Account	
Building for Lewisham Programme	137.9
HRA Capital Programme	93.1
Other Schemes	11.6
	242.6
Total Capital Programme	302.3

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c) Corporate Risks

The Council has an embedded process to manage risks and assist the achievement of its objectives. The Risk Management Strategy is compliant with the statutory requirements as defined in the Accounts & Audit Regulations 2015 and is summarised as part of the Annual Governance Statement in section 9 of this document.

The Risk Management Objectives of the London Borough of Lewisham are as follows:

- Ensure the health, safety & security of service users, citizens and staff
- Safeguard vulnerable children and adults to help prevent injury and damage
- Help to achieve corporate priorities
- Integrate risk management into the culture of the Authority
- Identify, evaluate and manage risk in accordance with good practice
- Ensure legal and regulatory compliance as a minimum standard
- Anticipate and respond to changing social, environmental and legislative requirements
- Raise awareness of the need for risk management in all service areas
- Mitigate risks
- Enhance corporate governance of risk
- Optimise opportunities
- Reduce the cost of risk
- Safeguarding Council assets

Risks are scored in terms of likelihood and impact, with a range from 1 to 5 (with 5 being the highest) and the result is plotted on a matrix to produce a Red/Amber/Green rating. The risk register contains action plans to manage the risks to target and these are subject to regular review by Directorate Management Teams. The risk registers are reported to the Executive Management Team (previously the now disbanded Internal Control Board) on a quarterly basis, and to every Audit Panel meeting.

5. PENSION FUND VALUATION

The actuarial valuation of the Council's pension scheme liabilities and pension reserve shown on the Balance Sheet has reduced by £207.4m during the year, mainly as a result of changes to the financial assumptions used by the pension fund Actuary (Hymans-Robertson). (It increased by £242.8m during 2020/21). The Council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation.

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

6. THE COUNCIL'S STATEMENT OF ACCOUNTS

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

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

Section 1 – The Core Financial Statements

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

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

Section 1b - Movement in Reserves Statement (MiRS)

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

Section 1c - Balance Sheet

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

Section 1d - Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources

Narrative Statement

which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

Section 2 – Statement of Accounting Policies

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

Section 3 – Notes to the Core Financial Statements

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

Section 4 – Housing Revenue Account (HRA)

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

Section 5 – Collection Fund Accounts

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

Section 6 – Group Accounts

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

Section 7 - Glossary

This explains some technical and commonly used terms.

Section 8 – Pension Fund Accounts

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

Section 9 – Annual Governance Statement (AGS)

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

Statement of Responsibilities

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Executive Director for Corporate 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 Corporate Resources

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

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

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

I certify that I have also:

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

The Statement of Accounts gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2022.

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



Kathy Freeman CPFA
Executive Director for Corporate Resources (S151)
29 July 2022

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

To Follow

Core Financial Statements

SECTION 1 - CORE FINANCIAL STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 31 MARCH 2022

2020/21			SERVICE	2021/22			Note
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	
450,726	(352,975)	97,751	Children & Young People Directorate	450,964	(377,893)	73,071	
201,559	(122,443)	79,116	Community Services Directorate	207,061	(120,446)	86,615	
148,787	(85,150)	63,637	Housing, Regeneration & Public Realm Directorate	130,791	(95,593)	35,198	
223,698	(183,646)	40,052	Corporate Services Directorate	218,738	(177,634)	41,104	
12,489	(576)	11,913	Chief Executive Directorate	13,604	(1,076)	12,528	
98,972	(97,210)	1,762	HRA	99,590	(111,480)	(11,890)	
16,721	(6,953)	9,768	Corporate Provisions	6,941	(26,160)	(19,219)	
1,152,952	(848,953)	303,999	Cost of Services	1,127,689	(910,282)	217,407	1
			Other Operating Expenditure				
37,206	(6,832)	30,374	(Gain) / Loss on the disposal and de-recognition of non-current assets	36,907	0	36,907	
1,706	0	1,706	Levies	1,702	0	1,702	7
1,939	0	1,939	Contribution of housing capital receipts to Government Pool	1,940	0	1,940	19
40,851	(6,832)	34,019		40,549	0	40,549	
			Financing and Investment Income and Expenditure				
31,713	0	31,713	Interest payable and similar charges	31,031	0	31,031	
0	(3,164)	(3,164)	Interest and Investment Income	0	(1,611)	(1,611)	
21,120		21,120	Loss of Control of Assets	0	0	0	
39,190	(27,088)	12,102	Net interest on the net defined benefit liability	43,121	(27,240)	15,881	37
92,023	(30,252)	61,771		74,152	(28,851)	45,301	
			Taxation and non-specific Grant Income				
0	(118,065)	(118,065)	Income from Council Tax	0	(118,787)	(118,787)	
0	(85,163)	(85,163)	General Government Grants	0	(31,580)	(31,580)	30
0	(36,508)	(36,508)	Recognised Capital Grants and Contributions	0	(19,839)	(19,839)	
0	(95,735)	(95,735)	Non-Domestic Rates income and expenditure	0	(96,162)	(96,162)	
0	(335,471)	(335,471)		0	(266,368)	(266,368)	
		64,318	Deficit/ (Surplus) on provision of services			36,889	1
		(101,373)	Surplus on revaluation of non-current assets			(102,702)	21
		232,272	Remeasurement of the net defined benefit liability			(254,424)	20, 37
		130,899	Other Comprehensive Income and Expenditure			(357,126)	
		195,217	Total Comprehensive Income and Expenditure			(320,237)	

LEWISHAM STATEMENT OF ACCOUNTS 2021/22

Core Financial Statements

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31 MARCH 2022

YEAR YEAR ENDING 31 MARCH 2022	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Sub-Total General Fund £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000	Note
Balance at 01 April 2021 Brought Forward	20,000	200,728	220,728	74,978	1,884	58,296	26,605	382,491	1,416,855	1,799,346	
Movement in Reserves during 2021/22											
Surplus or (Deficit) on the provision of services	(4,263)	0	(4,263)	(32,626)	0	0	0	(36,889)	0	(36,889)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	357,126	357,126	21, 22
Total Comprehensive Income and Expenditure	(4,263)	0	(4,263)	(32,626)	0	0	0	(36,889)	357,126	320,237	
Adjustments between accounting basis and funding basis under regulations	34,653	0	34,653	(10,336)	(1,771)	6,091	3,767	32,404	(32,404)	0	8
Net Increase / (Decrease) before Transfers to Earmarked Reserves	30,390	0	30,390	(42,962)	(1,771)	6,091	3,767	(4,485)	324,722	320,237	
Transfers to / (from) Reserves	(30,390)	30,390	0	0	0	0	0	0	0	0	
Increase / (Decrease) in 2021/22	0	30,390	30,390	(42,962)	(1,771)	6,091	3,767	(4,485)	324,722	320,237	
Balance at 31 March 2022 Carried Forward	20,000	231,118	251,118	32,016	113	64,387	30,372	378,006	1,741,577	2,119,583	
Note		9		HRA 15	HRA 14	19					

LEWISHAM STATEMENT OF ACCOUNTS 2021/22

Core Financial Statements

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31 MARCH 2021


Restated											Note
YEAR ENDING 31 MARCH 2021	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Sub-Total General Fund £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000	
Balance at 01 April 2020 Brought Forward	20,000	151,122	171,122	84,281	16,463	61,368	23,626	356,860	1,637,703	1,994,563	
Movement in Reserves during 2020/21											
Surplus or (Deficit) on the provision of services	(25,121)	0	(25,121)	(39,197)	0	0	0	(64,318)	0	(64,318)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(130,899)	(130,899)	21, 22
Total Comprehensive Income and Expenditure	(25,121)	0	(25,121)	(39,197)	0	0	0	(64,318)	(130,899)	(195,217)	
Adjustments between accounting basis and funding basis under regulations	74,727	0	74,727	29,894	(14,579)	(3,072)	2,979	89,949	(89,949)	0	8
Net Increase / (Decrease) before Transfers to Earmarked Reserves	49,606	0	49,606	(9,303)	(14,579)	(3,072)	2,979	25,631	(220,848)	(195,217)	
Transfers to / (from) Earmarked Reserves	(49,606)	49,606	0	0	0	0	0	0	0	0	
Increase / (Decrease) in 2020/21	0	49,606	49,606	(9,303)	(14,579)	(3,072)	2,979	25,631	(220,848)	(195,217)	
Balance at 31 March 2021 Carried Forward	20,000	200,728	220,728	74,978	1,884	58,296	26,605	382,491	1,416,855	1,799,346	
Note		9		HRA 15	HRA 14	19					

Core Financial Statements

BALANCE SHEET AS AT 31 MARCH 2022

31/03/2021 £000		31/03/2022 £000	Note
	Property, Plant & Equipment		
1,393,428	Council Dwellings	1,413,440	10b, HRA 1a, 9
1,064,692	Other Land and Buildings	1,104,963	10b
28,785	Vehicles, Plant, Furniture and Equipment	27,001	10b
109,064	Infrastructure	103,286	10b
5,295	Community Assets	5,199	10b
52,244	Surplus Assets not Held for Sale	60,856	10b
69,923	Assets under Construction	126,444	10b
2,723,431		2,841,189	
928	Heritage Assets	955	41
1,924	Long Term Investments	1,873	
56,237	Long Term Debtors	59,520	14a
2,782,520	Total Long Term Assets	2,903,537	
313,327	Short Term Investments	275,247	12
188	Inventories	180	
80,677	Debtors	67,505	14b
78,676	Cash and Cash Equivalents	117,639	15
3,786	Prepayments	3,102	
476,654	Current Assets	463,673	
1,039	Bank Overdraft	5,932	15
2,073	Short Term Borrowing	3,006	12
21,644	Provisions (Less than 1 year)	15,594	18
117,814	Creditors	145,241	16
100,662	Receipts in Advance	79,236	17
9,302	PFI Liabilities due within one year	10,158	34d
252,534	Current Liabilities	259,167	
3,006,640	Total Assets less Current Liabilities	3,108,043	
222,784	Long Term Borrowing	221,646	12
8,052	Provisions (More than 1 year)	5,676	18
202,138	Deferred PFI Liabilities	193,246	34d
2,989	Capital Grants Receipts in Advance	3,320	
290	Other Long Term Liabilities	937	
771,041	Liability related to defined benefit pension scheme	563,635	20, 37
1,207,294	Long Term Liabilities	988,460	
1,799,346	NET ASSETS	2,119,583	
	Usable Reserves		
20,000	General Fund Balance	20,000	
200,728	Earmarked Revenue Reserves	231,118	9
74,978	Housing Revenue Account	32,016	HRA 15
1,884	Major Repairs Reserve	113	HRA 14
58,296	Usable Capital Receipts Reserve	64,387	19
26,605	Capital Grants Unapplied	30,372	42
382,491		378,006	
	Unusable Reserves		
1,209,588	Revaluation Reserve	1,288,111	21
1,044,137	Capital Adjustment Account	1,088,488	22
93	Deferred Capital Receipts	93	
(33,834)	Financial Instruments Adjustment Account	(32,981)	12e
(771,041)	Pensions Reserve	(563,635)	20, 37
(21,141)	Collection Fund Adjustment Account	(11,300)	Coll Fd 3
(2,375)	DSG Unusable Reserve	(8,644)	29
(8,572)	Short Term Compensated Absences Account	(18,555)	
1,416,855		1,741,577	
1,799,346	TOTAL RESERVES	2,119,583	

Certification by the Executive Director of Corporate Resources

	Kathy Freeman CPFA - Executive Director of Corporate Resources (S151) 29 July 2022
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Core Financial Statements

CASH FLOW STATEMENT FOR THE YEAR ENDING 31 MARCH 2022

2020/21 £000s		2021/22 £000s	Note
(64,318)	Net surplus or (deficit) on the provision of services	(36,889)	
214,948	Adjustment to surplus or deficit on the provision of services for non-cash movements	136,089	43
(50,403)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(40,307)	44
100,227	Net Cash flows from Operating Activities	58,893	
(98,278)	Net Cash flows from Investing Activities	(33,699)	46
(37,154)	Net Cash flows from Financing Activities	8,876	47
(35,205)	Net Increase or (decrease) in Cash and Cash Equivalents	34,070	
112,842	Cash and Cash Equivalents at the beginning of the reporting period	77,637	15
77,637	Cash and Cash Equivalents at the end of the reporting period	111,707	15

SECTION 2 - STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 (as amended for the Accounts and Audit (Amendment) Regulations 2021), which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and the SERCOP 2021/22, both published by CIPFA, and based on IFRS and statutory guidance under Section 12 of the Local Government Act 2003 (see Glossary for definitions). The accounting convention adopted in the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a 'going concern' basis (in other words, on the expectation that the Council will continue to operate in its current form for the foreseeable future).

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

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Prior period adjustments may arise from a change in an accounting policy or to correct a material error. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

3. ACCRUALS OF INCOME AND EXPENDITURE

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Expenditure on supplies is accounted for when they are used. When there is a significant gap between the date on which supplies are received and the date of their use, and the value is material, they are carried as inventories on the Balance Sheet.
- Expenditure in relation to services received (including those provided by employees) is accounted for as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised in the accounts, but cash has not been received or paid, a debtor or creditor for the amount is recorded in the Balance Sheet. Where it is likely that debts may not be settled, a charge is made to revenue for the income that might not be collected and the debtor is impaired.
- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that the economic benefits or service potential associated with the transaction will be received by the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will be received by the Council.

Statement of Accounting Policies

- Revenue from Council Tax, Non-Domestic Rates and rents is accounted for in the year it is due.
- The Council has a de-minimis level in accounting for manual accruals of £5,000. However, this does not mean that all transactions below this value will not be accrued as they may form part of feeder file accruals (where the file is over £5k) or where similar transactions below £5k add up to a total above £5k.

4. EXCEPTIONAL ITEMS

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

5. FOREIGN CURRENCY TRANSLATION

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

6. VALUE ADDED TAX (VAT)

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

7. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:-

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

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

8. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to the services where those budgets are controlled, in line with the organisational structure of the Council. However, overheads and support services still continue to be allocated across the benefiting services to cover statutory requirements (for example, between the General Fund and Housing Revenue Account) and for statutory returns to Central Government.

Statement of Accounting Policies

9. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement (MiRS). Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

10. LEASES

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

a) The Council as Lessee

i) Finance Leases

The Council as lessee does not have any finance leases.

ii) Operating Leases

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

b) The Council as Lessor

i) Finance Leases

When the Council grants a finance lease over a property or item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Any gain, representing the Council's net investment in the lease, is credited to the same line in the CIES as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset (long-term debtor) in the Balance Sheet. The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the MiRS.

Statement of Accounting Policies

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

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

ii) Operating Leases

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

The implementation of IFRS 16 Leases has been deferred to 1 April 2024 - for further information see Note 2 of Section 3 in these Accounts.

11. INVENTORIES (STOCK)

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

12. LONG TERM CONTRACTS

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

13. EMPLOYEE BENEFITS

a) Benefits Payable during Employment

Short-term employee benefits are those which are settled within 12 months of the year-end. They include salaries, paid annual leave and sick leave for current employees and are recognised as an expense in the year in which employees render their services to the Council. An accrual is made for the cost of entitlements (or any form of leave) earned by employees, but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the year in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the MiRS using the Short Term Compensated Absences Account so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. This account shows the differences arising on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March each year. Statutory requirements are that the impact on Council Tax is reversed through the Account.

b) Termination and Discretionary Benefits

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

Statement of Accounting Policies

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

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

c) Post-Employment Benefits

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

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

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

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

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

(ii) London Pension Fund Scheme

This scheme is a defined benefit scheme and is accounted for as such, since its liabilities and assets can be identified to individual Councils. The CIES is charged with a levy from the LPFA to meet the employer's contributions such as premature retirement costs in respect of former employees of the GLC, ILEA and LRB.

(iii) Local Government Pension Scheme

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

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

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

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

- Service Costs comprising
 - The current service cost which is the increase in liabilities as a result of years of service earned this year. These are allocated in the CIES to the services for which the employees worked.
 - The past service cost which is the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. These are debited to the relevant Service Directorate in the Surplus or Deficit on the Provision of Services in the CIES.

Statement of Accounting Policies

- Net interest on the net defined benefit liability
This is the change in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate to the net defined benefit liability at the beginning of the period, accounting for any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Re-measurement comprising
The return on plan assets excluding amounts included in net interest.
The actuarial gains and losses arising from changes in demographic and financial assumptions since the last actuarial valuation.
Other changes not accounted for elsewhere.

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

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

14. INTERESTS IN COMPANIES

The Council has two wholly owned subsidiary companies, Lewisham Homes Limited and Catford Regeneration Partnership Limited. These are accounted for at cost in the single entity accounts. It also is an equal partner (50:50) in Lewisham Grainger Holdings LLP with Grainger Developments Ltd and has a minority interest (significantly lower than 50%) in a number of other companies. The transactions between the Council and all of these companies are included in the Council's accounts. An annual review of the necessity of preparing Group Accounts is undertaken, and for 2021/22 it has again been concluded that the activities of Group's entities are sufficiently material to warrant the production of Group Accounts. See also Section 6 – Group Accounts, and Note 25 - Investment in Companies.

15. REVENUE PROVISIONS AND IMPAIRMENT ALLOWANCES

a) Provisions

The Council has set aside amounts from revenue as provisions which will be used to cover future expenditure. Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement at a later date and where a reliable estimate can be made of the amount of the obligation. Provisions are charged to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision in the Balance Sheet. All provisions are reviewed at the end of the financial year, and where it is assessed that it is less than probable that a settlement will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Statement of Accounting Policies

b) Impairment Allowances

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

16. RESERVES

The Council has set aside specific amounts as reserves to cover future expenditure for contingencies or policy purposes, which fall outside the definition of provisions, and are shown in Note 9 of Section 3. The reserves are created by appropriating amounts out of the General Fund Balance in the MiRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then credited back to the General Fund Balance in the MiRS so that there is no net charge against Council Tax. Statutory reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and are not available for the Council to use to finance services.

17. CONTINGENT LIABILITIES AND ASSETS

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

18. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

19. FINANCIAL INSTRUMENTS

a) Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by its effective rate of interest. This rate exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For the Council's borrowings, the amount on the Balance Sheet is the outstanding principal repayable (plus accrued interest), and the interest charged to the CIES is the amount payable for the year for the loan. Following a change in the Code in 2019/20 call options within LOBO contracts are no longer accounted for separately.

Premiums and discounts from previous year's settlements are charged to the CIES in accordance with regulations requiring the impact on the General Fund and the HRA to be spread over future years. The Council's policy is to spread the gain or loss over the remaining term of the loan repaid on which the

Statement of Accounting Policies

premium was payable or discount receivable. As required by statute, the amounts charged to the CIES are adjusted to the required charge against Council Tax or Housing Rents by a transfer to or from the Financial Instruments Adjustment Account in the MiRS. This account holds the accumulated difference between the financing costs charged to the CIES and the accumulated financing costs required to be charged to the General Fund Balance in accordance with regulations.

b) Financial Assets

Following the adoption of accounting standard IFRS 9 from 01 April 2018, which replaced IAS 39 Financial Instruments, the Available for Sale Financial Asset category is no longer available. Assets previously held as available for sale have now been reclassified in line with IFRS 9 code. In order to comply with the new requirements of the Code, financial assets are now classified into three categories:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

b (i) Financial assets measured at amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value, then subsequently at amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES

c) Expected Credit Loss Model

The Council will recognise expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis, where material. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

20. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than twenty four hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value. The Cash Flow Statement shows cash and cash equivalents net of repayable on demand bank overdrafts which form an integral part of the Council's cash management.

Statement of Accounting Policies

21. INTANGIBLE NON CURRENT ASSETS

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

22. NON CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

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

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

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability.

a) Recognition

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

b) Measurement and Valuation

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – current value, using the basis of existing use value for social housing (EUV-SH);
- all other assets – current value, being the amount that would be paid for the asset in its existing use (existing use value – EUV);
- where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value;
- where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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

Statement of Accounting Policies

The cost of an asset acquired other than by purchase is deemed to be its fair value. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the CIES. Where the donation has been made conditionally, the gain is held in the Donated Assets Account until conditions are satisfied. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the MiRS.

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

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

Surplus Assets not Held for Sale are assets that are not being used to supply goods and services and do not meet the criteria of assets held for sale. The adoption of IFRS 13 requires that these assets are measured at fair value and not existing use value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For surplus assets the gross value has been apportioned between land and building elements (residual and depreciable). Remaining useful life elements have also been provided for each asset. The aim is to arrive at the notional 'Highest and Best use value' for the asset. This has been achieved, for these purposes, by comparing the 'current use' of the asset to the notional 'alternative use' based on potential redevelopment on a land value basis for the site.

The valuer (Wilks Head and Eve) has stated in their valuation report that these assets have been categorised at Level 2 of the hierarchy as there are significant observable inputs:

- Land, Office, and Retail assets have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the locality.
- Market conditions for these asset types are such that the levels of observable inputs are significant leading to the properties being categorised at Level 2 in the Fair Value hierarchy.

Typical valuation inputs which have been analysed in arriving at the Fair Valuations include: Market Rental and Sale Values; Yields; Void and Letting Periods; Size; Configuration, proportions and layout; Location, visibility and access; Condition; Lease covenants; Obsolescence; Construction.

The Fair Value of the asset, for the current use, has been determined by applying an income or comparative approach based on the rental value of the property.

In most cases the assets have been leased on the open market and there are comparables to draw upon in relation to rental values, yields and rental growth.

Although there is an element of Valuer subjectivity, the valuers are of the view that the valuations comprise a higher proportion of observable inputs rather than unobservable inputs.

c) Charges to Revenue for Non-Current Assets

All services are charged with the following amounts to reflect the cost of using Property, Plant and Equipment assets during the year:

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

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

Statement of Accounting Policies

d) Impairment

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

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

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

e) Depreciation

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

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

The Council's policy is to charge depreciation on the assets value at 01 April each year. It is charged from the year following the date of purchase or completion of construction, and is not adjusted for disposals or additions of assets during the year. Where an asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

f) Disposals of Non-Current Assets

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

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

Statement of Accounting Policies

g) Deferred Capital Receipts

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

23. HERITAGE ASSETS

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

24. PRIVATE FINANCE INITIATIVE (PFI) CONTRACTS

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

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

25. ACCOUNTING FOR SCHOOLS

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

Notes to the Core Financial Statements

SECTION 3 – NOTES TO THE CORE FINANCIAL STATEMENTS

1. EXPENDITURE AND FUNDING ANALYSIS – YEAR ENDING 31 MARCH 2022

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax and rent payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

SERVICE	As reported for resource management (Narrative report) £'000	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances £'000	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis (see Notes to EFA (i)) £'000	Net Expenditure in the CIES £'000
Children & Young People Directorate	64,000	(23,694)	40,306	32,765	73,071
Community Services Directorate	96,500	(19,413)	77,087	9,528	86,615
Housing, Regeneration & Public Realm Directorate	26,700	(670)	26,030	9,168	35,198
Corporate Services Directorate	35,400	(62)	35,338	5,765	41,103
Chief Executive Directorate	10,700	(183)	10,517	2,010	12,527
HRA	0	42,021	42,021	(53,911)	(11,890)
Corporate Provisions	10,300	(17,977)	(7,677)	(11,539)	(19,216)
Cost of Services	243,600	(19,978)	223,622	(6,214)	217,408
Other Income and Expenditure	(243,100)	32,050	(211,050)	30,531	(180,519)
(Surplus) or Deficit	500	12,072	12,572	24,317	36,889

Notes to the Core Financial Statements

Analysis of Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances £12.0mGeneral Fund -£29.9m

The "Other Income and Expenditure" that is reported to management is equal to the net general fund budget set for the year (£243.1m). This is then compared to the net cost of services to get to the reported overspend for the year of £0.5m. However, the net increase in General Fund reserves for the year was £30.4m, the difference to the reported outturn position being mostly made up of the transfer of S106 income received that now has no remaining conditions to be met, which has been transferred from Receipts in Advance to Reserves (£21.4m) as well as an increase in the reserve of pooled funds for Health and Social Care system improvements (£9.5m).

HRA £42.0m

Within reports to management the net over/ underspend position of the HRA is always reported as nil, after taking account of/ noting the various movements and forecasts for the main income and expenditure items and the required action to return the account to a net nil budget. The net movement in HRA reserves in the year was a reduction of £42.0m, so this needs to be added back into the "Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances" to get to the required "Net Expenditure Chargeable to the General Fund and HRA Balances".

Opening General Fund and HRA Balance at 01 April 2021	(295,706)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	12,572
Closing General Fund and HRA Balance at 31 March 2022	(283,134)

Analysed between General Fund and HRA Balances			
	General Fund	HRA	Total
Opening General Fund and HRA Balance at 01 April 2021	(220,728)	(74,978)	(295,706)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	(30,390)	42,962	12,572
Closing General Fund and HRA Balance at 31 March 2022	(251,118)	(32,016)	(283,134)

Notes to the Core Financial Statements

EXPENDITURE AND FUNDING ANALYSIS – YEAR ENDING 31 MARCH 2021

SERVICE	As reported for resource management (Narrative report) £'000	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances £'000	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis (see Notes to EFA (i)) £'000	Net Expenditure in the CIES £'000
Children & Young People Directorate	69,100	(18,815)	50,285	47,466	97,751
Community Services Directorate	98,300	(26,177)	72,123	6,993	79,116
Housing, Regeneration & Public Realm Directorate	30,700	(21,678)	9,022	54,615	63,637
Corporate Services Directorate	40,200	(2,487)	37,713	2,339	40,052
Chief Executive Directorate	11,600	(59)	11,541	373	11,914
HRA	0	11,049	11,049	(9,288)	1,761
Corporate Provisions	-1,000	66,972	65,972	(56,204)	9,768
Cost of Services	248,900	8,805	257,705	46,294	303,999
Other Income and Expenditure	(248,700)	(49,308)	(298,008)	58,327	(239,681)
(Surplus) or Deficit	200	(40,503)	(40,303)	104,621	64,318

Opening General Fund and HRA Balance at 01 April 2020	(255,403)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	(40,303)
Closing General Fund and HRA Balance at 31 March 2021	(295,706)

Notes to the Core Financial Statements

Analysed between General Fund and HRA Balances			
	General Fund	HRA	Total
Opening General Fund and HRA Balance at 01 April 2020	(171,122)	(84,281)	(255,403)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	(49,606)	9,303	(40,303)
Closing General Fund and HRA Balance at 31 March 2021	(220,728)	(74,978)	(295,706)

Notes to the EFA

(i) Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the CIES amounts	2021/22			
	Adjustment for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
SERVICE				
Children & Young People Directorate	774	23,194	8,797	32,765
Community Services Directorate	2,974	3,875	2,679	9,528
Housing, Regeneration & Public Realm Directorate	14,326	2,908	(8,066)	9,168
Corporate Services Directorate	911	2,853	2,001	5,765
Chief Executive Directorate	0	1,010	1,000	2,010
HRA	(54,038)	127	0	(53,911)
Corporate Provisions	(7,856)	(2,830)	(853)	(11,539)
Cost of Services	(42,909)	31,137	5,558	(6,214)
Other Income and Expenditure	14,650	15,881	0	30,531
Difference between General Fund surplus or deficit and CIES surplus or deficit	(28,259)	47,018	5,558	24,317

Notes to the Core Financial Statements

Adjustments from General Fund to arrive at the CIES amounts	2020/21			
	Adjustment for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
SERVICE				
Children & Young People Directorate	33,872	9,460	4,134	47,466
Community Services Directorate	5,599	1,359	35	6,993
Housing, Regeneration & Public Realm Directorate	39,411	1,172	14,032	54,615
Corporate Services Directorate	1,174	1,112	53	2,339
Chief Executive Directorate	0	373	0	373
HRA	(9,393)	105	0	(9,288)
Corporate Provisions	(65,577)	6,722	2,651	(56,204)
Cost of Services	5,086	20,303	20,905	46,294
Other Income and Expenditure	58,327	0	0	58,327
Difference between General Fund surplus or deficit and CIES surplus or deficit	63,413	20,303	20,905	104,621

Notes to the Core Financial Statements

(ii) Segmental Income and Expenditure

	2021/22
	£'000
Revenues from external customers	(301,467)
Revenues from transactions with other operating segments of the authority	0
Interest revenue	(1,611)
Interest expense	31,031
Depreciation and amortisation	43,915
Material items of income and expense (related to disposals of PPE and investments and reversals of provisions)	36,907
The authority's interest in the profit or loss of associates and joint ventures accounted for by the equity method	0
Income tax expense or income	0
Material non-cash items other than depreciation and amortisation	0

	2020/21
	£'000
Revenues from external customers	(243,767)
Revenues from transactions with other operating segments of the authority	0
Interest revenue	(3,164)
Interest expense	31,713
Depreciation and amortisation	110,434
Material items of income and expense (related to disposals of PPE and investments and reversals of provisions)	30,374
The authority's interest in the profit or loss of associates and joint ventures accounted for by the equity method	0
Income tax expense or income	0
Material non-cash items other than depreciation and amortisation	0

2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED IN THE 2021/22 ACCOUNTS

The Code of Practice requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued, but not yet adopted. This applies to the adoption of the following new or amended standards within the Code:

- Leases: IFRS 16 will require lessees to recognise most leases on their balance sheet – this is a significant change from current practice. Lessees will have a single accounting model for all leases, with two exemptions (low value assets and short term leases). Lessor accounting will be substantially unchanged. The new standard will come into effect in financial year 2024/25; therefore there is no impact on the 2021/22 Accounts.
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:

Notes to the Core Financial Statements

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- a. The Authority has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These judgements are based on the main reason that the Authority is holding the asset. If the asset is used in the delivery of services or is occupied by third parties that are subsidised by the Authority it is deemed to be a Property, Plant and Equipment asset. If there were no subsidy and/or a full market rent being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method used.
- b. An accounting judgement has been made for each school as to whether their land and buildings should be included within the Council's Balance Sheet. All Community Schools are deemed to be held on the Council's Balance Sheet due to the risks and rewards that the Council is deemed to have. Similarly, the Council's two Nursery Schools and the Pupil Referral Unit are owned and operated by the Local Authority and therefore on the Council's Balance Sheet. Voluntary Aided Schools and Academies together with a further two Foundation Schools are not included on the Council's balance sheet as ownership of Land and Buildings rests either with the relevant Diocesan body or, in the case of Academies the Government or the Foundation. In summary therefore:
 - Included are 40 Community Primary Schools, 4 Community Secondary Schools, 3 Community Special Schools, 2 Community Foundation Schools, 1 Pupil Referral Unit and 2 Nursery Schools (52 schools).
 - Excluded are 21 Voluntary-aided Schools, 2 Foundation Schools, 10 Academies and 3 others (35 schools).
 - Also excluded are assets acquired via PFI contracts where they relate to the excluded schools given above, although the PFI liability remains with the Council.
- c. A judgement has been made by the Council that it is proper practice to prepare Group Accounts for 2021/22, on grounds of materiality. For further information, see Section 2 – Accounting Policies (para. 14 – Interests in Companies); also Section 6 – Group Accounts; and Note 25 – Investment in Companies. All relevant entities have been consolidated into the Group Accounts.

Notes to the Core Financial Statements

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

These Accounts contain a number of estimated figures that are based on assumptions made about the future or that are otherwise uncertain, and take into account historical experience, current trends and other relevant factors. Because of this, the actual outcomes could be materially different from the assumptions and estimates made. The areas in the Council's Accounts at 31 March 2022 for which there is a significant possibility of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment - PP&E (Valuations, Asset Lives and Derecognition)	Land and building assets included in the Balance Sheet at fair value are revalued regularly in accordance with the Statements of Appraisal and Valuation Manual and Guidance Notes issued by the RICS and recommended by CIPFA. Land and building assets carrying value and remaining useful life are assessed by the Council's Valuers. These valuations include an assessment of the extent and feature of the sites, construction and the accommodation of the building etc.	<p>Changes to asset value and lives will have an effect on the annual depreciation charge for use of assets charged to services in the CI&ES. The annual depreciation charge for PP&E in 2021/22 is £50.981m (£49.862m in 2020/21) and the gross book value of these assets is £2,928m (£2,844m in 2020/21).</p> <p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 5%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £126m. An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement. Depreciation charges for operational buildings will change in direct relation to changes in estimated current value.</p> <p>The asset life has an inverse effect with depreciation charge. The lower the asset life, the higher the depreciation charge; the higher the asset life, the lower the depreciation charge.</p>
Valuation of HRA Dwellings	The Council's valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available	<p>A reduction in the estimate value of HRA dwellings would be a reduction on the revaluation reserve or a loss in the CIES. If the value of dwellings were to reduce by 10% this would lead to a reduction in value of about £141m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p>

Notes to the Core Financial Statements

Actuarial present value of promised retirement benefits	The figure of net liability to pay pensions is based on a significant number of complex assumptions including the discount rate, salary increases, mortality rates and expected returns on Fund assets. The Pension Fund's qualified actuary calculates this figure to ensure the risk of misstatement is minimised. Further sensitivity analysis is included in note 19 to the Pension Fund in Section 8, below.	The effects on the net pension liability of changes in assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption is estimated to reduce the present value of the pension liability by £37m. A 0.1% increase in the assumed level of pension increases will increase the net pension liability by £34m.
Impairment allowance for doubtful debt	As at 31 March 2022, the Council had an outstanding balance of short-term debtors totalling £138.3m. Against this debtors' balance, there is an impairment allowance of £68.4m. It is not certain that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not. The economic impact of the Covid-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts. In 2021/22 the Council has carried out a review of debt aged over 5 years and impaired a significant amount of this to nil (matching this to the impairment allowances brought forward). The most significant movements in debt balances was Council Tax (from £45.1m to £27.1m; impairment reserve from £41.7m to £23.6m) and Housing Benefits Overpayments (from £24.2m to £13.1m; impairment reserve from £19.9m to £9.3m). Calculation of expected credit loss is forward looking and doesn't just rely upon historic information without considering if that needs to be adapted to reflect current and future conditions. The calculation of the impairment allowance takes into account current and forecast future conditions.	An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on policies adapted to historic experience and success rates experienced in collection. The nature of the debt and service area have been considered and further review has been carried out to reflect the uncertainty of the collection rates as a result of Covid-19. If collection rates were to deteriorate significantly then the Council would need to review its policies on the calculation of its impairment allowance for doubtful debts.
Private equity and infrastructure investment valuations	These investments are not publicly listed and involve estimation techniques in their valuation. In addition, timing issues in producing capital statements for inclusion in the statement of accounts means that several assets are valued in the accounts at previous quarter valuations or later, and rolled forward to 31 March 2022 with adjustments and estimations where possible for known activity such as disbursements and capital calls. The Fund's private equity and infrastructure holdings (all level 3 investments) are impacted by this delay; as such, the final realised value of those assets may differ from the valuations presented in the accounts. The Council makes up approximately 83% of the active members of the Pension Fund so would be impacted by this uncertainty.	Private equity and infrastructure investments are valued at £215.1m in the financial statements. Based on the assessed valuation range of these level 3 investments, there is a risk that this investment type may be under or overstated in the accounts by up to 4.2% i.e. an increase or decrease of £9.0m. The Council makes up approximately 83% of the active members of the Pension Fund so would be impacted by this uncertainty - 83% of this risk is £7.5m.

Notes to the Core Financial Statements

Property investment valuations	Valuation techniques are used to determine the carrying values of directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, otherwise the best available data is used. The Council makes up approximately 83% of the active members of the Pension Fund so would be impacted by this uncertainty.	Following an analysis of historical volatility of asset class returns and expected investment returns, in consultation with the Fund's advisors, the Council has determined that the percentage of volatility that can be applied to the Fund's Property assets in 2021/22, assuming all other variables such as foreign exchange rates and interest rates remain the same, is estimated to be 1.9%. This would be an increase or decrease in the value of property investments of £3.0m, on a fair value of £156m. The Council makes up approximately 83% of the active members of the Pension Fund so would be impacted by this uncertainty - 83% of this risk is £2.5m.
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a) Movement in Land and Buildings valuations analysis

A sensitivity analysis detailing movement in valuations is as follows:

Asset Category	Assets Valued at 31 March 22	Value on Increase			Value on Decrease		
		1%	5%	10%	1%	5%	10%
		£000	£000	£000	£000	£000	£000
Council Dwellings	1,413,440	1,427,574	1,484,112	1,554,784	1,399,306	1,342,768	1,272,096
Other Land & Buildings	1,104,963	1,116,013	1,160,211	1,215,459	1,093,913	1,049,715	994,467
Surplus Assets	60,856	61,465	63,899	66,942	60,247	57,813	54,770
Total	2,579,259	2,605,052	2,708,222	2,837,185	2,553,466	2,450,296	2,321,333

Asset Category	Assets Valued at 31 March 21	Value on Increase			Value on Decrease		
		1%	5%	10%	1%	5%	10%
		£000	£000	£000	£000	£000	£000
Council Dwellings	1,393,428	1,407,362	1,463,099	1,532,771	1,379,494	1,323,757	1,254,085
Other Land & Buildings	1,064,692	1,075,339	1,117,927	1,171,161	1,054,045	1,011,457	958,223
Surplus Assets	52,244	52,766	54,856	57,468	51,722	49,632	47,020
Total	2,510,364	2,535,468	2,635,882	2,761,400	2,485,260	2,384,846	2,259,328

b) Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 19 to the Pension Fund, see section 8, below. This estimate is subject to significant variances based on changes to underlying assumptions.

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

Notes to the Core Financial Statements

6. EVENTS AFTER THE BALANCE SHEET DATE

The pre-audit Statement of Accounts was authorised for issue by the Executive Director for Corporate Resources on 29 July 2022. Events taking place after this date are not reflected in the accounts. Where events took place before this date which materially altered the conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect these altered conditions. There are no events after the balance sheet date to report for 2021/22.

7. OTHER OPERATING EXPENDITURE - LEVIES

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

	2021/22 £000	2020/21 £000
London Pension Fund Authority (a)	1,281	1,289
Lee Valley Regional Park Authority	213	211
Environment Agency	208	206
Total Levies Paid	1,702	1,706

(a) London Pension Fund Authority

The CIES is charged with a levy from the LPFA to meet the employer's contributions such as premature retirement costs in respect of former employees of the GLC, ILEA and LRB.

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

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

2021/22	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to/ from the Pensions Reserve)	46,824	194				(47,018)
Financial instruments (transferred to the Financial Instruments Adjustment Account)	(853)	0				853
Council Tax and NDR (transfers to/ from Collection Fund Adjustment Account)	(9,841)					9,841
Holiday Pay (transferred to the Accumulated Absences Account)	9,983					(9,983)
Reversal of entries included in the Surplus/ Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account (CAA))	14,541	56,985	25,293			(96,819)
Schools Budget deficit accounting (to account for the in-year deficit and year-end deficit balance)	6,269					(6,269)
Total Adjustments to Revenue Resources	66,923	57,179	25,293	0	0	(149,395)

Notes to the Core Financial Statements

Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(3,067)	(12,748)		15,815		0
Payments to the Government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	1,940			(1,940)		0
Statutory provision for the repayment of debt (transfer from the CAA)	(9,338)	(3,025)				12,363
Revenue Expenditure Funded from Capital under Statute	2,738					(2,738)
Capital expenditure funded from revenue balances (transfer to the CAA)	0	(51,742)				51,742
Total Adjustments between Revenue and Capital Resources	(7,727)	(67,515)	0	13,875	0	61,367
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure				(7,784)		7,784
Use of the Major Repairs Reserve to finance capital expenditure			(27,064)			27,064
Application of capital grants to finance capital expenditure	(24,543)				3,767	20,776
Total Adjustments to Capital Resources	(24,543)	0	(27,064)	(7,784)	3,767	55,624
Total Adjustments	34,653	(10,336)	(1,771)	6,091	3,767	(32,404)

2020/21	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to/ from the Pensions Reserve)	20,199	104				(20,303)
Financial instruments (transferred to the Financial Instruments Adjustment Account)	(860)	0				860
Council Tax and NDR (transfers to/ from Collection Fund Adjustment Account)	17,571					(17,571)
Holiday Pay (transferred to the Accumulated Absences Account)	1,819					(1,819)
Reversal of entries included in the Surplus/ Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account (CAA))	73,728	55,308	23,379			(152,415)
Schools Budget deficit accounting (to account for the in-year deficit and year-end deficit balance)	2,375					(2,375)
Total Adjustments to Revenue Resources	114,832	55,412	23,379	0	0	(193,623)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,791)	(8,476)		11,267		0
Payments to the Government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	1,939			(1,939)		0

Notes to the Core Financial Statements

Statutory provision for the repayment of debt (transfer from the CAA)	(9,894)	(3,165)				13,059
Revenue Expenditure Funded from Capital under Statute	8,953					(8,953)
Capital expenditure funded from revenue balances (transfer to the CAA)	875	(13,877)				13,002
Total Adjustments between Revenue and Capital Resources	(918)	(25,518)	0	9,328	0	17,108
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure				(12,400)		12,400
Use of the Major Repairs Reserve to finance capital expenditure			(37,958)			37,958
Application of capital grants to finance capital expenditure	(39,187)				2,979	36,208
Total Adjustments to Capital Resources	(39,187)	0	(37,958)	(12,400)	2,979	86,566
Total Adjustments	74,727	29,894	(14,579)	(3,072)	2,979	(89,949)

9. EARMARKED RESERVES

The Council has a number of earmarked reserves on its Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up to provide resources for future spending plans. This note shows the amounts used to meet General Fund expenditure in 2021/22 and amounts set aside in the year to finance future expenditure plans. The use of HRA earmarked reserves is shown in the notes to the HRA in Section 4.

Name of Reserve	Balance 31/03/21 £000	2021/22 Transfers		Balance 31/03/22 £000	
		Out £000	In £000		
Specific Revenue Earmarked	60,851	(1,961)	42,313	101,203	(a (i))
S31 Covid Business Rates Grant	33,157	(33,157)	5,327	5,327	(a (ii))
Covid Grants	16,055	(11,941)	3,868	7,982	(a (iii))
PFI and BSF Schemes	29,317	0	323	29,640	(b)
New Homes Bonus Reserve	20,203	(33)	2,651	22,821	(c)
Insurance	16,175	(725)	641	16,091	(d)
Capital Programme Expenditure	480	(5,198)	5,630	912	(e)
Section 106 Reserve	0	0	21,380	21,380	(f)
	176,238	(53,015)	82,133	205,356	
Schools Reserves and External Funds	24,490	(24,393)	25,665	25,762	(g)
	24,490	(24,393)	25,665	25,762	
Total	200,728	(77,408)	107,798	231,118	

a) Specific Earmarked Reserves

- (i) These comprise a number of specific reserves which are earmarked for particular purposes.
- (ii) The Earmarked Revenue reserve contains the S31 Covid Business rates relief grant carried forward to 2022/23.
- (iii) Revenue reserves balances also includes £8.0m of Other Covid-19 grants. These will either be used against revenue spend in 2022/23, used to support the Collection Fund, or returned to Central Government.

b) PFI and BSF Schemes Reserves

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

Notes to the Core Financial Statements

c) New Homes Bonus Reserve

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

d) Insurance Reserve

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

e) Capital Programme Expenditure Reserve

This reserve will be used to finance capital programme expenditure in future years.

f) Section 106 Reserve

In 2021/22 a review was carried out on the balances being held from S106 income received to determine if conditions had been met or not. From the balance previously being held as receipts in advance £21.4m was determined to have no further conditions applied. Therefore this was transferred from receipts in advance and a new reserve was set up. This reserve will be used to finance capital programme expenditure in future years.

g) Schools Reserves and Schools External Funds

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

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

Assets are valued at least every five years as a minimum or more regularly where a five-yearly valuation is insufficient to keep pace with material changes in fair value, to ensure that the Council's assets are valued in accordance with RICS and CIPFA guidance. The valuations this year were undertaken and signed off by the valuers Wilkes, Head and Eve LLP. Where revaluations have occurred in 2021/22, their exact effective date was 31 March 2022 for council dwellings and 31 March 2022 for other assets.

	Council Dwellings £000	Other Land & Buildings £000	Surplus Assets £000	Total £000
Valued at Historic Cost	0	0	0	0
Valued at Current Value				
2021-22	1,413,347	1,104,260	59,967	2,577,574
2020-21	93	108	889	1,090
2019-20	0	0	0	0
2018-19	0	391	0	391
2017-18	0	204	0	204
Total Net Book Value	1,413,440	1,104,963	60,856	2,579,259

Notes to the Core Financial Statements

b) Movements in Non-Current Assets

The movements in non-current assets during 2021/22 were as follows:

2021/22	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equip't £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	TOTAL £000
Gross Book Value b/fwd at 01 April 2021	1,393,428	1,064,737	62,187	194,757	5,562	53,823	69,923	2,844,417
Additions	49,713	1,126	1,709	2,774	0	0	56,521	111,843
Revaluations (recognised in Revaluation Reserve)	25,458	40,985	0	0	0	3,394	0	69,837
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	(1,674)	6,742	0	0	0	(657)	0	4,411
Impairments (recognised in Revaluation Reserve)	0	(813)	0	0	0	(1,120)	0	(1,933)
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	(76)	(348)	0	(854)	0	(719)	0	(1,997)
Loss of Control of Assets (recognised in Revaluation Reserve)	0	0	0	0	0	0	0	0
Loss of Control of Assets (recognised in Financing and Investment Income and Expenditure)	0	0	0	0	0	0	0	0
De-recognition of Assets (recognised in Other Operating Expenditure)	(46,929)	0	0	0	0	0	0	(46,929)
Disposals	(5,809)	0	(16,924)	(26,670)	(100)	(1,952)	0	(51,455)
Transfers	(670)	(7,418)	0	0	0	8,088	0	0
Gross Book Value c/fwd at 31 March 2022	1,413,441	1,105,011	46,972	170,007	5,462	60,857	126,444	2,928,194
Depreciation b/fwd at 01 April 2021	0	(45)	(33,402)	(85,693)	(267)	(1,579)	0	(120,986)
Depreciation for year	(24,394)	(14,854)	(3,628)	(7,705)	(95)	(305)	0	(50,981)
<u>Depreciation written back on:</u>								
Transfers	12	72	0	0	0	(84)	0	0
Revaluations (recognised in Revaluation Reserve)	22,760	11,627	135	0	0	249	0	34,771
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	1,621	3,139	0	0	0	43	0	4,803
Impairments (recognised in Revaluation Reserve)	0	0	0	0	0	0	0	0
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	13	0	0	0	0	0	13
Assets Sold	0	0	16,924	26,677	99	1,675	0	45,375
Depreciation c/fwd at 31 March 2022	(1)	(48)	(19,971)	(66,721)	(263)	(1)	0	(87,005)
Net Book Value at 31 March 2022	1,413,440	1,104,963	27,001	103,286	5,199	60,856	126,444	2,841,189

Notes to the Core Financial Statements

The movements in non-current assets during 2020/21 were as follows:

2020/21	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equip't £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	TOTAL £000
Gross Book Value b/fwd at 01 April 2020	1,284,065	1,077,934	59,003	191,981	5,596	94,858	80,532	2,793,969
Additions	38,960	3,700	7,781	3,136	0	0	45,211	98,788
Revaluations (recognised in Revaluation Reserve)	112,685	37,578	0	0	0	(31,635)	0	118,628
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	(9,333)	(31,238)	0	0	0	(2,846)	0	(43,417)
Impairments (recognised in Revaluation Reserve)	(1,943)	(1,172)	0	0	(14)	(3,667)	0	(6,796)
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	(2,059)	(437)	0	(360)	(20)	(2,729)	0	(5,605)
Loss of Control of Assets (recognised in Revaluation Reserve)	0	(45,617)	0	0	0	0	0	(45,617)
Loss of Control of Assets (recognised in Financing and Investment Income and Expenditure)	0	(21,120)	0	0	0	0	0	(21,120)
De-recognition of Assets (recognised in Other Operating Expenditure)	(37,206)	0	0	0	0	0	0	(37,206)
Disposals	(4,274)	0	(2,728)	0	0	(205)	0	(7,207)
Transfers	12,533	45,109	(1,869)	0	0	47	(55,820)	0
Gross Book Value c/fwd at 31 March 2021	1,393,428	1,064,737	62,187	194,757	5,562	53,823	69,923	2,844,417
Depreciation b/fwd at 01 April 2020	(1,001)	(3,358)	(34,844)	(78,079)	(172)	(159)	0	(117,613)
Depreciation for year	(22,564)	(14,950)	(3,596)	(7,614)	(95)	(1,043)	0	(49,862)
<u>Depreciation written back on:</u>								
Transfers	72	11	1,578	0	0	(1,359)	(302)	0
Revaluations (recognised in Revaluation Reserve)	21,039	12,136	1,065	0	0	248	0	34,488
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	2,294	6,059	0	0	0	668	0	9,021
Impairments (recognised in Revaluation Reserve)	0	0	0	0	0	0	0	0
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	160	57	0	0	0	30	302	549
Assets Sold	0	0	2,395	0	0	36	0	2,431
Depreciation c/fwd at 31 March 2021	0	(45)	(33,402)	(85,693)	(267)	(1,579)	0	(120,986)
Net Book Value at 31 March 2021	1,393,428	1,064,692	28,785	109,064	5,295	52,244	69,923	2,723,431

Notes to the Core Financial Statements

11. INVESTMENT PROPERTIES

Investment Properties were all reclassified to Property, Plant & Equipment in a previous year (2015/16), hence the nil balance.

12. FINANCIAL INSTRUMENTS

The following categories of financial instruments are carried in the Balance Sheet. Where values are zero, the relevant lines have been excluded from the table.

a) Categories of Financial Instruments

The value of debtors and creditors reported in the table below are solely those amounts meeting the definition of a financial instrument.

The balances of debtors and creditors reported in the balance sheet and Notes 14 and 16 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

31-Mar-21			31-Mar-22	
Long Term	Short Term		Long Term	Short Term
£000	£000		£000	£000
		Fair Value Through Profit & Loss		
0	74,164	Investments	0	116,263
		Financial assets at amortised cost		
0	313,327	Investments	0	275,247
56,237	45,730	Debtors	57,911	37,386
0	3,472	Other Cash & Cash Equivalents	0	174
56,237	436,693	Total financial assets	57,911	429,070
		Financial Liabilities		
		Financial liabilities at amortised cost		
222,784	2,073	Borrowing	221,646	3,006
202,138	9,302	Private finance initiative (PFI) liabilities	193,246	10,158
0	101,858	Creditors	0	119,755
424,922	113,233	Total financial liabilities	414,892	132,919

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

The value of short-term investments on the Balance Sheet of £275m includes short term fixed deposits of £185m and notice accounts of £90m, including accrued interest.

Notes to the Core Financial Statements

b) Financial and Non-Financial Instruments split

Debtors and creditors carried in the Balance Sheet include transactions which, by their nature, are not financial instruments due to their non-contractual status, including taxation debtors such as Council Tax and non-domestic rates. Those balances are as follows:

Debtors:

	Long Term		Current		Total	
	Debtors		Debtors			
	31/03/22	31/03/21	31/03/22	31/03/21	31/03/22	31/03/21
	£000	£000	£000	£000	£000	£000
Financial instruments	57,911	56,237	37,386	45,730	95,297	101,967
Non-financial instruments	0	0	22,214	34,947	22,214	34,947
Total Debtors	57,911	56,237	59,600	80,677	117,511	136,914

Creditors

	Long Term		Current		Total	
	Creditors		Creditors			
	31/03/22	31/03/21	31/03/22	31/03/21	31/03/22	31/03/21
	£000	£000	£000	£000	£000	£000
Financial instruments	0	0	119,755	101,858	119,755	101,858
Non-financial instruments	0	0	25,486	15,956	25,486	15,956
Total Creditors	0	0	145,241	117,814	145,241	117,814

c) Income, Expense, Gains and Losses

The gains and losses recognised in the CIES in relation to financial instruments are as follows (there were no revaluations of financial instruments in 2021/22 or 2020/21):

	2021/22		2020/21	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Interest Income	(719)	0	(1,872)	0
Total income in Surplus/Deficit on the Provision of Services	(719)	0	(1,872)	0
Interest expense	8,251	0	8,339	0
Expected Credit Loss: Financial Liabilities Measured at Amortised Cost	2,995	0	287	0
Total Expense in Surplus/Deficit on the Provision of Service	11,246	0	8,626	0
Net (Gain)/ Loss for the Year	10,527	0	6,754	0

Notes to the Core Financial Statements

d) Fair value of assets and liabilities

Financial Liabilities

Financial liabilities classed as financial liabilities at amortised cost are carried in the balance sheet at amortised cost. Their fair values can be estimated by calculating the present value of cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Borrowing rates from the PWLB have been applied to PWLB loans and disclosed at the New Loan/ Certainty discount rate, which is the rate that would be offered by the PWLB to undertake new borrowing at the Balance Sheet date.
- For non-PWLB loans, fair value has also been estimated using the PWLB New Loan/ Certainty discount rate. In the absence of any tangible market evidence, rates are based on discussions with possible market participants for new lending. The lenders are targeting lower than PWLB rates to encourage public sector bodies to consider alternatives to the PWLB and, based on discussions with those potential lenders, the differing structures and rates being offered would suggest an immaterial difference between those spot rates and the PWLB New Loan/Certainty rates.
- Where an instrument has a maturity of less than 12 months the fair value is taken to be the carrying amount.

The fair values for financial liabilities have been assessed by reference to Level 2 Inputs, i.e. inputs other than quoted prices that are observable for the financial liability. These give a reasonable estimate for the fair value of a financial instrument, and includes accrued interest.

31/03/21			31/03/22	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
		Financial liabilities at amortised cost:		
		Borrowing		
93,844	129,299	Public Works Loan Board loans	93,843	118,854
131,013	177,897	Lender Option Borrower Option (LOBO) loans	130,809	162,520
211,863	211,863	PFI and finance lease liabilities	203,404	203,404
436,720	519,059	Sub-Total	428,056	484,778
101,858	101,858	Creditors	119,755	119,755
538,578	620,917	Total Financial Liabilities	547,811	604,533

The fair value of borrowings is greater than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2022) arising from a commitment to pay interest to lenders above current market rates.

Notes to the Core Financial Statements

Financial Assets

Financial assets classed as financial assets held at amortised cost are carried in the balance sheet at amortised cost. Their fair values can be estimated by calculating the present value of cash flows that will take place over the remaining term of the instruments, using the assumption that the fair value of the financial assets is equal to the carrying value, where the carrying value of assets with a maturity of less than 12 months is taken to be the fair value.

Financial assets classed as fair value through profit and loss are carried in the balance sheet at fair value. The fair values of these assets have been assessed by reference to Level 1 Inputs. Level 1 inputs are quoted prices for identical assets or liabilities in active markets.

31/03/21			31/03/22	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
		Fair Value Through Profit and Loss		
74,164	74,164	Investments	116,263	116,263
		Financial Assets Held at Amortised Cost		
313,327	313,327	Investments	275,247	275,247
101,967	101,967	Debtors	95,297	95,297
3,472	3,472	Cash and Cash Equivalents	174	174
492,930	492,930	Total Financial Assets	486,981	486,981

e) Financial Instruments Adjustment Account

Details of the balances and the in-year movements in the Financial Instruments Adjustment Account can be found in the table below:

	Balance 31/03/21 £000	21/22 Transfers Net £000	Balance 31/03/22 £000
	LOBO Premium (created in Nov-17 following LOBO restructure)	(21,324)	569
FV recognition adjustment following LOBO restructure	(9,967)	(5)	(9,972)
Other Premiums and Discounts	(2,543)	289	(2,254)
Total	(33,834)	853	(32,981)

e) Other Required Declarations

There have been no reclassifications of financial instruments in the year or in regards to the previous year.

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

The Council provided no financial guarantees in the year and has none outstanding from previous years. The Council has made no loans to voluntary organisations at less than market rates (soft loans), nor has it received any such loans.

Notes to the Core Financial Statements

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

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

The adoption of IFRS 9 includes the requirement for disclosure of the expected credit loss impairment or gain associated with financial instruments held at amortised cost. For 2021/22 this loss is set out in the following section as £0.042m (£0.041m loss in 2020/21). These gains relate to the expected debit gains on trade receivables.

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

13. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Key Risks

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

- Credit Risk** - The possibility that other parties might fail to pay amounts due to the Council;
- Liquidity Risk** - The possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing Risk** - The possibility that the Council might need to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market Risk** - The possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

b) Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and seek to minimise potential adverse effects on the resources available to fund services. They are set out through a legal framework based on the Local Government Act 2003 and associated regulations, and require the Council to manage risk in the following ways:

- formally adopt the requirements of the CIPFA Treasury Management Code of Practice;
- adopt a Treasury Policy Statement and include treasury management clauses within its financial regulations/standing orders/constitution;
- approve annually in advance prudential and treasury indicators for the following three years which includes limiting the Council's overall borrowing, managing interest rate exposure, and managing the maturity structure of debt.
- approve an investment strategy for the forthcoming year setting out its criteria for investing and selecting investment counterparties in compliance with Government guidance.

These procedures are required to be reported and approved at Council before the start of the year to which they relate. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year. The annual treasury management strategy which incorporates the prudential indicators was last approved by Council in February 2020 and is available on the Council website. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These are a requirement of the Code of Practice and are reviewed periodically.

c) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. It also considers maximum amounts and time limits in respect of each financial institution. The Council uses the creditworthiness service provided by Link Asset Services which uses a sophisticated modelling approach with credit ratings from all three rating agencies forming the core element. This is combined with credit watches and credit outlooks in a weighted scoring system, with an overlay of CDS spreads which gives an early warning of likely changes in credit ratings, for which the end product is an indication of the relative creditworthiness of counterparties.

The Council's maximum exposure to credit risk in respect of its investments cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to an individual institution. It is rare for such entities to be unable to meet their commitments and a risk of irrecoverable losses applies to all of the Council's deposits; however at the 31 March 2022 there was no evidence that this was likely to happen.

d) Amounts Arising from Expected Credit Losses (ECL)

As required by the Code of Practice, the Council is required to calculate an Expected Credit Loss (ECL) for its financial assets, which reflect the expectation that future cash flows might not take place because the borrower could default on their obligations. All of the Council's financial instrument assets are held at amortised cost.

The Council's investment assets are held with highly rated counterparties with very low historical rates of default, and are mainly simple deposit products held for durations of less than a year to collect contractual cash flows. Using the 12 month ECL model, at 31 March 2022 the Council's investment assets with a value of £391m had a calculated ECL of £0.042m; the Council has deemed this immaterial for adjusting the carrying values of those assets.

e) Liquidity Risk

The Council manages its liquidity position through the procedures above as well as using a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice, which ensures that cash is available when needed. The Council has ready access to borrowings from the money markets to cover any day to day cash flow need and the PWLB and money markets for access to longer term funds; there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The authority sets limits on the proportion of its fixed rate borrowing maturing during specified periods, and a maturity analysis of financial liabilities within those periods is as follows:

Notes to the Core Financial Statements

31/03/22				Maturity Period	31/03/21			
PWLB	LOBO	PFI and Finance Leases	Total		PWLB	LOBO	PFI and Finance Leases	Total
£000	£000	£000	£000		£000	£000	£000	£000
935	203	10,158	11,296	Less than 1 year	0	203	9,302	9,505
1,496	203	10,852	12,551	Between 1 and 2 years	935	203	10,147	11,285
3,367	608	40,251	44,226	Between 2 and 5 years	3,367	608	35,922	39,897
12,907	1,014	59,600	73,521	Between 5 and 10 years	10,662	1,014	60,565	72,241
13,690	27,028	82,543	123,261	Between 10 and 20 years	17,431	17,028	95,927	130,386
8,581	12,028	0	20,609	Between 20 and 30 years	8,581	22,028	0	30,609
51,939	35,101	0	87,040	Between 30 and 40 years	51,939	35,101	0	87,040
0	43,717	0	43,717	Above 40 years	0	43,919	0	43,919
92,915	119,902	203,404	416,221	Total	92,915	120,104	211,863	424,882

The LOBO maturity profile assumes that the lenders will not exercise any options embedded in the loans until maturity. As at 31 March 2022, LOBO loans with nominal value £83m have fixed interest rates ranging from 3.98% to 4.67%, whilst a loan with nominal value £38m has a stepped rate ranging from 2.19% at 31 March 2022 to 6.30% at maturity. Of the total amount of LOBO loans, £35m have a break clause at every biannual interest payment date, £5m have a break clause every three years, and £80m every five years. In the current low interest rate environment, it is unlikely that the lenders will exercise their options to request early repayment of these LOBOs.

f) Refinancing and Maturity Risk

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

g) Market Risk – Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments and these impact the Council according to how variable and fixed interest rates move across differing financial instrument periods. The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy includes expected interest rate movements. A treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure, and this is monitored regularly. If variable interest rates had been 0.1% higher (with all other variables held constant) the financial effect would be a net increase in income of £0.3m. The impact of a 0.1% fall in interest rates would be a net decrease in income of £0.3m.

Notes to the Core Financial Statements

14. DEBTORS

a) Long Term Debtors

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

	31/03/22 £000	31/03/21 £000	
Lewisham Homes Limited - Loan	40,050	37,000	(a)
Catford Regeneration Partnership Limited (CRPL) - Loan	15,448	14,801	(b)
Street Lighting PFI Sinking Fund	2,950	2,950	(c)
Land Charges Debts	257	257	
Other Long Term Debtors	815	1,229	(d)
Total Long Term Debtors	59,520	56,237	

a) Lewisham Homes Limited Loan

A loan of £8m was advanced to Lewisham Homes Limited in 2015/16, a further £6m in 2016/17 a further £12m in 2017/18, a further £11m in 2018/19 and a further £3m in 2021/22. (See Section 6 – Group Accounts.)

b) Catford Regeneration Partnership Limited Loan

A loan of £12m was advanced to CRPL in 2010/11, followed by further loans of £0.25m in 2015/16, £1.0m in 2016/17, £0.5m in 2019/20, £1.2m in 2020/21 and £0.6m in 2021/22. (See Section 6 – Group Accounts.)

c) Street Lighting PFI Sinking Fund

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

Notes to the Core Financial Statements

b) Current Debtors

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

	31/03/22 £000	31/03/21 £000
Government and Other Public Bodies:		
HM Revenue & Customs - VAT	8,353	6,516
Central Government bodies	4,146	11,816 (a)
Other Local Authorities	11,801	13,936 (b)
NHS bodies	3,558	5,784
Other Public bodies	639	219
Council Tax Payers	31,118	45,112 (c)
NDR Payers	2,312	2,351
Council Tax Court Costs	4,609	9,136
Housing Benefit Overpayments	13,098	24,153 (d)
Housing Rents (inc PSL, B & B, Hostels, Commercial)	10,119	11,209
Leaseholders Services Charges	5,569	5,655
Parking	0	0
LBL Pension Fund	1,496	3,518
General Debtors due for Supplies and Services	38,718	40,902
Total Current Debtors	135,536	180,307
Impairment Allowances	(68,031)	(99,630)
Total Net Current Debtors	67,505	80,677

a) Central Government bodies

The 2020/21 balance of £11.8m contains an amount for MHCLG's element of the NDR deficit of £7.7m, in 2021/22 this is now a Creditor of £0.1m.

b) Other Local Authorities

The 2020/21 balance of £13.9m contains an amount for GLA's element of the NDR deficit of £8.6m, in 2021/22 this is now a Creditor of £0.1m.

c) Council Tax Payers

After a review in 2021/22 £23.6m of historic debt for balances over six years old was written off against the impairment allowance for Council Tax payers debtors (see also Impairment Allowances note below).

d) Housing Benefits Overpayments

After a review in 2021/22 £10.5m of historic debt for balances over six years old was written off against the impairment allowance for Housing Benefits Overpayments debtors (see also Impairment Allowances note below).

Notes to the Core Financial Statements

c) Impairment Allowances

	Balance at 31/03/21 £000	Movement in 2021/22 £000	Balance at 31/03/22 £000
Council Tax Payers	(41,712)	14,103	(27,609) (c)
Council Tax Court Costs	(8,627)	4,562	(4,065)
NDR Payers	(2,140)	96	(2,044)
Housing Benefit Overpayments	(19,838)	9,799	(10,039) (d)
Housing Rents (inc PSL, B & B, Hostels, Commercial)	(4,604)	1,178	(3,426)
Leaseholders Services Charges	(1,884)	(479)	(2,363)
General Debtors due for Supplies and Services	(20,825)	2,340	(18,485)
Total Impairment Allowances	(99,630)	31,599	(68,031)

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

15. CASH AND CASH EQUIVALENTS

	Balance 31/03/21 £000	Movement in 2021/2 £000	Balance 31/03/22 £000
Cash Equivalents			
Short Term Deposits	0	0	0
Cash			
Money Market Funds	74,164	42,099	116,263
Call Accounts with Banks	0	0	0
	74,164	42,099	116,263
Other Cash and Bank Balances			
Main Bank Accounts	3,177	(3,177)	0
Other Cash and Bank Accounts	1,335	41	1,376
	4,512	(3,136)	1,376
Total Cash and Cash Equivalents	78,676	38,963	117,639
Bank Accounts Overdrawn			
Main Bank Accounts	0	(5,047)	(5,047)
Schools Bank Accounts	(1,039)	154	(885)
	(1,039)	(4,893)	(5,932)
Net Cash and Cash Equivalents	77,637	34,070	111,707

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

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

c) The schools bank accounts are an integral part of the Council's overall cash management arrangements, and are therefore included under Net Cash and Cash Equivalents. They consist of individual accounts for each school, and an overall treasury account which is used to invest the net balance in conjunction with the Council's other balances. The balances on these accounts were £17.7m (2020/21 £8.5m) and overdrawn £18.6m (2020/21 overdrawn £9.5m) respectively.

Notes to the Core Financial Statements

16. CREDITORS

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

	31/03/22 £000	31/03/21 £000
Government and other public bodies:		
HM Revenue & Customs	5,964	7,188
Central Government bodies	51,808	52,511 (a)
Other Local Authorities	4,650	3,368
NHS bodies	2,814	1,511
Other Public bodies	1,579	964
	66,815	65,542
Short Term Compensated Absences	18,555	8,572 (b)
General Creditors (amounts owed for supplies and services)	59,871	43,700
Total Creditors	145,241	117,814

a) Central Government bodies

The 2021/22 balance of £51.8m contains an amount for Covid Grants owed back to MHCLG where LBL was acting as an agent of £41.8m (2020/21 £37.5m).

b) Short Term Compensated Absences

In 2021/22 the Council used a report from the Oracle HR system for leave untaken at year end for the first time. This showed that a lot more leave was untaken compared to the calculation in previous years based on a survey of employees.

17. REVENUE RECEIPTS IN ADVANCE

	31/03/22 £000	31/03/21 £000
Capital Contributions Unapplied	16,374	39,966 (a)
PFI Schemes	25,172	24,431
Council Tax	9,700	9,254
Revenue Grants and Contributions	9,490	6,692
Rents in Advance	8,383	6,037
NDR	3,784	2,983
Other Receipts in Advance	6,333	11,299
Total Receipts in Advance	79,236	100,662

(a) Capital Contributions Unapplied

Capital Contributions Unapplied includes a balance of £16.4m Section 106 Contributions, where the conditions have not yet been met, in 2021/22 (2020/21 was £39.9m).

A review was carried out in 2021/22 to determine if there were conditions remaining or if conditions hadn't been met. This resulted in £21.4m moving to Reserves as no conditions were remaining and £1.3m moving to Creditors as this is to be repaid.

Notes to the Core Financial Statements

18. PROVISIONS

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

	Balance 31/03/21 £000	2021/22 Transfers		Balance 31/03/22 £000
		Out £000	In £000	
Current (less than 1 year)				
Insurance Provision (a)	2,648	(2,497)	2,284	2,435
Water Charges Provision (b)	4,943	(4,467)	5,513	5,989
Term Time Only Claims Provision (c)	4,700	(3,710)	0	990
NDR Appeals Provision	5,999	(1,678)	0	4,321
Other Provisions (d)	3,354	(5,061)	3,566	1,859
	21,644	(17,413)	11,363	15,594
Non Current (Over 1 year)				
Insurance Provision (a)	3,593	(1)	0	3,592
Water Charges Provision (b)	2,119	(2,119)	0	0
Other Provisions (d)	2,340	(256)	0	2,084
	8,052	(2,376)	0	5,676
Total - Provisions	29,696	(19,789)	11,363	21,270

(a) Insurance Provisions

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

(b) Water Charges Provision

This is a provision to refund tenants their water charge discounts going back to 2001. This follows a Court of Appeal ruling in October 2020 regarding Kingston Council. A provision was set up in 2019/20 and payments are expected to be concluded in 2022/23.

(c) Term Time Only Claims Provision

There were errors with the formula used by some Councils to calculate holiday pay for term-time only support staff in schools dating back several years. A provision was set up for this in 2020/21 with most payments being made in 2021/22, it is expected that the remainder of the provision will be used in 2022/23.

(d) Other Provisions

Other Provisions includes two new provisions set up in 2020/21, a provision for the potential liability in respect of savings accounts for Children Leaving Care, which extends back a number of years (£1.7m) and a provision for a potential liability for London Borough of Lewisham for claims that may follow after the high court ruled that Norfolk County Council discriminated against disabled people with high support needs in its charging policy (known as the Norfolk Judgement) (£1.0m). Payments related to these are expected in 2022/23

Notes to the Core Financial Statements

19. USABLE CAPITAL RECEIPTS

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

	2021/22 £000	2020/21 £000
Balance brought forward at start of year	58,296	61,368
Amounts Received	15,815	11,267
Poolable to Central Government	(1,940)	(1,939)
Receipts returned to Central Government	0	0
Amounts applied to finance new capital investment	(7,784)	(12,400)
Total increase/(decrease) in capital receipts in year	6,091	(3,072)
Balance carried forward at end of year	64,387	58,296

20. PENSION RESERVE

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

	2021/22 £000	2020/21 £000
Balance brought forward at start of year	(771,041)	(518,466)
Actuarial gains or losses on pensions assets and liabilities	148,922	(422,364)
Return on Assets excluding amounts included in Net Interest	105,502	190,092
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(78,871)	(51,156)
Employer's pensions contributions and direct payments to pensioners payable in the year	31,853	30,853
Balance carried forward at end of year	(563,635)	(771,041)

Notes to the Core Financial Statements

21. REVALUATION RESERVE

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

	2021/22 £000	2020/21 £000
Balance brought forward at start of year	1,209,588	1,130,110
Balance brought forward adjustment	0	0
Restated Balance brought forward at start of year	1,209,588	1,130,110
Revaluation of Assets	104,636	153,787
Impairment Losses	(1,934)	(6,797)
Loss of Control of Assets	0	(45,617)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	102,702	101,373
Difference between fair value and historic cost depreciation	(20,992)	(19,372)
Accumulated gains on assets sold or scrapped	(3,187)	(2,523)
Amount written off to the Capital Adjustment Account	(24,179)	(21,895)
Balance carried forward at end of year	1,288,111	1,209,588

Notes to the Core Financial Statements

22. CAPITAL ADJUSTMENT ACCOUNT

This reflects the timing differences arising from the accounting treatment for the use of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling entries from the Revaluation Reserve to convert fair value figures to a historical cost basis). It is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

	2021/22 £000	2020/21 £000
Balance brought forward at start of year	1,044,137	1,070,983
<u>Reversal of capital expenditure items debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	(43,751)	(110,434)
Revenue expenditure funded from capital under statute	(2,738)	(8,953)
Non-current assets written off on disposal and de-recognition - gain/loss to the CIES	(49,881)	(39,458)
	(96,370)	(158,845)
Adjusting amounts written out of the Revaluation Reserve	20,992	19,372
Net amount written out of the cost of non-current assets consumed in the year	(75,378)	(139,473)
<u>Capital Financing applied in the year:</u>		
Use of Capital Receipts to finance new capital expenditure	7,784	12,400
Use of Major Repairs Reserve to finance new capital expenditure	27,064	37,958
Capital grants and contributions credited to the CIES	20,776	36,208
Statutory Provision for the financing of capital investment	4,327	4,134
Repayment of Principal on PFI schemes	8,036	8,925
Capital expenditure charged to General Fund and HRA	51,742	13,002
	119,729	112,627
Balance carried forward at end of year	1,088,488	1,044,137

Notes to the Core Financial Statements

23. EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's expenditure and income is analysed by type in the table below:

	2021/22	2020/21
	£000	£000
Employee expenses - LBL	303,043	288,535
Employee expenses - Schools Non-LBL	65,589	61,700
Other Expenditure	715,213	692,283
Revaluation, Depreciation, Amortisation and Impairment	43,846	110,434
Interest payments	31,031	31,713
Loss of Control of Assets	0	21,120
Precepts and levies	1,702	1,706
Payments to Housing Capital Receipts Pool	1,940	1,939
Gain or loss on disposal and de-recognition of non-current assets	36,907	37,206
Net interest on the net defined benefit liability	15,881	12,102
Total Expenditure	1,215,152	1,258,738
Government grants and contributions	(640,397)	(690,349)
Fees, Charges and Other service income	(301,467)	(243,767)
Interest and Investment income	(1,611)	(3,164)
Income from council tax, non-domestic rates, district rate income	(214,949)	(213,800)
Recognised Capital Grants and Contributions	(19,839)	(36,508)
Gain or loss on disposal and de-recognition of non-current assets	0	(6,832)
Other Income	0	0
Total Income	(1,178,263)	(1,194,420)
(Surplus) or Deficit on the Provision of Services	36,889	64,318

The Council's Fees, Charges and Other Service Income is analysed by type in the table below:

	2021/22	2020/21
	£000	£000
Fees, Charges and Other Service Income		
Rent & Service Charges	(126,229)	(119,476)
Contributions from Health	(30,243)	(26,914)
Schools Income	(15,294)	(7,051)
Parking Income	(13,158)	(12,016)
Non-Government Grants	(7,900)	(6,667)
Fees & Charges Income	(7,445)	(7,669)
Other Care Charges Income	(6,093)	(5,684)
Fairer Charging Income	(5,343)	(4,550)
PFI Credits Income	(2,564)	(2,352)
Cemeteries & Crematoria Income	(2,387)	(2,824)
Licenses & Permits	(1,801)	(1,100)
Planning Fees	(1,502)	(1,517)
Other Income	(81,508)	(45,947)
Total Income	(301,467)	(243,767)

Notes to the Core Financial Statements

24. AGENCY SERVICES AND POOLED BUDGETS

The Council did not carry out any agency services, construction work or any other work for any other Local Authorities, public bodies or entities in 2021/22 (nor 2020/21).

In 2021/22 the Council operated a pooled budget as defined by the terms of a Section 75 Agreement (National Health Service Act 2006)

There is one Pooled fund called Lewisham Better Care Fund (BCF). The Host Partner for the pooled fund is the Council (LBL) and the Pooled Fund Manager, is an officer of the council; the Group Finance Manager, Community Services.

The two partners in the agreement are LBL and NHS Lewisham CCG.

Before the start of the financial year the Partners agree an expenditure plan and the financial contribution of each party. Each element of the plan indicates which party will be the Lead Commissioner (or whether there will be joint commissioning). All BCF expenditure will require the approval of the Partnership Board; as such there is joint control of the Fund. Payments to and from the Pooled Fund are made from and recorded on the Council's financial systems.

Except where agreed otherwise payments to providers for services that are part of the BCF are made by the Partner holding the contract. These are identified and agreed by the Partners at least yearly before the start of each financial year. The Council invoices the CCG monthly for 1/12th of the agreed annual contribution less all planned payments made by the CCG in relation to CCG let contracts delivering the Schemes. Each party therefore accounts only for its share of the relevant expenditure within its own accounts with any surplus or deficit on the Fund held on behalf of the Fund by the Lead Authority.

The total Lewisham Better Care Fund for 2021/22 was £41.4m, the split of which can be seen in the table below:

	2021/22 £000	2020/21 £000
<u>Funding provided to the pooled budget:</u>		
Lewisham Borough Council	(16,795)	(16,795)
NHS Lewisham CCG	(24,581)	(23,287)
	(41,376)	(40,082)
<u>Expenditure met from the pooled budget:</u>		
Lewisham Borough Council	26,978	26,467
NHS Lewisham CCG	14,398	13,615
	41,376	40,082
Net surplus arising in year	0	0
<i>LBL share being 9.6% of the net surplus in year</i>	0	0

Note: (i) The LBL share of any in-year net surplus would be 9.6%. This was nil in 2021/22 (and 2020/21) due to there not being a surplus.

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

The Council is sole owner of two companies:

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

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

Notes to the Core Financial Statements

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

The Council has a stake of 10% in Lewisham Schools for the Future LEP Limited which is the Local Education Partnership company also comprising Costain Engineering & Construction Limited, Babcock Project Investments Limited and Building Schools for the Future Limited as well. It was established under the Council's Building Schools for the Future (BSF) programme to rebuild and refurbish the secondary schools within the Borough. No payments were made to this company in 20/21 (£8.5k in 2020/21).

The Council also has a 10% stake in four Special Purpose Vehicles which were set up in relation to the schools which were built within this BSF Programme. The companies concerned are Lewisham Schools For The Future SPV Limited (21/22 £9.5m, 20/21 £9.1m), Lewisham Schools For The Future SPV2 Limited (21/22 £3.2m, 20/21 £3.1m), Lewisham Schools For The Future SPV3 Limited (21/22 £4.7m, 20/21 £4.6m) and Lewisham Schools For The Future SPV4 Limited (21/22 £8.6m, 20/21 £8.6m). The Director of Financial Services is the Council's Director on all of these companies' boards. The corporate structure is standard to BSF schemes.

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

The Council has a minority share of less than 1% in South-East London Combined Heat and Power Limited (SELCHP) which is a joint venture with the London Borough of Greenwich for the provision of waste disposal and waste to energy services. Payments of £4.7m were made in 2021/22 to the company (£5.3m in 2020/21) and are included in the Housing, Regeneration & Environment line of the CIES.

iii) Lewisham Grainger Holdings LLP

During 2018/19 the Council formed a Limited Liability Partnership with Grainger Developments Ltd. The Council and Grainger are each 50:50 shareholders in the holding company and this (and its subsidiaries) are all registered at Companies House. Therefore this is not a subsidiary of the Council as LBL do not have the majority shareholding. The partnership will build housing for rent in Besson Street, New Cross. No payments were made to the company by the Council in 2021/22 or 2020/21.

26. MEMBERS' ALLOWANCES

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

	2021/22 £000	2020/21 £000
Allowances (incl. NI)	1,005	971
Other Expenses	13	1
Total Expenditure in Year	1,018	972

27. OFFICERS' REMUNERATION

a) The number of Employees whose Remuneration was £50,000 or more:-

Remuneration Band	Non-Schools		Schools		Totals	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
£50,000 to £54,999	159	138	278	289	437	427
£55,000 to £59,999	61	58	66	73	127	131
£60,000 to £64,999	23	7	81	84	104	91
£65,000 to £69,999	13	18	33	34	46	52
£70,000 to £74,999	22	25	37	38	59	63
£75,000 to £79,999	17	2	24	30	41	32
£80,000 to £84,999	2	2	22	24	24	26
£85,000 to £89,999	5	2	14	10	19	12
£90,000 to £94,999	0	0	3	5	3	5
£95,000 to £99,999	1	1	4	3	5	4
£100,000 to £104,999	2	1	2	3	4	4
£105,000 to £109,999	6	9	4	3	10	12
£110,000 to £114,999	0	1	1	1	1	2
£115,000 to £119,999	4	0	1	1	5	1
£120,000 to £124,999	0	0	1	2	1	2
£125,000 and over	0	0	3	2	3	2
Total	315	264	574	602	889	866

Note (i) These figures do not include the senior employees disclosed separately in note b) below.

Notes to the Core Financial Statements

b) Disclosure of Senior Employees' Remuneration

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

After a review in 2020/21 it was decided to only include the current members of the Executive Management Team (EMT) and the statutory post holders.

Financial Year 2021/22**Senior Employees**

	Salary (inc fees and allowances)	Employer's Pension Contributions	Total (inc. Pension Contributions)
	£	£	£
Chief Executive (Kim Wright)	184,950	41,614	226,564
Assistant Chief Executive	117,121	26,353	143,474
Executive Director for Corporate Resources (Kathy Freeman)	151,029	33,982	185,011
Executive Director for Children and Young People (Pinaki Ghoshal)	153,897	34,627	188,524
Executive Director for Community Services (Tom Brown)	153,897	34,627	188,524
Executive Director for Housing, Regeneration and Public Realm (a)	124,815	28,084	152,899
01-Apr-21 to 15-Aug-21	57,505	12,939	70,444
18-Oct-21 to 31-Mar-22	67,310	15,145	82,455
Director of Public Health	105,492	23,736	129,228
Director of Law & Corporate Governance (b)	59,427	13,372	72,799
01-Apr-21 to 31-Jul-21	48,175	10,840	59,015
17-Nov-21 to 31-Mar-22	11,252	2,532	13,784
Totals	1,050,628	236,395	1,287,023

(a) Executive Director for Housing, Regeneration and Public Realm: The post was vacant from when the previous post holder left (15-Aug-21) to when the new post holder joined (18-Oct-21)

(b) Director of Law & Corporate Governance: The post was vacant from when the previous post holder left (31-Jul-21) to when the new post holder joined (17-Nov-21). The current post holder was seconded to LBL part time (from 17-Nov-21 to 31-Mar-22)

Financial Year 2020/21**Senior Employees**

	Salary (inc fees and allowances)	Employer's Pension Contributions	Total (inc. Pension Contributions)
	£	£	£
Chief Executive (Kim Wright)	184,950	41,614	226,564
Assistant Chief Executive	111,200	25,020	136,220
Executive Director for Corporate Resources (a)	141,825	31,911	173,736
01-Apr-20 to 14-Sep-20 (Acting)	60,748	13,668	74,416
14-Sep-20 to 31-Mar-21	81,077	18,243	99,320
Executive Director for Children and Young People (b)	172,348	28,856	201,204
01-Apr-20 to 12-Jun-20 (Interim - Agency)	44,100	0	44,100
01-Jun-20 to 31-Mar-21	128,248	28,856	157,104
Executive Director for Community Services (Tom Brown)	151,029	33,982	185,011
Executive Director for Housing, Regeneration and Public Realm (Kevin Sheehan)	153,897	34,627	188,524
Director of Public Health	102,789	23,128	125,917
Director of Law, Governance & HR (c)	94,546	21,273	115,819
13-Jul-20 to 31-Mar-21	94,546	21,273	115,819
Head of Law and Monitoring Officer (part-time) (c)	172,906	4,515	177,421
01-Apr-20 to 16-Jul-20 (Kath Nicholson)	172,906	4,515	177,421
Totals	1,285,490	244,926	1,530,416

(a) Executive Director for Corporate Resources - This was an interim appointment for 01-Apr-20 to 14-Sep-20. The postholder then returned to their position of Director of Corporate Services.

(b) Executive Director for Children and Young People - The post was covered by an interim (agency) from 01-Apr-20 to 12-Jun-20. Agency costs of £7,938 (not included above) were also incurred for the interim employee. There was a brief overlap between agency and permanent postholders.

(c) Head of Law - The part-time head of Law retired in Jul-20. The figure in the table above consists of their salary plus exit package; their exit package is also included in Note 27c below (band £100,001 and over). There was a brief overlap in employment with the newly appointed Director of Law, Governance & HR.

Notes to the Core Financial Statements

c) Termination Benefits - Exit Packages Agreed in Year

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

Cost Band (inc Pension Fund Contributions)	Total Number of Exit Packages		Total Cost of Exit Packages	
	2021/22 No.	2020/21 No.	2021/22 £000	2020/21 £000
£0 to £20,000	118	30	891	249
£20,001 to £40,000	46	9	1,356	244
£40,001 to £60,000	9	1	438	58
£60,001 to £80,000	6	1	399	79
£80,001 to £100,000	2	0	178	0
£100,001 and over	1	3	104	405
Total	182	44	3,366	1,035

28. EXTERNAL AUDIT COSTS

	2021/22 £000	2020/21 £000
External Audit Services	253	233
Certification of Grant Claims and Returns	47	42
Other services provided by the appointed auditor (*)	0	24
	300	299

(*) The Other services provided by the appointed auditor in 2020/21 is work on prior year objections relating to LOBO's and PFI's that were finalised during 2020/21.

The Council's External Auditors are Grant Thornton.

Notes to the Core Financial Statements

29. DEDICATED SCHOOLS' GRANT

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

	2021/22			2020/21		
	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000
Final DSG before academy & high needs recoupment	59,107	253,396	312,503	49,065	247,214	296,279
Academy & high needs figure recouped	0	39,831	39,831	(601)	(35,748)	(36,349)
Total DSG after academy & high needs recoupment	59,107	293,227	352,334	48,464	211,466	259,930
Brought forward from previous year (Restated)	0	0	0	(629)	1,180	551
Carry forward to next year agreed in advance	0	0	0	0	0	0
Agreed initial budgeted distribution	59,107	213,565	272,672	47,835	212,646	260,481
In year adjustments	0	(167)	(167)	0	(547)	(547)
Final Budget Distribution	59,107	213,398	272,505	47,835	212,099	259,934
Actual Central Expenditure	64,455		64,455	52,659		52,659
Actual ISB deployed to schools		214,319	214,319		209,650	209,650
Total In-Year (Deficit)/ Surplus	(5,348)	(921)	(6,269)	(4,824)	2,449	(2,375)

DSG Unusable Reserve

	£000
DSG unusable reserve (cumulative deficit) at the end of 2020/21	(2,375)
Addition to DSG unusable reserve at the end of 2021/22 (in-year deficit)	(6,269)
Total of DSG unusable reserve (cumulative deficit) at the end of 2021/22	(8,644)

Notes to the Core Financial Statements

30. GRANT INCOME

The following grants were credited to services during the year:

	2021/22 £000	2020/21 £000
Dedicated Schools Grant	(272,505)	(259,383)
Housing Benefit Grant	(159,901)	(169,277)
BSF/ Grouped Schools PFI Unitary Charge Grant	(26,150)	(26,329)
Covid-19 Grants	(25,352)	(38,529)
Public Health Grant	(25,352)	(24,776)
Housing Subsidy/ Decent Homes Backlog Grant	(19,863)	(10,353)
Improved Better Care Fund	(14,502)	(14,502)
Pupil Premium Grant	(11,800)	(12,035)
Children's Social Care Grant	(10,773)	0
Other Grants	(42,619)	(50,002)
Total	(608,817)	(605,186)

The following grants were credited to Taxation and non-specific Grant Income during the year:

	2021/22 £000	2020/21 £000
Revenue Support Grant (RSG)	(28,151)	(27,996)
S31 Business rate relief grant	0	(33,157)
Children's Social Care Grant	0	(8,434)
S31 Business rate grants - Other	0	(6,918)
New Homes Bonus	(2,652)	(6,176)
Covid-19 Grants	0	(1,816)
Other	(777)	(666)
Total	(31,580)	(85,163)

31. RELATED PARTY TRANSACTIONS

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

(a) Central Government and Other Local Authorities

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

(b) Subsidiaries, Associated Companies and Joint Ventures

Further details on these companies are given in Note 25 – Investment in Companies – and the Group Accounts section of these statements.

Notes to the Core Financial Statements

Transactions with the companies that are solely owned by the Council are in the table below:

Name	Loan with LBL	Expenditure	Income	Income outstanding to LBL (LBL debtor balance)	Balance outstanding (LBL creditor balance)
	£'000	£'000	£'000	£'000	£'000
Lewisham Homes Ltd	40,050	60,910	10,814	3,968	4,685
Catford Regeneration Partnership Ltd	15,448	798	20	0	0

Name	Loan with LBL	Expenditure	Income	Income outstanding to LBL (LBL debtor balance)	Balance outstanding (LBL creditor balance)
	£'000	£'000	£'000	£'000	£'000
Lewisham Homes Ltd	37,000	35,066	10,995	4,587	1,297
Catford Regeneration Partnership Ltd	14,801	603	134	6	298

(c) Companies of which the Council is a Joint Owner or Shareholder

Further details on these companies are given in Note 25 – Investment in Companies.

Payments made by the Council to these companies in 2021/22 are shown below:

- i) Lewisham Schools for the Future LEP Limited – £0m
Lewisham Schools for the Future SPV Limited – £9.5m
Lewisham Schools for the Future SPV2 Limited – £3.2m
Lewisham Schools for the Future SPV3 Limited – £4.7m
Lewisham Schools for the Future SPV4 Limited – £8.6m
- ii) South-East London Combined Heat and Power Limited (SELCHP) – £4.7m
- iii) Lewisham Grainger Holdings LLP – no payments were made.

(d) Elected Members (Councillors) and Chief Officers

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

The Council has concluded that no related party transactions should be disclosed since all declared interests by Members or Offices are within organisations where they cannot exert a controlling interest.

(e) Lewisham Pension Fund

The Pension Fund Accounts are included in Section 8 of this document.

Notes to the Core Financial Statements

32. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2021/22 £000	2020/21 £000
Opening Capital Financing Requirement	507,210	519,801
Capital Investment		
Property, Plant and Equipment	111,843	98,788
Capital Expenditure not added to Fixed Assets (*)	3,000	0
Revenue Expenditure Funded from Capital under Statute	2,738	8,953
	117,581	107,741
Resources Used for Financing		
Capital Receipts	(7,784)	(12,400)
Government Grants and Other Contributions	(20,776)	(36,208)
Major Repairs Reserve	(27,064)	(37,958)
Sums set aside from Revenue:	(51,742)	(13,002)
	(107,366)	(99,568)
Increase in the underlying need to borrowing	10,215	8,173
Adjustment (**)		
Bring in PFI Schemes Asset	1,276	(7,705)
	1,276	(7,705)
Debt Redeemed		
Minimum Revenue Provision	(4,327)	(4,134)
Repayment of Principal on PFI schemes (**)	(9,312)	(8,925)
	(13,639)	(13,059)
Increase/ (decrease) in Capital Financing Requirement	(2,148)	(12,591)
Closing Capital Financing Requirement	505,062	507,210

* Lewisham Homes Loan £3m in 2021/22

** It was found that the PFI asset was not included in the CFR Calculation from 2018/19, and therefore did not match the PFI liability already being shown on the balance sheet. This was corrected by restating the CFR 2018/19 figures in 2019/20. On review we found that the adjustment to the PFI asset value in 19/20 did not reflect the writing down of the liability for that year and so a further adjustment to correct the CFR was needed in 2020/21 & 2021/22.

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

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

Notes to the Core Financial Statements

ii) Operating Leases

The Council has operating leases in the areas of Council Dwellings, School Plant and Equipment and Refuse Vehicles. The expenditure charged to services in the CIES during the year in relation to these leases was £1.6m (£1.6m in 2020/21). The future minimum lease payments due under non-cancellable leases in futures are:

	31/03/22 £000	31/03/21 £000
Not later than one year	1,614	1,241
Later than one year and not later than five years	3,382	3,328
Later than five years	14,293	14,866
	19,289	19,435

b) Council as a Lessori) Finance Leases

The Council does not lease out any assets held under Finance Leases.

ii) Operating Leases

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

	31/03/22 £000	31/03/21 £000
Not later than one year	3,406	3,414
Later than one year and not later than five years	6,598	5,389
Later than five years	5,425	5,858
	15,429	14,661

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

PFI Scheme	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF 1	BSF 2	BSF 3	BSF 4	Street Lighting
Start of Contract	2007	2007	2007	2009	2011	2012	2012	2011
End of Contract	2027	2039	2036	2035	2037	2037	2038	2036
Total Estimated Cost	£287m	£83m	£228m	£242m	£86m	£119m	£225m	£95m
Total PFI Credits	£207m	£30m			£674m			£54m
Net PFI Cost	£80m	£53m			£226m			£41m

Notes to the Core Financial Statements

b) Payments made under PFI contracts

	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF 1	BSF 2	BSF 3	BSF 4	Street Lighting	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
2021/22									
Service Charges	10,339	515	4,077	3,856	1,120	1,188	1,939	859	23,893
Interest	3,045	1,817	2,967	3,692	1,616	2,461	4,948	2,234	22,780
Liability Repayment	3,025	176	900	1,744	390	869	1,456	751	9,311
Unitary Charge	16,409	2,508	7,944	9,292	3,126	4,518	8,343	3,844	55,984

2020/21									
Service Charges	9,213	497	3,833	3,732	1,025	1,075	2,076	838	22,289
Interest	3,474	1,652	3,055	3,780	1,660	2,504	4,967	2,280	23,372
Liability Repayment	3,165	275	844	1,537	382	835	1,196	692	8,926
Unitary Charge	15,852	2,424	7,732	9,049	3,067	4,414	8,239	3,810	54,587

Notes to the Core Financial Statements

c) Movement in PFI Assets in year

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

	2021/22		2020/21	
	£000	£000	£000	£000
Gross Book Value b/fwd		372,901		415,835
Additions		0		0
Revaluations (recognised in Revaluation Reserve)	13,354		23,949	
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	1,551	14,905	462	24,411
Impairments (recognised in Revaluation Reserve)	0		0	
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	0	0	0
Loss of Control of Assets (recognised in Revaluation Reserve)	0		(45,617)	
Loss of Control of Assets (recognised in Financing and Investment Income and Expenditure)	0	0	(21,120)	(66,737) *
Disposals		(566)		(608)
Transfers		0		0
Assets reclassified (to)/ from Held for Sale		0		0
Gross Book Value c/fwd		387,240		372,901
Depreciation b/fwd		(7,340)		(6,653)
Depreciation for year		(7,178)		(7,785)
<u>Depreciation written back on:</u>				
Transfers		0		0
Revaluations (recognised in Revaluation Reserve)	5,774		6,686	
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	238	6,012	412	7,098
Impairments (recognised in Revaluation Reserve)	0		0	
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0		0	
Assets sold		0		0
Depreciation c/fwd		(8,506)		(7,340)
Net Book Value at End of Year		378,734		365,561

* The £66.7m Loss of Control of Assets relates to the de-recognition of the asset value of Sedgehill secondary school held on the balance sheet when it transferred to an academy.

Notes to the Core Financial Statements

d) PFI Liabilities

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

	Current Liabilities (Due within 1 Year)		Deferred (Future) Liabilities	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Balance outstanding at start of year	9,302	8,797	202,138	211,880
Balance outstanding at end of year	10,158	9,302	193,246	202,138

e) Payments due under PFI contracts in future years

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

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

Notes to the Core Financial Statements

	In 2022/23 £000s	2 to 5 years £000s	6 to 10 years £000s	11 to 15 years £000s	16 to 20 years £000s	Total £000s
Brockley HRA						
Service charges	9,779	39,857	635			50,271
Interest	2,799	7,978	215			10,992
Repayment of liability	3,455	19,657	647			23,759
Planned lifecycle replacement	681	2,397	1			3,079
Downham Lifestyles						
Service charges	262	1,116	1,560	1,765	769	5,472
Interest	1,837	7,427	9,020	8,193	2,782	29,259
Repayment of liability	198	1,104	2,166	3,846	2,378	9,692
Planned lifecycle replacement	277	1,180	1,666	1,885	821	5,829
Grouped Schools						
Service charges	3,081	13,222	18,759	17,575		52,637
Interest	2,884	10,514	10,285	4,281		27,964
Repayment of liability	956	4,970	11,010	14,095		31,031
Planned lifecycle replacement	1,155	4,704	4,153	3,244		13,256
BSF 1						
Service charges	2,940	12,678	18,107	12,231		45,956
Interest	3,460	12,055	10,431	1,678		27,624
Repayment of liability	1,747	8,243	16,363	12,263		38,616
Planned lifecycle replacement	1,251	5,846	6,630	3,759		17,486
BSF 2						
Service charges	862	3,670	5,128	5,802	520	15,982
Interest	1,580	5,816	5,737	2,982	40	16,155
Repayment of liability	438	2,201	4,349	7,249	751	14,988
Planned lifecycle replacement	279	1,279	1,791	1,967	257	5,573
BSF 3						
Service charges	1,117	5,181	8,060	9,531	906	24,795
Interest	2,391	8,694	8,412	5,024	304	24,825
Repayment of liability	920	3,966	6,314	9,361	1,275	21,836
Planned lifecycle replacement	143	994	2,109	2,663	283	6,192
BSF 4						
Service charges	1,880	8,821	13,752	16,431	3,726	44,610
Interest	4,845	17,826	17,688	10,758	947	52,064
Repayment of liability	1,628	6,935	11,438	17,571	4,443	42,015
Planned lifecycle replacement	165	1,448	3,256	4,301	1,081	10,251
Streetlighting						
Service charges	881	3,750	5,239	5,127		14,997
Interest	2,182	8,091	8,099	4,247		22,619
Repayment of liability	816	4,028	7,314	9,312		21,470
Planned lifecycle replacement	0	0	0	0		0
Totals	56,889	235,648	220,334	197,141	21,283	731,295

Notes to the Core Financial Statements

35. CAPITAL CONTRACTUAL COMMITMENTS

The table below lists the contractual commitments for the acquisition of property, plant and equipment. These are estimated amounts based either on the value of open purchase orders or officer estimates.

	Contractual commitments as at 31/03/22 £m	Contractual commitments as at 31/03/21 £m
General Fund		
Greenvale School Expansion	1.8	8.5
Public Sector Decarbonisation Scheme(PSDS)	1.4	0.0
Catford Library Project works	0.4	0.0
Old Town Hall	0.3	0.0
CCTV Modernisation Plan 2017	0.0	1.0
Good Growth Scheme	0.0	0.4
Ashmead School Expansion	0.0	0.3
Housing Revenue Account	37.0	65.1
Total Capital Programme contractual commitments	40.9	75.3

36. DEFINED CONTRIBUTION PENSION SCHEMES

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

Teachers employed by the Council are members of the Teachers' Pension Scheme, which is run by the Department for Education (DfE). The scheme provides benefits upon retirement with both the Council and the employee making contributions to the scheme. The scheme is "unfunded" and the DfE use a notional fund to set a national employers contribution rate based on a percentage of members' pensionable pay – in 2021/22 this rate was 23.68% (in 2020/21 23.68%). In 2020/21, the Council paid £20.5m to the DfE in respect of teachers' pension costs (£23.8m in 2020/21).

Public Health staff employed by the Council are members of the NHS Pension Scheme, which is run by the Department of Health (DoH). The scheme provides benefits upon retirement with both the Council and the employee making contributions to the scheme. The scheme is "unfunded" and the DoH use a notional fund to set a national employers contribution rate based on a percentage of members' pensionable pay – this rate was 14.38% for 2020/21 (20.68% in 2020/21). In 2020/21 the Council paid £0.039m to the DoH in respect of employees' pension costs (£0.079m in 2020/21).

Notes to the Core Financial Statements

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

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

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

These are assessed on an actuarial basis using the projected unit method and an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. They have been prepared by independent firms of actuaries (the LGPS by Hymans Robertson and the LPFA by Barnett Waddingham), and are based on IAS19 assumptions and calculations for the year and the latest triennial valuations as at 31 March 2019. It should be noted the Council has guaranteed any pension liability that may arise for its wholly owned subsidiary, Lewisham Homes Limited – this figure is excluded from the Council's single entity accounts but is included in the Group Accounts (see Section 6).

c) Transactions relating to Retirement Benefits

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

Comprehensive Income and Expenditure Statement	2021/22 £000	2020/21 £000
Cost of Service		
Current Service Cost	61,883	39,968
Past Service Cost (inc.settlements and curtailments)	1,107	(914)
	62,990	39,054
Financing and Investment Income and Expenditure		
<u>Net Interest on the Net Defined Benefit Liability</u>		
Interest Income on Scheme Assets	(27,240)	(27,088)
Interest Cost on Defined Benefit Obligation (Liabilities)	43,121	39,190
	15,881	12,102
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	78,871	51,156
<u>Remeasurements of the Net Defined Benefit Liability</u>		
Return on Assets excluding amounts included in Net Interest	(105,502)	(190,092)
Actuarial Losses from changes in Demographic Assumptions	(12,793)	27,775
Actuarial Losses from changes in Financial Assumptions	(135,295)	413,441
Other Gains and Losses	(834)	(18,852)
Total Remeasurements recognised in CIES	(254,424)	232,272
Total Post Employment Benefits Charged to the CIES	(175,553)	283,428

Notes to the Core Financial Statements

Movement in Reserves Statement	2021/22 £000	2020/21 £000
Reversal of Net Charges made to the Surplus or Deficit on the Provision of Services	(78,871)	(51,156)
Employers' Contributions Payable to the Scheme	31,853	30,853
Return on Assets excluding amounts included in Net Interest	105,502	190,092
Actuarial Gains and Losses	148,922	(422,364)
Net Movement in Pensions Reserve	207,406	(252,575)

d) Pensions Assets and Liabilities Recognised in the Balance Sheet

	31/03/22 £000	31/03/21 £000
Fair Value of Plan Assets	1,505,045	1,390,628
Present Value of Defined Benefit Liability (Obligation)	(2,016,555)	(2,100,702)
	(511,510)	(710,074)
Present Value of Unfunded Liabilities	(52,125)	(60,967)
Pensions Reserve - Year End Balance	(563,635)	(771,041)

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

	31/03/22 £000	31/03/21 £000
Opening Fair Value of Scheme Assets	1,390,628	1,191,887
Interest Income on Scheme Assets	27,349	27,184
Administration	(109)	(96)
<u>Remeasurement Gains / Losses</u>		
Return on Assets excluding amounts included in Net Interest	105,502	190,092
Employer Contributions	27,914	26,447
Contributions in respect of Unfunded Benefits	3,939	4,406
Contributions from Scheme Participants	8,131	7,968
Assets distributed on settlements	0	(838)
Benefits Paid	(54,370)	(52,016)
Unfunded Benefits Paid	(3,939)	(4,406)
Other Gains and Losses	0	0
Closing Fair Value of Scheme Assets	1,505,045	1,390,628

Notes to the Core Financial Statements

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

	31/03/22 £000	31/03/21 £000
Opening Present Value of Scheme Liabilities (Obligations)	(2,161,669)	(1,710,353)
Current Service Cost	(61,883)	(39,968)
Interest Cost on Defined Benefit Obligation (Liabilities)	(43,121)	(39,190)
Contributions from Scheme Participants	(8,131)	(7,968)
<u>Remeasurement Gains / Losses</u>		
Benefits Paid	54,370	52,016
Unfunded Benefits Paid	3,939	4,406
Actuarial Losses from changes in Demographic Assumptions	12,793	(27,775)
Actuarial Losses from changes in Financial Assumptions	135,295	(413,441)
Other Gains and Losses	834	18,852
Past Service Costs / Curtailments / Settlements	(1,107)	1,752
Closing Present Value of Scheme Liabilities (Obligations)	(2,068,680)	(2,161,669)

g) Pension Scheme Assets

	31/03/22			31/03/21		
	Active Market £000	Not in Active Markets £000	Total £000	Active Market £000	Not in Active Markets £000	Total £000
LGPS (LBL)						
Equities	0	0	0	0	0	0
Debt Securities	177,651	0	177,651	170,700	0	170,700
Real Estate	0	123,989	123,989	0	91,627	91,627
Investment Funds / Unit Trusts	849,662	126,233	975,896	800,696	118,579	919,275
Private Equity	0	60,003	60,003	0	39,113	39,113
Cash and Cash Equivalents	0	75,708	75,708	0	86,311	86,311
Total LGPS Assets	1,027,313	385,932	1,413,245	971,396	335,630	1,307,026

	31/03/22			31/03/21		
	Active Market £000	Not in Active Markets £000	Total £000	Active Market £000	Not in Active Markets £000	Total £000
LPFA						
Equities	44,002	8,250	52,252	38,605	7,813	46,418
Target Return Portfolio	11,447	8,325	19,772	11,091	8,093	19,184
Infrastructure	0	9,352	9,352	0	7,139	7,139
Real Estate	0	8,237	8,237	0	7,370	7,370
Cash	2,187	0	2,187	3,090	401	3,491
Total LPFA Assets	57,636	34,164	91,800	52,786	30,816	83,602

Notes to the Core Financial Statements

h) Basis for Estimating Assets and Liabilities

	Local Government Pension Scheme		LPFA	
	2021/22	2020/21	2021/22	2020/21
Rate of Inflation – CPI	3.2%	2.9%	3.5%	2.9%
Salary Increase Rate	3.9%	3.6%	4.5%	3.9%
Pensions Increases	3.2%	2.9%	3.5%	2.9%
Rate for discounting scheme liabilities	2.7%	2.0%	2.6%	1.9%
Mortality assumptions				
Longevity at 65 for current pensioners - Men	21.2	21.4	21.0	20.9
Longevity at 65 for current pensioners - Women	23.8	24.0	24.2	24.1
Longevity at 65 for future pensioners - Men	22.5	22.8	22.2	22.1
Longevity at 65 for future pensioners - Women	25.5	25.8	25.7	25.6

i) Sensitivity Analysis

Change in Assumption at 31st March 2022	Approximate % Increase in Employer Liability	Approximate Monetary Amount (£000)
LGPS - LB Lewisham		
0.1% Decrease in Real Discount Rate	2%	36,509
1 Year Increase in Member Life Expectancy	4%	79,811
0.1% Increase in the Salary Increase Rate	0%	2,234
0.1% Increase in the Pension Increase Rate	2%	34,016
LPFA		
0.1% Decrease in Real Discount Rate	n/a	97
1 Year Increase in Member Life Expectancy	n/a	100
0.1% Increase in the Salary Increase Rate	n/a	95
0.1% Increase in the Pension Increase Rate	n/a	97

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

j) Future Contributions

The objectives of the scheme are to keep the employer's contributions at as constant a rate as possible. The Council anticipates paying £27.4m in contributions to the scheme in 2022/23.

38. CONTINGENT LIABILITIES

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

- There were 13 schools with licensed deficit budgets at the year end, totalling £2.9m. There were also three schools with local authority loans with a total balance of £1.3m, two of which had licensed deficit budgets. Because of the complexities and future uncertainties over the arrangements for dealing with school deficits/loans, some or all of this total of £4.2m may ultimately fall to be met from the Council's General Fund, either in 2022/23 or a later year.

Notes to the Core Financial Statements

39. CONTINGENT ASSETS

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

40. TRUST FUNDS

The Council acts as a trustee for other funds which are not included in the Balance Sheet. Interest on these funds is credited annually at the average rate earned on the Council's revenue balances. The total amount held as at 31 March 2022 was £0.1m (£0.2m as at 31 March 2021).

41. HERITAGE ASSETS

These assets comprise Lewisham Clock Tower (£706k) and the Civic Regalia (£249k). Their values in the accounts are insurance values which are assessed internally and based on current market values. The value of the assets at 31 March 2022 is £0.96m (£0.93m as at 31 March 2021).

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

42. CAPITAL GRANTS UNAPPLIED

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place. The grants that make up the balance are detailed in the table below:

	2021/22 £000	2020/21 £000
Community Infrastructure Levy - LB Lewisham	(21,750)	(17,046)
Adults PSS Grant (DoH)	(2,626)	(2,895)
Disabled Facilities Grant	(1,790)	(1,863)
Public Sector Decarbonisation Scheme(PSDS)	(1,612)	0
River Ravensbourne Corridor (QUERCUS)	(285)	0
Social Care Single Capital Pot (DoH)	(239)	(681)
NHS Capital Grant	0	(642)
Other Housing Grants (GLA)	(1,900)	(3,219)
Other Grants	(170)	(259)
Total	(30,372)	(26,605)

Notes to the Core Financial Statements

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

	2021/22 £000	2020/1 £000
Depreciation, Impairment and Downward Valuations	43,915	110,434
Increase/ (decrease) in creditors	6,417	22,123
(Increase)/ decrease in debtors	(5,660)	5,086
(Increase)/ decrease in inventories (stock)	8	(17)
Movement in pension liability	47,018	20,303
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	52,852	41,981
Other non-cash items charged to the net surplus or deficit on the provision of services	(8,461)	15,038
Total Adjustment to net surplus or deficit on the provision of services for non-cash movements	136,089	214,948

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

	2021/2 £000	2020/21 £000
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	51	51
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(15,815)	(11,267)
Any other items for which the cash effects are investing or financing cash flows.	(24,543)	(39,187)
Total Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(40,307)	(50,403)

Notes to the Core Financial Statements

45. CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2021/22 £000	2020/21 £000
Interest Received	1,765	3,749
Interest Paid	(31,035)	(31,853)
Net Interest Paid	(29,270)	(28,104)

46. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2021/22 £000	2020/21 £000
Purchase of Property, Plant and Equipment, investment property and intangible assets	(108,214)	(101,146)
Purchase of short and long term investments	(415,000)	(378,000)
Other payments for Investing Activities	(7,818)	(1,204)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	15,815	11,267
Proceeds from short-term and long-term investments	453,000	333,000
Other Receipts from Investing Activities	28,518	37,805
Net Cash Flows from Investing Activities	(33,699)	(98,278)

47. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2021/22 £000	2020/21 £000
Cash receipts of short and long term borrowing	0	0
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(8,036)	(8,924)
Repayment of Short-Term and Long-Term Borrowing	(203)	(4,028)
Other payments for financing activities	17,115	(24,202)
Net Cash Flows from Financing Activities	8,876	(37,154)

48. PRIOR YEAR ADJUSTMENTS/ RESTATEMENTS

In 2021/22 there are no prior year restatements of the Councils Accounts or notes.

Housing Revenue Account

SECTION 4 - HOUSING REVENUE ACCOUNT

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

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

	2021/22 £000	2020/21 £000	Note
INCOME			
Gross Rent - Dwellings	(70,248)	(69,396)	1
Gross Rent - Other Housing Properties	(3,604)	(3,365)	1
Charges for Services and Facilities	(13,472)	(12,588)	1
Housing Subsidy and Government Grants	(19,863)	(10,353)	2
Contribution towards Expenditure	(3,825)	(1,041)	4
Total Income	(111,012)	(96,743)	
EXPENDITURE			
Supervision and Management - General Expenses	39,296	37,472	5
Supervision and Management - Special Expenses	5,247	5,263	5
Repairs and Maintenance	24,824	17,035	6
Rent, Rates and Other Charges	235	513	8
Rent Rebate Subsidy Shortfall	0	0	3
Contribution to Doubtful Debts & Other Provisions	3,298	479	7
Depreciation - Dwellings	24,394	22,564	10
Depreciation - Other Housing Assets	899	816	10
Impairment of Non Current Assets	729	14,167	10
Debt Management Expenses	19	19	
Total Expenditure	98,941	98,328	
Net Cost of Services included in the Council's Income and Expenditure Account	(12,071)	1,585	
HRA Services share of Corporate and Democratic Core Costs	181	177	
Net Cost of HRA Services	(11,890)	1,762	
HRA share of the Operating Income and Expenditure incl.in the Comprehensive Income and Expenditure Statement (Gain) / Loss on Sale and de-recognition of HRA Non Current Assets	39,787	32,664	
Interest Payable and Similar Charges	4,840	5,283	11
Interest and Investment Income	(178)	(571)	
Pension Interest Cost and Expected Return on Pension Assets	67	59	12
(Surplus) / Deficit for the Year on HRA Services	32,626	39,197	

Housing Revenue Account

HOUSING REVENUE ACCOUNT - MOVEMENT IN RESERVES STATEMENT

	2021/22 £000	2020/21 £000
Balance on the HRA at the End of the Previous Year	74,978	84,281
<u>Movement in Year</u>		
Surplus or (Deficit) for the year on the HRA Income and Expenditure Statement	(32,626)	(39,197)
Adjustments between Accounting Basis and Funding Basis under Statute	14,957	29,894
Net Increase or (Decrease) before Transfers (To) / From Reserves	(17,669)	(9,303)
Transfers (To) / From Reserves	(25,293)	0
Increase or (Decrease) in Year on the HRA	(42,962)	(9,303)
Balance on the HRA at the End of the Year	32,016	74,978

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

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

Housing Revenue Account

NOTES TO THE HOUSING REVENUE ACCOUNT

1. GROSS RENT OF DWELLINGS

This is the total rent collectable for the year after allowance is made for empty property. At 31 March 2022, 0.65% of lettable property was empty (0.47% at 31 March 2021). These figures for empty property exclude accommodation for the homeless and dwellings designated for sale, major works and improvements. Average rents were £99.19 in 2021/22 and £97.72 per week in 2020/21.

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 13,699 dwellings as at 31 March 2022 (13,762 as at 31 March 2021).

There have been no stock transfers undertaken in 2021/22.

The stock was made up as follows:

	31/03/22	31/03/21
<u>Stock Numbers at year end</u>		
Houses and Bungalows	2,298	2,309
Flats and Maisonettes	11,401	11,453
Stock at End of Year	13,699	13,762

	2021/22	2020/21
<u>Change in Stock Numbers during the year</u>		
Stock at 1 April	13,762	13,796
Less Sales, Demolitions, etc.	(72)	(46)
Add Re-purchases, Conversions etc.	9	12
Stock at End of Year	13,699	13,762

b) Rent Arrears

	2021/22 £000	2020/21 £000
Rent Arrears due from Current Tenants	4,442	4,420
Rent Arrears due from Former Tenants	1,072	2,034
Total Arrears	5,514	6,454
Total Arrears as % of Gross Rent of Dwellings Due	5.9%	7.1%

The arrears shown in this note exclude water charges, heating charges and all other charges collected as part of tenants' rent. Housing rent represents 94.1% of the total collectable from tenants.

Housing Revenue Account

c) Rent – Other Housing Property

	2021/22 £000	2020/21 £000
Aerial Sites	297	337
Garages	159	154
Reception Hostels	2,616	2,547
Commercial Property	473	268
Ground Rents	59	59
Total Other Rents and Charges	3,604	3,365

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

Service charges include caretaking, grounds maintenance, communal lighting, bulk household waste removal and disposal, window cleaning, pest control and the Lewisham Tenants Levy. The average tenants' service charge was £9.47 in 2021/22 (£9.26 in 2020/21).

	2021/22 £000	2020/21 £000
Heating Charges	660	653
Leasehold Service Charges	6,186	5,511
Tenants Service Charges	6,626	6,424
Total Charges for Services and Facilities	13,472	12,588

2. GOVERNMENT HOUSING EXCHEQUER SUBSIDY

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

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

The Council has also received £9.5m in funding towards the removal and recladding of 3 tower blocks within the borough.

	2021/22 £000	2020/21 £000
Other Reckonable Expenditure	9,510	0
PFI Credit	10,353	10,353
Decent Homes Grant	0	0
Total Grants and Subsidy	19,863	10,353

Housing Revenue Account

3. REBATES

Assistance with rents is available under the Housing benefits scheme for those on low income. The scheme is administered by the Council and approximately 33% of tenants received help in 2021/22 (36% in 2020/21). Rent rebates are chargeable to, and the corresponding subsidy is credited to the General Fund.

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

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

	2021/22 £000	2020/21 £000
Rent Rebates Given (GF)	26,552	28,412
Subsidy Received on Rebates (GF)	(26,552)	(28,412)
Net cost to the HRA	0	0

4. CONTRIBUTIONS TOWARDS EXPENDITURE

	2021/22 £000	2020/21 £000
Court Costs	58	21
Recharges of repairs	141	415
Recharge to Capital Receipts	441	413
Hostels: Heat, Light and Water Charges	102	100
Reimbursement of overpaid Capital Charges	2,979	0
Professional fees	104	99
Other miscellaneous income	0	7
Total Other Income	3,825	1,055

5. SUPERVISION AND MANAGEMENTGeneral expenses

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

Special expenses

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

Housing Revenue Account

6. REPAIRS AND MAINTENANCE

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

	2021/22 £000	2020/21 £000
Revenue R&M works	24,824	17,035
Total Repairs and Maintenance	24,824	17,035

7. CONTRIBUTIONS TO IMPAIRMENT ALLOWANCE

a) Contributions to Impairment Allowance

A contribution of £1.515m (2020/21 £0.479m) was transferred from the HRA to an impairment allowance to meet doubtful debts. Details of the accumulated provisions are as follows:

	2021/22 £000	2020/21 £000
Housing Tenants	3,276	4,519
Leaseholders	2,499	1,969
Commercial Properties, Miscellaneous Debts	966	878
Total Impairment Allowance	6,741	7,366

b) Contributions to Provisions

A contribution of £1.783m (2020/21 £0) was transferred from the HRA to provisions as an additional contribution to the Water Charges Provision.

The provision relates to the issue of whether the local authority was acting as an agent for Thames Water or was a water re-seller for the purposes of the Resale Order, which limited the maximum charge that could be applied to individual tenancies.

The value in question is not the Water Charge itself, but the income the authority received from Thames Water and whether this should have been passed onto the relevant tenancies.

Following a Court of Appeal ruling in October 2020 a provision was created to cover the liability for London Borough of Lewisham and to start the refund process to tenant's accounts. This was calculated with the data currently available at the time as £8.673m.

An additional contribution of £1.783m was transferred from the HRA to provisions in 2021/22 after further analysis showed that the total potential liability was £10.456m including additional administration costs.

Housing Revenue Account

8. HRA OUTSTANDING DEBT (CAPITAL FINANCING REQUIREMENT)

Under the current HRA self-financing system, which began on 1st April 2012, there is no requirement to repay principal on housing debt. The total housing debt at 31st March 2022 was £55.5m

9. NON CURRENT ASSET VALUATION

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

	31/03/22 £000	31/03/21 £000
Operational Assets:		
Dwellings (Existing Use Value - Social Housing)	1,413,440	1,393,428
Other Land and Buildings	19,083	18,931
Infrastructure	86	91
Vehicles, Plant and Equipment	7,592	7,211
	1,440,201	1,419,661
Investment Properties	0	0
Surplus Assets	6,753	7,007
	1,446,954	1,426,668
Total Housing Assets	1,446,954	1,426,668
Full Valuation of Council Dwellings	5,653,760	5,573,712

10. DEPRECIATION AND REVALUATION CHARGES

The total charges for the depreciation and revaluation of housing assets is as follows:

	2021/22 £000	2020/21 £000
Operational Assets		
Dwellings	24,394	22,564
Other Land and Buildings	334	286
Infrastructure	5	5
Vehicles, Plant and Equipment	560	525
Total Depreciation	25,293	23,380
Revaluation losses on non-current assets	729	14,167
Total Depreciation & Revaluation Charges	26,022	37,547

Revaluation charges arise from capital expenditure carried out on dwellings which has not changed the value of those dwellings, or from reductions in the value of assets in excess of any carrying values held in the revaluation reserve.

11. INTEREST PAYABLE AND SIMILAR CHARGES

This line includes the charge of £3.0m for capital assets calculated in accordance with the DCLG's Item 8 Debit Determination for 2019/20 (£3.5m in 2020/21). It no longer includes any costs for the net cost of amortised loan redemption premiums and discounts as the final payment was made in 2017/18.

Housing Revenue Account

12. PENSIONS COSTS – IAS 19

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

13. HOUSING CAPITAL EXPENDITURE

There was a contribution to Capital from HRA revenue of £48.0m to fund the new development and investment programme for 2021/22.

	2021/22 £000	2020/21 £000
Expenditure:		
Dwellings	82,270	61,172
Revenue Expenditure Funded from Capital under Statute	0	0
	82,270	61,172
Financed by:		
Capital Receipts	7,186	9,337
HRA Contribution to Capital	48,020	13,877
Major Repairs Reserve	27,064	37,958
Total Capital Expenditure Financed	82,270	61,172

14. MAJOR REPAIRS RESERVE

The movements on the major repairs reserve are as follows:

	2021/22 £000	2020/21 £000
Balance brought forward at start of year	1,884	16,462
Transferred in (depreciation dwellings)	25,293	23,380
Financing of capital expenditure on housing assets	(27,064)	(37,958)
Balance carried forward at end of year	113	1,884

15. HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

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

	Balance at 31/03/21 £000	Transfers In £000	Transfers Out £000	Balance at 31/03/22 £000
Property and Stock Related Reserves	5,425	113	0	5,538
Staff Related Reserves	750	0	0	750
Other Earmarked Reserves	68,803	0	(43,075)	25,728
Total Reserves and Balances	74,978	113	(43,075)	32,016

Collection Fund

SECTION 5 - THE COLLECTION FUND

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

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

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

	2021/22			2020/21			Note
	Council Tax	NDR	Total	Council Tax	NDR	Total	
	£000	£000	£000	£000	£000	£000	
INCOME							
Income from Council Tax (net)	160,951		160,951	151,060		151,060	4
Income from Non-Domestic Rates (net)		51,901	51,901		33,958	33,958	5
Income from Non-Domestic Rates (net) - BRS		1,547	1,547		937	937	5
TOTAL INCOME	160,951	53,448	214,399	151,060	34,895	185,955	
EXPENDITURE							
Precepts and Demands upon Fund (C.Tax)							
- London Borough of Lewisham	122,285		122,285	118,424		118,424	
- Greater London Authority	32,225		32,225	29,828		29,828	
Precepts and Demands upon Fund (NDR)							
- London Borough of Lewisham		19,881	19,881		19,344	19,344	
- Greater London Authority		24,520	24,520		23,858	23,858	
- Central Government		21,869	21,869		21,278	21,278	
- Cost of Collection Allowance		302	302		303	303	
Business Rate Supplement (BRS)							
- Paid to Greater London Authority		1,604	1,604		751	751	
- Administrative Costs		6	6		6	6	
Bad and Doubtful Debts							
- Net adj to Impairment Allowance	(17,410)		(17,410)	7,011		7,011	6a
- Net adj to Impairment Allowance		(319)	(319)		5,000	5,000	6b
- Amounts Written Off	24,680		24,680	664		664	
- Amounts Written Off		1,235	1,235		72	72	
Contributions from previous year							
- London Borough of Lewisham	(2,498)	(11,165)	(13,663)	(359)	(1,355)	(1,714)	
- Greater London Authority	(437)	(11,955)	(12,392)	0	(179)	(179)	
- Central Government		(13,393)	(13,393)		(762)	(762)	
Provision for Appeals							
- Net contribution		(5,594)	(5,594)		15,442	15,442	
TOTAL EXPENDITURE	158,845	26,991	185,836	155,568	83,758	239,326	
Deficit / (Surplus) for the year	(2,106)	(26,457)	(28,563)	4,508	48,863	53,371	3
Deficit / (Surplus) at start of year	6,578	52,330	58,908	2,070	3,467	5,537	3
Opening Balance Adjustment	0	0	0	0	0	0	3
Deficit / (Surplus) at end of year	4,472	25,873	30,345	6,578	52,330	58,908	

(*)

* See note 2 below regarding NDR deficit.

Collection Fund

NOTES TO THE COLLECTION FUND

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

The annual budget process requires that each Council determines its own 'Band D' tax charge by dividing its own budget requirement by the respective tax base for the financial year. The 'Band D' tax calculated forms the basis of the charge for all properties. Properties fall into one of eight valuation bands based on market values at 01 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 2021/22 assumed a collection rate of 95.0% (97.0% for 2020/21).

The table below sets out the original tax base calculation for 2021/22 and has been prepared in accordance with The Welfare Reform Act that abolished the system of Council Tax benefits and replaced it with the Council Tax Reduction Scheme (CTRS) with effect from 01 April 2013.

Council Tax Band	Property Value £000	2021/22		Band D Ratio	2021/22		2020/21	
		No. of Properties			Band D Equivalents as per Ratio No.	Council Tax Charge £	Band D Equivalents as per Ratio No.	Council Tax Charge £
		Actual Number (1)	Adjusted Number (2)					
A	up to 40	8,126	5,333	6/9	3,555.4	1,162.41	3,458.4	1,097.62
B	40 - 52	34,334	24,912	7/9	19,375.7	1,356.15	19,434.3	1,280.57
C	52 - 68	45,775	36,786	8/9	32,698.9	1,549.18	32,668.9	1,463.50
D	68 - 88	26,670	23,046	1	23,046.0	1,743.62	22,853.3	1,646.44
E	88 - 120	7,757	6,920	11/9	8,458.3	2,131.09	8,370.9	2,012.44
F	120 - 160	2,750	2,569	13/9	3,710.3	2,518.56	3,705.8	2,378.19
G	160 - 320	1,332	1,267	15/9	2,111.6	2,906.03	2,071.8	2,744.06
H	over 320	170	161	18/9	322.0	3,487.24	322.5	3,292.88
Totals		126,914	100,994		93,278.2		92,885.9	
Add: Contributions in lieu					0.0		0.0	
Total Band D Equivalents					93,278.2		92,885.9	
Estimated Collection Rate					95.0%		97.0%	
NET COUNCIL TAX BASE					88,614.3		90,099.3	

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

Collection Fund

2. COLLECTION FUND SURPLUS OR DEFICIT

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

Note on 2020/21 NDR deficit (£52,330k at year-end)

The deficit has increased significantly during 2020/21 because of Covid reliefs for businesses covered by Section 31 grant from Central Government, which is being held in General Fund earmarked reserves at year-end.

3. COLLECTION FUND BALANCE SPLIT INTO ITS ATTRIBUTABLE PARTS

	(Surplus)/ Deficit		(Surplus)/ Deficit		Balance at 31/03/22 £000
	Balance at 31/03/20 £000	Movement in 2020/21 £000	Balance at 31/03/21 £000	Movement in 2021/22 £000	
Council Tax					
London Borough of Lewisham	1,652	3,597	5,249	(1,711)	3,538
Greater London Authority	418	911	1,329	(395)	934
	2,070	4,508	6,578	(2,106)	4,472
Non-Domestic Rates					
London Borough of Lewisham	1,917	13,993	15,910	(8,148)	7,762
Greater London Authority	1,078	18,167	19,245	(9,672)	9,573
Central Government	472	16,703	17,175	(8,637)	8,538
	3,467	48,863	52,330	(26,457)	25,873
Collection Fund Balances	5,537	53,371	58,908	(28,563)	30,345

Collection Fund Adjustment Account

The Council's share of the Collection Fund balance is managed by the Collection Fund Adjustment Account which shows the differences arising from the recognition of Council Tax income in the CIES as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

4. COUNCIL TAX INCOME

	2021/22		2020/21
	£000	£000	£000
Gross Council Tax Income Due		206,498	194,195
Less: Exemptions	(6,545)		(5,913)
Disabled Relief	(119)		(97)
Discounts	(19,104)		(17,659)
Adjustment for Council Tax Reduction Scheme	(20,145)		(23,254)
Plus: Adjustments to charge	366		647
Covid Grants	0		3,141
		(45,547)	(43,135)
Total Due from Council Tax payers		160,951	151,060

Collection Fund

5. NON-DOMESTIC RATES

The Council is responsible for collecting the Non-Domestic Rates (NDR) (often referred to as Business Rates) which are payable within its area. The amount payable is based upon the rateable value of commercial properties multiplied by the NDR multiplier, which is set annually by the Government. The amount due is paid as precepts to London Borough of Lewisham's General Fund (30%), Greater London Authority (37%) and Central Government (33%).

	2021/22		2020/21
	£000	£000	£000
Gross NDR Collectable (after voids and exemptions)		88,008	86,675
Reductions and Relief:			
Mandatory Relief	(18,517)		(17,406)
Discretionary Relief	(16,044)		(34,374)
		(34,561)	(51,780)
Total Receivable from Business Rates		53,447	34,895

	2021/22	2020/21
	£m	£m
Non-Domestic Rateable Value	177.0	178.2

	2021/22	2020/21
	pence	pence
Non-Domestic Rate Multiplier	51.2	51.2
Non-Domestic Rate Multiplier (Small Business)	49.9	49.9

6. COLLECTION FUND ARREARS AND IMPAIRMENT ALLOWANCES

	31/03/22	31/03/21
	£000	£000
Council Tax Arrears	40,151	57,000
Impairment Allowance	(35,295)	(52,705)
As a Percentage of Arrears	87.9%	92.5%

	2021/22		2020/21	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Arrears				
Year of Accounts	12,203	30	10,598	19
Under 2 Years old	8,090	20	7,396	13
Under 3 Years old	6,557	16	5,786	10
Under 5 Years old	9,862	25	8,592	15
Over 5 Years old	3,439	9	24,628	43
Total	40,151	100	57,000	100

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

Collection Fund

b) Non-Domestic Rates

	31/03/2022 £000	31/03/2021 £000
NDR Arrears	7,644	7,939
Impairment Allowance	(6,816)	(7,135)
As a Percentage of Arrears	89.2%	89.9%

	2021/22		2020/21	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Arrears				
Year of Accounts	3,324	43	3,289	41
Under 2 Years old	1,553	20	2,034	26
Under 3 Years old	1,256	16	1,087	14
Under 5 Years old	1,193	16	802	10
Over 5 Years old	318	4	727	9
Total	7,644	100	7,939	100

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

SECTION 6 – GROUP ACCOUNTS

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

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

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

These statements (the purposes of which are explained on pages 4 and 5), together with those explanatory notes that are considered necessary in addition to those accompanying the "single entity" accounts and accounting policies are set out in the following pages.

Group Accounts

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDING 31 MARCH 2022

2020/21				2021/22		
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
			SERVICE			
450,726	(352,923)	97,803	Children & Young People Directorate	450,964	(377,772)	73,192
201,559	(122,191)	79,368	Community Services Directorate	207,061	(120,106)	86,955
148,787	(76,865)	71,922	Housing, Regeneration & Public Realm Directorate	130,791	(93,213)	37,578
224,351	(182,390)	41,961	Corporate Services Directorate	219,141	(176,205)	42,936
12,489	(561)	11,928	Chief Executive Directorate	13,604	(1,063)	12,541
100,913	(106,128)	(5,215)	HRA	89,709	(101,356)	(11,647)
16,721	(6,826)	9,895	Corporate Provisions	6,941	(26,160)	(19,219)
1,155,546	(847,884)	307,662	Cost of Services	1,118,211	(895,875)	222,336
			Other Operating Expenditure			
37,206	(6,832)	30,374	(Gain) / Loss on the disposal and de-recognition of non-current assets	36,907	0	36,907
1,706	0	1,706	Levies	1,702	0	1,702
1,939	0	1,939	Contribution of housing capital receipts to Government Pool	1,940	0	1,940
40,851	(6,832)	34,019		40,549	0	40,549
			Financing and Investment Income and Expenditure			
31,772	0	31,772	Interest payable and similar charges	31,518	0	31,518
0	(1,407)	(1,407)	Interest and Investment Income	0	195	195
21,120	0	21,120	Loss of Control of Assets	0	0	0
42,498	(30,382)	12,116	Net interest on the net defined benefit liability	47,107	(30,643)	16,464
95,390	(31,789)	63,601		78,625	(30,448)	48,177
			Taxation and non-specific Grant Income			
0	(118,065)	(118,065)	Income from Council Tax	0	(118,787)	(118,787)
0	(85,163)	(85,163)	General Government Grants	0	(31,580)	(31,580)
0	(36,508)	(36,508)	Recognised Capital Grants and Contributions	0	(19,839)	(19,839)
0	(95,735)	(95,735)	Non-Domestic Rates income and expenditure	0	(96,162)	(96,162)
518	0	518	Corporation Tax Payable	145	0	145
518	(335,471)	(334,953)		145	(266,368)	(266,223)
		70,329	Deficit/(Surplus) on provision of services			44,839
		(104,787)	Surplus or deficit on revaluation of non-current assets			(108,069)
		256,650	Remeasurement of the net defined benefit liability			(283,339)
		151,863	Other Comprehensive Income and Expenditure			(391,408)
		222,192	Total Comprehensive Income and Expenditure			(346,569)

LEWISHAM STATEMENT OF ACCOUNTS 2021/22

Group Accounts

GROUP MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31 MARCH 2022

YEAR ENDING 31ST MARCH 2022	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority share of subsidiaries £000	Total Group Reserves £000
Balance at 31 March 2021 Brought Forward	20,000	200,728	74,978	1,884	58,296	26,605	382,491	1,416,855	1,799,346	(27,825)	1,771,521
Movement in Reserves during 2021/22											
Surplus or (Deficit) on the provision of services	43,824	0	(32,626)	0	0	0	11,198	0	11,198	(56,037)	(44,839)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	357,126	357,126	34,282	391,408
Total Comprehensive Income and Expenditure	43,824	0	(32,626)	0	0	0	11,198	357,126	368,324	(21,755)	346,569
Adjustments between group accounts and authority accounts	(48,087)	0	0	0	0	0	(48,087)	0	(48,087)	48,087	0
Net increase before transfers	(4,263)	0	(32,626)	0	0	0	(36,889)	357,126	320,237	26,332	346,569
Adjustments between accounting basis and funding basis under regulations	34,653	0	(10,336)	(1,771)	6,091	3,767	32,404	(32,404)	0	0	0
Net Increase / Decrease before Transfers to Earmarked Reserves	30,390	0	(42,962)	(1,771)	6,091	3,767	(4,485)	324,722	320,237	26,332	346,569
Transfers to / from Earmarked Reserves	(30,390)	30,390	0	0	0	0	0	0	0	0	0
Increase / (Decrease) in 2021/22	0	30,390	(42,962)	(1,771)	6,091	3,767	(4,485)	324,722	320,237	26,332	346,569
Balance at 31 March 2022 Carried Forward	20,000	231,118	32,016	113	64,387	30,372	378,006	1,741,577	2,119,583	(1,493)	2,118,090

LEWISHAM STATEMENT OF ACCOUNTS 2021/22

Group Accounts

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31ST MARCH 2021

YEAR ENDING 31 MARCH 2021	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority share of subsidiaries £000	Total Group Reserves £000
Balance at 31 March 2020 Brought Forward	20,000	151,122	84,281	16,463	61,368	23,626	356,860	1,637,703	1,994,563	(850)	1,993,713
Movement in Reserves during 2020/21											
Surplus or (Deficit) on the provision of services	(3,018)	0	(39,197)	0	0	0	(42,215)	0	(42,215)	(28,114)	(70,329)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(130,899)	(130,899)	(20,964)	(151,863)
Total Comprehensive Income and Expenditure	(3,018)	0	(39,197)	0	0	0	(42,215)	(130,899)	(173,114)	(49,078)	(222,192)
Adjustments between group accounts and authority accounts	(22,103)	0	0	0	0	0	(22,103)	0	(22,103)	22,103	0
Net increase before transfers	(25,121)	0	(39,197)	0	0	0	(64,318)	(130,899)	(195,217)	(26,975)	(222,192)
Adjustments between accounting basis and funding basis under regulations	74,727	0	29,894	(14,579)	(3,072)	2,979	89,949	(89,949)	0	0	0
Net Increase / Decrease before Transfers to Earmarked Reserves	49,606	0	(9,303)	(14,579)	(3,072)	2,979	25,631	(220,848)	(195,217)	(26,975)	(222,192)
Transfers to / from Earmarked Reserves	(49,606)	49,606	0	0	0	0	0	0	0	0	0
Increase / (Decrease) in 2020/21	0	49,606	(9,303)	(14,579)	(3,072)	2,979	25,631	(220,848)	(195,217)	(26,975)	(222,192)
Balance at 31 March 2021 Carried Forward	20,000	200,728	74,978	1,884	58,296	26,605	382,491	1,416,855	1,799,346	(27,825)	1,771,521

Group Accounts

GROUP BALANCE SHEET AS AT 31 MARCH 2022

31/03/2021 £000		31/03/2022 £000
	Property, Plant & Equipment	
1,421,775	Council dwellings	1,446,393
1,064,692	Other land and buildings	1,104,963
29,383	Vehicles, plant, furniture and equipment	27,545
109,064	Infrastructure	103,286
5,295	Community	5,199
52,244	Surplus Assets not held for Sale	60,856
69,923	Assets under Construction	126,444
2,752,376		2,874,686
928	Heritage Assets	955
17,092	Investment Property	17,503
1,924	Long term investments	1,873
4,436	Long term debtors	4,072
2,776,756	Total Long Term Assets	2,899,089
313,327	Short Term Investments	275,247
240	Inventories	233
82,540	Debtors	71,419
80,147	Cash and Cash Equivalents	120,171
3,786	Prepayments	3,102
480,040	Current Assets	470,172
1,039	Bank Overdraft	5,932
2,073	Short term borrowing	3,006
21,789	Provisions	15,658
116,451	Creditors	144,301
100,662	Receipts in advance	79,236
9,302	PFI Liabilities due within one year	10,158
251,316	Current Liabilities	258,291
3,005,480	Total Assets less Current Liabilities	3,110,970
222,784	Long term borrowing	221,646
8,710	Provisions (More than 1 year)	6,404
202,138	Deferred PFI Liabilities	193,246
2,989	Capital Grants Receipts in Advance	3,320
0	Other Long Term Liabilities	937
797,338	Liability related to defined benefit pension scheme	567,327
1,233,959	Long Term Liabilities	992,880
1,771,521	NET ASSETS	2,118,090
	Usable Reserves	
20,000	General Fund Balance	20,000
200,728	Earmarked Revenue Reserves	231,118
(6,361)	Lewisham Homes Profit & Loss Reserve	(7,628)
(26,297)	Lewisham Homes Pensions Reserve	(3,692)
218	Catford Regeneration Partnership Profit & Loss Reserve	(155)
74,978	Housing Revenue Account	32,016
1,884	Major Repairs Reserve	113
58,296	Usable Capital Receipts Reserve	64,387
26,605	Capital Grants Unapplied	30,372
350,051		366,531
	Unusable Reserves	
1,214,203	Revaluation Reserve	1,298,093
1,044,137	Capital Adjustment Account	1,088,488
93	Deferred Capital Receipts	93
(33,834)	Financial Instruments Adjustment Account	(32,981)
(771,041)	LBL Pensions Reserve	(563,635)
(21,141)	Collection Fund Adjustment Account	(11,300)
(2,375)	DSG Unusable Reserve	(8,644)
(8,572)	Short Term Compensated Absences Account	(18,555)
1,421,470		1,751,559
1,771,521	TOTAL RESERVES	2,118,090

Group Accounts

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDING 31 MARCH 2022

2020/21 £000s		2021/22 £000s
(70,329)	Net surplus or (deficit) on the provision of services	(38,529)
220,495	Adjustment to surplus or deficit on the provision of services for noncash movements	140,800
(50,403)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(40,307)
99,763	Net Cash flows from operating activities	61,964
(100,234)	Net Cash flows from Investing Activities	(36,356)
(35,714)	Net Cash flows from Financing Activities	9,523
(36,185)	Net increase or (decrease) in cash and cash equivalents	35,131
115,293	Cash and cash equivalents at the beginning of the reporting period	79,108
79,108	Cash and cash equivalents at the end of the reporting period	114,239

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

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

2. Group Boundary

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

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

Group Accounts

3. Accounting Policies

- (i) In preparing the Group Accounts the Council has aligned the accounting policies of its companies with those of the Council and made consolidation adjustments where necessary.
- (ii) In 2021/22 Lewisham Homes "Council Dwellings" assets were re-valued using the same accounting standards as LBL to consolidate Lewisham Homes assets into the Group balance sheet. This resulted in a credit to the Group CIES of £4.956m due to an upward valuation of the assets compared to the 2020/21 valuation (2020/21 was a credit of £1.292m to the Group CIES due to the upward revaluation of the assets).
- (iii) Lewisham Homes account for their assets in their single entity balance sheet as cost based. Within the Lewisham Homes accounts the assets are valued at NBV £42.366m (£42.770m in 2020/21). To be included in the Group Accounts these were valued at Fair Value of NBV £33.497m (£28.945m in 2020/21).
- (iv) The Council has consolidated the companies' financial statements with those of the Council on a line by line basis and has eliminated in full balances, transactions, income and expenses between the Council and its subsidiaries.

Group Accounts

4. Movements in Non-Current Assets

The movements in non-current assets during 2021/22 and 2020/21 were as follows:

2021/22	Council Dwellings £000	Other Land & Bldgs £000	Vehicles, Plant & Equip't £000	Infra-structure Assets £000	Comm. Assets £000	Surplus Assets £000	Assets under Construction £000	TOTAL £000
Gross Book Value b/fwd at 01 April 2021	1,421,775	1,064,737	65,526	194,757	5,562	53,853	69,923	2,876,133
Additions	49,936	1,126	1,799	2,774	0	0	56,521	112,156
Revaluations (recognised in Revaluation Reserve)	25,458	40,985	0	0	0	3,394	0	69,837
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	2,709	6,742	0	0	0	(657)	0	8,794
Impairments (recognised in Revaluation Reserve)	0	(813)	0	0	0	(1,120)	0	(1,933)
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	(76)	(348)	0	(854)	0	(719)	0	(1,997)
Loss of Control of Assets (recognised in Revaluation Reserve)	0	0	0	0	0	0	0	0
Loss of Control of Assets (recognised in Financing and Investment Income and Expenditure)	0	0	0	0	0	0	0	0
De-recognition of Assets (recognised in Other Operating Expenditure)	(46,929)	0	0	0	0	0	0	(46,929)
Disposals	(5,809)	0	(16,924)	(26,670)	(100)	(1,952)	0	(51,455)
Transfers	(670)	(7,418)	0	0	0	8,088	0	0
Gross Book Value c/fwd at 31 March 2022	1,446,394	1,105,011	50,401	170,007	5,462	60,887	126,444	2,964,606
Depreciation b/fwd at 01 April 2021	0	(45)	(36,143)	(85,693)	(267)	(1,609)	0	(123,757)
Depreciation for year	(25,103)	(14,854)	(3,772)	(7,705)	(95)	(305)	0	(51,834)
<u>Depreciation written back on:</u>								
Transfers	12	72	0	0	0	(84)	0	0
Revaluations (recognised in Revaluation Reserve)	22,760	11,627	135	0	0	249	0	34,771
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	2,330	3,139	0	0	0	43	0	5,512
Impairments (recognised in Revaluation Reserve)	0	0	0	0	0	0	0	0
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	13	0	0	0	0	0	13
Assets Sold	0	0	16,924	26,677	99	1,675	0	45,375
Depreciation c/fwd at 31 March 2022	(1)	(48)	(22,856)	(66,721)	(263)	(31)	0	(89,920)
Net Book Value at 31 March 2022	1,446,393	1,104,963	27,545	103,286	5,199	60,856	126,444	2,874,686

Group Accounts

2020/21	Council Dwellings £000	Other Land & Bldgs £000	Vehicles, Plant & Equip't £000	Infra-structure Assets £000	Comm. Assets £000	Surplus Assets £000	Assets under Construction £000	TOTAL £000
Gross Book Value b/fwd at 01 April 2020	1,311,559	1,077,934	62,291	191,981	5,596	94,858	80,532	2,824,751
Additions	39,050	3,700	7,832	3,136	0	0	45,211	98,929
Revaluations (recognised in Revaluation Reserve)	112,685	37,578	0	0	0	(31,635)	0	118,628
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	(8,570)	(31,238)	0	0	0	(2,846)	0	(42,654)
Impairments (recognised in Revaluation Reserve)	(1,943)	(1,172)	0	0	(14)	(3,667)	0	(6,796)
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	(2,059)	(437)	0	(360)	(20)	(2,699)	0	(5,575)
Loss of Control of Assets (recognised in Revaluation Reserve)	0	(45,617)	0	0	0	0	0	(45,617)
Loss of Control of Assets (recognised in Financing and Investment Income and Expenditure)	0	(21,120)	0	0	0	0	0	(21,120)
De-recognition of Assets (recognised in Other Operating Expenditure)	(37,206)	0	0	0	0	0	0	(37,206)
Disposals	(4,274)	0	(2,728)	0	0	(205)	0	(7,207)
Transfers	12,533	45,109	(1,869)	0	0	47	(55,820)	0
Gross Book Value c/fwd at 31 March 2021	1,421,775	1,064,737	65,526	194,757	5,562	53,853	69,923	2,876,133
Depreciation b/fwd at 01 April 2020	(1,001)	(3,358)	(37,355)	(78,079)	(172)	(159)	0	(120,124)
Depreciation for year	(23,251)	(14,950)	(3,826)	(7,614)	(95)	(1,043)	0	(50,779)
<u>Depreciation written back on:</u>								
Transfers	72	11	1,578	0	0	(1,359)	(302)	0
Revaluations (recognised in Revaluation Reserve)	21,039	12,136	1,065	0	0	248	0	34,488
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	2,981	6,059	0	0	0	668	0	9,708
Impairments (recognised in Revaluation Reserve)	0	0	0	0	0	0	0	0
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	160	57	0	0	0	0	302	519
Assets Sold	0	0	2,395	0	0	36	0	2,431
Depreciation c/fwd at 31 March 2021	0	(45)	(36,143)	(85,693)	(267)	(1,609)	0	(123,757)
Net Book Value at 31 March 2021	1,421,775	1,064,692	29,383	109,064	5,295	52,244	69,923	2,752,376

Group Accounts

5. Investment Properties

Whilst the Council has no investment properties, CRPL owns Catford shopping centre and several surrounding properties. As these properties were solely being used to generate income at 31 March 2022, under the code of practice they are classed as investment properties.

The fair value of the properties owned by CRPL as at 31 March 2022 £17.503m) (31 March 2021 was £17.092m). This is a £0.411m increase in value from 2020/21.

6. Note to the Group MIRS - Adjustments between group accounts and authority accounts

The following adjustments are made in the Group's Movement in Reserves Statement in order to reconcile the General Fund back to its Council position prior to funding basis adjustments being made.

An analysis of the adjustments between group accounts and authority accounts row within the Group MIRS in 2021/22 is as follows:

Adjustment for:	£'000
London Borough of Lewisham Payments to Lewisham Homes	(60,910)
Lewisham Homes Payments to London Borough of Lewisham	12,045
London Borough of Lewisham Payments to CRPL	(20)
CRPL Payments to London Borough of Lewisham	798
Total Adjustments to GF Net Expenditure	(48,087)

2020/21 comparator:

Adjustment for:	£'000
London Borough of Lewisham Payments to Lewisham Homes	(35,066)
Lewisham Homes Payments to London Borough of Lewisham	12,226
London Borough of Lewisham Payments to CRPL	134
CRPL Payments to London Borough of Lewisham	603
Total Adjustments to GF Net Expenditure	(22,103)

7. Pensions

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

As per the CIPFA Guidance notes, the Pensions Reserves of the authority and Lewisham Homes have different characteristics – in the private sector the reserve is a subset of the Profit and Loss Reserve that accumulates actuarial gains and losses and other remeasurement. Therefore in the Group Accounts the Lewisham Homes Pension reserve is included under Usable Reserves and the LBL Pensions reserve is under Unusable Reserves.

Lewisham Homes include the asset and liability for the Pension Fund under Current Assets and Long Term Liabilities in their single entity accounts. When consolidating with the LBL accounts to create the Group Accounts this has to be changed to Usable Reserves and Long Term Liabilities. This results in the various elements of the in-year movement in the valuation being charged through the different areas of the Group CIES.

Group Accounts

a) Transactions relating to Retirement Benefits

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

Comprehensive Income and Expenditure Statement	2021/22 £000	2020/21 £000
Cost of Service		
Current Service Cost	71,139	46,074
Past Service Cost (inc.settlements and curtailments)	1,170	(868)
	72,309	45,206
Financing and Investment Income and Expenditure		
<u>Net Interest on the Net Defined Benefit Liability</u>		
Interest Income on Scheme Assets	(30,643)	(30,382)
Interest Cost on Defined Benefit Obligation (Liabilities)	47,107	42,498
	16,464	12,116
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	88,773	57,322
<u>Remeasurements of the Net Defined Benefit Liability</u>		
Return on Assets excluding amounts included in Net Interest	(117,839)	(211,307)
Actuarial Losses from changes in Demographic Assumptions	(14,685)	30,971
Actuarial Losses from changes in Financial Assumptions	(150,381)	457,451
Other Gains and Losses	(434)	(20,465)
Total Remeasurements recognised in CIES	(283,339)	256,650
Total Post Employment Benefits Charged to the CIES	(194,566)	313,972

b) Pensions Assets and Liabilities Recognised in the Balance Sheet

	31/03/22 £000	31/03/21 £000
Fair Value of Plan Assets	1,692,244	1,559,763
Present Value of Defined Benefit Liability (Obligation)	(2,207,446)	(2,296,134)
	(515,202)	(736,371)
Present Value of Unfunded Liabilities	(52,125)	(60,967)
Pensions Reserve - Year End Balance	(567,327)	(797,338)

Group Accounts

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

	31/03/22 £000	31/03/21 £000
Opening Fair Value of Scheme Assets	1,559,763	1,333,900
Interest Income on Scheme Assets	30,752	30,478
Administration	(109)	(96)
<u>Remeasurement Gains / Losses</u>		
Return on Assets excluding amounts included in Net Interest	117,839	211,307
Employer Contributions	31,506	29,995
Contributions in respect of Unfunded Benefits	3,939	4,406
Contributions from Scheme Participants	9,484	9,348
Assets distributed on settlements	0	(838)
Benefits Paid	(56,991)	(54,331)
Unfunded Benefits Paid	(3,939)	(4,406)
Other Gains and Losses	0	0
Closing Fair Value of Scheme Assets	1,692,244	1,559,763

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

	31/03/22 £000	31/03/21 £000
Opening Present Value of Scheme Liabilities (Obligations)	(2,357,101)	(1,851,667)
Current Service Cost	(71,139)	(46,074)
Interest Cost on Defined Benefit Obligation (Liabilities)	(47,107)	(42,498)
Contributions from Scheme Participants	(9,484)	(9,348)
<u>Remeasurement Gains / Losses</u>		
Benefits Paid	56,991	54,331
Unfunded Benefits Paid	3,939	4,406
Actuarial Losses from changes in Demographic Assumptions	14,685	(30,971)
Actuarial Losses from changes in Financial Assumptions	150,381	(457,451)
Other Gains and Losses	434	20,465
Past Service Costs / Curtailments / Settlements	(1,170)	1,706
Closing Present Value of Scheme Liabilities (Obligations)	(2,259,571)	(2,357,101)

Group Accounts

e) Pension Scheme Assets

	31/03/22			31/03/21		
	Active Market £000	Not in Active Markets £000	Total £000	Active Market £000	Not in Active Markets £000	Total £000
LGPS (LBL + LH)						
Equities	119,807	0	119,807	116,703	0	116,703
Debt Securities	177,651	0	177,651	170,700	0	170,700
Real Estate	0	140,836	140,836	0	103,467	103,467
Investment Funds / Unit Trusts	890,846	126,233	1,017,079	837,906	118,579	956,485
Private Equity	0	60,003	60,003	0	39,113	39,113
Cash and Cash Equivalents	0	85,068	85,068	0	89,694	89,694
Total LGPS Assets	1,188,304	412,140	1,600,444	1,125,309	350,852	1,476,161

	31/03/22			31/03/21		
	Active Market £000	Not in Active Markets £000	Total £000	Active Market £000	Not in Active Markets £000	Total £000
LPFA						
Equities	44,002	8,250	52,252	38,605	7,813	46,418
Target Return Portfolio	11,447	8,325	19,772	11,091	8,093	19,184
Infrastructure	0	9,352	9,352	0	7,139	7,139
Real Estate	0	8,237	8,237	0	7,370	7,370
Cash	2,187	0	2,187	3,090	401	3,491
Total LPFA Assets	57,636	34,164	91,800	52,786	30,816	83,602

f) Basis for Estimating Assets and Liabilities

	Local Government Pension Scheme		LPFA	
	2021/22	2020/21	2021/22	2020/21
Rate of Inflation – CPI	3.2%	2.9%	3.5%	2.9%
Salary Increase Rate	3.9%	3.6%	4.5%	3.9%
Pensions Increases	3.2%	2.9%	3.5%	2.9%
Rate for discounting scheme liabilities	2.7%	2.0%	2.6%	1.9%
Mortality assumptions				
Longevity at 65 for current pensioners - Men	21.2	21.4	21.0	20.9
Longevity at 65 for current pensioners - Women	23.8	24.0	24.2	24.1
Longevity at 65 for future pensioners - Men	22.5	22.8	22.2	22.1
Longevity at 65 for future pensioners - Women	25.5	25.8	25.7	25.6

Group Accounts

g) Sensitivity Analysis

Change in Assumption at 31st March 2022	Approximate % Increase in Employer Liability	Approximate Monetary Amount (£000)
LGPS - LB Lewisham		
0.1% Decrease in Real Discount Rate	2%	36,509
1 Year Increase in Member Life Expectancy	4%	79,811
0.1% Increase in the Salary Increase Rate	0%	2,234
0.1% Increase in the Pension Increase Rate	2%	34,016
LGPS - Lewisham Homes		
0.1% Decrease in Real Discount Rate	2%	4,107
1 Year Increase in Member Life Expectancy	4%	7,636
0.1% Increase in the Salary Increase Rate	0%	294
0.1% Increase in the Pension Increase Rate	2%	3,783
LPFA		
0.1% Decrease in Real Discount Rate	n/a	97
1 Year Increase in Member Life Expectancy	n/a	100
0.1% Increase in the Salary Increase Rate	n/a	95
0.1% Increase in the Pension Increase Rate	n/a	97

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

h) Future Contributions

The objectives of the scheme are to keep the employer's contributions at as constant a rate as possible. The Group anticipates paying £30.9m in contributions to the scheme in 2022/23.

8. Long Term Debtors

The value of Long Term debtors has reduced from the Single entity accounts balance to the Group Accounts balance because of the removal of loans to the subsidiaries (Lewisham Homes £40,000k and CRPL £15,448k).

9. Group Accounts Prior Period Adjustments/ Restatements

In 2021/22 there were no restatements to the 2020/21 Group Accounts

Glossary

SECTION 7 – GLOSSARY OF TERMS USED IN THE ACCOUNTS

ACCRUALS	These are amounts included in the accounts to cover income and expenditure attributable to the financial year, but for which payment had not been received or made as at 31 March.
ACTUARY	An independent professional who advises on the financial position of the Pension Fund and carries out a full valuation every three years.
CAPITAL EXPENDITURE	This is expenditure on the acquisition or enhancement of assets which significantly prolongs their useful lives or increases their market value. This is considered to be of benefit to the Council over a period of more than one year, e.g. land and buildings.
CAPITAL ADJUSTMENT ACCOUNT	This represents the capital resources which have been set aside to meet past capital expenditure.
CAPITAL RECEIPTS	Income received from the sale of land, buildings and plant.
COLLECTION FUND	A separate statutory account into which Council Tax and Non-Domestic Rates (NDR) are paid in order to account for payments due to the Council's General Fund and Preceptors (currently the Greater London Authority for Council Tax and NDR, and Central Government for NDR).
CONTINGENT LIABILITY	A possible liability to incur future expenditure at the balance sheet date dependent upon the outcome of uncertain events.
CREDITORS	This is an amount of money owed by the Council for goods, works or services received.
DEBTORS	This is an amount of money owed to the Council by individuals and organisations.
DEPRECIATION	This is the loss in value of an asset due to age, wear and tear, deterioration or obsolescence. An annual charge in respect of this is made to service revenue accounts over the life of most assets to reflect the usage in the year.
EARMARKED RESERVES	These are amounts set aside for specific purposes to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.
FAIR VALUE	This is defined as the amount for which an asset could be exchanged or liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.
GENERAL FUND	This is the account which comprises the revenue costs of providing services, which are met by General Government Grants and the Council's demand on the Collection Fund.
IMPAIRMENT ALLOWANCE	This is an amount set aside from revenue to cover irrecoverable debts.
INFRASTRUCTURE	These are non-current assets which do not have a market value and primarily exist to facilitate transportation and communication (e.g. roads, street lighting). They are usually valued at historic cost.

Glossary

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

Glossary

COMMON ACRONYMS USED IN THE ACCOUNTS

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

SECTION 8 – PENSION FUND ACCOUNTS

To Follow

SECTION 9 - ANNUAL GOVERNANCE STATEMENT

What is corporate governance?

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards; and for having a governance framework that comprises of the culture, values, systems and processes by which this is achieved. It must make sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively to meet its strategic objectives.

It also has a duty, through the establishment of internal control measures, to manage risk to a reasonable level by identifying, prioritising, evaluating and managing the risks to the achievement of its policies, aims and objectives. Finally, it has a duty to secure continuous improvement in the way in which its functions are exercised.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives and Senior Managers) Framework Delivering Good Governance in Local Government. This statement explains how the authority has complied with the code and also how it meets the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement on internal control.

“Corporate governance is about making sure that the Council is run properly. It is about ensuring the Council does the right things, at the right time and in the right way.”

How has this statement been prepared?

Every year a review of the effectiveness of the Council’s governance framework is conducted by senior officers from policy, legal and audit with expertise in governance and internal control matters.

Officers monitor and evaluate governance evidence and identify areas requiring action; and is responsible for analysing CIPFA/SOLACE guidance in relation to the development of this statement for the financial statements.

The governance review process includes:

- Oversight of the Annual Governance Statement Action Plan rests with the Council’s Executive Management Team.
- Consideration of the Accounts by the Executive Director for Corporate Resources (as s151).
- Reviewing results of work conducted by the Council’s assurance services, including the Annual Opinion of the Head of Internal Audit.
- Review of the Annual Governance Statement by the Council’s Audit Panel as part of the financial statements.
- A review of the Council’s Local Code of Corporate Governance by the Standards Committee, with reference to CIPFA/Solace Guidance.
- Referral of the Annual Governance Statement to Full Council with the Statement of Accounts and sign off by the Speaker of the Council and Chief Executive, once approved.

This year, the Council’s governance arrangements have operated as designed. There were some changes in statutory post holders with a change of Monitoring Officer in November 2021.

The Council's governance arrangements in 2021/22

The Council's governance arrangements aim to foster effective leadership and high standards of behaviour; a culture based on openness and honesty; and an external focus on the needs of service users and the public. The diagram below shows the Council's external facing governance structure, as set out in the Council's constitution.

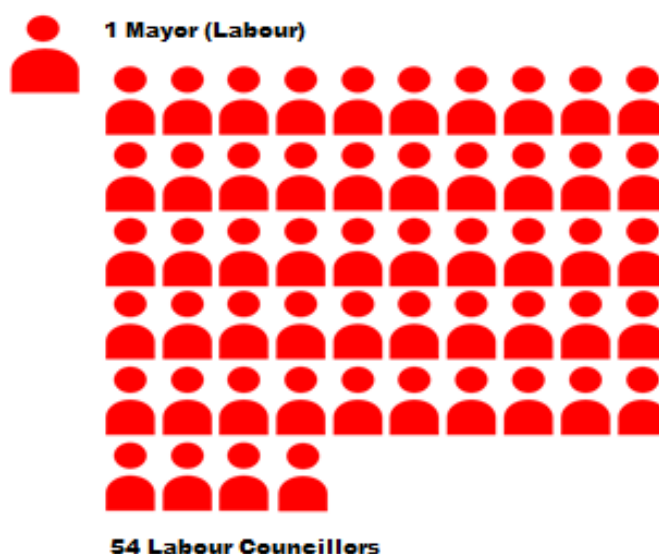
Lewisham's directly elected Mayor provides the Council with clear strategic direction and effective leadership but the Council also benefits from the perspectives and contributions of its 54 Councillors. The Council's constitution clearly defines the roles of councillors and officers, and this clarity contributes to effective working relationships across the Council. The Constitution Working Party, the Standards Committee and the Audit Panel monitor and challenge the governance arrangements and ensure their robustness.

The Council has worked closely with its partners, both strategic and operational. The Council has five statutory partnership boards:

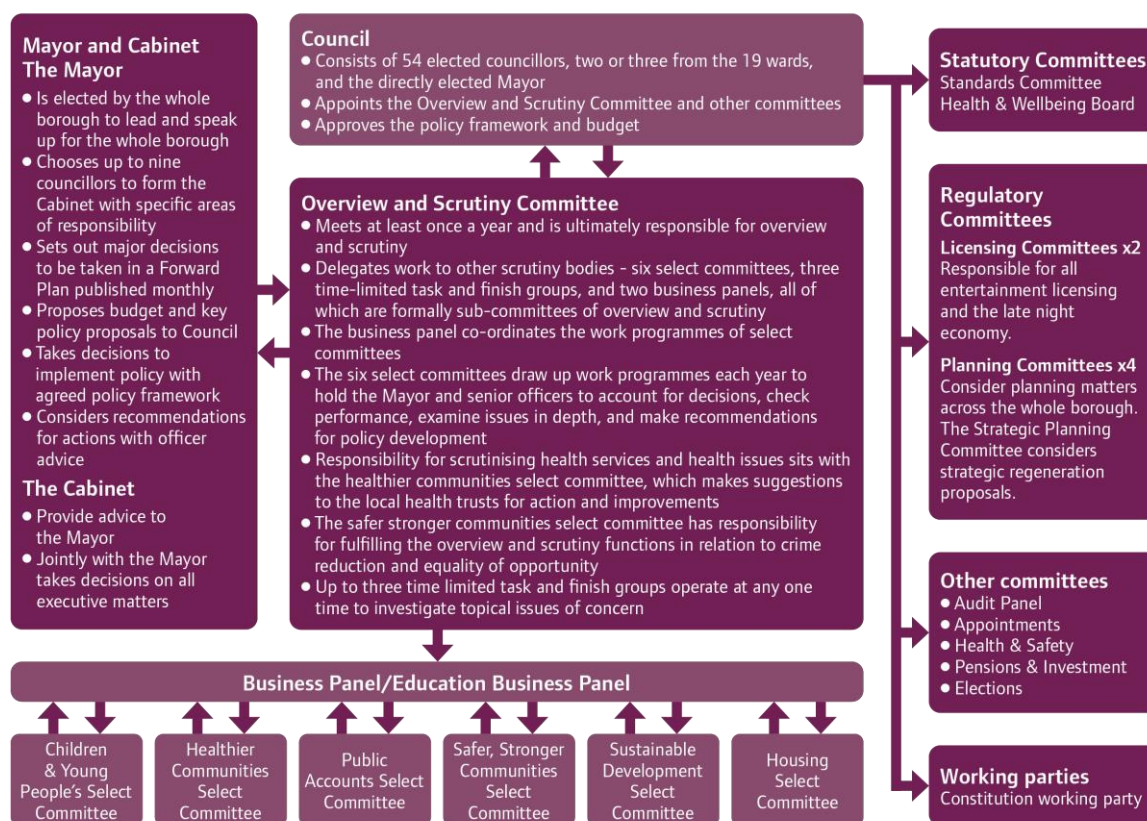
- The Safer Lewisham Partnership is the statutory crime and disorder partnership for Lewisham.
- The Youth Justice Board which is a statutory partnership board that oversees the work of the youth offending service in Lewisham.
- The Health and Wellbeing Board, Chaired by the Cabinet Member for Health & Adult Social Care, works to promote greater partnership engagement that contribute to health and social care outcomes locally.
- Local Adult Safeguarding Board responsible for helping oversee and safeguard adults with care and support needs through effective preventative measures.
- Lewisham Children's Safeguarding Partnership aims to ensure that member agencies work together to keep children and young people safe, hold one another to account and ensure that safeguarding remains a priority.

Council composition

The Council is comprised of 54 Councillors, including the Mayor. Elections were held on 5 May 2022. Damien Egan, Labour Party, was returned as Mayor for his second term. The 54 Councillor positions were all filled by candidates from the Labour Party and the Labour and Co-operative Party. This returned the Council to the following:



Annual Governance Statement



Communicating and reviewing the Council's vision

The Council adopted a new Corporate Strategy 2018-2022 in February 2019. The Council's Corporate Strategy sets out how Lewisham Council plans to deliver for our residents over the next four years. There are seven corporate priorities:

Open Lewisham – Lewisham is a welcoming place of safety for all where we celebrate the diversity that strengthens us.

Tackling the housing crisis – Everyone has a decent home that is secure and affordable.

Giving children and young people the best start in life – Every child has access to an outstanding and inspiring education and is given the support they need to keep them safe, well and able to achieve their full potential.

Building an inclusive local economy – Everyone can access high-quality job opportunities, with decent pay and security in our thriving and inclusive local economy.

Delivering and defending: health, social care and support – Ensuring everyone receives the health, mental health social care and support services they need.

Making Lewisham greener – Everyone enjoys our green spaces and benefits from a healthy environment as we work to protect and improve our local environment.

Building safer communities – Every resident feels safe and secure living here as we work together towards a borough free from the fear of crime.

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Monitoring Performance

The Council's performance is monitored via a suite of regular Directorate (Children and Young People Services, Community Services, Housing Regeneration and Public Realm, Corporate Resources, and Chief Executive) management reports and quarterly at the Executive Management Team. The reports use 'red' exception reporting to focus attention on underperforming or high risk areas and is a critical tool for supporting decisions across the organisation.

These reports are shared with Cabinet Leads, giving them direct line of sight to current and emerging performance issues. The appropriateness of Directorate performance measures is reviewed annually. The quality of services for users is also measured through satisfaction surveys and information from the complaints management resolution processes.

In addition, where areas for improvement are identified, the Council acts swiftly to address them. The overriding priority through 2021/22 has been the Council's response to, and recovery from, the Covid-19 pandemic and the focus on protecting critical services in support of residents, the community, and business. This was done, alongside the usual decision making processes moving on-line and with a streamlined Overview and Scrutiny process, using the Council's emergency response arrangements and establishing a GOLD command to oversee planning and activities on the objectives agreed by Council in May 2020.

Roles and responsibilities

The Council's constitution sets out the roles and responsibilities of the Mayor, the Speaker of the Council, the Council as a whole, the Executive, Statutory Officers, Overview and Scrutiny committees, Standards committees and other committees to help ensure that all decision making activity is lawful and transparent. Decisions are taken and scrutinised in accordance with the Council and Mayoral scheme of delegation, the procedure rules set out in the constitution and on the basis of professional officer advice, as part of an annual programme of regular meetings.

Embedding Roles and Responsibilities

The tone from the top in terms of establishing effective governance arrangements and culture rests with the Council and the Mayor. The Council approve the Constitution and confirm the appointments and delegations annually at their Annual General Meeting.

The Mayor is elected to **lead** the Council. They serve for a period of **four years**. They must act in the **interests of the borough as a whole**. They are responsible for taking most of the **main decisions**, and for **giving the power** to others to do so.

Councillors are elected for a term of **four years**. Councillors who are elected to represent local wards must both represent the people of the ward that elected them and act in the interest of the whole area. They are all expected to contribute to the **good governance** of the area and to encourage **community participation**. They must respond to their constituents' enquiries **fairly and without prejudice**.

The constitution requires councillors to follow formal procedures when taking decisions to make sure that decisions are made **transparently** and **openly**. The Local Code of Corporate Governance and the Codes of Conduct for Members and Officers, set out in the constitution, demand the highest standards of ethical behaviour. These are reviewed regularly and are communicated widely. An update on complaints made against Members was considered in March 2022.

Training on ethics, governance and the Member Code of Conduct is delivered to all Councillors in the first year of an administration, as in 2018/19, as part of a comprehensive induction programme to enable Members to understand and access all appropriate support and development to undertake their role. This is repeated after by-elections, with training on the code of conduct provided to all Members

Annual Governance Statement

in May 2021. Training on specific governance issues is provided as required throughout the course of the administration. In 2021/22, there was a continuing focus on supporting Members in terms of the exercise of their functions in the changing Covid-19 environment, including hybrid meetings.

Decision making

The constitution requires councillors to follow formal procedures when taking decisions to make sure that decisions are made transparently and openly. This includes declaring if they have a personal interest in the matters under discussion and, if required, withdrawing from the room whilst the decision is taken. Reports are produced in a standard format to ensure that report authors address all significant considerations such as the legal, financial and equalities implications of decisions. These considerations have been expanded to include environment, wellbeing, and (for contracts) social value implications. The minutes of every formal meeting are published on the Council website.

The constitution requires Executive decisions to be published within two working days of being taken and they may be **called-in** (referred to the Mayor for reconsideration) by the Overview and Scrutiny Business Panel and the Education Business Panel.

For 2021/22, no Mayor & Cabinet decisions were called-in by the Overview and Scrutiny Business Panel to be reconsidered.

The Council has a Constitution Working Party (CWP) to advise it on the operation of its constitutional arrangements but in practice, the procedure rules set out in the constitution are under constant review to reflect changing needs.

Internal Audit

The objective of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. The service works within the framework of its Internal Audit Charter to an annual plan approved by members of the Audit Panel which seeks to provide appropriate review and assurance to significant Council activity. Internal Audit conduct their work in conformance with Public Sector Internal Audit Standards and CIPFA's Local Government Application Note.

In 2021/22 the service was obliged to seek an External Quality Assessment (EQA), it being the fifth year since the previous EQA. That review was conducted in winter 2021/22 through the London Audit Group's Peer Review programme by the Head of Audit of the City of London Corporation. His report, published in March 2022, concluded the service 'generally conforms' to Standards. The service has agreed an action plan to address the 3 (out of 135) areas of partial conformance identified.

For the three quarters of 2021/22 the Head of Internal Audit post was covered an external secondee before the Head of Assurance took up the role in January 2022. In defining the role of the Head of Internal Audit, the Council has met all requirements of CIPFA's Statement on the role of the Head of Internal Audit.

The Internal Audit Annual Report and Opinion for 2021/22 was reported to Audit Panel on 21 June 2022. That report details the 62 audit engagements supporting the annual opinion, which holds as follows:

"Internal Control

I am satisfied that during the year ended 31 March 2022 the Council managed its internal controls to offer satisfactory assurance on their adequacy and effectiveness.

Within that opinion, I note some relatively minor but persistent control weaknesses in the operation of control account reconciliations, procedural documentation and evidencing control function. I have

Annual Governance Statement

discussed these matters with the Council's Executive Management Team and recommended they be included within the Annual Governance Statement along with a plan to improve compliance.

Framework of Governance

I am satisfied that the Council's framework of governance for the year ended 31 March 2022 complies in all material respects with guidance on proper practices as set out the CIPFA/SOLACE publication "Delivering Good Governance in Local Government (2016)".

As an additional comment, I wish to thank Members of this Panel and the Council's Executive Management Team for their efforts in supporting compliance with fulfilling agreed actions arising from audit reports. I set out later in this report the current position on compliance which represents a significant improvement on previous years.

Risk Management

I am satisfied the risk management arrangements at the Council for the year ended 31 March 2022 are effective and provide satisfactory assurance.

Within that opinion, I note some considerable space to develop the Council's risk approach to improve its reporting, comprehensiveness and integration with wider decision-making. I have discussed these matters with the Council's Executive Management Team and recommended they be included within the Annual Governance Statement along with a plan to improve arrangements."

External audit

The Council's governance, risk and control management arrangements are subject to an annual independent review by Grant Thornton, the Council's external auditors. In their last Annual Audit Letter on the 2019/20 accounts Grant Thornton gave an unqualified opinion for the financial statements and unqualified conclusion for the Council's value for money arrangements. Grant Thornton reported:

"In our opinion, the financial statements:

- *give a true and fair view of the financial position of the group and of the Authority as at 31 March 2020 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;*
- *have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and*
- *have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014."*

and

"we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020."

The audit certificates for the years 2016/17 to 2019/20 were issued following the auditors finalising their work into two objections received to the accounts in 2016/17 by a number of authorities. Both of these investigations concluded with no action required.

At the time of writing, the Council awaits the 20/21 Audit Certificate from Grant Thornton pending the delayed work on the Whole of Government Accounts (WGA). The accounts were signed off by Full Council in November 2021 and the Value for Money opinion was considered by the Public Accounts Scrutiny committee in June 2022.

The audit will conclude and report to the Audit Panel and Council in the usual way, the 2021/22 inspection period will be in August with the audit deadlines for completion of audits set for November.

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In addition to the annual independent review of the Council's governance, risk and control management arrangements, Children and Young People's Services is subject to regular inspection through one of the following four inspection frameworks (in addition to the inspection of schools):

- Inspection of Local Authority Children's Services (Ofsted)
- Joint Targeted Area Inspection (Ofsted, CQC and HMICFRS) – the latter is the police inspectorate
- Special Educational Needs and disability Inspection (Ofsted and CQC)
 - Youth Offending Inspection (HMIP) – Probation inspectorate

Audit Panel

The Council's Audit Panel meets quarterly and is made up of a mixture of Councillors and independent advisors. The key roles of the Panel are to:

- Review and comment on the strategy, plans and resources of Internal Audit. Internal Audit update reports, summarising the audit reports issued, management's progress on implementing any recommendations and the performance of the Internal Audit function, are received by the Panel on a quarterly basis.
- Consider and monitor the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
- Consider the external auditor's annual plan and other relevant external reports which contribute to the level of assurance.
- Consider the Council's annual Statement of Accounts and this statement and make comments to Full Council when it considers the accounts.

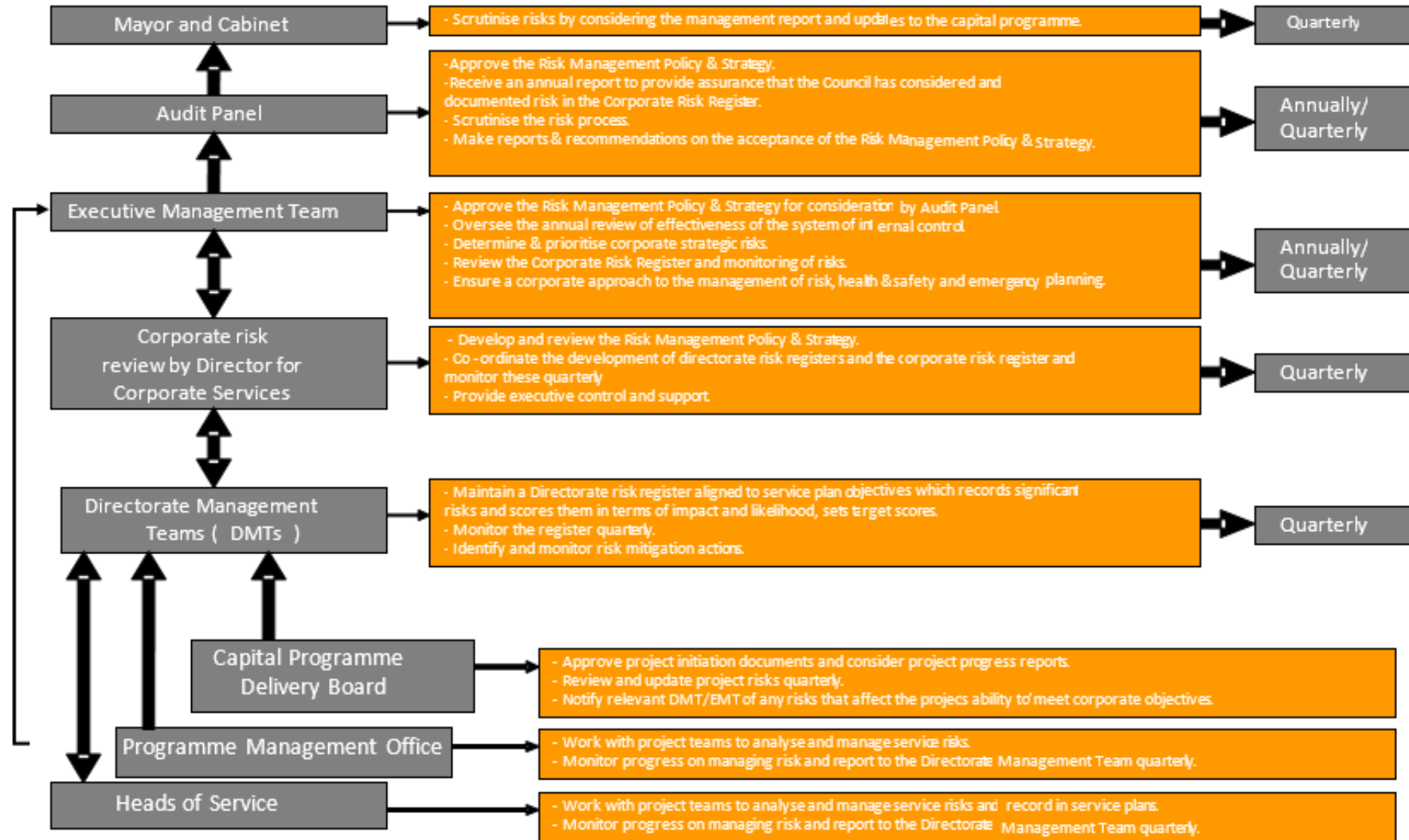
Compliance

The Monitoring Officer is central to ensuring compliance with the rules and procedures set out in the constitution. The Monitoring Officer attends Mayor, & Cabinet, Full Council meetings and the Executive Management Team (EMT). The Monitoring Officer regularly briefs councillors and relevant staff on corporate legislative developments; and legal advice is incorporated in every council report. Where gaps or non-compliance are identified, appropriate action is taken.

The financial management of the authority is conducted in accordance with financial regulations set out in the constitution and the Council has designated the Executive Director for Corporate Resources as its Section 151 Officer, who advises on the proper administration of the Council's financial affairs, keeping proper financial records and maintaining effective systems of financial control. The Council has a whistle-blowing policy in place which is publicised on the Council's website. Complaints made under this policy are handled by the Monitoring Officer and an annual review is considered by the Standards Committee.

Annual Governance Statement

Risk and Strategy Framework



Training and development

The Council runs a comprehensive Member Development Programme, with an intensive induction programme in the period following local elections. The programme ensures that all Councillors have access to the training and development opportunities they need to fulfil their responsibilities to the local community and provide clear leadership and effective scrutiny of local Council functions. Training and development is available for councillors every year, inclusive of regular all member briefings; training sessions for all councillors or specific cohorts of councillors; and tailored learning for individuals provided on the basis of assessed needs. The Member Development Strategy supports the overall Organisational Development Strategy, which sets out a framework to ensure the organisation performs effectively, through its design, function, structure and processes.

The development needs of senior officers are the responsibility of the Head of Human Resources and the Monitoring Officer who are aware of their statutory duties and stay abreast any changes in relevant legislation. At the start of the financial year the Chief Executive, as the Head of Paid Service, defines objectives for each of the Executive Directors which are then cascaded to officers throughout the organisation through the objective setting arrangements set out in the People Management Framework.

Engaging the community and partners

The Council promotes e-Participation through its online engagement system, which provides a platform for citizens to respond to online consultations as well as set up and respond to e-Petitions. Last year more than 50 consultations took place online. In addition to this, in 2021/22 the Council conducted a major face-to-face, borough-wide survey of Lewisham residents. At ward-level, Local Assemblies are an opportunity for residents to work with their ward councillors to shape the future of their neighbourhood; and the Young Citizens Panel gives young people aged 11–18 the chance to feed into Council policy and spending decisions, including the use of the Young Mayor's budget. Last year, the Mayor launched an Actively Anti-Racist Advisory Commission with and lead by Councillors, further underlining the Council's commitment to tackle issues facing Lewisham's BAME communities. In 2021/22 the Mayor's Commission organised two workshops focused on 'digital exclusion affecting BAME children and young people'.

The Council's website includes a page on open data and transparency, which gives information on spending; wages of senior managers; Freedom of Information requests; the annual audit of accounts; the pay policy; and Council decisions.

The arrangements for statutory strategic partnership working are set out earlier in this statement. In addition, extensive partnership working arrangements are in place which support the delivery of the Council's objectives. In 2021/22 the Member led Jobs and Business Taskforce continued its work to support and engage with local employers. As part of this, the Council undertook a count of BAME owned businesses in the borough (the first Council in the UK to undertake such an exercise). The Council has borough based arrangements in place with the local Clinical Commissioning Group to align with the work of the National Health Service and is working with the SEL CCG to develop the incoming ICS. The Council, through its wholly owned company Lewisham Homes, and working with local Registered Providers has extensive engagement with residents on housing matters. Responding to global events in Syria and Afghanistan and consistent with our Sanctuary Borough commitments, the Council has continued to work alongside the Lewisham Migration to meet the needs of the refugee and migrant community in the borough. In 2021/22, the Council, working alongside 11 other 'anchor institutions' Goldsmiths, University of London convened a series of meetings and consultations, to increase collaboration and better address the challenges facing Lewisham residents. The work product of this effort was the Civic University Agreement.

How do we know our arrangements are working?

Corporate Peer Challenge

During the year, the Council took part in a Corporate Peer Challenge. The challenge was undertaken by the Local Government Association and considered the following:

Core components:

1. Local priorities and outcomes
2. Organisational and place leadership
3. Governance and culture
4. Financial planning and management
5. Capacity for improvement

Additional area of focus

6. Leading and embedding a shift in workforce culture, engaging and motivating staff across the organisation to deliver corporate priorities at pace.

Key Messages

The key messages from the report were as follows:

“Lewisham has a strong sense of place. There is an ethos of inclusion, welcoming and community that runs as a thread through the council and the borough. There is a lot for staff and elected members at the council to be proud of and the resilience, innovation, and culture of the workforce during the response to the Covid-19 pandemic should be celebrated.”

“The Covid response is universally seen as a very positive response from the council, and it is important to capture the learning and build on the opportunities that this presents, for example partnerships with communities, community organisations and the good work for people who are sleeping rough. Community partners felt that in the response there was true cross council working and they were treated as trusted partners”

“There is a strong understanding of the council’s financial position across members and officers. The council has robust spending controls in place, however there is a historic culture in Lewisham of not meeting savings targets... We saw positive signs that this is changing under the new administration, but the council’s leadership needs to consider if the current financial controls are stifling staff’s ability to plan deliverable savings targets.”

“There is widespread recognition of the race equality work internally and externally in Lewisham which has built a coalition of those willing to work with the council on other strategy creation and delivery. This work has set a high bar for what happens next, and the council needs to remember that it is countering years of mistrust.”

“Scrutiny is deeply valued and supported in the organisation and there was strong evidence of impact ... We identified some confusion about the role of different levels of scrutiny and relationships with officers. There was a question given the severity of the financial challenge of whether the organisation could afford to support the current scale of scrutiny and whether there was an opportunity to streamline while building on the strengths.”

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The recommendations from the challenge were as follows:

1. Continue to capture learning from the Council's excellent Covid-19 response;
2. Develop a more formalised approach to partnership working outside statutory partners;
3. Look for opportunities for the council's energetic directly elected political leadership to take an even stronger leadership of place role;
4. Ensure that the council is focussing externally as much as internally;
5. Lewisham has great practice that should be shared outside of the borough;
6. Develop the Council's communications strategy and plan such that opportunities to build on and celebrate success;
7. Review the constitution to align it to the ambition of the Mayor and his administration;
8. Ensure that there is a strong leadership and management plan to provide mentorship/ coaching for those who are stepping into larger roles with broad portfolios;
9. Review the Council's relationship with Lewisham Homes;
10. Post-election provides the opportunity to engage with 3-year budget planning and plan to transform the large service areas in the borough such as adults and children's services;
11. New projects or initiatives over a financial threshold across the organisation should follow a consistent programme management approach.

An action plan has been developed to address the recommendations, with each action being led by a member of the Executive Management Team.

Outside of the Corporate Peer Challenge, throughout the year, the Council regularly reviews the effectiveness of its governance framework, including its system of internal control. Activity undertaken includes:

- Consideration of governance issues by EMT – including financial management, risk registers, and internal audit reports.
- Preparation of a rolling plan of audit coverage to be achieved in the forthcoming year by the Head of Internal Audit, primarily based on an assessment of the Council's risk profile, and review of the plan by EMT.
- Receipt of the Internal Audit Strategy by the Audit panel and approval of the annual audit plan.
- Preparation of the annual assurance report by the Head of Internal Audit, setting out their opinion on the Council's overall control environment and approval of the report by the Audit Panel.
- Annual updates to the Public Accounts Select Committee on the work of the Audit Panel.
- Consideration by EMT of a full range of governance and performance issues throughout the year, including issues relating to the improvement of the Internal Audit Service and risk (ensuring management action is taken as necessary).
- Consideration of the following reports by the Standards Committee:
 - Review of Compliance with the Council's Code of Corporate Governance;
 - Review of Whistle-blowing and Referrals Policy;
 - Review of Compliance with the Member Code of Conduct; and
 - Annual Complaints Report.
- Consideration of external inspection reports (for example; Ofsted for Children social care and education provision, Care Quality Commission for the provision on adult social care, and Her Majesty's Inspectorate of Probation for Youth Offending Services) by Mayor and Cabinet, Audit Panel and relevant Select Committees.
- The Council has established an Assurance Board. The Board is Chaired by the Chief Executive and also attended by the Monitoring Officer, Section 151 Officer and Head of Internal Audit. It's key terms of reference are to oversee, scrutinise and hold to account the discharge of the statutory duties of the Council with particular reference to the following areas:
 - Risk management and audit assurance. Managing intervention strategies when assurance is not satisfactory;

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- Information governance and cyber security, including data protection and freedom of information;
- Whistleblowing and Corporate Complaints;
- Safeguarding responsibilities for Children and Adults; Corporate Parenting;
- Health and Safety, including Corporate Landlord obligations;
- Council involvement in companies;
- Councillor conduct update;
- Governance procedures and business processes for public and private meetings of the Council, including attendance records and Section 85 Local Government Act 1972
- Emergency Planning, Business Continuity and Disaster Recovery;
- Reputation management of the Council.

What are our governance priorities going forward?

Our priorities continue to include:

- Progressing delivery of the Mayor's policy programme, as set out in the Corporate Strategy to 2022 adopted by Council in 2018/19;
- Writing a new Corporate strategy which reflects the Mayor's policy programme for the period 2022-2026;
- Plan and prepare to implement further cuts and adjust the allocation of resources across Council services in light of the anticipated further budget reductions the Council faces;
- Continue the work begun in 2020/21 to progress the Chief Executive's priorities for improvement, as agreed by Council in February 2020, in the following areas:
 - Financial management;
 - Organisation culture and our people;
 - Our resident's experience;
 - Evidence based decision making;
 - Governance and attitudes to risk;
 - Project and people management;
 - Communications;
- Catching up on the delayed annual reviews of the schemes of delegation and financial regulations and procedures to align them with the new Directorate structures implemented 2020/21;
- Update the payroll and HR procedures to ensure resilience and capture the operational changes from the move to a new system (Oracle Cloud) in support of the People Management Framework introduced in 2020/21 and Organisation Development Strategy for 2021/22;
- Address the external and internal audit findings reported to the Audit Panel to maintain and, where necessary, improve the Council's financial controls and risk mitigations for the growing cyber security risk;
- Continue to address areas for improvement overseen by a discrete Improvement Board on the findings and recommendations of the Children Services review by Ofsted (August 2019) and follow up in 2020; and
- Continue the work with our local and regional health partners to best deliver the 'integrated health and social care agenda' for the benefit of the borough's citizens, and in responding to the impact of Covid 19.
- Improve compliance with the relatively minor but persistent control weaknesses in the operation of control account reconciliations, procedural documentation and evidencing control function.
- Develop the Council's risk approach to include its reporting, comprehensiveness and integration with wider decision-making.

In addition to the above, whilst the immediate impact of Covid 19 on the Borough and the Council has eased, the longer term impact of the pandemic continues. Governance for formal meetings returned to pre-pandemic arrangements. The vast majority of formal meetings were broadcast live to allow the public to observe proceedings without attending in person.

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Following the return to normalised working, the Council implemented flexible working arrangements, with staff working a mix of at home and in the office.

Signed on behalf of the Council

Tauseef Anwar

Councillor Tauseef Anwar

Speaker of the Council

November 2022

Kim Wright

Kim Wright

Chief Executive

November 2022