

**LONDON BOROUGH OF LEWISHAM
2022/ 23 DRAFT STATEMENT OF ACCOUNTS
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NARRATIVE STATEMENT FOR LEWISHAM COUNCIL

This Narrative Statement 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 directly elected Mayor and 54 ward councillors, all of which represent the Labour or Labour and Co-operative parties. Lewisham comprises 19 wards, 16 of which have three ward Councillors and the remainder have two ward Councillors. 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 Place (from February 2023)
- Executive Director Corporate Resources
- Assistant Chief Executive
- Director of Law and Corporate Governance

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 2022/23 was of 3,064 (3,057 at end of 2021/22), which consisted of 2,429 staff members (excluding casual workers) (2,527 at end of 2021/22) and 635 agency workers (530 in 2021/22).

The schools staff headcount is 3,144 (3,215 at end of 2021/22).

The demographic composition of the workforce as at 31 March 2023 was:

- 62.7% Female
- 48.0% Black, Asian and Mixed Ethnicity
- 7.5% Disabled
- 48.1% 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 18,000 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) Corporate priorities

The Council has seven corporate priorities within its corporate strategy (2022-2026) as follows:

- Cleaner and Greener
- A Strong Local Economy
- Quality Housing
- Children and Young People
- Safer Communities
- Open Lewisham
- Health and Wellbeing

e) Core values

The Council also has the following four core values:

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

f) Performance management

In 2022/23 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) Financial impacts, risks and uncertainties, going concern considerations

The current economic environment 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 persistent high inflationary pressures – the Cost of Living crisis. 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 delayed policy agenda changes for areas such as health and social care, academisation of schools and special needs demand, and a potentially looser planning framework. If these changes are not fully

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funded the initial pressure will fall on reserve balances; firstly from the general unallocated reserves and then, the earmarked reserves.

The 2022/23 budget was set without the use of reserves and after the funding of growth and pressures of £17.3m 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 £11.8m of agreed new savings as well as those not yet delivered. Some of the associated 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.

b) Impact on 2022/23 final accounts

There are two important implications worth noting for the 2022/23 final accounts:

- The statutory deadlines for the production of the draft accounts and audited accounts have been changed from 31 July to 31 May for the draft with the audited date remaining as the 30 November.
- The changes for the implementation of IFRS 16 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.
- The Council continues to rely on the statutory override in relation to accounting for deficits in respect special education needs overspending by schools

3. FINANCIAL PERFORMANCE

a) 2022/23 Revenue Budget Setting and Funding

The Council set a net budget requirement of £248.6m for 2022/23 at its meeting on 02 March 2022. This was an increase of £5.5m or 2.26% on the previous year's net budget requirement of £243.1m. 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 2.99% (4.99% in 2021/22). A year on year comparison of revenue budget funding is shown in the following table.

	2022/23 £m	2021/22 £m
Revenue Support Grant	29.0	28.2
Business Rates	95.2	96.2
Council Tax	126.3	122.2
Surplus/ (deficit) on Collection Fund & Other Pressures and Growth	(1.9)	(3.5)
Budget Requirement	248.6	243.1

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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 2022/23, the Council increased the general rate of Council Tax by 1.99% and agreed to an increase of 1% for the Adult Social Care precept resulting in an overall increase of 2.99%.

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 88,905 equivalent Band D properties for 2022/23 (88,614 in 2021/22).

The comparison of Council Tax Band D levels from 2021/22 to 2022/23 for Lewisham is shown in the following table, together with the Greater London Authority precept.

	2022/23	2021/22	Variation	Variation
	£	£	£	%
Lewisham Council	1,421.22	1,379.96	41.26	2.99
Greater London Authority	395.59	363.66	31.93	8.78
Council Tax for Band D	1,816.81	1,743.62	73.19	4.20

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c) 2022/23 Revenue Budget Outturn

The Council's 2022/23 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	Net Spend	Outturn Budget Variance	Budget Report Variance	Movement since Budget Report
	£m	£m	£m	£m	£m
Children & Young People	61.3	68.9	7.6	9.6	(2.0)
Community Services	82.4	84.0	1.6	2.1	(0.5)
Housing, Regeneration and Public Realm	21.7	26.4	4.7	6.0	(1.3)
Corporate Resources	33.8	32.9	(0.9)	0.0	(0.9)
Chief Executives	10.4	10.8	0.4	0.0	0.4
Salary Pressure	0.0	6.4	6.4	4.1	2.3
Energy Pressure	0.0	2.2	2.2	2.5	(0.3)
Directorate Totals	209.6	231.6	22.0	24.3	(2.3)
Corporate Items	39.0	36.6	(2.4)	(4.1)	1.7
Corporate Budget	39.0	36.6	(2.4)	(4.1)	1.7
Salary Pressure Provision and Reserves	0.0	(6.4)	(6.4)	(6.6)	0.2
Energy Pressure Provision and Reserves	0.0	(2.2)	(2.2)	0.0	(2.2)
Covid Funding from Reserves	0.0	(4.0)	(4.0)	(4.0)	0.0
Provisions and Reserves	0.0	(12.6)	(12.6)	(10.6)	(2.0)
Total	248.6	255.6	7.0	9.6	(2.6)

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During 2022/23, the overspend against the Directorates' net controllable budgets including the unbudgeted financial impact of the staff pay award and energy tariff was £22m. This is partially negated by £2.4m of corporate budget held to mitigate the Children and Young People's pressure of £1m and inflationary impact of £1.4m. Further mitigations included the use of corporate provision and reserves to fund the higher than anticipated financial impact of the staff pay award and energy tariff increases of £8.6m and utilising £4m of the remaining covid grant funding.

After these planned corporate measures, the final overspend of £7m has been managed from provisions without an unplanned drawing down of reserves. Detailed reasons for budget variances have been reported to Mayor & Cabinet on 21 June 2021 with the main reason being the once off larger return on investments, as balances were higher than budgeted due to programme slippage and investment rates were better than expected with higher inflation.

Savings of £25.8m were due to be delivered in 2022/23, £14m from earlier years and £11.8m of new savings for 2022/23. The total level of savings delivered in 2022/23 was £17.9m, leaving £7.9m to be delivered in 2023/24.

Throughout the year, Mayor & Cabinet and Executive Directors have received regular financial monitoring reports. The financial position demonstrates the impact of the severe financial constraints which have been imposed on Council services with the cuts made year on year, alongside the increasing demand on services such as home to school transportation, adults discharged from hospital and temporary accommodation as well as the cost of increased social care costs in Children's social care.

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. The short and medium-term outlook will remain difficult and challenging. The Executive Director for Corporate Resources, as the Council's Section 151 officer, will continue to work with directorate management teams to affect the necessary continued actions to manage their services and intervene early where necessary to avoid a budgetary situation becoming unmanageable.

Dedicated Schools Grant

At the end of 2022/23, there are 21 schools in deficit compared to 13 in 2021/22 (2 nursery schools, 1 special school, 1 secondary school and 17 primary schools) totalling £6.3m (£2.9m in 2021/22). Lewisham finance continues to work effectively with schools to ensure long term sustainability. Schools continue to face challenges including pupil number reductions in primary schools, increased number of children requiring educational, health and care plans continues to increase as well as increased costs from energy cost increases and other inflationary pressures. It should be noted that deficits could potentially revert as a pressure on the General Fund if the statutory override ceases.

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 2023. Reserves continue to be utilised, along with grants and borrowing approvals to contribute to investment requirements and 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 and other funding such as grants, and borrowing 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 £14.1m (£30.3m

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in 2021/22). 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 decreased from £111.7m to £94.4m in 2022/23. 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:

	2022/23 £000s	2021/22 £000s
Net Cash flows from Operating Activities	1,852	60,706
Purchases of Property Plant and Equipment	(135,585)	(110,027)
Sales of Property Plant and Equipment	15,338	15,815
Net Sales/ (Purchases) of Short & Long-term investments	60,000	38,000
Net Receipts from Investing activities	32,958	20,700
Cash receipts of short and Long-Term Borrowing	0	0
Repayment of Short and Long-Term Borrowing	(11,284)	(8,239)
Net Receipts/ (Payments) for Other Financing activities	19,396	17,115
Net Increase or (Decrease) in Cash and Cash Equivalents	(17,325)	34,070

f) 2022/23 Capital Budget Outturn

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

	2022/23 Final Outturn £m	2022/23 Original Budget M&C - Feb-22 £m	2022/23 Revised Budget Proposed - Mar-23 £m	2021/22 Final Outturn £m
CAPITAL PROGRAMME EXPENDITURE				
General Fund	33.8	35.2	47.9	42.2
Housing Revenue Account	112.8	209.6	150.3	82.8
Total Spent	146.6	244.8	198.2	125.0

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 74% (2021/22 69%).

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

	2022/23 Final Outturn £m	2022/23 Original Budget M&C - Feb-22 £m	2021/22 Final Outturn £m
CAPITAL PROGRAMME FINANCING			
Borrowing	47.6	119.6	10.2
Capital Grants	40.2	53.9	26.4
Capital Receipts	9.8	34.3	7.8
Use of reserves and revenue financing	48.9	37.0	80.6
Total Financed	146.6	244.8	125.0

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Spend on the major projects, where in year spend in 2022/23 or 2021/22 exceeded £1m, is shown in the table below.

Major Projects of over £1m	2022/23 Expenditure £m	2021/22 Expenditure £m
General Fund		
Broadway Theatre	5.6	0.0
Temporary Accommodation Conversion	3.9	4.9
Schools minor works	3.9	4.7
Highways & Bridges (incl. TFL programme)	2.3	3.8
Greenvale School	2.2	0.0
Public Sector Decarbonisation	1.7	0.0
School Places Programme	0.8	7.5
Lewisham Gateway (Phase 2)	0.8	0.6
Private Sector Grants and Loans (inc. DFG)	0.5	2.3
Deptford Southern Sites Regeneration	0.5	2.2
Edward Street Development	0.2	4.4
Lewisham Homes Property Acquisition	0.0	3.0
Leisure Schemes	0.0	2.0
Other Miscellaneous Schemes	1.0	0.0
Other General Fund Housing Schemes	1.6	0.0
Housing Revenue Account		
Building for Lewisham Programme	57.2	33.5
HRA Capital Programme	54.1	48.1
Housing Management System	0.8	0.0

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 £263.7m for 2023/24 at its meeting on 01 March 2023, which is £15.1m higher than the equivalent figure for 2022/23. The Council has made reductions of £25.0m to its budget and added £40.1m 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. Following the Local Government Financial Settlement in February 2023 the need for immediate future year savings is reduced to c£5m per year subject to Council Tax and other income increases matching inflation or the maximum permissible.

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The Cost –of Living crisis faced by the country is impacting residents and businesses alike, and the impact on the Council's Collection Fund for both 2022/23 and 2023/24 remains under review as there is a risk that this falls short of expected levels. For the Council the current record levels of inflation and specifically energy costs contributed to the forecast overspend in 2022/23. Energy costs in 2022/23 and 2023/24 will be funded from reserves and are forecast to be circa £3m in 2022/23 and may double for 2023/24 as contracts are renewed. The Council continues to seek to manage inflation on its contracted services where possible and where necessary has considered this as part of the budget planning for 2023/24. The recently agreed pay award for 2022/23 created an unbudgeted pressure of £4.1m which was met from reserves in 2022/23 and incorporated into the budget setting assumptions for 2023/24.

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.
- The anticipated but delayed Health and Social Care and Waste and Recycling reforms will also likely significantly impact the funding and operational arrangements for these Council services.

b) Capital Budget Outlook

The Council set its capital programme budget at its meeting on 02 March 2022. This outlined the Council's programme of £600.4m for the years 2022/23 to 2024/25. split £59.1m (10%) for the General Fund and £541.3m (90%) for the Housing Revenue Account. The most significant proportion of the capital programme is focused on the Housing Revenue Account, broadly split 50:50 across the twin priorities of Decent Homes and new Affordable Homes.

The budgeted amount to be invested in 2023/24 is shown in the table below:

2023/24 Capital Programme	2023/24 Budget £m
General Fund	
Schools	9.8
Highways	5.3
Corporate Assets	16.2
Non-HRA Housing	31.6
Other	7
	69.8
Housing Revenue Account	
Existing Stock	100.3
New Supply	31.1
Other Schemes	7.7
	139.1
Total Capital Programme	208.9

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c) Corporate Risks

The Council refreshed its Risk Management process during 2022/23 culminating in a new Risk Management Strategy presented to Members in March 2023. Both the previous and current strategy set out an embedded process to manage risks and assist the achievement of its objectives compliant with the statutory requirements as defined in the Accounts & Audit Regulations 2015 and summarised as part of the Annual Governance Statement.

The Risk Management Objectives of the London Borough of Lewisham are in line with the key principles set out in HM Treasury's Orange Book:

For risk management to be an essential part of governance and leadership at the Council, part of how it is directed, managed and controlled at all levels.

To be an integral part of supporting decision making in achieving objectives.

To be collaborative and informed by best available information and expertise.

To be a structured process, involving risk identification and evaluation, selection and implementation of appropriate risk treatment options, deliver integrated, insightful and informative monitoring and timely, accurate and useful reporting to enhance the quality of decision-making in governance.

To be continually improved through learning and experience.

In both former and current Risk Management Strategies, we score risks on likelihood and impact, with a range from 1 to 5 (with 5 being the highest) and the result plotted on a matrix to produce a rating. The full risk register contains actions to manage risks to target. Risks are subject to regular review, reported quarterly to the Executive Management Team, and to every Audit & Risk Committee 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 £458.7m during the year, mainly as a result of changes to the financial assumptions used by the pension fund Actuary (Hymans-Robertson). (It reduced by £205.0m during 2021/22). 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:

Narrative Statement

Section 1 – The Core Financial Statements

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

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

Section 1b - Movement in Reserves Statement (MiRS)

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

Section 1c - Balance Sheet

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

Section 1d - Cash Flow Statement

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

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.

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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 2023.

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

Kathy Freeman CPFA
Executive Director for Corporate Resources (S151)
30 June 2023

**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 2023

2021/22			SERVICE	2022/23			Note
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	
450,964	(377,893)	73,071	Children & Young People Directorate	473,815	(395,458)	78,357	
207,061	(120,446)	86,615	Community Services Directorate	211,679	(114,216)	97,463	
130,791	(95,593)	35,198	Housing, Regeneration & Public Realm Directorate	144,649	(102,429)	42,220	
218,738	(177,634)	41,104	Corporate Resources Directorate	231,648	(190,957)	40,691	
13,604	(1,076)	12,528	Chief Executive Directorate	13,146	(536)	12,610	
99,590	(111,480)	(11,890)	Housing Revenue Account	134,693	(109,129)	25,564	
7,800	(6,229)	1,571	Corporate Provisions	17,785	(7,481)	10,304	
1,128,548	(890,351)	238,197	Cost of Services	1,227,415	(920,206)	307,209	1
			Other Operating Expenditure				
38,721	0	38,721	(Gain) / Loss on the disposal and de-recognition of non-current assets	48,091	0	48,091	
1,702	0	1,702	Levies	1,683	0	1,683	7
1,940	0	1,940	Contribution of housing capital receipts to Government Pool	0	0	0	19
42,363	0	42,363		49,774	0	49,774	
			Financing and Investment Income and Expenditure				
31,031	0	31,031	Interest payable and similar charges	30,949	0	30,949	
0	(1,611)	(1,611)	Interest and Investment Income	0	(8,602)	(8,602)	
0	0	0	Loss of Control of Assets	0	0	0	
43,123	(27,240)	15,883	Net interest on the net defined benefit liability	56,868	(41,175)	15,693	37
74,154	(28,851)	45,303		87,817	(49,777)	38,040	
			Taxation and non-specific Grant Income				
0	(119,787)	(119,787)	Income from Council Tax	0	(123,946)	(123,946)	
0	(32,686)	(32,686)	General Government Grants	0	(65,950)	(65,950)	30
0	(19,839)	(19,839)	Recognised Capital Grants and Contributions	0	(27,208)	(27,208)	
0	(94,056)	(94,056)	Non-Domestic Rates income and expenditure	0	(85,066)	(85,066)	
0	(266,368)	(266,368)		0	(302,170)	(302,170)	
		59,495	Deficit/ (Surplus) on provision of services			92,853	1
		(102,702)	Surplus on revaluation of non-current assets			(129,275)	21
		(252,053)	Remeasurement of the net defined benefit liability			(502,495)	20, 37
		(354,755)	Other Comprehensive Income and Expenditure			(631,770)	
		(295,260)	Total Comprehensive Income and Expenditure			(538,917)	

LEWISHAM STATEMENT OF ACCOUNTS 2022/23

Core Financial Statements

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31 MARCH 2023											
YEAR YEAR ENDING 31 MARCH 2023	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 2022 Brought Forward	20,000	231,340	251,340	30,315	0	64,387	30,372	376,414	1,738,123	2,114,537	
Movement in Reserves during 2022/23											
Surplus or (Deficit) on the provision of services	(13,906)	0	(13,906)	(78,947)	0	0	0	(92,853)	0	(92,853)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	631,770	631,770	21, 22
Total Comprehensive Income and Expenditure	(13,906)	0	(13,906)	(78,947)	0	0	0	(92,853)	631,770	538,917	
Adjustments between accounting basis and funding basis under regulations	8,054	0	8,054	62,700	0	2,751	(3,757)	69,748	(69,748)	0	8
Net Increase / (Decrease) before Transfers to Earmarked Reserves	(5,852)	0	(5,852)	(16,247)	0	2,751	(3,757)	(23,105)	562,022	538,917	
Transfers to / (from) Reserves	5,852	(5,852)	0	0	0	0	0	0	0	0	
Increase / (Decrease) in 2022/23	0	(5,852)	(5,852)	(16,247)	0	2,751	(3,757)	(23,105)	562,022	538,917	
Balance at 31 March 2023 Carried Forward	20,000	225,488	245,488	14,068	0	67,138	26,615	353,309	2,300,145	2,653,454	
Note	9 HRA 15 HRA 14 19										

LEWISHAM STATEMENT OF ACCOUNTS 2022/23

Core Financial Statements

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31 MARCH 2022											
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	Note
Balance at 01 April 2021 Brought Forward	20,000	220,659	240,659	74,978	1,884	58,296	26,605	402,422	1,416,855	1,819,277	
Movement in Reserves during 2021/22											
Surplus or (Deficit) on the provision of services	(25,056)	0	(25,056)	(34,439)	0	0	0	(59,495)	0	(59,495)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	354,755	354,755	21, 22
Total Comprehensive Income and Expenditure	(25,056)	0	(25,056)	(34,439)	0	0	0	(59,495)	354,755	295,260	
Adjustments between accounting basis and funding basis under regulations	35,737	0	35,737	(10,224)	(1,884)	6,091	3,767	33,487	(33,487)	0	8
Net Increase / (Decrease) before Transfers to Earmarked Reserves	10,681	0	10,681	(44,663)	(1,884)	6,091	3,767	(26,008)	321,268	295,260	
Transfers to / (from) Earmarked Reserves	(10,681)	10,681	0	0	0	0	0	0	0	0	
Increase / (Decrease) in 2021/22	0	10,681	10,681	(44,663)	(1,884)	6,091	3,767	(26,008)	321,268	295,260	
Balance at 31 March 2022 Carried Forward	20,000	231,340	251,340	30,315	0	64,387	30,372	376,414	1,738,123	2,114,537	
Note		9		HRA 15	HRA 14	19					

Core Financial Statements

BALANCE SHEET AS AT 31 MARCH 2023

31/03/2022 £000		31/03/2023 £000	Note
	<u>Property, Plant & Equipment</u>		
1,413,440	Council Dwellings	1,440,091	10b, HRA 1a, 9
1,106,877	Other Land and Buildings	1,200,130	10b
27,001	Vehicles, Plant, Furniture and Equipment	25,836	10b
103,286	Infrastructure	96,100	10c
5,199	Community Assets	5,137	10b
60,856	Surplus Assets not Held for Sale	63,659	10b
123,671	Assets under Construction	135,153	10b
2,840,330		2,966,106	
955	Heritage Assets	955	41
1,873	Long Term Investments	1,829	
59,520	Long Term Debtors	60,237	14a
2,902,678	Total Long Term Assets	3,029,127	
275,247	Short Term Investments	218,539	12
180	Inventories	197	
67,505	Debtors	70,616	14b
117,639	Cash and Cash Equivalents	94,974	15
3,102	Prepayments	4,347	
463,673	Current Assets	388,673	
5,932	Bank Overdraft	592	15
3,006	Short Term Borrowing	3,579	12
15,594	Provisions (Less than 1 year)	8,395	18
157,247	Creditors	146,146	16
69,044	Receipts in Advance	73,281	17
10,158	PFI Liabilities due within one year	10,852	34d
260,981	Current Liabilities	242,845	
3,105,370	Total Assets less Current Liabilities	3,174,955	
221,646	Long Term Borrowing	219,947	12
5,676	Provisions (More than 1 year)	6,015	18
193,246	Deferred PFI Liabilities	182,394	34d
3,320	Capital Grants Receipts in Advance	4,237	
937	Other Long Term Liabilities	1,614	
566,008	Liability related to defined benefit pension scheme	107,294	20, 37
990,833	Long Term Liabilities	521,501	
2,114,537	NET ASSETS	2,653,454	

Core Financial Statements

31/03/2022 £000		31/03/2023 £000	Note
	Usable Reserves		
20,000	General Fund Balance	20,000	
231,340	Earmarked Revenue Reserves	227,426	9
30,315	Housing Revenue Account	14,068	HRA 15
0	Major Repairs Reserve	0	HRA 14
64,387	Usable Capital Receipts Reserve	67,138	19
30,372	Capital Grants Unapplied	26,615	42
376,414		355,247	
	Unusable Reserves		
1,288,111	Revaluation Reserve	1,390,078	21
1,087,629	Capital Adjustment Account	1,078,742	22
93	Deferred Capital Receipts	93	
(32,981)	Financial Instruments Adjustment Account	(32,163)	12e
(566,008)	Pensions Reserve	(107,294)	20, 37
(11,300)	Collection Fund Adjustment Account	156	Coll Fd 3
(8,866)	DSG Unusable Reserve	(13,091)	29
(18,555)	Short Term Compensated Absences Account	(18,314)	
1,738,123		2,298,207	
2,114,537	TOTAL RESERVES	2,653,454	

Certification by the Executive Director of Corporate Resources

	Kathy Freeman CPFA - Executive Director of Corporate Resources (S151) 30 June 2023
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Core Financial Statements

CASH FLOW STATEMENT FOR THE YEAR ENDING 31 MARCH 2023

2021/22 £000s		2022/23 £000s	Note
(59,495)	Net surplus or (deficit) on the provision of services	(92,853)	
160,508	Adjustment to surplus or deficit on the provision of services for non-cash movements	136,066	43
(40,307)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(41,361)	44
60,706	Net Cash flows from Operating Activities	1,852	
(35,512)	Net Cash flows from Investing Activities	(27,289)	46
8,876	Net Cash flows from Financing Activities	8,112	47
34,070	Net Increase or (decrease) in Cash and Cash Equivalents	(17,325)	
77,637	Cash and Cash Equivalents at the beginning of the reporting period	111,707	15
111,707	Cash and Cash Equivalents at the end of the reporting period	94,382	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

Statement of Accounting Policies

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.

- 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.

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 2022/23 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.

Statement of Accounting Policies

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

b) Financial Assets

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.

Statement of Accounting Policies

20. CASH AND CASH EQUIVALENTS

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

21. INTANGIBLE NON CURRENT ASSETS

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

22. NON CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

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

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:

- 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);

Statement of Accounting Policies

- 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.

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:

Statement of Accounting Policies

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

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

d) Impairment

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

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

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

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

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.

Statement of Accounting Policies

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.

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. HIGHWAYS INFRASTRUCTURE ASSETS

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

a) Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

b) Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 England, which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

c) Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are assessed by the Chief Highways Engineer using industry standards where applicable as follows:

Part of the highways network	Useful life
Carriageways	25 years
Footways and cycle tracks	25 years
Structures (bridges, tunnels and underpasses)	25 years
Street lighting	25/ 40 years
Street furniture	25 years
Traffic management systems	25 years

Statement of Accounting Policies

d) Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

The authority has determined in accordance with Regulation [30M] of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

24. 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.

25. PRIVATE FINANCE INITIATIVE (PFI) CONTRACTS

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

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

26. ACCOUNTING FOR SCHOOLS

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

Notes to the Core Financial Statements

SECTION 3 – NOTES TO THE CORE FINANCIAL STATEMENTS

1. EXPENDITURE AND FUNDING ANALYSIS – YEAR ENDING 31 MARCH 2023

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	68,900	(17,280)	51,620	26,737	78,357
Community Services Directorate	84,000	7,113	91,113	6,350	97,463
Housing, Regeneration & Public Realm Directorate	26,400	12,301	38,701	3,519	42,220
Corporate Services Directorate	32,900	2,864	35,764	4,927	40,691
Chief Executive Directorate	10,800	959	11,759	851	12,610
HRA		10,634	10,634	14,930	25,564
Corporate Provisions	32,600	2,680	35,280	(24,976)	10,304
Cost of Services	255,600	19,271	274,871	32,338	307,209
Other Income and Expenditure	(248,600)	(4,172)	(252,772)	38,416	(214,356)
(Surplus) or Deficit	7,000	15,099	22,099	70,754	92,853

Notes to the Core Financial Statements

Analysis of Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances £15.1mGeneral Fund -£1.1m

The "Other Income and Expenditure" that is reported to management is equal to the net general fund budget set for the year (£248.6m). This is then compared to the net cost of services to get to the reported overspend for the year of £7.0m. However, the net reduction in General Fund reserves for the year was £5.9m, the difference to the reported outturn position being mostly made up of an additional £1m funding for Children's Social Care from Corporate reserves.

HRA £16.2m

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 £16.2m, 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 2022	(281,655)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	22,099
Closing General Fund and HRA Balance at 31 March 2023	(259,556)

Analysed between General Fund and HRA Balances			
	General Fund	HRA	Total
Opening General Fund and HRA Balance at 01 April 2022	(251,340)	(30,315)	(281,655)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	5,852	16,247	22,099
Closing General Fund and HRA Balance at 31 March 2023	(245,488)	(14,068)	(259,556)

Notes to the Core Financial Statements

EXPENDITURE AND FUNDING ANALYSIS – YEAR ENDING 31 MARCH 2022

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	(23,916)	40,084	32,987	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	(61)	35,339	5,765	41,104
Chief Executive Directorate	10,700	(182)	10,518	2,010	12,528
HRA	0	43,721	43,721	(55,611)	(11,890)
Corporate Provisions	10,300	1,952	12,252	(10,681)	1,571
Cost of Services	243,600	1,431	245,031	(6,834)	238,197
Other Income and Expenditure	(243,100)	32,051	(211,049)	32,347	(178,702)
(Surplus) or Deficit	500	33,482	33,982	25,513	59,495

Opening General Fund and HRA Balance at 01 April 2021	(315,637)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	33,982
Closing General Fund and HRA Balance at 31 March 2022	(281,655)

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 2021	(240,659)	(74,978)	(315,637)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	(10,681)	44,663	33,982
Closing General Fund and HRA Balance at 31 March 2022	(251,340)	(30,315)	(281,655)

Notes to the Core Financial Statements

Notes to the EFA

(i) Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the CIES amounts	2022/23			
	Adjustment for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
SERVICE				
Children & Young People Directorate	4,927	20,119	1,691	26,737
Community Services Directorate	2,804	3,719	(173)	6,350
Housing, Regeneration & Public Realm Directorate	11,737	2,945	(11,163)	3,519
Corporate Services Directorate	1,678	3,001	248	4,927
Chief Executive Directorate	0	864	(13)	851
HRA	14,789	141	0	14,930
Corporate Provisions	(21,457)	(2,701)	(818)	(24,976)
Cost of Services	14,478	28,088	(10,228)	32,338
Other Income and Expenditure	22,723	15,693	0	38,416
Difference between General Fund surplus or deficit and CIES surplus or deficit	37,201	43,781	(10,228)	70,754

Notes to the Core Financial Statements

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	9,019	32,987
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	(55,738)	127	0	(55,611)
Corporate Provisions	(6,998)	(2,830)	(853)	(10,681)
Cost of Services	(43,751)	31,137	5,780	(6,834)
Other Income and Expenditure	16,464	15,883	0	32,347
Difference between General Fund surplus or deficit and CIES surplus or deficit	(27,287)	47,020	5,780	25,513

Notes to the Core Financial Statements

(i) Segmental Income and Expenditure

	2022/23
	£'000
Revenues from external customers	(292,533)
Revenues from transactions with other operating segments of the authority	0
Interest revenue	(8,602)
Interest expense	30,949
Depreciation and amortisation	73,591
Material items of income and expense (related to disposals of PPE and investments and reversals of provisions)	48,091
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
	2021/22
	£'000
Revenues from external customers	(272,540)
Revenues from transactions with other operating segments of the authority	0
Interest revenue	(1,611)
Interest expense	31,031
Depreciation and amortisation	44,609
Material items of income and expense (related to disposals of PPE and investments and reversals of provisions)	38,721
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

Notes to the Core Financial Statements

2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED IN THE 2022/23 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 2022/23 Accounts.

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 2022/23, 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 2023 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 2022/23 is £43.545m (£43.276m in 2021/22) and the gross book value of these assets is £2,894m (£2,757m in 2021/22).</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 £132m. 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 £144m.</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 £24m. A 0.1% increase in the assumed level of pension increases will increase the net pension liability by £23m.
Impairment allowance for doubtful debt	As at 31 March 2023, the Council had an outstanding balance of short-term debtors totalling £155.5m. Against this debtors' balance, there is an impairment allowance of £84.9m. 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. 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. 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.
Venture Capital - private equity / infrastructure	Private equity investments are valued at fair value in accordance with British Private Equity and Venture Capital Association guidelines. These investments are not publicly listed and as such, there is a degree of estimation involved in the valuation. The Council makes up approximately 83% of the active members of the Pension Fund so would be impacted by this uncertainty.	The venture capital investment in the financial statements is £277.4m. There is a risk that this investment may be understated or overstated in the accounts and the risk is estimated to be 11.8%. This would be an increase or decrease in the value of venture capital investments by £32.7m, on a fair value of £277.4m. 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 £27.2m.

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 2022/23, assuming all other variables such as foreign exchange rates and interest rates remain the same, is estimated to be 7.7%. This would be an increase or decrease in the value of property investments of £9.2m, on a fair value of £120m. 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 £7.7m.
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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 23	Value on Increase			Value on Decrease		
		1%	5%	10%	1%	5%	10%
		£000	£000	£000	£000	£000	£000
Council Dwellings	1,440,091	1,454,492	1,512,096	1,584,100	1,425,690	1,368,086	1,296,082
Other Land & Buildings	1,200,130	1,212,131	1,260,137	1,320,143	1,188,129	1,140,124	1,080,117
Surplus Assets	63,659	64,296	66,842	70,025	63,022	60,476	57,293
Total	2,703,880	2,730,919	2,839,074	2,974,268	2,676,841	2,568,686	2,433,492

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	1,106,877	1,117,946	1,162,221	1,217,565	1,095,808	1,051,533	996,189
Surplus Assets	60,856	61,465	63,899	66,942	60,247	57,813	54,770
Total	2,581,173	2,606,985	2,710,232	2,839,290	2,555,361	2,452,114	2,323,056

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 30 June 2023. 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 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect these altered conditions.

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.

	2022/23 £000	2021/22 £000
London Pension Fund Authority (a)	1,263	1,281
Lee Valley Regional Park Authority	210	213
Environment Agency	209	208
Total Levies Paid	1,682	1,702

(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 Greater London Council and Inner London Education Authority.

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

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

Notes to the Core Financial Statements

2022/23	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)	43,557	224				(43,781)
Financial instruments (transferred to the Financial Instruments Adjustment Account)	(818)	0				818
Council Tax and NDR (transfers to/ from Collection Fund Adjustment Account)	(11,456)					11,456
Holiday Pay (transferred to the Accumulated Absences Account)	(241)					241
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))	20,184	91,869	25,666			(137,719)
Schools Budget deficit accounting (to account for the in-year deficit and year-end deficit balance)	2,287					(2,287)
Total Adjustments to Revenue Resources	53,513	92,093	25,666	0	0	(171,272)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(628)	(14,710)		15,338		0
Payments to the Government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	0			0		0
Statutory provision for the repayment of debt (transfer from the CAA)	(11,371)	(3,455)				14,826
Revenue Expenditure Funded from Capital under Statute	2,945					(2,945)
Capital expenditure funded from revenue balances (transfer to the CAA)	(10,338)	(11,228)				21,566
Total Adjustments between Revenue and Capital Resources	(19,392)	(29,393)	0	15,338	0	33,447
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure				(12,587)		12,587
Use of the Major Repairs Reserve to finance capital expenditure			(25,666)			25,666
Application of capital grants to finance capital expenditure	(26,067)				(3,757)	29,824
Total Adjustments to Capital Resources	(26,067)	0	(25,666)	(12,587)	(3,757)	68,077
Total Adjustments	8,054	62,700	0	2,751	(3,757)	(69,748)

Notes to the Core Financial Statements

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)	46,826	194				(47,020)
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))	19,122	55,076	25,293			(99,491)
Schools Budget deficit accounting (to account for the in-year deficit and year-end deficit balance)	6,491					(6,491)
Total Adjustments to Revenue Resources	71,728	55,270	25,293	0	0	(152,291)
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)	(3,721)	(49,721)				53,442
Total Adjustments between Revenue and Capital Resources	(11,448)	(65,494)	0	13,875	0	63,067
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			(27,177)			27,177
Application of capital grants to finance capital expenditure	(24,543)				3,767	20,776
Total Adjustments to Capital Resources	(24,543)	0	(27,177)	(7,784)	3,767	55,737
Total Adjustments	35,737	(10,224)	(1,884)	6,091	3,767	(33,487)

Notes to the Core Financial Statements

9. EARMARKED RESERVES

The Council has a number of earmarked reserves on its Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up to provide resources for future spending plans. This note shows the amounts used to meet General Fund expenditure in 2022/23 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 31/03/22	2022/23 Transfers		Balance 31/03/23	
	£000	Out £000	In £000	£000	
Specific Revenue Earmarked - Corporate	101,203	(22,820)	27,079	105,462	(a (i))
Specific Revenue Earmarked - Collection Funds	0	(8,907)	16,279	7,372	(a (iv))
S31 Covid Business Rates Grant	5,327	(5,327)	0	0	(a (ii))
Covid Grants	7,982	(7,463)	0	519	(a (iii))
PFI and BSF Schemes	29,640	0	3,387	33,027	(b)
Capital Contingency	22,821	(96)	1,011	23,736	(c)
Insurance	16,091	(1,707)	0	14,384	(d)
Capital Programme Expenditure	912	(5,034)	4,815	693	(e)
Section 106 Reserve	21,380	(1,182)	0	20,198	(f)
	205,356	(52,536)	52,571	205,391	
Schools Reserves and External Funds	25,984	(26,447)	22,498	22,035	(g)
	25,984	(26,447)	22,498	22,035	
Total	231,340	(78,983)	75,069	227,426	

a) Specific Earmarked Reserves

- (i) These comprise a number of specific reserves which are earmarked for particular purposes.
- (ii) The Earmarked Revenue reserve contained the S31 Covid Business rates relief grant carried forward to 2022/23, this was fully utilised in 2022/23.
- (iii) Revenue reserves balances also included £8.0m of Other Covid-19 grants at the beginning of 2022/23. These were either used against revenue spend in 2022/23, used to support the Collection Fund, or returned to Central Government. £0.5m was still held at the end of 2022/23.
- (iv) Earmarked reserves have also been set up for future smoothing of potential collection fund deficits.

b) PFI and BSF Schemes Reserves

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

c) Capital Contingency Reserve

The reserve is made up of unused grant ('New Homes Bonus 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 and will be used to support the capital programme in future years.

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.

Notes to the Core Financial Statements

f) Section 106 Reserve

This is S106 income received where no conditions related to repayment of unspent amount of grant received exists. 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 2022/23, their exact effective date was 31 March 2023 for council dwellings and 31 March 2023 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				
2022-23	1,411,477	1,197,659	63,659	2,672,795
2021-22	28,614	2,273	0	30,887
2020-21	0	0	0	0
2019-20	0	0	0	0
2018-19	0	0	0	0
2017-18	0	198	0	198
Total Net Book Value	1,440,091	1,200,130	63,659	2,703,880

Notes to the Core Financial Statements

b) Movements in Non-Current Assets

The movements in non-current assets during 2022/23 were as follows:

2022/23	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equip't £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	TOTAL £000
Gross Book Value b/fwd at 01 April 2022	1,413,441	1,106,925	46,972	5,462	60,857	123,671	2,757,328
Additions	79,252	8,366	1,370	0	0	44,671	133,659
Revaluations (recognised in Revaluation Reserve)	21,501	69,918	10	0	2,568	0	93,997
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	(31,541)	4,649	(11)	0	623	0	(26,280)
Impairments (recognised in Revaluation Reserve)	0	(217)				0	(217)
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	(31)	(133)				0	(164)
Loss of Control of Assets (recognised in Revaluation Reserve)	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
De-recognition of Assets (recognised in Other Operating Expenditure)	(54,813)	0	0	0	0	0	(54,813)
Disposals	(7,379)	0	0	0	(1,936)	0	(9,315)
Transfers	20,175	10,692	704		1,549	(33,120)	0
Gross Book Value c/fwd at 31 March 2023	1,440,605	1,200,200	49,045	5,462	63,661	135,222	2,894,195
Depreciation b/fwd at 01 April 2022	(1)	(48)	(19,971)	(263)	(1)	0	(20,284)
Depreciation for year	(24,743)	(15,057)	(3,355)	(62)	(328)	0	(43,545)
<u>Depreciation written back on:</u>							
Transfers	20	0	0	0	(20)	0	0
Revaluations (recognised in Revaluation Reserve)	22,666	12,414	106	0	309	0	35,495
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	1,544	2,621	11	0	38	0	4,214
Impairments (recognised in Revaluation Reserve)	0	0	0	0	0	0	0
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	0	0	0	0	0	0
Assets Sold	0	0	0	0	0	0	0
Depreciation c/fwd at 31 March 2023	(514)	(70)	(23,209)	(325)	(2)	0	(24,120)
Net Book Value at 31 March 2023	1,440,091	1,200,130	25,836	5,137	63,659	135,222	2,870,075

Notes to the Core Financial Statements

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	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	5,562	53,823	69,923	2,649,660
Additions	51,527	1,125	1,709	0	0	56,521	110,882
Revaluations (recognised in Revaluation Reserve)	25,458	40,985	0	0	3,394	0	69,837
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	(1,674)	5,884	0	0	(657)	0	3,553
Impairments (recognised in Revaluation Reserve)	0	(813)	0	0	(1,120)	0	(1,933)
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	(76)	(348)	0	0	(719)	0	(1,143)
Loss of Control of Assets (recognised in Revaluation Reserve)	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
De-recognition of Assets (recognised in Other Operating Expenditure)	(48,743)	0	0	0	0	0	(48,743)
Disposals	(5,809)	0	(16,924)	(100)	(1,952)	0	(24,785)
Transfers	(670)	(4,645)	0	0	8,088	(2,773)	0
Gross Book Value c/fwd at 31 March 2022	1,413,441	1,106,925	46,972	5,462	60,857	123,671	2,757,328
Depreciation b/fwd at 01 April 2021	0	(45)	(33,402)	(267)	(1,579)	0	(35,293)
Depreciation for year	(24,394)	(14,854)	(3,628)	(95)	(305)	0	(43,276)
<u>Depreciation written back on:</u>							
Transfers	12	72	0	0	(84)	0	0
Revaluations (recognised in Revaluation Reserve)	22,760	11,627	135	0	249	0	34,771
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	1,621	3,139	0	0	43	0	4,803
Impairments (recognised in Revaluation Reserve)	0	0	0	0	0	0	0
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	13	0	0	0	0	13
Assets Sold	0	0	16,924	99	1,675	0	18,698
Depreciation c/fwd at 31 March 2022	(1)	(48)	(19,971)	(263)	(1)	0	(20,284)
Net Book Value at 31 March 2022	1,413,440	1,106,877	27,001	5,199	60,856	123,671	2,737,044

Notes to the Core Financial Statements

c) Highways Infrastructure Assets

Movements on balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets note 10 (b) does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2022/23 £000	2021/22 £000
Net book value (modified historical cost) at 1 April	103,286	109,064
Additions	630	2,774
Derecognition	0	0
Depreciation	(7,816)	(7,698)
Impairment		(854)
Net Book Value at 31 March	96,100	103,286

Derecognition

The authority has determined in accordance with Regulation [30M England] of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

11. INVESTMENT PROPERTIES

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

Notes to the Core Financial Statements

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-22			31-Mar-23	
Long Term	Short Term		Long Term	Short Term
£000	£000		£000	£000
		Fair Value Through Profit & Loss		
0	116,263	Investments	0	90,963
		Financial assets at amortised cost		
0	275,247	Investments	0	218,539
59,520	48,206	Debtors	60,237	33,080
0	1,376	Other Cash & Cash Equivalents	0	2,489
59,520	441,092	Total financial assets	60,237	345,071
		Financial Liabilities		
		Financial liabilities at amortised cost		
221,646	3,006	Borrowing	219,947	3,579
193,246	10,158	Private finance initiative (PFI) liabilities	182,394	10,852
0	121,569	Creditors	0	88,819
414,892	134,733	Total financial liabilities	402,341	103,250

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 £219m includes short term fixed deposits of £215m, 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			
	31/03/23	31/03/22	31/03/23	31/03/22	31/03/23	31/03/22
	£000	£000	£000	£000	£000	£000
Financial instruments	60,237	59,520	33,080	48,206	93,317	107,726
Non-financial instruments	0	0	26,546	19,299	26,546	19,299
Total Debtors	60,237	59,520	59,626	67,505	119,863	127,025

Creditors

	Long Term		Current		Total	
	Creditors		Creditors			
	31/03/23	31/03/22	31/03/23	31/03/22	31/03/23	31/03/22
	£000	£000	£000	£000	£000	£000
Financial instruments	0	0	88,819	121,569	88,819	121,569
Non-financial instruments	0	0	57,327	35,678	57,327	35,678
Total Creditors	0	0	146,146	157,247	146,146	157,247

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 2022/23 or 2021/22):

	2022/23		Restated 2021/22	
	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	(8,691)	0	(1,519)	0
Total income in Surplus/Deficit on the Provision of Services	(8,691)	0	(1,519)	0
Interest expense	8,353	0	8,251	0
Expected Credit Loss: Financial Liabilities Measured at Amortised Cost	3,926	0	(2,994)	0
Total Expense in Surplus/Deficit on the Provision of Service	12,279	0	5,257	0
Net (Gain)/ Loss for the Year	3,588	0	3,738	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.

31/03/22			31/03/23	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
		Financial liabilities at amortised cost:		
		Borrowing		
93,843	118,854	Public Works Loan Board loans	92,883	87,145
130,809	162,520	Lender Option Borrower Option (LOBO) loans	130,643	112,362
203,404	203,404	PFI and finance lease liabilities	193,246	193,246
428,056	484,778	Sub-Total	416,772	392,753
121,569	121,569	Creditors	88,819	88,819
549,625	606,347	Total Financial Liabilities	505,591	481,572

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 2023) 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.

31/03/22			31/03/23	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
		Fair Value Through Profit and Loss		
116,263	116,263	Investments	90,963	90,963
		Financial Assets Held at Amortised Cost		
275,247	275,247	Investments	218,539	218,539
107,726	107,726	Debtors	93,317	93,317
1,376	1,376	Cash and Cash Equivalents	2,489	2,489
500,612	500,612	Total Financial Assets	405,308	405,308

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 31/03/22 £000	22/23 Transfers Net £000	Balance 31/03/23 £000
LOBO Premium (created in Nov-17 following LOBO restructure)	(20,755)	569	(20,186)
FV recognition adjustment following LOBO restructure	(9,972)	(5)	(9,977)
Other Premiums and Discounts	(2,254)	254	(2,000)
Total	(32,981)	818	(32,163)

f) 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.

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

Notes to the Core Financial Statements

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

No de-recognition is expected 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 2022/23 this loss is set out in the following section as £0.025m (£0.042m loss in 2021/22). 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 2023 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 2023 the Council's investment assets with a value of £309m had a calculated ECL of £0.025m; 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

31/03/23				Maturity Period	31/03/22			
PWLB	LOBO	PFI and Finance Leases	Total		PWLB	LOBO	PFI and Finance Leases	Total
£000	£000	£000	£000		£000	£000	£000	£000
1,496	203	10,852	12,551	Less than 1 year	935	203	10,158	11,296
0	203	11,739	11,942	Between 1 and 2 years	1,496	203	10,852	12,551
6,173	608	38,911	45,692	Between 2 and 5 years	3,367	608	40,251	44,226
13,842	1,014	64,535	79,391	Between 5 and 10 years	12,907	1,014	59,600	73,521
10,510	27,027	67,209	104,746	Between 10 and 20 years	13,690	27,028	82,543	123,261
11,321	12,028	0	23,349	Between 20 and 30 years	8,581	12,028	0	20,609
48,638	36,115	0	84,753	Between 30 and 40 years	51,939	35,101	0	87,040
0	42,500	0	42,500	Above 40 years	0	43,717	0	43,717
91,980	119,698	193,246	404,924	Total	92,915	119,902	203,404	416,221

The LOBO maturity profile assumes that the lenders will not exercise any options embedded in the loans until maturity. As at 31 March 2023, LOBO loans with nominal value £83m have fixed interest rates ranging from 3.58% to 4.67%, whilst a loan with nominal value £37m has a stepped rate ranging from 2.69% at 31 March 2023 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 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.

	31/03/23 £000	31/03/22 £000
Lewisham Homes Limited - Loan	40,000	40,000 (a)
Catford Regeneration Partnership Limited (CRPL) - Loan	16,225	15,448 (b)
Street Lighting PFI Sinking Fund	2,950	2,950 (c)
Land Charges Debts	257	257
Other Long Term Debtors	805	865
Total Long Term Debtors	60,237	59,520

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). In recent years the yearly interest charge on the loan has been capitalised and added to the loan value.

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.

	31/03/23 £000	31/03/22 £000
Government and Other Public Bodies:		
HM Revenue & Customs - VAT	8,251	8,353
Central Government bodies	11,662	4,146
Other Local Authorities	1,892	11,801
NHS bodies	1,754	3,558
Other Public bodies	680	639
Council Tax Payers	38,405	31,118
NDR Payers	2,724	2,312
Council Tax Court Costs	5,700	4,609
Housing Benefit Overpayments	19,069	13,098
Housing Rents (inc PSL, B & B, Hostels, Commercial)	10,991	10,119
Leaseholders Services Charges	8,156	5,569
Parking	0	0
LBL Pension Fund	2,192	1,496
General Debtors due for Supplies and Services	44,007	38,718
Total Current Debtors	155,483	135,536
Impairment Allowances	(84,867)	(68,031)
Total Net Current Debtors	70,616	67,505

c) Impairment Allowances

	Balance at 31/03/22 £000	Movement in 2022/23 £000	Balance at 31/03/23 £000
Council Tax Payers	(27,609)	(4,888)	(32,497)
Council Tax Court Costs	(4,065)	(1,009)	(5,074)
NDR Payers	(2,044)	19	(2,025)
Housing Benefit Overpayments	(10,039)	(6,961)	(17,000)
Housing Rents (inc PSL, B & B, Hostels, Commercial)	(3,426)	(724)	(4,150)
Leaseholders Services Charges	(2,363)	(169)	(2,532)
General Debtors due for Supplies and Services	(18,485)	(3,104)	(21,589)
Total Impairment Allowances	(68,031)	(16,836)	(84,867)

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

Notes to the Core Financial Statements

15. CASH AND CASH EQUIVALENTS

	Balance 31/03/22 £000	Movement in 2022/3 £000	Balance 31/03/23 £000
Cash Equivalents			
Short Term Deposits	0	0	0
Cash			
Money Market Funds	116,263	(25,300)	90,963
Call Accounts with Banks	0	0	0
	116,263	(25,300)	90,963
Other Cash and Bank Balances			
Main Bank Accounts	0	0	0
Schools Bank Accounts	0	1,523	1,523
Other Cash and Bank Accounts	1,376	1,112	2,488
	1,376	2,635	4,011
Total Cash and Cash Equivalents	117,639	(22,665)	94,974
Bank Accounts Overdrawn			
Main Bank Accounts	(5,047)	4,455	(592)
Schools Bank Accounts	(885)	885	0
	(5,932)	5,340	(592)
Net Cash and Cash Equivalents	111,707	(17,325)	94,382

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 £18.7m (2021/22 £17.7m) and overdrawn £17.2m (2021/22 overdrawn £18.6m) 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.

	31/03/23 £000	31/03/22 £000
Government and other public bodies:		
HM Revenue & Customs	5,794	5,964
Central Government bodies	28,791	51,808 (a)
Other Local Authorities	13,374	4,650
NHS bodies	1,424	2,814
Other Public bodies	110	1,579
	49,493	66,815
Short Term Compensated Absences	18,314	18,555
Council Tax	8,188	6,856
NDR	4,667	3,336
General Creditors (amounts owed for supplies and services)	65,484	61,685
Total Creditors	146,146	157,247

a) Central Government bodies

See table below for an analysis of Central Government bodies creditors:

	31/03/23 £000	31/03/22 £000
School Capital Grants	12,211	6,348
DLUHC - NDR Creditor	8,814	83
Energy Support Grant	3,239	0
Teachers Pensions	2,542	1,868
Covid Grants	1,509	4,314
S31 grant - Expanded Retail discount and Nursery Relief	0	19,723
Homes for Ukraine Scheme	0	17,270
RTB Receipts Pooling	0	1,926
Other	476	276
Total Central Government Creditors	28,791	51,808

Notes to the Core Financial Statements

17. REVENUE RECEIPTS IN ADVANCE

	31/03/23 £000	31/03/22 £000
Capital Contributions Unapplied	13,209	16,374 (a)
PFI Schemes	25,723	25,172
Revenue Grants and Contributions	10,830	9,490
Rents in Advance	11,911	8,383
Council Tax	3,140	2,844
NDR	284	448
Other Receipts in Advance	8,184	6,333
Total Receipts in Advance	73,281	69,044

(a) Capital Contributions Unapplied

Capital Contributions Unapplied includes a balance of £13.2m Section 106 Contributions, where the conditions have not yet been met, in 2022/23 (2021/22 was £16.4m).

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 31/03/22 £000	2022/23 Transfers		Balance 31/03/23 £000
		Out £000	In £000	
Current (less than 1 year)				
Insurance Provision (a)	2,435	(2,345)	2,257	2,347
Water Charges Provision (b)	5,989	(6,246)	257	0
Term Time Only Claims Provision (c)	990	(423)	0	567
NDR Appeals Provision	4,321	(489)	0	3,832
Other Provisions (d)	1,859	(234)	24	1,649
	15,594	(9,737)	2,538	8,395
Non Current (Over 1 year)				
Insurance Provision (a)	3,592	0	1,123	4,715
Water Charges Provision (b)	0	0	0	0
Other Provisions (d)	2,084	(784)	0	1,300
	5,676	(784)	1,123	6,015
Total - Provisions	21,270	(10,521)	3,661	14,410

Notes to the Core Financial Statements

- (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 was a provision to refund tenants their water charge discounts going back to 2001. This followed a Court of Appeal ruling in October 2020 regarding Kingston Council. A provision was set up in 2019/20 and payments were 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 and 2022/23, it is expected that the remainder of the provision will be used in 2023/24.
- (d) Other Provisions
Other Provisions includes a provision for the potential liability in respect of savings accounts for Children Leaving Care, which extends back a number of years (£1.7m). Payments related to these are expected in 2022/23 and future years.

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.

	2022/23 £000	2021/22 £000
Balance brought forward at start of year	64,387	58,296
Amounts Received	15,338	15,815
Poolable to Central Government	0	(1,940)
Receipts returned to Central Government	0	0
Amounts applied to finance new capital investment	(12,587)	(7,784)
Total increase/(decrease) in capital receipts in year	2,751	6,091
Balance carried forward at end of year	67,138	64,387

Notes to the Core Financial Statements

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.

	2022/23 £000	2021/22 £000
Balance brought forward at start of year	(566,008)	(771,041)
Actuarial gains or losses on pensions assets and liabilities	607,748	146,551
Return on Assets excluding amounts included in Net Interest	(105,253)	105,502
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(81,189)	(78,873)
Employer's pensions contributions and direct payments to pensioners payable in the year	37,408	31,853
Balance carried forward at end of year	(107,294)	(566,008)

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.

	2022/23 £000	2021/22 £000
Balance brought forward at start of year	1,288,111	1,209,588
Revaluation of Assets	129,492	104,636
Impairment Losses	(217)	(1,934)
Loss of Control of Assets	0	0
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	129,275	102,702
Difference between fair value and historic cost depreciation	(21,979)	(20,992)
Accumulated gains on assets sold or scrapped	(5,329)	(3,187)
Amount written off to the Capital Adjustment Account	(27,308)	(24,179)
Balance carried forward at end of year	1,390,078	1,288,111

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.

	2022/23 £000	2021/22 £000
Balance brought forward at start of year	1,087,629	1,044,137
<u>Reversal of capital expenditure items debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	(73,591)	(44,609)
Revenue expenditure funded from capital under statute	(2,945)	(2,738)
Non-current assets written off on disposal and de-recognition - gain/loss to the CIES	(64,128)	(54,882)
	(140,664)	(102,229)
Adjusting amounts written out of the Revaluation Reserve	27,308	24,179
Net amount written out of the cost of non-current assets consumed in the year	(113,356)	(78,050)
<u>Capital Financing applied in the year:</u>		
Use of Capital Receipts to finance new capital expenditure	12,587	7,784
Use of Major Repairs Reserve to finance new capital expenditure	25,666	27,177
Capital grants and contributions credited to the CIES	29,824	20,776
Statutory Provision for the financing of capital investment	4,668	4,327
Repayment of Principal on PFI schemes	10,158	8,036
Capital expenditure charged to General Fund and HRA	21,566	53,442
	104,469	121,542
Balance carried forward at end of year	1,078,742	1,087,629

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:

	2022/23	2021/22
	£000	£000
Employee expenses - LBL	311,879	303,043
Employee expenses - Schools Non-LBL	68,051	65,589
Other Expenditure	772,994	715,211
Revaluation, Depreciation, Amortisation and Impairment	74,490	44,705
Interest payments	30,949	31,031
Loss of Control of Assets	0	0
Precepts and levies	1,683	1,702
Payments to Housing Capital Receipts Pool	0	1,940
Gain or loss on disposal and de-recognition of non-current assets	48,091	38,721
Net interest on the net defined benefit liability	15,693	15,883
Total Expenditure	1,323,830	1,217,825
Government grants and contributions	(693,622)	(650,497)
Fees, Charges and Other service income	(292,533)	(272,540)
Interest and Investment income	(8,602)	(1,611)
Income from council tax, non-domestic rates, district rate income	(209,012)	(213,843)
Recognised Capital Grants and Contributions	(27,208)	(19,839)
Gain or loss on disposal and de-recognition of non-current assets	0	0
Other Income	0	0
Total Income	(1,230,977)	(1,158,330)
(Surplus) or Deficit on the Provision of Services	92,853	59,495

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

	2022/23	2021/22
	£000	£000
Fees, Charges and Other Service Income		
Rent & Service Charges	(134,299)	(126,229)
Contributions from Health	(38,578)	(41,342)
S106	0	(4,508)
Schools Income	(17,053)	(14,199)
Parking Income	(15,480)	(13,158)
PFI Credits Income	(11,887)	(10,421)
Fees & Charges Income	(11,424)	(7,445)
Community Infrastructure Levy (CIL)	(7,455)	(6,646)
Other Care Charges Income	(4,011)	(6,093)
Fairer Charging Income	(6,226)	(5,343)
Cemeteries & Crematoria Income	(2,529)	(2,387)
Housing Benefits - Other Income	(1,334)	(2,306)
Licenses & Permits	(2,627)	(1,801)
Court Costs Income	(2,809)	(1,651)
Planning Fees	(1,877)	(1,502)
Contributions from Other Local Authorities	(1,817)	(1,286)
Bailiff Fees	(1,157)	(19)
Professional Fees Income	(933)	(1,148)
Fines	(21)	(1,140)
Other Income	(31,016)	(23,914)
Total Income	(292,533)	(272,540)

Notes to the Core Financial Statements

24. AGENCY SERVICES AND POOLED BUDGETS

In 2022/23 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 Strategic Finance Business partner, Community Services.

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

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 ICB monthly for 1/12th of the agreed annual contribution less all planned payments made by the ICB in relation to ICB 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 2022/23 was £43.2m, the split of which can be seen in the table below:

	2022/23 £000	2021/22 £000
<u>Funding provided to the pooled budget:</u>		
Lewisham Borough Council	(17,235)	(16,795)
Lewisham ICB (Previously NHS Lewisham CCG)	(25,972)	(24,581)
	(43,207)	(41,376)
<u>Expenditure met from the pooled budget:</u>		
Lewisham Borough Council	28,099	26,978
Lewisham ICB (Previously NHS Lewisham CCG)	15,108	14,398
	43,207	41,376
Net surplus arising in year	0	0

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

The Council is sole owner of two companies:

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

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

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

Notes to the Core Financial Statements

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 22/23.

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 (23/23 £9.6m, 21/22 £9.5m), Lewisham Schools For The Future SPV2 Limited (22/23 £3.3m, 21/22 £3.2m), Lewisham Schools For The Future SPV3 Limited (22/23 £4.8m, 21/22 £4.7m) and Lewisham Schools For The Future SPV4 Limited (22/23 £8.9m, 21/22 £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 £5.8m were made in 2022/23 to the company £4.7m in 2021/22) 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 2022/23 or 2021/22.

26. MEMBERS' ALLOWANCES

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

	2022/23 £000	2021/22 £000
Allowances (incl. NI)	1,113	1,005
Other Expenses	7	13
Total Expenditure in Year	1,120	1,018

Notes to the Core Financial Statements

27. OFFICERS' REMUNERATION

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

Remuneration Band	Non-Schools		Schools		Totals	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
£50,000 to £54,999	187	159	348	278	535	437
£55,000 to £59,999	97	61	39	66	136	127
£60,000 to £64,999	66	23	43	81	109	104
£65,000 to £69,999	12	13	78	33	90	46
£70,000 to £74,999	13	22	49	37	62	59
£75,000 to £79,999	31	17	35	24	66	41
£80,000 to £84,999	3	2	24	22	27	24
£85,000 to £89,999	4	5	16	14	20	19
£90,000 to £94,999	0	0	15	3	15	3
£95,000 to £99,999	1	1	7	4	8	5
£100,000 to £104,999	1	2	6	2	7	4
£105,000 to £109,999	3	6	1	4	4	10
£110,000 to £114,999	7	0	1	1	8	1
£115,000 to £119,999	3	4	4	1	7	5
£120,000 to £124,999	0	0	2	1	2	1
£125,000 and over	2	0	4	3	6	3
Total	430	315	672	574	1102	889

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

b) Disclosure of Senior Employees' Remuneration

Disclosure of Senior Employees Remuneration for financial year 2022/23

Financial Year 2022/23	Salary (inc fees and allowances)	Employer's Pension Contributions	Total (inc. Pension Contributions)
	£	£	£
Senior Employees			
Chief Executive (Kim Wright)	192,426	43,296	235,722
Acting Chief Executive (Jennifer Daothong) (a)	15,503	3,488	18,991
Assistant Chief Executive (01-Apr-22 -31-Dec-22) (b)	94,317	21,222	115,539
Executive Director for Corporate Resources (Kathy Freeman)	160,404	36,091	196,495
Executive Director for Children and Young People (Pinaki Ghoshal)	160,449	36,101	196,550
Executive Director for Community Services (Tom Brown)	160,449	36,101	196,550
Executive Director for Housing, Regeneration and Public Realm	140,627	31,641	172,268
01-Apr-22 to 03-Mar-23 (Jennifer Daothong) (a)	140,627	31,641	172,268
04-Mar-23 to 31-Mar-23	0	0	0
Executive Director for Place (13-Mar-23 to 31-Mar-23)	12,018	0	12,018
Director of Public Health	110,592	24,883	135,475
Director of Law & Corporate Governance	143,815	0	143,815
Totals	894,140	201,182	1,095,322

(a) Jennifer Daothong commenced in post as Acting Chief Executive as of the 04-Mar-23.

(b) Assistant Chief Executive: The post was vacant from when the previous post holder left (31-Dec-22) to financial year end.

Notes to the Core Financial Statements

Disclosure of Senior Employees Remuneration for financial year 2021/22

Financial Year 2021/22	Salary (inc fees and allowances)	Employer's Pension Contributions	Total (inc. Pension Contributions)
	£	£	£
Senior Employees			
Chief Executive (Kim Wright)	184,950	41,614	226,564
Assistant Chief Executive	116,343	26,353	142,696
Executive Director for Corporate Resources (Kathy Freeman)	153,297	33,981	187,278
Executive Director for Children and Young People (Pinaki Ghoshal)	153,897	34,627	188,524
Executive Director for Community Services (Tom Brown)	151,029	34,627	185,656
Executive Director for Housing, Regeneration and Public Realm (a)	126,637	28,084	154,721
01-Apr-21 to 15-Aug-21	57,711	12,939	70,650
18-Oct-21 to 31-Mar-22	68,926	15,145	84,071
Director of Public Health	105,496	23,736	129,232
Director of Law & Corporate Governance (b)	55,823	12,811	68,634
01-Apr-21 to 31-Jul-21	44,525	10,279	54,804
17-Nov-21 to 31-Mar-22	11,298	2,532	13,830
Totals	1,047,472	235,833	1,283,305

(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

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.

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	
	2022/23 No.	2021/22 No.	2022/23 £000	2021/22 £000
£0 to £20,000	68	101	634	743
£20,001 to £40,000	35	36	968	1,095
£40,001 to £60,000	16	13	795	640
£60,001 to £80,000	4	7	267	407
£80,001 to £100,000	0	2	0	166
£100,001 and over	5	3	707	315
Total	128	162	3,371	3,366

Notes to the Core Financial Statements

28. EXTERNAL AUDIT COSTS

	2022/23 £000	2021/22 £000
External Audit Services	266	253
Certification of Grant Claims and Returns	47	47
Other services provided by the appointed auditor	8	0
	321	299

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.

	2022/23			2021/22		
	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	64,282	255,106	319,388	59,107	253,396	312,503
Academy & high needs figure recouped	0	(40,821)	(40,821)	0	(39,831)	(39,831)
Total DSG after academy & high needs recoupment	64,282	214,285	278,567	59,107	213,565	272,672
Brought forward from previous year (Restated)	0	0	0	0	0	0
Carry forward to next year agreed in advance	0	0	0	0	0	0
Agreed initial budgeted distribution	64,282	214,285	278,567	59,107	213,565	272,672
In year adjustments	0	217	217	0	(167)	(167)
Final Budget Distribution	64,282	214,502	278,784	59,107	213,398	272,505
Actual Central Expenditure	65,540		65,540	64,677		64,677
Actual ISB deployed to schools		217,969	217,969		214,319	214,319
Local authority contribution	(500)		(500)	0		0
Total In-Year (Deficit)/ Surplus	(758)	(3,467)	(4,225)	(5,570)	(921)	(6,491)

DSG Unusable Reserve

	£000
DSG unusable reserve (cumulative deficit) at the end of 2021/22	(8,866)
Addition to DSG unusable reserve at the end of 2021/22 (in-year deficit)	(4,225)
Total of DSG unusable reserve (cumulative deficit) at the end of 2022/23	(13,091)

Notes to the Core Financial Statements

30. GRANT INCOME

The following grants were credited to services during the year:

	2022/23 £000	2021/22 £000
Dedicated Schools Grant	(278,784)	(272,505)
Housing Benefit Grant	(159,771)	(159,901)
Public Health Grant	(28,094)	(25,352)
BSF/ Grouped Schools PFI Unitary Charge Grant	(27,068)	(26,150)
Improved Better Care Fund	(16,432)	(14,502)
Energy Support Grant	(14,921)	0
Pupil Premium Grant	(12,070)	(11,800)
Children's Social Care Grant	(10,773)	(10,773)
Housing Subsidy/ Decent Homes Backlog Grant	(10,353)	(19,863)
Covid-19 Grants	(7,314)	(25,352)
Other Grants	(62,092)	(51,613)
Total	(627,672)	(617,811)

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

	2022/23 £000	2021/22 £000
Revenue Support Grant (RSG)	(29,017)	(28,151)
S31 Business rate relief grant	(12,753)	0
Services Grant	(6,284)	0
S31 Business rate grants - Other	(8,212)	(1,009)
New Homes Bonus	(1,011)	(2,652)
Covid-19 Grants	0	0
Other	(8,673)	(874)
Total	(65,950)	(32,686)

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:

2022/23					
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	40,000	52,833	5,042	2,482	8,825
Catford Regeneration Partnership Ltd	16,225	184	11	0	0

2021/22					
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	40,000	60,910	12,461	4,462	8,295
Catford Regeneration Partnership Ltd	15,448	798	20	0	0

(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 2022/23 are shown below:

- i) Lewisham Schools for the Future LEP Limited – £0m
Lewisham Schools for the Future SPV Limited – £9.6m
Lewisham Schools for the Future SPV2 Limited – £3.3m
Lewisham Schools for the Future SPV3 Limited – £4.9m
Lewisham Schools for the Future SPV4 Limited – £8.9m
- ii) South-East London Combined Heat and Power Limited (SELCHP) – £5.8m
- 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.

	2022/23 £000	2021/22 £000
Opening Capital Financing Requirement	518,340	507,210
Capital Investment		
Property, Plant and Equipment	134,289	113,656
Capital Expenditure not added to Fixed Assets	0	3,000 (a)
Revenue Expenditure Funded from Capital under Statute	2,945	2,738
	137,234	119,394
Resources Used for Financing		
Capital Receipts	(12,587)	(7,784)
Government Grants and Other Contributions	(29,824)	(20,776)
Major Repairs Reserve	(25,666)	(27,177)
Sums set aside from Revenue:	(21,566)	(53,442)
	(89,643)	(109,179)
Increase in the underlying need to borrowing	47,591	10,215
Adjustment		
Bring in PFI Schemes Asset	0	1,276 (b)
Realign the CFR to Statutory Requirements	0	13,278 (c)
	0	14,554
Debt Redeemed		
Minimum Revenue Provision	(4,668)	(4,327)
Repayment of Principal on PFI schemes	(10,158)	(9,312) (b)
	(14,826)	(13,639)
Increase/ (decrease) in Capital Financing Requirement	32,765	11,130
Closing Capital Financing Requirement	551,105	518,340

(a) Lewisham Homes Loan £3m in 2021/22

(b) 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.

(c) An adjustment was required in 2021/22 to realign the CFR balance to meet the statutory requirements as per appendix G of the CIPFA Practitioners guide to capital finance in local government.

Notes to the Core Financial Statements

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

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

ii) Operating Leases

The Council has operating leases in the areas of Council Dwellings, School Plant and Equipment and Refuse Vehicles. The expenditure charged to services in the CIES during the year in relation to these leases was £1.43m (£1.6m in 2021/22). The future minimum lease payments due under non-cancellable leases in futures are:

	31/03/23 £000	31/03/22 £000
Not later than one year	1,425	1,614
Later than one year and not later than five years	3,373	3,382
Later than five years	14,115	14,293
	18,913	19,289

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:

	31/03/23 £000	31/03/22 £000
Not later than one year	3,513	3,406
Later than one year and not later than five years	6,984	6,598
Later than five years	6,090	5,425
	16,587	15,429

Notes to the Core Financial Statements

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	£294m	£87m	£236m	£249m	£88m	£123m	£232m	£95m
Total PFI Credits	£207m	£30m			£674m			£54m
Net PFI Cost	£87m	£57m			£253m			£41m

b) Payments made under PFI contracts

	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF 1	BSF 2	BSF 3	BSF 4	Street Lighting	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
2022/23									
Service Charges	11,501	592	4,636	4,628	1,252	1,375	2,235	881	27,100
Interest	2,935	1,987	2,884	3,522	1,593	2,480	5,014	2,182	22,597
Liability Repayment	3,455	198	956	1,747	438	920	1,628	816	10,158
Unitary Charge	17,891	2,777	8,476	9,897	3,283	4,775	8,877	3,879	59,855
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

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.

	2022/23		2021/22	
	£000	£000	£000	£000
Gross Book Value b/fwd		387,240		372,901
Additions		0		0
Revaluations (recognised in Revaluation Reserve)	23,015		13,354	
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	814	23,829	1,551	14,905
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		0	
Loss of Control of Assets (recognised in Financing and Investment Income and Expenditure)	0	0	0	0
Disposals		(1,434)		(566)
Transfers		0		0
Assets reclassified (to)/ from Held for Sale		0		0
Gross Book Value c/fwd		409,635		387,240
Depreciation b/fwd		(8,506)		(7,340)
Depreciation for year		(7,382)		(7,178)
<u>Depreciation written back on:</u>				
Transfers		0		0
Revaluations (recognised in Revaluation Reserve)	6,105		5,774	
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	111	6,216	238	6,012
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		(9,672)		(8,506)
Net Book Value at End of Year		399,963		378,734

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	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Balance outstanding at start of year	10,158	9,302	193,246	202,138
Balance outstanding at end of year	10,852	10,158	182,394	193,246

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 2023/24 £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	10,527	33,986				44,513
Interest	2,839	6,201				9,040
Repayment of liability	4,210	16,094				20,304
Planned lifecycle replacement	638	1,998				2,636
Downham Lifestyles						
Service charges	296	1,258	1,758	1,988	428	5,728
Interest	2,003	8,095	9,766	8,882	1,551	30,297
Repayment of liability	225	1,253	2,376	4,373	1,265	9,492
Planned lifecycle replacement	312	1,333	1,877	2,124	457	6,103
Grouped Schools						
Service charges	3,482	14,944	21,204	14,832		54,462
Interest	2,793	10,143	9,875	3,078		25,889
Repayment of liability	1,027	5,710	12,162	11,175		30,074
Planned lifecycle replacement	1,337	4,799	4,486	2,681		13,303
BSF 1						
Service charges	3,332	14,345	20,502	9,089		47,268
Interest	3,217	11,745	9,430	480		24,872
Repayment of liability	1,688	9,325	17,935	7,921		36,869
Planned lifecycle replacement	1,769	5,994	7,279	2,806		17,848
BSF 2						
Service charges	1,134	4,135	5,778	5,737		16,784
Interest	1,547	5,635	5,380	2,203		14,765
Repayment of liability	478	2,424	4,834	6,813		14,549
Planned lifecycle replacement	162	1,458	1,972	2,064		5,656
BSF 3						
Service charges	1,348	6,025	9,249	9,402		26,024
Interest	2,362	8,569	8,011	4,327		23,269
Repayment of liability	888	4,113	6,742	9,172		20,915
Planned lifecycle replacement	246	1,292	2,518	2,594		6,650
BSF 4						
Service charges	2,367	10,185	15,572	18,836		46,960
Interest	4,747	17,663	17,147	9,269		48,826
Repayment of liability	1,450	7,357	12,540	19,040		40,387
Planned lifecycle replacement	428	1,846	3,700	5,114		11,088
Streetlighting						
Service charges	903	3,843	5,370	4,000		14,116
Interest	2,125	7,795	7,524	2,994		20,438
Repayment of liability	886	4,373	7,944	7,450		20,653
Planned lifecycle replacement	0	0	0	0		0
Totals	60,766	233,936	232,931	178,444	3,701	709,778

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 31/03/23
	£m
General Fund	
Creekside Streetscape Improvements (Phase 1)	0.4
Lewisham Gateway (Phase 2)	6.8
A205 Road Realignment	10.0
Deptford Southern Sites Regeneration (AKA Reginald Road)	0.5
Housing Revenue Account	
Thomas Lane Yard	0.5
Edward Street Development (PLACE / Deptford)	15.5
Temporary Accommodation - Mayow Rd	2.3
Temporary Accommodation - Canonbie Road	0.3
Algernon/Embleton Road (Phase 3) LH	0.5
Bampton (EG17) LH	3.5
Creekside Acquisition LH	1.8
Elderton Road Garages (Pack 5) SE26 4EY LH	1.6
Endwell Road (Phase 3) LH	1.9
HOME PARK HOUSING LH	6.4
Kenton Court (Phase 3) LH	0.4
New Cross Road Acquisition 52-54	9.1
Sommerville Phase 1 (Extra Care) (Phase 3) LH	1.1
Walsham House Garages (Pack 5) SE14 5LR LH	1.7
Total Capital Programme contractual commitments	64.4

	Contractual commitments as at 31/03/22
	£m
General Fund	
Greenvale School Expansion	1.8
Public Sector Decarbonisation Scheme(PSDS)	1.4
Catford Library Project works	0.4
Old Town Hall	0.3
CCTV Modernisation Plan 2017	0.0
Good Growth Scheme	0.0
Ashmead School Expansion	0.0
Housing Revenue Account	37
Total Capital Programme contractual commitments	40.9

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 2022/23 this rate was 23.68% (in 2021/22 23.68%). In 2022/23, the Council paid £21.3m to the DfE in respect of teachers' pension costs (£20.5m in 2021/22).

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 20.68% for 2022/23 (14.38% paid by employers and 6.3% paid centrally (in 2021/22 this was also 20.68%). In 2022/23 the Council paid £0.079m to the DoH in respect of employees' pension costs (£0.079m in 2021/22).

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 2023. 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:

Notes to the Core Financial Statements

Comprehensive Income and Expenditure Statement		
	2022/23	2021/22
	£000	£000
Cost of Service		
Current Service Cost	63,969	61,883
Past Service Cost (inc.settlements and curtailments)	1,527	1,107
	65,496	62,990
Financing and Investment Income and Expenditure		
<u>Net Interest on the Net Defined Benefit Liability</u>		
Interest Income on Scheme Assets	(41,175)	(27,240)
Interest Cost on Defined Benefit Obligation (Liabilities)	56,868	43,123
	15,693	15,883
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	81,189	78,873
<u>Remeasurements of the Net Defined Benefit Liability</u>		
Return on Assets excluding amounts included in Net Interest	105,253	(105,502)
Actuarial Losses from changes in Demographic Assumptions	(16,928)	(5,092)
Actuarial Losses from changes in Financial Assumptions	(718,352)	(115,811)
Other Remeasurements & Gains and Losses	127,532	(25,648)
Total Remeasurements recognised in CIES	(502,495)	(252,053)
Total Post Employment Benefits Charged to the CIES	(421,306)	(173,180)
Movement in Reserves Statement		
	2022/23	2021/22
	£000	£000
Reversal of Net Charges made to the Surplus or Deficit on the Provision of Services	(81,189)	(78,873)
Employers' Contributions Payable to the Scheme	37,408	31,853
Return on Assets excluding amounts included in Net Interest	(105,253)	105,502
Actuarial Gains and Losses	607,748	146,551
Net Movement in Pensions Reserve	458,714	205,033

d) Pensions Assets and Liabilities Recognised in the Balance Sheet

	31/03/23	31/03/22
	£000	£000
Fair Value of Plan Assets	1,459,367	1,537,228
Present Value of Defined Benefit Liability (Obligation)	(1,519,095)	(2,050,849)
	(59,728)	(513,621)
Present Value of Unfunded Liabilities	(47,566)	(52,387)
Pensions Reserve - Year End Balance	(107,294)	(566,008)

Notes to the Core Financial Statements

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

	31/03/23 £000	31/03/22 £000
Opening Fair Value of Scheme Assets	1,537,228	1,390,628
Interest Income on Scheme Assets	41,203	27,349
Administration	(28)	(109)
<u>Remeasurement Gains / Losses</u>		
Return on Assets excluding amounts included in Net Interest	(105,253)	105,502
Employer Contributions	33,182	27,914
Contributions in respect of Unfunded Benefits	4,226	3,939
Contributions from Scheme Participants	9,891	8,131
Assets distributed on settlements	0	0
Benefits Paid	(56,892)	(54,370)
Unfunded Benefits Paid	(4,226)	(3,939)
Other Remeasurements	36	32,183
Closing Fair Value of Scheme Assets	1,459,367	1,537,228

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

	31/03/23 £000	31/03/22 £000
Opening Present Value of Scheme Liabilities (Obligations)	(2,103,236)	(2,161,669)
Current Service Cost	(63,969)	(61,883)
Interest Cost on Defined Benefit Obligation (Liabilities)	(56,868)	(43,123)
Contributions from Scheme Participants	(9,891)	(8,131)
<u>Remeasurement Gains / Losses</u>		
Benefits Paid	56,892	54,370
Unfunded Benefits Paid	4,226	3,939
Actuarial Losses from changes in Demographic Assumptions	16,928	5,092
Actuarial Losses from changes in Financial Assumptions	718,352	115,811
Other Gains and Losses	(127,568)	(6,535)
Past Service Costs / Curtailments / Settlements	(1,527)	(1,107)
Closing Present Value of Scheme Liabilities (Obligations)	(1,566,661)	(2,103,236)

Notes to the Core Financial Statements

g) Pension Scheme Assets

	31/03/23			31/03/22		
	Active Market	Not in Active Markets	Total	Active Market	Not in Active Markets	Total
	£000	£000	£000	£000	£000	£000
LGPS (LBL)						
Debt Securities	126,776	0	126,776	181,696	0	181,696
Private Equity	0	113,811	113,811	0	60,003	60,003
Real Estate	0	133,622	133,622	0	126,812	126,812
Investment Funds / Unit Trusts	803,160	142,870	946,030	870,377	129,108	999,485
Cash and Cash Equivalents	0	48,742	48,742	0	77,432	77,432
Total LGPS Assets	929,936	439,045	1,368,981	1,052,073	393,355	1,445,428

	31/03/23			31/03/22		
	Active Market	Not in Active Markets	Total	Active Market	Not in Active Markets	Total
	£000	£000	£000	£000	£000	£000
LPFA						
Equities	44,848	7,176	52,024	44,002	8,250	52,252
Target Return Portfolio	6,774	9,676	16,450	11,447	8,325	19,772
Infrastructure	0	11,194	11,194	0	9,352	9,352
Real Estate	0	8,688	8,688	0	8,237	8,237
Cash	2,031	0	2,031	2,187	0	2,187
Total LPFA Assets	53,653	36,734	90,387	57,636	34,164	91,800

h) Basis for Estimating Assets and Liabilities

	Local Government Pension Scheme		LPFA	
	2022/23	2021/22	2022/23	2021/22
Rate of Inflation – CPI	3.0%	3.2%	2.9%	3.5%
Salary Increase Rate	4.0%	4.2%	3.9%	4.5%
Pensions Increases	3.0%	3.2%	2.9%	3.5%
Rate for discounting scheme liabilities	4.8%	2.7%	4.8%	2.6%
Mortality assumptions				
Longevity at 65 for current pensioners - Men	21.0	21.4	20.2	21.0
Longevity at 65 for current pensioners - Women	24.1	24.3	23.9	24.2
Longevity at 65 for future pensioners - Men	22.1	22.5	21.4	22.2
Longevity at 65 for future pensioners - Women	25.5	25.7	25.0	25.7

i) Sensitivity Analysis

Change in Assumption at 31st March 2023	Approximate % Increase in Employer Liability	Approximate Monetary Amount (£000)
LGPS - LB Lewisham		
0.1% Decrease in Real Discount Rate	2%	24,312
1 Year Increase in Member Life Expectancy	4%	60,449
0.1% Increase in the Salary Increase Rate	0%	1,688
0.1% Increase in the Pension Increase Rate	2%	22,982
LPFA		
0.1% Decrease in Real Discount Rate	n/a	54
1 Year Increase in Member Life Expectancy	n/a	55
0.1% Increase in the Salary Increase Rate	n/a	53
0.1% Increase in the Pension Increase Rate	n/a	54

Notes to the Core Financial Statements

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 £30.8m in contributions to the scheme in 2023/24.

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 21 schools with licensed deficit budgets at the year end (2 nursery schools, 1 special school, 1 secondary school and 17 primary schools), totalling £6.3m. There were also three schools with local authority loans with a total balance of £1.2m, 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 £7.5m may ultimately fail to be met from the Council's General Fund, either in 2023/24 or a later year.

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 2023 was £0.1m (£0.1m as at 31 March 2022).

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 2023 is £0.96m (£0.96m as at 31 March 2022).

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

Notes to the Core Financial Statements

42. 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:

	2022/23 £000	2021/22 £000
Community Infrastructure Levy - LB Lewisham	(23,529)	(21,750)
Adults PSS Grant (DoH)	(2,566)	(2,626)
Disabled Facilities Grant	(2,059)	(1,790)
Public Sector Decarbonisation Scheme(PSDS)	0	(1,612)
River Ravensbourne Corridor (QUERCUS)	(285)	(285)
Social Care Single Capital Pot (DoH)	(239)	(239)
NHS Capital Grant	0	0
Other Housing Grants (GLA)	3,076	(1,900)
Other Grants	(277)	(170)
Total	(25,879)	(30,372)

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

	2022/23 £000	2021/22 £000
Depreciation, Impairment and Downward Valuations	73,591	44,609
Increase/ (decrease) in creditors	(30,150)	28,162
(Increase)/ decrease in debtors	(8,184)	(5,660)
(Increase)/ decrease in inventories (stock)	(17)	8
Movement in pension liability	43,781	47,020
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	64,128	54,882
Other non-cash items charged to the net surplus or deficit on the provision of services	(7,083)	(8,513)
Total Adjustment to net surplus or deficit on the provision of services for non-cash movements	136,066	160,508

Notes to the Core Financial Statements

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

	2022/23 £000	2021/22 £000
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	44	51
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(15,338)	(15,815)
Any other items for which the cash effects are investing or financing cash flows.	(26,067)	(24,543)
Total Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(41,361)	(40,307)

45. CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2022/23 £000	2021/22 £000
Interest Received	2,073	1,765
Interest Paid	(30,937)	(31,035)
Net Interest Paid	(28,864)	(29,270)

46. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2022/23 £000	2021/22 £000
Purchase of Property, Plant and Equipment, investment property and intangible assets	(135,585)	(110,027)
Purchase of short and long term investments	(380,000)	(415,000)
Other payments for Investing Activities	5,146	(7,818)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	15,338	15,815
Proceeds from short-term and long-term investments	440,000	453,000
Other Receipts from Investing Activities	27,812	28,518
Net Cash Flows from Investing Activities	(27,289)	(35,512)

Notes to the Core Financial Statements

47. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2022/23 £000	2021/22 £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	(10,158)	(8,036)
Repayment of Short-Term and Long-Term Borrowing	(1,126)	(203)
Other payments for financing activities	19,396	17,115
Net Cash Flows from Financing Activities	8,112	8,876

48. PRIOR YEAR ADJUSTMENTS/ RESTATEMENTS

In 2022/23 there were no restatements directly to the 2021/22 Group Accounts.

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

	2022/23 £000	2021/22 £000	Note
INCOME			
Gross Rent - Dwellings	(73,176)	(70,248)	1
Gross Rent - Other Housing Properties	(3,497)	(3,604)	1
Charges for Services and Facilities	(13,567)	(13,472)	1
Housing Subsidy and Government Grants	(10,353)	(19,863)	2
Contribution towards Expenditure	(4,562)	(3,825)	4
Total Income	(105,155)	(111,012)	
EXPENDITURE			
Supervision and Management - General Expenses	43,789	39,296	5
Supervision and Management - Special Expenses	7,852	5,247	5
Repairs and Maintenance	22,657	24,824	6
Rent, Rates and Other Charges	645	235	8
Rent Rebate Subsidy Shortfall	0	0	3
Contribution to Doubtful Debts & Other Provisions	292	3,298	7
Depreciation - Dwellings	24,743	24,394	10
Depreciation - Other Housing Assets	960	899	10
Impairment of Non Current Assets	29,435	729	10
Debt Management Expenses	27	19	
Total Expenditure	130,400	98,941	
Net Cost of Services included in the Council's Income and Expenditure Account	25,245	(12,071)	
HRA Services share of Corporate and Democratic Core Costs	187	181	
Net Cost of HRA Services	25,432	(11,890)	
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	48,585	41,600	
Interest Payable and Similar Charges	5,869	4,840	11
Interest and Investment Income	(1,022)	(178)	
Pension Interest Cost and Expected Return on Pension Assets	83	67	12
(Surplus) / Deficit for the Year on HRA Services	78,947	34,439	

Housing Revenue Account

HOUSING REVENUE ACCOUNT - MOVEMENT IN RESERVES STATEMENT

	2022/23 £000	2021/22 £000
Balance on the HRA at the End of the Previous Year	30,315	74,977
<u>Movement in Year</u>		
Surplus or (Deficit) for the year on the HRA Income and Expenditure Statement	(78,947)	(34,439)
Adjustments between Accounting Basis and Funding Basis under Statute	62,700	(10,223)
Net Increase or (Decrease) before Transfers (To) / From Reserves	(16,247)	(44,662) *
Transfers (To) / From Reserves	0	0
Increase or (Decrease) in Year on the HRA	(16,247)	(44,662)
Balance on the HRA at the End of the Year	14,068	30,315

* Note - MRA only, others are not technically defined as transfers to from reserves, they are movements in the HRA Balance.

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 2023, 0.97% of lettable property was empty (0.67% at 31 March 2022). These figures for empty property exclude accommodation for the homeless and dwellings designated for sale, major works and improvements. Average rents were £103.25 In 2022/23 and £99.19 per week In 2021/22.

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 13,772 dwellings as at 31 March 2023 (13,699 as at 31 March 2022).

There have been no stock transfers undertaken in 2022/23.

The stock was made up as follows:

	31/03/23	31/03/22
<u>Stock Numbers at year end</u>		
Houses and Bungalows	2,305	2,298
Flats and Maisonettes	11,467	11,401
Stock at End of Year	13,772	13,699
	2022/23	2021/22
<u>Change in Stock Numbers during the year</u>		
Stock at 1 April	13,699	13,762
Less Sales, Demolitions, etc.	(121)	(72)
Add Re-purchases, Conversions etc.	194	9
Stock at End of Year	13,772	13,699

b) Rent Arrears

	2022/23 £000	2021/22 £000
Rent Arrears due from Current Tenants	5,271	4,442
Rent Arrears due from Former Tenants	1,395	1,072
Total Arrears	6,666	5,514
Total Arrears as % of Gross Rent of Dwellings Due	6.9%	5.9%

The arrears shown in this note exclude water charges, heating charges and all other charges collected as part of tenants' rent. Housing rent represents 97.6% of the total collectable from tenants.

Housing Revenue Account

c) Rent – Other Housing Property

	2022/23 £000	2021/22 £000
Aerial Sites	324	297
Garages	161	159
Reception Hostels	2,626	2,616
Commercial Property	328	473
Ground Rents	58	59
Total Other Rents and Charges	3,497	3,604

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 £9.75 In 2022/23 (£9.47 In 2021/22).

	2022/23 £000	2021/22 £000
Heating Charges	726	660
Leasehold Service Charges	6,042	6,186
Tenants Service Charges	6,799	6,626
Total Charges for Services and Facilities	13,567	13,472

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 also received £9.5m in funding in 2021/22 towards the removal and recladding of 3 tower blocks within the borough.

	2022/23 £000	2021/22 £000
Other Reckonable Expenditure	0	9,510
PFI Credit	10,353	10,353
Decent Homes Grant	0	0
Total Grants and Subsidy	10,353	19,863

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 2022/23 (33% in 2021/22). 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:

	2022/23 £000	2021/22 £000
Rent Rebates Given (GF)	25,071	26,552
Subsidy Received on Rebates (GF)	(25,071)	(26,552)
Net cost to the HRA	0	0

4. CONTRIBUTIONS TOWARDS EXPENDITURE

	2022/23 £000	2021/22 £000
Court Costs	66	58
Recharges of repairs	3,637	141
Recharge to Capital Receipts	475	441
Hostels: Heat, Light and Water Charges	98	102
Reimbursement of overpaid Capital Charges	0	2,979
Professional fees	172	104
Other miscellaneous income	0	0
Total Other Income	4,448	3,825

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:

	2022/23 £000	2021/22 £000
Revenue R&M works	22,657	24,824
Total Repairs and Maintenance	22,657	24,824

7. CONTRIBUTIONS TO IMPAIRMENT ALLOWANCE**a) Contributions to Impairment Allowance**

A contribution of £0.292m (2021/22 £1.515m) was transferred from the HRA to an impairment allowance to meet doubtful debts. Details of the accumulated provisions are as follows:

	2022/23 £000	2021/22 £000
Housing Tenants	3,904	3,276
Leaseholders	2,763	2,499
Commercial Properties, Miscellaneous Debts	752	966
Total Impairment Allowance	7,419	6,741

b) Contributions to Provisions

A contribution of £0.257m (2021/22 £1.783m) 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.

	2022/23 £000	2021/22 £000
Water Charges Provision Brought Forward	5,989	8,673
Water Charges Provision Contribution	257	1,783
Water Charges Provision Used	(6,246)	(4,467)
Total HRA Water Provisions Provisions	0	5,989

Housing Revenue Account

Rent accounts have been refunded and the provision now stands at a zero balance with no further liability anticipated.

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 2023 was £99.5m.

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.

	31/03/23 £000	31/03/22 £000
Operational Assets:		
Dwellings (Existing Use Value - Social Housing)	1,440,091	1,413,440
Other Land and Buildings	19,504	19,083
Infrastructure	81	86
Vehicles, Plant and Equipment	6,972	7,592
	1,466,648	1,440,201
Investment Properties	0	0
Surplus Assets	8,525	6,753
Assets Under Construction	72,625	59,622
	1,547,798	1,506,576
Total Housing Assets	1,547,798	1,506,576
Full Valuation of Council Dwellings	5,760,364	5,653,760

10. DEPRECIATION AND REVALUATION CHARGES

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

	2022/23 £000	2021/22 £000
Operational Assets		
Dwellings	24,743	24,394
Other Land and Buildings	337	334
Infrastructure	5	5
Vehicles, Plant and Equipment	618	560
	25,703	25,293
Total Depreciation	25,703	25,293
Revaluation losses on non-current assets	29,435	729
Total Depreciation & Revaluation Charges	55,138	26,022

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.

Housing Revenue Account

11. INTEREST PAYABLE AND SIMILAR CHARGES

This line includes the charge of £2.93m for capital assets calculated in accordance with the DCLG's Item 8 Debit Determination for 2022/23 (£3.0m in 2021/22). 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.

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 £12.1m to fund the new development and investment programme for 2022/23.

	2022/23 £000	2021/22 £000
Expenditure:		
Dwellings	112,771	84,083
Revenue Expenditure Funded from Capital under Statute	0	0
	112,771	84,083
Financed by:		
Capital Receipts	31,969	7,186
HRA Contribution to Capital	12,091	49,720
Major Repairs Reserve	25,702	27,177
Borrowing	43,008	0
Total Capital Expenditure Financed	112,770	84,083

Housing Revenue Account

14. MAJOR REPAIRS RESERVE

The movements on the major repairs reserve are as follows:

	2022/23 £000	2021/22 £000
Balance brought forward at start of year	0	1,884
Transferred in (depreciation dwellings)	25,703	25,293
Financing of capital expenditure on housing assets	(25,703)	(27,177)
Balance carried forward at end of year	0	0

15. HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

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

	Balance at 31/03/22 £000	Transfers In £000	Transfers Out £000	Balance at 31/03/23 £000
Property and Stock Related Reserves	5,538	133	(1,460)	4,211
Staff Related Reserves	750	500	(336)	914
Other Earmarked Reserves	24,028	1,574	(16,659)	8,943
Total Reserves and Balances	30,316	2,207	(18,455)	14,068

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.

	2022/23			2021/22			Note
	Council Tax	NDR	Total	Council Tax	NDR	Total	
	£000	£000	£000	£000	£000	£000	
INCOME							
Income from Council Tax (net)	169,142		169,142	160,951		160,951	4
Income from Non-Domestic Rates (net)		57,724	57,724		51,901	51,901	5
Income from Non-Domestic Rates (net) - BRS		1,440	1,440		1,547	1,547	5
TOTAL INCOME	169,142	59,164	228,306	160,951	53,448	214,399	
EXPENDITURE							
Precepts and Demands upon Fund (C.Tax)							
- London Borough of Lewisham	126,353		126,353	122,285		122,285	
- Greater London Authority	35,170		35,170	32,225		32,225	
Precepts and Demands upon Fund (NDR)							
- London Borough of Lewisham		17,609	17,609		19,881	19,881	
- Greater London Authority		21,718	21,718		24,520	24,520	
- Central Government		19,370	19,370		21,869	21,869	
- Cost of Collection Allowance		303	303		302	302	
Business Rate Supplement (BRS)							
- Paid to Greater London Authority		1,557	1,557		1,604	1,604	
- Administrative Costs		6	6		6	6	
Bad and Doubtful Debts							
- Net adj to Impairment Allowance	6,657		6,657	(17,410)		(17,410)	6a
- Net adj to Impairment Allowance		(67)	(67)		(319)	(319)	6b
- Amounts Written Off	(797)		(797)	24,680		24,680	
- Amounts Written Off		392	392		1,235	1,235	
Contributions from previous year							
- London Borough of Lewisham	(2,407)	(7,718)	(10,125)	(2,498)	(11,165)	(13,663)	
- Greater London Authority	(624)	(9,520)	(10,144)	(437)	(13,393)	(13,830)	
- Central Government		(8,491)	(8,491)		(11,955)	(11,955)	
Provision for Appeals							
- Net contribution		(1,630)	(1,630)		(5,594)	(5,594)	
TOTAL EXPENDITURE	164,352	33,529	197,881	158,845	26,991	185,836	
Deficit / (Surplus) for the year	(4,790)	(25,635)	(30,425)	(2,106)	(26,457)	(28,563)	3
Deficit / (Surplus) at start of year	4,472	25,873	30,345	6,578	52,330	58,908	3
Opening Balance Adjustment	0	0	0	0	0	0	3
Deficit / (Surplus) at end of year	(318)	238	(80)	4,472	25,873	30,345	

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 2022/23 assumed a collection rate of 95.0% (95.0% for 2021/22).

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	2022/23		Band D Ratio	2022/23		2021/22	
		No. of Properties			Band D Equivalents as per Ratio No.	Council Tax Charge £	Band D Equivalents as per Ratio No.	Council Tax Charge £
		Actual	Adjusted					
		Number	Number					
(1)	(2)							
A	up to 40	8,148	5,342	6/9	3,561.5	1,211.21	3,555.4	1,162.41
B	40 - 52	34,345	24,951	7/9	19,406.2	1,413.07	19,375.7	1,356.15
C	52 - 68	45,784	36,971	8/9	32,862.8	1,614.94	32,698.9	1,549.88
D	68 - 88	26,730	23,124	1	23,123.5	1,816.81	23,046.0	1,743.62
E	88 - 120	7,770	6,939	11/9	8,480.7	2,220.54	8,458.3	2,131.09
F	120 - 160	2,741	2,568	13/9	3,709.4	2,624.28	3,710.3	2,518.56
G	160 - 320	1,335	1,266	15/9	2,110.5	3,028.02	2,111.6	2,906.03
H	over 320	174	165	18/9	329.5	3,633.62	322.0	3,487.24
Totals		127,027	101,326		93,584.1		93,278.2	
Add: Contributions in lieu					0.0		0.0	
Total Band D Equivalents					93,584.1		93,278.2	
Estimated Collection Rate					95.0%		95.0%	
NET COUNCIL TAX BASE					88,904.9		88,614.3	

Collection Fund

Council Tax Band	Property Value £000	2022/23		Band D Ratio	2022/23		2021/22	
		No. of Properties			Band D Equivalents as per Ratio No.	Council Tax Charge £	Band D Equivalents as per Ratio No.	Council Tax Charge £
		Actual	Adjusted					
		Number (1)	Number (2)					
A	up to 40	8,148	5,342	6/9	3,561.5	1,211.21	3,555.4	1,162.41
B	40 - 52	34,345	24,951	7/9	19,406.2	1,413.07	19,375.7	1,356.15
C	52 - 68	45,784	36,971	8/9	32,862.8	1,614.94	32,698.9	1,549.88
D	68 - 88	26,730	23,124	1	23,123.5	1,816.81	23,046.0	1,743.62
E	88 - 120	7,770	6,939	11/9	8,480.7	2,220.54	8,458.3	2,131.09
F	120 - 160	2,741	2,568	13/9	3,709.4	2,624.28	3,710.3	2,518.56
G	160 - 320	1,335	1,266	15/9	2,110.5	3,028.02	2,111.6	2,906.03
H	over 320	174	165	18/9	329.5	3,633.62	322.0	3,487.24
Totals		127,027	101,326		93,584.1		93,278.2	
Add: Contributions in lieu					0.0		0.0	
Total Band D Equivalents					93,584.1		93,278.2	
Estimated Collection Rate					95.0%		95.0%	
NET COUNCIL TAX BASE					88,904.9		88,614.3	

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

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

2. COLLECTION FUND SURPLUS OR DEFICIT

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

3. COLLECTION FUND BALANCE SPLIT INTO ITS ATTRIBUTABLE PARTS

	(Surplus)/ Deficit			(Surplus)/ Deficit	
	Balance at 31/03/21	Movement in 2021/22	Balance at 31/03/22	Movement in 2022/23	Balance at 31/03/23
	£000	£000	£000	£000	£000
Council Tax					
London Borough of Lewisham	5,249	(1,711)	3,538	(3,766)	(228)
Greater London Authority	1,329	(395)	934	(1,024)	(90)
	6,578	(2,106)	4,472	(4,790)	(318)
Non-Domestic Rates					
London Borough of Lewisham	15,910	(8,148)	7,762	(7,690)	72
Greater London Authority	19,245	(9,672)	9,573	(9,485)	88
Central Government	17,175	(8,637)	8,538	(8,460)	78
	52,330	(26,457)	25,873	(25,635)	238
Collection Fund Balances	58,908	(28,563)	30,345	(30,425)	(80)

Collection Fund

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

	2022/23		2021/22
	£000	£000	£000
Gross Council Tax Income Due		154,916	206,498
Less: Exemptions	(6,708)		(6,545)
Disabled Relief	(123)		(119)
Discounts	(20,320)		(19,104)
Adjustment for Council Tax Reduction Scheme	(19,743)		(20,145)
Plus: Adjustments to charge	61,121		366
Covid Grants	0		0
		14,227	(45,547)
Total Due from Council Tax payers		169,143	160,951

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%).

	2022/23		2021/22
	£000	£000	£000
Gross NDR Collectable (after voids and exemptions)		85,649	88,008
Reductions and Relief:			
Mandatory Relief	(18,236)		(18,517)
Discretionary Relief	(8,250)		(16,044)
		(26,486)	(34,561)
Total Receivable from Business Rates		59,163	53,447

	2022/23	2021/22
	£m	£m
Non-Domestic Rateable Value	176.8	177.0

	2022/23	2021/22
	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

	31/03/23	31/03/22
	£000	£000
Council Tax Arrears	47,055	40,151
Impairment Allowance	(41,952)	(35,295)
As a Percentage of Arrears	89.2%	87.9%

	2022/23		2021/22	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Arrears				
Year of Accounts	12,167	26	12,203	355
Under 2 Years old	9,445	20	8,090	235
Under 3 Years old	6,832	15	6,557	191
Under 5 Years old	11,016	23	9,862	287
Over 5 Years old	7,595	16	3,439	100
Total	47,055	100	40,151	1,168

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

	31/03/2023 £000	31/03/2022 £000
NDR Arrears	7,569	7,644
Impairment Allowance	(6,748)	(6,816)
As a Percentage of Arrears	89.2%	89.2%

	2023/23		2021/22	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Arrears				
Year of Accounts	2,516	34	3,324	44
Under 2 Years old	1,717	23	1,553	20
Under 3 Years old	1,144	15	1,256	16
Under 5 Years old	1,746	23	1,193	16
Over 5 Years old	446	6	318	4
Total	7,569	101	7,644	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
- 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 2023

2021/22				2022/23		
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
			SERVICE			
450,964	(377,772)	73,192	Children & Young People Directorate	473,815	(395,413)	78,402
207,061	(120,106)	86,955	Community Services Directorate	211,679	(113,891)	97,788
130,791	(93,213)	37,578	Housing, Regeneration & Public Realm Directorate	144,649	(100,553)	44,096
219,141	(176,205)	42,936	Corporate Services Directorate	232,588	(189,922)	42,666
13,604	(1,063)	12,541	Chief Executive Directorate	13,146	(492)	12,654
89,708	(101,356)	(11,648)	HRA	138,521	(112,712)	25,809
7,800	(6,229)	1,571	Corporate Provisions	17,785	(7,481)	10,304
1,119,069	(875,944)	243,125	Cost of Services	1,232,183	(920,464)	311,719
			Other Operating Expenditure			
38,721	0	38,721	(Gain) / Loss on the disposal and de-recognition of non-current assets	48,091	0	48,091
1,702	0	1,702	Levies	1,683	0	1,683
1,940	0	1,940	Contribution of housing capital receipts to Government Pool	0	0	0
42,363	0	42,363		49,774	0	49,774
			Financing and Investment Income and Expenditure			
31,088	0	31,088	Interest payable and similar charges	30,993	0	30,993
0	626	626	Interest and Investment Income	0	(6,621)	(6,621)
0	0	0	Loss of Control of Assets	0	0	0
47,103	(30,637)	16,466	Net interest on the net defined benefit liability	62,092	(46,236)	15,856
78,191	(30,011)	48,180		93,085	(52,857)	40,228
			Taxation and non-specific Grant Income			
0	(119,787)	(119,787)	Income from Council Tax	0	(123,946)	(123,946)
0	(32,686)	(32,686)	General Government Grants	0	(65,950)	(65,950)
0	(19,839)	(19,839)	Recognised Capital Grants and Contributions	0	(27,208)	(27,208)
0	(94,056)	(94,056)	Non-Domestic Rates income and expenditure	0	(85,066)	(85,066)
145	0	145	Corporation Tax Payable	0	(5)	(5)
145	(266,368)	(266,223)		0	(302,175)	(302,175)
		67,445	Deficit/(Surplus) on provision of services			99,546
		(108,069)	Surplus or deficit on revaluation of non-current assets			(141,615)
		(284,677)	Remeasurement of the net defined benefit liability			(557,477)
		(392,746)	Other Comprehensive Income and			(699,092)
		(325,301)	Total Comprehensive Income and Expenditure			(599,546)

LEWISHAM STATEMENT OF ACCOUNTS 2022/23

Group Accounts

GROUP MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31 MARCH 2023											
YEAR ENDING 31ST MARCH 2022	General Fund Balance	Earmarked Gen Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority share of subsidiaries	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2022											
Brought Forward	20,000	231,340	30,315	0	64,387	30,372	376,414	1,738,123	2,114,537	2,216	2,116,753
Movement in Reserves during 2021/22											
Surplus or (Deficit) on the provision of services	31,687	0	(78,947)	0	0	0	(47,260)	0	(47,260)	(52,286)	(99,546)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	631,770	631,770	67,322	699,092
Total Comprehensive Income and Expenditure	31,687	0	(78,947)	0	0	0	(47,260)	631,770	584,510	15,036	599,546
Adjustments between group accounts and authority accounts	(45,593)	0	0	0	0	0	(45,593)	0	(45,593)	45,593	0
Net increase before transfers	(13,906)	0	(78,947)	0	0	0	(92,853)	631,770	538,917	60,629	599,546
Adjustments between accounting basis and funding basis under regulations	8,054	0	62,700	0	2,751	(3,757)	69,748	(69,748)	0	0	0
Net Increase / Decrease before Transfers to Earmarked Reserves	(5,852)	0	(16,247)	0	2,751	(3,757)	(23,105)	562,022	538,917	60,629	599,546
Transfers to / from Earmarked Reserves	5,852	(5,852)	0	0	0	0	0	0	0	0	0
Increase / (Decrease) in 2022/23	0	(5,852)	(16,247)	0	2,751	(3,757)	(23,105)	562,022	538,917	60,629	599,546
Balance at 31 March 2023											
Carried Forward	20,000	225,488	14,068	0	67,138	26,615	353,309	2,300,145	2,653,454	62,845	2,716,299

Group Accounts

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31ST MARCH 2022											
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	-141,615 -557,477 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	220,659	74,978	1,884	58,296	26,605	402,422	1,416,855	1,819,277	(27,825)	1,791,452
Movement in Reserves during 2021/22											
Surplus or (Deficit) on the provision of services	22,615	0	(34,439)	0	0	0	(11,824)	0	(11,824)	(55,621)	(67,445)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	354,755	354,755	37,991	392,746
Total Comprehensive Income and Expenditure	22,615	0	(34,439)	0	0	0	(11,824)	354,755	342,931	(17,630)	325,301
Adjustments between group accounts and authority accounts	(47,671)	0	0	0	0	0	(47,671)	0	(47,671)	47,671	0
Net increase before transfers	(25,056)	0	(34,439)	0	0	0	(59,495)	354,755	295,260	30,041	325,301
Adjustments between accounting basis and funding basis under regulations	35,737	0	(10,224)	(1,884)	6,091	3,767	33,487	(33,487)	0	0	0
Net Increase / Decrease before Transfers to Earmarked Reserves	10,681	0	(44,663)	(1,884)	6,091	3,767	(26,008)	321,268	295,260	30,041	325,301
Transfers to / from Earmarked Reserves	(10,681)	10,681	0	0	0	0	0	0	0	0	0
Increase / (Decrease) in 2021/22	0	10,681	(44,663)	(1,884)	6,091	3,767	(26,008)	321,268	295,260	30,041	325,301
Balance at 31 March 2022 Carried Forward	20,000	231,340	30,315	0	64,387	30,372	376,414	1,738,123	2,114,537	2,216	2,116,753

LEWISHAM STATEMENT OF ACCOUNTS 2022/23

Group Accounts

Adjustments between group accounts and authority accounts

2022/23

Adjustment for:	£'000
London Borough of Lewisham Payments to Lewisham Homes	(52,833)
Lewisham Homes Payments to London Borough of Lewisham	6,390
London Borough of Lewisham Payments to CRPL	(11)
CRPL Payments to London Borough of Lewisham	861
Total Adjustments to GF Net Expenditure	(45,593)

2021/22 comparator

Adjustment for:	£'000
London Borough of Lewisham Payments to Lewisham Homes	(60,910)
Lewisham Homes Payments to London Borough of Lewisham	12,461
London Borough of Lewisham Payments to CRPL	(20)
CRPL Payments to London Borough of Lewisham	798
Total Adjustments to GF Net Expenditure	(47,671)

Group Accounts

GROUP BALANCE SHEET AS AT 31 MARCH 2023

31/03/2022 £000		31/03/2023 £000
	<u>Property, Plant & Equipment</u>	
1,446,393	Council dwellings	1,485,660
1,106,877	Other land and buildings	1,200,130
27,545	Vehicles, plant, furniture and equipment	26,185
103,286	Infrastructure	96,100
5,199	Community	5,137
60,856	Surplus Assets not held for Sale	63,659
123,671	Assets under Construction	135,153
2,873,827		3,012,024
955	Heritage Assets	955
17,503	Investment Property	16,694
1,873	Long term investments	1,829
4,072	Long term debtors	4,012
2,898,230	Total Long Term Assets	3,035,514
275,247	Short Term Investments	218,539
233	Inventories	290
70,993	Debtors	69,835
120,171	Cash and Cash Equivalents	95,724
3,102	Prepayments	5,869
469,746	Current Assets	390,257
5,932	Bank Overdraft	592
3,006	Short term borrowing	3,579
15,658	Provisions	8,385
155,881	Creditors	140,884
69,044	Receipts in advance	73,281
10,158	PFI Liabilities due within one year	10,852
259,679	Current Liabilities	237,573
3,108,297	Total Assets less Current Liabilities	3,188,198
221,646	Long term borrowing	219,947
6,404	Provisions (More than 1 year)	6,606
193,246	Deferred PFI Liabilities	182,394
3,320	Capital Grants Receipts in Advance	4,237
937	Other Long Term Liabilities	1,614
565,991	Liability related to defined benefit pension scheme	57,101
991,544	Long Term Liabilities	471,899
2,116,753	NET ASSETS	2,716,299

Group Accounts

31/03/2022 £000		31/03/2023 £000
	Usable Reserves	
20,000	General Fund Balance	20,000
231,340	Earmarked Revenue Reserves	227,426
(7,628)	Lewisham Homes Profit & Loss Reserve	(9,588)
17	Lewisham Homes Pensions Reserve	50,193
(155)	Catford Regeneration Partnership Profit & Loss Reserve	(82)
30,315	Housing Revenue Account	14,068
0	Major Repairs Reserve	0
64,387	Usable Capital Receipts Reserve	67,138
30,372	Capital Grants Unapplied	26,615
368,648		395,770
	Unusable Reserves	
1,298,093	Revaluation Reserve	1,412,400
1,087,629	Capital Adjustment Account	1,078,742
93	Deferred Capital Receipts	93
(32,981)	Financial Instruments Adjustment Account	(32,163)
(566,008)	LBL Pensions Reserve	(107,294)
(11,300)	Collection Fund Adjustment Account	156
(8,866)	DSG Unusable Reserve	(13,091)
(18,555)	Short Term Compensated Absences Account	(18,314)
1,748,105		2,320,529
2,116,753	TOTAL RESERVES	2,716,299

Group Accounts

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDING 31 MARCH 2023

2021/22 £000s		2022/23 £000s
(61,135)	Net surplus or (deficit) on the provision of services	(99,546)
162,169	Adjustment to surplus or deficit on the provision of services for noncash movements	142,229
(40,307)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(41,361)
60,727	Net Cash flows from operating activities	1,322
(36,415)	Net Cash flows from Investing Activities	(27,926)
10,819	Net Cash flows from Financing Activities	7,497
35,131	Net increase or (decrease) in cash and cash equivalents	(19,107)
79,108	Cash and cash equivalents at the beginning of the reporting period	114,239
114,239	Cash and cash equivalents at the end of the reporting period	95,132

Group Accounts

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

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 2022/23 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 £13.149m due to an upward valuation of the assets compared to the 2021/22 valuation (2021/22 was a credit of £4.956m to the Group CIES due to the upward valuation 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 £41.638m (£42.366m in 2021/22). To be included in the Group Accounts these were valued at Fair Value of NBV £45.919m (£33.497m in 2021/22).
- (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 2022/23 and 2021/22 were as follows:

2022/23	Council Dwellings £000	Other Land & Bldgs £000	Vehicles, Plant & Equip't £000	Comm. Assets £000	Surplus Assets £000	Assets under Construction £000	TOTAL £000
Gross Book Value b/fwd at 01 April 2022	1,446,394	1,106,925	50,401	5,462	60,887	123,671	2,793,740
Additions	79,278	8,366	1,372	0	0	44,671	133,687
Revaluations (recognised in Revaluation Reserve)	21,501	69,918	10	0	2,568	0	93,997
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	(18,951)	4,649	(11)	0	623	0	(13,690)
Impairments (recognised in Revaluation Reserve)	0	(217)	0	0	0	0	(217)
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	(31)	(133)	0	0	0	0	(164)
Loss of Control of Assets (recognised in Revaluation Reserve)	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
De-recognition of Assets (recognised in Other Operating Expenditure)	(54,813)	0	0	0	0	0	(54,813)
Disposals	(7,379)	0	(24)	0	(1,936)	(69)	(9,408)
Transfers	20,175	10,692	704	0	1,549	(33,120)	0
Gross Book Value c/fwd at 31 March 2023	1,486,174	1,200,200	52,452	5,462	63,691	135,153	2,943,132
Depreciation b/fwd at 01 April 2022	(1)	(48)	(22,856)	(263)	(31)	0	(23,199)
Depreciation for year	(25,567)	(15,057)	(3,528)	(62)	(328)	0	(44,542)
<u>Depreciation written back on:</u>							
Transfers	20	0	0	0	(20)	0	0
Revaluations (recognised in Revaluation Reserve)	22,666	12,414	106	0	309	0	35,495
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	2,368	2,621	11	0	38	0	5,038
Impairments (recognised in Revaluation Reserve)	0	0	0	0	0	0	0
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	0	0	0	0	0	0
Assets Sold	0	0	0	0	0	0	0
Depreciation c/fwd at 31 March 2023	(514)	(70)	(26,267)	(325)	(32)	0	(27,208)
Net Book Value at 31 March 2023	1,485,660	1,200,130	26,185	5,137	63,659	135,153	2,915,924

Group Accounts

2021/22	Council Dwellings £000	Other Land & Bldgs £000	Vehicles, Plant & Equip't £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	5,562	53,853	69,923	2,681,376
Additions	51,750	1,125	1,799	0	0	56,521	111,195
Revaluations (recognised in Revaluation Reserve)	25,458	40,985	0	0	3,394	0	69,837
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	2,709	5,884	0	0	(657)	0	7,936
Impairments (recognised in Revaluation Reserve)	0	(813)	0	0	(1,120)	0	(1,933)
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	(76)	(348)	0	0	(719)	0	(1,143)
Loss of Control of Assets (recognised in Revaluation Reserve)	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
De-recognition of Assets (recognised in Other Operating Expenditure)	(48,743)	0	0	0	0	0	(48,743)
Disposals	(5,809)	0	(16,924)	(100)	(1,952)	0	(24,785)
Transfers	(670)	(4,645)	0	0	8,088	(2,773)	0
Gross Book Value c/fwd at 31 March 2022	1,446,394	1,106,925	50,401	5,462	60,887	123,671	2,793,740
Depreciation b/fwd at 01 April 2021	0	(45)	(36,143)	(267)	(1,609)	0	(38,064)
Depreciation for year	(25,103)	(14,854)	(3,772)	(95)	(305)	0	(44,129)
<u>Depreciation written back on:</u>							
Transfers	12	72	0	0	(84)	0	0
Revaluations (recognised in Revaluation Reserve)	22,760	11,627	135	0	249	0	34,771
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	2,330	3,139	0	0	43	0	5,512
Impairments (recognised in Revaluation Reserve)	0	0	0	0	0	0	0
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	13	0	0	0	0	13
Assets Sold	0	0	16,924	99	1,675	0	18,698
Depreciation c/fwd at 31 March 2022	(1)	(48)	(22,856)	(263)	(31)	0	(23,199)
Net Book Value at 31 March 2022	1,446,393	1,106,877	27,545	5,199	60,856	123,671	2,770,541

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 2023, under the code of practice they are classed as investment properties.

The fair value of the properties owned by CRPL as at 31 March 2023 is £16.694m (31 March 2022 was £17.503m). This is a £0.809m decrease in value from 2021/22.

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 2022/23 is as follows:

2022/23

Adjustment for:	£'000
London Borough of Lewisham Payments to Lewisham Homes	(52,833)
Lewisham Homes Payments to London Borough of Lewisham	6,390
London Borough of Lewisham Payments to CRPL	(11)
CRPL Payments to London Borough of Lewisham	861
Total Adjustments to GF Net Expenditure	(45,593)

2021/22 comparator

Adjustment for:	£'000
London Borough of Lewisham Payments to Lewisham Homes	(60,910)
Lewisham Homes Payments to London Borough of Lewisham	12,461
London Borough of Lewisham Payments to CRPL	(20)
CRPL Payments to London Borough of Lewisham	798
Total Adjustments to GF Net Expenditure	(47,671)

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.

Group Accounts

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.

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	2022/23 £000	2021/22 £000
Cost of Service		
Current Service Cost	72,407	71,139
Past Service Cost (inc.settlements and curtailments)	1,527	1,170
	73,934	72,309
Financing and Investment Income and Expenditure		
<u>Net Interest on the Net Defined Benefit Liability</u>		
Interest Income on Scheme Assets	(46,236)	(30,637)
Interest Cost on Defined Benefit Obligation (Liabilities)	62,092	47,103
	15,856	16,466
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	89,790	88,775
<u>Remeasurements of the Net Defined Benefit Liability</u>		
Return on Assets excluding amounts included in Net Interest	118,959	(117,815)
Actuarial Losses from changes in Demographic Assumptions	(18,213)	(5,586)
Actuarial Losses from changes in Financial Assumptions	(796,096)	(128,404)
Other Remeasurements & Gains and Losses	137,873	(32,872)
Total Remeasurements recognised in CIES	(557,477)	(284,677)
Total Post Employment Benefits Charged to the CIES	(467,687)	(195,902)

b) Pensions Assets and Liabilities Recognised in the Balance Sheet

	31/03/23 £000	31/03/22 £000
Fair Value of Plan Assets	1,644,334	1,728,966
Present Value of Defined Benefit Liability (Obligation)	(1,653,869)	(2,242,570)
	(9,535)	(513,604)
Present Value of Unfunded Liabilities	(47,566)	(52,387)
Pensions Reserve - Year End Balance	(57,101)	(565,991)

Group Accounts

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

	31/03/23 £000	31/03/22 £000
Opening Fair Value of Scheme Assets	1,728,966	1,559,763
Interest Income on Scheme Assets	46,264	30,746
Administration	(28)	(109)
<u>Remeasurement Gains / Losses</u>		
Return on Assets excluding amounts included in Net Interest	(118,959)	117,815
Employer Contributions	36,977	31,506
Contributions in respect of Unfunded Benefits	4,226	3,939
Contributions from Scheme Participants	11,280	9,484
Assets distributed on settlements	0	0
Benefits Paid	(59,962)	(57,641)
Unfunded Benefits Paid	(4,226)	(3,939)
Other Remeasurements	(204)	37,402
Closing Fair Value of Scheme Assets	1,644,334	1,728,966

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

	31/03/23 £000	31/03/22 £000
Opening Present Value of Scheme Liabilities (Obligations)	(2,294,957)	(2,357,101)
Current Service Cost	(72,407)	(71,139)
Interest Cost on Defined Benefit Obligation (Liabilities)	(62,092)	(47,103)
Contributions from Scheme Participants	(11,280)	(9,484)
<u>Remeasurement Gains / Losses</u>		
Benefits Paid	59,962	57,641
Unfunded Benefits Paid	4,226	3,939
Actuarial Losses from changes in Demographic Assumptions	18,213	5,586
Actuarial Losses from changes in Financial Assumptions	796,096	128,404
Other Gains and Losses	(137,669)	(4,530)
Past Service Costs / Curtailments / Settlements	(1,527)	(1,170)
Closing Present Value of Scheme Liabilities (Obligations)	(1,701,435)	(2,294,957)

Group Accounts

e) Pension Scheme Assets

	31/03/23			31/03/22		
	Active Market	Not in Active Markets	Total	Active Market	Not in Active Markets	Total
	£000	£000	£000	£000	£000	£000
LGPS (LBL + LH)						
Debt Securities	126,776	0	126,776	181,696	0	181,696
Private Equity	0	113,811	113,811	0	60,003	60,003
Real Estate	0	152,119	152,119	0	144,068	144,068
Investment Funds / Unit Trusts	962,231	142,870	1,105,101	1,035,272	129,108	1,164,380
Cash and Cash Equivalents	0	56,140	56,140	0	87,019	87,019
Total LGPS Assets	1,089,007	464,940	1,553,947	1,216,968	420,198	1,637,166

	31/03/23			31/03/22		
	Active Market	Not in Active Markets	Total	Active Market	Not in Active Markets	Total
	£000	£000	£000	£000	£000	£000
LPFA						
Equities	44,848	7,176	52,024	44,002	8,250	52,252
Target Return Portfolio	6,774	9,676	16,450	11,447	8,325	19,772
Infrastructure	0	11,194	11,194	0	9,352	9,352
Real Estate	0	8,688	8,688	0	8,237	8,237
Cash	2,031	0	2,031	2,187	0	2,187
Total LPFA Assets	53,653	36,734	90,387	57,636	34,164	91,800

f) Basis for Estimating Assets and Liabilities

	Local Government Pension Scheme		LPFA	
	2022/23	2021/22	2022/23	2021/22
Rate of Inflation – CPI	3.0%	3.2%	2.9%	3.5%
Salary Increase Rate	4.0%	4.2%	3.9%	4.5%
Pensions Increases	3.0%	3.2%	2.9%	3.5%
Rate for discounting scheme liabilities	4.8%	2.7%	4.8%	2.6%
Mortality assumptions				
Longevity at 65 for current pensioners - Men	21.0	21.4	20.2	21.0
Longevity at 65 for current pensioners - Women	24.1	24.3	23.9	24.2
Longevity at 65 for future pensioners - Men	22.1	22.5	21.4	22.2
Longevity at 65 for future pensioners - Women	25.5	25.7	25.0	25.7

Group Accounts

g) Sensitivity Analysis

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.

Change in Assumption at 31st March 2023	Approximate % Increase in Employer Liability	Approximate Monetary Amount (£000)
LGPS - LB Lewisham		
0.1% Decrease in Real Discount Rate	2%	24,312
1 Year Increase in Member Life Expectancy	4%	60,449
0.1% Increase in the Salary Increase Rate	0%	1,688
0.1% Increase in the Pension Increase Rate	2%	22,982
LGPS - Lewisham Homes		
0.1% Decrease in Real Discount Rate	2%	2,611
1 Year Increase in Member Life Expectancy	4%	5,391
0.1% Increase in the Salary Increase Rate	0%	206
0.1% Increase in the Pension Increase Rate	2%	2,445
LPFA		
0.1% Decrease in Real Discount Rate	n/a	54
1 Year Increase in Member Life Expectancy	n/a	55
0.1% Increase in the Salary Increase Rate	n/a	53
0.1% Increase in the Pension Increase Rate	n/a	54

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 £34.5m in contributions to the scheme in 2023/24.

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 £16,225k).

9. Group Accounts Prior Period Adjustments/ Restatements

In 2022/23 there were no restatements directly to the 2021/22 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

AUC	Assets Under Construction
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
PPE	Property, Plant & Equipment
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 (2021/22)

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 are 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 the Council's s151 Officer).
- 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.

Annual Governance Statement

The Council's governance arrangements in 2022/23

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.

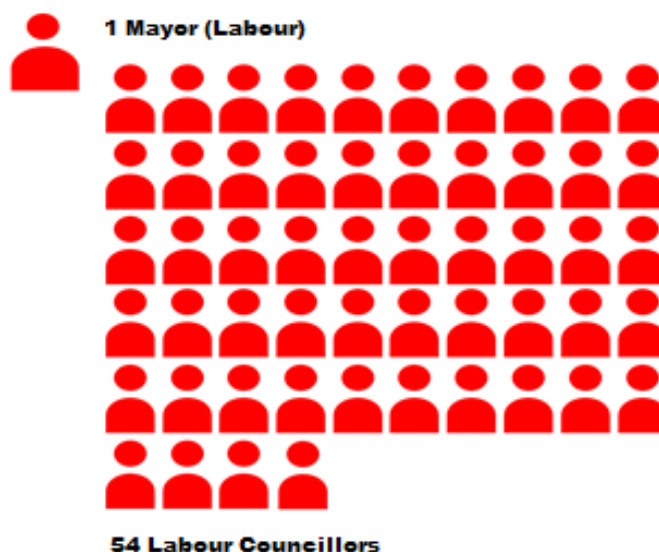
Lewisham's directly elected Mayor provides the Council with clear strategic direction and effective leadership but the Council also benefits from the perspectives and contributions of its 54 Councillors. The Council's constitution clearly defines the roles of councillors and officers, and this clarity 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:

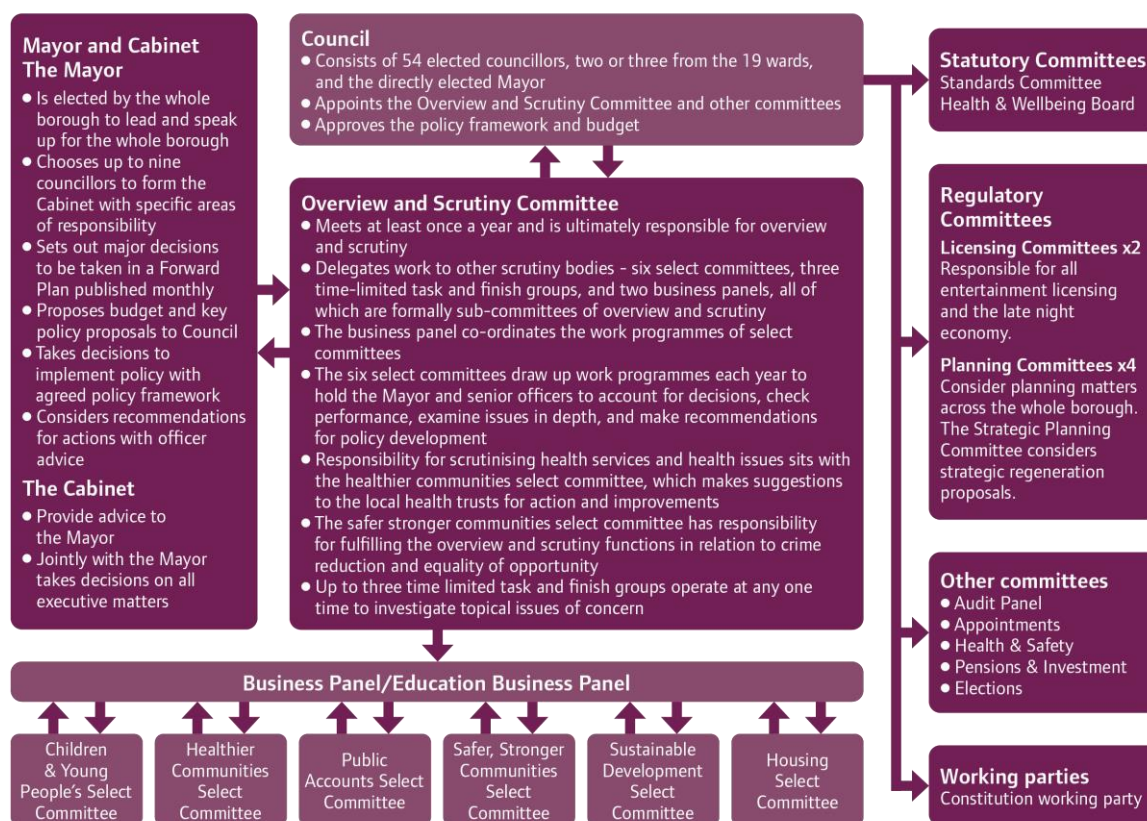
- The Safer Lewisham Partnership is the statutory crime and disorder partnership for Lewisham.
- The Youth Justice Board which is a statutory partnership board that oversees the work of the youth offending service in Lewisham.
- The Health and Wellbeing Board, Chaired by the Cabinet Member for Health & 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 Corporate Strategy 2018-2022 in February 2019 that was in place for the period of the financial statements 2021/22. 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.

Following the May 2022 local elections the Council's corporate strategy was updated in November 2022 to cover the future period 2022 to 2026.

Annual Governance Statement

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 the Covid-19 pandemic and the focus on protecting critical services in support of residents, the community, and business.

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 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.

Annual Governance Statement

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 first three quarters of 2021/22 the Head of Internal Audit post was covered by 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 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.

Annual Governance Statement

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 Report on the 2020/21 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 2021 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 2020/21; and*
- *have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014."*

and

"The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Our work has not identified any other significant weaknesses in arrangements or improvement recommendations. We have identified some improvement recommendations to help with strengthening the Council's current arrangements".

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 2020/21 Audit Certificate from Grant Thornton. This is pending the government delay to the completion of the Whole of Government Accounts work. The Lewisham 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 2021/22 audit will conclude and has reported to the Audit Panel (December 2022) and Council (January 2023) in the usual way. The 2021/22 inspection period was held in August 2022 with the audit deadlines for completion of audits originally set for November but overran to January 2023. The Council was awaiting approval of the statutory override in relation to accounting for infrastructure assets which has now been issued and means the accounts audit can conclude in January 2023.

Annual Governance Statement

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 and speaking up 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.

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Risk and Strategy Framework



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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, 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 2022/23 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 South East London Clinical Care Group (SEL CCG) to develop the incoming Integrated Care System (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 2022/23, 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.

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How do we know our arrangements are working?

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;
 - 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 2022 to 2026 adopted by Council in November 2022;
- 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;

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- 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 and changes approved for 2023;
- 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 ups in 2020 and 2022;
- 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. This includes looking to standardise feeder file outputs so that third party system intervention is not required to convert them into a readable format. This is following a system issue in early 2022 whereby the interface to automatically convert and transfer feeder files into accounts payable process was not available for a period of time. Until the system interfaces could be restored, a manual approach was taken for processing the majority of files. This resulted in significant additional manual work to process and check all payments being required by the Council. For a limited number of other files, an extra conversion step was required as it was not possible to convert them manually; and
- Develop the Council's risk approach to include its reporting, comprehensiveness and integration with wider decision-making.

In addition to the above the Council is recovering from the impact of Covid 19 on the Borough and the Council. On the 23 March 2020 the UK was put on 'lockdown' as a result of Covid-19. The impact of the pandemic has been considerable both in terms of loss of life as well as disruption to the economy. In response, the Council activated its emergency response procedures to effectively coordinate activities. The impact of the pandemic has also placed significant pressure on the Council's finances.

The exceptional measures implemented for the 2020/21 municipal year, included revised governance arrangements for responding to the Covid-19 pandemic which reduced Member meetings concentrating on Council, Mayor & Cabinet, and Overview and Scrutiny for decision making in line with the Constitution and the introduction of virtual meetings for participants and the public. As the exceptional measures introduced following Covid-19 are eased, the Council has moved from response to transition and recovery phases and intends to continue to operate hybrid meetings for the foreseeable future.

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The Council's Covid-19 response was guided by a set of agreed overarching priorities, they were:

- Tackling widening social, economic and health inequalities;
- Protecting and empowering our most vulnerable residents;
- Ensuring the Council's continued resilience, stability and sustainability;
- Enabling residents to make the most of Lewisham the place; and
- Collaborating and working together with our communities and partnership across the borough.

These are being refined by Members and Officers through the recovery phase in 2021/22 with the Future Lewisham and Future Working themes.

Signed on behalf of the Council

Tauseef Anwar

Councillor Tauseef Anwar

Speaker of the Council

Date

Jennifer Daothong

Jennifer Daothong

Acting Chief Executive

Date