

LONDON BOROUGH OF LEWISHAM
2011 / 2012 STATEMENT OF ACCOUNTS

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FOREWORD

TO THE

STATEMENT OF ACCOUNTS

2011/12

FOREWORD BY THE EXECUTIVE DIRECTOR FOR RESOURCES AND REGENERATION

1. INTRODUCTION

The Statement of Accounts brings together the financial results of all the Council's operations for the financial year 2011/12 and shows the financial position as at 31 March 2012.

The Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the COP), and the Service Reporting Code of Practice for Local Authorities (SERCOP) 2011/12, jointly developed by CIPFA and the Accounting Standards Board. The Code constitutes 'proper accounting practice' with which local authorities must by statute comply.

International Financial Reporting Standards (IFRS) were implemented throughout the Council's accounts in 2010/11. There are no fundamental changes to the basis on which the accounts are compiled for 2011/12.

The significant events that have had a major impact on the Statement of Accounts during 2011/12 are outlined in Section 5 of the foreword below.

2. THE COUNCIL'S STATEMENT OF ACCOUNTS

The Statement of Accounts comprises of this Foreword, a Statement of Responsibilities, an External Auditor's report (to follow after completion of the audit) and sections and appendices as outlined below.

Section 1 – The Core Financial Statements

Section 1a - Movement in Reserves Statement (MiRS)

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

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

This statement shows the accounting cost in the year of providing the Council's services in accordance with IFRS, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Section 1c - Balance Sheet

The Balance Sheet shows the value as at the date of the Accounts of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, ie 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

Foreword

basis under regulations'. The Balance Sheet includes the Housing Revenue Account and the Council's own share of the Collection Fund, but excludes the Pension Fund and Trust Funds.

Section 1d - Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Council.

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 all the notes that help to explain or give more detail to the Core Financial Statements.

Section 4 – Supplementary Financial Statements

Section 4a – Housing Revenue Account

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

Section 4b – Collection Fund

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

Section 5 – Pension Fund

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

Section 6 – Lewisham Group Accounts

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

Section 7 – Annual Governance Statement

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

Annexes

These include the Action Plan for the Annual Governance Statement and a Glossary which explains some technical terms.

Foreword

3. SUMMARY OF THE 2011/12 FINANCIAL YEAR**3a REVENUE SPENDING 2011/12****(i) Revenue Budget Setting**

The Council set a net budget of £278.8 million for 2011/12 at its meeting in March 2011. On the face of it, this represents an increase of £7.3m or 2.7% on the previous year's net budget requirement. However, due to changes in the local government funding mechanism and in particular the incorporation of a large number of previously ring-fenced grants into the main formula grant, the two figures are not directly comparable

(ii) Revenue Budget Outturn

During 2011/12, Mayor and Cabinet and the Executive Management Team (EMT) received regular financial monitoring reports. These enabled the council to take corrective action where pressures were identified, with the result that at the end of the 2011/12 financial year there was a net underspend of £1.8m on the Directorates service budgets, continuing the council's record of sound financial management. The reasons for these variances were reported to the Public Accounts Select Committee on the 14 June 2012 and the Mayor and Cabinet on the 20 June 2012.

(iii) Revenue Budget Outlook for 2011/12

The Council set a net budget requirement of £268.5m for 2012/13 at its meeting in February 2012. This was 3.7% lower in cash terms than the equivalent figure for 2011/12 and a significantly greater reduction once inflation is adjusted for. This reflects the significant spending pressures on local authorities, and realistic plans are in place to ensure that expenditure remains affordable in the future. The council has adequate, but not excessive, reserves to enable it to manage the significant funding risks it faces in the medium-term as the national programme of public sector expenditure reductions continues.

3b FUNDING OF THE REVENUE BUDGET

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

	2011/12	2010/11
	£000	£000
Lewisham's Net Budget	278,793	268,251
Less: Formula Grant	44,050	22,851
Less NNDR received from the national pool	142,512	157,367
Less: Surplus on Collection Fund	18	49
General Fund Services to be met from Council Tax	92,213	90,610
Add Precept (GLA)	27,415	26,939
Total to be met from Council Tax	119,628	117,549

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

Foreword

3c COUNCIL TAX LEVELS AND THE TAX BASE

The actual Council Tax is determined by dividing the net amounts to be met from Council Tax by the tax base, which for Lewisham is 89,422 equivalent Band D properties for 2011/12 (87,499 for 2010/11). This then equates to the following Council Tax at Band D:

	2011/12 £000	2010/11 £000	Increase £	Increase %
Lewisham's Demand	1,042.11	1,042.11	00.00	0
Add: Preceptor Requirements:				
Greater London Authority	309.82	309.82	0.00	0
Council Tax for Band D	1,351.93	1,351.93	00.00	0

3d CAPITAL PROGRAMME**(i) Capital Programme 2011/12**

A summary of the capital expenditure incurred during the year and its financing compared to the original programme budget is shown in the table below. The percentage of the 2011/12 programme budget that has been spent is 79%, with the balance on a couple of large schemes in particular rolled forward to the following year.

Major projects (with spend over £2m) in the 2011/12 directorates' capital programme were:

- Primary Places Programmes (inc Expansion) (£22.6m)
- Deptford Town Centre and Station (£10.5m)
- Building Schools for the Future (Design and Build) (£9.0m)
- Forest Hill Pool (£6.9m)
- Transport for London (£4.4m)
- Tidemill School (£3.2m)
- School Works and Upgrades (£3.0m)
- Highways and Bridges (BVR - Prudential Borrowing) (£2.6m)

The largest project in the 2011/12 Lewisham Homes capital programme was the Decent Homes improvement works with expenditure of £15.35m.

	2011/12 Actual Outturn £000	2011/12 Forecast Outturn £000	2010/11 Actual Outturn £000
CAPITAL EXPENDITURE			
Directorates' Capital Programme	70,677	94,995	54,012
Lewisham Homes' Capital Programme	28,019	28,720	1,600
Total Capital Expenditure for the Year	98,696	123,715	55,612
CAPITAL FINANCING			
Government Supported Borrowing	15,350	15,350	13,912
Unsupported Borrowing	2,606	2,715	2,645
Capital Grants	44,958	60,851	25,447
Capital Receipts	21,122	33,144	11,919
Capital Expenditure Financed from Revenue	14,660	11,655	1,689
Total Capital Expenditure Financed	98,696	123,715	55,612

Foreword

(ii) Capital Programme 2012/13

The Council's capital programme budget was agreed at Mayor and Cabinet in February 2012. This outlined the Council's rolled forward five year programme for the years 2012/13 to 2016/17, with total available resources of £336 million. However, most of this is earmarked for the school building and housing investment programmes, and there is relatively little capital finance available for other projects. On current projections the council is unlikely to enter into major new capital commitments (over and above those already included within the programme) due to lack of available capital finance.

The principal programmes and projects of over £2.5m include:

	2012/13 Programme Budget £000
Directorates' Capital Programme	
Primary Places Programme	9,329
BSF – Design and Build Programme	26,221
Schools Minor Works Programme	3,586
MyPlace – Wells Park	3,054
Heathside & Lethbridge	3,000
Highways (BVR - Prudential Borrowing)	3,000
Vehicle Replacement Programme	2,650
Other Schemes (below £2.5m)	43,760
Directorates' Capital Programme	94,600
Housing Revenue Account - Capital Programme	40,500
Total Capital Programme - 2012/13	135,100

3e COUNCIL TAX AND NATIONAL NON DOMESTIC RATES COLLECTION RATES

Actual Collection Rates	2011/12 %	2010/11 %	2009/10 %
Council Tax	94.56	94.09	92.68
National Non-Domestic Rates	97.41	98.98	98.80

Further information on Council Tax and National Non-Domestic Rates can be found in the Collection Fund statements in Section 4b of the Accounts.

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

After transfers to and from reserves the General Fund balance now stands at £11.8m. This is an adequate but not excessive level of cover and represents approximately 2.5% of Lewisham's net budget (including Dedicated Schools Grant expenditure). Lewisham also has earmarked reserves for specific ongoing projects and these are detailed in Note 6 to the Core Financial Statements in Section 3 of the Accounts.

Foreword

4b Housing Revenue Account

After transfers to and from earmarked reserves the HRA total balance, including earmarked reserves, now stands at £17.2m. The earmarked reserves are for specific ongoing projects and these are outlined in Note 16 of the HRA statements in Section 4a of the Accounts.

4c Collection Fund

The Collection Fund had a surplus of £1,674,000 for the year, which when added to the brought forward surplus of £29,000, leaves a surplus of £1,703,000 to carry forward to 2012/13. The details are shown in the Collection Fund statements in Section 4b of the Accounts.

5. SIGNIFICANT EVENTS IN 2011/12 THAT HAVE HAD AN IMPACT ON THE ACCOUNTS

- a) **Housing self-financing**– In preparation for the new system of housing financing, which became effective on 1 April 2012, the council had £136m of housing debt written off on 28th March 2012. As a result the council's long-term borrowing has fallen from £303m to £198m.
- b) **Pension Fund Valuation** – In a turbulent year on the financial markets the value of the Fund increased during the year by £14m from £763m to £775m. At just under 2% this is below the long-term benchmark for fund performance and the deficit on the fund has increased as a result of this investment under-performance and changes to the fund's liabilities to pay future pensions.
- c) **National deficit reduction strategy** – The government's strategy to reduce the national deficit over the lifetime of this Parliament principally affects the council's future funding plans, but has had some direct effects on the 2011/12 accounts. In particular, termination costs of £9m have been recognised in the accounts as the council has implemented savings and staff reductions in response to the new funding climate..

Statement of Responsibilities

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

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

Responsibility of the Executive Director for Resources and Regeneration

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

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

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

I certify that I have also:

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

The Statement of Accounts give a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2012.

Janet Senior CPFA

Executive Director for Resources and Regeneration
29th June 2012

SECTION 1

CORE FINANCIAL STATEMENTS

2011/12

**1a) MOVEMENT IN RESERVES
STATEMENT**

**1b) COMPREHENSIVE INCOME AND
EXPENDITURE STATEMENT**

1c) BALANCE SHEET

1d) CASH FLOW STATEMENT

Core Financial Statements

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31ST MARCH 2012

YEAR ENDING 31ST MARCH 2012	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2011 Brought Forward	11,511	83,904	9,908	32,745	3,211	4,583	145,862	757,313	903,175
Movement in Reserves during 2011/12									
Surplus or (Deficit) on the provision of services	(6,914)	0	122,730	0	0	0	115,816	0	115,816
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(79,828)	(79,828)
Total Comprehensive Income and Expenditure	(6,914)	0	122,730	0	0	0	115,816	(79,828)	35,988
Adjustments between accounting basis and funding basis under regulations (see note 6)	34,179	0	(115,457)	(8,354)	1,318	(215)	(88,529)	88,529	0
Net Increase / Decrease before Transfers to Earmarked Reserves	27,265	0	7,273	(8,354)	1,318	(215)	27,287	8,701	35,988
Transfers to / from Earmarked Reserves	(26,976)	26,976	0	0	0	0	0	0	0
Increase / (Decrease) in 2011/12	289	26,976	7,273	(8,354)	1,318	(215)	27,287	8,701	35,988
Balance at 31 March 2012 Carried Forward	11,800	110,880	17,181	24,391	4,529	4,368	173,149	766,014	939,163

Core Financial Statements

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31ST MARCH 2011

YEAR ENDING 31ST MARCH 2011	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010 Brought Forward	11,511	75,581	9,760	20,298	4,320	3,463	124,933	731,432	856,365
Movement in Reserves during 2010/11									
Surplus or (Deficit) on the provision of services	80,587	0	(287,733)	0	0	0	(207,146)	0	(207,146)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	253,956	253,956
Total Comprehensive Income and Expenditure	80,587	0	(287,733)	0	0	0	(207,146)	253,956	46,810
Adjustments between accounting basis and funding basis under regulations (see note 6)	(72,264)	0	269,395	12,447	17,377	1,120	228,075	(228,075)	0
Net Increase / Decrease before Transfers to Earmarked Reserves	8,323	0	(18,338)	12,447	17,377	1,120	20,929	25,881	46,810
Transfers to / from Earmarked Reserves	(8,323)	8,323	18,486	0	(18,486)	0	0	0	0
Increase / (Decrease) in 2010/11	0	8,323	148	12,447	(1,109)	1,120	20,929	25,881	46,810
Balance at 31 March 2011 Carried Forward	11,511	83,904	9,908	32,745	3,211	4,583	145,862	757,313	903,175

Core Financial Statements

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 31ST MARCH 2012

2010/11			SERVICE	2011/12			Note
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	
41,277	(33,863)	7,414	Central services to the public	39,280	(32,414)	6,866	
25,589	(3,764)	21,825	Cultural and related services	24,098	(3,988)	20,110	
38,629	(5,270)	33,359	Environmental and regulatory services	36,644	(6,079)	30,565	
19,035	(5,433)	13,602	Planning services	17,083	(3,432)	13,651	
420,452	(293,198)	127,254	Children's and education services	351,748	(254,732)	97,016	
24,394	(10,223)	14,171	Highways and transport services	26,382	(10,939)	15,443	
661,665	(315,911)	345,754	Housing services*	348,618	(326,239)	22,379	4
119,249	(29,123)	90,126	Adult social care	121,148	(34,713)	86,435	
7,380	(193)	7,187	Corporate and democratic core	6,644	(294)	6,350	
(129,046)	0	(129,046)	Non distributed costs	13,404	(15)	13,389	
1,228,624	(696,978)	531,646	Cost of Services	985,049	(672,845)	312,204	
			Other Operating Expenditure				
220	(6,828)	(6,608)	(Gain) / Loss on the disposal of non-current assets	0	(6,962)	(6,962)	
1,787	0	1,787	Levies	1,730	0	1,730	8
688	0	688	Contribution of housing capital receipts to Government Pool	1,787	0	1,787	21a
2,695	(6,828)	(4,133)		3,517	(6,962)	(3,445)	
			Financing and Investment Income and Expenditure				
44,061	(63)	43,998	Interest payable and similar charges	75,871	0	75,871	
94	0	94	Changes in fair value of Investment Properties	466	0	466	10
555	0	555	(Gain) / loss on disposal of Investment Properties	127	0	127	10
441	(2,932)	(2,491)	Interest and Investment Income	316	(3,475)	(3,159)	
71,140	(51,608)	19,532	Pensions interest cost and expected return on pensions assets	61,882	(51,689)	10,193	40
116,291	(54,603)	61,688		138,662	(55,164)	83,498	
			Taxation and non-specific Grant Income				
0	(91,234)	(91,234)	Income from Council Tax	0	(93,522)	(93,522)	
0	(58,216)	(58,216)	General Government Grants	0	(47,899)	(47,899)	31
0	(75,238)	(75,238)	Recognised Capital Grants and Contributions	0	(224,140)	(224,140)	
0	(157,367)	(157,367)	National Non-Domestic Rates redistribution	0	(142,512)	(142,512)	
0	(382,055)	(382,055)		0	(508,073)	(508,073)	
		207,146	Deficit/(Surplus) on provision of services			(115,816)	
		(61,706)	Surplus or deficit on revaluation of non-current assets			(3,725)	22a
		(191,221)	Actuarial (gains)/losses on pension fund assets and liabilities			85,641	40
		(1,029)	Other (gains)/losses			(2,088)	
		(253,956)	Other Comprehensive Income and Expenditure			79,828	
		(46,810)	Total Comprehensive Income and Expenditure			(35,988)	

* Note 4 contains further information on material items included within this line of expenditure and income

Core Financial Statements

BALANCE SHEET AS AT 31ST MARCH 2012

31/03/2011 £000		31/03/2012 £000	Note
	Property, Plant & Equipment		
624,293	Council Dwellings	609,047	9a
855,122	Other Land and Buildings	836,233	9a
29,844	Vehicles, plant, furniture and equipment	32,913	9a
57,339	Infrastructure	72,960	9a
8,162	Community Assets	9,275	9a
0	Heritage Assets	257	44
31,170	Surplus Assets not held for Sale	24,710	9a
58,098	Assets under Construction	51,435	9a
1,664,028		1,636,830	
22,491	Investment Property	21,960	10
0	Long Term Investments	0	12
13,179	Long Term Debtors	13,161	15a
1,699,698	Total Long Term Assets	1,671,951	
78,620	Short Term Investments	40,276	12
0	Assets Held for Sale	825	19
233	Inventories	179	15
38,528	Debtors	44,278	17b
128,265	Cash and Cash Equivalents	173,455	18
4,712	Prepayments	4,235	20
250,358	Current Assets	263,248	
39,351	Short Term Borrowing	5,131	12
3,481	Provisions (Less than 1 year)	3,472	20
84,505	Creditors	79,179	19
64,904	Receipts in Advance	66,642	32
4,900	PFI Liabilities due within one year	5,669	36
197,141	Current Liabilities	160,093	
1,752,916	Total Assets less Current Liabilities	1,775,106	
303,372	Long Term Borrowing	197,782	12
9,683	Provisions (More than 1 year)	9,718	20
469	Deferred Capital Receipts	337	
173,073	Deferred PFI Liabilities	172,307	36
1,117	Capital Grants Receipts in Advance	744	32
362,027	Liability related to defined benefit pension scheme	455,055	40
849,741	Long Term Liabilities	835,943	
903,175	NET ASSETS	939,163	
	Usable Reserves		
11,511	General Fund Balance	11,800	
83,904	Earmarked Revenue Reserves	110,880	7
9,908	Housing Revenue Account	17,181	HRA16
32,745	Usable Capital Receipts Reserve	24,391	21a
3,211	Major Repairs Reserve	4,529	HRA15
4,583	Capital Grants Unapplied	4,368	21b
145,862		173,149	
	Unusable Reserves		
213,300	Revaluation Reserve	213,256	22a
923,021	Capital Adjustment Account	1,021,424	22b
(10,060)	Financial Instruments Adjustment Account	(8,557)	22c
(362,027)	Pensions Reserve	(455,055)	22d
22	Collection Fund Adjustment Account	1,313	22e
(6,944)	Short Term Compensated Absences Account	(6,367)	22f
757,313		766,014	
903,175	TOTAL EQUITY	939,163	

Core Financial Statements

CASH FLOW STATEMENT FOR THE YEAR ENDING 31ST MARCH 2012

2010/11 £000s		2011/12 £000s	Note
(207,146)	Net surplus or (deficit) on the provision of services	115,816	
304,234	Adjustment to surplus or deficit on the provision of services for noncash movements	102,358	
(43,690)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(60,595)	
53,398	Net Cash flows from operating activities	157,579	45
(49,601)	Net Cash flows from Investing Activities Levies	28,004	46
(13,137)	Net Cash flows from Financing Activities	(140,393)	47
(9,340)	Net increase or (decrease) in cash and cash equivalents	45,190	
137,605	Cash and cash equivalents at the beginning of the reporting period	128,265	16
128,265	Cash and cash equivalents at the end of the reporting period	173,455	16

SECTION 2

**STATEMENT OF
ACCOUNTING POLICIES**

2011/12

Statement of Accounting Policies

STATEMENT OF ACCOUNTING POLICIES – 2011 / 2012

1. GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its financial position at the year-end of 31 March 2012. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which requires them to be prepared in accordance with proper practices in relation to accounts. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice for Local Authorities 2011/12 (both published by the Chartered Institute of Public Finance and Accountancy (CIPFA)), supported by International Financial Reporting Standards (IFRS) and statutory guidance in the Accounts and Audit Regulations 2003 where applicable.

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

Changes in accounting estimates are accounted for prospectively, ie 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 Authority'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.

Income from the provision of services or sale of goods is recognised when it is probable that the economic benefits or service potential associated with the transaction will be received by the Council.

Expenditure on supplies is recorded as expenditure when they are consumed. When there is a significant gap between the date on which supplies are received and the date of their consumption, and the value is material, they are carried as stocks on the Balance Sheet. Expenditure on services received (including those provided by employees) is recorded as expenditure when the services are received rather than when payments are made.

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

Where income and expenditure have been recognised in the accounts, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is probable 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.

Statement of Accounting Policies

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 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 gains or losses are charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

6. VALUE ADDED TAX (VAT)

Income and Expenditure excludes any amounts related to VAT, unless it is unrecoverable 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
- 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 those services that benefit from the supply or service in accordance with the total absorption costing principles of the CIPFA *Service Reporting Code of Practice 2011/12* (SeRCOP). The exceptions are as follows;

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation (e.g. member's services, external audit fees).
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any impairment losses chargeable on Assets Held for Sale.

These categories are defined in SeRCOP and accounted for as separate headings as part of Net Expenditure on Continuing Services in the Comprehensive Income and Expenditure Statement.

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 Authority 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 Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Statement of Accounting Policies

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 in the Balance Sheet as creditors. When conditions are satisfied, it is 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 Comprehensive Income and Expenditure Statement.

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

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.

Any 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

Property, Plant and Equipment held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. The initial direct costs of the Council are added to the carrying amount of the asset. Any premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Statement of Accounting Policies

ii) Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as expenditure of the services benefitting from 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 pattern of payments (eg where there is a rent-free period at the commencement of the lease).

b) The Council as Lessor

i) Finance Leases

Where 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 (whether Property, Plant and Equipment or Asset Held for Sale) 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. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

ii) Operating Leases

Where the Council grants an operating lease over a property or item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease).

11. INVENTORIES (STOCK)

Highways and fleet stores are valued and included in the Balance Sheet at cost price as a proxy for average price, there being no material difference between the two. Revenue accounts are charged with the cost of obsolescent stock written off.

Statement of Accounting Policies

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 due to be settled within 12 months of the year-end. They include such benefits as 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 holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

b) Termination and Discretionary Benefits

Termination benefits are amounts payable either as a result of a decision by the Council to terminate an officer's employment before their normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the relevant Service Cost line in the Comprehensive Income and Expenditure Statement in the year in which the Council is demonstrably committed to the termination of the employment of the officer.

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements and has an agreed scheme. It operates a Panel which considers proposals for retirement of employees on the grounds of redundancy and/or efficiency and applications for early retirement from employees. Any resulting additional liabilities arising to the Pension Fund are funded by payments from the Income and Expenditure Account.

Where termination benefits involve 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 Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any amounts payable but unpaid at the year-end.

c) Post Employment Benefits

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

- The Teachers Pension Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pension Scheme (LGPS) administered by Lewisham Council.
- The London Pension Fund administered by the London Pension Fund Authority (LPFA).

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

(i) Teachers' Pension Scheme

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

Statement of Accounting Policies

Income and Expenditure Statement is charged with the employer's contributions paid to Teachers' Pensions during the year.

(ii) Local Government Pension Scheme

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

The liabilities of the Scheme which are attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments to be made by the Scheme in relation to benefits earned to date, based on a number of assumptions about mortality rates, turnover, projected earnings etc. These liabilities are discounted to their value at current prices, using a discount rate recommended by the Scheme's Actuaries. This takes into account the items in the actuarial report 2010 page 7.

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

- 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:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the Council's pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as expenditure.

Statutory provisions only allow the Council to raise 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 5 of the Statement of Accounts.

Statement of Accounting Policies

(iii) London Pension Fund

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

14. INTERESTS IN COMPANIES

Lewisham Homes (LH) and Catford Regeneration Partnership Ltd (CRPL) are wholly owned subsidiary companies of the Council. Group Accounts have been prepared which incorporate the accounts of LB Lewisham, LH and CRPL and these are included in Section 6 of the Statement of Accounts.

The Council has relationships with a number of other companies, details of which are shown in note 28 to the Core Financial Statements in Section 3 of the Statement of Accounts. During 2011/12 the Council had a minority interest (significantly lower than 50%) in these companies. The transactions between the Council and these companies are included in the Council's single entity accounts.

15. CARBON REDUCTION COMMITMENT ALLOWANCES

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of its services and is apportioned to services on the basis of energy consumption.

16. REVENUE PROVISIONS AND IMPAIRMENT ALLOWANCES

a) Provisions

The Council has set aside amounts from its revenue account to form provisions, which will be used to cover future expenditure. These are shown in Note 22 of Section 3 of the Statement of Accounts.

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For example, the Council has undertaken a number of staff restructuring exercises which will result in termination payments being incurred.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. All provisions are reviewed at the end of each financial year, and where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

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b) Impairment Allowances

Impairment allowances (i.e. to cover council tax, housing rents and other debtors) are set up where it is doubtful that the debts will be settled. A charge is made to the relevant account for the income and is deducted from the current debtors balance on the balance sheet. When it is deemed that the debts are irrecoverable they are written off to the bad debt provision. Where payments are made, they are credited to the provision on the Balance Sheet.

17. RESERVES

The Council has set aside specific amounts as reserves to cover future expenditure for policy purposes or for contingencies, which fall outside the definition of provisions (see above). These are shown in Note 8 of Section 3 of the Statement of Accounts.

The reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

A number of statutory reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent resources for the Council to use. These reserves are explained in the relevant policies and notes.

18. 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. A contingent liability could also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts where it is probable that there will be an inflow or outflow of economic benefits or service potential.

19. 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 (such as home improvement grants or expenditure on voluntary aided schools), is charged to the relevant cost of service line in the Comprehensive Income and Expenditure Statement in the year.

Where the Council has decided to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

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.

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In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

21. FINANCIAL INSTRUMENTS

a) Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council enters into a contract for a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For the Council's borrowings, this means that the amount shown in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. Premiums and discounts are split between the General Fund and Housing Revenue Account in accordance with their share of debt as identified by the Council's Capital Financing Requirement as at 1 April in the year in which they are incurred. In accordance with statute, the reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against Council Tax or Housing Rents is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

b) Financial Assets

i) Loans and Receivables

Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market. They are recognised on the Balance Sheet when the Council enters into the financial instrument initially measured at fair value and subsequently at their amortised cost. This category includes short term investments and sundry debtors.

The credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Statement of Accounting Policies

ii) Available-for-Sale Assets

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

22. INTANGIBLE NON CURRENT ASSETS

Intangible Non Current Assets (e.g. software licenses) do not have any physical substance but are identifiable and controllable by the Council through custody or legal rights. The expenditure on them is only capitalised when it is material and the future economic benefits or service potential flowing will also be material.

23. CHARGES TO REVENUE FOR NON CURRENT ASSETS

All services (including support services and trading accounts) are debited with the following amounts to record the cost of using property, plant and equipment assets during the year:

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

The Council is not required to raise council tax to finance these charges. However, it is required to make an annual contribution from revenue to reduce its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the council in accordance with statutory guidance (Minimum Revenue Provision - MRP). These charges, therefore, are replaced by the MRP charge to the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

24. PROPERTY, PLANT AND EQUIPMENT

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

a) Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided it adds value to the property, increases its ability to deliver future economic benefits or service potential, or can be capitalised as a component under IFRS and exceeds the Council's de minimus limit of £40,000. Expenditure financed from the Devolved Formula Capital Grant (from the government) is also capitalised on the basis that it increases the school's service potential.

Expenditure that only maintains an asset's value (ie 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

Assets are initially measured at cost, comprising:

- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying

Statement of Accounting Policies

amount of the asset given up by the Authority. The Council has not received any donated assets in 2011/12 or 2010/11. Any donated assets received in future will be accounted for according to the COP.

Assets are carried in the Balance Sheet using the following measurement bases:

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. They are valued on the basis recommended by CIPFA and in accordance with the Statements of Appraisal and Valuation Manual and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement 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 balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

c) Impairment

Assets held on the Balance Sheet (over £40,000) are reviewed at year-end to assess whether they may be impaired. Where an indication exists, the recoverable amount of the asset is estimated and if material, an impairment loss is recognised for the shortfall. Where impairment losses 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 balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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

d) Depreciation

Depreciation is charged on all Property, Plant and Equipment assets by applying the straight-line method based on the asset's useful life. Exceptions are made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

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- dwellings and other buildings – straight-line allocation over the useful life of the property as determined by the valuer (dwellings are usually over 25 years and buildings over 40 years).
- vehicles, plant and equipment – straight-line allocation over 5-10 years as advised by a suitably qualified officer.
- infrastructure – straight-line allocation over 25 years, unless advised by a suitably qualified officer.

The Council's policy is to charge depreciation on the value of the asset as at 1 April each year (i.e. opening value). It is charged from the beginning of the year that follows the date of purchase or completion of construction, and is not adjusted for disposals or additions of assets during the year. Where a Property, Plant and Equipment 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.

25. DISPOSALS AND NON CURRENT ASSETS HELD FOR SALE

When it is almost certain that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, and the strict criteria outlined in the COP are met, it is reclassified as an Asset Held for Sale.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line 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 (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is currently payable to the Government. However, recent legislation concerning HRA self-financing will alter this with effect from 1 April 2012. The retained receipts are required to be credited to the 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 (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

26. INVESTMENT PROPERTIES

Investment properties are those assets which are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way for the delivery of services or

Statement of Accounting Policies

production of goods or is held for sale. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. They are revalued annually according to market conditions, and are therefore not depreciated. Any gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. These are not permitted by statutory arrangements to have an impact on the General Fund Balance, and are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve if relevant.

27. PRIVATE FINANCE INITIATIVE (PFI) CONTRACTS

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the 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 was 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 which are 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 Comprehensive Income and Expenditure Statement.
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement.
- 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 Comprehensive Income and Expenditure Statement.
- payment towards liability – applied to write down the Balance Sheet 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.

28. HERITAGE ASSETS

Heritage Assets are recognised and measured in accordance with the Council's accounting policies on Property, Plant and Equipment. This includes policies on revaluation, impairment and disposal where applicable). The Council has, however, opted not to depreciate these assets.

SECTION 3

**NOTES TO THE
CORE FINANCIAL
STATEMENTS**

2011/12

Notes to the Core Financial Statements

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

The Code of Practice on Local Authority Accounting 2012/2013 (the Code) introduces one change in accounting policy which relates to disclosures on Financial Instruments (Transfers of financial assets). The Council will be required to adopt this change in its 2012/13 financial statements.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the Accounting Policies set out in Section 2, the Council has had to make certain judgements about complex transactions (shown in this note, below) and a number of assumptions which involve uncertainty about future events (shown in the following note, Note 3).

The major judgements made in these Accounts are as follows:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- During the last two financial years, as a result of the implementation of IFRS accounting, a considerable number of judgements were made concerning the classification of and the accounting for Non Current Assets, Leases, PFI and other major contracts, Capital and Revenue Grants and other miscellaneous items. There are no material changes to these judgements for the 2011/12 accounts. Further details are included in the 2010/11 Statement of Accounts.
- The Lewisham Homes pension indemnity was agreed by the Council when Lewisham Homes was established. The accounting for it has been a matter of concern in recent years and has been reported to Members as such on several occasions. During the 2008/09 external audit the accounts were amended and subsequent accounts have continued with this revised treatment.
- The insurance provision is made up of contributions to cover liabilities arising from a number of insurance years dating back to 2002. It has been split between less than one year and greater than one year, estimating what proportion of the monies held relate to each of the years, what has been paid so far in each of those years and what remains outstanding. The Council commissions an annual review from its insurance advisors to inform this split.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant possibility of material adjustment in the forthcoming financial year are as follows:

a) Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, possibly bringing into some doubt the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings could increase by approximately **£1.2m** for every year that useful lives had to be reduced.

Notes to the Core Financial Statements

b) Insurance Provisions

An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement could each have the effect of adding £0.16m to the provision needed.

c) Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of consulting actuaries (one for the LGPS and one the LPFA) are engaged to provide the Council with expert advice about the assumptions to be applied.

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the real discount rate assumption would result in a decrease in the pension liability of about £106m. However, the assumptions interact in complex ways. During 2011/12, the Authority's actuaries advised that the net pensions liability had increased by £45m as a result of estimates being corrected as a result of experience and increased by £35m attributable to updating of the assumptions.

c) Arrears of Significant Debtors

The Council had balances of sundry debtors, Council Tax, NNDR and Housing Rents of approximately £92m as at 31st March 2012. All of the significant balances have been reviewed and impairment allowances for doubtful debts at appropriate levels have been set. However, although the current economic climate has been taken into account, it is not certain that such allowances will be sufficient, as the judgements made in respect of them are necessarily primarily based on historical trends. To date however, there is insufficient evidence of reductions in collection rates, which in some cases have improved during 2011/12, to justify making additional impairments in this respect. If collection rates were to deteriorate, an increase of 10% in the amount of the impairment allowance would require an additional £5m to be set aside.

4. MATERIAL ITEMS OF INCOME AND EXPENDITURE

Where material items have not been separately disclosed in the Comprehensive Income and Expenditure Statement, the nature and amount of items are set out below;

a) Housing Revenue Account – Self Financing

The government is reforming the council housing finance system from 2012/13 by abolishing the HRA subsidy system and replacing it by a "self-financing" system instead. A fundamental element of this was to adjust council's debt to make it affordable. The settlement for Lewisham comprised of the DCLG repaying £136.38m of PWLB debt on 28th March 2012. This has been accounted for as recommended by CIPFA in a specific bulletin (LAAP 92).

b) HRA – Decent Homes Strategy and Housing Stock Revaluation

These events took place in 2010/11 and had a significant effect on the Accounts.

A housing stock transfer took place in October 2010, in which 2,427 tenanted and 1,103 leasehold housing units, forming the Chrysalis Estate, were transferred to London and Quadrant RSL. The asset value of the transfer was £103.2m and overhanging debt of £41.5m was written off.

The housing stock is valued in the Council's accounts on the basis of Social Housing - Existing Use, which is defined by the Government as a percentage of the vacant possession value on the open market. For 2009/10, this percentage was set at 37%, but for 2010/11, it was reduced to 25%. This resulted in a reduction in the value of the Council's housing stock of £300m and was charged as an impairment to the HRA and reversed out through the Movement in Reserves Statement to prevent it being a charge against rents. There was no net effect on revenue, but the Net Equity on the Council's Balance Sheet Equity has been reduced by this figure.

c) Pensions Indexation

The change in indexation of pensions from the Retail Price Index (RPI) to the Consumer Price Index (CPI) in last years accounts has been maintained in the 2011/12 accounts. In 2010/11, this had the effect of

Notes to the Core Financial Statements

reducing the council's likely future pension liabilities by £130m, offset by an equal reduction in the Pensions Reserve.

5. EVENTS AFTER THE BALANCE SHEET DATE

The draft Statement of Accounts was authorised for issue by the Executive Director for Resources and Regeneration on 29 June 2012. Where events have taken place before this date which alter the conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the altered conditions. However, no such material post balance sheet events have occurred.

Events taking place after 29 June 2012 are not reflected in the financial statements or notes.

The following significant events have occurred after the 31 March 2012 which will affect the 2012/13 accounts, but have no effect on the 2011/12 accounts;

a) Trust Schools

Formal agreement has been reached with the governing bodies of Brent Knoll and Watergate Schools to become foundation schools (trust schools) with an implementation date of 2 April 2012

b) Schools Closing and Opening

Meadowgate and Pendragon Schools are closing in July 2012 and Drumbeat School is opening in September 2012.

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the Comprehensive Income and Expenditure Statement 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.

Notes to the Core Financial Statements

2011/12	Usable Reserves						Movement in Unusable Reserves £'000
	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items credited or debited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets	73,247		12,621		16,381		(102,249)
Revaluation losses on Property, Plant and Equipment							
Movements in the market value of Investment Properties	466						(466)
Capital grants and contributions applied	(44,860)		(178,100)			(1,395)	224,355
Revenue expenditure funded from capital under statute	11,874						(11,874)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(4,730)		(2,105)	14,555			(7,720)
HRA capital expenditure or income from subsidy buy-out			41,762				(41,762)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	(1,863)		(2,621)				4,484
Voluntary provision above MRP	(7,398)						7,398
Capital expenditure charged against the General Fund and HRA balances	(1,620)						1,620
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,180)					1,180	0
Application of grants to capital financing transferred to the Capital Adjustment Account							
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement							
Use of the Capital Receipts Reserve to finance new capital expenditure				(21,122)			21,122
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals							
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,787			(1,787)			0
Adjustments primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA			10,811		(10,811)		0
Difference between Major Repairs Allowance and HRA depreciation			3,371		(3,371)		0
Use of the Major Repairs Reserve to finance new capital expenditure					(881)		881

Notes to the Core Financial Statements

2011/12 continued	Usable Reserves						Movement in Unusable Reserves £'000
	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Financial Instruments Adjustment Account: Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(302)		(1,201)				1,503
Adjustments primarily involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	36,219		177				(36,396)
Employer's pensions contributions and direct payments to pensioners payable in the year	(28,837)		(172)				29,009
Adjustments primarily involving the Collection Fund Adjustment Account: Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(1,291)						1,291
Adjustments primarily involving the Accumulated Absences Account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(577)						577
Other Adjustments	3,244						(3,244)
Total Adjustments	34,179	0	(115,457)	(8,354)	1,318	(215)	88,529

Notes to the Core Financial Statements

2010/11 comparative figures	Usable Reserves						Movement in Unusable Reserves £'000
	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items credited or debited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets	73,728		341,581				(415,309)
Revaluation losses on Property, Plant and Equipment							
Movements in the market value of Investment Properties	94						(94)
Capital grants and contributions applied	(23,801)		(41,537)				65,338
Revenue expenditure funded from capital under statute	3,942						(3,942)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	890		(6,943)				6,053
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	(9,160)		(3,078)				12,238
Voluntary provision above MRP							
Capital expenditure charged against the General Fund and HRA balances	(1,689)						1,689
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement						1,120	(1,120)
Application of grants to capital financing transferred to the Capital Adjustment Account							
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement				25,054			(25,054)
Use of the Capital Receipts Reserve to finance new capital expenditure				(11,919)			11,919
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals							
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	688			(688)			0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash							
Adjustments primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA			(13,670)		13,670		0
Difference between Major Repairs Allowance and HRA depreciation			(5,335)		5,335		0
Use of the Major Repairs Reserve to finance new capital expenditure			1,627		(1,627)		0

Notes to the Core Financial Statements

2010/11 comparative figures (Continued)	Usable Reserves						Movement in Unusable Reserves £'000
	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Financial Instruments Adjustment Account: Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(1,439)		(1,601)				3,040
Adjustments primarily involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(85,598)		154				85,444
Employer's pensions contributions and direct payments to pensioners payable in the year	(30,385)		(177)				30,562
Adjustments primarily involving the Collection Fund Adjustment Account: Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	3						(3)
Adjustments primarily involving the Accumulated Absences Account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(820)						820
Other Adjustments	1,283		(1,627)				344
Total Adjustments	(72,264)	0	269,394	12,447	17,378	1,120	(228,075)

7. TRANSFERS TO AND FROM EARMARKED RESERVES

Lewisham keeps a number of earmarked reserves on the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

This note shows the amounts set aside voluntarily from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12.

The use of HRA earmarked reserves is shown in Note 16 of the notes to the HRA in Section 4a.

Notes to the Core Financial Statements

	Balance 31/03/10 £000	10/11 Transfers		Balance 31/03/11 £000	11/12 Transfers		Balance 31/03/12 £000
		In £000	Out £000		In £000	Out £000	
General Earmarked	42,849	12,509	(15,836)	39,522	20,767	(8,512)	51,777
PFI Schemes	9,412	2,910	0	12,322	5,903	0	18,225
Insurance	13,196	1,458	0	14,654	293	0	14,947
Capital Expenditure	5,932	1,724	(1,689)	5,967	2,328	(1,620)	6,675
	71,389	18,601	(17,525)	72,465	29,291	(10,132)	91,624
School Balances	3,568	13,058	(5,835)	10,791	7,740	0	18,531
School's External Funds	624	648	(624)	648	725	(648)	725
	4,192	13,706	(6,459)	11,439	8,465	(648)	19,256
Total	75,581	32,307	(23,984)	83,904	37,756	(10,780)	110,880

a) Insurance Reserve

Included within this reserve is an amount of £6.4m which has been set aside for contingent liabilities in respect of specific cases under the MMI scheme (including asbestos exposure cases and claims against former employees of one of the council's former children's homes).

b) Capital Expenditure Reserve

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

c) Schools Balances

This reserve represents schools' self-managed budgets that remain unspent at the year-end. It is earmarked for use by the schools only.

d) Schools' External Funds

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

8. 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.

	2011/12 £000	2010/11 £000
London Pension Fund Authority	1,294	1,346
Environment Agency	174	174
Lee Valley Regional Park Authority	262	267
Total Levies Paid	1,730	1,787

9. PROPERTY, PLANT AND EQUIPMENT**a) Movements in Non Current Assets**

The movements in non current assets during 2011/12 were as follows:

Notes to the Core Financial Statements

2011/12	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Comm. Assets £000	Surplus Assets £000	Assets under Construction £000	TOTAL £000
Gross Book Value b/fwd at 1st April 2011	639,633	880,726	59,022	102,691	8,162	31,365	58,098	1,779,697
Additions	15,722	11,248	4,105	12,409	100	3,177	32,024	78,785
Revaluations (Reval Reserve)	0	7,540	0	0	0	9,639	0	17,179
Revaluations (Surp/Def on Prov of Servs)	0	40	0	0	0	748	0	788
Total Revaluations	0	7,580	0	0	0	10,387	0	17,967
Impairments (Reval Reserve)	(421)	(5,315)	0	0	0	(5,757)	0	(11,493)
Impairments (Surp/Def on Prov of Servs)	(12,692)	(41,033)	(66)	(6)	0	(11,598)	(6,760)	(72,155)
Total Impairments	(13,113)	(46,348)	(66)	(6)	0	(17,355)	(6,760)	(83,648)
Disposals	(679)	0	(33)	0	0	(6,594)	0	(7,306)
Transfers	(2,066)	16,926	4,798	6,584	1,012	4,609	(31,926)	(63)
Assets reclassified to/from Held for Sale	0	0	0	0	0	(825)	0	(825)
Gross Book Value c/fwd at 31st March 2012	639,497	870,132	67,826	121,678	9,274	24,764	51,436	1,784,607
Depreciation b/fwd at 1st April 2011	(15,340)	(25,604)	(29,178)	(45,352)	0	(195)	0	(115,669)
Depreciation for year	(15,329)	(11,495)	(5,569)	(3,366)	0	(40)	0	(35,799)
<u>Depreciation written back on:</u>								
Transfers	115	176	(191)	0	(2)	(98)	0	0
Assets Revalued	0	1,058	0	0	2	26	0	1,086
Assets Impaired	72	1,966	0	0	0	252	0	2,290
Assets Sold	33	0	24	0	0	0	0	57
Depreciation c/fwd at 31st March 2012	(30,449)	(33,899)	(34,914)	(48,718)	0	(55)	0	(148,035)
Net Book Value at 31st March 2012	609,048	836,233	32,912	72,960	9,274	24,709	51,436	1,636,572

The movements in non current assets during 2010/11 were as follows:

Notes to the Core Financial Statements

2010/11	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Comm. Assets	Surplus Assets	Assets under Construction	2010/11 TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value b/fwd at 1st April 2010	949,010	876,537	52,353	98,202	8,451	31,536	38,785	2,054,874
Additions	13,329	25,273	4,434	5,036	10	1,077	30,819	79,978
Revaluations (Reval Reserve)	39,860	31,158	0	0	0	7,813	0	78,831
Revaluations (Surp/Def on Prov of Servs)	(1,442)	723	0	0	0	4,042	0	3,323
Total Revaluations	38,418	31,881	0	0	0	11,855	0	82,154
Impairments (Reval Reserve)	(9,778)	(2,768)	0	0	0	(4,578)	0	(17,124)
Impairments (Surp/Def on Prov of Servs)	(347,923)	(59,164)	0	(723)	(299)	(2,217)	0	(410,326)
Total Impairments	(357,701)	(61,932)	0	(723)	(299)	(6,795)	0	(427,450)
Disposals	(1,707)	(1,184)	(33)	0	0	(6,935)	0	(9,859)
Transfers	(1,716)	10,151	2,268	176	0	627	(11,506)	0
Assets reclassified to/from Held for Sale	0	0	0	0	0	0	0	0
Gross Book Value c/fwd at 31st March 2011	639,633	880,726	59,022	102,691	8,162	31,365	58,098	1,779,697
Depreciation b/fwd at 1st April 2010	(24,211)	(16,643)	(24,070)	(42,264)	0	(354)	0	(107,542)
Depreciation for year	(17,939)	(11,064)	(5,131)	(3,088)	0	(375)	0	(37,597)
<u>Depreciation written back on:</u>								
Transfers	0	0	0	0	0	0	0	0
Assets Revalued	1,570	383	0	0	0	226	0	2,179
Assets Impaired	25,213	1,720	0	0	0	106	0	27,039
Assets Sold	27	0	23	0	0	202	0	252
Depreciation c/fwd at 31st March 2011	(15,340)	(25,604)	(29,178)	(45,352)	0	(195)	0	(115,669)
Net Book Value at 31st March 2011	624,293	855,122	29,844	57,339	8,162	31,170	58,098	1,664,028

b) Non Current Assets Revaluations

Notes to the Core Financial Statements

A five-year rolling programme of revaluation for land and buildings is carried out to ensure that the Council's assets are held at valuations in accordance with RICS and CIPFA guidance. These were signed off by the Council's Valuers Department. The Council's policy on valuing its assets are set out in the Accounting Policies in Section 2 of the Accounts.

	Council Dwellings £000	Other Land & Buildings £000	Community Assets £000	Surplus Assets £000	Total £000
Valued at Historic Cost	0	16,504	8,344	0	24,848
Valued at Current Value					
As at 31 March 2012	3,990	15,462		715	20,167
As at 1 April 2011	99	132,161	40	21,170	153,470
As at 31 March 2011		77,504		2,456	79,960
As at 1 April 2010	604,958	216,556	36		821,550
As at 31 March 2010		144,396		258	144,654
As at 1 April 2009		68,247	854		69,101
As at 31 March 2009		134,026		111	134,137
As at 1 April 2008		27,830			27,830
As at 1 April 2007		3,547			3,547
Total Net Book Value	609,047	836,233	9,274	24,710	1,479,264

In addition to the rolling programme, a number of assets were revalued following the completion of capital programme works on them during the year.

10. INVESTMENT PROPERTIES

The following have been included in the Comprehensive Income and Expenditure Statement;

	2011/12 £000	2010/11 £000
Operating Expenses	138	138
Rental Income	(1,806)	(1,838)
Balance at End of Year	(1,668)	(1,700)

The following shows the movement in fair value of investment properties in 2011/12;

	2011/12 £000	2010/11 £000
Balance at Beginning of Year	22,491	23,583
Purchases	0	127
Disposals	(127)	(1,125)
Net Gains / (Losses) from fair value adjustments	(466)	(94)
Transfers to / from PPE	62	0
Balance at End of Year	21,960	22,491

Notes to the Core Financial Statements

11. INTANGIBLE ASSETS

The expenditure on these assets is only capitalised when it is material and the future economic benefits or service potential flowing will also be material. The Council has reviewed the level of spend on these assets and they continue to be immaterial and therefore are charged direct to the Comprehensive Income and Expenditure Statement.

12. FINANCIAL INSTRUMENTS

The 2011/12 Code of Practice requires compliance with IFRS but some of the requirements are non-compliant with primary legislation. Where this occurs, the CIES complies with IFRS, with the MiRS containing the reversals required to ensure that the closing balances comply with Statute.

a) Financial Instruments Balances

	Long-Term		Current		
	31 Mar 2012 £000	31 Mar 2011 £000	31 Mar 2012 £000	31 Mar 2011 £000	
Financial Liabilities (Principal Amount)	197,607	303,206	5,000	35,000	
Accrued Interest	175	166	2,676	4,351	
Other accounting adjustments	-	-			
Financial liabilities at amortised cost	197,782	303,372	7,676	39,351	1
Financial liabilities at fair value through profit or loss	-	-	-	-	2
Total Borrowings	197,782	303,372	7,676	39,351	
PFI and finance lease liabilities	269,918	175,070	6,073	4,900	
Financial liabilities at amortised cost	-	-	-	-	
Financial liabilities at contract amount	-	-	71,850	78,301	6
Total Creditors	269,918	175,070	77,923	83,201	
Financial Guarantees	-	-	-	-	4
Soft Loans Received	-	-	-	-	5
Loans and Receivables (principal amount)	-	-	218,375	180,809	
Plus Accrued Interest	-	-	603	483	
Plus Accounting adjustments	-	-	-	-	
Loans and Receivables at amortised cost	-	-	218,978	181,292	1
Available-for-sale financial assets	-	-	-	25,593	
Financial Assets at fair value through profit or loss	-	-	-	-	2
Unquoted equity investment at cost	-	-	-	-	
Total Investments	-	-	218,978	206,885	
Loans and receivables	-	-	-	-	
Financial assets at contract amounts	-	-	37,748	32,382	6
Total Debtors	-	-	37,748	32,382	
Soft loans provided	-	-	-	-	5

Notes to the Core Financial Statements

Note 1 – The figures shown above do not all appear on the face of the balance sheet due to the reclassification of certain short and long term investments as Cash Equivalents under IFRS.

Note 2 – Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Note 3 – Fair value has been measured by:

- Direct reference to published price quotations in an active market; and/or
- Estimating using a valuation technique.

Note 4 – Local authorities sometimes give financial guarantees that require them to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due in accordance with the terms of the contract. The Council provided no financial guarantees in the financial year and had none outstanding from previous years.

Note 5 – The Council has made no loans to voluntary organisations at less than market rates (soft loans), nor has it received any such loans.

Note 6 – The breakdown of these figures are shown in Notes 16b and 19 respectively.

Unusual Movements

The long term investments held by the two cash managers Investec and Invesco were cashed in during the year and the money brought back in-house and re-invested in the money market funds.

The government redeemed £136m of the Council's PWLB loans on 28th March 2012 under the new HRA Self Financing regulations.

Reclassification

There were no reclassifications of financial instruments in the year.

Derecognition of instruments

There is no derecognition expected to impact where the Council has transferred financial assets to a third party.

Collateral

The council does not hold or has not obtained any collateral for third party debts or other credit enhancements in the financial year 2011/12 or 2010/11.

Allowance for Credit Losses

No allowance for credit losses under section 7.4.2.6 of the Code was made during the year.

Defaults and Breaches

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

b) Financial Instruments Gains / (Losses)

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

Notes to the Core Financial Statements

Financial Instruments Gains and Losses 2011/12	Financial Liabilities	Financial Assets			Total £000
	Amortised cost £000	Loans and Receivables £000	Available For Sale £000	Fair Value £000	
Interest expense	(17,683)	-	-	-	(17,683)
Losses on derecognition	-	-	-	-	-
Reductions in fair value	-	-	-	-	-
Impairment losses	-	-	-	-	-
Fee expense	-	-	-	-	-
Expense in Surp or Def on Prov of Servs	(17,683)	-	-	-	(17,683)
Interest income	-	2,228	-	-	2,228
Interest Income accrued on impaired financial assets	-	-	-	-	-
Increases in fair value	-	-	-	-	-
Gains on derecognition	-	-	-	-	-
Fee income	-	-	-	-	-
Income in Surp or Def on Prov of Servs	-	2,228	-	-	2,228
Gains or Losses on Revaluation	-	-	-	-	-
Amounts charged after impairment	-	-	-	-	-
Surplus on revaluation of financial assets	-	-	-	-	-
Net Gain / (Loss) for the Year	(17,683)	2,228	-	-	(15,455)

Financial Instruments Gains and Losses 2010/11	Financial Liabilities	Financial Assets			Total £000
	Amortised cost £000	Loans and Receivables £000	Available For Sale £000	Fair Value £000	
Interest expense	(18,946)	-	-	-	(18,946)
Losses on derecognition	-	-	-	-	-
Reductions in fair value	-	-	-	-	-
Impairment losses	-	-	-	-	-
Fee expense	-	-	-	-	-
Expense in Surp or Def on Prov of Servs	(18,946)	-	-	-	(18,946)
Interest income	-	1,536	-	-	1,536
Interest Income accrued on impaired financial assets	-	-	-	-	-
Increases in fair value	-	-	-	-	-
Gains on derecognition	-	-	-	-	-
Fee income	-	-	-	-	-
Income in Surp or Def on Prov of Servs	-	1,536	-	-	1,536
Gains or Losses on Revaluation	-	-	-	-	-
Amounts charged after impairment	-	-	-	-	-
Surplus on revaluation of financial assets	-	-	-	-	-
Net Gain / (Loss) for the Year	(18,946)	1,536	-	-	(17,410)

Notes to the Core Financial Statements

c) Fair Value of Financial Instruments not Disclosed on the Balance Sheet

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

- For loans from the PWLB borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2012		31 March 2011	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt	89,097	99,724	227,135	259,193
Non-PWLB Debt	116,361	117,976	115,588	123,835
Total Debt	205,458	217,700	342,723	383,028
Long Term Creditors	-	-	-	-
Total Liabilities	205,458	217,700	342,723	383,028
Money Market Loans	233,318	232,902	204,242	204,305
Bonds	-	-	-	-
Long Term Debtors	13,199	13,199	13,179	13,179
Total Assets	246,517	246,101	217,421	217,484

For bond holding, the differences are attributable to fixed interest loans receivable being held by the authority whose interest rate is lower than the prevailing rate estimated to be available at 31 March. This depresses the fair value of financial liabilities and raises the value of loans and receivables.

The fair values for loans and receivables have been determined by reference to similar practices, as above, which provide a reasonable approximation for the fair value of a financial instrument, and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice, rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

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;

Notes to the Core Financial Statements

Re-financing risk - The possibility that the Council might be requiring 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 are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the *Local Government Act 2003* and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance through the Act.

Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures to the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- by approving 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 or before the Council's annual Council Tax setting budget or 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, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 1st March 2011 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2011/12 was set at £567 million. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £527 million. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at £467 million and £45 million based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are as follows:

	Upper Limit	Lower Limit
	%	%
Less than 1 year	15	0
Between 1 and 2 years	15	0
Between 2 and 5 years	50	0
Between 5 and 10 years	50	0
More than 10 years	95	50

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Notes to the Core Financial Statements

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 & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied.

This Council uses the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries.

The full Investment Strategy for 2011/12 was approved by Full Council on 1st March 2011 and is available on the Council's website.

The Authority's maximum exposure to credit risk in relation to its investments in banks, building societies and Local Authorities of £233 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2012 that this was likely to crystallise.

d) Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The 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. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All sums invested (£233 million) are either due to be paid in less than one year or can be easily realised.

e) Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

Notes to the Core Financial Statements

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

	Approved Limits		Actual	Actual
	Minimum	Maximum	31 March 2012 £000	31 March 2011 £000
Less than 1 year	-	30,391	5,000	-
Between 1 and 2 years	-	30,391	5,612	5,000
Between 2 and 5 years	-	101,304	5,302	24,662
Between 5 and 10 years	-	101,304	10,000	23,002
More than 10 years	101,304	192,477	176,694	285,541
Total			202,608	338,205

f) Market Risk
i) Interest rate risk

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

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants (i.e. HRA). Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be as follows:

Notes to the Core Financial Statements

	Variation £000
Increase in interest payable on variable rate borrowings	125
Increase in interest receivable on variable rate investments	(2,042)
Increase in Government grant receivable for financing costs	(75)
Impact on Surplus or Deficit on the Provision of Services	(1,992)
Share of overall impact on the HRA	(50)
Decrease in fair value of fixed rate investment assets	-
Decrease in fair value of fixed rate borrowings liabilities	-

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair Value of Assets and Liabilities carried at Amortised Cost.

ii) Price risk

The Council, excluding the pension fund, does not invest in equity shares or marketable bonds.

iii) Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

14. STOCKS AND INVENTORIES

	31/03/2012 £000	31/03/2011 £000
Fleet	135	111
Highways	38	118
Other	6	4
Total Stocks	179	233

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

These consist of sums repayable to the Council over a period of time of more than one year. Catford Regeneration Partnership Ltd (CRPL) is a wholly owned subsidiary of the Council.

	31/03/2012 £000	31/03/2011 £000
Catford Regeneration Partnership Ltd	11,769	11,911
Mortgages	332	429
Land Charges Debts	507	498
Loans to Homeowners (DDA and DH)	338	0
Other Long Term Debtors	215	341
Total Long Term Debtors	13,161	13,179

Notes to the Core Financial Statements

b) Current Debtors

These are short term debts consisting of amounts due from the Government, other local authorities and amounts for goods and services provided as at 31 March 2012:

	31/03/2012 £000	31/03/2011 £000
Government and Other Public Bodies:		
HM Revenue & Customs - VAT	6,653	6,146
Education Recoupment	1,209	1,993
Central Government bodies	1,649	4,981
Other Local Authorities	1,097	1,908
NHS bodies	1,387	623
Other Public bodies	2,186	226
Council Tax Payers	21,744	23,083
Council Tax Court Costs	4,986	5,239
Housing Benefit Overpayments	12,057	10,330
Housing Rents (inc PSL, B & B, Hostels, Commercial)	7,337	8,238
Leaseholders Services Charges	7,581	7,432
General Debtors due for Supplies and Services	24,390	18,046
Total Current Debtors	92,276	88,245
Impairment Allowances	(47,998)	(49,717)
Total Net Current Debtors	44,278	38,528

c) Impairment Allowances

	Balance at 31/03/2011 £000	Movement in Year £000	Balance at 31/03/2012 £000
Collection Fund - Council Tax	(20,946)	1,235	(19,711)
Housing Rents	(6,514)	891	(5,623)
Housing Benefit Overpayments (Pub & Priv)	(7,723)	(998)	(8,721)
Council Tax Court Costs	(4,768)	329	(4,439)
Private Sector Leasing	(1,034)	1	(1,033)
Housing Service Charges	(1,287)	(76)	(1,363)
Other Services	(7,445)	337	(7,108)
Total Impairment Allowances	(49,717)	1,719	(47,998)

d) Debtors which are either past due or impaired

The Council generally requires trade debtors to be settled within 30 days. A table showing an age analysis of unpaid invoices issued through the accounts receivable system follows.

The notes to the Collection Fund include an age analysis of Council Tax and NNDR arrears.

Housing Rents owed by former tenants are not aged and are therefore not included in the table below.

Notes to the Core Financial Statements

Accounts Receivable System	31/03/2012		31/03/2011	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Debt				
Current (1 to 30 days)	5,029	41	4,583	43
31 to 60 Days	574	5	827	8
61 to 90 Days	1,133	9	261	2
91 to 180 Days	1,022	9	551	5
181 to 365 Days	1,626	13	870	8
Over 1 Year	2,851	23	3,660	34
Total	12,235	100	10,752	100

Housing Rents (Current Tenants)	31/03/2012		31/03/2011	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Debt				
Current (1 to 30 days)	299	9	286	10
31 to 90 Days	653	20	511	18
91 to 180 Days	619	19	443	16
181 to 365 Days	531	16	507	18
Over 1 Year	1,159	36	1,082	38
Total	3,261	100	2,829	100

Council Tax Court Costs	31/03/2012		31/03/2011	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Debt				
Year of Account	938	19	867	17
Under 2 Years old	829	16	1,031	20
Under 3 Years old	895	18	882	17
Under 5 Years old	1,396	28	1,130	21
Over 5 Years old	928	19	1,329	25
Total	4,986	100	5,239	100

16. CASH AND CASH EQUIVALENTS

	Balance 31/03/2010 £000	Movement in 2010/11 £000	Balance 31/03/2011 £000	Movement in 2011/12 £000	Balance 31/03/2012 £000
Cash Equivalents					
Short Term Deposits	126,751	(36,656)	90,095	(79,930)	10,165
Cash					
Money Market Funds	5,022	25,965	30,987	139,573	170,560
Call Accounts with Banks	15,000	(10,461)	4,539	7,777	12,316
Cash with External Cash Managers	5,523	(5,523)	0	0	0
	25,545	9,981	35,526	147,350	182,876
Other Cash and Bank Balances					
Schools Bank Accounts	(3,590)	1,955	(1,635)	(198)	(1,833)
Euro Bank Account	10	384	394	(385)	9
Main Bank Accounts	(7,224)	10,762	3,538	(21,525)	(17,987)
Other Cash Balances	(3,887)	4,234	347	(122)	225
	(14,691)	17,335	2,644	(22,230)	(19,586)
Total Cash and Cash Equivalents	137,605	(9,340)	128,265	45,190	173,455

Notes to the Core Financial Statements

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

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

c) The Schools Bank Accounts consist of individual accounts for each school, and a treasury account which is used to invest the balance in conjunction with the council's other balances. The balances on these accounts were £13.7m (10/11 £14.1m) and overdrawn £15.5m (10/11 overdrawn £15.8m) respectively.

17. ASSETS HELD FOR SALE

	2011/12 £000	2010/11 £000
Balance outstanding at start of year	0	5,153
Assets newly classified	825	0
Revaluation gains and losses	0	0
Impairment losses	0	0
Assets declassified as held for sale	0	0
Assets sold	0	(5,153)
Transfers from non-current to current	0	0
Balance outstanding at year-end	825	0

18. PREPAYMENTS

	31/03/2012 £000	31/03/2011 £000
Directorate prepayments	1,800	2,277
PFI Prepayments	2,436	2,435
Total Prepayments	4,236	4,712

19. CREDITORS

These consist of 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.

Notes to the Core Financial Statements

	31/03/2012 £000	31/03/2011 £000
Government and other public bodies:		
HM Revenue & Customs - Tax & NI Contributions	5,776	6,204
Education Recoupment	4,014	4,233
Central Government bodies	6,493	5,577
Other Local Authorities	2,111	2,836
NHS bodies	3,949	1,838
Other Public bodies	1,347	214
	23,690	20,902
Short Term Compensated Absences	6,367	6,944
General Creditors (amounts owed for supplies and services)	49,122	56,659
Total Creditors	79,179	84,505

20. PROVISIONS

Provisions are amounts which are set aside to meet liabilities or losses that are likely or certain to arise, it is not, however possible to determine precisely when any transfer of economic benefits will take place.

	Balance	11/12 Transfers		Balance
	31/03/11 £000	In £000	Out £000	31/03/12 £000
Current (less than 1 year)				
Insurance Provision	1,200	400	0	1,600
Redundancy Costs	2,281	162	(2,281)	162
Other Provisions	0	1,710	0	1,710
	3,481	2,272	(2,281)	3,472
Non Current (Over 1 year)				
Insurance Provision	6,517	0	(240)	6,277
Other Provisions	3,166	275	0	3,441
	9,683	275	(240)	9,718
Total - Provisions	13,164	2,547	(2,521)	13,190

Insurance Provisions

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

Other Provisions

This includes a provision to cover the liability for repayment of charges made under the Section 117 1983 Mental Health Act that have now been declared unlawful by the Court of Appeal.

Notes to the Core Financial Statements

21. USABLE RESERVES**a) Usable Capital Receipts**

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

	31/03/2012 £000	31/03/2011 £000
Balance brought forward at start of year	32,745	20,298
Amounts receivable in year	14,555	25,054
Poolable to Central Government	(1,787)	(688)
Amounts applied to finance new capital investment in year	(21,122)	(11,919)
Total increase/(decrease) in capital receipts in year	(8,354)	12,447
Balance carried forward at end of year	24,391	32,745

b) Capital Grants Unapplied

These are capital grants which are available to finance new capital expenditure but have yet to be used.

	31/03/2012 £000	31/03/2011 £000
Opening balance at start of year	4,583	3,463
Movement in year	(215)	1,120
Balance carried forward at end of year	4,368	4,583

22. UNUSABLE RESERVES**a) Revaluation Reserve**

The Revaluation Reserve records the accumulated gains since 1 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.

Notes to the Core Financial Statements

	2011/12 £000	2010/11 £000
Balance brought forward at start of year	213,300	161,419
Upwards revaluation of assets	18,518	78,829
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the provision of services	(14,793)	(17,124)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	3,725	61,705
Difference between fair value depreciation and historical cost depreciation	(3,664)	(2,117)
Accumulated gains on assets sold or scrapped	(105)	(7,707)
Amount written off to the Capital Adjustment Account	(3,769)	(9,824)
Balance carried forward at end of year	213,256	213,300

b) Financial Instrument Adjustment Account

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

	31/03/2012 £000	31/03/2011 £000
Opening balance at start of year	(10,060)	(13,100)
Premiums paid for early redemption of debt	0	1,138
Amortisation of premiums and discounts	1,503	1,902
Balance carried forward at end of year	(8,557)	(10,060)

c) Capital Adjustment Account

This reflects the timing differences arising from the different arrangements for accounting 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 Comprehensive Income and Expenditure Statement (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, and also contains accumulated gains and losses on Investment Properties.

Notes to the Core Financial Statements

	2011/12 £000	2010/11 £000
Balance at Beginning of Year	923,021	1,260,106
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>		
Charges for depreciation and impairment of non-current assets	(103,091)	(417,837)
Revaluation losses on Property, Plant and Equipment	0	0
Amortisation of intangible assets	0	0
Revenue expenditure funded from capital under statute	(12,112)	(3,942)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(7,270)	(15,640)
	(122,473)	(437,419)
Adjusting amounts written out of the Revaluation Reserve	4,342	11,987
Net amount written out of the cost of non-current assets consumed in the year	(118,131)	(425,432)
<u>Capital financing applied in the year:</u>		
Use of Capital Receipts to finance new capital expenditure	21,122	8,575
Use of Major Repairs Reserve to finance new capital expenditure	881	1,627
Capital grants and contributions credited to the CIES that have been applied to capital financing	44,315	64,218
Application of grants to capital financing from the Capital Grants Unapplied Account	0	0
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	6,883	12,238
Capital expenditure charged against the General Fund and HRA balances	6,619	1,689
HRA Self Financing Debt Repayment	136,338	0
	216,158	88,347
Movements in the market value of Investment Properties debited or credited to the CIES	376	0
Balance at End of Year	1,021,424	923,021

d) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes 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 in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Notes to the Core Financial Statements

	31/03/2012 £000	31/03/2011 £000
Opening balance at start of year	362,027	669,254
Actuarial gains or losses on pensions assets and liabilities	85,641	(191,221)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	36,396	(85,444)
Employer's pensions contributions and direct payments to pensioners payable in the year	(29,009)	(30,562)
Balance carried forward at end of year	455,055	362,027

e) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages 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.

	31/03/2012 £000	31/03/2011 £000
Opening balance at start of year	22	25
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	1,291	(3)
Balance carried forward at end of year	1,313	22

f) Short Term Compensated Absences Account

This account shows the differences arising on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March each year. Statutory requirements are that the impact on Council Tax is reversed through the Account.

	31/03/2012 £000	31/03/2011 £000
Opening balance at start of year	6,944	7,764
Reversal of accrual made at the end of the preceding year	(6,944)	(7,764)
Amounts accrued at the end of the current year	6,367	6,944
Amount by which the accrued charge to the CIES is different from that charged in the year in accordance with statutory requirements	(577)	(820)
Balance carried forward at end of year	6,367	6,944

Notes to the Core Financial Statements

23. SEGMENTAL REPORTING (AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS)

SEGMENTAL REPORTING FOR THE YEAR ENDING 31ST MARCH 2012

	CYP £000s	Community Services £000s	Customer Services £000s	Resources and Regeneration £000s	HRA £000s	Total £000s
Fees, charges & other service income	(13,444)	(37,441)	(47,453)	(20,911)	(81,147)	(200,396)
Government grants	(272,321)	(13,991)	(247,478)	(1,005)	(193,245)	(728,040)
Total Income	(285,765)	(51,432)	(294,931)	(21,916)	(274,392)	(928,436)
Employee expenses	207,959	37,784	37,563	31,342	2,153	316,801
Other operating expenses	126,868	131,061	290,848	38,466	270,645	857,888
Total operating expenses	334,827	168,845	328,411	69,808	272,798	1,174,689
Net Cost of Services	49,062	117,413	33,480	47,892	(1,594)	246,253
Net Budgets	49,543	118,037	33,011	49,104	0	249,695
Variation	(481)	(624)	469	(1,212)	(1,594)	(3,442)
Less; HRA Variation						1,594
General Fund Underspend reported to Members						(1,848)

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

	£000s
Cost of Services in Service Analysis	246,253
Add services not included in main analysis	12,130
Add amounts not reported to management (Technical Accounting adjustments)	83,266
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(29,445)
Net Cost of Services in Comprehensive Income and Expenditure Statement	312,204

Reconciliation to Subjective Analysis (Single Entity)	Service Analysis	Services not in Analysis	Not reported to mgmt	Not included in I&E	Net Cost of Services	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(200,396)	0	0	0	(200,396)	0	(200,396)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	0	0	254	0	254	(3,159)	(2,905)
Income from council tax	0	0	0	0	0	(93,522)	(93,522)
Government grants and contributions	(728,040)	0	0	0	(728,040)	(414,551)	(1,142,591)
Total Income	(928,436)	0	254	0	(928,182)	(511,232)	(1,439,414)
Employee expenses	316,801	7,255	36,396	(29,009)	331,443	0	331,443
Other service expenses	857,888	4,875	29,130	0	891,893	0	891,893
Depreciation, amortisation and impairment	0	0	85,868	0	85,868	466	86,334
Interest Payments	0	0	(68,382)	0	(68,382)	86,064	17,682
Precepts & Levies	0	0	0	(436)	(436)	1,730	1,294
Payments to Housing Capital	0	0	0	0	0	1,787	1,787
Receipts Pool	0	0	0	0	0	1,787	1,787
Gain or Loss on Disposal of non-current assets	0	0	0	0	0	(6,835)	(6,835)
Total operating expenses	1,174,689	12,130	83,012	(29,445)	1,240,386	83,212	1,323,598
Surplus or deficit on provision of services	246,253	12,130	83,266	(29,445)	312,204	(428,020)	(115,816)

Notes to the Core Financial Statements

SEGMENTAL REPORTING FOR THE YEAR ENDING 31ST MARCH 2011

	CYP £000s	Community Services £000s	Customer Services £000s	Resources and Regeneration £000s	HRA £000s	Total £000s
Fees, charges & other service income	(13,234)	(41,801)	(47,037)	(21,886)	(81,185)	(205,143)
Government grants	(281,611)	(34,199)	(234,236)	(3,089)	(57,064)	(610,199)
Total Income	(294,845)	(76,000)	(281,273)	(24,975)	(138,249)	(815,342)
Employee expenses	216,322	44,001	40,616	38,513	0	339,452
Other operating expenses	132,708	128,068	279,759	35,718	137,904	714,157
Total operating expenses	349,030	172,069	320,375	74,231	137,904	1,053,609
Net Cost of Services	54,185	96,069	39,102	49,256	(345)	238,267
Net Budgets	54,725	96,091	39,328	50,185	0	240,329
Variation	(540)	(22)	(226)	(929)	(345)	(2,062)
Less; HRA Variation						345
General Fund Underspend reported to Members						(1,717)

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

	£000s
Cost of Services in Service Analysis	238,267
Add services not included in main analysis	19,409
Add amounts not reported to management (Technical Accounting adjustments)	304,972
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(31,002)
Net Cost of Services in Comprehensive Income and Expenditure Statement	531,646

Reconciliation to Subjective Analysis (Single Entity)	Service Analysis	Services not in Analysis	Not reported to mgmt	Not included in I&E	Net Cost of Services	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(205,143)	0	0	0	(205,143)	0	(205,143)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	0	0	212	0	212	(2,491)	(2,279)
Income from council tax	0	0	3	0	3	(91,233)	(91,230)
Government grants and contributions	(610,199)	0	35,362	0	(574,837)	(290,824)	(865,661)
Total Income	(815,342)	0	35,577	0	(779,765)	(384,548)	(1,164,313)
Employee expenses	339,452	12,804	(86,265)	(30,562)	235,429	0	235,429
Other service expenses	714,157	6,605	13,552	0	734,314	0	734,314
Depreciation, amortisation and impairment	0	0	406,516	0	406,516	95	406,611
Interest Payments	0	0	(64,408)	0	(64,408)	63,530	(878)
Precepts & Levies	0	0	0	(440)	(440)	1,787	1,347
Payments to Housing Capital	0	0	0	0	0	689	689
Receipts Pool	0	0	0	0	0	689	689
Gain or Loss on Disposal of non-current assets	0	0	0	0	0	(6,053)	(6,053)
Total operating expenses	1,053,609	19,409	269,395	(31,002)	1,311,411	60,048	1,371,459
Surplus or deficit on provision of services	238,267	19,409	304,972	(31,002)	531,646	(324,500)	207,146

Notes to the Core Financial Statements

24. TRADING OPERATIONS

The following services trade with the public or other third parties. The relevant line in the Comprehensive Income and Expenditure Statement is also shown for each category.

	2011/12			2010/11
	Expenditure £000	Income £000	(Surplus)/ Deficit £000	(Surplus)/ Deficit £000
Planning and Development Services				
Markets	1,191	(1,368)	(177)	0
Industrial Estates	138	(440)	(302)	(328)
Cultural and Related Services				
Theatre	1,134	(711)	423	681
Total - Trading Operations	2,463	(2,519)	(56)	353

Note - Under the Local Authorities Act 1990 (amended) Street Markets operate as a trading account and any surplus or deficit at the year end is carried over into the following year. As at 31 March 2012, the accumulated surplus is £320k.

25. AGENCY SERVICES

The Council did not carry out any agency services, construction work or any other work for any other local authorities, public bodies or entities in 2011/12 or 2010/11.

26. INVESTMENT IN COMPANIES**a) Companies of which the Council is the sole owner.**i) Lewisham Homes Limited

Lewisham Homes is a wholly owned subsidiary of the Council and Councillors Bell, Nisbet and Paschoud sat on its board throughout the year. The Council paid a management fee of £18.9m to the company in 2011/12 (£20.4m in 2010/11).

ii) Catford Regeneration Partnership Limited

Catford Regeneration Partnership Ltd (CRPL) is a wholly owned subsidiary of the Council and the Head of Business Management and Service Support and the Head of Public Services (replacing the Director of Property and Programme Management on 13th December 2011) are its directors. The Council advanced a loan of £12m to CRPL in 2009/10, and CRPL repaid principal of £61k and made interest payments of £0.83m during 2011/12 to the Council (In 2010/11, these payments were £57k and £0.84m respectively).

Both of these companies are included in the Council's Group Accounts, which are shown in Section 6 of the Statement of Accounts.

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

The Council has a small minority stake of 10% in Lewisham Schools for the Future LEP Limited which is the Local Education Partnership company which was established by its strategic partners, a consortium made up of Costain Engineering & Construction Limited, Babcock Project Investments Limited and

Notes to the Core Financial Statements

Building Schools for the Future Ltd under the Council's Building Schools for the Future (BSF) programme to rebuild and refurbish the secondary schools within the Borough.

Additionally the Council has a 10% stake in four Special Purpose Vehicles set up in relation to those schools which are being newly built under the Government's Private Finance Initiative within this BSF Programme, one for each phase of the programme, known as Lewisham SPV Limited, Lewisham SPV 2 Limited, Lewisham SPV3 Limited and Lewisham SPV4 Limited, and in their related Holding Companies, Lewisham Building Schools for the Future Holdings 1 Limited, 2, 3 and 4 Limited. The corporate structure is standard to the BSF scheme.

The Head of Business Management and Service Support is the Council's Director on the LEP, its SPV's and Hold Co's.

The Council made payments in 2011/12 to the LEP of £10.0m (£6.0m in 2010/11), to the SPV of £8.7m (£8.2m in 2010/11), to the SPV2 of £3.2m (£0.9m in 2010/11) and to the SPV3 of £12k (zero in 2010/11). No payments were made to SPV4 in 2011/12 or 2010/11.

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

The Council has a small minority share of less than 1% in South-East London Combined Heat and Power Ltd (SELCHP) which is a joint venture with the London Borough of Greenwich for the provision of waste disposal and waste to energy services. Payments of £5.1m were made in 2011/12 to the company (£5.0m in 2010/11).

iii) Greater London Enterprise Ltd

The Council has a small minority share in Greater London Enterprise Ltd which is a company limited by guarantee and provides property management & consultancy services.

27. MEMBERS' ALLOWANCES

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

	2011/12 £000	2010/11 £000
Allowances (inc. Pensions and NI)	1,027	1,012
Training	13	20
IT and Telephone	35	57
Travel and Subsistence	21	30
Other Expenses	2	26
Total Expenditure in Year	1,098	1,145

28. OFFICERS' REMUNERATION

a) Employees whose Remuneration was £50,000 or more

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more is shown below, in bands of £5,000. These figures include a number of senior employees whose details are also disclosed separately in note b) below.

Notes to the Core Financial Statements

Remuneration Band	2011/12			2010/11		
	Non-School Employees	School Employees	Total Employees	Non-School Employees	School Employees	Total Employees
£50,000 to £54,999	71	202	273	77	174	251
£55,000 to £59,999	25	82	107	41	67	108
£60,000 to £64,999	13	28	41	18	38	56
£65,000 to £69,999	15	38	53	15	34	49
£70,000 to £74,999	9	23	32	4	27	31
£75,000 to £79,999	4	19	23	3	11	14
£80,000 to £84,999	1	4	5	1	7	8
£85,000 to £89,999	2	6	8	2	8	10
£90,000 to £94,999	6	4	10	9	3	12
£95,000 to £99,999	4	2	6	2	1	3
£100,000 to £104,999	4	3	7	4	1	5
£105,000 to £109,999	1	2	3	2	2	4
£110,000 to £114,999	1	0	1	0	1	1
£130,000 to £134,999	1	0	1	0	0	0
£135,000 to £139,999	0	0	0	1	0	1
£140,000 to £144,999	3	0	3	3	0	3
£190,000 to £194,999	0	0	0	1	0	1
£230,000 to £234,999	0	0	0	0	0	0
Total	160	413	573	183	374	557

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

b) Exit Packages agreed and paid in year

Cost Band (inc Pension Fund Contributions)	Number of Compulsory Redundancies		Number of Other Departures		Total Number of Exit Packages		Total Cost of Exit Packages	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11 £	2011/12 £
£0 - £20,000	144	237	0	0	144	237	1,125	1,973
£20,001 to £40,000	50	109	0	1	50	110	1,423	3,198
£40,001 to £60,000	27	36	0	1	27	37	1,340	1,802
£60,001 to £80,000	8	17	1	0	9	17	633	1,179
£80,001 to £100,000	3	6	0	0	3	6	244	531
£100,001 to £150,000	1	6	0	1	1	7	123	785
£150,001 to £200,000	0	1	0	0	0	1	0	171
Total	233	412	1	3	234	415	4,888	9,639

Notes to the Core Financial Statements

c) Disclosure of Senior Employees' Remuneration for financial year 2011/12

Post Holder Information	Salary (inc fees and allowances) £	Employer's Pension Contributions £	Total including Pension Contributions £
Senior Employees - Salary below £150,000			
Executive Director for Children and Young People	141,123	28,930	170,053
Executive Director for Resources	141,123	28,930	170,053
Executive Director for Community Services	141,123	28,930	170,053
Chief Executive	134,671	27,608	162,279
Director of Regeneration and Asset Management	111,668	22,892	134,560
Executive Director for Customer Services	109,843	22,518	132,361
Director of Children's Social Care	102,678	21,049	123,727
Head of Law and Monitoring Officer	71,692	14,697	86,389
Totals	953,921	195,554	1,149,475

Note – No payments in respect of bonuses, expenses or compensation for loss of office were made in 2011/12 to these employees.

d) Disclosure of Senior Employees' Remuneration for financial year 2010/11

	£	£	£
Senior Employees - Salary over £150,000			
Chief Executive - B Quirk	192,387	38,477	230,864
Senior Employees - Salary below £150,000			
Executive Director for Customer Services	141,123	28,225	169,348
Executive Director for Children and Young People	141,123	28,225	169,348
Executive Director for Resources	141,123	28,225	169,348
Executive Director for Community Services	138,495	27,699	166,194
Director of Programme Management and Property	109,538	21,908	131,446
Head of Law and Monitoring Officer	107,538	21,508	129,046
Director of Children's Social Care (part year)	94,237	18,847	113,084
Totals	1,065,564	213,114	1,278,678

Note – No payments in respect of bonuses, expenses or compensation for loss of office were made in 2010/11 to these employees.

Notes to the Core Financial Statements

29. EXTERNAL AUDIT COSTS

	2011/12 £000	2010/11 £000
Payments to the Audit Commission		
Fees payable with regard to external audit services	391	429
Fees payable in respect of statutory inspection	0	0
Fees payable for the certification of grant claims and returns	130	131
Fees payable in respect of other services provided by the appointed auditor	0	0
Total - External Auditor Fees	521	560

These fees exclude a £32,200 fee payable for the audit of the Pension Fund (£35,000 in 2010/11).

30. DEDICATED SCHOOLS' GRANT

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

The details of the deployment of DSG receivable for 2011/12 and 2010/11 are as follows:

	2011/12			2010/11		
	Central Expenditure £000	Individual Schools Budget (ISB) £000	2011/12 Total £000	Central Expenditure £000	Individual Schools Budget (ISB) £000	2010/11 Total £000
Final DSG for Year	38,182	194,866	233,048	30,161	163,628	193,789
Brought forward from previous year	0	0	0	390	0	390
Carry forward to next year agreed in advance	0	0	0	0	0	0
Agreed budgeted distribution in Year	38,182	194,866	233,048	30,551	163,628	194,179
Actual Central Expenditure	37,681	0	37,681	30,551	0	30,551
Actual ISB deployed to schools	0	194,866	194,866	0	163,628	163,628
Local authority contribution for Year	0	0	0	0	0	0
Use of DSG in Year	37,681	194,866	232,547	30,551	163,628	194,179
Carried forward to next year	501	0	501	0	0	0

31. GRANT AND TAXATION INCOME

The Council credited the following taxation and general grants to the Comprehensive Income and Expenditure Statement in 2011/12;

Notes to the Core Financial Statements

	2011/12 £000	2010/11 £000
Credited to Taxation and Non Specific Grant Income		
Income from Council Tax	(93,522)	(91,234)
National Non-Domestic Rates redistribution	(142,512)	(157,367)
Formula Revenue Grant	(44,051)	(22,851)
Recognised Capital Grants and Contributions	(224,140)	(75,238)
Area Based Grant	0	(33,728)
Other Grants (non-service specific)	(3,848)	(1,637)
Total	(508,073)	(382,055)
Credited to Services		
Dedicated Schools Grant	(232,547)	(194,179)
Housing and Council Tax Benefit	(242,645)	(228,984)
Early Intervention Grant	(17,772)	0
Sure Start Grants	0	(14,290)
Schools Standard Grant and Schools Standard Fund	0	(31,896)
Other Grants	(57,029)	(65,130)
Total	(549,993)	(534,479)

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that have not yet been satisfied. The balances at the year-end are as follows:

	2011/12 £000	2010/11 £000
Capital Grants	(744)	(1,117)
Revenue Grants	(3,778)	(2,091)
Total	(4,522)	(3,208)

32. RECEIPTS IN ADVANCE

	2011/12 £000	2010/11 £000
Revenue Receipts in Advance		
Capital Contributions Unapplied	36,875	35,169
Council Tax	5,311	5,293
PFI Schemes	16,441	16,512
Other Receipts in Advance	8,015	7,930
Total Receipts in Advance	66,642	64,904

33. RELATED PARTY TRANSACTIONS

This note discloses additional information on transactions between the Council and its related parties. 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. The purpose of the note is to demonstrate fairness and openness in the Accounts.

Notes to the Core Financial Statements

(a) Central Government and Other Local Authorities

The general government grants received are shown in Note 31 to the Core Financial Statements. The precept to the Greater London Authority is shown in the notes of the Collection Fund in Section 4b of the Accounts. There were numerous other transactions between the Council and other Local Authorities.

(b) Subsidiaries, Associated Companies and Joint Ventures

The companies that are related to the Council are detailed in Note 26 to the Core Financial Statements. The note also shows the material financial transactions between the two parties.

(c) Members and Chief Officers

Members of the Council have direct control over the Council's financial and operating policies. The total cost of members (including allowances) is shown in Note 27. This note has been compiled by using the Council's Register of Members and Chief Officers' Declarations of Interests. This is open to public inspection at the Civic Suite at Lewisham Town Hall.

Declarable related party transactions where the Council has paid amounts of over £2,000 in 2011/12 to an organisation are shown as below (amount paid in brackets):

- The Mayor, Sir Steve Bullock, is a member of the Friends of the Horniman Museum (£23k).
- Councillor Adefiranye is a committee member of the Marsha Phoenix Memorial Trust (£0.25m).
- Councillor Affiku is employed by Lewisham Healthcare with whom Lewisham operates joint commissioning arrangements for health and social care (approximately £200m).
- Councillor Bell is a member of Bold Vision (£16k).
- Councillor Best is a member of Voluntary Action Lewisham (£0.3m), the Friends of the Horniman Museum (£23k), Sydenham Gardens (£7k), the Sydenham Society (£2.5k) and the London Wildlife Trust (£2k).
- Councillor Bonavia is a member and trustee of Age Exchange Theatre Trust (£96k) and was a member of Lewisham & Southwark Age Concern for part of the year (£42k).
- Councillor Clarke is a member of the Grove Park Community Group (£43k).
- Councillor Liam Curran is a member of Lewisham Plus Credit Union (£53k).
- Councillor Janet Daby is employed by Hillcrest Care Ltd (£47k).
- Councillor Egan is a member of Lewisham Park Housing Association (£0.59m) and Hither Green Community Association (£3k).
- Councillor Feakes is a member of Forest Hill and Sydenham Voluntary Service Association (£0.1m) and Sydenham Arts Festival (£5k).
- Councillor Fletcher is a board member of Phoenix Community Homes (£0.64m) and on the Council of Management of the Lewisham Youth Theatre (£68k).
- Councillor Foreman is employed by Haberdasher's Askes Knights Academy to whom Lewisham paid £0.6m in 2011/12 (£0.6m).
- Councillor Hall is a board member of the Phoenix Community Homes (£0.64m).
- Councillor Harris is a member of Lewisham Park Housing Association (£0.59m).
- Councillor Johnson is a committee member of the Marsha Phoenix Memorial Trust (£0.25m).
- Councillor Klier is a member and trustee of Age Exchange Theatre Trust (£96k).
- Councillor Long is Chair (remunerated) of the South London and Maudsley NHS Trust (£2.4m), and a member of the Millwall Community Scheme (£0.16m).
- Councillor Mallory is a member of Deptford Challenge Trust (£0.25m).
- Councillor Millbank is a member of Voluntary Action Lewisham (£0.3m), the Ackroyd Community Association (£0.16m), the Oak Hill Community Nursery (£63k) and Cambridge House (£23k).
- Councillor Morrison is employed by the North Downham Training Project (£0.24m) and is on the Management Committee of the Ackroyd Community Centre (£0.16m).
- Councillor Muldoon is a board member of the South London and Maudsley NHS Trust (£2.4m) and a member of the Noah's Ark Children's Venture (£64k).
- Councillor Nisbet is a member of Lewisham & Southwark Age Concern (£42k) and is a member of Sydenham Gardens (£67k).
- Councillor Onuegbu is a member of the South London and Maudsley NHS Trust (£2.4m).
- Councillor Jacqueline Paschoud is a member of Contact a Family – Lewisham (£0.1m).
- Councillor Paschoud is a member of the Ravensbourne Project (£0.24m), the Lewisham Disability Coalition (£0.16m) and Contact a Family – Lewisham (£0.1m).

Notes to the Core Financial Statements

- Councillor Peake is a member of the Friends of the Horniman Museum (£23k), the Forest Hill Society (£2.4k) and the Sydenham Society (£2.5k).
- Councillor Smith is a member of South East Enterprise (£98k) and Groundwork Trust, London South (£51k).
- Councillor Till is employed by Dinardo Ltd (£0.45m), a member of the Marsha Phoenix Memorial Trust (£0.25m), the North Downham Training Project (£0.24m), the Ackroyd Community Association (£0.16m), the Noah's Ark Children's Venture (£64k), the Parents Support Group (£28k), the London Youth Games (£11k) and the Rockbourne Youth Management Committee (£10k).
- Councillor Wise is a member of Sydenham Gardens (£67k).
- Up to October 2011, the Interim Executive Director for Regeneration was the Director of Interea Consulting, to whom Lewisham paid £0.13m in 2011/12 (£0.24m in 2010/11) for his services.

(d) Lewisham Pension Fund

- The Council's contribution to the Pension Fund in 2011/12 on behalf of its employees was 24.7m (£25.0m in 2010/11).
- The cost of administering the Pension Fund of £0.55m (£0.47 in 2010/11) was charged to the fund in 2011/12.
- As at the 31 March 2012 the Pension Fund owed the Council £1.56m (as at 31 March 2011 the Pension Fund had 0.04m of cash balances invested with the Council).

34. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR movement is further analysed in the second part of this note.

	2011/12 £000	2010/11 £000
Opening Capital Financing Requirement	372,648	404,066
Capital investment		
Property, Plant and Equipment	73,781	51,362
Investment Properties	0	308
Intangible Assets	0	0
Revenue Expenditure Funded from Capital under Statute	11,874	3,942
	85,655	55,612
Sources of finance		
Capital Receipts	(21,122)	(11,919)
Government Grants and other contributions	(44,958)	(25,447)
Sums set aside from Revenue:	(1,620)	(1,689)
Minimum Revenue Provision	(6,883)	(6,439)
Other: HRA Self Financing / Transfer of Housing Stock	(136,338)	(41,536)
	(210,921)	(87,030)
Movement in Capital Financing Requirement in Year	(125,266)	(31,418)
Closing Capital Financing Requirement	247,382	372,648

Notes to the Core Financial Statements

Explanation of CFR movements in year	2010/11 £000	2010/11 £000
Increase in underlying need to borrowing (supported by government financial assistance)	15,350	13,912
Increase in underlying need to borrowing (unsupported by government financial assistance)	2,605	2,645
Debt Redeemed - HRA Self Financing / Housing Stock Transfer/ MRP	(143,221)	(47,975)
Increase/ (decrease) in Capital Financing Requirement	(125,266)	(31,418)

35. LEASES

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.

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.

a) Authority as a Lessee**i) Finance Leases**

The Council does not have any properties held under finance leases.

ii) Operating Leases

The Authority has operating leases in the following areas:

Council Dwellings (life of 25 years),
School Plant and Equipment (life ranging from 1 - 7 years),
Council Plant and Equipment (contract expires in 2011-12)
Refuse Vehicles.

The future minimum lease payments due under non-cancellable leases in futures are:

	31/03/12 £000	31/03/11 £000
Not later than one year	3,022	2,934
Later than one year and not later than five years	6,066	7,755
Later than five years	27,208	29,000
	36,296	39,689

The expenditure charged to services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

Notes to the Core Financial Statements

	31/03/12 £000	31/03/11 £000
Minimum lease payments	3,231	3,001
	3,231	3,001

b) Authority as a Lessor**i) Finance Leases**

The Council has leased out a small number of commercial properties. The Council has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

Finance lease debtor (net present value of minimum lease payments):	31/03/12 £000	31/03/11 £000
Current	175	213
Unearned finance income	-	-
Gross investment in the lease	175	213

The gross investment and the minimum lease payments will be received over the following periods;

	Gross Investment in the Lease		Minimum Lease Payment	
	31/03/12 £000	31/03/11 £000	31/03/12 £000	31/03/11 £000
Not later than one year	87	112	87	112
Later than one year and not later than five years	141	202	141	202
Later than five years	236	178	236	178
	464	492	464	492

ii) Operating Leases

The Authority leases out Commercial property for Investment purposes.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31/03/12 £000	31/03/11 £000
Not later than one year	2,037	2,251
Later than one year and not later than five years	6,959	7,718
Later than five years	21,905	23,577
	30,901	33,546

36. PRIVATE FINANCE INITIATIVES (PFI) CONTRACTS

Notes to the Core Financial Statements

a) Description of PFI Contracts

i) Downham Lifestyles Centre PFI

A PFI agreement was signed in September 2005 for the provision of the Downham Lifestyles Centre for a period of 32 years. The centre provides health and leisure facilities and opened in March 2007. Unitary charge payments were £2.0m in 2011/12 (£1.9m in 2010/11). It is expected that the lifetime unitary charge payments will be £74m.

ii) Brockley Area Housing PFI

An HRA PFI agreement was signed in June 2007 for the provision of the housing management services, repairs and maintenance and Decent Homes Standard refurbishment work to 1,845 leasehold and tenanted properties in the Brockley area. Under this contract the Council made unitary charge payments of £13.8m in 2011/12 (£13m in 2010/11). The contract is for a 20 year period and over its lifetime the project is expected to cost £314m.

iii) Grouped Schools PFI

A PFI contract was signed in August 2006 for the rebuild and running of three schools for 30 years at an estimated cost of £226m;

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

The unitary charge for 2011/12 was £6.9m (£6.8m in 2010/11).

iv) BSF 1 - Catford and Sedgemoor Schools

A PFI contract was signed in December 2007 for the rebuild and running of two secondary schools, Sedgemoor and Catford High (now Conisborough). The operational start dates were January 2009 for Sedgemoor School and April 2009 for Conisborough School. The unitary charge for 2011/12 was £8.2m (£8m in 2010/11). The estimated cost over the 26 year operational life of the contract is £238m.

v) BSF 2 - Northbrook School

A PFI contract was signed in 2009/10 for the construction of Northbrook School and the school became operational in January 2011. The unitary charge for 2011/12 was £2.8m (£0.7m in 2010/11). The estimated cost over 27 years is estimated to be £85m.

vi) BSF 3 – Deptford Green School

A PFI contract was signed in 2010/11 for the rebuild and running of Deptford Green Secondary School. The school is due to be operational in September 2012. The projected unitary payment of £4m per annum will begin on 1 September 2012 (part of the payment will be indexed by RPIx). The contract will run for 25 years at an estimated cost of £116m

vii) BSF 4 - Bonus Pastor and Prendergast the Vale Schools and Drumbeat Special Needs School

A PFI contract was signed in 2010/11 for the rebuild and running of two secondary schools, Bonus Pastor and Prendergast the Vale, and a new special needs school (Drumbeat). The two secondary schools are due to be operational in September 2012 and April 2013 respectively, and Drumbeat in April 2013. The projected unitary payment will be £7.5m per annum. Three quarters of this charge will begin in September 2012 and upon completion of Drumbeat the full amount will be paid (part of the payment will be indexed by RPIx). The contract will run for 25.5 years at an estimated cost of £221m.

viii) Street Lighting

The council together with Croydon Council entered into a joint Street Lighting PFI contract with Skanska in August 2011 for a period of 25 years. The part year contract charge for 2011/12 was £4.3m which was split between the Councils with Lewisham paying 36% and Croydon 64%. This sum is offset by PFI grant. The contract provides for the replacement of street lighting columns over the first five years and maintenance over the term of the contract.

Notes to the Core Financial Statements

b) Movement in PFI Assets in year

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

	2011/12		2010/11	
	£000	£000	£000	£000
Gross Book Value B/fwd		215,999		228,566
Additions		5,003		31,715
Revaluations (recognised in Revaluation Reserve)	0		2,507	
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	19		511	
Total Revaluations		19		3,018
Impairments (recognised in Revaluation Reserve)	0		(2,125)	
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0		(45,112)	
Total Impairments		0		(47,237)
Disposals		0		(63)
Gross Book Value at End of the Year		221,021		215,999
Depreciation Balance B/fwd		(4,039)		(482)
Depreciation for year		(4,489)		(4,041)
<u>Depreciation written back on:</u>				
Assets Impaired		0		482
Assets sold		0		2
Depreciation Balance c/fwd to following year		(8,528)		(4,039)
Net Book Value at End of the Year		212,493		211,960

c) Payments due under PFI contracts

The Council makes an agreed fixed 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 cash payments due to be paid (as part of a unitary charge) for each PFI. The price base is in nominal terms assuming a 2.5% 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

	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF Catford & Sedgehill	BSF Northbrook	Deptford Green School	Bonus Pastor School	Street Lighting	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Payments due within 1 year									
Service charges	5,474	202	2,306	2,165	674	493	22	1,554	12,890
Interest	5,842	1,515	3,725	4,784	1,923	1,585	3,305	318	22,997
Repayment of liability	2,699	113	736	1,224	273	351	53	624	6,073
Planned lifecycle costs	41	200	263	132	0	1	0	0	637
	14,056	2,030	7,030	8,305	2,870	2,430	3,380	2,496	42,597
within 2 to 5 years									
Service charges	25,256	861	9,880	9,326	2,870	2,647	5,286	5,232	61,358
Interest	20,789	6,174	14,131	18,105	7,444	11,523	23,320	4,704	106,190
Repayment of liability	11,908	619	2,999	5,374	1,209	2,539	2,785	3,051	30,484
Planned lifecycle costs	622	852	1,985	1,360	206	33	0	0	5,058
	58,575	8,506	28,995	34,165	11,729	16,742	31,391	12,987	203,090
within 6 to 10 years									
Service charges	42,814	1,204	14,004	13,313	3,964	3,616	7,311	5,415	91,641
Interest	18,838	7,831	15,677	19,435	8,531	13,428	27,658	8,208	119,606
Repayment of liability	14,664	713	4,051	7,111	1,886	4,003	3,860	5,260	41,548
Planned lifecycle costs	2,643	1,260	4,650	5,165	895	922	2,221	0	17,756
	78,959	11,008	38,382	45,024	15,276	21,969	41,050	18,883	270,551
within 11 to 15 years									
Service charges	49,250	1,362	16,106	15,430	4,477	4,165	8,347	7,286	106,423
Interest	10,704	8,015	13,232	15,485	7,389	11,705	25,330	6,314	98,174
Repayment of liability	23,112	1,299	5,926	9,990	2,639	5,151	6,444	6,148	60,709
Planned lifecycle costs	3,054	1,440	5,788	7,011	1,539	2,246	3,187	0	24,265
	86,120	12,116	41,052	47,916	16,044	23,267	43,308	19,748	289,571
within 16 to 20 years									
Service charges	630	1,541	18,532	17,888	5,066	4,834	9,565	9,804	67,860
Interest	211	7,693	10,426	10,385	5,729	9,062	20,392	3,761	67,659
Repayment of liability	647	2,082	11,010	16,363	4,349	6,677	9,475	7,087	57,690
Planned lifecycle costs	1	1,645	4,103	6,549	1,769	4,166	6,433	0	24,666
	1,489	12,961	44,071	51,185	16,913	24,739	45,865	20,652	217,875
within 21 to 25 years									
Service charges	0	1,743	17,362	12,083	5,731	5,613	10,966	11,299	64,797
Interest	0	6,882	4,238	1,662	2,972	5,668	12,540	504	34,466
Repayment of liability	0	3,563	14,095	12,263	7,249	9,860	16,752	6,883	70,665
Planned lifecycle costs	0	1,862	3,205	3,714	1,943	5,261	8,497	0	24,482
	0	14,050	38,900	29,722	17,895	26,402	48,755	18,686	194,410
within 26 to 30 years									
Service charges	0	760	0	0	514	306	2,379	0	3,959
Interest	0	2,310	0	0	40	385	1,023	0	3,758
Repayment of liability	0	2,155	0	0	751	1,323	4,593	0	8,822
Planned lifecycle costs	0	811	0	0	253	559	2,136	0	3,759
	0	6,036	0	0	1,558	2,573	10,131	0	20,298
Total Payments Due	239,199	66,707	198,430	216,317	82,285	118,122	223,880	93,452	1,238,392

d) PFI Liabilities

The unitary payments made to the contractors have been calculated to compensate them for the fair value of the services they provide, the capital expenditure they have incurred and interest they have paid whilst the capital expenditure remains to be reimbursed.

The Council's outstanding liability to pay to the contractors for capital expenditure incurred is as follows;

Notes to the Core Financial Statements

	Liabilities Due within 1 Year		Deferred Liabilities	
	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000
Balance outstanding at start of year	4,900	6,968	173,073	146,189
Movement in Year	769	(2,068)	(765)	26,884
Balance outstanding at end of year	5,669	4,900	172,308	173,073

37. LONG TERM CONTRACTS**a) Leisure Centre Management**

At the start of 2011/12 the Council had a Public Private Partnership (PPP) investment contract for the management of three of its five leisure facilities (Bridge Leisure Centre, Ladywell Arena and the Wavelengths Leisure Centre) with Parkwood. The arrangement included investment, totalling £2.7m over the life of the contract, to upgrade and maintain the facilities. The contract commenced in October 2001 and ran until October 2011. However, due to the extension of the Wavelengths Leisure Centre and Library in August 2008 to include a new 25m pool and changing areas, a variation was agreed to manage the extended facility. The total payment under the revised contract in 2011/12 was £0.84m (£1.44m in 2010/11).

The two remaining centres were run under management only contracts which were due to expire on the 14 October 2006. The Forest Hill Pools contract was allowed to expire on its due date but was still managed under an extension contract until 2009 to enable the site to be maintained and secured. The Ladywell Leisure Centre contract was due to expire in April 2010 but a further Variation was secured to allow the contract to be extended until October 2011 to bring it in line with the existing Parkwood Contract. The total payment for these contracts in 2011/12 was £0.25m (£0.5m in 2010/11).

From October 2012 the Council entered into a new, 15 year contract with Fusion Lifestyles for the operation of all of the current leisure centres plus Bellingham Leisure & Lifestyle Centre. The contract will also cover both the new Forest Hill centre when it opens and the new centre in Loampit Vale, Lewisham which will replace the current Ladywell site. The total payment on this contract in 2011/12 was £0.69m.

b) Parks and Open Spaces

The Council entered into a 10 year Green Space Contract with Glendale Grounds Management on 1st March 2010. The contract has a 5 year break clause. Contract payments to the value of £3.3m were made in 2011/12 (£3.4m in 2010/11). The contract covers parks and open spaces, highways enclosure and housing grounds maintenance on Lewisham homes sites. There is no investment element to this contract.

c) Networks and Telecommunications and Primary ICT Services

Lewisham Council and Bromley Council jointly procured services from Capita for a period of up to 9 years. The contracts began on 1 April 2011 and run for 5 years, with options to extend for up to 4 more years. For Lewisham Council the cost is £2.3m per annum, which is fixed for the first 3 years of the contract.

d) Schools' ICT Framework

As part of the Building Schools for the Future programme, an ICT Framework agreement was signed in December 2007 for the provision of interim and full ICT managed service provision for secondary schools in the Borough over a period of 10 years. Capital investment in ICT equipment for 2011/12 was £1m (£1m in 2010/11), with the total estimated capital expenditure over the life of the contract to be just under £20m. The revenue implications of the ICT managed service are being met by the individual schools.

Notes to the Core Financial Statements

e) Internal Audit Contract

In September 2011 the Council entered into a 3 year contract with RSM Tenon for the provision of internal audit services. This contract has a total value of £1.1m.

f) IT contract for licenses and support

In May 2012 the Council entered into a 4 year contract with Oracle for licenses and support on the financial information system. This contract has a total value of £1m.

38. TERMINATION BENEFITS

The government's strategy to reduce the national deficit over the lifetime of this Parliament principally affects the council's future funding plans, but has had some direct effects on the 2011/12 accounts.

A sum of £9.6m for termination of employment costs, affecting 415 employees, has been recognised in the accounts as the council has implemented savings and staff reductions in response to the new funding climate. This sum includes payments of £1.5m to the Pension Fund in respect of employees who have been granted early access to their pensions. The costs of termination benefits in 2010/11 was £7.3m.

39. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Council are members of the Teachers Pension Scheme, which is administered by Capita on behalf of the Department for Education (DfE). The scheme provides benefits for teachers upon their retirement with the Council making contributions to the scheme based on a percentage of members pensionable pay. The scheme is unfunded and the DfE use a notional fund to set a national employers contribution rate which is paid by all employers.

The Teachers Pensions Scheme is technically a defined benefit scheme. However, the assets and liabilities of the Teachers' scheme cannot reliably be identified at individual employer level and therefore for the purposes of this Statement of Accounts it is accounted for on the same basis as a defined contribution scheme.

In 2011/12 the Council paid £12.0m to the DfE in respect of teachers' pension costs (£12.2m in 2010/11). This represented 14.1% of pensionable pay between April 2011 and March 2012.

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These benefits are fully accrued in the pensions liability shown in Note 40 below.

40. DEFINED BENEFIT PENSION SCHEMES

a) Participation in pensions 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 therefore are required to be disclosed at the time that employees earn their future entitlement.

The Council makes contributions on behalf of its employees to two pension schemes:

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

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

Notes to the Core Financial Statements

b) Transactions relating to retirement benefits

In accordance with International Accounting Standard 19 (IAS19), the Council recognises the cost of retirement benefits relating to the LGPS and LPFA in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge which is required against council tax is based on the cash payable in the year so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made during the year in the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the General Fund Balance:

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		LPFA	
	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000
<u>Cost of Services</u>				
Current Service Cost	22,247	25,577	381	572
Past Service Cost	1,119	(126,186)	0	(5,599)
Curtailments and Settlements	2,260	660	196	0
<u>Financing and Investment Income and Expenditure</u>				
Interest Cost	58,150	67,088	3,732	4,052
Expected Return on Scheme Assets	(48,752)	(48,664)	(2,937)	(2,944)
Total Retirement Benefits charged to the Surplus or Deficit on the Provision of Services	35,024	(81,525)	1,372	(3,919)
<u>Other charges to the Comprehensive Income and Expenditure Statement</u>				
Actuarial Gains and (Losses)	(79,816)	169,898	(5,825)	21,323
Total Retirement Benefits charged to the Comprehensive Income and Expenditure Statement	(44,792)	88,373	(4,453)	17,404
Movement in Reserves Statement				
Reversal of net charges made for Retirement Benefits to the Surplus or Deficit on the Provision of Services	(35,024)	81,525	(1,372)	3,919
Actual amount charged against General Fund and HRA Balances for pensions in the year:				
Employers' contributions payable to scheme	27,656	29,852	1,353	710

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement at 31st March 2012 is a loss of £363.412m (£345.489m for the LGPS and £17.923m for the LPFA).

c) Assets and Liabilities in relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2012 are shown in the following tables detailing a reconciliation of opening and closing balances. It should be noted that the valuation of the assets was based on December 2011 data and may differ from the final valuation shown in the Pension Fund Accounts.

Notes to the Core Financial Statements

Reconciliation of Present Value of the Scheme Liabilities	Local Government Pension Scheme		LPFA	
	31 Mar 12 £000	31 Mar 11 £000	31 Mar 12 £000	31 Mar 11 £000
Opening Scheme Liabilities	1,061,105	1,319,354	69,484	86,181
Adjustments relating to previous year	0	0	0	0
Current Service Cost	22,247	25,577	381	572
Interest Cost	58,150	67,088	3,732	4,052
Contributions by Members	7,465	8,376	117	139
Actuarial Losses/(Gains)	50,320	(194,632)	5,815	(11,474)
Past Service Costs	1,119	(126,186)	0	(5,599)
Losses on Curtailments	2,260	660	0	0
Liabilities Extinguished on Settlements	0	0	0	0
Estimated Unfunded Benefits Paid	(4,884)	(5,085)	(256)	(256)
Estimated Benefits Paid	(35,978)	(34,047)	(3,714)	(4,131)
Closing Scheme Liabilities	1,161,804	1,061,105	75,756	69,484

Reconciliation of Fair Value of the Scheme Assets	Local Government Pension Scheme		LPFA	
	31 Mar 12 £000	31 Mar 11 £000	31 Mar 12 £000	31 Mar 11 £000
Opening Fair Value of Scheme Assets	709,444	686,418	59,118	49,863
Adjustments relating to previous year	0	0	0	0
Expected Return on Assets	48,752	48,664	2,937	2,944
Actuarial Gains/(Losses)	(29,496)	(24,734)	(9)	9,849
Contributions by the employer	22,772	24,767	1,097	454
Contributions by members	7,465	8,376	117	139
Contributions in respect of Unfunded Benefits	4,884	5,085	256	256
Benefits Paid	(35,978)	(34,047)	(3,970)	(4,131)
Unfunded Benefits Paid	(4,884)	(5,085)	(256)	(256)
Assets Distributed on Settlements	0	0	0	0
Closing Fair Value of Scheme Assets	722,959	709,444	59,546	59,118

The actual return on scheme assets in 2011/12 showed a gain of £19.392m for the LGPS (gain of £43.882m for 2010/11) and a gain of £2.928m for the LPFA (gain of £3.445m for 2010/11).

d) Scheme History

Scheme History	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000	2007/08 £000
Local Government Pension Scheme					
Fair Value of Scheme Assets	722,959	709,444	686,418	485,433	635,822
Present Value of Scheme Liabilities	(1,161,804)	(1,061,105)	(1,319,354)	(793,449)	(812,380)
Surplus/Deficit	(438,845)	(351,661)	(632,936)	(308,016)	(176,558)
LPFA					

Notes to the Core Financial Statements

Fair Value of Scheme Assets	59,546	59,118	49,863	47,221	54,611
Present Value of Scheme Liabilities	(75,756)	(69,484)	(86,181)	(59,938)	(62,474)
Surplus/Deficit	(16,210)	(10,366)	(36,318)	(12,717)	(7,863)
Total Liability	(455,055)	(362,027)	(669,254)	(320,733)	(184,421)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. Whilst the total liability of £455m has a significant impact on the net worth of the authority as recorded in the balance sheet, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees (i.e. before the payments become due), as assessed by the scheme actuary. Finance is only required to fund the payment of discretionary benefits when they are actually paid to pensioners.

The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2013 are £22.4m. The total expected contributions to the LPFA in the year to 31 March 2013 are £0.9m.

e) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by independent firms of actuaries (the LGPS by Hymans Robertson and the LPFA by Barnett Waddingham), based on their latest triennial valuations as at 31st March 2010.

The main assumptions used in the valuations are:

	Local Government Pension Scheme		LPFA	
	2011/12	2010/11	2011/12	2010/11
Expected rate of return on scheme assets				
Equities	6.2%	7.5%	6.3%	7.2%
Bonds	3.9%	4.9%	-	-
Property	4.4%	5.5%	-	-
Target Return Portfolio	-	-	4.5%	5.0%
Cash	3.5%	4.6%	3.0%	3.0%
Cashflow Matching	-	-	3.3%	4.4%
Rate of Inflation – CPI	2.5%	2.8%	2.5%	2.7%
Rate of Inflation – RPI	-	3.6%	3.3%	3.5%
Salary Increase Rate *	4.8%	5.1%	4.2%	4.5%
Rate for discounting scheme liabilities	4.8%	5.5%	4.6%	5.5%
	Local Government Pension Scheme		LPFA	
	2011/12	2010/11	2011/12	2010/11
Mortality assumptions				
Longevity at 65 for current pensioners				
Men	21.0yrs	21.0yrs	20.1yrs	20.0yrs
Women	23.8yrs	23.8yrs	23.0yrs	22.9yrs
Longevity at 65 for future pensioners				
Men	22.9yrs	22.9yrs	22.1yrs	22.0yrs
Women	25.7yrs	25.7yrs	24.9yrs	24.9yrs

Notes to the Core Financial Statements

* Note – Salary increases in the LGPS forecast are assumed to be 1% p.a. until 31 March 2015 reverting to the long term assumption shown thereafter.

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

Fair Value of Total Scheme Assets	Local Government Pension Scheme			LPFA		
	2011/12		2010/11	2011/12		2010/11
	%	£000	£000	%	£000	£000
Equities	71	513,301	524,989	13	7,741	7,094
Bonds	18	130,133	113,511	-	-	-
Property	9	65,066	63,850	-	-	-
Target Return Portfolio	-	-	-	53	31,559	31,924
Cash	2	14,459	7,094	2	1,191	(591)
Cashflow Matching	-	-	-	32	19,055	20,691
Total Value of Assets	100.0	722,959	709,444	100.0	59,546	59,118

f) History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in the years 2007/08 to 2011/12 can be analysed into the following categories, shown also as a percentage of assets or liabilities as at 31 March of that year.

Experience Gains and Losses	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000	2007/08 £000
Local Government Pension Scheme					
Experience Gains/(Losses) on Assets	(29,496)	(24,734)	138,009	(199,461)	(136,900)
As a percentage of Assets	(4.1%)	(3.5%)	20.1%	(41.1%)	(21.5%)
Experience Gains/(Losses) on Liabilities	(50,320)	148,890	(2,015)	135	36,809
As a percentage of Liabilities	(4.3%)	14.0%	(0.2%)	0.0%	5.8%
LPFA					
Experience Gains/(Losses) on Assets	(9)	9,849	3,426	(7,825)	1,512
As a percentage of Assets	(0.0%)	16.7%	6.9%	(16.6%)	4.5%
Experience Gains/(Losses) on Liabilities	(95)	763	633	(11)	5,098
As a percentage of Liabilities	(0.1%)	1.1%	0.7%	0.0%	(8.2%)

41. CONTINGENT LIABILITIES

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

a) The Council wholly owns Lewisham Homes, which is an arms-length management organisation (ALMO) who are responsible for managing and providing housing related services for the Council. In the event that they cease to be a "going concern", all their assets and liabilities would revert to the Council, with the Council being responsible for any net liability. Since the 2011/12 draft accounts of Lewisham Homes show that they made a surplus and that they are a going concern, it is appropriate that this indemnity is disclosed as a contingent liability, rather than raise a provision in the Council's accounts. It is not possible to quantify the extent of the costs that may result from this event happening.

Notes to the Core Financial Statements

b) The ending of the Connexions contract on 31 March 2011 resulted in the Council settling part of the case relating to a TUPE liability but an element remains to be resolved. However, there is still an outstanding claim for a member of staff linked to the TUPE transfer to the council.

42. 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.

43. TRUST FUNDS

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

	Balance 31/03/2010 £000	Movement in 10/11 £000	Balance 31/03/2011 £000	Movement in 11/12 £000	Balance 31/03/2012 £000
Children and Young People	27	1	28	0	28
Community Services	29	(6)	23	239	262
Cemeteries Graves Maintenance	11	11	22	(1)	21
Comforts Fund	1	0	1	0	1
Total Trust Funds	68	6	74	238	312

Interest on trust funds is credited annually at the average rate earned on the Council's revenue balances. The fund balances as at 31 March 2012 were invested as follows:

	Balance 31/03/2010 £000	Balance 31/03/2011 £000	Balance 31/03/2012 £000
External Investments	27	27	27
Cash	41	41	41
Total Trust Funds	68	68	68

44. HERITAGE ASSETS

	2011/12 £000
Balance at Beginning of Year	0
Additions	257
Disposals	0
Revaluations	0
Impairments	0
Balance at End of Year	257

These assets comprise Lewisham Clock Tower and the Civic Regalia.

Notes to the Core Financial Statements

45. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2010/11 £000s		2011/12 £000s
2,336	Interest Received	2,970
(19,593)	Interest Paid	(37,387)
(17,257)		(34,417)

46. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2010/11 £000s		2011/12 £000s
(48,301)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(71,109)
(184,871)	Purchase of short and long term investments	(120,000)
(7,272)	Other payments for Investing Activities	(347)
22,104	Proceeds from the sale of property plant and equipment, investment property and intangible assets	14,555
146,163	Proceeds from short-term and long-term investments	158,438
22,576	Other Receipts from Investing Activities	46,467
(49,601)	Net cash flows from investing activities	28,004

47. CASH FLOW STATEMENT - FINANCING ACTIVITIES

2010/11 £000s		2011/12 £000s
38,685	Cash receipts of short and long term borrowing	23,421
0	Other receipts from financing activities	2,714
(4,903)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(4,900)
(43,685)	Repayment of Short-Term and Long-Term Borrowing	(161,628)
(3,234)	Other payments for financing activities	0
(13,137)	Net cash flows from investing activities	(140,393)

Notes to the Core Financial Statements

Housing Revenue Account

SECTION 4a

**HOUSING
REVENUE
ACCOUNT**

2011/12

Housing Revenue Account

HOUSING REVENUE ACCOUNT

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

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT	2011/12	2010/11	
	£000	£000	Note
INCOME			
Gross Rent - Dwellings	(63,900)	(65,138)	1
Gross Rent - Other Housing Properties	(3,636)	(3,520)	1
Charges for Services and Facilities	(9,723)	(8,683)	1
Housing Subsidy - Housing Element	(15,145)	(15,527)	2
Contribution towards Expenditure	(3,888)	(6,048)	4
Government Grant - Self Financing Debt Repayment / Stock Transfer Overhanging Debt	(178,100)	(41,537)	
Total Income	(274,392)	(140,453)	
EXPENDITURE			
Supervision and Management - General Expenses	29,320	33,897	5
Supervision and Management - Special Expenses	5,478	6,380	6
Repairs and Maintenance	19,978	20,561	7
Repairs and Maintenance Funded by Major Repairs Allowance	10,811	13,151	15
Rent, Rates and Other Charges	282	379	8
Rent Rebate Subsidy Shortfall	(13)	850	3
Contribution to Doubtful Debts Provision	779	1,338	9
Depreciation - Dwellings	15,329	18,010	11
Depreciation - Other Housing Assets	1,052	994	11
Impairment of Non Current Assets	12,620	322,577	
Debt Management Expenses	48	48	
Total Expenditure	95,684	418,185	
Net Cost of Services included in the Council's Income and Expenditure Account	(178,708)	277,732	
HRA Services share of CDC	134	140	
HRA share of other amounts included in the Council's net cost of services but not allocated to specific services	0	0	
Net Cost of HRA Services	(178,574)	277,872	
HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement			
(Gain) / Loss on Sale of HRA Non Current Assets	(2,105)	(6,943)	
Interest Payable and Similar Charges	58,189	17,046	12
Interest and Investment Income	(254)	(213)	
Pension Interest Cost and Expected Return on Pension Assets	14	(29)	17
Deficit for the Year on HRA Services	(122,730)	287,733	

Housing Revenue Account

HOUSING REVENUE ACCOUNT - MOVEMENT IN RESERVES STATEMENT

	2011/12 £000	2010/11 £000
Balance on the HRA at the End of the Previous Year	9,908	9,760
Surplus or (Deficit) for the year on the HRA Income and Expenditure Statement	122,730	(287,733)
Adjustments between Accounting Basis and Funding Basis under Statute	(129,640)	269,395
Net Increase or (Decrease) before Transfers (To) / From Reserves	(6,910)	(18,338)
Transfers (To) / From Reserves	14,183	18,486
Increase or (Decrease) in Year on the HRA	7,273	148
Balance on the HRA at the End of the Year	17,181	9,908

An analysis of the amounts included within the figures for "Adjustments between Accounting Basis and Funding Basis under Statute" can be found within Note 6 to the Core Financial Statements.

Details of the movement in Housing Revenue Account Reserves and Balances can be found within Note 16 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 2012, 1.3% of lettable property was empty (2.4% at 31 March 2011). These figures for empty property exclude accommodation for the homeless and dwellings designated for sale, major works and improvements. Average rents were £81.70 in 2011/12 and £77.82 per week in 2010/11.

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

a) Housing stock

The Council was responsible for managing 15,160 dwellings as at 31 March 2012 (15,195 as at 31 March 2011). There were no stock transfers during 2011/12 (During 2010/11 one stock transfer took place: 2,427 flats and houses in the Chrysalis (Forest Hill, Rushey Green and Catford) area were transferred to London and Quadrant Housing Association).

The stock is made up as follows:

	31/03/2012 Number	31/03/2011 Number
Houses and Bungalows	2,446	2,447
Flats and Maisonettes	12,714	12,748
Stock at 31 March	15,160	15,195

The changes in stock can be summarised as follows:

	2011/12 Number	2010/11 Number
Stock at 1 April	15,195	17,893
Less Sales, Demolitions, etc.	(50)	(271)
Less Stock Transfers	0	(2,427)
Add Re-purchases, Conversions etc.	15	0
Stock at 31 March	15,160	15,195

b) Rent arrears

	2011/12 £000	2010/11 £000
Arrears due from former tenants	3,202	2,931
Arrears due from current tenants	2,246	3,071
Total Arrears	5,448	6,002
Total Arrears as % of Gross Rent of Dwellings Due	8.5%	9.2%

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

Housing Revenue Account

c) Rent – other housing property

	2011/12 £000	2010/11 £000
Aerial Sites	252	313
Garage Rents	910	750
Reception Hostels	1,307	1,324
Commercial property Rent	1,115	1,065
Ground Rents	52	68
Total Other Rents and Charges	3,636	3,520

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

Service Charges include caretaking, grounds maintenance, communal lighting and the Lewisham Tenants' Levy. In 2010/11 charges for bulk household waste removal and window cleaning were introduced. In 2011/12, charges for pest control were introduced. The average tenants' service charge was £5.75 in 2011/12 (£4.73 in 2010/11).

	2011/12 £000	2010/11 £000
Heating Charges	979	987
Leasehold Service Charges	4,248	3,558
Tenants Service Charges	4,496	4,138
Total Charges for Services and Facilities	9,723	8,683

2. GOVERNMENT HOUSING EXCHEQUER SUBSIDY

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

	2011/12 £000	2010/11 £000
Management Allowance	16,428	17,116
Maintenance Allowance	23,200	23,981
Major Repairs Allowance	13,010	13,670
Charges for Capital	15,320	14,888
Other Reckonable Expenditure	137	80
PFI Credit	10,353	10,353
Guideline Rent Income	(63,288)	(64,539)
Interest on Receipts	(15)	(22)
Total Housing Element of Subsidy	15,145	15,527

Housing Revenue Account

3. REBATES

Assistance with rents is available under the Housing Benefits scheme for those on low income. Approximately 60% of Council tenants received help under this scheme as at 31 March 2012 (60% as at 31 March 2011). The scheme is administered by the Council. Rent rebates are chargeable to the General Fund and the corresponding subsidy is credited to General Fund.

Subsidy on rent rebates is subject to capping and if the Council's rent is in excess of the Government's limit for subsidy on rebates, the cost of rebates over the subsidy limit is recharged back to the HRA. The shortfall on subsidy due to overpayments is now met by the General Fund. Rent rebate administration costs are fully chargeable to the general fund.

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

	2011/12 £000	2010/11 £000
Rent Rebates Given (GF)	41,337	42,717
Subsidy Received on Rebates (GF)	(41,350)	(41,867)
Net cost to the HRA	(13)	850

4. OTHER INCOME

	2011/12 £000	2010/11 £000
Commission on insurance and water rates	657	712
Court costs	65	102
Government grants	336	439
Recharges of repairs	2,262	3,926
Professional fees	24	36
Recharge to capital receipts	270	429
Hostels: Heat, Light and Water Charges	241	239
Other miscellaneous income	33	165
Total Other Income	3,888	6,048

5. SUPERVISION AND MANAGEMENT – GENERAL 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.

6. SUPERVISION AND MANAGEMENT - 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

7. REPAIRS AND MAINTENANCE

This includes day-to-day repairs to Council housing stock and cyclical external decoration. Void properties prior to re-letting and certain tenants' properties are eligible for internal decoration. Gross repairs and maintenance expenditure for 2011/12 was £20.0m (2010/11 - £20.6m).

8. RENT, RATES AND OTHER CHARGES

This includes expenditure relating to business rates, ground rents and lease rents.

9. CONTRIBUTIONS TO IMPAIRMENT ALLOWANCE (PROVISION FOR DOUBTFUL DEBTS)

In 2011/12 a contribution of £0.78m (2010/11 - £1.34m) was transferred from the HRA to an impairment allowance to meet doubtful debts. Details are as follows:

	2011/12 £000	2010/11 £000
Housing Tenants	4,501	5,349
Leaseholders	2,484	2,453
Commercial Properties, Miscellaneous Debts	671	618
Total Provision for Bad and Doubtful Debts	7,656	8,420

10. NON CURRENT ASSETS

The following table gives details of the valuation of housing assets. 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 (and the Government) of providing housing at less than open market rents. The five yearly revaluation of council dwellings in 2010/11 resulted in a decrease of £300m in the value of the stock as at 31/03/11. For both 2011/12 and 2010/11, additional impairments resulted from capital expenditure which did not technically increase the value of the assets.

	31/03/12 £000	31/03/11 £000
Operational Assets:		
Dwellings (Existing Use Value - Social Housing)	609,047	624,293
Other Land and Buildings	39,667	39,826
Infrastructure	113	119
Vehicles, Plant and Equipment	4,428	2,139
Total Operational Assets	653,255	666,377
Investment Properties	17,374	19,479
Total Housing Assets	670,629	685,856
Valuation of Council Dwellings		
Vacant Possession Value	2,436,188	2,497,172

Housing Revenue Account

11. DEPRECIATION

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

	2011/12 £000	2010/11 £000
Operational Assets		
Dwellings	15,329	18,010
Other Land and Buildings	1,052	994
Total Operational Assets	16,381	19,004
Non Operational Assets	0	0
Total Housing Assets	16,381	19,004

12. AMORTISATION OF PREMIUMS AND DISCOUNTS

Included in the "Interest payable and similar charges" line is the cost to the HRA of loan redemption premiums and income from loan redemption discounts which are amortised over 10 years.

13. HOUSING CAPITAL EXPENDITURE

The level of capital expenditure in 2011/12 (£16.2m) was significantly higher than that in 2010/11 (£4.3m). This is mainly due to a borrowing approval from the Government for Decent Homes improvements. As in previous years, all expenditure that could not be capitalised as a component or did not add value to an existing asset has been charged to revenue. This amount has been fully funded from the Major Repairs Reserve, which can be used for both revenue and capital expenditure.

The total capital receipts from the disposal of housing assets were £2.9m in 2011/12 (£1.1m in 2010/11) of which £1.1m (£0.3m in 2010/11) were defined as usable capital receipts.

	2011/12 £000	2010/11 £000
Capital Expenditure on Housing	16,231	4,327
Financed by:		
Government Supported Borrowing	15,350	2,700
Capital Grants	0	0
Capital Receipts	0	0
Major Repairs Reserve	881	1,627
Total Capital Expenditure Financed	16,231	4,327

14. HRA OUTSTANDING DEBT (CAPITAL FINANCING REQUIREMENT)

Under the current Capital Finance system, there is no requirement to repay principal on housing debt. The total housing debt at 31 March 2012 was £83.5m (£204m as at 31 March 2011). The reduction was due to the debt repayment as part of the preparation for the move to HRA self financing from 1st April 2012.

Housing Revenue Account

15. MAJOR REPAIRS RESERVE

	2011/12 £000	2010/11 £000
Balance B/fwd as at 1 April	(3,211)	(4,320)
Transferred in (depreciation dwellings)	(16,381)	(19,004)
Financing of capital expenditure on housing assets	881	1,627
Financing Revenue Repairs (MRA)	10,811	13,151
Transfer to the HRA	3,371	5,335
Balance C/fwd as at 31 March	(4,529)	(3,211)

16. HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

	Balance at 31/03/2011 £000	Transfers in £000	Transfers out £000	Balance at 31/03/2012 £000
Non-earmarked Balance	0	0	0	0
Property and Stock Related Reserves	6,737	815	(600)	6,952
Staff Related Reserves	300	450	0	750
Other Earmarked Reserves	2,871	6,608	0	9,479
Total	9,908	7,873	(600)	17,181

	Balance at 31/03/2010 £000	Transfers in £000	Transfers out £000	Balance at 31/03/2011 £000
Non-earmarked Balance	0	0	0	0
Property and Stock Related Reserves	6,935	582	(780)	6,737
Staff Related Reserves	300	0	0	300
Other Earmarked Reserves	2,525	346	0	2,871
Total	9,760	928	(780)	9,908

17. 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.

Housing Revenue Account

Collection Fund

SECTION 4b

**COLLECTION
FUND**

2011/12

Collection Fund

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 both Council Tax and National Non-Domestic Rates (NNDR) and the distributions to the Council's General Fund and the Greater London Authority in respect of Council Tax and to the Government in respect of NNDR.

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

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

COLLECTION FUND REVENUE ACCOUNT	2011/12 £000	2010/11 £000	Note
INCOME			
Income from Council Tax (net)	95,713	92,619	3
Transfers from General Fund:			
- Council Tax Benefits	28,623	28,359	3
Income from National Non-Domestic Rates (net)	47,987	48,213	4
TOTAL INCOME	172,323	169,191	
EXPENDITURE			
Precepts and Demands upon the Collection Fund			
- London Borough of Lewisham	92,213	91,184	
- Greater London Authority	27,415	27,109	
National Non-Domestic Rates			
- Payment to National Pool	45,380	46,163	4
- Cost of Collection Allowance	316	321	4
Business Rate Supplement			
- Payment to Greater London Authority	1,487	1,173	
- Administrative Costs	7	8	
Bad and Doubtful Debts			
- Net adjustment to Impairment Allowance (Council Tax)	(1,662)	1,876	5a
- Net adjustment to Impairment Allowance (NNDR)	371	246	5b
- Amounts Written Off (Council Tax)	4,673	745	
- Amounts Written Off (NNDR)	426	302	4
Contributions from previous year's Collection Fund Surplus			
- London Borough of Lewisham	18	52	
- Greater London Authority	5	15	
TOTAL EXPENDITURE	170,649	169,194	
DEFICIT / (SURPLUS) FOR THE YEAR	(1,674)	3	
(SURPLUS) AT THE BEGINNING OF THE YEAR	(29)	(32)	
FUND (SURPLUS) AT THE END OF THE YEAR	(1,703)	(29)	

COLLECTION FUND BALANCE SPLIT INTO ITS ATTRIBUTABLE PARTS

	Surplus as at 31/03/10 £000	Deficit for 2010/11 £000	Surplus as at 31/03/11 £000	Surplus for 2011/12 £000	Surplus as at 31/03/12 £000
London Borough of Lewisham	(25)	3	(22)	(1,290)	(1,312)
Greater London Authority	(7)	0	(7)	(384)	(391)
	(32)	3	(29)	(1,674)	(1,703)

Collection Fund

NOTES TO THE COLLECTION FUND

1. 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.

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

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

The tax base used in setting the council tax is set by the end of January for the following financial year. It is based on the actual number of dwellings on the Valuation List that fall within each valuation band. The total in each band is adjusted for exemptions, single person occupancy discounts, discounts for second homes and long term empty properties, disabled band relief and new properties. The total for each band is then expressed as a "Band D" equivalent number by multiplying the resulting total by the relevant band proportion. The tax base for both 2011/12 and 2010/11 assumed a collection rate of 96.25%.

The table below sets out the tax base calculation for 2011/12;

Council Tax Band	Property Value £000	2011/12			2011/12		2010/11	
		No. of Properties		Band D Ratio	Band D Equivalents as per Ratio	Council Tax Charge £	Band D Equivalents as per Ratio	Council Tax Charge £
		Actual Number (1)	Adjusted Number (2)					
A	up to 40	7,205	5,647	6/9	3,765.0	901.29	3,643	901.29
B	40 - 52	32,324	26,501	7/9	20,611.9	1,051.50	19,908	1,051.50
C	52 - 68	41,427	35,757	8/9	31,783.8	1,201.72	30,907	1,201.73
D	68 - 88	25,206	22,700	1	22,699.8	1,351.93	22,407	1,351.93
E	88 - 120	7,164	6,564	11/9	8,022.4	1,652.36	8,036	1,652.36
F	120 - 160	2,753	2,573	13/9	3,716.6	1,952.79	3,700	1,952.79
G	160 - 320	1,298	1,203	15/9	2,004.2	2,253.22	2,008	2,253.22
H	over 320	177	151	18/9	302.0	2,703.86	300	2,703.86
Totals		117,554	101,096		92,905.7		90,909	
Add: Contributions in lieu					0		0	
Total Band D equivalents					92,905.7		90,909	
Estimated Collection Rate					96.25%		96.25%	
NET COUNCIL TAX BASE					89,422		87,500	

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

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

Collection Fund

3. COUNCIL TAX INCOME

	2011/12		2010/11
	£000	£000	£000
Gross Council Tax Income Due		144,643	143,602
Less: Adjustments to charge	411		604
Exemptions	(5,336)		(5,969)
Disabled Relief	(70)		(74)
Discounts	(15,314)		(15,980)
		(20,309)	(21,419)
Total Due from Council Tax payers		124,334	122,183
Transfers from General Fund for Council Tax Benefits		(28,623)	(28,359)
Adjustment to Charge		2	(1,205)
Net amount of Council Tax Receivable		95,713	92,619

4. NATIONAL NON-DOMESTIC RATES

The Council is responsible for collecting the National Non Domestic Rates (NNDR) (often referred to as Business Rates) which are payable within its area. The amount payable is based upon the rateable value of commercial properties multiplied by the NNDR multiplier, which is set annually by the Government. The amount due is paid over to the Government and redistributed back to councils via the formula grant mechanism. The Council's share of this redistributed money is paid into the General Fund.

	2011/12		2010/11
	£000	£000	£000
Gross NNDR Collectable (after voids and exemptions)		52,635	51,717
Reductions and Relief:			
Mandatory Relief	(4,573)		(3,430)
Discretionary Relief	(170)		(165)
Interest on Refunds and Other Adjustments	95	(4,648)	(1,082)
Total Receivable from Business Rates		47,987	47,040
Irrecoverable Amounts Written Off		(426)	(302)
Net Adjustment to Impairment Allowance		(371)	(246)
Net Amount Collectable from Business Ratepayers		47,190	46,492
Business Rate Supplement			
Payment to Greater London Authority	(1,487)		
Administrative Costs	(7)	(1,494)	
NNDR			
Cost of Collection Allowance transfer		(316)	(329)
Amount Payable to NNDR Pool		45,380	46,163

Collection Fund

	2011/12	2010/11
	£m	£m
Non-Domestic Rateable Value	133.8	133.8
	pence	pence
National Non-Domestic Rate Multiplier	43.3	41.4
National Non-Domestic Rate Multiplier (Small Business)	42.6	40.7

5. COLLECTION FUND ARREARS AND IMPAIRMENT ALLOWANCE (BAD DEBT PROVISION)

a) Council Tax

	31/03/2012	31/03/2011
	£000	£000
Council Tax Arrears	28,054	29,890
Impairment Allowance	(25,512)	(27,174)
As a Percentage of Arrears	90.9%	90.9%

	2011/12		2010/11	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Arrears				
Year of Accounts	5,828	21	6,284	21
Under 2 Years old	4,414	16	5,062	17
Under 3 Years old	4,520	16	4,183	14
Under 5 Years old	7,292	26	6,330	21
Over 5 Years old	6,000	21	8,031	27
Total	28,054	100	29,890	100

Arrears of income from court costs and penalties resulting from recovery action are accounted for in the General Fund. As at 31 March 2012, the arrears were £5.0m (£5.2m at 31 March 2011) with an impairment allowance of £4.4m or 89% (£4.8m or 91% at 31 March 2011).

b) National Non-Domestic Rates

	31/03/2012	31/03/2011
	£000	£000
NNDR Arrears	3,919	3,167
Impairment Allowance	(1,345)	(974)
As a Percentage of Arrears	34.3%	30.8%

	2010/11		2010/11	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Arrears				
Year of Accounts	2,308	59	1,883	59
Under 2 Years old	838	22	858	27
Under 3 Years old	428	11	269	9
Under 5 Years old	288	7	133	4
Over 5 Years old	57	1	24	1
Total	3,919	100	3,167	100

Arrears of income from court costs and penalties resulting from recovery action are accounted for in the General Fund. As at 31 March 2012, the arrears were £117k (£49k at 31 March 2011) with an impairment allowance of £105k or 90% (£44k or 90% at 31 March 2011).

Collection Fund

ANNEXE 2

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

2011/12

GLOSSARY OF TERMS USED IN THE ACCOUNTS

ACCRUALS	Amounts included in the accounts to cover income and expenditure attributable to the financial year, but for which payment had not been received or made as at 31 March.
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	Expenditure on the acquisition or enhancement of assets which significantly prolong their useful lives or increase 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	Represents capital resources 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 National Non-Domestic Rates are paid in order to meet payments due to the Council's General Fund and Preceptors (currently the Greater London Authority).
CONTINGENT LIABILITY	A possible liability to incur future expenditure at the balance sheet date dependant upon the outcome of uncertain events.
CREDITORS	Amount of money owed by the Council for goods, works or services received.
DEBTORS	Amount of money owed to the Council by individuals and organisations.
DEPRECIATION	The loss in value of an asset due to age, wear and tear, deterioration or obsolescence. An annual charge in respect of this is made to service revenue accounts over the life of most assets to reflect the usage in the year.
EARMARKED RESERVES	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	The account which comprises the revenue costs of providing services, which are met by General Government Grants and the Council's demand on the Collection Fund.
INFRASTRUCTURE	A classification of fixed assets which have no market value and which exist primarily to facilitate transportation and communication requirements (e.g. roads, street lighting). They are usually valued at historic cost.

Annexe 2

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.</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.</p> <p>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	<p>The prudent amount which must be charged to an authority's revenue account each year for principal repayments on loans .</p>
NATIONAL NON-DOMESTIC RATE (NNDR)	<p>National Non-Domestic Rate (NNDR) is set by the Government and collected by the Council and paid into the central pool. The Government pays back to the Council their share of the pool as part of the formula grant allocation.</p>
PRIVATE FINANCE INITIATIVE	<p>This is a central government initiative 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 may be reduced if performance targets are not met.</p>
PRECEPT	<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.</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>Represents the gains on the revaluation of non current assets which have not yet been realised through sales.</p>
REVENUE SUPPORT GRANT	<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>
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>

ACRONYMS USED IN THE ACCOUNTS

CDC	Corporate and Democratic Core
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
COP	Code of Practice
DSG	Dedicated Schools Grant
Ex-ILEA	Ex-Inner London Education Authority
FRS	Financial Reporting Standard
HRA	Housing Revenue Account
IAS	International Accounting Standard
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
NDC	Non Distributed Costs
NNDR	National Non-Domestic Rates
PCT	Primary Care Trust
PFI	Private Finance Initiative
SERCOP	Service Reporting Code of Practice
SPV	Special Purpose Vehicle
SSAP	Statement of Standard Accounting Practice
TPS	Teacher's Pensions Scheme
VAT	Value Added Tax