

AUDIT PANEL – 18TH JUNE 2013

APPENDIX 1

LONDON BOROUGH OF LEWISHAM

2012 / 2013 PRE AUDIT STATEMENT OF ACCOUNTS

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FOREWORD

TO THE

STATEMENT OF ACCOUNTS

2012/13

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 2012/13 and shows the financial position as at 31 March 2013. The Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the COP), and the Service Reporting Code of Practice for Local Authorities (SERCOP) 2012/13, jointly developed by CIPFA and the Accounting Standards Board. The Code constitutes 'proper accounting practice' with which local authorities must by statute comply and includes adherence to the International Financial Reporting Standards (IFRS), which were implemented in the 2010/11 accounts and have been maintained since then. There are no fundamental changes to the basis on which the accounts have been compiled for 2012/13. The significant events that have had a major impact on the Statement of Accounts during 2012/13 are outlined in Section 7 of this foreword.

2. THE COUNCIL'S STATEMENT OF ACCOUNTS

The Statement of Accounts comprises this Foreword, a Statement of Responsibilities, an External Auditor's report and sections as outlined below. Following a review, the accounts no longer include Group Accounts (see Accounting Policy 14 and Note 25 to the accounts for details).

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' (i.e. those that can be applied to fund expenditure) and unusable reserves (i.e. those which are used for technical accounting purposes). 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, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'. 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.

Foreword

Section 1d - Cash Flow Statement

This statement shows the changes in cash and cash equivalents of the Council during the year and how it generates and uses these by classifying cash flows into operating, investing and financing activities. The net cash flows from operating activities are a key indicator of the extent to which the operations of the Council are funded by taxation and grant income or from service users. Investing activities show the extent to which cash outflows have been made for resources which contribute to the Council's future service delivery. Cash flows arising from financing activities indicate claims on future cash flows by providers of capital (i.e. borrowing) to the Council. The direct method of compilation has been used in line with the Whole of Government Accounts return.

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 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 – 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.

Section 7 - Glossary

This explains some technical and commonly used terms.

3. REVENUE BUDGET

3a 2012/13 Revenue Budget Setting

The Council set a net budget of £268.5 million for 2012/13 at its meeting on 29th February 2012. This is a decrease of £10.3m or 3.7% on the previous year's net budget requirement of £278.8m. These two figures are not directly comparable due to changes in the local government funding mechanism, but the Council did make a significant reduction in its gross budget.

3b 2012/13 Revenue Budget Funding

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

Foreword

	2012/13 £000	2011/12 £000
Lewisham's Net Budget	268,510	278,793
Less: Formula Grant	3,315	44,050
Less: NNDR received from the national pool	170,994	142,512
Less: Surplus on Collection Fund	1,017	18
General Fund Services to be met from Council Tax	93,184	92,213
Add: Precept (GLA)	27,427	27,415
Total to be met from Council Tax	120,611	119,628

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.

3c 2012/13 Revenue Budget Outturn

During 2012/13, 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 2012/13 financial year there was a net underspend of £3.5m 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 13 June 2013 and the Mayor and Cabinet on the 19 June 2013.

3d 2013/14 Revenue Budget Outlook

The Council set a net budget requirement of £284.6m for 2013/14 at its meeting in February 2013. This is £16.1m higher in cash terms than the equivalent figure for 2012/13, but is not directly comparable due to the continuing changes in the local government funding mechanism and the incorporation of some specific grants into the main formula grant. The council again made significant reductions in its overall budget and a savings package of £20m was agreed. This reflects the significant spending pressures on the council, planning is underway to ensure that expenditure remains affordable in the future. The council has adequate 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.

4. COUNCIL TAX AND NATIONAL NON DOMESTIC RATES (NNDR)**4a 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 89,419 equivalent Band D properties for 2012/13 (88,487 for 2011/12). This then equates to the following Council Tax at Band D:

	2012/13 £000	2011/12 £000	Decrease £	Decrease %
Lewisham's Demand	1,042.11	1,042.11	0.00	0
Add: Preceptor Requirements:				
Greater London Authority	306.72	309.82	3.10	-1.0
Council Tax for Band D	1,348.83	1,351.93	3.10	0.23%

Foreword

4b Council Tax and National Non Domestic Rates Collection Rates

Actual Collection Rates	2012/13 %	2011/12 %	2010/11 %
Council Tax	94.78	94.56	94.09
National Non-Domestic Rates	97.38	97.41	98.98

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

5. CAPITAL PROGRAMME**5a 2012/13 Capital Programme**

A summary of the capital expenditure incurred during the year and how it was resourced is shown below. The percentage spent compared to the revised programme budget was 83%. A number of areas of underspending, mainly on school buildings and housing schemes have been carried forward to 2013/14.

	2012/13 Actual Outturn £m	2012/13 Revised Budget £m	2011/12 Actual Outturn £m
CAPITAL PROGRAMME EXPENDITURE			
Directorates' Capital Programme	69.7	84.2	70.7
Lewisham Homes' Capital Programme	35.9	43.2	28.0
Total Capital Expenditure for the Year	105.6	127.4	98.7
CAPITAL FINANCING			
Borrowing	3.3		17.9
Capital Grants	41.1		45.0
Capital Receipts	16.2		21.1
Capital Expenditure Financed from Revenue	45.0		14.7
Total Capital Expenditure Financed	105.6		98.7

The actual expenditure on major projects in the 2012/13 capital programme was:

Principal programmes and projects of over £1.5m include:	2012/13 Expenditure £m
Directorates' Capital Programme	
Building Schools for the Future (BSF) – Design and Build Programme	15.3
Primary Places Programme (inc Expansion)	20.1
Highways and Bridges (inc TfL programmes)	5.5
Housing Regeneration Schemes	4.5
Schools Works and Upgrades Programme	4.3
Deptford Town Centre, Station and High Street	3.3
MyPlace – Wells Park	2.4
Asset Management Programme	1.8
Forest Hill Pool	1.6
Housing Revenue Account Capital Programme	
Lewisham Homes - Decent Homes programme	26.7
Lewisham Homes – Other Major Works programme	9.2

Foreword

5b 2013/14 Capital Programme

The Council's capital programme budget was agreed at Mayor and Cabinet in February 2013. This outlined the Council's five year programme for the years 2012/13 to 2016/17 of £460m. The majority of the programme is focused on schools with the Primary Places Programme and the major secondary school refurbishment and rebuild programme under the BSF banner is well advanced. Housing self-financing will give the council the opportunity to consider investment in new housing stock, and the decent homes programme should be complete by 2015/16. In addition the council is still pursuing ambitious regeneration schemes, utilising and maximising the value of its assets in prudent yet creative ways to enable further development and regeneration, especially in Catford and Lewisham Centre.

Principal programmes and projects of over £2m include:	2013/14 Budget £m
Directorates' Capital Programme	
Building Schools for the Future (BSF) – Design and Build Programme	36.8
Primary Places Programme	25.8
Schools Minor Works Programme	7.7
Catford Town Centre Regeneration	5.8
Housing Regeneration Schemes	3.3
Asset Management Programme	2.0
Other Schemes (below £2.5m)	10.0
Directorates' Capital Programme	91.4
Housing Revenue Account Capital Programme	60.0
Total Capital Programme - 2013/14	151.4

6. FINANCIAL HEALTH**6a General Fund**

After transfers to and from reserves the General Fund balance now stands at £12.0m. This is an adequate but not excessive level of cover and represents approximately 2.5% of Lewisham's Net Budget Requirement and 2% of the Dedicated Schools Grant expenditure. Lewisham also has earmarked reserves for specific ongoing projects and these are detailed in Note 8 to the Core Financial Statements in Section 3 of the Accounts.

6b Housing Revenue Account

After transfers to and from earmarked reserves the HRA total balance, including earmarked reserves, now stands at £22.9m. The earmarked reserves are for specific ongoing projects and these are outlined in the notes to the HRA statements in Section 4a of the Accounts.

6c Collection Fund

The Collection Fund had a surplus of £0.75m for the year, which when added to the brought forward surplus of £1.7m gives a surplus of £2.45m to carry forward to 2013/14. The details are shown in the Collection Fund statements in Section 4b of the Accounts.

Foreword

7. SIGNIFICANT EVENTS IN 2012/13 THAT HAVE HAD AN IMPACT ON THE ACCOUNTS

7a National Deficit Reduction Strategy

The government's strategy to reduce the national deficit over the lifetime of this Parliament is affecting the council's current and future funding plans. It has also had some direct effect on the 2012/13 accounts, with termination costs of £2.0m (£9.6m in 2011/12) being incurred during the year as the council has implemented savings and staff reductions in response to the new funding climate.

7b Building Schools for the Future

Three secondary schools were opened in September 2012 after substantial rebuilding works through the Building Schools for the Future capital programme. They were Deptford Green, Bonus Pastor and Prendergast the Vale. Another school, Drumbeat Special School, will open after Easter 2013.

7c Crossways Sixth Form College

On 31 January 2013 the Crossways Sixth Form College was transferred to Christ the King College, which is an academy trust. The asset has been reclassified from Land and Buildings to Non-operational Assets Held For Resale and impaired to nil with effect from 1st February 2013.

7d Forest Hill Pools

The newly rebuilt and refurbished pools, including a café, meeting rooms and a health and fitness suite, were opened in September 2012 after substantial investment.

7e Pension Fund Valuation

The Pension Fund's value rose over the year by £91m from £777m to £868m (12%), mainly due to an increase in stock valuation during the year. The Fund underwent a major transition this year in moving from active management to passive management, with 78% of the fund being transitioned. This resulted in a change of some investment managers. RCM, Alliance Bernstein and UBS (active) were replaced by Blackrock and UBS (passive). The Fund also disinvested from the hedge fund of funds held with Fauchier Partners.

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 and Regeneration.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the statement of accounts.

Responsibility of the Executive Director for Resources and Regeneration

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

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

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

I certify that I have also:

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

The Statement of Accounts 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 2013.

Janet Senior CPFA

Executive Director for Resources and Regeneration
10th June 2013

SECTION 1

CORE FINANCIAL STATEMENTS

2012/13

**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 2013

YEAR ENDING 31ST MARCH 2013	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 2012 Brought Forward	11,800	110,373	17,181	24,327	4,529	6,546	174,756	766,444	941,200
Movement in Reserves during 2012/13									
Surplus or (Deficit) on the provision of services	20,347	0	(3,451)	0	0	0	16,896	0	16,896
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(37,059)	(37,059)
Total Comprehensive Income and Expenditure	20,347	0	(3,451)	0	0	0	16,896	(37,059)	(20,163)
Adjustments between accounting basis and funding basis under regulations (see note 7)	(5,349)	0	31,022	(4,050)	(13,664)	1,416	9,375	(9,375)	0
Net Increase / (Decrease) before Transfers to Earmarked Reserves	14,998	0	27,571	(4,050)	(13,664)	1,416	26,271	(46,434)	(20,163)
Transfers to / (from) Earmarked Reserves	(14,798)	14,798	(21,854)	0	21,854	0	0	0	0
Increase / (Decrease) in 2012/13	200	14,798	5,717	(4,050)	8,190	1,416	26,271	(46,434)	(20,163)
Balance at 31 March 2013 Carried Forward	12,000	125,171	22,898	20,277	12,719	7,962	201,027	720,010	921,037

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	757,781	903,643
Movement in Reserves during 2011/12									
Surplus or (Deficit) on the provision of services	(3,562)	0	122,720	0	0	0	119,158	0	119,158
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(81,601)	(81,601)
Total Comprehensive Income and Expenditure	(3,562)	0	122,720	0	0	0	119,158	(81,601)	37,557
Adjustments between accounting basis and funding basis under regulations (see note 7)	30,320	0	(115,447)	(8,418)	1,318	1,963	(90,264)	90,264	0
Net Increase / (Decrease) before Transfers to Earmarked Reserves	26,758	0	7,273	(8,418)	1,318	1,963	28,894	8,663	37,557
Transfers to / (from) Earmarked Reserves	(26,469)	26,469	0	0	0	0	0	0	0
Increase / (Decrease) in 2011/12	289	26,469	7,273	(8,418)	1,318	1,963	28,894	8,663	37,557
Balance at 31 March 2012 Carried Forward	11,800	110,373	17,181	24,327	4,529	6,546	174,756	766,444	941,200

Core Financial Statements

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 31ST MARCH 2013

2011/12			SERVICE	2012/13			Note
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	
39,266	(32,414)	6,852	Central services to the public	37,860	(32,434)	5,426	
24,004	(3,989)	20,015	Cultural and related services	23,142	(4,063)	19,079	
36,564	(6,079)	30,485	Environmental and regulatory services	37,009	(6,650)	30,359	
17,048	(3,815)	13,233	Planning services	15,179	(3,532)	11,647	
351,243	(255,118)	96,125	Children's and education services	396,407	(270,078)	126,329	
25,984	(10,938)	15,046	Highways and transport services	27,308	(12,261)	15,047	
347,928	(326,239)	21,689	Housing services	331,397	(356,195)	(24,798)	4
120,913	(34,713)	86,200	Adult social care	109,917	(32,941)	76,976	
6,644	(294)	6,350	Corporate and democratic core	5,083	(321)	4,762	
12,932	(15)	12,917	Non distributed costs	1,762	(30)	1,732	
982,526	(673,614)	308,912	Cost of Services	985,064	(718,505)	266,559	22
			Other Operating Expenditure				
0	(6,962)	(6,962)	(Gain) / Loss on the disposal of non-current assets	0	(12,077)	(12,077)	
1,730	0	1,730	Levies	1,723	0	1,723	6
1,787	0	1,787	Contribution of housing capital receipts to Government Pool	1,119	0	1,119	20a
3,517	(6,962)	(3,445)		2,842	(12,077)	(9,235)	
			Financing and Investment Income and Expenditure				
75,877	0	75,877	Interest payable and similar charges	30,242	0	30,242	
466	0	466	Changes in fair value of Investment Properties	76	0	76	
127	0	127	(Gain) / loss on disposal of Investment Properties	0	(315)	(315)	
316	(3,531)	(3,215)	Interest and Investment Income	474	(2,847)	(2,373)	
61,882	(51,689)	10,193	Pensions interest cost and expected return on pensions assets	58,871	(42,808)	16,063	39
138,668	(55,220)	83,448		89,663	(45,970)	43,693	
			Taxation and non-specific Grant Income				
0	(93,522)	(93,522)	Income from Council Tax	0	(94,766)	(94,766)	
0	(47,899)	(47,899)	General Government Grants	0	(8,267)	(8,267)	30
0	(224,140)	(224,140)	Recognised Capital Grants and Contributions	0	(43,886)	(43,886)	
0	(142,512)	(142,512)	National Non-Domestic Rates redistribution	0	(170,994)	(170,994)	
0	(508,073)	(508,073)		0	(317,913)	(317,913)	
			Deficit/(Surplus) on provision of services			(16,896)	
		(3,889)	Surplus on revaluation of non-current assets			(46,269)	21d
		85,641	Actuarial (gains)/losses on pension fund assets and liabilities			83,328	39
		(151)	Other (gains)/losses			0	
		81,601	Other Comprehensive Income and Expenditure			37,059	
		(37,557)	Total Comprehensive Income and Expenditure			20,163	

Core Financial Statements

BALANCE SHEET AS AT 31ST MARCH 2013

31/03/2012 £000		31/03/2013 £000	Note
	Property, Plant & Equipment		
609,047	Council Dwellings	641,908	9b, HRA 1a, 9
827,988	Other Land and Buildings	911,077	9b
32,913	Vehicles, plant, furniture and equipment	34,124	9b
71,252	Infrastructure	79,121	9b
9,275	Community Assets	9,325	9b
257	Heritage Assets	257	43
32,955	Surplus Assets not held for Sale	35,609	9b
51,435	Assets under Construction	28,510	9b
1,635,122		1,739,931	
21,960	Investment Property	21,876	10
0	Long Term Investments	2,442	12
13,161	Long Term Debtors	12,854	14a
1,670,243	Total Long Term Assets	1,777,103	
50,441	Short Term Investments	30,512	12
825	Assets Held for Sale	825	16
179	Inventories	170	
42,299	Debtors	55,154	14b
183,275	Cash and Cash Equivalents	238,881	15
4,235	Prepayments	1,832	17
281,254	Current Assets	327,374	
15,096	Bank Overdraft	18,306	15
47,676	Short Term Borrowing	37,262	12
3,472	Provisions (Less than 1 year)	3,291	19
76,814	Creditors	77,752	18
67,765	Receipts in Advance	82,542	31
5,831	PFI Liabilities due within one year	7,549	35
216,654	Current Liabilities	226,702	
1,734,843	Total Assets less Current Liabilities	1,877,775	
157,782	Long Term Borrowing	163,563	12
9,718	Provisions (More than 1 year)	8,097	19
170,344	Deferred PFI Liabilities	235,900	35
744	Capital Grants Receipts in Advance	948	31
455,055	Liability related to defined benefit pension scheme	548,230	39
793,643	Long Term Liabilities	956,738	
941,200	NET ASSETS	921,037	
	Usable Reserves		
11,800	General Fund Balance	12,000	
110,373	Earmarked Revenue Reserves	125,171	8
17,181	Housing Revenue Account	22,898	HRA 15
24,327	Usable Capital Receipts Reserve	20,277	20a
4,529	Major Repairs Reserve	12,719	HRA 14
6,546	Capital Grants Unapplied	7,962	20b
174,756		201,027	
	Unusable Reserves		
212,749	Revaluation Reserve	255,080	21d
1,022,024	Capital Adjustment Account	1,024,604	21e
337	Deferred Capital Receipts	174	21a
(8,557)	Financial Instruments Adjustment Account	(7,237)	21b
(455,055)	Pensions Reserve	(548,230)	21c
1,313	Collection Fund Adjustment Account	1,878	21f
(6,367)	Short Term Compensated Absences Account	(6,259)	21g
766,444		720,010	
941,200	TOTAL EQUITY	921,037	

Core Financial Statements

CASH FLOW STATEMENT FOR THE YEAR ENDING 31ST MARCH 2013

2011/12 £000s		2012/13 £000s	Note
119,158	Net surplus or (deficit) on the provision of services	16,896	
(33,418)	Adjustment to surplus or deficit on the provision of services for noncash movements	88,673	
(60,564)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(57,056)	
25,176	Net Cash flows from operating activities	48,513	45
17,909	Net Cash flows from Investing Activities	14,075	46
(3,171)	Net Cash flows from Financing Activities	(10,192)	47
39,914	Net increase or (decrease) in cash and cash equivalents	52,396	
128,265	Cash and cash equivalents at the beginning of the reporting period	168,179	
168,179	Cash and cash equivalents at the end of the reporting period	220,575	

SECTION 2

**STATEMENT OF
ACCOUNTING POLICIES**

2012/13

Statement of Accounting Policies

STATEMENT OF ACCOUNTING POLICIES – 2012 / 2013

1. GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its financial position at the year-end of 31 March 2013. 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 2012/13 (the "COP") and the Service Reporting Code of Practice for Local Authorities 2012/13 (the "SeRCOP"), both published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and 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, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Prior period adjustments may arise from a change in an accounting policy or to correct a material error.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the 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.

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4. EXCEPTIONAL ITEMS

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

5. FOREIGN CURRENCY TRANSLATION

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

6. VALUE ADDED TAX (VAT)

Income and Expenditure excludes any amounts related to VAT, unless it is 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 where they are considered to be material.
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events. However, where they would have a material effect, disclosure is made in the notes of the nature of the event and its estimated financial effect.

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

8. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the total absorption costing principles of the SeRCOP. The exceptions are;

- 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 are defined in SeRCOP and accounted for separately as part of Cost of Services in the CIES.

9. GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments, and the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential of the asset acquired using the grant or contribution are required to be

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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 receipts in advance. 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 CIES.

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

10. LEASES

Leases are classified as finance leases where the terms of the lease substantially transfers 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 (to the Financing and Investment Income and Expenditure line in the CIES).

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, an annual contribution is made from revenue to 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 MiRS for the difference between the two.

ii) Operating Leases

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

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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 is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Any gain, representing the Council's net investment in the lease, is credited to the same line in the CIES as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset (long-term debtor) in the Balance Sheet.

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 CIES).

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

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

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 CIES on a straight-line basis over the life of the lease, even if this does not match the incidence of payments received.

11. INVENTORIES (STOCK)

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

12. LONG TERM CONTRACTS

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

13. EMPLOYEE BENEFITS

a) Benefits Payable During Employment

Short-term employee benefits are those which are settled within 12 months of the year-end. They include salaries, paid annual leave and sick leave for current employees and are recognised as an expense in the year in which employees render their services to the Council. An accrual is made for the cost of entitlements (or any form of leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the year in which the employee takes the benefit. The accrual is charged to Surplus or

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Deficit on the Provision of Services, but then reversed out through the MiRS 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 CIES in the year in which the Council is 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 CIES.

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

c) Post Employment Benefits

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

- The Teachers Pension Scheme administered by Capita for the Department for Education.
- 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 CIES 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 are attributable to individual local authorities. The Council's attributed liabilities are included in the Balance Sheet on an actuarial basis using the projected unit method – 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.

The assets of the Scheme which are attributable to the Council are included in the Balance Sheet at their fair value. The asset categories and their valuation basis are as follows;

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

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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. These are allocated in the CIES 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. These are debited to the Surplus or Deficit on the Provision of Services in the CIES 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. These are debited to the Financing and Investment Income and Expenditure line in the CIES.
- 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. These are credited to the Financing and Investment Income and Expenditure line in the CIES.
- 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. These are debited or credited to the Surplus or Deficit on the Provision of Services in the CIES 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. These are 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.

(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 CIES 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. In previous years, Group Accounts have been prepared which incorporated the accounts of these three entities. A review of the necessity of preparing Group Accounts concluded that there is no material benefit in doing so and not preparing them would be compliant with the COP. Therefore they have not been prepared for 2012/13, with the Interest in Companies note being expanded to include the necessary information instead (see Note 25 in Section 3 of the Statement of Accounts).

During 2012/13 the Council had a minority interest (significantly lower than 50%) in a number of other companies, details of which are also shown in the Interest in Companies note. The transactions between the Council and all of these companies are included in the Council's accounts.

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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 (i.e. as energy is used), a liability and an expense are recognised. The liability is discharged by surrendering allowances. The liability is measured 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 its costs of services.

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 the notes to the Statement of Accounts in Section 3. 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.

Provisions are charged as an expense to the appropriate service line in the CIES 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 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 (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

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 impairment allowance. 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 MiRS. 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 CIES. The reserve is then appropriated back into the General Fund Balance in the MiRS 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 are not available for the Council to use.

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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. These 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 (e.g. home improvement grants or expenditure on voluntary aided schools), is charged to the relevant cost of service line in the CIES in the year. Where the cost of this expenditure is met from existing capital resources or by borrowing, a transfer in the MiRS from the General Fund Balance to the Capital Adjustment Account reverses out the amounts charged so that there is no impact on 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. The Cash Flow Statement shows cash and cash equivalents net of repayable on demand bank overdrafts which form an integral part of the Council's cash management.

21. 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 CIES 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 CIES is the amount payable for the year according to the loan agreement.

There has been no repurchase or early settlement of borrowing in the year (nor in 2011/12). If such exercises are carried out, the accounting treatment adopted will be as set out in the Code of Practice.

Where premiums and discounts have been charged to the CIES, regulations require 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 CIES 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 MiRS.

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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 CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the 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 CIES 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 CIES.

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 and are identifiable and controllable by the Council through custody or legal rights. The expenditure on them is capitalised when it and the future economic benefits or service potential flowing from it are both material.

23. CHARGES TO REVENUE FOR NON CURRENT ASSETS

All services 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 charge to revenue to reduce its overall borrowing requirement, calculated on a prudent basis 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 MiRS 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, 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 government's Devolved Formula Capital Grant is

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also capitalised on the basis that it increases the school's service potential. Expenditure that only maintains an asset's value (i.e. repairs and maintenance) and does not increase its ability to deliver benefits or services is charged as revenue expenditure when it is incurred.

b) Measurement and Valuation

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The Council does not capitalise costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase will be deemed to be its fair value, however the Council has not received any donated assets in 2012/13 or 2011/12. 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 regularly and as a minimum every five years. They are valued in accordance with the Statements of Appraisal and Valuation Manual and Guidance Notes issued by the Royal Institution of Chartered Surveyors and recommended by CIPFA

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

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

c) Impairment

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

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

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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. Depreciation is not charged for assets with an indeterminable finite useful life or such a long life that any depreciation would be immaterial or assets where the recoverable amount exceeds the carrying amount (i.e. freehold land and community assets), and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- 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 following 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 CIES. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

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 CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are classified as capital receipts. A proportion of receipts relating to housing disposals (as defined in the relevant regulations) is currently payable to the Government. 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 MiRS. The written-off value of disposals is not a charge against council tax, as the

Statement of Accounting Policies

cost of non current 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 MiRS.

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 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 CIES. 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 MiRS 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 CIES.
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the CIES.
- contingent rent – increases in the amount to be paid for the asset arising during the contract, debited to Interest Payable and Similar Charges in the CIES.
- payment towards liability – applied to write down the 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

Where an asset is primarily held for its contribution to knowledge or culture, it is designated as a heritage asset. However, where it is used as an operational asset, it is classified as such. Heritage Assets are recognised and measured in accordance with the Council's accounting policies on Property, Plant and Equipment in respect of revaluation, impairment and disposal. The Council has, however, opted not to depreciate these assets since they are enduring by nature. The Council has identified 2 assets which have been classified as heritage assets.

Statement of Accounting Policies

SECTION 3

**NOTES TO THE
CORE FINANCIAL
STATEMENTS**

2012/13

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

The Code of Practice on Local Authority Accounting 2013/2014 (the Code) will include the following changes in accounting policies as follows;

- amendments to IAS 1 *Presentation of Financial Statements* (other comprehensive income, June 2011)
- amendments to IFRS 7 *Financial Instruments: Disclosures (offsetting financial assets and liabilities, 19 December 2011)*
- amendments to IAS 12 *Income Taxes*²⁰ (deferred tax: recovery of underlying assets, December 2010)
- amendments to IAS 19 *Employee Benefits (June 2011)*

The Council will be required to adopt these changes in its 2013/14 financial statements, however, it is unlikely that they will have a material effect on the accounts.

The Code will also potentially include the following change in accounting policy, but it is still being consulted on and a decision has not yet been made.

- IFRS 13 *Fair Value Measurement (May 2011)*.

If the Council is required to adopt this change in its 2013/14 financial statements, there will potentially be a material effect on the asset valuations reported in the accounts.

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) and a number of assumptions which involve uncertainty about future events (shown in the following note). The major judgements made are as follows:

- There is uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to indicate that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- A number of judgements have been made as a result of the implementation of IFRS accounting 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 2012/13 accounts to those adopted in 2011/12.
- When Lewisham Homes was first established as an ALMO, it was agreed that all pre transfer staff pension costs would be indemnified by the Council. The Council's judgement is that this indemnity is best represented by treating it under IAS19, rather than as an accrual, provision or reserve or contingent liability. The 2012/13 accounts therefore include the full Lewisham Homes IAS19 liability, rather than just the pre-transfer cost as in previous years accounts. The effect of this change on the overall pensions liability in 2012/13 is £2.6m (0.5%)

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

Notes to the Core Financial Statements

with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2013 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 their 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 doubt some of 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 £1m for every year that useful lives are reduced.

b) Insurance Provisions

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. An increase over the forthcoming year of 10% in the total number of claims or the 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 £120m. However, the factors interact in complex ways, during 2012/13, the actuaries advised that the net pensions liability had increased by £115m as a result of corrections as a result of experience and increased by £43m due to the updating of assumptions.

In addition, agreed changes to the IAS19 requirements for 2013/14 will increase the net pensions liability by £5m in next year's accounts.

d) Arrears of Significant Debtors

The Council had balances of sundry debtors, Council Tax, NNDR and Housing Rents of approximately £104m as at 31st March 2013. All of the significant balances have been reviewed and impairment allowances for doubtful debts have been set at appropriate levels, with an overall impairment allowance of approximately £49m.

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. The impact of the Government's welfare benefits reform initiative is potentially substantial, but at this point is too early to fully assess. Overall, there is insufficient evidence of reductions in collection rates, which in some cases have improved during 2012/13, 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 just under £5m to be set aside.

Notes to the Core Financial Statements

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 the items are set out below;

a) 2012/13 Accounts –

There are no material items which need to be disclosed.

b) 2011/12 Accounts – ‘Housing Services’ line**i) Housing Revenue Account – Self Financing**

The government reformed the council housing finance system from 1st April 2012 by abolishing the HRA subsidy system and replacing it with a “self-financing” system instead. The government repaid £136m of the Council’s PWLB debt and paid a premium of £42m.

5. EVENTS AFTER THE BALANCE SHEET DATE

The pre-audit Statement of Accounts was authorised for issue by the Executive Director for Resources and Regeneration on 28 June 2013. Where events took place before this date which materially altered the conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect these altered conditions. However, no such post balance sheet events have occurred.

The following significant events have occurred after 31 March 2013 which will affect the 2013/14 accounts, but have no effect on the 2012/13 accounts;

a) BSF Sydenham School

The Building Schools for the Future contract for Sydenham Secondary School breached financial close on 30th May 2013. This will comprise the rebuilding and substantial refurbishment of the school buildings. The estimated cost is £26m over the next 4 years.

b) Public Health

The service and assets were transferred from Lewisham PCT to the Council on 1st April 2013. The budget for the service in 2013/14 (fully funded by Grant) is £19.5m.

6. 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.

	2012/13	2011/12
	£000	£000
London Pension Fund Authority	1,292	1,294
Environment Agency	174	174
Lee Valley Regional Park Authority	256	262
Total Levies Paid	1,722	1,730

Notes to the Core Financial Statements

7. 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. The total of these adjustments appears as a line on the "Movement in Reserves Statement" (see Section 1 of these accounts).

2012/13	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	50,309		23,166				(73,475)
Movements in the market value of Investment Properties	76						(76)
Capital grants and contributions applied	(42,175)						42,175
Revenue expenditure funded from capital under statute	6,065						(6,065)
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	82		696				(778)
HRA capital expenditure or income from subsidy buy-out							0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	(11,810)		(2,699)				14,509
Capital expenditure charged against the General Fund and HRA balances	(4,930)						4,930
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,711)					1,711	0
Application of grants to capital financing transferred to the Capital Adjustment Account						(295)	295
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	(11,246)		(1,924)	13,170			0
Use of the Capital Receipts Reserve to finance new capital expenditure				(16,264)			16,264
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,119			(1,119)			0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash					163		(163)

Notes to the Core Financial Statements

2012/13 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 Major Repairs Reserve:							
Use of the Major Repairs Reserve to finance new capital expenditure					(873)		873
Reversal of Major Repairs Allowance credited to the HRA			(4,359)		4,359		
Difference between Major Repairs Allowance and HRA depreciation			17,150		(17,150)		0
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	(301)		(1,019)				1,320
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	38,960		193				(39,153)
Employer's pensions contributions and direct payments to pensioners payable in the year	(29,125)		(181)				29,306
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	(565)						565
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	(108)						108
Other Adjustments	11		(1)				(10)
Total Adjustments	(5,349)	0	31,022	(4,050)	(13,664)	1,416	(9,375)

Notes to the Core Financial Statements

2011/12 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	72,724		29,012				(101,736)
Movements in the market value of Investment Properties	466						(466)
Capital grants and contributions applied	(42,682)		(178,100)				220,782
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	6,863		661				(7,524)
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	(9,355)		(2,621)				11,976
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	(3,358)					3,358	0
Application of grants to capital financing transferred to the Capital Adjustment Account						(1,395)	1,395
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	(11,593)		(2,766)	14,359			0
Use of the Capital Receipts Reserve to finance new capital expenditure				(21,122)			21,122
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,787			(1,787)			0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				132			(132)
Adjustments primarily involving the Major Repairs Reserve:							
Use of the Major Repairs Reserve to finance new capital expenditure					(881)		881
Reversal of Major Repairs Allowance credited to the HRA			(5,570)		5,570		
Difference between Major Repairs Allowance and HRA depreciation			3,371		(3,371)		0

Notes to the Core Financial Statements

2011/12 continued 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 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	2						(2)
Total Adjustments	30,320	0	(115,447)	(8,418)	1,318	1,963	90,264

8. TRANSFERS TO AND FROM EARMARKED RESERVES

The Council maintains a number of earmarked reserves on its Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans. This note shows the amounts used to meet General Fund expenditure in 2012/13 and amounts set aside in the year to finance future expenditure plans. The use of HRA earmarked reserves is shown in the notes to the HRA in Section 4a.

a) General Earmarked Reserves

This comprises a number of specific reserves which are earmarked for particular purposes.

b) PFI and BSF Schemes Reserves

This is a reserve which enables services to make revenue contributions towards their committed PFI and Building Schools for the Future (BSF) schemes in future years.

c) Insurance Reserve

Included within this reserve is an amount which has been set aside for contingent liabilities in respect of specific cases under the MMI scheme.

Notes to the Core Financial Statements

d) Capital Expenditure Reserve

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

e) School Reserves

This reserve consists of the unspent year-end balances from schools' self-managed budgets. These balances are earmarked to be used by schools in future years.

f) School External Funds

These are the unspent balances from schools' locally generated funds. These balances are earmarked to be used by schools in future years.

	Balance 31/03/12 £000	12/13 Transfers		Balance 31/03/13 £000	
		In £000	Out £000		
General Earmarked	52,931	19,999	(12,712)	60,218	(a)
PFI and BSF Schemes	12,675	1,786	(705)	13,756	(b)
Insurance	14,947	0	0	14,947	(c)
Capital Expenditure	10,564	12,982	(7,653)	15,893	(d)
	91,117	34,767	(21,070)	104,814	
School Reserves	18,531	1,409	(42)	19,898	(e)
School External Funds	725	0	(266)	459	(f)
	19,256	1,409	(308)	20,357	
Total	110,373	36,176	(21,378)	125,171	

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

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

	Council Dwellings £000	Other Land & Buildings £000	Community Assets £000	Surplus Assets £000	Total £000
Valued at Historic Cost	0	16,361	8,344	0	24,705
Valued at Current Value					
As at 31 March 2013		162,311	50	2,071	164,432
As at 1 April 2012	641,908	139,167			781,075
As at 31 March 2012				1,093	1,093
As at 1 April 2011		138,604	40	21,151	159,795
As at 31 March 2011		39,228		2,690	41,918
As at 1 April 2010		217,076	36		217,112
As at 31 March 2010		86,577		252	86,829
As at 1 April 2009		26,725	854	8,165	35,744
As at 31 March 2009		70,521		188	70,709
As at 1 April 2008		14,231			14,231
As at 1 April 2007		276			276
Total Net Book Value	641,908	911,077	9,324	35,610	1,597,919

Notes to the Core Financial Statements

b) Movements in Non Current Assets

2012/13	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 2012	639,496	853,147	67,327	119,370	9,275	33,350	51,435	1,773,400
Additions	1,498	96,138	6,877	9,695	50	4,432	15,086	133,777
Revaluations (Reval Reserve)	(12,803)	(40,135)	0	0	0	0	0	(52,939)
Revaluations (Surp/Def on Prov of Serts)	33,142	83,984	0	0	0	0	0	117,126
Total Revaluations	20,339	43,849	0	0	0	0	0	64,188
Impairments (Reval Reserve)	0	6,771	0	0	0	0	0	6,771
Impairments (Surp/Def on Prov of Serts)	(1,138)	(88,698)	(66)	(6)	0	(10,048)	(6,760)	(106,717)
Total Impairments	(1,138)	(81,927)	0	0	0	(10,048)	0	(93,113)
Disposals	(713)	0	(35)	0	0	0	0	(747)
Transfers	(1,532)	28,533	(751)	2,258	0	8,473	(38,012)	(1,031)
Assets reclassified to/from Held for Sale	0	0	0	0	0	0	0	0
Gross Book Value c/fwd at 31st March 2013	657,949	939,740	73,419	131,323	9,325	36,207	28,510	1,876,473
Depreciation b/fwd at 1st April 2012	(30,449)	(25,159)	(34,414)	(48,118)	0	(395)	0	(138,535)
Depreciation for year	(16,094)	(11,380)	(5,855)	(4,084)	(0)	(203)	0	(37,616)
<u>Depreciation written back on:</u>								
Transfers	38	385	950	0	0	(1,372)	0	0
Assets Revalued	30,447	2,056	0	0	0	0	0	32,503
Assets Impaired	0	5,436	0	0	0	1,372	0	6,808
Assets Sold	17	0	24	0	0	0	0	41
Depreciation c/fwd at 31st March 2013	(16,041)	(28,663)	(39,295)	(52,202)	(0)	(598)	0	(136,800)
Net Book Value at 31st March 2013	641,908	911,077	34,124	79,121	9,325	35,609	28,510	1,739,673

Notes to the Core Financial Statements

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

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	872,226	58,522	102,091	8,162	31,465	58,098	1,770,197
Additions	15,722	11,248	4,105	10,701	100	3,177	32,023	77,076
Revaluations (Reval Reserve)	0	5,828	0	0	0	5,780	0	11,608
Revaluations (Surp/Def on Prov of Servs)	(11,785)	(28,073)	(66)	(6)	0	(2,925)	0	(42,855)
Total Revaluations	(11,785)	(22,245)	(66)	(6)	0	2,855	0	(31,247)
Impairments (Reval Reserve)	(421)	(589)	0	0	0	(5,490)	0	(6,500)
Impairments (Surp/Def on Prov of Servs)	(907)	(15,934)	0	0	0	(4,333)	(6,760)	(27,934)
Total Impairments	(1,328)	(16,523)	0	0	0	(9,823)	(6,760)	(34,434)
Disposals	(679)	0	(33)	0	0	(6,594)	0	(7,306)
Transfers	(2,067)	8,441	4,799	6,584	1,013	13,095	(31,926)	(61)
Assets reclassified to/from Held for Sale	0	0	0	0	0	(825)	0	(825)
Gross Book Value c/fwd at 31st March 2012	639,496	853,147	67,327	119,370	9,275	33,350	51,435	1,773,400
Depreciation b/fwd at 1st April 2011	(15,340)	(17,104)	(28,678)	(44,752)	0	(295)	0	(106,169)
Depreciation for year	(15,329)	(11,415)	(5,569)	(3,366)	0	(120)	0	(35,799)
<u>Depreciation written back on:</u>								
Transfers	115	336	(191)	0	(2)	(258)	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)	(25,159)	(34,414)	(48,118)	0	(395)	0	(138,535)
Net Book Value at 31st March 2012	609,047	827,988	32,913	71,252	9,275	32,955	51,435	1,634,865

Notes to the Core Financial Statements

c) Capital Commitments

At 31 March 2013, the Authority had one construction contract in progress with a remaining contract value of over £8m. The value of the work completed as at 31 March 2013 has been established using a stage of completion methodology based on architects' certificates obtained at periodic times during the year.

	Total Value of Contract £000	Value of Works Completed		Value of Contract Remaining £000
		Before 1 April 2012 £000	During 2012/13 £000	
Children & Young People				
BSF Prendergast Hilly Fields School	18,585	6,368	4,073	8,144
Gordonbrock School	9,407	7,876	375	1,156
Total Commitments	27,992	14,244	4,448	9,300

10. INVESTMENT PROPERTIES

	2012/13 £000	2011/12 £000
a) In Comprehensive Income and Expenditure Statement		
Operating Expenses	184	138
<u>Rental Income</u>		
Industrial and Commercial Properties	(448)	(440)
Shops	(1,004)	(1,115)
Aerial Sites	(262)	(252)
	(1,714)	(1,807)
Net Income from Investment Properties	(1,530)	(1,669)
b) Movement in fair value in the Balance Sheet		
Balance at Beginning of Year	21,960	22,491
Purchases	0	0
Disposals	(110)	(127)
Net Gains / (Losses) from fair value adjustments	26	(466)
Transfers to / from PPE	0	62
Balance at End of Year	21,876	21,960

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.

Notes to the Core Financial Statements

12. FINANCIAL INSTRUMENTS

The 2012/13 Code of Practice requires the accounts to be compliant with the IFRS but some of these requirements are not compliant with primary legislation. Where this occurs, the Comprehensive Income and Expenditure Statement complies with IFRS, with the Movement in Reserves Statement containing the reversals required to ensure that the closing balances comply with Statute.

The figures shown in the table do not all appear on the face of the balance sheet due to the reclassification of certain short term investments as Cash Equivalents under IFRS. Where values are zero, the relevant lines have been excluded from the table.

a) Financial Instruments Balances

	Long-Term		Current	
	31 Dec 2013 £000	31 Mar 2012 £000	31 Dec 2013 £000	31 Mar 2012 £000
Financial Liabilities (Principal Amount)	158,639	157,607	38,741	45,000
Accrued Interest	184	175	2,262	2,676
Total Borrowings	158,823	157,782	41,003	47,676
PFI and finance lease liabilities	235,900	170,344	7,549	5,831
Total Other Liabilities	235,900	170,344	7,549	5,831
Financial liabilities at contract amount	-	-	65,751	64,671
Total Creditors	-	-	65,751	64,671
Loans and Receivables (principal amount)	-	-	249,812	218,017
Plus Accrued Interest	-	-	604	603
Total Investments	-	-	250,416	218,620
Loans and receivables	12,878	13,161	-	-
Financial assets at contract amounts	-	-	49,636	35,646
Total Debtors	12,878	13,161	49,636	35,646

Note 1 – Under accounting requirements the carrying value of the financial instrument is shown in the balance sheet (including the principal amount borrowed or lent and adjustments for breakage costs or stepped interest and accrued interest where relevant). Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year.

Note 3 – The Council provided no financial guarantees in the financial year and had none outstanding from previous years.

Note 4 – The Council has made no loans to voluntary organisations at less than market rates (soft loans), nor has it received any such loans.

Note 5 – Debtors and Creditors are carried at cost as this is a fair approximation of their value. The breakdown of these figures are shown in Notes 14a, 14b and 18 respectively. (HMRC debtors and creditors are excluded from the figures in this note).

Unusual Movements

There were no unusual movements during the 2012/13 year.

In 2011/12, long term investments held by the two cash managers were cashed in during the year and the money brought back in-house and re-invested in the money market funds.

In 2011/12, the government redeemed £136m of the Council's PWLB loans on under the HRA Self Financing regulations.

Notes to the Core Financial Statements

Other Required Declarations

There were no reclassifications of financial instruments in the year.

No derecognition is expected to impact where the Council has transferred financial assets to a third party. The council did not hold and did not obtain any collateral for third party debts or other credit enhancements in the financial years 2012/13 or 2011/12.

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

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 (there were no revaluations on financial instruments in 2012/13 or 2011/12, or assets classified as Available for Sale.):

	2012/13			2011/12
	Liabilities - Amortised Cost £000	Assets - Loans and Receivables £000	Totals £000	Totals £000
Interest expense	9,573	-	9,573	17,683
Total Expense in Surplus or Deficit on Provision of Services	9,573	-	9,573	17,683
Interest income	-	(2,613)	(2,613)	(2,444)
Total Income in Surplus or Deficit on Provision of Services	-	(2,613)	(2,613)	(2,444)
Net (Gain) / Loss for the Year	9,573	(2,613)	6,960	15,239

c) Fair Values of Assets and Liabilities

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:

- Borrowing rates from the PWLB have been applied to PWLB loans using their own 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 values for loans and receivables have been determined by direct reference to published price quotations in an active market where available, or by estimating using a valuation technique. These provide a reasonable approximation for the fair value of a financial instrument, and includes accrued interest. The comparator market rates prevailing have been taken 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.

The following table shows the carrying amount of assets and liabilities on the balance sheet compared to the fair value amounts (which are not disclosed on the balance sheet). The differences are attributable to fixed interest loans receivable held by the council 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.

Notes to the Core Financial Statements

	31 March 2013		31 March 2012	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt	88,877	102,986	89,097	98,483
Non-PWLB Debt	111,948	114,618	116,361	117,063
Total Debt / Liabilities	200,825	217,604	205,458	215,546
Money Market Loans	268,967	268,988	233,318	233,912
Long Term Debtors	12,878	12,878	13,161	13,161
Total Assets	281,845	281,866	246,479	247,073

13. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Key Risks

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

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

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

Re-financing risk - The possibility that the Council might 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 CIPFA's Prudential Code and 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.
- 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 Council before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year. The annual treasury management strategy which incorporates the prudential indicators was approved by Council in February 2012 and is available on the Council website.

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

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.

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, Moody's and Standard and Poors, forming the core element. It also uses some other criteria as well.

The Authority's maximum exposure to credit risk in relation to its investments in banks, building societies and Local Authorities 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 2013 that this was likely to crystallise.

d) Liquidity Risk

The Council manages its liquidity position through the risk management procedures above 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. All sums invested are either due to be paid in less than one year or can be easily realised.

e) Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered 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.

f) 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. The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy includes expected interest rate movements. A treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure, and this is monitored regularly. If all interest rates had been 0.1% higher (with all other variables held constant) the financial effect would be as below. The impact of a 0.1% fall in interest rates would be as shown but with the movements being reversed)

	Variation £000
Increase in interest payable on variable rate borrowings	115
Increase in interest receivable on variable rate investments	(260)
Effect on (Surplus) or Deficit on the Provision of Services	(145)

Notes to the Core Financial Statements

14. DEBTORS

a) Long Term Debtors

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

	31/03/2013 £000	31/03/2012 £000
Catford Regeneration Partnership Ltd	11,671	11,769
Mortgages	249	332
Land Charges Debts	458	507
Other Long Term Debtors	500	553
Total Long Term Debtors	12,878	13,161

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 2013:

	31/03/2013 £000	31/03/2012 Restated £000
Government and Other Public Bodies:		
HM Revenue & Customs - VAT	5,518	6,653
Education Recoupment	2,521	1,209
Central Government bodies	1,566	1,760
Other Local Authorities	4,240	1,130
NHS bodies	0	1,555
Other Public bodies	1,105	1,955
Council Tax Payers	20,724	21,744
Council Tax Court Costs	4,860	4,986
Housing Benefit Overpayments	12,907	11,677
Housing Rents (inc PSL, B & B, Hostels, Commercial)	7,687	7,337
Leaseholders Services Charges	6,559	7,581
Parking	4,432	4,216
General Debtors due for Supplies and Services	31,971	18,494
Total Current Debtors	104,090	90,297
Impairment Allowances	(48,936)	(47,998)
Total Net Current Debtors	55,154	42,299

Notes to the Core Financial Statements

c) Impairment Allowances

	Balance at 31/03/2012 Restated £000	Movement in 2012/13 £000	Balance at 31/03/2013 £000
Council Tax Payers	(19,711)	783	(18,928)
Council Tax Court Costs	(4,439)	79	(4,360)
Housing Benefit Overpayments	(8,721)	(996)	(9,717)
Housing Rents (inc PSL, B & B, Hostels, Commercial)	(6,656)	455	(6,201)
Leaseholders Services Charges	(1,363)	(23)	(1,386)
Parking	(3,312)	(108)	(3,420)
General Debtors due for Supplies and Services	(3,796)	(1,128)	(4,924)
Total Impairment Allowances	(47,998)	(938)	(48,936)

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

15. CASH AND CASH EQUIVALENTS

	Balance 31/03/2012 £000	Movement in 2012/13 £000	Balance 31/03/2013 £000
Cash Equivalents			
Short Term Deposits	0	44,574	44,574
Cash			
Money Market Funds	170,561	13,319	183,880
Call Accounts with Banks	12,316	(2,315)	10,001
	182,877	11,004	193,881
Other Cash and Bank Balances	398	28	426
Total Cash and Cash Equivalents	183,275	55,606	238,881
Bank Accounts Overdrawn			
Schools Bank Accounts	(1,833)	660	(1,173)
Main Bank Accounts	(13,263)	(3,870)	(17,133)
	(15,096)	(3,210)	(18,306)
Net Cash and Cash Equivalents	168,179	52,396	220,575

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 to their fair values.

c) The Schools Bank Accounts are an integral part of the Council's overall cash management arrangements, and are therefore included under Cash and Cash equivalents. They 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 £19.6m (11/12 £13.7m) and overdrawn £20.8m (11/12 overdrawn £15.5m) respectively.

Notes to the Core Financial Statements

16. ASSETS HELD FOR SALE

	2012/13 £000	2011/12 £000
Balance outstanding at start of year	825	0
Assets newly classified	0	825
Assets sold	0	0
Balance outstanding at year end	825	825

17. PREPAYMENTS

	31/03/2013 £000	31/03/2011 £000
Directorate prepayments	1,832	1,800
PFI Capital Prepayments	0	2,435
Total Prepayments	1,832	4,235

18. CREDITORS

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

	31/03/2013 £000	31/03/2012 £000
Government and other public bodies:		
HM Revenue & Customs	5,631	5,776
Education Recoupment	3,443	4,014
Central Government bodies	4,359	6,178
Other Local Authorities	2,778	2,410
NHS bodies	5,210	4,117
Other Public bodies	1,724	1,346
	23,145	23,841
Short Term Compensated Absences	6,260	6,367
General Creditors (amounts owed for supplies and services)	48,237	46,606
Total Creditors	77,642	76,814

Notes to the Core Financial Statements

19. PROVISIONS

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

	Balance	12/13 Transfers		Balance
	31/03/12 £000	In £000	Out £000	31/03/13 £000
Current (less than 1 year)				
Insurance Provision	1,600	270	0	1,870
Other Provisions	1,872	74	(525)	1,421
	3,472	344	(525)	3,291
Non Current (Over 1 year)				
Insurance Provision	6,277	1,338	(758)	6,857
Other Provisions	3,441	4	(2,205)	1,240
	9,718	1,342	(2,963)	8,097
Total - Provisions	13,190	1,686	(3,488)	11,388

a) Insurance Provisions

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

b) 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.

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

Capital receipts are mainly sums received from the sale of fixed assets. 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 is available for the financing of future capital expenditure.

	31/03/2013 £000	31/03/2012 £000
Balance brought forward at start of year	24,327	32,745
Amounts receivable in year (inc HRA self financing grant)	13,333	192,591
Poolable to Central Government	(1,119)	(1,787)
Amounts applied in respect of HRA self financing debt repayment	(7,384)	(178,100)
Amounts applied to finance new capital investment in year	(8,880)	(21,122)
Total increase/(decrease) in capital receipts in year	(4,050)	(8,418)
Balance carried forward at end of year	20,277	24,327

Notes to the Core Financial Statements

b) Capital Grants Unapplied

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

	2012/13 £000	2011/12 £000
Opening balance at start of year	6,546	4,583
Movement in year	1,416	1,963
Balance carried forward at end of year	7,962	6,546

21. UNUSABLE RESERVES**a) Deferred Capital Receipts**

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

b) Financial Instrument Adjustment Account

This account is used to hold the accumulated difference between the financing costs included in the Comprehensive Income and Expenditure Account and the accumulated financing costs required to be charged to the General Fund Balance in accordance with regulations.

	2012/13 £000	2011/12 £000
Opening balance at start of year	(8,557)	(10,060)
Premiums paid for early redemption of debt	0	0
Amortisation of premiums and discounts	1,320	1,503
Balance carried forward at end of year	(7,237)	(8,557)

c) Pensions Reserve

The Pensions Reserve absorbs the timing differences which arise from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council 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 Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements ensure that funding will have been set aside by the Council by the time the benefits are due to be paid.

Notes to the Core Financial Statements

	2012/13 £000	2011/12 £000
Opening balance at start of year	(455,055)	(362,027)
Actuarial gains or losses on pensions assets and liabilities	(83,328)	(85,641)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(39,153)	(36,396)
Employer's pensions contributions and direct payments to pensioners payable in the year	29,306	29,009
Balance carried forward at end of year	(548,230)	(455,055)

d) 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.

	2012/13 £000	2011/12 £000
Balance brought forward at start of year	212,749	213,300
Upwards revaluation of assets	53,042	18,518
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the provision of services	(6,773)	(14,629)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	46,269	3,889
Difference between fair value and historic cost depreciation	(3,912)	(3,664)
Accumulated gains on assets sold or scrapped	(26)	(98)
Other amounts written off to Capital Adjustment Account	0	(678)
Amount written off to the Capital Adjustment Account	(3,938)	(4,440)
Balance carried forward at end of year	255,080	212,749

Notes to the Core Financial Statements

e) 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.

	2012/13 £000	2011/12 £000
Balance at Beginning of Year	1,022,023	923,021
<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	(73,475)	(101,735)
Revaluation losses on Property, Plant and Equipment	0	0
Amortisation of intangible assets	0	0
Revenue expenditure funded from capital under statute	(6,065)	(11,874)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(791)	(7,277)
	(80,330)	(120,886)
Adjusting amounts written out of the Revaluation Reserve	3,912	4,342
Net amount written out of the cost of non-current assets consumed in the year	(76,418)	(116,544)
<u>Capital financing applied in the year:</u>		
Use of Capital Receipts to finance new capital expenditure	16,216	21,122
Use of Major Repairs Reserve to finance new capital expenditure	873	881
Capital grants and contributions credited to the CIES	42,470	42,681
Application of grants from the Capital Grants Unapplied Account	0	1,395
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	9,206	6,883
Repayment of principal on PFI schemes	5,303	5,093
Capital expenditure charged to General Fund and HRA	4,930	1,620
HRA Self Financing Debt Repayment	0	136,338
	78,998	216,013
Movements in the value of Investment Properties debited or credited to the CIES	0	(466)
Balance at End of Year	1,024,603	1,022,024

Notes to the Core Financial Statements

f) 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.

	2012/13 £000	2011/12 £000
Opening balance at start of year	1,313	22
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	565	1,291
Balance carried forward at end of year	1,878	1,313

g) 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.

	2012/13 £000	2011/12 £000
Opening balance at start of year	(6,367)	(6,944)
Reversal of accrual made at the end of the preceding year	6,367	6,944
Amounts accrued at the end of the current year	(6,259)	(6,367)
Amount by which the accrued charge to the CIES is different from that charged in the year in accordance with statutory requirements	108	577
Balance carried forward at end of year	(6,259)	(6,367)

Notes to the Core Financial Statements

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

SEGMENTAL REPORTING FOR THE YEAR ENDING 31ST MARCH 2013

	CYP £000s	Community Services £000s	Customer Services £000s	Resources and Regeneration £000s	HRA £000s	Total £000s
Fees, charges & other service income	(2,456)	(37,663)	(47,192)	(20,030)	(145,438)	(252,779)
Government grants	(20,872)	(13,210)	(258,834)	(9)	(30,868)	(323,793)
Total Income	(23,328)	(50,873)	(306,026)	(20,039)	(176,306)	(576,572)
Employee expenses	29,703	33,558	37,954	29,165	2,287	132,667
Other operating expenses	57,782	129,328	300,975	37,687	170,960	696,732
Total operating expenses	87,485	162,886	338,929	66,852	173,247	829,399
Net Cost of Services	64,157	112,013	32,903	46,813	(3,059)	252,827
Net Budgets	65,212	114,217	31,996	47,944	0	259,369
Variation	(1,055)	(2,204)	907	(1,131)	(3,059)	(6,542)
Less; HRA Variation						3,059
General Fund Underspend reported to Members						(3,483)

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

	£000s
Cost of Services in Service Analysis	252,827
Add services not included in main analysis	7,164
Add amounts not reported to management (Technical Accounting adjustments)	36,304
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(29,736)
Net Cost of Services in Comprehensive Income and Expenditure Statement	266,559

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	(252,779)	0	0	0	(252,779)	0	(252,779)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	0	0	494	0	494	(2,373)	(1,879)
Income from council tax	0	0	0	0	0	(94,766)	(94,766)
Government grants and contributions	(323,793)	0	(23,453)	0	(347,246)	(223,147)	(570,393)
Total Income	(576,572)	0	(22,959)	0	(599,531)	(320,286)	(919,817)
Employee expenses	132,667	5,237	22,982	(29,306)	131,580	0	131,580
Other service expenses	696,732	1,927	(9,250)	0	689,409	0	689,409
Depreciation, amortisation and impairment	0	0	56,249	0	56,249	76	56,325
Interest Payments	0	0	(10,718)	0	(10,718)	46,305	35,587
Precepts & Levies	0	0	0	(430)	(430)	1,723	1,293
Payments to Housing Capital	0	0	0	0	0	1,119	1,119
Receipts Pool	0	0	0	0	0	1,119	1,119
Gain or Loss on Disposal of non-current assets	0	0	0	0	0	(12,392)	(12,392)
Total operating expenses	829,399	7,164	59,263	(29,736)	866,090	36,831	902,921
Surplus or deficit on provision of services	252,827	7,164	36,304	(29,736)	266,559	(283,455)	(16,896)

Notes to the Core Financial Statements

SEGMENTAL REPORTING FOR THE YEAR ENDING 31ST MARCH 2012 - COMPARATIVE FIGURES

	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)	79,974
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	308,912

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	310	0	310	(3,215)	(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	310	0	(928,126)	(511,288)	(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	26,301	0	889,064	0	889,064
Depreciation, amortisation and impairment	0	0	85,355	0	85,355	466	85,821
Interest Payments	0	0	(68,388)	0	(68,388)	86,070	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	(6,835)	(6,835)
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	79,664	(29,445)	1,237,038	83,218	1,320,256
Surplus or deficit on provision of services	246,253	12,130	79,974	(29,445)	308,912	(428,070)	(119,158)

Notes to the Core Financial Statements

23. 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.

	2012/13			2011/12
	Expenditure £000	Income £000	(Surplus)/ Deficit £000	(Surplus)/ Deficit £000
Planning and Development Services				
Markets	1,356	(1,454)	(98)	(177)
Industrial Estates	216	(480)	(264)	(302)
Cultural and Related Services				
Theatre	964	(645)	319	423
Total - Trading Operations	2,536	(2,579)	(43)	(56)

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 2013, the accumulated surplus is £418k.

24. AGENCY SERVICES AND POOLED BUDGETS

The Council did not carry out any agency services, construction work or any other work for any other local authorities, public bodies or entities in 2012/13 or 2011/12.

The Council did not operate any pooled budgets as defined by the terms of a Section 75 Agreement (National Health Service Act 2006) in 2012/13 or 2011/12.

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

Lewisham Homes is an arms-length management organisation (ALMO) that was set up in January 2007 as part of the Council's initiative to deliver better housing services and achieve the government's Decent Homes Standard. Lewisham Homes is responsible for managing and providing housing related services such as repairs and maintenance of council dwellings. It is a wholly owned subsidiary of the council and is limited by guarantee. Councillors Bell, Nisbet and John Paschoud sat on its board throughout the year. The majority of their income was a management fee of £18.9m paid by the Council to the company in 2012/13 (£18.9m in 2011/12).

Lewisham Homes Limited's Accounts for 2011/12 received an unqualified audit opinion and their Statement of Accounts can be obtained from Lewisham Homes Limited, 9 Holbeach Road, Catford, London, SE6 4TW. Its auditors are KPMG LLP, 2 Cornwall Street, Birmingham, B3 2DL, United Kingdom.

ii) Catford Regeneration Partnership Limited

Catford Regeneration Partnership Ltd (CRPL) was incorporated in February 2009 and is a wholly owned subsidiary of the Council. The Head of Business Management and Service Support and the Head of Public Services are its board members and directors. The Council advanced a loan of £12m to CRPL in

Notes to the Core Financial Statements

2009/10, and CRPL repaid principal of £93k and made interest payments of £0.66m during 2012/13 to the Council (in 2011/12, these payments were £61k and £0.83m respectively). CRPL purchased the Catford Centre in February 2009 which is included on its balance sheet as an investment property at £11.8m, and receives approximately £1m per annum in rent from its tenants.

Catford Regeneration Partnership Limited's Accounts for 2011/12 received an unqualified audit opinion and their Statement of Accounts can be obtained from Catford Regeneration Partnership Limited, 4th Floor, Laurence House, Catford, London, SE6 4RU. Its auditors are ACF Auditing Services Limited, Plaza Building, Lee High Road, London, SE13 5PT

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. It was established by its strategic partners, a consortium made up of Costain Engineering & Construction Limited, Babcock Project Investments Limited and 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.

The Council also has a 10% stake in four Special Purpose Vehicles set up in relation to those schools which are being newly built 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.

In 2012/13, the Council paid the LEP £15.4m (£10.0m in 2011/12), SPV1 £8.5m (£8.7m in 2011/12), SPV2 £2.9m (£3.2m in 2011/12), SPV3 £2.8m (£12k in 2011/12) and SPV4 £3.5m in 2012/13 (zero in 2011/12).

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. Councillor Curran is a board member. Payments of £5.3m were made in 2012/13 to the company (£5.1m in 2011/12).

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.

26. MEMBERS' ALLOWANCES

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

	2012/13 £000	2011/12 £000
Allowances (inc. Pensions and NI)	1,028	1,027
Other Expenses	71	80
Total Expenditure in Year	1,099	1,107

Notes to the Core Financial Statements

27. 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 c) below.

Remuneration Band	2012/13			2011/12		
	Non-School Employees	School Employees	Total Employees	Non-School Employees	School Employees	Total Employees
£50,000 to £54,999	65	177	242	71	202	273
£55,000 to £59,999	20	63	83	25	82	107
£60,000 to £64,999	14	41	55	13	28	41
£65,000 to £69,999	11	32	43	15	38	53
£70,000 to £74,999	6	21	27	9	23	32
£75,000 to £79,999	5	18	23	4	19	23
£80,000 to £84,999	0	5	5	1	4	5
£85,000 to £89,999	1	6	7	2	6	8
£90,000 to £94,999	6	2	8	6	4	10
£95,000 to £99,999	3	6	9	4	2	6
£100,000 to £104,999	2	2	4	4	3	7
£105,000 to £109,999	1	2	3	1	2	3
£110,000 to £114,999	0	0	0	1	0	1
£115,000 to £119,999	1	0	1	0	0	0
£130,000 to £134,999	1	0	1	1	0	1
£140,000 to £144,999	3	0	3	3	0	3
Total	139	375	514	160	413	573

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	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12 £	2012/13 £
£0 - £20,000	237	76	0	0	237	76	1,973	571
£20,001 to £40,000	109	19	1	0	110	19	3,198	590
£40,001 to £60,000	36	11	1	0	37	11	1,802	553
£60,001 to £80,000	17	5	0	0	17	5	1,179	321
£80,001 to £100,000	6	0	0	0	6	0	531	0
£100,001 to £150,000	6	0	1	0	7	0	785	0
£150,001 to £200,000	1	0	0	0	1	0	171	0
Total	412	111	3	0	415	111	9,639	2,035

Notes to the Core Financial Statements

c) Disclosure of Senior Employees' Remuneration for financial year 2012/13

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	29,636	170,759
Executive Director for Resources and Regeneration	141,123	29,636	170,759
Executive Director for Community Services	141,123	29,636	170,759
Executive Director for Customer Services	132,611	27,848	160,459
Chief Executive (Part time)	115,432	0	115,432
Director of Children's Social Care and Health	105,108	22,073	127,181
Director of Regeneration and Asset Management	103,901	21,819	125,720
Head of Law and Monitoring Officer (Part time)	64,523	13,550	78,073
Totals	944,944	174,198	1,119,142

Note – No payments in respect of bonuses, expenses or compensation for loss of office were made in 2012/13 to these employees.

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 and Regeneration	141,123	28,930	170,053
Executive Director for Community Services	141,123	28,930	170,053
Chief Executive (Part time wef 1 July 2011)	134,671	9,860	144,531
Director of Regeneration and Asset Management (ex Director of Programme Management and Property)	111,668	22,892	134,560
Executive Director for Customer Services (see note)	109,843	22,638	132,481
Director of Children's Social Care	102,678	21,049	123,727
Head of Law and Monitoring Officer (Part time wef 1 June 2011)	71,692	14,697	86,389
Totals	953,921	177,926	1,131,847

Note - This includes the postholders remuneration as Head of Strategy to 30 October 2011 and as Executive Director of Customer Services from 31 October 2011.

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

Notes to the Core Financial Statements

28. EXTERNAL AUDIT COSTS

	2012/13 £000	2011/12 £000
External audit services	255	391
Certification of grant claims and returns	79	130
Other services provided by the appointed auditor	7	0
	341	521

These fees exclude those payable for the audit of the Pension Fund.

The Council's external auditors have changed from the Audit Commission to Grant Thornton with effect from 1st November 2012.

29. 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 2011. The Schools Budget includes elements for a range of educational services provided on a Council wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

The details of the deployment of DSG receivable for 2012/13 (and 2011/12) are as follows:

	2012/13			2011/12		
	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000
Final DSG for Year	36,617	192,334	228,951	38,182	194,866	233,048
Brought forward from previous year	501	0	501	0	0	0
Carry forward to next year agreed in advance	0	0	0	0	0	0
Agreed budgeted distribution in Year	37,118	192,334	229,452	38,182	194,866	233,048
Actual Central Expenditure	37,118	0	37,118	37,681	0	37,681
Actual ISB deployed to schools	0	192,334	192,334	0	194,866	194,866
Local authority contribution for Year	0	0	0	0	0	0
Use of DSG in Year	37,118	192,334	229,452	37,681	194,866	232,547
Carried forward to next year	0	0	0	501	0	501

Notes to the Core Financial Statements

30. GRANT AND TAXATION INCOME

The Council credited the following taxation and general grants to the Comprehensive Income and Expenditure Statement in 2012/13;

	2012/13 £000	2011/12 £000
Credited to Taxation and Non Specific Grant Income		
Income from Council Tax	(94,766)	(93,522)
Recognised Capital Grants and Contributions	(43,886)	(224,140)
National Non-Domestic Rates redistribution	(170,994)	(142,512)
<u>General Government Grants</u>		
Formula Revenue Grant	(3,315)	(44,051)
Other Grants (non-service specific)	(4,953)	(3,848)
	(8,268)	(47,899)
Total	(317,914)	(508,073)
Credited to Services		
Dedicated Schools Grant	(229,452)	(223,852)
Housing and Council Tax Benefit	(254,037)	(242,645)
Early Intervention Grant	(18,500)	(17,772)
Other Grants	(88,561)	(65,724)
Total	(590,550)	(549,993)

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:

	2012/13 £000	2011/12 £000
Capital Grants	(948)	(744)
Revenue Grants	(4,670)	(3,866)
Total	(5,618)	(4,610)

31. RECEIPTS IN ADVANCE

	31/03/2013 £000	31/03/2012 £000
Revenue Receipts in Advance		
Capital Contributions Unapplied	46,499	37,910
Council Tax	5,612	5,311
PFI Schemes	17,421	16,441
Other Receipts in Advance	13,010	8,103
Total Receipts in Advance	82,542	67,765

Notes to the Core Financial Statements

32. 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.

(a) Central Government and Other Local Authorities

The UK government exerts significant influence on the Council through legislation and grant funding. The general government grants received are shown in Note 30 to the Core Financial Statements. The precept to the Greater London Authority is shown in the notes of the Collection Fund in Section 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 25 to the Core Financial Statements.

(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 26. This information is based on 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 an amount of over £10,000 in 2012/13 to an organisation in which a Councillor has a controlling interest are shown below (the amount paid is in brackets):

- The Mayor, Sir Steve Bullock, is a member of the Friends of the Horniman Museum (£37k).
- Councillor Adefiranye is a committee member of the Marsha Phoenix Memorial Trust (£0.25m), and the Deptford City Challenge Trust (£0.26m).
- Councillor Bell is a member of Lewisham CAB (£0.59m).
- Councillor Curran is a member of Lewisham Plus Credit Union (£37k).
- Councillor Daby is a board member of Phoenix Community Housing Association (£0.15m) and a member of Connect Family Services (£10k).
- Councillor Feakes is employed by the South London and Maudsley NHS Foundation Trust (£3.2m) and a member of Sydenham Arts Festival (£11k).
- Councillor Fletcher is a board member of Phoenix Community Housing Association (£0.15m) and on the Council of Management of the Lewisham Youth Theatre (£59k).
- Councillor Foreman is employed by St Christopher's Hospice (£45k).
- Councillor Hall is a board member of the Phoenix Community Housing Association (£0.15m).
- Councillor Handley is chair of Lewisham Community Transport Scheme (£56k).
- Councillor Harris is a member of the Albany Theatre (£0.7m).
- Councillor Ingleby is employed by Ark Homecare (£25k).
- 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 (£0.19mk)
- Councillor Long is Chair (remunerated) of the South London and Maudsley NHS Trust (£3.2m).
- Councillor Mallory is a member of Deptford Challenge Trust (£0.26m).
- Councillor Millbank is a member of Voluntary Action Lewisham (£0.36m) and the Ackroyd Children and Families Charity (£0.2m).
- Councillor Morrison is a member of the North Downham Training Project (£0.1m) and is on the Management Committee of the Ackroyd Community Association (£62k).
- Councillor Muldoon is a board member of the South London and Maudsley NHS Trust (£3.2m) and a member of the Noah's Ark Children's Venture (£65k).
- Councillor Nisbet is a trustee of Lewisham & Southwark Age Concern (£0.11m).
- Councillor Onuegbu is a member of the South London and Maudsley NHS Trust (£3.2m).
- Councillor Jacqueline Paschoud is a member of the Ravensbourne Project (£0.11m).
- Councillor John Paschoud is a member of the Lewisham Disability Coalition (£0.2m) and a member of the Ravensbourne Project (£0.11m).
- Councillor Smith is a member of Groundwork Trust, London South (£67k).

Notes to the Core Financial Statements

- Councillor Till is employed by Dinardo Ltd (£0.18m), a member of the Marsha Phoenix Memorial Trust (£0.25m), the North Downham Training Project (£0.1m), the Ackroyd Community Association (£62k), the Noah's Ark Children's Venture (£65k) and Goldsmiths Community Centre (£36k).
- Councillor Wise is a member of Lewisham CAB (£0.59m), a member of Sydenham Gardens (£67k) and Groundwork Trust, London South (£67k).

(d) Lewisham Pension Fund

- The Council's total contribution to the Pension Fund in 2012/13 on behalf of its employees was £22.5m (£24.7m in 2011/12).
- The Council's cost of administering the Pension Fund of £0.56m (£0.55m in 2011/12) was charged to the fund in 2012/13.
- As at the 31 March 2013 the Pension Fund owed the Council £0.93m (as at 31 March 2012 the Pension Fund owed £1.4m to the Council).

33. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The capital expenditure incurred in the year (excluding the value of assets acquired under finance leases and PFI contracts) and the resources used to finance it are shown below. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, this results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR movement is also analysed below.

	2012/13 £000	2011/12 £000
Opening Capital Financing Requirement	247,382	372,648
Capital Investment		
Property, Plant and Equipment	60,313	73,781
Revenue Expenditure Funded from Capital under Statute	6,065	11,874
	66,378	85,655
Sources of Finance		
Capital Receipts	(16,216)	(21,122)
Government Grants and other contributions	(41,073)	(44,958)
Sums set aside from Revenue:	(5,788)	(1,620)
Minimum Revenue Provision	(9,206)	(6,883)
HRA Self Financing Debt Repayment	0	(136,338)
	(72,283)	(210,921)
Movement in Capital Financing Requirement in Year	(5,905)	(125,266)
Closing Capital Financing Requirement	241,477	247,382
Explanation of CFR movements in year		
Increase in the underlying need to borrowing (supported by government financial assistance)	0	15,350
Increase in the underlying need to borrowing (unsupported by government financial assistance)	3,301	2,605
Debt Redeemed - MRP / HRA Self Financing	(9,206)	(143,221)
Increase/ (decrease) in Capital Financing Requirement	(5,905)	(125,266)

Notes to the Core Financial Statements

34. 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) Council as a Lesseei) Finance Leases

The Council does not have any assets 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),
- Refuse Vehicles.

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

	31/03/13 £000	31/03/12 £000
Not later than one year	2,772	2,783
Later than one year and not later than five years	3,826	5,478
Later than five years	16,494	17,026
	23,092	25,287

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

	31/03/13 £000	31/03/12 £000
Minimum lease payments	3,102	3,012

b) Council as a Lessori) 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 (Finance Lease Debtor) is made up of the following amounts:

Notes to the Core Financial Statements

	31/03/13 £000	31/03/12 £000
Net present value of minimum lease payments	119	175
Gross investment in the lease	119	175

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

	Gross Investment in the Lease		Minimum Lease Payment	
	31/03/13 £000	31/03/12 £000	31/03/13 £000	31/03/12 £000
Not later than one year	62	87	62	87
Later than one year and not later than five years	120	141	120	141
Later than five years	206	236	206	236
	388	464	388	464

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:

	31/03/13 £000	31/03/12 £000
Not later than one year	2,086	2,086
Later than one year and not later than five years	7,155	7,155
Later than five years	25,505	28,094
	34,747	37,335

35. PRIVATE FINANCE INITIATIVES (PFI) CONTRACTS

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 £2.1m in 2012/13 (£2.0m in 2011/12). It is expected that the lifetime unitary charge payments will be £77m.

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 £14m in 2012/13 (£13.5m in 2011/12). The contract is for a 20 year period and over its lifetime the project is expected to cost £288m.

Notes to the Core Financial Statements

iii) Grouped Schools PFI

A PFI contract was signed in August 2006 for the rebuild and running of three schools for 30 years at a total estimated cost of £229m. Greenvale Special School (opened in September 2007), Forest Hill Secondary School (opened in January 2008) and Prendergast Ladywell Fields College (fully opened in September 2008). The unitary charge for 2012/13 was £7m (£6.9m in 2011/12).

iv) BSF 1 – Conisborough and Sedgemoor Secondary Schools

A PFI contract was signed in December 2007 for the rebuild and running of two secondary schools for 26 years at a total estimated cost of £241m. Sedgemoor (opened in January 2009) and Conisborough (opened in April 2009). The unitary charge for 2012/13 was £8.3m (£8.2m in 2011/12).

v) BSF 2 - Trinity School

A PFI contract was signed in 2009/10 for the construction of Trinity School and the school opened in January 2011. The unitary charge for 2012/13 was £2.9m (£2.8m in 2011/12). The estimated cost over 27 years is estimated to be £86m.

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 became operational in September 2012. The projected unitary payment is £4m per annum (part of the payment will be indexed by RPIx). The unitary charge for 2012/13 was £2.4m. The contract will run for 25 years at an estimated cost of £119m.

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 became operational in September 2012 and Drumbeat was operational in April 2013. The projected unitary payment is £7.5m per annum (part of the payment will be indexed by RPIx). The unitary charge for 2012/13 was £3.4m. The contract will run for 25.5 years at a total estimated cost of £225m.

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 unitary charge for 2012/13 was £2.5m. The contract provides for the replacement of street lighting columns over the first five years and maintenance over the term of the contract. The estimated cost for Lewisham for the contract is £95m.

b) Payments made under PFI contracts in 2012/13

Payments made In 2012/13	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF 1	BSF 2	BSF 3	BSF 4	Streetli ghting	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Service charges	5,463	372	2,578	2,298	677	675	866	1,447	14,376
Interest	5,844	1,592	3,729	4,790	1,894	1,621	3,200	266	22,935
Repayment of liability	2,699	197	736	1,224	30	86	-695	783	5,060
Planned lifecycle replacement	0	0	0	0	273	0	0	0	273
	14,006	2,161	7,043	8,312	2,873	2,382	3,372	2,496	42,644

Notes to the Core Financial Statements

c) Movement in PFI Assets in year

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

	2012/13		2011/12	
	£000	£000	£000	£000
Gross Book Value B/fwd		219,313		215,999
Additions		72,576		3,295
Revaluations (recognised in Revaluation Reserve)	7,341		0	
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	(451)		19	
Total Revaluations		6,890		19
Impairments (recognised in Revaluation Reserve)	0		0	
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	(29,568)		0	
Total Impairments		(29,568)		0
Disposals		0		0
Gross Book Value at End of the Year		269,211		219,313
Depreciation Balance B/fwd		(8,526)		(4,039)
Depreciation for year		(4,647)		(4,489)
<u>Depreciation written back on:</u>				
Assets Impaired		3559		0
Assets sold		0		0
Depreciation Balance c/fwd to following year		(9,614)		(8,528)
Net Book Value at End of the Year		259,597		210,785

d) Payments due under PFI contracts in future years

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 3.1% 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

Payments due	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF 1	BSF 2	BSF 3	BSF 4	Streetlig hting	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
In 2013/14									
Service charges	5,654	208	2,380	2,240	695	782	1,346	1,171	14,477
Interest	5,643	1,615	3,658	4,678	1,901	2,807	5,874	509	26,685
Repayment of liability	2,946	223	739	1,198	280	539	529	1,096	7,549
Planned lifecycle replacer	48	206	356	300	24	1	0	0	935
	14,291	2,253	7,133	8,416	2,899	4,129	7,749	2,776	49,645
within 2 to 5 years									
Service charges	27,416	887	10,209	9,655	2,953	3,400	5,884	4,094	64,498
Interest	19,531	6,357	13,802	17,637	7,338	10,884	23,016	7,563	106,128
Repayment of liability	11,625	821	2,997	5,568	1,278	2,616	2,752	2,259	29,915
Planned lifecycle replacer	999	891	2,424	1,780	286	55	108	0	6,543
	59,571	8,956	29,432	34,639	11,855	16,954	31,761	13,916	207,084
within 6 to 10 years									
Service charges	44,746	1,240	14,472	13,776	4,076	5,138	9,215	4,195	96,858
Interest	17,253	7,954	15,284	18,725	8,326	12,493	27,232	11,160	118,427
Repayment of liability	15,458	767	4,271	7,467	1,976	4,069	3,949	3,697	41,653
Planned lifecycle replacer	2,895	1,301	5,035	5,719	1,074	566	1,172	0	17,762
	80,352	11,262	39,061	45,687	15,452	22,267	41,567	19,052	274,700
within 11 to 15 years									
Service charges	40,199	1,403	16,645	15,971	4,612	6,660	11,340	4,746	101,577
Interest	8,131	8,095	12,826	14,669	7,119	10,515	24,375	9,693	95,424
Repayment of liability	20,303	1,419	6,737	11,013	2,902	5,042	6,125	5,486	59,027
Planned lifecycle replacer	2,380	1,486	5,541	7,011	1,610	1,389	2,054	0	21,471
	71,014	12,403	41,750	48,664	16,243	23,605	43,894	19,925	277,499
within 16 to 20 years									
Service charges		1,587	19,155	18,524	5,218	8,354	14,067	5,370	72,276
Interest		7,646	9,410	9,001	5,304	7,714	19,247	7,336	65,658
Repayment of liability		2,214	12,162	17,935	4,834	6,777	9,871	8,132	61,927
Planned lifecycle replacement		1,695	4,051	6,574	1,781	2,274	3,341	0	19,715
	0	13,142	44,779	52,033	17,138	25,120	46,527	20,838	219,577
within 21 to 25 years									
Service charges		1,796	13,399	8,212	5,181	8,493	17,015	4,000	58,095
Interest		6,700	2,786	443	2,137	4,053	10,339	2,938	29,397
Repayment of liability		3,985	11,175	7,921	6,813	9,189	17,532	7,506	64,121
Planned lifecycle replacement		1,918	2,421	2,534	1,864	2,342	4,618	0	15,697
	0	14,399	29,780	19,109	15,995	24,077	49,505	14,444	167,309
within 26 to 30 years									
Service charges		387							387
Interest		1,122							1,122
Repayment of liability		1,140							1,140
Planned lifecycle replacement		413							413
	0	3,062	0	0	0	0	0	0	3,062
TOTAL PAYMENTS DUE	225,228	65,476	191,935	208,549	79,581	116,152	221,003	90,952	1,198,877

e) 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 shown in the following table. The increase in the liability is due to Deptford Green and Bonus Pastor schools being opened during the year.

Notes to the Core Financial Statements

	Liabilities Due within 1 Year		Deferred Liabilities	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
Balance outstanding at start of year	5,831	4,900	170,344	173,073
Movement in Year	1,718	931	65,556	(2,729)
Balance outstanding at end of year	7,549	5,831	235,900	170,344

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

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 also covers both the new Forest Hill Pools and the new centre in Loampit Vale, Lewisham which replaces the Ladywell centre. The total payments on this contract in 2012/13 was £1.93m (£0.84m in 2011/12).

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 of £3.1m were made in 2012/13 (£3.3m in 2011/12). 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 and Bromley Councils 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 the Council the cost is £2.3m per annum, which is fixed for the first 3 years of the contract.

d) IT Licenses and Support Contract

In May 2012 the Council renewed its existing contract with Oracle for a further 4 years for licenses and support on the financial information system. The total contract value is £1m.

e) Data Centre Provision

The Council's servers are housed in a Data Centre provided by Logicalis. The contract began in April 2011 and runs for 5 years with options to extend by up to 5 more years. The cost, including connections, is £0.4m per annum.

f) Multi-Functional Device Contract

The Council leases MFDs from Siemens Financials and the contract runs out in August 2014. The cost is £1.7m per annum.

g) Voice & Data Network (Line usage and rental)

This is provided by Capita, principally using Azzurri Communications as the line provider. The contract runs until March 2016 and costs £0.8m per annum.

h) 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. The revenue costs of the ICT managed service are met by the individual schools. The capital investment in ICT equipment for 2012/13 was £4.6m (£0.2m in 2011/12), with the total capital expenditure over the life of the contract to be £20m.

Notes to the Core Financial Statements

i) 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.

j) Parking Contract

In August 2006 the Council entered into a 7 year contract with NSL for the provision of parking management services. Contract payments of £1.9m were made in 2012/13 (£1.8m in 2011/12). The current contract expires on 31 July 2013, and at its meeting on 10th April 2013, Mayor and Cabinet awarded a new 6 year contract to NSL. The cost of this contract will be £1.9m per annum.

k) Highway Maintenance Contract

In April 2009 the Council entered into a contract with FM Conway for the provision of highway maintenance which has been extended to April 2014. Total contract payments of £2.9m were made in 2012/13 (£3.5m in 2011/12).

37. TERMINATION BENEFITS

The government's strategy to reduce the national deficit over the lifetime of this Parliament has had a direct effect on the last three years accounts as well as affecting the council's future funding plans. A sum of £2.04m for termination of employment costs, affecting 111 employees, was incurred in 2012/13 as the council has implemented savings and staff reductions in response to this funding climate. This sum includes payments of £0.22m to the Pension Fund in respect of employees who have been granted early access to their pensions. The costs of termination benefits in 2011/12 was £9.6m (£1.5m to the Pension Fund in 2011/12).

38. 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 £11.9m to the DfE in respect of teachers' pension costs (£12.0m in 2011/12). This represented 14.1% of pensionable pay for 2012/13 (14.1% for 2011/12).

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.

39. 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:

Notes to the Core Financial Statements

(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.

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	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
<u>Cost of Services</u>				
Current Service Cost	22,321	22,247	394	381
Past Service Cost	0	1,119	0	0
Curtailments and Settlements	312	2,260	63	196
<u>Financing and Investment Income and Expenditure</u>				
Interest Cost	55,474	58,150	3,397	3,732
Expected Return on Scheme Assets	(40,295)	(48,752)	(2,513)	(2,937)
Total Retirement Benefits charged to the Surplus or Deficit on the Provision of Services	37,812	35,024	1,341	1,372
<u>Other charges to the Comprehensive Income and Expenditure Statement</u>				
Actuarial Gains and (Losses)	(76,061)	(79,816)	(7,267)	(5,825)
Total Retirement Benefits charged to the Comprehensive Income and Expenditure Statement	(38,249)	(44,792)	(5,926)	(4,453)
Movement in Reserves Statement				
Reversal of net charges made for Retirement Benefits to the Surplus or Deficit on the Provision of Services	(37,812)	(35,024)	(1,341)	(1,372)
Actual amount charged against General Fund and HRA Balances for pensions in the year:				
Employers' contributions payable to scheme	28,180	27,656	1,126	1,353

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement at 31st March 2013 is a loss of £446.74m (£418.971m for the LGPS and £25.190m for the LPFA).

Notes to the Core Financial Statements

c) Assets and Liabilities in relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2013 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 2012 data and may differ from the final valuation shown in the Pension Fund Accounts.

Reconciliation of Present Value of the Scheme Liabilities	Local Government Pension Scheme		LPFA	
	31 Mar 13 £000	31 Mar 12 £000	31 Mar 13 £000	31 Mar 12 £000
Opening Scheme Liabilities	1,161,804	1,061,105	75,756	69,484
Lewisham Homes – Post Transfer Costs	20,851	0		
Current Service Cost	22,321	22,247	394	381
Interest Cost	55,474	58,150	3,397	3,732
Contributions by Members	7,401	7,465	93	117
Actuarial Losses/(Gains)	128,110	50,320	10,080	5,816
Past Service Costs	0	1,119	0	0
Losses on Curtailments	312	2,260	63	196
Liabilities Extinguished on Settlements	0	0	0	0
Estimated Unfunded Benefits Paid	(5,191)	(4,884)	(264)	(256)
Estimated Benefits Paid	(37,163)	(35,978)	(3,721)	(3,714)
Closing Scheme Liabilities	1,353,919	1,161,804	85,798	75,756

Reconciliation of Fair Value of the Scheme Assets	Local Government Pension Scheme		LPFA	
	31 Mar 13 £000	31 Mar 12 £000	31 Mar 13 £000	31 Mar 12 £000
Opening Fair Value of Scheme Assets	722,959	709,444	59,546	59,118
Lewisham Homes – Post Transfer Costs	19,799	0		
Expected Return on Assets	40,295	48,752	2,513	2,937
Actuarial Gains/(Losses)	53,101	(29,496)	2,813	(9)
Contributions by the employer	22,989	22,772	862	1,097
Contributions by members	7,401	7,465	93	117
Contributions in respect of Unfunded Benefits	5,191	4,884	264	256
Estimated Benefits Paid	(37,163)	(35,978)	(3,721)	(3,714)
Unfunded Benefits Paid	(5,191)	(4,884)	(264)	(256)
Assets Distributed on Settlements	0	0	0	0
Closing Fair Value of Scheme Assets	829,381	722,959	62,106	59,546

The actual return on scheme assets in 2012/13 showed a gain of £93.529m for the LGPS (gain of £19.392m for 2011/12) and a gain of £5.325m for the LPFA (gain of £2.928m for 2011/12).

d) Scheme History

Scheme History	2012/13 £000	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000
Local Government Pension Scheme					
Fair Value of Scheme Assets	829,381	722,959	709,444	686,418	485,433

Notes to the Core Financial Statements

Present Value of Funded Liabilities	(1,270,442)	(1,083,465)	(984,658)	(1,238,943)	(726,182)
Present Value of Unfunded Liabilities	(83,477)	(78,339)	(76,447)	(80,411)	(67,267)
Surplus/Deficit	(524,538)	(438,845)	(351,661)	(632,936)	(308,016)
	2012/13	2011/12	2010/11	2009/10	2008/09
Scheme History	£000	£000	£000	£000	£000
LPFA					
Fair Value of Scheme Assets	62,106	59,546	59,118	49,863	47,221
Present Value of Funded Liabilities	(82,398)	(72,486)	(66,375)	(82,777)	(56,548)
Present Value of Unfunded Liabilities	(3,400)	(3,270)	(3,109)	(3,404)	(3,390)
Surplus/Deficit	(23,692)	(16,210)	(10,366)	(36,318)	(12,717)
Total Liability	(548,230)	(455,055)	(362,027)	(669,254)	(320,733)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. Whilst the total liability of £548m 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 2014 are £23.3m. The total expected contributions to the LPFA in the year to 31 March 2014 are £0.8m.

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), and are based on their latest triennial valuations as at 31st March 2010. The main assumptions used in the valuations are:

	Local Government Pension Scheme		LPFA	
	2012/13	2011/12	2012/13	2011/12
Expected rate of return on scheme assets				
Equities	4.5%	6.2%	4.3%	6.3%
Bonds	4.5%	3.9%	-	-
Property	4.5%	4.4%	-	-
Target Return Portfolio	-	-	4.3%	4.5%
Cash	4.5%	3.5%	4.3%	3.0%
Cashflow Matching	-	-	4.3%	3.3%
Rate of Inflation – CPI	2.8%	2.5%	2.4%	2.5%
Rate of Inflation – RPI	-	-	3.2%	3.3%
Salary Increase Rate *	5.1%	4.8%	4.1%	4.2%
Rate for discounting scheme liabilities	4.5%	4.8%	3.5%	4.6%
	Local Government Pension Scheme		LPFA	
	2012/13	2011/12	2012/13	2011/12
Mortality assumptions				
Longevity at 65 for current pensioners				

Notes to the Core Financial Statements

Men	21.0yrs	21.0yrs	20.2yrs	20.1yrs
Women	23.8yrs	23.8yrs	23.1yrs	23.0yrs
Longevity at 65 for future pensioners				
Men	22.9yrs	22.9yrs	22.2yrs	22.1yrs
Women	25.7yrs	25.7yrs	25.0yrs	24.9yrs

* Note – Salary increases in the LGPS forecast are assumed to be 1% p.a. until 31 March 2016 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		
	2012/13		2011/12	2012/13		2011/12
	%	£000	£000	%	£000	£000
Equities	70	580,566	513,301	14	8,695	7,741
Bonds	17	140,995	130,133	-	-	-
Property	8	66,351	65,066	-	-	-
Target Return Portfolio	-	-	-	54	33,537	31,559
Cash	5	41,469	14,459	1	621	1,191
Cashflow Matching	-	-	-	31	19,253	19,055
Total Value of Assets	100.0	829,381	722,959	100.0	62,106	59,546

f) History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in the years 2008/09 to 2012/13 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	2012/13 £000	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000
Local Government Pension Scheme					
Experience Gains/(Losses) on Assets	53,101	(29,496)	(24,734)	138,009	(199,461)
As a percentage of Assets	6.4%	(4.1%)	(3.5%)	20.1%	(41.1%)
Experience Gains/(Losses) on Liabilities	(1,854)	(15,575)	148,890	(2,015)	135
As a percentage of Liabilities	(0.1%)	(1.3%)	14.0%	(0.2%)	0.0%
LPFA					
Experience Gains/(Losses) on Assets	2,813	(9)	9,849	3,426	(7,825)
As a percentage of Assets	4.5%	(0.0%)	16.7%	6.9%	(16.6%)
Experience Gains/(Losses) on Liabilities	-	(95)	763	633	(11)
As a percentage of Liabilities	-	(0.1%)	1.1%	0.7%	0.0%

Notes to the Core Financial Statements

40. CONTINGENT LIABILITIES

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

a) Connexions

The ending of the Connexions contract on 31 March 2011 resulted in the Council settling part of the case relating to a TUPE liability. However, there is still an outstanding element to be resolved.

b) Brockley Housing

In the Brockley housing area, leaseholders whose blocks are managed by Regenter under the Housing PFI contract have had their appeal against elements of their share of the costs for works to those blocks upheld by the Leaseholders Valuation Tribunal (LVT). The council is appealing against elements of the decision of the LVT, and so the final liability is not yet definite.

41. CONTINGENT ASSETS

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

42. TRUST FUNDS

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

	Balance 31/03/2012 £000	Movement in 12/13 £000	Balance 31/03/2013 £000
Children and Young People	28	1	29
Community Services	263	197	460
Cemeteries Graves Maintenance	21	0	21
Total Trust Funds	312	198	510

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 2013 were invested as follows:

	Balance 31/03/2011 £000	Balance 31/03/2012 £000
External Investments	27	27
Cash	285	483
Total Trust Funds	312	510

Notes to the Core Financial Statements

43. HERITAGE ASSETS

These assets comprise Lewisham Clock Tower and the Civic Regalia. The values used in the accounts are their insurance values which are assessed internally and based on current market values. They are both valued higher than £40,000, which is the threshold for disclosure and is consistent with assets recorded on the Council's Balance Sheet.

	2012/13 £000	2011/12 £000
Balance at Beginning of Year	257	0
Additions	0	257
Disposals	0	0
Revaluations and Impairments	0	0
Balance at End of Year	257	257

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

45. CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2012/13 £000s	2011/12 £000s
Interest Received	2,373	3,026
Interest Paid	(30,943)	(37,392)
	(28,570)	(34,366)

46. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2012/13 £000s	2011/12 £000s
Purchase of Property, Plant and Equipment, investment property and intangible assets	(61,856)	(71,008)
Purchase of short and long term investments	(62,442)	(130,000)
Other payments for Investing Activities	(49)	(347)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	13,333	14,491
Proceeds from short-term and long-term investments	79,928	158,438
Other Receipts from Investing Activities	45,161	46,335
Net cash flows from investing activities	14,075	17,909

Notes to the Core Financial Statements

47. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2012/13 £000s	2011/12 £000s
Cash receipts of short and long term borrowing	4,404	66,021
Other receipts from financing activities	0	1,247
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(5,302)	(5,093)
Repayment of Short-Term and Long-Term Borrowing	(8,750)	(65,346)
Other payments for financing activities	(544)	0
Net cash flows from investing activities	(10,192)	(3,171)

Housing Revenue Account

SECTION 4a

**HOUSING
REVENUE
ACCOUNT**

2012/13

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	2012/13	2011/12	
	£000	£000	Note
INCOME			
Gross Rent - Dwellings	(67,471)	(63,900)	1
Gross Rent - Other Housing Properties	(3,881)	(3,636)	1
Charges for Services and Facilities	(9,242)	(9,723)	1
Housing Subsidy and Government Grants	(30,868)	(15,145)	2
Contribution towards Expenditure	(2,614)	(3,888)	4
Total Income	(114,076)	(96,292)	
EXPENDITURE			
Supervision and Management - General Expenses	29,172	29,313	5
Supervision and Management - Special Expenses	5,754	5,478	5
Repairs and Maintenance	16,716	19,978	6
Repairs and Maintenance Funded by Major Repairs Allowance	33,291	10,811	14
Rent, Rates and Other Charges	380	282	8
Rent Rebate Subsidy Shortfall	172	(13)	3
Contribution to Doubtful Debts Provision	758	779	9
Depreciation - Dwellings	16,094	15,329	10
Depreciation - Other Housing Assets	1,056	1,052	10
Impairment of Non Current Assets	6,016	12,630	
Debt Management Expenses	30	48	
Total Expenditure	109,439	95,687	
Net Cost of Services included in the Council's Income and Expenditure Account	(4,637)	(605)	
HRA Services share of Corporate and Democratic Core Costs	134	134	
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	(4,503)	(471)	
HRA share of the Operating Income and Expenditure incl.in the Comprehensive Income and Expenditure Statement			
(Gain) / Loss on Sale of HRA Non Current Assets	(1,228)	(2,105)	
Interest Payable and Similar Charges	9,398	58,196	11
Interest and Investment Income	(237)	(254)	
Pension Interest Cost and Expected Return on Pension Assets	21	14	12
Government Grant - Self Financing Debt Repayment Grant	0	(136,338)	2
Government Grant - Self Financing Premium Grant	0	(41,762)	2
(Surplus) / Deficit for the Year on HRA Services	3,451	(122,720)	

Housing Revenue Account

HOUSING REVENUE ACCOUNT - MOVEMENT IN RESERVES STATEMENT

	2012/13 £000	2011/12 £000
Balance on the HRA at the End of the Previous Year	17,181	9,908
Surplus or (Deficit) for the year on the HRA Income and Expenditure Statement	(3,451)	122,720
Adjustments between Accounting Basis and Funding Basis under Statute	9,168	(115,447)
Net Increase or (Decrease) before Transfers (To) / From Reserves	5,717	7,273
Transfers (To) / From Reserves	0	0
Increase or (Decrease) in Year on the HRA	5,717	7,273
Balance on the HRA at the End of the Year	22,898	17,181

An analysis of the amounts included within the figures for "Adjustments between Accounting Basis and Funding Basis under Statute" can be found within Note 7 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 2013, 0.7% of lettable property was empty (1.3% at 31 March 2012). These figures for empty property exclude accommodation for the homeless and dwellings designated for sale, major works and improvements. Average rents were £87.49 in 2012/13 and £81.73 per week in 2011/12. 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 15,080 dwellings as at 31 March 2013 (15,160 as at 31 March 2012). There were no stock transfers during 2012/13 (or 2011/12). The stock is made up as follows:

	31/03/2013	31/03/2012
<u>Stock Numbers at year end</u>		
Houses and Bungalows	2,445	2,446
Flats and Maisonettes	12,635	12,714
Stock at 31 March	15,080	15,160
	2012/13	2011/12
<u>Change in Stock Numbers during the year</u>		
Stock at 1 April	15,160	15,195
Less Sales, Demolitions, etc.	(80)	(50)
Less Stock Transfers	0	0
Add Re-purchases, Conversions etc.	0	15
Stock at 31 March	15,080	15,160

b) Rent Arrears

	2012/13 £000	2011/12 £000
Rent Arrears due from Current Tenants	3,353	3,202
Rent Arrears due from Former Tenants	1,653	2,032
Total Arrears	5,006	5,234
Total Arrears as % of Gross Rent of Dwellings Due	7.4%	8.5%

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.

c) Rent – Other Housing Property

	2012/13 £000	2011/12 £000
Aerial Sites	262	252
Garages	921	910
Reception Hostels	1,638	1,307
Commercial Property	1,004	1,115
Ground Rents	56	52
Total Other Rents and Charges	3,881	3,636

Housing Revenue Account

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

Service Charges include caretaking, grounds maintenance, communal lighting, bulk household waste removal, window cleaning and the Lewisham Tenants' Levy. In 2011/12, charges for pest control were introduced. The average tenants' service charge was £5.85 in 2012/13 (£5.75 in 2011/12).

	2012/13 £000	2011/12 £000
Heating Charges	778	979
Leasehold Service Charges	3,954	4,248
Tenants Service Charges	4,510	4,496
Total Charges for Services and Facilities	9,242	9,723

2. GOVERNMENT HOUSING GRANTS AND SUBSIDY

From 1st April 2012 the HRA accounts were prepared under the new HRA self-financing regime introduced by the Government. Under self-financing no further housing subsidy transactions are made between government and stock owning local authorities. This is in recognition that all rent collected will be retained by the Council and not contributed into the national rent pool. As the Council has a hosting PFI scheme, it will continue to receive the PFI credit of £10.353m until completion of the contract in 2027. In addition, the authority also received a £20.5m grant towards the costs of meeting the decent homes obligations.

	2012/13 £000	2011/12 £000
Management Allowance	0	16,428
Maintenance Allowance	0	23,200
Major Repairs Allowance	0	13,010
Charges for Capital	15	15,320
Other Reckonable Expenditure	0	152
PFI Credit	10,353	10,353
Decent Homes Grant	20,500	0
Guideline Rent Income	0	(63,288)
Total Grants and Subsidy	30,868	15,175

3. REBATES

Assistance with rents is available under the Housing Benefits scheme for those on low income. The scheme is administered by the Council and approximately 60% of tenants received help in 2012/13. 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 charged to the General Fund, as are the administration costs.

	2012/13 £000	2011/12 £000
Rent Rebates Given (GF)	44,847	41,337
Subsidy Received on Rebates (GF)	(44,675)	(41,350)
Net cost to the HRA	172	(13)

Housing Revenue Account

4. CONTRIBUTION TOWARDS EXPENDITURE

	2012/13 £000	2011/12 £000
Commission on insurance and water rates	648	657
Court costs	66	65
Government grants	0	336
Recharges of repairs	1,241	2,262
Professional fees	23	24
Recharge to capital receipts	318	270
Hostels: Heat, Light and Water Charges	258	241
Other miscellaneous income	60	33
Total Other Income	2,614	3,888

5. SUPERVISION AND MANAGEMENTGeneral Expenses

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

Special Expenses

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

6. REPAIRS AND MAINTENANCE

This includes day-to-day repairs to Council housing stock and cyclical external decoration. Void properties prior to re-letting and certain tenants' properties are eligible for internal decoration. Gross repairs and maintenance expenditure for 2012/13 was £16.7m (2011/12 - £20.0m).

7. CONTRIBUTIONS TO IMPAIRMENT ALLOWANCE

In 2012/13 a contribution of £0.76m (2011/12 - £0.78m) was transferred from the HRA to an impairment allowance to meet doubtful debts. Details of the accumulated provision are as follows:

	2012/13 £000	2011/12 £000
Housing Tenants	4,145	4,501
Leaseholders	2,171	2,484
Commercial Properties, Miscellaneous Debts	787	671
Total Impairment Allowance	7,103	7,656

8. HRA OUTSTANDING DEBT (CAPITAL FINANCING REQUIREMENT)

Under the current HRA Self financing system, which began in 2012/13, there is no requirement to repay principal on housing debt. The total housing debt at 31 March 2013 was £83.5m.

Housing Revenue Account

9. NON CURRENT ASSETS VALUATION

The housing stock is fully valued every five years with a market adjustment being applied annually where necessary. The difference between the value of dwellings in their existing use as social housing and the vacant possession value reflects the economic cost to the council of providing housing at less than open market rents

	31/03/13 £000	31/03/12 £000
Operational Assets:		
Dwellings (Existing Use Value - Social Housing)	641,908	609,047
Other Land and Buildings	38,886	39,667
Infrastructure	107	113
Vehicles, Plant and Equipment	4,486	4,428
	685,387	653,255
Investment Properties	17,290	17,374
Total Housing Assets	702,677	670,629
Full Valuation of Council Dwellings	2,567,632	2,436,188

10. DEPRECIATION

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

	2012/13 £000	2011/12 £000
Operational Assets		
Dwellings	16,094	15,329
Other Land and Buildings	852	852
Vehicles, Plant and Equipment	204	200
Depreciation charged on Operational Assets	17,150	16,381

Depreciation is not charged on Non Operational Assets.

11. INTEREST PAYABLE AND SIMILAR CHARGES

This line includes the charge of £3.6m for capital assets calculated in accordance with the DCLG's Item 8 Debit Determination for 2012/13 (£10.4m in 2011/12). It also includes £1.02m for the net cost of amortised loan redemption premiums and discounts £1.2m in 2011/12). For 2011/12 only, it includes the premium of £41.8m incurred in respect of the debt repayment resulting from the introduction of HRA self financing.

12. PENSIONS COSTS – IAS 19

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

Housing Revenue Account

13. HOUSING CAPITAL EXPENDITURE

Capital expenditure in 2012/13 of £0.9m was significantly lower than that in 2011/12 (£19.1m). This is mainly due to the receipt of a one off borrowing approval in 2011/12 from the Government for Decent Homes improvements. As required, 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.

	2012/13 £000	2011/12 £000
Expenditure:		
Dwellings	873	18,619
Revenue Expenditure Funded from Capital under Statute	34	495
	907	19,114
Financed by:		
Government Supported Borrowing	0	15,350
Capital Grants and Contributions	0	1,491
Capital Receipts	34	1,392
Major Repairs Reserve	873	881
Total Capital Expenditure Financed	907	19,114

The total capital receipts from the disposal of housing assets (including stock transfer) were £12.7m in 2012/13 (£9.8m in 2011/12).

14. MAJOR REPAIRS RESERVE

	2012/13 £000	2011/12 £000
Balance B/fwd as at 1 April	(4,529)	(3,211)
Transferred in (depreciation dwellings)	(17,150)	(16,381)
Financing of capital expenditure on housing assets	873	881
Financing Major Revenue Repairs	12,791	10,811
Contributions from Revenue (Capital)	(4,704)	0
Transfer to the HRA	0	3,371
Balance C/fwd as at 31 March	(12,719)	(4,529)

15. HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

	Balance at 31/03/2012 £000	Transfers In £000	Transfers Out £000	Balance at 31/03/2013 £000
Property and Stock Related Reserves	6,952	176	(1,787)	5,341
Staff Related Reserves	750	300	(300)	750
Other Earmarked Reserves	9,479	7,828	(500)	16,807
Total	17,181	8,304	(2,587)	22,898

Collection Fund

SECTION 4b

**COLLECTION
FUND**

2012/13

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	2012/312	2011/12	
	£000	£000	Note
INCOME			
Income from Council Tax (net)	97,459	95,713	4
Transfers from General Fund:			
- Council Tax Benefits	28,519	28,623	4
Income from National Non-Domestic Rates (net)	49,678	47,987	5
TOTAL INCOME	175,656	172,323	
EXPENDITURE			
Precepts and Demands upon the Collection Fund			
- London Borough of Lewisham	93,184	92,213	
- Greater London Authority	27,427	27,415	
National Non-Domestic Rates			
- Payment to National Pool	47,210	44,908	5
- Cost of Collection Allowance	309	316	5
Business Rate Supplement			
- Payment to Greater London Authority	1,230	1,487	5
- Administrative Costs	6	7	5
Bad and Doubtful Debts			
- Net adjustment to Impairment Allowance (Council Tax)	(838)	(1,662)	6a
- Net adjustment to Impairment Allowance (NNDR)	536	371	6b
- Amounts Written Off (Council Tax)	4,141	4,673	
- Amounts Written Off (NNDR)	387	898	5
Contributions from previous year's Collection Fund Surplus			
- London Borough of Lewisham	1,017	18	
- Greater London Authority	302	5	
TOTAL EXPENDITURE	174,911	170,649	
DEFICIT / (SURPLUS) FOR THE YEAR	(745)	(1,674)	3
(SURPLUS) AT THE BEGINNING OF THE YEAR	(1,703)	(29)	3
FUND (SURPLUS) AT THE END OF THE YEAR	(2,448)	(1,703)	

Collection Fund

NOTES TO THE COLLECTION FUND

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

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

The tax base used in setting the council tax is set by the end of January for the following financial year. It is based on the actual number of dwellings on the Valuation List that fall within each valuation band. The total in each band is adjusted for exemptions, single person occupancy discounts, discounts for second homes and long term empty properties, disabled band relief and new properties. The total for each band is then expressed as a "Band D" equivalent number by multiplying the resulting total by the relevant band proportion. The tax base for both 2012/13 and 2011/12 assumed a collection rate of 96.25%.

The table below sets out the tax base calculation for 2012/13.

Council Tax Band	Property Value £000	2012/13		Band D Ratio	2012/13		2011/12	
		No. of Properties			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	3,762.2	899.22	3,746.4	901.29
B	40 - 52	32,324	26,501	7/9	20,611.9	1,049.09	20,233.9	1,051.50
C	52 - 68	41,427	35,757	8/9	31,783.8	1,198.96	31,322.4	1,201.73
D	68 - 88	25,206	22,700	1	22,699.8	1,348.83	22,583.3	1,351.93
E	88 - 120	7,164	6,564	11/9	8,022.4	1,648.57	8,027.9	1,652.36
F	120 - 160	2,753	2,573	13/9	3,716.6	1,948.31	3,693.8	1,952.79
G	160 - 320	1,298	1,203	15/9	2,004.2	2,248.05	2,021.3	2,253.22
H	over 320	177	151	18/9	302.0	2,697.66	305.5	2,703.86
Totals		117,554	101,096		92,902.9		91,934.5	
Add: Contributions in lieu					0		0	
Total Band D Equivalents					92,902.9		91,934.5	
Estimated Collection Rate					96.25%		96.25%	
NET COUNCIL TAX BASE					89,419		88,487	

(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

2. COLLECTION FUND SURPLUS OR DEFICIT

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

3. COLLECTION FUND BALANCE SPLIT INTO ITS ATTRIBUTABLE PARTS

	Surplus as at 31/03/11 £000	Surplus for 2011/12 £000	Surplus as at 31/03/12 £000	Surplus for 2012/13 £000	Surplus as at 31/03/13 £000
London Borough of Lewisham	(22)	(1,290)	(1,312)	(566)	(1,878)
Greater London Authority	(7)	(384)	(391)	(179)	(570)
	(29)	(1,674)	(1,703)	(745)	(2,448)

4. COUNCIL TAX INCOME

	2011/12		2011/12 £000
	£000	£000	
Gross Council Tax Income Due		145,076	144,643
Less: Adjustments to charge	1,729		411
Exemptions	(5,355)		(5,336)
Disabled Relief	(70)		(70)
Discounts	(15,402)		(15,314)
		(19,098)	(20,309)
Total Due from Council Tax payers		125,978	124,334
Transfers from General Fund for Council Tax Benefits		(28,519)	(28,623)
Adjustment to Charge			2
Net amount of Council Tax Receivable		97,459	95,713

Collection Fund

5. 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.

	2012/13		2011/12
	£000	£000	£000
Gross NNDR Collectable (after voids and exemptions)		55,466	52,635
Reductions and Relief:			
Mandatory Relief	(5,712)		(4,573)
Discretionary Relief	(249)		(170)
Interest on Refunds and Other Adjustments	173	(5,788)	95
Total Receivable from Business Rates		49,678	47,987
Irrecoverable Amounts Written Off		(387)	(898)
Net Adjustment to Impairment Allowance		(536)	(371)
Net Amount Collectable from Business Ratepayers		48,755	46,718
Business Rate Supplement			
Payment to Greater London Authority	(1,230)		(1,487)
Administrative Costs	(6)	(1,236)	(7)
NNDR			
Cost of Collection Allowance transfer		(309)	(316)
Amount Payable to NNDR Pool		47,210	44,908

	2012/13	2011/12
	£m	£m
Non-Domestic Rateable Value	134.7	132.1
	pence	pence
National Non-Domestic Rate Multiplier	47.1	43.3
National Non-Domestic Rate Multiplier (Small Business)	46.2	42.6

Collection Fund

6. COLLECTION FUND ARREARS AND IMPAIRMENT ALLOWANCES

a) Council Tax

	31/03/2013 £000	31/03/2012 £000
Council Tax Arrears	27,021	28,054
Impairment Allowance	(24,674)	(25,512)
As a Percentage of Arrears	91.3%	90.9%

	2012/13		2011/12	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Arrears				
Year of Accounts	5,623	21	5,828	21
Under 2 Years old	3,939	15	4,414	16
Under 3 Years old	3,544	13	4,520	16
Under 5 Years old	6,547	24	7,292	26
Over 5 Years old	7,368	27	6,000	21
Total	27,021	100	28,054	100

Arrears of income from court costs and penalties resulting from recovery action are accounted for in the General Fund. As at 31 March 2013, the arrears were £4.9m (£5.0m at 31 March 2012) with an impairment allowance of £4.4m or 90% (£4.4m or 88% at 31 March 2012).

b) National Non-Domestic Rates

	31/03/2012 £000	31/03/2012 £000
NNDR Arrears	4,492	3,919
Impairment Allowance	(1,880)	(1,345)
As a Percentage of Arrears	41.9%	34.3%

	2012/13		2011/12	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Arrears				
Year of Accounts	2,013	45	2,308	59
Under 2 Years old	1,246	28	838	22
Under 3 Years old	636	14	428	11
Under 5 Years old	508	11	288	7
Over 5 Years old	89	2	57	1
Total	4,492	100	3,919	100

Arrears of income from court costs and penalties resulting from recovery action are accounted for in the General Fund. As at 31 March 2013, the arrears were £143k (£117k at 31 March 2012) with an impairment allowance of £130k or 91% (£105k or 90% at 31 March 2012).

Pension Fund Accounts

SECTION 5

**PENSION FUND
ACCOUNTS**

2012/13

Pension Fund Accounts

PENSION FUND ACCOUNTS

FOREWORD

This Pension Fund Statement of Accounts details the financial position and performance of the Lewisham Pension Fund for the year 2012/13. The Pension Fund's value rose over the year by approximately £90m which is mainly due to an increase in stock valuation during the year.

The Fund underwent a major transition this year in moving from active management to passive management, with 78% of the fund being transitioned. This resulted in a change of some investment managers. RCM, Alliance Bernstein and UBS (active) were replaced by Blackrock and UBS (passive). The Fund also disinvested from the hedge fund of funds held with Fauchier Partners. The Pensions Investment Committee decided on this change in strategy due to the unsatisfactory performance of these managers. All resulting effects have been accounted for in these accounts.

INTRODUCTION

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

ORGANISATION

The Fund is governed by the Superannuation Act 1972. The Fund is administered in accordance with the following secondary legislation:

- Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- Local Government Pension Scheme (Administration) Regulations 2008 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

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

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

["www.lewisham.gov.uk/CouncilAndDemocracy/Finances/PensionsDocuments.htm"](http://www.lewisham.gov.uk/CouncilAndDemocracy/Finances/PensionsDocuments.htm)

ACCOUNTING POLICIES

The Pension Fund Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of the obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in paragraph (m) below.

Pension Fund Accounts

The Local Government Pension Scheme (Amendment) (No.3) Regulations 2007 also requires administering authorities in England and Wales to prepare a Pension Fund Annual Report which must include the Fund Account and a Net Assets Statement with supporting notes prepared in accordance with proper practices. The Code summarises the Pension Code and the minimum disclosure requirements.

The date for publishing the Pension Fund Annual Report is on or before 1 December the following year, up to two months after a local authority must approve its Statement of Accounts. The Council will be taking its Annual Report to its Pensions Investment Committee in order to comply with this deadline.

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

- (a) Basis of Preparation - The Accounts have been prepared on an accruals basis, i.e. income and expenditure attributable to the financial year have been included, even where payment has not actually been made or received, excepting Transfer Values which are prepared on a cash basis. The financial statements do not take account of liabilities to pay pensions and other benefits due after the period end; these are reported upon separately in the actuary's report and reflected in the Council's income and expenditure account. The accounts are prepared on a going concern basis for accounting purposes.
- (b) Investments - Investments in the Net Assets Statement are shown at market value based on bid prices as required by the 2012/13 Local Authority Code of Practice and the IAS 26 Retirement Benefit Plans. The market value of equity investments is based on the official closing data, in the main, with last trade data being used in a small number of countries. Unlisted equities are quoted based on last trade or official closing price. Northern Trust, the Fund's custodian, sets out its pricing policies in a document entitled "Asset pricing guidelines" which details its pricing process and sets out preferred pricing sources and price types.
- (c) The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.
- (d) Private equity investments are valued in accordance with United States generally accepted accounting principles, including FAS 157 which is consistent with the International Private Equity and Venture Capital Valuation Guidelines. These guidelines set out that all investments are carried at fair value and they recommend methodologies for measurement. Due to timing differences in the valuation of this private equity investment, the value carried in the accounts as at 31st March 2013 is the actual fair value as at 31st December 2012 plus an estimated valuation for the period 1st January 2013 to 31st March 2013.
- (e) Property - The Fund does not have any direct investments in property but does use a property Fund of Funds manager, Schroders, to invest in pooled property funds. The Schroders funds are all currently valued at least quarterly. The majority of property assets to which the fund has exposure to are located in the UK. They are valued in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards and are valued on the basis of their open market value (OMV).

The only non UK fund is the Continental European Fund 1 and Lend Lease Real Estate Partners 3. Their net asset values are derived from the net asset values of the underlying funds. Like the UK, the value of the underlying assets are assessed by professionally qualified valuers. Valuation practices will vary between countries according to local Generally Accepted Accounting Practices. The frequency of independent valuations does however vary. All the funds are independently valued on a rolling basis at least annually.

- (f) The fair value of the M&G financial instruments is based on their quoted market prices at the statement of financial position date without any deduction for estimated future selling costs. Due to timing differences in the valuation of this investment, the value carried in the accounts as at 31st March 2013 is the actual fair value as at 31st December 2012, plus an estimated valuation for the period 1st January 2013 to 31st March 2013.

Pension Fund Accounts

- (g) The fair value of the Investec commodities is based on their quoted market prices at the Balance Sheet date. If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for a non-exchange traded financial instrument, the fair value of the instrument is estimated using valuation techniques.
- (h) Contributions – These represent the total amounts receivable from employers within the scheme in respect of their own contributions and any of their employees contributions who are members of the scheme. There are seven employee contribution bands (revised annually in line with inflation) ranging from 5.5% for members earning under £13,500 a year to 7.5% for members earning over £85,300 a year. The employer's contribution is reviewed every three years and is determined by the fund's Actuary as the rate necessary to ensure that the Fund is able to meet its long-term liabilities. This is assessed at each triennial actuarial revaluation.

Full Time Pay for the post	Contribution Rate (%)
Up to £13,500	5.5
£13,501 to £15,800	5.8
£15,801 to £20,400	5.9
£20,401 to £34,000	6.5
£34,001 to £45,500	6.8
£45,501 to £85,300	7.2
More than £85,300	7.5

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

The most recent actuarial valuation carried out under Regulation 36 of the LGPS (Administration) Regulations 2008 was as at 31 March 2010. The valuation was based on the projected unit valuation method. This assesses the cost of benefits accruing to existing members during the year following valuation and allowing for future salary increases. The resulting contribution rate is adjusted to allow for any difference in the value of accrued liabilities (allowing for future salary increases) and the market value of assets.

In order to value liabilities which have accrued at the valuation date and those accruing in respect of future service the actuary has assumed that the Fund's assets will generate a return of 6.1% per annum (5.8% p.a. in 2007). The actuary sets the employer contribution accordingly to recover the deficit over future periods. Other financial assumptions made include:

Pension Fund Accounts

Financial Assumption	Funding Basis (%pa)	Gilt Basis (%pa)
Discount Rate	6.1	4.5
Price Inflation	3.3	3.3
Pay Increases	5.3	5.3
Pension Increase:		
Pension in excess of GMP	3.3	3.3
Post -88 GMP	2.8	2.8
Pre -88 GMP	0.0	0.0
Revaluation of Deferred Pension	3.3	3.3
Expenses	0.6	0.6

The actuarial review carried out for 31 March 2010 resulted in an increase to the Council's contribution rate from 20% to 20.5% with effect from 1st April 2011 and annual increases of 0.5% for the subsequent two years. The next actuarial valuation of the fund will have an effective date of 1 April 2013, with new employer contribution rates taking effect from 2014/15.

The triennial valuation on the 31st March 2010 revealed that the Fund's assets, which at 31 March 2010 were valued at £715 million, were sufficient to meet 75.4% (87.4% 2007) of the liabilities valued at £949 million (£840 million 2007) accrued up to that date. The resulting deficit at the 2010 valuation was £234 million (£106 million 2007).

Actuarial Present Value of Promised Retirement Benefits

The Actuary has calculated the actuarial present value of retirement benefits (on an IAS 26 basis) to be £1,353 million at the 31st March 2013 (£1,158 million as at 31st March 2012).

- (n) Investment Management and Administration - paragraph 42 of the Local Government Pension Scheme (Administration) Regulations 2008 permit the Council to charge the scheme's administration costs to the Fund. A proportion of relevant Council officers' salaries, including related on-costs, has been charged to the Fund on the basis of actual time spent on scheme administration and investment-related business. The fees of the Fund's general investment managers are charged on a quarterly basis and are generally calculated as a set percentage of the market value funds under management as at the end of those quarters. The Council's administrative costs are shown in the Fund Account as part of expenditure.
- (o) Foreign currency transactions are made using the WM/ Reuters exchange rate in the following circumstances:
- Purchase and sales – the foreign exchange rate applicable on the day prior to the trade date is used.
 - Stock holdings – the converted foreign exchange rate is used at stock valuation date.
 - Dividend receipts – the rate applicable on the day prior to the date the dividend is received is used.

Pension Fund Accounts

(q) 2012/13 FINANCIAL YEAR – SUMMARY OF FUND'S MARKET VALUE

Fund Manager	Assets	Assets Value 31/03/13 £000	Proportion of the Fund 31/03/13 %	Assets Value 31/03/12 £000	Proportion of the Fund 31/03/12 %
UBS	Bonds	0	0	138,140	18
Alliance Bernstein	Global Equities	0	0	165,816	21
RCM	Global Equities incl UK	0	0	171,254	22
Schroders Property	Property	69,598	8	68,846	9
HarbourVest (incl	Private Equity	37,515	4	33,163	4
UBS	UK Tracker Fund	0	0	128,474	17
UBS	Passive Equity and Bonds	340,486	39	0	0
Fauchier	Hedge Fund of Funds	0	0	21,077	3
Blackrock	Passive Equity and Bonds	338,769	39	0	0
Investec	Commodities	37,889	5	37,587	5
M&G	Credit	13,411	2	11,089	1
Securities Lending	Securities Lending	88	0	8	0
Unallocated Funds	Cash	29,836	3	0	0
LB Lewisham	Cash and Net Current Assets	(43)	0	2,010	0
Total Fund		867,549	100	777,464	100

Pension Fund Accounts

FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2013

The Fund Account shows the surplus or deficit on the fund for the year.

	2012/13 £000	2011/12 £000	See note
<u>DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED WITH THE SCHEME</u>			
Contributions Receivable:			
- from Employers	26,934	26,992	1
- from Employees	8,612	8,979	1
- reimbursement for Early Retirement from Employers	308	1,951	
Transfer Values In	3,083	2,896	
Other Income	10	8	
Sub-Total: Income	38,947	40,826	
Benefits Payable:			
- Pensions	32,856	30,038	2
- Lump Sums: Retirement allowances	5,413	8,826	
- Lump Sums: Death grants	1,249	1,170	
Payments to and on account of leavers:			
- Refunds of Contributions	1	1	
- Transfer Values Out	2,376	6,059	
Administrative and other expenses borne by the scheme	774	1,002	3
Sub-Total: Expenses	42,669	47,096	
Total Net additions (withdrawals) from Dealings with Scheme Members	(3,722)	(6,270)	
<u>RETURNS ON INVESTMENTS</u>			
Investment Income	10,544	10,667	4
Change in market value of investments (realised & unrealised)	85,404	13,855	5
Investment Expenses:			
- Investment Management Fees *	(1,677)	(3,045)	
- Tax on Dividends	(464)	(537)	
Total Net Returns on Investments	93,807	20,940	
NET INCREASE / (DECREASE) IN THE FUND DURING YEAR	90,085	14,670	
OPENING NET ASSETS OF THE FUND	777,464	762,794	
CLOSING NET ASSETS OF THE FUND	867,549	777,464	

* The investment managers fees do not include fees for two managers totalling £485k which have been deducted by the managers at source, and are reflected in the end value of each investment.

Pension Fund Accounts

NET ASSETS STATEMENT AS AT 31ST MARCH 2013

The Net Assets Statement shows the market value of the investments and other assets held by the Pension Fund as at 31 March 2013.

	31/03/13 £000	31/03/12 £000	See note
INVESTMENT ASSETS			
Equities			
United Kingdom	5,861	43,745	
Global	11,499	269,466	
	17,360	313,211	5
Managed Funds			
Property	68,794	66,993	
Equities	510,346	151,513	
Fixed Interest	130,160	88,581	
Index Linked	26,496	49,552	
Other Assets	80,290	98,435	
	816,086	455,074	5
Cash Deposits	33,502	6,196	10
Derivative Contracts			
Assets	0	4	8
Liabilities	0	(21)	8
Other Investment Balances			
Debtors - Investment Transactions	3,771	2,164	9
Creditors - Investment Transactions	(3,127)	(1,174)	9
TOTAL INVESTMENTS	867,592	775,454	
NET CURRENT ASSETS AND LIABILITIES			
Debtors	590	765	9
Creditors	(1,777)	(2,273)	9
Cash in Hand	1,144	3,518	10
TOTAL NET ASSETS	867,549	777,464	

Note: The financial statements of the fund do not take account of the liability to pay pensions or benefits after 31st March 2013. This liability is included within the Council's balance sheet.

Pension Fund Accounts

NOTES TO THE PENSION FUND ACCOUNTS**1. CONTRIBUTIONS RECEIVED**

	2012/13 £000	2011/12 £000
Employer Contributions		
Administering: Normal	22,313	22,752
Admitted: Normal	1026	974
Scheduled	3,595	3,266
	26,934	26,992
Employee Contributions		
Administering	7,103	7,449
Admitted	328	325
Scheduled	1,181	1,205
	8,612	8,979

2. BENEFITS PAYABLE

	2012/13 £000	2011/12 £000
Administering	19,009	17,907
Admitted	224	192
Scheduled	946	730
Dependants Pensions	1,259	1,226
Pensions Increases	11,418	9,983
	32,856	30,038

3. ADMINISTRATION COSTS

	2012/13 £000	2011/12 £000
Administration	645	547
Advisory Costs (incl Audit Fees) *	124	452
Bank Charges	5	3
	774	1002

* Includes £21k to Grant Thornton for External Audit services in 2012/13 (£32.2k to the Audit Commission for 2011/12). These costs included custodian and advisory fees in 2011/12.

4. INVESTMENT INCOME

	2012/13 £000	2011/12 £000
Cash	175	212
Equity	5,459	7,846
Fixed Interest	915	0
Index Linked	30	0
Managed Funds (incl Property)	3,875	2,467
Securities Lending	89	141
Other *	1	1
	10,544	10,667

Pension Fund Accounts

* Includes Commodities, Hedge Fund, Venture Capital and Credit Mandates.

5. INVESTMENT ANALYSIS

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

Asset	Manager	2012/13 Value	2012/13
		£000	%
UBS GBL Asset Life North America Equity Tracker	UBS	97,683	12
Aquila Life US Equity Index Fund	Blackrock	97,671	12
Aquila Life UK Equity Index Fund	Blackrock	69,230	8.5
UBS Global Life UK Equity Tracker Fund	UBS	68,500	8.4

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

Asset	Manager	2012/13 Value	2012/13
		£000	%
UK Equities			
Harbourvest GE PE Shares	Harbourvest	5,861	100
Global Equities			
Commonwealth Bank of Australia	UBS	673	5.8
BHP Billiton Ltd	UBS	652	5.7
Westpac BKG Corp	UBS	588	5.1
Property			
Standard Life Pooled property Fund	Schroder	8,271	11.8
Schroder Uk Prop.	Schroder	8,018	11.7
Real Continental European Fund	Schroder	6,183	9
Hermes Property UT	Schroder	5,944	8.6
Legal and General Property Fund	Schroder	5,927	8.6
Rockspring Hanover Property Unit Trust	Schroder	5,134	7.5
Blackrock UK Fund	Schroder	6,439	9.4
Real Income Fund	Schroder	4,407	6.4
Hercules Unit Property	Schroder	3,755	5.5
Managed Equities			
Global AM Life Equity Tracker	UBS	29,243	5.7
UBS Global Life Nrth America	UBS	97,662	19.1
Life European Equity Index Fund	Blackrock	31,791	6.2
UBS Global Life UK Equity Tracker Fund		68,500	13.4
Blackrock AM EM IDX Fund	Blackrock	25,046	5
Life UK Equity Index Fund	Blackrock	69,599	13.6
Aquila Life US Equity Index Fund	Blackrock	97,671	19
Aquila Life UK Equity Index Fund	Blackrock	69,230	13.6
Life US Index Fund	Blackrock	97,572	19
Fixed Interest			
UBS Global Asset Management Corporate Bond Fund	UBS	25,647	19.7
Blackrock Am Uk Corporate Bond Index	Blackrock	26,188	20.1
Aquila Life over 5 yrs Index Fund	Blackrock	27,119	20.8
Barclays Global Aquila Life	Blackrock	26,441	20.3
Others			
Global Commodities and Resources	Investec	37,889	47.2
Cayman Partnership Fund	Harbourvest	12,593	15.7
UK Companies Financing Fund	M&G	12,835	16
Cayman Buyout Fund	Harbourvest	8,576	10.7
Cayman Venture Fund	Harbourvest	5,199	6.5

Pension Fund Accounts

An analysis of investment movements for 2012/13 is set out below:

INVESTMENT MOVEMENTS 2012/13	Value at 31 March 2012 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Capital Value £000	Change in Market Value ** £000	Value at 31 March 2013 £000
UK Equities	43,745	12,272	(47,285)	13	(2,884)	5,861
Global Equities	269,466	234,024	(224,112)	(1,127)	(266,752)	11,499
Managed Equities	151,513	51,554	(33,429)	0	340,708	510,346
Property	66,993	8,388	(5,390)	0	(1,197)	68,794
Fixed Interest Securities	88,581	83,801	(76,709)	0	34,487	130,160
Index Linked Securities	49,552	5,271	(7,195)	0	(21,132)	26,496
Other *	98,435	4,597	(24,899)	0	2,157	80,290
Derivatives	(17)	0	0	0	17	0
	768,268	399,907	(419,019)	(1,114)	85,404	833,446
Cash Deposits	6,196					33,502
Other Investment Balances	990					644
Total Investments	775,454					867,592

* Includes Commodities, Hedge Fund, Venture Capital and Credit Mandates

** Due to the timing of the final valuation of Private Equity and the Financing Fund, adjustments were made to the valuations in the 2011/12 accounts based on information received during June 2013. The effect of these adjustments have been reversed this year through the change in market value as the true valuation has now been reflected in these accounts. The total of these adjustments is £2.191m.

The Pension Fund's bond investments are held with UBS in the form of pooled funds. The fund denoted Index Linked above is comprised wholly of UK Government index linked gilts. The remaining funds are comprised of various government and corporate bonds.

The amounts in respect of derivative payments and receipts represent the cost at inception of the contract.

Apart from Global Equities, the only other overseas investments held by the Fund fall under the 'Others' category and are namely Private Equity £31.7m and Commodities £37.88m.

The fund held the following unlisted securities as at 31st March 2012: Equities (including managed equities) £341m, Index Linked Securities £176m and Other Assets £87m.

The fund held the following listed securities as at 31st March 2013: Equities (including managed equities) £127m, Fixed Interest Securities £26m and Index Linked Securities £10m.

An analysis of investment movements for 2011/12 is set out overpage:

Pension Fund Accounts

INVESTMENT MOVEMENTS 2011/12	Value at 31 March 2011 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Capital Value £000	Change in Market Value £000	Value at 31 March 2012 £000
UK Equities	38,484	16,947	(9,064)	57	(2,679)	43,745
Global Equities	280,438	122,119	(130,245)	(390)	(2,456)	269,466
Managed Equities	149,430	1,830	0	0	253	151,513
Property	62,831	12,602	(8,785)	(85)	430	66,993
Fixed Interest Securities	82,110	0	(3,855)	0	10,326	88,581
Index Linked Securities	42,516	0	(2,145)	0	9,181	49,552
Other *	93,217	8,496	(2,049)	0	(1,229)	98,435
Derivatives	(46)	0	0	0	29	(17)
	748,980	161,994	(156,143)	(418)	13,855	768,268
Cash Deposits	13,332					6,196
Other Investment Balances	556					990
Total Investments	762,868					775,454

* Includes Commodities, Hedge Fund, Venture Capital and Credit Mandates

PROPERTY HOLDINGS

	31/03/13 £000	31/03/12 £000
Opening Balance		
Additions	66,993	62,831
Disposals	8,388	12,602
Net increase in market value	(5,390)	(8,785)
Other changes in fair value	(1,197)	430
Closing Balance	0	(85)
	68,794	66,993

There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposal and the fund is not under any contractual obligations to purchase, construct or develop any of these properties. Nor does it have any responsibility for any repairs, maintenance or enhancements.

FINANCIAL INSTRUMENTS

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

Pension Fund Accounts

	31 st March 2013			31 st March 2012		
	Fair Value through Profit & Loss	Loans and Receivables	Financial Liabilities at Amortised Cost	Fair Value through Profit & Loss	Loans and Receivables	Financial Liabilities at Amortised Cost
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets						
Equities	17,360			313,211		
Managed Funds:						
Property	68,794			66,993		
Equity	510,346			151,513		
Fixed Interest	130,160			88,581		
Index Linked	26,496			49,552		
Other Assets	80,290			98,435		
Derivative contracts	49,199			4		
Cash deposits		33,502			6,196	
Pending Trades		3,285			1,680	
Dividends & Income		538			484	
Contributions Due		538			765	
Cash Balances		1,144			3,518	
	882,645	39,007		768,289	12,643	
Financial Liabilities						
Derivative Contracts	(49,199)			(21)		
Pending Trades			(3,127)			(1,174)
Unpaid benefits			(584)			(290)
Other current Liabilities			(1,193)			(1,983)
	(49,199)	0	(4,904)	(21)	0	(3,447)
Net Financial Assets	833,446	39,007	(4,904)	768,268	12,643	(3,447)

Net Gains and Losses on Financial Instruments

	31/03/13 £000	31/03/12 £000
Financial Assets		
Fair Value through Profit and Loss	85,404	13,263
Loans and Receivables	0	0
Financial Liabilities		
Fair Value through Profit and Loss	0	(21)
	85,404	13,242

The fund also received bank interest totalling £2,056 during the year.

Valuation of Financial Instruments carried at Fair Value

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Level 1 consists of assets where the fair values are derived from unadjusted quoted prices in active markets for identical assets and liabilities e.g. quoted equities.

Pension Fund Accounts

Level 2 consists of assets where quoted market prices are not available e.g. where an instrument is traded in a market that is not considered to be active.

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

Values as at 31st March 2013	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total £000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	66,559	784,431	31,654	882,644
Loans and Receivables	39,008			39,008
	105,567	784,431	31,654	921,652
Financial Liabilities				
Fair Value through Profit and Loss	(49,199)			(49,199)
Financial Liabilities at Amortised Cost	(4,904)			(4,904)
	(54,103)	0	0	(54,103)
Net Financial Assets	51,464	784,431	31,654	867,549

Values as at 31st March 2012	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total £000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	313,215	426,388	28,686	768,289
Loans and Receivables	12,643			12,643
	325,858	426,388	28,686	780,932
Financial Liabilities				
Fair Value through Profit and Loss	(21)			(21)
Financial Liabilities at Amortised Cost	(3,447)			(3,447)
	(3,468)	0	0	(3,468)
Net Financial Assets	322,390	426,388	28,686	777,464

FINANCIAL RISK MANAGEMENT

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

Responsibility for the fund's risk management strategy rests with the Pension Fund Investment Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pension operations. Policies are reviewed regularly to reflect change in activity and in market

Pension Fund Accounts

conditions. The main risks from the Fund's holding of financial instruments are market, credit and liquidity risks.

Market risk includes price risk, interest rate risk and currency risk. The Fund's investments are managed on behalf of the Fund by the appointed investment managers. Each investment manager is required to invest the assets managed by them in accordance with the terms of their investment guidelines or pooled fund prospectus.

Due to the performance of some managers, the Lewisham Pension Investment Committee (PIC) decided to move the fund towards a more passive rather than active management. This has been reflected in this statement of accounts. The Committee has determined that the new investment management structure is appropriate and is in accordance with its revised investment strategy. The Committee, however, regularly monitors each investment manager, and its investment consultant (Hymans Robertson) advises on the nature of the investments made and associated risks.

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

1) Market Risk

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

a) Market Price Risk represents the risk that the value of a financial instrument will fluctuate as a result of factors other than interest rate or foreign currency movements, whether those changes are caused by factors specific to the individual instrument, its issuer or factors affecting the market in general. Market price risk arises from uncertainty about the future value of the financial instruments that the Fund holds. All investments present a risk of loss of capital, the maximum risk being determined by the fair value of the financial instruments. The investment managers mitigate this risk through diversification in line with their own investment strategies and mandate guidelines. The Council and its investment advisors also undertake appropriate monitoring of market conditions and benchmark analysis. The Fund has a long term view on expected investment returns which smooths out short term price volatility

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's advisors, the council has determined that the following movements in market price risk are reasonably possible for the 2012/13 reporting period.

Asset Type	Potential Market Movement +/- (% p.a.)
UK Equities	13.3
Overseas Equities	13.2
UK Bonds	6.5
Index Linked	8.6
Cash	0.0
Other Assets	6.5
Property	1.9

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

Pension Fund Accounts

Asset Type	Final Market Value £000	Percentage Change	Value on Increase £000	Value on Decrease £000
UK Equities	195,258	15.3	225,132	165,384
Overseas Equities	269,466	15.9	312,311	226,621
UK Bonds	88,581	7.5	95,225	81,973
Index Linked	49,552	7.9	53,466	45,622
Cash	6,196	0	6,196	6,196
Other Assets	98,435	8.6	106,900	89,970
Property	66,993	6.3	71,213	62,772
Total Assets*	774,481		870,443	678,538

* This figure excludes derivatives and other investment balances.

b) Interest Rate Risk is the risk to which the Pension Fund is exposed to changes in interest rates and relates to its holdings in bonds and cash. Based on interest received on bonds held on a segregated basis and cash held by investment managers, a 1% change in the interest rate would result in an approximate change in income of £677k.

c) Currency Risk is the risk to which the Pension Fund is exposed to fluctuations in foreign currency exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£UK). The fund's currency rate risk is routinely monitored by the council and its investment advisors. In practice, this is achieved by the use of futures and forward foreign exchange contracts, which entitle and oblige the seller and holder to exchange assets or currency on a future date at a predetermined price or rate. The former are tradable on exchanges, the latter are "over the counter" agreements, which neither the purchaser or the seller may transfer. As at 31 March 2013, forward foreign exchange contracts were the only derivative contracts held. There is no cost on entering into these contracts but the market value is established as the gain or loss that would arise at the settlement date from entering into an equal and opposite contract at the reporting date. Following analysis of historical data in consultation with the Fund's advisors, the council considers the likely volatility associated with foreign exchange rate movements to be 6.2%.

This volatility is applied to the fund's overseas assets as follows:

Asset Type	Asset Value at 31/12/12 £000	+ 6.2% £000	- 6.2% £000
Overseas Equities	224,747	238,704	210,790
Other Assets	51,835	55,054	48,616
Other Alternatives	67,456	71,645	63,267
Total	344,038	365,403	322,673

2) Credit Risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to meet an obligation and cause the Fund to incur a financial loss. This is often referred to as counterparty risk. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities. The Fund is exposed to credit risk through its underlying investments (including cash balances) and the transactions it undertakes to manage its investments. The careful selection of and monitoring of counterparties including brokers, custodian and investment managers minimises credit risk that may occur through the failure to settle transactions in a timely manner.

The Fund is also exposed to credit risk through Securities Lending. The Securities Lending (SL) programme is run by the Fund's custodian, Northern Trust, who assign four different risk management oversight committees to control counterparty risk, collateral risk and the overall securities lending programme. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending on the type of transaction. To further mitigate risks, the collateral held on behalf of the Pension Fund is ring fenced from Northern Trust. Securities lending is capped by investment

Pension Fund Accounts

regulations and statutory limits are in place to ensure no more than 25% of eligible assets can be on loan at any one time. The Fund's exposure through the securities Lending programme is now reduced as the fund is now passively managed and SL activity has greatly reduced. The Financing Fund is also exposed to credit risk. The fund gains exposure by investing in private placements. This risk is managed by assigning a credit analyst to all investments, who continually monitors the asset, its direct peers and its sector.

3) Liquidity Risk

This is the risk that the Pension Fund will have difficulties in paying its financial obligations as they fall due, for example the pensioner payroll costs and capital commitments. The council therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The fund holds a large proportion of assets in instruments which can be liquidated at short notice, normally three working days. As at the 31 March 2013 these assets totalled approximately £684m, with a further £33.5m held in cash by the custodian on behalf of the fund managers.

6. INVESTMENT MANAGEMENT FEES

	2012/13 £000	2011/12 £000
Fund Managers' Fees	1,387	3,045
Custodian Fees *	227	0 **
Advisory Costs	63	0 **
Total Unrealised Gains / (Losses)	1,677	3,045

* These fees include the cost of transition management

** These costs were classified as administration costs in 2011/12 (see note 3)

7. PRIOR YEAR ADJUSTMENT

No prior year adjustments have been made to these accounts.

8. DERIVATIVE CONTRACTS

At 31 March 2013, forward foreign exchange contracts were the only derivative contracts held. Forward foreign exchange contracts are disclosed in the accounts at market value which is the gain or loss that would arise from closing out the contract at the balance sheet date by entering into an equal and opposite contract at that date.

	31/03/13 £000	31/03/12 £000
Foreign Exchange Gains	0	4
Foreign Exchange Losses	0	(21)
Total Unrealised Gains / (Losses)	0	(17)

Pension Fund Accounts

9. DEBTORS AND CREDITORS**(a) Debtors**

	2012/13 £000	2011/12 £000
Contributions Due from Admitted / Scheduled Bodies	538	765
Equity Dividends/ Income from Managed Funds	711	484
Interest and Other Income	390	0
Tax Refunds	52	0
Pending Trades	2,671	1,680
	4,362	2,929

(b) Creditors

	2012/13 £000	2011/12 £000
Fund Manager and Custody Fees	(171)	(516)
Consultancy / Advisory Fees (inc Audit Fees)	(94)	(27)
Pension Payments due to Employees	(586)	(289)
Pending Trades	(3,127)	(1,174)
LB Lewisham	(926)	(1,441)
	(4,904)	(3,447)

The pending trades relate to purchases and sales by managers which have yet to be the subject of cash settlement. At the year end these are treated as investment debtors and creditors.

10. CASH DEPOSITS

The Northern Trust Company is the fund's global custodian and the cash is held in an interest bearing account to meet the cash flow requirements of the fund and its managers. Part of the cash held this year was in relation to the closure of the Hedge Fund of Funds with Fauchier Partners. The total cash held as at 31st March 2013 was £33.5m (£6.19m as at 31st March 2012). Approximately £20m of the cash held was from the closure of the Fauchier Partners investment during the year. Suitable reinvestment of these funds is currently being considered. £7m of the cash is being held to meet the ongoing cashflow requirements of the fund and £4m is the residual cash from the transition.

The Lewisham cash balance represents uninvested cash held in the Pension Fund bank account as at 31st March 2013. The cash in hand figure includes £926k to be paid by the Fund to the council for items described in note 14a below.

11. TRANSACTION COSTS

The following direct costs were incurred in relation to individual investment transactions:

	2012/13 £000	2011/12 £000
Total Purchases	261	199
Total Sales	148	144
Total Unrealised Gains / (Losses)	409	343

Pension Fund Accounts

12. POST YEAR END EVENTS

There have been no events since March 2013, and up to the date when these accounts were prepared, that require any adjustment to these accounts.

13. COMMITMENTS

The Pension Fund was committed to the following capital contributions as at the 31st March 2013:

Harbourvest

Fund	Amount	Translated £
HarbourVest Partners VIII – Cayman Venture Fund L.P	\$1,852,500	1,224,317
HarbourVest Partners VIII – Cayman Buyout Fund L.P	\$4,995,000	3,301,195
HarbourVest International Private Equity Partners V – Cayman Partnership Fund L.P	€2,362,500	1,991,115
HarbourVest International Private Equity Partners V – Cayman Direct Fund L.P	€180,000	151,704
Total		6,668,331

The Harbourvest commitments have been translated from either Euros or Dollars using exchange rates as at 31st March 2013. Total Harbourvest commitments as at 31st March 2012 were £8,909,007.

14. RELATED PARTY TRANSACTIONS

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

Eight Councillors sit on the Pensions Investment Committee which oversees the Fund. Four Councillors of this Committee are members of the pensions scheme. At each meeting of the Pensions Investment Committee Councillors are asked to make declarations of interest which are minuted at the meeting.

- Cllr Maslin declared an interest in UBS. He is a Director of Hales Gallery of which UBS is an occasional customer. Cllr Maslin has not taken part in any of the decisions taken during the year involving UBS.
- Councillor Fletcher declared that her brother in law had recently been employed as a finance director for Bryden International which is part of the Melrose Group.
- Councillor Muldoon declared a personal interest in the February 2013 meeting, as a friend of Sir Paul Judge, the Chair of Schroder Income Growth Fund plc.

No other trustees or Council chief officers with direct responsibility for pension fund issues have undertaken any declarable transactions with the Pension Fund.

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

- a) Recharges from the Council for the in-house administration costs and other expenses, such as interest payable on balances, borne by the scheme were transacted for £606k (see note 3). (Some cash transactions relating to pension activities are currently effected through the Council's bank account and consequently pension fund cash balances are held by the Council from time to time and vice versa.)
- b) The salary of the Executive Director for Resources and Regeneration is disclosed in Note 27 to the Core Financial Statements.

Pension Fund Accounts

15. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

Contributing members have the right to make additional voluntary contributions (AVCs) to enhance their pension. There are currently 48 'open' AVC contracts for LGPS members (i.e. excluding members with AVC contracts who have left Lewisham and now have preserved benefits). Some of these 'open contracts' will be for members who have paid AVCs in the past but who have suspended payments to the scheme for the time being.

The fund has two AVC providers: Clerical Medical and Equitable Life. The value of AVC investments is shown below, the contributions are held by the providers and do not form part of the Lewisham fund's assets in accordance with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

	2012/13			2011/12		
	Equitable £000	Clerical Medical £000	Total £000	Equitable £000	Clerical Medical £000	Total £000
Value at the Beginning of Year	535	984	1,519	535	906	1,441
Contributions and Transfers Rec'd	20	199	219	5	243	248
Investment Return	9	85	94	20	32	52
Paid Out	(37)	(302)	(339)	(25)	(197)	(222)
Value at the End of the Year	527	966	1,493	535	984	1,519

16. SCHEDULED BODIES

The following are scheduled bodies to the fund as at 31st March 2013:

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

17. ADMITTED BODIES

The following are admitted bodies to the fund as at 31st March 2013:

National Car Parks Ltd	Quality Heating
Excalibur Tenant Management Project	Blenheim CDP
PLUS	RSM Tenon (formerly RSM Bentley Jenison)
Housing 21	Broomleigh Housing Association
Lewisham Nexus Services	Penrose
Lewisham Way Youth and Community Centre	Skanska
SAGE Educational Trust	One Housing
CIS Securities	Fusions Leisure Management
Wide Horizons	3 C's Support
Phoenix	Children's Society
INSPACE	Pre-School Learning Alliance
T Brown & Sons	Chequers Contract Services

Pension Fund Accounts

18. STOCK LENDING

The Statement of Investment Principles permits the Fund to enter into stock lending (whereby the Fund lends other bodies stocks in return for a fee and collateral whilst on loan). Equities and fixed income assets held in segregated accounts in custody may be lent. The Fund actively lends in 50 different equity and fixed income markets worldwide. Northern Trust conducts this activity on behalf of the Fund.

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

Northern Trust pays income to the Fund on a contractual basis (i.e. pay date) for contractual income markets. For non-contractual income markets, Northern Trust pays income to the Fund once income is received from the local sub custodian. Therefore, income is paid at the same time as income is paid for in-custody positions. Northern Trust is responsible for collecting dividend and interest income on loaned securities from borrowers. The right to vote moves with the securities.

There was a large reduction in stock lending activity towards the end of the year due to the fund restructure and move to passive investments, as the fund is unable to lend units in pooled funds.

As at the 31st March 2013, the value of aggregate stock on loan was £0.98m (£25.5m as at 31st March 2012). These have been carried in the accounts at this value. There are no liabilities associated with these assets.

Collateral

The collateral held versus securities on loan cannot be sold or repledged in absence of default by the borrower. The council entered into stock lending transactions during the financial year earning £89k net of direct expenses (£100k as at 31st March 2012). The value of collateral held was £1.064m (£27.2m as at 31st March 2012).

18. MEMBERSHIP

	Active Members		Deferred Beneficiaries		Retired Members	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
Administering Authority	5,322	5,035	7,284	6,958	6,530	6,448
Scheduled Bodies	655	666	303	243	127	106
Admitted Bodies	180	162	92	66	43	39
	6,157	5,863	7,679	7,267	6,700	6,593

19. AUTHORISATION

These accounts were authorised on the 28th June 2013 by the Executive Director for Resources and Regeneration.

Pension Fund Accounts

SECTION 7

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

Glossary

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	This is expenditure on the acquisition or enhancement of assets which significantly prolongs their useful lives or increases their market value.. This is considered to be of benefit to the Council over a period of more than one year, e.g. land and buildings.
CAPITAL ADJUSTMENT ACCOUNT	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.

Glossary

LEASES	<p>A Lease is an agreement whereby the lessor conveys the right to use an asset for an agreed period of time to the lessee in return for a payment or series of payments. 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 the Council's revenue account each year for the principal repayment of 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 are reduced if performance targets are not met.</p>
PRECEPTS	<p>These are demands made upon the Collection Fund by the Council's General Fund and the Greater London Authority in accordance with their budget requirements.</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>

Glossary

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
HRA	Housing Revenue Account
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
LEP	Local Education Partnership
LGPS	Local Government Pension Scheme
LPFA	London Pensions Fund Authority
LSP	Local Strategic Partnership
MiRS	Movement in Reserves Statement
MRP	Minimum Revenue Provision
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