

LONDON BOROUGH OF LEWISHAM

2014 / 2015 DRAFT PRE - AUDIT STATEMENT OF ACCOUNTS

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Foreword

FOREWORD BY THE EXECUTIVE DIRECTOR FOR RESOURCES AND REGENERATION

1. INTRODUCTION

This Statement of Accounts reports the financial results of all the Council's operations for the financial year 2014/15 and shows the Council's financial position as at 31 March 2015. The Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice for Local Authorities (SERCOP) 2014/15, jointly developed by CIPFA and the Accounting Standards Board. These constitute proper accounting practice with which Local Authorities must by statute comply and includes adherence to International Financial Reporting Standards (IFRS). There are no fundamental changes to the basis on which the accounts have been compiled for 2014/15.

2. THE COUNCIL'S STATEMENT OF ACCOUNTS

The Statement of Accounts comprises this Foreword, a Statement of Responsibilities, an External Auditor's report (which will be inserted when it is upon completed), Core Financial Statements and other Accounts as set out below. A review has concluded that Group Accounts are not required to be prepared.

Section 1 – The Core Financial Statements

Section 1a - Movement in Reserves Statement (MiRS)

This statement shows the movement in the different reserves held by the Council during the year, analysed into 'usable reserves' and 'unusable reserves'. The Surplus or (Deficit) on the Provision of Services line shows the true 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 and dwellings rent setting purposes respectively. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund and Housing Revenue Account Balances.

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. Council's raise taxes to cover expenditure in accordance with regulations; this may be different from the accounting cost.

Section 1c - Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Council at the end of the year. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. There are two types of reserve, 'usable' and 'unusable'. Usable reserves are those that can be used to provide services, subject to keeping a prudent level of reserves and any statutory limitations on their use. Unusable reserves are those that cannot be used to provide services. They include unrealised gains and losses where amounts only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the MiRS 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.

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. Operating activities show how the Council is funded by taxation, grant income and 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. Financing activities identify claims on future cash flows by providers of capital (i.e. borrowing) to the Council. The indirect method of compilation has been used.

Foreword

Section 2 – Statement of Accounting Policies

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

Section 3 – Notes to the Core Financial Statements

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

Section 4a – Housing Revenue Account

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

Section 4b – Collection Fund Accounts

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

Section 5 – Pension Fund Accounts

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

Section 6 – Annual Governance Statement

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

Section 7 - Glossary

This explains some technical and commonly used terms.

3. REVENUE BUDGET**3a 2014/15 Revenue Budget Setting and Funding**

The Council set a net budget requirement of £268.1 million for 2014/15 at its meeting on 26th February 2014. This is a decrease of £16.5m or 5.8% on the previous year's net budget requirement of £284.6m.

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

	2014/15 £000	2013/14 £000
Lewisham's Net Budget Requirement	268,062	284,632
Less: Revenue Support Grant	(102,606)	(124,948)
Less: NDR received from the national pool	(84,744)	(83,124)
Less: Surplus on Collection Fund	(2,309)	(4)
General Fund Services to be met from Council Tax	78,403	76,556
Add: Precept (GLA)	22,108	21,876
Total to be met from Council Tax	100,511	98,432

Foreword

3b 2014/15 Revenue Budget Outturn

During 2014/15, the overall overspend against the directorates' net controllable budgets was £9.1m. After applying the sum of £3.9m which was set aside in setting the 2014/15 budget for 'risks and other budget pressures', this brought the final overspend down to £5.2m. The reasons for these variances were reported to the Mayor and Cabinet on the 3rd June 2015.

Throughout the year, Mayor & Cabinet and the Executive Directors have received regular financial monitoring reports and continued to put in place measures designed to alleviate the Council's overall budget pressures to help bring spending back into line with budget. These have included the strengthening of local controls on particular areas of expenditure. With regards to the most significant budget pressure which the Council faces in 'no recourse to public funds', which ended the year at £6.3m overspent, the corporate team which is responsible for assessing all new cases presenting to the Council has shown signs of limiting the increase of the overall budget pressure in this area.

3c 2015/16 Revenue Budget Outlook

The Council set a net budget requirement of £246.2m for 2015/16 at its meeting on 25th February 2015, which is £21.9m lower than the equivalent figure for 2014/15. The Council again made significant savings reductions of £28.4m to its budget and added £7.5m to provide for the significant spending pressures which are being experienced. An amount of £10m is being taken from reserves to fund the budget, but action is being taken to ensure that expenditure is affordable in future years. The Council is maintaining adequate reserves to enable it to manage the significant funding risks it faces as the national programme of public sector expenditure reductions continues.

Notwithstanding the pressure on 'no recourse to public funds', there still remains a number of significant budget pressures in other areas across the Council. In the main, these included pressures for service areas such as looked after children, adult social care and temporary bed and breakfast accommodation. All of these pressures undoubtedly represent the most significant level of reported budget pressures for the Council of any financial year over the course of the last decade.

4. COUNCIL TAX AND NON-DOMESTIC RATES (NDR)**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 73,941 equivalent Band D properties for 2014/15 (72,199 for 2013/14).

	2014/15 £	2013/14 £	Variation £	Variation %
LB Lewisham's Demand	1,060.35	1,060.35	0.0	0.0
Preceptor Requirements: Add: Greater London Authority	299.00	303.00	-4.0	-1.3
Council Tax for Band D	1,359.35	1,363.35	-4.0	-0.3

4b Council Tax and Non-Domestic Rates Collection Rates

	2014/15 %	2013/14 %	2011/12 %
Council Tax	95.1	94.8	94.6
Non-Domestic Rates	99.4	99.1	97.4

Foreword

5. CAPITAL PROGRAMME**5a 2014/15 Capital Programme**

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 89%. A number of budget under spends, mainly on school buildings and housing schemes, have been carried forward to 2015/16.

	2014/15 Final Outturn £m	2014/15 Budget Report (26 Feb 2015) £m	2013/14 Final Outturn £m
CAPITAL PROGRAMME EXPENDITURE			
General Fund	69.7	84.8	69.4
Housing Revenue Account	53.0	52.5	44.9
Total Capital Expenditure for the Year	122.7	137.3	114.3
CAPITAL FINANCING			
Borrowing	3.5		2.8
Capital Grants	88.8		65.6
Capital Receipts	4.3		14.4
Capital Expenditure Financed from Revenue	26.1		31.5
Total Capital Expenditure Financed	122.7		114.3

The final expenditure on major projects in the 2014/15 capital programme was:

Major Projects of over £1.5m**General Fund**

Primary Places Programme (inc Expansion)	24.2
Building Schools for the Future (BSF) – Design and Build Programme	16.8
Highways and Bridges (inc TfL programmes)	6.1
Schools Works and Upgrades Programme	5.0
Housing Regeneration Schemes	3.5
Asset Management Programme	2.2
Acquisition and Conversion of Properties	2.9

Housing Revenue Account

Decent Homes programme	39.6
Other Major Works to Dwellings	13.4

2014/15 Expenditure £m
24.2
16.8
6.1
5.0
3.5
2.2
2.9
39.6
13.4

5b 2015/16 Capital Programme

The Council set its capital programme budget at its meeting on 25th February 2015. This outlined the Council's programme for the years 2015/16 to 2018/19 of £424m. A major part of the of the General Fund programme is focused on schools with the Primary Places Programme well underway and the major BSF secondary school refurbishment and rebuild programme nearly completed. The implementation of Housing self-financing has given the Council the opportunity to invest in new housing stock, and the decent homes programme will be completed during the year. The Council is also undertaking a number of development and regeneration schemes which utilise and maximise the value of its assets.

Foreword

	2015/16 Budget £m
2015/16 Capital Programme	
General Fund	
Lewisham Homes – Property Acquisition	20.0
Primary Places Programme (inc Expansion)	15.7
Other Schools Works and Upgrades	6.2
Highways and Bridges (inc TfL programmes)	5.5
Housing Regeneration Schemes	4.5
Acquisition – Hostels Programme	2.8
Asset Management Programme	2.5
Other Schemes	5.3
	62.5
Housing Revenue Account	70.2
Total Capital Programme	132.7

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

After transfers to and from reserves the General Fund balance has been increased to £13.0m due to the proposed reduction in future Government funding and the corresponding requirement on the Council to make savings. This is an adequate level of cover and represents approximately 2.5% of Lewisham's Net Budget Requirement and the Dedicated Schools Grant expenditure. The Council has also has a number of earmarked reserves for specific on-going initiatives and these are shown in Note 8 to the Core Financial Statements.

6b Housing Revenue Account (HRA)

The HRA is reporting spend to budget after transfers to reserves as at 31st March 2015. It continues to build upon its reserves on an annual basis and this is mainly to ensure that there are sufficient resources available to fund the current 30 year business plan which seeks to continue to invest in decent homes and to significantly increase the supply of housing in the borough over the medium to long term. Such examples include the housing regeneration taking place in both Catford and Ladywell. The business plan is reviewed each year to ensure that the resources available from HRA reserves can be profiled appropriately to meet the business needs.

After transfers to and from reserves the HRA balance at the end of the year, including earmarked reserves, now stands at £65.3m (£46.3m as at 31st March 2014). These reserves include the Major Repairs Reserve and are for specific on-going projects as outlined in the notes to the HRA in Section 4 of the Accounts.

6c Collection Fund

The Collection Fund had a deficit of £1.5m for the year, which when added to the brought forward surplus of £4.0m gives a surplus of £2.5m to carry forward to 2015/16. The details are shown in the Collection Fund statements in Section 4b of the Accounts.

Foreword

7. SIGNIFICANT EVENTS IN 2014/15 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 the previous Parliament had a major effect on the Council's current and future funding plans. It has had a direct effect on the 2014/15 accounts, with termination costs of £5.8m (£5.1m in 2013/14) being incurred during the year as the Council has implemented further reductions in staff in response to the constrained funding climate (see Note 26c to the Core Financial Statements).

7b Building Schools for the Future

The substantial building works at Sydenham Secondary School were completed by the end of the year and the school was fully opened in April 2015. These works were part of the Building Schools for the Future capital programme.

7c Dedicated Schools Grant

In 2014/15 the Dedicated Schools Grant increased by £12m in respect of the funding for Lewisham's Academy secondary schools, Hatcham College and Knights Academy. This funding was then recouped by the Education Funding Agency in order to fund the schools.

7d Pension Fund Valuation

The Pension Fund's value rose over the year by £xxm from £905m to £1,043m (15%), mainly due to an increase in stock valuation during the year.

7e Non Domestic Rates (NDR) – Virgin Media RV Reduction

Following an appeal by Virgin Media, their Rateable Value was reduced from £5.9m to £4.13m by the Valuation Office with effective from 24 June 2012. This resulted in a refund of £0.73m which was paid in November 2014.

7f Transfer of Properties from HRA to the General Fund

With effect from 1st April 2014, the Commercial Properties and the majority of Garages were transferred from the Housing Revenue Account to the General Fund at a value of £9.4m. This resulted in a net saving of £0.7m to the General Fund.

7g No Recourse to Public Funds Clients

There was a major overspending in the year of £6.3m in respect of clients with 'no recourse to public funds', including bed & breakfast temporary accommodation and section 17 payments. These are families who seek support under section 17 of the Children's Act because they claim they have no financial means of supporting themselves whilst they are in the process of attempting to regularise their stay in the UK with the Home Office. The client numbers reached a peak in June 2014 when there were 286 clients. Since this time the numbers have been reduced and at the end of the year support was being provided to a total of 243 clients.

Core Financial Statements

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 2014.

Janet Senior CPFA

Executive Director for Resources and Regeneration

30th June 2015

Core Financial Statements

SECTION 1 - CORE FINANCIAL STATEMENTS**MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31ST MARCH 2015**

YEAR ENDING 31ST MARCH 2015	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2014 Brought Forward	12,000	137,524	26,546	19,787	19,446	11,777	227,080	903,861	1,130,941
Movement in Reserves during 2014/15									
Surplus or (Deficit) on the provision of services	(175,594)	0	26,291	0	0	0	(149,303)	0	(149,303)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	63,040	63,040
Total Comprehensive Income and Expenditure	(175,594)	0	26,291	0	0	0	(149,303)	63,040	(86,263)
Adjustments between accounting basis and funding basis under regulations (see note 7)	180,590	0	32,876	(40,225)	28,745	(818)	201,168	(201,168)	0
Net Increase / (Decrease) before Transfers to Earmarked Reserves	4,996	0	59,167	(40,225)	28,745	(818)	51,865	(138,128)	(86,263)
Transfers to / (from) Earmarked Reserves	(3,996)	3,996	(49,802)	49,802	0	0	0	0	0
Increase / (Decrease) in 2014/15	1,000	3,996	9,365	9,577	28,745	(818)	51,865	(138,128)	(86,263)
Balance at 31 March 2015 Carried Forward	13,000	141,520	35,911	29,364	48,191	10,959	278,945	765,733	1,044,678

Core Financial Statements

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31ST MARCH 2014

YEAR ENDING 31ST MARCH 2014	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2013 Brought Forward	12,000	125,171	22,898	12,719	20,277	7,962	201,027	717,117	918,144
Movement in Reserves during 2013/14									
Surplus or (Deficit) on the provision of services	(25,696)	0	56,846	0	0	0	31,150	0	31,150
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	181,647	181,647
Total Comprehensive Income and Expenditure	(25,696)	0	56,846	0	0	0	31,150	181,647	212,797
Adjustments between accounting basis and funding basis under regulations (see note 7)	38,049	0	5,153	(51,283)	(831)	3,815	(5,097)	5,097	0
Net Increase / (Decrease) before Transfers to Earmarked Reserves	12,353	0	61,999	(51,283)	(831)	3,815	26,053	186,744	212,797
Transfers to / (from) Earmarked Reserves	(12,353)	12,353	(58,351)	58,351	0	0	0	0	0
Increase / (Decrease) in 2013/14	0	12,353	3,648	7,068	(831)	3,815	26,053	186,744	212,797
Balance at 31 March 2014 Carried Forward	12,000	137,524	26,546	19,787	19,446	11,777	227,080	903,861	1,130,941

Core Financial Statements

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 31ST MARCH 2015

2013/14			2014/15			Note
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	
SERVICE						
8,639	(3,835)	4,804	9,499	(4,463)	5,036	
21,782	(3,320)	18,462	42,378	(3,615)	38,763	
34,009	(6,252)	27,757	37,906	(6,441)	31,465	
14,662	(3,804)	10,858	13,464	(3,905)	9,559	
510,003	(312,516)	197,487	617,690	(324,799)	292,891	
25,233	(15,060)	10,173	18,327	(4,201)	14,126	
271,748	(374,561)	(102,813)	358,068	(396,985)	(38,917)	
115,142	(22,196)	92,946	116,184	(26,763)	89,421	
19,651	(20,327)	(676)	20,396	(20,592)	(196)	
5,158	(350)	4,808	16,269	(12,086)	4,183	
7,766	(80)	7,686	6,116	(17)	6,099	
1,033,793	(762,301)	271,492	1,256,297	(803,867)	452,430	21
Cost of Services						
Other Operating Expenditure						
98	0	98	0	(73)	(73)	
(Gain) / Loss on the disposal of non-current assets						
1,527	0	1,527	1,646	0	1,646	6
Levies						
1,886	0	1,886	1,727	0	1,727	17
Contribution of housing capital receipts to Government Pool						
3,511	0	3,511	3,373	(73)	3,300	
Financing and Investment Income and Expenditure						
35,667	0	35,667	24,626	0	24,626	
Interest payable and similar charges						
0	(4,329)	(4,329)	0	0	0	
Changes in fair value of Investment Properties						
0	0	0	0	0	0	
(Gain) / loss on disposal of Investment Properties						
447	(1,981)	(1,534)	0	(1,345)	(1,345)	
Interest and Investment Income						
63,840	(39,329)	24,511	64,639	(36,002)	28,637	37
Net interest on the net defined benefit liability						
99,954	(45,639)	54,315	89,265	(37,347)	51,918	
Taxation and non-specific Grant Income						
0	(77,737)	(77,737)	0	(80,738)	(80,738)	
Income from Council Tax						
0	(130,262)	(130,262)	0	(117,250)	(117,250)	29
General Government Grants						
0	(69,345)	(69,345)	0	(75,613)	(75,613)	
Recognised Capital Grants and Contributions						
0	(83,124)	(83,124)	0	(84,744)	(84,744)	
Non-Domestic Rates redistribution						
0	(360,468)	(360,468)	0	(358,345)	(358,345)	
Deficit/(Surplus) on provision of services						
		(31,150)			149,303	
Surplus on revaluation of non-current assets						
		(198,108)			(161,315)	19
Remeasurement of the net defined benefit liability						
		16,461			98,275	37
Other Comprehensive Income and Expenditure						
		(181,647)			(63,040)	
Total Comprehensive Income and Expenditure						
		(212,797)			86,263	

Core Financial Statements

BALANCE SHEET AS AT 31ST MARCH 2015

31/03/2014 £000		31/03/2015 £000	Note
	Property, Plant & Equipment		
882,033	Council Dwellings	1,057,360	9b, HRA 1a, 9
882,010	Other Land and Buildings	650,214	9b
31,757	Vehicles, Plant, Furniture and Equipment	29,872	9b
89,138	Infrastructure	95,039	9b
9,364	Community Assets	8,850	9b
38,319	Surplus Assets not held for Sale	61,381	9b
26,327	Assets under Construction	33,186	9b
1,958,948		1,935,902	
257	Heritage Assets	257	42
25,658	Investment Property	28,894	10
2,442	Long Term Investments	2,044	
17,397	Long Term Debtors	17,774	13a
2,004,702	Total Long Term Assets	1,984,871	
165,415	Short Term Investments	230,650	11
25	Assets Held for Sale	0	
174	Inventories	313	
56,922	Debtors	83,940	13b
121,032	Cash and Cash Equivalents	82,155	14
2,009	Prepayments	2,018	
345,577	Current Assets	399,076	
4,603	Bank Overdraft	0	14
43,053	Short Term Borrowing	76,897	11
2,380	Provisions (Less than 1 year)	2,971	16
82,106	Creditors	92,694	15
80,258	Receipts in Advance	75,750	30
8,281	PFI Liabilities due within one year	8,751	34d
220,681	Current Liabilities	257,063	
2,129,598	Total Assets less Current Liabilities	2,126,884	
154,719	Long Term Borrowing	115,560	11
9,841	Provisions (More than 1 year)	9,721	16
244,703	Deferred PFI Liabilities	239,002	34d
1,304	Capital Grants Receipts in Advance	1,201	
588,090	Liability related to defined benefit pension scheme	716,722	18, 37
998,657	Long Term Liabilities	1,082,206	
1,130,941	NET ASSETS	1,044,678	
	Usable Reserves		
12,000	General Fund Balance	13,000	
137,524	Earmarked Revenue Reserves	141,520	8
26,546	Housing Revenue Account	35,911	HRA 15
19,787	Major Repairs Reserve	29,364	HRA 14
19,446	Usable Capital Receipts Reserve	48,191	17
11,777	Capital Grants Unapplied	10,959	
227,080		278,945	
	Unusable Reserves		
437,280	Revaluation Reserve	585,040	19
1,063,942	Capital Adjustment Account	906,634	20
132	Deferred Capital Receipts	113	
(6,185)	Financial Instruments Adjustment Account	(5,407)	
(588,090)	Pensions Reserve	(716,722)	18, 37
3,057	Collection Fund Adjustment Account	1,583	Coll Fd 3
(6,275)	Short Term Compensated Absences Account	(5,508)	
903,861		765,733	
1,130,941	TOTAL EQUITY	1,044,678	

Core Financial Statements

CASH FLOW STATEMENT FOR THE YEAR ENDING 31ST MARCH 2015

2013/14 £000s		2014/15 £000s	Note
31,150	Net surplus or (deficit) on the provision of services	(149,303)	
53,792	Adjustment to surplus or deficit on the provision of services for non-cash movements	259,686	43
(60,104)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(84,478)	44
24,838	Net Cash flows from Operating Activities	25,905	
(121,701)	Net Cash flows from Investing Activities	(46,627)	46
(7,283)	Net Cash flows from Financing Activities	(13,552)	47
(104,146)	Net Increase or (decrease) in Cash and Cash Equivalents	(34,274)	
220,575	Cash and Cash Equivalents at the beginning of the reporting period	116,429	14
116,429	Cash and Cash Equivalents at the end of the reporting period	82,155	14

Statement of Accounting Policies

SECTION 2 - STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which requires them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the SeRCOP 2014/15, both published by CIPFA, and based on IFRS and statutory guidance under Section 12 of the Local Government Act 2003 (see Glossary for definitions). The accounting convention adopted in the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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 accounted for when they are used. When there is a significant gap between the date on which supplies are received and the date of their use, and the value is material, they are carried as stocks on the Balance Sheet. Expenditure on services received (including those provided by employees) is accounted for when the services are received rather than when payments are made. Where income and expenditure have been recognised in the accounts, but cash has not been received or paid, a debtor or creditor for the amount is recorded in the Balance Sheet. Where it is likely that debts may not be settled, a charge is made to revenue for the income that might not be collected and the debtor is impaired.

4. EXCEPTIONAL ITEMS

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

5. FOREIGN CURRENCY TRANSLATION

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

6. VALUE ADDED TAX (VAT)

Income and Expenditure excludes any amounts related to VAT, unless it is 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.

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7. EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

8. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to the services that benefit from the supply or service in accordance with the total absorption costing principles of the SeRCOP. The exceptions below are defined in SeRCOP and accounted for separately as part of the Cost of Services in the CIES.

- 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.

9. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the 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. 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. Contingent rents are charged as expenses in the periods in which they are incurred. The

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lease payments are apportioned between a charge for the acquisition of the interest in the property, plant or equipment, which is applied to write down the lease liability, and a finance charge to the Financing and Investment Income and Expenditure line in the CIES. They are 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 Council 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, 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).

b) The Council as Lessor

i) Finance Leases

When the Council grants a finance lease over a property or item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Any gain, representing the Council's net investment in the lease, is credited to the same line in the CIES as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset (long-term debtor) in the Balance Sheet. The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt.

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.

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).

ii) Operating Leases

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

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

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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 Deficit on the Provision of Services, but then reversed out through the MiRS using the Short Term Compensated Absences Account so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. This account shows the differences arising on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March each year. Statutory requirements are that the impact on Council Tax is reversed through the Account.

b) Termination and Discretionary Benefits

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

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

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

c) Post-Employment Benefits

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

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

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

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

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

(ii) London Pension Fund Scheme

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

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(iii) Local Government Pension Scheme

This scheme is a defined benefit scheme and is accounted for as such, since its liabilities and assets are attributable to individual Local Authorities. The Council's attributed liabilities are included in the Balance Sheet on an actuarial basis using the projected unit method – 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 are included in the Balance Sheet at their fair value as follows;

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

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

- **Service Costs comprising**
 - The current service cost which is the increase in liabilities as a result of years of service earned this year. These are allocated in the CIES to the services for which the employees worked.
 - The past service cost which is the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. These are debited to Non Distributed Costs in the Surplus or Deficit on the Provision of Services in the CIES.
- **Net interest on the net defined benefit liability**
 - This is the change in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate to the net defined benefit liability at the beginning of the period, accounting for any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- **Re-measurement comprising**
 - the return on plan assets excluding amounts included in net interest.
 - The actuarial gains and losses arising from changes in demographic and financial assumptions since the last actuarial valuation.
 - Other changes not accounted for elsewhere.

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

The detailed accounting policies followed in preparing the pension fund accounts are disclosed separately in the Council's Pension Fund Accounts in Section 5 of the Statement of Accounts.

14. INTERESTS IN COMPANIES

The Council has two wholly owned subsidiary companies, Lewisham Homes and Catford Regeneration Partnership Ltd. It also has a minority interest (significantly lower than 50%) in a number of other companies. The transactions between the Council and all of these companies are included in the Council's accounts. An annual review of the necessity of preparing Group Accounts is undertaken and has again concluded that the Group's entities are immaterial to the financial statements and therefore there is no requirement under the Code to produce Group Accounts. They have therefore not been prepared for 2014/15. Note 25 - Interest in Companies includes information about the companies.

15. REVENUE PROVISIONS AND IMPAIRMENT ALLOWANCES**a) Provisions**

The Council has set aside amounts from revenue as provisions which will be used to cover future expenditure. Provisions are made where an event has taken place that gives the Council a legal or

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

b) Impairment Allowances

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

16. RESERVES

The Council has set aside specific amounts as reserves to cover future expenditure for contingencies or policy purposes, which fall outside the definition of provisions, and are shown in Note 8 of Section 3. The reserves are created by appropriating amounts out of the General Fund Balance in the MiRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then credited back to the General Fund Balance in the MiRS so that there is no net charge against Council Tax. Statutory reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and are not available for the Council to use to finance services.

17. CONTINGENT LIABILITIES AND ASSETS

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

18. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

19. 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.

20. FINANCIAL INSTRUMENTS

a) Financial Liabilities

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Financial liabilities are recognised on the Balance Sheet when the Council enters into a financial instrument and are initially measured at fair value and carried at their amortised cost. Charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by its effective rate of interest. This rate exactly discounts estimated future cash payments over its life to the amount at which it was originally recognised. For the Council's borrowings, the amount on the Balance Sheet is the outstanding principal repayable (plus accrued interest), and the interest charged to the CIES is the amount payable for the year for the loan. Where market loans are defined as Lender Option Borrower Option (LOBO's), these are accounted for as short term loans if they have options occurring within the next financial year.

There has been no repurchase or early settlement of borrowing in the year, nor in the previous year. Premiums and discounts from previous year's settlements are charged to the CIES in accordance with regulations requiring the impact on the General Fund and the HRA to be spread over future years. The Council's policy is to spread the gain or loss over the remaining term of the loan repaid on which the premium was payable or discount receivable. Premiums and discounts are split between the General Fund and HRA pro rata to their respective Capital Financing Requirements as at 1 April of the year in which the loan was repaid. As required by statute, the amounts charged to the CIES are adjusted to the required charge against Council Tax or Housing Rents by a transfer to or from the Financial Instruments Adjustment Account in the MiRS. This account holds the accumulated difference between the financing costs charged to the CIES and the accumulated financing costs required to be charged to the General Fund Balance in accordance with regulations.

b) Financial Assets**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 initially at fair value and subsequently at their amortised cost, and include 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 its effective rate of interest. For loans that the Council has made, this means that the amount shown on the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year for the loan. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

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.

21. 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 is only capitalised when it and the future economic benefits or service potential flowing from it are both material. The level of spend on these assets is immaterial and therefore is charged direct to the CIES.

22. NON CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

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

a) Recognition

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

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

b) Measurement and Valuation

Non-current assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The Council does not capitalise costs incurred whilst assets are under construction. Non-current assets are carried on the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – 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.

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

The cost of an asset acquired other than by purchase is deemed to be its fair value. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the CIES. Where the donation has been made conditionally, the gain is held in the Donated Assets Account until conditions are satisfied. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the MiRS. The Council did not receive any donated assets in 2014/15 (it received one donated asset in 2013/14, Glass Mill Leisure Centre, at a value of £24m).

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) Charges to Revenue for Non-Current Assets

All services are charged with the following amounts to reflect the cost of using property, plant and equipment assets during the year:

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

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

d) Impairment

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

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

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

e) Depreciation

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

- 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 the useful life of the asset.
- infrastructure – straight-line allocation over 25 years, unless advised by a suitably qualified officer.

The Council's policy is to charge depreciation on the assets value at 1 April each year. It is charged from the year following the date of purchase or completion of construction, and is not adjusted for disposals or additions of assets during the year. Where an asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

f) 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 set out 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.

g) Disposals of Non-Current Assets

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

Amounts received in excess of £10,000 are classified as capital receipts. A proportion of receipts from housing disposals (as per the relevant regulations) are payable to the Government. The retained receipts are required to be credited to the Usable Capital Receipts Reserve, and can only be used to finance new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the

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MiRS. The written-off value of disposals is not a charge against Council Tax. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MiRS.

h) Deferred Capital Receipts

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

23. HERITAGE ASSETS

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

24. INVESTMENT PROPERTIES

These are assets which are used solely to earn rentals and/or for capital appreciation, and are not used in any way for the delivery of services or production of goods or being 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. They 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 statutorily allowed to have an impact on the Council Tax 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.

25. PRIVATE FINANCE INITIATIVE (PFI) CONTRACTS

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

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

26. ACCOUNTING FOR SCHOOLS

Schools accounting policies are the same as the Council's, with their income and expenditure being attributed to the appropriate service line in the CIES and their assets, liabilities and balances being included on the Balance Sheet. The schools reserves are held separately within Usable Reserves.

Notes to the Core Financial Statements

SECTION 3 - NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED IN THE 2013/14 ACCOUNTS

The Code of Practice requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code:

- IFRS 13 Fair Value Measurement. This standard provides a consistent definition of fair value and enhanced disclosure requirements. It applies to assets and liabilities covered by those IFRS standards that require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. The value of the Council's Surplus Assets at the end of the year is £61m, so this standard may have an impact on the Statement of Accounts, although an assessment has not been carried out yet.
- IFRIC 21 Levies. This standard concerns provides guidance on levies imposed by the government in the financial statements of entities paying the levy. This standard will not have a material impact on the Statement of Accounts and so is not detailed further.
- Annual Improvements to IFRSs (2011 – 2013 Cycle). These improvements are minor, principally proving clarification and will not have a material impact on the Statement of Accounts.

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is uncertainty about future levels of funding for local government, however the Council has concluded that there is no indication that the assets of the Council will be impaired as a result of the actions required to achieve the necessary savings, including closing facilities and reducing services.
- A number of judgements have been made under the IFRS concerning the classification of and the accounting for Non-Current Assets, Investment Properties, Leases, PFI and other major contracts, Capital and Revenue Grants and other miscellaneous items. There are no material changes to these judgements for the 2014/15 accounts to those followed in 2013/14.
- In accordance with the provisions of the Code of Practice, an accounting judgement has been made for the 2014/15 Accounts as to whether schools' land and buildings should be included within its Balance Sheet. Included are the land and buildings of 45 Community Primary Schools, 4 Community Secondary Schools, 3 Community Special Schools and 2 Nursery Schools. Land and buildings relating to 4 Foundation Schools, 24 Voluntary-aided Schools and 4 Academies have been excluded. An exception to this is that land and buildings relating to schools PFI schemes have been included on the Balance Sheet on the basis that the Council has a greater degree of control over the use and condition of these schools' land and buildings since the contract with the PFI provider is with the Council rather than the schools concerned.
- When Lewisham Homes was set up as an ALMO it was agreed that all of the pension costs of transferred staff would be indemnified by the Council. The Council's judgement is that this

Notes to the Core Financial Statements

indemnity is most accurately represented by accounting for the liability under IAS19, rather than as an accrual, provision, reserve or contingent liability. The 2014/15 accounts therefore include the full costs of the Lewisham Homes IAS19 liability and are consistent with the Council's 2013/14 accounts and Lewisham Homes' accounts for both years

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

These Accounts contain a number of estimated figures that are based on assumptions made about the future or that are otherwise uncertain, and take into account historical experience, current trends and other relevant factors. Because of this, actual results could be materially different from the assumptions and estimates made. The areas in the Council's Accounts at 31 March 2015 for which there is a significant possibility of material adjustment in the forthcoming financial year are as follows:

a) Property, Plant and Equipment

Non-Current Assets are depreciated over their useful lives which are partially dependent on assumed levels of repairs and maintenance that will be achieved. However the current economic climate makes it uncertain that the Council will be able to sustain its current level. If the useful life of assets is reduced, the depreciation will increase and the carrying amount of the assets will decrease. 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 over a number of years. It is split between less than and greater than one year, estimating what proportion of the monies held relate to each of the years, what has been paid in each of those years and what remains outstanding. An annual review is commissioned from 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 add £0.24m to the provision needed.

c) Non National Domestic Rates - Appeals

Since the introduction of the Business Rates Retention Scheme from 1 April 2013, Councils are liable for successful appeals against NDR charged to businesses in 2014/15 and earlier financial years in their proportionate share. Therefore, a provision has been raised for the estimate of the amount that businesses have been overcharged up to 31 March 2015, using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date.

d) Arrears of Significant Debtors

The Council had balances of sundry debtors, Council Tax, NDR and Housing Rents of £145m as at 31st March 2015. 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 £61m. Although the current economic climate, including the Government's welfare benefits reform initiative, has been taken into account, it is not certain that these allowances will be sufficient, as the judgements made are mainly based on historical trends. If collection rates were to deteriorate, an increase of 10% in the amount of the impairment allowance would require just over £6m to be set aside.

e) 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. A firm of consulting actuaries is 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 and are outlined in the Defined Benefits note.

Notes to the Core Financial Statements

4. MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

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 30 June 2015. Events taking place after this date are not reflected in the accounts. Where events took place before this date which materially altered the conditions existing at 31 March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect these altered conditions. There are no significant events which have occurred after 31 March 2015 which will affect the 2015/16 accounts, but have no effect on the 2014/15 accounts.

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.

	2014/15	2013/14
	£000	£000
London Pension Fund Authority	1,243	1,120
Lee Valley Regional Park Authority	233	237
Environment Agency	170	170
Total Levies Paid	1,646	1,527

7. ADJUSTMENTS BETWEEN ACCOUNTING AND FUNDING BASIS UNDER REGULATIONS

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

Notes to the Core Financial Statements

2014/15	Usable Reserves						Movement in Unusable Reserves £'000
	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items credited or debited to the CIES							
Charges for depreciation and impairment of non-current assets	214,484		24,205				(238,689)
Movements in the market value of Investment Properties							0
Capital grants and contributions applied	(50,108)						50,108
Revenue expenditure funded from capital under statute	10,013						(10,013)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(30,823)		4,127				26,696
Income in relation to donated assets							0
Insertion of items not debited or credited to the CIES							
Statutory provision for the financing of capital investment	(15,303)		(3,094)				18,397
Capital expenditure charged against the General Fund and HRA balances	(7,791)						7,791
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital Grants and contributions unapplied credited to the CIES						(818)	818
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES					34,806		(34,806)
Use of the Capital Receipts Reserve to finance new capital expenditure					(4,315)		4,315
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,727				(1,727)		0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash					(19)		19
Adjustments primarily involving the Major Repairs Reserve:							
Use of the Major Repairs Reserve to finance new capital expenditure				(4,482)			4,482
Reversal of Major Repairs Allowance credited to the HRA			23,470	(23,470)			0
Difference between Major Repairs Allowance and HRA depreciation			12,273	(12,273)			0
Adjustments primarily involving the Financial Instruments Adj Account:							
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(300)		(478)				778
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	55,752		7,428				(63,180)
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,450)		(19,373)				32,823

Notes to the Core Financial Statements

2014/15 continued	Usable Reserves						Movement in Unusable Reserves £'000
	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Collection Fund Adjustment Account: Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	1,474						(1,474)
Adjustments primarily involving the Accumulated Absences Account: Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(767)						767
Other Adjustments	15,682		(15,682)				0
Total Adjustments	180,590	0	32,876	(40,225)	28,745	(818)	(201,168)

2013/14 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 CIES Charges for depreciation and impairment of non-current assets	79,372		(31,295)				(48,077)
Movements in the market value of Investment Properties	(4,006)						4,006
Capital grants and contributions applied	(40,839)						40,839
Revenue expenditure funded from capital under statute	13,256						(13,256)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	4,622		(5,390)				768
Income in relation to donated assets	(24,065)						24,065
Insertion of items not debited or credited to the CIES Statutory provision for the financing of capital investment	(3,341)		(2,946)				6,287
Capital expenditure charged against the General Fund and HRA balances	(9,427)						9,427
Adjustments primarily involving the Capital Grants Unapplied Account: Capital Grants and contributions unapplied credited to the CIES	(3,815)					3,815	0

Notes to the Core Financial Statements

2013/14 COMPARATIVE FIGURES continued	Usable Reserves						Movement in Unusable Reserves £'000
	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES				15,450			(15,450)
Use of the Capital Receipts Reserve to finance new capital expenditure				(14,437)			14,437
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,886			(1,886)			0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				42			(42)
Adjustments primarily involving the Major Repairs Reserve:							
Use of the Major Repairs Reserve to finance new capital expenditure					(3,276)		3,276
Reversal of Major Repairs Allowance credited to the HRA			30,585		(30,585)		0
Difference between Major Repairs Allowance and HRA depreciation			17,422		(17,422)		0
Adjustments primarily involving the Financial Instruments Adj Account:							
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(301)		(751)				1,052
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	52,850		4,471				(57,321)
Employer's pensions contributions and direct payments to pensioners payable in the year	(26,978)		(6,944)				33,922
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	(1,179)						1,179
Adjustments primarily involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	15						(15)
Other Adjustments	(1)		1				0
Total Adjustments	38,049	0	5,153	(831)	(51,283)	3,815	5,097

8. EARMARKED RESERVES

The Council has a number of earmarked reserves on its Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up to earmark resources for future spending plans. This note shows the amounts used to meet General Fund expenditure in 2014/15 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.

Notes to the Core Financial Statements

a) General Earmarked Reserves

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

b) PFI and BSF Schemes Reserves

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

c) Capital Expenditure Reserve

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

d) School Reserves and School External Funds

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

Name of Reserve	Balance 31/03/14 £000	14/15 Transfers		Balance 31/03/15 £000	
		In £000	Out £000		
Specific Revenue Earmarked	68,107	15,009	(13,445)	69,671	(a)
PFI and BSF Schemes	19,560	2,691	(1,631)	20,620	(b)
Insurance	15,327	0	(860)	14,467	
New Homes Bonus Reserve	6,888	6,619	0	13,507	
Capital Programme Expenditure	8,593	0	(3,055)	5,538	(c)
	118,475	24,319	(18,991)	123,803	
Schools Reserves and External Funds	19,049	19	(1,351)	17,717	(d)
	19,049	19	(1,351)	17,717	
Total	137,524	24,338	(20,342)	141,520	

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

Assets are valued at least every five years as a minimum or more regularly where a five-yearly valuation is insufficient to keep pace with material changes in fair value, to ensure that the Council's assets are valued in accordance with RICS and CIPFA guidance. The valuations this year were undertaken and signed off by the Valuation Office Agency.

	Council Dwellings £000	Other Land & Buildings £000	Surplus Assets £000	Total £000
Valued at Historic Cost		18,253	865	19,118
Valued at Current Value				
2014/15	1,057,699	419,851	6,671	1,484,221
2013/14		77,482	28,584	106,066
2012/13		49,344	10,223	59,567
2011/12		46,297	13,569	59,866
2010/11		42,588	1,469	44,057
Total Net Book Value	1,057,699	653,815	61,381	1,772,895

Notes to the Core Financial Statements

b) Movements in Non-Current Assets

The movements in non-current assets during 2014/15 were as follows:

2014/15	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Comm. Assets	Surplus Assets	Assets under Construction	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value b/fwd at 1st April 2014	883,366	900,362	75,927	145,899	9,364	39,148	26,327	2,080,393
Post Audit Adjustment	333	112	(19)	2	0	(301)	0	127
Additions	1,239	19,998	4,120	10,577	12	7,852	27,848	71,646
Revaluations (recognised in Revaluation Reserve)	190,342	(20,672)	0	0	0	0	0	169,670
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	(9,561)	(191,536)	0	0	0	0	0	(201,097)
Total Revaluations	180,781	(212,208)	0	0	0	0	0	(31,427)
Impairments (recognised in Revaluation Reserve)	0	(7,246)	0	0	(2)	(7)	(7,255)	(14,510)
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	(25,024)	(24,297)	(18,599)	(564)	(628)	7,255	(61,857)
Total Impairments	0	(32,270)	(24,297)	(18,599)	(566)	(635)	0	(76,367)
Disposals	(6,485)	(881)	0	0	0	(1,498)	0	(8,864)
Transfers	996	(7,241)	(548)	570	44	18,439	(20,989)	(8,729)
Assets reclassified to/from Held for Sale	0	0	0	0	0	0	0	0
Gross Book Value c/fwd at 31st March 2015	1,060,230	667,872	55,183	138,449	8,854	63,005	33,186	2,026,779
Depreciation b/fwd at 1st April 2014	(1,333)	(18,352)	(44,170)	(56,761)	0	(829)	0	(121,445)
Post Audit Adjustment	(163)	(1,286)	(19)	(2)	0	8	0	(1,462)
Depreciation for year	(25,562)	(14,600)	(4,544)	(5,242)	(4)	(558)	0	(50,510)
<u>Depreciation written back on:</u>								
Transfers	3	48	196	0	0	(247)	0	0
Assets Revalued	24,492	15,143	0	0	0	0	0	39,635
Assets Impaired	0	4,894	23,226	18,595	0	1	0	46,716
Assets Sold	32	96	0	0	0	1	0	129
Depreciation c/fwd at 31st March 2015	(2,531)	(14,057)	(25,311)	(43,410)	(4)	(1,624)	0	(86,937)
Net Book Value at 31st March 2015	1,057,699	653,815	29,872	95,039	8,850	61,381	33,186	1,939,842

Notes to the Core Financial Statements

The movements in non-current assets during 2013/14 were as follows:

2013/14	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Comm. Assets	Surplus Assets	Assets under Construction	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value b/fwd at 1st April 2013	657,950	937,559	72,427	131,324	9,325	36,207	28,510	1,873,302
Additions	1,553	43,857	4,929	13,843	0	3,625	17,736	85,543
Write Back of Decent Homes Capital Expenditure	3,813	0	10	0	0	14	0	3,837
Revaluations (recognised in Revaluation Reserve)	147,529	60,311	0	0	0	2,365	0	210,205
Revaluations (recognised in Surplus/Deficit on the Provision of Services)	82,796	(111,396)	0	0	0	(767)	0	(29,367)
Total Revaluations	230,325	(51,085)	0	0	0	1,598	0	180,838
Impairments (recognised in Revaluation Reserve)	(111)	(924)	0	0	0	(6,327)	0	(7,362)
Impairments (recognised in Surplus/Deficit on the Provision of Services)	(439)	(33,771)	(919)	0	0	(4,235)	0	(39,364)
Total Impairments	(550)	(34,695)	(919)	0	0	(10,562)	0	(46,726)
Disposals	(3,739)	0	(630)	0	0	(11,081)	0	(15,450)
Transfers	(5,986)	3,926	110	732	39	19,347	(19,919)	(1,751)
Assets reclassified to/from Held for Sale	0	800	0	0	0	0	0	800
Gross Book Value c/fwd at 31st March 2014	883,366	900,362	75,927	145,899	9,364	39,148	26,327	2,080,393
Depreciation b/fwd at 1st April 2013	(16,042)	(28,290)	(39,388)	(52,203)	0	(598)	0	(136,521)
Depreciation for year	(20,957)	(12,955)	(5,758)	(4,558)	0	(289)	0	(44,517)
Depreciation written back on:								
Transfers	173	1,047	346	0	0	(1,566)	0	0
Assets Revalued	35,357	21,671	0	0	0	413	0	57,441
Assets Impaired	0	175	0	0	0	1,208	0	1,383
Assets Sold	136	0	630	0	0	3	0	769
Depreciation c/fwd at 31st March 2014	(1,333)	(18,352)	(44,170)	(56,761)	0	(829)	0	(121,445)
Net Book Value at 31st March 2014	882,033	882,010	31,757	89,138	9,364	38,319	26,327	1,958,948

Notes to the Core Financial Statements

c) Capital Programme Commitments

At 31 March 2015, the Council had no construction contracts in progress with a remaining contract value of over £8m. The assessment of the value of the work completed as at 31 March 2015 has been established using a stage of completion methodology based on architects' certificates obtained at periodic times during the year. As at 31 March 2014, there was one contract with a remaining contract value of £18.4m

10. INVESTMENT PROPERTIES

	2014/15 £000	2013/14 £000
a) In Comprehensive Income and Expenditure Statement		
Operating Expenses	296	197
Rents - Shops	(1,031)	(1,049)
Rents - Industrial and Commercial Properties and Aerial Sites	(953)	(686)
Net Income from Investment Properties	(1,688)	(1,538)
b) Movement in fair value in the Balance Sheet		
Balance at Beginning of Year	25,658	21,876
Disposals	(336)	(323)
Net Gains / (Losses) from fair value adjustments	3,572	4,329
Transfers to / from PPE	0	(224)
Balance at End of Year	28,894	25,658

11. FINANCIAL INSTRUMENTS

The Code of Practice requires the accounts to be compliant with IFRS but some of these requirements are not consistent with primary legislation. Where this occurs, the CIES complies with IFRS, with the MiRS containing the reversals required to ensure that the closing balances comply with Statute. The figures shown in the table do not all appear on the face of the balance sheet due to the reclassification of some 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		
	31/03/2015 £000	31/03/2014 £000	31/03/2015 £000	31/03/2014 £000	
Financial Liabilities (Principal)	125,376	154,534	65,000	40,910	1
Accrued Interest	198	184	1,883	2,143	1
Total Borrowings	125,574	159,822	66,883	41,003	
PFI and Finance Lease liabilities	239,002	244,703	8,751	8,281	
Total Other Liabilities	239,002	235,900	8,751	7,549	
Financial Liabilities at contract amount	-	-	87,821	64,254	2
Total Creditors	-	-	87,821	62,132	

Notes to the Core Financial Statements

	Long-Term		Current		
	31/03/2015 £000	31/03/2014 £000	31/03/2015 £000	31/03/2014 £000	
Loans and Receivables (Principal)	-	-	325,270	281,109	1
Accrued Interest	-	-	688	734	1
Total Investments	-	-	325,958	251,087	
Loans and Receivables	17,774	17,397	-	-	2
Financial Assets at contract amounts	-	-	60,561	43,688	2
Total Debtors	17,774	12,854	60,561	42,703	

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

2) These are carried at cost as this is a fair approximation of their value. The breakdown of these figures are shown in the appropriate Debtors and Creditors Notes and exclude statutory amounts.

Other Required Declarations

There were no reclassifications of financial instruments in the year or the previous year.

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

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

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

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

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

No allowance for credit losses were made during the year or the previous year.

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

b) Financial Instruments Gains / (Losses)

The gains and losses recognised in the CIES in relation to financial instruments are as follows (there were no revaluations on financial instruments in 2014/15 or 2013/14, or assets classified as Available for Sale.):

	2014/15			2013/14
	Liabilities - Amortised Cost	Assets - Loans and Receivables	Totals	Totals
	£000	£000	£000	£000
Interest Expense	9,193	-	9,193	9,937
Total Expense in Surplus or Deficit on Provision of Services	9,193	-	9,193	9,937
Interest Income	-	(2,009)	(2,009)	(1,743)
Total Income in Surplus or Deficit on Provision of Services	-	(2,009)	(2,009)	(1,743)
Net (Gain) / Loss for the Year	9,193	(2,009)	7,184	8,194

Notes to the Core Financial Statements

c) Fair Values of Assets and Liabilities

Financial liabilities and 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 assessed by reference to published prices in an active market where available, or by using a valuation technique. These give a reasonable estimate 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 (undisclosed on the balance sheet). The differences are due to fixed interest loans held by the Council whose interest rate is lower than the prevailing rate estimated to be available at 31 March. This reduces the fair value of financial liabilities and raises the value of loans and receivables.

	31 March 2015		31 March 2014	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt	78,858	103,535	85,025	92,941
Non-PWLB Debt	113,599	137,308	112,747	109,374
Total Debt / Liabilities	192,457	240,843	197,772	202,315
Money Market Loans	311,647	167,794	286,372	286,183
Long Term Debtors	17,774	17,774	17,397	17,397
Total Assets	329,421	185,568	303,769	303,580

12. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**a) Key Risks**

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

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

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

Re-financing Risk - The possibility that the Council might need to renew a financial instrument on maturity at disadvantageous interest rates or terms;

Market Risk - The possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

b) Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the uncertainty of financial markets, and are structured to implement suitable controls to minimise these risks. They set out a legal framework based on the *Local Government Act 2003* and associated regulations, and require the Council to do the following:

Notes to the Core Financial Statements

- formally adopt the requirements of the CIPFA Treasury Management Code of Practice;
- adopt a Treasury Policy Statement and include treasury management clauses within its financial regulations/standing orders/constitution;
- approve annually in advance prudential and treasury indicators for the following three years.
- approve an investment strategy for the forthcoming year setting out its criteria for investing and selecting investment counterparties in compliance with Government guidance.

These procedures are required to be reported and approved at Council before the start of the year to which they relate. These items are reported with the Annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year. The annual treasury management strategy which incorporates the prudential indicators was last approved by Council in February 2015 and is available on the Council website. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These are a requirement of the Code of Practice and are reviewed periodically.

c) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. This also considers maximum amounts and time limits in respect of each financial institution. The Council uses the creditworthiness service provided by Sector which uses a sophisticated modeling approach with credit ratings from all three rating agencies forming the core element. It also uses some other criteria as well.

The Council's maximum exposure to credit risk in respect of its investments cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to that institution. It is rare for institutions to be unable to meet their commitments and a risk applies to all of the Council's deposits, however at the 31 March 2015 there was no evidence that this was likely to happen.

d) Liquidity Risk

The Council manages its liquidity position through the procedures above as well as using a comprehensive cash flow management system, as required by the CIPFA Code of Practice, which ensures that cash is available when needed. The Council has ready access to borrowings from the money markets to cover any day to day cash flow need and the PWLB and money markets for access to longer term funds. 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. The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments over one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within these parameters.

f) Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments and these impact according to how variable and fixed interest rates move across differing financial instrument periods. The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy includes expected interest rate movements. A treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure, and this is monitored regularly.

If variable interest rates had been 0.1% higher (with all other variables held constant) the financial effect would be a net increase in income of £0.19m. The impact of a 0.1% fall in interest rates would be a net decrease in income of £0.19m.

Notes to the Core Financial Statements

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

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

	31/03/2015 £000	31/03/2014 £000
Catford Regeneration Partnership Ltd - Loan	11,431	11,568
Street Lighting PFI Sinking Fund	3,245	2,634
Lewisham Gateway Development - Loan	2,000	2,000
Land Charges Debts	389	445
Mortgages	175	210
Other Long Term Debtors	534	540
Total Long Term Debtors	17,774	17,397

a) Street Lighting PFI Sinking Fund

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

b) Lewisham Gateway Development

A loan of £2m was advanced to the consortium which is undertaking the Lewisham Gateway development.

b) Current Debtors

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

	31/03/2015 £000	31/03/2014 £000
Government and Other Public Bodies:		
HM Revenue & Customs - VAT	6,869	7,501
Education Recoupment	2,083	2,416
Central Government bodies	17,087	271
Other Local Authorities	1,089	9,172
NHS bodies	7,123	124
Other Public bodies	2,944	511
Council Tax Payers	25,160	22,728
Council Tax Court Costs	6,096	5,560
Housing Benefit Overpayments	18,869	14,748
Housing Rents (inc PSL, B & B, Hostels, Commercial)	9,815	9,947
Leaseholders Services Charges	5,810	5,597
Parking	5,839	4,760
General Debtors due for Supplies and Services	35,899	26,316
Total Current Debtors	144,683	109,651
Impairment Allowances	(60,743)	(52,729)
Total Net Current Debtors	83,940	56,922

Notes to the Core Financial Statements

c) Impairment Allowances

	Balance at 31/03/2014 £000	Movement in 2014/15 £000	Balance at 31/03/2015 £000
Council Tax Payers	(20,624)	(2,550)	(23,174)
Council Tax Court Costs	(4,891)	(528)	(5,419)
Housing Benefit Overpayments	(11,127)	(2,722)	(13,849)
Housing Rents (inc PSL, B & B, Hostels, Commercial)	(6,913)	28	(6,885)
Leaseholders Services Charges	(1,255)	(243)	(1,498)
Parking	(3,151)	(1,688)	(4,839)
General Debtors due for Supplies and Services	(4,768)	(311)	(5,079)
Total Impairment Allowances	(52,729)	(8,014)	(60,743)

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

14. CASH AND CASH EQUIVALENTS

	Balance 31/03/2014 £000	Movement in 2014/15 £000	Balance 31/03/2015 £000
Cash Equivalents			
Short Term Deposits	30,025	(20,018)	10,007
Cash			
Money Market Funds	70,665	325	70,990
Call Accounts with Banks	20,267	(20,267)	0
	90,932	(19,942)	70,990
Other Cash and Bank Balances	75	143	218
Total Cash and Cash Equivalents	121,032	(39,817)	81,215
Bank Accounts Overdrawn			
Main Bank Accounts	(2,271)	6,827	4,556
Schools Bank Accounts	(2,332)	(1,284)	(3,616)
	(4,603)	5,543	940
Net Cash and Cash Equivalents	116,429	(34,274)	82,155

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

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

c) The Schools Bank Accounts are an integral part of the Council's overall cash management arrangements, and are therefore included under 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 £11.4m (13/14 £10.4m) and overdrawn £15.0m (13/14 overdrawn £12.7m) respectively.

Notes to the Core Financial Statements

15. 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.

	31/03/2015 £000	31/03/2014 £000
Government and other public bodies:		
HM Revenue & Customs	5,691	5,427
Education Recoupment	1,100	1,049
Central Government bodies	7,032	6,987
Other Local Authorities	4,281	3,110
NHS bodies	13,635	7,312
Other Public bodies	1,038	2,002
	32,777	25,887
Short Term Compensated Absences	5,508	6,275
General Creditors (amounts owed for supplies and services)	54,409	49,944
Total Creditors	92,694	82,106

16. 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	14/15 Transfers		Balance
	31/03/14 £000	In £000	Out £000	31/03/15 £000
Current (less than 1 year)				
Insurance Provision	1,870	3,307	(2,805)	2,372
Other Provisions	510	130	(41)	599
	2,380	3,437	(2,846)	2,971
Non Current (Over 1 year)				
Insurance Provision	6,467	0	(30)	6,437
Other Provisions	3,373	41	(130)	3,284
	9,840	41	(160)	9,721
Total - Provisions	12,220	3,478	(3,006)	12,692

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.

Notes to the Core Financial Statements

17. USABLE CAPITAL RECEIPTS

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

	2014/15 £000	2013/14 £000
Balance brought forward at start of year	19,446	20,277
Amounts Received	34,787	15,492
Poolable to Central Government	(1,727)	(1,886)
Amounts applied to finance new capital investment	(4,315)	(14,437)
Total increase/(decrease) in capital receipts in year	28,745	(831)
Balance carried forward at end of year	48,191	19,446

18. PENSION RESERVE

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

	2014/15 £000	2013/14 £000
Opening balance at start of year	(588,090)	(548,230)
Actuarial gains or losses on pensions assets and liabilities	(98,275)	(16,461)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(63,180)	(57,321)
Employer's pensions contributions and direct payments to pensioners payable in the year	32,823	33,922
Balance carried forward at end of year	(716,722)	(588,090)

Notes to the Core Financial Statements

19. 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.

	2014/15 £000	2013/14 £000
Balance brought forward at start of year	437,280	254,978
Revaluation of Assets	169,662	205,470
Impairment Losses	(8,347)	(7,362)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	161,315	198,108
Difference between fair value and historic cost depreciation	(9,049)	(5,978)
Accumulated gains on assets sold or scrapped	(4,506)	(9,828)
Amount written off to the Capital Adjustment Account	(13,555)	(15,806)
Balance carried forward at end of year	585,040	437,280

Notes to the Core Financial Statements

20. CAPITAL ADJUSTMENT ACCOUNT

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

	2014/15 £000	2013/14 £000
Balance brought forward at start of year	1,063,942	1,021,814
<u>Reversal of capital expenditure items debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	(238,689)	(48,077)
Revenue expenditure funded from capital under statute	(10,013)	(13,256)
Non-current assets written off on disposal - gain/loss to the CIES	(4,620)	(4,854)
Donated Asset written onto the Balance Sheet	0	24,065
	(253,322)	(42,122)
Adjusting amounts written out of the Revaluation Reserve	10,104	5,978
Net amount written out of the cost of non-current assets consumed in the year	(243,218)	(36,144)
<u>Capital Financing applied in the year:</u>		
Use of Capital Receipts to finance new capital expenditure	4,315	14,437
Use of Major Repairs Reserve to finance new capital expenditure	4,481	3,276
Capital grants and contributions credited to the CIES	50,926	40,839
Statutory Provision for the financing of capital investment	8,548	8,417
Repayment of Principal on PFI schemes	9,849	(2,130)
Capital expenditure charged to General Fund and HRA	7,791	9,427
	85,910	74,266
Movements in the value of Investment Properties debited or credited to the CIES	0	4,006
Balance carried forward at end of year	906,634	1,063,942

Notes to the Core Financial Statements

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

SEGMENTAL REPORTING FOR THE YEAR ENDING 31ST MARCH 2015

	CYP £000s	Community Services £000s	Customer Services £000s	Resources and Regeneration £000s	HRA £000s	Total £000s
Fees, charges & other service income	(14,477)	(31,933)	(46,569)	(14,002)	(88,622)	(195,603)
Government grants	(306,005)	(25,334)	(238,930)	(1,019)	(46,353)	(617,641)
Total Income	(320,482)	(57,267)	(285,499)	(15,021)	(134,975)	(813,244)
Employee expenses	221,848	34,902	37,827	24,250	2,409	321,236
Other operating expenses	162,526	130,209	293,104	20,940	132,566	739,345
Total operating expenses	384,374	165,111	330,931	45,190	134,975	1,060,581
Net Cost of Services	63,892	107,844	45,432	30,169	0	247,337
Net Budgets	53,947	110,069	41,873	32,305	0	238,194
Variation	9,945	(2,225)	3,559	(2,136)	0	9,143
Less: Corporate Items						(3,900)
General Fund Underspend reported to Members						5,243
Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement						£000s
Cost of Services in Service Analysis						247,337
Add services not included in main analysis						8,211
Add amounts not reported to management (Technical Accounting adjustments)						231,960
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement						(35,078)
Net Cost of Services in Comprehensive Income and Expenditure Statement						452,430

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	(195,603)	0	0	0	(195,603)	0	(195,603)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	0	0	(26,327)	0	(26,327)	(1,345)	(27,672)
Income from council tax	0	0	0	0	0	(80,738)	(80,738)
Government grants and contributions	(617,641)	0	(35,971)	0	(653,612)	(277,607)	(931,219)
Total Income	(813,244)	0	(62,298)	0	(875,542)	(359,690)	(1,235,232)
Employee expenses	321,236	10,245	33,369	(35,078)	329,772	0	329,772
Other service expenses	739,345	(2,034)	21,899	0	759,210	0	759,210
Depreciation, amortisation, impairment & write-ons	0	0	238,689	0	238,689	0	238,689
Interest Payments	0	0	301	0	301	53,263	53,564
Precepts & Levies	0	0	0	0	0	1,646	1,646
Payments to Housing Capital Receipts Pool	0	0	0	0	0	1,727	1,727
Gain or Loss on Disposal of non-current assets	0	0	0	0	0	(73)	(73)
Total operating expenses	1,060,581	8,211	294,258	(35,078)	1,327,972	56,563	1,384,535
Surplus or deficit on provision of services	247,337	8,211	231,960	(35,078)	452,430	(303,127)	149,303

Notes to the Core Financial Statements

SEGMENTAL REPORTING FOR THE YEAR ENDING 31ST MARCH 2014

	CYP £000s	Community Services £000s	Customer Services £000s	Resources and Regeneration £000s	HRA £000s	Total £000s
Fees, charges & other service income	(15,083)	(36,305)	(48,208)	(18,724)	(109,856)	(228,176)
Government grants	(296,322)	(24,872)	(237,275)	(419)	(34,353)	(593,241)
Total Income	(311,405)	(61,177)	(285,483)	(19,143)	(144,209)	(821,417)
Employee expenses	214,885	33,867	37,962	28,410	2,018	317,142
Other operating expenses	159,827	140,590	281,615	34,837	142,191	759,060
Total operating expenses	374,712	174,457	319,577	63,247	144,209	1,076,202
Net Cost of Services	63,307	113,280	34,094	44,104	0	254,785
Net Budgets	59,160	118,420	32,494	46,465	0	256,539
Variation	4,147	(5,140)	1,600	(2,361)	0	(1,754)
Less; HRA Variation						0
General Fund Underspend reported to Members						(1,754)

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

	£000s
Cost of Services in Service Analysis	254,785
Add services not included in main analysis	8,783
Add amounts not reported to management (Technical Accounting adjustments)	46,012
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(38,088)
Net Cost of Services in Comprehensive Income and Expenditure Statement	271,492

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	(228,176)	0	0	0	(228,176)	0	(228,176)
Surplus or deficit on associates and joint ventures		0	0	0	0	0	0
Interest and investment income		0	237	0	237	(1,534)	(1,297)
Income from council tax		0	0	0	0	(77,737)	(77,737)
Government grants and contributions	(593,241)	0	(5,314)	0	(598,555)	(282,731)	(881,286)
Total Income	(821,417)	0	(5,077)	0	(826,494)	(362,002)	(1,188,496)
Employee expenses	317,142	7,564	36,991	(38,088)	323,609	0	323,609
Other service expenses	759,060	1,219	(4,492)	0	755,787	0	755,787
Depreciation, amortisation, impairment & write-ons		0	36,697	0	36,697	(4,329)	32,368
Interest Payments		0	(18,107)	0	(18,107)	60,178	42,071
Precepts & Levies		0	0	0	0	1,527	1,527
Payments to Housing Capital		0	0	0	0	1,886	1,886
Receipts Pool		0	0	0	0	98	98
Gain or Loss on Disposal of non-current assets		0	0	0	0	98	98
Total operating expenses	1,076,202	8,783	51,089	(38,088)	1,097,986	59,360	1,157,346
Surplus or deficit on provision of services	254,785	8,783	46,012	(38,088)	271,492	(302,642)	(31,150)

Notes to the Core Financial Statements

22. 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.

	2014/15			2013/14
	Expenditure £000	Income £000	(Surplus)/ Deficit £000	(Surplus)/ Deficit £000
Markets	1,499	(1,498)	1	2
Industrial Estates	296	(611)	(315)	(227)
Theatre	926	(531)	395	359
Total - Trading Operations	2,721	(2,640)	81	134

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 2015, the accumulated surplus is £382k.

23. 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 2014/15 (or 2013/14).

The Council did not operate any pooled budgets as defined by the terms of a Section 75 Agreement (National Health Service Act 2006) in 2014/15 (or 2013/14).

24. 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) which 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 and John Paschoud sat on the board throughout the year and Councillor Wise replaced Councillor Nisbet on the board after the May 2014 Council elections. The majority of Lewisham Homes' income is a management fee paid by the Council to the company. In 2014/15 this was £18.6m (£18.9m in 2013/14).

Lewisham Homes Limited's Accounts for 2013/14 received an unqualified audit opinion and their Audited 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) is a wholly owned subsidiary of the Council and the Head of Financial Services and the Head of Public Services are its board members and directors. The Council made a loan of £12m to CRPL in February 2010, and CRPL repaid principal of £109k and made interest payments of £0.630k during 2014/15 to the Council (in 2013/14, these payments were £98k and £0.659k respectively). CRPL purchased the Catford Centre in February 2010 which is included on its balance sheet as an investment property at £12.8m, and receives approximately £1m per annum in rent from its tenants.

Notes to the Core Financial Statements

Catford Regeneration Partnership Limited's Accounts for 2013/14 received an unqualified audit opinion and their Audited Accounts can be obtained from Catford Regeneration Partnership Limited, 3rd 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 minority stake of 10% in Lewisham Schools for the Future LEP Limited which is the Local Education Partnership company. It comprises a consortium made up of Costain Engineering & Construction Limited, Babcock Project Investments Limited and Building Schools for the Future Limited and was established 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 were being newly built within this BSF Programme. These are known as Lewisham SPV Limited, Lewisham SPV 2 Limited, Lewisham SPV3 Limited and Lewisham SPV4 Limited, and 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 CYP Head of Resources is the Council's Director on the LEP, the SPV's and the Hold Co's.

	2014/15 £m	2013/14 £m
Lewisham Schools for the Future LEP Ltd	1.1	10.3
Lewisham Schools for the Future SPV1 Ltd	8.9	8.9
Lewisham Schools for the Future SPV2 Ltd	3.0	3.0
Lewisham Schools for the Future SPV3 Ltd	4.3	4.3
Lewisham Schools for the Future SPV 4 Ltd	12.8	7.9
Total	30.1	34.4

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

The Council has a small minority share of less than 1% in South-East London Combined Heat and Power Ltd (SELCHP) which is a joint venture with the London Borough of Greenwich for the provision of waste disposal and waste to energy services. Payments of £5.3m were made in 2014/15 to the company (£4.9m in 2013/14).

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.

25. MEMBERS' ALLOWANCES

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

	2014/15 £000	2013/14 £000
Allowances (inc. NI)	951	1,022
Other Expenses	46	61
Total Expenditure in Year	997	1,083

Notes to the Core Financial Statements

26. OFFICERS' REMUNERATION

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

Remuneration Band	Non-Schools			Schools		Totals	
	Scale	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
£50,000 to £54,999	SMG1	52	58	167	145	219	203
£55,000 to £59,999	SMG2	20	22	69	71	89	93
£60,000 to £64,999	SMG3	13	19	50	45	63	64
£65,000 to £69,999	SMG3	13	12	39	29	52	41
£70,000 to £74,999	CO Band 4	4	5	19	20	23	25
£75,000 to £79,999	CO Band 4	1	2	12	12	13	14
£80,000 to £84,999	CO Band 4	1	0	11	13	12	13
£85,000 to £89,999	CO Band 3	0	5	10	6	10	11
£90,000 to £94,999	CO Band 3	4	6	4	2	8	8
£95,000 to £99,999	CO Band 3	9	3	3	3	12	6
£100,000 to £104,999	CO Band 2	0	2	4	5	4	7
£105,000 to £109,999	CO Band 2	3	2	4	3	7	5
£110,000 to £114,999	CO Band 2	1	0	0	0	1	0
£115,000 to £119,999	CO Band 2	1	1	0	0	1	1
£120,000 to £124,999		0	0	0	1	0	1
£130,000 to £134,999	CO Band 1	0	1	0	0	0	1
£135,000 to £139,999	CO Band 1	1	0	1	1	2	1
£140,000 to £144,999	CO Band 1	3	3	0	0	3	3
Total		126	141	393	356	519	497

Note - These figures include the senior employees disclosed separately in note b) below.

b) Disclosure of Senior Employees' Remuneration

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

Financial Year 2014/15	Salary (inc fees and allowances)	Employer's Pension Contributions	Total (inc. Pension Contributions)
	£	£	£
Senior Employees - Salary below £150,000			
Executive Director for Children and Young People	141,123	30,341	171,464
Executive Director for Resources and Regeneration	141,123	30,341	171,464
Executive Director for Community Services	141,123	30,341	171,464
Executive Director for Customer Services	135,867	29,211	165,078
Chief Executive (Part time)	115,432	0	115,432
Director of Children's Social Care and Health	111,386	23,948	135,334
Director of Regeneration and Asset Management	107,538	23,121	130,659
Director of Public Health	107,057	14,988	122,045
Head of Law and Monitoring Officer (Part time)	64,523	13,872	78,395
Totals	1,065,172	196,163	1,261,335

Notes to the Core Financial Statements

Financial Year 2013/14

Senior Employees - Salary below £150,000

Executive Director for Children and Young People
Executive Director for Resources and Regeneration
Executive Director for Community Services
Executive Director for Customer Services
Chief Executive (Part time)
Director of Children's Social Care and Health
Director of Regeneration and Asset Management
Director of Public Health
Head of Law and Monitoring Officer (Part time)

Salary (inc fees and allowances)	Employer's Pension Contributions	Total (inc. Pension Contributions)
£	£	£
141,123	30,341	171,464
141,123	30,341	171,464
141,123	30,341	171,464
130,400	28,036	158,436
115,432	0	115,432
107,538	23,121	130,659
107,538	23,121	130,659
101,460	14,204	115,664
64,523	13,872	78,395
1,050,260	193,377	1,243,637

Totals

Note – No payments in respect of bonuses, expenses or compensation for loss of office were made to any of these employees in 2014/15 (or 2013/14).

c) Termination Benefits - Exit Packages agreed in year

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

Cost Band (inc Pension Fund Contributions)	Total Number of Exit Packages		Total Cost of Exit Packages	
	2014/15	2013/14	2014/15 £	2013/14 £
£0 - £20,000	140	168	1,253	1,297
£20,001 to £40,000	103	73	2,881	2,101
£40,001 to £60,000	10	20	477	925
£60,001 to £80,000	12	6	842	437
£80,001 to £100,000	1	3	83	251
£100,001 to £120,000	2	1	233	111
Total	268	271	5,769	5,122

27. EXTERNAL AUDIT COSTS

	2014/15 £000	2013/14 £000
External Audit Services	255	255
Certification of Grant Claims and Returns	40	37
Other services provided by the appointed auditor	0	0
Total	295	292

These fees exclude those payable for the audit of the Pension Fund for 2014/15 (£21,000). The Council's external auditors are Grant Thornton.

Notes to the Core Financial Statements

28. DEDICATED SCHOOLS' GRANT

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

	2014/15			2013/14		
	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000
Final DSG before academy recoupment	43,054	226,563	269,617	41,369	208,992	250,361
Academy figure recouped	(1,149)	(18,901)	(20,050)	(303)	(5,842)	(6,145)
Total DSG after academy recoupment	41,905	207,662	249,567	41,066	203,150	244,216
Brought forward from previous year	0	0	0	0	0	0
Carry forward to next year agreed in advance	0	0	0	0	0	0
Agreed initial budgeted distribution	41,137	226,563	267,700	45,674	203,088	248,762
In year adjustments	2,044	(127)	1,917	1,537	62	1,599
Final Budget Distribution	43,181	226,436	269,617	47,211	203,150	250,361
Actual Central Expenditure	43,181		43,181	47,211		47,211
Actual ISB deployed to schools		226,436	226,436		203,150	203,150

29. GRANT AND TAXATION INCOME

The Council credited the following taxation and general grant income to the CIES during the year.

	2014/15 £000	2013/14 £000
Income from Council Tax	(80,738)	(77,737)
Recognised Capital Grants and Contributions	(75,613)	(69,345)
Non-Domestic Rates redistribution	(84,744)	(83,124)
<u>General Government Grants</u>		
Formula Revenue Grant	(101,706)	(124,948)
Other Grants (non-service specific)	(15,544)	(5,314)
Total	(358,345)	(360,468)

Notes to the Core Financial Statements

The following grants were credited to services during the year.

	2014/15 £000	2013/14 £000
Dedicated Schools Grant	(249,579)	(244,514)
Housing Benefit	(231,995)	(233,821)
Housing Subsidy/ Decent Homes Backlog	(46,353)	0
Public Health Grant	(20,088)	(19,541)
Other Grants	(84,228)	(66,087)
Total	(632,243)	(563,963)

30. REVENUE RECEIPTS IN ADVANCE

	31/03/2015 £000	31/03/2014 £000
Capital Contributions Unapplied	29,602	41,387
Council Tax	6,837	5,867
PFI Schemes	20,192	19,041
Revenue Grants and Contributions	6,311	8,276
Other Receipts in Advance	12,808	5,687
Total	75,750	80,258

The Council has received a number of revenue 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 shown in the table above.

31. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties, which are bodies or individuals that have the potential to control or influence the Council or to be controlled by the Council. The purpose of this note is to disclose this information in order to demonstrate fairness and openness in the Accounts.

(a) Central Government and Other Local Authorities

Central government exerts significant influence over the Council through legislation and grant funding. The general government grants received are shown in Note 29 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 24 to the Core Financial Statements.

(c) Elected Members (Councillors) and Chief Officers

Councillors have direct control over the Council's financial and operating policies, and their total cost is shown in Note 25. They are required to declare all related party transactions which they have with an organisation in which they have a controlling interest. This information is recorded on the Council's Register of Members and Chief Officers' Declarations of Interests and is open to public inspection at the Civic Suite at Lewisham Civic Suite during office hours. The information is also published on the Council's website. The Council is compliant with the Localism Act 2012.

(d) Lewisham Pension Fund

The Pension Fund Accounts are included in Section 7 of this document.

Notes to the Core Financial Statements

32. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2014/15 £000	2013/14 £000
Opening Capital Financing Requirement	235,850	241,477
Capital Investment		
Property, Plant and Equipment	60,984	57,513
Revenue Expenditure Funded from Capital under Statute	10,013	13,256
	70,997	70,769
Resources Used for Financing		
Capital Receipts	(4,315)	(14,437)
Government Grants and Other Contributions	(50,925)	(40,839)
Sums set aside from Revenue:	(12,273)	(12,703)
	(67,513)	(67,979)
Increase in the underlying need to borrowing	3,484	2,790
Debt Redeemed - Minimum Revenue Provision	(8,548)	(8,417)
Increase/ (decrease) in Capital Financing Requirement	(5,064)	(5,627)
Closing Capital Financing Requirement	230,786	235,850

33. LEASES**a) Council as a Lessee**

The Council has operating leases in the areas of Council Dwellings, School Plant and Equipment and Refuse Vehicles. The expenditure charged to services in the CIES during the year in relation to these leases was £2.3m (£3.4m in 2013/14). The future minimum lease payments due under non-cancellable leases in futures are:

	31/03/15 £000	31/03/14 £000
Not later than one year	1,276	2,091
Later than one year and not later than five years	3,511	3,837
Later than five years	17,799	17,276
	22,586	23,204

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

b) Council as a Lessori) Finance Leases

The Council leases out a small number of commercial properties and 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

Notes to the Core Financial Statements

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 Council in future years whilst the debtor remains outstanding. The gross income (Finance Lease Debtor) was £0.07m in 2014/15 (£0.09m in 2013/14). The gross investment and the minimum lease income will be received over the following periods;

	Gross Investment in the Lease		Minimum Lease Income	
	31/03/15 £000	31/03/14 £000	31/03/15 £000	31/03/14 £000
Not later than one year	30	36	30	36
Later than one year and not later than five years	120	120	120	120
Later than five years	146	176	146	176
	296	332	296	332

ii) Operating Leases

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

	31/03/15 £000	31/03/14 £000
Not later than one year	1,973	2,020
Later than one year and not later than five years	5,979	6,051
Later than five years	4,966	10,353
	12,918	18,424

34. PRIVATE FINANCE INITIATIVES (PFI) CONTRACTS

a) Summary of PFI Schemes

PFI Scheme	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF 1	BSF 2	BSF 3	BSF 4	Street Lighting
Start of Contract	2007	2007	2007	2009	2011	2012	2012	2011
End of Contract	2027	2039	2036	2035	2037	2037	2038	2036
Total Estimated Cost	£288m	£77m	£229m	£241m	£86m	£119m	£225m	£95m

b) Payments made under PFI contracts

	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF 1	BSF 2	BSF 3	BSF 4	Street Lighting	14/15 Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
2014/15									
Service Charges	5,928	425	2,771	2,657	730	808	1,390	1,197	15,906
Interest	5,406	1,635	3,596	4,586	1,879	2,787	5,474	926	26,289
Liability Repayment	3,094	238	797	1,262	309	581	969	987	8,237
Unitary Charge	14,428	2,298	7,164	8,505	2,918	4,176	7,833	3,110	50,432
2013/14									
Service Charges	5,703	414	2,747	2,547	722	777	1,359	1,171	15,440
Interest	5,661	1,632	3,661	4,684	1,902	2,808	5,885	521	26,754
Liability Repayment	2,946	210	739	1,198	280	539	529	1,088	7,529
Unitary Charge	14,310	2,256	7,147	8,429	2,904	4,124	7,773	2,780	49,723

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.

	2014/15		2013/14	
	£000	£000	£000	£000
Gross Book Value B/fwd		345,133		308,785
Prior Year Adjustment		18,184		0
Additions		4,734		5,588
Revaluations (recognised in Revaluation Reserve)	(13,479)		20,268	
Revaluations (recognised in Provision of Services)	(38,875)		11,197	
Total Revaluations		(52,354)		31,465
Impairments (recognised in Revaluation Reserve)	3,665			
Impairments (recognised in Provision of Services)	(3,781)		(375)	
Total Impairments		(116)		(375)
Disposals		(556)		(330)
Gross Book Value at End of the Year		315,025		345,133
Depreciation Balance B/fwd		(5,257)		(9,615)
Prior Year Adjustment		(807)		0
Depreciation for year		(7,690)		(6,206)
Depreciation written back - Assets Impaired		10,265		10552
Depreciation written back - Assets Sold		1		12
Depreciation Balance c/fwd to following year		(3,488)		(5,257)
Net Book Value at End of the Year		311,537		339,876

d) PFI Liabilities

The unitary payments made to the contractors have been calculated to compensate them for the fair value of the services they provide, the capital expenditure they have incurred and interest they will pay whilst the capital expenditure remains to be reimbursed. The Council's total outstanding liability to the contractors is shown in the following table. The liabilities included on the Balance Sheet for Street Lighting represents the completions to date on the updating work, and not the full expected cost. The full cost is included in note e).

	Liabilities Due within 1 Year		Deferred Liabilities	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Balance outstanding at start of year	8,281	7,549	244,703	235,900
Balance outstanding at end of year	8,751	8,281	239,002	244,703

Notes to the Core Financial Statements

e) 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.

Payments due	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF 1	BSF 2	BSF 3	BSF 4	Street lighting	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
In 2015/16									
Service charges	6,131	220	2,522	2,381	731	830	1,429	1,222	15,466
Interest	5,164	1,637	3,489	4,508	1,840	2,754	5,414	1,270	26,076
Repayment of liability	3,409	270	729	1,444	258	635	1,065	941	8,751
Planned lifecycle replacement	86	217	580	285	124	1	0	0	1,293
	14,790	2,344	7,320	8,618	2,953	4,220	7,908	3,433	51,586
within 2 to 5 years									
Service charges	32,039	935	10,820	10,260	3,089	3,741	6,744	3,292	70,920
Interest	16,918	6,346	13,097	16,344	7,091	10,559	20,746	9,401	100,502
Repayment of liability	10,934	658	3,041	5,301	1,475	2,775	4,261	2,199	30,644
Planned lifecycle replacement	1,807	965	3,270	3,596	428	267	684	0	11,017
	61,698	8,904	30,228	35,501	12,083	17,342	32,435	14,892	213,083
within 6 to 10 years									
Service charges	47,523	1,306	15,341	14,652	4,293	5,708	10,017	4,407	103,247
Interest	14,208	8,069	14,396	17,142	7,877	11,843	23,833	10,855	108,223
Repayment of liability	18,497	974	4,932	8,526	2,212	4,401	7,180	4,135	50,857
Planned lifecycle replacement	3,096	1,375	5,570	6,572	1,390	856	1,478	0	20,337
	83,324	11,724	40,239	46,892	15,772	22,808	42,508	19,397	282,664
within 11 to 15 years									
Service charges	20,975	1,477	17,649	16,987	4,857	7,177	12,313	4,987	86,422
Interest	3,289	8,021	11,710	12,730	6,513	9,663	19,951	9,070	80,947
Repayment of liability	11,452	1,721	8,730	13,470	3,566	5,795	10,244	6,229	61,207
Planned lifecycle replacement	1,217	1,572	4,780	6,841	1,668	1,583	2,452	0	20,113
	36,933	12,791	42,869	50,028	16,604	24,218	44,960	20,286	248,689
within 16 to 20 years									
Service charges	0	1,672	20,314	19,701	5,496	9,074	15,038	5,642	76,937
Interest	0	7,382	7,252	5,200	4,264	6,385	14,054	6,179	50,716
Repayment of liability	0	2,733	14,760	19,900	5,916	7,735	14,993	9,394	75,431
Planned lifecycle replacement	0	1,785	3,978	6,026	1,871	2,620	3,646	0	19,926
	0	13,572	46,304	50,827	17,547	25,814	47,731	21,215	223,010
within 21 to 25 years									
Service charges	0	1,494	4,960	0	2,913	4,787	10,731	1,659	26,544
Interest	0	4,995	595	0	771	1,871	4,079	955	13,266
Repayment of liability	0	3,817	4,353	0	4,064	5,608	12,249	3,230	33,321
Planned lifecycle replacement	0	1,596	959	0	1,126	1,314	3,060	0	8,055
	0	11,902	10,867	0	8,874	13,580	30,119	5,844	81,186
within 26 to 30 years									
Service charges									0
Interest									0
Repayment of liability									0
Planned lifecycle replacement									0
	0	0	0	0	0	0	0	0	0
Total Payments Due	196,745	61,237	177,827	191,866	73,833	107,982	205,661	85,067	1,100,218

Notes to the Core Financial Statements

35. LONG TERM CONTRACTS

a) Leisure Centre Management

In October 2012 the Council started a 15 year contract with Fusion Lifestyles for the operation of all of its leisure centres plus Bellingham Leisure & Lifestyle Centre. The contract also covers Forest Hill Leisure Centre and Glass Mill Leisure Centre. The total contract cost in 2014/15 was £0.8m.

b) Parks and Open Spaces

On 1st March 2010 the Council began a 10 year Green Space contract with Glendale Grounds Management with a 5 year break clause which covers parks and open spaces, highways enclosures and grounds maintenance on Lewisham Homes sites. The contract value is £3.3m per year.

c) Networks and Telecommunications and Primary ICT Services

On 1st April 2011 Lewisham and Bromley Councils started a joint contract to procure services from Capita for 5 years, with options to extend for up to 4 more years. The cost to the Council is £2.6m per year.

d) IT Licenses and Support Contract

In May 2012 the Council renewed its existing contract with Oracle for a further 4 years until August 2016 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 is £0.4m per year.

f) Multi-Functional Device Contract

The Council's contract with Siemens Financials was replaced in July 2014 by a new contract with Xerox to lease multi-functional devices (printers / faxes / copiers) for 3 years with a total cost across the life of the contract of £1.2m.

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

This contract runs until March 2016 and is provided by Capita, principally using Azzurri Communications as the line provider, at a cost of £0.8m per year.

h) Parking Contract

On 1 August 2013 a 6 year contract for the provision of parking management services was awarded to NSL at a cost of up to £1.9m per year.

i) Highway Maintenance Contract

A new contract was been agreed with FM Conway for 5 years from 1st April 2014 with an option to extend by two years at a cost of £3.7m per year.

j) School Meals Catering Contract

In February 2015 the Council awarded the school meals contract to Compass Group (trading as Chartwells). This provides a centrally managed school meals service for 67 schools and for civic service provision inclusive of the management of the Wearside canteen. The value of the contract varies with the number of meals but is around £9m. The contract is for 5 years with a option to extend it for a further 2 years.

k) Corporate Cleaning Contract

This 5 year contract for the cleaning of all the corporate and operational sites started in 2010 with ISS Facility Services with an option to extend for a further two years. The annual contract value is £1.3m and is subject to London Living Wage (and all subsequent annual increases).

l) Premises Maintenance (Planned and Statutory Maintenance)

This 5 year contract was awarded to Interserve Facilities Services in 2010 with an option to extend for a further two years. The annual value is £1.26m and provides a Planned Preventative Maintenance Programme to the Councils Corporate Estate.

Notes to the Core Financial Statements

m) Corporate Security Contract

A 3 year contract was awarded to CIS Security Services in March 2011 with an option to extend for a further two years. The annual value is £0.9m and is subject to London Living Wage (and all subsequent annual increases) and provides Manned Guarding and associated services to the Operational Estate.

n) Statutory Compliance - Asbestos, Fire, Water

A 3 year contract was awarded to Graham Environmental Services in September 2013 with an option to extend for a further two years. The annual value of all three contracts is £0.3m.

36. DEFINED CONTRIBUTION PENSION SCHEMES

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

Teachers employed by the Council are members of the Teachers' Pension Scheme, which is run by the Department for Education (DfE). The scheme provides benefits upon retirement with both the Council and the employee making contributions to the scheme. The scheme is "unfunded" and the DfE use a notional fund to set a national employers contribution rate based on a percentage of members pensionable pay (14.1% for 2014/15 and 2013/14). In 2014/15 the Council paid £12.6m to the DfE in respect of teachers' pension costs (£12.3m in 2013/14).

Public Health staff employed by the Council are members of the NHS Pension Scheme, which is run by the Department of Health (DoH). The scheme provides benefits upon retirement with both the Council and the employee making contributions to the scheme. The scheme is "unfunded" and the DoH use a notional fund to set a national employers contribution rate based on a percentage of members pensionable pay (14% for 2014/15 and 2013/14). In 2014/15 the Council paid £0.148m to the DoH in respect of employees' pension costs (£0.164m in 2013/14).

37. DEFINED BENEFIT PENSION SCHEMES

a) Participation in Pension Schemes

The Council offers retirement benefits as part of the terms and conditions of staff employment. Although these benefits will not actually be payable until employees retire, the Council is committed to making these payments, and they are required to be disclosed at the time that employees earn their future entitlement. The Council makes contributions on behalf of its employees to the Local Government Pension Scheme (LGPS) and the London Pensions Fund Authority (LPFA). These are defined benefit final salary schemes, 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.

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

These are assessed on an actuarial basis using the projected unit method and an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. They have been prepared by independent firms of actuaries (the LGPS by Hymans Robertson and the LPFA by Barnett Waddingham), and are based on IAS19 assumptions and calculations for the year and the latest triennial valuations as at 31st March 2013.

c) Transactions relating to Retirement Benefits

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

Notes to the Core Financial Statements

Comprehensive Income and Expenditure Statement**Cost of Service**

Current Service Cost

33,586

30,616

Past Service Cost (inc.settlements and curtailments)

957

920

34,543

31,536

Financing and Investment Income and ExpenditureNet Interest on the Net Defined Benefit Liability

Interest Income on Scheme Assets

(36,002)

(39,329)

Interest Cost on Defined Benefit Obligation (Liabilities)

64,639

63,840

28,637

24,511

Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services

63,180

56,047

Remeasurements of the Net Defined Benefit Liability

Return on Assets excluding amounts included in Net Interest

(97,268)

9,708

Actuarial Losses from changes in Demographic Assumptions

0

448

Actuarial Losses from changes in Financial Assumptions

217,512

52,079

Other Gains and Losses

(21,969)

(45,774)

98,275

16,461

Total Remeasurements recognised in CIES**Total Post Employment Benefits Charged to the CIES**

161,455

72,508

Movement in Reserves Statement

Reversal of Net Charges made to the the Surplus or Deficit on the Provision of Services

(63,180)

(56,047)

Employers' Contributions Payable to the Scheme

32,823

33,922

Return on Assets excluding amounts included in Net Interest

97,268

(9,708)

Actuarial Gains and Losses

(195,543)

(6,753)

Pensions Reserve adj to opening bal (re Lewisham Homes)

0

(1,274)

Net Movement in Pensions Reserve

(128,632)

(39,860)

d) Pensions Assets and Liabilities Recognised in the Balance Sheet

Fair Value of Plan Assets

1,053,518

923,298

Present Value of Defined Benefit Liability (Obligation)

(1,688,924)

(1,429,682)

(635,406)

(506,384)

Present Value of Unfunded Liabilities

(81,316)

(81,706)

Pensions Reserve - Year End Balance

(716,722)

(588,090)

Notes to the Core Financial Statements

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

	31/03/2015 £000	31/03/2014 £000
Opening Fair Value of Scheme Assets	923,298	891,487
Interest Income on Scheme Assets	36,002	39,329
Administration	(106)	(93)
<u>Remeasurement Gains / Losses</u>		
Return on Assets excluding amounts included in Net Interest	97,268	(9,708)
Employer Contributions	27,668	28,579
Contributions in respect of Unfunded Benefits	5,155	5,343
Contributions from Scheme Participants	8,479	8,291
Benefits Paid	(47,291)	(43,809)
Unfunded Benefits Paid	(5,155)	(5,343)
Other Gains and Losses	8,200	9,222
Closing Fair Value of Scheme Assets	1,053,518	923,298

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

	31/03/2014 £000	31/03/2014 £000
Opening Present Value of Scheme Liabilities (Obligations)	(1,511,388)	(1,440,991)
Current Service Cost	(33,586)	(30,616)
Interest Cost on Defined Benefit Obligation (Liabilities)	(64,533)	(63,747)
Contributions from Scheme Participants	(8,479)	(8,291)
<u>Remeasurement Gains / Losses</u>		
Benefits Paid	47,291	43,809
Unfunded Benefits Paid	5,155	5,343
Actuarial Losses from changes in Demographic Assumptions	0	(448)
Actuarial Losses from changes in Financial Assumptions	(217,512)	(52,079)
Other Gains and Losses	13,769	36,552
Past Service Costs / Curtailments / Settlements	(957)	(920)
Closing Present Value of Scheme Liabilities (Obligations)	(1,770,240)	(1,511,388)

g) Pension Scheme Assets

	31/03/2015			31/03/2014		
	Active Market £000	Not in Active Markets £000	Total £000	Active Market £000	Not in Active Markets £000	Total £000
LGPS (LBL and LH)						
Equities	74,194		74,194	14,919		14,919
Debt Securities	94,621		94,621	78,999		78,999
Real Estate		79,649	79,649		70,137	70,137
Investment Funds / Unit Trusts	652,103	60,534	712,637	607,833	69,645	677,478
Derivatives		(52)	(52)			0
Cash and Cash Equivalents		20,655	20,655	948	10,364	11,312
Total LGPS Assets	820,918	160,786	981,704	702,699	150,146	852,845

Notes to the Core Financial Statements

	31/03/2015			31/03/2014		
	Active Market £000	Not in Active Markets £000	Total £000	Active Market £000	Not in Active Markets £000	Total £000
LPFA						
Equities	17,446	13,712	31,158	37,340		37,340
LDI Cashflow matching		5,390	5,390	4,227		4,227
Target Return Portfolio	15,319	5,441	20,760	21,136		21,136
Infrastructure		3,558	3,558		2,818	2,818
Commodities	223	445	668	705		705
Properties		2,035	2,035		2,114	2,114
Cash		8,245	8,245		2,114	2,114
Total LPFA Assets	32,988	38,826	71,814	63,408	7,046	70,454

h) Basis for Estimating Assets and Liabilities

	Local Government Pension Scheme		LPFA	
	2014/15	2013/14	2014/15	2013/14
Rate of Inflation – CPI		2.8%	2.2%	2.6%
Salary Increase Rate *	4.3%	4.6%	4.0%	4.4%
Pensions Increases	2.4%	2.8%	2.2%	2.6%
Rate for discounting scheme liabilities	3.2%	4.3%	3.0%	4.2%
Mortality assumptions				
Longevity at 65 for current pensioners - Men	21.7yrs	21.7yrs	21.5yrs	21.4yrs
Longevity at 65 for current pensioners - Women	24.0yrs	24.0yrs	24.3yrs	24.2yrs
Longevity at 65 for future pensioners - Men	24.4yrs	24.4yrs	23.9yrs	23.7yrs
Longevity at 65 for future pensioners - Women	26.7yrs	26.7yrs	26.6yrs	26.5yrs

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.

i) Sensitivity Analysis

Change in Assumption at 31st March 2015	Approximate % Increase in Employer Liability	Approximate Monetary Amount (£000)
LGPS - LB Lewisham		
0.5% Decrease in Real Discount Rate	10%	152,054
1 Year Increase in Member Life Expectancy	3%	47,194
0.5% Increase in the Salary Increase Rate	2%	39,246
0.5% Increase in the Pension Increase Rate	7%	110,084
LGPS - Lewisham Homes		
0.5% Decrease in Real Discount Rate	12%	13,826
1 Year Increase in Member Life Expectancy	3%	3,426
0.5% Increase in the Salary Increase Rate	4%	4,884
0.5% Increase in the Pension Increase Rate	8%	8,586
LPFA		
0.5% Decrease in Real Discount Rate	n/a	1,615
1 Year Increase in Member Life Expectancy	n/a	308
0.5% Increase in the Salary Increase Rate	n/a	1,590
0.5% Increase in the Pension Increase Rate	n/a	1,565

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

Notes to the Core Financial Statements

i) Future Contributions

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve an increased funding level over the next 3 years. Funding levels are monitored on an annual basis and the next triennial valuation is due at 31st March 2016. The Council anticipates paying £24.7m in contributions to the scheme in 2015/16.

The scheme will need to take account of the national changes to the Local Government Pension Scheme and other main public service schemes under the Public Pensions Services Act 2013. This took effect from 1st April 2014 and provided for regulations to be made within a common framework to establish new career average earnings provisions to pay pensions and other benefits.

38. CONTINGENT LIABILITIES

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

On 31 March 2015 the Council were advised by the Valuation Office Agency (VOA) that Virgin Media had put forward a proposal to merge the Virgin Media network that appears in councils rating lists countrywide into a single national assessment appearing with effect from 1 April 2010. There is no indication whether the proposal will be accepted or rejected yet. Given this uncertainty, it is disclosed as a contingent liability and will be reviewed in January 2016 as part of the 2016/17 NDR data assessment when the outcome may be clearer. The estimated effect of this proposal on the Collection Fund is approximately £10m.

39. CONTINGENT ASSETS

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

40. TRUST FUNDS

The Council acts as a trustee for other funds which are not included in the Balance Sheet. Interest on these funds is credited annually at the average rate earned on the Council's revenue balances.

	Balance 31/03/2015 £000	Movement in 14/15 £000	Balance 31/03/2014 £000
Children and Young People	34	5	29
Community Services	593	(147)	740
Cemeteries Graves Maintenance	18	0	18
Total Trust Funds	645	(142)	787

The fund balances as at 31 March 2015 were invested as follows:

	31/03/2015 £000	31/03/2014 £000
External Investments	27	27
Cash	618	760
Total Trust Funds	645	787

Notes to the Core Financial Statements

42. HERITAGE ASSETS

These assets comprise Lewisham Clock Tower and the Civic Regalia. Their values in the accounts are insurance values which are assessed internally and based on current market values. The value of the assets at 31st March 2015 is £257,000 (£257,000 as at 31st March 2014).

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

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

	2014/15 £000	2013/14 £000
Depreciation, Impairment & Downward Valuations	238,689	48,077
Increase/decrease in impairment for bad debts	0	0
Increase/decrease in creditors	3,745	(2,242)
Increase/decrease in debtors	27,588	(2,762)
Increase/decrease in inventories (stock)	139	(4)
Movement in pension liability	30,357	33,107
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	0	4,854
Other non-cash items charged to the net surplus or deficit on the provision of services	(40,832)	(27,238)
Total Adjustment to net surplus or deficit on the provision of services for non-cash movements	259,686	53,792

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

	2014/15 £000	2013/14 £000
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	398	0
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(34,768)	(15,450)
Any other items for which the cash effects are investing or financing cash flows.	(50,108)	(44,654)
Total Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(84,478)	(60,104)

Notes to the Core Financial Statements

45. CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2014/15 £000	2013/14 £000
Interest Received	1,156	1,985
Interest Paid	(24,872)	(36,014)
Net interest paid	(23,716)	(34,029)

46. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2014/15 £000	2013/14 £000
Purchase of Property, Plant and Equipment, investment property and intangible assets	(66,775)	(43,583)
Purchase of short and long term investments	(395,000)	(384,818)
Other payments for Investing Activities	0	(4,767)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	34,787	15,492
Proceeds from short-term and long-term investments	330,000	249,334
Other Receipts from Investing Activities	50,361	46,641
Net cash flows from investing activities	(46,627)	(121,701)

47. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2014/15 £000	2013/14 £000
Cash receipts of short and long term borrowing	0	5,125
Other receipts from financing activities	0	3,071
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(8,237)	(7,529)
Repayment of Short-Term and Long-Term Borrowing	(5,315)	(7,950)
Other payments for financing activities	0	0
Net cash flows from investing activities	(13,552)	(7,283)

Housing Revenue Account

SECTION 4 - HOUSING REVENUE ACCOUNT

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

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

	2014/15 £000	2013/14 £000	Note
INCOME			
Gross Rent - Dwellings	(71,829)	(69,679)	1
Gross Rent - Other Housing Properties	(3,362)	(4,690)	1
Charges for Services and Facilities	(9,793)	(9,476)	1
Housing Subsidy and Government Grants	(46,353)	(34,353)	2
Contribution towards Expenditure	(3,951)	(2,696)	4
Total Income	(135,288)	(120,894)	
EXPENDITURE			
Supervision and Management - General Expenses	30,174	30,656	5
Supervision and Management - Special Expenses	6,366	6,723	5
Repairs and Maintenance	62,875	56,845	6
Rent, Rates and Other Charges	296	457	8
Rent Rebate Subsidy Shortfall	242	152	3
Contribution to Doubtful Debts Provision	730	756	7
Depreciation - Dwellings	25,530	20,959	10
Depreciation - Other Housing Assets	801	836	10
Impairment of Non Current Assets	(2,126)	(53,090)	
Debt Management Expenses	26	29	
Total Expenditure	124,914	64,323	
Net Cost of Services included in the Council's Income and Expenditure Account	(10,374)	(56,571)	
HRA Services share of Corporate and Democratic Core Costs	134	134	
Net Cost of HRA Services	(10,240)	(56,437)	
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	(4,127)	(5,390)	
Interest Payable and Similar Charges	8,584	9,385	11
Interest and Investment Income	(422)	(238)	
Pension Interest Cost and Expected Return on Pension Assets	(20,086)	(4,166)	12
(Surplus) / Deficit for the Year on HRA Services	(26,291)	(56,846)	

Housing Revenue Account

HOUSING REVENUE ACCOUNT - MOVEMENT IN RESERVES STATEMENT

	2014/15 £000	2013/14 £000
Balance on the HRA at the End of the Previous Year	26,546	22,898
Surplus or (Deficit) for the year on the HRA Income and Expenditure Statement	26,291	56,846
Adjustments between Accounting Basis and Funding Basis under Statute	32,876	5,153
Net Increase or (Decrease) before Transfers (To) / From Reserves	59,167	61,999
Transfers (To) / From Reserves	(49,802)	(58,351)
Increase or (Decrease) in Year on the HRA	9,365	3,648
Balance on the HRA at the End of the Year	35,911	26,546

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

Housing Revenue Account

NOTES TO THE HOUSING REVENUE ACCOUNT**1. GROSS RENT OF DWELLINGS**

This is the total rent collectable for the year after allowance is made for empty property. At 31 March 2015, 0.61% of lettable property was empty (0.74% at 31 March 2014). These figures for empty property exclude accommodation for the homeless and dwellings designated for sale, major works and improvements. Average rents were £95.97 per week in 2014/15 and £91.03 per week in 2013/14.

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

a) Housing Stock

There were no stock transfers during 2014/15 or 2013/14.

	31/03/2015	31/03/2014
<u>Stock Numbers at year end</u>		
Houses and Bungalows	2,423	2,432
Flats and Maisonettes	12,214	12,325
Stock at 31 March	14,637	14,757

	2014/15	2013/14
<u>Change in Stock Numbers during the year</u>		
Stock at 1 April	14,757	15,080
Less Sales, Demolitions, etc.	(128)	(327)
Add Re-purchases, Conversions etc.	8	4
Stock at 31 March	14,637	14,757

b) Rent Arrears

	2014/15 £000	2013/14 £000
Rent Arrears due from Current Tenants	3,331	3,822
Rent Arrears due from Former Tenants	1,813	1,774
Total Arrears	5,144	5,596
Total Arrears as % of Gross Rent of Dwellings Due	8.0%	8.0%

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

	2014/15 £000	2013/14 £000
Aerial Sites	342	262
Garages	322	981
Reception Hostels	2,455	2,340
Commercial Property	184	1,049
Ground Rents	59	58
Total Other Rents and Charges	3,362	4,690

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, pest control and the Lewisham Tenants Levy. The average tenants' service charge was £7.72 in 2014/15 (£7.55 in 2013/14).

	2014/15 £000	2013/14 £000
Heating Charges	730	744
Leasehold Service Charges	4,430	4,163
Tenants Service Charges	4,633	4,569
Total Charges for Services and Facilities	9,793	9,476

2. GOVERNMENT HOUSING GRANTS AND SUBSIDY

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

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

In addition, the Council also received a £36.0m grant towards the costs of meeting the decent homes obligations.

	2014/15 £000	2013/14 £000
Charges for Capital	0	15
PFI Credit	10,353	10,353
Decent Homes Grant	36,000	24,000
Total Grants and Subsidy	46,353	34,368

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 56% of tenants received help in 2014/15 (57% in 2013/14). Rent rebates are chargeable to, and the corresponding subsidy is credited to the General Fund.

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

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

	2014/15 £000	2013/14 £000
Rent Rebates Given (GF)	45,197	44,646
Subsidy Received on Rebates (GF)	(45,197)	(44,494)
Net cost to the HRA	0	152

Housing Revenue Account

4. CONTRIBUTION TOWARDS EXPENDITURE

	2014/15 £000	2013/14 £000
Commission on insurance and water rates	650	661
Recharges of repairs	2,225	1,185
Recharge to Capital Receipts	618	561
Hostels: Heat, Light and Water Charges	95	194
Other miscellaneous income	363	95
Total Other Income	3,951	2,696

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 2014/15 was £14.602m (2013/14 - £15.423m).

7. CONTRIBUTIONS TO IMPAIRMENT ALLOWANCE

A contribution of £0.730m (2013/14 £0.756m) was transferred from the HRA to an impairment allowance to meet doubtful debts. Details of the accumulated provisions are as follows:

	2014/15 £000	2013/14 £000
Housing Tenants	4,207	4,518
Leaseholders	1,946	1,875
Commercial Properties, Miscellaneous Debts	989	844
Total Impairment Allowance	7,142	7,237

8. HRA OUTSTANDING DEBT (CAPITAL FINANCING REQUIREMENT)

Under the current HRA self-financing system, which began on 01 April 2012, there is no requirement to repay principal on housing debt. The total housing debt at 31 March 2014 was £74.8m

Housing Revenue Account

9. NON CURRENT ASSETS VALUATION

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

	31/03/15 £000	31/03/14 £000
Operational Assets:		
Dwellings (Existing Use Value - Social Housing)	1,057,633	882,033
Other Land and Buildings	26,267	42,693
Infrastructure	0	102
Vehicles, Plant and Equipment	5,792	5,613
	1,089,692	930,441
Investment Properties	20,949	18,406
Total Housing Assets	1,110,641	948,847
Full Valuation of Council Dwellings	4,230,532	3,528,132

10. DEPRECIATION

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

	2014/15 £000	2013/14 £000
Operational Assets		
Dwellings	25,320	20,957
Other Land and Buildings	614	502
Vehicles, Plant and Equipment	337	311
	26,271	21,770

Depreciation is not charged on Non Operational Assets.

11. INTEREST PAYABLE AND SIMILAR CHARGES

This line includes the charge of £3.2m for capital assets calculated in accordance with the DCLG's Item 8 Debit Determination for 2014/15 (£3.7m in 2013/14). It also includes £0.477m for the net cost of amortised loan redemption premiums and discounts (£0.751 2013/14).

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

Any expenditure on the Capital Programme which cannot be capitalised as a component or did not add value to an existing asset has been charged to revenue. These amounts have been mainly funded from the Major Repairs Reserve, which can be used for both revenue and capital expenditure.

	2014/15 £000	2013/14 £000
Expenditure:		
Dwellings	4,694	3,361
Revenue Expenditure Funded from Capital under Statute	0	0
	4,694	3,361
Financed by:		
Capital Receipts	213	85
Major Repairs Reserve	4,481	3,276
Total Capital Expenditure Financed	4,694	3,361

The total capital receipts from the disposal of housing assets (including stock transfer) were £18.6m in 2014/15 (£10.7m in 2013/14).

14. MAJOR REPAIRS RESERVE

	2014/15 £000	2013/14 £000
Balance B/fwd as at 1 April	(19,787)	(12,719)
Transferred in (depreciation dwellings)	(26,331)	(21,795)
Financing of capital expenditure on housing assets	4,481	3,276
Financing Major Revenue Repairs	12,273	17,422
Contributions from Revenue (Capital)	0	(5,971)
Balance C/fwd as at 31 March	(29,364)	(19,787)

15. HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

	Balance at 31/03/2014 £000	Transfers In £000	Transfers Out £000	Balance at 31/03/2015 £000
Property and Stock Related Reserves	4,616	157	0	4,773
Staff Related Reserves	750	0	0	750
Other Earmarked Reserves	21,180	9,208	0	30,388
Total	26,546	9,365	0	35,911

Collection Fund

SECTION 5 - THE COLLECTION FUND

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

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

The Council's share of the year end balances of the Collection Fund 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

	2014/15			2013/14			Note
	Council Tax	NDR	Total	Council Tax	NDR	Total	
	£000	£000	£000	£000	£000	£000	
INCOME							
Income from Council Tax (net)	105,674		105,674	105,006		105,006	4
Income from Non-Domestic Rates (net)		55,702	55,702		53,245	53,245	5
TOTAL INCOME	105,674	55,702	161,376	105,006	53,245	158,251	
EXPENDITURE							
Precepts and Demands upon Fund							
- London Borough of Lewisham	78,404		78,404	76,555		76,555	
- Greater London Authority	22,767		22,767	21,876		21,876	
Non-Domestic Rates							
- Payment to National Pool		52,843	52,843		50,485	50,485	5
- Cost of Collection Allowance		306	306		306	306	5
Business Rate Supplement							
- Paid to Greater London Authority		1,459	1,459		1,291	1,291	5
- Administrative Costs		5	5		5	5	5
Bad and Doubtful Debts							
- Net adj to Impairment Allowance	2,004		2,004	2,460		2,460	6a
- Net adj to Impairment Allowance		546	546		675	675	6b
- Amounts Written Off	605		605	322		322	
- Amounts Written Off		543	543		486	486	5
Contributions from previous year							
- London Borough of Lewisham	2,334		2,334	4		4	
- Greater London Authority			0	1		1	
Provision for Appeals							
- London Borough of Lewisham		38	38		2,248	2,248	
TOTAL EXPENDITURE	106,114	55,740	161,854	101,218	55,496	156,714	
Deficit / (Surplus) for the year	440	38	478	(3,788)	2,251	(1,537)	3
Deficit / (Surplus) at start of year	(6,236)	2,251	(3,985)	(2,448)	0	(2,448)	3
Deficit / (Surplus) at end of year	(5,796)	2,289	(3,507)	(6,236)	2,251	(3,985)	

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 2014/15 assumed a collection rate of 95.5% (95.0% for 2013/14).

The table below sets out the original tax base calculation for 2014/15 and has been prepared in accordance with The Welfare Reform Act that abolished the system of council tax benefits and replaced it with the Council Tax Reduction Scheme (CTRS) with effect from 01 April 2013.

Council Tax Band	Property Value £000	2014/15		Band D Ratio	2014/15		2013/14	
		No. of Properties			Band D Equivalents as per Ratio	Council Tax Charge	Band D Equivalents as per Ratio	Council Tax Charge
		Actual Number	Adjusted Number					
		(1)	(2)					
A	up to 40	7,238	3,631	6/9	2,421	906.23	2,010	908.90
B	40 - 52	32,737	19,905	7/9	15,482	1,057.28	14,430	1,060.39
C	52 - 68	42,008	29,504	8/9	26,226	1,208.31	25,704	1,211.86
D	68 - 88	25,146	20,059	1	20,059	1,359.35	20,335	1,363.35
E	88 - 120	7,145	6,017	11/9	7,354	1,661.42	7,557	1,666.31
F	120 - 160	2,734	2,479	13/9	3,581	1,963.51	3,631	1,969.29
G	160 - 320	1,286	1,196	15/9	1,994	2,265.58	2,020	2,272.25
H	over 320	168	155	18/9	310	2,718.70	311	2,726.70
Totals		118,462	82,946		77,427		75,998	
Add: Contributions in lieu					0		0	
Total Band D Equivalents					77,427		75,998	
Estimated Collection Rate					95.50%		95.00%	
NET COUNCIL TAX BASE					72,198		72,198	

(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

	Balance	(Surplus) / Deficit	Balance	(Surplus) / Deficit	Balance
	As at 31/03/13	For 2013/14	As at 31/03/14	For 2014/15	As at 31/03/15
	£000	£000	£000	£000	£000
London Borough of Lewisham	(1,878)	(1,179)	(3,057)	368	(2,689)
Greater London Authority	(570)	(358)	(928)	110	(818)
	(2,448)	(1,537)	(3,985)	478	(3,507)

Collection Fund Adjustment Account

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

4. COUNCIL TAX INCOME

	2014/15		2013/14
	£000	£000	£000
Gross Council Tax Income Due		149,144	147,656
Less: Adjustments to charge	915		1,073
Exemptions	(3,807)		(3,727)
Disabled Relief	(65)		(66)
Discounts	(15,156)		(15,368)
Adjustment for Council Tax Reduction Scheme	(25,357)		(24,562)
		(43,470)	(42,650)
Total Due from Council Tax payers		105,674	105,006
Transfers from General Fund for Council Tax Benefits		0	0
Net Amount of Council Tax Receivable		105,674	105,006

Collection Fund

5. NON-DOMESTIC RATES

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

	2014/15		2013/14
	£000	£000	£000
Gross NDR Collectable (after voids and exemptions)		62,701	59,130
Reductions and Relief:			
Mandatory Relief	(6,777)		(5,735)
Discretionary Relief	(222)		(150)
Interest on Refunds and Other Adjustments		(6,999)	
Total Receivable from Business Rates		55,702	53,245
Irrecoverable Amounts Written Off		(543)	(486)
Net Adjustment to Impairment Allowance		(546)	(675)
Net Amount Collectable from Business Ratepayers		54,613	52,084
Business Rate Supplement			
Payment to Greater London Authority	(1,459)		(1,291)
Administrative Costs	(5)		(5)
		(1,464)	
NDR			
Cost of Collection Allowance transfer		(306)	(306)
Amount Payable to NDR Pool		52,843	50,482

	2014/15	2013/14
	£m	£m
Non-Domestic Rateable Value	138.7	139.5

	2014/15	2013/14
	pence	pence
Non-Domestic Rate Multiplier	48.2	47.1
Non-Domestic Rate Multiplier (Small Business)	47.1	46.2

Collection Fund

6. COLLECTION FUND ARREARS AND IMPAIRMENT ALLOWANCES**a) Council Tax**

	31/03/2015 £000	31/03/2014 £000
Council Tax Arrears	31,365	29,330
Impairment Allowance	(28,888)	(26,884)
As a Percentage of Arrears	92.1%	91.7%

	2014/15		2013/14	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Arrears				
Year of Accounts	5,982	19	6,177	21
Under 2 Years old	4,443	14	3,830	13
Under 3 Years old	3,323	11	3,377	12
Under 5 Years old	5,889	19	6,359	22
Over 5 Years old	11,729	37	9,587	32
Total	31,366	100	29,330	100

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

b) Non-Domestic Rates

	31/03/2015 £000	31/03/2014 £000
NDR Arrears	5,015	4,778
Impairment Allowance	(3,101)	(2,555)
As a Percentage of Arrears	61.8%	53.5%

	2014/15		2013/14	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Arrears				
Year of Accounts	1,297	26	1,518	32
Under 2 Years old	974	19	1,203	25
Under 3 Years old	876	17	897	19
Under 5 Years old	1,373	27	938	20
Over 5 Years old	494	10	222	4
Total	5,014	100	4,778	100

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

Glossary

SECTION 6 - GLOSSARY OF TERMS USED IN THE ACCOUNTS

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

Glossary

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

Annual Governance Statement

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