

LONDON BOROUGH OF LEWISHAM

**2015 / 2016 DRAFT STATEMENT OF ACCOUNTS
CONTENTS**

NARRATIVE STATEMENT BY THE EXECUTIVE DIRECTOR FOR RESOURCES AND REGENERATION.....	3
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS.....	12
INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF LONDON BOROUGH OF LEWISHAM	13
TO FOLLOW IN AUDITED ACCOUNTS	
SECTION 1 – CORE FINANCIAL STATEMENTS	
a) MOVEMENT IN RESERVES STATEMENT.....	17
b) COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT.....	19
c) BALANCE SHEET.....	20
d) CASH FLOW STATEMENT.....	21
SECTION 2 – STATEMENT OF ACCOUNTING POLICIES.....	22
SECTION 3 – NOTES TO THE CORE FINANCIAL STATEMENTS.....	33
(See Index on following page)	
SECTION 4 – HOUSING REVENUE ACCOUNT.....	74
SECTION 5 – COLLECTION FUND	81
SECTION 6 – GLOSSARY OF TERMS AND ACRONYMS.....	86

Contents

INDEX OF SECTION 3 – NOTES TO THE CORE FINANCIAL STATEMENTS

Note 1	Accounting Standards Issued, Not Adopted in the 2015/16 Accounts	33
Note 2	Critical Judgements in Applying Accounting Policies	33
Note 3	Assumptions made about the Future and other Major Sources of Estimation Uncertainty	34
Note 4	Material Items of Income and Expenditure	34
Note 5	Events after the Balance Sheet Date	35
Note 6	Other Operating Expenditure – Levies	35
Note 7	Adjustments between Accounting Basis and Funding Basis under Regulation	35
Note 8	Earmarked Reserves	38
Note 9	Non-Current Assets	39
Note 10	Investment Properties	42
Note 11	Financial Instruments	42
Note 12	Nature and Extent of Risks arising from Financial Instruments	45
Note 13	Debtors	46
Note 14	Cash and Cash Equivalents	48
Note 15	Creditors	49
Note 16	Provisions	49
Note 17	Revenue Receipts in Advance	50
Note 18	Usable Capital Receipts	50
Note 19	Pension Reserve	50
Note 20	Revaluation Reserve	51
Note 21	Capital Adjustment Account	52
Note 22	Segmental Reporting (Amounts Reported for Resource Allocation Decisions)	53
Note 23	Agency Services and Pooled Budgets	55
Note 24	Investment in Companies	55
Note 25	Members' Allowances	56
Note 26	Officers' Remuneration	57
Note 27	External Audit Costs	59
Note 28	Dedicated Schools Grant	60
Note 29	Grant Income	60
Note 30	Related Party Transactions	61
Note 31	Capital Expenditure and Capital Financing	61
Note 32	Leases	62
Note 33	Private Finance Initiatives (PFI) Contracts	63
Note 34	Long Term Contracts	66
Note 35	Defined Contribution Pension Schemes	66
Note 36	Defined Benefit Pension Schemes	66
Note 37	Contingent Liabilities	71
Note 38	Contingent Assets	71
Note 39	Trust Funds	71
Note 40	Heritage Assets	71
Note 41	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	72
Note 42	Adjustment for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	72
Note 43	Cash Flow Statement – Operating Activities	72

Contents

Note 44	Cash Flow Statement – Investing Activities	73
Note 45	Cash Flow Statement – Financing Activities	73

Narrative Statement

**NARRATIVE STATEMENT 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 2015/16 and shows the Council's financial position as at 31st March 2016. The Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice for Local Authorities (SERCOP) 2015/16, jointly developed by CIPFA and the Accounting Standards Board. These constitute proper accounting practice with which Local Authorities must by statute comply and include adherence to International Financial Reporting Standards (IFRS). There are no fundamental changes to the basis on which the Accounts have been compiled for 2015/16 compared to previous years.

2. THE COUNCIL'S STATEMENT OF ACCOUNTS

The Statement of Accounts comprises this Narrative Statement, a Statement of Responsibilities, an External Auditor's report (which will be inserted upon completion of the external audit), the Core Financial Statements and other statutory Accounts as set out below. A review has again concluded that Group Accounts are not required to be prepared for the year.

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 show 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.

Narrative Statement

Section 2 – Statement of Accounting Policies

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

Section 3 – Notes to the Core Financial Statements

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

Section 4 – Housing Revenue Account (HRA)

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

Section 5 – Collection Fund Accounts

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

Section 6 - Glossary

This explains some technical and commonly used terms.

Section 7 – 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 8 – Annual Governance Statement (AGS)

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

3. REVENUE BUDGET**3a 2015/16 Revenue Budget Setting and Funding**

The Council set a net budget requirement of £246.2m for 2015/16 at its meeting on 25th February 2015. This was a decrease of £21.9m or 8.2% on the previous year's net budget requirement of £268.1m.

The main sources of income were the Council Tax and the Government determined Settlement Funding Assessment (SFA), which comprised 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.

2015/16 Revenue Budget Funding

	2015/16 £000	2014/15 £000
Lewisham's Net Budget Requirement	246,224	268,062
Less: Revenue Support Grant	(74,913)	(102,606)
Less: NDR received from the national pool	(86,363)	(84,744)
Less: Surplus on Collection Fund	(4,864)	(2,309)
General Fund Services to be met from Council Tax	80,084	78,403
Add: Precept (GLA)	23,652	22,108
Total to be met from Council Tax	103,736	100,511

Narrative Statement

3b 2015/16 Revenue Budget Outturn

During 2015/16, the overall overspend against the directorates' net controllable budgets was £6.3m. After applying the sum of £3.2m which was set aside in setting the 2015/16 budget for 'risks and other budget pressures', this brought the final directorate overspend down to £3.1m. The reasons for these variances were reported to the Mayor and Cabinet on the 1st June 2016.

Throughout the year, Mayor & Cabinet and Executive Directors have received regular financial monitoring reports and continued to implement measures to alleviate the Council's overall budget pressures and to help bring spending back into line with budget. These measures have included the strengthening of local controls on particular expenditure in the short term. In addition to this and with regards to the most significant budget pressures which the Council faces in 'no recourse to public funds' and 'children's social care' which ended the year at a combined overspend of £6.3m, officers have provided sharper focus on tackling the activities which are driving these costs.

3c 2016/17 Revenue Budget Outlook

The Council set a net budget requirement of £236.2m for 2016/17 at its meeting on 24th February 2016, which is £10.0m lower than the equivalent figure for 2015/16. The Council has again made significant savings reductions of £18.2m to its budget and added £7.5m to provide for the significant spending pressures which are being experienced. An amount of £10.9m is being taken from reserves to fund the budget, but action is also 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 pressures on 'no recourse to public funds' and 'children's social care' there still remains a number of significant budget pressures in other areas across the Council. In the main, these include pressures on service areas such as adult social care, temporary bed and breakfast accommodation and environmental services. All of these pressures go towards demonstrating the significant financial challenge the Council is currently experiencing and will continue to face over the course of the medium term.

4. COUNCIL TAX AND NON-DOMESTIC RATES (NDR)**4a Council Tax Levels and the Tax Base**

The actual Council Tax charge is determined by dividing the net amounts to be met from Council Tax by the tax base, which for Lewisham is 75,526 equivalent Band D properties for 2015/16 (73,941 for 2014/15).

	2015/16	2014/15	Variation	Variation
	£	£	£	%
LB Lewisham's Demand	1,060.35	1,060.35	0.0	0.0
Preceptor Requirements:				
Add: Greater London Authority	295.00	299.00	-4.0	-1.3
Council Tax for Band D	1,355.35	1,359.35	-4.0	-0.3

Narrative Statement

4b Council Tax and Non-Domestic Rates Collection Rates

	2015/16 %	2014/15 %	2013/14 %
Council Tax	94.5	95.1	94.8
Non-Domestic Rates	99.7	99.4	99.1

5. CAPITAL PROGRAMME**5a 2015/16 Capital Programme**

The capital programme expenditure incurred during the year and how it was resourced is shown below. The percentage spent compared to the revised programme budget was 80%. A number of budget underspends, mainly on housing schemes, have been carried forward to 2016/17.

	2015/16 Final Outturn £m	2015/16 Budget Report (24 Feb 2016) £m	2014/15 Final Outturn £m
CAPITAL PROGRAMME EXPENDITURE			
General Fund	72.1	79.3	69.7
Housing Revenue Account	22.0	38.8	53.0
Total Spent	94.1	118.1	122.7
CAPITAL PROGRAMME FINANCING			
Borrowing	12.6		3.5
Capital Grants	49.2		88.8
Capital Receipts	11.6		4.3
Capital Expenditure Financed from Revenue	20.7		26.1
Total Financed	94.1		122.7

Narrative Statement

The expenditure on major projects in the 2015/16 capital programme was:-

	2015/16 Expenditure £m
Major Projects of over £1m	
General Fund	
Primary Places Programme (inc Expansion)	32.0
Building Schools for the Future (BSF) – Design and Build Programme	5.7
Highways and Bridges Improvement Works (inc TfL programmes)	7.3
Schools Works and Upgrades	5.9
Housing Regeneration Schemes	1.5
Asset Management Programme	1.0
Acquisition and Conversion of Properties	12.5
Housing Revenue Account	
Decent Homes programme	11.6
Other Major Works to Dwellings	10.4

5b 2016/17 Capital Programme

The Council set its capital programme budget at its meeting on 24th February 2016. This outlined the Council's programme of £337m for the years 2016/17 to 2019/20. 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.

	2016/17 Budget £m
2016/17 Capital Programme	
General Fund	
Lewisham Homes – Property Acquisition	4.0
Primary Places Programme (inc Expansion)	6.0
Schools Works and Upgrades	3.4
Highways and Bridges Improvement Works (inc TfL programmes)	6.0
Housing Regeneration Schemes	7.7
Town Centres & High St. Improvements	3.6
Asset Management Programme	3.1
Other Schemes	9.3
	43.1
Housing Revenue Account	86.1
Total Capital Programme	129.2

Narrative Statement

6. FINANCIAL HEALTH

6a General Fund

After transfers to and from reserves the General Fund balance has been kept at £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 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 spent to budget after transfers to reserves as at 31st March 2016. It continues to build reserves up on an annual basis, mainly to ensure that there are sufficient resources available to fund the current 30 year business plan. This aims to continue to invest in decent homes and to significantly increase the supply of housing in the borough over the medium to long term. 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 £80.4m (£65.3m as at 31st March 2015). 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 £2.0m for the year, which when added to the brought forward surplus of £3.5m gives a surplus of £1.5m to carry forward to 2016/17. The details are shown in the Collection Fund statements in Section 5 of the Accounts.

7. SIGNIFICANT EVENTS IN 2015/16 THAT HAVE HAD AN IMPACT ON THE ACCOUNTS

7(a) National Deficit Reduction Strategy

The Government's strategy to reduce the national deficit over the lifetime of the previous Parliament has had a major effect on the Council's current and future funding plans. It has also had a direct effect on the 2015/16 Accounts, with termination costs of £6.3m (£5.8m in 2014/15) 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).

7(b) Pension Fund Valuation

The Pension Fund's value reduced over the year by £1m from £1,043m to £1,042m (0.1%). More detailed information is set out in the Pension Fund accounts.

7(c) No Recourse to Public Funds Clients

There was overspending in the year of £2.2m 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 have fallen to fewer than 200 from their peak at the start of the year of 297 clients.

Narrative Statement

7(d) Strategic Housing

There was overspending of £2.5m for costs in accommodating homeless people in temporary accommodation. Over the past few years the number of homeless approaches to the Council has increased significantly, mainly due to changes in housing benefit legislation and the changing housing market where private sector rents have seen a marked increase. The Council have a duty to house families and individuals after each case is assessed and duty is formally accepted. Inadequate levels of housing stock, has seen the increased use of temporary accommodation. To tackle pressures caused by homelessness the Council has invested in a Hostel acquisition programme.

7(e) Minimum Revenue Provision (MRP) Policy

The Council is preparing its financial statements on a revised MRP policy that more accurately recognises and reflects the underlying asset classes that the Council holds. This change in policy has yielded a once-off saving of £4.92m in 2015/16 and will save a further £0.45m in 2016/17; and then approximately £1m per year for 2017/18 and future years.

7(f) Dedicated Schools Grant

There were two secondary schools with licenced deficit budgets at the end of 2015/16. These were Sedgehill at £1.3m and Deptford Green at £0.5m. There was one primary school with a licensed deficit, being All Saints at £0.03m. At the end of the financial year there are a further nine schools which have deficit balances totalling circa £0.9m which will need to apply for a licensed deficit.

7(g) Accounting Policy

The 2015/16 has seen a change in accounting policy relating to the adoption of IFRS 13 (Fair Value Measurement) for surplus non-current assets and its effect on investment properties. For further information, see paragraphs 22b and 24 of Section 2 – Statement of Accounting Policies.

7(h) Savings

The Council completed a voluntary severance exercise in 2015/16 which resulted in 76 people leaving the Council's employment. This was in addition to a number of service reorganisations as part of the revenue budget savings implemented in 2015/16

7(i) Government Funding and Business Rates Retention

Funding changes for local government announced in 2015/16 confirmed continued reductions in funding for local authorities and moves for authorities to become self-financing from business rates and council tax with no or minimal revenue support grant by 2020/21. The Council used reserves in 2015/16 to balance the budget and will do so again in 2016/17. For 2016/17 this will be on top of raising both the Adult Social Care precept at 2.00% and maximum Council Tax increase without a referendum at 1.99%. It is also worth noting that the next property valuation for business rates is underway; the system is changing following the 'check, challenge, appeal' consultation, and a number of appeals/ considerations are pending a decision (e.g. Virgin Media, NHS Trusts).

Narrative Statement

8. THE COUNCIL'S STRATEGIES AND OVERALL PERFORMANCE

a) Our Vision and Priorities

Lewisham's vision is: 'Together, we will make Lewisham the best place in London to live, work and learn'

Our vision was developed following consultation with Lewisham residents, public sector agencies, local business, voluntary and community sector organisations. This vision is not just for the Council, it has been adopted by the Lewisham Strategic Partnership and continues to be a bold aspiration that stretches and motivates the Council and its partners to set priorities and deliver services that will achieve the vision.

The key strategic document for Lewisham and for the Lewisham Strategic Partnership is the Lewisham's Sustainable Community Strategy 2008-2020 (which can be viewed on the Council's website).

Lewisham's Sustainable Community Strategy priorities

Shaping our Future Lewisham's Community Strategy 2008 - 2020 contains the shared priorities for the borough. The Lewisham Strategic Partnership agreed a set of 6 key priority outcomes which form the basis for public action locally.

Lewisham's corporate priorities

The Council's ten corporate priorities determine what contribution the Council will make towards delivery of the Shaping our Future. The priorities focus on the needs of local people and are geared towards ensuring that, in delivering services, the Council focuses on its citizens, is transparent and responds to changing needs and demands.

b) Our Goals

- Community Leadership and Empowerment – Creating opportunities for people within the community to participate and become engaged.
- Young people's achievement and involvement – Increasing educational achievement, and through partnership working to improve facilities for young people within the borough.
- Clean green and liveable – Through improvement to environmental management, the maintained care for roads and pavements. Encouraging a sustainable way of life/sustainable environment.
- Safety security and visible presence – Through working with the police to reduce crime levels, prevention of anti-social behaviour through Council powers/resources.
- Strengthening the local economy – Through the gain of resources to redevelop key localities, strengthen employment skills and encouraging the use of public transport.
- Decent homes for all – The creation of housing that is social and affordable to achieve 'the decent homes standard', reducing homelessness.
- Protection of children – Improved safeguarding and for children at risk the presence of joined services.
- Caring for adults and older people – To provide support to the elderly and adults that require help by working with health services.
- Active healthy citizens – Providing leisure, sporting and learning activities for everyone.
- Inspiring efficiency, effectiveness and equity – Ensuring that the services provided to meet the communities needs is efficient.

c) Key Performance Indicators for Corporate Priorities

Our key performance indicators are published in our Management Report, the purpose of which is to place on record each month, in a consistent format, our performance against priorities. Each month we attempt to give a full account of what is being done, what has been achieved and which areas require additional management attention to secure future achievements. The report gives some coverage to the effectiveness of our partnership working. Reporting on performance is always double-edged. We have high ambitions and targets which are set to stretch management and staff effort. So, there are areas where the need for greater management attention is highlighted. The full Management Report can be viewed on the Council's website.

Narrative Statement

Performance: Performance is being reported for March 2016. There are 9 performance indicators (47 per cent) reported as green or amber against target, and 8 (42 per cent) are showing an upward direction of travel. There are 10 performance indicators (53 per cent) reported as red against target and 10 performance indicators (53 per cent) which have a Red direction of travel. There are 4 indicators that have missing performance data.

Projects: Projects are being reported for March 2016. There are no red projects this month.

Risks: Risks are being reported for March 2016. There are nine red corporate risks - ICT infrastructure is not fit for purpose and/or does not meet business needs; noncompliance with Health & Safety legislation; financial failure and inability to maintain service delivery within a balanced budget; loss of income to the Council; failure of safeguarding arrangement; loss of constructive employee relations; information governance failure; failure to maintain sufficient management capacity and capability to deliver business as usual and implement transformational change; and strategic programme to develop and implement transformational change does not deliver. There are 11 amber risks and one risk is rated green.

The detailed tables of Key Performance Indicators (KPI's) can be found on the Council's website at the following link:

<http://www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/performance/Pages/Latest-council-performance>

Statement of Responsibilities & Independent Auditor's Report

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Executive Director for 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 gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2016.

Janet Senior CPFA

Executive Director for Resources and Regeneration

Day / Month 2016

I confirm that these accounts were approved by the Council at the meeting held on Day / Month 2016

Signed on behalf of the London Borough of Lewisham:

Councillor
Chair of Council

Dated: Day / Month 2016

Statement of Responsibilities & Independent Auditor's Report

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

TO FOLLOW IN AUDITED ACCOUNTS

Statement of Responsibilities & Independent Auditor's Report

Statement of Responsibilities & Independent Auditor's Report

Statement of Responsibilities & Independent Auditor's Report

Core Financial Statements

SECTION 1 - CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31ST MARCH 2016

YEAR ENDING 31ST MARCH 2016	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 2015 Brought Forward	13,000	140,846	35,912	29,364	48,191	10,958	278,271	696,347	974,618
Movement in Reserves during 2015/16									
Surplus or (Deficit) on the provision of services	(5,932)	0	(9,821)	0	0	0	(15,753)	0	(15,753)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	333,926	333,926
Total Comprehensive Income and Expenditure	(5,932)	0	(9,821)	0	0	0	(15,753)	333,926	318,173
Adjustments between accounting basis and funding basis under regulations (see note 7)	4,374	0	28,671	(3,757)	10,798	(2,809)	37,277	(37,277)	0
Net Increase / (Decrease) before Transfers to Earmarked Reserves	(1,558)	0	18,850	(3,757)	10,798	(2,809)	21,524	296,649	318,173
Transfers to / (from) Earmarked Reserves	1,558	(1,558)	(11,868)	11,868	0	0	0	0	0
Increase / (Decrease) in 2015/16	0	(1,558)	6,982	8,111	10,798	(2,809)	21,524	296,649	318,173
Balance at 31 March 2016 Carried Forward	13,000	139,288	42,894	37,475	58,989	8,149	299,795	992,996	1,292,791

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	812,800	1,039,880
Movement in Reserves during 2014/15									
Surplus or (Deficit) on the provision of services	(152,445)	0	5,152	0	0	0	(147,293)	0	(147,293)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	82,031	82,031
Total Comprehensive Income and Expenditure	(152,445)	0	5,152	0	0	0	(147,293)	82,031	(65,262)
Adjustments between accounting basis and funding basis under regulations (see note 7)	156,767	0	18,272	(4,481)	28,745	(819)	198,484	(198,484)	0
Net Increase / (Decrease) before Transfers to Earmarked Reserves	4,322	0	23,424	(4,481)	28,745	(819)	51,191	(116,453)	(65,262)
Transfers to / (from) Earmarked Reserves	(3,322)	3,322	(14,058)	14,058	0	0	0	0	0
Increase / (Decrease) in 2014/15	1,000	3,322	9,366	9,577	28,745	(819)	51,191	(116,453)	(65,262)
Balance at 31 March 2015 Carried Forward	13,000	140,846	35,912	29,364	48,191	10,958	278,271	696,347	974,618

Core Financial Statements

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 31ST MARCH 2016

2014/15				2015/16			Note
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	SERVICE	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	
9,556	(4,463)	5,093	Central Services to the Public	9,595	(4,645)	4,950	
19,198	(3,615)	15,583	Cultural and Related Services	20,974	(3,841)	17,133	
38,219	(6,441)	31,778	Environmental and Regulatory Services	36,081	(6,819)	29,262	
13,544	(3,905)	9,639	Planning Services	14,374	(5,458)	8,916	
612,618	(324,799)	287,819	Children's and Education Services	389,908	(333,284)	56,624	
18,494	(4,201)	14,293	Highways and Transport Services	17,358	(3,788)	13,570	
370,154	(396,985)	(26,831)	Housing Services	385,657	(361,057)	24,600	
117,192	(26,763)	90,429	Adult Social Care	115,013	(38,492)	76,521	
20,396	(20,592)	(196)	Public Health	21,612	(18,446)	3,166	
16,315	(12,086)	4,229	Corporate and Democratic Core	18,598	(13,326)	5,272	
6,087	(17)	6,070	Non Distributed Costs	15,322	(15)	15,307	
1,241,773	(803,867)	437,906	Cost of Services	1,044,492	(789,171)	255,321	22
			Other Operating Expenditure				
0	(14,203)	(14,203)	(Gain) / Loss on the disposal of non-current assets	0	(4,262)	(4,262)	
1,646	0	1,646	Levies	1,631	0	1,631	6
1,727	0	1,727	Contribution of housing capital receipts to Government Pool	1,969	0	1,969	18
3,373	(14,203)	(10,830)		3,600	(4,262)	(662)	
			Financing and Investment Income and Expenditure				
24,626	0	24,626	Interest payable and similar charges	26,616	0	26,616	
2,579		2,579	Changes in fair value of Investment Properties	131		131	10
0	0	0	(Gain) / Loss on disposal of Investment Properties	0	0	0	
683	(2,028)	(1,345)	Interest and Investment Income	876	(2,879)	(2,003)	
64,639	(36,002)	28,637	Net interest on the net defined benefit liability	54,493	(31,318)	23,175	36
92,527	(38,030)	54,497		82,116	(34,197)	47,919	
			Taxation and non-specific Grant Income				
0	(80,738)	(80,738)	Income from Council Tax	0	(84,948)	(84,948)	
0	(117,250)	(117,250)	General Government Grants	0	(77,587)	(77,587)	
0	(51,548)	(51,548)	Recognised Capital Grants and Contributions	0	(37,346)	(37,346)	
0	(84,744)	(84,744)	Non-Domestic Rates redistribution	0	(86,944)	(86,944)	
0	(334,280)	(334,280)		0	(286,825)	(286,825)	
		147,293	Deficit/(Surplus) on provision of services			15,753	22
		(180,306)	Surplus on revaluation of non-current assets			(185,894)	20
		98,275	Remeasurement of the net defined benefit liability			(148,032)	19, 36
		(82,031)	Other Comprehensive Income and Expenditure			(333,926)	
		65,262	Total Comprehensive Income and Expenditure			(318,173)	

Core Financial Statements

BALANCE SHEET AS AT 31ST MARCH 2016
CASH FLOW STATEMENT FOR THE YEAR ENDING 31ST MARCH 2016

2014/15 £000s		2015/16 £000s	Note
(147,293)	Net surplus or (deficit) on the provision of services	(15,753)	
257,011	Adjustment to surplus or deficit on the provision of services for non-cash movements	142,415	41
(84,477)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(59,116)	42
25,241	Net Cash flows from Operating Activities	67,546	
(42,353)	Net Cash flows from Investing Activities	(49,656)	44
(16,321)	Net Cash flows from Financing Activities	(2,639)	45
(33,433)	Net Increase or (decrease) in Cash and Cash Equivalents	15,251	
116,429	Cash and Cash Equivalents at the beginning of the reporting period	82,996	14
82,996	Cash and Cash Equivalents at the end of the reporting period	98,247	14
125,574	Long Term Borrowing	157,701	11
8,118	Provisions (More than 1 year)	8,347	16
239,002	Deferred PFI Liabilities	240,061	33d
1,201	Capital Grants Receipts in Advance	1,544	
716,722	Liability related to defined benefit pension scheme	601,806	19, 36
1,090,617	Long Term Liabilities	1,009,459	
974,618	NET ASSETS	1,292,791	
	Usable Reserves		
13,000	General Fund Balance	13,000	
140,846	Earmarked Revenue Reserves	139,288	8
35,912	Housing Revenue Account	42,894	HRA 15
29,364	Major Repairs Reserve	37,475	HRA 14
48,191	Usable Capital Receipts Reserve	58,989	18
10,958	Capital Grants Unapplied	8,149	
278,271		299,795	
	Unusable Reserves		
558,836	Revaluation Reserve	726,370	20
861,199	Capital Adjustment Account	875,144	21
113	Deferred Capital Receipts	100	
(5,407)	Financial Instruments Adjustment Account	(4,627)	
(716,722)	Pensions Reserve	(601,806)	19, 36
3,836	Collection Fund Adjustment Account	2,442	Coll Fd 3
(5,508)	Short Term Compensated Absences Account	(4,627)	
696,347		992,996	
974,618	TOTAL EQUITY	1,292,791	

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 2015/16 and the SeRCOP 2015/16, 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 Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

3. ACCRUALS OF INCOME AND EXPENDITURE

The Council's revenue and capital accounts are prepared on an accruals basis. This means that activity is accounted for in the year that it takes place, not simply when cash payments are made or received. Income from the provision of services or the 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. Income from Council Tax and Non-Domestic Rates is accounted for in the year it is due. 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 irrecoverable from Her Majesty's Revenue and Customs. VAT is paid on invoices received and charged to an input tax account and VAT is collected with income and posted to an output tax account. These accounts are reconciled and claims made to HM Revenue and Customs for the net VAT incurred on a monthly basis.

Statement of Accounting Policies

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

10. LEASES

Leases are classified as finance leases where the terms of the lease substantially transfers all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. 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

Statement of Accounting Policies

pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred. The 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 as lessee did not have any finance leases in 2015/16 (nor in 2014/15).

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. 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.

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

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

ii) Operating Leases

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

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.

Statement of Accounting Policies

12. LONG TERM CONTRACTS

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

13. EMPLOYEE BENEFITS

a) Benefits Payable During Employment

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

b) Termination and Discretionary Benefits

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

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

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

c) Post-Employment Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers Pensions for the DfE;
- The NHS Pension Scheme, administered by EA Finance NHS Pensions;
- The London Pension Fund administered by the 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.

Statement of Accounting Policies

(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.

(iii) Local Government Pension Scheme

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

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

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

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

- Service Costs comprising
The current service cost which is the increase in liabilities as a result of years of service earned this year. These are allocated in the CIES to the services for which the employees worked.
The past service cost which is the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. These are debited to 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 7 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 2015/16. Note 24 - Interest in Companies includes information about the companies.

Statement of Accounting Policies

15. REVENUE PROVISIONS AND IMPAIRMENT ALLOWANCES

a) Provisions

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

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.

Statement of Accounting Policies

19. FINANCIAL INSTRUMENTS

a) Financial Liabilities

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 2015/16 (nor in 2014/15). 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.

20. CASH AND CASH EQUIVALENTS

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

21. INTANGIBLE NON CURRENT ASSETS

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

Statement of Accounting Policies

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 minimis limit of £40,000. Expenditure financed from the government's Devolved Formula Capital Grant is also capitalised on the basis that it increases the school's service potential. Expenditure that only maintains an asset's value (i.e. repairs and maintenance) and does not increase its ability to deliver benefits or services is charged as revenue expenditure when it is incurred.

b) Measurement and Valuation

Non-current assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The Council 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 2015/16 (nor in 2014/15).

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.

The 2015/16 Code of Practice has changed the measurement requirements for Surplus Assets within Property, Plant and Equipment (i.e. assets that are not being used to supply goods and services and that do not meet the criteria of assets held for sale). The adoption of IFRS 13 requires that these assets are measured at fair value and not existing use value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Statement of Accounting Policies

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:-

- 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.

Statement of Accounting Policies

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 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.

The adoption of IFRS13 Fair Value Measurement has led to an assessment of the Council's Investment Properties and their reclassification to Property, Plant & Equipment. Upon review they have now been defined under three main areas: (i) assets leased at less than the market rent; (ii) assets leased at market rent but required for services delivered on behalf of the authority; (iii) assets purchased for strategic purposes including regeneration or service improvements. As a result it has been clarified that our Investment Assets under the broad definition are not used solely for income or capital appreciation.

Statement of Accounting Policies

25. PRIVATE FINANCE INITIATIVE (PFI) CONTRACTS

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

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

26. ACCOUNTING FOR SCHOOLS

Schools' accounting policies are the same as the Council's, with their income and expenditure being attributed to the appropriate service line in the CIES and their assets, liabilities and balances being included on the Balance Sheet. Schools' earmarked reserves are shown separately within Note 8 to the Core Financial Statements. An analysis of Dedicated Schools' Grant (the main source of funding for schools) is shown in Note 28. Any critical judgements made relating to accounting for schools' non-current assets (i.e. land and buildings) are shown in Note 2.

Notes to the Core Financial Statements

SECTION 3 - NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED IN THE 2015/16 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 standard within the 2016/17 Code:-

- Highways Network Asset: the Council owns approximately 390km of roads & footpaths, and these are currently shown on the balance sheet at historic cost less depreciation under the 'infrastructure' category. From 2016/17 these will be valued and reflected in the Council's balance sheet using a valuation method for which further advice is awaited; therefore the effect on the Council's Accounts in the future cannot be quantified at present. In 2016/17 there will be no requirement to restate the 2015/16 comparative figures for these assets.

The Code requires implementation from 1st April 2016 and therefore there is no impact on the 2015/16 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 it is unlikely 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 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. In 2015/16 the adoption of IFRS13 Fair Value Measurement has led to an assessment of the Council's Investment Properties and their reclassification to Property, Plant & Equipment (for further details, see Note 24 – Investment Properties – in Accounting Policies above). Other than this, there are no material changes to these judgements for the 2015/16 Accounts compared to those followed in 2014/15.
- An accounting judgement has been made for each school as to whether their land and buildings should be included within the Council's Balance Sheet:-
 - Included are 42 Community Primary Schools, 5 Community Secondary Schools, 3 Community Special Schools, 2 Foundation Schools and 2 Nursery Schools (55 schools).
 - Excluded are 24 Voluntary-aided Schools, 3 Foundation Schools, 4 Academies and 4 Other Schools (35 schools).
 - Also excluded are assets acquired via PFI contracts where they relate to the excluded schools given above.
- The Council has previously agreed that it will indemnify all the pension costs of Lewisham Homes staff. The Council's judgement is that this indemnity is most accurately represented by accounting for the liability under IAS19, rather than as an accrual, provision, reserve or contingent liability. The 2015/16 Accounts therefore include the full costs of the Lewisham Homes IAS19 liability and are consistent with the Council's 2014/15 Accounts and Lewisham Homes' Accounts for both years.

Notes to the Core Financial Statements

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, the actual outcomes could be materially different from the assumptions and estimates made. The areas in the Council's Accounts at 31st March 2016 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. The balance on the provision < 1 year at 31st March 2016 is £2.7m, and so an increase over the forthcoming year of 10% in the total number of claims or in the average settlement could add £0.27m to the provision needed.

c) Non National Domestic Rates - Appeals

Since the introduction of the Business Rates Retention Scheme from 1st April 2013, Councils are liable for successful appeals against NDR charged to businesses in 2015/16 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 31st March 2016, 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 debtors balances of Council Tax, Non Domestic Rates, Housing Rents and sundry others of £123m as at 31st March 2016. 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 £64m. 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 an additional sum of £6.4m 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 to these Accounts (Note 36).

4. MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

Notes to the Core Financial Statements

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 2nd June 2016. 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 31st March 2016, 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 31st March 2016 affecting the 2015/16 accounts – any such events will affect the 2016/17 accounts only.

At the current time, it is likely that Sedgehill secondary school will be converted to academy status, but the academy orders have not yet been issued. The non-current assets for Sedgehill school show a net book value of £35.8m on the Council's balance sheet at 31st March 2016. The effect of this transfer (if confirmed) will be reflected in 2016/17 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.

	2015/16	2014/15
	£000	£000
London Pension Fund Authority	1,232	1,243
Lee Valley Regional Park Authority	226	233
Environment Agency	173	170
Total Levies Paid	1,631	1,646

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS 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

2015/16	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	13,351		30,112				(43,463)
Movements in the market value of Investment Properties							0
Capital grants and contributions applied	(34,758)						34,758
Revenue expenditure funded from capital under statute	11,614						(11,614)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	20,916						(20,916)
Insertion of items not debited or credited to the CIES							
Statutory provision for the financing of capital investment	(6,957)		(3,409)				10,366
Capital expenditure charged against the General Fund and HRA balances	(8,203)						8,203
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital Grants and contributions unapplied credited to the CIES						(2,809)	2,809
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	(24,439)				24,439		0
Use of the Capital Receipts Reserve to finance new capital expenditure					(11,659)		11,659
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,969				(1,969)		0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash					(13)		13
Balance of Reserved Capital Receipts at Year End							0
Adjustments primarily involving the Major Repairs Reserve:							
Use of the Major Repairs Reserve to finance new capital expenditure			18,244	(22,001)			3,757
Reversal of Major Repairs Allowance credited to the HRA			(30,112)	30,112			0
Difference between Major Repairs Allowance and HRA depreciation			11,868	(11,868)			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	(302)		(478)				780
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	60,946		5,532				(66,478)
Employer's pensions contributions and direct payments to pensioners payable in the year	(30,276)		(3,086)				33,362

Notes to the Core Financial Statements

2015/16 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	1,394						(1,394)
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	(881)						881
Total Adjustments	4,374	0	28,671	(3,757)	10,798	(2,809)	(37,277)

2014/15 COMPARATIVE FIGURES	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	207,892		24,205				(232,097)
Movements in the market value of Investment Properties	2,579						(2,579)
Capital grants and contributions applied	(50,108)						50,108
Revenue expenditure funded from capital under statute	13,595						(13,595)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	2,711		6,473				(9,184)
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	(15,278)		(20,603)		35,881		0
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
Balance of Reserved Capital Receipts at Year End					(1,075)		1,075

Notes to the Core Financial Statements

2014/15 COMPARATIVE FIGURES 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 Major Repairs Reserve:							
Use of the Major Repairs Reserve to finance new capital expenditure			12,273	(16,754)			4,481
Reversal of Major Repairs Allowance credited to the HRA			(26,331)	26,331			0
Difference between Major Repairs Allowance and HRA depreciation			14,058	(14,058)			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	48,590		14,590				(63,180)
Employer's pensions contributions and direct payments to pensioners payable in the year	(30,002)		(2,821)				32,823
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	(779)						779
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	1					(1)	0
Total Adjustments	156,767	0	18,272	(4,481)	28,745	(819)	(198,484)

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 provide resources for future spending plans. This note shows the amounts used to meet General Fund expenditure in 2015/16 and amounts set aside in the year to finance future expenditure plans. The use of HRA earmarked reserves is shown in the notes to the HRA in Section 4.

Notes to the Core Financial Statements

Name of Reserve	Balance 31/03/15 £000	2015/16 Transfers		Balance 31/03/16 £000	
		Out £000	In £000		
Specific Revenue Earmarked	68,998	(14,112)	13,181	68,067	(a)
PFI and BSF Schemes	20,619	(46)	1,704	22,277	(b)
New Homes Bonus Reserve	13,507	(5,229)	8,002	16,280	
Insurance	14,467	(300)	0	14,167	
Capital Programme Expenditure	5,538	(13,233)	9,391	1,696	(c)
	123,129	(32,920)	32,278	122,487	
Schools Reserves and External Funds	17,717	(24,690)	23,774	16,801	(d)
	17,717	(24,690)	23,774	16,801	
Total	140,846	(57,610)	56,052	139,288	

a) Specific Earmarked Reserves

These comprise 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 Programme Expenditure Reserve

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

d) Schools Reserves and Schools External Funds

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

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 valuers Wilkes, Head and Eve.

	Council Dwellings £000	Other Land & Buildings £000	Surplus Assets £000	Total £000
Valued at Historic Cost		19,156	1,268	20,424
Valued at Current Value				
2015/16	1,115,721	303,203	72,240	1,491,164
2014/15	38,169	271,248	460	309,877
2013/14	0	33,701	220	33,921
2012/13	0	38,993	0	38,993
2011/12	0	5,355	990	6,345
Total Net Book Value	1,153,890	671,656	75,178	1,900,724

Notes to the Core Financial Statements

b) Movements in Non-Current Assets

The movements in non-current assets during 2015/16 were as follows:

2015/16	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Comm. Assets £000	Surplus Assets £000	Assets under Construction £000	TOTAL £000
Gross Book Value b/fwd at 1st April 2015	1,060,622	610,423	56,105	138,449	8,854	52,932	29,604	1,956,989
Additions	109	36,029	3,052	15,737	284	6,438	27,584	89,233
Revaluations (recognised in Revaluation Reserve)	106,632	24,008	0	0	0	30,974	0	161,614
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	7,063	(23,490)	0	0	0	(2,943)	0	(19,370)
Impairments (recognised in Revaluation Reserve)	(29)	(958)	0	0	(30)	(5,109)	0	(6,126)
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	(80)	(185)	(52)	0	(548)	(8,308)	0	(9,173)
Disposals	(5,624)	0	(1,356)	0	(357)	(12,276)	0	(19,613)
Transfers	(11,120)	39,121	1,226	402	(1,040)	13,761	(24,254)	18,096
Assets reclassified to/from Held for Sale	0	0	0	0	0	0	0	0
Gross Book Value c/fwd at 31st March 2016	1,157,573	684,948	58,975	154,588	7,163	75,469	32,934	2,171,650
Depreciation b/fwd at 1st April 2015	(2,531)	(14,056)	(25,706)	(43,410)	(4)	(867)	0	(86,574)
Depreciation for year	(29,465)	(14,065)	(5,006)	(5,769)	(4)	(992)	0	(55,301)
<u>Depreciation written back on:</u>								
Transfers	314	277	0	0	0	(591)	0	0
Revaluations (recognised in Revaluation Reserve)	25,879	4,053	0	0	0	473	0	30,405
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	2,099	10,542	0	0	0	718	0	13,359
Impairments (recognised in Revaluation Reserve)	0	0	0	0	0	0	0	0
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	(43)	46	0	0	39	0	42
Assets Sold	21	0	1,356	0	0	929	0	2,306
Depreciation c/fwd at 31st March 2016	(3,683)	(13,292)	(29,310)	(49,179)	(8)	(291)	0	(95,763)
Net Book Value at 31st March 2016	1,153,890	671,656	29,665	105,409	7,155	75,178	32,934	2,075,887

Notes to the Core Financial Statements

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

2014/15	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Comm. Assets £000	Surplus Assets £000	Assets under Construction £000	TOTAL £000
Gross Book Value b/fwd at 1st April 2014	883,366	807,360	75,927	145,899	9,364	39,148	26,327	1,987,391
Additions	2,698	20,090	3,148	10,577	12	6,785	24,266	67,576
Revaluations (recognised in Revaluation Reserve)	172,413	(11)	0	0	0	589	0	172,991
Revaluations (recognised in Surplus/Deficit on the Provision of Services)	8,368	(172,623)	(349)	0	0	(3,328)	0	(167,932)
Impairments (recognised in Revaluation Reserve)	0	(15,018)	0	0	(2)	(7)	0	(15,027)
Impairments (recognised in Surplus/Deficit on the Provision of Services)	0	(26,362)	(24,297)	(18,599)	(564)	(628)	0	(70,450)
Disposals	(6,505)	(881)	0	0	0	(1,596)	0	(8,982)
Transfers	282	(2,132)	1,676	572	44	11,969	(20,989)	(8,578)
Assets reclassified to/from Held for Sale	0	0	0	0	0	0	0	0
Gross Book Value c/fwd at 31st March 2015	1,060,622	610,423	56,105	138,449	8,854	52,932	29,604	1,956,989
Depreciation b/fwd at 1st April 2014	(1,333)	(16,412)	(44,170)	(56,761)	0	(829)	0	(119,505)
Depreciation for year	(25,562)	(13,965)	(4,544)	(5,242)	(4)	(565)	0	(49,882)
Depreciation written back on:								
Transfers	(160)	(19)	(255)	(2)	0	284	0	(152)
Revaluations (recognised in Revaluation Reserve)	17,929	5,401	0	0	0	223	0	23,553
Revaluations (recognised in Surplus/Deficit on the Provision of Services)	6,563	10,191	37	0	0	13	0	16,804
Impairments (recognised in Revaluation Reserve)	0	0	0	0	0	0	0	0
Impairments (recognised in Surplus/Deficit on the Provision of Services)	0	652	23,226	18,595	0	1	0	42,474
Assets Sold	32	96	0	0	0	6	0	134
Depreciation c/fwd at 31st March 2015	(2,531)	(14,056)	(25,706)	(43,410)	(4)	(867)	0	(86,574)
Net Book Value at 31st March 2015	1,058,091	596,367	30,399	95,039	8,850	52,065	29,604	1,870,415

Notes to the Core Financial Statements

10. INVESTMENT PROPERTIES

Note: Investment Properties have all been reclassified to Property, Plant & Equipment during 2015/16; hence the reduction of the balance to nil. (For further details, see Note 24 – Investment Properties – in Accounting Policies.)

	2015/16 £000	2014/15 £000
a) In Comprehensive Income and Expenditure Statement		
Operating Expenses	0	296
Rents - Shops	0	(1,031)
Rents - Industrial and Commercial Properties and Aerial Sites	0	(953)
Net Income from Investment Properties	0	(1,688)

	2015/16 £000	2014/15 £000
b) Movement in Fair Value in the Balance Sheet		
Balance at Beginning of Year	22,743	25,658
Disposals	(3,603)	(336)
Net Gains / (Losses) from fair value adjustments	(131)	(2,579)
Transfers to / from PPE	(19,009)	0
Balance at End of Year	0	22,743

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 as investments 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		
	31/03/16 £000	31/03/15 £000	31/03/16 £000	31/03/15 £000	
Financial Liabilities (Principal)	157,492	125,376	33,763	65,000	1
Accrued Interest	209	198	1,908	1,884	1
Total Borrowings	157,701	125,574	35,671	66,884	
PFI and Finance Lease liabilities	240,060	239,002	7,706	8,751	
Total Other Liabilities	240,060	239,002	7,706	8,751	
Financial Liabilities at contract amount	-	-	62,471	75,288	2
Total Creditors	-	-	62,471	75,288	

Notes to the Core Financial Statements

	Long-Term		Current		
	31/03/16 £000	31/03/15 £000	31/03/16 £000	31/03/15 £000	
Loans and Receivables (Principal)	-	-	328,195	312,958	1
Accrued Interest	-	-	814	688	1
Total Investments	-	-	329,009	313,646	
Loans and Receivables	25,734	17,774	-	-	2
Financial Assets at contract amounts	-	-	43,949	66,856	2
Total Debtors	25,734	17,774	43,949	66,856	

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 2015/16 or 2014/15, or assets classified as Available for Sale):

	2015/16			2014/15
	Liabilities - Amortised Cost £000	Assets - Loans and Receivables £000	Totals £000	Totals £000
Interest Expense	9,070	-	9,070	9,193
Total Expense in Surplus or Deficit on Provision of Services	9,070	-	9,070	9,193
Interest Income	-	(2,403)	(2,403)	(2,009)
Total Income in Surplus or Deficit on Provision of Services	-	(2,403)	(2,403)	(2,009)
Net (Gain) / Loss for the Year	9,070	(2,403)	6,667	7,184

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 fair value of Public Works Loan Board (PWLB) loans of £104m compares the terms of existing PWLB commitments with the new borrowing rates available from the PWLB, given that the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates.

A supplementary measure of the fair value of PWLB commitments is to compare the terms of these loans with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB premature repayment rate. If the authority were to seek to repay the loans to the PWLB, the PWLB would raise a penalty charge for early redemption, based on the redemption interest rates, for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £121m.

	Premature Repayment Rate		New Loan Rate		31/03/15	
	31/03/16		31/03/16		Carrying Amount £000	Fair Value £000
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000		
PWLB Debt	78,869	121,476	78,869	104,315	78,859	103,535
Non-PWLB Debt *	114,503	173,345	114,503	140,921	113,599	137,308
Total Debt / Liabilities	193,372	294,821	193,372	245,236	192,458	240,843
Money Market Investments	331,294	331,582	331,294	331,582	311,647	167,794
Long Term Debtors	25,734	25,734	25,734	25,734	17,774	17,774
Total Assets	357,028	357,316	357,028	357,316	329,421	185,568

*The fair value for non-PWLB debt at the premature repayment rate is provided for illustrative purposes only.

Notes to the Core Financial Statements

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:

- 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 2016 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 Capita Asset Services which uses a sophisticated modelling approach with credit ratings from all three rating agencies forming the core element. This is combined with credit watches and credit outlooks in a weighted scoring system, with an overlay of CDS spreads for which the end product is an indication of the relative creditworthiness of counterparties.

The Council's maximum exposure to credit risk in respect of its investments cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to 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 2016 there was no evidence that this was likely to happen.

Notes to the Core Financial Statements

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

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 £0.2m. The impact of a 0.1% fall in interest rates would be a net decrease in income of £0.2m.

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

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

	31/03/16 £000	31/03/15 £000
Catford Regeneration Partnership Ltd (CRPL) - Loan	11,383	11,431
Lewisham Homes - Loan	8,000	0
Street Lighting PFI Sinking Fund	3,245	3,245
Lewisham Gateway Development - Loan	2,000	2,000
Land Charges Debts	388	389
Mortgages	184	175
Other Long Term Debtors	534	534
Total Long Term Debtors	25,734	17,774

a) Catford Regeneration Limited Loan A loan of £12m was advanced to CRPL in 2010/11. See note 24 a) ii) for more details.

b) Lewisham Homes Loan A loan of £8m was advanced to Lewisham Homes in 2015/16. See note 24 a) i) for more details.

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

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

Notes to the Core Financial Statements

b) Current Debtors

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

	31/03/16 £000	31/03/15 £000
Government and Other Public Bodies:		
HM Revenue & Customs - VAT	4,670	6,869
Education Recoupment	0	2,083
Central Government bodies	12,173	1,684
Other Local Authorities	1,527	13,807
NHS bodies	1,562	7,123
Other Public bodies	731	4,521
Council Tax Payers	27,480	25,164
Council Tax Court Costs	6,752	6,096
Housing Benefit Overpayments	23,267	18,869
Housing Rents (inc PSL, B & B, Hostels, Commercial)	9,222	9,815
Leaseholders Services Charges	5,371	5,810
Parking	2,426	5,839
General Debtors due for Supplies and Services	27,030	35,410
Total Current Debtors	122,211	143,090
Impairment Allowances	(63,858)	(61,100)
Total Net Current Debtors	58,353	81,990

c) Impairment Allowances

	Balance at 31/03/15 £000	Movement in 2015/16 £000	Balance at 31/03/16 £000
Council Tax Payers	(23,530)	(1,876)	(25,406)
Council Tax Court Costs	(5,419)	(637)	(6,056)
Housing Benefit Overpayments	(13,849)	(2,635)	(16,484)
Housing Rents (inc PSL, B & B, Hostels, Commercial)	(6,885)	2,161	(4,724)
Leaseholders Services Charges	(1,498)	(36)	(1,534)
Parking	(4,839)	3,245	(1,594)
General Debtors due for Supplies and Services	(5,080)	(2,980)	(8,060)
Total Impairment Allowances	(61,100)	(2,758)	(63,858)

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

Notes to the Core Financial Statements

14. CASH AND CASH EQUIVALENTS

	Balance 31/03/15 £000	Movement in 2015/16 £000	Balance 31/03/16 £000
Cash Equivalents			
Short Term Deposits	10,007	7	10,014
Cash			
Money Market Funds	70,990	19,528	90,518
Call Accounts with Banks	0		0
	70,990	19,528	90,518
Other Cash and Bank Balances			
Main Bank Accounts	3,128	(3,128)	0
Other Cash and Bank Accounts	426	469	895
	3,554	(2,659)	895
Total Cash and Cash Equivalents	84,551	16,876	101,427
Bank Accounts Overdrawn			
Main Bank Accounts	0	(2,650)	(2,650)
Schools Bank Accounts	(1,555)	1,025	(530)
	(1,555)	(1,625)	(3,180)
Net Cash and Cash Equivalents	82,996	15,251	98,247

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

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

c) The schools bank accounts are an integral part of the Council's overall cash management arrangements, and are therefore included under Net Cash and Cash Equivalents. They consist of individual accounts for each school, and an overall treasury account which is used to invest the net balance in conjunction with the Council's other balances. The balances on these accounts were £13.8m (2014/15 £11.4m) and overdrawn £14.4m (2014/15 overdrawn £15m) 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.

	31/03/16 £000	31/03/15 £000
Government and other public bodies:		
HM Revenue & Customs	5,393	5,691
Education Recoupment	440	1,100
Central Government bodies	9,955	3,847
Other Local Authorities	3,702	4,695
NHS bodies	12,907	13,635
Other Public bodies	955	1,038
	33,352	30,006
Short Term Compensated Absences	4,627	5,508
General Creditors (amounts owed for supplies and services)	39,703	56,172
Total Creditors	77,682	91,686

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 31/03/15 £000	2015/16 Transfers		Balance 31/03/16 £000
		Out £000	In £000	
Current (less than 1 year)				
Insurance Provision	2,372	(3,058)	3,434	2,748
Other Provisions	599	(192)	74	481
	2,971	(3,250)	3,508	3,229
Non Current (Over 1 year)				
Insurance Provision	6,437	0	137	6,574
Other Provisions	1,681	0	92	1,773
	8,118	0	229	8,347
Total - Provisions	11,089	(3,250)	3,737	11,576

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. REVENUE RECEIPTS IN ADVANCE

	31/03/16 £000	31/03/15 £000
Capital Contributions Unapplied	26,452	29,602
Council Tax	8,589	7,902
PFI Schemes	21,105	20,192
Revenue Grants and Contributions	2,614	6,311
Other Receipts in Advance	9,456	11,665
Balance carried forward at end of year	68,216	75,672

18. 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.

	2015/16 £000	2014/15 £000
Balance brought forward at start of year	48,191	19,446
Amounts Received	24,426	34,787
Poolable to Central Government	(1,969)	(1,727)
Amounts applied to finance new capital investment	(11,659)	(4,315)
Total increase/(decrease) in capital receipts in year	10,798	28,745
Balance carried forward at end of year	58,989	48,191

19. 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.

Notes to the Core Financial Statements

	2015/16 £000	2014/15 £000
Balance brought forward at start of year	(716,722)	(588,090)
Actuarial gains or losses on pensions assets and liabilities	148,032	(98,275)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(66,478)	(63,180)
Employer's pensions contributions and direct payments to pensioners payable in the year	33,362	32,823
Balance carried forward at end of year	(601,806)	(716,722)

20. REVALUATION RESERVE

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

	2015/16 £000	2014/15 £000
Balance brought forward at start of year	558,836	390,257
Revaluation of Assets	192,019	195,443
Impairment Losses	(6,125)	(15,137)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	185,894	180,306
Difference between fair value and historic cost depreciation	(15,417)	(7,221)
Accumulated gains on assets sold or scrapped	(2,943)	(4,506)
Amount written off to the Capital Adjustment Account	(18,360)	(11,727)
Balance carried forward at end of year	726,370	558,836

Notes to the Core Financial Statements

21. 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.

	2015/16 £000	2014/15 £000
Balance brought forward at start of year	861,199	1,019,904
<u>Reversal of capital expenditure items debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	(43,463)	(232,097)
Revenue expenditure funded from capital under statute	(11,614)	(13,595)
Non-current assets written off on disposal - gain/loss to the CIES	(17,947)	(9,126)
	(73,024)	(254,818)
Adjusting amounts written out of the Revaluation Reserve	15,417	12,782
Net amount written out of the cost of non-current assets consumed in the year	(57,607)	(242,036)
<u>Capital Financing applied in the year:</u>		
Use of Capital Receipts to finance new capital expenditure	11,659	4,315
Use of Major Repairs Reserve to finance new capital expenditure	3,757	4,481
Capital grants and contributions credited to the CIES	37,567	50,926
Statutory Provision for the financing of capital investment	1,623	8,548
Repayment of Principal on PFI schemes	8,743	9,849
Capital expenditure charged to General Fund and HRA	8,203	7,791
	71,552	85,910
Movements in the value of Investment Properties debited or credited to the CIES	0	(2,579)
Balance carried forward at end of year	875,144	861,199

Notes to the Core Financial Statements

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

Notes to the Core Financial Statements

SEGMENTAL REPORTING FOR THE YEAR ENDING 31ST MARCH 2016

	CYP £000s	Community Services £000s	Customer Services £000s	Resources and Regeneration £000s	HRA £000s	Total £000s
Fees, charges & other service income	(14,237)	(40,328)	(48,842)	(15,744)	(89,007)	(208,158)
Government grants	(313,474)	(28,738)	(234,270)	(3,159)	(10,358)	(589,999)
Total Income	(327,711)	(69,066)	(283,112)	(18,903)	(99,365)	(798,157)
Employee expenses	226,492	32,298	38,681	22,805	2,397	322,673
Other operating expenses	160,043	130,609	292,215	21,896	96,968	701,731
Total operating expenses	386,535	162,907	330,896	44,701	99,365	1,024,404
Net Cost of Services	58,824	93,841	47,784	25,798	0	226,247
Net Budgets	51,389	95,006	43,896	29,646	0	219,937
Variation	7,435	(1,165)	3,888	(3,848)	0	6,310
Less: Corporate Items						(3,200)
General Fund Underspend reported to Members						3,110

	£000s
Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	
Cost of Services in Service Analysis	226,247
Add services not included in main analysis	15,067
Add amounts not reported to management (Technical Accounting adjustments)	49,245
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(36,025)
Net Cost of Services in Comprehensive Income and Expenditure Statement	254,534

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	(208,158)	0	0	0	(208,158)	0
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	0	0	(26,145)	0	(26,145)	(2,003)	(28,148)
Income from council tax	0	0	0	0	0	(84,948)	(84,948)
Government grants and contributions	(589,999)	0	0	0	(589,999)	(201,878)	(791,877)
Total Income	(798,157)	0	(26,145)	0	(824,302)	(288,829)	(1,113,131)
Employee expenses	322,673	10,540	40,640	(36,025)	337,828	0	337,828
Other service expenses	701,731	4,527	21,767	0	728,026	0	728,026
Depreciation, amortisation, impairment & write-offs	0	0	12,681	0	12,681	919	13,600
Interest Payments	0	0	302	0	302	49,791	50,093
Precepts & Levies	0	0	0	0	0	1,631	1,631
Payments to Housing Capital Receipts Pool	0	0	0	0	0	1,969	1,969
Gain or Loss on Disposal of non-current assets	0	0	0	0	0	(4,262)	(4,262)
Total operating expenses	1,024,404	15,067	75,390	(36,025)	1,078,836	50,048	1,128,884
Surplus or deficit on provision of services	226,247	15,067	49,245	(36,025)	254,534	(238,781)	15,753

Notes to the Core Financial Statements

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						5,446
Add amounts not reported to management (Technical Accounting adjustments)						220,201
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						437,906

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)	(4,769)	0	0	(200,372)	0	(200,372)
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)	(253,542)	(907,154)
Total Income	(813,244)	(4,769)	(62,298)	0	(880,311)	(335,625)	(1,215,936)
Employee expenses	321,236	10,216	33,369	(35,078)	329,743	0	329,743
Other service expenses	739,345	0	16,732	0	756,077	0	756,077
Depreciation, amortisation, impairment & write-offs	0	0	232,097	0	232,097	2,579	234,676
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	(14,203)	(14,203)
Total operating expenses	1,060,581	10,216	282,499	(35,078)	1,318,218	45,012	1,363,230
Surplus or deficit on provision of services	247,337	5,446	220,201	(35,078)	437,906	(290,613)	147,293

Notes to the Core Financial Statements

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 2015/16 (nor 2014/15).

In 2015/16 the Council operated a pooled budget as defined by the terms of a Section 75 Agreement (National Health Service Act 2006). The pooled budget is hosted by Lewisham Borough Council ("LBL") on behalf of LBL and NHS Lewisham CCG being the two partners to the agreement:-

Pooled Budget - Better Care Fund

	2015/16 £000	2014/15 £000
Funding provided to the pooled budget:		
Lewisham Borough Council	(2,102)	0
NHS Lewisham CCG	(19,740)	0
	(21,842)	0
Expenditure met from the pooled budget:		
Lewisham Borough Council	13,629	0
NHS Lewisham CCG	8,213	0
	21,842	0
Net surplus arising in year	0	0
LBL share being 9.6% of the net surplus in year	0	0

Note: The above pooled budget was new in 2015/16; hence nil values for 2014/15 comparatives.

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 lettings and repairs and maintenance for Council dwellings. The company is a wholly owned subsidiary of the Council and is limited by guarantee. Councillors Bell, Paschoud and Wise sat on the board during 2015/16. The majority of Lewisham Homes' income is a management fee paid by the Council to the company. In 2015/16, this was £18.8m (£18.6m in 2014/15).

An agreement has been reached to loan Lewisham Homes an initial £10m for affordable homes of which £8m was advanced in 2015/16.

Lewisham Homes Limited's Audited Accounts can be obtained from Lewisham Homes Limited, Old Town Hall, Catford Road, London, SE6 4RU. 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. CRPL purchased the Catford Shopping Centre in February 2010, which is included on its balance sheet as an investment property at £13.9m, and receives approximately £1m per annum in rent from its tenants. The Council made a loan of £12m to CRPL in February 2010 and a further loan of £250k in May 2015. During 2015/16 CRPL

Notes to the Core Financial Statements

repaid principal of £207k and interest of £518k to the Council (in 2014/15 these repayments were £109k and £630k respectively).

Catford Regeneration Partnership Limited's Accounts for 2014/15 received an unqualified audit opinion, and their Audited Accounts can be obtained from Catford Regeneration Partnership Limited, 5th 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 and SPV's

The Council has a minority stake of 10% in Lewisham Schools for the Future LEP Limited which is the Local Education Partnership company also comprising Costain Engineering & Construction Limited, Babcock Project Investments Limited and Building Schools for the Future Limited as well. It was established under the Council's Building Schools for the Future (BSF) programme to rebuild and refurbish the secondary schools within the Borough.

The Council also has a 10% stake in four Special Purpose Vehicles which were set up in relation to the schools which were built within this BSF Programme. These are Lewisham SPV Ltd, Lewisham SPV2 Ltd, Lewisham SPV3 Ltd and Lewisham SPV4 Ltd, and their related Holding Companies.

The Head of Financial Services is the Council's Director on all of these companies' boards. The corporate structure is standard to BSF schemes.

ii) South-East London Combined Heat and Power 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 £5.6m were made in 2015/16 to the company (£5.3m in 2014/15).

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.

	2015/16 £000	2014/15 £000
Allowances (incl. NI)	936	951
Other Expenses	66	46
Total Expenditure in Year	1,002	997

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	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
£50,000 to £54,999	SMG1	49	52	200	167	249	219
£55,000 to £59,999	SMG2	32	20	90	69	122	89
£60,000 to £64,999	SMG3	24	13	39	50	63	63
£65,000 to £69,999	SMG3	9	13	36	39	45	52
£70,000 to £74,999	CO Band 4	8	4	22	19	30	23
£75,000 to £79,999	CO Band 4	6	1	15	12	21	13
£80,000 to £84,999	CO Band 4	2	1	12	11	14	12
£85,000 to £89,999	CO Band 3	0	0	7	10	7	10
£90,000 to £94,999	CO Band 3	1	4	3	4	4	8
£95,000 to £99,999	CO Band 3	9	9	3	3	12	12
£100,000 to £104,999	CO Band 2	0	0	1	4	1	4
£105,000 to £109,999	CO Band 2	1	3	3	4	4	7
£110,000 to £114,999	CO Band 2	0	1	3	0	3	1
£115,000 to £119,999	CO Band 2	2	1	1	0	3	1
£120,000 to £124,999	CO Band 2	0	0	0	0	0	0
£125,000 to £129,999	CO Band 2	0	0	1	0	1	0
£130,000 to £134,999	CO Band 1	0	0	0	1	0	1
£135,000 to £139,999	CO Band 1	1	1	0	0	1	1
£140,000 to £144,999	CO Band 1	2	3	0	0	2	3
£165,000 to £169,999	CO Band 1	0	0	1	0	1	0
Total		146	126	437	393	583	519

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

Notes to the Core Financial Statements

b) Disclosure of Senior Employees' Remuneration

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

Financial Year 2015/16	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	135,867	29,891	165,758
Executive Director for Resources and Regeneration	141,123	31,047	172,170
Executive Director for Community Services	141,123	31,047	172,170
Executive Director for Customer Services	138,495	30,469	168,964
Chief Executive (Part time)	115,432	0	115,432
Director of Children's Social Care and Health	114,828	25,262	140,090
Director of Regeneration and Asset Management	107,538	23,658	131,196
Director of Public Health	118,567	16,599	135,166
Head of Law and Monitoring Officer (Part time)	64,523	14,195	78,718
Totals	1,077,496	202,168	1,279,664

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

Note – No payments in respect of bonuses, expenses or compensation for loss of office were made to any of these employees in 2015/16 (or 2014/15).

Notes to the Core Financial Statements

c) Termination Benefits - Exit Packages Agreed in Year

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

Cost Band (inc Pension Fund Contributions)

	Total Number of Exit Packages		Total Cost of Exit Packages	
	2015/16 No.	2014/15 No.	2015/16 £000	2014/15 £000
£0 to £20,000	95	140	1,060	1,253
£20,001 to £40,000	60	103	1,737	2,881
£40,001 to £60,000	32	10	1,508	477
£60,001 to £80,000	11	12	768	842
£80,001 to £100,000	9	1	772	83
£100,001 to £120,000	1	2	112	223
£140,001 to £160,000	1	0	150	0
£220,001 to £240,000	1	0	232	0
Total	210	268	6,339	5,759

27. EXTERNAL AUDIT COSTS

	2015/16 £000	2014/15 £000
External Audit Services	193	255
Certification of Grant Claims and Returns	40	40
Other services provided by the appointed auditor	24	9
	257	304

These fees exclude the amount payable of £21,000 for the Audit of the Pension Fund for 2015/16 (£21,000 for 2014/15).

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.

	2015/16			2014/15		
	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	51,621	227,821	279,442	43,054	226,563	269,617
Academy figure recouped	(964)	(26,466)	(27,430)	(1,149)	(18,901)	(20,050)
Total DSG after academy recoupment	50,657	201,355	252,012	41,905	207,662	249,567
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	47,979	227,821	275,800	41,137	226,563	267,700
In year adjustments	3,790	(148)	3,642	2,044	(127)	1,917
Final Budget Distribution	51,769	227,673	279,442	43,181	226,436	269,617
Actual Central Expenditure	51,769		51,769	43,181		43,181
Actual ISB deployed to schools		227,673	227,673		226,436	226,436

29. GRANT INCOME

The following grants were credited to services during the year.

	2015/16 £000	2014/15 £000
Dedicated Schools Grant	(254,026)	(249,579)
Housing Benefit Grant	(232,688)	(233,688)
Housing Subsidy/ Decent Homes Backlog Grant	(10,353)	(46,353)
BSF/ Grouped Schools PFI Unitary Charge Grant	(25,585)	(25,585)
Public Health Grant	(20,400)	(20,088)
Pupil Premium Grant	(16,406)	(16,380)
New Homes Bonus Grant	(8,120)	(7,314)
Other Grants	(35,869)	(33,257)
Total	(603,447)	(632,244)

Notes to the Core Financial Statements

30. RELATED PARTY TRANSACTIONS

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

(a) Central Government and Other Local Authorities

Central government exerts significant influence over the Council through legislation and grant funding. The general government grants received are shown in Note 29 to the Core Financial Statements. The precept to the Greater London Authority is shown in the notes of the Collection Fund in Section 5 of these Accounts. There were numerous other transactions between the Council and other Local Authorities.

(b) Subsidiaries, Associated Companies and Joint Ventures

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 any organisation in which they have a controlling interest. This information is recorded on the Council's Register of Members and Chief Officers' Declarations of Interests and is open to public inspection at the Civic Suite at Lewisham Civic Suite during office hours. The information is also published on the Council's website. The Council is compliant with the Localism Act 2012.

(d) Lewisham Pension Fund

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

31. 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.

	2015/16 £000	2014/15 £000
Opening Capital Financing Requirement	230,786	235,850
Capital Investment		
Property, Plant and Equipment	60,679	57,402
Revenue Expenditure Funded from Capital under Statute	11,614	7,984
	72,293	65,386
Resources Used for Financing		
Capital Receipts	(11,659)	(4,315)
Government Grants and Other Contributions	(36,217)	(50,925)
Sums set aside from Revenue:	(11,855)	(6,662)
	(59,731)	(61,902)
Increase in the underlying need to borrowing	12,562	3,484
Debt Redeemed - Minimum Revenue Provision	(1,623)	(8,548)
Increase/ (decrease) in Capital Financing Requirement	10,939	(5,064)
Closing Capital Financing Requirement	241,725	230,786

Notes to the Core Financial Statements

32. 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 £1.6m (£2.3m in 2014/15). The future minimum lease payments due under non-cancellable leases in futures are:

	31/03/16 £000	31/03/15 £000
Not later than one year	1,261	1,276
Later than one year and not later than five years	3,428	3,511
Later than five years	19,130	17,799
	23,819	22,586

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

b) Council as a Lessori) Finance Leases

The Council leases out a 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 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 £66K in 2015/16 (£71K in 2014/15). The gross investment and the minimum lease income will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Income	
	31/03/16 £000	31/03/15 £000	31/03/16 £000	31/03/15 £000
Not later than one year	30	30	30	30
Later than one year and not later than five years	120	120	120	120
Later than five years	116	146	116	146
	266	296	266	296

ii) Operating Leases

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

	31/03/16 £000	31/03/15 £000
Not later than one year	1,969	1,973
Later than one year and not later than five years	6,120	5,979
Later than five years	4,059	4,966
	12,148	12,918

Notes to the Core Financial Statements

33. 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	£286m	£77m	£227m	£240m	£86m	£118m	£223m	£95m
Total PFI Credits	£207m	£30m		£674m				£54m
Net PFI Cost	£79m	£47m		£220m				£41m

b) Payments made under PFI contracts

	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF 1	BSF 2	BSF 3	BSF 4	Street Lighting	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
2015/16									
Service Charges	6,099	428	3,045	2,603	840	811	1,374	1,222	16,421
Interest	5,112	1,616	3,480	4,487	1,837	2,737	5,375	1,278	25,923
Liability Repayment	3,409	270	728	1,444	258	635	1,065	933	8,743
Unitary Charge	14,620	2,314	7,253	8,534	2,935	4,184	7,815	3,433	51,087
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

c) Movement in PFI Assets in year

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

Notes to the Core Financial Statements

	2015/16		2014/15	
	£000	£000	£000	£000
Gross Book Value b/fwd		251,476		270,316
Additions		8,757		4,623
Revaluations (recognised in Revaluation Reserve)	18,182		4,502	
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	2,094	20,276	(27,403)	(22,901)
Impairments (recognised in Revaluation Reserve)	0		(1)	
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	0	(5)	(6)
Disposals		(460)		(556)
Transfers		0		0
Assets reclassified (to)/ from Held for Sale		0		0
Gross Book Value c/fwd		280,049		251,476
Depreciation b/fwd		(3,488)		(4,123)
Depreciation for year		(6,235)		(5,750)
<u>Depreciation written back on:</u>				
Transfers		0		0
Revaluations (recognised in Revaluation Reserve)	3,037		2,916	
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	1,129	4,165	3,468	6,384
Impairments (recognised in Revaluation Reserve)	0		0	
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	0	0	0
Assets sold		2		1
Depreciation c/fwd		(5,556)		(3,488)
Net Book Value at End of Year		274,493		247,988

d) PFI Liabilities

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

	Current Liabilities (Due within 1 Year)		Deferred (Future) Liabilities	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Balance outstanding at start of year	8,751	8,281	239,002	244,703
Balance outstanding at end of year	7,706	8,751	240,061	239,002

e) Payments due under PFI contracts in future years

The Council makes an agreed payment each year which is linked to inflation and can be reduced if the contractor fails to meet availability and performance standards. The following table shows the estimated payments due to be paid (as part of a unitary charge) for each PFI. The price base is in nominal terms

Notes to the Core Financial Statements

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 2016/17									
Service charges	7,460	222	2,556	2,417	739	854	1,449	897	16,595
Interest	4,575	1,615	3,397	4,349	1,828	2,700	5,320	2,235	26,019
Repayment of liability	2,460	306	735	1,470	361	671	1,171	532	7,706
Planned lifecycle replacement	399	219	670	424	36	14	0	0	1,761
	14,893	2,362	7,358	8,660	2,964	4,239	7,940	3,665	52,081
within 2 to 5 years									
Service charges	32,856	944	10,968	10,420	3,111	3,827	7,041	3,233	72,402
Interest	15,713	6,240	12,733	15,734	6,910	10,317	20,319	9,353	97,319
Repayment of liability	11,640	503	3,151	5,368	1,496	2,938	4,285	2,452	31,832
Planned lifecycle replacement	1,928	989	3,554	4,157	613	339	928	0	12,509
	62,136	8,676	30,406	35,679	12,131	17,422	32,574	15,038	214,061
within 6 to 10 years									
Service charges	48,029	1,319	15,553	14,873	4,338	5,880	10,236	4,518	104,746
Interest	12,353	8,006	13,912	16,277	7,626	11,426	23,123	10,593	103,315
Repayment of liability	20,450	1,102	5,396	9,171	2,389	4,654	7,770	4,461	55,393
Planned lifecycle replacement	3,104	1,392	5,634	6,819	1,485	959	1,573	0	20,967
	83,936	11,819	40,495	47,140	15,838	22,920	42,702	19,571	284,421
within 11 to 15 years									
Service charges	10,761	1,493	17,894	17,250	4,908	7,494	12,680	5,111	77,591
Interest	1,475	7,819	10,978	11,593	6,133	9,002	18,838	8,622	74,460
Repayment of liability	6,334	1,862	9,816	14,892	3,939	6,030	10,985	6,735	60,591
Planned lifecycle replacement	601	1,591	4,400	6,573	1,700	1,819	2,675	0	19,361
	19,170	12,765	43,088	50,308	16,680	24,345	45,179	20,468	232,003
within 16 to 20 years									
Service charges		1,689	20,576	15,766	5,553	9,151	15,490	5,775	74,000
Interest		7,098	5,854	3,283	3,637	5,699	12,373	5,438	43,382
Repayment of liability		3,097	16,244	16,297	6,545	8,502	16,188	10,193	77,066
Planned lifecycle replacement		1,804	3,897	4,734	1,897	2,604	3,929	0	18,865
	0	13,688	46,571	40,080	17,632	25,957	47,980	21,406	213,313
within 21 to 25 years									
Service charges		1,118	557		1,706	2,848	7,168	452	13,849
Interest		3,564	30		335	966	2,309	200	7,403
Repayment of liability		3,034	475		2,504	3,519	8,528	833	18,893
Planned lifecycle replacement		1,194	137		660	810	2,053	0	4,853
	0	8,910	1,199	0	5,205	8,142	20,057	1,485	44,998
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	180,135	58,220	169,116	181,868	70,448	103,024	196,432	81,633	1,040,877

Notes to the Core Financial Statements

34. LONG TERM CONTRACTS

The table below shows the significant long term contracts that the Council has entered into:

Contract Name	Contractor	Start/ End Date	Total Contract Value
School Meals Catering Contract	Chartwells	May-15/ Apr-20	£40m
Parks and Open Spaces	Glendale Grounds Management	Mar-10/ Feb-20	£26.1m
Leisure Centre Management	Fusion Lifestyles	Oct-12/ Oct-27	£12.7m
Parking Contract	NSL	Aug-13/ Jul-19	£10.8m
Corporate Cleaning Contract	ISS Facility Services	Jul-10/ Jul-17	£9.1m
Highway Maintenance Contract	FM Conway	Apr-14/ Mar-19	£7.5m
Premises Maintenance (Planned and Statutory Maintenance)	Interserve Facilities Services	Jul-11/ Jul-16	£6.4m
Corporate Security Contract	CIS Security Services	Mar-11/ Mar-16	£4.5m
Data Centre Provision	Logicalis	Apr-11/ Mar-21	£4.0m
Provision of CCTV control room management and operational services	OCS Group UK Ltd	Apr-12/ Apr-17	£1.4m

35. DEFINED CONTRIBUTION PENSION SCHEMES

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

Teachers employed by the Council are members of the Teachers' Pension Scheme, which is run by the Department for Education (DfE). The scheme provides benefits upon retirement with both the Council and the employee making contributions to the scheme. The scheme is "unfunded" and the DfE use a notional fund to set a national employers contribution rate based on a percentage of members' pensionable pay – in 2015/16 this rate was 14.1% up to 31/08/15 and 16.48% from 01/09/15 to 31/03/16 (14.1% for the whole of 2014/15). In 2015/16, the Council paid £13.9m to the DfE in respect of teachers' pension costs (£12.6m in 2014/15).

Public Health staff employed by the Council are members of the NHS Pension Scheme, which is run by the Department of Health (DoH). The scheme provides benefits upon retirement with both the Council and the employee making contributions to the scheme. The scheme is "unfunded" and the DoH use a notional fund to set a national employers contribution rate based on a percentage of members pensionable pay – this rate was 14.0% for 2015/16 (same for 2014/15). In 2015/16 the Council paid £0.115m to the DoH in respect of employees' pension costs (£0.148m in 2014/15).

36. 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.

Notes to the Core Financial Statements

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 2016.

c) Transactions relating to Retirement Benefits

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

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

Current Service Cost

41,742

33,586

Past Service Cost (inc.settlements and curtailments)

1,561

957

43,303

34,543

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

Interest Income on Scheme Assets

(31,318)

(36,002)

Interest Cost on Defined Benefit Obligation (Liabilities)

54,493

23,175

28,637

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

66,478

63,180

Remeasurements of the Net Defined Benefit Liability

Return on Assets excluding amounts included in Net Interest

33,019

(97,268)

Actuarial Losses from changes in Demographic Assumptions

0

0

Actuarial Losses from changes in Financial Assumptions

(154,346)

217,512

Other Gains and Losses

(26,705)

(21,969)

Total Remeasurements recognised in CIES

(148,032)

98,275

Total Post Employment Benefits Charged to the CIES

(81,554)

161,455

Movement in Reserves Statement

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

(66,478)

(63,180)

Employers' Contributions Payable to the Scheme

33,362

32,823

Return on Assets excluding amounts included in Net Interest

(33,019)

97,268

Actuarial Gains and Losses

181,051

(195,543)

Pensions Reserve adj to opening bal (re Lewisham Homes)

0

0

Net Movement in Pensions Reserve

114,916

(128,632)

Notes to the Core Financial Statements

d) Pensions Assets and Liabilities Recognised in the Balance Sheet

	31/03/16 £000	31/03/15 £000
Fair Value of Plan Assets	1,045,251	1,053,518
Present Value of Defined Benefit Liability (Obligation)	(1,575,146)	(1,688,924)
	(529,895)	(635,406)
Present Value of Unfunded Liabilities	(71,911)	(81,316)
Pensions Reserve - Year End Balance	(601,806)	(716,722)

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

	31/03/16 £000	31/03/15 £000
Opening Fair Value of Scheme Assets	1,053,518	923,298
Interest Income on Scheme Assets	33,435	36,002
Administration	(108)	(106)
<u>Remeasurement Gains / Losses</u>		
Return on Assets excluding amounts included in Net Interest	(33,019)	97,268
Employer Contributions	28,347	27,668
Contributions in respect of Unfunded Benefits	5,015	5,155
Contributions from Scheme Participants	8,494	8,479
Benefits Paid	(45,416)	(47,291)
Unfunded Benefits Paid	(5,015)	(5,155)
Other Gains and Losses	0	8,200
Closing Fair Value of Scheme Assets	1,045,251	1,053,518

Notes to the Core Financial Statements

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

	31/03/16 £000	31/03/15 £000
Opening Present Value of Scheme Liabilities (Obligations)	(1,770,240)	(1,511,388)
Current Service Cost	(41,742)	(33,586)
Interest Cost on Defined Benefit Obligation (Liabilities)	(56,502)	(64,533)
Contributions from Scheme Participants	(8,494)	(8,479)
<u>Remeasurement Gains / Losses</u>		
Benefits Paid	45,416	47,291
Unfunded Benefits Paid	5,015	5,155
Actuarial Losses from changes in Demographic Assumptions	0	0
Actuarial Losses from changes in Financial Assumptions	154,346	(217,512)
Other Gains and Losses	26,705	13,769
Past Service Costs / Curtailments / Settlements	(1,561)	(957)
Closing Present Value of Scheme Liabilities (Obligations)	(1,647,057)	(1,770,240)

g) Pension Scheme Assets

	31/03/16			31/03/15		
	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	63,273	29,545	92,818	74,194		74,194
Debt Securities	90,328	0	90,328	94,621		94,621
Real Estate	8,499	83,292	91,791		79,649	79,649
Investment Funds / Unit Trusts	654,323	7,105	661,427	652,103	60,534	712,637
Derivatives	0	0	0		(52)	(52)
Cash and Cash Equivalents	4,722	35,506	40,228		20,655	20,655
Total LGPS Assets	821,145	155,448	976,592	820,918	160,786	981,704
LPFA						
Equities	28,755	3,140	31,895	17,446	13,712	31,158
LDI Cashflow matching	0	6,960	6,960		5,390	5,390
Target Return Portfolio	3,556	11,049	14,605	15,319	5,441	20,760
Infrastructure	209	3,552	3,761		3,558	3,558
Commodities	0	307	307	223	445	668
Properties	0	2,450	2,450		2,035	2,035
Cash	8,681	0	8,681		8,245	8,245
Total LPFA Assets	41,201	27,458	68,659	32,988	38,826	71,814

Notes to the Core Financial Statements

h) Basis for Estimating Assets and Liabilities

	Local Government Pension Scheme		LPFA	
	2015/16	2014/15	2015/16	2014/15
Rate of Inflation – CPI	2.20%	2.40%	2.00%	2.20%
Salary Increase Rate *	4.20%	4.30%	3.80%	4.00%
Pensions Increases	2.20%	2.40%	2.00%	2.20%
Rate for discounting scheme liabilities	3.50%	3.20%	3.30%	3.00%
Mortality assumptions				
Longevity at 65 for current pensioners - Men	21.7yrs	21.7yrs	21.6yrs	21.5yrs
Longevity at 65 for current pensioners - Women	24.0yrs	24.0yrs	24.4yrs	24.3yrs
Longevity at 65 for future pensioners - Men	24.4yrs	24.4yrs	24.0yrs	23.9yrs
Longevity at 65 for future pensioners - Women	26.7yrs	26.7yrs	26.7yrs	26.6yrs

Note – Salary increases in the LGPS forecast are assumed to be 1% p.a. until 31 March 2018 reverting to the long term assumption shown thereafter.

i) Sensitivity Analysis

Change in Assumption at 31st March 2016	Approximate % Increase in Employer Liability	Approximate Monetary Amount (£000)
LGPS - LB Lewisham		
0.5% Decrease in Real Discount Rate	10%	143,028
1 Year Increase in Member Life Expectancy	3%	43,845
0.5% Increase in the Salary Increase Rate	2%	33,389
0.5% Increase in the Pension Increase Rate	7%	108,047
LGPS - Lewisham Homes		
0.5% Decrease in Real Discount Rate	12%	13,230
1 Year Increase in Member Life Expectancy	3%	3,255
0.5% Increase in the Salary Increase Rate	4%	4,170
0.5% Increase in the Pension Increase Rate	8%	8,823
LPFA		
0.5% Decrease in Real Discount Rate	n/a	1,350
1 Year Increase in Member Life Expectancy	n/a	272
0.5% Increase in the Salary Increase Rate	n/a	1,325
0.5% Increase in the Pension Increase Rate	n/a	1,345

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

j) Future Contributions

The objectives of the scheme are to keep 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 £25.4m in contributions to the scheme in 2016/17.

The scheme will need to assess and 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. These 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.

Notes to the Core Financial Statements

37. 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.

As at 31st March 2016, the Council was 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 1st 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 2017 as part of the 2017/18 NDR data assessment when the outcome may be clearer. The estimated effect of this proposal on the Collection Fund is approximately £10m.

In addition, the NHS has a current application for charitable status. If accepted this would require a backdated payment of around £8m by the Council and an ongoing annual loss of business rates of £1.5m.

38. 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.

39. TRUST FUNDS

The Council acts as a trustee for other funds which are not included in the Balance Sheet. Interest on these funds is credited annually at the average rate earned on the Council's revenue balances. The total amount held as at 31st March 2016 was £0.65m (£0.65m as at 31st March 2015)

40. 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 2016 is £0.26m (£0.26m as at 31st March 2015).

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

Notes to the Core Financial Statements

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

	2015/16 £000	2014/15 £000
Depreciation, Impairment and Downward Valuations	43,463	232,097
Increase/ (decrease) in creditors	(14,251)	5,899
(Increase)/ decrease in debtors	30,565	(26,221)
(Increase)/ decrease in inventories (stock)	122	(139)
Movement in pension liability	33,116	30,357
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	20,890	9,126
Other non-cash items charged to the net surplus or deficit on the provision of services	28,510	5,892
Total Adjustment to net surplus or deficit on the provision of services for non-cash movements	142,415	257,011

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

	2015/16 £000	2014/15 £000
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	55	398
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(24,413)	(34,768)
Any other items for which the cash effects are investing or financing cash flows.	(34,758)	(50,107)
Total Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(59,116)	(84,477)

43. CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2015/16 £000	2014/15 £000
Interest Received	1,786	1,156
Interest Paid	(26,570)	(24,872)
Net Interest Paid	(24,784)	(23,716)

Notes to the Core Financial Statements

44. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2015/16 £000	2014/15 £000
Purchase of Property, Plant and Equipment, investment property and intangible assets	(92,875)	(62,705)
Purchase of short and long term investments	(350,200)	(395,000)
Other payments for Investing Activities	(8,000)	0
Proceeds from the sale of property plant and equipment, investment property and intangible assets	24,426	34,787
Proceeds from short-term and long-term investments	350,000	330,000
Other Receipts from Investing Activities	26,993	50,566
Net Cash Flows from Investing Activities	(49,656)	(42,352)

45. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2015/16 £000	2014/15 £000
Cash receipts of short and long term borrowing	879	0
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(8,743)	(8,237)
Repayment of Short-Term and Long-Term Borrowing	0	(5,314)
Other payments for financing activities	5,225	(2,770)
Net Cash Flows from Financing Activities	(2,639)	(16,321)

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

	2015/16 £000	2014/15 £000
INCOME		
Gross Rent - Dwellings	(72,402)	(71,829)
Gross Rent - Other Housing Properties	(3,187)	(3,362)
Charges for Services and Facilities	(9,602)	(9,793)
Housing Subsidy and Government Grants	(10,353)	(46,353)
Contribution towards Expenditure	(3,946)	(3,951)
Total Income	(99,490)	(135,288)
EXPENDITURE		
Supervision and Management - General Expenses	30,952	30,174
Supervision and Management - Special Expenses	6,171	6,366
Repairs and Maintenance	32,406	62,875
Rent, Rates and Other Charges	486	296
Rent Rebate Subsidy Shortfall	0	242
Contribution to Doubtful Debts Provision	474	730
Depreciation - Dwellings	29,444	25,530
Depreciation - Other Housing Assets	668	801
Impairment of Non Current Assets	0	(2,126)
Debt Management Expenses	26	26
Total Expenditure	100,627	124,914
Net Cost of Services included in the Council's Income and Expenditure Account	1,137	(10,374)
HRA Services share of Corporate and Democratic Core Costs	134	134
Net Cost of HRA Services	1,271	(10,240)
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	0	(14,130)
Interest Payable and Similar Charges	8,238	8,584
Interest and Investment Income	(604)	(422)
Net Pension Interest Cost	916	11,056
(Surplus) / Deficit for the Year on HRA Services	9,821	(5,152)

Housing Revenue Account

HOUSING REVENUE ACCOUNT - MOVEMENT IN RESERVES STATEMENT

	2015/16 £000	2014/15 £000
Balance on the HRA at the End of the Previous Year	35,912	26,546
<u>Movement in Year</u>		
Surplus or (Deficit) for the year on the HRA Income and Expenditure Statement	(9,821)	5,152
Adjustments between Accounting Basis and Funding Basis under Statute	23,785	18,272
Net Increase or (Decrease) before Transfers (To) / From Reserves	13,964	23,424
Transfers (To) / From Reserves	(6,982)	(14,058)
Increase or (Decrease) in Year on the HRA	6,982	9,366
Balance on the HRA at the End of the Year	42,894	35,912

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 2016, 0.61% of lettable property was empty (0.62% at 31 March 2015). These figures for empty property exclude accommodation for the homeless and dwellings designated for sale, major works and improvements. Average rents were £98.42 In 2015/16 and £95.97 per week In 2014/15.

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

a) Housing Stock

The Council was responsible for managing 14,390 dwellings as at 31 March 2016 (14,637 as at 31 March 2015).

There have been no stock transfers undertaken in 2015/16.

The stock was made up as follows:

	31/03/16	31/03/15
<u>Stock Numbers at year end</u>		
Houses and Bungalows	2,416	2,423
Flats and Maisonettes	11,974	12,214
Stock at End of Year	14,390	14,637

	2015/16	2014/15
<u>Change in Stock Numbers during the year</u>		
Stock at 1 April	14,637	14,757
Less Sales, Demolitions, etc.	(248)	(128)
Add Re-purchases, Conversions etc.	1	8
Stock at End of Year	14,390	14,637

b) Rent Arrears

	2015/16 £000	2014/15 £000
Rent Arrears due from Current Tenants	3,113	3,331
Rent Arrears due from Former Tenants	2,145	1,813
Total Arrears	5,258	5,144
Total Arrears as % of Gross Rent of Dwellings Due	6.1%	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.

Housing Revenue Account

c) Rent – Other Housing Property

	2015/16 £000	2014/15 £000
Aerial Sites	394	342
Garages	179	322
Reception Hostels	2,527	2,455
Commercial Property	28	184
Ground Rents	59	59
Total Other Rents and Charges	3,187	3,362

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 £7.71 in 2015/16 (£7.72 in 2014/15).

	2015/16 £000	2014/15 £000
Heating Charges	566	730
Leasehold Service Charges	4,445	4,430
Tenants Service Charges	4,591	4,633
Total Charges for Services and Facilities	9,602	9,793

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.

	2015/16 £000	2014/15 £000
Charges for Capital	0	0
PFI Credit	10,353	10,353
Decent Homes Grant	0	36,000
Total Grants and Subsidy	10,353	46,353

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 58% of tenants received help in 2015/16 (56% in 2014/15). 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:

Housing Revenue Account

	2015/16 £000	2014/15 £000
Rent Rebates Given (GF)	47,212	45,197
Subsidy Received on Rebates (GF)	(47,212)	(45,197)
Net cost to the HRA	0	0

4. CONTRIBUTIONS TOWARDS EXPENDITURE

	2015/16 £000	2014/15 £000
Commission on insurance and water rates	696	650
Recharges of repairs	2,280	2,225
Recharge to Capital Receipts	601	618
Hostels: Heat, Light and Water Charges	89	95
Other miscellaneous income	280	363
Total Other Income	3,946	3,951

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 2015/16 was £14.162m (2014/15 - £14.602m).

7. CONTRIBUTIONS TO IMPAIRMENT ALLOWANCE

A contribution of £0.474m (2014/15 £0.730m) was transferred from the HRA to an impairment allowance to meet doubtful debts. Details of the accumulated provisions are as follows:

	2015/16 £000	2014/15 £000
Housing Tenants	4,421	4,207
Leaseholders	1,837	1,946
Commercial Properties, Miscellaneous Debts	991	989
Total Impairment Allowance	7,249	7,142

Housing Revenue Account

8. HRA OUTSTANDING DEBT (CAPITAL FINANCING REQUIREMENT)

Under the current HRA self-financing system, which began on 1st April 2012, there is no requirement to repay principal on housing debt. The total housing debt at 31st March 2016 was £74.8m (no change since 31st March 2015).

9. NON CURRENT ASSETS VALUATION

A full valuation of the housing stock is commissioned every year due to materiality. 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.

	31/03/16 £000	31/03/15 £000
Operational Assets:		
Dwellings (Existing Use Value - Social Housing)	1,153,891	1,058,091
Other Land and Buildings	13,973	26,267
Infrastructure	107	0
Vehicles, Plant and Equipment	7,374	5,792
	1,175,345	1,090,150
Investment Properties	0	16,233
Total Housing Assets	1,175,345	1,106,383
Full Valuation of Council Dwellings	4,615,565	4,232,364

10. DEPRECIATION

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

	2015/16 £000	2014/15 £000
Operational Assets		
Dwellings	29,444	25,562
Other Land and Buildings	294	615
Vehicles, Plant and Equipment	374	337
Total Depreciation	30,112	26,514

Depreciation is not charged on Non Operational Assets.

11. INTEREST PAYABLE AND SIMILAR CHARGES

This line includes the charge of £3.1m for capital assets calculated in accordance with the DCLG's Item 8 Debit Determination for 2015/16 (£3.2m in 2014/15). It also includes £0.477m for the net cost of amortised loan redemption premiums and discounts (£0.477 2014/15).

Housing Revenue Account

12. PENSIONS COSTS – IAS 19

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

13. HOUSING CAPITAL EXPENDITURE

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.

	2015/16 £000	2014/15 £000
Expenditure:		
Dwellings	3,757	4,694
Revenue Expenditure Funded from Capital under Statute	0	0
	3,757	4,694
Financed by:		
Capital Receipts	0	213
Major Repairs Reserve	3,757	4,481
Total Capital Expenditure Financed	3,757	4,694

14. MAJOR REPAIRS RESERVE

The movements on the major repairs reserve are as follows:

	2015/16 £000	2014/15 £000
Balance brought forward at start of year	29,364	19,787
Transferred in (depreciation dwellings)	30,112	26,331
Financing of capital expenditure on housing assets	(3,757)	(4,481)
Financing Major Revenue Repairs	(18,244)	(12,273)
Contributions from Revenue (Capital)	0	0
Balance carried forward at end of year	37,475	29,364

15. HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

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

	Balance at 31/03/15 £000	Transfers In £000	Transfers Out £000	Balance at 31/03/16 £000
Property and Stock Related Reserves	4,773	211	0	4,984
Staff Related Reserves	750	0	0	750
Other Earmarked Reserves	30,389	6,771	0	37,160
Total Reserves and Balances	35,912	6,982	0	42,894

Collection Fund

SECTION 5 - THE COLLECTION FUND

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

	2015/16			2014/15			Note
	Council Tax £000	NDR £000	Total £000	Council Tax £000	NDR £000	Total £000	
INCOME							
Income from Council Tax (net)	109,442		109,442	105,674		105,674	4
Income from Non-Domestic Rates (net)		54,498	54,498		54,530	54,530	5
TOTAL INCOME	109,442	54,498	163,940	105,674	54,530	160,204	
EXPENDITURE							
Precepts and Demands upon Fund							
- London Borough of Lewisham	80,084		80,084	78,404		78,404	
- Greater London Authority	23,652		23,652	22,108		22,108	
Non-Domestic Rates							
- Payment to National Pool		51,643	51,643		51,671	51,671	5
- Cost of Collection Allowance		307	307		306	306	5
Business Rate Supplement							
- Paid to Greater London Authority		1,212	1,212		1,459	1,459	5
- Administrative Costs		4	4		5	5	5
Bad and Doubtful Debts							
- Net adj to Impairment Allowance	1,729		1,729	2,004		2,004	6a
- Net adj to Impairment Allowance		(37)	(37)		546	546	6b
- Amounts Written Off	799		799	605		605	
- Amounts Written Off		1,369	1,369		543	543	5
Contributions from previous year							
- London Borough of Lewisham	4,864		4,864	2,334		2,334	
- Greater London Authority	0		0	659		659	
Provision for Appeals							
- London Borough of Lewisham		295	295		38	38	
TOTAL EXPENDITURE	111,129	54,793	165,922	106,114	54,568	160,682	
Deficit / (Surplus) for the year	1,687	295	1,982	440	38	478	3
Deficit / (Surplus) at start of year	(5,796)	2,289	(3,507)	(6,236)	2,251	(3,985)	3
Deficit / (Surplus) at end of year	(4,109)	2,584	(1,525)	(5,796)	2,289	(3,507)	

Collection Fund

NOTES TO THE COLLECTION FUND

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

The annual budget process requires that each Council determines its own 'Band D' tax charge by dividing its own budget requirement by the respective tax base for the financial year. The 'Band D' tax calculated forms the basis of the charge for all properties. Properties fall into one of eight valuation bands based on market values at 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 2015/16 assumed a collection rate of 96.0% (95.5% for 2014/15).

The table below sets out the original tax base calculation for 2015/16 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 1st April 2013.

Council Tax Band	Property Value £000	2015/16		Band D Ratio	2015/16		2014/15	
		No. of Properties			Band D Equivalents as per Ratio	Council Tax Charge £	Band D Equivalents as per Ratio	Council Tax Charge £
		Actual Number (1)	Adjusted Number (2)					
A	up to 40	7,281	3,683	6/9	2,455.2	903.57	2,420.9	906.23
B	40 - 52	32,733	20,132	7/9	15,658.2	1,054.16	15,481.6	1,057.28
C	52 - 68	42,354	30,061	8/9	26,720.5	1,204.75	26,225.8	1,208.31
D	68 - 88	25,285	20,345	1	20,345.0	1,355.35	20,058.5	1,359.35
E	88 - 120	7,229	6,199	11/9	7,577.0	1,656.54	7,354.0	1,661.42
F	120 - 160	2,718	2,492	13/9	3,599.1	1,957.73	3,581.0	1,963.51
G	160 - 320	1,277	1,199	15/9	1,999.1	2,258.92	1,993.5	2,265.58
H	over 320	170	160	18/9	319.0	2,710.70	310.0	2,718.70
Totals		119,047	84,270		78,673.1		77,425.3	
Add: Contributions in lieu					0.0		0.0	
Total Band D Equivalents					78,673.1		77,425.3	
Estimated Collection Rate					96.0%		95.5%	
NET COUNCIL TAX BASE					75,526.2		73,941.2	

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

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

Collection Fund

2. COLLECTION FUND SURPLUS OR DEFICIT

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

3. COLLECTION FUND BALANCE SPLIT INTO ITS ATTRIBUTABLE PARTS

	(Surplus)/ Deficit			(Surplus)/ Deficit	
	Balance at 31/03/14 £000	Movement in 2014/15 £000	Balance at 31/03/15 £000	Movement in 2015/16 £000	Balance at 31/03/16 £000
Council Tax					
London Borough of Lewisham	(4,795)	272	(4,523)	1,303	(3,220)
Greater London Authority	(1,441)	168	(1,273)	384	(889)
	(6,236)	440	(5,796)	1,687	(4,109)
Non-Domestic Rates					
London Borough of Lewisham	675	12	687	89	776
Greater London Authority	450	8	458	59	517
Central Government	1,126	18	1,144	148	1,292
	2,251	38	2,289	296	2,585
Collection Fund Balances	(3,985)	478	(3,507)	1,983	(1,524)

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

	2015/16		2014/15
	£000	£000	£000
Gross Council Tax Income Due		150,100	149,144
Less: Adjustments to charge	1,362		915
Exemptions	(3,661)		(3,807)
Disabled Relief	(65)		(65)
Discounts	(15,010)		(15,156)
Adjustment for Council Tax Reduction Scheme	(23,285)		(25,357)
		(40,658)	(43,470)
Total Due from Council Tax payers		109,442	105,674
Transfers from General Fund for Council Tax Benefits		0	0
Net Amount of Council Tax Receivable		109,442	105,674

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 amounts 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.

	2015/16		2014/15
	£000	£000	£000
Gross NDR Collectable (after voids and exemptions)		62,122	61,529
Reductions and Relief:			
Mandatory Relief	(7,441)		(6,777)
Discretionary Relief	(182)		(222)
		(7,624)	
Total Receivable from Business Rates		54,498	54,530
Irrecoverable Amounts Written Off		(1,369)	(543)
Net Adjustment to Impairment Allowance		37	(546)
Net Amount Collectable from Business Ratepayers		53,166	53,441
Business Rate Supplement			
Payment to Greater London Authority	(1,212)		(1,459)
Administrative Costs	(4)		(5)
		(1,216)	
NDR			
Cost of Collection Allowance transfer		(307)	(306)
Amount Payable to NDR Pool		51,643	51,671

	2015/16	2014/15
	£m	£m
Non-Domestic Rateable Value	138.5	138.7

	2015/16	2014/15
	pence	pence
Non-Domestic Rate Multiplier	49.3	48.2
Non-Domestic Rate Multiplier (Small Business)	48.0	47.1

6. COLLECTION FUND ARREARS AND IMPAIRMENT ALLOWANCES

a) Council Tax

	31/03/16	31/03/15
	£000	£000
Arrears of income from court costs and penalties resulting from recovery action are accounted for in the General Fund	33,080	31,365
Impairment Allowance	(30,617)	(28,888)
As a Percentage of Arrears	92.6%	92.1%

2015/16		2014/15	
Amount	Percentage	Amount	Percentage

Collection Fund

b) Non-Domestic Rates

	31/03/16 £000	31/03/15 £000
NDR Arrears	4,959	5,015
Impairment Allowance	(3,064)	(3,101)
As a Percentage of Arrears	61.8%	61.8%

	2015/16		2014/15	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Arrears				
Year of Accounts	1,338	27	1,297	26
Under 2 Years old	881	18	974	19
Under 3 Years old	835	17	876	17
Under 5 Years old	1,304	26	1,373	27
Over 5 Years old	600	12	495	10
Total	4,959	100	5,015	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>
SPECIAL PURPOSE VEHICLE	<p>This is a legal entity (usually a limited company) created to fulfil narrow, specific or temporary objectives.</p>
SUPPORT SERVICES	<p>These are activities of a professional, technical and administrative nature which are not Council services in their own right, but support main front-line services.</p>

ACRONYMS

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
TfL	Transport for London
TPS	Teacher's Pensions Scheme
VAT	Value Added Tax