

LONDON BOROUGH OF LEWISHAM

2016/ 2017 PRE-AUDIT STATEMENT OF ACCOUNTS

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Narrative Statement

NARRATIVE STATEMENT BY THE EXECUTIVE DIRECTOR FOR RESOURCES AND REGENERATION

1. INTRODUCTION

The statement of accounts reports the income and expenditure on service provision for the year and the value of the council's assets and liabilities at the end of the financial year. This is prepared in accordance with proper accounting practices as defined in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

2. THE COUNCIL'S STATEMENT OF ACCOUNTS

Local authorities are required to produce a comprehensive income and expenditure statement, a balance sheet and a cash flow statement, as a private sector company would. For 2016/17 an expenditure and funding analysis has also been introduced. However, as local authorities are also tax raising bodies (through council tax), they are required to produce an additional financial statement, accounting for movements to and from the general fund, through a movement in reserves statement. A review of materiality has also concluded that Group Accounts are required this year. A brief explanation of the purpose of each of financial statements is provided below:

Section 1 – The Core Financial Statements

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

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation [or rents]. Authorities raise taxation [and rents] to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Section 1b - Movement in Reserves Statement (MiRS)

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

Section 1c - Balance Sheet

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

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Section 1d - Cash Flow Statement

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

Section 2 – Statement of Accounting Policies

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

Section 3 – Notes to the Core Financial Statements

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

Section 4 – Housing Revenue Account (HRA)

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

Section 5 – Collection Fund Accounts

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

Section 6 – Group Accounts

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

Section 7 - Glossary

This explains some technical and commonly used terms.

Section 8 – Pension Fund Accounts

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

Section 9 – Annual Governance Statement (AGS)

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

Narrative Statement

3. REVENUE BUDGET**3a 2016/17 Revenue Budget Setting and Funding**

The Council set a net budget requirement of £236.2m for 2016/17 at its meeting on 24th February 2016. This was a decrease of £10.0m or 4.0% on the previous year's net budget requirement of £246.2m.

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.

2016/17 Revenue Budget Funding

| | 2016/17 £000 | 2015/16 £000 |
|---|-------------------------|-------------------------|
| Lewisham's Net Budget Requirement | 236,218 | 246,224 |
| Less: Settlement Funding Assessment (SFA) | (146,691) | (161,276) |
| Less: Surplus on Collection Fund | (2,937) | (4,864) |
| General Fund Services to be met from Council Tax | 86,590 | 80,084 |
| Add: Precept (GLA) | 21,674 | 23,652 |
| Total to be met from Council Tax | 108,264 | 103,736 |

3b 2016/17 Revenue Budget Outturn

During 2016/17, the overall overspend against the directorates' net controllable budgets was £9.8m. After applying the sum of £2.8m which was set aside in setting the 2016/17 budget for 'risks and other budget pressures', this brought the final directorate overspend down to £7.0m. The reasons for these variances are being reported to the Mayor and Cabinet on the 7th June 2017.

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.

With a new set of challenges in terms of the delivery of revenue budget savings, the council will continue to apply sound financial controls in 2017/18. It is clear that the short and medium-term outlook will remain difficult. However, the Executive Director for Resources and Regeneration will continue to work with directorate management teams across the council to effect the necessary continued actions to manage their services.

3c 2017/18 Revenue Budget Outlook

The Council set a net budget requirement of £232.7m for 2017/18 at its meeting on 22th February 2017, which is £3.5m lower than the equivalent figure for 2016/17. The Council has again made significant savings reductions of £23.0m to its budget and added £13.6m to provide for significant spending pressures which are being experienced and £10.9m to make up for one-off reserves used in 2016/17. An amount of £5.0m 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 reduction continues.

Current projections show that additional savings of approximately £32.6m are likely to be required by 2019/20. The Lewisham Future Programme (LFP) was established to carry out cross-cutting and thematic reviews to deliver these savings and their work to date was presented in a report to the Mayor in September 2016. This work continues and further savings proposals will be brought forward in 2017/18 to close the long

Narrative Statement

term budget gap identified above. In 2017/18 officers will update the Medium Term Financial Strategy to 2021/22 to include the impact of moving to the 100% retention of business rates, with its attendant risks.

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 78,528 equivalent Band D properties for 2016/17 (75,526 for 2015/16).

| | 2016/17 £ | 2015/16 £ | Variation £ | Variation % |
|-------------------------------|-----------------|-----------------|----------------|----------------|
| LB Lewisham's Demand | 1,102.66 | 1,060.35 | 42.3 | 4.0 |
| Preceptor Requirements: | | | | |
| Add: Greater London Authority | 276.00 | 295.00 | -19.0 | -6.4 |
| Council Tax for Band D | 1,378.66 | 1,355.35 | 23.3 | 1.7 |

4b Council Tax and Non-Domestic Rates Collection Rates

| | 2016/17 % | 2015/16 % | 2014/15 % |
|--------------------|--------------|--------------|--------------|
| Council Tax | 94.6 | 94.5 | 95.1 |
| Non-Domestic Rates | 99.4 | 99.7 | 99.4 |

5. CAPITAL PROGRAMME**5a 2016/17 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 84%. A number of budget underspends, mainly on housing schemes, have been carried forward to 2017/18.

| | 2016/17 Final Outturn £m | 2016/17 Budget Report (22 Feb 2017) £m | 2015/16 Final Outturn £m |
|---|-----------------------------------|---|-----------------------------------|
| CAPITAL PROGRAMME EXPENDITURE | | | |
| General Fund | 42.2 | 48.0 | 72.1 |
| Housing Revenue Account | 28.7 | 36.8 | 22.0 |
| Total Spent | 70.9 | 84.8 | 94.1 |
| CAPITAL PROGRAMME FINANCING | | | |
| Borrowing | 7.0 | 4.6 | 12.6 |
| Capital Grants | 18.2 | 19.3 | 49.2 |
| Capital Receipts | 19.2 | 27.9 | 11.6 |
| Capital Expenditure Financed from Revenue | 26.5 | 33.0 | 20.7 |
| Total Financed | 70.9 | 84.8 | 94.1 |

Narrative Statement

The expenditure on major projects in the 2016/17 capital programme was:-

| | 2016/17 Expenditure £m |
|--|---------------------------------------|
| Major Projects of over £1m | |
| General Fund | |
| Highways & Bridges (incl. TFL programme) | 7.9 |
| School Places Programme | 6.8 |
| Other schools capital works | 3.1 |
| Lewisham Homes - Property Acquisition | 6.0 |
| Heathside & Lethbridge Estates | 3.2 |
| Building Schools for the Future (Sydenham) | 2.3 |
| Acquisition - Hostels Programme | 1.4 |
| Housing Revenue Account | |
| Decent Homes Programme | 18.8 |

5b 2017/18 Capital Programme

The Council set its capital programme budget at its meeting on 22nd February 2017. This outlined the Council's programme of £336.6m for the years 2017/18 to 2020/21. The most significant parts of the programme are primary school expansion and major regeneration schemes, including Heathside and Lethbridge estates and Catford (Broadway and Milford Towers). The implementation of Housing self-financing has given the Council the opportunity to invest in new housing stock under the Housing Matters programme, and achieving and maintaining decent homes will be delivered by the Council's ALMO, Lewisham Homes.

| | 2017/18 Budget £m |
|--|----------------------------------|
| 2017/18 Capital Programme | |
| General Fund | |
| Primary Places Programme (inc Expansion) | 20.6 |
| Highways and Bridges Improvement Works | 3.5 |
| Asset Management Programme | 3.8 |
| Major Regeneration Schemes | 10.1 |
| Other Schemes | 7.5 |
| | 45.5 |
| Housing Revenue Account | |
| Housing Matters Programme | 41.6 |
| Lewisham Homes | 36.4 |
| | 78.0 |
| Total Capital Programme | 123.5 |

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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 2017. 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. 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 £97.0m (£80.4m as at 31st March 2016). 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 surplus of £2.0m for the year, which when added to the brought forward deficit of £1.8m gives a surplus of £0.2m to carry forward to 2017/18. The details are shown in the Collection Fund statements in Section 5 of the Accounts.

7. SIGNIFICANT EVENTS IN 2016/17 THAT HAVE HAD AN IMPACT ON THE ACCOUNTS

7(a) Government Funding and Business Rates Retention

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. There have been continued reductions in funding for local authorities, and there are plans for authorities to become self-financing from Business Rates and Council Tax with no or minimal Revenue Support Grant by 2020/21. The impact of the Brexit vote in June 2016 is still unclear, and so this has added to the uncertainty for local authority funding. The Council used reserves in 2016/17 to balance the budget and will do so again in 2017/18. For 2017/18 this will be on top of raising both the Adult Social Care precept at 3.00% and maximum Council Tax increase without a referendum at 1.99%.

With regard to Business Rates, in 2017 the new valuations from the 2015 list will be applied and, given the 36% rise in valuations for Lewisham, it is anticipated there will be a number of appeals that will take time to be considered. If appeals are upheld, the Council is required to return the backdated overpayment and reduce the ongoing level of rates to be collected. A provision to cover the costs of appeals has been established and the potential ongoing revenue effect has been factored into the Council's budget.

7(b) Pension Fund Valuation

The Pension Fund's value increased over the year by £233m from £1,042m to £1,275m (22.4%). More detailed information is set out in Section 8 - Pension Fund Accounts.

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7(c) New Bermondsey Inquiry

On 22nd February 2017 Lewisham's Full Council agreed to set up an Independent Inquiry to examine matters relating to a proposed Compulsory Purchase Order (CPO) of land at New Bermondsey/ Surrey Canal. The Independent Inquiry is planned to begin in April 2017 with a view to reporting before the end of the calendar year. The Council has agreed expenditure of up to £500,000 for the conduct of this Inquiry. Further information can be found at the attached site:

<https://www.lewisham.gov.uk/inmyarea/regeneration/deptford/north-deptford/Pages/New-Bermondsey-questions-and-answers.aspx>

7(d) Budget Overspends

There were significant overspends in 2016/17 in the placement budgets for the following areas:-

- Looked after children placements (£2.2m overspend): The cost of residential placements has grown throughout the year. At the end of 2015/16, the cost was on average £3,400 per week, but peaked during the year at £3,700, but has now come back down to £3,500. The overall overspend is made up of adoption allowances of £1.0m and special guardianship orders of £1.2m
- Adult services placements (£4.3m overspend): The greatest pressures remain on learning disability where the costs of transition clients have added an estimated £2m to adult budgets over the past two financial years. This has been identified as a financial risk, but has not been funded. Pressure on mental health budgets also increased during the year and the net overall overspend for this client group was £0.8m.

7(e) Dedicated Schools Grant

There were twelve schools and one pupil referral unit in deficit at the end of 2016/17. Three of these deficits were licensed by 31st March and a further three have been licensed since that date. Processes are underway to deal with the other seven cases. The total of all these deficits (whether licensed or unlicensed) stands at just under £4m. (See also Note 38 – Contingent Liabilities.)

7(f) Accounting Statement Change

The service format for the Comprehensive Income and Expenditure Statement (CIES) is now based on the Council's own organisational structure (instead of the SERCOP SEA). This follows a change in the Code of Practice for 2016/17. See Section 1 – Core Financial Statements – CIES. This change in the code also included the creation of two new notes, Note 1 the Expenditure and Funding Analysis and Note 23 Expenditure and Income Analysed by Nature, and the removal of the need for the Segmental reporting note.

8. THE COUNCIL'S STRATEGIES AND OVERALL PERFORMANCE

a) Our Vision

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.

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The key strategic document for Lewisham and for the Lewisham Strategic Partnership is “Shaping Our Future - Lewisham's Sustainable Community Strategy 2008-2020”, which can be viewed at:

<http://www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/strategies/Documents/Sustainable%20Community%20Strategy%202008-2020.pdf>

b) Our Corporate Priorities

The Council's ten corporate priorities determine what contribution the Council will make towards delivery of 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. The priorities are as follows:

- 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

A management report is produced each month to place on record 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 focuses on the Council's performance in line with our corporate priorities, drawing data from:

- performance indicators (PIs)
- project monitoring information
- risk register assessments
- financial reports.

A dashboard summary tries to present an overall picture on one page using a red, amber, green rating. The full Management Report can be viewed on the Council's website:

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

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d) Corporate Risks

The Management Report also contains a summary of corporate risks. In accordance with the Council's Risk Management Strategy, risk is monitored by way of risk registers. Risks are scored in terms of likelihood and impact, with a range from 1 to 5 (with 5 being the highest) and the result is plotted on a matrix to produce a Red/Amber/Green rating. There are 22 risks in total on the Corporate Risk register (9 Red, 12 Amber, and 1 Green). The 9 red risks for the Council are:

- 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
- serious adult safeguarding concerns
- failure of child safeguarding arrangements
- 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.

Action plans are in place to mitigate the above risks and these are subject to regular review by Directorate Management Teams.

Statement of Responsibilities & Independent Auditor's Reports

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 2017.

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

Janet Senior CPFA

Executive Director for Resources and Regeneration
30th May 2017

Statement of Responsibilities & Independent Auditor's Reports

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

Statement of Responsibilities & Independent Auditor's Reports

Statement of Responsibilities & Independent Auditor's Reports

Statement of Responsibilities & Independent Auditor's Reports

Core Financial Statements

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31ST MARCH 2017

| YEAR ENDING 31ST MARCH 2017 | 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 | Note |
|---|------------------------------------|---|---------------------------------------|-------------------------------------|--|--|-------------------------------------|------------------------------|--------------------------------------|-------------------------|
| Balance at 01 April 2016 Brought Forward | 13,000 | 152,528 | 42,894 | 37,475 | 57,231 | 8,149 | 311,277 | 1,095,765 | 1,407,042 | |
| Movement in Reserves during 2016/17 | | | | | | | | | | |
| Surplus or (Deficit) on the provision of services | (33,272) | 0 | 6,107 | 0 | 0 | 0 | (27,165) | 0 | (27,165) | |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 82,555 | 82,555 | |
| Total Comprehensive Income and Expenditure | (33,272) | 0 | 6,107 | 0 | 0 | 0 | (27,165) | 82,555 | 55,390 | |
| Adjustments between accounting basis and funding basis under regulations | 30,321 | 0 | 11,399 | (845) | (1,736) | 5,983 | 45,122 | (45,122) | 0 | 8 |
| Net Increase / (Decrease) before Transfers to Earmarked Reserves | (2,951) | 0 | 17,506 | (845) | (1,736) | 5,983 | 17,957 | 37,433 | 55,390 | |
| Transfers to / (from) Earmarked Reserves | 2,951 | (2,951) | (3,277) | 3,277 | 0 | 0 | 0 | | 0 | 9, HRA 14, HRA 15 |
| Increase / (Decrease) in 2016/17 | 0 | (2,951) | 14,229 | 2,432 | (1,736) | 5,983 | 17,957 | 37,433 | 55,390 | |
| Balance at 31 March 2017 Carried Forward | 13,000 | 149,577 | 57,123 | 39,907 | 55,495 | 14,132 | 329,234 | 1,133,198 | 1,462,432 | |
| Note | | 9 | HRA 15 | HRA 14 | 19 | | | 20, 21, 22 Coll Fd 3 | | |

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 | Note |
|---|------------------------------------|---|---------------------------------------|-------------------------------------|--|--|-------------------------------------|------------------------------|--------------------------------------|-------------------------|
| Balance at 01 April 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 | 37,259 | 0 | (19,021) | 0 | 0 | 0 | 18,238 | 0 | 18,238 | |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 414,186 | 414,186 | |
| Total Comprehensive Income and Expenditure | 37,259 | 0 | (19,021) | 0 | 0 | 0 | 18,238 | 414,186 | 432,424 | |
| Adjustments between accounting basis and funding basis under regulations | (25,577) | 0 | 37,871 | (3,757) | 9,040 | (2,809) | 14,768 | (14,768) | 0 | 8 |
| Net Increase / (Decrease) before Transfers to Earmarked Reserves | 11,682 | 0 | 18,850 | (3,757) | 9,040 | (2,809) | 33,006 | 399,418 | 432,424 | |
| Transfers to / (from) Earmarked Reserves | (11,682) | 11,682 | (11,868) | 11,868 | 0 | 0 | 0 | | 0 | 9, HRA 14, HRA 15 |
| Increase / (Decrease) in 2015/16 | 0 | 11,682 | 6,982 | 8,111 | 9,040 | (2,809) | 33,006 | 399,418 | 432,424 | |
| Balance at 31 March 2016 Carried Forward | 13,000 | 152,528 | 42,894 | 37,475 | 57,231 | 8,149 | 311,277 | 1,095,765 | 1,407,042 | |
| Note | | 9 | HRA 15 | HRA 14 | 19 | | | 20, 21, 22 Coll Fd 3 | | |

Core Financial Statements

BALANCE SHEET AS AT 31ST MARCH 2017

| 31/03/2016 £000 | | 31/03/2017 £000 | Note |
|--------------------|---|--------------------|----------------|
| | Property, Plant & Equipment | | |
| 1,146,313 | Council Dwellings | 1,229,068 | 10b, HRA 1a, 9 |
| 791,587 | Other Land and Buildings | 774,672 | 10b |
| 29,665 | Vehicles, Plant, Furniture and Equipment | 27,865 | 10b |
| 109,917 | Infrastructure | 114,893 | 10b |
| 7,155 | Community Assets | 4,982 | 10b |
| 75,657 | Surplus Assets not Held for Sale | 76,893 | 10b |
| 23,992 | Assets under Construction | 23,115 | 10b |
| 2,184,286 | | 2,251,488 | |
| 257 | Heritage Assets | 257 | 41 |
| 0 | Investment Property | 0 | 11 |
| 2,189 | Long Term Investments | 2,049 | |
| 25,734 | Long Term Debtors | 32,566 | 14a |
| 2,212,466 | Total Long Term Assets | 2,286,360 | |
| 230,762 | Short Term Investments | 280,731 | 12 |
| 0 | Assets Held for Sale | 0 | |
| 191 | Inventories | 181 | |
| 57,360 | Debtors | 47,486 | 14b |
| 101,427 | Cash and Cash Equivalents | 92,048 | 15 |
| 3,134 | Prepayments | 3,637 | |
| 392,874 | Current Assets | 424,083 | |
| 3,180 | Bank Overdraft | 3,532 | 15 |
| 35,671 | Short Term Borrowing | 26,854 | 12 |
| 3,229 | Provisions (Less than 1 year) | 3,758 | 17 |
| 69,079 | Creditors | 76,453 | 16 |
| 69,974 | Receipts in Advance | 76,789 | 18 |
| 7,706 | PFI Liabilities due within one year | 7,580 | 34d |
| 188,839 | Current Liabilities | 194,966 | |
| 2,416,501 | Total Assets less Current Liabilities | 2,515,477 | |
| 157,701 | Long Term Borrowing | 166,126 | 12 |
| 8,347 | Provisions (More than 1 year) | 4,843 | 17 |
| 240,061 | Deferred PFI Liabilities | 236,196 | 34d |
| 1,544 | Capital Grants Receipts in Advance | 1,616 | |
| 601,806 | Liability related to defined benefit pension scheme | 644,264 | 20, 37 |
| 1,009,459 | Long Term Liabilities | 1,053,045 | |
| 1,407,042 | NET ASSETS | 1,462,432 | |
| | Usable Reserves | | |
| 13,000 | General Fund Balance | 13,000 | |
| 152,528 | Earmarked Revenue Reserves | 149,577 | 9 |
| 42,894 | Housing Revenue Account | 57,123 | HRA 15 |
| 37,475 | Major Repairs Reserve | 39,907 | HRA 14 |
| 57,231 | Usable Capital Receipts Reserve | 55,495 | 19 |
| 8,149 | Capital Grants Unapplied | 14,132 | |
| 311,277 | | 329,234 | |
| | Unusable Reserves | | |
| 808,913 | Revaluation Reserve | 890,273 | 21 |
| 899,650 | Capital Adjustment Account | 895,587 | 22 |
| 100 | Deferred Capital Receipts | 95 | |
| (4,627) | Financial Instruments Adjustment Account | (3,841) | |
| (601,806) | Pensions Reserve | (644,264) | 20, 37 |
| (1,838) | Collection Fund Adjustment Account | 3,096 | Coll Fd 3 |
| (4,627) | Short Term Compensated Absences Account | (7,748) | |
| 1,095,765 | | 1,133,198 | |
| 1,407,042 | TOTAL RESERVES | 1,462,432 | |

Core Financial Statements

CASH FLOW STATEMENT FOR THE YEAR ENDING 31ST MARCH 2017

| 2015/16 £000s | | 2016/17 £000s | Note |
|------------------|--|------------------|------|
| 18,238 | Net surplus or (deficit) on the provision of services | (27,165) | |
| 92,591 | Adjustment to surplus or deficit on the provision of services for non-cash movements | 105,498 | 42 |
| (56,008) | Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (41,131) | 43 |
| 54,821 | Net Cash flows from Operating Activities | 37,202 | |
| (30,536) | Net Cash flows from Investing Activities | (40,791) | 45 |
| (9,034) | Net Cash flows from Financing Activities | (6,142) | 46 |
| 15,251 | Net Increase or (decrease) in Cash and Cash Equivalents | (9,731) | |
| 82,996 | Cash and Cash Equivalents at the beginning of the reporting period | 98,247 | 15 |
| 98,247 | Cash and Cash Equivalents at the end of the reporting period | 88,516 | 15 |

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 2015, which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the SERCOP 2016/17, both published by CIPFA, and based on IFRS and statutory guidance under Section 12 of the Local Government Act 2003 (see Glossary for definitions). The accounting convention adopted in the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a 'going concern' basis (in other words, on the expectation that the Council will continue to operate in its current form for the foreseeable future).

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

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Prior period adjustments may arise from a change in an accounting policy or to correct a material error. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

3. ACCRUALS OF INCOME AND EXPENDITURE

The Council's revenue and capital accounts are prepared on an accruals basis. This means that activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Income from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that the economic benefits or service potential associated with the transaction will be received by the Council.
- Income from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will be received by the Council.
- 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 inventories 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.

Statement of Accounting Policies

4. EXCEPTIONAL ITEMS

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

5. FOREIGN CURRENCY TRANSLATION

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

6. VALUE ADDED TAX (VAT)

Income and Expenditure excludes any amounts related to VAT, unless it is irrecoverable from Her Majesty's Revenue and Customs. VAT is paid on invoices received and charged to an input tax account and VAT is collected with income and posted to an output tax account. These accounts are reconciled and claims made to HM Revenue and Customs for the net VAT incurred on a monthly basis.

7. EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

8. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to the services where those budgets are controlled, in line with the organisational structure of the Council. This approach follows a change in the Code of Practice for 2016/17. However, overheads and support services still continue to be allocated across the benefiting services to cover statutory requirements (for example, between the General Fund and Housing Revenue Account) and for statutory returns to Central Government.

9. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

Statement of Accounting Policies

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 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 2016/17 (nor in 2015/16).

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

Statement of Accounting Policies

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.

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.

Statement of Accounting Policies

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

c) Post-Employment Benefits

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

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

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

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

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

(ii) London Pension Fund Scheme

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

Statement of Accounting Policies

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

The detailed accounting policies followed in preparing the pension fund accounts are disclosed separately in the Council's Pension Fund Accounts in Section 8 of the Statement of Accounts.

14. INTERESTS IN COMPANIES

The Council has two wholly owned subsidiary companies, Lewisham Homes 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 for 2016/17 it has been concluded that the activities of Group's entities are sufficiently material to warrant the production of Group Accounts. This is a change over 2015/16, in which Group Accounts were considered to be below the threshold of materiality, and reflects the increased housing investment activities of Lewisham Homes. See also Section 6 – Group Accounts, and Note 25 - Investment in Companies.

15. REVENUE PROVISIONS AND IMPAIRMENT ALLOWANCES

a) Provisions

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

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, and retirement and employee benefits and are not available for the Council to use to finance services.

Statement of Accounting Policies

17. CONTINGENT LIABILITIES AND ASSETS

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

18. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

19. FINANCIAL INSTRUMENTS

a) Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council 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 2016/17 (nor in 2015/16). 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.

Statement of Accounting Policies

ii) Available-for-Sale Assets

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

20. CASH AND CASH EQUIVALENTS

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

21. INTANGIBLE NON CURRENT ASSETS

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

22. NON CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

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

a) Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided it adds value, increases its ability to deliver future economic benefits or service potential, or can be capitalised as a component and exceeds the Council's de-minimis limit of £40,000. Expenditure financed from the government's Devolved Formula Capital Grant is also capitalised on the basis that it increases the school's service potential. Expenditure that only maintains an asset's value (i.e. repairs and maintenance) and does not increase its ability to deliver benefits or services is charged as revenue expenditure when it is incurred.

b) Measurement and Valuation

Non-current assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The Council capitalises costs incurred whilst assets are under construction if these costs are directly attributable to an asset and it is probable that future economic benefits will flow to the authority (in accordance with IAS 16). These balances are held on the balance sheet under the category Assets Under Construction and are transferred to the specific non-current assets category when the project reaches practical completion. Non-current assets are carried on the Balance Sheet using the following measurement bases:

- 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.

Statement of Accounting Policies

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 2016/17 (nor in 2015/16).

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

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

Surplus Assets not Held for Sale are assets that are not being used to supply goods and services and do not meet the criteria of assets held for sale. The adoption of IFRS 13 requires that these assets are measured at fair value and not existing use value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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 against Council Tax; however the Council is required to make an annual contribution from revenue (the Minimum Revenue Provision – MRP) to reduce its overall outstanding borrowing, calculated on a prudent basis in accordance with statutory guidance. The difference between the two is accounted for within the Capital Adjustment Account in the Movement in Reserves Statement.

d) Impairment

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

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

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

Statement of Accounting Policies

e) Depreciation

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

- council dwellings – 40 years
- other land & buildings (including hostels) – 40 years
- vehicles, plant & equipment – range of 5 to 20 years
- infrastructure – range of 10 to 40 years (but the majority being 25 years)

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

f) Non-Current Assets Held for Sale

When it is almost certain that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, and the strict criteria set out in the COP are met, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

g) Disposals of Non-Current Assets

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

Amounts received for asset disposals are classified as capital receipts. A proportion of receipts from housing disposals (as per the relevant regulations) are payable to the Government. The retained receipts are required to be credited to the Usable Capital Receipts Reserve, and can only be used to finance new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the MiRS. The written-off value of disposals is not a charge against Council Tax. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MiRS.

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.

Statement of Accounting Policies

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 in the previous year 2015/16 led to an assessment of the Council's Investment Properties and their reclassification to Property, Plant & Equipment. Consequently, they are 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.

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.

Statement of Accounting Policies

26. ACCOUNTING FOR SCHOOLS

Schools' accounting policies are the same as the Council's, with their income and expenditure being attributed to the appropriate service line in the CIES and their assets, liabilities and balances being included on the Balance Sheet. Schools' earmarked reserves are shown separately within Note 9 to the Core Financial Statements. An analysis of Dedicated Schools' Grant (the main source of funding for schools) is shown in Note 29. Any critical judgements made relating to accounting for schools' non-current assets (i.e. land and buildings) are shown in Note 3. For an up-to-date position on schools' licensed deficits / loans, see Narrative Statement – paragraph 7(e).

Notes to the Core Financial Statements

SECTION 3 – NOTES TO THE CORE FINANCIAL STATEMENTS

1. EXPENDITURE AND FUNDING ANALYSIS – YEAR ENDING 31ST MARCH 2017

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax [and rent] payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| SERVICE | Net Expenditure Chargeable to the General Fund and HRA Balances £'000 | Adjustments between Funding and Accounting Basis (see Notes to EFA (a)) £'000 | Net Expenditure in the CIES £'000 |
|--------------------------------------|--|--|--------------------------------------|
| Children & Young People Directorate | 53,797 | 20,492 | 74,289 |
| Community Services Directorate | 94,883 | 7,535 | 102,418 |
| Customer Services Directorate | 55,939 | 3,145 | 59,084 |
| Resources & Regeneration Directorate | 15,655 | 8,589 | 24,244 |
| HRA | -17,479 | 9,821 | -7,658 |
| Corporate Services | -11,611 | -8,707 | -20,318 |
| Cost of Services | 191,184 | 40,875 | 232,059 |
| Other Income and Expenditure | -204,894 | 0 | -204,894 |
| Surplus or Deficit | -13,710 | 40,875 | 27,165 |

| | |
|--|-----------------|
| Opening General Fund and HRA Balance at 01 April 2016 | -245,897 |
| Add (Surplus)/ Deficit on General fund and HRA Balance in Year | -13,710 |
| Closing General Fund and HRA Balance at 31 March 2017 | -259,607 |

| Analysed between General Fund and HRA Balances | | | |
|--|-----------------|----------------|-----------------|
| | General Fund | HRA | Total |
| Opening General Fund and HRA Balance at 01 April 2016 | -165,528 | -80,369 | -245,897 |
| Add (Surplus)/ Deficit on General fund and HRA Balance in Year | 2,951 | -16,661 | -13,710 |
| Closing General Fund and HRA Balance at 31 March 2017 | -162,577 | -97,030 | -259,607 |

Notes to the Core Financial Statements

EXPENDITURE AND FUNDING ANALYSIS – YEAR ENDING 31ST MARCH 2016

| SERVICE | Net Expenditure Chargeable to the General Fund and HRA Balances £'000 | Adjustments between Funding and Accounting Basis (see Notes to EFA (a)) £'000 | Net Expenditure in the CIES £'000 |
|--------------------------------------|--|--|--------------------------------------|
| Children & Young People Directorate | 36,305 | -28,629 | 7,676 |
| Community Services Directorate | 100,500 | 8,321 | 108,821 |
| Customer Services Directorate | 40,471 | 11,602 | 52,073 |
| Resources & Regeneration Directorate | 13,376 | 7,856 | 21,232 |
| HRA | -36,233 | 37,502 | 1,269 |
| Corporate Services | 49,656 | -28,246 | 21,410 |
| Cost of Services | 204,075 | 8,406 | 212,481 |
| Other Income and Expenditure | -230,850 | 132 | -230,718 |
| Surplus or Deficit | -26,775 | 8,538 | -18,238 |

| | |
|--|-----------------|
| Opening General Fund and HRA Balance at 01 April 2015 | -219,122 |
| Add (Surplus)/ Deficit on General fund and HRA Balance in Year | -26,775 |
| Closing General Fund and HRA Balance at 31 March 2016 | -245,897 |

| Analysed between General Fund and HRA Balances | | | |
|--|-----------------|----------------|-----------------|
| | General Fund | HRA | Total |
| Opening General Fund and HRA Balance at 01 April 2015 | -153,846 | -65,276 | -219,122 |
| Add (Surplus)/ Deficit on General fund and HRA Balance in Year | -11,682 | -15,093 | -26,775 |
| Closing General Fund and HRA Balance at 31 March 2016 | -165,528 | -80,369 | -245,897 |

Notes to the Core Financial Statements

Notes to the EFA

(a) Adjustments between Funding and Accounting Basis

| Adjustments from General Fund to arrive at the CIES amounts | 2016/17 | | | |
|---|---------------------------------|---|-------------------|-------------------|
| | Adjustment for Capital Purposes | Net change for the Pensions Adjustments | Other Differences | Total Adjustments |
| | £'000 | £'000 | £'000 | £'000 |
| SERVICE | | | | |
| Children & Young People Directorate | 13,667 | 3,689 | 3,136 | 20,492 |
| Community Services Directorate | 6,987 | 558 | -10 | 7,535 |
| Customer Services Directorate | 7,391 | 693 | -4,939 | 3,145 |
| Resources & Regeneration Directorate | 8,185 | 404 | 0 | 8,589 |
| HRA | 7,879 | 2,427 | -485 | 9,821 |
| Corporate Services | -23,776 | 15,371 | -302 | -8,707 |
| Cost of Services | 20,333 | 23,142 | -2,600 | 40,875 |
| Other Income and Expenditure | 0 | 0 | 0 | 0 |
| Difference between General Fund surplus or deficit and CIES surplus or deficit | 20,333 | 23,142 | -2,600 | 40,875 |

| Adjustments from General Fund to arrive at the CIES amounts | 2015/16 | | | |
|---|---------------------------------|---|-------------------|-------------------|
| | Adjustment for Capital Purposes | Net change for the Pensions Adjustments | Other Differences | Total Adjustments |
| | £'000 | £'000 | £'000 | £'000 |
| SERVICE | | | | |
| Children & Young People Directorate | -36,890 | 9,304 | -1,043 | -28,629 |
| Community Services Directorate | 7,345 | 900 | 76 | 8,321 |
| Customer Services Directorate | 4,445 | 1,348 | 5,809 | 11,602 |
| Resources & Regeneration Directorate | 7,708 | 197 | -49 | 7,856 |
| HRA | 35,535 | 2,446 | -479 | 37,502 |
| Corporate Services | -42,259 | 18,921 | -4,908 | -28,246 |
| Cost of Services | -24,116 | 33,116 | -594 | 8,406 |
| Other Income and Expenditure | 132 | | | 132 |
| Difference between General Fund surplus or deficit and CIES surplus or deficit | -23,984 | 33,116 | -594 | 8,538 |

Notes to the Core Financial Statements

(b) Segmental Income and Expenditure

| | 2016/17 |
|--|----------------|
| | £'000 |
| Revenues from external customers | -220,114 |
| Revenues from transactions with other operating segments of the authority | 0 |
| Interest revenue | -3,002 |
| Interest expense | 34,995 |
| Depreciation and amortisation | 61,954 |
| Material items of income and expense (related to disposals of PPE and investments and reversals of provisions) | -9,823 |
| The authority's interest in the profit or loss of associates and joint ventures accounted for by the equity method | 0 |
| Income tax expense or income | 0 |
| Material non-cash items other than depreciation and amortisation | 0 |

| | 2015/16 |
|--|----------------|
| | £'000 |
| Revenues from external customers | -207,945 |
| Revenues from transactions with other operating segments of the authority | 0 |
| Interest revenue | -2,607 |
| Interest expense | 34,855 |
| Depreciation and amortisation | 22,643 |
| Material items of income and expense (related to disposals of PPE and investments and reversals of provisions) | 6,987 |
| The authority's interest in the profit or loss of associates and joint ventures accounted for by the equity method | 0 |
| Income tax expense or income | 0 |
| Material non-cash items other than depreciation and amortisation | 0 |

2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED IN THE 2016/17 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 Code:-

- Leases: IFRS16 will require lessees to recognise most leases on their balance sheet – this is a significant change from current practice. Lessees will have a single accounting model for all leases, with two exemptions (low value assets and short term leases). Lessor accounting will be substantially unchanged. The new standard will come into effect in financial year 2018/19 (that is, from 1st January 2019, with limited early application permitted). Therefore, there is no impact on the 2016/17 Accounts. In 2018/19, as regards the Council as lessee, an initial assessment indicates that the current annual charge to the CIES of £1.5m will not change significantly, and the Existing Use Value of the leases would add approximately £15m to the balance sheet.

Notes to the Core Financial Statements

It was reported in the 2015/16 Statement of Accounts that there would be a major accounting change in 2016/17 regarding valuation of the Highways Network Asset. However, this new accounting standard has now been dropped from the Code of Practice and so is no longer a requirement.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- a. 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.
- b. 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. The adoption of IFRS13 Fair Value Measurement in the previous year 2015/16 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). In summary, there are no material changes to these judgements for the 2016/17 Accounts compared to those followed in 2015/16.
- c. 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 41 Community Primary Schools, 5 Community Secondary Schools, 3 Community Special Schools, 2 Foundation Schools and 2 Nursery Schools (53 schools).
 - Excluded are 23 Voluntary-aided Schools, 3 Foundation Schools, 4 Academies and 4 Other Schools (34 schools).
 - Also excluded are assets acquired via PFI contracts where they relate to the excluded schools given above.
- d. A judgement has been made by the Council that it is proper practice to prepare Group Accounts for 2016/17, on grounds of materiality. For further information, see Section 2 – Accounting Policies (para. 14 – Interests in Companies); also Section 6 – Group Accounts; and Note 25 – Investment in Companies.
- e. 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 Council's 2016/17 Single Entity Accounts therefore include the full costs of the Lewisham Homes IAS19 liability and are consistent with the Council's 2015/16 Accounts and Lewisham Homes' Accounts for both years.

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

These Accounts contain a number of estimated figures that are based on assumptions made about the future or that are otherwise uncertain, and take into account historical experience, current trends and other relevant factors. Because of this, the actual outcomes could be materially different from the assumptions and estimates made. The areas in the Council's Accounts at 31st March 2017 for which there is a significant possibility of material adjustment in the forthcoming financial year are as follows:-

Notes to the Core Financial Statements

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. For further information on Non-Current Assets, see Note 10.

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 2017 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-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 2016/17 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 2017, using the Valuation Office (VOA) ratings list of appeals and the analysis of successful appeals to date. The balance on this provision at 31st March 2017 is £3.1m.

d) Arrears of Significant Debtors

The Council had debtors balances of Council Tax, Non Domestic Rates, Housing Rents and sundry others of £115m as at 31st March 2017. 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 £68m. 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 £6.8m 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 37).

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

Notes to the Core Financial Statements

6. EVENTS AFTER THE BALANCE SHEET DATE

The pre-audit Statement of Accounts was authorised for issue by the Executive Director for Resources and Regeneration on 30th May 2017. 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 2017, 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 2017 affecting the 2016/17 accounts – any such events will affect the 2017/18 accounts only.

The rateable value for Virgin Media has been reduced from £23m to £15m, causing a reduction in business rates receivable for 2017/18. The impact of this will be mitigated by transitional relief in 2017/18. (See also Note 38 – Contingent Liabilities.)

7. OTHER OPERATING EXPENDITURE - LEVIES

These are included under the “Other Operating Expenditure” line in the Comprehensive Income and Expenditure Statement, and comprises the statutory levies for services carried out by other bodies.

| | 2016/17 £000 | 2015/16 £000 |
|------------------------------------|-----------------|-----------------|
| London Pension Fund Authority | 1,229 | 1,232 |
| Lee Valley Regional Park Authority | 224 | 226 |
| Environment Agency | 179 | 173 |
| Total Levies Paid | 1,632 | 1,631 |

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

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

Notes to the Core Financial Statements

| 2016/17 | Usable Reserves | | | | | Movement in Unusable Reserves £'000 |
|--|-------------------------------------|--|--------------------------------------|---|---|--|
| | General Fund Balance £'000 | Housing Revenue Account £'000 | Major Repairs Reserve £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | |
| Adjustments to Revenue Resources | | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | | | |
| Pensions costs (transferred to/ from the Pensions Reserve) | 20,715 | 2,427 | | | | (23,142) |
| Financial instruments (transferred to the Financial Instruments Adjustment Account) | (301) | (485) | | | | 786 |
| Council Tax and NDR (transfers to/ from Collection Fund Adjustment Account) | (4,934) | | | | | 4,934 |
| Holiday Pay (transferred to the Accumulated Absences Account) | 3,121 | | | | | (3,121) |
| Reversal of entries included in the Surplus/ Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account (CAA)) | 40,922 | 30,801 | 0 | | | (71,723) |
| Total Adjustments to Revenue Resources | 59,523 | 32,743 | 0 | 0 | 0 | (92,266) |
| Adjustments between Revenue and Capital Resources | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (3,133) | (16,226) | | 19,364 | | (5) |
| Payments to the Government housing receipts pool (funded by a contribution from the Capital Receipts Reserve) | 1,947 | | | (1,947) | | 0 |
| Statutory provision for the repayment of debt (transfer from the CAA) | (10,696) | (2,460) | | | | 13,156 |
| Revenue Expenditure Funded from Capital under Statute | 5,799 | | | | | (5,799) |
| Capital expenditure funded from revenue balances (transfer to the CAA) | (1,207) | (2,658) | | | | 3,865 |
| Total Adjustments between Revenue and Capital Resources | (7,290) | (21,344) | 0 | 17,417 | 0 | 11,217 |
| Adjustments to Capital Resources | | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | | | | (19,153) | | 19,153 |
| Use of the Major Repairs Reserve to finance capital expenditure | | | (845) | | | 845 |
| Application of capital grants to finance capital expenditure | (21,912) | | | | 5,983 | 15,929 |
| Total Adjustments to Capital Resources | (21,912) | 0 | (845) | (19,153) | 5,983 | 35,927 |
| Total Adjustments | 30,321 | 11,399 | (845) | (1,736) | 5,983 | (45,122) |

Notes to the Core Financial Statements

| 2015/16 - RESTATED | Usable Reserves | | | | | Movement in Unusable Reserves £'000 |
|--|-------------------------------|----------------------------------|--------------------------------|-----------------------------------|-----------------------------------|--|
| | General Fund Balance £'000 | Housing Revenue Account £'000 | Major Repairs Reserve £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | |
| Adjustments to Revenue Resources | | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | | | |
| Pensions costs (transferred to/ from the Pensions Reserve) | 30,670 | 2,446 | | | | (33,116) |
| Financial instruments (transferred to the Financial Instruments Adjustment Account) | (302) | (478) | | | | 780 |
| Council Tax and NDR (transfers to/ from Collection Fund Adjustment Account) | 5,674 | | | | | (5,674) |
| Holiday Pay (transferred to the Accumulated Absences Account) | (881) | | | | | 881 |
| Reversal of entries included in the Surplus/ Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account (CAA)) | (16,790) | 55,873 | | | | (39,083) |
| Total Adjustments to Revenue Resources | 18,371 | 57,841 | 0 | 0 | 0 | (76,212) |
| Adjustments between Revenue and Capital Resources | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (6,120) | (16,561) | | 22,681 | | 0 |
| Payments to the Government housing receipts pool (funded by a contribution from the Capital Receipts Reserve) | 1,969 | | | (1,969) | | 0 |
| Statutory provision for the repayment of debt (transfer from the CAA) | (6,957) | (3,409) | | | | 10,366 |
| Revenue Expenditure Funded from Capital under Statute | 11,614 | | | | | (11,614) |
| Capital expenditure funded from revenue balances (transfer to the CAA) | (6,440) | | | | | 6,440 |
| Total Adjustments between Revenue and Capital Resources | (5,934) | (19,970) | 0 | 20,712 | 0 | 5,192 |
| Adjustments to Capital Resources | | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | | | | (11,659) | | 11,659 |
| Use of the Major Repairs Reserve to finance capital expenditure | | | (3,757) | | | 3,757 |
| Application of capital grants to finance capital expenditure | (33,408) | | | | (2,809) | 36,217 |
| Cash payments in relation to deferred capital receipts | | | | (13) | | 13 |
| Total Adjustments to Capital Resources | (33,408) | 0 | (3,757) | (11,672) | (2,809) | 51,646 |
| Other Adjustments | (4,606) | | | | | 4,606 |
| Total Adjustments | (25,577) | 37,871 | (3,757) | 9,040 | (2,809) | (14,768) |

Notes to the Core Financial Statements

9. EARMARKED RESERVES

The Council has a number of earmarked reserves on its Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up to provide resources for future spending plans. This note shows the amounts used to meet General Fund expenditure in 2016/17 and amounts set aside in the year to finance future expenditure plans. The use of HRA earmarked reserves is shown in the notes to the HRA in Section 4.

| Name of Reserve | Balance 31/03/16 £000 | 2016/17 Transfers | | Balance 31/03/17 £000 | |
|-------------------------------------|-----------------------------|-------------------|---------------|-----------------------------|-----|
| | | Out £000 | In £000 | | |
| Specific Revenue Earmarked | 79,957 | (18,523) | 9,909 | 71,343 | (a) |
| PFI and BSF Schemes | 22,277 | 0 | 1,615 | 23,892 | (b) |
| New Homes Bonus Reserve | 16,280 | (5,503) | 9,259 | 20,036 | (c) |
| Insurance | 14,167 | (600) | 3,162 | 16,729 | (d) |
| Capital Programme Expenditure | 3,046 | (7,929) | 5,812 | 929 | (e) |
| | 135,727 | (32,555) | 29,757 | 132,929 | |
| Schools Reserves and External Funds | 16,801 | (17,016) | 16,863 | 16,648 | (f) |
| | 16,801 | (17,016) | 16,863 | 16,648 | |
| Total | 152,528 | (49,571) | 46,620 | 149,577 | |

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) New Homes Bonus Reserve

The reserve is made up of unused grant from central government. The grant is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. Use of the reserve is not ring-fenced.

d) Insurance Reserve

This has been established in order to supplement the insurance provision and covers potential costs arising from self-insured risks.

e) Capital Programme Expenditure Reserve

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

f) 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.

Notes to the Core Financial Statements

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

Assets are valued at least every five years as a minimum or more regularly where a five-yearly valuation is insufficient to keep pace with material changes in fair value, to ensure that the Council's assets are valued in accordance with RICS and CIPFA guidance. The valuations this year were undertaken and signed off by the valuers Wilkes, Head and Eve. Where revaluations have occurred in 2016/17, their exact effective date was 28th February 2017 for council dwellings and 31st January 2017 for other assets.

| | Council Dwellings £000 | Other Land & Buildings £000 | Surplus Assets £000 | Total £000 |
|--------------------------------|-----------------------------------|--|--------------------------------|-----------------------|
| Valued at Historic Cost | 750 | 5,767 | 4,031 | 10,548 |
| Valued at Current Value | | | | |
| 2016/17 | 1,227,106 | 717,255 | 6,515 | 1,950,876 |
| 2015/16 | 91 | 50,952 | 65,920 | 116,963 |
| 2014/15 | 0 | 130 | 415 | 545 |
| 2013/14 | 0 | 568 | 12 | 580 |
| 2012/13 | 1,121 | 0 | 0 | 1,121 |
| Total Net Book Value | 1,229,068 | 774,672 | 76,893 | 2,080,633 |

b) Movements in Non-Current Assets

The movements in non-current assets during 2016/17 were as follows:

Notes to the Core Financial Statements

| 2016/17 | 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 2016 | 1,149,956 | 795,553 | 58,976 | 159,096 | 7,163 | 76,026 | 23,992 | 2,270,762 |
| Additions | 1,564 | 4,014 | 3,155 | 11,666 | 0 | 3,693 | 12,952 | 37,044 |
| Revaluations (recognised in Revaluation Reserve) | 87,636 | (13,643) | 0 | 0 | 0 | 4,585 | 0 | 78,578 |
| Revaluations (recognised in Surplus/ Deficit on the Provision of Services) | 190 | (8,821) | 0 | 0 | 0 | 54 | 0 | (8,577) |
| Impairments (recognised in Revaluation Reserve) | 0 | (663) | 0 | 0 | 0 | (2,589) | 0 | (3,252) |
| Impairments (recognised in Surplus/ Deficit on the Provision of Services) | (139) | (889) | (504) | 0 | (2,581) | (13,142) | (4,550) | (21,805) |
| Disposals | (9,215) | (560) | (7,877) | 0 | 0 | 0 | 0 | (17,652) |
| Transfers | (765) | 623 | 0 | (76) | 431 | 9,066 | (9,279) | 0 |
| Gross Book Value c/fwd at 31st March 2017 | 1,229,227 | 775,614 | 53,750 | 170,686 | 5,013 | 77,693 | 23,115 | 2,335,098 |
| Depreciation b/fwd at 1st April 2016 | (3,643) | (3,966) | (29,312) | (49,179) | (8) | (369) | 0 | (86,477) |
| Depreciation for year | (20,444) | (15,665) | (4,625) | (6,633) | (4) | (526) | 0 | (47,897) |
| <u>Depreciation written back on:</u> | | | | | | | | |
| Transfers | 30 | 625 | 0 | 19 | (19) | (655) | 0 | 0 |
| Revaluations (recognised in Revaluation Reserve) | 20,447 | 6,049 | 0 | 0 | 0 | 35 | 0 | 26,531 |
| Revaluations (recognised in Surplus/ Deficit on the Provision of Services) | 3,434 | 11,946 | 0 | 0 | 0 | 80 | 0 | 15,460 |
| Impairments (recognised in Revaluation Reserve) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments (recognised in Surplus/ Deficit on the Provision of Services) | 0 | 65 | 175 | 0 | 0 | 635 | 0 | 875 |
| Assets Sold | 17 | 4 | 7,877 | 0 | 0 | 0 | 0 | 7,898 |
| Depreciation c/fwd at 31st March 2017 | (159) | (942) | (25,885) | (55,793) | (31) | (800) | 0 | (83,610) |
| Net Book Value at 31st March 2017 | 1,229,068 | 774,672 | 27,865 | 114,893 | 4,982 | 76,893 | 23,115 | 2,251,488 |

Notes to the Core Financial Statements

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 | 90 | 24,964 | 3,071 | 16,216 | 284 | 5,884 | 17,846 | 68,355 |
| Revaluations (recognised in Revaluation Reserve) | 106,632 | 100,619 | 0 | 0 | 0 | 31,531 | 0 | 238,782 |
| Revaluations (recognised in Surplus/Deficit on the Provision of Services) | 7,063 | 33,303 | 0 | 0 | 0 | (3,436) | 0 | 36,930 |
| Impairments (recognised in Revaluation Reserve) | (29) | (958) | 0 | 0 | (30) | (7,516) | 0 | (8,533) |
| Impairments (recognised in Surplus/Deficit on the Provision of Services) | (80) | (185) | (52) | 0 | (548) | (6,791) | (2,671) | (10,327) |
| Disposals | (11,856) | (3,024) | (1,356) | 0 | (357) | (12,276) | 0 | (28,869) |
| Transfers | (12,486) | 30,411 | 1,208 | 4,431 | (1,040) | 15,698 | (20,787) | 17,435 |
| Assets reclassified to/from Held for Sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross Book Value c/fwd at 31st March 2016 | 1,149,956 | 795,553 | 58,976 | 159,096 | 7,163 | 76,026 | 23,992 | 2,270,762 |
| Depreciation b/fwd at 1st April 2015 | (2,531) | (14,056) | (25,707) | (43,410) | (4) | (867) | 0 | (86,575) |
| Depreciation for year | (29,464) | (14,065) | (5,006) | (5,769) | (4) | (992) | 0 | (55,300) |
| <u>Depreciation written back on:</u> | | | | | | | | |
| Transfers | 353 | 277 | 0 | 0 | 0 | (630) | 0 | 0 |
| Revaluations (recognised in Revaluation Reserve) | 25,879 | 9,591 | 0 | 0 | 0 | 434 | 0 | 35,904 |
| Revaluations (recognised in Surplus/Deficit on the Provision of Services) | 2,099 | 13,819 | 0 | 0 | 0 | 718 | 0 | 16,636 |
| 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 | 511 | 1,356 | 0 | 0 | 929 | 0 | 2,817 |
| Depreciation c/fwd at 31st March 2016 | (3,643) | (3,966) | (29,311) | (49,179) | (8) | (369) | 0 | (86,476) |
| Net Book Value at 31st March 2016 | 1,146,313 | 791,587 | 29,665 | 109,917 | 7,155 | 75,657 | 23,992 | 2,184,286 |

Notes to the Core Financial Statements

11. INVESTMENT PROPERTIES

Investment Properties were all reclassified to Property, Plant & Equipment in the previous year 2015/16, hence the nil balance. (See also Section 2 – Accounting Policies – paragraph 24.)

12. 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 | | |
|--|------------------|------------------|------------------|------------------|---|
| | 31/03/17 £000 | 31/03/16 £000 | 31/03/17 £000 | 31/03/16 £000 | |
| Financial Liabilities (Principal) | 165,910 | 157,492 | 25,000 | 33,763 | 1 |
| Accrued Interest | 216 | 209 | 1,854 | 1,908 | 1 |
| Total Borrowings | 166,126 | 157,701 | 26,854 | 35,671 | |
| PFI and Finance Lease liabilities | 236,196 | 240,060 | 7,580 | 7,706 | |
| Total Other Liabilities | 236,196 | 240,060 | 7,580 | 7,706 | |
| Financial Liabilities at contract amount | - | - | 59,153 | 62,471 | 2 |
| Total Creditors | - | - | 59,153 | 62,471 | |

| | Long-Term | | Current | | |
|--------------------------------------|------------------|------------------|------------------|------------------|---|
| | 31/03/17 £000 | 31/03/16 £000 | 31/03/17 £000 | 31/03/16 £000 | |
| Loans and Receivables (Principal) | - | - | 368,514 | 328,195 | 1 |
| Accrued Interest | - | - | 734 | 814 | 1 |
| Total Investments | - | - | 369,248 | 329,009 | |
| Loans and Receivables | 32,566 | 25,734 | - | - | 2 |
| Financial Assets at contract amounts | - | - | 31,639 | 43,949 | 2 |
| Total Debtors | 32,566 | 25,734 | 31,639 | 43,949 | |

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.

Notes to the Core Financial Statements

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.

Borrowing costs capitalised in the year were £0.918m, at a rate of 4.38%. These were included in interest payable in the CIES.

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 2016/17 or 2015/16, or assets classified as Available for Sale):

| | 2016/17 | | | 2015/16 |
|---|---|---|----------------|----------------|
| | Liabilities - Amortised Cost £000 | Assets - Loans and Receivables £000 | Totals £000 | Totals £000 |
| Interest Expense | 9,029 | - | 9,029 | 9,070 |
| Total Expense in Surplus or Deficit on Provision of Services | 9,029 | - | 9,029 | 9,070 |
| Interest Income | - | (2,338) | (2,338) | (2,403) |
| Total Income in Surplus or Deficit on Provision of Services | - | (2,338) | (2,338) | (2,403) |
| | | | | |
| Net (Gain) / Loss for the Year | 9,029 | (2,338) | 6,691 | 6,667 |

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 net 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, termed the New Loan and Premature Repayment Rates;
- For non-PWLB loans, PWLB discount rates as above have been used as a reasonable proxy for market rates;
- 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 Level 2 Inputs, i.e. inputs other than quoted prices that are observable for the financial asset/liability. These give a reasonable estimate for the fair value of a financial instrument, and includes accrued interest.

Notes to the Core Financial Statements

The following tables show 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 £111m at the New Loan Rate 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 (the Certainty rate).

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 repayment 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 £130m.

| | Premature Repayment Rate 31/03/17 | | New Loan Rate 31/03/17 | | Premature Repayment Rate 31/03/16 | | New Loan Rate 31/03/16 | |
|---------------------------------|--------------------------------------|--------------------|---------------------------|--------------------|--------------------------------------|--------------------|---------------------------|--------------------|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| PWLB Debt | 77,557 | 130,001 | 77,557 | 111,012 | 78,869 | 121,476 | 78,869 | 104,315 |
| Non-PWLB Debt * | 115,423 | 195,775 | 115,423 | 162,336 | 114,503 | 173,345 | 114,503 | 140,921 |
| Total Debt / Liabilities | 192,980 | 325,776 | 192,980 | 273,348 | 193,372 | 294,821 | 193,372 | 245,236 |
| Money Market Investments | 373,191 | 373,313 | 373,191 | 373,313 | 331,294 | 331,582 | 331,294 | 331,582 |
| Long Term Debtors | 32,566 | 32,566 | 32,566 | 32,566 | 25,734 | 25,734 | 25,734 | 25,734 |
| Total Assets | 405,757 | 405,879 | 405,757 | 405,879 | 357,028 | 357,316 | 357,028 | 357,316 |

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

13. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Key Risks

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

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

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

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

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

b) Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the 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.

Notes to the Core Financial Statements

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 2017 and is available on the Council website. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These are a requirement of the Code of Practice and are reviewed periodically.

c) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. 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 2017 there was no evidence that this was likely to happen.

d) Liquidity Risk

The Council manages its liquidity position through the procedures above as well as using a comprehensive cash flow management system, as required by the CIPFA Code of Practice, which ensures that cash is available when needed. The Council has ready access to borrowings from the money markets to cover any day to day cash flow need and the PWLB and money markets for access to longer term funds. All sums invested are either due to be paid in less than one year or can be easily realised.

e) Refinancing and Maturity Risk

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

Notes to the Core Financial Statements

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

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

| | 31/03/17 £000 | 31/03/16 £000 |
|--|------------------|------------------|
| Lewisham Homes - Loan | 14,100 | 8,000 |
| Catford Regeneration Partnership Ltd (CRPL) - Loan | 12,223 | 11,383 |
| Street Lighting PFI Sinking Fund | 3,245 | 3,245 |
| Lewisham Gateway Development - Loan | 2,000 | 2,000 |
| Land Charges Debts | 384 | 388 |
| Mortgages | 177 | 184 |
| Other Long Term Debtors | 437 | 534 |
| Total Long Term Debtors | 32,566 | 25,734 |

a) Lewisham Homes Loan

A loan of £8m was advanced to Lewisham Homes in 2015/16 and a further £6m in 2016/17. (See Section 6 – Group Accounts.)

b) Catford Regeneration Partnership Limited Loan

A loan of £12m was advanced to CRPL in 2010/11, followed by further loans of £0.25m in 2015/16 and £1m in 2016/17. (See Section 6 – Group Accounts.)

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.

| | 31/03/17 £000 | 31/03/16 £000 |
|---|------------------|------------------|
| Government and Other Public Bodies: | | |
| HM Revenue & Customs - VAT | 4,562 | 4,670 |
| Central Government bodies | 2,464 | 12,173 |
| Other Local Authorities | 2,866 | 1,527 |
| NHS bodies | 94 | 1,562 |
| Other Public bodies | 241 | 114 |
| Council Tax Payers | 28,995 | 27,480 |
| NDR Payers | 1,187 | 1,258 |
| Council Tax Court Costs | 7,389 | 6,752 |
| Housing Benefit Overpayments | 24,172 | 23,267 |
| Housing Rents (inc PSL, B & B, Hostels, Commercial) | 8,935 | 9,222 |
| Leaseholders Services Charges | 4,272 | 5,371 |
| Parking | 415 | 2,426 |
| General Debtors due for Supplies and Services | 29,404 | 25,396 |
| Total Current Debtors | 114,996 | 121,218 |
| Impairment Allowances | (67,510) | (63,858) |
| Total Net Current Debtors | 47,486 | 57,360 |

c) Impairment Allowances

| | Balance at 31/03/16 £000 | Movement in 2016/17 £000 | Balance at 31/03/17 £000 |
|---|--------------------------------|--------------------------------|--------------------------------|
| Council Tax Payers | (25,406) | (1,512) | (26,918) |
| Council Tax Court Costs | (6,056) | (625) | (6,681) |
| NDR Payers | (919) | 217 | (702) |
| Housing Benefit Overpayments | (16,484) | (631) | (17,115) |
| Housing Rents (inc PSL, B & B, Hostels, Commercial) | (4,724) | 68 | (4,656) |
| Leaseholders Services Charges | (1,534) | 142 | (1,392) |
| General Debtors due for Supplies and Services | (8,734) | (1,312) | (10,046) |
| Total Impairment Allowances | (63,857) | (3,653) | (67,510) |

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

Notes to the Core Financial Statements

15. CASH AND CASH EQUIVALENTS

| | Balance 31/03/16 £000 | Movement in 2016/17 £000 | Balance 31/03/17 £000 |
|--|-----------------------------|--------------------------------|-----------------------------|
| Cash Equivalents | | | |
| Short Term Deposits | 10,014 | (10,014) | 0 |
| Cash | | | |
| Money Market Funds | 90,518 | 1,943 | 92,461 |
| Call Accounts with Banks | 0 | 0 | 0 |
| | 90,518 | 1,943 | 92,461 |
| Other Cash and Bank Balances | | | |
| Main Bank Accounts | 0 | 0 | 0 |
| Other Cash and Bank Accounts | 895 | (1,308) | (413) |
| | 895 | (1,308) | (413) |
| Total Cash and Cash Equivalents | 101,427 | (9,379) | 92,048 |
| Bank Accounts Overdrawn | | | |
| Main Bank Accounts | (2,650) | (720) | (3,370) |
| Schools Bank Accounts | (530) | 368 | (162) |
| | (3,180) | (352) | (3,532) |
| Net Cash and Cash Equivalents | 98,247 | (9,731) | 88,516 |

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 £15.2m (2015/16 £13.8m) and overdrawn £15.3m (2015/16 overdrawn £14.4m) respectively.

Notes to the Core Financial Statements

16. CREDITORS

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

| | 31/03/17 £000 | 31/03/16 £000 |
|--|--------------------------------|--------------------------------|
| Government and other public bodies: | | |
| HM Revenue & Customs | 5,413 | 5,393 |
| Central Government bodies | 4,403 | 3,559 |
| Other Local Authorities | 8,422 | 3,702 |
| NHS bodies | 13,527 | 12,907 |
| Other Public bodies | 1,571 | 955 |
| | 33,336 | 26,956 |
| Short Term Compensated Absences | 7,748 | 4,627 |
| General Creditors (amounts owed for supplies and services) | 35,369 | 37,494 |
| Total Creditors | 76,453 | 69,077 |

17. REVENUE RECEIPTS IN ADVANCE

| | 31/03/17 £000 | 31/03/16 £000 |
|----------------------------------|--------------------------------|--------------------------------|
| Capital Contributions Unapplied | 32,805 | 28,210 |
| PFI Schemes | 22,486 | 21,105 |
| Council Tax | 7,558 | 6,815 |
| NDR | 2,295 | 1,773 |
| Rents in Advance | 4,161 | 3,706 |
| Revenue Grants and Contributions | 2,264 | 2,614 |
| Other Receipts in Advance | 5,220 | 5,751 |
| Total Receipts in Advance | 76,789 | 69,974 |

Notes to the Core Financial Statements

18. PROVISIONS

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

| | Balance 31/03/16 £000 | 2016/17 Transfers | | Balance 31/03/17 £000 |
|-----------------------------------|-----------------------------|-------------------|--------------|-----------------------------|
| | | Out £000 | In £000 | |
| Current (less than 1 year) | | | | |
| Insurance Provision | 2,748 | (3,468) | 3,423 | 2,703 |
| Other Provisions | 481 | (877) | 1,451 | 1,055 |
| | 3,229 | (4,345) | 4,874 | 3,758 |
| Non Current (Over 1 year) | | | | |
| Insurance Provision | 6,574 | (2,891) | 43 | 3,726 |
| Other Provisions | 1,773 | (656) | 0 | 1,117 |
| | 8,347 | (3,547) | 43 | 4,843 |
| Total - Provisions | 11,576 | (7,892) | 4,917 | 8,601 |

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.

19. USABLE CAPITAL RECEIPTS

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

| | 2016/17 £000 | 2015/16 £000 |
|--|-----------------|-----------------|
| Balance brought forward at start of year | 57,231 | 48,191 |
| Amounts Received | 19,364 | 22,668 |
| Poolable to Central Government | (1,947) | (1,969) |
| Amounts applied to finance new capital investment | (19,153) | (11,659) |
| Total increase/(decrease) in capital receipts in year | (1,736) | 9,040 |
| Balance carried forward at end of year | 55,495 | 57,231 |

Notes to the Core Financial Statements

20. PENSION RESERVE

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

| | 2016/17 £000 | 2015/16 £000 |
|--|------------------|------------------|
| Balance brought forward at start of year | (601,806) | (716,722) |
| Actuarial gains or losses on pensions assets and liabilities | (19,316) | 148,032 |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES | (57,622) | (66,478) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 34,480 | 33,362 |
| Balance carried forward at end of year | (644,264) | (601,806) |

21. REVALUATION RESERVE

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

| | 2016/17 £000 | 2015/16 £000 |
|--|-----------------|-----------------|
| Balance brought forward at start of year | 808,913 | 558,835 |
| Revaluation of Assets | 105,109 | 274,726 |
| Impairment Losses | (3,252) | (8,572) |
| Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | 101,857 | 266,154 |
| Difference between fair value and historic cost depreciation | (15,946) | (15,417) |
| Accumulated gains on assets sold or scrapped | (4,551) | (5,266) |
| Other amounts written off to Capital Adjustment Account | 0 | 4,607 |
| Amount written off to the Capital Adjustment Account | (20,497) | (16,076) |
| Balance carried forward at end of year | 890,273 | 808,913 |

Notes to the Core Financial Statements

22. CAPITAL ADJUSTMENT ACCOUNT

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

| | 2016/17 £000 | 2015/16 £000 |
|--|-----------------|-----------------|
| Balance brought forward at start of year | 899,650 | 861,199 |
| <u>Reversal of capital expenditure items debited or credited to the CIES</u> | | |
| Charges for depreciation and impairment of non-current assets | (61,954) | (9,423) |
| Revenue expenditure funded from capital under statute | (5,799) | (11,614) |
| Non-current assets written off on disposal - gain/loss to the CIES | (5,217) | (24,368) |
| | (72,970) | (45,405) |
| Adjusting amounts written out of the Revaluation Reserve | 15,960 | 15,417 |
| Net amount written out of the cost of non-current assets consumed in the year | (57,010) | (29,988) |
| <u>Capital Financing applied in the year:</u> | | |
| Use of Capital Receipts to finance new capital expenditure | 19,153 | 11,659 |
| Use of Major Repairs Reserve to finance new capital expenditure | 844 | 3,757 |
| Capital grants and contributions credited to the CIES | 15,929 | 36,217 |
| Statutory Provision for the financing of capital investment | 6,089 | 1,623 |
| Repayment of Principal on PFI schemes | 7,067 | 8,743 |
| Capital expenditure charged to General Fund and HRA | 3,865 | 6,440 |
| | 52,947 | 68,439 |
| Balance carried forward at end of year | 895,587 | 899,650 |

Notes to the Core Financial Statements

23. EXPENDITURE AND INCOME ANALYSED BY NATURE

| | 2016/17 £000 | 2015/16 £000 |
|---|--------------------|--------------------|
| Employee expenses - LBL | 273,772 | 271,388 |
| Employee expenses - Schools not part of LBL Payroll | 58,558 | 57,391 |
| Other Expenditure | 660,534 | 676,554 |
| Depreciation, amortisation and impairment | 61,954 | 22,643 |
| Interest payments | 34,995 | 34,855 |
| Precepts and levies | 1,632 | 1,631 |
| Payments to Housing Capital Receipts Pool | 1,947 | 1,969 |
| Gain or loss on disposal of non-current assets | 0 | 6,987 |
| Net interest on the net defined benefit liability | 21,152 | 23,175 |
| Total Expenditure | 1,114,544 | 1,096,593 |
| Government grants and contributions | (662,253) | (690,651) |
| Fees, Charges and Other service income | (220,114) | (207,945) |
| Interest and Investment income | (3,002) | (2,607) |
| Income from council tax, non-domestic rates, district rate income | (176,610) | (172,644) |
| Recognised Capital Grants and Contributions | (15,577) | (37,346) |
| Gain or loss on disposal of non-current assets | (9,823) | 0 |
| Other Income | 0 | (3,638) |
| Total Income | (1,087,379) | (1,114,831) |
| (Surplus) or Deficit on the Provision of Services | 27,165 | (18,238) |

24. AGENCY SERVICES AND POOLED BUDGETS

The Council did not carry out any agency services, construction work or any other work for any other Local Authorities, public bodies or entities in 2016/17 (nor 2015/16).

In 2016/17 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

| | 2016/17 £000 | 2015/16 £000 |
|---|-----------------|-----------------|
| Funding provided to the pooled budget: | | |
| Lewisham Borough Council | (1,781) | (2,102) |
| NHS Lewisham CCG | (20,165) | (19,740) |
| | (21,946) | (21,842) |
| Expenditure met from the pooled budget: | | |
| Lewisham Borough Council | 11,206 | 13,629 |
| NHS Lewisham CCG | 10,740 | 8,213 |
| | 21,946 | 21,842 |
| Net surplus arising in year | 0 | 0 |

Note:

- (i) The LBL share of any in-year net surplus would be 9.6%. This was nil in 2016/17 (and 2015/16) due to there not being a surplus.

Notes to the Core Financial Statements

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

The Council is sole owner of two companies:

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

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

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

The Council has a stake of 10% in Lewisham Schools for the Future LEP Limited which is the Local Education Partnership company also comprising Costain Engineering & Construction Limited, Babcock Project Investments Limited and Building Schools for the Future Limited as well. It was established 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 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 £5.4m were made in 2016/17 to the company (£5.6m in 2015/16).

iii) Newable Ltd

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

26. MEMBERS' ALLOWANCES

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

| | 2016/17 | 2015/16 |
|----------------------------------|----------------|----------------|
| | £000 | £000 |
| Allowances (incl. NI) | 932 | 936 |
| Other Expenses | 70 | 66 |
| Total Expenditure in Year | 1,002 | 1,002 |

Notes to the Core Financial Statements

27. OFFICERS' REMUNERATION

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

| Remuneration Band | Non-Schools | | Schools | | Totals | |
|----------------------|-------------|------------|------------|------------|------------|------------|
| | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2014/15 |
| £50,000 to £54,999 | 51 | 49 | 178 | 200 | 229 | 249 |
| £55,000 to £59,999 | 24 | 32 | 89 | 90 | 113 | 122 |
| £60,000 to £64,999 | 16 | 24 | 54 | 39 | 70 | 63 |
| £65,000 to £69,999 | 17 | 9 | 23 | 36 | 40 | 45 |
| £70,000 to £74,999 | 8 | 8 | 26 | 22 | 34 | 30 |
| £75,000 to £79,999 | 2 | 6 | 19 | 15 | 21 | 21 |
| £80,000 to £84,999 | 2 | 2 | 9 | 12 | 11 | 14 |
| £85,000 to £89,999 | 0 | 0 | 9 | 7 | 9 | 7 |
| £90,000 to £94,999 | 1 | 1 | 5 | 3 | 6 | 4 |
| £95,000 to £99,999 | 7 | 9 | 2 | 3 | 9 | 12 |
| £100,000 to £104,999 | 1 | 0 | 1 | 1 | 2 | 1 |
| £105,000 to £109,999 | 1 | 1 | 4 | 3 | 5 | 4 |
| £110,000 to £114,999 | 1 | 0 | 0 | 3 | 1 | 3 |
| £115,000 to £119,999 | 2 | 2 | 1 | 1 | 3 | 3 |
| £120,000 to £124,999 | 0 | 0 | 0 | 0 | 0 | 0 |
| £125,000 to £129,999 | 0 | 0 | 0 | 1 | 0 | 1 |
| £130,000 to £134,999 | 0 | 0 | 0 | 0 | 0 | 0 |
| £135,000 to £139,999 | 1 | 1 | 0 | 0 | 1 | 1 |
| £140,000 to £144,999 | 3 | 2 | 0 | 0 | 3 | 2 |
| £150,000 to £154,999 | 1 | 0 | 0 | 0 | 1 | 0 |
| £165,000 to £169,999 | 0 | 0 | 0 | 1 | 0 | 1 |
| Total | 138 | 146 | 420 | 437 | 558 | 583 |

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 2016/17 | Salary (inc fees and allowances) | Employer's Pension Contributions | Total (inc. Pension Contributions) |
|---|---|---|---|
| | £ | £ | £ |
| Senior Employees | | | |
| Executive Director for Children and Young People | 139,871 | 31,471 | 171,342 |
| Executive Director for Resources and Regeneration | 142,536 | 32,071 | 174,607 |
| Executive Director for Community Services | 143,472 | 32,281 | 175,753 |
| Executive Director for Customer Services | 142,536 | 32,071 | 174,607 |
| Chief Executive (Part time) | 116,586 | 0 | 116,586 |
| Director of Children's Social Care and Health | 115,974 | 26,094 | 142,068 |
| Director of Regeneration and Asset Management (a) | 0 | 0 | 0 |
| Director of Public Health - Dr D Ruta (b) | 153,874 | 18,200 | 172,074 |
| Head of Law and Monitoring Officer (Part time) | 66,067 | 14,865 | 80,932 |
| Totals | 1,020,916 | 187,053 | 1,207,969 |

(a) The Director of Regeneration and Asset Management left the authority in February 2016 and was not replaced.

(b) Dr Ruta's total remuneration includes £26,414 in pay arrears backdated from 01/04/13 to 28/02/17.

| Financial Year 2015/16 | Salary (inc fees and allowances) | Employer's Pension Contributions | Total (inc. Pension Contributions) |
|---|---|---|---|
| | £ | £ | £ |
| Senior Employees | | | |
| 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 |

Note – No payments in respect of bonuses, expenses or compensation for loss of office were made to any of these employees in 2016/17 (or 2015/16).

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 | |
|--|-------------------------------|----------------|-----------------------------|-----------------|
| | 2016/17 No. | 2015/16 No. | 2016/17 £000 | 2015/16 £000 |
| £0 to £20,000 | 70 | 95 | 435 | 1,060 |
| £20,001 to £40,000 | 26 | 60 | 782 | 1,737 |
| £40,001 to £60,000 | 14 | 32 | 670 | 1,508 |
| £60,001 to £80,000 | 3 | 11 | 200 | 768 |
| £80,001 to £100,000 | 3 | 9 | 258 | 772 |
| £100,001 to £120,000 | 0 | 1 | 0 | 112 |
| £140,001 to £160,000 | 0 | 1 | 0 | 150 |
| £220,001 to £240,000 | 0 | 1 | 0 | 232 |
| Total | 116 | 210 | 2,345 | 6,339 |

28. EXTERNAL AUDIT COSTS

| | 2016/17 £000 | 2015/16 £000 |
|--|-----------------|-----------------|
| External Audit Services | 193 | 193 |
| Certification of Grant Claims and Returns | 41 | 40 |
| Other services provided by the appointed auditor | 10 | 24 |
| | 244 | 257 |

The Council's External Auditors are Grant Thornton.

Notes to the Core Financial Statements

29. DEDICATED SCHOOLS' GRANT

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

| | 2016/17 | | | 2015/16 | | |
|--|-----------------------------|---|----------------|-----------------------------|---|----------------|
| | 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 | 66,504 | 218,237 | 284,741 | 51,621 | 227,821 | 279,442 |
| Academy figure recouped | (853) | (26,803) | (27,656) | (964) | (26,466) | (27,430) |
| Total DSG after academy recoupment | 65,651 | 191,434 | 257,085 | 50,657 | 201,355 | 252,012 |
| 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 | 64,406 | 218,237 | 282,643 | 47,979 | 227,821 | 275,800 |
| In year adjustments | 2,078 | 20 | 2,098 | 3,790 | (148) | 3,642 |
| Final Budget Distribution | 66,484 | 218,257 | 284,741 | 51,769 | 227,673 | 279,442 |
| Actual Central Expenditure | 66,484 | | 66,484 | 51,769 | | 51,769 |
| Actual ISB deployed to schools | | 218,257 | 218,257 | | 227,673 | 227,673 |

30. GRANT INCOME

The following grants were credited to services during the year:

| | 2016/17 £000 | 2015/16 £000 |
|---|------------------|------------------|
| Dedicated Schools Grant | (257,242) | (254,026) |
| Housing Benefit Grant | (225,422) | (230,458) |
| Housing Subsidy/ Decent Homes Backlog Grant | (10,353) | (10,353) |
| BSF/ Grouped Schools PFI Unitary Charge Grant | (25,585) | (25,585) |
| Public Health Grant | (25,307) | (22,400) |
| Pupil Premium Grant | (15,877) | (16,406) |
| Other Grants | (42,595) | (31,004) |
| Total | (602,381) | (590,232) |

Notes to the Core Financial Statements

31. RELATED PARTY TRANSACTIONS

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

(a) Central Government and Other Local Authorities

Central government exerts significant influence over the Council through legislation and grant funding. The general government grants received are shown in Note 30 to the Core Financial Statements. The precept to the Greater London Authority is shown in the notes of the Collection Fund in Section 5 of these Accounts. There were numerous other transactions between the Council and other Local Authorities.

(b) Subsidiaries, Associated Companies and Joint Ventures

The companies that are related to the Council are detailed in Note 25 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 26. They are required to declare all related party transactions which they have with any organisation in which they have a controlling interest. This information is recorded on the Council's Register of Members and Chief Officers' Declarations of Interests and is open to public inspection at the Civic Suite at Lewisham Civic Suite during office hours. The information is also published on the Council's website. The Council is compliant with the Localism Act 2012. The material instances (over £100,000) where a Councillor has declared a related party transaction are as follows:

- Councillor Alan Till is a board member of the Marsha Phoenix Memorial Trust (£0.201m) and Voluntary Services Lewisham (£0.184m)
- Councillor Brenda Dacres is a board member of the Albany Trust (£0.973m)
- Councillor Joan Milbank is a board member of Voluntary Action Lewisham (£0.139m)
- Councillor John Muldoon is a Governor of the South London and Maudsley NHS Trust (£2.705m)
- Councillor Pat Raven is a board member of Lewisham Disability Coalition (£0.102m)

(d) Lewisham Pension Fund

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

Notes to the Core Financial Statements

32. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

| | 2016/17 £000 | 2015/16 £000 |
|--|-----------------|-----------------|
| Opening Capital Financing Requirement | 241,725 | 230,786 |
| Capital Investment | | |
| Property, Plant and Equipment | 40,963 | 58,916 |
| Revenue Expenditure Funded from Capital under Statute | 5,799 | 11,614 |
| | 46,762 | 70,530 |
| Resources Used for Financing | | |
| Capital Receipts | (19,153) | (11,659) |
| Government Grants and Other Contributions | (15,898) | (36,112) |
| Sums set aside from Revenue: | (4,709) | (10,197) |
| | (39,760) | (57,968) |
| Increase in the underlying need to borrowing | 7,002 | 12,562 |
| Debt Redeemed - Minimum Revenue Provision | (6,089) | (1,623) |
| Increase/ (decrease) in Capital Financing Requirement | 913 | 10,939 |
| Closing Capital Financing Requirement | 242,638 | 241,725 |

Notes to the Core Financial Statements

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

The Council has operating leases in the areas of Council Dwellings, School Plant and Equipment and Refuse Vehicles. The expenditure charged to services in the CIES during the year in relation to these leases was £1.5m (£1.6m in 2015/16). The future minimum lease payments due under non-cancellable leases in futures are:

| | 31/03/17 £000 | 31/03/16 £000 |
|---|------------------|------------------|
| Not later than one year | 1,258 | 1,261 |
| Later than one year and not later than five years | 2,896 | 3,428 |
| Later than five years | 14,794 | 19,130 |
| | 18,948 | 23,819 |

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

b) Council as a Lessori) Finance Leases

Following a review in 2016/17, it has been determined that the Council does not have any assets held under Finance Leases.

ii) Operating Leases

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

| | 31/03/17 £000 | 31/03/16 £000 |
|---|------------------|------------------|
| Not later than one year | 2,091 | 1,969 |
| Later than one year and not later than five years | 4,614 | 6,120 |
| Later than five years | 2,258 | 4,059 |
| | 8,963 | 12,148 |

Notes to the Core Financial Statements

34. PRIVATE FINANCE INITIATIVES (PFI) CONTRACTS

a) Summary of PFI Schemes

| PFI Scheme | Brockley HRA | Downham Lifestyles | Grouped Schools | BSF 1 | BSF 2 | BSF 3 | BSF 4 | Street Lighting |
|-----------------------------|--------------|--------------------|-----------------|--------------|-------------|--------------|--------------|-----------------|
| Start of Contract | 2007 | 2007 | 2007 | 2009 | 2011 | 2012 | 2012 | 2011 |
| End of Contract | 2027 | 2039 | 2036 | 2035 | 2037 | 2037 | 2038 | 2036 |
| Total Estimated Cost | £285m | £76m | £226m | £240m | £85m | £118m | £223m | £95m |
| Total PFI Credits | £207m | £30m | £674m | | | | | £54m |
| Net PFI Cost | £78m | £46m | £218m | | | | | £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 |
| 2016/17 | | | | | | | | | |
| Service Charges | 7,798 | 437 | 3,182 | 2,822 | 769 | 857 | 1,434 | 897 | 18,196 |
| Interest | 4,563 | 1,606 | 3,393 | 4,342 | 1,827 | 2,693 | 5,307 | 2,235 | 25,966 |
| Liability Repayment | 2,460 | 306 | 735 | 1,470 | 361 | 671 | 1,171 | 532 | 7,706 |
| Unitary Charge | 14,821 | 2,349 | 7,310 | 8,634 | 2,957 | 4,221 | 7,912 | 3,664 | 51,868 |
| 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 |

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

| | 2016/17 | | Restated 2015/16 | |
|--|---------|----------------|---------------------|----------------|
| | £000 | £000 | £000 | £000 |
| Gross Book Value b/fwd | | 324,467 | | 252,080 |
| Additions | | 3,076 | | 8,757 |
| Revaluations (recognised in Revaluation Reserve) | 5,419 | | 44,607 | |
| Revaluations (recognised in Surplus/ Deficit on the Provision of Services) | 5,133 | 10,552 | 20,104 | 64,711 |
| Impairments (recognised in Revaluation Reserve) | 0 | | 0 | |
| Impairments (recognised in Surplus/ Deficit on the Provision of Services) | 0 | 0 | 0 | 0 |
| Disposals | | (1,157) | | (1,081) |
| Transfers | | 0 | | 0 |
| Assets reclassified (to)/ from Held for Sale | | 0 | | 0 |
| Gross Book Value c/fwd | | 336,938 | | 324,467 |
| Depreciation b/fwd | | (1,632) | | (3,537) |
| Depreciation for year | | (6,981) | | (6,259) |
| <u>Depreciation written back on:</u> | | | | |
| Transfers | | 0 | | 0 |
| Revaluations (recognised in Revaluation Reserve) | 3,462 | | 5,102 | |
| Revaluations (recognised in Surplus/ Deficit on the Provision of Services) | 2,474 | 5,936 | 3,060 | 8,162 |
| Impairments (recognised in Revaluation Reserve) | 0 | | 0 | |
| Impairments (recognised in Surplus/ Deficit on the Provision of Services) | 0 | 0 | 0 | 0 |
| Assets sold | | 2 | | 2 |
| Depreciation c/fwd | | (2,675) | | (1,632) |
| Net Book Value at End of Year | | 334,262 | | 322,834 |

d) PFI Liabilities

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

| | Current Liabilities (Due within 1 Year) | | Deferred (Future) Liabilities | |
|---|--|-----------------|----------------------------------|-----------------|
| | 2016/17 £000 | 2015/16 £000 | 2016/17 £000 | 2015/16 £000 |
| Balance outstanding at start of year | 7,706 | 8,751 | 240,061 | 239,002 |
| Balance outstanding at end of year | 7,580 | 7,706 | 236,196 | 240,061 |

Notes to the Core Financial Statements

e) Payments due under PFI contracts in future years

The Council makes an agreed payment each year which is linked to inflation and can be reduced if the contractor fails to meet availability and performance standards. The following table shows the estimated payments due to be paid (as part of a unitary charge) for each PFI. The price base is in nominal terms assuming a 1.9% RPI increase per annum compounded until the end of the contract. The amounts are broken down into the different elements of the payments reflecting how they will be accounted for.

Note: Amounts shown for Brockley HRA PFI relate only to the unitary charge for tenanted properties.

| Payments due | Brockley HRA | Downham Lifestyles | Grouped Schools | BSF 1 | BSF 2 | BSF 3 | BSF 4 | Streetlighting | Total |
|-------------------------------|----------------|--------------------|-----------------|----------------|---------------|---------------|----------------|----------------|----------------|
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| In 2017/18 | | | | | | | | | |
| Service charges | 7,664 | 226 | 2,614 | 2,479 | 750 | 888 | 1,579 | 779 | 16,980 |
| Interest | 4,342 | 1,533 | 3,308 | 4,167 | 1,785 | 2,650 | 5,214 | 2,392 | 25,391 |
| Repayment of liability | 2,662 | 103 | 737 | 1,392 | 348 | 698 | 1,101 | 538 | 7,580 |
| Planned lifecycle replacement | 418 | 237 | 772 | 701 | 101 | 39 | 107 | 0 | 2,373 |
| | 15,086 | 2,099 | 7,430 | 8,738 | 2,984 | 4,274 | 8,001 | 3,709 | 52,323 |
| within 2 to 5 years | | | | | | | | | |
| Service charges | 34,430 | 963 | 11,216 | 10,669 | 3,164 | 3,960 | 7,222 | 3,314 | 74,938 |
| Interest | 14,344 | 6,263 | 12,384 | 15,224 | 6,734 | 10,086 | 19,982 | 9,195 | 94,212 |
| Repayment of liability | 12,002 | 570 | 3,315 | 5,720 | 1,538 | 3,110 | 4,640 | 2,665 | 33,558 |
| Planned lifecycle replacement | 2,181 | 1,008 | 3,820 | 4,400 | 783 | 416 | 990 | 0 | 13,599 |
| | 62,957 | 8,803 | 30,736 | 36,012 | 12,219 | 17,572 | 32,834 | 15,173 | 216,307 |
| within 6 to 10 years | | | | | | | | | |
| Service charges | 48,422 | 1,345 | 15,906 | 15,238 | 4,421 | 6,144 | 10,440 | 4,631 | 106,547 |
| Interest | 10,547 | 7,984 | 13,397 | 15,453 | 7,382 | 10,990 | 22,490 | 10,273 | 98,516 |
| Repayment of liability | 23,112 | 1,247 | 5,926 | 9,990 | 2,639 | 4,886 | 8,562 | 4,844 | 61,206 |
| Planned lifecycle replacement | 3,002 | 1,422 | 5,716 | 6,923 | 1,520 | 1,109 | 1,574 | 0 | 21,266 |
| | 85,084 | 11,997 | 40,945 | 47,605 | 15,962 | 23,129 | 43,066 | 19,748 | 287,535 |
| within 11 to 15 years | | | | | | | | | |
| Service charges | 620 | 1,522 | 18,302 | 17,667 | 5,002 | 7,864 | 13,417 | 5,239 | 69,632 |
| Interest | 204 | 7,662 | 10,168 | 10,337 | 5,721 | 8,347 | 17,558 | 8,099 | 68,097 |
| Repayment of liability | 647 | 2,022 | 11,010 | 16,363 | 4,349 | 6,314 | 11,438 | 7,314 | 59,456 |
| Planned lifecycle replacement | 1 | 1,625 | 4,052 | 6,468 | 1,747 | 2,057 | 3,176 | 0 | 19,125 |
| | 1,471 | 12,831 | 43,531 | 50,835 | 16,819 | 24,581 | 45,590 | 20,652 | 216,311 |
| within 16 to 20 years | | | | | | | | | |
| Service charges | 0 | 1,722 | 17,147 | 11,933 | 5,660 | 9,298 | 16,031 | 5,127 | 66,918 |
| Interest | 0 | 6,835 | 4,194 | 1,645 | 2,962 | 4,967 | 10,648 | 4,247 | 35,498 |
| Repayment of liability | 0 | 3,510 | 14,095 | 12,263 | 7,249 | 9,361 | 17,571 | 9,312 | 73,361 |
| Planned lifecycle replacement | 0 | 1,838 | 3,165 | 3,668 | 1,919 | 2,598 | 4,196 | 0 | 17,383 |
| | 0 | 13,905 | 38,600 | 29,509 | 17,790 | 26,224 | 48,446 | 18,686 | 193,160 |
| within 21 to 25 years | | | | | | | | | |
| Service charges | 0 | 750 | 0 | 0 | 508 | 884 | 3,635 | 0 | 5,777 |
| Interest | 0 | 2,275 | 0 | 0 | 40 | 295 | 932 | 0 | 3,542 |
| Repayment of liability | 0 | 2,146 | 0 | 0 | 751 | 1,275 | 4,443 | 0 | 8,615 |
| Planned lifecycle replacement | 0 | 801 | 0 | 0 | 250 | 276 | 1,055 | 0 | 2,383 |
| | 0 | 5,973 | 0 | 0 | 1,549 | 2,730 | 10,064 | 0 | 20,316 |
| 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 | 164,598 | 55,609 | 161,243 | 172,699 | 67,323 | 98,511 | 188,001 | 77,969 | 985,953 |

Notes to the Core Financial Statements

35. 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 |
| 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 |

36. DEFINED CONTRIBUTION PENSION SCHEMES

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

Teachers employed by the Council are members of the Teachers' Pension Scheme, which is run by the Department for Education (DfE). The scheme provides benefits upon retirement with both the Council and the employee making contributions to the scheme. The scheme is "unfunded" and the DfE use a notional fund to set a national employers contribution rate based on a percentage of members' pensionable pay – in 2016/17 this rate was 16.48% (14.1% for the first part of 2015/16 then 16.48%). In 2016/17, the Council paid £14.9m to the DfE in respect of teachers' pension costs (£13.9m in 2015/16).

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 14.3% for 2016/17 (14.0% in 2015/16). In 2016/17 the Council paid £0.087m to the DoH in respect of employees' pension costs (£0.115m in 2015/16).

37. DEFINED BENEFIT PENSION SCHEMES**a) Participation in Pension Schemes**

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

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. It should be noted the Council has guaranteed any pension liability that may arise for its wholly owned subsidiary, Lewisham Homes and as such the figures shown in the balance sheet incorporate the figures for Lewisham Homes.

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

| | 2016/17 £000 | 2015/16 £000 |
|--|-----------------|------------------|
| Cost of Service | | |
| Current Service Cost | 35,679 | 41,742 |
| Past Service Cost (inc.settlements and curtailments) | 791 | 1,561 |
| | 36,470 | 43,303 |
| Financing and Investment Income and Expenditure | | |
| <u>Net Interest on the Net Defined Benefit Liability</u> | | |
| Interest Income on Scheme Assets | (36,207) | (31,318) |
| Interest Cost on Defined Benefit Obligation (Liabilities) | 57,359 | 54,493 |
| | 21,152 | 23,175 |
| Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services | 57,622 | 66,478 |
| <u>Remeasurements of the Net Defined Benefit Liability</u> | | |
| Return on Assets excluding amounts included in Net Interest | (204,685) | 33,019 |
| Actuarial Losses from changes in Demographic Assumptions | (18,395) | 0 |
| Actuarial Losses from changes in Financial Assumptions | 291,213 | (154,346) |
| Other Gains and Losses | (48,817) | (26,705) |
| Total Remeasurements recognised in CIES | 19,316 | (148,032) |
| Total Post Employment Benefits Charged to the CIES | 76,938 | (81,554) |

Movement in Reserves Statement

| | 2016/17 £000 | 2015/16 £000 |
|---|-----------------|-----------------|
| Reversal of Net Charges made to the the Surplus or Deficit on the Provision of Services | (57,622) | (66,478) |
| Employers' Contributions Payable to the Scheme | 34,480 | 33,362 |
| Return on Assets excluding amounts included in Net Interest | 204,685 | (33,019) |
| Actuarial Gains and Losses | (224,001) | 181,051 |
| Net Movement in Pensions Reserve | (42,458) | 114,916 |

Notes to the Core Financial Statements

d) Pensions Assets and Liabilities Recognised in the Balance Sheet

| | 31/03/17 £000 | 31/03/16 £000 |
|---|--------------------|--------------------|
| Fair Value of Plan Assets | 1,273,563 | 1,045,251 |
| Present Value of Defined Benefit Liability (Obligation) | (1,843,419) | (1,575,146) |
| | (569,856) | (529,895) |
| Present Value of Unfunded Liabilities | (74,408) | (71,911) |
| Pensions Reserve - Year End Balance | (644,264) | (601,806) |

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

| | 31/03/17 £000 | 31/03/16 £000 |
|---|------------------|------------------|
| Opening Fair Value of Scheme Assets | 1,045,251 | 1,053,518 |
| Interest Income on Scheme Assets | 36,207 | 33,435 |
| Administration | (89) | (108) |
| <u>Remeasurement Gains / Losses</u> | | |
| Return on Assets excluding amounts included in Net Interest | 204,685 | (33,019) |
| Employer Contributions | 29,519 | 28,347 |
| Contributions in respect of Unfunded Benefits | 4,961 | 5,015 |
| Contributions from Scheme Participants | 8,409 | 8,494 |
| Benefits Paid | (50,582) | (45,416) |
| Unfunded Benefits Paid | (4,961) | (5,015) |
| Other Gains and Losses | 163 | 0 |
| Closing Fair Value of Scheme Assets | 1,273,563 | 1,045,251 |

Notes to the Core Financial Statements

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

| | 31/03/17 £000 | 31/03/16 £000 |
|--|--------------------|--------------------|
| Opening Present Value of Scheme Liabilities (Obligations) | (1,647,057) | (1,770,240) |
| Current Service Cost | (35,679) | (41,742) |
| Interest Cost on Defined Benefit Obligation (Liabilities) | (57,270) | (56,502) |
| Contributions from Scheme Participants | (8,409) | (8,494) |
| <u>Remeasurement Gains / Losses</u> | | |
| Benefits Paid | 50,582 | 45,416 |
| Unfunded Benefits Paid | 4,961 | 5,015 |
| Actuarial Losses from changes in Demographic Assumptions | 18,395 | 0 |
| Actuarial Losses from changes in Financial Assumptions | (291,213) | 154,346 |
| Other Gains and Losses | 48,654 | 26,705 |
| Past Service Costs / Curtailments / Settlements | (791) | (1,561) |
| Closing Present Value of Scheme Liabilities (Obligations) | (1,917,827) | (1,647,057) |

g) Pension Scheme Assets

| | 31/03/17 | | | 31/03/16 | | |
|--------------------------------|--------------------------|----------------------------------|------------------|--------------------------|----------------------------------|----------------|
| | 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 | 0 | 10,367 | 10,367 | 63,273 | 29,545 | 92,818 |
| Debt Securities | 110,095 | 0 | 110,095 | 90,328 | 0 | 90,328 |
| Real Estate | 0 | 113,020 | 113,020 | 8,499 | 83,292 | 91,791 |
| Investment Funds / Unit Trusts | 873,333 | 9,640 | 882,973 | 654,323 | 7,105 | 661,427 |
| Private Equity | 0 | 29,724 | 29,724 | 0 | 0 | 0 |
| Cash and Cash Equivalents | 0 | 48,178 | 48,178 | 4,722 | 35,506 | 40,228 |
| Total LGPS Assets | 983,428 | 210,929 | 1,194,357 | 821,145 | 155,448 | 976,592 |

| | 31/03/17 | | | 31/03/16 | | |
|--------------------------|--------------------------|----------------------------------|---------------|--------------------------|----------------------------------|---------------|
| | Active Market £000 | Not in Active Markets £000 | Total £000 | Active Market £000 | Not in Active Markets £000 | Total £000 |
| LPFA | | | | | | |
| Equities | 39,073 | 7,860 | 46,933 | 28,755 | 3,140 | 31,895 |
| LDI Cashflow matching | 0 | 0 | 0 | 0 | 6,960 | 6,960 |
| Target Return Portfolio | 9,511 | 7,225 | 16,736 | 3,556 | 11,049 | 14,605 |
| Infrastructure | 401 | 3,770 | 4,171 | 209 | 3,552 | 3,761 |
| Commodities | 0 | 0 | 0 | 0 | 307 | 307 |
| Properties | 0 | 4,038 | 4,038 | 0 | 2,450 | 2,450 |
| Cash | 7,328 | 0 | 7,328 | 8,681 | 0 | 8,681 |
| Total LPFA Assets | 56,313 | 22,893 | 79,206 | 41,201 | 27,458 | 68,659 |

Notes to the Core Financial Statements

h) Basis for Estimating Assets and Liabilities

| | Local Government Pension Scheme | | LPFA | |
|--|---------------------------------|---------|---------|---------|
| | 2016/17 | 2015/16 | 2016/17 | 2015/16 |
| Rate of Inflation – CPI | 2.4% | 2.2% | 2.4% | 2.0% |
| Salary Increase Rate | 3.1% | 4.2% | 3.9% | 3.8% |
| Pensions Increases | 2.4% | 2.2% | 2.4% | 2.0% |
| Rate for discounting scheme liabilities | 2.6% | 3.5% | 2.2% | 3.3% |
| Mortality assumptions | | | | |
| Longevity at 65 for current pensioners - Men | 22.2yrs | 21.7yrs | 20.9yrs | 21.6yrs |
| Longevity at 65 for current pensioners - Women | 24.6yrs | 24.0yrs | 23.9yrs | 24.4yrs |
| Longevity at 65 for future pensioners - Men | 24.0yrs | 24.4yrs | 23.2yrs | 24.0yrs |
| Longevity at 65 for future pensioners - Women | 26.5yrs | 26.7yrs | 26.2yrs | 26.7yrs |

i) Sensitivity Analysis

| Change in Assumption at 31st March 2017 | Approximate % Increase in Employer Liability | Approximate Monetary Amount (£000) |
|--|--|------------------------------------|
| LGPS - LB Lewisham | | |
| 0.5% Decrease in Real Discount Rate | 9% | 153,686 |
| 1 Year Increase in Member Life Expectancy | 4% | 68,305 |
| 0.5% Increase in the Salary Increase Rate | 1% | 15,432 |
| 0.5% Increase in the Pension Increase Rate | 8% | 136,610 |
| LGPS - Lewisham Homes | | |
| 0.5% Decrease in Real Discount Rate | 11% | 14,917 |
| 1 Year Increase in Member Life Expectancy | 4% | 5,424 |
| 0.5% Increase in the Salary Increase Rate | 2% | 2,343 |
| 0.5% Increase in the Pension Increase Rate | 9% | 12,348 |
| LPFA | | |
| 0.5% Decrease in Real Discount Rate | n/a | 1,410 |
| 1 Year Increase in Member Life Expectancy | n/a | 287 |
| 0.5% Increase in the Salary Increase Rate | n/a | 1,390 |
| 0.5% Increase in the Pension Increase Rate | n/a | 1,410 |

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

j) Future Contributions

The objectives of the scheme are to keep the employer's contributions at as constant a rate as possible. The Council 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 2019. The Council anticipates paying £25.5m in contributions to the scheme in 2017/18.

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

38. CONTINGENT LIABILITIES

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

As indicated in the Narrative Statement – Significant Events, the total of school deficits / loans stands at just under £4m at the end of 2016/17. Because of the complexities and future uncertainties over the arrangements for dealing with school deficits / loans, some or all of this £4m may ultimately fall to be met from the Council's General Fund, either in 2017/18 or a later year.

As at 31st March 2017, the Council had previously been 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. This proposal has since been withdrawn, as notified by VOA in May 2017. (See also Note 6 – Events after the Balance Sheet Date.)

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.

39. CONTINGENT ASSETS

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

40. TRUST FUNDS

The Council acts as a trustee for other funds which are not included in the Balance Sheet. Interest on these funds is credited annually at the average rate earned on the Council's revenue balances. The total amount held as at 31st March 2017 was £1.01m (£0.65m as at 31st March 2016)

41. 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 2017 is £0.26m (£0.26m as at 31st March 2016).

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

Notes to the Core Financial Statements

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

| | 2016/17 £000 | 2015/16 £000 |
|---|-----------------|-----------------|
| Depreciation, Impairment and Downward Valuations | 57,843 | 11,186 |
| Increase/ (decrease) in creditors | 10,906 | (14,701) |
| (Increase)/ decrease in debtors | 2,702 | 31,558 |
| (Increase)/ decrease in inventories (stock) | 10 | 122 |
| Movement in pension liability | 23,142 | 33,116 |
| Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 9,749 | 29,634 |
| Other non-cash items charged to the net surplus or deficit on the provision of services | 1,146 | 1,676 |
| Total Adjustment to net surplus or deficit on the provision of services for non-cash movements | 105,498 | 92,591 |

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

| | 2016/17 £000 | 2015/16 £000 |
|--|-----------------|-----------------|
| Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries) | 140 | 55 |
| Proceeds from the sale of property plant and equipment, investment property and intangible assets | (19,359) | (22,655) |
| Any other items for which the cash effects are investing or financing cash flows. | (21,912) | (33,408) |
| Total Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (41,131) | (56,008) |

44. CASH FLOW STATEMENT - OPERATING ACTIVITIES

| | 2016/17 £000 | 2015/16 £000 |
|--------------------------|-----------------|-----------------|
| Interest Received | 3,130 | 1,786 |
| Interest Paid | (35,096) | (26,570) |
| Net Interest Paid | (31,966) | (24,784) |

Notes to the Core Financial Statements

45. CASH FLOW STATEMENT - INVESTING ACTIVITIES

| | 2016/17 £000 | 2015/16 £000 |
|---|-----------------|-----------------|
| Purchase of Property, Plant and Equipment, investment property and intangible assets | (32,518) | (71,997) |
| Purchase of short and long term investments | (495,017) | (350,200) |
| Other payments for Investing Activities | (6,424) | (8,000) |
| Proceeds from the sale of property plant and equipment, investment property and intangible assets | 19,364 | 22,668 |
| Proceeds from short-term and long-term investments | 445,000 | 350,000 |
| Other Receipts from Investing Activities | 28,804 | 26,993 |
| Net Cash Flows from Investing Activities | (40,791) | (30,536) |

46. CASH FLOW STATEMENT - FINANCING ACTIVITIES

| | 2016/17 £000 | 2015/16 £000 |
|--|-----------------|-----------------|
| Cash receipts of short and long term borrowing | 918 | 879 |
| 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 | (7,706) | (8,743) |
| Repayment of Short-Term and Long-Term Borrowing | (1,263) | 0 |
| Other payments for financing activities | 1,909 | (1,170) |
| Net Cash Flows from Financing Activities | (6,142) | (9,034) |

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

| | 2016/17 £000 | 2015/16 £000 | Note |
|---|-----------------|-----------------|------|
| INCOME | | | |
| Gross Rent - Dwellings | (71,539) | (72,402) | 1 |
| Gross Rent - Other Housing Properties | (3,088) | (3,187) | 1 |
| Charges for Services and Facilities | (11,355) | (9,602) | 1 |
| Housing Subsidy and Government Grants | (10,353) | (10,353) | 2 |
| Contribution towards Expenditure | (1,934) | (3,946) | 4 |
| Total Income | (98,269) | (99,490) | |
| EXPENDITURE | | | |
| Supervision and Management - General Expenses | 33,863 | 30,952 | 5 |
| Supervision and Management - Special Expenses | 4,862 | 6,171 | 5 |
| Repairs and Maintenance | 31,866 | 32,406 | 6 |
| Rent, Rates and Other Charges | 544 | 486 | 8 |
| Rent Rebate Subsidy Shortfall | 0 | 0 | 3 |
| Contribution to Doubtful Debts Provision | 409 | 474 | 7 |
| Depreciation - Dwellings | 20,426 | 29,444 | 10 |
| Depreciation - Other Housing Assets | 725 | 668 | 10 |
| Impairment of Non Current Assets | 438 | 0 | |
| Debt Management Expenses | 26 | 26 | |
| Total Expenditure | 93,159 | 100,627 | |
| Net Cost of Services included in the Council's Income and Expenditure Account | (5,110) | 1,137 | |
| HRA Services share of Corporate and Democratic Core Costs | 134 | 134 | |
| Net Cost of HRA Services | (4,976) | 1,271 | |
| 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 | (9,673) | 9,200 | |
| Interest Payable and Similar Charges | 7,580 | 8,238 | 11 |
| Interest and Investment Income | (649) | (604) | |
| Net Pension Interest Cost | 1,611 | 916 | 12 |
| (Surplus) / Deficit for the Year on HRA Services | (6,107) | 19,021 | |

Housing Revenue Account

HOUSING REVENUE ACCOUNT - MOVEMENT IN RESERVES STATEMENT

| | 2016/17 £000 | 2015/16 £000 |
|---|-----------------|-----------------|
| Balance on the HRA at the End of the Previous Year | 42,894 | 35,912 |
| <u>Movement in Year</u> | | |
| Surplus or (Deficit) for the year on the HRA Income and Expenditure Statement | 6,107 | (19,021) |
| Adjustments between Accounting Basis and Funding Basis under Statute | 11,398 | 37,871 |
| Net Increase or (Decrease) before Transfers (To) / From Reserves | 17,505 | 18,850 |
| Transfers (To) / From Reserves | (3,277) | (11,868) |
| Increase or (Decrease) in Year on the HRA | 14,228 | 6,982 |
| Balance on the HRA at the End of the Year | 57,122 | 42,894 |

An analysis of the amounts included within the figures for "Adjustments between Accounting Basis and Funding Basis under Statute" can be found within Note 8 to the Core Financial Statements.

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

Housing Revenue Account

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

This is the total rent collectable for the year after allowance is made for empty property. At 31 March 2017, 0.52% of lettable property was empty (0.61% at 31 March 2016). These figures for empty property exclude accommodation for the homeless and dwellings designated for sale, major works and improvements. Average rents were £97.58 in 2016/17 and £98.42 per week in 2015/16.

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 14,256 dwellings as at 31 March 2017 (14,390 as at 31 March 2016).

There have been no stock transfers undertaken in 2016/17.

The stock was made up as follows:

| | 31/03/17 | 31/03/16 |
|----------------------------------|-----------------|-----------------|
| <u>Stock Numbers at year end</u> | | |
| Houses and Bungalows | 2,424 | 2,416 |
| Flats and Maisonettes | 11,832 | 11,974 |
| Stock at End of Year | 14,256 | 14,390 |

| | 2016/17 | 2015/16 |
|--|----------------|----------------|
| <u>Change in Stock Numbers during the year</u> | | |
| Stock at 1 April | 14,390 | 14,637 |
| Less Sales, Demolitions, etc. | (155) | (248) |
| Add Re-purchases, Conversions etc. | 21 | 1 |
| Stock at End of Year | 14,256 | 14,390 |

b) Rent Arrears

| | 2016/17 £000 | 2015/16 £000 |
|--|-------------------------|-------------------------|
| Rent Arrears due from Current Tenants | 3,129 | 3,113 |
| Rent Arrears due from Former Tenants | 2,178 | 2,145 |
| Total Arrears | 5,307 | 5,258 |
| Total Arrears as % of Gross Rent of Dwellings Due | 6.1% | 6.1% |

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

| | 2016/17 £000 | 2015/16 £000 |
|--------------------------------------|-----------------|-----------------|
| Aerial Sites | 187 | 394 |
| Garages | 140 | 179 |
| Reception Hostels | 2,592 | 2,527 |
| Commercial Property | 116 | 28 |
| Ground Rents | 53 | 59 |
| Total Other Rents and Charges | 3,088 | 3,187 |

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

Service charges include caretaking, grounds maintenance, communal lighting, bulk household waste removal and disposal, window cleaning, pest control and the Lewisham Tenants Levy. The average tenants' service charge was £7.84 in 2016/17 (£7.71 in 2015/16).

| | 2016/17 £000 | 2015/16 £000 |
|--|-----------------|-----------------|
| Heating Charges | 680 | 566 |
| Leasehold Service Charges | 4,879 | 4,445 |
| Tenants Service Charges | 5,796 | 4,591 |
| Total Charges for Services and Facilities | 11,355 | 9,602 |

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.

| | 2016/17 £000 | 2015/16 £000 |
|---------------------------------|-----------------|-----------------|
| Charges for Capital | 0 | 0 |
| PFI Credit | 10,353 | 10,353 |
| Decent Homes Grant | 0 | 0 |
| Total Grants and Subsidy | 10,353 | 10,353 |

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 53% of tenants received help in 2016/17 (58% in 2015/16). 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

| | 2016/17 £000 | 2015/16 £000 |
|----------------------------------|-----------------|-----------------|
| Rent Rebates Given (GF) | 42,774 | 47,212 |
| Subsidy Received on Rebates (GF) | (42,774) | (47,212) |
| Net cost to the HRA | 0 | 0 |

4. CONTRIBUTIONS TOWARDS EXPENDITURE

| | 2016/17 £000 | 2015/16 £000 |
|---|-----------------|-----------------|
| Commission on insurance and water rates | 0 | 696 |
| Recharges of repairs | 1,073 | 2,280 |
| Recharge to Capital Receipts | 606 | 601 |
| Hostels: Heat, Light and Water Charges | 92 | 89 |
| Other miscellaneous income | 163 | 280 |
| Total Other Income | 1,934 | 3,946 |

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. Repairs and maintenance expenditure was as follows:

| | 2016/17 £000 | 2015/16 £000 |
|--------------------------------------|-----------------|-----------------|
| Revenue R&M works | 13,992 | 14,162 |
| R&M works charged to MRR | 17,874 | 18,244 |
| Total Repairs and Maintenance | 31,866 | 32,406 |

Housing Revenue Account

7. CONTRIBUTIONS TO IMPAIRMENT ALLOWANCE

A contribution of £0.409m (2015/16 £0.474m) was transferred from the HRA to an impairment allowance to meet doubtful debts. Details of the accumulated provisions are as follows:

| | 2016/17 £000 | 2015/16 £000 |
|--|-----------------|-----------------|
| Housing Tenants | 4,541 | 4,421 |
| Leaseholders | 1,507 | 1,837 |
| Commercial Properties, Miscellaneous Debts | 900 | 991 |
| Total Impairment Allowance | 6,948 | 7,249 |

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 2017 was £74.8m

9. NON CURRENT ASSETS VALUATION

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

| | 31/03/17 £000 | 31/03/16 £000 |
|---|------------------|------------------|
| Operational Assets: | | |
| Dwellings (Existing Use Value - Social Housing) | 1,229,068 | 1,146,314 |
| Other Land and Buildings | 14,566 | 13,973 |
| Infrastructure | 102 | 107 |
| Vehicles, Plant and Equipment | 7,413 | 7,374 |
| | 1,251,149 | 1,167,768 |
| Investment Properties | 0 | 0 |
| Surplus Assets | 8,864 | 6,139 |
| Total Housing Assets | 1,260,013 | 1,173,907 |
| Full Valuation of Council Dwellings | 4,916,272 | 4,585,256 |

Housing Revenue Account

10. DEPRECIATION

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

| | 2016/17 £000 | 2015/16 £000 |
|-------------------------------|-----------------|-----------------|
| Operational Assets | | |
| Dwellings | 20,427 | 29,444 |
| Other Land and Buildings | 243 | 294 |
| Infrastructure | 4 | 0 |
| Vehicles, Plant and Equipment | 477 | 374 |
| Total Depreciation | 21,151 | 30,112 |

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 2016/17 (£3.1m in 2015/16). It also includes £0.485m for the net cost of amortised loan redemption premiums and discounts (£0.477m in 2015/16).

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.

| | 2016/17 £000 | 2015/16 £000 |
|---|-----------------|-----------------|
| Expenditure: | | |
| Dwellings | 11,065 | 3,757 |
| Revenue Expenditure Funded from Capital under Statute | 0 | 0 |
| | 11,065 | 3,757 |
| Financed by: | | |
| Capital Receipts | 10,220 | 0 |
| Major Repairs Reserve | 845 | 3,757 |
| Total Capital Expenditure Financed | 11,065 | 3,757 |

Housing Revenue Account

14. MAJOR REPAIRS RESERVE

The movements on the major repairs reserve are as follows:

| | 2016/17 £000 | 2015/16 £000 |
|--|-----------------|-----------------|
| Balance brought forward at start of year | 37,475 | 29,364 |
| Transferred in (depreciation dwellings) | 21,151 | 30,112 |
| Financing of capital expenditure on housing assets | (845) | (3,757) |
| Financing Major Revenue Repairs | (17,874) | (18,244) |
| Contributions from Revenue (Capital) | | 0 |
| Balance carried forward at end of year | 39,907 | 37,475 |

15. HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

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

| | Balance at 31/03/16 £000 | Transfers In £000 | Transfers Out £000 | Balance at 31/03/17 £000 |
|-------------------------------------|--------------------------------|-------------------------|--------------------------|--------------------------------|
| Property and Stock Related Reserves | 4,984 | 584 | (881) | 4,687 |
| Staff Related Reserves | 750 | 0 | 0 | 750 |
| Other Earmarked Reserves | 37,160 | 14,526 | 0 | 51,686 |
| Total Reserves and Balances | 42,894 | 15,110 | (881) | 57,123 |

Collection Fund

SECTION 5 - THE COLLECTION FUND

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

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

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

| | 2016/17 | | | 2015/16 | | | Note |
|--|----------------|---------------|----------------|----------------|---------------|----------------|------|
| | Council Tax | NDR | Total | Council Tax | NDR | Total | |
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| INCOME | | | | | | | |
| Income from Council Tax (net) | 116,837 | | 116,837 | 109,442 | | 109,442 | 4 |
| Income from Non-Domestic Rates (net) * | | 52,849 | 52,849 | | 53,187 | 53,187 | 5 |
| Income from Non-Domestic Rates (net) - BRS * | | 1,335 | 1,335 | | 1,216 | 1,216 | 5 |
| TOTAL INCOME | 116,837 | 54,184 | 171,021 | 109,442 | 54,403 | 163,845 | |
| EXPENDITURE | | | | | | | |
| Precepts and Demands upon Fund (C. Tax) | | | | | | | |
| - London Borough of Lewisham | 86,590 | | 86,590 | 80,084 | | 80,084 | |
| - Greater London Authority ** | 21,674 | | 21,674 | 22,280 | | 22,280 | |
| Precepts and Demands upon Fund (NDR) | | | | | | | |
| - London Borough of Lewisham | | 15,515 | 15,515 | | 16,452 | 16,452 | |
| - Greater London Authority | | 10,426 | 10,426 | | 10,968 | 10,968 | |
| - Central Government | | 26,064 | 26,064 | | 27,420 | 27,420 | |
| - Cost of Collection Allowance | | 303 | 303 | | 307 | 307 | |
| Business Rate Supplement (BRS) | | | | | | | |
| - Paid to Greater London Authority | | 1,334 | 1,334 | | 1,212 | 1,212 | |
| - Administrative Costs | | 3 | 3 | | 4 | 4 | |
| Bad and Doubtful Debts | | | | | | | |
| - Net adj to Impairment Allowance | 2,813 | | 2,813 | 1,729 | | 1,729 | 6a |
| - Net adj to Impairment Allowance | | (811) | (811) | | (37) | (37) | 6b |
| - Amounts Written Off | 101 | | 101 | 799 | | 799 | |
| - Amounts Written Off | | 807 | 807 | | 1,369 | 1,369 | |
| Contributions from previous year | | | | | | | |
| - London Borough of Lewisham | 2,938 | | 2,938 | 4,864 | | 4,864 | |
| - Greater London Authority ** | 817 | | 817 | 1,372 | | 1,372 | |
| Provision for Appeals | | | | | | | |
| - Net contribution | | 487 | 487 | | 295 | 295 | |
| TOTAL EXPENDITURE | 114,933 | 54,128 | 169,061 | 111,129 | 57,990 | 169,119 | |
| Deficit / (Surplus) for the year | (1,904) | (56) | (1,960) | 1,687 | 3,587 | 5,274 | 3 |
| Deficit / (Surplus) at start of year | (4,109) | 5,876 | 1,767 | (5,796) | 2,289 | (3,507) | 3 |
| Deficit / (Surplus) at end of year | (6,013) | 5,820 | (193) | (4,109) | 5,876 | 1,767 | |

* The 2015/16 figures have been restated to show separately the Business Rates Supplement (BRS) amount of £1,216k

** The 2015/16 figures have been restated to show separately the Greater London Authority (GLA) amount of £1,372k

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 2016/17 assumed a collection rate of 96.0% (96.0% for 2015/16).

The table below sets out the original tax base calculation for 2016/17 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 | 2016/17 | | Band D Ratio | 2016/17 | | 2015/16 | |
|---------------------------------|------------------------|----------------------|------------------------|--------------|--|-------------------------|--|-------------------------|
| | | No. of Properties | | | Band D Equivalents as per Ratio No. | Council Tax Charge £ | Band D Equivalents as per Ratio No. | Council Tax Charge £ |
| | | Actual Number (1) | Adjusted Number (2) | | | | | |
| A | up to 40 | 7,470 | 4,038 | 6/9 | 2,691.8 | 919.11 | 2,455.2 | 903.57 |
| B | 40 - 52 | 33,152 | 21,364 | 7/9 | 16,616.3 | 1,072.29 | 15,658.2 | 1,054.16 |
| C | 52 - 68 | 42,944 | 31,435 | 8/9 | 27,942.6 | 1,225.47 | 26,720.5 | 1,204.75 |
| D | 68 - 88 | 25,501 | 20,873 | 1 | 20,872.8 | 1,378.66 | 20,345.0 | 1,355.35 |
| E | 88 - 120 | 7,293 | 6,320 | 11/9 | 7,724.3 | 1,685.02 | 7,577.0 | 1,656.54 |
| F | 120 - 160 | 2,725 | 2,508 | 13/9 | 3,623.0 | 1,991.40 | 3,599.1 | 1,957.73 |
| G | 160 - 320 | 1,283 | 1,210 | 15/9 | 2,016.3 | 2,297.76 | 1,999.1 | 2,258.92 |
| H | over 320 | 166 | 157 | 18/9 | 313.5 | 2,757.32 | 319.0 | 2,710.70 |
| Totals | | 120,534 | 87,904 | | 81,800.6 | | 78,673.1 | |
| Add: Contributions in lieu | | | | | 0.0 | | 0.0 | |
| Total Band D Equivalents | | | | | 81,800.6 | | 78,673.1 | |
| Estimated Collection Rate | | | | | 96.0% | | 96.0% | |
| NET COUNCIL TAX BASE | | | | | 78,528.6 | | 75,526.2 | |

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.

Collection Fund

3. COLLECTION FUND BALANCE SPLIT INTO ITS ATTRIBUTABLE PARTS

| | (Surplus)/ Deficit | | | (Surplus)/ Deficit | |
|---------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | Balance at 31/03/15 £000 | Movement in 2015/16 £000 | Balance at 31/03/16 £000 | Movement in 2016/17 £000 | Balance at 31/03/17 £000 |
| Council Tax | | | | | |
| London Borough of Lewisham | (4,523) | 1,303 | (3,220) | (1,622) | (4,842) |
| Greater London Authority | (1,273) | 384 | (889) | (282) | (1,171) |
| | (5,796) | 1,687 | (4,109) | (1,904) | (6,013) |
| Non-Domestic Rates | | | | | |
| London Borough of Lewisham | 687 | 1,077 | 1,764 | (17) | 1,747 |
| Greater London Authority | 458 | 717 | 1,175 | (11) | 1,164 |
| Central Government | 1,144 | 1,793 | 2,937 | (28) | 2,909 |
| | 2,289 | 3,587 | 5,876 | (56) | 5,820 |
| Collection Fund Balances | (3,507) | 5,274 | 1,767 | (1,960) | (193) |

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

| | 2016/17 | | 2015/16 |
|---|-----------------|-----------------|-----------------|
| | £000 | £000 | £000 |
| Gross Council Tax Income Due | | 156,659 | 150,100 |
| Less: Adjustments to charge | 2,250 | | 1,362 |
| Exemptions | (4,106) | | (3,661) |
| Disabled Relief | (77) | | (65) |
| Discounts | (15,462) | | (15,010) |
| Adjustment for Council Tax Reduction Scheme | (22,427) | | (23,285) |
| | | (39,822) | (40,658) |
| Total Due from Council Tax payers | | 116,837 | 109,442 |
| Other Transfers | | 0 | 0 |
| Net Amount of Council Tax Receivable | | 116,837 | 109,442 |

Collection Fund

5. NON-DOMESTIC RATES

The Council is responsible for collecting the Non-Domestic Rates (NDR) (often referred to as Business Rates) which are payable within its area. The amount payable is based upon the rateable value of commercial properties multiplied by the NDR multiplier, which is set annually by the Government. The amount due is paid as precepts to London Borough of Lewisham's General Fund (30%), Greater London Authority (20%) and Central Government (50%).

| | 2016/17 | | 2015/16 |
|---|----------|---------------|---------------|
| | £000 | £000 | £000 |
| Gross NDR Collectable (after voids and exemptions) | | 65,511 | 62,027 |
| Reductions and Relief: | | | |
| Mandatory Relief | (10,942) | | (7,441) |
| Discretionary Relief | (385) | | (182) |
| | | (11,327) | |
| Total Receivable from Business Rates | | 54,184 | 54,403 |

| | 2016/17 | 2015/16 |
|------------------------------------|---------|---------|
| | £m | £m |
| Non-Domestic Rateable Value | 139.2 | 138.5 |

| | 2016/17 | 2015/16 |
|--|---------|---------|
| | pence | pence |
| Non-Domestic Rate Multiplier | 49.7 | 49.3 |
| Non-Domestic Rate Multiplier (Small Business) | 48.4 | 48.0 |

6. COLLECTION FUND ARREARS AND IMPAIRMENT ALLOWANCES

a) Council Tax

| | 31/03/17 | 31/03/16 |
|----------------------------|----------|----------|
| | £000 | £000 |
| Council Tax Arrears | 36,008 | 33,080 |
| Impairment Allowance | (33,430) | (30,617) |
| As a Percentage of Arrears | 92.8% | 92.6% |

| | 2016/17 | | 2015/16 | |
|-----------------------|---------------|------------|---------------|------------|
| | Amount | Percentage | Amount | Percentage |
| | £000 | % | £000 | % |
| Age of Arrears | | | | |
| Year of Accounts | 6,229 | 17 | 5,979 | 18 |
| Under 2 Years old | 4,384 | 12 | 4,175 | 13 |
| Under 3 Years old | 3,708 | 10 | 3,886 | 12 |
| Under 5 Years old | 6,348 | 18 | 5,683 | 17 |
| Over 5 Years old | 15,339 | 43 | 13,357 | 40 |
| Total | 36,008 | 100 | 33,080 | 100 |

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

Collection Fund

b) Non-Domestic Rates

| | 31/03/17 £000 | 31/03/16 £000 |
|----------------------------|------------------|------------------|
| NDR Arrears | 3,957 | 4,959 |
| Impairment Allowance | (2,338) | (3,064) |
| As a Percentage of Arrears | 59.1% | 61.8% |

| | 2016/17 | | 2015/16 | |
|-----------------------|----------------|-----------------|----------------|-----------------|
| | Amount £000 | Percentage % | Amount £000 | Percentage % |
| Age of Arrears | | | | |
| Year of Accounts | 1,458 | 37 | 1,338 | 27 |
| Under 2 Years old | 585 | 15 | 881 | 18 |
| Under 3 Years old | 316 | 8 | 835 | 17 |
| Under 5 Years old | 714 | 18 | 1,304 | 26 |
| Over 5 Years old | 884 | 22 | 600 | 12 |
| Total | 3,957 | 100 | 4,959 | 100 |

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

Group Accounts

SECTION 6 – GROUP ACCOUNTS

In order to provide a full picture of the Council's economic activities and financial position, the accounting statements of the Council and its wholly owned local authority trading companies, Lewisham Homes Ltd and Catford Regeneration Partnership Ltd have been consolidated.

The group accounts are presented in addition to the Council's "single entity" financial statements and comprise:

- Group Comprehensive Income and Expenditure Statement
- Group Movement in Reserves Statement;
- Group Balance Sheet; and
- Group Cash flow Statement

These statements (the purposes of which are explained on pages 3 and 4), together with those explanatory notes that are considered necessary in addition to those accompanying the "single entity" accounts and accounting policies are set out in the following pages.

Group Accounts

GROUP MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31ST MARCH 2017

| YEAR ENDING 31ST MARCH 2017 | General Fund Balance £000 | Earmarked Gen Fund Reserves £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Major Repairs Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Authority Reserves £000 |
|---|------------------------------------|---|---------------------------------------|--|-------------------------------------|--|-------------------------------------|------------------------------|--|
| Balance at 31 March 2016 Brought Forward | 13,000 | 153,084 | 47,222 | 57,231 | 37,475 | 8,149 | 316,161 | 1,097,489 | 1,413,650 |
| Movement in Reserves during 2016/17 | | | | | | | | | |
| Surplus or (Deficit) on the provision of services | (33,272) | 233 | 8,421 | 0 | 0 | 0 | (24,618) | 0 | (24,618) |
| Other Comprehensive Income and Expenditure | 0 | 125 | 0 | 0 | 0 | 0 | 125 | 82,555 | 82,680 |
| Total Comprehensive Income and Expenditure | (33,272) | 358 | 8,421 | 0 | 0 | 0 | (24,493) | 82,555 | 58,062 |
| Adjustments between accounting basis and funding basis under regulations | 30,321 | 0 | 11,320 | (1,736) | (845) | 5,983 | 45,043 | (45,122) | (79) |
| Net Increase / Decrease before Transfers to Earmarked Reserves | (2,951) | 358 | 19,741 | (1,736) | (845) | 5,983 | 20,550 | 37,433 | 57,983 |
| Transfers to / from Earmarked Reserves | 2,951 | (2,951) | (3,277) | 0 | 3,277 | 0 | 0 | 0 | 0 |
| Increase / (Decrease) in 2016/17 | 0 | (2,593) | 16,464 | (1,736) | 2,432 | 5,983 | 20,550 | 37,433 | 57,983 |
| Balance at 31 March 2017 Carried Forward | 13,000 | 150,491 | 63,686 | 55,495 | 39,907 | 14,132 | 336,711 | 1,134,922 | 1,471,633 |

Group Accounts

GROUP MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31ST MARCH 2016

| YEAR ENDING 31ST MARCH 2016 | General Fund Balance £000 | Earmarked GF Reserves £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Major Repairs Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Authority Reserves £000 |
|---|------------------------------------|-------------------------------------|---------------------------------------|--|-------------------------------------|--|-------------------------------------|------------------------------|--|
| Balance at 31 March 2015 Brought Forward | 13,000 | 141,112 | 39,268 | 48,191 | 29,364 | 10,958 | 281,893 | 698,071 | 979,964 |
| Movement in Reserves during 2015/16 | | | | | | | | | |
| Surplus or (Deficit) on the provision of services | 37,259 | 290 | (19,021) | 0 | 0 | 0 | 18,528 | 0 | 18,528 |
| Other Comprehensive Income and Expenditure | 0 | 0 | 972 | 0 | 0 | 0 | 972 | 414,186 | 415,158 |
| Total Comprehensive Income and Expenditure | 37,259 | 290 | (18,049) | 0 | 0 | 0 | 19,500 | 414,186 | 433,686 |
| Adjustments between accounting basis and funding basis under regulations | (25,577) | 0 | 37,871 | 9,040 | 26,597 | (2,809) | 45,122 | (14,768) | 30,354 |
| Net Increase / Decrease before Transfers to Earmarked Reserves | 11,682 | 290 | 19,822 | 9,040 | 26,597 | (2,809) | 64,622 | 399,418 | 464,040 |
| Transfers to / from Earmarked Reserves | (11,682) | 11,682 | (11,868) | 0 | (18,486) | 0 | 0 | 0 | 0 |
| Increase / (Decrease) in 2015/16 | 0 | 11,972 | 7,954 | 9,040 | 8,111 | (2,809) | 34,268 | 399,418 | 433,686 |
| Balance at 31 March 2016 Carried Forward | 13,000 | 153,084 | 47,222 | 57,231 | 37,475 | 8,149 | 316,161 | 1,097,489 | 1,413,650 |

Group Accounts

GROUP BALANCE SHEET AS AT 31ST MARCH 2017

| 31/03/2016 £000 | | 31/03/2017 £000 |
|--------------------|---|--------------------|
| | Property, Plant & Equipment | |
| 1,146,313 | Council dwellings | 1,229,068 |
| 798,606 | Other land and buildings | 790,795 |
| 30,865 | Vehicles, plant, furniture and equipment | 29,292 |
| 110,282 | Infrastructure | 114,893 |
| 7,155 | Community | 4,982 |
| 75,657 | Surplus Assets not held for Sale | 76,893 |
| 29,462 | Assets under Construction | 26,494 |
| 2,198,340 | | 2,272,417 |
| 257 | Heritage Assets | 257 |
| 13,913 | Investment Property | 14,872 |
| 2,189 | Long term investments | 2,049 |
| 6,351 | Long term debtors | 6,377 |
| 2,221,050 | Total Long Term Assets | 2,295,972 |
| 230,762 | Short Term Investments | 280,731 |
| 241 | Inventories | 229 |
| 58,154 | Debtors | 48,162 |
| 101,821 | Cash and Cash Equivalents | 94,276 |
| 3,134 | Prepayments | 3,637 |
| 394,112 | Current Assets | 427,035 |
| 3,180 | Bank Overdraft | 3,717 |
| 35,671 | Short term borrowing | 26,854 |
| 3,347 | Provisions | 3,789 |
| 72,194 | Creditors | 79,600 |
| 69,974 | Receipts in advance | 76,789 |
| 7,706 | PFI Liabilities due within one year | 7,580 |
| 192,072 | Current Liabilities | 198,329 |
| 2,423,090 | Total Assets less Current Liabilities | 2,524,678 |
| 157,682 | Long term borrowing | 166,126 |
| 8,347 | Provisions | 4,843 |
| 240,061 | Deferred PFI Liabilities | 236,196 |
| 1,544 | Capital Grants Receipts in Advance | 1,616 |
| 601,806 | Liability related to defined benefit pension scheme | 644,264 |
| 1,009,440 | Long Term Liabilities | 1,053,045 |
| 1,413,650 | NET ASSETS | 1,471,633 |
| | Usable Reserves | |
| 13,000 | General Fund Balance | 13,000 |
| 152,528 | Earmarked Revenue Reserves | 149,577 |
| 4,328 | Lewisham Homes Reserves | 6,563 |
| 556 | Catford Regeneration Partnership Reserves | 914 |
| 42,894 | Housing Revenue Account | 57,123 |
| 57,231 | Usable Capital Receipts Reserve | 55,495 |
| 37,475 | Major Repairs Reserve | 39,907 |
| 8,149 | Capital Grants Unapplied | 14,132 |
| 316,161 | | 336,711 |
| | Unusable Reserves | |
| 810,637 | Revaluation Reserve | 891,997 |
| (601,806) | Pensions Reserve | 895,587 |
| 899,650 | Capital Adjustment Account | 95 |
| 100 | Deferred capital receipts | (3,841) |
| (4,627) | Financial Instruments Adjustment Account | (644,264) |
| (1,838) | Collection Fund Adjustment Account | 3,096 |
| (4,627) | Short Term Compensated Absences Account | (7,748) |
| 1,097,489 | | 1,134,922 |
| 1,413,650 | TOTAL RESERVES | 1,471,633 |

Group Accounts

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDING 31ST MARCH 2017

| 2015/16 £000s | | 2016/17 £000s |
|------------------|--|------------------|
| 19,513 | Net surplus or (deficit) on the provision of services | (24,226) |
| 93,635 | Adjustment to surplus or deficit on the provision of services for noncash movements | 105,776 |
| (56,021) | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (42,699) |
| 57,127 | Net Cash flows from operating activities | 38,851 |
| (44,575) | Net Cash flows from Investing Activities | (40,791) |
| (1,034) | Net Cash flows from Financing Activities | (6,142) |
| 11,518 | Net increase or (decrease) in cash and cash equivalents | (8,082) |
| 87,123 | Cash and cash equivalents at the beginning of the reporting period | 98,641 |
| 98,641 | Cash and cash equivalents at the end of the reporting period | 90,559 |

Group Accounts

Notes to the Group Accounts**1. General**

The Group Accounts should be read in conjunction with the Lewisham Council single entity accounts on pages 3 to 85. Only notes to the accounts that are materially different from the single entity accounts are produced for the group accounts.

2. Group Boundary

The Council has an interest in a number of entities, the most significant of which are the wholly owned subsidiaries Lewisham Homes Ltd and Catford Regeneration Partnership Ltd which are consolidated into these accounts. The table below provides information on the nature of company business and associated risks:

| Company | Business | Risks |
|---|--|---|
| Lewisham Homes Ltd | An arms-length management organisation (ALMO) set up in 2007 as part of the Council's initiative to deliver better housing services and achieve the Decent Homes Standard. The company manages approximately 18,000 homes. | If Lewisham Homes was in any way unable to deliver a satisfactory housing management service, the Council would have to provide such a service itself |
| Catford Regeneration Partnership Ltd (CRPL) | The company owns the Catford Shopping Centre and aims to drive forward a regeneration programme for the town centre and the surrounding area. | As a property investment company, CRPL is exposed to risk in market movements in terms of the capital value of properties and in the level of income that can be generated through rental charges |

3. Accounting Policies

In preparing the Group Accounts the Council has aligned the accounting policies of its companies with those of the Council and made consolidation adjustments where necessary. It has consolidated the companies' financial statements with those of the Council on a line by line basis and has eliminated in full balances, transactions, income and expenses between the Council and its subsidiaries.

4. Investment Properties

Whilst the Council has no investment properties, CRPL owns Catford shopping centre and several surrounding properties. As these properties were solely being used to generate income at 31 March 2017, under the code of practice they are classed as investment properties.

The fair value of the properties owned by CRPL as at 31 March 2017 was £14.872m.

5. Pensions

Lewisham Homes Ltd is a scheduled body in the London Borough of Lewisham Pension Fund. The Council has indemnified Lewisham Homes against any liability that may arise on its notional share of the Pension Fund's assets and obligations.

Glossary of Terms Used in the Accounts

SECTION 7 - GLOSSARY OF TERMS USED IN THE ACCOUNTS

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

| | |
|---|--|
| LEASES | <p>A Lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. The definition of a lease includes hire purchase contracts. Lease classification is made at the inception of the lease.</p> <p>A Finance lease is a lease that transfers substantially all the risk and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An Operating lease is a lease other than a finance lease.</p> |
| MEMORANDUM ACCOUNT | <p>These Accounts are not part of the Council's formal statutory Accounts and are included in the Statement for added information.</p> |
| MINIMUM REVENUE PROVISION (MRP) | <p>The prudent amount which must be charged to the Council's revenue account each year for the principal repayment of debt.</p> |
| NON-DOMESTIC RATES (NDR) | <p>Also known as Business Rates, these are set by the Government and collected by the Council. The income due is paid as precepts to the Council's General Fund, the Greater London Authority and Central Government.</p> |
| PRIVATE FINANCE INITIATIVE (PFI) | <p>This is 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. A share of the NDR precept is also paid to Central Government.</p> |
| PROVISIONS | <p>This is an amount which is set-aside for a specific liability or loss, which is likely to be incurred, but where the exact amount and date on which they will arise is uncertain.</p> |
| REVALUATION RESERVE | <p>This represents the gains on the revaluation of non-current assets which have not yet been realised through sales.</p> |
| REVENUE SUPPORT GRANT (RSG) | <p>This is the main general grant which is paid to the Council by Central Government to fund local services.</p> |
| REVENUE EXPENDITURE | <p>Day-to-day expenditure incurred in the running of Council services, e.g. salaries, wages, supplies and services.</p> |
| SPECIAL PURPOSE VEHICLE | <p>This is a legal entity (usually a limited company) created to fulfil narrow, specific or temporary objectives.</p> |
| SUPPORT SERVICES | <p>These are activities of a professional, technical and administrative nature which are not Council services in their own right, but support main front-line services.</p> |

Glossary of Terms Used in the Accounts

COMMON ACRONYMS USED IN THE ACCOUNTS

| | |
|---------------|--|
| CIES | Comprehensive Income and Expenditure Statement |
| CIPFA | Chartered Institute of Public Finance and Accountancy |
| COP | Code of Practice on Local Authority Accounts in the United Kingdom |
| DSG | Dedicated Schools Grant |
| DfE | Department for Education |
| HRA | Housing Revenue Account |
| IAS | International Accounting Standards |
| IFRS | International Financial Reporting Standards |
| LEP | Local Education Partnership |
| LGPS | Local Government Pension Scheme |
| LPFA | London Pensions Fund Authority |
| LSP | Local Strategic Partnership |
| MiRS | Movement in Reserves Statement |
| MRP | Minimum Revenue Provision |
| NDR | Non-Domestic Rates |
| PFI | Private Finance Initiative |
| RICS | Royal Institution of Chartered Surveyors |
| SeRCOP | Service Reporting Code of Practice |
| SPV | Special Purpose Vehicle |
| SSAP | Statement of Standard Accounting Practice |
| TfL | Transport for London |
| TPS | Teachers' Pensions Scheme |
| VAT | Value Added Tax |

Pension Fund Accounts

PENSION FUND ACCOUNTS

To Follow

ANNUAL GOVERNANCE STATEMENT

ANNUAL GOVERNANCE STATEMENT

To Follow