

Key:	
^	Casting checked and agreed
cc	Cross casting checked and agreed
✓	Internal cross-referencing checked and agreed
μ	Calculations/extraction of cash flow checked and agreed
γ	Agreed to prior year signed statutory financial statements
β	Agreed to Companies House website records
α	Page/note number checked as sequential

✓ LONDON BOROUGH OF LEWISHAM
2010/11 STATEMENT OF ACCOUNTS

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FOREWORD

BY

~~TO THE~~

EXECUTIVE DIRECTOR FOR RESOURCES

~~STATEMENT OF ACCOUNTS~~

2010/11

FOREWORD BY THE EXECUTIVE DIRECTOR FOR RESOURCES**1. INTRODUCTION**

The Statement of Accounts brings together the financial results of all the Council's operations for the financial year 2010/11 and shows the financial position as at 31 March 2011.

The Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the COP), and the Best Value Accounting Code of Practice (BVACOP) 2010/11, jointly developed by CIPFA and the Accounting Standards Board. The Code constitutes 'proper accounting practice' with which local authorities must by statute comply.

International Financial Reporting Standards (IFRS) have been implemented throughout the Council's accounts. This fundamental change to the Statement of Accounts was started last year with the adoption of the new accounting treatment for Private Finance Initiative (PFI) schemes and similar contracts.

The major areas where the accounting treatment has changed are as set out below:

- Fixed assets have been re-titled 'non current assets' and the definitions of these changed. As a result different methods of valuation are required, and sometimes different rates of depreciation have had to be charged. This change is retrospective, and so the re-stated valuations for property, plant and equipment as at 31 March 2010 have been reduced by £18.8m. In addition, non-current assets have had to be analysed into 'components' (for example, a lift would be a component of a tower block). Different depreciation rates are applied to different components, which has tended to increase the depreciation charge in 2010/11 compared with 2009/10. The disclosure requirements for leases have also been changed, resulting in a slight increase (£0.1m) in the re-stated value as at 31 March 2010 and greater disclosure of the finance elements of existing leases. Investment properties and assets held for sale have also been more tightly defined, to exclude most cases where there is any regeneration or social value consideration, which has had the impact of increasing the depreciation charge in 2010/11 compared with 2009/10.
- Leases are now more tightly defined, with the finance component more clearly identified in the disclosures within the accounts.
- Government grants are now classified with greater emphasis on the council's possible obligations to repay sums previously paid over, for example if grant conditions are subsequently not met. In the statements the effect of this is to move some grants from Receipts in Advance to Earmarked Reserves. A further change sees the removal of the Government Grants Deferred account to the Capital Adjustment Account.
- Employees' annual leave which has not been taken at the year-end is treated as an obligation that the council may need to meet, and so is shown as an unusable reserve of £6.9m (£7.8m for 09/10). This was retrospective for 2009/10, with the change in the value of the reserve between the years being mainly due to the calculation of the teachers element which is affected by the timing of the Spring and Summer term dates.
- Cash and its equivalents are now defined largely as those instruments that can be cashed within up to three months. This primarily has the effect of reduced the value of the council's short term investments by £105m compared to that reported in the 09/10 Accounts, with a corresponding increase in cash holdings.

In addition, there are a number of reporting requirements changes, namely;

- A new Core Statement, the Movement in Reserves Statement
- A revised Core Statement, the Comprehensive Income and Expenditure Statement
- Segmental Reporting, linking financial reporting to management reporting

Full details of these major changes are given throughout the document.

Foreword

The other significant events that have had a major impact on the Statement of Accounts during 2010/11 are outlined in Section 5 of the foreword below.

2. THE COUNCIL'S STATEMENT OF ACCOUNTS

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

Section 1 – ~~The Core Financial Statements~~

Section 1a - Movement in Reserves Statement (MiRS)

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

Section 1b – Comprehensive Income and Expenditure Statement (CI & ES)

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

Section 1c - Balance Sheet

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

Section 1d - Cash Flow Statement

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

Section 2 – Statement of Accounting Policies

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

Foreword

α **Section 3 – Notes to the Core Financial Statements** ✓ - This section contains all the notes that help to explain or give more detail to the Core Financial Statements.

α **Section 4 – Supplementary Financial Statements**

α **Section 4a – Housing Revenue Account** ✓

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

α **Section 4b – Collection Fund** ✓

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

✓ α **Section 5 – Pension Fund Accounts**

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

α **Section 6 – ~~Lewisham~~ Group Accounts**

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

α **Section 7 – Annual Governance Statement** ✓

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

Annexes

These include the Action Plan for the Annual Governance Statement, a Glossary which explains some technical terms and a detailed analysis of capital expenditure incurred during the year.

α 3. **SUMMARY OF THE 2010/11 FINANCIAL YEAR**

The Council has incurred revenue and capital expenditure in the year. Revenue spending was generally on items which were consumed during the year (such as employees' salaries) and was financed from Government Grants, Council Tax, National Non-Domestic Rates and other income. Capital expenditure has generally been incurred on items that have a life over one year (such as the construction of major new facilities in schools) and has been financed from loans, government and other grants, capital receipts or revenue contributions.

α 3a **REVENUE SPENDING 2010/11** ✓

α (i) **Revenue Budget Setting**

The Council set a net budget of £271.45 million for 2010/11 at its meeting in March 2010. This represented an increase of £3.20 million or 1.2% on the previous year's net budget.

α (ii) **Revenue Budget Outturn**

During 2010/11, Mayor and Cabinet and the Executive Management Team (EMT) received regular financial monitoring reports. These enabled the council to take corrective action where pressures were identified, with the result that at the end of the 2010/11 financial year there was a net underspend of £1.717m on the Directorates service budgets. The reasons for these variances were reported to the

Foreword

Public Accounts Select Committee on the 14 June 2011 and the Mayor and Cabinet on the 22 June 2011. The main areas of underspend were on Resources (£0.964m) and Children and Young People (£0.54m). After transfers to earmarked reserves the net underspend on the General Fund was zero.

α (iii) Revenue Budget Outlook for 2011/12

The Council set a net budget requirement of £278.8m for 2011/12 at its meeting in March 2011. On the face of it, this represents an increase of £7.3m or 2.7% on the previous year's net budget requirement. However, due to changes in the local government funding mechanism and in particular the incorporation of a large number of previously ring-fenced grants into the main formula grant, the two figures are not directly comparable. The council has adequate, but not excessive, reserves to enable it to manage the significant funding risks it faces in the medium-term as the national programme of public sector expenditure reductions continues.

α 3b FUNDING OF THE REVENUE BUDGET

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

	2010/11 £000	2009/10 £000
Lewisham's Net Budget	✓ 271,454	✓ 268,251
Less: Formula Grant	✓ 22,851	✓ 33,304
Less NNDR received from the national pool	✓ 157,367	✓ 144,288
Less: Surplus on Collection Fund	✓ 52	49
General Fund Services to be met from Council Tax	✓ 91,184	✓ 90,610
Add Precept (GLA)	✓ 27,109	✓ 26,939
Total to be met from Council Tax	118,293	117,549

SO per page 98

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

α 3c COUNCIL TAX LEVELS AND THE TAX BASE

The actual Council Tax is determined by dividing the net amounts to be met from Council Tax by the tax base, which for Lewisham is 87,499 equivalent Band D properties for 2010/11 (86,949 for 2009/10). This then equates to the following Council Tax at Band D:

	2010/11 £000	2009/10 £000	Increase £	Increase %
Lewisham's Demand	1,042.11	1,042.11	00.00	α μ 0
Add: Preceptor Requirements:				
Greater London Authority	309.82	309.82	0 0.00	α μ 0
Council Tax for Band D	✓ 1,351.93	✓ 1,351.93	00.00	λ α μ 0

Foreword

3d CAPITAL PROGRAMME

(i) Capital Programme 2010/11

A summary of the capital expenditure incurred during the year and its financing compared to the original programme budget is shown in the table below. The percentage of the 2010/11 programme budget that has been spent is 93%. This compares to a figure of 100% for 2009/10.

During Spring 2011, the annual review of the capital programme was carried out to identify expenditure within the capital programme which, for technical accounting reasons under IFRS rules, needs to be transferred to revenue. This resulted in £17.1m being charged to revenue, with a corresponding level of resources being transferred to finance the expenditure (£3.9m Directorates' capital programme, £13.2m Lewisham Homes). The Forecast spend has been adjusted to take into account those projects that were re-classified as revenue.

Major projects (with spend over £2m) in the 2010/11 directorates' capital programme were:

- Deptford Town Centre (£6.6m)
- Primary Places Programmes (inc Expansion) (£6.6m)
- Tidemill School (£3.5m)
- Building Schools for the Future (Design and Build) (£3.2m)
- Brockley PFI (£3.0m)
- School Standards Fund (£2.7m)
- North Lewisham Links (£2.5m)
- Transport for London (£2.4m)
- Highways (BVR - Prudential Borrowing) (£2.4m)
- Worksmart (£2.2m)

The largest project (with spend over £1m) in the 2010/11 Lewisham Homes capital programme was the Lift Refurbishment Programme with expenditure of £1.3m.

CAPITAL EXPENDITURE

Directorates' Capital Programme
Lewisham Homes' Capital Programme

Total Capital Expenditure for the Year**CAPITAL FINANCING**

Government Supported Borrowing
Unsupported Borrowing
Capital Grants
Capital Receipts
Capital Expenditure Financed from Revenue

Total Capital Expenditure Financed

	2010/11 Actual Outturn £000	2010/11 Forecast Outturn £000	2009/10 Actual Outturn £000
Directorates' Capital Programme	54,012	57,719	60,128
Lewisham Homes' Capital Programme	1,600	1,814	3,472
Total Capital Expenditure for the Year	55,612	59,533	63,600
CAPITAL FINANCING			
Government Supported Borrowing	13,912	13,912	12,997
Unsupported Borrowing	2,645	3,323	13,484
Capital Grants	25,447	25,447	26,038
Capital Receipts	11,919	11,919	5,663
Capital Expenditure Financed from Revenue	1,689	4,933	5,418
Total Capital Expenditure Financed	55,612	59,533	63,600

does not cost 59,534

(ii) Capital Programme 2011/12

The Council's capital programme budget was agreed at Mayor and Cabinet in February 2011. This outlined the Council's rolled forward five year programme for the years 2011/12 to 2015/16, with total available resources of £316 million. The Directorates' capital programme for 2011/12 is £108m and the

Foreword

Lewisham Homes programme for 2011/12 is £26m (including amounts which will be charged to revenue for technical reasons at the year end – see i) above).

The principal programmes and projects of over £2m include:

	2011/12 Programme Budget £000
Directorates' Capital Programme	
Primary Places programme	14,705
Primary Places – 2011/12 Grant	13,338
Forest Hill Pool	7,124
Deptford Station	6,776
BSF – Addey and Stanhope School (Design & Build)	6,535
BSF – Prendergast Hilly Fields School (Design & Build)	6,488
Deptford Town Centre Regeneration	5,873
Highways (BVR - Prudential Borrowing)	4,766
Tidemill School	3,749
Heathside & Lethbridge	3,551
MyPlace – Wells Park	3,131
School's Maintenance – 2011/12 Grant	3,000
Surrey Canal Road Station	2,650
Schools Minor Works programme	2,153
Other Schemes (below £2m)	24,496
Directorates' Capital Programme	108,335
Lewisham Homes Capital Programme	26,091
Total Capital Programme - 2011/12	134,426

3e COUNCIL TAX AND NATIONAL NON DOMESTIC RATES COLLECTION RATES

Actual Collection Rates	2010/11 %	2009/10 %	2008/09 %
Council Tax	94.1	92.7	93.1
National Non-Domestic Rates	98.8	98.8	99.2

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

4. FINANCIAL HEALTH

4a General Fund

After transfers to and from reserves the General Fund balance now stands at £11.5m. This is an adequate but not excessive level of cover and represents approximately 2.5% of Lewisham's net budget (including Dedicated Schools Grant expenditure). Lewisham also has earmarked reserves for specific ongoing projects and these are detailed in Note 7 to the Core Financial Statements in Section 3 of the Accounts.

Foreword

4b Housing Revenue Account

After transfers to and from earmarked reserves the HRA total balance, including earmarked reserves, now stands at £9.9m. The earmarked reserves are for specific ongoing projects and these are outlined in Note 16 of the HRA statements in Section 4a of the Accounts.

4c Collection Fund

The Collection Fund had a deficit of £3,000 for the year, which when added to the brought forward surplus of £32,000, leaves a surplus of £29,000 to carry forward to 2011/12. The details are shown in the Collection Fund statements in Section 4b of the Accounts.

5. SIGNIFICANT EVENTS IN 2010/11 THAT HAVE HAD AN IMPACT ON THE ACCOUNTS

- 2, 4-25 per page 38
- a) **Decent Homes Strategy** – A housing stock transfer took place in October 2010, in which 2,427 tenanted and 1,103 leasehold housing units, forming the Chrysalis Estate, were transferred to London and Quadrant RSL. The asset value of the transfer was £103.2m and overhanging debt of £41.5m was written off.
 - b) **Impairments by Fires** - Two primary schools, Temple Grove and Stillness were severely damaged by fire during the year. Impairments of £3.3m and £1m respectively were recorded in the accounts for the damage to the buildings.
 - c) **Pension Fund Valuation** – The ongoing, but gradual, recovery of the financial markets has increased the value of the Fund during the year by £45m from £715m to £760m.
 - d) **National deficit reduction strategy** – The government's strategy to reduce the national deficit over the lifetime of this Parliament principally affects the council's future funding plans, but has had some direct effects on the 2010/11 accounts. In particular, gross expenditure was £3.3m lower than originally planned, as a result of in-year reductions to funding announced in June 2010, and termination costs of £7.3m have been recognised in the accounts as the council has implemented savings and staff reductions in response to the new funding climate.
 - e) **Housing Revaluation** – The housing stock is valued in the Council's accounts on the basis of existing use as social housing. This is defined by the Government as a percentage of the vacant possession value on the open market. For 2009/10, this percentage was set at 37%, but for 2010/11, it was reduced to 25%. This has resulted in a reduction in the value of the Council's housing stock of £300m and has been charged as an impairment to the revenue account. There is no net effect on revenue, but the Council's Balance Sheet Equity has been reduced by this figure.

Statement of Responsibilities

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

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

Responsibility of the Executive Director for Resources

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

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

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

I certify that I have also:

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

The Statement of Accounts give a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2011.

Janet Senior CPFA

Executive Director for Resources

30th June 2011

Independent Auditors Report

Independent Auditor's report to the Members of the London Borough of Lewisham ✓

o/s

~~THIS REPORT WILL BE INSERTED UPON COMPLETION OF THE EXTERNAL AUDIT~~

Susan M. Exton
District Auditor
Officer of the Audit Commission

Audit Commission
1st Floor, Millbank Tower
Millbank
London
SW1P 4HQ

✓ α SECTION 1

CORE FINANCIAL STATEMENTS

2010/11

α 1a) **MOVEMENT IN RESERVES
STATEMENT** ✓

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

α 1c) **BALANCE SHEET** ✓

α 1d) **CASH FLOW STATEMENT** ✓

Core Financial Statements

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31ST MARCH 2011

YEAR ENDING 31ST MARCH 2011	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010 Brought Forward	✓11,511	✓75,581	✓9,760	✓20,298	✓4,320	✓3,463	✓124,933	cc ✓731,503	✓856,436 cc
Movement in Reserves during 2010/11									
Surplus or (Deficit) on the provision of services	115,286	0	✓(295,365)	0	0	0	(180,079)	cc 0	✓(180,079) cc
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	cc 229,617	✓229,617 cc
Total Comprehensive Income and Expenditure	115,286	0	Λ (295,365)	0	0	0	Λ (180,079)	cc 229,617	Λ ✓49,538 cc
Adjustments between accounting basis and funding basis under regulations (see note 6)	✓(108,462)	✓0	✓277,027	✓12,447	✓17,377	✓1,120	199,509	cc ✓(199,509)	0 cc
Net Increase / Decrease before Transfers to Earmarked Reserves	6,824	0	Λ ✓(18,338)	Λ 12,447	Λ 17,377	Λ 1,120	Λ 19,430	cc 30,108	Λ 49,538 cc
Transfers to / from Earmarked Reserves	✓(6,824)	✓6,824	✓18,486	0	✓(18,486)	0	0	cc 0	0 cc
Increase / (Decrease) in 2010/11	0	Λ 6,824	Λ ✓148	Λ 12,447	Λ (1,109)	Λ 1,120	Λ 19,430	cc 30,108	Λ ✓49,538 cc
Balance at 31 March 2011 Carried Forward	✓11,511	Λ ✓82,405	Λ ✓9,908	Λ ✓32,745	Λ ✓3,211	Λ ✓4,583	Λ ✓144,363	cc ✓761,611	Λ ✓905,974 cc

Core Financial Statements

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31ST MARCH 2010

YEAR ENDING 31ST MARCH 2010	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 2009 Brought Forward	✓11,236	✓79,431	✓12,094	✓17,411	✓1,310	✓920	✓122,402	cc ✓1,183,047	✓1,305,449 cc
Movement in Reserves during 2009/10									
Surplus or (Deficit) on the provision of services	(66,837)	0	✓(55,285) <i>(55,011) per page 88</i>	0	0	0	(122,122)	cc 0	✓(122,122) cc
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	cc (326,891)	✓(326,891) cc
Total Comprehensive Income and Expenditure	(66,837)	Λ 0	Λ (55,285)	Λ 0	Λ 0	Λ 0	Λ (122,122)	Λcc (326,891)	Λ ✓(449,013) cc
Adjustments between accounting basis and funding basis under regulations (see note 6)7	✓63,262	✓0	✓26,694	✓2,887	✓29,267	✓2,543	124,653	cc ✓(124,653)	0 cc
Net Increase / Decrease before Transfers to Earmarked Reserves	(3,575)	Λ 0	Λ (28,591) <i>28,950 per page 89</i>	Λ 2,887	Λ 29,267	Λ 2,543	Λ 2,531	Λcc (451,544)	Λ (449,013) cc
Transfers to / from Earmarked Reserves	✓3,850	✓(3,850)	✓26,257	0/5	✓(26,257)	0	0	cc 0	0 cc
Increase / (Decrease) in 2009/10	275	Λ (3,850)	Λ (2,334) <i>2,333 per page 89</i>	Λ 2,887	Λ 3,010	Λ 2,543	Λ 2,531	Λcc (451,544)	Λ ✓(449,013) cc
Balance at 31 March 2010 Carried Forward	✓11,511	Λ ✓75,581	Λ ✓9,760	Λ ✓20,298	Λ ✓4,320	Λ ✓3,463	Λ ✓124,933	Λcc ✓731,503	Λ ✓856,436 cc

Core Financial Statements

✓ COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 31ST MARCH 2011

2009/10 Re-stated			2010/11			Note
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	
SERVICE						
39,519	(30,665)	8,854	41,277	(33,863)	7,414	cc
81,315	(15,002)	✓ 66,313	83,396	(14,467)	68,929	cc
418,470	(269,041)	✓ 149,429	421,740	(292,548)	129,192	cc
22,821	(10,269)	✓ 12,552	24,394	(10,223)	14,171	cc
387,717	(341,513)	✓ 46,204	663,401	(315,062)	348,339	cc
113,804	(30,799)	✓ 83,005	119,249	(29,123)	90,126	cc
7,520	(292)	7,228	7,380	(194)	7,186	cc
1,166	0	✓ 1,166	(129,120)	0	(129,120)	cc
1,072,332	✓ (697,581)	✓ 374,751	1,231,717	✓ (695,480)	✓ 536,238	docs not cost or cross cost 536 237
Cost of Services						
Other Operating Expenditure						
5,117	0	✓ 5,117	220	0	220	cc can not agree
1,772	0	✓ 1,772	1,787	0	✓ 1,787	cc 9v
0	0	✓ 0	688	0	✓ 688	cc 23v
6,889	0	✓ 6,889	2,695	0	2,695	cc
Financing and Investment Income and Expenditure						
34,312	(1,768)	32,544	47,111	(63)	47,048	cc
(978)	0	✓ (978)	94	0	✓ 94	cc 11v
166	0	✓ 166	555	0	555	cc 11 can not agree to note 11
269	(3,858)	(3,589)	441	(2,932)	(2,491)	cc
57,688	(32,819)	✓ 24,869	71,140	(51,608)	✓ 19,532	cc 42v
91,457	✓ (38,445)	✓ 53,012	119,341	✓ (54,603)	✓ 64,738	cc
Taxation and non-specific Grant Income						
0	(90,573)	✓ (90,573)	0	(91,234)	✓ (91,234)	cc 33
0	(52,015)	✓ (52,015)	0	(58,216)	✓ (58,216)	cc 34 33
0	(25,654)	✓ (25,654)	0	(116,775)	✓ (116,775)	cc 33
0	(144,288)	✓ (144,288)	0	(157,367)	✓ (157,367)	cc 33
0	✓ (312,530)	✓ (312,530)	0	✓ (423,592)	✓ (423,592)	cc
Deficit/(Surplus) on provision of services						
		✓ 122,122			✓ 180,079	does not cost
		✓ (9,235)			✓ (68,046)	24a 68,046 per note 24a
		✓ 337,621			✓ (191,221)	✓ 42
		✓ (1,495)			29,650	
		✓ 326,891			✓ (229,617)	cc
		✓ 449,013			✓ (49,538)	does not cost
Total Comprehensive Income and Expenditure						

Core Financial Statements

BALANCE SHEET AS AT 31ST MARCH 2011

1 April 2009 Restated £000	31/03/2010 Restated £000
961,288	924,799
879,150	845,881
24,292	28,283
52,780	55,938
7,965	8,451
31,409	31,182
36,756	38,785
1,993,640	1,933,319
11,260	23,583
7,606	8,084
9,088	1,401
1,365	13,123
2,022,957	1,979,510
107,227	29,746
11,105	11,153
225	257
32,733	45,045
41,537	145,606
3,630	3,172
196,457	234,979
35,325	45,013
500	510
68,358	76,278
46,169	55,843
4,283	6,968
154,635	184,612
2,064,779	2,029,877
331,392	344,194
11,643	12,506
488	365
92,353	146,189
2,721	933
320,733	669,254
759,330	1,173,441
1,305,449	856,436

11,236	11,511
79,431	75,581
12,094	9,760
17,411	20,298
1,310	4,320
920	3,463
122,402	124,933
94,821	102,972
1,431,083	1,318,624
(15,760)	(13,100)
(320,733)	(669,254)
111	25
(6,475)	(7,764)
1,183,047	731,503
1,305,449	856,436

Property, Plant & Equipment

Council Dwellings	625,215
Other Land and Buildings	844,638
Vehicles, plant, furniture and equipment	29,844
Infrastructure	57,339
Community Assets	8,162
Surplus Assets not held for Sale	30,941
Assets under Construction	58,098

Investment Property

Assets Held for Sale (Over 1 year)	8,229
Long Term Investments	17,857
Long Term Debtors	12,966

Total Long Term Assets

Short Term Investments	60,763
Assets Held for Sale (Under 1 year)	6,000
Inventories	233
Debtors	40,239
Cash and Cash Equivalents	128,265
Prepayments	6,569

Current Assets

Short Term Borrowing	39,351
Provisions (Less than 1 year)	3,481
Creditors	87,454
Receipts in Advance	64,316
PFI Liabilities due within one year	4,900

Current Liabilities

Total Assets less Current Liabilities

Long Term Borrowing	303,372
Provisions (More than 1 year)	10,532
Deferred capital receipts	256
Deferred PFI Liabilities	175,070
Capital Grants Receipts in Advance	1,117
Liability related to defined benefit pension scheme	362,027

Long Term Liabilities

NET ASSETS

Usable Reserves

General Fund Balance	11,511
Earmarked Revenue Reserves	82,405
Housing Revenue Account	9,908
Usable Capital Receipts Reserve	32,745
Major Repairs Reserve	3,211
Capital Grants Unapplied	4,583

Unusable Reserves

Revaluation Reserve	219,640
Capital Adjustment Account	920,979
Financial Instruments Adjustment Account	(10,060)
Pensions Reserve	(362,027)
Collection Fund Adjustment Account	22
Short Term Compensated Absences Account	(6,944)

TOTAL EQUITY

31/03/2011 £000	Note
625,215	10
844,638	10
29,844	10
57,339	10
8,162	10
30,941	10
58,098	10
1,654,237	
22,491	11
8,229	19
17,857	13
12,966	17a
1,715,780	
60,763	13
6,000	19
233	15
40,239	17b
128,265	18
6,569	20
242,069	
39,351	13
3,481	22
87,454	21
64,316	33a
4,900	38
199,502	
1,758,348	
303,372	13
10,532	22
256	24e
175,070	38
1,117	33
362,027	42
852,374	
905,974	
11,511	
82,405	8
9,908	HRA16
32,745	23a
3,211	HRA15
4,583	23b
144,363	
219,640	24a
920,979	24b
(10,060)	24c
(362,027)	24d
22	24e
(6,944)	24f
761,611	
905,974	

does not cast
2,022,959

can not agree to note 13

does not cast

does not cast 1,758,347

can not agree to note 24e

does not cast

does not cast

9,909 per note
HRA 16

does not cast 761,610

does not cast

Core Financial Statements

CASH FLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes. It has been prepared using the "Direct" method.

2009/10 Restated £000		2010/11	
		£000	£000
	OPERATING ACTIVITIES		
	Cash Inflows		
(72,142)	Council Tax income	(72,354)	
(147,203)	NNDR received from ratepayers and national pool	(160,962)	
(556,665)	Government grants	(607,128)	
(42,992)	Rent received from council housing	(40,063)	
(40,386)	Cash received for goods and services	(39,446)	
(5,008)	Interest received	(2,336)	
0	Dividends received	0	
(11,640)	Other operating cash receipts	(8,480)	
(876,036)			(930,769)
	Cash Outflows		
345,386	Cash paid to and on behalf of employees	343,266	
130,473	Housing benefit paid out	153,617	
✓1,772	Precepts and Levies	✓1,787	
0	Contribution to Capital Receipts Pool	483	
19,737	Interest paid	19,593	
368,578	Other operating cash payments	361,103	
865,946			879,849
(10,090)	Net Cash Flow from Operating Activities		(50,920)
	INVESTING ACTIVITIES		
	Cash Outflows		
38,314	Purchase of property, plant, equipment and investment properties	48,301	
✓7,291	Revenue Expenditure Funded from Capital Under Statute	✓3,942	
788	PFI Prepayments	3,342	
11,981	Long-Term Debtors	(12)	
58,374			55,573
	Cash Inflows		
(8,525)	Sale of property, plant, equipment and investment properties	(19,679)	
(33,748)	Capital grants and other capital cash received	(22,576)	
(42,273)			(42,255)
	Net Cash Flows		
(83,931)	Net increase in short term investments	30,617	
0	Net increase in long term investments	16,092	
3,728	Net increase in other liquid resources	3,234	
(80,203)			49,943
(64,102)	Net Cash Flow from Investing Activities		63,261
	FINANCING ACTIVITIES		
	Cash Inflows		
(30,000)	New loans raised	0	
(250,268)	New short term borrowing	(38,685)	
(280,268)			(38,685)
	Cash Outflows		
250,391	Repayments of short and long term borrowing	43,685	
250,391			43,685
(29,877)	Net Cash Flow from Financing Activities		5,000
(104,069)	NET (INCREASE)/DECREASE IN CASH AND CASH EQUIVALENTS		✓17,341
✓(41,537)	CASH AND CASH EQUIVALENTS - BEGINNING OF THE PERIOD		✓(145,606)
✓(145,606)	CASH AND CASH EQUIVALENTS - END OF THE PERIOD		✓(128,265)

✓ α SECTION 2

STATEMENT OF
ACCOUNTING POLICIES

2010/11

Statement of Accounting Policies

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which requires them to be prepared in accordance with proper practices in relation to accounts. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11 (both published by the Chartered Institute of Public Finance and Accountancy (CIPFA)), supported by International Financial Reporting Standards (IFRS) and statutory guidance in the Accounts and Audit Regulations 2003 where applicable.

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. 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.

A number of Prior Period Adjustments have been made in the accounts due to the major changes in accounting policies resulting from the implementation of IFRS which have been introduced in the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11. These are included in the Foreword to the Accounts and outlined in the subsequent Accounting Policies and detailed in the Notes to the Accounts where appropriate.

3. ACCRUALS OF INCOME AND EXPENDITURE

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

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

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

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

Statement of Accounting Policies

Where income and expenditure have been recognised in the accounts, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is possible that debts may not be settled, a charge is made to revenue for the income that might not be collected and the debtor is impaired.

4. EMPLOYEE BENEFITS**a) Benefits Payable During Employment**

Short-term employee benefits are those which are due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and sick leave for current employees and are recognised as an expense in the year in which employees render their services to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, ^{eg} time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

b) Termination and Discretionary Benefits

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

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

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

c) Post Employment Benefits

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

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

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

(i) Teachers' Pension Scheme

This scheme is a defined benefit scheme, but is accounted for as if it was a defined contributions scheme, since its liabilities can not be separately identified to individual local authorities. No liabilities for future payment of benefits are therefore recognised in the balance sheet for this scheme. The Comprehensive Income and Expenditure Statement is charged with the employer's contributions paid to Teachers' Pensions during the year.

Statement of Accounting Policies

α (ii) Local Government Pension Scheme

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

The liabilities of the Scheme which are attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ^{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 advised by the Scheme's Actuaries (based on the gross redemption yield of a high quality corporate bond, using the iboxx Sterling Corporate Index).

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

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

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

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

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

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

α (iii) London Pension Fund

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

Statement of Accounting Policies

5. OVERHEADS AND SUPPORT SERVICES

The full costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the total absorption costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The exceptions are as follows;

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

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

6. GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. 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.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Area Based Grant (ABG) is a general grant allocated by central government directly to the Council as additional revenue funding. It is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

7. LEASES

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

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 Authority as Lessee**i) Finance Leases**

Property, plant and equipment held under finance leases 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. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums

Statement of Accounting Policies

paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

ii) Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as expenditure of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. where there is a rent-free period at the commencement of the lease).

b) The Authority as Lessor

i) Finance Leases

Where the Council grants a finance lease over a property or item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

ii) Operating Leases

Where the Council grants an operating lease over a property or item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the

Statement of Accounting Policies

life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). e.g.

α 8. STOCKS (INVENTORIES) AND LONG TERM CONTRACTS

Building stores and fleet stock is valued and included in the Balance Sheet at average price (mid-point between price at start and end of year). Revenue accounts are charged with the cost of obsolescent stock written off.

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

α 9. PRIVATE FINANCE INITIATIVES (PFIs)

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Where schemes include a capital contribution, the liability is written down accordingly. Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as other non current assets which are owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

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

α 10. FINANCIAL RELATIONSHIPS WITH COMPANIES

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

The Council has relationships with a number of other companies, details of which are shown in note 28 to the Core Financial Statements in Section 3 of the Statement of Accounts. During 2010/11 the Council had a minority interest (less than 50%) in these companies. The transactions between the Council and these companies are included in the Council's single entity accounts.

Statement of Accounting Policies

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

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

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

b) Financial Assets**i) Loans and Receivables**

Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market. They are recognised on the Balance Sheet when the Authority enters into the financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. This category includes funds currently held by Invesco and Investec, which are externally managed funds held at fair value (market value at bid price), and also includes short term investments and sundry debtors.

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

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

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.

Statement of Accounting Policies

12. 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 24 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. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

13. INTANGIBLE ASSETS

Intangible Fixed Assets (e.g. software licenses) do not have any physical substance but are identifiable and controllable by the Council through custody or legal rights. The expenditure on them is only capitalised when it is material and the future economic benefits or service potential flowing will also be material. The Council has reviewed the level of spend on these assets and they continue to be immaterial and therefore are charged direct to the Comprehensive Income and Expenditure Statement.

14. 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 the spend adds value to the property, increases its ability to deliver future economic benefits or service potential, can be capitalised as a component under IFRS and exceeds Lewisham's de minimus limit of £40,000. Expenditure that only maintains an asset's value (ie repairs and maintenance) and does not increase its ability to deliver benefits or services is charged as revenue expenditure when it is incurred.

b) Measurement and Valuation

Assets are initially measured at cost, comprising:

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

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority. The Council has not received any donated assets in 2010/11 or 2009/10. Any donated assets received in future will be accounted for according to the COP.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as 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 that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Statement of Accounting Policies

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

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

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

α c) Impairment

Assets valued at £40,000 or above are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

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

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

α d) Depreciation

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

Depreciation is calculated on the following bases:

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

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

Statement of Accounting Policies

α e) Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance (MRP). These amounts, therefore, are replaced by the MRP charge to the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

α f) Disposals and Non-current Assets Held for Sale

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

α 15. INVESTMENT PROPERTIES

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and

Statement of Accounting Policies

Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

16. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred which can be capitalised under statutory provisions but does not result in the creation of a non-current asset for the Council (such as home improvement grants or expenditure on voluntary aided schools), is charged to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has decided to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

17. REVENUE PROVISIONS, IMPAIRMENT ALLOWANCES AND RESERVES

The Council has set aside amounts from its revenue account to form provisions and reserves, which will be used to cover future expenditure. Details of provisions and reserves are contained in notes 8 and 22 to the Core Financial Statements in Section 3 of the Accounts.

a) Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. All provisions are reviewed at the end of each financial year, and where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

b) Impairment Allowances

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

c) Reserves

The Council has set aside specific amounts as reserves for future policy purposes or to cover contingencies, which fall outside the definition of provisions (see above). These reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Statement of Accounting Policies

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

18. CONTINGENT LIABILITIES AND ASSETS

A contingent liability or asset arises where an event has taken place that gives the authority a possible obligation or asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. A contingent liability could also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

19. VALUE ADDED TAX (VAT)

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

20. 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 provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

Statement of Accounting Policies

✓ α SECTION 3

NOTES TO THE
CORE FINANCIAL
STATEMENTS

2010/11

Notes to the Core Financial Statements

	Opening 01/04/09		Comp Inc & Exp 09/10		Balance Sheet 09/10	
	09/10	Adjs	09/10	Adjs	09/10	Adjs
	Statements	Made	Statements	Made	Statements	Made
	£000	£000	£000	£000	£000	£000
α c) Capital Grants and Contributions						
<u>Comp Inc & Exp Statement</u>						
Cultural, Env & Planning Servs			✓ 63,193	✓ 3,086		
Children's & Education Servs			✓ 138,864	✓ 8,279		
Highways, Roads & Transport			✓ 10,739	✓ 1,794		
Housing Services			✓ 45,047	✓ 1,992		
Adult Social Care			✓ 83,206	✓ 359		
Recognised Cap Grts & Contributions			✓ 0	✓ (25,654)		
<u>Balance Sheet</u>						
Receipts in Advance	✓ (57,022)	✓ 6,565			✓ (66,513)	✓ 7,319
Government Grants Deferred	(143,165)	143,165			(150,767)	150,767
Capital Grants Receipts in Advance	✓ 0	✓ (2,721)			✓ 0	✓ (933)
Capital Adjustment Account	✓ (1,299,003)	✓ (146,089)			✓ (1,177,078)	✓ (153,690)
Capital Grants Unapplied	✓ 0	✓ (920)			✓ 0	✓ (3,463)
α d) Revenue and Other Grants						
<u>Comp Inc & Exp Statement</u>						
Children's & Education Servs			✓ 138,864	✓ 1,047		
Adult Social Care			✓ 83,206	✓ (577)		
General Government Grants			✓ (52,483)	✓ 468		
<u>Balance Sheet</u>						
Receipts in Advance	✓ (57,022)	✓ 4,288			✓ (66,513)	✓ 3,351
Earmarked Revenue Reserves	✓ (75,143)	✓ (4,288)			✓ (72,230)	✓ (3,351)
α e) Employee Benefits Adjs						
<u>Comp Inc & Exp Statement</u>						
Cultural, Env & Planning Servs			✓ 63,193	✓ 34		
Children's & Education Servs			✓ 138,864	✓ 1,239		
Highways, Roads & Transport			✓ 10,739	✓ 19		
Housing Services			✓ 45,047	✓ (20)		
Adult Social Care			✓ 83,206	✓ 17		
<u>Balance Sheet</u>						
Provision for Accumulated Absence	✓ 0	✓ (6,475)			✓ 0	✓ (7,764)
Short Term Accumulated Absence Reserve	✓ 0	✓ 6,475			✓ 0	✓ 7,764

Notes to the Core Financial Statements

f) Cash and Cash Equivalents

Balance Sheet

Long Term Investments
 Cash and Cash Equivalents
 Short Term Investments
 Bank and other Cash Holdings

	Opening 01/04/09		Comp Inc & Exp 09/10		Balance Sheet 09/10	
	09/10 Statements £000	Adjs Made £000	09/10 Statements £000	Adjs Made £000	09/10 Statements £000	Adjs Made £000
Long Term Investments	55,787	(46,699)			56,216	(54,815)
Cash and Cash Equivalents	0	41,537			0	145,606
Short Term Investments	116,334	(9,107)			135,228	(105,482)
Bank and other Cash Holdings	(14,269)	14,269			14,691	(14,691)

2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

The Code of Practice on Local Authority Accounting 2011/2012 (the Code) introduces two changes in accounting policy, one in relation to the treatment of heritage assets held by the Council (under FRS 30 *Heritage Assets*), and the other in respect of accounting for Business Rate Supplements (BRS), both of which the Council will be required to adopt in full in its 2011/12 financial statements.

This is a UK GAAP standard. It should be confirmed its use is appropriate

The new standard requires that Heritage Assets are shown as a new class of asset in the Council's 2011/12 Balance Sheet. The Council is required to make a disclosure of the estimated effect of this new standard in these accounts. The Council considers that it does not hold significant heritage assets and therefore anticipates that the adoption of the new requirement under FRS 30 will not be material.

For the 2011/12 accounts, the BRS transactions will be included in the Council's Collection Fund Statements since the council is a billing authority.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the Accounting Policies set out in Section 2, the Council has had to make certain judgements about complex transactions (shown in this note, below) and a number of assumptions which involve uncertainty about future events (shown in the following note, Note 4).

The major judgements made in these Accounts are as follows:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Under IFRS accounting, Leases have been reviewed to assess whether they should be classified as Finance or Operating Leases. The definitions of each are such that a small number of leases have been judged to have elements of both classifications, and therefore have been classified on a balanced approach, rather than an absolute basis. The difference is not material to the accounts.
- A number of major contracts have been assessed to ascertain whether they have the substance of a finance lease and the judgement was that they did not. These contracts include the provision of ICT services from Sungard and the provision of photocopiers from Apogee.
- All Non Current Assets were reviewed and reclassified into new or revised categories of asset, requiring judgements to be made. A number were placed into the revised, more stringently defined, class of Investment Properties or allocated to the new class of Assets Held for Sale (which identifies assets which are about to be sold) from the current class of Surplus Properties. The effect of these judgements would not materially change the value of assets shown in the

Notes to the Core Financial Statements

Balance Sheet or the depreciation charges to the Comprehensive Income and Expenditure Statement, although both would be altered.

- Assessments of PFI contracts were undertaken for the 2009/10 accounts and there are no changes for the 2010/11 accounts.
- Capital and Revenue Grants have been assessed against new criteria to ascertain whether Conditions, either Stipulations or Restrictions, exist to restrict the use or require the repayment of the grant. As a result of this review, and the ensuing judgements, a number of grants have been transferred from Receipts in Advance to Earmarked Reserves.
- The Lewisham Homes pension indemnity was agreed by the Council when Lewisham Homes was established, and the accounting for it has been a matter of concern to the auditors in recent years, and has been reported to Members as such. During last year's external audit the matter was raised, and the accounts were amended in the manner proposed by the Audit Commission, in order to avoid a qualification on the accounts being issued. These accounts therefore continue with this treatment.
- The insurance provision is made up of contributions to cover liabilities arising from a number of insurance years dating back to 1997. It has been split between less than one year and greater than one year, estimating what proportion of the monies held relate to each of the years, what has been paid so far in each of those years and what remains outstanding. The Council has not commissioned an actuarial review (over and above the annual review we routinely carry out) since it will not add any further certainty.

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

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

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant possibility of material adjustment in the forthcoming financial year are as follows:

a) Property, Plant and Equipment

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

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

b) Provisions

The Authority has made a provision of £2.3m for the payment of redundancy costs following the setting of the 2011/12 Revenue Budget. The exact details of the agreed proposals are still being finalised, and so the final costs are not yet known. An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement could each have the effect of adding £0.2m to the provision needed.

c) Pensions Liability

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

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the real discount rate assumption would result in a decrease in the pension liability of about £98m. However, the assumptions interact in complex ways. During 2010/11, the

Notes to the Core Financial Statements

Authority's actuaries advised that the net pensions liability had decreased by £135m as a result of estimates being corrected as a result of experience and decreased by £56m attributable to updating of the assumptions.

d/c) Arrears of Significant Debtors

The Council had balances of sundry debtors, Council Tax, NNDR and Housing Rents of approximately £90m as at 31st March 2011. Reviews of significant balances set impairment allowances for doubtful debts at appropriate levels. However, in the current economic climate it is not certain that such allowances will be sufficient, as the judgements made in respect of them are necessarily primarily based on historical trends. To date however, there is insufficient evidence of reductions in collection rates, which in some cases have improved during 2010/11, to justify making additional impairments in this respect. If collection rates were to deteriorate, an increase of 10% in the amount of the impairment allowance would require an additional £5m to be set aside.

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

a) Decent Homes Strategy

A housing stock transfer took place in October 2010, in which 2,425 tenanted and 1,103 leasehold housing units, forming the Chrysalis Estate, were transferred to London and Quadrant RSL. The asset value of the transfer was £103.2m and overhanging debt of £41.5m was written off. *2427 per pages 10 and 90*

b) Housing Stock Revaluation

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

c) Pensions Indexation

The change in indexation of pensions from the Retail Price Index (RPI) to the Consumer Price Index (CPI) has had the effect of reducing the council's likely future pension liabilities by £130m. This accounting entry is offset by a reduction in the Pensions Reserve so that it has no impact on the authority's available resources.

6. EVENTS AFTER THE BALANCE SHEET DATE

The draft Statement of Accounts was authorised for issue by the Executive Director for Resources on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no material post balance sheet events that have a significant impact on the Accounts.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the Comprehensive Income and Expenditure Statement recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

Notes to the Core Financial Statements

2010/11	Usable Reserves						Movement in Unusable Reserves £'000
	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items credited or debited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets	76,534		343,317				(419,851) cc
Revaluation losses on Property, Plant and Equipment							
Movements in the market value of Investment Properties	94						(94) cc
Capital grants and contributions applied	(75,238)		(41,537)			1,120	115,655 cc
Revenue expenditure funded from capital under statute	3,942						(3,942) cc
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	1,822		(1,047)	13,135			does not cross cost 13,910 775
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	(7,202)		(3,078)				10,280 cc
Voluntary provision above MRP	(1,959)						1,959 cc
Capital expenditure charged against the General Fund and HRA balances	(1,689)						1,689 cc
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement							
Application of grants to capital financing transferred to the Capital Adjustment Account							
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement							
Use of the Capital Receipts Reserve to finance new capital expenditure							
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals							
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool							
Transfer from Deferred Capital Receipts Reserve upon receipt of cash							
Adjustments primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA							
Use of the Major Repairs Reserve to finance new capital expenditure							

Notes to the Core Financial Statements

2010/11 Continued	Usable Reserves						Movement in Unusable Reserves £'000
	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Financial Instruments Adjustment Account: Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	10,062		(1,601)				(8,461) cc
Adjustments primarily involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(85,598)		154				μ 85,444 cc
Employer's pensions contributions and direct payments to pensioners payable in the year	(30,385)		(177)				μ 30,562 cc
Adjustments primarily involving the Collection Fund Adjustment Account: Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	✓ 3						(3) cc
Adjustments primarily involving the Accumulated Absences Account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	✓ (820)						820 cc
Other Adjustments	1,284		(1,627)				does not cross cast 343 (14,342)
Total Adjustments	✓ (108,462) μ	✓ 0 μ	✓ 277,027 μ	✓ 12,447 μ	✓ 17,377 μ	✓ 1,120 μ	✓ (199,509) μ cc

Notes to the Core Financial Statements

2009/10 Comparative Figures	Usable Reserves						Movement in Unusable Reserves £'000
	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	£'000	
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items credited or debited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets	85,002		63,287				(149,671)
Revaluation losses on Property, Plant and Equipment							
Movements in the market value of Investment Properties	(978)						978
Capital grants and contributions applied	(25,654)		(7,881)			2,543	30,164
Revenue expenditure funded from capital under statute	7,291						(7,291)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	1,086		4,197	8,288			(10,047)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	(6,640)		(2,409)				9,049
Voluntary provision above MRP	(1,564)						1,564
Capital expenditure charged against the General Fund and HRA balances	(5,218)						5,218
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement							
Application of grants to capital financing transferred to the Capital Adjustment Account							
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement							
Use of the Capital Receipts Reserve to finance new capital expenditure					(5,401)		5,401
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals							
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool							
Transfer from Deferred Capital Receipts Reserve upon receipt of cash							

Notes to the Core Financial Statements

2009/10 Comparative Figures (Continued)	Usable Reserves						Movement in Unusable Reserves £'000
	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA			28,437 per housing and revenue account note 15 (16,619)		16,619		0 cc
Use of the Major Repairs Reserve to finance new capital expenditure			9926 per housing and revenue account note 15 (12,648)		12,648		0 cc
Adjustments primarily involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(301)		(2,111)				2,412 cc
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	40,679		249				Λ (40,928) cc
Employer's pensions contributions and direct payments to pensioners payable in the year	(29,828)		(200)				Λ 30,028 cc
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	✓ 86						(86) cc
Adjustments primarily involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	✓ 1,289		829				does not cross cost 1,159 (1,289) cc
Other Adjustments	(1,988)						(155)
Total Adjustments	✓ 63,262 Λ	✓ 0 Λ	✓ 26,694 Λ	✓ 2,887 Λ	✓ 29,267 Λ	✓ 2,543	Λ (124,653) cc

8. ✓ TRANSFERS TO AND FROM EARMARKED RESERVES

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

This note shows the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11.

Notes to the Core Financial Statements

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

	Balance	09/10 Transfers		Balance	10/11 Transfers		Balance
	01/04/09 £000	In £000	Out £000	31/03/10 £000	In £000	Out £000	31/03/11 £000
General Earmarked	48,737	18,485	(14,961)	52,261	13,920	(15,836)	50,345
Insurance	12,410	786	0	13,196	1,458	0	14,654
Capital Expenditure	9,339	10,303	(13,710)	5,932	1,724	(1,689)	5,967
	70,486	29,574	(28,671)	71,389	17,102	(17,525)	70,966
School Balances	8,280	6,645	(11,357)	3,568	13,058	(5,835)	10,791
School's External Funds	665	624	(665)	624	648	(624)	648
	8,945	7,269	(12,022)	4,192	13,706	(6,459)	11,439
Total	79,431	36,843	(40,693)	75,581	30,808	(23,984)	82,405

α a) Capital Expenditure Reserve

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

α b) Schools Balances

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

α c) Schools' External Funds

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

α 9. ✓ **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.

	2010/11 £000	2009/10 £000
London Pension Fund Authority	1,346	1,330
Environment Agency	174	175
Lee Valley Regional Park Authority	267	267
Total Levies Paid	1,787	1,772

α 10. ✓ **PROPERTY, PLANT AND EQUIPMENT**

α a) **Movements in Non Current Assets**

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

Notes to the Core Financial Statements

2010/11	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	2010/11 TOTAL £000
Restated Gross Book Value b/fwd at 1st April 2010	✓ 953,717	✓ 862,453	✓ 52,353	✓ 98,202	✓ 8,451	✓ 31,536	✓ 38,785	✓ 2,045,497
Additions	13,236	18,852	0	0	0	0	30,819	62,907
Revaluations (Reval Reserve)	39,860	37,498	0	0	0	7,813	0	85,171
Revaluations (Surp/Def on Prov of Servs)	(1,442)	723	0	0	0	4,042	0	3,323
Total Revaluations	38,418	38,221	0	0	0	11,855	0	88,494
Impairments (Reval Reserve)	(9,778)	(2,768)	0	0	0	(2,959)	0	(15,505)
Impairments (Surp/Def on Prov of Servs)	(347,207)	(62,047)	0	0	0	(3,836)	0	(413,090)
Total Impairments	(356,985)	(64,815)	0	0	0	(6,795)	0	(428,595)
Disposals	(1,707)	(1,184)	(33)	0	0	(6,935)	0	(9,859)
Transfers	(1,394)	16,570	6,702	4,489	(289)	1,475	(11,506)	16,047
Assets reclassified to/from Held for Sale	0	0	0	0	0	0	0	0
Gross Book Value c/fwd at 31st March 2011	645,285	870,097	59,022	102,691	8,162	31,136	58,098	1,774,491
Restated Depreciation b/fwd at 1st April 2010	✓ (28,918)	✓ (16,572)	✓ (24,070)	✓ (42,264)	✓ 0	✓ (354)	✓ 0	✓ (112,178)
Depreciation for year	(17,939)	(10,990)	(5,131)	(3,088)	0	(375)	0	(37,523)
<u>Depreciation written back on:</u>								
Transfers	0	0	0	0	0	0	0	0
Assets Revalued	1,570	383	0	0	0	226	0	2,179
Assets Impaired	25,190	1,720	0	0	0	106	0	27,016
Assets Sold	27	0	23	0	0	202	0	252
Depreciation c/fwd at 31st March 2011	(20,070)	(25,459)	(29,178)	(45,352)	0	(195)	0	(120,254)
Net Book Value at 31st March 2011	✓ 625,215	✓ 844,638	✓ 29,844	✓ 57,339	✓ 8,162	✓ 30,941	✓ 58,098	✓ 1,654,237

The movements in non current assets during 2009/10 were as follows:

Notes to the Core Financial Statements

2009/10	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	2009/10 TOTAL £000
Restated Gross Book Value b/fwd at 1st April 2009	964,601	891,219	44,557	92,180	7,965	31,409	36,756	2,068,687
Additions	25,946	45,533	8,385	5,660	486	0	16,212	102,222
Revaluations (Reval Reserve)	1,091	10,691	0	0	0	1,907	0	13,689
Revaluations (Surp/Def on Prov of Servs)	221	(3,139)	0	0	0	0	0	(2,918)
Total Revaluations	1,312	7,552	0	0	0	1,907	0	10,771
Impairments (Reval Reserve)	(616)	(2,775)	0	0	0	0	0	(3,391)
Impairments (Surp/Def on Prov of Servs)	(35,083)	(69,456)	0	(375)	0	0	(3,955)	(108,869)
Total Impairments	(35,699)	(72,231)	0	(375)	0	0	(3,955)	(112,260)
Disposals	(2,706)	(4,903)	(952)	0	0	(1,371)	(501)	(10,433)
Transfers	263	(4,717)	363	737	0	1,569	(9,727)	(11,512)
Assets reclassified to/from Held for Sale	0	0	0	0	0	(1,978)	0	(1,978)
Gross Book Value c/fwd at 31st March 2010	953,717	862,453	52,353	98,202	8,451	31,536	38,785	2,045,497
Restated Depreciation b/fwd at 1st April 2009	(3,313)	(12,069)	(20,265)	(39,400)	0	0	0	(75,047)
Depreciation for year	(27,223)	(10,233)	(4,742)	(2,896)	0	(456)	0	(45,550)
<u>Depreciation written back on:</u>								
Transfers	0	0	0	0	0	0	0	0
Assets Revalued	0	3,084	0	0	0	0	0	3,084
Assets Impaired	1,057	2,075	0	0	0	0	0	3,132
Assets Sold	561	571	937	32	0	102	0	2,203
Depreciation c/fwd at 31st March 2010	(28,918)	(16,572)	(24,070)	(42,264)	0	(354)	0	(112,178)
Net Book Value at 31st March 2010	924,799	845,881	28,283	55,938	8,451	31,182	38,785	1,933,319

Notes to the Core Financial Statements

b) Non Current Assets Revaluations

A five-year rolling programme of revaluation for land and buildings is carried out to ensure that the Council's assets are held at valuations in accordance with RICS and CIPFA guidance. These are signed off by the Council's Valuer, the Head of Property and Development, Mr P Clark FRICS. The Council's policies on valuing its assets are set out in the Accounting Policies in Section 1 of the Accounts.

The HRA dwellings stock was all revalued during the financial year, and the usual General Fund assets as per the rolling programme. In addition, a substantial number of assets were revalued following their reclassification under IFRS. The usual analysis of the rolling programme valuations has not been provided this year therefore, but will be included in future years.

11. INVESTMENT PROPERTIES

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

	31/03/2011 £000	31/03/2010 £000
Operating Expenses	130	147
Rental Income	(1,386)	(1,352)
Balance at End of Year	(1,256)	(1,205)

The following shows the movement in fair value of investment properties in 2010/11;

	2010/11 £000	Restated 2009/10 £000
Balance at Beginning of Year	23,583	11,260
Additions		
Purchases	127	0
Subsequent Expenditure	0	0
Disposals	(1,125)	(166)
Net Gains / (Losses) from fair value adjustments	(94)	978
Transfers to / from PPE	0	11,511
Balance at End of Year	22,491	23,583

16,512 per note 10

12. INTANGIBLE ASSETS *Given there are no intangible assets this note can be removed*

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

Notes to the Core Financial Statements

13. FINANCIAL INSTRUMENTS

The 2010/11 Code of Practice requires compliance with IFRS but some of the requirements are non-compliant with primary legislation. Where this occurs, the Comprehensive Income and Expenditure Statement complies with IFRS, with the Movement in Reserves Statement containing the reversals required to ensure that the closing balances comply with Statute.

a) Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments.

	Long-Term		Current	
	31 Mar 2011 £000	31 Mar 2010 £000	31 Mar 2011 £000	31 Mar 2010 £000
Financial Liabilities (Principal Amount)	303,206	344,035	35,000	40,000
Accrued Interest	166	159	4,351	5,013
Other accounting adjustments	-	-	-	-
Financial liabilities at amortised cost (1)	303,372	344,194	39,351	45,013
Financial liabilities at fair value through profit or loss (2)	-	-	-	-
Total Borrowings	303,372	344,194	39,351	45,013
PFI and finance lease liabilities	175,070	146,189	4,900	6,968
Financial liabilities at amortised cost	-	-	-	-
Financial liabilities at contract amount	-	-	87,454	76,278
Total Creditors	478,442	490,383	131,705	128,259
Financial Guarantees (3)	-	-	-	-
Soft Loans Received (4)	-	-	-	-
Loans and receivables (principal amount)	17,857	1,401	185,901	189,935
Plus Accrued Interest	-	-	483	108
Plus Accounting adjustments	-	-	-	-
Loans and receivables at amortised cost (1)	17,857	1,401	186,384	190,043
Available-for-sale financial assets	-	-	-	-
Financial Assets at fair value through profit or loss (2)	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Total Investments	17,857	1,401	186,384	190,043
Loans and receivables	-	-	-	-
Financial assets at contract amounts	-	-	40,239	45,045
Total Debtors	17,857	1,401	226,623	235,088
Soft loans provided (4)	-	-	-	-

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

Notes to the Core Financial Statements

- ✓ Note 2 – Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.
- ✗ Note 3 – Fair value has been measured by:
- Direct reference to published price quotations in an active market; and/or
 - Estimating using a valuation technique.
- ✗ Note 4 – Local authorities sometimes give financial guarantees that require them to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due in accordance with the terms of the contract. The Council provided no financial guarantees in the financial year and had none outstanding from previous years.
- ✗ Note 5 – The Council has made no loans to voluntary organisations at less than market rates (soft loans), nor has it received any such loans.
- ✗ Note 6 – Long Term Investments comprise of funds which are held with two external cash managers, Invesco and Investec, who were appointed during 2007/08.

Unusual Movements

There were no unusual movements in the year.

Reclassification

There were no reclassification of financial instruments in the year.

Derecognition of instruments

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

Collateral

The council does not hold or has not obtained any collateral for third party debts or other credit enhancements in the financial year 2010/11 or 2009/10.

Allowance for Credit Losses

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

Defaults and Breaches

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

✗ **b) Financial Instruments Gains / (Losses)**

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

Notes to the Core Financial Statements

Financial Instruments Gains and Losses 2010/11	Financial Liabilities	Financial Assets			Total £000
	Measured at amortised cost £000	Loans and Receivables £000	Available For Sale Assets £000	Fair Value through the CI&ES £000	
Interest expense	18,946	-	-	-	18,946
Losses on derecognition	-	-	-	-	-
Reductions in fair value	-	-	-	-	-
Impairment losses	-	-	-	-	-
Fee expense	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	18,946	-	-	-	18,946
Interest income	-	(1,536)	-	-	(1,536)
Interest Income accrued on impaired financial assets	-	-	-	-	-
Increases in fair value	-	-	-	-	-
Gains on derecognition	-	-	-	-	-
Fee income	-	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	-	(1,536)	-	-	(1,536)
Gains on revaluation	-	-	-	-	-
Losses on revaluation	-	-	-	-	-
Amounts recycled to the Surplus or deficit on the provision of Services after impairment	-	-	-	-	-
Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	-	-	-
Net Gain / (Loss) for the Year	18,946	(1,536)	-	-	17,410

Notes to the Core Financial Statements

Financial Instruments Gains and Losses 2009/10	Financial Liabilities	Financial Assets			Total £000
	Measured at amortised cost £000	Loans and receivables £000	Available For Sale Assets £000	Fair value through the CI&ES £000	
Interest expense	19,557	-	-	-	19,557
Losses on derecognition	-	-	-	-	-
Reductions in fair value	-	-	-	-	-
Impairment losses	-	-	-	-	-
Fee expense	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	19,557	-	-	-	19,557
Interest income	-	(2,238)	-	-	(2,238)
Interest Income accrued on impaired financial assets	-	-	-	-	-
Increases in fair value	-	-	-	-	-
Gains on derecognition	-	-	-	-	-
Fee income	-	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	-	(2,238)	-	-	(2,238)
Gains on revaluation	-	-	-	-	-
Losses on revaluation	-	-	-	-	-
Amounts recycled to the Surplus or deficit on the provision of Services after impairment	-	-	-	-	-
Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	-	-	-
Net Gain / (Loss) for the Year	19,557	(2,238)	-	-	17,319

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

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

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

The fair values calculated are as follows:

Notes to the Core Financial Statements

	31 March 2011		31 March 2010	
	Carrying Amount £000	Fair value £000	Carrying Amount £000	Fair value £000
PWLB Debt (Carrying Value)	227,135	259,193	269,254	300,595
Non-PWLB debt	115,588	123,835	119,952	84,645
Total debt	342,723	383,028	389,206	385,240
Long term creditors	-	-	-	-
Total Liabilities	342,723	383,028	389,206	385,240
Money market loans	204,242	204,305	191,336	101,863
Bonds	-	-	-	-
Long term debtors	12,966	12,966	13,123	13,123
Total Assets	217,208	217,271	204,459	114,986

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

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

14. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Key risks

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

- ✓ **Credit risk** - The possibility that other parties might fail to pay amounts due to the Council;
- ✓ **Liquidity risk** - The possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk** - The possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- ✓ **Market risk** - The possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

b) Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the *Local Government Act 2003* and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance through the Act.

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:

Notes to the Core Financial Statements

- The Council's overall borrowing;
- Its maximum and minimum exposures to fixed and variable rates;
- Its maximum and minimum exposures to the maturity structure of its debt;
- Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for investing and selecting investment counterparties in compliance with Government guidance.

These procedures are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 1st March 2010 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2010/11 was set at £573.756 million. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £373.756 million. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at £589.705 million and £33.439 million based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are as follows:

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

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

α c) Credit Risk ✓

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied.

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

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

Notes to the Core Financial Statements

The full Investment Strategy for 2010/11 was approved by Full Council on 1st March 2010 and is available on the Council's website.

The Authority's maximum exposure to credit risk in relation to its investments in banks, building societies and Local Authorities of £204 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

α d) Liquidity Risk ✓

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All sums invested (£204 million) are either due to be paid in less than one year or can be easily realised.

α e) Refinancing and Maturity Risk

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

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

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

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

	Approved Limits		Actual ✓	Actual ✓
	Minimum	Maximum	31 March 2011 £000	31 March 2010 £000
Less than 1 year	-	50,731	-	-
Between 1 and 2 years	-	50,731	5,000	-
Between 2 and 5 years	-	169,103	24,662	55,241
Between 5 and 10 years	-	169,103	23,002	56,235
More than 10 years	169,103	321,295	285,541	232,559
Total			338,205 ✓	344,035 ✓

Notes to the Core Financial Statements

f) Market Risk

i) Interest rate risk

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

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

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

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

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

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

	Variation £000s
Increase in interest payable on variable rate borrowings	125
Increase in interest receivable on variable rate investments	(2,042)
Increase in Government grant receivable for financing costs	(75)
Impact on Surplus or Deficit on the Provision of Services	(1,992)
Share of overall impact debited to the HRA	-50
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	-

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

Notes to the Core Financial Statements

ii) Price risk

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

iii) Foreign exchange risk

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

15. ~~STOCKS AND INVENTORIES~~

Building stores and fleet stock
Other stock

Total Stocks

2010/11 £000	2009/10 £000
229	220
4	37
233	257

16. **CONSTRUCTION CONTRACTS**

The significant construction contracts over £0.5m which had been entered into by the Council at 31 March 2011 are shown below. The outstanding expenditure will be incurred in future financial years. The value of the work completed as at 31 March 2011 has been established by using a stage of completion methodology based on architects' certificates obtained at periodic times during the year.

	Total Value of Contract £000	Value of Works Completed		Value of Contract Remaining £000
		Before 1 April 2010 £000	During 2010/11 £000	
Children & Young People				
BSF Addey & Stanhope School	8,246	69	1,171	7,006
BSF Prendergast Hilly Fields School	18,585	0	2,115	16,470
Monson School	5,737	3,370	538	1,829
Brockley School	7,759	0	679	7,080
Gordonbrock School	9,407	0	955	8,452
Other Directorates				
Forest Hill Pool	8,934	0	609	8,325
Deptford Town Centre (inc Tidemill School)	20,464	2,850	9,445	8,169
Lewisham Homes				
Major Internal Works	1,647	0	651	996
Total Commitments	80,779	6,289	16,163	58,327

17. **DEBTORS**

a) **Long Term Debtors**

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

Balances outstanding at the end of the year are:

Notes to the Core Financial Statements

	31/03/2011 £000	31/03/2010 £000
Mortgages	429	542
Land Charges Debts	498	499
Catford Regeneration Partnership Ltd	11,911	11,981
Other Long Term Debtors	128	101
Total Long Term Debtors	12,966	13,123

b) Current Debtors

These are short term debts consisting of amounts due from the Government, other local authorities and amounts for goods and services provided as at 31 March 2011:

	31/03/2011 £000	31/03/2010 £000
Government and Other Public Bodies:		
HM Revenue & Customs - VAT	6,146	6,340
Education Recoupment	1,993	1,200
Other Govt. & Local Authority Accounts	7,738	16,664
Council Tax Payers	23,083	22,684
Housing Benefit Overpayments	10,330	8,446
Housing Rents (inc PSL, B & B, Hostels, Commercial)	8,238	8,672
General Debtors due for Supplies and Services	32,428	24,315
Total Current Debtors	89,956	88,321
Impairment Allowance - Collection Fund	(20,946)	(19,501)
Impairment Allowance - Housing	(13,693)	(12,080)
Impairment Allowance - Sundry	(15,078)	(11,695)
Total Provision for Bad Debts	(49,717)	(43,276)
Net Current Debtors	40,239	45,045

c) Impairment Allowances

	Balance at 31/03/2009 £000	Movement in Year £000	Balance at 31/03/2010 £000	Movement in Year £000	Balance at 31/03/2011 £000
Collection Fund - Council Tax	16,793	2,708	19,501	1,445	20,946
Housing Rents	7,187	(939)	6,248	266	6,514
Housing Benefit Overpayments	4,973	859	5,832	1,347	7,179
	12,160	(80)	12,080	1,613	13,693
Sundry					
Services	3,970	2,318	6,288	1,701	7,989
Council Tax Court Costs	2,223	500	2,723	2,045	4,768
Housing Service Charges	1,962	(320)	1,642	(355)	1,287
Private Sector Leasing	816	226	1,042	(8)	1,034
	8,971	2,724	11,695	3,383	15,078
Total Impairment Allowances	37,924	5,352	43,276	6,441	49,717

Notes to the Core Financial Statements

d) Debtors which are either past due or impaired

The Council generally requires trade debtors to be settled within 30 days. An age analysis of unpaid invoices issued through the accounts receivable system is as follows.

Accounts Receivable System	2010/11		2009/10	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Debt				
Current (1 to 30 days)	4,583	43	4,114	42
31 to 60 Days	827	8	294	3
61 to 90 Days	261	2	397	4
91 to 180 Days	551	5	674	7
181 to 365 Days	870	8	809	8
Over 1 Year	3,660	34	3,616	37
Total	10,752	100	9,904	100

does not cost 101

The following tables show the aged analysis for Housing Rents, Day to Day Service Charges (excluding Major Works) and Council Tax Court Costs. The notes to the Collection Fund include an age analysis of Council Tax and NNDR arrears.

Housing Rents etc. Debts	31/03/2011		31/03/2010	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Debt				
Current (1 to 30 days)	4,686	57	5,128	59
31 to 90 Days	622	8	620	7
91 to 180 Days	547	7	539	6
181 to 365 Days	731	9	674	8
Over 1 Year	1,652	20	1,711	20
Total	8,238	100	8,672	100

does not cost 101

Service Charges (Day to Day, excludes Major Works)	2010/11		2009/10	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Debt				
Current (1 to 30 days)	1,435	96	1,457	84
31 to 90 Days	25	2	215	13
91 to 180 Days	12	1	22	1
181 to 365 Days	4	0	5	0
Over 1 Year	13	1	40	2
Total	1,489	100	1,739	100

Council Tax Court Costs	2010/11		2009/10	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Debt				
Year of Account	867	17	1,086	35
Under 2 Years old	1,031	20	534	17
Under 3 Years old	882	17	379	12
Under 5 Years old	1,130	22	523	17
Over 5 Years old	1,329	25	593	19
Total	5,239	100	3,115	100

does not cost 101

Notes to the Core Financial Statements

18. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements;

	Balance 31/03/2010 £000	Movement in 2010/11 £000	Balance 31/03/2011 £000
Cash Equivalents			
Short Term Deposits	126,751	(36,656)	90,095
Money Market Funds	13,023	17,964	30,987
Call Accounts with Banks	15,000	(10,461)	4,539
Cash with External Cash Managers	5,523	(5,523)	0
	160,297	(34,676)	125,621
Cash and Bank Balances			
Schools Bank Accounts	(3,590)	1,955	(1,635)
Euro Bank Account	10	384	394
Main Bank Accounts	1,253	(785)	468
Other Cash Balances	(12,364)	15,781	3,417
	(14,691)	17,335	2,644
Totals	✓ 145,606	✓ (17,341)	✓ 128,265

The carrying amounts of cash and cash equivalents and bank overdrafts approximate their fair values. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements, and earn interest at the respective short term deposit rates.

19. ASSETS HELD FOR SALE

	Current		Non Current	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Balance outstanding at start of year	✓ 11,153	✓ 11,105	✓ 8,084	✓ 7,606
Assets newly classified (Property, Plant and Equipment)	0	✓ 4,553	145	478
Revaluation gains and losses	0	0	0	0
Impairment losses	0	0	0	0
Assets declassified as held for sale (Property, Plant and Equipment)	0	✓ (2,575)	0	0
Assets sold	(5,153)	(1,930)	0	0
Transfers from non-current to current	0	0	0	0
Balance outstanding at year-end	✓ 6,000	✓ 11,153	✓ 8,229	✓ 8,084

Current is less than one year and Non Current is over one year.

Notes to the Core Financial Statements

20. PREPAYMENTS

Directorate prepayments
PFI Prepayments
Insurance Premiums

Total Prepayments

2010/11 £000	2009/10 £000
2,277	1,893
4,292	544
0	735
6,569	3,172

21. CREDITORS

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

Government and other public bodies:
Inland Revenue - Tax & NI Contributions
Education Recoupment
Other Govt. and Local Authority Accounts

Short Term Compensated Absences
General creditors (amounts owed for supplies and services)

Total Creditors

31/03/2011 £000	31/03/2010 £000
6,204	6,459
4,233	4,221
10,465	6,190
20,902	16,870
6,944	7,764
59,608	51,644
87,454	76,278

22. PROVISIONS

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

	Balance	09/10 Transfers		Balance	10/11 Transfers		Balance
	01/04/09 £000	In £000	Out £000	31/03/10 £000	In £000	Out £000	31/03/11 £000
Current (less than 1 year)							
Insurance Provision	500	10	0	510	690	0	1,200
Redundancy Costs	0	0	0	0	2,281	0	2,281
	500	10	0	510	2,971	0	3,481
Non Current (Over 1 year)							
Insurance Provision	7,733	1,581	(1,214)	8,100	0	(1,583)	6,517
Other Provisions	3,910	542	(46)	4,406	39	(430)	4,015
	11,643	2,123	(1,260)	12,506	39	(2,013)	10,532
Total - Provisions	12,143	2,133	(1,260)	13,016	3,010	(2,013)	14,013

Notes to the Core Financial Statements

Insurance Provisions

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

Redundancy Costs

The government's strategy to reduce the national deficit over the lifetime of this Parliament principally affects the council's future funding plans, but has had some direct effects on the 2010/11 accounts. A sum of £7.3m for redundancy costs, of which £2.3m was raised as a provision, has been recognised in the accounts as the council has implemented savings and staff reductions in response to the new funding climate.

Other Provisions

This includes a provision to cover the liability for repayment of charges made under the Section 117 1983 Mental Health Act that have now been declared unlawful by the Court of Appeal, provisions to meet the dilapidation costs of leased properties that are primarily used as office accommodation and which are to be vacated as part of the authority's office accommodation strategy and private sector leasing properties.

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

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

	31/03/2011 £000	31/03/2010 £000
Balance brought forward at start of year	20,298	17,411
Amounts receivable in year	25,054	8,550
Poolable to Central Government	(688)	0
Amounts applied to finance new capital investment in year	(11,919)	(5,663)
Total increase/(decrease) in capital receipts in year	12,447	2,887
Balance carried forward at end of year	32,745	20,298

b) Capital Grants Unapplied

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

	31/03/2011 £000	31/03/2010 £000
Opening balance at start of year	3,463	920
Movement in year	1,120	2,543
Balance carried forward at end of year	4,583	3,463

Notes to the Core Financial Statements

24. UNUSABLE RESERVES

a) Revaluation Reserve

The Revaluation Reserve was introduced with a zero balance on 1 April 2007. It records the accumulated gains since 1 April 2007 on non current assets held by the authority 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 amounts equal to the part of depreciation charged on assets that has been incurred only because the asset has been revalued (since 1 April 2007). On disposal the Revaluation Reserve balance for the asset disposed of 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 (where historical cost in this sense refers to their value at 1 April 2007).

	2010/11 £000	Restated 2009/10 £000
Balance brought forward at start of year	102,972	94,821
Componentisation of Revaluation Reserve	58,447	0
Upwards revaluation of assets	85,169	13,716
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the provision of services	(17,124)	(3,503)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	68,045	10,213
Difference between fair value depreciation and historical cost depreciation	(2,117)	(581)
Accumulated gains on assets sold or scrapped	(7,707)	(1,481)
Amount written off to the Capital Adjustment Account	(9,824)	(2,062)
Balance carried forward at end of year	219,640	102,972

Handwritten notes:
 - 68,046 per comprehensive income and expenditure statement (with arrow pointing to 68,045)
 - 9,235 per comprehensive income and expenditure statement (with arrow pointing to 10,213)

b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

Notes to the Core Financial Statements

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	2010/11 £000	Restated 2009/10 £000
Balance at Beginning of Year	1,318,624	1,431,083
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>		
Charges for depreciation and impairment of non-current assets	(419,950)	(149,660)
Revaluation losses on Property, Plant and Equipment	0	0
Amortisation of intangible assets	0	0
Revenue expenditure funded from capital under statute	(3,942)	(7,291)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(15,640)	(9,203)
	(439,532)	(166,154)
Adjusting amounts written out of the Revaluation Reserve	(46,460)	10,148
Net amount written out of the cost of non-current assets consumed in the year	(485,992)	(156,006)
<u>Capital financing applied in the year:</u>		
Use of Capital Receipts to finance new capital expenditure	8,575	5,401
Use of Major Repairs Reserve to finance new capital expenditure	1,627	2,926
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	64,218	19,389
Application of grants to capital financing from the Capital grants Unapplied Account	0	0
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	6,861	10,613
Capital expenditure charged against the General Fund and HRA balances	7,066	5,218
	88,347	43,547
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0	0
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	0
Balance at End of Year	920,979	1,318,624

Notes to the Core Financial Statements

✓α c) Financial Instrument Adjustment Account

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

	✓ 31/03/2011 £000	✓ 31/03/2010 £000
Opening balance at start of year	✓(13,100)	✓(15,760)
Premiums paid for early redemption of debt	1,138	248
Amortisation of premiums and discounts	1,902	2,412
Balance carried forward at end of year	✓(10,060) λ	✓(13,100) λ

✓α d) Pensions Reserve

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

	✓ 31/03/2011 £000	✓ 31/03/2010 £000
Opening balance at start of year	✓ 669,254	320,733
Actuarial gains or losses on pensions assets and liabilities	✓μ (191,221)	✓ 337,621
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	μ (85,444)	μ 40,928
Employer's pensions contributions and direct payments to pensioners payable in the year	μ (30,562)	μ (30,028)
Balance carried forward at end of year	✓ 362,027 λ	✓ 669,254 λ

μ = 318, 231 per note 42

Notes to the Core Financial Statements

α e) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	31/03/2011 £000	31/03/2010 £000
Opening balance at start of year	✓ 25	✓ 111
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	✓ (3)	✓ (86)
Balance carried forward at end of year	✓ 22	✓ 25

α f) Short Term Compensated Absences Account

This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March each year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	31/03/2011 £000	31/03/2010 £000
Opening balance at start of year	✓ 7,764	✓ 6,475
Settlement or cancellation of accrual made at the end of the preceding year	✓ (7,764)	✓ (6,475)
Amounts accrued at the end of the current year	✓ 6,944	✓ 7,764
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	✓ (820)	✓ 1,289
Balance carried forward at end of year	✓ 6,944	✓ 7,764

← incomplete text

Notes to the Core Financial Statements

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

SEGMENTAL REPORTING FOR THE YEAR ENDING 31ST MARCH 2011

	CYP £000s	Community Services £000s	Customer Services £000s	Regen -eration £000s	Resources £000s	HRA £000s	Total £000s
Fees, charges & other service income	(13,234)	(41,801)	(33,211)	(24,407)	(11,305)	(81,185)	(205,143) cc
Government grants	(281,611)	(34,199)	(234,236)	(2,488)	(601)	(57,064)	(610,199) cc
Total Income	(294,845) λ	(76,000) λ	(267,447) λ	(26,895) λ	(11,906) λ	(138,249) λ	(815,342) λ cc
Employee expenses	216,322	44,001	36,235	18,362	24,532	0	339,452 cc
Other operating expenses	132,708	128,068	273,216	24,631	17,630	137,904	714,157 cc
Total operating expenses	349,030 λ	172,069 λ	309,451 λ	42,993 λ	42,162 λ	137,904 λ	1,053,609 λ cc
Net Cost of Services	54,185 λ	96,069 λ	42,004 λ	16,098 λ	30,256 λ	(345) λ	✓ 238,267 λ cc
Net Budgets	54,725	96,091	42,041	16,252	31,220	9/5	240,329 cc
Variation	✓(540) λ	(22) λ	(37) λ	(154) λ	✓(964) λ	0/5	✓(1,717) cc <i>does not cost (2062)</i>
Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement							£000s
Cost of Services in Service Analysis							✓ 238,267
Add services not included in main analysis							✓ 19,409
Add amounts not reported to management (Technical Accounting adjustments)							✓ 309,564
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement							✓ (31,002)
Net Cost of Services in Comprehensive Income and Expenditure Statement							✓ 536,238 λ

Reconciliation to Subjective Analysis (Single Entity)	Service Analysis £000s	Services not in Analysis £000s	Not reported to mgmt £000s	Not included in I&E £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(205,143)	0	0	0	(205,143) cc	0	(205,143) cc
Surplus or deficit on associates and joint ventures	0	0	0	0	0 cc	0	0 cc
Interest and investment income	0	0	212	0	212 cc	(2,491)	(2,279) cc
Income from council tax	0	0	3	0	3 cc	(91,233)	(91,230) cc
Government grants and contributions	(610,199)	0	35,362	0	(574,837) cc	(332,361)	(907,198) cc
Total Income	(815,342) λ	0 λ	35,577 λ	0 λ	(779,765) λ cc	(426,085) λ	(1,205,850) λ cc
Employee expenses	339,452	12,804	(86,265)	(30,562)	235,429	0	235,429 cc
Other service expenses	714,157	6,605	15,051	0	735,813	0	735,813 cc
Depreciation, amortisation and impairment	0	0	409,609	0	409,609	95	409,704 cc
Interest Payments	0	0	(64,408)	0	(64,408)	66,580	2,172 cc
Precepts & Levies	0	0	0	(440)	(440)	1,787	1,347 cc
Payments to Housing Capital	0	0	0	0	0	689	689 cc
Receipts Pool	0	0	0	0	0	775	775 cc
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	775	775 cc
Total operating expenses	1,053,609 λ	19,409 λ	273,987 λ	(31,002) λ	1,316,003 λ	69,926 λ	1,385,929 λ cc
Surplus or deficit on provision of services	✓ 238,267 λ	✓ 19,409 λ	✓ 309,564 λ	✓ (31,002) λ	✓ 536,238 λ	(356,159) λ	✓ 180,079 λ cc

Notes to the Core Financial Statements

SEGMENTAL REPORTING FOR THE YEAR ENDING 31ST MARCH 2010

	CYP £000s	Community Services £000s	Customer Services £000s	Regen- eration £000s	Resources £000s	HRA £000s	Total £000s
Fees, charges & other service income	(16,062)	(40,446)	(32,583)	(24,139)	(12,070)	(85,017)	(210,317) cc
Government grants	(257,550)	(34,522)	(221,046)	(2,728)	(783)	(20,209)	(536,838) cc
Total Income	(273,612) λ	(74,968) λ	(253,629) λ	(26,867) λ	(12,853) λ	(105,226) λ	(747,155) λ cc
Employee expenses	210,020	44,854	37,277	18,697	25,216	0	336,064 cc
Other operating expenses	117,072	125,115	256,056	25,738	18,277	104,861	647,119 cc
Total operating expenses	327,092 λ	169,969 λ	293,333 λ	44,435 λ	43,493 λ	104,861 λ	983,183 λ cc
Net Cost of Services	53,480 λ	95,001 λ	39,704 λ	17,568 λ	30,640 λ	(365) λ	236,028 λ cc
Budgets	52,900	95,002	40,131	17,553	31,195	%	236,781 cc
Variation	580 λ	(1) λ	(427) λ	15 λ	(555) λ	%	(388) cc does not cost (150)

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

Cost of Services in Service Analysis	✓	£000s	236,028
Add services not included in main analysis	✓	10,977	
Add amounts not reported to management	✓	158,216	
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	✓	(30,470)	
Net Cost of Services in Comprehensive Income and Expenditure Statement	✓	374,751 λ	

Reconciliation to Subjective Analysis

(Single Entity)

	Service Analysis £000s	Services not in Analysis £000s	Not reported to mgmt £000s	Not included in I&E £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(210,317)	(3,333)	0	0	(213,650) cc	0	(213,650) cc
Surplus or deficit on associates and joint ventures	0	0	0	0	0 cc	0	0 cc
Interest and investment income	0	0	131	0	131 cc	(3,589)	(3,458) cc
Income from council tax	0	0	86	0	86 cc	(90,573)	(90,487) cc
Government grants and contributions	(536,838)	0	35,073	0	(501,765) cc	(221,957)	(723,722) cc
Total Income	(747,155) λ	(3,333) λ	35,290 λ	0 λ	(715,198) λ cc	(316,119) λ	(1,031,317) λ cc
Employee expenses	336,064	9,549	42,217	(30,028)	357,802	0	357,802 cc
Other service expenses	647,119	4,761	25,824	0	677,704	0	677,704 cc
Depreciation, amortisation and impairment	0	0	95,738	0	95,738	(978)	94,760 cc
Interest Payments	0	0	(40,853)	0	(40,853)	57,413	16,560 cc
Precepts & Levies	0	0	0	(442)	(442)	1,772	1,330 cc
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0 cc
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	5,283	5,283 cc
Total operating expenses	983,183 λ	14,310 λ	122,926 λ	(30,470) λ	1,089,949 λ	63,490 λ	1,153,439 λ cc
Surplus or deficit on the provision of services	✓ 236,028 λ	✓ 10,977 λ	✓ 158,216 λ	✓ (30,470) λ	✓ 374,751 λ	(252,629) λ	✓ 122,122 λ cc

Notes to the Core Financial Statements

26. TRADING OPERATIONS

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

	2010/11			2009/10 (Surplus)/ Deficit £000
	Expenditure £000	Income £000	(Surplus)/ Deficit £000	
Planning & Development Services				
Markets	1,253	(1,253)	0	64
Industrial Estates	132	(460)	(328)	(381)
Cultural & Related Services				
Theatre	1,449	(768)	681	715
Total - Trading Operations	2,834	(2,481)	353	398

Note - Under the Local Authorities Act 1990 (amended) Street Markets operate as a trading account and any surplus or deficit at the year end is carried over into the following year. In 2010/11 there was a surplus of £20k (2009/10 - deficit of £16k), and the total accumulated surplus is now £143k.

27. AGENCY SERVICES

Two officers from the Customer Services Directorate undertook some part time work for the London Borough of Barking and Dagenham during 2010/11 and the Council received £100k for their services.

The Council did not carry out any other agency services or other work for other local authorities or public bodies in 2010/11 or 2009/10.

28. INVESTMENT IN COMPANIES

a) Companies of which the Council is the sole owner.

i) Lewisham Homes Limited

Lewisham Homes is a wholly owned subsidiary of the Council and Councillors Nisbet and Paschoud sat on its board throughout the year. Former Councillor Stockbridge sat on the board until May 2010 and was replaced by Councillor Bell in July 2010. The Council made payments of £22.3m to the company in 2010/11 (£26.1m in 2009/10).

ii) Catford Regeneration Partnership Limited

Catford Regeneration Partnership Ltd (CRPL) is a wholly owned subsidiary of the Council and the Director of Property and Programme Management and the Head of Business Management and Service Support are its directors. The Council advanced a loan of £11.98m to CRPL in 2009/10 and CRPL repaid principal of £0.057m and made interest payments of £0.84m during 2010/11 to the Council.

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

b) Companies of which the Council is a joint owner or shareholder.

i) Lewisham Schools for the Future LEP Limited

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

Notes to the Core Financial Statements

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

Additionally the Council has a 10% stake in four Special Purpose Vehicles set up in relation to those schools which are being newly built under the Government's Private Finance Initiative within this BSF Programme, one for each phase of the programme, known as Lewisham SPV1 Limited, Lewisham SPV 2 Limited, Lewisham SPV3 Limited and Lewisham SPV4 Limited, and in their related Holding Companies, Lewisham Building Schools for the Future Holdings 1 Limited, 2, 3 and 4 Limited. The corporate structure is standard to the BSF scheme.

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

The Council made payments in 2010/11 to the LEP of £6.0m (£6.85m in 2009/10), to the SPV of £8.2m (£8.8m in 2009/10) and to the SPV2 of £0.9m (zero in 2009/10).

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

The Council has a small minority share in 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 £5.02m were made during the year to the company (£4.93m in 2009/10).

iii) Greater London Enterprise Ltd

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

29. MEMBERS' ALLOWANCES

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

	2010/11 £000	2009/10 £000
Allowances - Basic	912	883
Allowances - Pensions and NI	100	116
IT and Telephone	57	62
Travel and Subsistence	30	44
Training	20	23
Other Expenses	26	7
Total Expenditure in Year	1,145	1,135

30. OFFICERS' REMUNERATION

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

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

The Council made total remuneration payments comprising both redundancy and salary costs of over £50,000 to 16 staff in 2010/11 (note – a significant number of redundancies were paid in 2011/12). For comparative reasons, these are not shown in the table below.

The breakdown of these payments was;

£95,000 to £99,999 – 2;	£80,000 to £84,999 – 2;	£75,000 to £79,999 – 3;
£70,000 to £74,999 – 1;	£65,000 to £69,999 – 2;	£60,000 to £64,999 – 1;
£55,000 to £59,999 – 3;	£50,000 to £54,999 – 2.	

Notes to the Core Financial Statements

Remuneration Band	2010/11			2009/10		
	Non-School Employees	School Employees	Total Employees	Non-School Employees	School Employees	Total Employees
£50,000 to £54,999	77	174	251	66	157	223
£55,000 to £59,999	41	67	108	34	62	96
£60,000 to £64,999	18	38	56	17	40	57
£65,000 to £69,999	15	34	49	13	37	50
£70,000 to £74,999	4	27	31	4	19	23
£75,000 to £79,999	3	11	14	8	9	17
£80,000 to £84,999	1	7	8	4	8	12
£85,000 to £89,999	2	8	10	5	7	12
£90,000 to £94,999	9	3	12	5	1	6
£95,000 to £99,999	2	1	3	2	0	2
£100,000 to £104,999	4	1	5	2	2	4
£105,000 to £109,999	2	2	4	3	0	3
£110,000 to £114,999	0	1	1	0	1	1
£130,000 to £134,999	0	0	0	0	0	0
£135,000 to £139,999	1	0	1	2	0	2
£140,000 to £144,999	3	0	3	2	0	2
£190,000 to £194,999	1	0	1	1	0	1
£230,000 to £234,999	0	0	0	0	1	1
Total	183	374	557	168	344	512

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

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

Post Holder Information	Salary (inc fees and allowances)	Employer's Pension Contributions	Total including Pension Contributions
	£	£	£
Senior Employees - Salary over £150,000			
Chief Executive - B Quirk	192,387	38,477	230,864
Senior Employees - Salary below £150,000			
Executive Director for Customer Services	141,123	28,225	169,348
Executive Director for Children and Young People	141,123	28,225	169,348
Executive Director for Resources	141,123	28,225	169,348
Executive Director for Community Services	138,495	27,699	166,194
Director of Programme Management and Property	109,538	21,908	131,446
Head of Law and Monitoring Officer	107,538	21,508	129,046
Director of Children's Social Care (part year)	94,237	18,847	113,084
Totals	1,065,564	213,113	1,278,677

does not cost 213,114

does not cost 1,278,678

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

Notes to the Core Financial Statements

c) Disclosure of Senior Employees' Remuneration for financial year 2009/10

Post Holder Information	Salary (inc fees and allowances) £	Employer's Pension Contributions £	Total including Pension Contributions £
Senior Employees - Salary over £150,000			
Head Teacher Tidemill School - M Elms	231,400	16,701	248,101
Chief Executive - B Quirk	192,387	37,515	229,902
Senior Employees - Salary below £150,000			
Executive Director for Customer Services	141,123	27,519	168,642
Executive Director for Children and Young People	141,123	27,519	168,642
Executive Director for Resources	138,495	27,007	165,502
Executive Director for Community Services	135,867	26,494	162,361
Director of Programme Management and Property	109,538	21,360	130,898
Director of Children's Social Care	109,538	21,360	130,898
Head of Law and Monitoring Officer	107,538	20,970	128,508
Totals	1,307,009	226,445	1,533,454

Note – No payments in respect of bonuses, expenses or compensation for loss of office were made in 2009/10 to these employees.

31. EXTERNAL AUDIT COSTS

Payments to the Audit Commission

Fees payable with regard to external audit services
 Fees payable in respect of statutory inspection
 Fees payable for the certification of grant claims and returns
 Fees payable in respect of other services provided by the appointed auditor

	2010/11 £000	2009/10 £000
	443	427
	0	20
	131	148
	0	0
External Auditor Fees	574	595

These fees exclude a £35,000 fee payable for the audit of the Pension Fund.

32. DEDICATED SCHOOLS' GRANT

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

The details of the deployment of DSG receivable for 2010/11 and 2009/10 are as follows:

Notes to the Core Financial Statements

	2010/11			2009/10		
	Central Expenditure £000	Individual Schools Budget (ISB) £000	2009/10 Total £000	Central Expenditure £000	Individual Schools Budget (ISB) £000	2009/10 Total £000
Final DSG for Year	30,161	163,628	193,789	27,998	150,218	178,216
Brought forward from previous year	390	0	390	1,122	9,005	10,127
Carry forward to next year agreed in advance	0	0	0	0	0	0
Agreed budgeted distribution in Year	30,551	163,628	194,179	29,120	159,223	188,343
Actual Central Expenditure	30,551	0	30,551	28,730	0	28,730
Actual ISB deployed to schools	0	163,628	163,628	0	159,223	159,223
Local authority contribution for Year	0	0	0	0	0	0
Use of DSG in Year	30,551	163,628	194,179	28,730	159,223	187,953
Carried forward to next year	0	0	0	390	0	390

33. GRANT AND TAXATION INCOME

The Council credited the following taxation and general grants to the Comprehensive Income and Expenditure Statement in 2010/11;

	2010/11 £000	2009/10 £000
Credited to Taxation and Non Specific Grant Income		
Income from Council Tax	(91,234)	(90,573)
National Non-Domestic Rates redistribution	(157,367)	(144,288)
Formula Revenue Grant	(22,851)	(33,304)
Recognised Capital Grants and Contributions	(116,775)	(25,654)
Area Based Grant	(33,728)	(18,812)
Other Grants (non-service specific)	(1,637)	101
Total	(423,592)	(312,530)
Credited to Services		
Dedicated Schools Grant	(194,179)	(187,953)
Housing and Council Tax Benefit	(228,984)	(215,184)
Sure Start Grants	(14,290)	(13,587)
Schools Standard Grant and Schools Standard Fund	(31,896)	(27,604)
Other Grants	(65,130)	(69,350)
Total	(534,479)	(513,678)

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

Notes to the Core Financial Statements

Capital Grants
Revenue Grants
Total

2010/11 £000
(1,117)
(2,091)
(3,208)

34. RECEIPTS IN ADVANCE

Revenue Receipts in Advance

Capital Contributions Unapplied
Council Tax
PFI Schemes
Other Receipts in Advance

Total Receipts in Advance

2010/11 £000	2009/10 £000
35,169	26,508
5,293	5,245
16,486	14,868
7,368	9,222
64,316	55,843

35. RELATED PARTY TRANSACTIONS

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

(a) Central Government and Other Local Authorities

The general government grants received are shown in Note 34 to the Core Financial Statements. The precept to the Greater London Authority is shown in the notes of the Collection Fund in Section 4b of the Accounts. There were numerous other transactions between the Council and other Local Authorities.

(b) Subsidiaries, Associated Companies and Joint Ventures

The companies that are related to the Council are detailed in Note 28 to the Core Financial Statements. Material transactions were as follows:

- Lewisham Homes is a wholly owned subsidiary of the Council and Councillors Nisbet and Paschoud sat on its board throughout the year. Former Councillor Stockbridge sat on the board until May 2010, and was replaced by Councillor Bell in July 2010. The Council paid a management fee of £20.4m to the company in 2010/11 (£21.1m in 2009/10).
- Catford Regeneration Partnership Ltd (CRPL) is a wholly owned subsidiary of the Council and the Director of Property and Programme Management and the Head of Business Management and Service Support are its directors. The Council advanced a loan of £11.98m to CRPL in 2009/10, and CRPL repaid principal of £0.057m and made interest payments of £0.84m during 2010/11 to the Council.
- South-East London Combined Heat and Power Ltd (SELCHP) is a joint venture with the London Borough of Greenwich and Councillor Paschoud sat on its board during the year. Payments of £5.02m were made in 2010/11 to the company (4.93m in 2009/10).
- The Council owns 10% of the shares of the Lewisham Schools for the Future Local Education Partnership (LEP), and its subsidiary Special Purpose Vehicles (SPV). The Head of Business Management and Service Support is the Council's Director on the LEP and its SPV's. The Council made payments in 2010/11 to the LEP of £6.0m (£6.85m in 2009/10), to the SPV of £8.2m (£8.8m in 2009/10) and to the SPV2 of £0.9m (zero in 2009/10).

Notes to the Core Financial Statements

α (c) Members and Chief Officers

Members of the Council have direct control over the Council's financial and operating policies. The total cost of members (inc allowances) are shown in Note 29.

This note has been compiled by using the Council's Register of Members and Chief Officers' Declarations of Interests. This is open to public inspection at the Civic Suite at Lewisham Town Hall. Declarable related party transactions over £2,000 are as follows:

- Councillor Affiku is employed by Lewisham Primary Care Trust with whom Lewisham operates joint commissioning arrangements for health and social care, worth approximately £200m in 2010/11.
- Councillor Best is a member of Sydenham Gardens to whom Lewisham paid £7,300 in 2010/11.
- Councillor Clarke is employed by the National Society of Epilepsy to whom Lewisham paid £0.16m in 2010/11 and a member of the Grove Park Community Group to whom Lewisham paid £35,800 in 2010/11.
- Councillor Clutten is a student member of Goldsmith University College Council to whom Lewisham paid £40,600 in 2010/11.
- Councillor Egan is a member of Hither Green Community Association to whom Lewisham paid £2,000 in 2010/11.
- Councillor Fletcher is on the Council of Management of the Lewisham Youth Theatre to whom Lewisham paid £62,300 in 2010/11 and is a board member of the Ilderton Motor Project to whom Lewisham paid £10,000 in 2010/11.
- Councillor Foreman is employed by Haberdasher's Askes Knights Academy to whom Lewisham paid £0.61m in 2010/11.
- Councillor Hall is a board member of the Phoenix Community Homes to whom Lewisham paid £1.38m in 2010/11.
- Councillor Johnson is a member of the London Fire and Emergency Planning Authority to whom Lewisham paid £35,000 in 2010/11.
- Councillor Long is Chair (remunerated) of the South London and Maudsley NHS Trust to whom Lewisham paid £3.59m in 2010/11.
- Councillor Mallory is a member of Lee Green Lives to whom Lewisham paid £5,200 in 2010/11.
- Councillor Millbank is a member of Voluntary Action Lewisham to whom Lewisham paid £0.355m, a member of the Ackroyd Community Association to whom Lewisham paid £0.22m and a member of the Oak Hill Community Nursery to whom Lewisham paid £70,300, all payments made in 2010/11.
- Councillor Morrison is employed by the North Downham Training Project to whom Lewisham paid £0.25m in 2010/11.
- Councillor Muldoon is a board member of the South London and Maudsley NHS Trust to whom Lewisham paid £3.59m in 2010/11, and a member of the Noah's Ark Children's Venture to whom Lewisham paid £53,500 in 2010/11.
- Councillor Nisbet is a member of Lewisham & Southwark Age Concern to whom Lewisham paid £0.22m, is a member of Sydenham Music to whom Lewisham paid £18,500 and is a member of Sydenham Gardens to whom Lewisham paid £7,300, all payments were made in 2010/11.
- Councillor Onuegbu is a member of the South London and Maudsley NHS Trust to whom Lewisham paid £3.59m in 2010/11.
- Councillor Paschoud is a member of the Ravensbourne Project to whom Lewisham paid £0.26m, a member of Contact a Family – Lewisham to whom Lewisham paid £0.15m, a member of the Lewisham Disability Coalition to whom Lewisham paid £0.145m, a member of Platform 1 (Forest Hill) Youth Project to whom Lewisham paid £22,200 and a member of Forest Hill and Sydenham Youth Forum to whom Lewisham paid £7,800, all payments made in 2010/11.
- Councillor Peake is a member of the Lewisham Citizen Advice Bureau to whom Lewisham paid £0.49m in 2010/11 and a member of the Forest Hill Society to whom Lewisham paid £2,100 in 2010/11.
- Councillor Smith is a member of Groundwork Trust, London South to whom Lewisham paid £52,800 in 2010/11.
- Former Councillor Stockbridge was a member of Phoenix Community Homes to whom Lewisham paid £1.38m in 2010/11.
- Councillor Till is employed by Dinardo Ltd to whom Lewisham paid £0.45m, a member of the North Downham Training Project to whom Lewisham paid £0.25m, a committee member of the

Notes to the Core Financial Statements

Marsha Phoenix Memorial Trust to whom Lewisham paid £0.25m, a member of the Ackroyd Community Association to whom Lewisham paid £0.22m, a member of the Noah's Ark Children's Venture to whom Lewisham paid £53,500, a member of the Ilderton Motor Project to whom Lewisham paid £10,000 and a member of the Rockbourne Youth Management Committee to whom Lewisham paid £2,700, all payments were made in 2010/11.

- The Interim Executive Director for Regeneration is the Director of Interea Consulting, to whom Lewisham paid £0.24m in 2010/11 (£0.204m in 2009/10) for his services.

(d) Lewisham Pension Fund

- The Council's contribution to the Pension Fund in 2010/11 on behalf of its employees was £25.0m (£25.6m in 2009/10).
- The cost of administering the Pension Fund of £0.47m (£0.58 in 2009/10) was charged to the fund in 2010/11.
- The Pension Fund had £0.04m of cash balances invested with the Council as at 31 March 2011 (on 31 March 2010 the Pension Fund had £5.1m of cash balances invested with the Council).

36. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2010/11 £000	2009/10 £000
Opening Capital Financing Requirement	✓ 404,066	391,264
Capital investment		
Property, Plant and Equipment	55,304	61,240
Investment Properties	308	2,360
Intangible Assets	0	0
Revenue Expenditure Funded from Capital under Statute	0	0
	55,612	63,600
Sources of finance		
Capital Receipts	✓ (11,919)	✓ (5,663)
Government Grants and other contributions	✓ (25,447)	✓ (26,038)
Sums set aside from Revenue:	✓ (1,689)	✓ (5,418)
Minimum Revenue Provision	✓ (6,439)	✓ (5,797)
Other: Transfer of Housing Stock	✓ (41,536)	✓ (7,882)
	(87,030)	(50,798)
Movement in Capital Financing Requirement in Year	✓ (31,418)	✓ 12,802
Closing Capital Financing Requirement	372,648	✓ 404,066

Notes to the Core Financial Statements

Explanation of movements in year

Increase in underlying need to borrowing (supported by government financial assistance)
 Increase in underlying need to borrowing (unsupported by government financial assistance)
 Debt Redeemed as part of Housing Stock Transfer/ MRP

2010/11 £000	2009/10 £000
✓ 13,912	✓ 12,997
✓ 2,645	✓ 13,484
✓ (47,975)	✓ (13,679)
✓ (31,418)	✓ 12,802

Increase/ (Decrease) in Capital Financing Requirement

37. LEASES

A Lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. The definition of a lease includes hire purchase contracts. Lease classification is made at the inception of the lease.

A Finance lease is a lease that transfers substantially all the risk and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

An Operating lease is a lease other than a finance lease.

a) Authority as a Lessee

i) Finance Leases

The Council has a small number of residential properties under finance leases. The assets under these leases are carried as Council Dwellings in the balance sheet at the following net amounts.

Council Dwellings

31/03/11 £000	31/03/10 £000
565	1,010

Finance Lease Liabilities

The annual payments for the residential property are made at peppercorn rates. The minimum lease payment is therefore immaterial.

ii) Operating Leases

The Authority has operating leases in the following areas:

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

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

Not later than one year
 Later than one year and not later than five years
 Later than five years

31/03/11 £000	31/03/10 £000
2,172	2,112
5,381	7,108
3,709	1,655
11,262	10,875

Notes to the Core Financial Statements

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

	31/03/11 £000	31/03/10 £000
Minimum lease payments	2,033	1,816
	2,033	1,816

b) Authority as a Lessor

i) Finance Leases

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

	31/03/11 £000	31/03/10 £000
Finance lease debtor (net present value of minimum lease payments):		
Current	600	600
Unearned finance income	-	-
Gross investment in the lease	600	600

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

	Gross Investment in the Lease		Minimum Lease Payment	
	31/03/11 £000	31/03/10 £000	31/03/11 £000	31/03/10 £000
Not later than one year	-	55	0	20
Later than one year and not later than five years	152	381	149	286
Later than five years	64	261	200	220
	216	697	349	526

ii) Operating Leases

The Authority leases out Commercial property for Investment purposes.

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

	31/03/11 £000	31/03/10 £000
Not later than one year	1,818	1,877
Later than one year and not later than five years	6,516	7,162
Later than five years	9,944	11,176
	18,278	20,215

Notes to the Core Financial Statements

38. PRIVATE FINANCE INITIATIVES (PFI) CONTRACTS

a) Description of PFI Contracts

i) Downham Lifestyles Centre PFI

A PFI agreement was signed in September 2005 for the provision of the Downham Lifestyles Centre for a period of 32 years. The centre provides health and leisure facilities and opened in March 2007. Unitary charge payments were £1.9m in 2010/11 (£1.8m in 2009/10). It is expected that the lifetime unitary charge payments will be £74m.

ii) Brockley Area Housing PFI

An HRA PFI agreement was signed in June 2007 for the provision of the housing management services, repairs and maintenance and Decent Homes Standard refurbishment work to 1,845 leasehold and tenanted properties in the Brockley area. Under this contract the Council made unitary charge payments of £13m in 2010/11 (£10.4m in 2009/10). The contract is for a 20 year period and over its lifetime the project is expected to cost £314m, including £284m of unitary charges and £3m of capital contributions.

iii) Grouped Schools PFI

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

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

The unitary charge for 2010/11 was £6.8m (in 2009/10 the unitary charge was £6.6m).

iv) BSF Catford and Sedgehill Schools

A PFI contract was signed in December 2007 for the rebuild and running of two secondary schools, Sedgehill and Catford High. The operational start dates were January 2009 for Sedgehill School and April 2009 for Catford High School (now named Conisborough School). The unitary charge for 2010/11 was £8m (the unitary charge in 2009/10 was £7.1m). The total expenditure on the PFI contract over its 26 year operational life is estimated to be £238m.

v) BSF Northbrook School

A PFI contract was signed in 2009/10 for the construction of Northbrook School. Construction started in June 2009 and it became operational in January 2011, with a unitary charge for 2010/11 of £0.7m. The total unitary charge payments over 27 years are estimated to be £85m.

vi) Street Lighting

A PFI contract was signed in April 2011 for the replacement of the boroughs street lighting equipment and its ongoing maintenance until 2036. As there were no transactions in 2010/11, more detailed disclosures are not included in this years accounts.

b) PFI Liabilities

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The outstanding liability to pay to the contractors for capital expenditure incurred is as follows;

	Due within 1 Year		Deferred	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Balance outstanding at start of year	6,968	4,283	146,189	92,353
Movement in Year	(2,068)	2,685	28,881	53,836
Balance outstanding at end of year	4,900	6,968	175,070	146,189

Notes to the Core Financial Statements

c) Movement in PFI Assets in year

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

	2010/11		2009/10	
	£000	£000	£000	£000
Gross Book Value b/fwd from previous year		✓ 228,566		278,556
Additions		31,715		36,846
Revaluations (recognised in Revaluation Reserve)	8,847		3,613	
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	511		245	
Total Revaluations		9,358		3,858
Impairments (recognised in Revaluation Reserve)	(2,125)		(1,293)	
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	(47,852)		(89,339)	
Total Impairments		(49,977)		(90,632)
Disposals		(63)		(62)
Transfers		0		0
Assets reclassified (to)/ from Held for Sale		0		0
Gross Book Value at End of the Year		219,599		✓ 228,566
Depreciation Balance b/fwd from previous year		(482)		(2)
Depreciation for year		(4,041)		(5,413)
<u>Depreciation written back on:</u>				
Transfers	0		0	
Assets Revalued	0		9	
Assets Impaired	482		4,922	
Assets sold	2		2	
		484		4,933
Depreciation Balance c/fwd to following year		(4,039)		(482)
Net Book Value at End of the Year		215,560		228,084

d) Payments due under PFI contracts

The Council makes an agreed fixed payment each year which is linked to inflation and can be reduced if the contractor fails to meet availability and performance standards. The following table shows the estimated cash payments due to be paid (as part of a unitary charge) for each PFI. The price base is in nominal terms assuming a 2.5% RPI increase per annum compounded until the end of the contract. The

Notes to the Core Financial Statements

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.

	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF Catford & Sedgehill	BSF Northbrook	Total	
	£000	£000	£000	£000	£000	£000	
Payments due							
within 1 year							
Service charges	5,041	193	2,189	2,055	642	10,120	cc
Interest	5,955	1,486	3,767	4,839	1,934	17,981	cc
Repayment of liability	2,622	134	721	1,177	246	4,900	cc
Planned lifecycle replacement	0	147	189	56	0	392	cc
	13,618	1,960	6,866	8,127	2,822	33,393	Λcc
within 2 to 5 years							
Service charges	22,627	820	9,381	8,839	2,732	44,399	cc
Interest	21,679	6,023	14,382	18,404	7,510	67,998	cc
Repayment of liability	12,148	548	3,000	5,128	1,120	21,944	cc
Planned lifecycle replacement	253	811	1,535	1,040	166	3,805	cc
	56,707	8,202	28,298	33,411	11,528	138,146	Λcc
within 6 to 10 years							
Service charges	39,795	1,146	13,292	12,617	3,784	70,634	cc
Interest	20,159	7,657	16,098	20,088	8,718	72,720	cc
Repayment of liability	14,099	718	3,886	6,838	1,857	27,398	cc
Planned lifecycle replacement	2,297	1,187	4,151	4,501	638	12,774	cc
	76,350	10,708	37,427	44,044	14,997	183,526	Λcc
within 11 to 15 years							
Service charges	47,409	1,297	15,285	14,617	4,263	82,871	cc
Interest	12,245	7,842	13,912	16,516	7,616	58,131	cc
Repayment of liability	20,450	1,152	5,396	9,171	2,389	38,558	cc
Planned lifecycle replacement	3,064	1,368	5,537	6,701	1,460	18,130	cc
	83,168	11,659	40,130	47,005	15,728	197,690	Λcc
within 16 to 20 years							
Service charges	10,622	1,467	17,586	16,953	4,823	51,451	cc
Interest	1,442	7,636	10,905	11,740	6,122	37,845	cc
Repayment of liability	6,334	1,922	9,816	14,892	3,939	36,903	cc
Planned lifecycle replacement	593	1,564	4,324	6,459	1,671	14,611	cc
	18,991	12,589	42,631	50,044	16,555	140,810	Λcc
within 21 to 25 years							
Service charges	0	1,660	20,221	15,495	5,457	42,833	cc
Interest	0	6,907	5,783	4,036	3,624	20,350	cc
Repayment of liability	0	3,154	16,244	16,297	6,545	42,240	cc
Planned lifecycle replacement	0	1,773	3,829	4,653	1,864	12,119	cc
	0	13,494	46,077	40,481	17,490	117,542	Λcc
within 26 to 30 years							
Service charges	0	1,099	548	0	1,676	3,323	cc
Interest	0	3,459	29	0	332	3,820	cc
Repayment of liability	0	3,050	475	0	2,504	6,029	cc
Planned lifecycle replacement	0	1,173	134	0	648	1,955	cc
	0	8,781	1,186	0	5,160	15,127	Λcc
TOTAL PAYMENTS DUE	248,834	67,393	202,615	223,112	84,280	826,234	Λcc

Notes to the Core Financial Statements

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

The Council has a Public Private Partnership (PPP) investment contract for the management of three of its five leisure facilities (Bridge Leisure Centre, Ladywell Arena and the Wavelengths Leisure Centre) with Parkwood. The arrangement includes investment, totalling £2.7m over the life of the contract, to upgrade and maintain the facilities. The contract commenced in October 2001 and runs until October 2011. However, due to the extension of the Wavelengths Leisure Centre and Library in August 2008 to include a new 25m pool and changing areas, a variation was agreed to manage the extended facility. The total payment under the revised contract in 2010/11 was £1.44m (£1.33m in 2009/10).

The two remaining centres were run under management only contracts which were due to expire on the 14 October 2006. The Forest Hill Pools contract was allowed to expire on its due date but was still managed under an extension contract until 2009 to enable the site to be maintained and secured. The Ladywell Leisure Centre contract was due to expire in April 2010 but a further Variation was secured to allow the contract to be extended until October 2011 to bring it in line with the existing Parkwood Contract. The total payment for these contracts in 2010/11 was £0.499m (£0.675m in 2009/10).

b) Parks and Open Spaces

The Council entered into a new 10 year Green Space Contract with Glendale Grounds Management on 1st March 2010. The contract has a 5 year break clause and a value of just under £4m per annum which includes the London Living Wage allocation. The contract covers parks and open spaces, highways enclosure and housing grounds maintenance on Lewisham homes sites. There is no investment element to this contract.

c) Networks and Telecommunications and Primary ICT Services

The contract with SunGard Public Sector for the provision of ICT services expired on 31 March 2011. The Council is now engaged with Capita in a joint contract with Bromley Council to cover these services, which is for a period of up to 9 years, beginning on 1 April 2011.

d) Schools' ICT Framework

As part of the Building Schools for the Future programme, an ICT Framework agreement was signed in December 2007 for the provision of interim and full ICT managed service provision for secondary schools in the Borough over a period of 10 years. Capital investment in ICT equipment for 2010/11 was £1.01m (£2.54m in 2009/10 and £3.95 in 2008/09), with the total estimated capital expenditure over the life of the contract to be just under £20m. The revenue implications of the ICT managed service are being met by the individual schools.

40. TERMINATION BENEFITS

The government's strategy to reduce the national deficit over the lifetime of this Parliament principally affects the council's future funding plans, but has had some direct effects on the 2010/11 accounts. A sum of £7.3m for termination of employment costs, affecting 285 employees, has been recognised in the accounts as the council has implemented savings and staff reductions in response to the new funding climate. This sum includes payments of £1.2m to the Pension Fund in respect of employees who have been granted early access to their pensions. The costs of termination benefits in 2009/10 was £1.4m.

41. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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

Notes to the Core Financial Statements

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

In 2010/11 the Council paid £12.2m to the DfE in respect of teachers' pension costs (£11.9m in 2009/10). This represented 14.1% of pensionable pay between April 2010 and March 2011.

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These benefits are fully accrued in the pensions liability shown in Note 42 below.

42. DEFINED BENEFIT PENSION SCHEMES

a) Participation in pensions schemes

The Council offers retirement benefits as part of the terms and conditions of staff employment. Although these benefits will not actually be payable until employees retire, the Council is committed to making these payments, and they therefore are required to be disclosed at the time that employees earn their future entitlement.

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

- (i) the Local Government Pension Scheme (LGPS), administered locally by the Council. This is a defined benefit final salary scheme, meaning that both the Council and the employees pay contributions into a fund, calculated at a level which is intended to balance the pensions liabilities with investment assets.
- (ii) the London Pensions Fund Authority (LPFA), which provides retirement benefits for former Greater London Council (GLC) staff and operates in the same way as the LGPS.

b) Transactions relating to retirement benefits

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

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		LPFA	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
<u>Cost of Services</u>				
Current Service Cost	25,577	13,528	572	457
Past Service Cost	(126,186)	140	(5,599)	0
Curtailments and Settlements	660	1,906	0	28
<u>Financing and Investment Income and Expenditure</u>				
Interest Cost	67,088	53,659	4,052	4,029
Expected Return on Scheme Assets	(48,664)	(30,856)	(2,944)	(1,963)
Total Retirement Benefits charged to the Surplus or Deficit on the Provision of Services	(81,525)	38,377	(3,919)	2,551

48,664 per page 83

Notes to the Core Financial Statements

Other charges to the Comprehensive Income and Expenditure Statement

Actuarial Gains and (Losses)

✓ 169,898	(312,387)	✓ 21,323	(21,906)
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does not agree to 351,621 per Comprehensive Income and Expenditure

Total Retirement Benefits charged to the Comprehensive Income and Expenditure Statement

88,373	Λ (274,010) Λ	17,404	Λ (19,355) Λ
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Movement in Reserves Statement

Reversal of net charges made for Retirement Benefits to the Surplus or Deficit on the Provision of Services

✓ 81,525	✓ (38,377)	✓ 3,919	✓ (2,551)
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Actual amount charged against General Fund and HRA Balances for pensions in the year:

Employers' contributions payable to scheme

✓ 29,852	✓ 29,172	✓ 710	✓ 856
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The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement at 31st March 2011 is a loss of £277.771m (£265.673m for the LGPS and £12.098m for the LPFA).

α c) Assets and Liabilities in relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2011 are shown in the following tables detailing a reconciliation of opening and closing balances. It should be noted that the valuation of the assets was based on December 2010 data and may differ from the final valuation shown in the Pension Fund Accounts.

Reconciliation of Present Value of the Scheme Liabilities

Opening Scheme Liabilities

Adjustments relating to previous year
Lewisham Homes FRS17 Indemnity
Current Service Cost
Interest Cost
Contributions by Members
Actuarial Losses/(Gains)
Past Service Costs
Losses on Curtailments
Liabilities Extinguished on Settlements
Estimated Unfunded Benefits Paid
Estimated Benefits Paid

Local Government Pension Scheme		LPFA	
31 Mar 11 £000	31 Mar 10 £000	31 Mar 11 £000	31 Mar 10 £000
✓ 1,319,354	✓ 793,449	✓ 86,181	✓ 59,938
0	(11,558)	0	0
0	59,726	0	0
✓ 25,577	✓ 13,528	✓ 572	✓ 457
✓ 67,088	✓ 53,659	✓ 4,052	✓ 4,029
✓ 8,376	✓ 8,301	✓ 139	✓ 172
✓ (194,632)	434,334	✓ (11,474)	25,332
✓ (126,186)	✓ 140	✓ (5,599)	✓ 0
✓ 660	✓ 1,906	✓ 0	✓ 28
0	0	0	0
✓ (5,085)	✓ (4,783)	✓ (256)	✓ (257)
✓ (34,047)	✓ (29,348)	✓ (4,131)	✓ (3,518)
✓ 1,061,105	Λ 1,319,354 Λ	✓ 69,484	Λ 86,181 Λ

Closing Scheme Liabilities

Notes to the Core Financial Statements

Reconciliation of Fair Value of the Scheme Assets	Local Government Pension Scheme		LPFA	
	31 Mar 11 £000	31 Mar 10 £000	31 Mar 11 £000	31 Mar 10 £000
Opening Fair Value of Scheme Assets	✓ 686,418	✓ 485,433	✓ 49,863	✓ 47,221
Adjustments relating to previous year	0	(12,363)	0	0
Lewisham Homes FRS17 Indemnity	0	41,141	0	0
Expected Return on Assets <i>48,664 per page 81</i>	✓ 48,604	✓ 30,856	✓ 2,944	✓ 1,963
Actuarial Gains/(Losses)	✓ (24,734)	✓ 138,009	✓ 9,849	✓ 3,426
Contributions by the employer	✓ 24,767	✓ 24,389	✓ 454	✓ 599
Contributions by members	✓ 8,376	✓ 8,301	✓ 139	✓ 172
Contributions in respect of Unfunded Benefits	✓ 5,085	✓ 4,783	✓ 256	✓ 257
Benefits Paid	✓ (34,047)	✓ (29,348)	✓ (4,131)	✓ (3,518)
Unfunded Benefits Paid	✓ (5,085)	✓ (4,783)	✓ (256)	✓ (257)
Assets Distributed on Settlements	0	0	0	0
Closing Fair Value of Scheme Assets	✓ 709,444	✓ 686,418	✓ 59,118	✓ 49,863

The actual return on scheme assets in 2010/11 showed a gain of £43.822m for the LGPS (gain of £168.865m for 2009/10) and a gain of £3.445m for the LPFA (gain of £5.389m for 2009/10).
does not cost 709,384 m=23,870
m=12,793 *m=5,389*

d) Scheme History

Scheme History	2010/11 £000	2009/10 £000	2008/09 £000	2007/08 £000	2006/07 £000
Local Government Pension Scheme					
Fair Value of Scheme Assets	✓ 709,444	✓ 686,418	✓ 485,433	635,822	722,000
Present Value of Scheme Liabilities	✓ (1,061,105)	✓ (1,319,354)	✓ (793,449)	(812,380)	(939,600)
Surplus/Deficit	(351,661)	(632,936)	(308,016)	(176,558)	(217,600)
LPFA					
Fair Value of Scheme Assets	✓ 59,118	✓ 49,863	✓ 47,221	54,611	53,420
Present Value of Scheme Liabilities	✓ (69,484)	✓ (86,181)	✓ (59,938)	(62,474)	(71,797)
Surplus/Deficit	(10,366)	(36,318)	(12,717)	(7,863)	(18,377)
Total Liability	✓ (362,027)	✓ (669,254)	✓ (320,733)	(184,421)	(235,977)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. Whilst the total liability of £362m has a significant impact on the net worth of the authority as recorded in the balance sheet, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees (ie before the payments become due), as assessed by the scheme actuary. Finance is only required to fund the payment of discretionary benefits when they are actually paid to pensioners.
i.e.

The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2012 are £25.1m. The total expected contributions to the LPFA in the year to 31 March 2012 are £1.0m.

Notes to the Core Financial Statements

e) Basis for Estimating Assets and Liabilities

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

The main assumptions used in the valuations are:

	Local Government Pension Scheme		LPFA	
	2010/11	2009/10	2010/11	2009/10
<u>Expected rate of return on scheme assets</u>				
Equities	7.5%	7.8%	7.2%	7.3%
Bonds	4.9%	5.0%	-	-
Property	5.5%	5.8%	-	-
Target Return Portfolio	-	-	5.0%	5.0%
Cash	4.6%	4.8%	3.0%	3.0%
Cashflow Matching	-	-	4.4%	4.5%
Rate of Inflation – CPI	2.8%	-	2.7%	-
Rate of Inflation – RPI	3.6%	3.8%	3.5%	3.9%
Salary Increase Rate *	5.1%	5.3%	4.5%	5.4%
Rate for discounting scheme liabilities	5.5%	5.5%	5.5%	5.5%
<u>Mortality assumptions</u>				
Longevity at 65 for current pensioners				
Men	21.0yrs	20.8yrs	20.0yrs	21.0yrs
Women	23.8yrs	24.1yrs	22.9yrs	23.4yrs
Longevity at 65 for future pensioners				
Men	22.9yrs	22.3yrs	22.0yrs	22.0yrs
Women	25.7yrs	25.7yrs	24.9yrs	24.2yrs

* Note – The salary increase assumed for the year to 31st March 2012 is 1%, thereafter as shown in table.

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

Fair Value of Total Scheme Assets	Local Government Pension Scheme			LPFA		
	2010/11		2009/10	2010/11		2009/10
	%	£000	£000	%	£000	£000
Equities	74.0	524,989	514,814	12.0	7,094	5,485
Bonds	16.0	113,511	116,691	-	-	-
Property	9.0	63,850	48,049	-	-	-
Target Return Portfolio	-	-	-	54.0	31,924	26,926
Cash	1.0	7,094	6,864	(1.0)	(591)	(1,496)
Cashflow Matching	-	-	-	35.0	20,691	18,948
Total Value of Assets	100.0	709,444	686,418	100.0	59,118	49,863

Notes to the Core Financial Statements

f) History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in the years 2006/07 to 2010/11 can be analysed into the following categories, shown also as a percentage of assets or liabilities as at 31 March of that year.

Experience Gains and Losses	2010/11 £000	2009/10 £000	2008/09 £000	2007/08 £000	2006/07 £000
Local Government Pension Scheme					
Experience Gains/(Losses) on Assets	✓ (24,734)	✓ 138,009	✓ (199,461)	✓ (136,900)	✓ 8,400
As a percentage of Assets	✓ (3.5%)	✓ 21.4%	✓ (25.1%)	✓ (16.9%)	✓ 0.9%
Experience Gains/(Losses) on Liabilities	148,890	(2,015)	135	36,809	900
As a percentage of Liabilities	✓ 14.0%	✓ (0.2%)	✓ 0.0%	✓ 5.8%	✓ 0.1%
LPFA					
Experience Gains/(Losses) on Assets	✓ 9,849	✓ 3,426	✓ (7,825)	1,512	1
As a percentage of Assets	✓ 16.7%	✓ 6.9%	✓ (16.6%)	✓ 2.8%	✓ 0.0%
Experience Gains/(Losses) on Liabilities	763	633	(11)	5,098	86
As a percentage of Liabilities	✓ 1.1%	✓ 0.7%	✓ 0.0%	✓ (8.2%)	✓ (0.1%)

43. CONTINGENT LIABILITIES

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

- a) The Council wholly owns Lewisham Homes, which is an arms-length management organisation (ALMO) who are responsible for managing and providing housing related services for the Council. In the event that they cease to be a "going concern", all their assets and liabilities would revert to the Council, with the Council being responsible for any net liability. Since the 2010/11 draft accounts of Lewisham Homes show that they made a surplus and that they are a going concern, it is appropriate that this indemnity is disclosed as a contingent liability, rather than raise a provision in the Council's accounts. It is not possible to quantify the extent of the costs that may result from this event happening.
- b) The ending of the Connexions contract is subject potentially to legal challenge. The Council has taken on staff related to the NEETS reduction strategy engaged previously under the Babcock contract and the costs of those staff is built into the allocations. There are a further 11 staff who Babcock argue should be subject to TUPE transfer

44. 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.

Notes to the Core Financial Statements

45. TRUST FUNDS

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

	Balance 31/03/2009 £000	Movement in 09/10 £000	Balance 31/03/2010 £000	Movement in 10/11 £000	Balance 31/03/2011 £000
Children and Young People	26	1	27	1	28
Community Services	22	7	29	(6)	23
Cemeteries Graves Maintenance	12	(1)	11	11	22
Comforts Fund	1	0	1	0	1
Total Trust Funds	61	7	68	6	74

Interest on trust funds is credited annually at the average rate earned on the Council's revenue balances. The fund balances as at 31 March 2011 were invested as follows:

	2009/10 £000	2010/11 £000
Cash	41	47
External investments (at market value)	27	27
Total Trust Funds	68	74

Housing Revenue Account

✓ α SECTION 4a

✓ HOUSING
REVENUE
ACCOUNT

2010/11

Housing Revenue Account

HOUSING REVENUE ACCOUNT

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

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

	2010/11 £000	2009/10 £000	Note
INCOME			
Gross rent - dwellings	65,138	70,144	1
- other housing property	3,520	3,319	1c
Charges for services and facilities	8,683	8,821	1d
Housing subsidy - housing element	15,527	15,056	2
Contribution towards expenditure	6,048	4,914	4
Overhanging debt grant	41,537	7,881	
Total Income	140,453	110,135	
EXPENDITURE			
Supervision & management - General expenses	33,897	36,441	5
- Special expenses	6,380	6,823	6
Repairs and maintenance	20,561	21,977	7
Repairs and Maintenance funded by Major Repairs Allowance	13,151	13,608	14/16
Rent, rates and other charges	379	858	8
Rent Rebate Subsidy Shortfall	850	1,514	3
Contribution to doubtful debt provision	1,338	476	9
Depreciation - dwellings	18,010	26,023	11
- other housing assets	994	1,025	11
Impairment of fixed assets	324,313	36,239	12
Debt management expenses	48	58	
Total Expenditure	419,921	145,042	
Net Cost of Services as included in the Council's Income and Expenditure Account	279,468	34,907	
HRA services share of CDC	140	190	
HRA share of other amounts included in the whole authority net cost of services but not allocated to specific services	0	0	
Net Cost of HRA Services	279,608	35,097	
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
(Gain) / loss on sale of HRA fixed assets	(1,047)	4,197	
Interest payable and similar charges	17,046	15,985	13
Interest and investment income	(213)	(131)	
Pension interest cost and expected return on pension assets	(29)	(137)	18/17
Deficit for the year on HRA services	295,365	55,011	

55,285 per movement
in reserves statement

Housing Revenue Account

MOVEMENT ON HOUSING REVENUE ACCOUNT RESERVES STATEMENT

	2010/11 £000	2009/10 £000
Balance on the HRA at the end of the previous year	✓ 9,760	✓ 12,094 <i>55,011 above</i>
Surplus of (deficit) for the year on the HRA Income and Expenditure Statement	✓ (295,365)	✓ (55,285)
Adjustments between accounting basis and funding basis under statute	✓ 277,027	26,695 <i>26,694 per page 118</i>
Net increase or (decrease) before transfers to or from reserves	✓ (18,338) ¹	(28,590) ¹ <i>28,591 per page 15</i>
Transfers (to) or from reserves	✓ 18,486	✓ 26,257
Increase or (decrease) in year on the HRA	✓ 148 ¹	(2,333) ¹ <i>2,334 per page 16</i>
Balance on the HRA at the end of the current year	✓ 9,908 ¹	✓ 9,760 <i>does not cast 9761</i>

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 2011, 2.43% of lettable property was empty (2.7% at 31 March 2010). These figures for empty property exclude accommodation for the homeless and dwellings designated for sale, major works and improvements. Average rents were £77.82 in 2010/11 and £76.79 per week in 2009/10.

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

a) Housing stock

The Council was responsible for managing 15,195 dwellings as at 31 March 2011 (17,893 as at 31 March 2010).

During the year one stock transfer has taken place: 2,427 flats and houses in the Chrysalis (Forest Hill, Rushey Green and Catford) area were transferred to London and Quadrant Housing Association.

The stock was made up as follows:

	2010/11 Number Nos.	2009/10 Number Nos.
Houses/Bungalows	2,447	3,216
Flats/Maisonettes	12,748	14,677
Stock at 31 March	15,195	17,893

The changes in stock can be summarised as follows:

	2010/11 Number Nos.	2009/10 Number Nos.
Stock at 1 April	17,893	18,437
Less Sales, Demolitions, etc.	(271)	(78)
Less Stock Transfers	(2,427)	(475)
Add Re-purchases, Conversions etc.	0	9
Stock at 31 March	15,195	17,893

b) Rent arrears

	2010/11 £'000	2009/10 £'000
Arrears due from - current tenants	2,931	3,229
- former tenants	3,071	3,028
Total Arrears	6,002	6,257
Total Arrears as % of Gross Rent of Dwellings Due	9.2%	8.9%

The arrears shown in this note exclude water charges, heating charges and all other charges collected as part of tenants' rent. Housing rent represents 93% of the total collectable from tenants.

Housing Revenue Account

α c) Rent – other housing property

	2010/11 £'000	2009/10 £'000
Aerial Sites	313	309
Garage rents	750	708
Reception Hostels	1,324	1,165
Commercial property rent	1,065	1,065
Ground Rents	68	72
Total Other Rents & Charges	✓ 3,520 Λ	✓ 3,319 Λ

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

Between 2003 and 2005, service charges for caretaking, grounds maintenance, communal lighting and the Lewisham Tenants' Levy were separated from rent and charged separately to tenants. In 2010/11 charges for bulk household waste removal and window cleaning were introduced. The average tenants' service charge was £5.75 in 2010/11 (£4.49 in 2009/10).

	2010/11 £'000	2009/10 £'000
Heating Charges	987	942
Leasehold Service Charges	3,558	3,780
Tenants Service Charges	4,138	4,099
Total Charges for Services and Facilities	✓ 8,683 Λ	✓ 8,821 Λ

✓α 2. GOVERNMENT HOUSING EXCHEQUER SUBSIDY

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

	2010/11 £'000	2009/10 £'000
Management Allowance	17,116	19,010
Maintenance Allowance	23,981	26,889
Major Repairs Allowance	13,670	15,788
Charges for Capital	14,888	17,156
Other Reckonable Expenditure	80	264
PFI Credit	10,353	10,353
Guideline Rent Income	(64,539)	(74,367)
Interest on Receipts	(22)	(37)
Total Housing Element of Subsidy	✓ 15,527 Λ	✓ 15,056 Λ

Housing Revenue Account

3. REBATES

Assistance with rents is available under the Housing benefits scheme for those on low income. Approximately 60% of Council tenants received help under this scheme as at 31 March 2011 (60% as at 31 March 2010). The scheme is administered by the Council. Rent rebates are chargeable to the General Fund and the corresponding subsidy is credited to General Fund.

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

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

	2010/11 £'000	2009/10 £'000
Rent Rebates Given (GF)	42,717	45,486
Subsidy Received on Rebates (GF)	(41,867)	(43,972)
Net cost to council	850	1,514
Net cost to the HRA		
Shortfall on limitation	850	1,514
Net cost to GF		
Shortfall on overpayments	0	0

4. OTHER INCOME

	2010/11 £'000	2009/10 £'000
Commission on insurance and water rates	712	736
Court costs	102	83
Inter-borough nominations	0	43
Hsg Mgt Contract Retentions	0	76
Government grants	439	462
Recharges of repairs	3,926	2,801
Professional fees	36	36
Recharge to capital receipts	429	278
Hostels: Heat, Light and Water Charges	239	242
Other miscellaneous income	165	157
Total Other Income	6,048	4,914

5. SUPERVISION AND MANAGEMENT – GENERAL EXPENSES

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

Housing Revenue Account

6. SUPERVISION AND MANAGEMENT - SPECIAL EXPENSES

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

7. REPAIRS AND MAINTENANCE

This includes day-to-day repairs to Council housing stock and cyclical external decoration. Void properties prior to re-letting and certain tenants' properties are eligible for internal decoration. Gross repairs and maintenance expenditure for 2010/11 was £20.56m (2009/10 - £21.98m).

8. RENT, RATES AND OTHER CHARGES

Expenditure relating to business rates, ground rents and lease rents payable.

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

A contribution of £1.338m (2009/10 - £0.476m) was transferred from the HRA to an impairment allowance to meet doubtful debts. Details of the accumulated impairment allowance are as follows:

	2010/11 £000	2009/10 £000
Housing tenants	5,349	5,661
Leaseholders	2,453	2,230
Commercial properties, miscellaneous debts	618	361
Total Provision for Bad and Doubtful Debts	8,420	8,252

10. NON CURRENT ASSETS

The following table gives details of the valuation of housing assets:

	31/03/11 £000	31/03/10 £000
Operational Assets:		
Dwellings	625,215	924,799
Other Land and Buildings	39,826	38,431
Infrastructure	119	124
Vehicles, Plant and Equipment	2,139	1,356
Total Operational Assets	667,299	964,710
Investment Properties	19,479	22,825
Total Housing Assets	686,778	987,535
Valuation of Council dwellings		
Existing use value - social housing	625,215	924,799
Vacant possession value	2,500,860	2,499,457

Housing Revenue Account

The difference between the vacant possession value and the value of dwellings in their existing use as social housing reflects the economic cost to the council (and the Government) of providing housing at less than open market rents.

The revaluations of council dwellings in 2010/11 resulted in a decrease of £300m in the value of the stock as at 31/03/11. Additional impairments resulted from capital expenditure which did not technically increase the value of the assets.

11. DEPRECIATION

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

	2010/11 £000	2009/10 £000
Operational Assets:		
Dwellings	18,010	27,400
Govt Grants Deferred	0	(1,377)
Total Depreciation Dwellings	18,010	26,023
Other Land and Buildings	994	1,037
Govt Grants Deferred	0	(12)
Total Depreciation Other land and buildings	994	1,025
Total Operational Assets	19,004	27,048
Non-operational assets	0	0
Total Housing Assets	19,004	27,048

12. AMORTISATION OF PREMIUMS AND DISCOUNTS

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

13. HOUSING CAPITAL EXPENDITURE

The reduction in the level of capital expenditure from 2009/10 (£8.7m) to 2010/11 (£4.3m) is due to the reclassifying of some expenditure as revenue instead of capital. This is required under the IFRS component accounting rules, and was also actioned last year. Expenditure that cannot be capitalised as a component or does not add value to an existing building has to be charged to revenue. This amount was fully funded from the Major Repairs Reserve.

Total capital receipts from the disposal of housing assets were £1.1m in 2010/11 (£2.35m in 2009/10) of which £0.3m (£0.62m in 2009/10) were usable capital receipts.

The following table shows total capital expenditure on housing assets and how it was financed:

Housing Revenue Account

	2010/11 £'000	2009/10 £'000
Capital expenditure on housing	✓ 4,327	✓ 8,736
Financed by:		
Government Supported Borrowing	2,700	2,600
Capital Grants	0	1,243
Capital Receipts	0	1,967
Major Repairs Reserve	✓ 1,627	✓ 2,926
Total Capital Expenditure Financed	✓ 4,327	✓ 8,736

14. HRA SET-ASIDE (CONTRIBUTION TO MINIMUM REVENUE PROVISION)

Under the current Capital Finance system, there is no requirement to repay principal on housing debt. The total housing debt at 31 March 2011 was £246m (£246m as at 31 March 2010).

15. MAJOR REPAIRS RESERVE

The movements on the Major Repairs Reserve are as follows:

	2010/11 £'000	2009/10 £'000
Balance as at 1 April	✓ (4,320)	✓ (1,310)
Transferred in (depreciation dwellings)	✓ (19,004)	(28,437)
Financing of capital expenditure on housing assets	✓ 1,627	✓ 2,926
Financing Revenue MRP repairs	✓ 13,151	9,853
Transfer to the HRA	5,335	12,648
Balance as at 31 March	✓ (3,211)	✓ (4,320)

Handwritten notes:
 16,619 per page 42
 (12,648) per page 42
 43,608 per housing revenue account income and expenditure account
 does not cast (3,210)

16. MOVEMENT IN HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

	Balance at ✓ 31/03/2010 £'000	Transfers in £'000	Transfers out £'000	Balance at ✓ 31/03/2011 £'000
Non-earmarked Balance	✓ 0	0	0	0
Property and Stock Related Reserves	✓ 6,935	582	780	6,737
Staff Related Reserves	✓ 300	0	0	300
Other Earmarked Reserves	✓ 2,526	346	0	2,872
Total	✓ 9,761	928	780	✓ 9,909

Handwritten notes:
 cc
 cc
 cc
 cc
 cc

Housing Revenue Account

	Balance at 31/03/2009 ✓ £'000	Transfers in £'000	Transfers out £'000	Balance at 31/03/2010 ✓ £'000
Non-earmarked Balance	703	0	703	0 ✓ cc
Property and Stock Related Reserves	7,604	1,114	1,783	6,935 ✓ cc
Staff Related Reserves	1,010	300	1,010	300 ✓ cc
Other Earmarked Reserves	2,777	366	617	2,526 ✓ cc
Total	12,094 ✓	1,780 ✓	4,113 ✓	9,761 ✓ cc

17. PENSIONS COSTS – IAS 19

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

Collection Fund

✓/α SECTION 4b

COLLECTION
FUND

✓
2010/11

Collection Fund

THE COLLECTION FUND

Lewisham Council is a designated 'billing' authority and as such is required by statute to maintain a separate Collection Fund. The accounts of the Collection Fund are prepared on an accruals basis and show the transactions relating to both the Council Tax and the National Non-Domestic Rates (NNDR). The account also shows how the amount collected has been distributed to the Council's General Fund and the Greater London Authority in respect of Council Tax and to the Government in respect of NNDR. The costs of collecting local taxes are accounted for in the General Fund as part of the Council's own budget. An allowance towards the cost of collecting NNDR (calculated on a formula basis) is deducted from the monies paid to the Government and transferred to the General Fund. The Council's share of the year end balances of the Collection Fund are included in the Council's Balance Sheet and its share of the transactions are included in the Council's Cash Flow Statement.

COLLECTION FUND REVENUE ACCOUNT

	2010/11 £000	2009/10 £000	Note
INCOME			
Income from Council Tax (net)	✓ 92,619	✓ 94,778	✓ 3
Transfers from General Fund:			
- Council Tax Benefits	✓ 28,359	✓ 27,109	
Income from National Non-Domestic Rates (net)	✓ 47,040	✓ 44,873	✓ 4
TOTAL INCOME	168,018 ^Λ	166,760 ^Λ	
EXPENDITURE			
Precepts and Demands upon the Collection Fund			
- London Borough of Lewisham	✓ 91,184	✓ 90,610	
- Greater London Authority	✓ 27,109	✓ 26,939	
National Non-Domestic Rates			
- Payment to National Pool	✓ 46,163	✓ 43,784	✓ 4
- Cost of Collection Allowance	✓ 329	✓ 328	✓ 4
Bad and Doubtful Debts			
- Net adjustment to Impairment Allowance (Council Tax)	1,876	3,512	5
- Net adjustment to Impairment Allowance (NNDR)	✓ 246	✓ 345	54
- Amounts Written Off (Council Tax)	745	874	
- Amounts Written Off (NNDR)	✓ 302	✓ 416	✓ 4
Contributions from previous year's Collection Fund Surplus			
- London Borough of Lewisham	✓ 52	50	49 per page 7
- Greater London Authority	15	14	
TOTAL EXPENDITURE	168,021 ^Λ	166,872 ^Λ	
DEFICIT / (SURPLUS) FOR THE YEAR	✓ 3 ^Λ	✓ 112 ^Λ	
(SURPLUS) AT THE BEGINNING OF THE YEAR	✓ (32)	✓ (144)	
FUND (SURPLUS) AT THE END OF THE YEAR	✓ (29) ^Λ	✓ (32) ^Λ	

COLLECTION FUND BALANCE SPLIT INTO ITS ATTRIBUTABLE PARTS

	Surplus as at 31/03/09 £000	Deficit for 2009/10 £000	Surplus as at 31/03/10 £000	Deficit for 2010/11 £000	Surplus as at 31/03/11 £000
London Borough of Lewisham	(111)	86	(25) ^{cc}	3	(22) ^{cc}
Greater London Authority	(33)	26	(7) ^{cc}	0	(7) ^{cc}
	✓ (144) ^Λ	✓ 112 ^Λ	✓ (32) ^{cc}	✓ 3 ^Λ	✓ (29) ^{cc}

Collection Fund

NOTES TO THE COLLECTION FUND REVENUE ACCOUNT

1. COLLECTION FUND SURPLUS OR DEFICIT

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

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

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

The tax base used in setting the council tax is set by the end of January for the following financial year. It is based on the actual number of dwellings on the Valuation List that fall within each valuation band. The total in each band is adjusted for exemptions, single person occupancy discounts, discounts for second homes and long term empty properties, disabled band relief and new properties. The total for each band is then expressed as a "Band D" equivalent number by multiplying the resulting total by the relevant band proportion. The tax base for both 2010/11 and 2009/10 assumed a collection rate of 96.25%.

The table below sets out the tax base calculation for 2010/11;

Council Tax Band	Property Value £000	2010/11			Band D Ratio	2010/11		2009/10	
		No. of Properties		Band D Equivalents as per Ratio		Council Tax Charge £	Band D Equivalents as per Ratio	Council Tax Charge £	
		Actual Number (1)	Adjusted Number (2)						
A	up to 40	7,071	5,466	6/9	$\mu = 3,644$ 3,643	901.29	3,581	901.29	
B	40 - 52	31,721	25,597	7/9	$\mu = 19,909$ 19,908	1,051.50	19,771	1,051.50	
C	52 - 68	40,840	34,770	8/9	μ 30,907	1,201.73	30,614	1,201.73	
D	68 - 88	25,123	22,407	1	μ 22,407	1,351.93	22,308	1,351.93	
E	88 - 120	7,194	6,575	11/9	μ 8,036	1,652.36	8,050	1,652.36	
F	120 - 160	2,761	2,561	13/9	$\mu = 36,099$ 3,700	1,952.79	3,714	1,952.79	
G	160 - 320	1,292	1,205	15/9	μ 2,008	2,253.22	2,008	2,253.22	
H	over 320	177	150	18/9	μ 300.0	2,703.86	290.5	2,703.86	
Totals		116,179	98,731		90,909.0		90,336.5		
Add: Contributions in lieu						0	0	0	0
Total Band D equivalents						90,909.0		90,336.5	
Estimated Collection Rate						\checkmark 96.25%		\checkmark 96.25%	
NET COUNCIL TAX BASE						87,500		86,949	

- (1) Total number of dwellings as per Valuation Officer's List
- (2) Total number of dwellings after allowing for Discounts, Exemptions and Other Adjustments

more down

3. COUNCIL TAX INCOME

Collection Fund

	2010/11		2009/10
	£000	£000	£000
Gross Council Tax Income Due		143,602	143,028
Less: Adjustments to charge	604		561
Exemptions	(5,969)		(5,943)
Disabled Relief	(74)		(79)
Discounts	(15,980)		(15,680)
		(21,419)	(21,141)
Total Due from Council Tax payers		122,183	121,887
Transfers from General Fund for Council Tax Benefits		(28,359)	(27,109)
Adjustment to Charge		(1,205)	0
Net amount of Council Tax Receivable		92,619	94,778

4. NATIONAL NON-DOMESTIC RATES

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

	2010/11	2009/10
Non-Domestic Rateable Value	£m 133.8	£m 118.1
National Non-Domestic Rate Multiplier	pence 41.4	pence 48.5
National Non-Domestic Rate Multiplier (Small Business)	40.7	48.1

	2010/11		2009/10
	£000	£000	£000
Gross NNDR Collectable (after voids and exemptions)		51,717	48,985
Reductions and Relief:			
Mandatory Relief	(3,430)		(4,035)
Discretionary Relief	(165)		(152)
Interest on Refunds and Other Adjustments	(1,082)	(4,677)	75
Total Receivable from Business Rates		47,040	44,873
Irrecoverable Amounts Written Off		(302)	(416)
Net Adjustment to Impairment Allowance		(246)	(345)
Net Amount Collectable from Business Ratepayers		46,492	44,112
Cost of Collection Allowance transfer		(329)	(328)
Amount Payable to NNDR Pool		46,163	43,784

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

Collection Fund

a) Council Tax

Council Tax Arrears
Impairment Allowance
As a Percentage of Arrears

31/03/2011
£000
29,890
(27,174)
90.9%

31/03/2010
£000
29,428
(25,298)
86.0%

Age of Arrears

Year of Accounts
Under 2 Years old
Under 3 Years old
Under 5 Years old
Over 5 Years old
Total

2010/11	
Amount £000	Percentage %
6,284	21
5,062	17
4,183	14
6,330	21
8,031	27
29,890	100

2009/10	
Amount £000	Percentage %
8,048	27
5,176	18
4,100	14
5,524	19
6,580	22
29,428	100

Income from court costs and penalties (and the associated debtors provision) as a result of arrears recovery action are accounted for in the General Fund. As at 31 March 2011, these amounted to £5.24m (£3.12m at 31 March 2010) with an accumulated impairment allowance totalling £4.77m or 87% (£2.72m or 87% at 31 March 2010).

b) National Non-Domestic Rates

NNDR Arrears
Impairment Allowance
As a Percentage of Arrears

31/03/2011
£000
3,167
(974)
30.8%

31/03/2010
£000
2,922
(728)
24.9%

Age of Arrears

Year of Accounts
Under 2 Years old
Under 3 Years old
Under 5 Years old
Over 5 Years old
Total

2010/11	
Amount £000	Percentage %
1,883	59
858	27
269	8
133	4
24	1
3,167	100

2009/10	
Amount £000	Percentage %
2,036	70
517	18
206	7
140	5
23	1
2,922	100

does not cost 99

does not cost 101

Income from court costs and penalties (and the associated debtors provision) as a result of arrears recovery action are accounted for in the General Fund. As at 31 March 2011, these amounted to £0.049m (£0.062m at 31 March 2010) with an accumulated impairment allowance totalling £0.044m or 90% (£0.056m or 90% at 31 March 2010).

Collection Fund

Pension Fund Accounts

✓ SECTION 5

**PENSION FUND
ACCOUNTS**

✓
2010/11

Pension Fund Accounts

PENSION FUND ACCOUNTS

INTRODUCTION

The Pension Fund provides for the payment of benefits to London Borough of Lewisham employees and former employees and admitted and scheduled bodies. These benefits include retirement allowances and pensions payable to former employees and their dependants, lump sum death gratuities and special short-term pensions. The Fund is financed by income from investments and contributions from employees, the Council and other admitted and scheduled bodies.

ORGANISATION

The Fund is operated under various sets of regulations made under the Superannuation Act 1972. The main sets of regulations are the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Administration) Regulations 2008.

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

A report on the Fund's performance and topical developments is sent to all pensioners bi-annually. A statement of the Fund's corporate governance, funding strategy and investment principles can be found on the authority's website, at the following address:

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

ACCOUNTING POLICIES

The Pension Fund Accounts have been prepared in accordance with the 2010/11 CIPFA Code of Practice on Local Authority Accounting. The 2010/11 Code states that the Pension Fund Accounts should be prepared in accordance with International Accounting Standards 26 Retirement Benefit Plans except where interpretations or adaptations to fit the public sector are detailed in the Code.

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

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

The Accounting Policies and the basis of preparation of the Accounts are shown below: -

- (a) Basis of Preparation - The Accounts have been prepared on an accruals basis, i.e. income and expenditure attributable to the financial year have been included, even where payment has not actually been made or received. The only exception being Transfer Values which are prepared on a cash basis. The financial statements do not take account of liabilities to pay pensions and other benefits due after the period end; these are reported upon separately in the actuary's report and reflected in the income and expenditure account. The accounts are prepared on a going concern basis for accounting purposes.

Pension Fund Accounts

- α (b) Investments - Investments in the Net Assets Statement are shown at market value based on bid prices as required by the 2010/11 Local Authority Code and the IAS 26 Retirement Benefit Plans. The market value of equity investments is based on the official closing data, in the main, with last trade data being used in a small number of countries. Unitised equities are quoted based on last trade or official closing price. Northern Trust, the Fund's custodian, sets out its pricing policies in a document entitled "Asset pricing guidelines" which details its pricing process and sets out preferred pricing sources and price types.
- α (c) Private equity investments are valued in accordance with United States generally accepted accounting principles, including FAS 157 which is consistent with the International Private Equity and Venture Capital Valuation Guidelines. These guidelines set out that all investments are carried at fair value and they recommend methodologies for measurement.
- α (d) The Pension Fund's Hedge Fund assets are held in the Jubilee Absolute Return Fund which is a collective investment scheme structured as a protected cell of Jubilee Absolute Return Fund PCC Limited, an open ended investment company listed on the Irish Stock Exchange. The Jubilee Absolute Return Fund produces an official single-priced NAV and hence there are no bid-offer prices for subscriptions or redemptions. The official single-priced NAV is produced on a monthly basis by the independent administrator, HSBC Securities Services (Ireland) Limited ("HSBC").
- α (e) Property - The Fund does not have any direct investments in property but does use a property Fund of Funds manager, Schroders, to invest in pooled property funds. The Schroders funds are all currently valued at least quarterly. The majority of property assets to which the fund has exposure to are located in the UK. They are valued in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards and are valued on the basis of their open market value (OMV).
- The only non UK fund is the Continental European Fund I. Its net asset value is derived from the net asset values of the underlying funds. Like the UK, the value of the underlying assets are assessed by professionally qualified valuers. Valuation practices will vary between countries according to local Generally Accepted Accounting Practices. The frequency of independent valuations does however vary. All the funds are independently valued on a rolling basis at least annually.
- α (f) Contributions –there are seven employee contribution bands (revised annually in line with inflation) ranging from 5.5% for members earning under £12,000 a year to 7.5% to members earning over £75,000 a year. The employer's contribution is reviewed every three years and is determined as the rate necessary to ensure that the Fund is able to meet its long-term liabilities. This is assessed at each triennial actuarial revaluation.
- α (g) Actuarial – The adequacy of the Fund's investments and contributions in relation to its overall and future obligations is reviewed every three years by an actuary appointed by the Council. The Council's Actuary, Hymans Robertson, assesses the Fund's assets and liabilities in accordance with Regulation 77 of the Local Government Scheme Regulations 1997. The contribution rate required for benefits accruing in future is assessed by considering the benefits which accrue over the course of the three years to the next valuation. The valuation on the 31st March 2010 valued the fund's liabilities as £949 million (£840 million 2007) and the corresponding assets as £715 million (£734 million 2007) with a consequent deficit of £234 million (£106 million 2007) and funding level of 75.4% (87.4% 2007).

The valuation was based on the projected unit valuation method. This assesses the cost of benefits accruing to existing members during the year following valuation and allowing for future salary increases. The resulting contribution rate is adjusted to allow for any difference in the value of accrued liabilities (allowing for future salary increases) and the market value of assets.

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

Pension Fund Accounts

The actuarial review carried out for 31 March 2010 resulted in an increase to the Council's contribution rate from 20% to 20.5% with effect from 1st April 2011 and annual increases of 0.5% for the subsequent two years. The next actuarial valuation of the fund will have an effective date of 1 April 2013, with new employer contribution rates taking effect from 2014/15. The Actuary has calculated the actuarial present value of promised retirement benefits to be £1,044 million at the 31st March 2011 (£1,122 million 31st March 2010).

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

INVESTMENT PERFORMANCE

✓ **2010/11 Financial Year - Summary of Fund Value**

Fund Managers have individual annual performance targets measured over rolling three-year periods net of fees.

Fund Manager	Assets	Assets Value 2010/11 £000	Proportion of the Fund 2010/11 %	Assets Value 2009/10 £000	Proportion of the Fund 2009/10 %
UBS	Bonds	124,672	16.4%	123,300	17.2%
Alliance Bernstein	Global Equities	177,416	23.3%	192,200	26.9%
RCM	Global Equities incl UK	169,067	22.2%	141,500	19.8%
Schroders Property	Property	68,386	9.0%	60,800	8.5%
HarbourVest (Incl Legacy Stock)	Private Equity	27,857	3.7%	21,100	3.0%
UBS passive equity	UK Tracker Fund	125,728	16.5%	150,700	21.1%
Fauchier	Hedge Fund of Funds	22,054	2.9%	20,400	2.9%
Investec	Commodities	40,059	5.3%	0	0.0%
M&G	Credit	5,314	0.7%	0	0.0%
Securities Lending	Securities Lending	150	0.0%	0	0.0%
LB Lewisham	Cash and Net Current Assets	(75)	0.0%	5,100	0.7%
Total Fund		760,628	100.0%	715,100	100.0%

715,146 per fund account
does not count 100.1

Pension Fund Accounts

FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

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

	See note	2010/11 £000	2009/10 £000
<u>DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED WITH THE SCHEME</u>			
Contributions Receivable:			
- from Employer	✓ 1	✓ 29,504	✓ 29,761
- from Employees	✓ 1	✓ 9,330	✓ 9,728
Transfer Values In		3,265	7,017
Other Income		0	2
Sub-Total: Income		42,100	46,508
✓ Benefits Payable:			
- Pensions	✓ 2	✓ 27,724	✓ 26,833
- Lump Sums: Retirement allowances		4,757	5,002
- Lump Sums: Death grants		535	583
Payments to and on account of leavers:			
- Refunds of Contributions		1	4
- Transfer Values Out		8,210	3,453
Administrative and other expenses borne by the scheme	✓ 3	✓ 1,021	✓ 863
Sub-Total: Expenses		42,248	36,738
Total Net (additions) withdrawals from Dealings with Scheme Members		148	(9,770)
<u>RETURNS ON INVESTMENTS</u>			
✓ Investment Income	✓ 4	✓ 11,381	✓ 12,158
Change in market value of investments (realised and unrealised)		36,637	175,590
Investment Expenses:			
- Fund Managers' Fees		(1,649)	(513)
- Tax on Dividends		(739)	(713)
Total Net Returns on Investments		45,630	186,522
NET INCREASE / (DECREASE) IN THE FUND DURING YEAR		45,482	196,292
OPENING NET ASSETS OF THE FUND		715,146	518,854
CLOSING NET ASSETS OF THE FUND		760,628	715,146

Pension Fund Accounts

NET ASSETS STATEMENT AS AT 31ST MARCH 2011

The Net Assets Statement shows the market value of the investments and other assets held by the Pension Fund as at 31 March 2011.

	See note	31 Mar 11 £000	31 Mar 10 £000
INVESTMENT ASSETS			
EQUITIES:			
United Kingdom	5	✓ 162,087	✓ 33,237
Overseas	5	✓ 282,468	✓ 264,064
		✓ 444,555	✓ 297,301
MANAGED FUNDS:-			
Property	5	✓ 62,831	✓ 60,276
Equities	5	✓ 23,804	✓ 169,277
Fixed Interest	5	✓ 124,625	✓ 76,354
Index Linked	5	✓ 0	✓ 40,338
Hedge Fund of Funds	5	✓ 91,045	✓ 20,371
		✓ 302,306	✓ 366,616
✓ CASH DEPOSITS	✓ 8	✓ 13,332	✓ 8,143
DERIVATIVE CONTRACTS			
Assets	✓ 6	17,486	0
Liabilities	✓ 6	(17,532)	(175)
OTHER INVESTMENT BALANCES			
Debtors in respect of investment transactions	✓ 7	✓ 3,333	✓ 38,666
Creditors in respect of investment transactions	✓ 7	✓ (2,777)	✓ (573)
TOTAL INVESTMENTS	✓ 5	✓ 760,703	✓ 709,978
NET CURRENT ASSETS AND LIABILITIES			
Debtors	✓ 7	✓ 547	✓ 700
Creditors	✓ 7	✓ (663)	✓ (591)
Cash in Hand	✓ 8	✓ 41	✓ 5,059
TOTAL NET ASSETS		✓ 760,628	✓ 715,146

Note: The Net Assets Statement explicitly does not take account of the liability to pay pensions or benefits after the period end. This liability is included within the Council's balance sheet.

Note: The indexed linked securities are part of unitised fixed interest holding and are included as part of the Managed Funds Fixed Interest category. The Indexed linked element of the holding as at 31st March 2011 was £42.516 million.

Pension Fund Accounts

NOTES TO THE PENSION FUND ACCOUNTS

✓ α 1. CONTRIBUTIONS RECEIVED**Employer Contributions**

Administering: Normal
Administering: Additional
Admitted: Normal
Scheduled

2010/11 £000
24,950
0
816
3,738
✓ 29,504 λ

2009/10 £000
24,027
1,523
873
3,338
✓ 29,761 λ

Employee Contributions

Administering
Admitted
Scheduled

8,241
206
883
✓ 9,330 λ

8,314
271
1,143
✓ 9,728 λ

✓ α 2. BENEFITS PAYABLE ✓

Administering
Admitted
Scheduled
Dependants Pensions
Pensions Increases

2010/11 £000
16,642
745
174
1,225
8,938
✓ 27,724 λ

2009/10 £000
15,613
73
561
1,248
9,338
✓ 26,833 λ

✓ α 3. ADMINISTRATION COSTS

Administration
Advisory Costs (excl Audit Fees)
External Audit Fees
Bank Charges

2010/11 £000
466
515
35
5
✓ 1021 λ

2009/10 £000
583
242
38
0
✓ 863 λ

✓ α 4. INVESTMENT INCOME ✓

Cash
Equity
Fixed Interest
Managed Funds (incl Property)
Securities Lending
Other

2010/11 £000
150
6,109
2,636
2,487
37
(38)
✓ 11,381 λ

2009/10 £000
40
6,958
2,869
2,284
0
7
✓ 12,158 λ

Pension Fund Accounts

5. INVESTMENT ANALYSIS

The only (non UK Government) security forming over 5% of the portfolio is an investment in a UBS UK Equity Tracker pooled fund. This pooled fund is sufficiently diversified to ensure that overall exposure to a single UK security exceeding 5% will not occur.

An analysis of investment movements is set out below:

INVESTMENTS	Value at 31 March 2010 £000	Purchases at Cost £000	Sales Proceeds £000	Capital Changes / Re-classification £000	Change in Market Value and Other £000	Value at 31 March 2011 £000
UK Equities	33,237	10,248	(12,197)	119,164	11,635	162,087
Global Equities	264,064	135,499	(124,997)	(162)	8,064	282,468
Other Managed Funds						0
Equities	169,277	3,171	(10,635)	(142,595)	4,586	23,804
Property	60,276	3,908	(2,380)	272	755	62,831
Fixed Interest Securities	76,354	2,594	(1,726)	40,338	7,065	124,625
Index Linked Securities	40,338	0	0	(40,338)	0	0
Other	20,371	43,880	(35)	22,403	4,426	91,045
Derivatives	(175)	0	0	14	116	(45)
	663,742	199,300	(151,970)	(904)	36,647	746,815
Cash Deposits	8,143					13,332
Other Investment Balances	38,093					556
Total Investments	709,978					760,703

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

Equity holdings are further analysed as follows

	2010/11 £000	2009/10 £000
UK EQUITY		
- listed	162,087	33,192
- unlisted	0	45
TOTAL UK EQUITY	162,087	33,237
OVERSEAS EQUITY		
- listed	282,468	264,064
TOTAL EQUITY INVESTMENTS	444,555	297,301
EQUITY MANAGED FUNDS		
Unit Trust: UK Equities	23,804	151,941
Unit Trust: Overseas Equities	0	17,336
TOTAL EQUITY MANAGED FUNDS	23,804	169,277
TOTAL EQUITY INVESTMENTS	468,359	466,578

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

Pension Fund Accounts

6. DERIVATIVE CONTRACTS

The global equity managers Alliance Bernstein and RCM are instructed to operate a half currency hedge to mitigate the effect on returns of appreciation or depreciation of Sterling against the local currencies of assets held.

In practice this is achieved by the use of futures and forward foreign exchange contracts, which entitle and oblige the seller and holder to exchange assets or currency on a future date at a predetermined price or rate. The former are tradable on exchanges, the latter are "over the counter" agreements, which neither the purchaser or the seller may transfer.

At 31 March 2011, forward foreign exchange contracts were the only derivative contracts held. There is no cost on entering into these contracts but the market value is established as the gain or loss that would arise at the settlement date from entering into an equal and opposite contract at the reporting date.

	Sterling Value of Obligation on Purchase or Sale Date £000	Sterling Value of Equal and Opposite Obligation at End of Year £000	Implied Unrealised Gain / (Losses) £000
2009/10			
Currency contracted to purchase	(13,177)	13,100	(77)
Currency contracted to sell	13,177	(13,275)	(98)
Net Position	0	(175)	(175)
2010/11			
Currency contracted to purchase	(18,093)	18,154	61
Currency contracted to sell	(668)	561	(107)
Net Position	(18,761)	18,715	(46)

7. DEBTORS AND CREDITORS

(a) Debtors

Contributions Due from Admitted / Scheduled Bodies
Equity Dividends/ Income from Managed Funds
Interest and Other Income
Tax Refunds
Pending Trades

2010/11 £000
547
483
151
0
2,699
3,880

2009/10 £000
700
590
2
396
37,678
39,366

(b) Creditors

Fund Manager and Custody Fees
Consultancy / Advisory Fees (incl Audit Fees)
Taxes Due
Pending Trades

2010/11 £000
(663)
0
0
(2,777)
(3,440)

2009/10 £000
(580)
(11)
(4)
(569)
(1,164)

Pension Fund Accounts

The pending trades relate to purchases and sales by managers which have yet to be the subject of cash settlement. The debtors figure is relatively high as a result of a balancing exercise at the year end which required managers to sell shares to provide funds to establish a new commodities mandate and to transfer between managers to get the asset allocation to correspond to the strategic benchmark.

8. CASH DEPOSITS

The Cash Deposits relate 100% to UK Cash Holdings, and are analysed as follows:

	2010/11 £000	2009/10 £000
Northern Trust	13,332	8,143
Lewisham	41	5,059
	13,373	13,202

The Northern Trust Company is the fund global custodian and the cash is held in an interest bearing account to meet the cash flow requirements of our fund managers. Pending trade sales and purchases at the year end are treated as investment debtors and creditors
Cash in Hand is Pension Fund contributions held in the Borough's current account prior to investment.

9. TRANSACTION COSTS

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

	2010/11 £000	2009/10 £000
Equity Purchases	0	192
Equity Sales	0	129
Total Transaction Costs	351	321

10. RELATED PARTY TRANSACTIONS

Information in respect of material transactions with related parties is disclosed elsewhere within the Pension Fund accounts. There were no provisions for doubtful debt and no amounts written off in the period.

Eight Councillors sit on the Pensions Investment Committee which oversees the Fund. Five Councillors of this Committee are members of the pensions scheme. At each meeting of the Pensions Investment Committee Councillors are asked to make declarations of interest. No material declarations of interest were made in 2010/11. During the year no trustees or Council chief officers with direct responsibility for pension fund issues have undertaken any declarable transactions with the Pension Fund.

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

- a) Recharges from the Council for the in-house administration costs and other expenses borne by the scheme were transacted for £1.02m (see note 3).
- b) All cash transactions relating to pension activities are currently effected through the Council's bank account and consequently pension fund cash balances are held by the Council from time to time. Any interest receivable on such balances is paid to the Pension Fund annually at an interest rate equating to that earned by the Council on temporary investments.

Pension Fund Accounts

11. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

The fund has two AVC providers: Clerical Medical and Equitable Life. The value of AVC investments is shown below, the contributions are held by the providers and do not form part of the Lewisham fund's assets.

	2010/11 £000	2009/10 £000
Value at the Beginning of Year	1,421	1,057
Contributions and Transfers Received	338	335
Investment Return	31	151
Paid Out	(349)	(122)
Value at the End of the Year	1,441	1,421

12. SCHEDULED BODIES

The following are scheduled bodies to the fund:

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

13. ADMITTED BODIES

The following are admitted bodies to the fund:

National Car Parks Ltd
 Excalibur Tenant Management Project
 PLUS
 Housing 21
 Lewisham Nexus Services
 Lewisham Way Youth and Community Centre
 Lewisham Park Housing Association
 SAGE Educational Trust
 Lewisham Elders Resource Centre
 CIS Securities
 Wide Horizons
 Phoenix
 INSPACE
 T Brown & Sons
 Quality Heating
 VT Group
 Bentley Jenison
 Broomleigh Housing Association

14. STOCK LENDING

The Statement of Investment Principles permits the Fund to enter into stock lending (whereby the Fund lends other bodies stocks in return for a fee and collateral whilst on loan). The council entered into stock lending transactions during the financial year earning £0.037m.

Pension Fund Accounts

15. MEMBERSHIP

	Employees		Deferred Beneficiaries		Retired Former Employees	
	2010/11 ✓ £000	2009/10 ✓ £000	2010/11 ✓ £000	2009/10 ✓ £000	2010/11 ✓ £000	2009/10 ✓ £000
Administering Authority	5,436	5,860	6,694	6,267	6,201	6,117
Scheduled Bodies	642	582	194	122	91	76
Admitted Bodies	128	131	51	44	35	32
	6,206 ^Λ	6,573 ^Λ	6,939 ^Λ	6,433 ^Λ	6,327 ^Λ	6,225 ^Λ

Group Accounts

✓*α* **SECTION 6**

**GROUP
ACCOUNTS**

✓
2010/11

Group Accounts

GROUP ACCOUNTS

The following Group Accounts present the financial position of the Council's group of organisations. The Council's group includes Lewisham Homes Limited and Catford Regeneration Partnership Limited. These organisations are both wholly owned subsidiaries of the Council.

Lewisham Homes Limited is an arms-length management organisation (ALMO) that was set up as part of the Council's initiative to deliver better housing services and achieve the government's Decent Homes Standard by 2012. Lewisham Homes Limited is responsible for managing and providing housing related services such as repairs and maintenance of council dwellings.

Catford Regeneration Partnership Ltd (CRPL) is a wholly owned subsidiary of the Council and the Head of Property and Programme Management and the Head of Business Management and Support are directors of the board

Group Accounts

GROUP MOVEMENT IN RESERVES STATEMENT – YEAR ENDING 31ST MARCH 2011

YEAR ENDING 31ST MARCH 2011	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010 Brought Forward	✓ 11,516 <i>n=11,515 per page 121</i>	✓ 75,580 <i>75,581 per page 121</i>	✓ 12,024	✓ 20,298	✓ 4,320	✓ 3,463	✓ 127,201	✓ 731,503	✓ 858,704
Movement in Reserves during 2010/11									
Surplus or (Deficit) on the provision of services	115,151	0	(293,844)	0	0	0	(178,693)	0	✓ (178,693)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	229,663	✓ 229,663
Total Comprehensive Income and Expenditure	115,151	0	(293,844)	0	0	0	(178,693)	229,663	✓ 50,970
Adjustments between accounting basis and funding basis under regulations (see note 6)	(108,391)	0	✓ 277,027	12,447	17,377	1,120	199,580	(199,580)	0
Net Increase / Decrease before Transfers to Earmarked Reserves	6,760	0	(16,817)	12,447	17,377	1,120	20,887	30,083	50,970
Transfers to / from Earmarked Reserves	(6,824)	6,824	✓ 18,486	0	(18,486)	0	0	0	0
Increase / (Decrease) in 2010/11	(64)	6,824	1,669	12,447	(1,109)	1,120	20,887	30,083	50,970
Balance at 31 March 2011 Carried Forward	11,452	82,404	✓ 13,693	✓ 32,745	✓ 3,211	✓ 4,583	✓ 148,088	✓ 761,586	✓ 909,674

n=11,451 per page 121

Group Accounts

GROUP MOVEMENT IN RESERVES STATEMENT – YEAR ENDING 31ST MARCH 2010

YEAR ENDING 31ST MARCH 2010	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 2009 Brought Forward	11,236	79,431	13,075	17,411	1,310	920	123,383	1,183,047	1,306,430
Movement in Reserves during 2009/10									
Surplus or (Deficit) on the provision of services	(66,833)	0	(35,230)	0	0	0	(102,063)	0	(102,063)
Other Comprehensive Income and Expenditure	0	0	(18,772)	0	0	0	(18,772)	(326,891)	(345,663)
Total Comprehensive Income and Expenditure	(66,833)	0	(54,002)	0	0	0	(120,835)	(326,891)	(447,726)
Adjustments between accounting basis and funding basis under regulations (see note 6)	63,262	0	26,694	2,887	29,267	2,543	124,653	(124,653)	0
			26,695 per page 89						
Net Increase / Decrease before Transfers to Earmarked Reserves	(3,571)	0	(27,308)	2,887	29,267	2,543	3,818	(451,544)	(447,726)
Transfers to / from Earmarked Reserves	3,851	(3,851)	26,257	0	(26,257)	0	0	0	0
Increase / (Decrease) in 2009/10	280	(3,851)	(1,051)	2,887	3,010	2,543	3,818	(451,544)	(447,726)
Balance at 31 March 2010 Carried Forward	11,516	75,580	12,024	20,298	4,320	3,463	127,201	731,503	858,704

11,515 per page 121

Group Accounts

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR Y.E. 31ST MARCH 2011

2009/10 Re-stated			2010/11		
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
SERVICE					
39,519	(30,665)	8,854	41,277	(33,863)	7,414
81,341	(15,154)	66,187	83,859	(15,704)	68,155
418,470	(269,041)	149,429	421,740	(292,548)	129,192
22,821	(10,269)	12,552	24,394	(10,223)	14,171
373,914	(329,938)	43,976	652,327	(305,472)	346,855
113,804	(30,799)	83,005	119,249	(29,123)	90,126
7,520	(292)	7,228	7,380	(194)	7,186
1,166	0	1,166	(129,120)	0	(129,120)
1,058,555	(686,158)	372,397	1,221,106	(687,127)	533,980
Cost of Services					
Other Operating Expenditure					
5,117	0	5,117	220	0	220
1,772	0	1,772	1,787	0	1,787
0	0	0	688	0	688
6,889	0	6,889	2,695	0	2,695
Financing and Investment Income and Expenditure					
34,559	(1,768)	32,791	47,111	(63)	47,048
(978)	0	(978)	165	0	165
166	0	166	555	0	555
269	(3,791)	(3,522)	441	(2,135)	(1,694)
57,688	(50,854)	6,834	71,140	(51,608)	19,532
91,704	(56,413)	35,291	119,412	(53,806)	65,606
Taxation and non-specific Grant Income					
0	(90,573)	(90,573)	0	(91,234)	(91,234)
0	(52,015)	(52,015)	0	(58,216)	(58,216)
0	(25,654)	(25,654)	0	(116,775)	(116,775)
0	(144,288)	(144,288)	0	(157,367)	(157,367)
16	0	16	0	4	4
16	(312,530)	(312,514)	0	(423,588)	(423,588)
Deficit/(Surplus) on provision of services					
102,063			178,693		
(9,235)			(68,046)		
356,393			(191,267)		
(1,495)			29,650		
345,663			(229,663)		
447,726			(50,970)		

Group Accounts

Reconciliation of the Single Entity Total Comprehensive Income and Expenditure for the year to the Group Total Comprehensive Income and Expenditure

	2010/11 £000	2009/10 Restated £000
Total Comprehensive Income and Expenditure for the year on the Authority's Income and Expenditure Statement	✓ (49,538)	✓ 449,013
Adjustments for transactions with other group entities	(30,860)	(29,066)
Total Comprehensive Income and Expenditure in the Group Comprehensive Income and Expenditure Statement attributable to the authority	(80,398) ^	419,947 ^
Deficit in the Group Comprehensive Income and Expenditure Statement attributable to group entities	29,428	27,779
Group Total Comprehensive Income and Expenditure Statement	✓ (50,970) ^	✓ 447,726 ^

Group Accounts

GROUP BALANCE SHEET AS AT 31ST MARCH 2011

1 April 2009 Restated £000	31/03/2010 Restated £000		31/03/2011 £000
961,288	924,799	Property, Plant & Equipment	
879,150	845,881	Council dwellings	625,215
24,469	28,993	Other land and buildings	844,638
52,780	55,938	Vehicles, plant, furniture and equipment	30,636
7,965	8,451	Infrastructure	57,339
36,756	38,784	Community	8,162
31,409	31,182	Assets under construction	58,098
		Surplus Assets not held for Sale	30,941
1,993,817	1,934,028		1,655,029
11,260	23,648	Investment Property	34,401
7,606	8,084	Assets Held for Sale	8,229
9,088	1,401	Long term investments	17,857
2,011	1,461	Lewisham Homes Pension Asset	46
1,365	13,123	Long term debtors	12,966
2,025,145	1,981,746	Total Long Term Assets	1,728,528
107,227	29,746	Short Term Investments	60,763
11,105	11,153	Assets Held for Sale	6,000
309	344	Inventories	262
29,680	44,685	Debtors	37,758
42,923	148,783	Cash and Cash Equivalents	130,316
3,630	3,172	Prepayments	6,569
194,874	237,883	Current Assets	241,668
35,325	45,013	Short term borrowing	39,351
942	578	Provisions	3,531
65,529	77,621	Creditors	84,196
46,169	55,843	Receipts in advance	64,316
4,283	6,968	PFI Liabilities due within one year	4,900
152,248	186,023	Current Liabilities	196,294
	does not cast		
2,067,771	2,033,606	Total Assets less Current Liabilities	1,773,903
331,392	344,194	Long term borrowing	315,227
11,643	12,506	Provisions	10,532
488	365	Deferred capital receipts	256
92,353	146,189	Deferred PFI Liabilities	175,070
2,721	933	Capital Grants Receipts in Advance	1,117
322,744	670,715	Liability related to defined benefit pension scheme	362,027
761,341	1,174,902	Long Term Liabilities	864,229
1,306,430	858,704	NET ASSETS	909,674
	does not cast		
11,236	11,511	Usable Reserves	
79,431	75,581	General Fund Balance	11,511
12,094	9,760	Earmarked Revenue Reserves	82,405
17,411	20,298	Housing Revenue Account	9,908
1,310	4,320	Usable Capital Receipts Reserve	32,745
920	3,463	Major Repairs Reserve	3,211
981	2,264	Capital Grants Unapplied	4,583
0	4	Lewisham Homes Reserves	3,785
		Catford Regeneration Partnership Reserves	(60)
123,383	127,201		148,088
94,821	102,972	Unusable Reserves	
(320,733)	(669,254)	Revaluation Reserve	219,569
1,431,083	1,318,624	Pensions Reserve	(361,981)
(15,760)	(13,100)	Capital Adjustment Account	920,979
111	25	Financial Instruments Adjustment Account	(10,060)
(6,475)	(7,764)	Collection Fund Adjustment Account	22
1,183,047	731,503	Short Term Compensated Absences Account	(6,944)
			761,586
1,306,430	858,704	TOTAL EQUITY	909,674

does not cast 2,025,145

does not cast 1,981,746

does not cast 2,067,771

does not cast 1,306,430

75,580 per page 118

does not cast 761,586

does not cast

Group Accounts

GROUP CASH FLOW STATEMENT 2010/11

2009/10 Restated £000		2010/11	
		£000	£000
(12,566)	NET CASH FLOW FROM OPERATING ACTIVITIES		(50,348)
	INVESTING ACTIVITIES		
	Cash Outflows		
51,020	Purchase of property, plant, equipment and investment properties	48,768	
7,291	Revenue Expenditure Funded from Capital Under Statute	3,942	
788	PFI Prepayments	3,342	
0	Long-Term Debtors	(12)	
11	Taxation paid	4	
59,110			56,044
	Cash Inflows		
(8,525)	Sale of property, plant, equipment and investment properties	(19,623)	
(33,748)	Capital grants and other capital cash received	(22,576)	
(42,273)			(42,199)
	Net Cash Flows		
(83,982)	Net increase in short term investments	30,644	
0	Net increase in long term investments	16,092	
3,728	Net increase in other liquid resources	3,234	
(80,254)			49,970
(63,417)	Net Cash Flow from Investing Activities		63,815
	FINANCING		
	Cash Inflows		
(30,000)	New loans raised	0	
(250,268)	New short term borrowing	(38,685)	
(280,268)			(38,685)
	Cash Outflows		
250,391	Repayments of short and long term borrowing	43,685	
250,391			43,685
(29,877)	Net Cash Flow from Financing Activities		5,000
(105,860)	NET (INCREASE)/DECREASE IN CASH AND CASH EQUIVALENTS		18,467
(42,923)	CASH AND CASH EQUIVALENTS - BEGINNING OF THE PERIOD		(148,783)
(148,783)	CASH AND CASH EQUIVALENTS - END OF THE PERIOD		(130,316)

Group Accounts

Notes to the Group Accounts**1. Method of preparation**

The Group Accounts have been prepared using the acquisition method and include the accounts of the Council and its subsidiaries, Lewisham Homes Limited and Catford Regeneration Partnership Limited.

2. Lewisham Homes Limited

Lewisham Homes Limited was incorporated on the 22 January 2007 and is a wholly owned subsidiary of the council and is limited by guarantee. Lewisham Homes Limited's auditors are:

KPMG LLP
2 Cornwall Street
Birmingham
B3 2DL
United Kingdom.

3. Lewisham Homes Limited's Accounts

Lewisham Homes Limited's Accounts for 2009/10 received an unqualified audit opinion and their Statement of Accounts can be obtained from:

Lewisham Homes Limited
9 Holbeach Road
Catford
London
SE6 4TW

4. Accounting Policies

The accounting policies of the London Borough of Lewisham, Lewisham Homes Limited, and Catford Regeneration Partnership Limited are in line with those stated in Section 1 of these accounts.

5. Summary of Subsidiaries' Transactions included in the Group Revenue Account

This is a summary of Lewisham Homes' and Catford Regeneration Partnership's transactions included in the Group Comprehensive Income and Expenditure Statement, prior to the elimination of intra-group transactions (the transactions that took place between the subsidiaries and the council):

	Catford RP Ltd 2010/11 £000	Lewisham Homes Limited 2010/11 £000	Total 2010/11 £000	Catford RP Ltd 2009/10 Restated £000	Lewisham Homes 2009/10 Restated £000	Total 2009/10 Restated £000
Cost of Services	(774)	(1,484)	(2,258)	(126)	(2,228)	(2,354)
Other Operating Expenditure	0	0	0	0	0	0
Financing and Investment Income and Expenditure	909	(41)	868	117	(17,838)	(17,721)
Taxation and non-specific Grant Income	0	4	4	5	11	16
Other Comprehensive Income and Expenditure	0	(46)	(46)	0	18,772	18,772
Total Comprehensive Income and Expenditure	135	(1,567)	(1,432)	(4)	(1,283)	(1,287)

Group Accounts

6. Summary of Subsidiaries' Transactions included in the Group Balance Sheet

This is a summary of Lewisham Homes' and Catford Regeneration Partnership's transactions included in the Group Balance Sheet, prior to the elimination of intra-group transactions (the transactions that took place between the subsidiaries and the council):

	Catford RP Ltd	Lewisham Homes	Total		Catford RP Ltd	Lewisham Homes	Total
	2010/11	2010/11	2010/11		2009/10	2009/10	2009/10
	£000	£000	£000		Restated £000	Restated £000	Restated £000
Long term assets	11,910	838	12,748	cc	11,981	2,171	14,152
Inventories	0	29	29	cc	0	87	87
Debtors	86	4,722	4,808	cc	69	2,418	2,487
Cash and Cash Equivalents	124	1,927	2,051	cc	231	2,946	3,177
Provisions	0	(50)	(50)	cc	0	(68)	(68)
Creditors	(396)	(3,635)	(4,031)	cc	(361)	(3,829)	(4,190)
Long term borrowing	(11,855)	0	(11,855)	cc	(11,916)	0	(11,916)
Liability related to defined benefit pension scheme	0	0	0	cc	0	(1,461)	(1,461)
Net assets	(131)	3,831	3,700	cc	4	2,264	2,268

✓ α SECTION 7

ANNUAL
GOVERNANCE
STATEMENT

✓
2010/11

ANNUAL GOVERNANCE STATEMENT

1. SCOPE OF RESPONSIBILITY

The London Borough of Lewisham (Lewisham) is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It must make certain that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Lewisham also has a duty under the *Local Government Act 1999* to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Lewisham is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Lewisham has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.

The Annual Governance Statement (AGS) explains how the authority has complied with the code and also meets the requirements of regulation the *Accounts and Audit (England) Regulations 2011* in relation to the publication of a statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled. The framework also governs the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives or compliance with policies and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Lewisham's policies, aims and objectives. It then evaluates the likelihood of those risks being realised and the impact should they be realised, and seeks to manage them efficiently, effectively and economically.

The governance framework has been in place at Lewisham for the year ended 31 March 2011 and up to the date of approval of the annual governance statement and statement of accounts.

A summary of the governance framework

Lewisham's directly elected Mayor ensures the Council has a clear strategic direction and effective leadership. The Council benefits from the perspectives and contributions of 54 Councillors. The Council's Constitution clearly defines the roles of Members and Officers, and this clarity contributes to effective working relationships across the Council.

The Local Code of Corporate Governance and well developed Codes of Conduct for Members and Officers demand the highest standards of ethical behaviour. These are reviewed regularly and are communicated widely.

Financial decisions are tied to corporate priorities. The management of risk is handled at a corporate and directorate level and is overseen by an independently chaired Internal Control Board. The involvement

Annual Governance Statement

and contribution made by the Constitution Working Party, the Standards Committee and the Audit Panel to provide a check on the Council's governance arrangements represent constructive and informative tools to ensure the robustness of the Council's arrangements.

The Council's overall vision for the area is shared by its key partners on the Lewisham Strategic Partnership (LSP) and was developed following extensive consultation with the community.

The Annual Audit letter of 2009/10, issued by the Audit Commission's appointed auditor concluded that the Council was considered to have '*strong governance arrangements in place*' and '*effective risk management systems which are well integrated across the whole of the council and includes partnership working*'.

In December 2010, the Government introduced the Decentralisation & Localism Bill into Parliament. The Bill proposes to devolve more power to councils and neighbourhoods and gives local communities greater control over local decisions such as housing and planning. The Head of Law briefed Councillors in June 2011 on the current position in relation to the Localism Bill and the impact that it could possibly have on the Members Code of Conduct. Specific training on aspects of the Localism Bill is planned for July 2011.

3. ELEMENTS OF THE GOVERNANCE FRAMEWORK

a) Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

The long-standing vision of the Council is: *Together, we will make Lewisham the best place in London to live, work and learn*. This was agreed following extensive consultation and adopted by the LSP as the vision statement for Lewisham's first Community Strategy, launched in 2003. This joint vision is promoted on the Lewisham website and in Council strategies, which are also published on the website.

In 2008 the LSP published "*Shaping our future: Lewisham's Sustainable Community Strategy (SCS) 2008-2020*" in line with the recommendations of the Local Government White Paper, *Strong and Prosperous Communities* (2006). The development of the SCS was informed by an extensive programme of consultation, which identified resident's aspirations for Lewisham, and which ensured that those views fed into the six key outcomes for the borough the SCS sets out to achieve.

This development approach was endorsed by the Audit Commission, when they concluded in their 2009 Area Assessment that "*Lewisham's local strategic partnership understands the issues of concern to residents very well. Their main priorities reflect local people's needs and wishes clearly*".

The Council has an enduring set of 10 corporate priorities and in 2008 published and communicated widely a Corporate Strategy (2008-11) which sets out how the organisation will contribute to the delivery of the SCS. The Corporate Strategy is reviewed every year through the Annual Report and is also supplemented by the Monthly Management Report.

b) Reviewing the authority's vision and its implications for the authority's governance arrangements

The Lewisham Strategic Partnership is led by the LSP board which is chaired by Lewisham's directly-elected Mayor. A series of thematic partnerships work with the LSP board, each concentrating on a specific set of cross-cutting policy issues. The thematic partnerships bring together the relevant organisations and individuals to determine appropriate interventions and to ensure that joint-working results in the best possible outcomes. The LSP board and thematic partnership boards have re-aligned their focus around the six key outcomes set out in the SCS. The plans which relate to the thematic boards, are monitored on a regular basis. The monitoring of such plans feeds up to the LSP board and into the wider monitoring of the SCS.

The Council assessed the implications of change for the Council's governance arrangements through the review of the Local Code of Corporate Governance at the Standards Committee (10th May 2007) and at Council (23rd May 2007). Further reviews of the Local Code have taken place in 2008, 2009 and 2010. The review of 2009 (reported to Standards Committee on 5th May 2009) recommended that the Local

Annual Governance Statement

Code be extended to include a new requirement – in the light of new CIPFA guidance and the Council's extensive partnership arrangements – to ensure effective partnership governance and risk management.

Further to this, on an ongoing basis, the work of the Constitution Working Party and the Internal Control Board addresses governance issues arising out of the Council's vision for the area. In its 2007 Direction of Travel statement, the Audit Commission noted that, in Lewisham, 'robust corporate governance arrangements continue to operate'. In their feedback following the 2008 'Use of Resources' assessment the Audit Commission found 'excellent arrangements around ethical governance'. As a result the Audit Commission nominated the Council as an example of 'notable practice' – for other local authorities to follow – in the field of developing arrangements to secure ethical governance. And during a study of social responsibility and community cohesion in 2009, OfSTED found "a clear vision which focuses strongly on outcomes."

The 2009/10 Annual Audit Letter states that the Council '*has strong governance arrangements in place, such as a development and training programme for members, and is able to demonstrate that these have led to a wide range of positive outcomes*'. It also notes that the Council '*continues to have a clear vision of the outcomes it seeks to achieve to deliver best value for local people, including improving the quality of life, based on an ongoing assessment of need through the procurement strategy*'.

c) Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources.

Lewisham has a successful record in this area, which was recognised in the 2009 Organisational Assessment with a score of 3 out of 4 for performance management.

In the 2009/10 Annual Audit Letter the Audit Commission concluded that the Council '*has comprehensive data quality processes in place. The Council has continued to implement an effective process for recording and reporting data and ensures that it is reliable*'

A review of the Performance Management Framework takes place annually, to ensure continuous improvement. The Performance Management Framework allows for robust and structured target setting against national requirements and local priorities. It also allows the Council, its partners and residents to monitor and measure the Council's effectiveness against these national and local performance indicators.

Our Monthly Management Report is the centrepiece of our performance reporting structure. It provides a clear and easy to read analysis of our performance against a basket of 80 indicators including National Indicators and local measures, and also includes an executive summary to direct attention to areas of strong performance as well as areas requiring greater management attention. It is produced entirely from the Performance Plus (P+) system and is presented monthly to the Executive Management Team and quarterly to Mayor's briefing and to the Mayor and Cabinet.

The Monthly Management Report utilises exception reporting to focus attention on key areas: exception reporting for red Projects, Risk and Finance and Red and Green exception reporting for performance. By combining these four areas for each of our corporate priorities, it functions as the critical tool for supporting decisions across the organisation. While examining this report, the Executive Management Team, Mayor and Cabinet and Public Accounts Select Committee challenge all aspects of performance. The report is also published on the Council's website, and so is accessible to members of the general public.

The quality of services for users is also measured through satisfaction surveys and information from the complaints management and resolution process. The Council's complaints procedure is published on the web and has been publicised, through the Council's quarterly newsletter – "Lewisham Life" - to all residents of the borough. The Council has continued to improve its complaints procedure. A revised complaints management system – iCasework – was implemented across the Council on 30 June 2008 and allows for the monitoring and review of intelligence on the resolution of complaints. In combination with bespoke complaints handling training courses, this ensures that the Council learns from complaints. The Head of Public Services reports annually to the Standards Committee with an update on complaints handling, and performance in this area is also reviewed annually by both Mayor and Cabinet and the Public Account Select Committee.

Annual Governance Statement

Value for Money (VfM) is integral to Council operations, and the budget strategy is predicated on ensuring that the council is delivering good VfM. A Budget Saving Strategy Group effectively replaces the former Efficiency Programme Board. There has been recent emphasis on securing budget savings (whether this be via improving efficiency or by budget cuts or service cessations). The group was created to focus on delivering the revenue budget savings which would be needed to make the Budget Strategy work.

The Group comprises, Heads of Strategy and Performance and Group Finance Managers, plus a representative from Human Resources and Legal Services. The Group has the remit to review and act as a sounding board for the Budget Strategy, savings process, saving proposals and the mechanics for ensuring the Council has a smooth process for delivering savings. The Group is also responsible for annually reviewing the existing process and suggesting ways to improve it.

In addition to this, the Council is continuing to develop its approach to value for money through its participation in the Local Authority Performance System (LAPS). The LAPS tool enables London local authorities to benchmark costs and performance and develop VFM profiles across a range of service areas.

d) Defining and documenting the roles and responsibilities of the Executive, non executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

The Council's Constitution sets out the roles and responsibilities of the Mayor, Chair of Council, the Council as a whole, the Executive, Overview and Scrutiny committees, Standards Committees and other committees.

Members follow the required formal procedures when making Council decisions, which ensure that such decisions are made transparently and openly. There is an annual programme of regular meetings whereby formal decisions are taken. Every committee agenda includes as a standard item a section on declarations of interest by committee members which sets out the legal position in relation to the need to declare, and on occasion, withdraw from discussion of matters where the member has a personal and/or prejudicial interest.

Decisions are taken in accordance with the Council and Mayoral scheme of delegation as appropriate and these schemes are maintained, kept up to date and made available to the public as detailed within the Constitution. Decisions are taken in accordance with the general principles of administrative law and on the basis of professional advice at all times. Minutes are published and made widely available through the Lewisham website. All Executive decisions are subject to review by Overview and Scrutiny business panel and may be called-in in accordance with the Council's Constitution. There were no call-ins during the financial year 2009-10. The most recent example of a matter referred to the Mayor for reconsideration in accordance with the call in was the prioritisation of transport schemes on June 1st 2011.

The highest standards of ethical conduct are adhered to in order to avoid actual, potential and perceived conflicts of interest. The principles of decision making appear as Article 16 within the Constitution. Standards Committee receives a report on Member compliance with the Code of Conduct, a process which was recognised as 'notable practice' by the Audit Commission in the 2007/08 Use of Resources audit.

In achieving accreditation under the London Member Development Charter in April 2008 (for a minimum period of 3 years), the Council has agreed a range of role descriptors for members according to the role they fulfil (e.g. executive/community representative/overview and scrutiny etc) and has put in place a personal development scheme to enhance member capability in those roles. Officers support all Members in the performance of their various roles and this is detailed in the Constitution. The roles of the statutory officers are also set out at Article 14 of the Constitution and in detailed job descriptions. The Schemes of Delegation by both the Mayor and the Council are appended to the Constitution at Part VIII.

e) Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

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The Council adopted an amended Member Code of Conduct in July 2010 to comply with new legal requirements. It complies with all statutory provisions and is appended to the Constitution at Part V. It appears on the Council's website, on the intranet and is well publicised. A comprehensive training programme on the Codes of Conduct is delivered by the Head of Law (Monitoring Officer) on an on-going basis for members of the Council.

Monitoring Officer advice is regularly sought by members in relation to potential Code of Conduct issues. The Standards Committee was consulted on changes to the Member Code in November 2009. They were also consulted on the review of compliance with the Members Code of Conduct in November 2010.

The Council has in place an Employee Code of Conduct which complies with all legal requirements and is appended to the Constitution at Part V. The purpose and content of the Employee Code of Conduct is communicated frequently and widely.

α f) **Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks**

Reviewing and updating standing orders, standing financial instructions

The Council's Financial Regulations, Financial Procedures and Directorates' Scheme of Delegation, are regularly updated and communicated to all relevant staff and are available on the Council's intranet. The Financial Regulations, the Schemes of Delegation and the Financial Procedures are currently being updated with the view to publishing the reviewed additions in September 2011. The Council's procedure rules, of which Standing Orders are a part, are reviewed alongside the Constitution; the Constitution is reviewed on a regular basis.

Alongside this, the financial awareness rolling training programme for budget holders will continue in 2011/12 and beyond, to ensure that all budget holders have the necessary skills required to manage budgets effectively.

Scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken

The Constitution is very clear about the decision making process. It requires that Members follow formal procedures when making Council decisions, which ensures that such decisions are made transparently and openly. There is an annual programme of regular meetings whereby formal decisions are taken. Committee reports are produced by officers in a standard format to ensure that authors address all significant considerations such as the legal and financial implications of decisions, equalities issues, environmental issues and a crime and disorder assessment. Every committee agenda includes as a standard item a section on declarations of interest by committee members which sets out the legal position in relation to the need to declare, and on occasion, withdraw from discussion of matters where the member has a personal or prejudicial interest. The principles of decision making appear as Article 16 within the Constitution. There is a well embedded agenda planning process and a requirement for reports to be signed off by senior officers. Decisions are taken in accordance with the Council and Mayoral scheme of delegation as appropriate and these schemes are maintained, kept up to date and made available to the public as detailed within the Constitution. The Constitution requires Executive decisions to be published within two working days of being taken, and sent to all Members of the Council where possible by electronic means. Minutes are published and made publicly available on the Lewisham website. All Executive decisions may be called-in by the Overview and Scrutiny Business Panel in accordance with the Council's Constitution.

The Constitution provides for the Council to have a Constitution Working Party (CWP) to advise it on the operation of its constitutional arrangements. In practice, the procedure rules set out in the Constitution are under constant review to reflect changing needs. In 2010/11 reports to Full Council have included Members Allowances and Pensions, Council Procedure Rules, the status of the Housing Select Committee and the composition of the Appointments Committee. The Constitution has been updated to reflect these new responsibilities.

Maintaining an adequate and effective system of internal audit

The Account and Audit (England) Regulations 2011, require the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control. The role of internal

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audit is to provide an independent and objective opinion on the control environment within the Council. Internal audit work is undertaken in accordance with the CIPFA Internal Audit Code of Practice for Internal Audit in Local Authorities 2006 (the code).

The work of Internal Audit is set out in an annual internal audit plan that covers the key financial systems, schools, and the operational activities where Internal Audit and management perceive there are risks to achieving operational objectives. The work of internal audit also supports the work of the Council's External Auditor who reviews our work in detail to satisfy themselves the work of internal audit can be relied upon. From the 31 March the Council must conduct a review at least once a year of the effectiveness of its system of internal control and report on this to members. A review of the adequacy and effectiveness of internal audit will take place in 2011/12.

For each audit where controls have been analysed, Internal Audit issues an assurance statement which indicates the level of assurance that management can place on the adequacy and effectiveness of the internal controls. For 2010/11, four levels of assurance were used: Two positive levels, 'substantial' and 'adequate' assurance; and two negative levels, 'limited' and 'no assurance'. In each report Internal Audit may also make control improvement recommendations, rated High, Medium or Low.

For 2010/11 one hundred and eleven assurance reviews were undertaken. Of the 98 of these where an opinion on internal controls was issued only 7% (21% in 2009/10) were issued with a negative level of assurance, and no 'no assurance' opinions were issued. In respect of recommendations made 4% were high (5% in 2009/10) and 58% medium (47% in 2009/10).

The key financial systems are fundamental to the operation of the Council, so it is important that these systems have robust internal control mechanisms and operate effectively. The Head of Audit and Risk confirmed that all of these key financial systems have been issued with a positive assurance level for 2010/11. In all but two cases these systems have either maintained or improved their assurance level on 2009/10. There were specific reasons for the two which declined slightly, cash collection and NNDR, and both systems retained their positive assurance level. Fixed Assets was not reviewed by internal audit during 2010/11 due to the implementation of a new system at the year-end. For this year only, this work will therefore be picked up directly by the External Auditors.

Overall the Council is maintaining an adequate and effective system of internal audit. Internal audit has identified areas where internal controls can be strengthened and reported that, on the whole the Council is managing its operational risk effectively.

The processes and controls required to manage risks

The Accounts and Audit (England) Regulations 2011 highlight the Council's responsibility for ensuring it has in place a sound system of internal control which includes arrangements for the management of risk.

There is a robust risk strategy and framework, reviewed and updated in 2010/11, in place to manage risks. All services must maintain an operational risk register aligned to their service plan objectives. Risks are recorded and reported using the Council's main performance management system – Performance Plus. The risk registers record significant risks and score them in terms of impact and likelihood. Target scores are set and mitigation actions identified and monitored.

Directorate risk registers are considered in detail at least quarterly at Directorate Management Teams. Key risks within the directorate and corporate risk registers are then subject to quarterly reviews by the Risk Management Working Party and the Internal Control Board. The Internal Control Board is chaired by an independent 'non executive' person (Bill Roots, a former London local authority Chief Executive) and comprises the Executive Management Team, Head of Law (Monitoring Officer), Head of Audit and Risk and Group Manager for Insurance and Risk. Risks are updated quarterly and are tracked through the monthly management report which summarises key risks and mitigation actions taken.

Risk Management is embedded within the Council's approach to programme and project management. Project risks are regularly reviewed by Project Review Groups and Corporate Project Board. Risks for the whole capital programme are reviewed and updated quarterly. Members are involved in scrutinising risks with updates of the Capital Programme considered regularly by Public Accounts Select Committee and reported to Mayor & Cabinet.

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In addition for 2010/11 to support better decision making, with the significant savings proposals considered and agreed by members, specific attention was given to identifying, assessing the key risks for each proposal submitted as part of the budget setting process.

RSM Tenon, the Council's independent internal audit contractor, carried out an annual risk maturity review (which reported in May 2011) and has assessed the Council as maintaining its 'managed' approach to risk.

The 2009/10 Annual Audit Letter, issued by the Audit Commission's appointed auditor concluded that the Council "has effective risk management systems which are well integrated across the whole of the council and includes partnership working".

g) Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

The Audit Panel is made up of six elected members and up to four independent advisors and meets at least quarterly. A key role of the panel is to review and comment on the strategy, plans and resources of Internal Audit. Internal Audit update reports are received by the panel on a quarterly basis, summarising the audit reports issued, management's progress on implementing internal audit recommendations, and the performance of the Internal Audit function. Update reports on the activities of the Anti-fraud and Corruption Team are also received by the panel on a quarterly basis. The panel receive the annual report of the Council's Head of Audit and Risk.

The panel consider and monitor the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements. In terms of external assurance, the panel consider the external auditor's Annual Plan, other relevant external reports which contribute to the level of assurance. The panel monitors management action in response to issues raised by internal and external audit, and significant issues identified by these are included in the action plan appended to this statement.

The panel also consider the Council's annual Statement of Accounts and this Statement and makes comments on those to the meeting of the Full Council that considers the accounts.

h) Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The duties of the Head of Law (Monitoring Officer) are defined in the Constitution. The Monitoring Officer attends Mayor and Cabinet and Full Council meetings and regularly briefs EMT on corporate legislative developments (e.g. *Localism Bill 2010 and specific proposals within the Bill including Governance*). Legal advice is incorporated in every report and advice on proper process is a regular feature of that. Where gaps or non-compliance are identified, appropriate action is taken (e.g. in response to Freedom of Information compliance issues, alternative procedural arrangements were put in place to enhance performance). Reports do not proceed unless robust legal implications on all matters have been considered and are included in the report. Experienced professional legal staff are employed by the Council.

The financial management of the authority is conducted in accordance with financial regulations set out in the Constitution. The Council has designated the Executive Director of Resources as Chief Finance Officer in accordance with Section 151 of the *Local Government Act 1972* and to discharge the responsibilities under Section 114 of the *Local Government Act 1998* and Sections 25-28 of the *Local Government Act 2003* in relation to the Chief Financial Officer's statutory duties. The Chief Finance Officer advises on the proper administration of the Council's financial affairs, keeping proper financial records and maintaining effective systems of financial control. These duties are reflected in the job description of the Executive Director for Resources which are set out at Article 14 of the Constitution. Financial implications are included in all committee reports and form an integral part of the information needed to aid the decision making process.

The Pensions Investment Committee has agreed a Governance Policy Statement which sets out how the Committee exercises its fiduciary duty to members of the Pension Fund. The Committee's governance arrangements include the appointment of an independent Custodian Bank responsible for the safe custody of the Fund's assets, the appointment of an independent investment advisor, independent

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actuary and investment consultant, Hymans Robertson. The Committee will review its Statement of Investment Principles in accordance with the CIPFA's Pensions Panel Principles of Investment decision making.

α i) Whistle-blowing and procedures for receiving and investigating complaints from the public

The Council has a whistle-blowing policy in place which is widely publicised on the Council's website and in 'Lewisham Life'. Complaints made under this policy are handled by the Head of Law (Monitoring Officer) and an annual review is considered by the Standards Committee (March 2011).

α j) Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

The overall aim of the Members' Development Programme is to ensure that all members have access to the training and development opportunities they need to fulfil their responsibilities to the local community and provide clear leadership and effective scrutiny of local Council functions. The 2010-11 personal development programme and general member development programme have both been completed and an initial induction programme for new Members has been undertaken.

This is recognised as best practice and feedback from members indicates the programme has helped them considerably in carrying out their roles.'

The 2009/10 Annual Audit Letter recognised the training Members were receiving, stating that the Council '*has strong governance arrangements in place, such as a development and training programme for members, and is able to demonstrate that these have led to a wide range of positive outcomes*'.

The Head of Personnel and Development has responsibility for the development needs of senior officers. The Monitoring Officer also plays a key role in ensuring that senior officers are aware of their statutory duties and changes in legislation. At the start of the financial year the Chief Executive defines objectives for each of the Executive Directors. These are then cascaded to officers throughout the organisation through the Performance Evaluation Scheme.

α k) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

Lewisham has an open and outward facing culture that is clearly focussed on the needs of our residents and facilitated by an exceptionally strong and diverse approach to engagement and consultation.

The Council's engagement activity is overseen by the Communications and Consultation Board. The Board operates at senior Head of Service Level and provides a strategic steer on the communication and consultation agendas within the Council. It is supported by its subsidiary, the Consultation Steering Group, which draws representation from across the Council and supports effective resident engagement at an operational level.

These arrangements are underpinned by the Council's Framework for Engagement (2009-2012). This sets in place shared principles for engagement, which were also agreed at a partnership level through the Stronger Communities Partnership.

In support of this, and to provide increased channels through which citizens are engaged, the Council continues to promote e-Participation by implementing a new online engagement system. This system provides the platform through which citizens can respond to online consultations as well as set up and respond to e-Petitions. Other channels of engagement include the 18 ward-level Area Assemblies which came into operation in 2008 and are open to anybody living or working in the ward, and the Young Citizens Panel which enables any young person aged 11-18 years either living or studying in the borough to join.

The Audit Commission awarded Lewisham a "green flag" for community engagement and empowerment of local people, in their 2009 Area Assessment. They concluded that '*empowering and involving local people is at the heart of the way public sector partnerships work in Lewisham to improve the area as a*

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place to live. Partners have an excellent track record of involving local people, including those who are less likely to be active in the local community.'

1) Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

The Council acts in a number of partnerships with a view to improving the quality of life for local people. These partnerships take a variety of forms, from large scale contracting, as in the case of the Building Schools for the Future programme, to strategic alliances such as the Lewisham Strategic Partnership (LSP). The Council has used the Audit Commission report on the governance of partnerships to provide a framework to assess its arrangements in relation to partnership working.

As a first stage in that process, the Head of Law (Monitoring Officer) conducted an exercise in relation to several of the most significant partnerships in the borough and reported those findings to the Internal Control Board. In February 2009, a detailed audit of all of the Council's major partnerships and contractual arrangements was reported to the EMT and to ICB. In response, EMT required all Directorates to consider partnership governance arrangements, and particularly the business continuity arrangements of those partnerships, as a standing item at Directorate Management Team meetings. In November 2009, the Chief Executive presented a paper to ICB which assessed the main risks to the partnerships within each of Lewisham's six Sustainable Community Strategy priority themes.

As part of the review of the Local Code in 2009 the Standards Committee accepted a recommendation to extend the Code to include a provision to ensure that the Council has robust and effective mechanisms to ensure partnerships are effectively governed and that partnership risks are identified and managed.

In November 2009, Standards Committee considered a new "Standards in Partnership" protocol that has been developed by Standards for England. Adherence to this protocol is intended to ensure that the aims of the partnership can be fulfilled effectively and the public can have confidence in the operation of the partnership.

The Standing Committee made a recommendation to refer this partnership protocol to the LSP, where it was considered in December 2009. The LSP reviewed its Terms of Reference and Code of Conduct in 2010 in order to reflect the good practice set out in the new Standards for England partnership protocol.

4. REVIEW OF EFFECTIVENESS

Lewisham has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit and Risk's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process by which the governance framework has been maintained and reviewed is widespread. It occurs throughout the year and at year end. On an ongoing basis, through out the year, it has involved the following:

- Consideration by Internal Control Board of governance issues – including risk registers, counter-fraud updates and internal audit reports.
- The Head of Audit and Risk prepares a rolling plan of audit coverage to be achieved in the forthcoming year, based in primarily on an assessment of the Council's risk profile. The plan is reviewed by the Internal Control Board.
- The Audit Panel receives the Internal Audit Strategy and approves the annual audit plan.
- The Audit Panel receives the annual assurance report from the Head of Audit & Risk which set out his opinion on the Council's overall control environment.
- The Audit Panel reports on its work to the Public Accounts Select Committee twice a year.
- Executive Management Team (EMT) consider a full range of governance issues throughout the year, including issues relating to the improvement of the Internal Audit Service. EMT scrutinise performance and risk regularly and ensure management action where necessary.

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- The Standards Committee considered the efficiency of the Council's complaints handling system and the effectiveness of the Whistle Blowing Policy. In June 2010 it considered the review of the Council's Code of Corporate Governance, and in November 2010 it reviewed Member compliance with the Member Code of Conduct.
- The Independent Remuneration Panel made recommendations to the Council about the accountability and effectiveness of Members.
- Consideration of external audit reports conducted in year by Mayor and Cabinet, Audit Panel and relevant Select Committees.
- Constitution Working Party undertook a review of the Constitution in its entirety in March 2009 which led to amendments to the Constitution in line with the Local Government and Public Involvement Act 2007. It also considered the reviews undertaken by the Independent Remuneration Panel and referred those to Full Council.

At year end, the review of the effectiveness of the governance framework is conducted under the auspices of the Chief Executive by a team of officers consisting of:

- Kath Nicholson: Head of Law and Monitoring Officer
- Troy Robinson: Standards & Education Law Advisor
- Barrie Neal: Head of Corporate Policy and Governance
- David Austin: Interim Head of Audit and Risk
- Annabel Saunders: Principal Policy Officer
- Caroline Doyle: Principal Policy Officer

The AGS working party have met regularly since March 2008. Officers have been drawn from across the council to represent key areas of expertise in governance and internal control matters. The terms of reference for the group are as follows:

- To provide expertise in the development of the AGS on governance and internal control matters
- To analyse CIPFA/SOLACE guidance in relation to the development of the Annual Governance Statement
- To collate evidence from across the organisation relating to CIPFA/SOLACE guidance
- To evaluate evidence collated and identify areas for action
- To compile an action plan of significant governance issues
- To develop the Annual Governance Statement to be incorporated in the Statement of Accounts on an annual basis
- To ensure that the AGS is signed off appropriately through the council's key control mechanisms: EMT, Standards Committee, Audit Panel, Internal Control Board and Full Council
- To review the Annual Governance Statement and arrangements for governance and internal control throughout the year

The process by which the governance provisions are reviewed at year end includes:

- The consideration by EMT members on the 2nd June 2010 of a draft Annual Governance Statement. Where any gaps have been identified in evidence gathering, these are addressed in the action plan outlined in Appendix 2. EMT also consider the outcome and action plans of external inspections and audit, using those to address any significant governance issues for the future.
- Preparation of the Accounts and the Head of Audit and Risk's Annual Report and consideration of these and the Annual Governance Statement by the Council's Audit Panel on 22nd June 2011.
- A review of the Council's Local Code of Corporate Governance by the Standards Committee on the 21st June 2011, with reference to CIPFA/Solace Guidance.
- Referral of the Annual Governance Statement to full Council with the Statement of Accounts, and advice from Audit Panel on the 21st September 2011.
- Sign off by the Chair of the Council and Chief Executive, once approved.

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✗ **5. SIGNIFICANT GOVERNANCE ISSUES**

Actions taken to deal with governance issues during the course of 2010/11 ✓ are referred to at section 3 of this statement.

We propose over the coming year (2011/12) ✓ to take steps to address significant governance issues which have been identified through the annual review and through external assessment and inspection. These issues are set out at Annexe 1 along with the actions proposed to address the need for improvement.

We intend to monitor their implementation, operation and effectiveness as part of our next annual review. To do this regularly throughout 2011/12 ✓ it is proposed that the officer team dealing with governance arrangements meet quarterly and report on progress to the EMT/Internal Control Board and/or Audit Panel on relevant issues.

Signed:%.....

Leading Member (or equivalent) & Chief Executive (or equivalent) on behalf of the Council

α ANNEXE 1

**SIGNIFICANT
GOVERNANCE ISSUES –
ACTION PLAN**

2010/11 ✓

SIGNIFICANT GOVERNANCE ISSUES – ACTION PLAN 2010/11

Issue	Decent Homes Further reduce the gap between Lewisham and national expectations for the decent homes standard
Action	Continue to monitor progress in delivering the Housing Strategy action plan
External Assurance Link	Annual Audit Letter 2010
Desired Outcomes	A reduction in the gap between the proportion of homes in Lewisham that meet the Decent Homes Standard, and the proportion of homes that do so nationally
Timescales	March 2012
Lead Officer	Genevieve Macklin
Notes	<p><u>Progress to date:</u> ✓ This is an ongoing action from the 2009/10 action plan. It originated in the recommendations made by the Audit Commission's appointed auditor in the 2008 Annual Audit Letter:</p> <p>"The Council needs to ensure that its strong partnerships and effective leadership lead to a step change in outcomes...it should concentrate in particular on further reducing the gaps between national expectations for educational outcomes, health inequalities and decent homes standards and those in Lewisham".</p> <p>Brockley PFI (Regenter B3) The PFI has achieved 100% decency in this programme.</p> <p>Lewisham Homes (ALMO): ✓ The level of non-decency in 2010/11 within Lewisham Homes' stock was 55%.</p> <p>Stock Transfers:</p> <ul style="list-style-type: none"> • By March 2011 Phoenix Community Housing completed decent homes works to 3773 tenanted homes which means only 32% of the stock is non-decent • L&Q has achieved 100% decency at Grove Park • Broomleigh (Affinity Sutton) has achieved 100% decency at Orchard Estate and Village Court. • By March 2011, Broomleigh (Affinity Sutton) had made 177 tenanted homes across Newstead Road Estate and Leybridge Court (Lee Transfer) decent with 298 home remaining non-decent • Forest Hill & Sydenham, Rushey Green and Catford transferred to L&Q in October 2010. By March 2011, L&Q had made 499 tenanted homes decent with 1782 tenant homes remaining non-decent <p><u>Next steps:</u> Lewisham Homes (ALMO)</p> <ul style="list-style-type: none"> • The Homes & Communities Agency (HCA) announced the allocations for Decent Homes Backlog Funding in February 2011 and awarded Lewisham £94.5 million

Annexe 1

	<p>over 4 years, which was the second highest settlement in England. The allocations for 2013/14 and 2014/15 are provisional allocations which are not guaranteed and could be subject to change. For 2011/12, ✓ Lewisham Homes are estimating that 719 tenanted homes will be made decent, bringing the non-decency level down to 53%. Lewisham Homes have projected that by 2015, the non-decency level of their stock will be 28%.</p> <p>Stock Transfers</p> <ul style="list-style-type: none"> • Phoenix Community Housing are due to complete decent homes works by December 2012. • Broomleigh (Affinity Sutton) will complete decent homes works at Newstead Road Estate and Leybridge Court by 2012. • L&Q are scheduled to complete decent homes works at Forest Hill, Sydenham, Rushey Green and Catford by October 2014.
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	<p>Issue Households in Temporary Accommodation Reduce the numbers of households in temporary accommodation.</p>
	<p>Action Put in place robust systems for the management of homeless applications and the allocation of temporary accommodation, reduce the number of households in temporary accommodation.</p>
	<p>External Assurance Link National Indicator 156</p>
	<p>Desired Outcomes Maintain the number of households in temporary accommodation at 877 during 2011/12</p>
	<p>Timescales March 2012</p>
	<p>Lead Officer Genevieve Macklin</p>
	<p>Notes</p> <p><u>Progress to date:</u> ✓ This is an ongoing action from the 2009/10 action plan.</p> <p>In line with the TA reduction plan agreed with the CLG, In 2008/09, ✓ the numbers of households in temporary accommodation reduced by 696, the third largest drop in London. In percentage terms at 28% the reduction was the 6th most improved. This trend has been sustained with the numbers in temporary accommodation reducing by a further 566 between April 2009 and March 2010. The 1242 households in temporary accommodation at the end of March was below the target set out in the TA reduction plan agreed with CLG. At the end of December 2010 there were 957 households in temporary accommodation, 80 short of the target.</p> <p>The numbers in temporary accommodation have been reduced by a range of different actions. The starting point is early identification of issues and active homeless prevention to sustain people in their accommodation. This includes working with private tenants who are experiencing issues with their landlords, mediation with parents and young people and a whole range of other steps. Lewisham's levels of homeless prevention have increased steadily through 2008-9 ✓ and into 2010-11 ✓. Where households cannot be sustained in existing accommodation they are offered advice about a range of options including how to rent privately, shared ownership and other intermediate housing products, mobility schemes and supported housing options and often this results in homelessness being prevented as well. ✓ 2009-10</p> <p>It is the range of these actions, as part of a clear strategy and action plan, which has</p>

Annexe 1

	<p>led to the reduction in numbers. This has not been at the expense of the suitability of the accommodation offered.</p> <p>At the end of April 2011 there were 947 households in temporary accommodation. Numbers continued to reduce after December 2010 to a low of 918 in February 2011 but have risen slightly in the last 2 months as a result of increased homeless approaches, a trend being mirrored across London.</p> <p>Next steps: During 2011-12 the service aims to sustain numbers at existing levels. Whilst the national indicator is no longer in place it is clearly prudent to sustain numbers in temporary accommodation at a lower level and this remains a key objective for the service area. Progress against the target is being monitored within Customer Services Management team and through a range of activity being overseen by a Customer Services Programme Board, which includes a range of service transformation projects aimed at improving homeless prevention and resolution of housing need issues and improvements in the costs and quality of temporary accommodation where it is used.</p>
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	<p>Impact of the Recession</p>
Issue	Assess and monitor the impact of the Recession.
Action	Assess and monitor the impact of the Recession on the Building Schools for the Future, housing and town centre regeneration programmes.
External Assurance Link	Annual Audit Letter 2010
Desired Outcomes	Accurate and timely monitoring of risks to delivery provides basis for well-informed decision making.
Timescales	March 2012
Lead Officer	Steve Gough
Notes	<p>Progress to date: ✓ This is an ongoing action from the 2009/10 action plan. It originated in the recommendations made by the Audit Commission's appointed auditor in the 2008 Annual Audit Letter:</p> <p>"The Council needs to assess and monitor the impact of the economic downturn on demand-led services and its regeneration programmes, especially Building Schools for the Future, housing and the Lewisham Town Centre development project"</p> <p>In February 2011 Mayor & Cabinet agreed the 2011-12 Budget that included the following update on the risks associated with the 2011-16 Capital Programme: ✓</p> <p>The risks to the programme have changed over the last 12 months. Then, the risks associated with the housing market, contractor failure and securing adequate project management skills were identified. The housing market risk remains and, following the cuts in social housing funding, has probably grown in significance. Construction prices are currently low with tender returns regularly below estimates. Constructors are squeezing their supply chains and profit margins in order to win work and this can leave them prone to financial failure. Officers will continue to assess financial risks before appointing any major contractors to schemes.</p> <p>Primary school places remain a key concern. It is estimated that the short term growth in pupil numbers across the borough could lead to a requirement for up to 18 additional forms of entry by September 2011. Some permanent expansion has been agreed and the rebuild of both Gordonbrock and Brockley schools is now in progress but, these measures fall short of the projected needs. £16.338 million of Department for</p>

Annexe 1

	<p>Education capital has been allocated in 2011/12 ✓ and officers are currently considering how this should be allocated.</p> <p>Capital resources have been reviewed in detail following the publishing of the Comprehensive Spending Review and the other announcements from the government about cuts. It was announced that there would be significant cuts to capital funding of around 45%. Full details of what this means in practice are still to be announced, it is known that there will be no revenue support for borrowing after 2010/11. ✓</p> <p>The Council's Capital Programme includes a number of complex programmes such as Building Schools for the Future, Customer Services transformation and the redevelopment of Deptford and Catford Town Centres, where skilled programme and project management are required to successfully deliver to time and cost. The Council's current successful approach to the development of internal capacity remains vulnerable to pressures from across the market for highly skilled programme and project managers.</p>
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	<p>Impact of public sector spending cuts</p> <p>The delivery of the Council's multi-year strategy to manage a fundamental financial restructure needs to be monitored, and impacts on public services and Council employees must be limited.</p>
Issue	
Action	Monitor the delivery of the Council's multi-year financial strategy.
External Assurance Link	Annual Audit Letter
Desired Outcomes	The Council's financial strategy is effectively monitored and impacts on public services and Council employees as a result of the financial restructuring are limited.
Timescales	March 2012
Lead Officer	Conrad Hall
Notes	<p><u>Progress to date:</u></p> <p>On the 23rd May 2010, the Chancellor of the Exchequer announced £6.2bn of public sector spending cuts. The key point in this announcement for Local Government was that there would be immediate in-year reductions of £1.165bn in individual grants.</p> <p>A report on the £3.295m in-year reductions that Lewisham would need to make as a result of these public sector spending cuts went to the Public Accounts Committee on the 13 July 2010 and Mayor & Cabinet on the 14 July. This report set out the impact on services that would arise from making over £3m savings.</p> <p>The Spending Review was announced on 20 October 2010, setting departmental expenditure limits (DEL) for each Government department for the 4 year period from 2011/12 to 2014/15. The Spending Review announced that overall revenue funding to Local Authorities will reduce by 26% in real terms by 2014-15 and the cuts over the four year period will be significantly front-loaded.</p> <p>The Provisional Local Government Finance Settlement was announced on 13 December 2010. The Settlement was the first part of two 2 year settlements and covers the periods of 2011-12 ✓ and 2012-13 ✓. The average reduction in formula grant across England is 9.9% in 2011/2012 ✓ and 7.3% in 2012/2013 ✓.</p>

Annexe 1

	<p>Lewisham's formula grant has reduced by 10.6% in 2011/2012 and 7.8% in 2012/2013.</p> <p>The council agreed its 2011/12 budget on 1st March 2011. Savings of £20.467m were agreed for that year, and further budget savings of £8.878m and £3.356m agreed in principle for years 2012/13 and 2013/14. Achievement of the savings will be tracked through the council's budget monitoring system, and the first set of full forecasts will be available at the end of June 2011.</p> <p>In 2010/11 the budget was delivered with a net underspend of £1.7m.</p> <p>Next steps: Further savings may be required for years from 2012/13 onwards. The council is considering its approach to future efficiency requirements and closely tracking government funding announcements.</p>
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	<p>Health & Safety</p> <p>Compliance with appropriate standards of Health & Safety</p>
Issue	
Action	To identify the appropriate standard for Health & Safety to which the Council should apply and achieve compliance with it
External Assurance Link	British Standard OHSAS 18001
Desired Outcomes	All Directorates to be compliant with the requirements of the BS OHSAS 18001 for the management of Health & Safety in the Council
Timescales	December 2012
Lead Officer	David Austin / Executive Directors
Notes	<p>Progress to date: This is an ongoing action from the 2009/10 action plan.</p> <p>In line with BS OHSAS 18001 the Council's single Health & Safety (H&S) management system has been implemented corporately and in each of the Directorates with one exception – the Children and Young People Directorate, including schools.</p> <p>The Corporate H&S Team and the governance of H&S has been restructured to focus on the critical activities to maintaining a single effective and consistent risk based approach to H&S across the Council. A H&S Board has been created to oversee both corporate and directorate H&S risks. The Corporate H&S team is now focused on:</p> <ul style="list-style-type: none"> • developing and maintaining a full set of H&S policies and guidance in line with BS OHSAS 18001 to meet statutory requirements; • communicating H&S priorities and good practice (including coordinating training for and providing advice to directorates); • conducting risk based audits and capturing and reporting on all H&S accidents, incidents and near misses. <p>The Council's internal audit service completed an advisory review in 2010/11 of the</p>

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	<p>Corporate H&S policies, management system and compliance with legislative requirements. This highlighted some areas for continued operational improvement within the H&S system.</p> <p>Next steps:</p> <p>The Corporate H&S team will:</p> <ul style="list-style-type: none"> • continue to support and monitor the implementation of the H&S management system in the Children and Young People directorate; • work with directorate H&S management nominees to implement the recommendations from the H&S review by December 2011, and maintain and strengthen H&S practices across the Council through the business as usual activities identified above.
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	<p>Business Continuity Management</p> <p>Strengthen the Council's business continuity arrangements.</p>
Issue	
Action	The Emergency Planning / Business Continuity Manager, and Directorate business continuity leads to implement the recommendations contained in the audit report by Kiln House Associates Ltd dated 12 May 2010.
External Assurance Link	Procedures to be reviewed by the Council's Internal Auditors, RSM Tenon.
Desired Outcomes	Robust business continuity arrangements established and their effectiveness tested on a regular basis.
Timescales	March 2012 - all recommendations have been implemented except for specific ICT related recommendations where work is in progress.
Lead Officer	Malcolm J Smith / Ralph Wilkinson
Notes	<p>Progress to date:</p> <p>This action originated from the draft business continuity management audit report produced by Kiln House Associates Ltd which assesses the Council's Business Continuity arrangements against the requirements of BS25999. The audit report said that the Council can take limited assurance that the Business Continuity Management system as currently set out is effective. The report made 37 recommendations for action.</p> <p>Significant progress has been made since the audit. All services have conducted a business impact assessment and produced a business continuity plan. Some critical services have already had their plan tested. An on line tool has been developed to aid services with business continuity. The Council now records all business continuity incidents and reviews them to establish trends, learn lessons and take action where appropriate.</p> <p>Three recommendations remain outstanding (on records management and systems disaster recovery) where work is in progress which is monitored by the Business Continuity Coordinators Group chaired by Malcolm Smith. The next review meeting is now on the 22nd July 2011.</p> <p>Next steps:</p> <p>Work will continue to complete the three outstanding actions from the audit.</p> <p>Testing of critical service business continuity plans will continue using local table top exercises. The lessons learnt from these will be included in updated plans. Although</p>

Annexe 1

	<p>Council wide exercises have been used in the past to test plans the local exercises are proving much more effective.</p> <p>Work to prepare services for the challenges of the London Olympics 2012 period is underway. A robust action plan is in place and is continually being updated. Progress is being monitored by the 'London 2012 Logistics Working Group' chaired by Hilary Renwick.</p> <p>An on line reporting tool to record and monitor all business continuity incidents will be developed over the summer. The tool will make it easier to record incidents, trends and establish appropriate actions as well as making the corporate Business Continuity and Risk working groups aware of such risks.</p>
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Issue	Improving the quality of auditable grant claims
Action	To implement the recommendations of the Audit Commission's report on grant claims for 2008/09.
External Assurance Link	Audit Commission report on grant claims for 2009/10 ✓
Desired Outcomes	To improve the quality of grant claims submitted to the Audit Commission and thereby reducing the total amount of external audit fees for 2009/10. ✓
Timescales	By March 2011 and annually thereafter
Lead Officer	Steve Mace and Directorate Lead Officers for individual grants
Notes	<p><u>Progress to date:</u></p> <p>The District Auditor stated at the Audit Panel on 23 December that the grants audit process had improved from last year. The general direction of auditable grant claims is good, however there are some grants where there is still room for improvement (e.g. teacher's pensions). There will be close collaboration by Finance staff and Directorate lead officers in the submission of grant claims and the subsequent response to audit queries.</p> <p>The forecast outturn for external audit fees in the last financial year is £130k. This is a reduction of £50k on the previous year. This has been achieved by a mixture of fewer grants and better liaison with the Audit Commission.</p> <p><u>Next steps:</u> ✓</p> <p>Progress will be monitored throughout 2011/12.</p>

Issue	Closing of Accounts
	Close the Council's financial accounts on time.
Action	Although the accounts closed on time for 2009/10, the introduction of the International Financial Reporting Standards (IFRS) will add considerable complexity and increase the risk of closing in a timely fashion. ✓
External Assurance Link	External auditors of the Statement of Accounts.

Annexe 1

Desired Outcomes	Accounts produced on time and without significant issues arising from the audit.
Timescales	September 2011
Lead Officer	Conrad Hall
Notes	<p><u>Progress to date:</u></p> <p>Monthly meetings have been programmed in with the District Auditor. Enhanced project management arrangements have been introduced, including the review of new IFRS requirements to ensure that any potential issues are highlighted and addressed. In January 2011 the Audit Commission assessed the council's arrangements as 'red', primarily due to slippage against the original project plan. Although the remaining time is tight officers are still confident that the deadlines can be achieved.</p> <p><u>Next steps:</u></p> <p>Monthly meetings will continue with the District Auditor. Although the remaining time is tight officers are still confident that the deadlines can be achieved.</p>

Issue	Ongoing review of the Annual Governance Statement ✓
Action	<p>The AGS working party will continue to meet on a regular basis through 2011/12 to review progress against the Annual Governance Statement Action Plan.</p> <p>Reports on progress will be submitted to EMT members and ICB as appropriate</p>
Desired Outcomes	The AGS working party act as an effective body to ensure the ongoing review and improvement of governance arrangements.
Timescales	Quarterly meetings in 2011/12; reporting to EMT members and ICB as required ✓
Lead Officer	Kath Nicholson, Barrie Neal, David Austin
Notes	<p><u>Progress to date:</u></p> <p>The AGS working group met at the beginning of May 2011 to sign off on the AGS action plan 2010/11. ✓ They then met again at the end of May 2011 to discuss and agree the new AGS action plan 2011/12. ✓</p> <p>The 2010/11 Annual Governance Statement is updated annually. It is circulated to ICB (which includes EMT members), Audit Panel and Full Council for review and sign off, in line with the required timescales.</p> <p><u>Next steps:</u></p> <p>The AGS working group will continue to meet during 2011/12. It will consider progress with this action plan and will report to EMT and ICB as appropriate. It will also be responsible for updating and reporting the 2010/11 Annual Governance Statement in line with required timescales. ✓</p>

Issue	Information Management & Security Compliance with appropriate standards of Information Management & Security (IM&S)
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Action	To identify and comply with the appropriate standards for Information Management & Security
AGS Criteria	Objective 2 & 3
External Assurance Link	ICO/Internal Audit/ Audit Commission
Desired Outcomes	Robust IM&S activities established, documented and complied with by all council officers
Timescales	December 2012
Lead Officer	Georgina Chambers (Corporate Information and Records Manager)
Notes	<p>Progress to date:</p> <p>The Corporate Information Management Team have identified relevant IM&S legislation and standards and are currently reviewing all IM&S policies to ensure they accurately reflect identified requirements and that officers are aware of their responsibilities.</p> <p>We have an Information Asset Register that identifies all the Councils Information Assets and names the relevant responsible information owners, and provides the frame work for future developments.</p> <p>The recent re-organisation of the Technology & Transformation Division has created a new Information Management Team bringing together the relevant disciplines: strategy for the IM&T division, Data protection, Access to Information, Information Security, Records Management, Information Sharing, Compliance with Code of Connection.</p> <p>Next steps:</p> <p>The Information Management Team will:</p> <ul style="list-style-type: none"> • continue to review IM&S policies: identify legislation and standards we work to and how we meet their requirements. Get signed acceptance from officers; • get the framework right and align policies and procedures (use of IT, USBs, drives, clear desk policy, information sharing, records management including retention and disposal); • raise awareness of risk and personal responsibility for information we handle by working with Information Asset Owners, through comms and training. We will ensure officers know the safest way to work with personal information, including knowing how to identify the category of sensitive personal information and know the extra care needed when working with it; • assess and monitor compliance through management information, audits and other channels where appropriate.

α ANNEXE 2

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

✓
2010/11

GLOSSARY OF TERMS USED IN THE ACCOUNTS

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

Annexe 2

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

ACRONYMS USED IN THE ACCOUNTS

ABG	Area Based Grant
BVACOP	Best Value Code of Practice
BVR	Best Value Review
CDC	Corporate and Democratic Core
CI&ES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
DSG	Dedicated Schools Grant
Ex-ILEA	Ex-Inner London Education Authority
FRS	Financial Reporting Standard
HRA	Housing Revenue Account
IFRS	International Financial Reporting Standards
LEP	Local Education Partnership
LGPS	Local Government Pension Scheme
LPFA	London Pensions Fund Authority
LSP	Local Strategic Partnership
MiRS	Movement in Reserves Statement
MRP	Minimum Revenue Provision
NDC	Non Distributed Costs
NNDR	National Non-Domestic Rates
PCT	Primary Care Trust
PFI	Private Finance Initiative
SORP	Statement of Recommended Practice
SPV	Special Purpose Vehicle
SSAP	Statement of Standard Accounting Practice
TPS	Teacher's Pensions Scheme
VAT	Value Added Tax

✓ α ANNEXE 3

**CAPITAL
EXPENDITURE
ANALYSIS**

✓
2010/11

Annexe 3

CAPITAL EXPENDITURE ANALYSIS 2010/2011

During quarter 4 of 2010/11 a review of the capital programme was carried out to ensure that the spend within the programme was being accounted for correctly under IFRS rules. This resulted in £17.1m being written off to revenue (£3.9m Directorates' capital programme, £13.2m Lewisham Homes). The Forecast spend has been adjusted to take into account the projects that were re-classified as revenue.

	Actual	Adjusted	Variation of Actual to Programme	
	Expenditure £'000	Forecast/ Budget £'000	£'000	%
Directorates' Capital Programme				
Community Services				
Forest Hill Pool	1,290	1,535	(245)	cc m -16%
- Other projects	580	534	45	m 9%
Community Services Sub Total	1,870	2,069	-199	cc m -9.6%
Resources				
ICT - IMT Programme	577	601	(24)	cc m -4%
ICT - Tech Refresh	494	501	(7)	cc m -1%
Resources Sub Total	1,071	1,102	-31	cc m -2.8%
Children and Young People (CYP)				
Primary Place Expansion	3,904	3,309	595	cc m 18%
Tidemill School	3,487	3,776	(289)	cc m (-8)%
BSF - D&B	3,226	4,141	(915)	cc m (-22)%
Primary Places programme	2,682	2,480	202	cc m 8%
Rushey Green School	1,104	1,111	(7)	cc m (-1)%
Torridon Library (CC Phase 3)	900	880	20	m 2%
Quality & Access for All Young Children - Capital Grant	880	1,629	(749)	cc m (-46)%
Schools Minor Works Programme	731	860	(129)	cc m (-15)%
BSF - ICT	610	1,009	(399)	cc m (-40)%
Monson (Hatcham Temple Grove) School (BSF)	472	675	(203)	cc m (-30)%
Play Builder programme	458	506	(47)	m (-9)%
Aiming High for Disabled Children (Short Breaks)	456	595	(140)	m (-23)%
MyPlace - Wells Park	321	606	(285)	cc m (-47)%
- Other projects	799	1,074	(275)	cc m (-26)%
Children and Young People Sub Total	20,031	22,650	-2,619	cc m (-11.6%)
CYP Schools				
Standards Fund Projects	2,674	0	2,674	N/A
CYP Schools Sub Total	2,674	0	2,674	N/A

Annexe 3

Directorates' Capital Programme (Continued)

Regeneration

	Actual Expenditure £'000	Adjusted Forecast/ Budget £'000	Variation of Actual to Programme £'000	%
Deptford Town Centre Regeneration	6,553	6,752	(199)	cc u-3%
North Lewisham Links - route 1	2,532	2,278	254	cc u11%
TfL Programme 2010/11	2,420	2,218	202	cc u 9%
Highways BVR Programme	2,395	3,005	(610)	cc u-20%
Worksmart	2,234	2,450	(216)	cc u-9%
Pepys Environmental	1,665	1,875	(210)	cc u-11%
Parklands: Ladywell Fields and the Waterlink Way	1,519	1,529	(10)	cc u-1%
TfL Programme 2009/10	520	398	122	cc u31%
Deptford Station	425	2,388	(1,963)	cc u-82%
Borough Road Reconstruction & Resurfacing Works (Highways: Snow Works)	278	288	(10)	cc u-3%
- Other projects	290	799	(509)	cc u64%

Regeneration SubTotal

Customer Services

	Actual Expenditure £'000	Adjusted Forecast/ Budget £'000	Variation of Actual to Programme £'000	%
Brockley PFI	3,000	2,000	1,000	cc u50%
Private Sector Grants	984	800	184	cc u23%
Disabled Facilities Grant (DFG)	803	866	(63)	cc u-7%
Kender Phase 4 Site Assembly	733	761	(28)	cc u-4%
Acquisition of the freehold interests in 67 Arran Rd - SE6, 28 Thornsbeach Rd - SE6 & 7 Cambridge Drive -	308	579	(271)	cc u47%
Housing Options/ Homelessness Group	296	478	(182)	cc u-38%
Cash Incentive Scheme	280	300	(20)	cc u-7%
Vehicles - 2009/10 Programme	263	263	0	cc u 0%
Heathside & Lethbridge - Partnership Works	173	974	(801)	cc u-82%
Excalibur Phase 1 Site Assembly	169	66	103	cc u156%
Honor Oak New Build: Hilton House	0	348	(348)	cc u-100%
- Other projects	524	483	42	cc u 9%

Customer Services Sub Total

Total Directorates' Capital Programme

	Actual Expenditure £'000	Adjusted Forecast/ Budget £'000	Variation of Actual to Programme £'000	%
Regeneration SubTotal	20,832	23,981	(3,149)	cc u-13.1%
Customer Services Sub Total	7,534	7,918	(384)	cc u-4.9%
Total Directorates' Capital Programme	54,012	57,719	(3,707)	cc u-6.4%

Lewisham Homes Capital Programme

Lift Refurbishment Programme	1,268	1,159	108	u 9%
Tenants Panel	53	15	39	u=260%
Roofs	10	0	10	cc N/A
Extensions/ Deconversions Grant Funded	268	640	(372)	cc u-58%

Total Lewisham Homes Capital Programme

Total Lewisham Homes Capital Programme	1,600	1,814	(214)	cc u-11.8%
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Total Council's Capital Programme

Total Council's Capital Programme	55,612	59,533	(3,922)	u (-6.6%)
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