

**LONDON BOROUGH OF LEWISHAM**  
**2022/ 23 AUDITED STATEMENT OF ACCOUNTS**  
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## **NARRATIVE STATEMENT FOR LEWISHAM COUNCIL**

This Narrative Statement provides information about Lewisham the place, together with the key issues affecting the Council and its accounts.

### **1. COUNCIL STRUCTURE AND PERFORMANCE**

#### **a) Corporate structure and governance**

Lewisham Council is made up of one directly elected Mayor and 54 ward councillors, all of which represent the Labour or Labour and Co-operative parties. Lewisham comprises 19 wards, 16 of which have three ward Councillors and the remainder have two ward Councillors. Details of the way that the Council governs itself are given in the Annual Governance Statement in section 9 of these accounts.

#### **b) Management structure**

Supporting the work of Councillors is the organisational structure of the Council headed by the Executive Management Team (EMT), led by the Chief Executive. The EMT members are:

- Chief Executive
- Executive Director Children and Young People
- Executive Director Community Services
- Executive Director Place (from February 2023)
- Executive Director Corporate Resources
- Assistant Chief Executive
- Director of Law and Corporate Governance

#### **EMT provides managerial leadership of the Council and supports elected members in:**

- Developing strategies
- Identifying and planning the use of resources
- Delivering plans
- Reviewing the Authority's effectiveness

#### **c) Service delivery**

The total workforce for Lewisham at the end of FY 2022/23 was of 3,064 (3,017 at end of 2021/22), which consisted of 2,429 staff members (excluding casual workers) (2,487 at end of 2021/22) and 635 agency workers (530 in 2021/22).

The schools staff headcount is 3,144 (3,215 at end of 2021/22).

The demographic composition of the workforce as at 31 March 2023 was:

- 62.7% Female
- 46.6% Black, Asian and Mixed Ethnicity
- 7.5% Disabled
- 48.1% of the workforce are over the age of 50.

The overall workforce generally reflects the diversity of Lewisham's population.

The Council also provides services through two wholly owned subsidiary companies:

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- Lewisham Homes Limited: An arms-length management organisation (ALMO) set up in 2007 as part of the Council's initiative to deliver better housing services and sustain the Decent Homes Standard. The company manages approximately 18,000 homes.
- Catford Regeneration Partnership Limited: The Company owns significant interests in the Catford shopping centre area and aims to support the Council to deliver a regeneration programme for the town centre and the surrounding area.

More detail concerning these companies is shown in the Group Accounts in section 6 of this document.

**d) Corporate priorities**

The Council has seven corporate priorities within its corporate strategy (2022-2026) as follows:

- Cleaner and Greener
- A Strong Local Economy
- Quality Housing
- Children and Young People
- Safer Communities
- Open Lewisham
- Health and Wellbeing

**e) Core values**

The Council also has the following four core values:

- We put service to the public first.
- We respect all people and communities.
- We invest in our employees.
- We are open, honest, and fair in everything that we do.

**f) Performance management**

In 2022/23 reports from the five directorates have been periodically presented at Directorate Management Team (DMT) and Executive Management Team (EMT) meetings, each of which is also shared with the relevant lead Cabinet member.

The Council continues to publish performance information on our website. This includes various reports and progress updates which are also presented on a cyclical basis to Members. The Council seeks to continuously improve and identify ways to increase the transparency and accountability of performance information to the public. This work was assisted in 2021/22 with the Local Government Association (LGA) Peer Review process that the Council undertook with the full report published on the website.

**2. LOCAL GOVERNMENT FINANCE CONSIDERATIONS**

**a) Financial impacts, risks and uncertainties, going concern considerations**

The current economic environment has given rise to a number of risks and uncertainties. There is significant uncertainty in respect of the outlook for Council Tax and business rates income and market stability in some of the Council's key supplier base as the UK economy slows at the same time as experiencing persistent high inflationary pressures – the Cost-of-Living crisis. The Council seeks to anticipate and prepare for these pressures through its Medium-Term Financial Strategy (MTFS). However, this is within the constraints of the limited certainty provided by the economic transition post Brexit and the Covid-19 pandemic, current local government funding arrangements set annually, and the delayed policy agenda changes for areas such as health and social care, academisation of schools and special needs demand, and a potentially looser planning framework. If these changes are not fully

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funded the initial pressure will fall on reserve balances; firstly from the general unallocated reserves and then, the earmarked reserves.

The 2022/23 budget was set without the use of reserves and after the funding of growth and pressures of £17.3m to reset service baseline budgets and reduce the risk of the in-year overspending seen in recent years. The budget was also set with the commitment from services to deliver £11.8m of agreed new savings as well as those not yet delivered. Some of the associated revenue plans are at risk of delay or not being delivered and the risk extends to potential material slippage in the expanded capital programme. The regular financial monitoring reported quarterly to Mayor & Cabinet keep these matters under constant review to enable plans to be flexed or changed as needed.

The Council has sufficient reserves to meet its financial commitments at present, including the estimated costs and lost income considerations, and despite these risks and pressures the current situation does not alter the Council's position as a going concern.

**b) Impact on 2022/23 final accounts**

There are two important implications worth noting for the 2022/23 final accounts:

- The statutory deadlines for the production of the draft accounts and audited accounts have been changed from 31 July to 31 May for the draft with the audited date remaining as the 30 November.
- The changes for the implementation of IFRS 16 and treatment of leases has been deferred by the CIPFA LAASC code for one further year, taking into account the other pressures still on local government finance teams.
- The Council continues to rely on the statutory override in relation to accounting for deficits in respect special education needs overspending by schools

**3. FINANCIAL PERFORMANCE**

**a) 2022/23 Revenue Budget Setting and Funding**

The Council set a net budget requirement of £248.6m for 2022/23 at its meeting on 02 March 2022. This was an increase of £5.5m or 2.26% on the previous year's net budget requirement of £243.1m. The main sources of income were Revenue Support Grant (RSG), Business Rates and Council Tax. With central RSG and Business Rates similar to the previous year, Council Tax funds a higher proportion of the budget than it did last year, with bills increasing by 2.99% (4.99% in 2021/22). A year on year comparison of revenue budget funding is shown in the following table.

	<b>2022/23</b>	<b>2021/22</b>
	<b>£m</b>	<b>£m</b>
Revenue Support Grant	<b>29.0</b>	<b>28.2</b>
Business Rates	<b>95.2</b>	<b>96.2</b>
Council Tax	<b>126.3</b>	<b>122.2</b>
Surplus/ (deficit) on Collection Fund & Other Pressures and Growth	<b>(1.9)</b>	<b>(3.5)</b>
<b>Budget Requirement</b>	<b>248.6</b>	<b>243.1</b>

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**b) Council Tax**

In 2017/18, in addition to an increase in Council Tax for general purposes, Councils were given the ability to raise Council Tax by a further 6% over the years 2017/18 to 2019/20 as a precept to fund Adult Social Care expenditure without the need for a referendum. This was in response to concerns about the growing funding gap for Adult Social Care caused by an increase in demand and the introduction of the National Living Wage, which impacted directly on the cost of care provision. In 2017/18, the Council increased the precept by the maximum allowed, 3%, in 2018/19 by 1%, in 2019/20 by 2% and 2% in 2020/21. There was a further announcement to allow Council's to levy a 3% precept in 2021/22 which the Council agreed.

For 2022/23, the Council increased the general rate of Council Tax by 1.99% and agreed to an increase of 1% for the Adult Social Care precept resulting in an overall increase of 2.99%.

The actual Council Tax charge is determined by dividing the net amount to be met from Council Tax by the tax base, which for Lewisham is 88,905 equivalent Band D properties for 2022/23 (88,614 in 2021/22).

The comparison of Council Tax Band D levels from 2021/22 to 2022/23 for Lewisham is shown in the following table, together with the Greater London Authority precept.

	<b>2022/23</b>	<b>2021/22</b>	<b>Variation</b>	<b>Variation</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>%</b>
Lewisham Council	<b>1,421.22</b>	<b>1,379.96</b>	41.26	2.99
Greater London Authority	<b>395.59</b>	<b>363.66</b>	31.93	8.78
<b>Council Tax for Band D</b>	<b>1,816.81</b>	<b>1,743.62</b>	73.19	4.20

## Narrative Statement

## c) 2022/23 Revenue Budget Outturn

The Council's 2022/23 revenue outturn position is shown in the following table. Further detail can be found in the Expenditure and Funding Analysis in Section 3, Note 1 of this document.

General Fund	Net Budget	Net Spend	Outturn Budget Variance	Budget Report Variance	Movement since Budget Report
	£m	£m	£m	£m	£m
Children & Young People	61.3	68.9	7.6	9.6	(2.0)
Community Services	82.4	84.0	1.6	2.1	(0.5)
Housing, Regeneration and Public Realm	21.7	26.4	4.7	6.0	(1.3)
Corporate Resources	33.8	32.9	(0.9)	0.0	(0.9)
Chief Executives	10.4	10.8	0.4	0.0	0.4
Salary Pressure	0.0	6.4	6.4	4.1	2.3
Energy Pressure	0.0	2.2	2.2	2.5	(0.3)
<b>Directorate Totals</b>	<b>209.6</b>	<b>231.6</b>	<b>22.0</b>	<b>24.3</b>	<b>(2.3)</b>
Corporate Items	39.0	36.6	(2.4)	(4.1)	1.7
<b>Corporate Budget</b>	<b>39.0</b>	<b>36.6</b>	<b>(2.4)</b>	<b>(4.1)</b>	<b>1.7</b>
Salary Pressure Provision and Reserves	0.0	(6.4)	(6.4)	(6.6)	0.2
Energy Pressure Provision and Reserves	0.0	(2.2)	(2.2)	0.0	(2.2)
Covid Funding from Reserves	0.0	(4.0)	(4.0)	(4.0)	0.0
<b>Provisions and Reserves</b>	<b>0.0</b>	<b>(12.6)</b>	<b>(12.6)</b>	<b>(10.6)</b>	<b>(2.0)</b>
<b>Total</b>	<b>248.6</b>	<b>255.6</b>	<b>7.0</b>	<b>9.6</b>	<b>(2.6)</b>

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During 2022/23, the overspend against the Directorates' net controllable budgets including the unbudgeted financial impact of the staff pay award and energy tariff was £22m. This is partially negated by £2.4m of corporate budget held to mitigate the Children and Young People's pressure of £1m and inflationary impact of £1.4m. Further mitigations included the use of corporate provision and reserves to fund the higher than anticipated financial impact of the staff pay award and energy tariff increases of £8.6m and utilising £4m of the remaining covid grant funding.

After these planned corporate measures, the final overspend of £7m has been managed within existing budgets without an unplanned drawing down of reserves. Detailed reasons for budget variances have been reported to Mayor & Cabinet on 21 June 2021 with the main reason being the once off larger return on investments, as balances were higher than budgeted due to programme slippage and investment rates were better than expected with higher inflation.

Savings of £25.8m were due to be delivered in 2022/23, £14m from earlier years and £11.8m of new savings for 2022/23. The total level of savings delivered in 2022/23 was £17.9m, leaving £7.9m to be delivered in 2023/24.

Throughout the year, Mayor & Cabinet and Executive Directors have received regular financial monitoring reports. The financial position demonstrates the impact of the severe financial constraints which have been imposed on Council services with the cuts made year on year, alongside the increasing demand on services such as home to school transportation, adults discharged from hospital and temporary accommodation as well as the cost of increased social care costs in Children's social care.

As the new financial year begins, with a new set of challenges in terms of the delivery of revenue budget cuts, the Council will continue in its resolve to apply sound financial controls. The short and medium-term outlook will remain difficult and challenging. The Executive Director for Corporate Resources, as the Council's Section 151 officer, will continue to work with directorate management teams to affect the necessary continued actions to manage their services and intervene early where necessary to avoid a budgetary situation becoming unmanageable.

**Dedicated Schools Grant**

At the end of 2022/23, there are 21 schools in deficit compared to 13 in 2021/22 (2 nursery schools, 1 special school, 1 secondary school and 17 primary schools) totalling £13.1m (£8.9m in 2021/22). Lewisham finance continues to work effectively with schools to ensure long term sustainability. Schools continue to face challenges including pupil number reductions in primary schools, increased number of children requiring educational, health and care plans continues to increase as well as increased costs from energy cost increases and other inflationary pressures. It should be noted that deficits could potentially revert as a pressure on the General Fund if the statutory override ceases.

**d) Balances and Reserves**

After transfers to and from reserves the General Fund balance has remained at £20m. This is an adequate level of cover and represents approximately 8% of Lewisham's Net Budget Requirement for 2022/23. The Council also has a number of earmarked reserves for specific on-going initiatives, and these are shown in Note 9 to the Core Financial Statements.



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The Housing Revenue Account (HRA) spent to budget after transfers to reserves as at 31 March 2023. Reserves continue to be utilised, along with grants and borrowing approvals to contribute to investment requirements and to ensure that there are sufficient resources available to fund the current 30-year business plan. This aims to continue to invest in decent homes and to significantly increase the supply of housing in the borough over the medium to long term. The business plan is reviewed each year to ensure that the resources available from HRA reserves and other funding such as grants, and borrowing can be profiled appropriately to meet the business needs. After transfers to and from reserves the HRA balance at the end of the year, including earmarked reserves, now stands at £14.1m (£32.1m in 2021/22). These reserves include the Major Repairs Reserve and are for specific ongoing projects as outlined in the notes to the HRA in Section 4 of the Accounts.

**e) Cashflow**

Cash and Cash equivalents held by the Council decreased from £111.7m to £94.4m in 2022/23. The detailed analysis of the movements in Cash throughout the year can be found in the Cashflow Statement and related notes. The summary is as follows:

	<b>2022/23</b>	<b>2021/22</b>
	<b>£000s</b>	<b>£000s</b>
Net Cash flows from Operating Activities	1,019	60,706
Purchases of Property Plant and Equipment	(135,585)	(110,027)
Sales of Property Plant and Equipment	15,338	15,815
Net Sales/ (Purchases) of Short & Long-term investments	60,000	38,000
Net Receipts from Investing activities	32,368	20,700
Cash receipts of short and Long-Term Borrowing	0	0
Repayment of Short and Long-Term Borrowing	(11,284)	(8,239)
Net Receipts/ (Payments) for Other Financing activities	19,903	17,115
<b>Net Increase or (Decrease) in Cash and Cash Equivalents</b>	<b>(18,241)</b>	<b>34,070</b>

**f) 2022/23 Capital Budget Outturn**

The capital programme expenditure incurred during the year and how it was resourced is shown below.

	<b>2022/23</b>	<b>2022/23</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>Final</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Final</b>
	<b>Outturn</b>	<b>M&amp;C - Feb-22</b>	<b>Proposed - Mar-23</b>	<b>Outturn</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>CAPITAL PROGRAMME EXPENDITURE</b>				
General Fund	33.8	35.2	47.9	42.2
Housing Revenue Account	112.8	209.6	150.3	82.8
<b>Total Spent</b>	<b>146.6</b>	<b>244.8</b>	<b>198.2</b>	<b>125.0</b>

During the year, the budget was revised to reflect the forecast development of the programme. The percentage spent compared to the revised programme budget was 74% (2021/22 69%).

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The Financing of the Capital Programme spend is shown in the table below:

	<b>2022/23 Final Outturn £m</b>	<b>2022/23 Original Budget M&amp;C - Feb-22 £m</b>	<b>2021/22 Final Outturn £m</b>
<b>CAPITAL PROGRAMME FINANCING</b>			
Borrowing	47.6	119.6	10.2
Capital Grants	40.2	53.9	26.4
Capital Receipts	9.8	34.3	7.8
Use of reserves and revenue financing	48.9	37.0	80.6
<b>Total Financed</b>	<b>146.6</b>	<b>244.8</b>	<b>125.0</b>

Spend on the major projects, where in year spend in 2022/23 or 2021/22 exceeded £1m, is shown in the table below.

<b>Major Projects of over £1m</b>	<b>2022/23 Expenditure £m</b>	<b>2021/22 Expenditure £m</b>
<b>General Fund</b>		
Broadway Theatre	5.6	0.0
Temporary Accommodation Conversion	3.9	4.9
Schools minor works	3.9	4.7
Highways & Bridges (incl. TFL programme)	2.3	3.8
Greenvale School	2.2	0.0
Public Sector Decarbonisation	1.7	0.0
School Places Programme	0.8	7.5
Lewisham Gateway (Phase 2)	0.8	0.6
Private Sector Grants and Loans (inc. DFG)	0.5	2.3
Deptford Southern Sites Regeneration	0.5	2.2
Edward Street Development	0.2	4.4
Lewisham Homes Property Acquisition	0.0	3.0
Leisure Schemes	0.0	2.0
Other Miscellaneous Schemes	1.0	0.0
Other General Fund Housing Schemes	1.6	0.0
<b>Housing Revenue Account</b>		
Building for Lewisham Programme	57.2	33.5
HRA Capital Programme	54.1	48.1
Housing Management System	0.8	0.0

**4. LOOKING AHEAD**

**a) Revenue Budget Outlook**

Local government continues to face an extremely challenging financial outlook following a prolonged period of austerity and growth in demand for services. The economic backdrop, post Brexit and recovery from the Covid-19 pandemic, has increased the pressure on costs. This has also driven changes to regulations and service delivery that in turn bring additional risks and uncertainties.

The Council set a net budget requirement of £263.7m for 2023/24 at its meeting on 01 March 2023, which is £15.1m higher than the equivalent figure for 2022/23. The Council has made reductions of £25.0m to its budget and added £40.1m to provide for risks and pressures. This is sufficient to set a balanced budget for the year, without the need to use reserves, but action is also being taken to ensure that expenditure is affordable in future years. Reserves may be used at the start of the financial year to underpin selected service budgets, pending actions being taken to bring these budgets back in line on an ongoing basis.

- The Medium-Term Financial Strategy (MTFS) has been reported to Mayor & Cabinet in July 2022. This sets out that an estimated £36m of cuts would be required from 2023/24 to 2026/27 to meet the remaining budget gap with a profile of £10m, £10m, £8m and £7m, respectively. Following the Local Government Financial Settlement in February 2023 the need for immediate future year savings is reduced to c£5m per year subject to Council Tax and other income increases matching inflation or the maximum permissible.

The Cost –of Living crisis faced by the country is impacting residents and businesses alike, and the impact on the Council’s Collection Fund for both 2022/23 and 2023/24 remains under review as there is a risk that this falls short of expected levels. For the Council the current record levels of inflation and specifically energy costs contributed to the forecast overspend in 2022/23. Energy costs in 2022/23 and 2023/24 will be funded from reserves and are forecast to be circa £3m in 2022/23 and may double for 2023/24 as contracts are renewed. The Council continues to seek to manage inflation on its contracted services where possible and where necessary has considered this as part of the budget planning for 2023/24. The recently agreed pay award for 2022/23 created an unbudgeted pressure of £4.1m which was met from reserves in 2022/23 and incorporated into the budget setting assumptions for 2023/24.

Looking further ahead, the Government is due to conclude the delayed work to review arrangements for Local Government financing. This follows consultations on two potential changes that will contribute to shaping the future of Local Government funding:

- A Fair Funding Review of local authorities’ relative needs and resources, to now include the recently published Census 2021 data; and
- Business Rates Retention Reform – and the viability of this national tax which disproportionately impacts asset-based businesses, in particular retail compared to the growing level of online services.
- The anticipated but delayed Health and Social Care and Waste and Recycling reforms will also likely significantly impact the funding and operational arrangements for these Council services.

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**b) Capital Budget Outlook**

The Council set its capital programme budget at its meeting on 02 March 2022. This outlined the Council's programme of £600.4m for the years 2022/23 to 2024/25. split £59.1m (10%) for the General Fund and £541.3m (90%) for the Housing Revenue Account. The most significant proportion of the capital programme is focused on the Housing Revenue Account, broadly split 50:50 across the twin priorities of Decent Homes and new Affordable Homes. Due to significant slippage in the capital programme from 2021/22 into 2022/23 and from 2022/23 into 2023/24, in particular in Non-HRA Housing schemes, the budget for 2023/24 General Fund Capital expenditure has increased from £23.9m to £70.8m. Also as part of the Quarter 2 (May-23) financial monitoring report that went to Mayor and Cabinet on 19 July 2023 the 2023/24 capital programme budget had to be re-profiled to include the slippage from 2022/23 and incorporate some newly approved schemes

The budgeted amount to be invested in 2023/24 is shown in the table below:

<b>2023/24 Capital Programme</b>	<b>2023/24 Budget £m</b>
<b>General Fund</b>	
Schools	10.0
Highways	5.3
Corporate Assets	16.8
Non-HRA Housing	32.5
Other	6.2
	<b>70.8</b>
<b>Housing Revenue Account</b>	
Existing Stock	81.1
New Supply	31.1
Other Schemes	7.7
	<b>119.9</b>
<b>Total Capital Programme</b>	<b>190.7</b>

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**Narrative Statement**

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**c) Corporate Risks**

The Council refreshed its Risk Management process during 2022/23 culminating in a new Risk Management Strategy presented to Members in March 2023. Both the previous and current strategy set out an embedded process to manage risks and assist the achievement of its objectives compliant with the statutory requirements as defined in the Accounts & Audit Regulations 2015 and summarised as part of the Annual Governance Statement.

The Risk Management Objectives of the London Borough of Lewisham are in line with the key principles set out in HM Treasury's Orange Book:

For risk management to be an essential part of governance and leadership at the Council, part of how it is directed, managed and controlled at all levels.

To be an integral part of supporting decision making in achieving objectives.

To be collaborative and informed by best available information and expertise.

To be a structured process, involving risk identification and evaluation, selection and implementation of appropriate risk treatment options, deliver integrated, insightful and informative monitoring and timely, accurate and useful reporting to enhance the quality of decision-making in governance.

To be continually improved through learning and experience.

In both former and current Risk Management Strategies, we score risks on likelihood and impact, with a range from 1 to 5 (with 5 being the highest) and the result plotted on a matrix to produce a rating. The full risk register contains actions to manage risks to target. Risks are subject to regular review, reported quarterly to the Executive Management Team, and to every Audit & Risk Committee meeting.

**5. PENSION FUND VALUATION**

The actuarial valuation of the Council's pension scheme liabilities and pension reserve shown on the Balance Sheet has reduced by £426.4m during the year, mainly as a result of changes to the financial assumptions used by the pension fund Actuary (Hymans-Robertson). (It reduced by £205.0m during 2021/22). The Council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation.

It is important to understand that pension benefits do not become payable until employees retire; however the Council is required to account for the future obligations at the same time as the employees earn their future entitlement, in accordance with proper accounting practices. Further details are given in Note 37.

**6. THE COUNCIL'S STATEMENT OF ACCOUNTS**

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

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

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**Narrative Statement**

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**Section 1 – The Core Financial Statements**

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

This statement shows the cost of providing services in the year in accordance with International Financial Reporting Standards, rather than the amount funded from Council Tax, and other Government grants. The amount funded from Council Tax and Government grants differ from this by a series of adjustments made in accordance with regulations. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

**Section 1b - Movement in Reserves Statement (MiRS)**

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

**Section 1c - Balance Sheet**

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

**Section 1d - Cash Flow Statement**

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

**Section 2 – Statement of Accounting Policies**

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

**Section 3 – Notes to the Core Financial Statements**

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

**Section 4 – Housing Revenue Account (HRA)**

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

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**Narrative Statement**

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**Section 5 – Collection Fund Accounts**

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

**Section 6 – Group Accounts**

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

**Section 7 - Glossary**

This explains some technical and commonly used terms.

**Section 8 – Pension Fund Accounts**

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

**Section 9 – Annual Governance Statement (AGS)**

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

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Statement of Responsibilities

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## THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Authority's Responsibilities

#### The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Executive Director for Corporate 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 Corporate Resources

The Executive Director for Corporate 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').

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

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

#### I certify that I have also:

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

**The Statement of Accounts gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2023.**

*D. Austin*

**David Austin CPFA**  
Acting Executive Director for Corporate Resources (S151)  
18 December 2023



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

### Independent auditor's report to the members of London Borough of Lewisham

#### Report on the audit of the financial statements

##### Opinion on financial statements

We have audited the financial statements of London Borough of Lewisham (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, Housing Revenue Account Movement in Reserves Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2023 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Executive Director for Corporate Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Executive Director for Corporate Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

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## Auditor's Reports

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In auditing the financial statements, we have concluded that the Executive Director for Corporate Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director for Corporate Resources' with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon, and our auditor's report on the pension fund financial statements. The Executive Director for Corporate Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2018 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

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## Auditor's Reports

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- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### Responsibilities of the Authority and the Executive Director for Corporate Resources

As explained more fully in the Statement of 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 Corporate Resources. The Executive Director for Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director for Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director for Corporate Resources is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003), Local Government Act 1972, Local Government and Housing Act 1989 and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and Local Government Finance Act 2012).

We enquired of management and the Audit and Risk committee, concerning the group and Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit and Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk management override of controls. We determined that the principal risks were in relation to:

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## Auditor's Reports

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- journal entries posted which met a range of criteria determined during the course of the audit, in particular those posted around the reporting date which had an impact on the Comprehensive Income and Expenditure Statement, and
- accounting estimates made in respect of the valuation of assets and liabilities in the Balance Sheet

Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Executive Director for Corporate Resources has in place to prevent and detect fraud;
- journal entry testing, with a focus on entries meeting the risk criteria determined by the audit team;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuation of land and buildings including council dwellings, and the valuation of the defined benefit pensions asset valuations;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including potential for fraud in revenue and expenditure recognition and significant accounting estimates related to property, plant and equipment and accruals. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector in which the group and Authority operates
- understanding of the legal and regulatory requirements specific to the Authority and group including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

### Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## Report on other legal and regulatory requirements – Delay in certification of completion of the audit

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Joanne Brown*

Joanne Brown, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

20 December 2023

## Independent auditor's report to the members of London Borough of Lewisham on the pension fund financial statements of London Borough of Lewisham Pension Fund

### Opinion on financial statements

We have audited the financial statements of London Borough of Lewisham Pension Fund (the 'Pension Fund') administered by London Borough of Lewisham (the 'Authority') for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Executive Director for Corporate Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Executive Director for Corporate Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Executive Director for Corporate Resources' use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue

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## Auditor's Reports

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as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director for Corporate Resources with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's and group's financial statements. The Executive Director for Corporate Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinion on other matters required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

### Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

### Responsibilities of the Authority and the Executive Director for Corporate Resources

As explained more fully in the Statement of 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 Corporate Resources. The Executive Director for Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director for Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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Auditor's Reports

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In preparing the Pension Fund's financial statements, the Executive Director for Corporate Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003), the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of management and the Audit and Risk Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management and the Audit and Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - journal entries posted which met a range of criteria determined during the course of the audit, in particular those posted around the reporting date which had an impact on the fund's financial position, and
  - accounting estimates made in respect of the valuation of investment assets.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Executive Director of Corporate Resources has in place to prevent and detect fraud;
- journal entry testing, with a focus on entries meeting the criteria determined by the audit team;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of level 3 investments, including directly-held investments in property and the IAS 28 pensions asset valuations;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

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Auditor's Reports

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- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, the significant accounting estimates related to the valuation of level 3 investments, and the IAS 26 pensions asset valuation.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government pensions sector
  - understanding of the legal and regulatory requirements specific to the Pension Fund including:
    - o the provisions of the applicable legislation
    - o guidance issued by CIPFA/LASAAC and SOLACE
    - o the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Joanne Brown*

Joanne Brown, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

20 December 2023

## Core Financial Statements

## SECTION 1 - CORE FINANCIAL STATEMENTS

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 31 MARCH 2023

2021/22			SERVICE	2022/23			Note
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	
450,964	(377,893)	73,071	Children & Young People Directorate	476,204	(395,458)	80,746	
207,061	(120,446)	86,615	Community Services Directorate	211,703	(114,216)	97,487	
130,791	(95,593)	35,198	Housing, Regeneration & Public Realm Directorate	137,855	(102,429)	35,426	
218,738	(177,634)	41,104	Corporate Resources Directorate	231,693	(190,957)	40,736	
13,604	(1,076)	12,528	Chief Executive Directorate	13,024	(536)	12,488	
99,590	(111,480)	(11,890)	Housing Revenue Account	145,483	(109,129)	36,354	
7,800	(6,229)	1,571	Corporate Provisions	17,869	(9,000)	8,869	
1,128,548	(890,351)	238,197	<b>Cost of Services</b>	1,233,831	(921,725)	312,106	1
			<b>Other Operating Expenditure</b>				
38,721	0	38,721	(Gain) / Loss on the disposal and de-recognition of non-current assets	46,987	0	46,987	
1,702	0	1,702	Levies	1,683	0	1,683	7
1,940	0	1,940	Contribution of housing capital receipts to Government Pool	0	0	0	19
42,363	0	42,363		48,670	0	48,670	
			<b>Financing and Investment Income and Expenditure</b>				
31,031	0	31,031	Interest payable and similar charges	30,949	0	30,949	
0	(1,611)	(1,611)	Interest and Investment Income	0	(8,602)	(8,602)	
0	0	0	Loss of Control of Assets	0	0	0	
43,123	(27,240)	15,883	Net interest on the net defined benefit liability	56,868	(41,175)	15,693	37
74,154	(28,851)	45,303		87,817	(49,777)	38,040	
			<b>Taxation and non-specific Grant Income</b>				
0	(119,787)	(119,787)	Income from Council Tax	0	(123,946)	(123,946)	
0	(32,686)	(32,686)	General Government Grants	0	(65,950)	(65,950)	30
0	(19,839)	(19,839)	Recognised Capital Grants and Contributions	0	(27,208)	(27,208)	
0	(94,056)	(94,056)	Non-Domestic Rates income and expenditure	0	(85,066)	(85,066)	
0	(266,368)	(266,368)		0	(302,170)	(302,170)	
		59,495	<b>Deficit/ (Surplus) on provision of services</b>			96,646	1
		(102,702)	Surplus on revaluation of non-current assets			(122,818)	21
		(252,053)	Remeasurement of the net defined benefit liability			(470,210)	20, 37
		(354,755)	<b>Other Comprehensive Income and Expenditure</b>			(593,028)	
		(295,260)	<b>Total Comprehensive Income and Expenditure</b>			(496,382)	

**LEWISHAM STATEMENT OF ACCOUNTS 2022/23**

**Core Financial Statements**

<b>MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31 MARCH 2023</b>											
<b>YEAR YEAR ENDING 31 MARCH 2023</b>	<b>General Fund Balance £000</b>	<b>Earmarked Gen Fund Reserves £000</b>	<b>Sub-Total General Fund £000</b>	<b>Housing Revenue Account £000</b>	<b>Major Repairs Reserve £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Total Usable Reserves £000</b>	<b>Unusable Reserves £000</b>	<b>Total Council Reserves £000</b>	<b>Note</b>
<b>Balance at 01 April 2022 Brought Forward</b>	20,000	231,340	251,340	30,315	0	64,387	30,372	376,414	1,738,123	2,114,537	
<b>Movement in Reserves during 2022/23</b>											
Surplus or (Deficit) on the provision of services	(8,580)	0	(8,580)	(88,066)	0	0	0	(96,646)	0	(96,646)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	593,028	593,028	21, 22
<b>Total Comprehensive Income and Expenditure</b>	<b>(8,580)</b>	<b>0</b>	<b>(8,580)</b>	<b>(88,066)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(96,646)</b>	<b>593,028</b>	<b>496,382</b>	
Adjustments between accounting basis and funding basis under regulations	4,409	0	4,409	71,819	0	2,751	(2,611)	76,368	(76,368)	0	8
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>(4,171)</b>	<b>0</b>	<b>(4,171)</b>	<b>(16,247)</b>	<b>0</b>	<b>2,751</b>	<b>(2,611)</b>	<b>(20,278)</b>	<b>516,660</b>	<b>496,382</b>	
Transfers to / (from) Reserves	4,171	(4,171)	0	0	0	0	0	0	0	0	
<b>Increase / (Decrease) in 2022/23</b>	<b>0</b>	<b>(4,171)</b>	<b>(4,171)</b>	<b>(16,247)</b>	<b>0</b>	<b>2,751</b>	<b>(2,611)</b>	<b>(20,278)</b>	<b>516,660</b>	<b>496,382</b>	
<b>Balance at 31 March 2023 Carried Forward</b>	<b>20,000</b>	<b>227,169</b>	<b>247,169</b>	<b>14,068</b>	<b>0</b>	<b>67,138</b>	<b>27,761</b>	<b>356,136</b>	<b>2,254,783</b>	<b>2,610,919</b>	
Note		9		HRA 15	HRA 14	19					

LEWISHAM STATEMENT OF ACCOUNTS 2022/23

Core Financial Statements

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31 MARCH 2022											
YEAR ENDING 31 MARCH 2021	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Sub-Total General Fund £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000	Note
Balance at 01 April 2021 Brought Forward	20,000	220,659	240,659	74,978	1,884	58,296	26,605	402,422	1,416,855	1,819,277	
<b>Movement in Reserves during 2021/22</b>											
Surplus or (Deficit) on the provision of services	(25,056)	0	(25,056)	(34,439)	0	0	0	(59,495)	0	(59,495)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	354,755	354,755	21, 22
<b>Total Comprehensive Income and Expenditure</b>	<b>(25,056)</b>	<b>0</b>	<b>(25,056)</b>	<b>(34,439)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(59,495)</b>	<b>354,755</b>	<b>295,260</b>	
Adjustments between accounting basis and funding basis under regulations	35,737	0	35,737	(10,224)	(1,884)	6,091	3,767	33,487	(33,487)	0	8
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>10,681</b>	<b>0</b>	<b>10,681</b>	<b>(44,663)</b>	<b>(1,884)</b>	<b>6,091</b>	<b>3,767</b>	<b>(26,008)</b>	<b>321,268</b>	<b>295,260</b>	
Transfers to / (from) Earmarked Reserves	(10,681)	10,681	0	0	0	0	0	0	0	0	
<b>Increase / (Decrease) in 2021/22</b>	<b>0</b>	<b>10,681</b>	<b>10,681</b>	<b>(44,663)</b>	<b>(1,884)</b>	<b>6,091</b>	<b>3,767</b>	<b>(26,008)</b>	<b>321,268</b>	<b>295,260</b>	
<b>Balance at 31 March 2022 Carried Forward</b>	<b>20,000</b>	<b>231,340</b>	<b>251,340</b>	<b>30,315</b>	<b>0</b>	<b>64,387</b>	<b>30,372</b>	<b>376,414</b>	<b>1,738,123</b>	<b>2,114,537</b>	
Note		9		HRA 15	HRA 14	19					

## Core Financial Statements

## BALANCE SHEET AS AT 31 MARCH 2023

31/03/2022 £000		31/03/2023 £000	Note
	<u>Property, Plant &amp; Equipment</u>		
1,413,440	Council Dw ellings	1,440,091	10b, HRA 1a, 9
1,106,877	Other Land and Buildings	1,212,694	10b
27,001	Vehicles, Plant, Furniture and Equipment	25,836	10b
103,286	Infrastructure	96,100	10c
5,199	Community Assets	5,137	10b
60,856	Surplus Assets not Held for Sale	63,659	10b
123,671	Assets under Construction	114,035	10b
<b>2,840,330</b>		<b>2,957,552</b>	
955	Heritage Assets	955	41
1,873	Long Term Investments	1,829	
59,520	Long Term Debtors	60,827	14a
0	Asset related to defined benefit pension scheme	2,667	20, 37
<b>2,902,678</b>	<b>Total Long Term Assets</b>	<b>3,023,830</b>	
275,247	Short Term Investments	218,539	12
180	Inventories	197	
67,505	Debtors	69,648	14b
117,639	Cash and Cash Equivalents	93,466	15
3,102	Prepayments	4,347	
<b>463,673</b>	<b>Total Current Assets</b>	<b>386,197</b>	
(5,932)	Bank Overdraft	0	15
(3,006)	Short Term Borrowing	(28,579)	12
(15,594)	Provisions (Less than 1 year)	(8,395)	18
(157,247)	Creditors	(146,548)	16
(69,044)	Receipts in Advance	(73,281)	17
(10,158)	PFI Liabilities due w ithin one year	(10,852)	34d
<b>(260,981)</b>	<b>Total Current Liabilities</b>	<b>(267,655)</b>	
<b>3,105,370</b>	<b>Total Assets less Current Liabilities</b>	<b>3,142,372</b>	
(221,646)	Long Term Borrowing	(194,947)	12
(5,676)	Provisions (More than 1 year)	(6,015)	18
(193,246)	Deferred PFI Liabilities	(182,394)	34d
(3,320)	Capital Grants Receipts in Advance	(4,237)	
(937)	Other Long Term Liabilities	(1,614)	
(566,008)	Liability related to defined benefit pension scheme	(142,246)	20, 37
<b>(990,833)</b>	<b>Total Long-Term Liabilities</b>	<b>(531,453)</b>	
<b>2,114,537</b>	<b>NET ASSETS</b>	<b>2,610,919</b>	

## Core Financial Statements

31/03/2022 £000		31/03/2023 £000	Note
	<b><u>Usable Reserves</u></b>		
20,000	General Fund Balance	20,000	
231,340	Earmarked Revenue Reserves	227,169	9
30,315	Housing Revenue Account	14,068	HRA 15
0	Major Repairs Reserve	0	HRA 14
64,387	Usable Capital Receipts Reserve	67,138	19
30,372	Capital Grants Unapplied	27,761	42
<b>376,414</b>	<b>Total Usable Reserves</b>	<b>356,136</b>	
	<b><u>Unusable Reserves</u></b>		
1,288,111	Revaluation Reserve	1,382,592	21
1,087,629	Capital Adjustment Account	1,077,605	22
93	Deferred Capital Receipts	93	
(32,981)	Financial Instruments Adjustment Account	(32,163)	12e
(566,008)	Pensions Reserve	(139,579)	20, 37
(11,300)	Collection Fund Adjustment Account	3	Coll Fd 3
(8,866)	DSG Unusable Reserve	(13,091)	29
(18,555)	Short Term Compensated Absences Account	(20,677)	
<b>1,738,123</b>	<b>Total Unusable Reserves</b>	<b>2,254,783</b>	
<b>2,114,537</b>	<b>TOTAL RESERVES</b>	<b>2,610,919</b>	

## Certification by the Executive Director of Corporate Resources

<i>D. Austin</i>	<b>David Austin CPFA – Acting</b> Executive Director of Corporate Resources (S151) <b>18 December 2023</b>
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## Core Financial Statements

## CASH FLOW STATEMENT FOR THE YEAR ENDING 31 MARCH 2023

2021/22 £000s		2022/23 £000s	Note
(59,495)	Net surplus or (deficit) on the provision of services	(96,646)	
160,508	Adjustment to surplus or deficit on the provision of services for non-cash movements	140,172	43
(40,307)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(42,507)	44
<b>60,706</b>	<b>Net Cash flows from Operating Activities</b>	<b>1,019</b>	
(35,512)	Net Cash flows from Investing Activities	(27,879)	46
8,876	Net Cash flows from Financing Activities	8,619	47
<b>34,070</b>	<b>Net Increase or (decrease) in Cash and Cash Equivalents</b>	<b>(18,241)</b>	
77,637	Cash and Cash Equivalents at the beginning of the reporting period	111,707	15
111,707	Cash and Cash Equivalents at the end of the reporting period	93,466	15



## **SECTION 2 - STATEMENT OF ACCOUNTING POLICIES**

### **1. GENERAL PRINCIPLES**

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 (as amended for the Accounts and Audit (Amendment) Regulations 2021), which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and the SERCOP 2022/23, both published by CIPFA, and based on IFRS and statutory guidance under Section 12 of the Local Government Act 2003 (see Glossary for definitions). The accounting convention adopted in the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a 'going concern' basis (in other words, on the expectation that the Council will continue to operate in its current form for the foreseeable future).

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

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

### **3. ACCRUALS OF INCOME AND EXPENDITURE**

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Expenditure on supplies is accounted for when they are used. When there is a significant gap between the date on which supplies are received and the date of their use, and the value is material, they are carried as inventories on the Balance Sheet.
- Expenditure in relation to services received (including those provided by employees) is accounted for as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised in the accounts, but cash has not been received or paid, a debtor or creditor for the amount is recorded in the Balance Sheet. Where it is likely that debts may not be settled, a charge is made to revenue for the income that might not be collected and the debtor is impaired.
- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that the economic benefits or service potential associated with the transaction will be received by the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably

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**Statement of Accounting Policies**

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the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will be received by the Council.

- Revenue from Council Tax, Non-Domestic Rates and rents is accounted for in the year it is due.
- The Council has a de-minimis level in accounting for manual accruals of £5,000. However, this does not mean that all transactions below this value will not be accrued as they may form part of feeder file accruals (where the file is over £5k) or where similar transactions below £5k add up to a total above £5k.

#### **4. EXCEPTIONAL ITEMS**

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

#### **5. FOREIGN CURRENCY TRANSLATION**

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

#### **6. VALUE ADDED TAX (VAT)**

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

#### **7. EVENTS AFTER THE BALANCE SHEET DATE**

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

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

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

#### **8. OVERHEADS AND SUPPORT SERVICES**

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

## **9. GOVERNMENT GRANTS AND CONTRIBUTIONS**

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

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

## **10. LEASES**

Leases are classified as finance leases where the terms of the lease substantially 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 Council as Lessee**

#### **i) Finance Leases**

The Council as lessee does not have any finance leases.

#### **ii) Operating Leases**

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

### **b) The Council as Lessor**

#### **i) Finance Leases**

When the Council grants a finance lease over a property or item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Any gain, representing the Council's net investment in the lease, is credited to the same line in the CIES as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset (long-term debtor) in the Balance Sheet. The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the MiRS.

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**Statement of Accounting Policies**

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

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

**ii) Operating Leases**

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

The implementation of IFRS 16 Leases has been deferred to 1 April 2024 - for further information see Note 2 of Section 3 in these Accounts.

**11. INVENTORIES (STOCK)**

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

**12. LONG TERM CONTRACTS**

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

**13. EMPLOYEE BENEFITS**

**a) Benefits Payable during Employment**

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

**b) Termination and Discretionary Benefits**

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

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**Statement of Accounting Policies**

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

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

**c) Post-Employment Benefits**

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

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

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

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

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

**(ii) London Pension Fund Scheme**

This scheme is a defined benefit scheme and is accounted for as such, since its liabilities and assets can be identified to individual Councils. The CIES is charged with a levy from the LPFA to meet the employer's contributions such as premature retirement costs in respect of former employees of the GLC, ILEA and LRB.

**(iii) Local Government Pension Scheme**

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

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

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

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

- Service Costs comprising  
The current service cost which is the increase in liabilities as a result of years of service earned this year. These are allocated in the CIES to the services for which the employees worked.  
The past service cost which is the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. These are debited to the relevant Service Directorate in the Surplus or Deficit on the Provision of Services in the CIES.

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**Statement of Accounting Policies**

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- Net interest on the net defined benefit liability  
This is the change in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate to the net defined benefit liability at the beginning of the period, accounting for any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Re-measurement comprising  
The return on plan assets excluding amounts included in net interest.  
The actuarial gains and losses arising from changes in demographic and financial assumptions since the last actuarial valuation.  
Other changes not accounted for elsewhere.

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

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

#### **14. INTERESTS IN COMPANIES**

The Council has two wholly owned subsidiary companies, Lewisham Homes Limited and Catford Regeneration Partnership Limited. These are accounted for at cost in the single entity accounts. It also is an equal partner (50:50) in Lewisham Grainger Holdings LLP with Grainger Developments Ltd (There is joint control between the Council and Grainger Developments Ltd., and this meets the definition of a joint venture under IFRS11). The transactions between the Council and all of these companies are included in the Council's accounts. An annual review of the necessity of preparing Group Accounts is undertaken, and for 2022/23 it has again been concluded that the activities of Group's entities are sufficiently material to warrant the production of Group Accounts. See also Section 6 – Group Accounts, and Note 25 - Investment in Companies.

#### **15. REVENUE PROVISIONS AND IMPAIRMENT ALLOWANCES**

##### **a) Provisions**

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

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**Statement of Accounting Policies**

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**b) Impairment Allowances**

The Authority recognises an allowance for expected credit losses on financial assets measured at amortised cost, debt instruments measured at amortised cost, Business Rates, lease receivables, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments

**(i) Trade Receivables**

For trade receivables, the Authority applies a simplified approach permitted under IFRS 9 and recognises a loss allowance equal to lifetime expected credit losses. The expected credit losses on these financial assets are estimated using a unique method for each service area based on their respective historical credit loss experience and adjusted for factors that are specific to each area, general economic conditions, and an assessment of both the current and forecast direction of conditions at the reporting date.

In measuring the expected credit losses, if specific information regarding recoverability of any major debt is available then balances are assessed individually for impairment. Debts not assessed individually have been assessed on a collective basis based on unique method for each service area. Debtors are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

**16. RESERVES**

The Council has set aside specific amounts as reserves to cover future expenditure for contingencies or policy purposes, which fall outside the definition of provisions, and are shown in Note 9 of Section 3. The reserves are created by appropriating amounts out of the General Fund Balance in the MiRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then credited back to the General Fund Balance in the MiRS so that there is no net charge against Council Tax. Statutory reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and are not available for the Council to use to finance services.

**17. CONTINGENT LIABILITIES AND ASSETS**

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

**18. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

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

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## 19. FINANCIAL INSTRUMENTS

### a) Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by its effective rate of interest. This rate exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For the Council's borrowings, the amount on the Balance Sheet is the outstanding principal repayable (plus accrued interest), and the interest charged to the CIES is the amount payable for the year for the loan. Following a change in the Code in 2019/20 call options within LOBO contracts are no longer accounted for separately.

Premiums and discounts from previous year's settlements are charged to the CIES in accordance with regulations requiring the impact on the General Fund and the HRA to be spread over future years. The Council's policy is to spread the gain or loss over the remaining term of the loan repaid on which the premium was payable or discount receivable. As required by statute, the amounts charged to the CIES are adjusted to the required charge against Council Tax or Housing Rents by a transfer to or from the Financial Instruments Adjustment Account in the MiRS. This account holds the accumulated difference between the financing costs charged to the CIES and the accumulated financing costs required to be charged to the General Fund Balance in accordance with regulations.

### b) Financial Assets

In accordance with IFRS 9, financial assets are classified into three categories:

- Amortised cost
  - These are loans and loan arrangements where repayments of interest and principal occur on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest and the interest credited to the Comprehensive Income and Expenditure Statement (CIES) is the amount receivable as per the loan agreement.
- Fair value through profit or loss (FVPL)
  - These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.
- Fair value through other comprehensive income (FVOCI)
  - These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES on asset disposal.

The Council holds investments to collect contractual cash flows. Financial assets within the accounts are classified as amortised cost or Fair value through profit or loss.



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**c) Expected Credit Loss Model**

The Council will recognise expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis, where material. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

**20. CASH AND CASH EQUIVALENTS**

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

**21. INTANGIBLE NON CURRENT ASSETS**

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

**22. NON CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT**

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

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability.

**a) Recognition**

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

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**b) Measurement and Valuation**

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

- community assets and assets under construction – depreciated historical cost;
- dwellings – current value, using the basis of existing use value for social housing (EUV-SH);
- all other assets – current value, being the amount that would be paid for the asset in its existing use (existing use value – EUV);
- where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value;
- where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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

The cost of an asset acquired other than by purchase is deemed to be its fair value. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the CIES. Where the donation has been made conditionally, the gain is held in the Donated Assets Account until conditions are satisfied. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the MiRS.

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

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

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

For surplus assets the gross value has been apportioned between land and building elements (residual and depreciable). Remaining useful life elements have also been provided for each asset. The aim is to arrive at the notional 'Highest and Best use value' for the asset. This has been achieved, for these purposes, by comparing the 'current use' of the asset to the notional 'alternative use' based on potential redevelopment on a land value basis for the site.

The valuer (Wilks Head and Eve) has stated in their valuation report that these assets have been categorised at Level 2 of the hierarchy as there are significant observable inputs:

- Land, Office, and Retail assets have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the locality.
- Market conditions for these asset types are such that the levels of observable inputs are significant leading to the properties being categorised at Level 2 in the Fair Value hierarchy.

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Typical valuation inputs which have been analysed in arriving at the Fair Valuations include: Market Rental and Sale Values; Yields; Void and Letting Periods; Size; Configuration, proportions and layout; Location, visibility and access; Condition; Lease covenants; Obsolescence; Construction.

The Fair Value of the asset, for the current use, has been determined by applying an income or comparative approach based on the rental value of the property.

In most cases the assets have been leased on the open market and there are comparables to draw upon in relation to rental values, yields and rental growth.

Although there is an element of Valuer subjectivity, the valuers are of the view that the valuations comprise a higher proportion of observable inputs rather than unobservable inputs.

**c) Charges to Revenue for Non-Current Assets**

All services are charged with the following amounts to reflect the cost of using Property, Plant and Equipment assets during the year:

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

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

**d) Impairment**

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

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

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

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**Statement of Accounting Policies**

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**e) Depreciation**

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

- council dwellings – 40 years
- other land & buildings (including hostels) – 40 years
- vehicles, plant & equipment – range of 5 to 40 years

The Council's policy is to charge depreciation on the assets value at 01 April each year. It is charged from the year following the date of purchase or completion of construction, and is not adjusted for disposals or additions of assets during the year. Where an asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

**f) Disposals of Non-Current Assets**

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

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

**g) Deferred Capital Receipts**

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

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**Statement of Accounting Policies**


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**23. HIGHWAYS INFRASTRUCTURE ASSETS**

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

**a) Recognition**

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

**b) Measurement**

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 England, which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

**c) Depreciation**

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are assessed by the Chief Highways Engineer using industry standards where applicable as follows:

<b>Part of the highways network</b>	<b>Useful life</b>
Carriageways	25 years
Footways and cycle tracks	25 years
Structures (bridges, tunnels and underpasses)	25 years
Street lighting	25/ 40 years
Street furniture	25 years
Traffic management systems	25 years

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**d) Disposals and derecognition**

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet 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 (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

The authority has determined in accordance with Regulation [30M] of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

**24. HERITAGE ASSETS**

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

**25. PRIVATE FINANCE INITIATIVE (PFI) CONTRACTS**

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

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

**26. ACCOUNTING FOR SCHOOLS**

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

## Notes to the Core Financial Statements

## SECTION 3 – NOTES TO THE CORE FINANCIAL STATEMENTS

## 1. EXPENDITURE AND FUNDING ANALYSIS – YEAR ENDING 31 MARCH 2023

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

SERVICE	As reported for resource management (Narrative report) £'000	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances £'000	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis (see Notes to EFA (i)) £'000	Net Expenditure in the CIES £'000
Children & Young People Directorate	68,900	(19,218)	49,682	31,064	80,746
Community Services Directorate	84,000	7,113	91,113	6,374	97,487
Housing, Regeneration & Public Realm Directorate	26,400	12,148	38,548	(3,122)	35,426
Corporate Services Directorate	32,900	2,864	35,764	4,972	40,736
Chief Executive Directorate	10,800	959	11,759	729	12,488
HRA	0	10,634	10,634	25,720	36,354
Corporate Provisions	32,600	1,245	33,845	(24,976)	8,869
<b>Cost of Services</b>	<b>255,600</b>	<b>15,745</b>	<b>271,345</b>	<b>40,761</b>	<b>312,106</b>
Other Income and Expenditure	(248,600)	(2,327)	(250,927)	35,467	(215,460)
<b>(Surplus) or Deficit</b>	<b>7,000</b>	<b>13,418</b>	<b>20,418</b>	<b>76,228</b>	<b>96,646</b>

Notes to the Core Financial Statements

**Analysis of Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances £13.4m**

General Fund -£2.8m

The “Other Income and Expenditure” that is reported to management is equal to the net general fund budget set for the year (£248.6m). This is then compared to the net cost of services to get to the reported overspend for the year of £7.0m, as per the Outturn Report table on page 7. The net reduction in General Fund reserves for the year was £4.2m, the difference to the reported outturn position being made up of items that are either included within the EFA and not reported to management, such as the technical PFI accounting adjustments, or items reported to management that are not included in the EFA, such as Reserve drawdowns and contributions and Council Tax and NDR (transfers to/ from Collection Fund Adjustment Account).

HRA £16.2m (£11.3 within Cost of Services and £4.9m within Other Income and Expenditure)

Within reports to management the net over/ underspend position of the HRA is always reported as nil, after taking account of/ noting the various movements and forecasts for the main income and expenditure items and the required action to return the account to a net nil budget. The net movement in HRA reserves in the year was a reduction of £16.2m, so this needs to be added back into the “Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances” to get to the required “Net Expenditure Chargeable to the General Fund and HRA Balances”.

Opening General Fund and HRA Balance at 01 April 2022	(281,655)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	20,418
<b>Closing General Fund and HRA Balance at 31 March 2023</b>	<b>(261,237)</b>

<u>Analysed between General Fund and HRA Balances</u>			
	General Fund	HRA	Total
Opening General Fund and HRA Balance at 01 April 2022	(251,340)	(30,315)	<b>(281,655)</b>
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	4,171	16,247	<b>20,418</b>
<b>Closing General Fund and HRA Balance at 31 March 2023</b>	<b>(247,169)</b>	<b>(14,068)</b>	<b>(261,237)</b>



## Notes to the Core Financial Statements

## EXPENDITURE AND FUNDING ANALYSIS – YEAR ENDING 31 MARCH 2022

SERVICE	As reported for resource management (Narrative report) £'000	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances £'000	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis (see Notes to EFA (i)) £'000	Net Expenditure in the CIES £'000
Children & Young People Directorate	64,000	(23,916)	40,084	32,987	73,071
Community Services Directorate	96,500	(19,413)	77,087	9,528	86,615
Housing, Regeneration & Public Realm Directorate	26,700	(670)	26,030	9,168	35,198
Corporate Services Directorate	35,400	(61)	35,339	5,765	41,104
Chief Executive Directorate	10,700	(182)	10,518	2,010	12,528
HRA	0	43,721	43,721	(55,611)	(11,890)
Corporate Provisions	10,300	1,952	12,252	(10,681)	1,571
<b>Cost of Services</b>	<b>243,600</b>	<b>1,431</b>	<b>245,031</b>	<b>(6,834)</b>	<b>238,197</b>
Other Income and Expenditure	(243,100)	32,051	(211,049)	32,347	(178,702)
<b>(Surplus) or Deficit</b>	<b>500</b>	<b>33,482</b>	<b>33,982</b>	<b>25,513</b>	<b>59,495</b>

Opening General Fund and HRA Balance at 01 April 2021	(315,637)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	33,982
<b>Closing General Fund and HRA Balance at 31 March 2022</b>	<b>(281,655)</b>

Notes to the Core Financial Statements

<b>Analysed between General Fund and HRA Balances</b>			
	<b>General Fund</b>	<b>HRA</b>	<b>Total</b>
Opening General Fund and HRA Balance at 01 April 2021	(240,659)	(74,978)	<b>(315,637)</b>
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	(10,681)	44,663	<b>33,982</b>
<b>Closing General Fund and HRA Balance at 31 March 2022</b>	<b>(251,340)</b>	<b>(30,315)</b>	<b>(281,655)</b>

## Notes to the Core Financial Statements

## Notes to the EFA

## (i) Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the CIES amounts	2022/23			
	Adjustment for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
<b>SERVICE</b>				
Children & Young People Directorate	4,927	20,119	6,018	<b>31,064</b>
Community Services Directorate	2,804	3,719	(149)	<b>6,374</b>
Housing, Regeneration & Public Realm Directorate	4,916	2,945	(10,983)	<b>(3,122)</b>
Corporate Services Directorate	1,678	3,001	293	<b>4,972</b>
Chief Executive Directorate	0	864	(135)	<b>729</b>
HRA	25,579	141	0	<b>25,720</b>
Corporate Provisions	(21,457)	(2,701)	(818)	<b>(24,976)</b>
<b>Cost of Services</b>	<b>18,447</b>	<b>28,088</b>	<b>(5,774)</b>	<b>40,761</b>
Other Income and Expenditure	19,774	15,693	0	<b>35,467</b>
<b>Difference between General Fund surplus or deficit and CIES surplus or deficit</b>	<b>38,221</b>	<b>43,781</b>	<b>(5,774)</b>	<b>76,228</b>

## Notes to the Core Financial Statements

Adjustments from General Fund to arrive at the CIES amounts	2021/22			
	Adjustment for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
<b>SERVICE</b>				
Children & Young People Directorate	774	23,194	9,019	<b>32,987</b>
Community Services Directorate	2,974	3,875	2,679	<b>9,528</b>
Housing, Regeneration & Public Realm Directorate	14,326	2,908	(8,066)	<b>9,168</b>
Corporate Services Directorate	911	2,853	2,001	<b>5,765</b>
Chief Executive Directorate	0	1,010	1,000	<b>2,010</b>
HRA	(55,738)	127	0	<b>(55,611)</b>
Corporate Provisions	(6,998)	(2,830)	(853)	<b>(10,681)</b>
<b>Cost of Services</b>	<b>(43,751)</b>	<b>31,137</b>	<b>5,780</b>	<b>(6,834)</b>
Other Income and Expenditure	16,464	15,883	0	<b>32,347</b>
<b>Difference between General Fund surplus or deficit and CIES surplus or deficit</b>	<b>(27,287)</b>	<b>47,020</b>	<b>5,780</b>	<b>25,513</b>

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Notes to the Core Financial Statements

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## 2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED IN THE 2022/23 ACCOUNTS

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom and will be adopted in 23/24:

**IAS 8** Accounting Policies, Changes in Accounting Estimates and Errors will be amended to define accounting estimates as 'monetary amounts in financial statements that are subject to measurement uncertainty'. This change is not anticipated to significantly impact on the amounts held in the Council's financial statements.

**IAS 1** Presentation of Financial Statements and IFRS Practice Statement 2 will be amended to give more guidance on the disclosure of accounting policies in financial statements. This change is not anticipated to significantly impact on the amounts held in the Council's financial statements.

**IAS 12** Income Taxes will be amended in relation to deferred tax but no relevant transactions in group accounts have been identified.

**IFRS 3** Business Combinations will be amended in terms of references to conceptual framework. As no acquisitions have happened or are planned in the relevant time period, this has no impact on the Council's financial statements.

## 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- a. The Authority has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These judgements are based on the main reason that the Authority is holding the asset. If the asset is used in the delivery of services or is occupied by third parties that are subsidised by the Authority it is deemed to be a Property, Plant and Equipment asset. If there were no subsidy and/or a full market rent being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method used.
- b. An accounting judgement has been made for each school as to whether their land and buildings should be included within the Council's Balance Sheet. All Community Schools are deemed to be held on the Council's Balance Sheet due to the risks and rewards that the Council is deemed to have. Similarly, the Council's two Nursery Schools and the Pupil Referral Unit are owned and operated by the Local Authority and therefore on the Council's Balance Sheet. Voluntary Aided Schools and Academies together with a further two Foundation Schools are not included on the Council's balance sheet as ownership of Land and Buildings rests either with the relevant Diocesan body or, in the case of Academies the Government or the Foundation. In summary therefore:
  - Included are 40 Community Primary Schools, 4 Community Secondary Schools, 3 Community Special Schools, 2 Community Foundation Schools, 1 Pupil Referral Unit and 2 Nursery Schools (52 schools).
  - Excluded are 21 Voluntary-aided Schools, 2 Foundation Schools, 10 Academies and 3 others (35 schools).
  - Also excluded are assets acquired via PFI contracts where they relate to the excluded schools given above, although the PFI liability remains with the Council.

## Notes to the Core Financial Statements

- c. A judgement has been made by the Council that it is proper practice to prepare Group Accounts for 2022/23, on grounds of materiality. For further information, see Section 2 – Accounting Policies (para. 14 – Interests in Companies); also Section 6 – Group Accounts; and Note 25 – Investment in Companies. All relevant entities have been consolidated into the Group Accounts.

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

These Accounts contain a number of estimated figures that are based on assumptions made about the future or that are otherwise uncertain, and take into account historical experience, current trends and other relevant factors. Because of this, the actual outcomes could be materially different from the assumptions and estimates made. The areas in the Council's Accounts at 31 March 2023 for which there is a significant possibility of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment - PP&E (Valuations, Asset Lives and Derecognition)	<p>Asset valuations are based on Current Value and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Council's external valuers provided valuations as at 31 March 2023 for nearly all of its operational portfolio. The remaining balance of operational properties were also reviewed to ensure values reflect current values. The Council's valuers use a combination of methodologies to value operational assets. This includes Depreciated Replacement Cost (DRC), Existing Use Value (EUV) and comparable methods. These methods can cause estimation uncertainty due to the indices and inputs that must be used to applying valuations, which are updated monthly.</p> <p>The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council external valuers.</p>	<p>Changes to asset value and lives will have an effect on the annual depreciation charge for use of assets charged to services in the CI&amp;ES. The annual depreciation charge for PP&amp;E in 2022/23 is £43.545m (£43.276m in 2021/22) and the gross book value of these assets is £2,894m (£2,757m in 2021/22).</p> <p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 5%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £132m. An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement. Depreciation charges for operational buildings will change in direct relation to changes in estimated current value.</p> <p>The asset life has an inverse effect with depreciation charge. The lower the asset life, the higher the depreciation charge; the higher the asset life, the lower the depreciation charge.</p>

## Notes to the Core Financial Statements

Valuation of HRA Dwellings	The HRA residential portfolio is valued based on a beacon methodology, with a 25% EUV-SH (social housing) factor applied, which is the standardised Department for Levelling up, Housing and Communities rate for London. The current value of the stock (at 25%) is £1.4bn. In order to value the whole portfolio, it was necessary to research a number of information sources. These include sales of directly comparable property, changes of income flow for non-residential property, information available at a local level showing house price movement plus regional and National Indices.	A reduction in the estimate value of HRA dwellings would be a reduction on the revaluation reserve or a loss in the CIES. If the value of dwellings were to reduce by 10% this would lead to a reduction in value of about £144m. An increase in estimated valuations would result in increases to the Revaluation Reserve or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.
Actuarial present value of promised retirement benefits	The figure of net liability to pay pensions is based on a significant number of complex assumptions including the discount rate, salary increases, mortality rates and expected returns on Fund assets. The Pension Fund's qualified actuary calculates this figure to ensure the risk of misstatement is minimised. Further sensitivity analysis is included in note 19 to the Pension Fund in Section 8, below.	The effects on the net pension liability of changes in assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption is estimated to reduce the present value of the pension liability by £24m. A 0.1% increase in the assumed level of pension increases will increase the net pension liability by £23m.
Impairment allowance for expected credit loss	The Authority recognises an allowance for expected credit losses on financial assets measured at amortised cost, debt instruments measured at amortised cost, Business Rates, lease receivables, trade receivables and contract assets. As at 31 March 2023, the Council had an outstanding balance of short-term debtors totalling £154.1m. Of this, £127.1m falls within the scope of the expected credit loss model and has various impairment allowances recognised. Against the £127.1m debtors' balance, there is an impairment allowance of £84.9m. It is not certain that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not. Calculation of expected credit loss is forward looking and doesn't just rely upon historic information without considering if that needs to be adapted to reflect current and future conditions. The calculation of the impairment allowance takes into account current and forecast future conditions.	An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on policies adapted to historic experience and success rates experienced in collection. The nature of the debt and service area have been considered. If collection rates were to deteriorate significantly then the Council would need to review its policies on the calculation of its impairment allowance for expected credit losses. If collection rates of all debts were to deteriorate by 5% then the impairment allowance would need to increase by £6.4m (10% would be £12.7m).
Venture Capital - private equity / infrastructure	As at 31 March 2023, the Council's Pension Fund had venture capital private equity investments of £277.4m Private equity investments are valued at fair value in accordance with British Private Equity and Venture Capital Association guidelines. These investments are not publicly listed and as such, there is a degree of estimation involved in the valuation. The Council makes up approximately 83% of the active members of the Pension Fund so would be impacted by this uncertainty.	The venture capital investment in the financial statements is £277.4m. There is a risk that this investment may be understated or overstated in the accounts and the risk is estimated to be 11.8%. This would be an increase or decrease in the value of venture capital investments by £32.7m, on a fair value of £277.4m. The Council makes up approximately 83% of the active members of the Pension Fund so would be impacted by this uncertainty - 83% of this risk is £27.2m.

## Notes to the Core Financial Statements

**a) Movement in Land and Buildings valuations analysis**

A sensitivity analysis detailing movement in valuations is as follows:

Asset Category	Assets Valued at 31 March 23	Value on Increase			Value on Decrease		
		1%	5%	10%	1%	5%	10%
		£000	£000	£000	£000	£000	£000
Council Dwellings	1,440,091	1,454,492	1,512,096	1,584,100	1,425,690	1,368,086	1,296,082
Other Land & Buildings	1,212,694	1,224,821	1,273,329	1,333,963	1,200,567	1,152,059	1,091,425
Surplus Assets	63,659	64,296	66,842	70,025	63,022	60,476	57,293
<b>Total</b>	<b>2,716,444</b>	<b>2,743,609</b>	<b>2,852,267</b>	<b>2,988,088</b>	<b>2,689,279</b>	<b>2,580,621</b>	<b>2,444,800</b>

Asset Category	Assets Valued at 31 March 22	Value on Increase			Value on Decrease		
		1%	5%	10%	1%	5%	10%
		£000	£000	£000	£000	£000	£000
Council Dwellings	1,413,440	1,427,574	1,484,112	1,554,784	1,399,306	1,342,768	1,272,096
Other Land & Buildings	1,106,877	1,117,946	1,162,221	1,217,565	1,095,808	1,051,533	996,189
Surplus Assets	60,856	61,465	63,899	66,942	60,247	57,813	54,770
<b>Total</b>	<b>2,581,173</b>	<b>2,606,985</b>	<b>2,710,232</b>	<b>2,839,290</b>	<b>2,555,361</b>	<b>2,452,114</b>	<b>2,323,056</b>

**b) Pension Fund Liability**

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 19 to the Pension Fund, see section 8, below. This estimate is subject to significant variances based on changes to underlying assumptions.

**5. MATERIAL ITEMS OF INCOME AND EXPENDITURE**

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

**6. EVENTS AFTER THE BALANCE SHEET DATE**

The pre-audit Statement of Accounts was authorised for issue by the Executive Director for Corporate Resources on 30 June 2023. Events taking place after this date are not reflected in the accounts. Where events took place before this date which materially altered the conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect these altered conditions.



## Notes to the Core Financial Statements

**7. OTHER OPERATING EXPENDITURE - LEVIES**

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

	<b>2022/23</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
London Pension Fund Authority (a)	1,263	1,281
Lee Valley Regional Park Authority	210	213
Environment Agency	210	208
<b>Total Levies Paid</b>	<b>1,683</b>	<b>1,702</b>

(a) London Pension Fund Authority

The CIES is charged with a levy from the LPFA to meet the employer's contributions such as premature retirement costs in respect of former employees of the Greater London Council and Inner London Education Authority.

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

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

## Notes to the Core Financial Statements

2022/23	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments to Revenue Resources</b>						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
<b>Pensions costs</b> (transferred to/ from the Pensions Reserve)	43,557	224				(43,781)
<b>Financial instruments</b> (transferred to the Financial Instruments Adjustment Account)	(818)	0				818
<b>Council Tax and NDR</b> (transfers to/ from Collection Fund Adjustment Account)	(11,303)					11,303
<b>Holiday Pay</b> (transferred to the Accumulated Absences Account)	2,122					(2,122)
<b>Reversal of entries included in the Surplus/ Deficit on the Provision of Services in relation to capital expenditure</b> (these items are charged to the Capital Adjustment Account)	13,231	100,951	25,703			(139,885)
<b>Schools Budget deficit accounting</b> (to account for the in-year deficit and year-end deficit)	4,225					(4,225)
<b>Total Adjustments to Revenue Resources</b>	<b>51,014</b>	<b>101,175</b>	<b>25,703</b>	<b>0</b>	<b>0</b>	<b>(177,892)</b>
<b>Adjustments between Revenue and Capital Resources</b>						
<b>Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve</b>	(628)	(14,710)		15,338		0
<b>Payments to the Government housing receipts pool</b> (funded by a contribution from the Capital Receipts Reserve)	0			0		0
<b>Statutory provision for the repayment of debt</b> (transfer from the CAA)	(11,371)	(3,455)				14,826
<b>Revenue Expenditure Funded from Capital under Statute</b>	2,945					(2,945)
<b>Capital expenditure funded from revenue balances</b> (transfer to the CAA)	(10,338)	(11,191)				21,529
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(19,392)</b>	<b>(29,356)</b>	<b>0</b>	<b>15,338</b>	<b>0</b>	<b>33,410</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure				(12,587)		12,587
Use of the Major Repairs Reserve to finance capital expenditure			(25,703)			25,703
Application of capital grants to finance capital expenditure	(27,213)				(2,611)	29,824
<b>Total Adjustments to Capital Resources</b>	<b>(27,213)</b>	<b>0</b>	<b>(25,703)</b>	<b>(12,587)</b>	<b>(2,611)</b>	<b>68,114</b>
<b>Total Adjustments</b>	<b>4,409</b>	<b>71,819</b>	<b>0</b>	<b>2,751</b>	<b>(2,611)</b>	<b>(76,368)</b>

## Notes to the Core Financial Statements

2021/22	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments to Revenue Resources</b>						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
<b>Pensions costs</b> (transferred to/ from the Pensions Reserve)	46,826	194				(47,020)
<b>Financial instruments</b> (transferred to the Financial Instruments Adjustment Account)	(853)	0				853
<b>Council Tax and NDR</b> (transfers to/ from Collection Fund Adjustment Account)	(9,841)					9,841
<b>Holiday Pay</b> (transferred to the Accumulated Absences Account)	9,983					(9,983)
<b>Reversal of entries included in the Surplus/ Deficit on the Provision of Services in relation to capital expenditure</b> (these items are charged to the Capital Adjustment Account (CAA))	19,122	55,076	25,293			(99,491)
<b>Schools Budget deficit accounting</b> (to account for the in-year deficit and year-end deficit balance)	6,491					(6,491)
<b>Total Adjustments to Revenue Resources</b>	<b>71,728</b>	<b>55,270</b>	<b>25,293</b>	<b>0</b>	<b>0</b>	<b>(152,291)</b>
<b>Adjustments between Revenue and Capital Resources</b>						
<b>Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve</b>	(3,067)	(12,748)		15,815		0
<b>Payments to the Government housing receipts pool</b> (funded by a contribution from the Capital Receipts Reserve)	1,940			(1,940)		0
<b>Statutory provision for the repayment of debt</b> (transfer from the CAA)	(9,338)	(3,025)				12,363
<b>Revenue Expenditure Funded from Capital under Statute</b>	2,738					(2,738)
<b>Capital expenditure funded from revenue balances</b> (transfer to the CAA)	(3,721)	(49,721)				53,442
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(11,448)</b>	<b>(65,494)</b>	<b>0</b>	<b>13,875</b>	<b>0</b>	<b>63,067</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure				(7,784)		7,784
Use of the Major Repairs Reserve to finance capital expenditure			(27,177)			27,177
Application of capital grants to finance capital expenditure	(24,543)				3,767	20,776
<b>Total Adjustments to Capital Resources</b>	<b>(24,543)</b>	<b>0</b>	<b>(27,177)</b>	<b>(7,784)</b>	<b>3,767</b>	<b>55,737</b>
<b>Total Adjustments</b>	<b>35,737</b>	<b>(10,224)</b>	<b>(1,884)</b>	<b>6,091</b>	<b>3,767</b>	<b>(33,487)</b>

## Notes to the Core Financial Statements

**9. EARMARKED RESERVES**

The Council has a number of earmarked reserves on its Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up to provide resources for future spending plans. This note shows the amounts used to meet General Fund expenditure in 2022/23 and amounts set aside in the year to finance future expenditure plans. The use of HRA earmarked reserves is shown in the notes to the HRA in Section 4.

Name of Reserve	Balance 31/03/22 £000	2022/23 Transfers		Balance 31/03/23 £000	
		Out £000	In £000		
Specific Revenue Earmarked - Corporate	101,203	(22,820)	26,822	105,205	(a (i))
Specific Revenue Earmarked - Collection Funds	0	(8,907)	16,279	7,372	(a (iv))
S31 Covid Business Rates Grant	5,327	(5,327)	0	0	(a (ii))
Covid Grants	7,982	(7,463)	0	519	(a (iii))
PFI and BSF Schemes	29,640	0	3,387	33,027	(b)
Capital Contingency	22,821	(96)	1,011	23,736	(c)
Insurance	16,091	(1,707)	0	14,384	(d)
Capital Programme Expenditure	912	(5,034)	4,815	693	(e)
Section 106 Reserve	21,380	(1,182)	0	20,198	(f)
	<b>205,356</b>	<b>(52,536)</b>	<b>52,314</b>	<b>205,134</b>	
Schools Reserves and External Funds	25,984	(26,447)	22,498	22,035	(g)
	<b>25,984</b>	<b>(26,447)</b>	<b>22,498</b>	<b>22,035</b>	
<b>Total</b>	<b>231,340</b>	<b>(78,983)</b>	<b>74,812</b>	<b>227,169</b>	

**a) Specific Earmarked Reserves**

- (i) These comprise a number of specific reserves which are earmarked for particular purposes.
- (ii) The Earmarked Revenue reserve contained the S31 Covid Business rates relief grant carried forward to 2022/23, this was fully utilised in 2022/23.
- (iii) Revenue reserves balances also included £8.0m of Other Covid-19 grants at the beginning of 2022/23. These were either used against revenue spend in 2022/23, used to support the Collection Fund, or returned to Central Government. £0.5m was still held at the end of 2022/23.
- (iv) Earmarked reserves have also been set up for future smoothing of potential collection fund deficits.

**b) PFI and BSF Schemes Reserves**

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

**c) Capital Contingency Reserve**

The reserve is made up of unused grant ('New Homes Bonus grant') from central government. The grant is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. Use of the reserve is not ring-fenced and will be used to support the capital programme in future years.

**d) Insurance Reserve**

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

**e) Capital Programme Expenditure Reserve**

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

## Notes to the Core Financial Statements

**f) Section 106 Reserve**

This is S106 income received where no conditions related to repayment of unspent amount of grant received exists. This reserve will be used to finance capital programme expenditure in future years.

**g) Schools Reserves and Schools External Funds**

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

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

Assets are valued at least every five years as a minimum or more regularly where a five-yearly valuation is insufficient to keep pace with material changes in fair value, to ensure that the Council's assets are valued in accordance with RICS and CIPFA guidance. The valuations this year were undertaken and signed off by the valuers Wilkes, Head and Eve LLP. Where revaluations have occurred in 2022/23, their exact effective date was 31 March 2023 for council dwellings and 31 March 2023 for other assets.

	<b>Council Dwellings £000</b>	<b>Other Land &amp; Buildings £000</b>	<b>Surplus Assets £000</b>	<b>Total £000</b>
<b>Valued at Historic Cost</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Valued at Current Value</b>				
2022-23	1,411,477	1,210,223	63,659	<b>2,685,359</b>
2021-22	28,614	2,273	0	<b>30,887</b>
2020-21	0	0	0	<b>0</b>
2019-20	0	0	0	<b>0</b>
2018-19	0	0	0	<b>0</b>
2017-18	0	198	0	<b>198</b>
<b>Total Net Book Value</b>	<b>1,440,091</b>	<b>1,212,694</b>	<b>63,659</b>	<b>2,716,444</b>

## Notes to the Core Financial Statements

## b) Movements in Non-Current Assets

The movements in non-current assets during 2022/23 were as follows:

2022/23	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equip't £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	TOTAL £000
<b>Gross Book Value b/fwd at 01 April 2022</b>	<b>1,413,441</b>	<b>1,106,925</b>	<b>46,972</b>	<b>5,462</b>	<b>60,857</b>	<b>123,671</b>	<b>2,757,328</b>
Additions	79,252	8,366	1,370	0	0	44,671	133,659
Revaluations (recognised in Revaluation Reserve)	21,501	63,461	10	0	2,568	0	87,540
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	(32,218)	22,544	(11)	0	623	0	(9,062)
Impairments (recognised in Revaluation Reserve)	0	(217)				0	(217)
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	(31)	(133)				(21,187)	(21,351)
Loss of Control of Assets (recognised in Revaluation Reserve)	0	0	0	0	0	0	0
Loss of Control of Assets (recognised in Financing and Investment Income and Expenditure)	0	0	0	0	0	0	0
De-recognition of Assets (recognised in Other Operating Expenditure)	(54,813)	0	0	0	0	0	(54,813)
Disposals	(7,379)	0	0	0	(133)	0	(7,512)
Transfers	20,852	11,818	704		(254)	(33,120)	0
<b>Gross Book Value c/fwd at 31 March 2023</b>	<b>1,440,605</b>	<b>1,212,764</b>	<b>49,045</b>	<b>5,462</b>	<b>63,661</b>	<b>114,035</b>	<b>2,885,572</b>
<b>Depreciation b/fwd at 01 April 2022</b>	<b>(1)</b>	<b>(48)</b>	<b>(19,971)</b>	<b>(263)</b>	<b>(1)</b>	<b>0</b>	<b>(20,284)</b>
Depreciation for year	(24,743)	(15,057)	(3,355)	(62)	(328)	0	(43,545)
<u>Depreciation written back on:</u>							
Transfers	20	0	0	0	(20)	0	0
Revaluations (recognised in Revaluation Reserve)	22,666	12,414	106	0	309	0	35,495
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	1,544	2,621	11	0	38	0	4,214
Impairments (recognised in Revaluation Reserve)	0	0	0	0	0	0	0
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	0	0	0	0	0	0
Assets Sold	0	0	0	0	0	0	0
<b>Depreciation c/fwd at 31 March 2023</b>	<b>(514)</b>	<b>(70)</b>	<b>(23,209)</b>	<b>(325)</b>	<b>(2)</b>	<b>0</b>	<b>(24,120)</b>
<b>Net Book Value at 31 March 2023</b>	<b>1,440,091</b>	<b>1,212,694</b>	<b>25,836</b>	<b>5,137</b>	<b>63,659</b>	<b>114,035</b>	<b>2,861,452</b>

## Notes to the Core Financial Statements

The movements in non-current assets during 2021/22 were as follows:

<b>2021/22</b>	<b>Council Dwellings £000</b>	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant &amp; Equip't £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets under Construction £000</b>	<b>TOTAL £000</b>
<b>Gross Book Value b/fwd at 01 April 2021</b>	<b>1,393,428</b>	<b>1,064,737</b>	<b>62,187</b>	<b>5,562</b>	<b>53,823</b>	<b>69,923</b>	<b>2,649,660</b>
Additions	51,527	1,125	1,709	0	0	56,521	<b>110,882</b>
Revaluations (recognised in Revaluation Reserve)	25,458	40,985	0	0	3,394	0	<b>69,837</b>
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	(1,674)	5,884	0	0	(657)	0	<b>3,553</b>
Impairments (recognised in Revaluation Reserve)	0	(813)	0	0	(1,120)	0	<b>(1,933)</b>
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	(76)	(348)	0	0	(719)	0	<b>(1,143)</b>
Loss of Control of Assets (recognised in Revaluation Reserve)	0	0	0	0	0	0	<b>0</b>
Loss of Control of Assets (recognised in Financing and Investment Income and Expenditure)	0	0	0	0	0	0	<b>0</b>
De-recognition of Assets (recognised in Other Operating Expenditure)	(48,743)	0	0	0	0	0	<b>(48,743)</b>
Disposals	(5,809)	0	(16,924)	(100)	(1,952)	0	<b>(24,785)</b>
Transfers	(670)	(4,645)	0	0	8,088	(2,773)	<b>0</b>
<b>Gross Book Value c/fwd at 31 March 2022</b>	<b>1,413,441</b>	<b>1,106,925</b>	<b>46,972</b>	<b>5,462</b>	<b>60,857</b>	<b>123,671</b>	<b>2,757,328</b>
<b>Depreciation b/fwd at 01 April 2021</b>	<b>0</b>	<b>(45)</b>	<b>(33,402)</b>	<b>(267)</b>	<b>(1,579)</b>	<b>0</b>	<b>(35,293)</b>
Depreciation for year	(24,394)	(14,854)	(3,628)	(95)	(305)	0	<b>(43,276)</b>
<u>Depreciation written back on:</u>							
Transfers	12	72	0	0	(84)	0	<b>0</b>
Revaluations (recognised in Revaluation Reserve)	22,760	11,627	135	0	249	0	<b>34,771</b>
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	1,621	3,139	0	0	43	0	<b>4,803</b>
Impairments (recognised in Revaluation Reserve)	0	0	0	0	0	0	<b>0</b>
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	13	0	0	0	0	<b>13</b>
Assets Sold	0	0	16,924	99	1,675	0	<b>18,698</b>
<b>Depreciation c/fwd at 31 March 2022</b>	<b>(1)</b>	<b>(48)</b>	<b>(19,971)</b>	<b>(263)</b>	<b>(1)</b>	<b>0</b>	<b>(20,284)</b>
<b>Net Book Value at 31 March 2022</b>	<b>1,413,440</b>	<b>1,106,877</b>	<b>27,001</b>	<b>5,199</b>	<b>60,856</b>	<b>123,671</b>	<b>2,737,044</b>

## Notes to the Core Financial Statements

## c) Highways Infrastructure Assets

## Movements on balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets note 10 (b) does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2022/23 £000	2021/22 £000
<b>Net book value (modified historical cost)</b> at 1 April	103,286	109,064
Additions	630	2,774
Derecognition	0	0
Depreciation	(7,816)	(7,698)
Impairment	0	(854)
<b>Net Book Value</b> at 31 March	<b>96,100</b>	<b>103,286</b>

## Derecognition

The authority has determined in accordance with Regulation [30M England] of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

## 11. INVESTMENT PROPERTIES

Investment Properties were all reclassified to Property, Plant & Equipment in a previous year (2015/16), hence the nil balance.



## Notes to the Core Financial Statements

## 12. FINANCIAL INSTRUMENTS

The following categories of financial instruments are carried in the Balance Sheet. Where values are zero, the relevant lines have been excluded from the table.

## a) Categories of Financial Instruments

The value of debtors and creditors reported in the table below are solely those amounts meeting the definition of a financial instrument.

The balances of debtors and creditors reported in the balance sheet and Notes 14 and 16 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

31-Mar-22			31-Mar-23	
Long Term	Short Term		Long Term	Short Term
£000	£000		£000	£000
<b>Fair Value Through Profit &amp; Loss</b>				
0	116,263	MMF Investments (Cash & Cash Equivalent)	0	90,963
<b>Financial assets at amortised cost</b>				
0	275,247	Investments	0	218,539
59,520	48,206	Debtors	60,827	37,846
0	1,376	Other Cash & Cash Equivalents	0	2,503
<b>59,520</b>	<b>441,092</b>	<b>Total financial assets</b>	<b>60,827</b>	<b>349,851</b>
<b>Financial Liabilities</b>				
31-Mar-22			31-Mar-23	
Long Term	Short Term		Long Term	Short Term
£000	£000		£000	£000
<b>Financial liabilities at amortised cost</b>				
221,646	3,006	Borrowing	194,947	28,579
193,246	10,158	Private finance initiative (PFI) liabilities	182,394	10,852
0	121,569	Creditors	0	85,976
<b>414,892</b>	<b>134,733</b>	<b>Total financial liabilities</b>	<b>377,341</b>	<b>125,407</b>

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

The value of short-term investments on the Balance Sheet of £219m includes short term fixed deposits of £215m, including accrued interest.

## Notes to the Core Financial Statements

**b) Financial and Non-Financial Instruments split**

Debtors and creditors carried in the Balance Sheet include transactions which, by their nature, are not financial instruments due to their non-contractual status, including taxation debtors such as Council Tax and non-domestic rates. Those balances are as follows:

**Debtors**

	Long Term		Current		Total	
	Debtors		Debtors			
	31/03/23	31/03/22	31/03/23	31/03/22	31/03/23	31/03/22
	£000	£000	£000	£000	£000	£000
Financial instruments	60,827	59,520	37,846	48,206	98,673	107,726
Non-financial instruments	0	0	31,802	19,299	31,802	19,299
<b>Total Debtors</b>	<b>60,827</b>	<b>59,520</b>	<b>69,648</b>	<b>67,505</b>	<b>130,475</b>	<b>127,025</b>

**Creditors**

	Long Term		Current		Total	
	Creditors		Creditors			
	31/03/23	31/03/22	31/03/23	31/03/22	31/03/23	31/03/22
	£000	£000	£000	£000	£000	£000
Financial instruments	0	0	85,976	121,569	85,976	121,569
Non-financial instruments	0	0	60,572	35,678	60,572	35,678
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>146,548</b>	<b>157,247</b>	<b>146,548</b>	<b>157,247</b>

**c) Income, Expense, Gains and Losses**

The gains and losses recognised in the CIES in relation to financial instruments are as follows (there were no revaluations of financial instruments in 2022/23 or 2021/22):

	2022/23		2021/22	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Interest Income	(8,691)	0	(719)	0
<b>Total income in Surplus/Deficit on the Provision of Services</b>	<b>(8,691)</b>	<b>0</b>	<b>(719)</b>	<b>0</b>
Interest expense	8,353	0	8,251	0
<b>Total Expense in Surplus/Deficit on the Provision of Service</b>	<b>8,353</b>	<b>0</b>	<b>8,251</b>	<b>0</b>
<b>Net (Gain)/ Loss for the Year</b>	<b>(338)</b>	<b>0</b>	<b>7,532</b>	<b>0</b>

## Notes to the Core Financial Statements

## d) Fair value of assets and liabilities

## Financial Liabilities

Financial liabilities classed as financial liabilities at amortised cost are carried in the balance sheet at amortised cost. Their fair values can be estimated by calculating the present value of cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Borrowing rates from the PWLB have been applied to PWLB loans and disclosed at the New Loan/ Certainty discount rate, which is the rate that would be offered by the PWLB to undertake new borrowing at the Balance Sheet date.
- For non-PWLB loans, fair value has also been estimated using the PWLB New Loan/ Certainty discount rate. In the absence of any tangible market evidence, rates are based on discussions with possible market participants for new lending. The lenders are targeting lower than PWLB rates to encourage public sector bodies to consider alternatives to the PWLB and, based on discussions with those potential lenders, the differing structures and rates being offered would suggest an immaterial difference between those spot rates and the PWLB New Loan/Certainty rates.
- Where an instrument has a maturity of less than 12 months the fair value is taken to be the carrying amount.

The fair values for financial liabilities have been assessed by reference to Level 2 Inputs, i.e. inputs other than quoted prices that are observable for the financial liability. These give a reasonable estimate for the fair value of a financial instrument and includes accrued interest.

31/03/22			31/03/23	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
		<b>Financial liabilities at amortised cost:</b>		
		Borrowing		
93,843	118,854	Public Works Loan Board loans	92,883	87,145
130,809	162,520	Lender Option Borrower Option (LOBO) loans	130,643	112,362
203,404	203,404	PFI and finance lease liabilities	193,246	193,246
<b>428,056</b>	<b>484,778</b>	<b>Sub-Total</b>	<b>416,772</b>	<b>392,753</b>
121,569	121,569	Creditors	85,976	85,976
<b>549,625</b>	<b>606,347</b>	<b>Total Financial Liabilities</b>	<b>502,748</b>	<b>478,729</b>

The fair value of borrowings is less than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders below current market rates.

## Notes to the Core Financial Statements

**Financial Assets**

Financial assets classed as financial assets held at amortised cost are carried in the balance sheet at amortised cost. Their fair values can be estimated by calculating the present value of cash flows that will take place over the remaining term of the instruments, using the assumption that the fair value of the financial assets is equal to the carrying value, where the carrying value of assets with a maturity of less than 12 months is taken to be the fair value.

Financial assets classed as fair value through profit and loss are carried in the balance sheet at fair value. The fair values of these assets have been assessed by reference to Level 1 Inputs. Level 1 inputs are quoted prices for identical assets or liabilities in active markets.

31/03/22			31/03/23	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
		<b>Fair Value Through Profit and Loss</b>		
116,263	116,263	MMF Investments (Cash & Cash Equivalent)	90,963	90,963
		<b>Financial Assets Held at Amortised Cost</b>		
275,247	275,247	Investments	218,539	218,539
107,726	107,726	Debtors	98,673	98,673
1,376	1,376	Cash and Cash Equivalents	2,503	2,503
<b>500,612</b>	<b>500,612</b>	<b>Total Financial Assets</b>	<b>410,678</b>	<b>410,678</b>

**e) Financial Instruments Adjustment Account**

Details of the balances and the in-year movements in the Financial Instruments Adjustment Account can be found in the table below:

	Balance 31/03/22 £000	22/23 Transfers Net £000	Balance 31/03/23 £000
LOBO Premium (created in Nov-17 following LOBO restructure)	(20,755)	569	<b>(20,186)</b>
FV recognition adjustment following LOBO restructure	(9,972)	(5)	<b>(9,977)</b>
Other Premiums and Discounts	(2,254)	254	<b>(2,000)</b>
<b>Total</b>	<b>(32,981)</b>	<b>818</b>	<b>(32,163)</b>

**f) Other Required Declarations**

There have been no reclassifications of financial instruments in the year or in regard to the previous year.

There were no unusual movements during the year.

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Notes to the Core Financial Statements

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The Council provided no financial guarantees in the year and has none outstanding from previous years. The Council has made no loans to voluntary organisations at less than market rates (soft loans), nor has it received any such loans.

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

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

The adoption of IFRS 9 includes the requirement for disclosure of the expected credit loss impairment or gain associated with financial instruments held at amortised cost. For 2022/23 this loss is set out in the following section as £0.025m (£0.042m loss in 2021/22). These gains relate to the expected debit gains on trade receivables.

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

### 13. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

#### a) Key Risks

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

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

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

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

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

#### b) Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and seek to minimise potential adverse effects on the resources available to fund services. They are set out through a legal framework based on the Local Government Act 2003 and associated regulations, and require the Council to manage risk in the following ways:

- formally adopt the requirements of the CIPFA Treasury Management Code of Practice;
- adopt a Treasury Policy Statement and include treasury management clauses within its financial regulations/standing orders/constitution;
- approve annually in advance prudential and treasury indicators for the following three years which includes limiting the Council's overall borrowing, managing interest rate exposure, and managing the maturity structure of debt.
- approve an investment strategy for the forthcoming year setting out its criteria for investing and selecting investment counterparties in compliance with Government guidance.

These procedures are required to be reported and approved at Council before the start of the year to which they relate. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year. The annual treasury management strategy which incorporates the prudential indicators was last approved by Council in February 2020 and is available on the Council website. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices) covering specific areas,

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**Notes to the Core Financial Statements**

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such as interest rate risk, credit risk, and the investment of surplus cash. These are a requirement of the Code of Practice and are reviewed periodically.

**c) Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. It also considers maximum amounts and time limits in respect of each financial institution. The Council uses the creditworthiness service provided by Link Asset Services which uses a sophisticated modelling approach with credit ratings from all three rating agencies forming the core element. This is combined with credit watches and credit outlooks in a weighted scoring system, with an overlay of CDS spreads which gives an early warning of likely changes in credit ratings, for which the end product is an indication of the relative creditworthiness of counterparties.

The Council's maximum exposure to credit risk in respect of its investments cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to an individual institution. It is rare for such entities to be unable to meet their commitments and a risk of irrecoverable losses applies to all of the Council's deposits; however at the 31 March 2023 there was no evidence that this was likely to happen.

**d) Amounts Arising from Expected Credit Losses (ECL)**

As required by the Code of Practice, the Council is required to calculate an Expected Credit Loss (ECL) for its financial assets, which reflect the expectation that future cash flows might not take place because the borrower could default on their obligations.

The Council's investment assets are held with highly rated counterparties with very low historical rates of default and are mainly simple deposit products held for durations of less than a year to collect contractual cash flows. Using the 12-month ECL model, at 31 March 2023 the Council's investment assets with a value of £309m had a calculated ECL of £0.025m; the Council has deemed this immaterial for adjusting the carrying values of those assets. There has been an additional impairment of £85m in current debtors - see note 14c.

**e) Liquidity Risk**

The Council manages its liquidity position through the procedures above as well as using a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice, which ensures that cash is available when needed. The Council has ready access to borrowings from the money markets to cover any day to day cash flow need and the PWLB and money markets for access to longer term funds; there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The authority sets limits on the proportion of its fixed rate borrowing maturing during specified periods, and a maturity analysis of financial liabilities within those periods is as follows:

## Notes to the Core Financial Statements

31/03/23				Maturity Period	31/03/22			
PWLB	LOBO	PFI and Finance Leases	Total		PWLB	LOBO	PFI and Finance Leases	Total
£000	£000	£000	£000		£000	£000	£000	£000
2,399	1,462	10,852	<b>14,713</b>	Less than 1 year	935	203	10,158	<b>11,296</b>
0	768	11,739	<b>12,507</b>	Between 1 and 2 years	1,496	203	10,852	<b>12,551</b>
6,173	2,020	38,911	<b>47,104</b>	Between 2 and 5 years	3,367	608	40,251	<b>44,226</b>
13,842	2,426	64,535	<b>80,803</b>	Between 5 and 10 years	12,907	1,014	59,600	<b>73,521</b>
10,510	29,852	67,209	<b>107,571</b>	Between 10 and 20 years	13,690	27,028	82,543	<b>123,261</b>
11,321	14,852	0	<b>26,173</b>	Between 20 and 30 years	8,581	12,028	0	<b>20,609</b>
48,638	36,763	0	<b>85,401</b>	Between 30 and 40 years	51,939	35,101	0	<b>87,040</b>
0	42,500	0	<b>42,500</b>	Above 40 years	0	43,717	0	<b>43,717</b>
<b>92,883</b>	<b>130,643</b>	<b>193,246</b>	<b>416,772</b>	<b>Total</b>	<b>92,915</b>	<b>119,902</b>	<b>203,404</b>	<b>416,221</b>

The LOBO maturity profile assumes that the lenders will not exercise any options embedded in the loans until maturity. As of 31 March 2023, LOBO loans with nominal value £83m have fixed interest rates ranging from 3.58% to 4.67%, whilst a loan with nominal value £37m has a stepped rate ranging from 2.69% on 31 March 2023 to 6.30% at maturity. Of the total amount of LOBO loans, £35m have a break clause at every biannual interest payment date, £5m have a break clause every three years, and £80m every five years. In the current interest rate environment, it is unlikely that the lenders will exercise their options to request early repayment of these LOBOs.

#### f) Refinancing and Maturity Risk

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

#### g) Market Risk – Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments and these impact the Council according to how variable and fixed interest rates move across differing financial instrument periods. The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy includes expected interest rate movements. A treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure, and this is monitored regularly. If variable interest rates had been 0.1% higher (with all other variables held constant) the financial effect would be a net increase in income of £0.228m. The impact of a 0.1% fall in interest rates would be a net decrease in income of £0.228m.

## Notes to the Core Financial Statements

## 14. DEBTORS

## a) Long Term Debtors

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

	31/03/23 £000	31/03/22 £000	
Lewisham Homes Limited - Loan	40,000	40,000	(a)
Catford Regeneration Partnership Limited (CRPL) - Loan	16,225	15,448	(b)
Street Lighting PFI Sinking Fund	2,950	2,950	(c)
Land Charges Debts	257	257	
Other Long Term Debtors	1,395	865	
<b>Total Long Term Debtors</b>	<b>60,827</b>	<b>59,520</b>	

a) Lewisham Homes Limited Loan

A loan of £8m was advanced to Lewisham Homes Limited in 2015/16, a further £6m in 2016/17 a further £12m in 2017/18, a further £11m in 2018/19 and a further £3m in 2021/22. (See Section 6 – Group Accounts).

b) Catford Regeneration Partnership Limited Loan

A loan of £12m was advanced to CRPL in 2010/11, followed by further loans of £0.25m in 2015/16, £1.0m in 2016/17, £0.5m in 2019/20, £1.2m in 2020/21 and £0.6m in 2021/22. (See Section 6 – Group Accounts). In recent years the yearly interest charge on the loan has been capitalised and added to the loan value.

c) Street Lighting PFI Sinking Fund

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



## Notes to the Core Financial Statements

**b) Current Debtors**

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

	31/03/23 £000	31/03/22 £000
Government and Other Public Bodies:		
HM Revenue & Customs - VAT	8,251	8,353
Central Government bodies	11,044	4,146
Other Local Authorities	3,038	11,801
NHS bodies	1,754	3,558
Other Public bodies	680	639
Council Tax Payers	36,203	31,118
NDR Payers	2,365	2,312
Council Tax Court Costs	5,700	4,609
Housing Benefit Overpayments	19,069	13,098
Housing Rents (inc PSL, B & B, Hostels, Commercial)	12,056	10,119
Leaseholders Services Charges	8,156	5,569
Parking	0	0
LBL Pension Fund	2,192	1,496
General Debtors due for Supplies and Services	44,007	38,718
<b>Total Current Debtors</b>	<b>154,515</b>	<b>135,536</b>
<b>Impairment Allowances</b>	<b>(84,867)</b>	<b>(68,031)</b>
<b>Total Net Current Debtors</b>	<b>69,648</b>	<b>67,505</b>

**c) Impairment Allowances**

	Balance at 31/03/22 £000	Movement in 2022/23 £000	Balance at 31/03/23 £000
Council Tax Payers	(27,609)	(4,888)	<b>(32,497)</b>
Council Tax Court Costs	(4,065)	(1,009)	<b>(5,074)</b>
NDR Payers	(2,044)	19	<b>(2,025)</b>
Housing Benefit Overpayments	(10,039)	(6,961)	<b>(17,000)</b>
Housing Rents (inc PSL, B & B, Hostels, Commercial)	(3,426)	(724)	<b>(4,150)</b>
Leaseholders Services Charges	(2,363)	(169)	<b>(2,532)</b>
General Debtors due for Supplies and Services	(18,485)	(3,104)	<b>(21,589)</b>
<b>Total Impairment Allowances</b>	<b>(68,031)</b>	<b>(16,836)</b>	<b>(84,867)</b>

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

## Notes to the Core Financial Statements

## 15. CASH AND CASH EQUIVALENTS

	Balance 31/03/22 £000	Movement in 2022/3 £000	Balance 31/03/23 £000
<b>Cash Equivalents</b>			
Short Term Deposits	0	0	0
<b>Cash</b>			
Money Market Funds	116,263	(25,300)	90,963
Call Accounts with Banks	0	0	0
	<b>116,263</b>	<b>(25,300)</b>	<b>90,963</b>
<b>Other Cash and Bank Balances</b>			
Main Bank Accounts	0	0	0
Schools Bank Accounts	0	1,523	1,523
Other Cash and Bank Accounts	1,376	(396)	980
	<b>1,376</b>	<b>1,127</b>	<b>2,503</b>
<b>Total Cash and Cash Equivalents</b>	<b>117,639</b>	<b>(24,173)</b>	<b>93,466</b>
<b>Bank Accounts Overdrawn</b>			
Main Bank Accounts	(5,047)	5,047	0
Schools Bank Accounts	(885)	885	0
	<b>(5,932)</b>	<b>5,932</b>	<b>0</b>
<b>Net Cash and Cash Equivalents</b>	<b>111,707</b>	<b>(18,241)</b>	<b>93,466</b>

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

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

c) The schools bank accounts are an integral part of the Council's overall cash management arrangements, and are therefore included under Net Cash and Cash Equivalents. They consist of individual accounts for each school, and an overall treasury account which is used to invest the net balance in conjunction with the Council's other balances. The balances on these accounts were £18.7m (2021/22 £17.7m) and overdrawn £17.2m (2021/22 overdrawn £18.6m) respectively.

## Notes to the Core Financial Statements

## 16. CREDITORS

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

	31/03/23 £000	31/03/22 £000
Government and other public bodies:		
HM Revenue & Customs	5,794	5,964
Central Government bodies	26,096	51,808 (a)
Other Local Authorities	14,180	4,650
NHS bodies	1,424	2,814
Other Public bodies	110	1,579
	<b>47,604</b>	<b>66,815</b>
Short Term Compensated Absences	20,677	18,555
Council Tax	8,188	6,856
NDR	4,594	3,336
General Creditors (amounts owed for supplies and services)	65,485	61,685
<b>Total Creditors</b>	<b>146,548</b>	<b>157,247</b>

a) Central Government bodies

See table below for an analysis of Central Government bodies creditors:

	31/03/23 £000	31/03/22 £000
School Capital Grants	12,211	6,348
DLUHC - NDR Creditor	8,962	83
Teachers Pensions	2,542	1,868
Covid Grants	1,509	4,314
Energy Support Grant	396	0
S31 grant - Expanded Retail discount and Nursery Relief	0	19,723
Homes for Ukraine Scheme	0	17,270
RTB Receipts Pooling	0	1,926
Other	476	276
<b>Total Central Government Creditors</b>	<b>26,096</b>	<b>51,808</b>

## Notes to the Core Financial Statements

## 17. REVENUE RECEIPTS IN ADVANCE

	31/03/23 £000	31/03/22 £000
Capital Contributions Unapplied	13,209	16,374 (a)
PFI Schemes	25,723	25,172
Revenue Grants and Contributions	10,830	9,490
Rents in Advance	11,911	8,383
Council Tax	3,140	2,844
NDR	284	448
Other Receipts in Advance	8,184	6,333
<b>Total Receipts in Advance</b>	<b>73,281</b>	<b>69,044</b>

(a) Capital Contributions Unapplied

Capital Contributions Unapplied includes a balance of £13.2m Section 106 Contributions, where the conditions have not yet been met, in 2022/23 (2021/22 was £16.4m).

## 18. PROVISIONS

Provisions are recognised where the Council has a legal or constructive obligation arising from a past event that will probably require settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are determined to be short or long term dependent on when settlement is expected.

	Balance 31/03/22 £000	2022/23 Transfers		Balance 31/03/23 £000
		Out £000	In £000	
<b>Current (less than 1 year)</b>				
Insurance Provision (a)	2,435	(2,345)	2,257	2,347
Water Charges Provision (b)	5,989	(6,246)	257	0
Term Time Only Claims Provision (c)	990	(423)	0	567
NDR Appeals Provision	4,321	(489)	0	3,832
Other Provisions (d)	1,859	(234)	24	1,649
	<b>15,594</b>	<b>(9,737)</b>	<b>2,538</b>	<b>8,395</b>
<b>Non Current (Over 1 year)</b>				
Insurance Provision (a)	3,592	0	1,123	4,715
Water Charges Provision (b)	0	0	0	0
Other Provisions (d)	2,084	(784)	0	1,300
	<b>5,676</b>	<b>(784)</b>	<b>1,123</b>	<b>6,015</b>
<b>Total - Provisions</b>	<b>21,270</b>	<b>(10,521)</b>	<b>3,661</b>	<b>14,410</b>

## Notes to the Core Financial Statements

- (a) Insurance Provisions  
The Council's insurance programme comprises a mix of external insurance, largely for cover at catastrophe level or where required by contract or lease arrangements, and self-insurance. Dedicated Insurance Provisions and Reserves are maintained to provide 'self-insurance' to meet either uninsured losses or losses that fall below the external insurance excess. The appropriate levels are assessed annually by the Council's insurance actuaries.
- (b) Water Charges Provision  
This was a provision to refund tenants their water charge discounts going back to 2001. This followed a Court of Appeal ruling in October 2020 regarding Kingston Council. A provision was set up in 2019/20 and payments were concluded in 2022/23.
- (c) Term Time Only Claims Provision  
There were errors with the formula used by some Councils to calculate holiday pay for term-time only support staff in schools dating back several years. A provision was set up for this in 2020/21 with most payments being made in 2021/22 and 2022/23, it is expected that the remainder of the provision will be used in 2023/24.
- (d) Other Provisions  
Other Provisions includes a provision for the potential liability in respect of savings accounts for Children Leaving Care, which extends back a number of years (£1.7m). Payments related to these are expected in 2022/23 and future years.

**19. USABLE CAPITAL RECEIPTS**

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

	<b>2022/23</b> <b>£000</b>	<b>2021/22</b> <b>£000</b>
<b>Balance brought forward at start of year</b>	<b>64,387</b>	<b>58,296</b>
Amounts Received	<b>15,338</b>	<b>15,815</b>
Poolable to Central Government	<b>0</b>	<b>(1,940)</b>
Receipts returned to Central Government	<b>0</b>	<b>0</b>
Amounts applied to finance new capital investment	<b>(12,587)</b>	<b>(7,784)</b>
<b>Total increase/(decrease) in capital receipts in year</b>	<b>2,751</b>	<b>6,091</b>
<b>Balance carried forward at end of year</b>	<b>67,138</b>	<b>64,387</b>

## Notes to the Core Financial Statements

**20. PENSION RESERVE**

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

	<b>2022/23</b> <b>£000</b>	<b>2021/22</b> <b>£000</b>
<b>Balance brought forward at start of year</b>	<b>(566,008)</b>	<b>(771,041)</b>
Actuarial gains or losses on pensions assets and liabilities	<b>575,463</b>	146,551
Return on Assets excluding amounts included in Net Interest	<b>(105,253)</b>	105,502
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	<b>(81,189)</b>	(78,873)
Employer's pensions contributions and direct payments to pensioners payable in the year	<b>37,408</b>	31,853
<b>Balance carried forward at end of year</b>	<b>(139,579)</b>	<b>(566,008)</b>

## Notes to the Core Financial Statements

## 21. REVALUATION RESERVE

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

	2022/23 £000	2021/22 £000
<b>Balance brought forward at start of year</b>	<b>1,288,111</b>	<b>1,209,588</b>
Revaluation of Assets	123,035	104,636
Impairment Losses	(217)	(1,934)
Loss of Control of Assets	0	0
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>122,818</b>	<b>102,702</b>
Difference between fair value and historic cost depreciation	(21,979)	(20,992)
Accumulated gains on assets sold or scrapped	(6,358)	(3,187)
<b>Amount written off to the Capital Adjustment Account</b>	<b>(28,337)</b>	<b>(24,179)</b>
<b>Balance carried forward at end of year</b>	<b>1,382,592</b>	<b>1,288,111</b>

## Notes to the Core Financial Statements

**22. CAPITAL ADJUSTMENT ACCOUNT**

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

	<b>2022/23 £000</b>	<b>2021/22 £000</b>
<b>Balance brought forward at start of year</b>	<b>1,087,629</b>	<b>1,044,137</b>
<u>Reversal of capital expenditure items debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	<b>(77,560)</b>	(44,609)
Revenue expenditure funded from capital under statute	<b>(2,945)</b>	(2,738)
Non-current assets written off on disposal and de-recognition - gain/loss to the CIES	<b>(62,325)</b>	(54,882)
	<b>(142,830)</b>	<b>(102,229)</b>
Adjusting amounts written out of the Revaluation Reserve	<b>28,337</b>	24,179
<b>Net amount written out of the cost of non-current assets consumed in the year</b>	<b>(114,493)</b>	<b>(78,050)</b>
<u>Capital Financing applied in the year:</u>		
Use of Capital Receipts to finance new capital expenditure	<b>12,587</b>	7,784
Use of Major Repairs Reserve to finance new capital expenditure	<b>25,703</b>	27,177
Capital grants and contributions credited to the CIES	<b>29,824</b>	20,776
Statutory Provision for the financing of capital investment	<b>4,668</b>	4,327
Repayment of Principal on PFI schemes	<b>10,158</b>	8,036
Capital expenditure charged to General Fund and HRA	<b>21,529</b>	53,442
	<b>104,469</b>	<b>121,542</b>
<b>Balance carried forward at end of year</b>	<b>1,077,605</b>	<b>1,087,629</b>



## Notes to the Core Financial Statements

## 23. EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's expenditure and income is analysed by type in the table below:

	2022/23 £000	2021/22 £000
Employee expenses - LBL	314,242	303,043
Employee expenses - Schools Non-LBL	68,051	65,589
Other Expenditure	773,079	715,211
Revaluation, Depreciation, Amortisation and Impairment	78,459	44,705
Interest payments	30,949	31,031
Loss of Control of Assets	0	0
Precepts and levies	1,683	1,702
Payments to Housing Capital Receipts Pool	0	1,940
Gain or loss on disposal and de-recognition of non-current assets	46,987	38,721
Net interest on the net defined benefit liability	15,693	15,883
<b>Total Expenditure</b>	<b>1,329,143</b>	<b>1,217,825</b>
Government grants and contributions	(693,622)	(650,497)
Fees, Charges and Other service income	(294,053)	(272,540)
Interest and Investment income	(8,602)	(1,611)
Income from council tax, non-domestic rates, district rate income	(209,012)	(213,843)
Recognised Capital Grants and Contributions	(27,208)	(19,839)
Gain or loss on disposal and de-recognition of non-current assets	0	0
Other Income	0	0
<b>Total Income</b>	<b>(1,232,497)</b>	<b>(1,158,330)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>96,646</b>	<b>59,495</b>

The Council's Fees, Charges and Other Service Income is analysed by type in the table below:

	2022/23 £000	2021/22 £000
<b>Fees, Charges and Other Service Income</b>		
Rent & Service Charges	(134,299)	(126,229)
Contributions from Health	(38,578)	(41,342)
S106	0	(4,508)
Schools Income	(17,053)	(14,199)
Parking Income	(15,480)	(13,158)
PFI Credits Income	(11,887)	(10,421)
Fees & Charges Income	(11,424)	(7,445)
Community Infrastructure Levy (CIL)	(7,455)	(6,646)
Other Care Charges Income	(4,011)	(6,093)
Fairer Charging Income	(6,226)	(5,343)
Cemeteries & Crematoria Income	(2,529)	(2,387)
Housing Benefits - Other Income	(1,334)	(2,306)
Licenses & Permits	(2,627)	(1,801)
Court Costs Income	(2,809)	(1,651)
Planning Fees	(1,877)	(1,502)
Contributions from Other Local Authorities	(1,817)	(1,286)
Bailiff Fees	(1,157)	(19)
Professional Fees Income	(933)	(1,148)
Fines	(21)	(1,140)
Other Income	(32,536)	(23,914)
<b>Total Income</b>	<b>(294,053)</b>	<b>(272,540)</b>

## Notes to the Core Financial Statements

**24. AGENCY SERVICES AND POOLED BUDGETS**

In 2022/23 the Council operated a pooled budget as defined by the terms of a Section 75 Agreement (National Health Service Act 2006).

There is one Pooled fund called Lewisham Better Care Fund (BCF). The Host Partner for the pooled fund is the Council (LBL) and the Pooled Fund Manager, is an officer of the council, the Strategic Finance Business partner, Community Services.

The two partners in the agreement are LBL and NHS Lewisham ICB.

Before the start of the financial year the Partners agree an expenditure plan and the financial contribution of each party. Each element of the plan indicates which party will be the Lead Commissioner (or whether there will be joint commissioning). All BCF expenditure will require the approval of the Partnership Board as such there is joint control of the Fund. Payments to and from the Pooled Fund are made from and recorded on the Council's financial systems.

Except where agreed otherwise payments to providers for services that are part of the BCF are made by the Partner holding the contract. These are identified and agreed by the Partners at least yearly before the start of each financial year. The Council invoices the ICB monthly for 1/12th of the agreed annual contribution less all planned payments made by the ICB in relation to ICB let contracts delivering the Schemes. Each party therefore accounts only for its share of the relevant expenditure within its own accounts with any surplus or deficit on the Fund held on behalf of the Fund by the Lead Authority.

The total Lewisham Better Care Fund for 2022/23 was £43.2m, the split of which can be seen in the table below:

	2022/23 £000	2021/22 £000
<u>Funding provided to the pooled budget:</u>		
Lewisham Borough Council	(17,235)	(16,795)
Lewisham ICB (Previously NHS Lewisham CCG)	(25,972)	(24,581)
	<b>(43,207)</b>	<b>(41,376)</b>
<u>Expenditure met from the pooled budget:</u>		
Lewisham Borough Council	28,099	26,978
Lewisham ICB (Previously NHS Lewisham CCG)	15,108	14,398
	<b>43,207</b>	<b>41,376</b>
<b>Net surplus arising in year</b>	<b>0</b>	<b>0</b>

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

The Council is sole owner of two companies:

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

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

## Notes to the Core Financial Statements

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

The Council has a stake of 10% in Lewisham Schools for the Future LEP Limited which is the Local Education Partnership company also comprising Costain Engineering & Construction Limited, Babcock Project Investments Limited and Building Schools for the Future Limited as well. It was established under the Council's Building Schools for the Future (BSF) programme to rebuild and refurbish the secondary schools within the Borough. No payments were made to this company in 22/23.

The Council also has a 10% stake in four Special Purpose Vehicles which were set up in relation to the schools which were built within this BSF Programme. The companies concerned are Lewisham Schools for The Future SPV Limited (payments made in 22/23 was £9.6m, 21/22 £9.5m), Lewisham Schools for The Future SPV2 Limited (payments made in 22/23 was £3.3m, 21/22 £3.2m), Lewisham Schools for The Future SPV3 Limited (payments made in 22/23 was £4.8m, 21/22 £4.7m) and Lewisham Schools for The Future SPV4 Limited (payments made in 22/23 was £8.9m, 21/22 £8.6m). The Director of Financial Services is the Council's Director on all of these companies' boards. The corporate structure is standard to BSF schemes.

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

The Council has a minority share of less than 1% in South-East London Combined Heat and Power Limited (SELCHP) which is a joint venture with the London Borough of Greenwich for the provision of waste disposal and waste to energy services. The Council's interest does not provide it with joint control, and it is not a party to the joint venture. Payments of £5.8m were made in 2022/23 to the company £4.7m in 2021/22) and are included in the Housing, Regeneration & Environment line of the CIES.

**iii) Lewisham Grainger Holdings LLP**

During 2018/19 the Council formed a Limited Liability Partnership with Grainger Developments Ltd. The Council and Grainger are each 50:50 shareholders in the holding company and this (and its subsidiaries) are all registered at Companies House. Therefore, this is not a subsidiary of the Council as LBL do not have the majority shareholding. There is joint control between the Council and Grainger Developments Ltd., and this meets the definition of a joint venture under IFRS11. The partnership will build housing for rent in Besson Street, New Cross. No payments were made to the company by the Council in 2022/23 or 2021/22.

**26. MEMBERS' ALLOWANCES**

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

	<b>2022/23</b> <b>£000</b>	<b>2021/22</b> <b>£000</b>
Allowances (incl. NI)	1,113	1,005
Other Expenses	7	13
<b>Total Expenditure in Year</b>	<b>1,120</b>	<b>1,018</b>

## Notes to the Core Financial Statements

## 27. OFFICERS' REMUNERATION

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

Remuneration Band	Non-Schools		Schools		Totals	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
£50,000 to £54,999	191	159	348	278	539	437
£55,000 to £59,999	95	61	39	66	134	127
£60,000 to £64,999	64	23	43	81	107	104
£65,000 to £69,999	12	13	78	33	90	46
£70,000 to £74,999	13	22	49	37	62	59
£75,000 to £79,999	31	17	35	24	66	41
£80,000 to £84,999	3	2	24	22	27	24
£85,000 to £89,999	4	5	16	14	20	19
£90,000 to £94,999	1	0	15	3	16	3
£95,000 to £99,999	1	1	7	4	8	5
£100,000 to £104,999	1	2	6	2	7	4
£105,000 to £109,999	3	6	1	4	4	10
£110,000 to £114,999	7	0	1	1	8	1
£115,000 to £119,999	3	4	4	1	7	5
£120,000 to £124,999	0	0	2	1	2	1
£125,000 and over	2	0	4	3	6	3
<b>Total</b>	<b>431</b>	<b>315</b>	<b>672</b>	<b>574</b>	<b>1103</b>	<b>889</b>

Note (i) These figures do not include the senior employees disclosed separately in note b) below.

## b) Disclosure of Senior Employees' Remuneration

## Disclosure of Senior Employees Remuneration for financial year 2022/23

Financial Year 2022/23	Salary (inc fees and allowances)	Employer's Pension Contributions	Total (inc. Pension Contributions)
	£	£	£
<b>Senior Employees</b>			
Chief Executive (Kim Wright)	192,426	43,296	235,722
Acting Chief Executive (Jennifer Daothong) (a)	15,503	3,488	18,991
Assistant Chief Executive (01-Apr-22 -31-Dec-22) (b)	94,317	21,222	115,539
Executive Director for Corporate Resources (Kathy Freeman)	160,404	36,091	196,495
Executive Director for Children and Young People (Pinaki Ghoshal)	160,449	36,101	196,550
Executive Director for Community Services (Tom Brown)	160,449	36,101	196,550
Executive Director for Housing, Regeneration and Public Realm (c)	140,627	31,641	172,268
01-Apr-22 to 03-Mar-23 (Jennifer Daothong) (a)	140,627	31,641	172,268
04-Mar-23 to 31-Mar-23	0	0	0
Executive Director for Place (13-Mar-23 to 31-Mar-23) (c)	12,018	0	12,018
Director of Public Health	110,592	24,883	135,475
Director of Law & Corporate Governance	143,815	0	143,815
<b>Totals</b>	<b>1,190,600</b>	<b>232,823</b>	<b>1,423,423</b>

(a) Jennifer Daothong commenced in post as Acting Chief Executive as of the 04-Mar-23.

(b) Assistant Chief Executive: The post was vacant from when the previous post holder left (31-Dec-22) to financial year end.

(c) The role for Executive Director for Housing, Regeneration and Public Realm has been replaced by Executive Director for Place from February 2023, this was filled in March 2023.

## Notes to the Core Financial Statements

## Disclosure of Senior Employees Remuneration for financial year 2021/22

Financial Year 2021/22	Salary (inc fees and allowances)	Employer's Pension Contributions	Total (inc. Pension Contributions)
	£	£	£
<b>Senior Employees</b>			
Chief Executive (Kim Wright)	184,950	41,614	226,564
Assistant Chief Executive	116,343	26,353	142,696
Executive Director for Corporate Resources (Kathy Freeman)	153,297	33,981	187,278
Executive Director for Children and Young People (Pinaki Ghoshal)	153,897	34,627	188,524
Executive Director for Community Services (Tom Brown)	151,029	34,627	185,656
Executive Director for Housing, Regeneration and Public Realm (a)	126,637	28,084	154,721
01-Apr-21 to 15-Aug-21	57,711	12,939	70,650
18-Oct-21 to 31-Mar-22	68,926	15,145	84,071
Director of Public Health	105,496	23,736	129,232
Director of Law & Corporate Governance (b)	55,823	12,811	68,634
01-Apr-21 to 31-Jul-21	44,525	10,279	54,804
17-Nov-21 to 31-Mar-22	11,298	2,532	13,830
<b>Totals</b>	<b>1,047,472</b>	<b>235,833</b>	<b>1,283,305</b>

(a) Executive Director for Housing, Regeneration and Public Realm: The post was vacant from when the previous post holder left (15-Aug-21) to when the new post holder joined (18-Oct-21)

(b) Director of Law & Corporate Governance: The post was vacant from when the previous post holder left (31-Jul-21) to when the new post holder joined (17-Nov-21). The current post holder was seconded to LBL part time (from 17-Nov-21 to 31-Mar-22) whilst he worked his notice period at Hackney.

The definition of a "Senior Employee" is set out in Regulation 7 of the Accounts and Audit (England) Regulations 2011 (SI 2011/817). In summary, they are either a statutory chief officer, or have the power to direct or control the major activities of the Council or report direct to the Head of the Council's paid service. They are not the same group of senior staff whose salaries are published on the Council's website. After a review in 2020/21 it was decided to only include the current members of the Executive Management Team (EMT) and the statutory post holders.

### c) Termination Benefits - Exit Packages Agreed in Year

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

Cost Band (inc Pension Fund Contributions)	Total Number of Exit Packages		Total Cost of Exit Packages	
	2022/23 No.	2021/22 No.	2022/23 £000	2021/22 £000
£0 to £20,000	62	101	575	743
£20,001 to £40,000	37	36	1,001	1,095
£40,001 to £60,000	22	13	1,084	640
£60,001 to £80,000	5	7	333	407
£80,001 to £100,000	0	2	0	166
£100,001 and over	4	3	568	315
<b>Total</b>	<b>130</b>	<b>162</b>	<b>3,561</b>	<b>3,366</b>

## Notes to the Core Financial Statements

## 28. EXTERNAL AUDIT COSTS

	2022/23 £000	2021/22 £000
External Audit Services	269	253
Certification of Grant Claims and Returns	70	47
Other services provided by the appointed auditor	8	0
	<b>347</b>	<b>299</b>

## 29. DEDICATED SCHOOLS' GRANT

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

	2022/23			2021/22		
	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000
<b>Final DSG before academy &amp; high needs recoupment</b>			319,388			312,503
Academy & high needs figure recouped			(40,821)			(39,831)
<b>Total DSG after academy &amp; high needs recoupment</b>			278,567			272,672
Brought forward from previous year	0	0	0	0	0	0
Carry forward to next year agreed in advance	0	0	0	0	0	0
<b>Agreed initial budgeted distribution</b>	64,282	214,285	278,567	59,107	213,565	272,672
In year adjustments	0	216	216	0	(167)	(167)
<b>Final Budget Distribution</b>	64,282	214,501	278,783	59,107	213,398	272,505
<b>Actual Central Expenditure</b>	68,507		68,507	64,677		64,677
<b>Actual ISB deployed to schools</b>		214,501	214,501		214,319	214,319
Local authority contribution	0		0	0		0
<b>Total In-Year (Deficit)/ Surplus</b>	(4,225)	0	(4,225)	(5,570)	(921)	(6,491)
<b>DSG unusable reserve (cumulative deficit) b/f</b>			(8,866)			(2,375)
Addition to DSG unusable reserve (in-year deficit)			(4,225)			(6,491)
<b>Total of DSG unusable reserve (cumulative deficit) at the end of year</b>			(13,091)			(8,866)

## Notes to the Core Financial Statements

**30. GRANT INCOME**

The following grants were credited to services during the year:

	2022/23 £000	2021/22 £000
Dedicated Schools Grant	(278,784)	(272,505)
Housing Benefit Grant	(158,678)	(159,901)
BSF/ Grouped Schools PFI Unitary Charge Grant	(26,468)	(26,150)
Public Health Grant	(26,064)	(25,352)
Improved Better Care Fund	(14,942)	(14,502)
Energy Support Grant	(14,921)	0
Pupil Premium Grant	(12,070)	(11,800)
Social Care Grant	(10,773)	(10,773)
Housing Subsidy/ Decent Homes Backlog Grant	(10,353)	(19,863)
Covid-19 Grants	(7,314)	(25,352)
Other Grants	(67,305)	(51,613)
<b>Total</b>	<b>(627,672)</b>	<b>(617,811)</b>

The following grants were credited to Taxation and non-specific Grant Income during the year:

	2022/23 £000	2021/22 £000
Revenue Support Grant (RSG)	(29,017)	(28,151)
S31 Business rate relief grant	(13,991)	0
S31 Business rate grants - Other	(8,212)	(1,009)
Services & Lower Tier Services Grants	(7,377)	0
Social Care Grant	(3,849)	0
New Homes Bonus	(1,011)	(2,652)
Other	(2,493)	(874)
<b>Total</b>	<b>(65,950)</b>	<b>(32,686)</b>

**31. RELATED PARTY TRANSACTIONS**

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

(a) Central Government and Other Local Authorities

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

(b) Subsidiaries, Associated Companies and Joint Ventures

Further details on these companies are given in Note 25 – Investment in Companies – and the Group Accounts section of these statements.

## Notes to the Core Financial Statements

Transactions with the companies that are solely owned by the Council are in the table below:

2022/23					
Name	Loan with LBL	Expenditure	Income	Income outstanding to LBL (LBL debtor balance)	Balance outstanding (LBL creditor balance)
	£'000	£'000	£'000	£'000	£'000
Lewisham Homes Ltd	40,000	52,833	6,390	2,482	8,825
Catford Regeneration Partnership Ltd	16,225	861	11	0	0

2021/22					
Name	Loan with LBL	Expenditure	Income	Income outstanding to LBL (LBL debtor balance)	Balance outstanding (LBL creditor balance)
	£'000	£'000	£'000	£'000	£'000
Lewisham Homes Ltd	40,000	60,910	12,461	4,462	8,295
Catford Regeneration Partnership Ltd	15,448	798	20	0	0

(c) Companies of which the Council is a Joint Owner or Shareholder

Further details on these companies are given in Note 25 – Investment in Companies.

Payments made by the Council to these companies in 2022/23 are shown below:

- i) Lewisham Grainger Holdings LLP – no payments were made.

(d) Elected Members (Councillors) and Chief Officers

Councillors have direct control over the Council's financial and operating policies, and their total cost is shown in Note 26. They are required to declare all related party transactions which they have with any organisation in which they have a controlling interest. This information is recorded on the Council's Register of Members and Chief Officers' Declarations of Interests and is open to public inspection at the Civic Suite at Lewisham Civic Suite during office hours. The information is also published on the Council's website. The Council is compliant with the Localism Act 2012.

The Council has concluded that no related party transactions should be disclosed since all declared interests by Members or Offices are within organisations where they cannot exert a controlling interest.

(e) Lewisham Pension Fund

The Pension Fund Accounts are included in Section 8 of this document.



## Notes to the Core Financial Statements

**32. CAPITAL EXPENDITURE AND CAPITAL FINANCING**

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

	2022/23 £000	2021/22 £000
<b>Opening Capital Financing Requirement</b>	<b>518,340</b>	<b>507,210</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	134,289	113,656
Capital Expenditure not added to Fixed Assets	0	3,000 (a)
Revenue Expenditure Funded from Capital under Statute	2,945	2,738
	<b>137,234</b>	<b>119,394</b>
<b>Resources Used for Financing</b>		
Capital Receipts	(12,587)	(7,784)
Government Grants and Other Contributions	(29,824)	(20,776)
Major Repairs Reserve	(25,703)	(27,177)
Sums set aside from Revenue:	(21,529)	(53,442)
	<b>(89,643)</b>	<b>(109,179)</b>
<b>Increase in the underlying need to borrowing</b>	<b>47,591</b>	<b>10,215</b>
<b>Adjustment</b>		
Bring in PFI Schemes Asset	0	1,276 (b)
Realign the CFR to Statutory Requirements	0	13,278 (c)
	<b>0</b>	<b>14,554</b>
<b>Debt Redeemed</b>		
Minimum Revenue Provision	(4,668)	(4,327)
Repayment of Principal on PFI schemes	(10,158)	(9,312) (b)
	<b>(14,826)</b>	<b>(13,639)</b>
<b>Increase/ (decrease) in Capital Financing Requirement</b>	<b>32,765</b>	<b>11,130</b>
<b>Closing Capital Financing Requirement</b>	<b>551,105</b>	<b>518,340</b>

(a) Lewisham Homes Loan £3m in 2021/22

(b) It was found that the PFI asset was not included in the CFR Calculation from 2018/19, and therefore did not match the PFI liability already being shown on the balance sheet. This was corrected by restating the CFR 2018/19 figures in 2019/20. On review we found that the adjustment to the PFI asset value in 19/20 did not reflect the writing down of the liability for that year and so a further adjustment to correct the CFR was needed in 2020/21 & 2021/22.

(c) An adjustment was required in 2021/22 to realign the CFR balance to meet the statutory requirements as per appendix G of the CIPFA Practitioners guide to capital finance in local government.

## Notes to the Core Financial Statements

**33. LEASES****a) Council as a Lessee**i) Finance Leases

The council does not have any assets held under Finance Leases.

ii) Operating Leases

The Council has operating leases in the areas of Council Dwellings, School Plant and Equipment and Refuse Vehicles. The expenditure charged to services in the CIES during the year in relation to these leases was £1.43m (£1.6m in 2021/22). The future minimum lease payments due under non-cancellable leases in futures are:

	<b>31/03/23</b>	<b>31/03/22</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	1,425	1,614
Later than one year and not later than five years	3,373	3,382
Later than five years	14,115	14,293
	<b>18,913</b>	<b>19,289</b>

**b) Council as a Lessor**i) Finance Leases

The Council does not lease out any assets held under Finance Leases.

ii) Operating Leases

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

	<b>31/03/23</b>	<b>31/03/22</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	3,513	3,406
Later than one year and not later than five years	6,984	6,598
Later than five years	6,090	5,425
	<b>16,587</b>	<b>15,429</b>

## Notes to the Core Financial Statements

## 34. PRIVATE FINANCE INITIATIVES (PFI) CONTRACTS

## a) Summary of PFI Schemes

PFI Scheme	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF 1	BSF 2	BSF 3	BSF 4	Street Lighting
Start of Contract	2007	2007	2007	2009	2011	2012	2012	2011
End of Contract	2027	2039	2036	2035	2037	2037	2038	2036
<b>Total Estimated Cost</b>	<b>£294m</b>	<b>£87m</b>	<b>£236m</b>	<b>£249m</b>	<b>£88m</b>	<b>£123m</b>	<b>£232m</b>	<b>£95m</b>
Total PFI Credits	£207m	£30m			£674m			£54m
<b>Net PFI Cost</b>	<b>£87m</b>	<b>£57m</b>			<b>£254m</b>			<b>£41m</b>

## b) Payments made under PFI contracts

	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF 1	BSF 2	BSF 3	BSF 4	Street Lighting	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>2022/23</b>									
Service Charges	11,501	592	4,636	4,628	1,252	1,375	2,235	881	<b>27,100</b>
Interest	2,935	1,987	2,884	3,522	1,593	2,480	5,014	2,182	<b>22,597</b>
Liability Repayment	3,455	198	956	1,747	438	920	1,628	816	<b>10,158</b>
<b>Unitary Charge</b>	<b>17,891</b>	<b>2,777</b>	<b>8,476</b>	<b>9,897</b>	<b>3,283</b>	<b>4,775</b>	<b>8,877</b>	<b>3,879</b>	<b>59,855</b>
<b>2021/22</b>									
Service Charges	10,339	515	4,077	3,856	1,120	1,188	1,939	859	<b>23,893</b>
Interest	3,045	1,817	2,967	3,692	1,616	2,461	4,948	2,234	<b>22,780</b>
Liability Repayment	3,025	176	900	1,744	390	869	1,456	751	<b>9,311</b>
<b>Unitary Charge</b>	<b>16,409</b>	<b>2,508</b>	<b>7,944</b>	<b>9,292</b>	<b>3,126</b>	<b>4,518</b>	<b>8,343</b>	<b>3,844</b>	<b>55,984</b>

## 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 within the Council's Balance Sheet. The movements in value over the year are detailed in the following table.

	2022/23		2021/22	
	£000	£000	£000	£000
<b>Gross Book Value b/fwd</b>		387,240		372,901
<b>Additions</b>		0		0
Revaluations (recognised in Revaluation Reserve)	23,015		13,354	
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	814	23,829	1,551	14,905
Impairments (recognised in Revaluation Reserve)	0		0	
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	0	0	0
Loss of Control of Assets (recognised in Revaluation Reserve)	0		0	
Loss of Control of Assets (recognised in Financing and Investment Income and Expenditure)	0	0	0	0
Disposals		(1,434)		(566)
Transfers		0		0
Assets reclassified (to)/ from Held for Sale		0		0
<b>Gross Book Value c/fwd</b>		409,635		387,240
<b>Depreciation b/fwd</b>		(8,506)		(7,340)
Depreciation for year		(7,382)		(7,178)
<u>Depreciation written back on:</u>				
Transfers		0		0
Revaluations (recognised in Revaluation Reserve)	6,105		5,774	
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	111	6,216	238	6,012
Impairments (recognised in Revaluation Reserve)	0		0	
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0		0	
Assets sold		0		0
<b>Depreciation c/fwd</b>		(9,672)		(8,506)
<b>Net Book Value at End of Year</b>		<b>399,963</b>		<b>378,734</b>

## Notes to the Core Financial Statements

**d) PFI Liabilities**

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

	<b>Current Liabilities (Due within 1 Year)</b>		<b>Deferred (Future) Liabilities</b>	
	<b>2022/23 £000</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>	<b>2021/22 £000</b>
<b>Balance outstanding at start of year</b>	<b>10,158</b>	<b>9,302</b>	<b>193,246</b>	<b>202,138</b>
<b>Balance outstanding at end of year</b>	<b>10,852</b>	<b>10,158</b>	<b>182,394</b>	<b>193,246</b>

**e) Payments due under PFI contracts in future years**

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

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

## Notes to the Core Financial Statements

	In 2023/24 £000s	2 to 5 years £000s	6 to 10 years £000s	11 to 15 years £000s	16 to 20 years £000s	Total £000s
<b>Brockley HRA</b>						
Service charges	10,527	33,986				44,513
Interest	2,839	6,201				9,040
Repayment of liability	4,210	16,094				20,304
Planned lifecycle replacement	638	1,998				2,636
<b>Downham Lifestyles</b>						
Service charges	296	1,258	1,758	1,988	428	5,728
Interest	2,003	8,095	9,766	8,882	1,551	30,297
Repayment of liability	225	1,253	2,376	4,373	1,265	9,492
Planned lifecycle replacement	312	1,333	1,877	2,124	457	6,103
<b>Grouped Schools</b>						
Service charges	3,482	14,944	21,204	14,832		54,462
Interest	2,793	10,143	9,875	3,078		25,889
Repayment of liability	1,027	5,710	12,162	11,175		30,074
Planned lifecycle replacement	1,337	4,799	4,486	2,681		13,303
<b>BSF 1</b>						
Service charges	3,332	14,345	20,502	9,089		47,268
Interest	3,217	11,745	9,430	480		24,872
Repayment of liability	1,688	9,325	17,935	7,921		36,869
Planned lifecycle replacement	1,769	5,994	7,279	2,806		17,848
<b>BSF 2</b>						
Service charges	1,134	4,135	5,778	5,737		16,784
Interest	1,547	5,635	5,380	2,203		14,765
Repayment of liability	478	2,424	4,834	6,813		14,549
Planned lifecycle replacement	162	1,458	1,972	2,064		5,656
<b>BSF 3</b>						
Service charges	1,348	6,025	9,249	9,402		26,024
Interest	2,362	8,569	8,011	4,327		23,269
Repayment of liability	888	4,113	6,742	9,172		20,915
Planned lifecycle replacement	246	1,292	2,518	2,594		6,650
<b>BSF 4</b>						
Service charges	2,367	10,185	15,572	18,836		46,960
Interest	4,747	17,663	17,147	9,269		48,826
Repayment of liability	1,450	7,357	12,540	19,040		40,387
Planned lifecycle replacement	428	1,846	3,700	5,114		11,088
<b>Streetlighting</b>						
Service charges	903	3,843	5,370	4,000		14,116
Interest	2,125	7,795	7,524	2,994		20,438
Repayment of liability	886	4,373	7,944	7,450		20,653
Planned lifecycle replacement	0	0	0	0		0
<b>Totals</b>	<b>60,766</b>	<b>233,936</b>	<b>232,931</b>	<b>178,444</b>	<b>3,701</b>	<b>709,778</b>

## Notes to the Core Financial Statements

	In 2022/23	2 to 5 years	6 to 10 years	11 to 15 years	16 to 20 years	Total
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Brockley HRA</b>						
Service charges	9,779	39,857	635			50,271
Interest	2,799	7,978	215			10,992
Repayment of liability	3,455	19,657	647			23,759
Planned lifecycle replacement	681	2,397	1			3,079
<b>Downham Lifestyles</b>						
Service charges	262	1,116	1,560	1,765	769	5,472
Interest	1,837	7,427	9,020	8,193	2,782	29,259
Repayment of liability	198	1,104	2,166	3,846	2,378	9,692
Planned lifecycle replacement	277	1,180	1,666	1,885	821	5,829
<b>Grouped Schools</b>						
Service charges	3,081	13,222	18,759	17,575		52,637
Interest	2,884	10,514	10,285	4,281		27,964
Repayment of liability	956	4,970	11,010	14,095		31,031
Planned lifecycle replacement	1,155	4,704	4,153	3,244		13,256
<b>BSF 1</b>						
Service charges	2,940	12,678	18,107	12,231		45,956
Interest	3,460	12,055	10,431	1,678		27,624
Repayment of liability	1,747	8,243	16,363	12,263		38,616
Planned lifecycle replacement	1,251	5,846	6,630	3,759		17,486
<b>BSF 2</b>						
Service charges	862	3,670	5,128	5,802	520	15,982
Interest	1,580	5,816	5,737	2,982	40	16,155
Repayment of liability	438	2,201	4,349	7,249	751	14,988
Planned lifecycle replacement	279	1,279	1,791	1,967	257	5,573
<b>BSF 3</b>						
Service charges	1,117	5,181	8,060	9,531	906	24,795
Interest	2,391	8,694	8,412	5,024	304	24,825
Repayment of liability	920	3,966	6,314	9,361	1,275	21,836
Planned lifecycle replacement	143	994	2,109	2,663	283	6,192
<b>BSF 4</b>						
Service charges	1,880	8,821	13,752	16,431	3,726	44,610
Interest	4,845	17,826	17,688	10,758	947	52,064
Repayment of liability	1,628	6,935	11,438	17,571	4,443	42,015
Planned lifecycle replacement	165	1,448	3,256	4,301	1,081	10,251
<b>Streetlighting</b>						
Service charges	881	3,750	5,239	5,127		14,997
Interest	2,182	8,091	8,099	4,247		22,619
Repayment of liability	816	4,028	7,314	9,312		21,470
Planned lifecycle replacement	0	0	0	0		0
<b>Totals</b>	<b>56,889</b>	<b>235,648</b>	<b>220,334</b>	<b>197,141</b>	<b>21,283</b>	<b>731,295</b>

## Notes to the Core Financial Statements

**35. CAPITAL CONTRACTUAL COMMITMENTS**

The table below lists the contractual commitments for the acquisition of property, plant and equipment. These are estimated amounts based either on the value of open purchase orders or officer estimates.

	<b>Contractual commitments as at 31/03/23</b>
	<b>£m</b>
<b>General Fund</b>	
Lewisham Gateway (Phase 2)	6.8
Temporary Accommodation - Mayow Rd	0.9
<b>Housing Revenue Account</b>	
New Cross Road Acquisition 52-54	8.2
Bampton	1.7
Walsham House Garages	1.6
Elderton Road Garages	1.4
Creekside Acquisition	0.6
Sommerville Phase 1	0.5
Kenton Court	0.4
Achilles Street - Development	0.4
Housing Management System	0.4
Ladywell Leisure Centre Development site	0.3
<b>Total Capital Programme contractual commitments</b>	<b>23.2</b>

	<b>Contractual commitments as at 31/03/22</b>
	<b>£m</b>
<b>General Fund</b>	
Greenvale School Expansion	1.8
Public Sector Decarbonisation Scheme(PSDS)	1.4
Catford Library Project works	0.4
Old Town Hall	0.3
<b>Housing Revenue Account</b>	<b>37.0</b>
<b>Total Capital Programme contractual commitments</b>	<b>40.9</b>



**36. DEFINED CONTRIBUTION PENSION SCHEMES**

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

Teachers employed by the Council are members of the Teachers' Pension Scheme, which is run by the Department for Education (DfE). The scheme provides benefits upon retirement with both the Council and the employee making contributions to the scheme. The scheme is "unfunded" and the DfE use a notional fund to set a national employers contribution rate based on a percentage of members' pensionable pay – in 2022/23 this rate was 23.68% (in 2021/22 23.68%). In 2022/23, the Council paid £21.3m to the DfE in respect of teachers' pension costs (£20.5m in 2021/22).

Public Health staff employed by the Council are members of the NHS Pension Scheme, which is run by the Department of Health (DoH). The scheme provides benefits upon retirement with both the Council and the employee making contributions to the scheme. The scheme is "unfunded" and the DoH use a notional fund to set a national employers contribution rate based on a percentage of members' pensionable pay – this rate was 20.68% for 2022/23 (14.38% paid by employers and 6.3% paid centrally (in 2021/22 this was also 20.68%). In 2022/23 the Council paid £0.023m to the DoH in respect of employees' pension costs (£0.079m in 2021/22).

**37. DEFINED BENEFIT PENSION SCHEMES**

**a) Participation in Pension Schemes**

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

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

These are assessed on an actuarial basis using the projected unit method and an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. They have been prepared by independent firms of actuaries (the LGPS by Hymans Robertson and the LPFA by Barnett Waddingham), and are based on IAS19 assumptions and calculations for the year and the latest triennial valuations as at 31 March 2023. It should be noted the Council has guaranteed any pension liability that may arise for its wholly owned subsidiary, Lewisham Homes Limited – this figure is excluded from the Council's single entity accounts but is included in the Group Accounts (see Section 6).

**c) Transactions relating to Retirement Benefits**

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

## Notes to the Core Financial Statements

<b>Comprehensive Income and Expenditure Statement</b>	<b>2022/23 £000</b>	<b>2021/22 £000</b>
<b>Cost of Service</b>		
Current Service Cost	63,969	61,883
Past Service Cost (inc.settlements and curtailments)	1,527	1,107
	65,496	62,990
<b>Financing and Investment Income and Expenditure</b>		
<u>Net Interest on the Net Defined Benefit Liability</u>		
Interest Income on Scheme Assets	(41,175)	(27,240)
Interest Cost on Defined Benefit Obligation (Liabilities)	56,868	43,123
	15,693	15,883
<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>81,189</b>	<b>78,873</b>
<u>Remeasurements of the Net Defined Benefit Liability</u>		
Return on Assets excluding amounts included in Net Interest	105,253	(105,502)
Actuarial Losses from changes in Demographic Assumptions	(16,928)	(5,092)
Actuarial Losses from changes in Financial Assumptions	(718,352)	(115,811)
Other Remeasurements & Gains and Losses	159,817	(25,648)
<b>Total Remeasurements recognised in CIES</b>	<b>(470,210)</b>	<b>(252,053)</b>
<b>Total Post Employment Benefits Charged to the CIES</b>	<b>(389,021)</b>	<b>(173,180)</b>
<b>Movement in Reserves Statement</b>	<b>2022/23 £000</b>	<b>2021/22 £000</b>
Reversal of Net Charges made to the Surplus or Deficit on the Provision of Services	(81,189)	(78,873)
Employers' Contributions Payable to the Scheme	37,408	31,853
Return on Assets excluding amounts included in Net Interest	(105,253)	105,502
Actuarial Gains and Losses	575,463	146,551
<b>Net Movement in Pensions Reserve</b>	<b>426,429</b>	<b>205,033</b>

## d) Pensions Assets and Liabilities Recognised in the Balance Sheet

	<b>31/03/23 £000</b>	<b>31/03/22 £000</b>
Fair Value of Plan Assets	1,459,367	1,537,228
Present Value of Defined Benefit Liability (Obligation)	(1,551,380)	(2,050,849)
	(92,013)	(513,621)
Present Value of Unfunded Liabilities	(47,566)	(52,387)
<b>Pensions Reserve - Year End Balance</b>	<b>(139,579)</b>	<b>(566,008)</b>

## Notes to the Core Financial Statements

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

	31/03/23 £000	31/03/22 £000
<b>Opening Fair Value of Scheme Assets</b>	<b>1,537,228</b>	<b>1,390,628</b>
Interest Income on Scheme Assets	41,203	27,349
Administration	(28)	(109)
<u>Remeasurement Gains / Losses</u>		
Return on Assets excluding amounts included in Net Interest	(105,253)	105,502
Employer Contributions	33,182	27,914
Contributions in respect of Unfunded Benefits	4,226	3,939
Contributions from Scheme Participants	9,891	8,131
Assets distributed on settlements	0	0
Benefits Paid	(56,892)	(54,370)
Unfunded Benefits Paid	(4,226)	(3,939)
Other Remeasurements	36	32,183
<b>Closing Fair Value of Scheme Assets</b>	<b>1,459,367</b>	<b>1,537,228</b>

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

	31/03/23 £000	31/03/22 £000
<b>Opening Present Value of Scheme Liabilities (Obligations)</b>	<b>(2,103,236)</b>	<b>(2,161,669)</b>
Current Service Cost	(63,969)	(61,883)
Interest Cost on Defined Benefit Obligation (Liabilities)	(56,868)	(43,123)
Contributions from Scheme Participants	(9,891)	(8,131)
<u>Remeasurement Gains / Losses</u>		
Benefits Paid	56,892	54,370
Unfunded Benefits Paid	4,226	3,939
Actuarial Losses from changes in Demographic Assumptions	16,928	5,092
Actuarial Losses from changes in Financial Assumptions	718,352	115,811
Other Gains and Losses	(159,853)	(6,535)
Past Service Costs / Curtailments / Settlements	(1,527)	(1,107)
<b>Closing Present Value of Scheme Liabilities (Obligations)</b>	<b>(1,598,946)</b>	<b>(2,103,236)</b>

## Notes to the Core Financial Statements

## g) Pension Scheme Assets

	31/03/23			31/03/22		
	Active Market	Not in Active Markets	Total	Active Market	Not in Active Markets	Total
	£000	£000	£000	£000	£000	£000
<b>LGPS (LBL)</b>						
Debt Securities	126,776	0	126,776	181,696	0	181,696
Private Equity	0	113,811	113,811	0	60,003	60,003
Real Estate	0	133,622	133,622	0	126,812	126,812
Investment Funds / Unit Trusts	803,160	142,870	946,030	870,377	129,108	999,485
Cash and Cash Equivalents	0	48,742	48,742	0	77,432	77,432
<b>Total LGPS Assets</b>	<b>929,936</b>	<b>439,045</b>	<b>1,368,981</b>	<b>1,052,073</b>	<b>393,355</b>	<b>1,445,428</b>

	31/03/23			31/03/22		
	Active Market	Not in Active Markets	Total	Active Market	Not in Active Markets	Total
	£000	£000	£000	£000	£000	£000
<b>LPFA</b>						
Equities	44,848	7,176	52,024	44,002	8,250	52,252
Target Return Portfolio	6,774	9,676	16,450	11,447	8,325	19,772
Infrastructure	0	11,194	11,194	0	9,352	9,352
Real Estate	0	8,688	8,688	0	8,237	8,237
Cash	2,031	0	2,031	2,187	0	2,187
<b>Total LPFA Assets</b>	<b>53,653</b>	<b>36,734</b>	<b>90,387</b>	<b>57,636</b>	<b>34,164</b>	<b>91,800</b>

## h) Basis for Estimating Assets and Liabilities

	Local Government Pension Scheme		LPFA	
	2022/23	2021/22	2022/23	2021/22
Rate of Inflation – CPI	3.0%	3.2%	2.9%	3.5%
Salary Increase Rate	4.0%	4.2%	3.9%	4.5%
Pensions Increases	3.0%	3.2%	2.9%	3.5%
Rate for discounting scheme liabilities	4.8%	2.7%	4.8%	2.6%
<b>Mortality assumptions</b>				
Longevity at 65 for current pensioners - Men	21.0	21.4	20.2	21.0
Longevity at 65 for current pensioners - Women	24.1	24.3	23.9	24.2
Longevity at 65 for future pensioners - Men	22.1	22.5	21.4	22.2
Longevity at 65 for future pensioners - Women	25.5	25.7	25.0	25.7

## i) Sensitivity Analysis

Change in Assumption at 31st March 2023	Approximate % Increase in Employer Liability	Approximate Monetary Amount (£000)
<b>LGPS - LB Lewisham</b>		
0.1% Decrease in Real Discount Rate	2%	24,312
1 Year Increase in Member Life Expectancy	4%	60,449
0.1% Increase in the Salary Increase Rate	0%	1,688
0.1% Increase in the Pension Increase Rate	2%	22,982
<b>LPFA</b>		
0.1% Decrease in Real Discount Rate	n/a	54
1 Year Increase in Member Life Expectancy	n/a	55
0.1% Increase in the Salary Increase Rate	n/a	53
0.1% Increase in the Pension Increase Rate	n/a	54

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**Notes to the Core Financial Statements**

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

**j) Future Contributions**

The objectives of the scheme are to keep the employer's contributions at as constant a rate as possible. The Council anticipates paying £30.8m in contributions to the scheme in 2023/24.

**38. CONTINGENT LIABILITIES**

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

- There were 21 schools with licensed deficit budgets at the year end (2 nursery schools, 1 special school, 1 secondary school and 17 primary schools), totalling £6.3m. There were also three schools with local authority loans with a total balance of £1.2m, two of which had licensed deficit budgets. Because of the complexities and future uncertainties over the arrangements for dealing with school deficits/loans, some or all of this total of £7.5m may ultimately fail to be met from the Council's General Fund, either in 2023/24 or a later year.

**39. CONTINGENT ASSETS**

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

**40. TRUST FUNDS**

The Council acts as a trustee for other funds which are not included in the Balance Sheet. Interest on these funds is credited annually at the average rate earned on the Council's revenue balances. The total amount held as at 31 March 2023 was £0.1m (£0.1m as at 31 March 2022).

**41. HERITAGE ASSETS**

These assets comprise Lewisham Clock Tower (£706k) and the Civic Regalia (£249k). Their values in the accounts are insurance values which are assessed internally and based on current market values. The value of the assets at 31 March 2023 is £0.96m (£0.96m as at 31 March 2022).

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

## Notes to the Core Financial Statements

**42. CAPITAL GRANTS UNAPPLIED**

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place. The grants that make up the balance are detailed in the table below:

	2022/23 £000	2021/22 £000
Community Infrastructure Levy - LB Lewisham	(23,529)	(21,750)
Adults PSS Grant (DoH)	(2,566)	(2,626)
Disabled Facilities Grant	(2,059)	(1,790)
Public Sector Decarbonisation Scheme(PSDS)	0	(1,612)
Other Grants	393	(2,594)
<b>Total</b>	<b>(27,761)</b>	<b>(30,372)</b>

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

	2022/23 £000	2021/22 £000
Depreciation, Impairment and Downward Valuations	77,560	44,609
Increase/ (decrease) in creditors	(30,702)	28,162
(Increase)/ decrease in debtors	(5,623)	(5,660)
(Increase)/ decrease in inventories (stock)	(17)	8
Movement in pension liability	43,781	47,020
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	62,325	54,882
Other non-cash items charged to the net surplus or deficit on the provision of services	(7,152)	(8,513)
<b>Total Adjustment to net surplus or deficit on the provision of services for non-cash movements</b>	<b>140,172</b>	<b>160,508</b>

## Notes to the Core Financial Statements

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

	2022/23 £000	2021/22 £000
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	44	51
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(15,338)	(15,815)
Capital Grants credited to surplus or deficit on the provision of services	(27,213)	(24,543)
<b>Total Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	<b>(42,507)</b>	<b>(40,307)</b>

**45. CASH FLOW STATEMENT - OPERATING ACTIVITIES**

	2022/23 £000	2021/22 £000
Interest Received	2,073	1,765
Interest Paid	(30,937)	(31,035)
<b>Net Interest Paid</b>	<b>(28,864)</b>	<b>(29,270)</b>

**46. CASH FLOW STATEMENT - INVESTING ACTIVITIES**

	2022/23 £000	2021/22 £000
Purchase of Property, Plant and Equipment, investment property and intangible assets	(135,585)	(110,027)
Purchase of short and long term investments	(380,000)	(415,000)
Other payments for Investing Activities	4,556	(7,818)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	15,338	15,815
Proceeds from short-term and long-term investments	440,000	453,000
Capital Grants received in year	27,812	28,518
<b>Net Cash Flows from Investing Activities</b>	<b>(27,879)</b>	<b>(35,512)</b>



## Notes to the Core Financial Statements

## 47. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2022/23 £000	2021/22 £000
Cash receipts of short and long term borrowing	0	0
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(10,158)	(8,036)
Repayment of Short-Term and Long-Term Borrowing	(1,126)	(203)
Council Tax and NNDR adjustments	19,903	17,115
<b>Net Cash Flows from Financing Activities</b>	<b>8,619</b>	<b>8,876</b>

## 48. PRIOR YEAR ADJUSTMENTS/ RESTATEMENTS

In 2022/23 there were no restatements directly to the 2021/22 Group Accounts.

## Housing Revenue Account

## SECTION 4 - HOUSING REVENUE ACCOUNT

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

## HRA INCOME AND EXPENDITURE STATEMENT

	2022/23 £000	2021/22 £000	Note
<b>INCOME</b>			
Gross Rent - Dwellings	(73,176)	(70,248)	1
Gross Rent - Other Housing Properties	(3,497)	(3,604)	1
Charges for Services and Facilities	(13,567)	(13,472)	1
Housing Subsidy and Government Grants	(10,353)	(19,863)	2
Contribution towards Expenditure	(4,430)	(3,825)	4
<b>Total Income</b>	<b>(105,023)</b>	<b>(111,012)</b>	
<b>EXPENDITURE</b>			
Supervision and Management - General Expenses	43,789	39,296	5
Supervision and Management - Special Expenses	7,852	5,247	5
Repairs and Maintenance	22,657	24,824	6
Rent, Rates and Other Charges	645	235	8
Rent Rebate Subsidy Shortfall	0	0	3
Contribution to Doubtful Debts & Other Provisions	292	3,298	7
Depreciation - Dwellings	24,743	24,394	10
Depreciation - Other Housing Assets	960	899	10
Impairment of Non Current Assets	40,225	729	10
Debt Management Expenses	27	19	
<b>Total Expenditure</b>	<b>141,190</b>	<b>98,941</b>	
<b>Net Cost of Services included in the Council's Income and Expenditure Account</b>	<b>36,167</b>	<b>(12,071)</b>	
HRA Services share of Corporate and Democratic Core Costs	187	181	
<b>Net Cost of HRA Services</b>	<b>36,354</b>	<b>(11,890)</b>	
<b>HRA share of the Operating Income and Expenditure incl.in the Comprehensive Income and Expenditure Statement</b>			
(Gain) / Loss on Sale and de-recognition of HRA Non Current Assets	46,782	41,600	
Interest Payable and Similar Charges	5,869	4,840	11
Interest and Investment Income	(1,022)	(178)	
Pension Interest Cost and Expected Return on Pension Assets	83	67	12
<b>(Surplus) / Deficit for the Year on HRA Services</b>	<b>88,066</b>	<b>34,439</b>	

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Housing Revenue Account

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## HOUSING REVENUE ACCOUNT - MOVEMENT IN RESERVES STATEMENT

	2022/23 £000	2021/22 £000
<b>Balance on the HRA at the End of the Previous Year</b>	<b>30,315</b>	<b>74,977</b>
<u>Movement in Year</u> Surplus or (Deficit) for the year on the HRA Income and Expenditure Statement	<b>(88,066)</b>	<b>(34,439)</b>
Adjustments between Accounting Basis and Funding Basis under Statute	<b>71,819</b>	<b>(10,223)</b>
<b>Net Increase or (Decrease) before Transfers (To) / From Reserves</b>	<b>(16,247)</b>	<b>(44,662) *</b>
<b>Transfers (To) / From Reserves</b>	<b>0</b>	<b>0</b>
<b>Increase or (Decrease) in Year on the HRA</b>	<b>(16,247)</b>	<b>(44,662)</b>
<b>Balance on the HRA at the End of the Year</b>	<b>14,068</b>	<b>30,315</b>

\* Note - MRA only, others are not technically defined as transfers to from reserves, they are movements in the HRA Balance.

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

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

## Housing Revenue Account

## NOTES TO THE HOUSING REVENUE ACCOUNT

## 1. GROSS RENT OF DWELLINGS

This is the total rent collectable for the year after allowance is made for empty property. On 31 March 2023, 0.97% of lettable property was empty (0.67% on 31 March 2022). These figures for empty property exclude accommodation for the homeless and dwellings designated for sale, major works, and improvements. Average rents were £103.62 in 2022/23 and £99.19 per week in 2021/22.

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

## (a) Housing stock

The Council was responsible for managing 13,772 dwellings as at 31 March 2023 (13,699 as at 31 March 2022).

There have been no stock transfers undertaken in 2022/23.

The stock was made up as follows:

	31/03/23	31/03/22
<u>Stock Numbers at year end</u>		
Houses and Bungalows	2,305	2,298
Flats and Maisonettes	11,467	11,401
<b>Stock at End of Year</b>	<b>13,772</b>	<b>13,699</b>

	2022/23	2021/22
<u>Change in Stock Numbers during the year</u>		
Stock at 1 April	13,699	13,762
Less Sales, Demolitions, etc.	(121)	(72)
Add Re-purchases, Conversions etc.	194	9
<b>Stock at End of Year</b>	<b>13,772</b>	<b>13,699</b>

## b) Rent Arrears

	2022/23 £000	2021/22 £000
Rent Arrears due from Current Tenants	5,271	4,442
Rent Arrears due from Former Tenants	1,395	1,072
<b>Total Arrears</b>	<b>6,666</b>	<b>5,514</b>
<b>Total Arrears as % of Gross Rent of Dwellings Due</b>	<b>6.9%</b>	<b>5.9%</b>

The arrears shown in this note exclude water charges, heating charges and all other charges collected as part of tenants' rent. Housing rent represents 97.6% of the total collectable from tenants.

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Housing Revenue Account

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## c) Rent – Other Housing Property

	2022/23 £000	2021/22 £000
Aerial Sites	324	297
Garages	161	159
Reception Hostels	2,626	2,616
Commercial Property	328	473
Ground Rents	58	59
<b>Total Other Rents and Charges</b>	<b>3,497</b>	<b>3,604</b>

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

Service charges include caretaking, grounds maintenance, communal lighting, bulk household waste removal and disposal, window cleaning, pest control and the Lewisham Tenants Levy. The average tenants' service charge was £9.75 In 2022/23 (£9.47 In 2021/22).

	2022/23 £000	2021/22 £000
Heating Charges	726	660
Leasehold Service Charges	6,042	6,186
Tenants Service Charges	6,799	6,626
<b>Total Charges for Services and Facilities</b>	<b>13,567</b>	<b>13,472</b>

## 2. GOVERNMENT HOUSING EXCHEQUER SUBSIDY

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

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

The Council also received £9.5m in funding in 2021/22 towards the removal and recladding of 3 tower blocks within the borough.

	2022/23 £000	2021/22 £000
Other Reckonable Expenditure	0	9,510
PFI Credit	10,353	10,353
Decent Homes Grant	0	0
<b>Total Grants and Subsidy</b>	<b>10,353</b>	<b>19,863</b>

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**Housing Revenue Account**


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**3. REBATES**

Assistance with rents is available under the Housing benefits scheme for those on low income. The scheme is administered by the Council and approximately 30% of tenants received help in 2022/23 (33% in 2021/22). Rent rebates are chargeable to, and the corresponding subsidy is credited to the General Fund.

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

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

	2022/23 £000	2021/22 £000
Rent Rebates Given (GF)	25,071	26,552
Subsidy Received on Rebates (GF)	(25,071)	(26,552)
<b>Net cost to the HRA</b>	<b>0</b>	<b>0</b>

**4. CONTRIBUTIONS TOWARDS EXPENDITURE**

	2022/23 £000	2021/22 £000
Court Costs	66	58
Recharges of repairs	3,637	141
Recharge to Capital Receipts	475	441
Hostels: Heat, Light and Water Charges	98	102
Reimbursement of overpaid Capital Charges	0	2,979
Professional fees	114	104
Other miscellaneous income	40	0
<b>Total Other Income</b>	<b>4,430</b>	<b>3,825</b>

**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.

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.

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**Housing Revenue Account**


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**6. REPAIRS AND MAINTENANCE**

This includes day-to-day repairs to Council housing stock and cyclical external decoration. Void properties prior to re-letting and certain tenants' properties are eligible for internal decoration. Repairs & Maintenance expenditure was as follows:

	<b>2022/23</b> <b>£000</b>	<b>2021/22</b> <b>£000</b>
Revenue R&M works	22,657	24,824
<b>Total Repairs and Maintenance</b>	<b>22,657</b>	<b>24,824</b>

**7. CONTRIBUTIONS TO IMPAIRMENT ALLOWANCE****a) Contributions to Impairment Allowance**

A contribution of £0.292m (2021/22 £1.515m) was transferred from the HRA to an impairment allowance to meet doubtful debts. Details of the accumulated provisions are as follows:

	<b>2022/23</b> <b>£000</b>	<b>2021/22</b> <b>£000</b>
Housing Tenants	3,904	3,276
Leaseholders	2,763	2,499
Commercial Properties, Miscellaneous Debts	752	966
<b>Total Impairment Allowance</b>	<b>7,419</b>	<b>6,741</b>

**b) Contributions to Provisions**

A contribution of £0.257m (2021/22 £1.783m) was transferred from the HRA to provisions as an additional contribution to the Water Charges Provision.

The provision relates to the issue of whether the local authority was acting as an agent for Thames Water or was a water re-seller for the purposes of the Resale Order, which limited the maximum charge that could be applied to individual tenancies.

The value in question is not the Water Charge itself, but the income the authority received from Thames Water and whether this should have been passed onto the relevant tenancies.

Following a Court of Appeal ruling in October 2020 a provision was created to cover the liability for London Borough of Lewisham and to start the refund process to tenant's accounts. This was calculated with the data currently available at the time as £8.673m.

An additional contribution of £1.783m was transferred from the HRA to provisions in 2021/22 after further analysis showed that the total potential liability was £10.456m including additional administration costs.

	<b>2022/23</b> <b>£000</b>	<b>2021/22</b> <b>£000</b>
Water Charges Provision Brought Forward	5,989	8,673
Water Charges Provision Contribution	257	1,783
Water Charges Provision Used	<b>(6,246)</b>	<b>(4,467)</b>
<b>Total HRA Water Provisions</b>	<b>0</b>	<b>5,989</b>

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**Housing Revenue Account**


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Rent accounts have been refunded and the provision now stands at a zero balance with no further liability anticipated.

**8. HRA OUTSTANDING DEBT (CAPITAL FINANCING REQUIREMENT)**

Under the current HRA self-financing system, which began on 1st April 2012, there is no requirement to repay principal on housing debt. The total housing debt at 31st March 2023 was £99.5m.

**9. NON CURRENT ASSET VALUATION**

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

	31/03/23 £000	31/03/22 £000
<b>Operational Assets:</b>		
Dwellings (Existing Use Value - Social Housing)	1,440,091	1,413,440
Other Land and Buildings	19,504	19,083
Infrastructure	81	86
Vehicles, Plant and Equipment	6,972	7,592
	<b>1,466,648</b>	<b>1,440,201</b>
Investment Properties	0	0
Surplus Assets	8,525	6,753
Assets Under Construction	72,625	59,622
	<b>1,547,798</b>	<b>1,506,576</b>
<b>Total Housing Assets</b>	<b>1,547,798</b>	<b>1,506,576</b>
<b>Full Valuation of Council Dwellings</b>	<b>5,760,364</b>	<b>5,653,760</b>

**10. DEPRECIATION AND REVALUATION CHARGES**

The total charges for the depreciation and revaluation of housing assets is as follows:

	2022/23 £000	2021/22 £000
<b>Operational Assets</b>		
Dwellings	24,743	24,394
Other Land and Buildings	337	334
Infrastructure	5	5
Vehicles, Plant and Equipment	618	560
<b>Total Depreciation</b>	<b>25,703</b>	<b>25,293</b>
Revaluation losses on non-current assets	40,225	729
<b>Total Depreciation &amp; Revaluation Charges</b>	<b>65,928</b>	<b>26,022</b>

Revaluation charges arise from capital expenditure carried out on dwellings which has not changed the value of those dwellings, or from reductions in the value of assets in excess of any carrying values held in the revaluation reserve.



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Housing Revenue Account

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**11. INTEREST PAYABLE AND SIMILAR CHARGES**

This line includes the charge of £2.93m for capital assets calculated in accordance with the DCLG's Item 8 Debit Determination for 2022/23 (£3.0m in 2021/22). It no longer includes any costs for the net cost of amortised loan redemption premiums and discounts as the final payment was made in 2017/18.

**12. PENSIONS COSTS – IAS 19**

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

**13. HOUSING CAPITAL EXPENDITURE**

There was a contribution to Capital from HRA revenue of £12.1m to fund the new development and investment programme for 2022/23.

	2022/23 £000	2021/22 £000
<b>Expenditure:</b>		
Dwellings	112,771	84,083
Revenue Expenditure Funded from Capital under Statute	0	0
	<b>112,771</b>	<b>84,083</b>
<b>Financed by:</b>		
Capital Receipts	31,969	7,186
HRA Contribution to Capital	12,091	49,720
Major Repairs Reserve	25,702	27,177
Borrowing	43,008	0
<b>Total Capital Expenditure Financed</b>	<b>112,770</b>	<b>84,083</b>

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**Housing Revenue Account**


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**14. MAJOR REPAIRS RESERVE**

The movements on the major repairs reserve are as follows:

	2022/23 £000	2021/22 £000
<b>Balance brought forward at start of year</b>	0	1,884
Transferred in (depreciation dwellings)	25,703	25,293
Financing of capital expenditure on housing assets	(25,703)	(27,177)
<b>Balance carried forward at end of year</b>	0	0

**15. HOUSING REVENUE ACCOUNT RESERVES AND BALANCES**

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

	Balance at 31/03/22 £000	Transfers In £000	Transfers Out £000	Balance at 31/03/23 £000
Property and Stock Related Reserves	5,538	133	(1,460)	4,211
Staff Related Reserves	750	500	(336)	914
Other Earmarked Reserves	24,028	1,574	(16,659)	8,943
<b>Total Reserves and Balances</b>	<b>30,316</b>	<b>2,207</b>	<b>(18,455)</b>	<b>14,068</b>

## Collection Fund

## SECTION 5 - THE COLLECTION FUND

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

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

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

	2022/23			2021/22			Note
	Council Tax	NDR	Total	Council Tax	NDR	Total	
	£000	£000	£000	£000	£000	£000	
<b>INCOME</b>							
Income from Council Tax (net)	169,142		169,142	160,951		160,951	4
Income from Non-Domestic Rates (net)		57,724	57,724		51,901	51,901	5
Income from Non-Domestic Rates (net) - BRS		1,440	1,440		1,547	1,547	5
<b>TOTAL INCOME</b>	<b>169,142</b>	<b>59,164</b>	<b>228,306</b>	<b>160,951</b>	<b>53,448</b>	<b>214,399</b>	
<b>EXPENDITURE</b>							
<b>Precepts and Demands upon Fund (C.Tax)</b>							
- London Borough of Lew ish am	126,353		126,353	122,285		122,285	
- Greater London Authority	35,170		35,170	32,225		32,225	
<b>Precepts and Demands upon Fund (NDR)</b>							
- London Borough of Lew ish am		17,609	17,609		19,881	19,881	
- Greater London Authority		21,718	21,718		24,520	24,520	
- Central Government		19,370	19,370		21,869	21,869	
- Cost of Collection Allow ance		303	303		302	302	
<b>Business Rate Supplement (BRS)</b>							
- Paid to Greater London Authority		1,557	1,557		1,604	1,604	
- Administrative Costs		6	6		6	6	
<b>Bad and Doubtful Debts</b>							
- Net adj to Impairment Allow ance	6,657		6,657	(17,410)		(17,410)	6a
- Net adj to Impairment Allow ance		441	441		(319)	(319)	6b
- Amounts Written Off	(797)		(797)	24,680		24,680	
- Amounts Written Off		392	392		1,235	1,235	
<b>Contributions from previous year</b>							
- London Borough of Lew ish am	(2,407)	(7,718)	(10,125)	(2,498)	(11,165)	(13,663)	
- Greater London Authority	(624)	(9,520)	(10,144)	(437)	(13,393)	(13,830)	
- Central Government		(8,491)	(8,491)		(11,955)	(11,955)	
<b>Provision for Appeals</b>							
- Net contribution		(1,630)	(1,630)		(5,594)	(5,594)	
<b>TOTAL EXPENDITURE</b>	<b>164,352</b>	<b>34,037</b>	<b>198,389</b>	<b>158,845</b>	<b>26,991</b>	<b>185,836</b>	
<b>Deficit / (Surplus) for the year</b>	<b>(4,790)</b>	<b>(25,127)</b>	<b>(29,917)</b>	<b>(2,106)</b>	<b>(26,457)</b>	<b>(28,563)</b>	3
<b>Deficit / (Surplus) at start of year</b>	<b>4,472</b>	<b>25,873</b>	<b>30,345</b>	<b>6,578</b>	<b>52,330</b>	<b>58,908</b>	3
<b>Opening Balance Adjustment</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	3
<b>Deficit / (Surplus) at end of year</b>	<b>(318)</b>	<b>746</b>	<b>428</b>	<b>4,472</b>	<b>25,873</b>	<b>30,345</b>	

## Collection Fund

## NOTES TO THE COLLECTION FUND

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

The annual budget process requires that each Council determines its own 'Band D' tax charge by dividing its own budget requirement by the respective tax base for the financial year. The 'Band D' tax calculated forms the basis of the charge for all properties. Properties fall into one of eight valuation bands based on market values at 01 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 2022/23 assumed a collection rate of 95.0% (95.0% for 2021/22).

The table below sets out the original tax base calculation for 2021/22 and has been prepared in accordance with The Welfare Reform Act that abolished the system of Council Tax benefits and replaced it with the Council Tax Reduction Scheme (CTRS) with effect from 01 April 2013.

Council Tax Band	Property Value £000	2022/23		Band D Ratio	2022/23		2021/22	
		No. of Properties			Band D Equivalents as per Ratio No.	Council Tax Charge £	Band D Equivalents as per Ratio No.	Council Tax Charge £
		Actual Number (1)	Adjusted Number (2)					
A	up to 40	8,148	5,339	6/9	3,559.3	1,211.21	3,555.4	1,162.41
B	40 - 52	34,345	24,951	7/9	19,406.2	1,413.07	19,375.7	1,356.15
C	52 - 68	45,784	36,971	8/9	32,862.8	1,614.94	32,698.9	1,549.88
D	68 - 88	26,730	23,124	1	23,123.5	1,816.81	23,046.0	1,743.62
E	88 - 120	7,770	6,939	11/9	8,480.7	2,220.54	8,458.3	2,131.09
F	120 - 160	2,741	2,568	13/9	3,709.4	2,624.28	3,710.3	2,518.56
G	160 - 320	1,335	1,266	15/9	2,110.5	3,028.02	2,111.6	2,906.03
H	over 320	174	165	18/9	329.5	3,633.62	322.0	3,487.24
<b>Totals</b>		<b>127,027</b>	<b>101,323</b>		<b>93,581.9</b>		<b>93,278.2</b>	
Add: Contributions in lieu					0.0		0.0	
<b>Total Band D Equivalents</b>					<b>93,581.9</b>		<b>93,278.2</b>	
Estimated Collection Rate					95.0%		95.0%	
<b>NET COUNCIL TAX BASE</b>					<b>88,902.8</b>		<b>88,614.3</b>	

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

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

## Collection Fund

## 2. COLLECTION FUND SURPLUS OR DEFICIT

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

## 3. COLLECTION FUND BALANCE SPLIT INTO ITS ATTRIBUTABLE PARTS

	(Surplus)/ Deficit		(Surplus)/ Deficit		
	Balance at 31/03/21	Movement in 2021/22	Balance at 31/03/22	Movement in 2022/23	Balance at 31/03/23
	£000	£000	£000	£000	£000
<b>Council Tax</b>					
London Borough of Lewisham	5,249	(1,711)	3,538	(3,766)	(228)
Greater London Authority	1,329	(395)	934	(1,024)	(90)
	<b>6,578</b>	<b>(2,106)</b>	<b>4,472</b>	<b>(4,790)</b>	<b>(318)</b>
<b>Non-Domestic Rates</b>					
London Borough of Lewisham	15,910	(8,148)	7,762	(7,538)	224
Greater London Authority	19,245	(9,672)	9,573	(9,297)	276
Central Government	17,175	(8,637)	8,538	(8,292)	246
	<b>52,330</b>	<b>(26,457)</b>	<b>25,873</b>	<b>(25,127)</b>	<b>746</b>
<b>Collection Fund Balances</b>	<b>58,908</b>	<b>(28,563)</b>	<b>30,345</b>	<b>(29,917)</b>	<b>428</b>

## Collection Fund Adjustment Account

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

## 4. COUNCIL TAX INCOME

	2022/23		2021/22
	£000	£000	£000
<b>Gross Council Tax Income Due</b>		<b>215,673</b>	<b>206,498</b>
Less: Exemptions	<b>(6,708)</b>		<b>(6,545)</b>
Disabled Relief	<b>(123)</b>		<b>(119)</b>
Discounts	<b>(20,320)</b>		<b>(19,104)</b>
Adjustment for Council Tax Reduction Scheme	<b>(19,743)</b>		<b>(20,145)</b>
Plus: Adjustments to charge	<b>363</b>		<b>366</b>
Covid Grants	<b>0</b>		<b>0</b>
		<b>(46,531)</b>	<b>(45,547)</b>
<b>Total Due from Council Tax payers</b>		<b>169,142</b>	<b>160,951</b>

## Collection Fund

## 5. NON-DOMESTIC RATES

The Council is responsible for collecting the Non-Domestic Rates (NDR) (often referred to as Business Rates) which are payable within its area. The amount payable is based upon the rateable value of commercial properties multiplied by the NDR multiplier, which is set annually by the Government. The amount due is paid as precepts to London Borough of Lewisham's General Fund (30%), Greater London Authority (37%) and Central Government (33%).

	2022/23		2021/22
	£000	£000	£000
<b>Gross NDR Collectable (after voids and exemptions)</b>		85,649	88,008
<b>Reductions and Relief:</b>			
Mandatory Relief	(18,235)		(18,517)
Discretionary Relief	(8,250)		(16,044)
		(26,485)	(34,561)
<b>Total Receivable from Business Rates</b>		59,164	53,447

	2022/23	2021/22
	£m	£m
<b>Non-Domestic Rateable Value</b>	176.8	177.0

	2022/23	2021/22
	pence	pence
<b>Non-Domestic Rate Multiplier</b>	51.2	51.2
<b>Non-Domestic Rate Multiplier (Small Business)</b>	49.9	49.9

## 6. COLLECTION FUND ARREARS AND IMPAIRMENT ALLOWANCES

	31/03/2023	31/03/2022
	£000	£000
Council Tax Arrears	47,055	40,151
Impairment Allowance	(41,952)	(35,295)
As a Percentage of Arrears	89.2%	87.9%

	2022/23		2021/22	
	Amount £000	Percentage %	Amount £000	Percentage %
<b>Age of Arrears</b>				
Year of Accounts	12,167	26	12,203	30
Under 2 Years old	9,445	20	8,090	20
Under 3 Years old	6,832	15	6,557	16
Under 5 Years old	11,016	23	9,862	25
Over 5 Years old	7,595	16	3,439	9
<b>Total</b>	47,055	100	40,151	100

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

## Collection Fund

## b) Non-Domestic Rates

	31/03/2023 £000	31/03/2022 £000
NDR Arrears	7,514	7,644
Impairment Allowance	(6,748)	(6,816)
As a Percentage of Arrears	89.8%	89.2%

	2023/23		2021/22	
	Amount £000	Percentage %	Amount £000	Percentage %
<b>Age of Arrears</b>				
Year of Accounts	2,516	34	3,324	44
Under 2 Years old	1,717	23	1,553	20
Under 3 Years old	1,144	15	1,256	16
Under 5 Years old	1,746	23	1,193	16
Over 5 Years old	391	5	318	4
<b>Total</b>	<b>7,514</b>	<b>100</b>	<b>7,644</b>	<b>100</b>

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

## **SECTION 6 – GROUP ACCOUNTS**

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

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

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

These statements (the purposes of which are explained on pages 4 and 5), together with those explanatory notes that are considered necessary in addition to those accompanying the "single entity" accounts and accounting policies are set out in the following pages.



## Group Accounts

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDING 31 MARCH 2023

2021/22				2022/23		
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
			<b>SERVICE</b>			
450,964	(377,772)	73,192	Children & Young People Directorate	476,204	(395,413)	80,791
207,061	(120,106)	86,955	Community Services Directorate	211,703	(113,891)	97,812
130,791	(93,213)	37,578	Housing, Regeneration & Public Realm Directorate	137,855	(100,553)	37,302
219,141	(176,205)	42,936	Corporate Services Directorate	232,468	(189,126)	43,342
13,604	(1,063)	12,541	Chief Executive Directorate	13,024	(492)	12,532
89,708	(101,356)	(11,648)	HRA	149,311	(112,712)	36,599
7,800	(6,229)	1,571	Corporate Provisions	17,869	(9,000)	8,869
<b>1,119,069</b>	<b>(875,944)</b>	<b>243,125</b>	<b>Cost of Services</b>	<b>1,238,434</b>	<b>(921,187)</b>	<b>317,247</b>
			<b>Other Operating Expenditure</b>			
38,721	0	38,721	(Gain) / Loss on the disposal and de-recognition of non-current assets	46,987	0	46,987
1,702	0	1,702	Levies	1,683	0	1,683
1,940	0	1,940	Contribution of housing capital receipts to Government Pool	0	0	0
<b>42,363</b>	<b>0</b>	<b>42,363</b>		<b>48,670</b>	<b>0</b>	<b>48,670</b>
			<b>Financing and Investment Income and Expenditure</b>			
31,088	0	31,088	Interest payable and similar charges	30,993	0	30,993
0	626	626	Interest and Investment Income	0	(6,621)	(6,621)
0	0	0	Loss of Control of Assets	0	0	0
47,103	(30,637)	16,466	Net interest on the net defined benefit liability	63,677	(46,236)	17,441
<b>78,191</b>	<b>(30,011)</b>	<b>48,180</b>		<b>94,670</b>	<b>(52,857)</b>	<b>41,813</b>
			<b>Taxation and non-specific Grant Income</b>			
0	(119,787)	(119,787)	Income from Council Tax	0	(123,946)	(123,946)
0	(32,686)	(32,686)	General Government Grants	0	(65,950)	(65,950)
0	(19,839)	(19,839)	Recognised Capital Grants and Contributions	0	(27,208)	(27,208)
0	(94,056)	(94,056)	Non-Domestic Rates income and expenditure	0	(85,066)	(85,066)
145	0	145	Corporation Tax Payable	118	(358)	(240)
<b>145</b>	<b>(266,368)</b>	<b>(266,223)</b>		<b>118</b>	<b>(302,528)</b>	<b>(302,410)</b>
		<b>67,445</b>	<b>Deficit/(Surplus) on provision of services</b>			<b>105,320</b>
		<b>(108,069)</b>	Surplus or deficit on revaluation of non-current assets			<b>(133,862)</b>
		<b>(284,677)</b>	Remeasurement of the net defined benefit liability			<b>(505,709)</b>
		<b>(392,746)</b>	<b>Other Comprehensive Income and</b>			<b>(639,571)</b>
		<b>(325,301)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(534,251)</b>

**LEWISHAM STATEMENT OF ACCOUNTS 2022/23**
**Group Accounts**

GROUP MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31 MARCH 2023											
YEAR ENDING	General Fund Balance	Earmarked Gen Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority share of subsidiaries	Total Group Reserves
31ST MARCH 2022	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2022											
Brought Forward	20,000	231,340	30,315	0	64,387	30,372	376,414	1,738,123	2,114,537	2,216	2,116,753
<b>Movement in Reserves during 2021/22</b>											
Surplus or (Deficit) on the provision of services	37,013	0	(88,066)	0	0	0	(51,053)	0	(51,053)	(54,267)	(105,320)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	593,028	593,028	46,543	639,571
<b>Total Comprehensive Income and Expenditure</b>	<b>37,013</b>	<b>0</b>	<b>(88,066)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(51,053)</b>	<b>593,028</b>	<b>541,975</b>	<b>(7,724)</b>	<b>534,251</b>
Adjustments between group accounts and authority accounts	(45,593)	0	0	0	0	0	(45,593)	0	(45,593)	45,593	0
<b>Net increase before transfers</b>	<b>(8,580)</b>	<b>0</b>	<b>(88,066)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(96,646)</b>	<b>593,028</b>	<b>496,382</b>	<b>37,869</b>	<b>534,251</b>
Adjustments between accounting basis and funding basis under regulations	4,409	0	71,819	0	2,751	(2,611)	76,368	(76,368)	0	0	0
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(4,171)</b>	<b>0</b>	<b>(16,247)</b>	<b>0</b>	<b>2,751</b>	<b>(2,611)</b>	<b>(20,278)</b>	<b>516,660</b>	<b>496,382</b>	<b>37,869</b>	<b>534,251</b>
Transfers to / from Earmarked Reserves	4,171	(4,171)	0	0	0	0	0	0	0	0	0
<b>Increase / (Decrease) in 2022/23</b>	<b>0</b>	<b>(4,171)</b>	<b>(16,247)</b>	<b>0</b>	<b>2,751</b>	<b>(2,611)</b>	<b>(20,278)</b>	<b>516,660</b>	<b>496,382</b>	<b>37,869</b>	<b>534,251</b>
Balance at 31 March 2023											
Carried Forward	20,000	227,169	14,068	0	67,138	27,761	356,136	2,254,783	2,610,919	40,085	2,651,004

**LEWISHAM STATEMENT OF ACCOUNTS 2022/23**

**Group Accounts**

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31ST MARCH 2022											
YEAR ENDING 31 MARCH 2021	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	-141,615 -557,477 Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority share of subsidiaries £000	Total Group Reserves £000
Balance at 31 March 2021 Brought Forward	20,000	220,659	74,978	1,884	58,296	26,605	402,422	1,416,855	1,819,277	(27,825)	1,791,452
<b>Movement in Reserves during 2021/22</b>											
Surplus or (Deficit) on the provision of services	22,615	0	(34,439)	0	0	0	(11,824)	0	(11,824)	(55,621)	(67,445)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	354,755	354,755	37,991	392,746
<b>Total Comprehensive Income and Expenditure</b>	<b>22,615</b>	<b>0</b>	<b>(34,439)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(11,824)</b>	<b>354,755</b>	<b>342,931</b>	<b>(17,630)</b>	<b>325,301</b>
Adjustments between group accounts and authority accounts	(47,671)	0	0	0	0	0	(47,671)	0	(47,671)	47,671	0
<b>Net increase before transfers</b>	<b>(25,056)</b>	<b>0</b>	<b>(34,439)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(59,495)</b>	<b>354,755</b>	<b>295,260</b>	<b>30,041</b>	<b>325,301</b>
Adjustments between accounting basis and funding basis under regulations	35,737	0	(10,224)	(1,884)	6,091	3,767	33,487	(33,487)	0	0	0
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>10,681</b>	<b>0</b>	<b>(44,663)</b>	<b>(1,884)</b>	<b>6,091</b>	<b>3,767</b>	<b>(26,008)</b>	<b>321,268</b>	<b>295,260</b>	<b>30,041</b>	<b>325,301</b>
Transfers to / from Earmarked Reserves	(10,681)	10,681	0	0	0	0	0	0	0	0	0
<b>Increase / (Decrease) in 2021/22</b>	<b>0</b>	<b>10,681</b>	<b>(44,663)</b>	<b>(1,884)</b>	<b>6,091</b>	<b>3,767</b>	<b>(26,008)</b>	<b>321,268</b>	<b>295,260</b>	<b>30,041</b>	<b>325,301</b>
Balance at 31 March 2022 Carried Forward	20,000	231,340	30,315	0	64,387	30,372	376,414	1,738,123	2,114,537	2,216	2,116,753

## Group Accounts

## GROUP BALANCE SHEET AS AT 31 MARCH 2023

31/03/2022 £000		31/03/2023 £000
	<b>Property, Plant &amp; Equipment</b>	
1,446,393	Council dwellings	1,485,660
1,106,877	Other land and buildings	1,212,694
27,545	Vehicles, plant, furniture and equipment	26,185
103,286	Infrastructure	96,100
5,199	Community	5,137
60,856	Surplus Assets not held for Sale	63,659
123,671	Assets under Construction	114,035
<b>2,873,827</b>		<b>3,003,470</b>
955	Heritage Assets	955
17,503	Investment Property	16,920
1,873	Long term investments	1,829
4,072	Long term debtors	4,602
0	Asset related to defined benefit pension scheme	31,792
<b>2,898,230</b>	<b>Total Long Term Assets</b>	<b>3,059,568</b>
275,247	Short Term Investments	218,539
233	Inventories	290
70,993	Debtors	68,376
120,171	Cash and Cash Equivalents	94,217
3,102	Prepayments	4,347
<b>469,746</b>	<b>Current Assets</b>	<b>385,769</b>
(5,932)	Bank Overdraft	0
(3,006)	Short term borrowing	(28,579)
(15,658)	Provisions	(8,508)
(155,881)	Creditors	(141,290)
(69,044)	Receipts in advance	(73,281)
(10,158)	PFI Liabilities due within one year	(10,852)
<b>(259,679)</b>	<b>Current Liabilities</b>	<b>(262,510)</b>
<b>3,108,297</b>	<b>Total Assets less Current Liabilities</b>	<b>3,182,827</b>
(221,646)	Long term borrowing	(194,947)
(6,404)	Provisions (More than 1 year)	(6,385)
(193,246)	Deferred PFI Liabilities	(182,394)
(3,320)	Capital Grants Receipts in Advance	(4,237)
(937)	Other Long Term Liabilities	(1,614)
(565,991)	Liability related to defined benefit pension scheme	(142,246)
<b>(991,544)</b>	<b>Long Term Liabilities</b>	<b>(531,823)</b>
<b>2,116,753</b>	<b>NET ASSETS</b>	<b>2,651,004</b>

## Group Accounts

31/03/2022 £000		31/03/2023 £000
	<b>Usable Reserves</b>	
20,000	General Fund Balance	20,000
231,340	Earmarked Revenue Reserves	227,169
(7,628)	Lewisham Homes Profit & Loss Reserve	(9,711)
17	Lewisham Homes Pensions Reserve	29,125
(155)	Catford Regeneration Partnership Profit & Loss Reserve	(1,877)
30,315	Housing Revenue Account	14,068
0	Major Repairs Reserve	0
64,387	Usable Capital Receipts Reserve	67,138
30,372	Capital Grants Unapplied	27,761
<b>368,648</b>		<b>373,673</b>
	<b>Unusable Reserves</b>	
1,298,093	Revaluation Reserve	1,405,140
1,087,629	Capital Adjustment Account	1,077,605
93	Deferred Capital Receipts	93
(32,981)	Financial Instruments Adjustment Account	(32,163)
(566,008)	LBL Pensions Reserve	(139,579)
(11,300)	Collection Fund Adjustment Account	3
(8,866)	DSG Unusable Reserve	(13,091)
(18,555)	Short Term Compensated Absences Account	(20,677)
<b>1,748,105</b>		<b>2,277,331</b>
<b>2,116,753</b>	<b>TOTAL RESERVES</b>	<b>2,651,004</b>

## Group Accounts

## GROUP CASH FLOW STATEMENT FOR THE YEAR ENDING 31 MARCH 2023

2021/22 £000s		2022/23 £000s
(61,135)	Net surplus or (deficit) on the provision of services	(105,320)
162,169	Adjustment to surplus or deficit on the provision of services for noncash movements	148,317
(40,307)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(42,507)
<b>60,727</b>	<b>Net Cash flows from operating activities</b>	<b>490</b>
(36,415)	Net Cash flows from Investing Activities	(28,516)
10,819	Net Cash flows from Financing Activities	8,004
<b>35,131</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>(20,022)</b>
<b>79,108</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>114,239</b>
<b>114,239</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>94,217</b>

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**Group Accounts**


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

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

**2. Group Boundary**

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

<b>Company</b>	<b>Business</b>	<b>Risks</b>
Lewisham Homes Limited	An arms-length management organisation (ALMO) set up in 2007 as part of the Council's initiative to deliver better housing services and achieve the Decent Homes Standard. The company manages approximately 18,000 homes.	If Lewisham Homes Limited was in any way unable to deliver a satisfactory housing management service, the Council would have to provide such a service itself.
Catford Regeneration Partnership Limited (CRPL)	The company owns the Catford Shopping Centre and this investment property owned by the company is held solely for rentals and capital accumulation in line with the accounting standards.	As a property investment company, CRPL is exposed to risk in market movements in terms of the capital value of properties and in the level of income that can be generated through rental charges

**3. Accounting Policies**

- (i) In preparing the Group Accounts the Council has aligned the accounting policies of its companies with those of the Council and made consolidation adjustments where necessary.
- (ii) In 2022/23 Lewisham Homes "Council Dwellings" assets were re-valued using the same accounting standards as LBL to consolidate Lewisham Homes assets into the Group balance sheet. This resulted in a credit to the Group CIES of £13.149m due to an upward valuation of the assets compared to the 2021/22 valuation (2021/22 was a credit of £4.956m to the Group CIES due to the upward valuation of the assets).
- (iii) Lewisham Homes account for their assets in their single entity balance sheet as cost based. Within the Lewisham Homes accounts the assets are valued at NBV £41.638m (£42.366m in 2021/22). To be included in the Group Accounts these were valued at Fair Value of NBV £45.919m (£33.497m in 2021/22).
- (iv) The Council has consolidated the companies' financial statements with those of the Council on a line-by-line basis and has eliminated in full balances, transactions, income and expenses between the Council and its subsidiaries.

## Group Accounts

## 4. Movements in Non-Current Assets

The movements in non-current assets during 2022/23 and 2021/22 were as follows:

2022/23	Council Dwellings £000	Other Land & Bldgs £000	Vehicles, Plant & Equip't £000	Comm. Assets £000	Surplus Assets £000	Assets under Construction £000	TOTAL £000
<b>Gross Book Value b/fwd at 01 April 2022</b>	<b>1,446,394</b>	<b>1,106,925</b>	<b>50,401</b>	<b>5,462</b>	<b>60,887</b>	<b>123,671</b>	<b>2,793,740</b>
Additions	79,278	8,366	1,372	0	0	44,671	133,687
Revaluations (recognised in Revaluation Reserve)	21,501	63,461	10	0	2,568	0	87,540
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	(19,628)	22,544	(11)	0	623	0	3,528
Impairments (recognised in Revaluation Reserve)	0	(217)	0	0	0	0	(217)
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	(31)	(133)	0	0	0	(21,187)	(21,351)
Loss of Control of Assets (recognised in Revaluation Reserve)	0	0	0	0	0	0	0
Loss of Control of Assets (recognised in Financing and Investment Income and Expenditure)	0	0	0	0	0	0	0
De-recognition of Assets (recognised in Other Operating Expenditure)	(54,813)	0	0	0	0	0	(54,813)
Disposals	(7,379)	0	(24)	0	(133)	0	(7,536)
Transfers	20,852	11,818	704	0	(254)	(33,120)	0
<b>Gross Book Value c/fwd at 31 March 2023</b>	<b>1,486,174</b>	<b>1,212,764</b>	<b>52,452</b>	<b>5,462</b>	<b>63,691</b>	<b>114,035</b>	<b>2,934,578</b>
<b>Depreciation b/fwd at 01 April 2022</b>	<b>(1)</b>	<b>(48)</b>	<b>(22,856)</b>	<b>(263)</b>	<b>(31)</b>	<b>0</b>	<b>(23,199)</b>
Depreciation for year	(25,567)	(15,057)	(3,528)	(62)	(328)	0	(44,542)
<u>Depreciation written back on:</u>							
Transfers	20	0	0	0	(20)	0	0
Revaluations (recognised in Revaluation Reserve)	22,666	12,414	106	0	309	0	35,495
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	2,368	2,621	11	0	38	0	5,038
Impairments (recognised in Revaluation Reserve)	0	0	0	0	0	0	0
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	0	0	0	0	0	0
Assets Sold	0	0	0	0	0	0	0
<b>Depreciation c/fwd at 31 March 2023</b>	<b>(514)</b>	<b>(70)</b>	<b>(26,267)</b>	<b>(325)</b>	<b>(32)</b>	<b>0</b>	<b>(27,208)</b>
<b>Net Book Value at 31 March 2023</b>	<b>1,485,660</b>	<b>1,212,694</b>	<b>26,185</b>	<b>5,137</b>	<b>63,659</b>	<b>114,035</b>	<b>2,907,370</b>



## Group Accounts

2021/22	Council Dwellings £000	Other Land & Bldgs £000	Vehicles, Plant & Equip't £000	Comm. Assets £000	Surplus Assets £000	Assets under Construction £000	TOTAL £000
<b>Gross Book Value b/fwd at 01 April 2021</b>	<b>1,421,775</b>	<b>1,064,737</b>	<b>65,526</b>	<b>5,562</b>	<b>53,853</b>	<b>69,923</b>	<b>2,681,376</b>
Additions	51,750	1,125	1,799	0	0	56,521	111,195
Revaluations (recognised in Revaluation Reserve)	25,458	40,985	0	0	3,394	0	69,837
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	2,709	5,884	0	0	(657)	0	7,936
Impairments (recognised in Revaluation Reserve)	0	(813)	0	0	(1,120)	0	(1,933)
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	(76)	(348)	0	0	(719)	0	(1,143)
Loss of Control of Assets (recognised in Revaluation Reserve)	0	0	0	0	0	0	0
Loss of Control of Assets (recognised in Financing and Investment Income and Expenditure)	0	0	0	0	0	0	0
De-recognition of Assets (recognised in Other Operating Expenditure)	(48,743)	0	0	0	0	0	(48,743)
Disposals	(5,809)	0	(16,924)	(100)	(1,952)	0	(24,785)
Transfers	(670)	(4,645)	0	0	8,088	(2,773)	0
<b>Gross Book Value c/fw d at 31 March 2022</b>	<b>1,446,394</b>	<b>1,106,925</b>	<b>50,401</b>	<b>5,462</b>	<b>60,887</b>	<b>123,671</b>	<b>2,793,740</b>
Depreciation b/fw d at 01 April 2021	0	(45)	(36,143)	(267)	(1,609)	0	(38,064)
Depreciation for year	(25,103)	(14,854)	(3,772)	(95)	(305)	0	(44,129)
<u>Depreciation w ritten back on:</u>							
Transfers	12	72	0	0	(84)	0	0
Revaluations (recognised in Revaluation Reserve)	22,760	11,627	135	0	249	0	34,771
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	2,330	3,139	0	0	43	0	5,512
Impairments (recognised in Revaluation Reserve)	0	0	0	0	0	0	0
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	13	0	0	0	0	13
Assets Sold	0	0	16,924	99	1,675	0	18,698
Depreciation c/fw d at 31 March 2022	(1)	(48)	(22,856)	(263)	(31)	0	(23,199)
<b>Net Book Value at 31 March 2022</b>	<b>1,446,393</b>	<b>1,106,877</b>	<b>27,545</b>	<b>5,199</b>	<b>60,856</b>	<b>123,671</b>	<b>2,770,541</b>

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**Group Accounts**


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**5. Investment Properties**

Whilst the Council has no investment properties, CRPL owns Catford shopping centre and several surrounding properties. As these properties were solely being used to generate income from rentals and from capital accumulation at 31 March 2023, under the code of practice they are classed as investment properties.

Valuation

The yearly movement in the fair value of the properties owned by CRPL is as follows:

	2022/23 £000	2021/22 £000
<b>Balance brought forward at start of year</b>	17,503	17,092
Additions	0	0
Net Gains or (Losses) from fair value adjustments	(583)	411
Disposals	0	0
<b>Balance carried forward at end of year</b>	<b>16,920</b>	<b>17,503</b>

Rental Income & Direct Operating Expenses

Rental income from the properties and the directly attributable operating expenditure is shown in the table below:

	2022/23 £000	2021/22 £000
<b>Rental Income</b>	<b>1,034</b>	<b>1,027</b>
<b>Direct Operating Expenses</b>		
Property Costs	(615)	(269)
Services provided to tenants	(100)	(75)
Lease renewal and rent review fees	(87)	(23)
Insurance less recoveries	(83)	(74)
Repairs and maintenance	(7)	(19)
<b>Net Income from Rental Property</b>	<b>142</b>	<b>567</b>

**6. Note to the Group MIRS - Adjustments between group accounts and authority accounts**

The following adjustments are made in the Group's Movement in Reserves Statement in order to reconcile the General Fund back to its Council position prior to funding basis adjustments being made.

An analysis of the adjustments between group accounts and authority accounts row within the Group MIRS in 2022/23 is as follows:

<b>Adjustment for:</b>	<b>£'000</b>
London Borough of Lewisham Payments to Lewisham Homes	(52,833)
Lewisham Homes Payments to London Borough of Lewisham	6,390
London Borough of Lewisham Payments to CRPL	(11)
CRPL Payments to London Borough of Lewisham	861
<b>Total Adjustments to GF Net Expenditure</b>	<b>(45,593)</b>

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**Group Accounts**


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2021/22 Comparator:

<b>Adjustment for:</b>	<b>£'000</b>
London Borough of Lewisham Payments to Lewisham Homes	(60,910)
Lewisham Homes Payments to London Borough of Lewisham	12,461
London Borough of Lewisham Payments to CRPL	(20)
CRPL Payments to London Borough of Lewisham	798
<b>Total Adjustments to GF Net Expenditure</b>	<b>(47,671)</b>

**7. Pensions**

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

As per the CIPFA Guidance notes, the Pensions Reserves of the authority and Lewisham Homes have different characteristics – in the private sector the reserve is a subset of the Profit and Loss Reserve that accumulates actuarial gains and losses and other remeasurement. Therefore, in the Group Accounts the Lewisham Homes Pension reserve is included under Usable Reserves and the LBL Pensions reserve is under Unusable Reserves.

Lewisham Homes include the asset and liability for the Pension Fund under Current Assets and Long-Term Liabilities in their single entity accounts. When consolidating with the LBL accounts to create the Group Accounts this has to be changed to Usable Reserves and Long-Term Liabilities. This results in the various elements of the in-year movement in the valuation being charged through the different areas of the Group CIES.

**a) Transactions relating to Retirement Benefits**

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

## Group Accounts

Comprehensive Income and Expenditure Statement	2022/23 £000	2021/22 £000
<b>Cost of Service</b>		
Current Service Cost	72,407	71,139
Past Service Cost (inc.settlements and curtailments)	1,527	1,170
	<b>73,934</b>	<b>72,309</b>
<b>Financing and Investment Income and Expenditure</b>		
<u>Net Interest on the Net Defined Benefit Liability</u>		
Interest Income on Scheme Assets	(46,236)	(30,637)
Interest Cost on Defined Benefit Obligation (Liabilities)	62,092	47,103
	<b>15,856</b>	<b>16,466</b>
<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>89,790</b>	<b>88,775</b>
<u>Remeasurements of the Net Defined Benefit Liability</u>		
Return on Assets excluding amounts included in Net Interest	118,959	(117,815)
Actuarial Losses from changes in Demographic Assumptions	(18,213)	(5,586)
Actuarial Losses from changes in Financial Assumptions	(796,096)	(128,404)
Other Remeasurements & Gains and Losses	191,226	(32,872)
<b>Total Remeasurements recognised in CIES</b>	<b>(504,124)</b>	<b>(284,677)</b>
<b>Total Post Employment Benefits Charged to the CIES</b>	<b>(414,334)</b>	<b>(195,902)</b>

## b) Pensions Assets and Liabilities Recognised in the Balance Sheet

	31/03/23 £000	31/03/22 £000
Fair Value of Plan Assets	1,644,334	1,728,966
Present Value of Defined Benefit Liability (Obligation)	(1,707,222)	(2,242,570)
	<b>(62,888)</b>	<b>(513,604)</b>
Present Value of Unfunded Liabilities	(47,566)	(52,387)
<b>Pensions Reserve - Year End Balance</b>	<b>(110,454)</b>	<b>(565,991)</b>

## Group Accounts

## c) Reconciliation of the Movements in the Fair Value of Scheme Assets

	31/03/23 £000	31/03/22 £000
<b>Opening Fair Value of Scheme Assets</b>	<b>1,728,966</b>	<b>1,559,763</b>
Interest Income on Scheme Assets	46,264	30,746
Administration	(28)	(109)
<u>Remeasurement Gains / Losses</u>		
Return on Assets excluding amounts included in Net Interest	(118,959)	117,815
Employer Contributions	36,977	31,506
Contributions in respect of Unfunded Benefits	4,226	3,939
Contributions from Scheme Participants	11,280	9,484
Assets distributed on settlements	0	0
Benefits Paid	(59,962)	(57,641)
Unfunded Benefits Paid	(4,226)	(3,939)
Other Remeasurements	(204)	37,402
<b>Closing Fair Value of Scheme Assets</b>	<b>1,644,334</b>	<b>1,728,966</b>

## d) Reconciliation of the Movements in the Present Value of Scheme Liabilities

	31/03/23 £000	31/03/22 £000
<b>Opening Present Value of Scheme Liabilities (Obligations)</b>	<b>(2,294,957)</b>	<b>(2,357,101)</b>
Current Service Cost	(72,407)	(71,139)
Interest Cost on Defined Benefit Obligation (Liabilities)	(62,092)	(47,103)
Contributions from Scheme Participants	(11,280)	(9,484)
<u>Remeasurement Gains / Losses</u>		
Benefits Paid	59,962	57,641
Unfunded Benefits Paid	4,226	3,939
Actuarial Losses from changes in Demographic Assumptions	18,213	5,586
Actuarial Losses from changes in Financial Assumptions	796,096	128,404
Other Gains and Losses	(191,022)	(4,530)
Past Service Costs / Curtailments / Settlements	(1,527)	(1,170)
<b>Closing Present Value of Scheme Liabilities (Obligations)</b>	<b>(1,754,788)</b>	<b>(2,294,957)</b>

## Group Accounts

## e) Pension Scheme Assets

	31/03/23			31/03/22		
	Active Market	Not in Active Markets	Total	Active Market	Not in Active Markets	Total
	£000	£000	£000	£000	£000	£000
<b>LGPS (LBL + LH)</b>						
Debt Securities	126,776	0	126,776	181,696	0	181,696
Private Equity	0	113,811	113,811	0	60,003	60,003
Real Estate	0	152,119	152,119	0	144,068	144,068
Investment Funds / Unit Trusts	962,231	142,870	1,105,101	1,035,272	129,108	1,164,380
Cash and Cash Equivalents	0	56,140	56,140	0	87,019	87,019
<b>Total LGPS Assets</b>	<b>1,089,007</b>	<b>464,940</b>	<b>1,553,947</b>	<b>1,216,968</b>	<b>420,198</b>	<b>1,637,166</b>

	31/03/23			31/03/22		
	Active Market	Not in Active Markets	Total	Active Market	Not in Active Markets	Total
	£000	£000	£000	£000	£000	£000
<b>LPFA</b>						
Equities	44,848	7,176	52,024	44,002	8,250	52,252
Target Return Portfolio	6,774	9,676	16,450	11,447	8,325	19,772
Infrastructure	0	11,194	11,194	0	9,352	9,352
Real Estate	0	8,688	8,688	0	8,237	8,237
Cash	2,031	0	2,031	2,187	0	2,187
<b>Total LPFA Assets</b>	<b>53,653</b>	<b>36,734</b>	<b>90,387</b>	<b>57,636</b>	<b>34,164</b>	<b>91,800</b>

## f) Basis for Estimating Assets and Liabilities

	Local Government Pension Scheme		LPFA	
	2022/23	2021/22	2022/23	2021/22
Rate of Inflation – CPI	3.0%	3.2%	2.9%	3.5%
Salary Increase Rate	4.0%	4.2%	3.9%	4.5%
Pensions Increases	3.0%	3.2%	2.9%	3.5%
Rate for discounting scheme liabilities	4.8%	2.7%	4.8%	2.6%
<b>Mortality assumptions</b>				
Longevity at 65 for current pensioners - Men	21.0	21.4	20.2	21.0
Longevity at 65 for current pensioners - Women	24.1	24.3	23.9	24.2
Longevity at 65 for future pensioners - Men	22.1	22.5	21.4	22.2
Longevity at 65 for future pensioners - Women	25.5	25.7	25.0	25.7

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**Group Accounts**


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**g) Sensitivity Analysis**

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

<b>Change in Assumption at 31st March 2023</b>	<b>Approximate % Increase in Employer Liability</b>	<b>Approximate Monetary Amount (£000)</b>
<b>LGPS - LB Lewisham</b>		
0.1% Decrease in Real Discount Rate	2%	24,312
1 Year Increase in Member Life Expectancy	4%	60,449
0.1% Increase in the Salary Increase Rate	0%	1,688
0.1% Increase in the Pension Increase Rate	2%	22,982
<b>LGPS - Lewisham Homes</b>		
0.1% Decrease in Real Discount Rate	2%	2,611
1 Year Increase in Member Life Expectancy	4%	5,391
0.1% Increase in the Salary Increase Rate	0%	206
0.1% Increase in the Pension Increase Rate	2%	2,445
<b>LPFA</b>		
0.1% Decrease in Real Discount Rate	n/a	54
1 Year Increase in Member Life Expectancy	n/a	55
0.1% Increase in the Salary Increase Rate	n/a	53
0.1% Increase in the Pension Increase Rate	n/a	54

**h) Future Contributions**

The objectives of the scheme are to keep the employer's contributions at as constant a rate as possible. The Group anticipates paying £34.5m in contributions to the scheme in 2023/24.

**8. Long Term Debtors**

The value of Long-Term debtors has reduced from the Single entity accounts balance to the Group Accounts balance because of the removal of loans to the subsidiaries (Lewisham Homes £40,000k and CRPL £16,225k).

## Group Accounts

## 9. Group Revaluation Reserve

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

	2022/23 £000	2021/22 £000
<b>Balance brought forward at start of year</b>	<b>1,298,093</b>	<b>1,214,203</b>
Revaluation of Assets	135,601	110,003
Impairment Losses	(217)	(1,934)
Loss of Control of Assets	0	0
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>135,384</b>	<b>108,069</b>
Difference between fair value and historic cost depreciation	(21,979)	(20,992)
Accumulated gains on assets sold or scrapped	(6,358)	(3,187)
<b>Amount written off to the Capital Adjustment Account</b>	<b>(28,337)</b>	<b>(24,179)</b>
<b>Balance carried forward at end of year</b>	<b>1,405,140</b>	<b>1,298,093</b>

## 10. Lewisham Homes Pension Reserve

The Pensions Reserve reflects the timing differences which arise from the accounting treatment for post-employment benefits and for funding benefits in accordance with statutory provisions.

	2022/23 £000	2021/22 £000
<b>Balance brought forward at start of year</b>	<b>17</b>	<b>(26,297)</b>
Actuarial gains or losses on pensions assets and liabilities	47,620	20,311
Return on Assets excluding amounts included in Net Interest	(13,706)	12,313
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(8,601)	(9,902)
Employer's pensions contributions and direct payments to pensioners payable in the year	3,795	3,592
<b>Balance carried forward at end of year</b>	<b>29,125</b>	<b>17</b>

## 11. Group Accounts Prior Period Adjustments/ Restatements

In 2022/23 there were no restatements directly to the 2021/22 Group Accounts.



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Glossary

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**SECTION 7 – GLOSSARY OF TERMS USED IN THE ACCOUNTS**

<b>ACCRUALS</b>	These are amounts included in the accounts to cover income and expenditure attributable to the financial year, but for which payment had not been received or made as at 31 March.
<b>ACTUARY</b>	An independent professional who advises on the financial position of the Pension Fund and carries out a full valuation every three years.
<b>CAPITAL EXPENDITURE</b>	This is expenditure on the acquisition or enhancement of assets which significantly prolongs their useful lives or increases their market value. This is considered to be of benefit to the Council over a period of more than one year, e.g. land and buildings.
<b>CAPITAL ADJUSTMENT ACCOUNT</b>	This represents the capital resources which have been set aside to meet past capital expenditure.
<b>CAPITAL RECEIPTS</b>	Income received from the sale of land, buildings and plant.
<b>COLLECTION FUND</b>	A separate statutory account into which Council Tax and Non-Domestic Rates (NDR) are paid in order to account for payments due to the Council's General Fund and Preceptors (currently the Greater London Authority for Council Tax and NDR, and Central Government for NDR).
<b>CONTINGENT LIABILITY</b>	A possible liability to incur future expenditure at the balance sheet date dependent upon the outcome of uncertain events.
<b>CREDITORS</b>	This is an amount of money owed by the Council for goods, works or services received.
<b>DEBTORS</b>	This is an amount of money owed to the Council by individuals and organisations.
<b>DEPRECIATION</b>	This is the loss in value of an asset due to age, wear and tear, deterioration or obsolescence. An annual charge in respect of this is made to service revenue accounts over the life of most assets to reflect the usage in the year.
<b>EARMARKED RESERVES</b>	These are amounts set aside for specific purposes to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.
<b>FAIR VALUE</b>	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.
<b>GENERAL FUND</b>	This is the account which comprises the revenue costs of providing services, which are met by General Government Grants and the Council's demand on the Collection Fund.
<b>IMPAIRMENT ALLOWANCE</b>	This is an amount set aside from revenue to cover irrecoverable debts.
<b>INFRASTRUCTURE</b>	These are non-current assets which do not have a market value and primarily exist to facilitate transportation and communication (e.g. roads, street lighting). They are usually valued at historic cost.

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**Glossary**

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

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**Glossary**

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**COMMON ACRONYMS USED IN THE ACCOUNTS**

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

## **SECTION 8 – PENSION FUND ACCOUNTS**

### **FOREWORD**

This Pension Fund Statement of Accounts details the financial position and performance of the Lewisham Pension Fund for the year ending 31 March 2023.

The Pension Fund's value decreased over the year by £95m (5%), £1.750bn to £1.652bn. The Fund value of the fund decreased due to the changes in global markets mainly caused by the war in Ukraine, high inflation, the Bank of England policy on interest rates, consumer spending and the reduction in treasury values.

### **INTRODUCTION**

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

### **ORGANISATION**

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation (referred to henceforth as "the Regulations"):

- The Local Government Pension Scheme Regulations 2013 (as amended);
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Formal responsibility for investment management of the Pension Fund is delegated to the Council's Pensions Investment Committee (PIC), which appoints and monitors external investment managers. Each investment manager has an individual performance target and benchmark tailored to balance the risk and return appropriate to the element of the Fund they manage. The investment managers also consider the PIC's views on environmental, social and governance (ESG) factors. Details of the ESG factors are contained in the Investment Strategy Statement and published online (see web address below).

The Pension Board operates independently of PIC and assists the administering authority in securing compliance with the Regulations and any other legislation or codes of practice relating to the governance and administration of the Scheme. Further information about the Board, together with its Terms of Reference, can be found online at the web address below.

The Pension Fund administration is managed by a small in-house team, which is also responsible for other areas of work such as redundancy payments, gratuities and teacher's compensation.

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

[www.lewishampensions.org/resources/](http://www.lewishampensions.org/resources/)

## Pension Fund Accounts

## FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2023

The fund account shows the surplus or deficit on the fund for the year.

	2022/23	2021/22	See note
	£000	£000	
<b><u>DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS</u></b>			
<b><u>DIRECTLY INVOLVED WITH THE SCHEME</u></b>			
<b>Contributions Receivable:</b>			
- from Employers	39,739	37,341	5
- from Employees	12,300	11,120	5
Transfer Values In	10,103	8,096	
Other Income	84	37	
<b>Sub-Total: Income</b>	<b>62,226</b>	<b>56,594</b>	
<b>Benefits Payable:</b>			
- Pensions	49,145	46,942	6
- Lump Sums: Retirement allowances	9,108	9,891	6
- Lump Sums: Death grants	1,498	1,310	6
<b>Payments to and on account of leavers:</b>			
- Refunds of Contributions	30	105	
- Transfer Values Out	6,375	5,515	
<b>Sub-Total: Expenses</b>	<b>66,156</b>	<b>63,763</b>	
<b>Sub-Total: Net Additions/ (Withdrawals) from dealings with members</b>	<b>(3,930)</b>	<b>(7,169)</b>	
Management Expenses	(4,117)	(3,867)	7
<b>Sub-Total: Net (Additions)/ Withdrawals including fund management expenses</b>	<b>(8,047)</b>	<b>(11,036)</b>	
<b><u>RETURNS ON INVESTMENTS</u></b>			
Investment Income	18,156	18,776	9
Change in market value of investments (Realised & Unrealised)	(108,222)	125,203	14b
Taxes on Income	(193)	(9)	
<b>Total Net Returns on Investments</b>	<b>(90,259)</b>	<b>143,970</b>	
<b>NET INCREASE / (DECREASE) IN THE FUND DURING YEAR</b>	<b>(98,306)</b>	<b>132,934</b>	
<b>OPENING NET ASSETS OF THE FUND</b>	<b>1,750,283</b>	<b>1,617,349</b>	
<b>CLOSING NET ASSETS OF THE FUND</b>	<b>1,651,977</b>	<b>1,750,283</b>	

## Pension Fund Accounts

## NET ASSETS STATEMENT AS AT 31 MARCH 2023

The Net Assets Statement shows the market value of the investments and other assets held by the Pension Fund as at 31 March 2023.

	31/03/23	31/03/22	See note
	£000	£000	
<b>INVESTMENT ASSETS</b>			
<b>Equities</b>			
Equities	0	107,822	10 - 14
<b>Managed Funds</b>			
Pooled Property Investments	117,436	147,265	10 - 14
Equity Unit Trust	870,530	832,033	10 - 14
Fixed Income Unit Trust	249,576	212,999	10 - 14
Index Linked	0	112,882	10 - 14
Venture capital	276,999	172,834	10 - 14
Hedge Funds	76,617	71,610	10 - 14
<b>Total Investment Funds</b>	<b>1,591,158</b>	<b>1,657,385</b>	
<b>Cash Held with Custodian</b>	<b>58,448</b>	<b>92,992</b>	18
<b>Other Investment Balances (debtors)</b>	<b>241</b>	<b>42</b>	17a
<b>TOTAL INVESTMENTS</b>	<b>1,649,847</b>	<b>1,750,419</b>	
Current Assets	4,855	2,100	17b
Current Liabilities	(2,725)	(2,236)	17b
<b>TOTAL NET ASSETS</b>	<b>1,651,977</b>	<b>1,750,283</b>	

The financial statements of the Fund do not take account of the liability to pay pensions or benefits after 31 March 2023. This liability is included within the Authority's balance sheet.

## NOTES TO THE PENSION FUND ACCOUNTS

### Note 1: Basis of Preparation of Financial Statements

The Statement of Accounts summarise the Fund's transactions for 2022/23 and its position at year end and as at 31st March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits.

The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Asset Statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Authority has opted to disclose this information in an accompanying report to the accounts, which is disclosed in Note 19.

The Pension Fund Accounts have been prepared on a going concern basis, with the assumption that the functions of the authority will continue in operational existence for the foreseeable future.

### Note 2: Summary of Significant Accounting Policies and Practices

The Pension Fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ('the Code') which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of the obligations to pay pensions and benefits which fall due after the end of the financial year. In respect of future obligations, the actuarial present value of promised retirement benefits are valued on an International Accounting Standard (IAS) 26 basis.

The Local Government Pension Scheme (Administration) Regulations 2013 require 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 Regulations summarise the Pension Code and the minimum disclosure requirements.

The date for publishing the Pension Fund Annual Report is on or before 1 December following the end of the financial year. The Council will be taking its Annual Report to its Pensions Investment Committee later in the year to comply with this deadline.

#### Accounting Policies

A summary of the significant accounting policies, valuation techniques, and the basis of preparation of the accounts are shown below:

- (a) **Investments** - Investments in the Net Assets Statement are shown at Fair Value. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016). 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

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**Pension Fund Accounts**


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policies in a document entitled “Asset pricing guidelines” which details its pricing process and sets out preferred pricing sources and price types.

- (b) The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on the sale of investments during the year.
- (c) **Equities:** Equities are valued at published market prices.
- (d) **Bonds:** Bonds are valued at the published bid market price on the final day of the accounting period.
- (e) **Pooled Investments - Equity Unit Trusts and market quoted investments;** are valued are valued at published bid market prices on the final day of the accounting period.
- (f) **Pooled Investments - UK Fixed Income Managed Funds;** are valued at the average of broker prices.
- (g) **Pooled Investments – Hedge Funds;** are valued by the investing managers on a fair value basis each year using PRAG guidance.
- (h) **Pooled Property Investments:** The Property Funds do not have any direct investments in property but use property Fund managers to invest in pooled property/unit trust funds. They are valued in accordance with the Royal Institute of Chartered Surveyors' (RICS) Valuation Standards at Fair Value based on their Open Market Value (OMV).
- (i) **Venture Capital: The Private Equity and Private Debt;** 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.
- (j) **Hedge Funds:** Hedge Funds are valued by investing managers on a fair value basis using PRAG guidance.
- (k) **Fixed Income Unit Trust: Fixed income earned from fixed income unit trusts. Interest income is recognised in the Fund as it accrues.**
- (l) **Contributions** – These represent the total amounts receivable from the employers and employees within the scheme. Rates will differ between bodies in the scheme; from 01 April 2022 the employee contribution bands (revised annually in line with inflation) for the administering authority are as follows:

Pensionable Pay for the Post	Contribution Rates 2022/23	
	Main Section	50/50 Section
Up to £15,000	5.50%	2.75%
£15,001 to £23,600	5.80%	2.90%
£23,601 to £38,300	6.50%	3.25%
£38,301 to £48,500	6.80%	3.40%
£48,501 to £67,900	8.50%	4.25%
£67,901 to £96,200	9.90%	4.95%
£96,201 to £113,400	10.50%	5.25%
£113,401 to £170,100	11.40%	5.70%
More than £170,101	12.50%	6.25%



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**Pension Fund Accounts**


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The employer's contribution is reviewed every three years and is determined by the Fund's Actuary as the rate necessary to ensure that the Fund is able to meet its long-term liabilities. This is assessed at each triennial actuarial revaluation. *The employer's contribution rate for the administering authority in 2022/23 is 22.5%, unchanged from 2019/20.*

- (m) **Benefits** – Benefits payable are made up of pension payments and lump sums payable to members of the Fund upon retirement and death. These have been brought into the accounts on the basis of all valid claims approved during the year.
- (n) **Transfer Values** – Transfer values are those sums paid to, or received from, other pension schemes relating to periods of previous pensionable employment. Transfer values are calculated in accordance with the Local Government Pension Scheme Regulations and have been brought into the accounts on a cash basis.
- (o) **Taxation** – The Fund is a registered public service scheme under section (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as an expense as it arises.
- (p) **VAT** – By virtue of Lewisham Council being the administering authority, VAT input tax is recoverable on Fund activities. Any irrecoverable VAT is accounted for as an expense.
- (q) **Actuarial Present Value of Promised Retirement Benefits** – The actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS 19 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, the Pension Fund financial statements include a note disclosing the actuarial present value of retirement benefits (see Note 19).

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund. Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2022 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. The assumptions used are based on the average future life expectancies at age 65.

- (r) **Investment Management and Administration** - Regulation 42 of the Local Government Pension Scheme (Administration) Regulations 2008, permit the Council, as the administering authority, to charge the scheme's administration costs to the Fund. A proportion of relevant Council officers' salaries, including related on-costs, have been charged to the Fund on the basis of actual time spent on scheme administration and investment-related business. Management fees of the Fund's investment managers are typically calculated as a set percentage of the market value of funds under management at regular intervals, although some agreements also allow for performance fees above a defined hurdle rate. All investment management expenses are accounted for on an accruals' basis. The Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee based on the market value of the investments they manage and/or a fee based on performance.
- (s) **Foreign currency:** 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: all holdings' valuations are made using the WM/Reuters close of previous business day.
  - Dividend receipts: the rate applicable on the day prior to the date the dividend received is used.

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**Pension Fund Accounts**


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- (t) **Commitments** - Where capital committed to investments is not fully drawn down at the end of the financial year the outstanding commitment is not included in the Net Asset Statement but is referred to in the notes to the accounts; please see note 21.
- (u) **Financial Instruments**
- (i) Financial Liabilities are recognised at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.
- (ii) Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the value of the asset are recognised in the Fund account.  
The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13
- (v) **Additional Voluntary Contributions (“AVCs”)**  
Members of the Fund are able to make AVCs in addition to their normal contributions. The related assets are invested separately from the main Fund, and in accordance with the Regulations, are not accounted for within the financial statements. If on retirement members opt to enhance their Scheme benefits using their AVC funds, the amounts returned to the Scheme by the AVC providers are disclosed as transfers-in. Further details about the AVC arrangements are disclosed in note 23.

**Practices**

- (w) **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 62 of the Local Government Pension Scheme Regulations 2013. The contribution rate required for benefits accruing in future is assessed by considering the benefits which accrue over the course of the three years to the next valuation.

The most recent triennial valuation carried out by the actuaries was as at 31 March 2022. Some of the financial assumptions made, with comparison to the previous valuation, are presented in the table below:

<b>Financial Assumption</b>	<b>March 2022 (%)</b>	<b>March 2019 (%)</b>
Discount Rate	3.6	3.5
Price Inflation (CPI*)	2.7	2.3
Pay Increases	3.7	3.0
Benefit Increase	2.7	2.3
CARE Revaluation	2.7	2.3
Expenses	0.9	0.7

\* Consumer Price Index

With effect from 1 April 2023 to 31 March 2026, the actuarial review carried out for 31 March 2022 resulted in the Council's employer contribution rate being set at 22.0%.

The most recent triennial valuation as at the 31 March 2022 revealed that the Fund's assets, which at 31 March 2022 were valued at £1.750bn, were sufficient to meet 97% (90% in 2019) of the past service liabilities valued at £1.804bn (£1.541bn in 2019) accrued up to that date. The resulting deficit as at the 2022 valuation was £56m (£154m in 2019).

## Pension Fund Accounts

**Note 3: Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out above, the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events. There were no such critical judgements made during 2022/23.

**Note 4: Assumptions Made About the Future and Other Major Sources of Uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However, actual outcomes could be different from the assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
Actuarial present value of promised retirement benefits (Note 19)	The figure of net liability to pay pensions is based on a significant number of complex assumptions including the discount rate, salary increases, mortality rates and expected returns on Fund assets. The Pension Fund's qualified actuary calculates this figure to ensure the risk of misstatement is minimised. Further sensitivity analysis is included in note 19, below.	The effects on the net pension liability of changes in assumptions can be measured. For instance, a 0.1% increase or decrease in the discount rate assumption is estimated to increase or reduce the present value of the pension liability by £24.3m.
Property valuations	Valuation techniques are used to determine the carrying values of freehold and leasehold property directly held by some fund managers. Where possible these valuation techniques are based on observable data, otherwise the best available data is used.	Following an analysis of historical volatility of asset class returns and expected investment returns, in consultation with the Fund's advisors, the Council has determined that the percentage of volatility that can be applied to the Fund's Property assets in 2022/23, assuming all other variables such as foreign exchange rates and interest rates remain the same, is estimated to be 7.7%. This would be an increase or decrease in the value of property investments by £9.0m, on a fair value of £117m.
Venture Capital - private equity / infrastructure	Private equity investments are valued at fair value in accordance with British Private Equity and Venture Capital Association guidelines. These investments are not publicly listed and as such, there is a degree of estimation involved in the valuation.	The venture capital investment in the financial statements is £277.0m. There is a risk that this investment may be under or overstated in the accounts and is estimated to be 11.8%. This would be an increase or decrease in the value of venture capital investments by £32.7m, on a fair value of £277.0m.

## Pension Fund Accounts

**Note 5: Contributions Receivable**

	2022/23 £000	2021/22 £000
<b>Employer Contributions</b>		
Administering Authority	(32,680)	(30,351)
Scheduled Bodies	(6,433)	(6,436)
Admitted Bodies	(626)	(554)
	<b>(39,739)</b>	<b>(37,341)</b>
<b>Employee Contributions</b>		
Administering Authority	(9,941)	(8,797)
Scheduled Bodies	(2,149)	(2,141)
Admitted Bodies	(210)	(182)
	<b>(12,300)</b>	<b>(11,120)</b>

Contributions receivable from employers are shown below:

	2022/23 £000	2021/22 £000
<b>Employer Contributions</b>		
Normal	(37,962)	(35,548)
Early Retirement Strain	(1,607)	(1,623)
Deficit Funding	(170)	(170)
	<b>(39,739)</b>	<b>(37,341)</b>

**Note 6: Benefits Payable**By Category

	2022/23 £000	2021/22 £000
Pensions	49,145	46,942
Commutation and Lump Sum Retirement Benefits	9,108	9,891
Lump Sum Death Grants	1,498	1,310
	<b>59,751</b>	<b>58,143</b>

By Authority

	2022/23 £000	2021/22 £000
Administering Authority	51,480	52,190
Scheduled Bodies	5,062	4,344
Admitted Bodies	3,209	1,609
	<b>59,751</b>	<b>58,143</b>

## Pension Fund Accounts

**Note 7: Management Expenses**

The table below shows a breakdown of the management expenses incurred during the year.

	2022/23 £000	2021/22 £000
Administration Expenses	862	1,161
Oversight and Governance Expenses	525	420
<u>Investment Management Expenses:</u>		
- Transaction Costs	535	220
- Management Fees	2,055	1,954
- Performance Fees	0	0
- Custody Fees	140	112
	<b>4,117</b>	<b>3,867</b>

**Note 8: External Audit Costs**

	2022/23 £000	2021/22 £000
External Audit Services	49	62*
<b>Total</b>	<b>49</b>	<b>62</b>

\* this includes £24k additional fees for the 2020/21 audit

The Pension Fund's external auditors are Grant Thornton.

**Note 9: Investment Income**

The table below shows a breakdown of the investment income for the year:

	2022/23 £000	2021/22 £000
Cash	(831)	27
Bonds	0	(483)
Equities	(985)	(483)
Pooled property investments,	(4,860)	(3,941)
Pooled investments (fixed income and equity unit trusts and hedge funds)	(8,474)	(7,572)
Venture Capital	(3,006)	(6,324)
	<b>(18,156)</b>	<b>(18,776)</b>

## Pension Fund Accounts

## Note 10: Fund Assets

The table below outlines the fund managers, asset classes, and values of those assets held by the Fund as at 31 March 2023.

Fund Manager	Investment Asset	Asset Value	Proportion of the Fund	Asset Value
		31 March 2023 £000	31 March 2023 %	31 March 2022 £000
LCIV - PEPPA	Equity Unit Trust	504,922	30.5	459,186
Storebrand Global ESG	Equity Unit Trust	271,627	16.4	0
Blackrock	Fixed Income Unit Trust	249,576	15.1	368,683
Schroders Property	Property	128,997	7.8	153,961
HarbourVest	Venture Capital	99,389	6.0	124,224
J.P. Morgan	Hedge Funds	76,621	4.6	86,561
Storebrand Emerging Markets	Equity Unit Trust	74,186	4.5	0
LCIV – Private Debt	Venture Capital	59,212	3.6	0
LGIM	Venture Capital	44,457	2.7	9,910
LCIV – Renewable Infrastructure	Venture Capital	40,267	2.4	24,900
Pemberton	Venture Capital	39,544	2.4	40,632
Partners Group	Venture Capital	17,832	1.1	32,087
UBS	Equities and Equity Unit Trust	0	0	409,857
Various Managers	Cash and other Assets	43,216	2.7	40,418
Lewisham	Net Current Assets/(Liabilities)	2,131	0.1	(136)
<b>Total Fund Assets</b>		<b>1,651,977</b>	<b>100.0%</b>	<b>1,750,283</b>

## Note 11: Investment Analysis

Individual Investment assets with a market value exceeding 5% of the total fund value as at 31 March 2023 are as follows:

		£000	%
Passive Equity Progressive Paris Aligned Fund	LCIV	504,919	30.5
Storebrand Global ESG Plus	Storebrand	271,627	16.4
Blackrock Fixed Income A	Blackrock	96,586	5.8
Aquila Over 5 years Index Linked Blackrock Pensions	Blackrock	78,505	4.7
BlackRock Pensions Aquila over 15 years	Blackrock	74,143	4.5

## Pension Fund Accounts

Individual Investment assets with a market value exceeding 5% of the total fund value as at 31 March 2022 are as follows:

Asset	Manager	31 March 2022	
		£000	%
Passive Equity Progressive Paris Aligned Fund	LCIV	459,186	26.2
UBS Asset Management Fund	UBS	268,067	15.3
Aquila Over 5 years Index Linked	Blackrock	112,822	6.5
BlackRock Pensions Aquila over 15 years	Blackrock	107,950	6.2
UBS Asset Management Life UK Equity Tracker	UBS	107,821	6.2
Blackrock Fixed Income A	UBS	105,493	6.0

## Note 12: Reconciliation in Movement in Investments

An analysis of investment movements in 2022/23 (includes cash, debtors and creditors) is set out below:

	Market Value as at 31/03/2022	Purchases and derivative payments	Sales and capital receipts	Re-Classification	Change in Market Value during the year	Market Value as at 31/03/2023
	£000	£000	£000	£000	£000	£000
Bonds	112,822	0	0	(97,940)	(14,882)	0
Equities	107,822	145,362	(181,831)		(71,353)	0
Fixed Income Unit Trust	212,999	0	(174)	97,940	(61,189)	249,576
Equity unit trust	832,033	82,467	(86,434)		42,464	870,530
Hedge fund	71,610	77	(2,396)		7,326	76,617
Pooled property Investments	147,265	6,141	(9,450)		(26,520)	117,436
Venture capital	172,834	124,617	(33,499)		13,047	276,999
	<b>1,657,385</b>	<b>358,664</b>	<b>(313,784)</b>	<b>0</b>	<b>(111,109)</b>	<b>1,591,158</b>
Derivative contracts:						
Forward currency contracts	0	0	(0)		0	0
<b>Sub-total</b>	<b>1,657,385</b>	<b>358,664</b>	<b>(313,784)</b>	<b>0</b>	<b>(111,109)</b>	<b>1,591,157</b>
Cash deposits	92,992				3,154	58,448
Amount receivable for sales of investments	0				0	0
Investment income due	42				0	241
Spot FX contracts	0				(268)	0
Amounts payable for purchases of Invs	0				0	0
Other investment balances	(136)					2,131
<b>Total</b>	<b>1,750,283</b>				<b>(108,222)</b>	<b>1,651,977</b>

## Pension Fund Accounts

	Market Value as at 31/03/2021	Purchases during the year and derivative payments	Sales and capital distributions	Change in Market Value during the year	Market Value as at 31/03/2022
	£000	£000	£000	£000	£000
Bonds	107,210	27,291	(28,150)	6,471	112,822
Equities	95,341	253,024	(243,782)	3,239	107,822
Fixed Income Unit Trust	207,214	24,706	(736)	(18,185)	212,999
Equity Unit Trust	776,855	80,988	(112,811)	87,001	832,033
Hedge Funds	71,529	0	(1,266)	1,347	71,610
Pooled property Investments	112,136	13,098	(4,507)	26,638	147,265
Venture Capital	138,480	49,072	(35,549)	20,831	172,834
	<b>1,508,665</b>	<b>448,179</b>	<b>(426,801)</b>	<b>127,342</b>	<b>1,657,385</b>
Forward currency contracts	0	125	(136)	11	0
<b>Sub-total</b>	<b>1,508,665</b>	<b>448,304</b>	<b>(426,937)</b>	<b>127,353</b>	<b>1,657,385</b>
Cash deposits	105,524			985	92,992
Amount receivable for sales of investments	10,800			0	0
Investment income due	2,769			0	42
Spot FX contracts	0			(5)	0
Amounts payable for purchases of Investments	(10,800)			0	0
Other investment balances	391			(3,130)	(136)
<b>Total</b>	<b>1,671,349</b>			<b>125,203</b>	<b>1,750,283</b>



## Pension Fund Accounts

## Note 13a: Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable Inputs	Key sensitivities affecting the valuations provided
Equities	Level 1	Published market prices	Evaluated price of feeds	Not required
Bonds	Level 2	The published bid market price on the final day of the accounting period	Not required	Not required
Pooled investment – equity unit trust and market quoted investments	Level 2	Published bid market price on the final day of the accounting period	Not required	Not required
Pooled investments - UK Fixed Income Managed Funds	Level 3	Average of broker prices	Not required	Not required
Pooled investments - Hedge Funds	Level 3	Valued by investing managers on a fair value basis each year using PRAG guidance	NAV - based pricing set on a forward basis	Valuations are affected by a change to the value of the financial instrument it is being hedged against
Cash	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Venture Capital - private equity and private debt	Level 3	Comparable valuation of similar companies in accordance with International Private Equity guidelines	- EBITDA multiple '- Revenue Multiplier '- Discount for lack of marketability '- Control Premium	Valuations could be affected by changes to expected cashflow or by differences between audited and unaudited accounts
Hedge Funds	Level 3	Valued by investing managers on a fair value basis each year using PRAG guidance	NAV - based pricing set on a forward basis	Valuations are affected by a change to the value of the financial instrument it is being hedged against
Pooled Property Investments	Level 3	Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required.	Manager valuation statements are prepared in accordance with ECVA guidelines	Upward valuations are only considered when there is validation of the investment objectives and such progress can be demonstrated

## Pension Fund Accounts

**Note 13b: Sensitivity of Assets Valued at Level 3**

The fund has determined that the valuation methods described above for level 3 investments are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

	Assessed valuation range (+/-)	Value at 31 March 2023	Value on Increase	Value on Decrease
	%	£000	£000	£000
Overseas Hedge Fund	5.8	76,617	81,061	72,173
Overseas Venture Capital	11.8	115,591	129,231	101,952
UK Venture Capital	11.8	161,408	180,454	142,362
Pooled Property Investments	7.7	83,782	90,233	77,330
<b>Total</b>		<b>437,398</b>	<b>480,979</b>	<b>393,817</b>

**Note 13c: Valuation of Financial Instruments carried at Fair Value**

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

**Level 1** – where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Listed investments are shown at bid prices. The bid value is based on the market quotation of the relevant stock exchange.

**Level 2** – where market prices are not available, for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

**Level 3** – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include infrastructure, which the Fund holds assets in, unquoted equity investments and hedge fund of funds, neither of which the Fund currently invests in.

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

Market Value as at 31/03/2023	Quoted market price	Using observable inputs	With significant observable inputs	
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
<b>Financial assets at fair value through profit and loss</b>				
Pooled investments	0	1,120,106	76,617	1,196,723
Pooled Property Investments	0	33,654	83,782	117,436
Venture Capital	0	0	276,999	276,999
Cash deposits	58,448	0	0	58,448
Other investment assets	4,855	0	0	4,855
Investment income due	210	30		240
<b>Financial liabilities at fair value through profit and loss</b>				
Other investment liabilities	(2,724)	0	0	(2,724)
<b>Net financial assets</b>	<b>60,789</b>	<b>1,153,790</b>	<b>437,398</b>	<b>1,651,977</b>

## Pension Fund Accounts

Market Value as at 31/03/2022	Quoted market price	Using observable inputs	With significant observable inputs	
	Level 1	Level 2	Level 3	Total*
	£000	£000	£000	£000
<b>Financial assets at fair value through profit and loss</b>				
Bonds	0	112,823	0	112,823
Equities	0	107,822	0	107,822
Pooled investments	25,204	1,019,828	71,610	1,116,642
Pooled Property Investments	0	147,265	0	147,265
Private Equity	0	93,932	78,901	172,833
Cash deposits	92,992	0	0	92,992
Other Investment assets	2,100	0		2,100
Investment income due	42	0	0	42
<b>Financial Liabilities at Fair Value through Profit &amp; Loss</b>				
Other investment liabilities	(2,236)	0	0	(2,236)
<b>Net financial assets</b>	<b>118,102</b>	<b>1,481,670</b>	<b>150,511</b>	<b>1,750,283</b>

**Note 13d: Transfers between Levels 1 and 2**

There has not been any transfers between Level 1 and Level 2 assets in 2022/23.

**Note 13e: Reconciliation of Fair Value Measurements within Level 3**

	Market Value as at 31/03/2022	Transfers in/out of level 3	Purchases	Sales	Unrealised gains (losses)	Realised gains (losses)	Market Value as at 31/03/2023
	£000	£000	£000	£000	£000	£000	£000
Overseas Hedge Fund	71,610	0	77	(2,396)	7,203	123	76,617
Overseas Venture Capital	78,901	38,244	23,569	(24,324)	(7,104)	6,305	115,591
UK Venture Capital	0	55,689	101,047	(9,175)	13,847	0	161,408
Pooled Property Investments	0	113,609	6,143	(9,450)	(29,345)	2,825	83,782
<b>Total</b>	<b>150,511</b>	<b>207,542</b>	<b>130,836</b>	<b>(45,345)</b>	<b>(15,399)</b>	<b>9,253</b>	<b>437,398</b>

## Pension Fund Accounts

**Note 14a: Classification of Financial Instruments**

The accounting policies describe how the different asset classes of financial instruments are measured, and how income and expenses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category. Bonds of £97m were reclassified as Fixed Income Unit Trust between accounting categories during the year ended 31 March 2023.

Market Value as at 31/03/2022 Designated as fair value through profit and loss	Loans and receivables	Financial liabilities		Designated as fair value through profit and loss	Loans and receivables	Market Value as at 31/03/2023 Financial liabilities
£000	£000	£000	£000	£000	£000	£000
			<b>Financial assets</b>			
112,822			Bonds	0		
107,822			Equities	0		
212,999			Fixed Income Unit Trust	249,576		
832,033			Equity Unit Trust	870,530		
71,610			Hedge Funds	76,617		
147,265			Pooled property Investments	117,436		
172,833			Venture Capital	276,999		
0	92,992		Cash deposits	0	58,448	
0	42		Other investment balances	0	241	
0	2,100		Debtors	0	4,855	
<b>1,657,385</b>	<b>95,134</b>	<b>0</b>		<b>1,591,158</b>	<b>63,544</b>	<b>0</b>
			<b>Financial liabilities</b>			
		(2,236)	Creditors			(2,725)
			Other Current Liabilities			
<b>0</b>	<b>0</b>	<b>(2,236)</b>		<b>0</b>	<b>0</b>	<b>(2,725)</b>
<b>1,657,385</b>	<b>95,134</b>	<b>(2,236)</b>	<b>Total</b>	<b>1,591,158</b>	<b>63,544</b>	<b>(2,725)</b>
	<b>1,750,283</b>		<b>Grand Total</b>		<b>1,651,977</b>	

## Pension Fund Accounts

**Note 14b: Net Gains and Losses on Financial Instruments**

The following table shows net gains on financial instruments:

	31/03/23 £000	31/03/22 £000
<b>Financial Assets</b>		
Fair Value through Profit and Loss	(106,579)	127,342
Loans and receivables	3,154	985
Assets at Amortised Cost		
<b>Financial Liabilities</b>		
Fair value through profit and loss	0	11
Liabilities at Amortised Cost	(268)	(3,135)
	<b>(103,693)</b>	<b>125,203</b>

**Note 15: Nature and Extent of Risks Arising from Financial Instruments**

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). As an investment fund, the Lewisham Pension Fund's objective is to generate positive investment returns for an accepted level of risk. Therefore, the Fund holds a mix of financial instruments such as securities (equities, bonds), interests in collective investment schemes (pooled funds), and cash equivalents. In addition, debtors and creditors arise because of its operations. The value of these financial instruments is reflected in the financial statements at their fair value.

Responsibility for the Fund's risk management strategy rests with the Council's Pension Investment Committee (PIC). Risk management policies are established to identify and analyse the risks faced by the Council's pension operations. The main risks from the Fund's holding of financial instruments are market risk, credit risk, and liquidity risk. These policies are reviewed regularly to reflect change in activity and in market conditions.

The Committee regularly monitors each investment manager, and its investment consultant (Hymans Robertson) advises on the nature of the investments made and associated risks.

The Fund's investments are managed on behalf of the Fund by the appointed investment managers. Each investment manager is required to invest the assets managed by them in accordance with the terms of their investment guidelines or pooled fund prospectus.

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

**a) Market Risk**

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

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**Pension Fund Accounts**


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arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the PIC.

**i) Other Price Risk – Market**

The risk that the value of a financial instrument will fluctuate as a result of factors other than interest rate or foreign currency movements, whether those changes are caused by factors specific to the individual instrument, its issuer or factors affecting the market in general. Market price risk arises from uncertainty about the future value of the financial instruments that the Fund holds. All investments present a risk of loss of capital, the maximum risk being determined by the fair value of the financial instruments. The investment managers mitigate this risk through diversification in line with their own investment strategies and mandate guidelines.

**ii) Other Price Risk – Sensitivity analysis**

The Council and its investment advisors also undertake appropriate monitoring of market conditions and benchmark analysis. The Fund has a long term view on expected investment returns which smooths out short term price volatility.

Following an analysis of historical volatility of asset class returns and expected investment returns, in consultation with the Fund's advisors, the Council has determined that the following asset level percentages of volatility can be applied to the Fund's assets in 2022/23, assuming all other variables such as foreign exchange rates and interest rates remain the same:

<b>Asset Type</b>	<b>Potential Market Movement +/- (% p.a.)</b>
Equity Unit Trust	12.8
Fixed Income Unit Trust	13.0
Hedge funds	5.8
Pooled property Investments	7.7
Venture Capital	11.8
Other Investments	1.2
Cash	0
<b>Total</b>	<b>8.3</b>

## Pension Fund Accounts

Applied to the period end asset mix, the potential impact on the Fund's market value in the next financial year is as follows:

Asset type	Market Value as at 31/03/2023	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
<b>Cash and cash equivalents</b>	58,448	0.0	58,448	58,448
<b>Investment portfolio assets:</b>				
Fixed Income unit trusts	249,576	13.0	282,021	217,131
Equity unit trusts	870,530	12.8	981,957	759,102
Hedge funds	76,617	5.8	81,061	72,174
Pooled property Investments	117,436	7.7	126,478	108,393
Venture Capital	276,999	11.8	309,685	244,313
Other funds	2,371	1.2	2,400	2,343
<b>Total assets * **</b>	<b>1,651,977</b>		<b>1,842,050</b>	<b>1,461,904</b>

\* This figure includes derivatives and other investment balances.

\*\* The % change and value change for Total Assets includes the impact of correlation across asset classes

The 2021/22 comparator table is as follows:

Asset Type	Final Market Value as at 31/03/2022	Percentage Change	Value on Increase	Value on Decrease
	£000	%	£000	£000
<b>Cash and cash equivalents</b>	92,992	0.0	92,992	92,992
<b>Investment portfolio assets:</b>				
Bonds	112,822	9.1	123,089	102,555
Equities	107,822	16.2	125,289	90,355
Overseas equities	102,070	13.0	115,339	88,801
Fixed Income unit trusts	212,999	9.1	232,382	193,616
Equity unit trusts	729,964	16.2	848,218	611,710
Hedge funds	71,610	5.8	75,763	67,457
Pooled property Investments	147,265	3.8	152,861	141,669
Venture Capital	172,833	5.8	182,858	162,809
Other funds	(94)	2.8	(97)	(92)
<b>Total Assets</b>	<b>1,750,283</b>		<b>1,948,694</b>	<b>1,551,872</b>

### iii) Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fixed interest securities, cash and cash equivalents are exposed to interest rate risk.

## Pension Fund Accounts

**iv) Interest Rate Risk – Sensitivity Analysis**

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

The analysis demonstrates that a 1% increase in interest rates will reduce the fair value on fixed interest assets (obviously the interest received will not change), and vice versa.

Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Asset type	Market Value as at 31/03/2023	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000	£000	£000
<b>Cash and cash equivalents</b>			
Cash	58,448	0	0
<b>Fixed Interest Investments</b>			
UK Fixed Income Funds	152,648	1,526	(1,526)
Overseas Fixed Income Funds	96,958	970	(970)
<b>Total change in assets available</b>	<b>308,054</b>	<b>2,496</b>	<b>(2,496)</b>

Asset type	Market Value as at 31/03/2022	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000	£000	£000
<b>Cash and cash equivalents</b>			
Cash	92,992	0	0
<b>Bonds</b>			
UK public sector Index linked	112,822	1,128	(1,128)
<b>Fixed Interest Investments</b>			
UK Fixed Income Funds	105,483	1,055	(1,055)
Overseas Fixed Income Funds	107,516	1,075	(1,075)
<b>Total change in assets available</b>	<b>418,814</b>	<b>3,258</b>	<b>(3,258)</b>

**v) Currency Risk** is the risk to which the Pension Fund is exposed to fluctuations in foreign currency exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£GBP). The Fund was exposed to the following significant foreign currency levels at the 31 March 2023:

Euro	€8.9m	(€20.9m 21/22)
US Dollars	\$16.6m	(\$84.8m 21/22)

The remaining exposures arise from much smaller holdings of other currencies including Swiss Francs, Hong Kong Dollars and Japanese Yen.



## Pension Fund Accounts

**vi) Currency risk – sensitivity analysis.**

The Fund's currency rate risk is routinely monitored by the Council and its investment advisors. Overseas equities, fixed interest securities and cash in foreign currencies are exposed to currency risk. Following analysis of historical data in consultation with the Fund's advisors, the Council considers the likely volatility associated with foreign exchange rate movements in 2022/23 to be 6.5% (7.3% in 2021/22). This volatility is applied to the Fund's overseas assets at period end as follows:

Asset Type	Asset Value at 31 March 2023 £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas Fixed Income	96,928	8.8	105,457	88,398
Overseas Equity Funds	365,610	8.8	397,784	333,437
Overseas Hedge Funds	76,617	8.8	83,360	69,875
Overseas Venture Capital	115,591	8.8	125,763	105,419
<b>Total</b>	<b>654,746</b>	<b>8.8</b>	<b>712,364</b>	<b>597,129</b>

Asset Type	Asset Value at 31 March 2022 £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas Fixed Income	107,516	7.3	115,365	99,668
Overseas Equity Funds	102,070	7.3	109,521	94,619
Overseas Hedge Funds	71,610	7.3	76,838	66,382
Overseas Venture Capital	117,145	7.3	125,696	108,593
<b>Total</b>	<b>398,341</b>	<b>7.3</b>	<b>427,420</b>	<b>369,262</b>

**b) Credit Risk**

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

	Rating	Balances at 31 March 2023 £000	Balances at 31 March 2022 £000
Barclays	A +	3,912	1,386
Northern Trust	AA -	58,448	92,992
<b>Total</b>		<b>62,360</b>	<b>94,378</b>

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**Pension Fund Accounts**


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**c) Liquidity Risk**

Liquidity risk is the risk that the Pension Fund will have difficulties in paying its financial obligations as they fall due. For example; the benefits payable costs and capital commitments. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The Fund holds proportion of assets as cash to allow for short notice payments and capital calls. As at the 31 March 2023 these assets totalled £58.4m held in cash by the custodian on behalf of the Fund and fund managers.

**Note 16: Derivative Contracts**

As at 31 March 2023 there were no pending foreign exchange purchases or sales. The net gain related to foreign exchange forward contracts was nil in 2022/23 (net gain £11k in 2021/22).

**Note 17a: Other Investment Balances**

These comprise the following amounts:

	31/03/23 £000	31/03/22 £000
<b>Debtors</b>		
Equity Dividends / Income from Managed Funds	177	23
Recovered Taxes	64	
Interest and Other Income	0	19
<b>Creditors</b>		
Interest and Other Expenditure	0	0
<b>Net</b>	<b>241</b>	<b>42</b>

**Note 17b: Net Current Assets**

These comprise the following amounts:

**Current Assets**

	31/03/23 £000	31/03/22 £000
Contributions Due from Admitted/ Scheduled Employers/ Employees	56	57
Other Current Assets	737	657
Prepayments	150	0
Cash in Hand	3,912	1,386
	<b>4,855</b>	<b>2,100</b>

## Pension Fund Accounts

## Current Liabilities

	31/03/23 £000	31/03/22 £000
Fund Manager and Custody Fees	(511)	(553)
Consultancy/ Advisory Fees	(21)	(187)
Other Current Liabilities	(2,193)	(1,496)
	<b>(2,725)</b>	<b>(2,236)</b>

## Note 18: Cash and Bank

## Cash Held With Custodian

The Northern Trust Company is the Fund's global custodian and cash is held to meet the cash flow requirements of the Fund and its managers. The total cash held as at 31 March 2023 was £58.4m (£93.0m as at 31 March 2022). The table below shows how this was split between the Fund Managers.

Fund Manager	31/03/2023 £'000	31/03/2022 £'000
Cash Account	43,089	39,851
Schroders	11,479	3,904
HarbourVest	3,521	20,122
Partners Group	359	11,246
JP Morgan	0	14,951
Pemberton	0	2,352
Cash Account	0	548
Securities Lending	0	15
UBS	0	1
BlackRock transition account	0	1
	<b>58,448</b>	<b>92,991</b>

## Pension Fund Bank Account

The Lewisham cash in hand balance of £3.9m represents uninvested cash held in the Pension Fund bank accounts as at 31 March 2023. The Fund's accounts are held with Barclays Bank.

## Note 19: Actuarial Present Value of Promised Retirement Benefits

The table below shows the total net liability of the Fund as at 31 March 2023. The figures have been prepared by Hymans Robertson LLP, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pension's legislation. In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

## Pension Fund Accounts

	31/03/2023	31/03/2022
	£m	£m
Present value of promised retirement benefits	(1,673)	(2,287)
Fair Value of Scheme Assets	1,657	1,750
Net Liability	(16)	(537)

**Longevity assumptions**

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2022 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Longevity Assumptions for year ended 31 March 2023	Males	Females
Current Pensioners	21.1	24.1
Future Pensioners	22.1	25.5

**Financial assumptions**

	31/03/2023 (%)	31/03/2022 (%)
Discount Rate	4.8	3.2
Salary Increases	4.0	4.2
Pension Increases	3.0	2.7

**Sensitivity Analysis**

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions at 31 March 2023	Approximate increase to liabilities (%)	Approximate monetary amount (£m)
0.1% p.a. decrease in the Real Discount Rate	2	24
1 year increase in member life expectancy	4	60
0.1% p.a. increase in the Salary Increase Rate	0	2
0.1% p.a. increase in the Pension Increase Rate	2	23

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**Pension Fund Accounts**


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**Note 20: Events after the Reporting Period**

The audited Pension Fund Statement of Accounts was authorised for issue by the Executive Director of Corporate Resources on 30 June 2023. Events taking place after this date are not reflected in the accounts. Where events took place before this date which materially altered the conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect these altered conditions.

**Note 21: Contractual Commitments**

The Pension Fund was committed to the following capital contributions as at the 31 March 2023:

<b>Fund Manager</b>	<b>Fund</b>	<b>Contractual Commitment £000</b>	<b>Undrawn Capital £000</b>
Harbourvest	Harbourvest Closed Ended Funds	130,955	44,641
London CIV	LCIV Renewable Infrastructure	90,000	59,335
London CIV	LCIV Private Debt	85,000	31,213
Pemberton	Pemberton European Mid-Market Debt Fund II	40,000	3,981
Schroders	Schroders Property Funds	20,658	6,228
<b>Total</b>		<b>366,613</b>	<b>145,398</b>

**Note 22: Related Party Transactions**

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

Eight Councillors sit on the Pensions Investment Committee which oversees the Fund. At each meeting of the Pensions Investment Committee, Councillors are required to make declarations of interest which are recorded.

During the year the following declarations were made:

- The Chair of the Investment Committee Councillor Mark Ingleby declared an interest as a Councillor elected Director of Lewisham Homes, the Council's housing subsidiary, not in receipt of pension.

Four members and an independent chair make up the membership of the Pensions Board, which assists the administering authority in adhering to the Regulations with regards to its administration and governance of the scheme. At each meeting of the Board, members are required to make declarations of interest which are recorded.

During the year no declarations of interest were made apart from the members being participants in the scheme, although this is a requirement of their Board membership.

No other trustees or Council chief officers with direct responsibility for Pension Fund issues made any declarable transactions with the Pension Fund in the period to 31 March 2023.

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**Pension Fund Accounts**


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

- Recharges from the Council for the in-house administration costs borne by the scheme were transacted (included in Administration Expenses in Note 7). Some cash transactions relating to pension activities are currently effected through the Council's bank account and consequently Pension Fund cash balances are held by the Council from time to time and vice versa.

**Key Management Personnel Remuneration**

The key management personnel of the Fund are the Executive Director of Corporate Resources and the Director of Finance.

There were no costs apportioned to the Pension Fund in respect of the Executive Director of Corporate Resources post for 2021/22 and 2022/23.

Total remuneration payable to key management personnel from the Pension Fund is set out below:

	2022/23 £'000	2021/22 £'000
Short Term Benefits	21	20
Post-Employment Benefits	4	4
<b>Total</b>	<b>25</b>	<b>24</b>

**Note 23: Additional Voluntary Contributions (AVC's)**

Contributing members have the right to make AVCs to enhance their pension. There are currently 45 'open' AVC contracts for LGPS members (i.e. excluding members with AVC contracts who have left Lewisham and now have preserved benefits). Some of these 'open contracts' will be for members who have paid AVCs in the past but who have suspended payments to the scheme for the time being.

The Fund has two AVC providers: Clerical Medical and Utmost (formerly Equitable Life). The value of AVC investments is shown below. The contributions are held by the providers and do not form part of the Lewisham Fund's assets in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

	2022/23			2021/22		
	Utmost £000	Clerical Medical £000	Total £000	Equitable Life £000	Clerical Medical £000	Total £000
<b>Value at the Beginning of Year</b>	<b>352</b>	<b>1,024</b>	<b>1,376</b>	<b>356</b>	<b>1,106</b>	<b>1,462</b>
Contributions and Transfers Received	0	121	121	0	181	181
Investment Return / change in market value	(21)	(43)	(64)	16	64	80
Paid Out	(42)	(228)	(270)	(20)	(327)	(347)
<b>Value at the End of the Year</b>	<b>289</b>	<b>874</b>	<b>1,163</b>	<b>352</b>	<b>1,024</b>	<b>1,376</b>

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**Pension Fund Accounts**


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**Note 24a: Scheduled Bodies**

The following are scheduled bodies to the Fund as at 31 March 2023, arranged in descending order by the value of their contributions in 2022/23:

Lewisham Homes Limited
Haberdashers' Aske's Hatcham College
Christ The King Sixth Form College
St Matthews Academy
Tidemill Academy
Childeric Primary School
Sedgehill School
St George's Academy

**Note 24b: Admitted Bodies**

The following are admitted bodies to the Fund as at 31 March 2022, arranged in descending order by the value of their contributions in 2022/23

Youth First Ltd
Phoenix
Inspace/ BS Phoenix
KGB Cleaning
NSL Ltd (formerly known as National Car Parks Ltd)
City West Services
Housing 21
Zing Environments Ltd
Braybourne FS Ltd (Knights)
Lewisham Music
Change Grow Live
Three C's Support
Braybourne FS Ltd (Hatcham)
Harrison Catering (Hatcham)
Pre-School Learning Alliance
Harrison Catering (Knights)
GLL
Tower Services
M Group Services

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**Pension Fund Accounts**


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**Note 25: Membership**

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the London Borough of Lewisham Pension Fund include:

Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.

Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

The following table summarises the membership numbers of the scheme:

	Active Members		Deferred Beneficiaries		Retired Members	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
Administering Authority	5,696	5,403	10,079	9,853	7,968	7,824
Scheduled Bodies	1,061	1,140	1,351	1,224	469	435
Admitted Bodies	89	74	63	62	87	80
	<b>6,846</b>	<b>6,617</b>	<b>11,493</b>	<b>11,139</b>	<b>8,524</b>	<b>8,339</b>



# Annual Governance Statement

Year ended 31 March 2023

# Executive Summary

## Governance Assessment for 2022/23

After years of reduced central government funding, local authorities and their governance have come under increasing strain. Many have pursued additional commercialisation and partnership ventures using novel or untested governance arrangements and so increasing risk. A wave of public interest reports has acted as a reminder that things can go wrong anywhere, and the risks are significant.

At Lewisham, while we have not ignored commercial incentives, we have remained cautious. We cannot be complacent, but our governance arrangements remain robust. We enjoy strong relationships between senior officers and politicians, with officers able to properly perform their duties and speak up freely knowing their advice will be appreciated with respect. We know we have areas to review and improve, but they are known, and work is ongoing to develop our governance.

This Annual Governance Statement provides an opportunity to reflect on our governance arrangements, consider their effectiveness and look forward to how we can continue to meet the challenge of providing effective services to our residents. In completing that assessment we have had regard to the CIPFA/SOLACE Framework that sets out key principles of good governance. Our summary assessment is below and detailed further throughout the document.

Principle	Assurance
<b>A.</b> Behaving with integrity, demonstrating strong commitment to ethical values, and respecting rule of law	Satisfactory
<b>B.</b> Ensuring openness and comprehensive stakeholder engagement	Satisfactory
<b>C.</b> Defining outcomes in terms of sustainable economic, social, and environmental benefits.	Satisfactory
<b>D.</b> Determining the interventions necessary to optimise the achievement of the intended outcomes	Satisfactory
<b>E.</b> Developing the Council's capacity, including the capability of its leadership and the individuals within it	Satisfactory
<b>F.</b> Managing risks and performance through robust internal control and strong public financial management	Satisfactory
<b>G.</b> Implementing good practices in transparency, reporting, and audit to deliver effective accountability	Satisfactory

## Governance Priorities for 2023/24

While we are satisfied our current governance arrangements are robust, that position needs constant review in a local government environment presenting varied and growing challenges. We perform ongoing review and reflection on our processes to ensure they are simple, clear and understood. We have a drive for improved corporate compliance that is showing signs of an encouraging positive shift in mindset. Beyond that ongoing improvement activity, we have identified various specific areas of Governance priority to address through the year ahead:

- Progressing delivery of the Mayor's policy programme, as set out in the Corporate Strategy 2022 to 2026
- Embedding the revised Corporate Values Statement launched in late 2023.
- Successfully incorporating Lewisham Homes back into the Council.
- Addressing remedial actions to improve IT Asset Management.
- Further developing the Council's Performance Reporting Dashboard.
- Full rollout of the refreshed Risk Management Strategy.
- Maximising the role of Social Value in procurement as set out in the Social Value Policy for Procurement 2022-26 published October 2022.

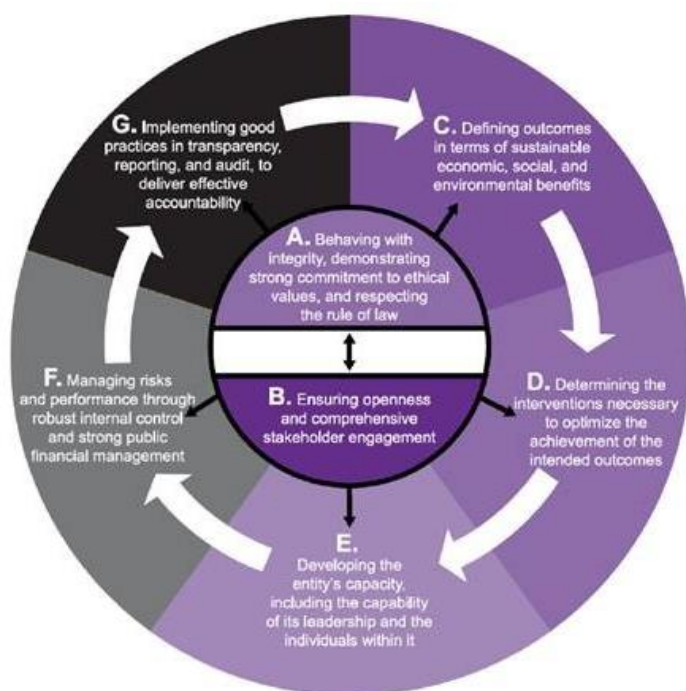
# Annual Governance Statement 2022/23

## What Is Corporate Governance?

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards; and for having a governance framework that comprises of the culture, values, systems and processes by which this is achieved. It must make sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively to meet its strategic objectives.

It also has a duty, through the establishment of internal control measures, to manage risk to a reasonable level by identifying, prioritising, evaluating and managing the risks to the achievement of its policies, aims and objectives. Finally, it has a duty to secure continuous improvement in the way in which its functions are exercised.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives and Senior Managers) Framework Delivering Good Governance in Local Government. This statement explains how the authority has complied with the code and how it meets the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement on internal control.



*“Corporate governance is about making sure that the Council is run properly. It is about ensuring the Council does the right things, at the right time and in the right way.”*

## How Has This Statement Been Prepared?

Every year a review of the effectiveness of the Council's governance framework is conducted by senior officers from policy, legal and audit with expertise in governance and internal control.

Officers monitor and evaluate governance evidence and identify areas requiring action; and are responsible for analysing CIPFA/SOLACE guidance in relation to the development of this statement for the financial statements.

The governance review process includes:

- Oversight of the Annual Governance Statement Action Plan rests with the Council's Executive Management Team.
- Consideration of the Accounts by the Executive Director for Corporate Resources (as the Council's s151 Officer).
- Reviewing results of work conducted by the Council's assurance services, including the Annual Opinion of the Head of Internal Audit.
- Review of the Annual Governance Statement by the Council's Audit Panel as part of the financial statements.
- A review of the Council's Local Code of Corporate Governance by the Standards Committee, with reference to CIPFA/Solace Guidance.
- Referral of the Annual Governance Statement to Full Council with the Statement of Accounts and sign off by the Speaker of the Council and Chief Executive, once approved.

## Lewisham Council's Governance Processes

### Governance Arrangements

The Council's governance arrangements aim to foster effective leadership and high standards of behaviour; a culture based on openness and honesty; and an external focus on the needs of service users and the public. The diagram below shows the external facing governance structure, as set out in the Council's constitution.

Lewisham's directly elected Mayor provides the Council with clear strategic direction and effective leadership, but the Council also benefits from the perspectives and contributions of its 54 Councillors. The Council's constitution clearly defines the roles of councillors and officers, and this clarity contributes to effective working relationships across the Council. The Constitution Working Party, the Standards Committee and the Audit and Risk Committee (previously the Audit Panel) monitor and challenge the governance arrangements and ensure their robustness.

The Council has worked closely with its partners, both strategic and operational. The Council has five statutory partnership boards:

- The Safer Lewisham Partnership is the statutory crime and disorder partnership for Lewisham.
- The Youth Justice Board which is a statutory partnership board that oversees the work of the youth offending service in Lewisham.

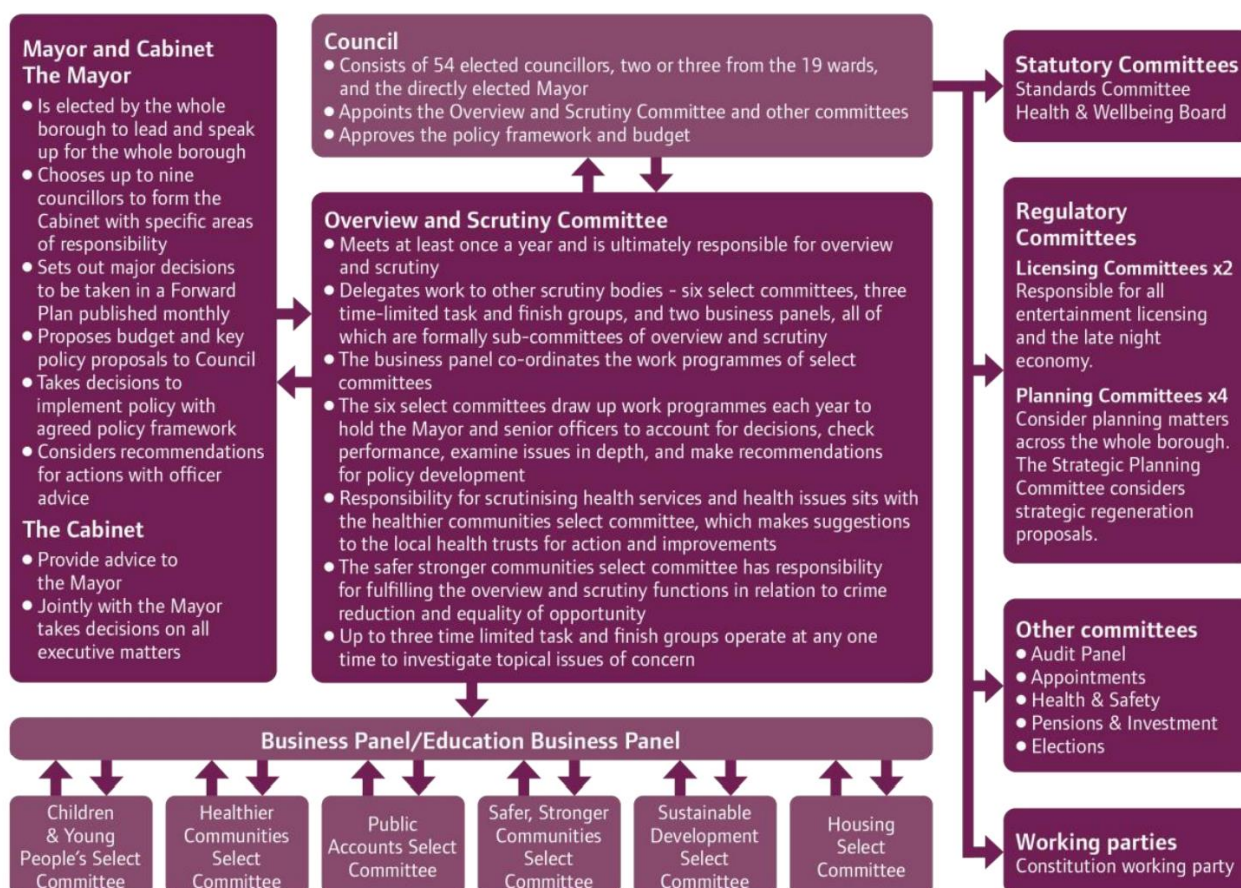
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- The Health and Wellbeing Board, Chaired by the Mayor with the current Vice Chair being the Cabinet Member for Health & Adult Social Care, works to promote greater partnership engagement that contribute to health and social care outcomes locally.
- Local Adult Safeguarding Board responsible for helping oversee and safeguard adults with care and support needs through effective preventative measures.
- Lewisham Children’s Safeguarding Partnership aims to ensure that member agencies work together to keep children and young people safe, hold one another to account and ensure that safeguarding remains a priority.

## Council Composition

The Council is comprised of 54 Councillors, including the Mayor. Elections were held on 5 May 2022. Damien Egan, Labour Party, was returned as Mayor for his second term. The 54 Councillor positions were all filled by candidates from the Labour Party and the Labour and Co-operative Party.

(Note this diagram relates to the decision-making process as it existed through most of 2022/23. The process was updated in March 2023 by our new Constitution).



## A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

### **Assurance Level: Satisfactory**

The Council has strong ethical values, set out in a clear Member Code of Conduct. All Members receive training on that Code and can access support and advice through the Monitoring Officer and his team on compliance, including for example on declarable interests.

The Member code is mirrored in a clear and comprehensive Employee Code of Conduct which draws on the Nolan Principles of good governance in setting out ethical expectations of officers across the authority.

Our staff survey during 2022/23 reported 94% of staff put the Council's corporate values into practice in their work. During 2023/24 we aim to build on that position further with a refreshed set of values and behaviours, published in autumn 2023 after wide consultation.

## Roles and Responsibilities

The Council's constitution sets out the roles and responsibilities of the Mayor, the Speaker of the Council, the Council as a whole, the Executive, Statutory Officers, Overview and Scrutiny committees, Standards committees and other committees to help ensure that all decision-making activity is lawful and transparent. Decisions are taken and scrutinised in accordance with the Council and Mayoral scheme of delegation, the procedure rules set out in the constitution and based on professional officer advice, as part of an annual programme of regular meetings.

The tone from the top in terms of establishing effective governance arrangements and culture rests with the Council and the Mayor. The Council approve the Constitution and confirm the appointments and delegations annually at their Annual General Meeting.

The constitution requires councillors to follow formal procedures when taking decisions to make sure that decisions are made transparently and openly. The Local Code of Corporate Governance and the Codes of Conduct for Members and Officers, set out in the constitution, demand the highest standards of ethical behaviour. These are reviewed regularly and are communicated widely. An update on complaints made against Members was considered in March 2022.

## Ethics and Governance Training

Training on ethics, governance and the Member Code of Conduct is delivered to all Councillors in the first year of an administration, as in 2022/23, as part of a comprehensive induction programme to enable Members to understand and access all appropriate support and development to undertake their role. This is repeated after by-elections. Training on specific governance issues is provided as required throughout the course of the administration.

The Council has two wholly owned subsidiary companies, Lewisham Homes and Catford Regeneration Partnership Limited (CRPL).

In December 2022 the Council the to terminate its management agreement with Lewisham Homes and to directly manage and deliver its housing services to its over 19,000 homes within the borough, with effect on the 1 October 2023. Lewisham Homes company will remain as a wholly owned subsidiary of the Council. In part this is to ensure that the necessary legacy arrangements and services can be provided and secondly because it remains necessary that certain properties and tenancy arrangements continue to operate outside of the Council, in particular to support the provision of temporary accommodation.

A new interim Business Plan for Lewisham Homes as well a new management agreement and associated schedules between the Council and Lewisham Homes are in place to ensure that these operations and activities can be delivered and to ensure the long-term sustainability of Lewisham Homes. The Council has appointed two new directors and appropriate arrangements will be put in place regarding training, conflict of interest management and secretarial & governance support to the company post 1 October 2023. Lewisham Homes' Articles of Association have been reviewed to ensure they are fit for purpose. The revised articles were approved by the Board of Directors on behalf of Lewisham Homes and by the Director of Law & Corporate Governance and (former) Executive Director of Resources on behalf of the Council prior to the 30 September 2023.

With regards to CRPL, a review of the company's operations and its interaction with the Council is in the process of being commissioned. The review will be undertaken from a shareholder perspective. The results of the review will be reported to Mayor and Cabinet in due course.



## B. Ensuring openness and comprehensive stakeholder engagement

Local government is run for the public good. Organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

### **Assurance Level: Satisfactory**

The Council takes a proactive approach on transparency and stakeholder engagement. Formally, this has included a constitutional review on the use of Part II papers to ensure transparency. We have also continued to make wide use of our online consultation hub to support hearing stakeholder views on local projects such as Deptford High Street to broader initiatives such as suicide prevention interventions and training.

### Engaging the Community and Partners

The Council promotes participation through its online engagement system, which provides a platform for citizens to respond to online consultations and set up and respond to e-Petitions. Last year more than thirty consultations took place online. At ward-level, Local Assemblies are an opportunity for residents to work with their ward councillors to shape the future of their neighbourhood; and the Young Citizens Panel gives young people aged 11–18 the chance to feed into Council policy and spending decisions, including the use of the Young Mayor's budget. During 2022/23 this included Young Mayor events on making education more inclusive and anti-racist.

The Council's website includes a page on open data and transparency, which gives information on spending; wages of senior managers; Freedom of Information requests; the annual audit of accounts; the pay policy; and Council decisions.

As well as statutory strategic partnership working, extensive partnership working arrangements are in place which support the delivery of the Council's objectives. In 2022/23 this included work with communities in Lewisham and Birmingham on a ground-breaking review of health inequalities within Black African and Caribbean communities (the BLACHIR review). The Council also has borough-based arrangements in place with the local Clinical Commissioning Group to align with the work of the National Health Service and is working with the South East London Clinical Care Group (SEL CCG) to develop the incoming Integrated Care System (ICS). Responding to global events in Syria and Afghanistan and consistent with our Sanctuary Borough commitments, the Council has continued to work alongside the Lewisham Migration to meet the needs of our refugee and migrant community.

## C. Defining outcomes in terms of sustainable economic, social and environmental benefits

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

### Assurance Level: Satisfactory

The Council's revised Corporate Strategy 2022-26 sets out our key priorities including their sustainable economic, social and environmental benefits.

Moreover, the Strategy emphasises the role of strong and effective governance as a core requirement to achieving those priorities.

## Communicating and reviewing the Council's vision

We launched our revised Corporate Strategy 2022-26 in November 2022 following extensive consultation. This replaced our previous Corporate Strategy 2018-2022 and reflects the Council's commitment to delivering the ambitious manifesto set out by the Mayor on election in May 2022. The Strategy groups the Council's commitments around seven corporate priorities:

**Cleaner and greener:** Tackling the climate crisis, supporting tree planting, maintaining London's best parks, enabling active travel and keeping streets clean.

**A strong local economy:** Supporting apprentices, investing in high streets, promoting Shop Local, attracting businesses to Lewisham and working with business to become London Living Wage employers.

**Quality housing:** Delivering more social homes for Lewisham, improving housing stock condition, supporting renters and safeguarding our heritage landmarks.

**Children and young people:** Continue supporting school improvement, relentless focus on inclusive pupil achievement, protecting the most vulnerable children and lobbying government to expand free school meal provision.

**Safer communities:** Implementing our Violence Against Women and Girls strategy, supporting the 'Have A Word' campaign, reducing young people's entry into the criminal justice system.

**Open Lewisham:** Celebrating Lewisham's diversity, preserving our Borough of Sanctuary status, building on our Borough of Culture legacy, strengthening the Lewisham Way of working with partners and actively listening to residents.

**Health and Wellbeing:** Working with partners to deliver the Lewisham Food Action Plan, mitigating health inequalities, progressing towards a fairer social care system, working with NHS on the Lewisham Health Care and Wellbeing Charter and empowering residents to live a physically active lifestyle.

Our Corporate Strategy also emphasises key components of our approach and governance that will be vital to successful delivering of these priorities:

**Effective Management of finance:** Sound financial management in maintaining a balanced budget, developing our financial monitoring, enhancing consideration of social value and managing spending within budget.

**A flexible workforce we invest in:** Recruiting, retaining and developing talented and committed staff to provide the best services for residents, including an emphasis of hybrid working while staying connected and engaged.

**Collaborative working, including in partnerships:** Convening a Local Strategic Partnership focused on tackling the issues that matter most to our residents plus creating a culture of working collaboratively and as a facilitator for organisations and people to support one another.

**Evidence-based decision making:** Expanding our Knowledge Observatory using Ward Profiles to assess and understand need across the Borough.

**Strong and effective governance:** Enhancing our approach to managing risk, alongside effective controls, to support and empower staff to deliver big ideas.

**Staying on track and measuring success:** Revamping how to measure and manage performance, identifying key results with regular monitoring integrated into service planning and made publicly available.

## D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government must make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the several types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

**Assurance Level: Satisfactory**

We have clear decision-making procedures that draw in a wide range of considerations to support selected interventions. In 2023/24 we will further expand our use of social value to support procurement decisions.

### Decision Making

The constitution requires councillors to follow formal procedures when taking decisions to make sure that decisions are made transparently and openly. This includes declaring if they have a personal interest in the matters under discussion and, if required, withdrawing from the room whilst the decision is taken. Reports are produced in a standard format so report authors address all significant implications of decisions. These considerations have been expanded to include environment, wellbeing, and (for contracts) social value implications. The minutes of every formal meeting are published on the Council website.

The constitution requires Executive decisions to be published within two working days of being taken and they may be called-in (referred to the Mayor for reconsideration) by the Overview and Scrutiny Committee. For 2022/23, no Mayor & Cabinet decisions were called-in by the Overview and Scrutiny Business Panel to be reconsidered.

The Council has a Constitution Working Party (CWP), now part of the Governance Committee, to advise it on the operation of its constitutional arrangements but in practice, the procedure rules set out in the constitution are under constant review by the Monitoring Officer to reflect changing needs.

## E. Developing the Council's capacity, including the capability of its leadership and the individuals within it

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

The Council undertook a staff survey in Q2 of 2022. The survey had ten themes, including values, communications, ways of working and wellbeing and development and performance. All of which in part speak to the Council's governance and capacity and capability, as viewed by its staff. The perceived strengths included staff putting the Council's values into its work, line managers supporting staff when needed, and treating staff with fairness and respect. Areas for improvement included staff feeling that they struggled to do their roles within contracted hours, a lack of investment in staff and a lack of meaningful consultation prior to changes to roles.

The Executive Management Team and the Senior Leadership Team have worked with the Change Network to ensure that both local and Council wide initiatives are put in place to increase the Council's capability and capacity, linked to training and development to improve these areas.

### **Assurance Level: Satisfactory**

We have comprehensive training and development programmes supporting both Members and Officers showing our clear commitment to developing capacity and capability. During 2022/23 we had officers in key positions, including Chief Executive and Section 151 Officer, move on from the Council but were able to fulfil the roles with internal interims to support continuity, with experienced agency hires elsewhere in our structure supporting capacity.

We reviewed our corporate structure in January 2023 principally to acknowledge the challenges associated with bringing Lewisham Homes back into the Council.

## Training and Development

The Council runs a comprehensive Member Development Programme, with an intensive induction programme in the period following local elections. The programme ensures that all Councillors 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. Training and development are available for councillors every year, inclusive of regular all member briefings; training sessions for all councillors or specific cohorts of councillors; and tailored learning for individuals provided based on assessed needs. The Member Development Strategy supports the overall Organisational Development Strategy, which sets out a framework to ensure the organisation performs effectively, through its design, function, structure and processes.

The development needs of senior officers are the responsibility of the Director of People & Organisational Development and the Monitoring Officer who are aware of their statutory duties and stay abreast any changes in relevant legislation. At the start of the financial year the Chief Executive, as the Head of Paid Service, defines objectives for each member of the Executive Management Team which are then cascaded to officers throughout the organisation through the objective setting arrangements set out in the People Management Framework. During the year this has also involved partnership with an external consultancy on an extensive Leadership Development Programme supporting our Senior Leadership Team and Executive Management Team.

We also have a Corporate Equalities Board to provide strategic direction for equalities across the Council. This includes oversight of our equality and diversity learning and development offer plus identifying and promoting opportunities for our range of staff networks to support employee engagement and development.

## F. Managing risks and performance through robust internal control and strong public financial management

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision-making activities.

A robust system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability. An incident occurred in early 2022 whereby the scripts between a number of feeder systems into Oracle were deleted in error, this meant that a number of payments usually made in Oracle had to be manually inputted into Oracle whilst the scripts were re-written and tested. These were then turned back on in a staged and managed way across the payment cycle. The learning from this, both in terms of the ability of the Council to effectively implement business continuity plans, and the effectiveness of these controls and processes and the strengthening of these going forward will be reflected in the 2022/23 external audit.

It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

### **Assurance Level: Satisfactory**

During 2022/23 we extensively refreshed our approach to both risk and performance management. We published a new risk framework in March 2023, and revised Corporate Performance Report in early 2023/24. Both built on existing and developing internal practices and will continue to form the basis of public risk and performance reporting as it evolves through the year.

We have an existing strong financial management system managed by the Executive Director of Corporate Resources, including a revised Whistleblowing Policy launched in Autumn 2022.

## Monitoring Performance

The Council's performance is monitored via a suite of regular Directorate (Children and Young People Services, Community Services, Housing Regeneration and Public Realm, Corporate Resources, and Chief Executive) management reports and quarterly at the Executive Management Team. The reports use exception reporting to focus attention on underperforming or high-risk areas and is a critical tool for supporting decisions across the organisation.

These reports are shared with Cabinet Leads, giving them direct line of sight to current and emerging performance issues. The appropriateness of Directorate performance measures is reviewed annually. The quality of services for users is also measured through satisfaction surveys and information from the complaints management resolution processes.

During 2022/23 we also developed a refreshed corporate performance report, using a Power BI interface that allows residents and stakeholders to better interact with and scrutinise our performance data. This new Corporate Performance Report ([link](#)) went live in the early months of 2023/24 and is updated each quarter.

## Compliance

The Monitoring Officer is central to ensuring compliance with the rules and procedures set out in the constitution. The Monitoring Officer attends Mayor, & Cabinet, Full Council meetings and is a member of the Executive Management Team (EMT). The Monitoring Officer regularly briefs councillors and relevant staff on corporate legislative developments; and legal advice is incorporated in every council report. Where gaps or non-compliance are identified, appropriate action is taken.

The financial management of the authority is conducted in accordance with financial regulations set out in the constitution and the Council has designated the Executive Director for Corporate Resources as its Section 151 Officer, who advises on the proper administration of the Council's financial affairs, keeping proper financial records and maintaining effective systems of financial control. The Council has a whistleblowing and speaking up policy in place which is publicised on the Council's website and were refreshed and updated during 2022/23.



## G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and conducts its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

### **Assurance Level: Satisfactory**

The Council has strong audit arrangements, with an in-house team assessed in 2022 as conforming with Public Sector Internal Audit Standards in an independent External Quality Assessment. The annual conclusions of both internal and external audit provide assurance on efficacy of the Council's control environment.

## Head of Internal Audit Opinion 2022/23

The Council's Head of Assurance (the officer who serves as Chief Audit Executive as defined in the Public Sector Internal Audit Standards). Delivered his annual opinion to the Audit & Risk Committee in June 2023. The key conclusions were:

### Internal Control

I am satisfied that during the year ended 31 March 2023 the Council managed its internal controls to offer satisfactory assurance on their adequacy and effectiveness.

Within that opinion I note one significant area for improvement concerning how the Council achieves effective procurement, management and disposal of its physical IT assets. I have recommended that this area be acknowledged in the Council's Annual Governance Statement.

### Framework of Governance

I am satisfied that the Council's framework of governance for the year ended 31 March 2023 complies in all material respects with guidance on proper practices as set out in the CIPFA/SOLACE publication "Delivering Good Governance in Local Government (2016)"

### Risk Management

I am satisfied the risk management arrangements at the Council for the year ended 31 March 2023 are effective and provide satisfactory assurance.

Within my 2021/22 report I noted some considerable space to develop the Council's risk approach to include its reporting, content and integration with wider decision making. While there has been considerable progress during the year, including a

new risk management framework seen by the Audit Panel in March 2023, that development continues and should be recognised within the Annual Governance Statement.

### Other Matters

I have no other matters to report to the Committee as part of my opinion.

During 2022/23 the internal audit service also received the report of its External Quality Assessment. This assessment is a quinquennial requirement of Public Sector Internal Audit Standards and was completed by the City of London internal audit service. The assessment concluded the service conforms to Public Sector Internal Audit Standards.

## External Audit

Our external auditors, Grant Thornton, completed their work on the 2021/22 financial statements by issuing unqualified audit opinions on the Council and Pension Fund financial statements on 11 August 2023. This also included the audit certificate that officially closed the 2021/22 audit. We are expecting the full Auditor's Annual Report, for 2022/23 including the Value for Money Conclusion, by 30 November 2023.

The most recent annual report received relates to 2021/22 and was published in December 2022. This confirmed an intention to issue unqualified audit opinion on the 2021/22 financial statements which was realised in August 2023. On value for money arrangements, on all of Financial Stability, Governance and Improving Economy, Efficiency and Effectiveness the auditors concluded there were no significant weaknesses in arrangements identified but made improvement recommendations. We have continued to track implementation of those recommendations through regular reporting to the Audit & Risk Committee.

In addition to the annual independent review of the Council's governance, risk and control management arrangements, Children and Young People's Services is subject to regular inspection through one of the following four inspection frameworks (in addition to the inspection of schools):

- Inspection of Local Authority Children's Services (Ofsted)
- Joint Targeted Area Inspection (Ofsted, CQC and HMICFRS) – the latter is the police inspectorate
- Special Educational Needs and disability Inspection (Ofsted and CQC)
- Youth Offending Inspection (HMIP) – Probation inspectorate

## Audit Panel / Audit and Risk Committee

The Council's Audit Panel meets quarterly and is made up of a mixture of Councillors and independent advisors. The key roles of the Panel are to:

- Review and comment on the strategy, plans and resources of Internal Audit.
- Internal Audit update reports, summarising the audit reports issued, management's

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progress on implementing any recommendations and the performance of the Internal Audit function, are received by the Panel on a quarterly basis.

- Consider and monitor the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
- Consider the external auditor's annual plan and other relevant external reports which contribute to the level of assurance.
- Consider the Council's annual Statement of Accounts and this statement and make comments to Full Council when it considers the accounts.

In late 2022/23 we updated our constitution to replace the Audit Panel with an Audit & Risk Committee. This Committee works to a terms of reference recently strengthened and refreshed by review against the CIPFA model. It is now a full Committee of the Council, attracting a Special Responsibility Allowance for its Chair. Also, as evidenced by the title, this includes a new focus on risk running alongside the Council's broader refresh and expansion of its risk management arrangements. The Committee has also reaffirmed its position as a source of independent expert challenge by appointing three new independent members replacing previous occupants reaching the end of term. These new independent members, with backgrounds in Local and Central Government, health and voluntary sectors, as well as private business bring a wide range of experience and expertise to the Committee's function. As in previous years we will later this year review the Committee's work against the CIPFA self-assessment checklist to signpost further development in years ahead.

## Governance Action Plan

### Update on 2022/23 Governance Priorities

Our 2022/23 Annual Governance Statement described a range of priorities. We have monitored these through the year and provide below an update on progress.

Priority	Progress
Progressing delivery of the Mayor's policy programme, as set out in the Corporate Strategy 2022 to 2026 adopted by Council in November 2022;	<b>Continuing</b> and recognised as a priority in this plan.
Plan and prepare to implement further cuts and adjust the allocation of resources across Council services considering the anticipated further budget reductions the Council faces	<b>Continuing</b> objective of the Council and incorporated into our Corporate Strategy delivery.
Continue the work begun in 2020/21 to progress the Chief Executive's priorities for improvement, as agreed by Council in February 2020, in the following areas: (a) financial management, (b) organisational culture and our people, (c) Our residents' experience, (d) evidence based decision making, (e) Governance and attitudes to risk, (f) Project and people management, (g) Communications	<b>Continuing</b> objectives pursued by our acting Chief Executive but now overtaken and incorporate within other governance priorities highlighted in this statement.
Catching up on the delayed annual reviews of the schemes of delegation and financial regulations and procedures to align them with the new Directorate structures implemented 2020/21 and changes approved for 2023	<b>Completed.</b> Revised constitution approved by the Council in March 2023.
Update the payroll and HR procedures to ensure resilience and capture the operational changes from the move to a new system (Oracle Cloud) in support of the People Management Framework introduced in 2020/21 and Organisation Development Strategy for 2021/22	<b>Completed.</b> Revised procedures now in place.
Address the external and internal audit findings reported to the Audit Panel to maintain and, where necessary, improve the Council's financial controls and risk mitigations for the growing cyber security risk	<b>Continuing.</b> Specific recommendations addressed, but we continue to report findings to Audit Committee.
Continue to address areas for improvement overseen by a discrete Improvement Board on the findings and recommendations of the Children Services review by Ofsted (August 2019) and follow ups in 2020 and 2022;	<b>Completed.</b>
Continue the work with our local and regional health partners to best deliver the 'integrated health and social care agenda' for the benefit of the borough's citizens, and in responding to the impact of Covid 19	<b>Completed.</b>
Improve compliance with the minor but persistent control weaknesses in the operation of control	<b>Completed.</b>

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Priority	Progress
account reconciliations, procedural documentation and evidencing control function. Develop the Council's risk approach to include its reporting, comprehensiveness and integration with wider decision-making	<b>Ongoing.</b> Refreshed risk approach published in late 2022/23 and its implementation identified as continuing priority in this Statement.

## 2023/24 Governance Priorities Monitoring

We will continue to track ongoing priorities alongside the 2023/24 set highlighted below. This monitoring will take place in various places in our Governance structure, most notably:

- At the **Corporate Assurance Board**. An officer-led group including the Chief Executive, Executive Director of Corporate Resources (s151 Officer), Director of Law & Corporate Governance (Monitoring Officer) and Head of Assurance (Chief Audit Executive). This Board meets around ten times per year to consider a broad range of governance challenges and track progress on key actions to address defects and mitigate risk.
- Through the **Audit & Risk Committee**. This public, Member Committee will receive periodic updates as part of its governance monitoring.

Priority	Exec Management Team Owner
Progressing delivery of the Mayor's policy programme, as set out in the Corporate Strategy 2022 to 2026.	Jennifer Daothong Acting Chief Executive
Embedding the revised Corporate Values Statement launched in September 2023.	Jennifer Daothong Acting Chief Executive
Successfully incorporating Lewisham Homes back into the Council during 2023/24.	Gillian Douglas Executive Director of Housing
Addressing remedial actions to improve IT Asset Management.	David Austin Acting Executive Director Corporate Resources
Further developing the Council's Performance Reporting Dashboard.	David Austin Acting Executive Director Corporate Resources
Full rollout of the refreshed Risk Management Strategy published in March 2023.	David Austin Acting Executive Director Corporate Resources
Maximising the role of Social Value in procurement as set out in the Social Value Policy for Procurement 2022-26 published October 2022.	David Austin Acting Executive Director Corporate Resources

Signed on behalf of the Council

*T. Anwar*

*J. Daothong*

**Tauseef Anwar**

**Jennifer Daothong**

Councillor Tauseef Anwar

Jennifer Daothong

Speaker of the Council

Acting Chief Executive

Date: 12 December 2023

Date: 12 December 2023