

LONDON BOROUGH OF LEWISHAM

2013 / 2014 AUDITED STATEMENT OF ACCOUNTS

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FOREWORD

TO THE

STATEMENT OF ACCOUNTS

2013/2014

FOREWORD BY THE EXECUTIVE DIRECTOR FOR RESOURCES AND REGENERATION

1. INTRODUCTION

This Statement of Accounts reports the financial results of all the Council's operations for the financial year 2013/14 and shows the Council's financial position as at 31 March 2014. The Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice for Local Authorities (SERCOP) 2013/14, jointly developed by CIPFA and the Accounting Standards Board. These constitute proper accounting practice with which Local Authorities must by statute comply and includes adherence to International Financial Reporting Standards (IFRS). There are no fundamental changes to the basis on which the accounts have been compiled for 2013/14. The significant events that have had a major impact on the Council's finances during the year are outlined in Section 7 of this foreword.

2. THE COUNCIL'S STATEMENT OF ACCOUNTS

The Statement of Accounts comprises this Foreword, a Statement of Responsibilities, an External Auditor's report (which will be inserted upon completion of the audit) and other sections as set out below. Following a review in 2012/13, the accounts no longer include Group Accounts.

Section 1 – The Core Financial Statements

Section 1a - Movement in Reserves Statement (MiRS)

This statement shows the movement during the year in the different reserves held by the Council, analysed into 'usable reserves' and 'unusable reserves' (see Section 1c for details). The Surplus or (Deficit) on the Provision of Services line shows the true cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes respectively. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund and Housing Revenue Account Balances.

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

This statement shows the accounting cost in the year of providing the Council's services in accordance with IFRS, rather than the amount to be funded from taxation. Council's raise taxes to cover expenditure in accordance with regulations; this may be different from the accounting cost.

Section 1c - Balance Sheet

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

Foreword

Section 1d - Cash Flow Statement

This statement shows the changes in cash and cash equivalents of the Council during the year and how it generates and uses these by classifying cash flows into operating, investing and financing activities. The net cash flows from operating activities are a key indicator of the extent to which the operations of the Council are funded by taxation and grant income or from service users. Investing activities show the extent to which cash outflows have been made for resources which contribute to the Council's future service delivery. Cash flows arising from financing activities indicate claims on future cash flows by providers of capital (i.e. borrowing) to the Council. The indirect method of compilation has been used.

Section 2 – Statement of Accounting Policies

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

Section 3 – Notes to the Core Financial Statements

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

Section 4a – Housing Revenue Account

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

Section 4b – Collection Fund

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

Section 5 – Pension Fund

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

Section 6 – Annual Governance Statement

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

Section 7 - Glossary

This explains some technical and commonly used terms.

3. REVENUE BUDGET

3a 2013/14 Revenue Budget Setting

The Council set a net budget requirement of £284.6 million for 2013/14 at its meeting on 27th February 2013. This is an increase of £16.1m or 6% on the previous year's net budget requirement, but these two figures are not directly comparable due to significant changes in the structure of the local government funding mechanism and the incorporation of some specific grants into the main formula grant. The Council did make a significant reduction of £21m to its gross budget.

3b 2013/14 Revenue Budget Funding

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

Foreword

	2013/14 £000	2012/13 £000
Lewisham's Net Budget Requirement	284,632	268,510
Less: Revenue Support Grant	124,948	3,315
Less: NNDR received from the national pool	83,124	170,994
Less: Surplus on Collection Fund	4	1,017
General Fund Services to be met from Council Tax	76,556	93,184
Add: Precept (GLA)	21,876	27,427
Total to be met from Council Tax	98,432	120,611

Note: The variations between the years in Revenue Support Grant and NDR arise from significant changes by Central Government in the funding mechanism and the treatment of some specific grants.

3c 2013/14 Revenue Budget Outturn

During 2013/14, the Mayor and Cabinet and the Executive Management Team (EMT) received regular financial monitoring reports. The Council took corrective action where budget pressures were identified, with the result that at the end of the financial year there was a net underspend of £1.8m on the Directorates' service budgets, which continues the Council's record of sound financial management. The reasons for these variances were reported to the Mayor and Cabinet on the 25 June 2014.

3d 2014/15 Revenue Budget Outlook

The Council set a net budget requirement of £268.1m for 2014/15 at its meeting on 26th February 2014, which is £16.5m lower than the equivalent figure for 2013/14. The Council again made significant savings reductions of £24.5m to its budget and added growth of £12m to provide for a number of significant spending pressures which are being experienced. An amount of £4m is being taken from reserves to fund the budget, but action is being taken to ensure that expenditure remains affordable in future years. The Council has maintained adequate reserves to enable it to manage the significant funding risks it faces as the national programme of public sector expenditure reductions continues.

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

The actual Council Tax is determined by dividing the net amounts to be met from Council Tax by the tax base, which for Lewisham is 72,198 equivalent Band D properties for 2013/14 (69,991 for 2012/13, this figure has been adjusted from 89,419 following the funding mechanism changes).

	2013/14 £000	2012/13 £000	Variation £	Variation %
Lewisham's Demand	1,060.35	1,042.11	18.2	1.8
Add: Preceptor Requirements:				
Add: Greater London Authority	303.00	306.72	-3.7	-1.2
Council Tax for Band D	1,363.35	1,348.83	14.5	1.1

4b Council Tax and Non-Domestic Rates Collection Rates

	2013/14 %	2012/13 %	2011/12 %
Council Tax	94.78	94.78	94.56
Non-Domestic Rates	99.08	97.38	97.41

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

Foreword

5. CAPITAL PROGRAMME

5a 2013/14 Capital Programme

The capital expenditure incurred during the year and how it was resourced is shown below. The percentage spent compared to the revised programme budget was 91%. A number of budget under spends, mainly on school buildings and housing schemes, have been carried forward to 2014/15.

	2013/14 Final Outturn £m	2013/14 Budget Report (26 Feb 2014) £m	2012/13 Final Outturn £m
CAPITAL PROGRAMME EXPENDITURE			
General Fund	69.4	79.8	69.3
Housing Revenue Account	44.9	45.4	36.3
Total Capital Expenditure for the Year	114.3	125.2	105.6
CAPITAL FINANCING			
Borrowing	2.8		3.3
Capital Grants	65.6		41.1
Capital Receipts	14.4		16.2
Capital Expenditure Financed from Revenue	31.5		45.0
Total Capital Expenditure Financed	114.3		105.6

The final expenditure on major projects in the 2013/14 capital programme was:

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

Primary Places Programme (inc Expansion)	18.9
Building Schools for the Future (BSF) – Design and Build Programme	16.1
Highways and Bridges (inc TfL programmes)	8.9
Schools Works and Upgrades Programme	4.9
Housing Regeneration Schemes	3.7
Asset Management Programme	2.4
Vehicle Replacement Programme	2.1
Deptford Town Centre, Station and High Street	1.8
Catford Broadway and Town Centre	1.5

Housing Revenue Account

Decent Homes programme	32.9
Other Major Works to Dwellings	9.7

2013/14 Expenditure £m
18.9
16.1
8.9
4.9
3.7
2.4
2.1
1.8
1.5
32.9
9.7

Foreword

5b 2014/15 Capital Programme

The Council set its capital programme budget at its meeting on 26th February 2014. This outlined the Council's programme for the years 2014/15 to 2017/18 of £386m. The majority of the General Fund programme is focused on schools with the Primary Places Programme well underway and the major BSF secondary school refurbishment and rebuild programme nearly completed. The implementation of Housing self-financing has given the Council the opportunity to plan for investment in new housing stock, and the decent homes programme will be completed in 2015/16. The Council is undertaking a number of development and regeneration schemes which utilise and maximise the value of its assets prudently, especially in Catford and Lewisham Town Centres.

2014/15 Capital Programme	2014/15 Budget £m
General Fund	
Primary Places Programme	25.1
Building Schools for the Future (BSF) – Design and Build Programme	16.4
Schools Works and Upgrades Programme	7.7
Highways and Bridges	3.5
Catford Town Centre Regeneration	2.8
Housing Regeneration Schemes	4.7
Asset Management Programme	2.5
Other Schemes	5.4
General Fund	68.1
Housing Revenue Account	58.3
Total Capital Programme - 2014/15	126.4

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

After transfers to and from reserves the General Fund balance has been maintained at £12.0m. This is an adequate but not excessive level of cover and represents approximately 2.5% of Lewisham's Net Budget Requirement and 2% of the Dedicated Schools Grant expenditure. Lewisham also has earmarked reserves for specific on-going projects and these are detailed in Note 8 to the Core Financial Statements in Section 3 of the Accounts.

6b Housing Revenue Account

After transfers to and from reserves the HRA balance at the end of the year, including earmarked reserves, now stands at £46.3m (£35.6m as at 31st March 2013). These reserves include the Major Repairs Reserve and are for specific on-going projects as outlined in the notes to the HRA in Section 4a of the Accounts.

6c Collection Fund

The Collection Fund had a surplus of £1.5m for the year, which when added to the brought forward surplus of £2.5m gives a surplus of £4m to carry forward to 2014/15. The details are shown in the Collection Fund statements in Section 4b of the Accounts.

Foreword

7. SIGNIFICANT EVENTS IN 2013/14 THAT HAVE HAD AN IMPACT ON THE ACCOUNTS

7a National Deficit Reduction Strategy

The government's strategy to reduce the national deficit over the lifetime of this Parliament is still having a major effect on the Council's current and future funding plans. It has had a direct effect on the 2013/14 accounts, with termination costs of £5.2m (£2.0m in 2012/13) being incurred during the year as the Council has implemented staff reductions in response to the constrained funding climate (also see Note 27 to the Core Financial Statements).

7b Building Schools for the Future

Drumbeat Special School was opened in April 2013 after substantial building works through the Building Schools for the Future capital programme.

The Building Schools for the Future contract for Sydenham Secondary School reached financial close on 30th May 2013. This will comprise the rebuilding and substantial refurbishment of the school buildings at an estimated cost of £26m over the next 4 years.

7c Public Health – Transfer of Function

The Public Health service was transferred from Lewisham PCT to the Council on 1st April 2013. The budget for the service in 2013/14 (fully funded by Grant) is £19.5m. No non-current assets were transferred to the Council.

7d Glass Mill Leisure Centre

The newly built Glass Mill Leisure Centre in Loampit Vale was opened during the year, replacing the Ladywell Leisure Centre. Its facilities include swimming and learning pools, a health and fitness suite, a climbing wall, a café, meeting rooms and a crèche. The asset was provided to the Council as part of the overall contract with the developer. It has a value of £24.1m and has been accounted for as a "donated" asset. Further details of the accounting treatment is given in the Accounting Policies section of these accounts.

7e Pension Fund Valuation

The Pension Fund's value rose over the year by £37m from £868m to £905m (4%), mainly due to an increase in stock valuation during the year.

7f Council Tax Reduction Scheme

The Welfare Reform Act abolished the system of Council Tax Benefits and replaced it with the Council Tax Reduction Scheme (CTRS) with effect from 1 April 2013. The reduction in the Council Tax Base for 2013/14 of approximately 20,000 properties compared to the 2012/13 unadjusted figure is due to the change in the way the CTRS is accounted for. In 2013/14, approximately £24.6m of expenditure has been accounted for within the Collection Fund instead of the General Fund.

7g IAS19 Pension Fund Benefits Accounting Changes

The major amendment is that the expected rate of return and the interest cost has been replaced with a single net interest cost; this effectively sets the expected return equal to the discount rate. This does not however affect the Net Pension Liability figure.

7h Non Domestic Rates (NDR) Changes

Central Government has amended the local government finance regime, introducing a retained non domestic rates scheme to allow Councils to retain a proportion of business rates generated in their area. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the Borough.

Statement of Responsibilities for the Statement of Accounts

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

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

Responsibility of the Executive Director for Resources and Regeneration

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

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

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

I certify that I have also:

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

The Statement of Accounts give a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2014.

Janet Senior CPFA

Executive Director for Resources and Regeneration
25th September 2014

I confirm that these accounts were approved by the Council at the meeting held on 17th September 2014

Signed on behalf of the London Borough of Lewisham:

Councillor
Chair of Council
Dated: 25th September 2014

Independent Auditor's Report

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

Opinion on the Authority financial statements

We have audited the financial statements of the London Borough of Lewisham for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. 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 2013/14.

This report is made solely to the members of the London Borough of Lewisham in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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.

Respective responsibilities of the Executive Director of Resources and Regeneration and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Executive Director for Resources and Regeneration 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Resources and Regeneration; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the London Borough of Lewisham as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Independent Auditor's Report

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

Independent Auditor's Report

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, the London Borough of Lewisham put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Additionally we cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by local authority electors. We are satisfied that these matters do not have a material effect on the financial statements or a significant impact on our value for money conclusion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF LEWISHAM PENSION FUND

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of London Borough of Lewisham Pension Fund for the year ended 31 March 2014 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. 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 2013/14.

This report is made solely to the members of London Borough of Lewisham Pension Fund in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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.

Respective responsibilities of the Executive Director for Resources and Regeneration and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Executive Director for Resources and Regeneration is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local

Independent Auditor's Report

Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director for Resources and Regeneration; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the explanatory foreword and the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2014 and the amount and disposition of the fund's assets and liabilities as at 31 March 2014; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law..

Opinion on other matters

In our opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Darren Wells

Director

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

The Explorer Building
Fleming Way
Crawley
West Sussex
RH10 9GT

25 September 2014

SECTION 1

CORE FINANCIAL STATEMENTS

2013/2014

**1a) MOVEMENT IN RESERVES
STATEMENT**

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

1c) BALANCE SHEET

1d) CASH FLOW STATEMENT

Core Financial Statements

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31ST MARCH 2014

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

Core Financial Statements

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31ST MARCH 2013 (Restated)

YEAR ENDING 31ST MARCH 2013	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2012 Brought Forward	11,800	110,373	17,181	24,327	4,529	6,546	174,756	766,444	941,200
Movement in Reserves during 2012/13									
Surplus or (Deficit) on the provision of services	(30,301)	0	38,640	0	0	0	8,339	0	8,339
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(31,395)	(31,395)
Total Comprehensive Income and Expenditure	(30,301)	0	38,640	0	0	0	8,339	(31,395)	(23,056)
Adjustments between accounting basis and funding basis under regulations (see note 7)	45,299	0	(11,348)	(4,050)	(13,385)	1,416	17,932	(17,932)	0
Net Increase / (Decrease) before Transfers to Earmarked Reserves	14,998	0	27,292	(4,050)	(13,385)	1,416	26,271	(49,327)	(23,056)
Transfers to / (from) Earmarked Reserves	(14,798)	14,798	(21,575)	0	21,575	0	0	0	0
Increase / (Decrease) in 2012/13	200	14,798	5,717	(4,050)	8,190	1,416	26,271	(49,327)	(23,056)
Balance at 31 March 2013 Carried Forward	12,000	125,171	22,898	20,277	12,719	7,962	201,027	717,117	918,144

Core Financial Statements

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 31ST MARCH 2014

2012/13 (Restated)			2013/14			Note
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	
SERVICE						
37,860	(32,434)	5,426	8,639	(3,835)	4,804	
23,142	(4,063)	19,079	21,782	(3,320)	18,462	
37,009	(6,650)	30,359	34,009	(6,252)	27,757	
15,179	(3,532)	11,647	14,662	(3,804)	10,858	
399,579	(270,078)	129,501	510,003	(312,516)	197,487	
27,308	(12,261)	15,047	25,233	(15,060)	10,173	
331,117	(356,195)	(25,078)	271,748	(374,561)	(102,813)	
109,917	(32,941)	76,976	115,142	(22,196)	92,946	
0	0	0	19,651	(20,327)	(676)	
5,083	(320)	4,763	5,158	(350)	4,808	
1,762	(30)	1,732	7,766	(80)	7,686	
987,956	(718,504)	269,452	1,033,793	(762,301)	271,492	22
Cost of Services						
Other Operating Expenditure						
0	(12,077)	(12,077)	98	0	98	
1,723	0	1,723	1,527	0	1,527	6
1,119	0	1,119	1,886	0	1,886	18
2,842	(12,077)	(9,235)	3,511	0	3,511	
Financing and Investment Income and Expenditure						
30,242	0	30,242	35,667	0	35,667	
0	(26)	(26)	0	(4,329)	(4,329)	
0	(315)	(315)	0	0	0	
474	(2,847)	(2,373)	447	(1,981)	(1,534)	
60,065	(38,236)	21,829	63,840	(39,329)	24,511	38
90,781	(41,424)	49,357	99,954	(45,639)	54,315	
Taxation and non-specific Grant Income						
0	(94,766)	(94,766)	0	(77,737)	(77,737)	
0	(8,267)	(8,267)	0	(130,262)	(130,262)	30
0	(43,886)	(43,886)	0	(69,345)	(69,345)	
0	(170,994)	(170,994)	0	(83,124)	(83,124)	
0	(317,913)	(317,913)	0	(360,468)	(360,468)	
		(8,339)			(31,150)	
		(46,167)			(198,108)	20
		77,562			16,461	38
		31,395			(181,647)	
		23,056			(212,797)	
Total Comprehensive Income and Expenditure						

Core Financial Statements

BALANCE SHEET AS AT 31ST MARCH 2014

31/03/2013 £000		31/03/2014 £000	Note
	Property, Plant & Equipment		
641,908	Council Dwellings	882,033	9b, HRA 1a, 9
909,269	Other Land and Buildings	882,010	9b
33,039	Vehicles, Plant, Furniture and Equipment	31,757	9b
79,121	Infrastructure	89,138	9b
9,325	Community Assets	9,364	9b
35,609	Surplus Assets not held for Sale	38,319	9b
28,510	Assets under Construction	26,327	9b
1,736,781		1,958,948	
257	Heritage Assets	257	42
21,876	Investment Property	25,658	10
2,442	Long Term Investments	2,442	
12,854	Long Term Debtors	17,397	13a
1,774,210	Total Long Term Assets	2,004,702	
30,512	Short Term Investments	165,415	11
825	Assets Held for Sale	25	15
170	Inventories	174	
55,205	Debtors	56,922	13b
238,881	Cash and Cash Equivalents	121,032	14
1,832	Prepayments	2,009	
327,425	Current Assets	345,577	
18,306	Bank Overdraft	4,603	14
41,003	Short Term Borrowing	43,053	11
3,291	Provisions (Less than 1 year)	2,380	17
77,803	Creditors	82,106	16
82,542	Receipts in Advance	80,258	31
7,549	PFI Liabilities due within one year	8,281	35d
230,494	Current Liabilities	220,681	
1,871,141	Total Assets less Current Liabilities	2,129,598	
159,822	Long Term Borrowing	154,719	11
8,097	Provisions (More than 1 year)	9,841	17
235,900	Deferred PFI Liabilities	244,703	35d
948	Capital Grants Receipts in Advance	1,304	
548,230	Liability related to defined benefit pension scheme	588,090	19, 38
952,997	Long Term Liabilities	998,657	
918,144	NET ASSETS	1,130,941	
	Usable Reserves		
12,000	General Fund Balance	12,000	
125,171	Earmarked Revenue Reserves	137,524	8
22,898	Housing Revenue Account	26,546	HRA 15
20,277	Usable Capital Receipts Reserve	19,446	18
12,719	Major Repairs Reserve	19,787	HRA 14
7,962	Capital Grants Unapplied	11,777	
201,027		227,080	
	Unusable Reserves		
254,978	Revaluation Reserve	437,280	20
1,021,814	Capital Adjustment Account	1,063,942	21
174	Deferred Capital Receipts	132	
(7,237)	Financial Instruments Adjustment Account	(6,185)	
(548,230)	Pensions Reserve	(588,090)	19, 38
1,878	Collection Fund Adjustment Account	3,057	Coll Fd 3
(6,260)	Short Term Compensated Absences Account	(6,275)	
717,117		903,861	
918,144	TOTAL EQUITY	1,130,941	

Core Financial Statements

CASH FLOW STATEMENT FOR THE YEAR ENDING 31ST MARCH 2014

2012/13 £000s		2013/14 £000s	Note
14,105	Net surplus or (deficit) on the provision of services	31,150	
91,462	Adjustment to surplus or deficit on the provision of services for non-cash movements	53,792	43
(57,056)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(60,104)	44
48,511	Net Cash flows from Operating Activities	24,838	
14,077	Net Cash flows from Investing Activities	(121,701)	46
(10,192)	Net Cash flows from Financing Activities	(7,283)	47
52,396	Net Increase or (decrease) in Cash and Cash Equivalents	(104,146)	
168,179	Cash and Cash Equivalents at the beginning of the reporting period	220,575	14
220,575	Cash and Cash Equivalents at the end of the reporting period	116,429	14

SECTION 2

**STATEMENT OF
ACCOUNTING POLICIES**

2013/2014

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which requires them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the SeRCOP 2013/14, both published by CIPFA, and based on IFRS and statutory guidance under Section 12 of the Local Government Act 2003 (see Glossary for definitions). The accounting convention adopted in the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

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

3. ACCRUALS OF INCOME AND EXPENDITURE

The Council's revenue and capital accounts are prepared on an accruals basis. This means that activity is accounted for in the year that it takes place, not simply when cash payments are made or received. Income from the provision of services or sale of goods is recognised when it is probable that the economic benefits or service potential associated with the transaction will be received by the Council. Expenditure on supplies is accounted for when they are used. When there is a significant gap between the date on which supplies are received and the date of their use, and the value is material, they are carried as stocks on the Balance Sheet. Expenditure on services received (including those provided by employees) is accounted for when the services are received rather than when payments are made. Where income and expenditure have been recognised in the accounts, but cash has not been received or paid, a debtor or creditor for the amount is recorded in the Balance Sheet. Where it is likely that debts may not be settled, a charge is made to revenue for the income that might not be collected and the debtor is impaired.

4. EXCEPTIONAL ITEMS

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

5. FOREIGN CURRENCY TRANSLATION

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

6. VALUE ADDED TAX (VAT)

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

Statement of Accounting Policies

7. EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

8. OVERHEADS AND SUPPORT SERVICES

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

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

9. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

10. LEASES

Leases are classified as finance leases where the terms of the lease substantially transfers all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements which do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where the fulfilment of the arrangement is dependent on the use of specific assets.

Statement of Accounting Policies

a) The Council as Lessee

i) Finance Leases

Property, Plant and Equipment held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred. They are accounted for using the policies applied generally to such assets.

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

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

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

ii) Operating Leases

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

b) The Council as Lessor

i) Finance Leases

Where the Council grants a finance lease over a property or item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet 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.

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

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

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

Statement of Accounting Policies

ii) Operating Leases

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

11. INVENTORIES (STOCK)

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

12. LONG TERM CONTRACTS

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

13. EMPLOYEE BENEFITS

a) Benefits Payable During Employment

Short-term employee benefits are those which are settled within 12 months of the year-end. They include salaries, paid annual leave and sick leave for current employees and are recognised as an expense in the year in which employees render their services to the Council. An accrual is made for the cost of entitlements (or any form of leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the year in which the employee takes the benefit. The accrual is charged to 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 (or an officer) to terminate the officer's employment before their normal retirement date. They are charged on an accruals basis to the relevant Service Cost line in the CIES in the year in which the Council is committed to the termination of the employment of the officer. The Council has an agreed scheme to make awards of benefits in the event of early retirements which requires a panel to consider proposals on the grounds of redundancy and/or efficiency and applications for voluntary early retirement from employees.

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

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

Statement of Accounting Policies

c) Post-Employment Benefits

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

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

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

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

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

(ii) London Pension Fund Scheme

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

(iii) Local Government Pension Scheme

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

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

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

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

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

Statement of Accounting Policies

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

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

14. INTERESTS IN COMPANIES

Lewisham Homes (LH) and Catford Regeneration Partnership Ltd (CRPL) are wholly owned subsidiary companies of the Council. Last year, a review of the necessity of preparing Group Accounts concluded that the Group's entities are immaterial to the financial statements and therefore there is no requirement under the Code to produce Group Accounts. They were therefore not prepared for 2012/13 and have not been prepared for 2013/14 either. The Interest in Companies note (see Note 25 in Section 3) includes the necessary information instead.

During 2013/14 the Council had a minority interest (significantly lower than 50%) in a number of other companies, details of which are also shown in the Interest in Companies Note. The transactions between the Council and all of these companies are included in the Council's accounts.

15. REVENUE PROVISIONS AND IMPAIRMENT ALLOWANCES

a) Provisions

The Council has set aside amounts from revenue as provisions which will be used to cover future expenditure. Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement at a later date and where a reliable estimate can be made of the amount of the obligation.

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

b) Impairment Allowances

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

Statement of Accounting Policies

16. RESERVES

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

17. CONTINGENT LIABILITIES AND ASSETS

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

18. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

19. CASH AND CASH EQUIVALENTS

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

20. FINANCIAL INSTRUMENTS

a) Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council enters into a financial instrument and are initially measured at fair value and carried at their amortised cost. Charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. 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. Where market loans are defined as Lender Option Borrower Option (LOBO's), these are accounted for as short term loans if they have options occurring within the next financial year.

There has been no repurchase or early settlement of borrowing in the year (nor in 2012/13). Premiums and discounts from previous year's settlements are charged to the CIES in accordance with regulations requiring the impact on the General Fund and the HRA to be spread over future years. The Council's policy is to spread the gain or loss over the remaining term of the loan repaid on which the premium was payable or discount receivable. Premiums and discounts are split between the General Fund and HRA pro rata to their respective Capital Financing Requirements as at 1 April in the year in which the loan is repaid. As required by statute, the amounts charged to the CIES are adjusted to the required charge against Council Tax or Housing Rents by a transfer to or from the Financial Instruments Adjustment

Statement of Accounting Policies

Account in the MiRS. This account holds the accumulated difference between the financing costs charged to the CIES and the accumulated financing costs required to be charged to the General Fund Balance in accordance with regulations.

b) Financial Assets

i) Loans and Receivables

Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market. They are recognised on the Balance Sheet when the Council enters into the financial instrument initially measured at fair value and subsequently at their amortised cost. This category includes short term investments and sundry debtors. The credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Council has made, this means that the amount shown on the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year for the loan. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

ii) Available-for-Sale Assets

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

21. INTANGIBLE NON CURRENT ASSETS

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

22. NON CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

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

a) Recognition

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

b) Measurement and Valuation

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

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

Statement of Accounting Policies

Account in the MiRS. The Council received one donated assets in 2013/14, Glass Mill Leisure Centre, at a value of £24m (none in 2012/13).

Non-current assets are carried in the Balance Sheet using the following measurement bases:

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

Non-current assets included in the Balance Sheet at fair value are revalued regularly and as a minimum every five years. They are valued in accordance with the Statements of Appraisal and Valuation Manual and Guidance Notes issued by the RICS and recommended by CIPFA

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

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

c) Charges to Revenue for Non-Current Assets

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

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

These amounts are not required to be charged to Council Tax. However, the Council is required to make a charge (the Minimum Revenue Provision – MRP) to revenue to reduce its overall outstanding borrowing, calculated on a prudent basis in accordance with statutory guidance. These charges are therefore replaced by the MRP charge to the General Fund by way of an adjusting transaction to the Capital Adjustment Account in the MiRS for the difference between the two.

d) Impairment

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

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

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

e) Depreciation

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

Statement of Accounting Policies

- dwellings and other buildings – straight-line allocation over the useful life of the property as determined by the valuer (dwellings are usually over 25 years and buildings over 40 years).
- vehicles, plant and equipment – straight-line allocation over 5-10 years as advised by a suitably qualified officer.
- infrastructure – straight-line allocation over 25 years, unless advised by a suitably qualified officer.

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

f) Non-Current Assets Held for Sale

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

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

g) Disposals of Non-Current Assets

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

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

h) Deferred Capital Receipts

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

Statement of Accounting Policies

23. HERITAGE ASSETS

Where an asset is primarily held for its contribution to knowledge or culture, it is designated as a heritage asset. However, where it is used as an operational asset, it is classified as such. Heritage Assets are recognised and measured in accordance with the Council's accounting policies on Property, Plant and Equipment in respect of revaluation, impairment and disposal. The Council has, however, opted not to depreciate these assets since they are enduring by nature. The threshold for disclosure is £40,000.

24. INVESTMENT PROPERTIES

Investment properties are those assets which are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way for the delivery of services or production of goods or is held for sale. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. They are revalued annually according to market conditions, and are therefore not depreciated. Any gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. These are not permitted by statutory arrangements to have an impact on the General Fund Balance, and are therefore reversed out of the General Fund Balance in the MiRS and posted to the Capital Adjustment Account and the Capital Receipts Reserve if relevant.

25. PRIVATE FINANCE INITIATIVE (PFI) CONTRACTS

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

The original recognition of these assets at fair value was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Where schemes include a capital contribution, the liability is written down accordingly. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as other non-current assets 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 Balance Sheet liability towards the PFI operator.
- lifecycle replacement costs – recognised as prepayments in the Balance Sheet and then recognised as non-current assets on the Balance Sheet when the work is carried out.

26. ACCOUNTING FOR SCHOOLS

The accounting policies for Schools are in line with the Council's and therefore are compiled on an accruals basis. Schools balances are consolidated into the Council's accounts, with income and expenditure being attributed to the appropriate service line in the CIES and assets and liabilities included on the Balance Sheet. The Schools Reserve is held separately within Usable Reserves.

SECTION 3

**NOTES TO THE
CORE FINANCIAL
STATEMENTS**

2013/2014

Notes to the Core Financial Statements

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Code of Practice on Local Authority Accounting in the UK 2014/15 has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14 there would be no material changes as detailed below.

A number of new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities. These include:

- IFRS 10 Consolidated Financial Statements – This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The Council does have subsidiaries but has not produced Group Accounts for this financial year on the basis of materiality and it is expected that this judgement will be unaffected. However, there may be an effect in respect of Schools from the introduction of this new definition. Further information on this is given in the note on Critical Judgements (Note 2 below.)
- IFRS 11 Joint Arrangements – This standard concerns the accounting for a ‘joint arrangement’, which is defined as a contractual arrangement over which two or more parties have joint control. The Council does not have any joint venture arrangements.
- IFRS 12 Disclosures of Involvement with Other Entities – This standard concerns a range of disclosures about an entity’s interests in subsidiaries, joint arrangements and associates. Note 25 to the Accounts meets this requirement and therefore no further disclosure is required.
- IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures – These statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12. Since there would be no changes in the financial statements, except for disclosure, due to the changes to IFRS 10, IFRS 11 and IFRS 12, there is therefore also no impact as a result of changes in IAS 27 and IAS 28.
- IAS 32 Financial Instruments Presentation – This amends the guidance when offsetting a financial asset and a financial liability. The gains and losses are already separately identified on the CIES therefore no further disclosure is required.
- IAS 1 Presentation of the Financial Statements – The changes clarifies the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have any impact.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is uncertainty about future levels of funding for local government, however the Council has concluded that there is no indication that the assets of the Council will be impaired as a result of the actions required to achieve the necessary savings, including closing facilities and reducing services.
- A number of judgements have been made under the IFRS concerning the classification of and the accounting for Non-Current Assets, Leases, PFI and other major contracts, Capital and Revenue Grants and other miscellaneous items. There are no material changes to these judgements for the 2013/14 accounts to those followed in 2012/13.

Notes to the Core Financial Statements

- There is currently inconsistency across Local Authorities regarding the accounting treatment for different types of schools. An announcement of a definitive requirement by CIPFA is expected for the 2014-15 Statement of Accounts. An accounting judgement has therefore been made for the 2013/14 Accounts as to whether schools' land and buildings should be included within its Balance Sheet. Included are the land and buildings of 45 Community Primary Schools, 4 Community Secondary Schools, 3 Community Special Schools and 2 Nursery Schools. Land and buildings relating to 4 Foundation Schools, 24 Voluntary-aided Schools and 4 Academies have been excluded. An exception to this is that land and buildings relating to schools PFI schemes have been included on the Balance Sheet on the basis that the Council has a greater degree of control over the use and condition of these schools' land and buildings since the contract with the PFI provider is with the Council rather than the schools concerned.
- When Lewisham Homes was set up as an ALMO it was agreed that all of the pension costs of transferred staff would be indemnified by the Council. The Council's judgement is that this indemnity is most accurately represented by accounting for the liability under IAS19, rather than as an accrual, provision, reserve or contingent liability. The 2013/14 accounts therefore include the full costs of the Lewisham Homes IAS19 liability and are consistent with the Council's 2012/13 accounts and Lewisham Homes' accounts for both years

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

The Council's Accounts contain 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. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The areas in the Council's Accounts at 31 March 2014 for which there is a significant possibility of material adjustment in the forthcoming financial year are as follows:

a) Property, Plant and Equipment

Non-Current Assets are depreciated over their useful lives which are partially dependent on assumed levels of repairs and maintenance that will be achieved, however the current economic climate makes it uncertain that the Council will be able to sustain its current level. If the useful life of assets is reduced, the depreciation will increase and the carrying amount of the assets will decrease. The annual depreciation charge for buildings could increase by approximately £1m for every year that useful lives are reduced.

b) Insurance Provisions

The insurance provision is made up of contributions to cover liabilities arising over a number of years. It is split between less than and greater than one year, estimating what proportion of the monies held relate to each of the years, what has been paid in each of those years and what remains outstanding. An annual review is commissioned from insurance advisors to inform this split. An increase over the forthcoming year of 10% in the total number of claims or the average settlement could add £0.16m to the provision needed.

c) Non National Domestic Rates - Appeals

Since the introduction of the Business Rates Retention Scheme from 1 April 2013, Councils are liable for successful appeals against NDR charged to businesses in 2012/13 and earlier financial years in their proportionate share. Therefore, a provision has been raised for the estimate of the amount that businesses have been overcharged up to 31 March 2014, using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date.

Notes to the Core Financial Statements

d) Arrears of Significant Debtors

The Council had balances of sundry debtors, Council Tax, NDR and Housing Rents of £111m as at 31st March 2014. All of the significant balances have been reviewed and impairment allowances for doubtful debts have been set at appropriate levels, with an overall impairment allowance of £53m. Although the current economic climate, including the Government's welfare benefits reform initiative, has been taken into account, it is not certain that these allowances will be sufficient, as the judgements made are mainly based on historical trends. If collection rates were to deteriorate, an increase of 10% in the amount of the impairment allowance would require just over £5m to be set aside.

e) Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured and are outlined in the Defined Benefits note.

4. MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

5. EVENTS AFTER THE BALANCE SHEET DATE

The pre-audit Statement of Accounts was authorised for issue by the Executive Director for Resources and Regeneration on 20 June 2014. 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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect these altered conditions. There are no significant events which have occurred after 31 March 2014 which will affect the 2014/15 accounts, but have no effect on the 2013/14 accounts.

6. OTHER OPERATING EXPENDITURE - LEVIES

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

	2013/14	2012/13
	£000	£000
London Pension Fund Authority	1,120	1,292
Environment Agency	170	174
Lee Valley Regional Park Authority	237	257
Total Levies Paid	1,527	1,723

7. ADJUSTMENTS BETWEEN ACCOUNTING AND FUNDING BASIS UNDER REGULATIONS

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

Notes to the Core Financial Statements

2013/14	Usable Reserves						Movement in Unusable Reserves £'000
	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items credited or debited to the CIES							
Charges for depreciation and impairment of non-current assets	79,372		(31,295)				(48,077)
Movements in the market value of Investment Properties	(4,006)						4,006
Capital grants and contributions applied	(40,839)						40,839
Revenue expenditure funded from capital under statute	13,256						(13,256)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	4,622		(5,390)				768
Income in relation to donated assets	(24,065)						24,065
Insertion of items not debited or credited to the CIES							
Statutory provision for the financing of capital investment	(3,341)		(2,946)				6,287
Capital expenditure charged against the General Fund and HRA balances	(9,427)						9,427
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital Grants and contributions unapplied credited to the CIES	(3,815)					3,815	0
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES				15,450			(15,450)
Use of the Capital Receipts Reserve to finance new capital expenditure				(14,437)			14,437
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,886			(1,886)			0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				42			(42)
Adjustments primarily involving the Major Repairs Reserve:							
Use of the Major Repairs Reserve to finance new capital expenditure					(3,276)		3,276
Reversal of Major Repairs Allowance credited to the HRA			30,585		(30,585)		0
Difference between Major Repairs Allowance and HRA depreciation			17,422		(17,422)		0
Adjustments primarily involving the Financial Instruments Adj Account:							
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(301)		(751)				1,052
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	52,850		4,471				(57,321)
Employer's pensions contributions and direct payments to pensioners payable in the year	(26,978)		(6,944)				33,922

Notes to the Core Financial Statements

2013/14 continued	Usable Reserves						Movement in Unusable Reserves £'000
	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Collection Fund Adjustment Account: Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	(1,179)						1,179
Adjustments primarily involving the Accumulated Absences Account: Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	15						(15)
Other Adjustments	(1)		1				0
Total Adjustments	38,049	0	5,153	(831)	(51,283)	3,815	5,097

2012/13 COMPARATIVE FIGURES	Usable Reserves						Movement in Unusable Reserves £'000
	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Capital Adjustment Account: Reversal of items credited or debited to the CIES Charges for depreciation and impairment of non-current assets	95,215		(18,925)				(76,290)
Movements in the market value of Investment Properties	(26)						26
Capital grants and contributions applied	(42,175)						42,175
Revenue expenditure funded from capital under statute	6,065						(6,065)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	82		696				(778)
Insertion of items not debited or credited to the CIES Statutory provision for the financing of capital investment	(11,810)		(2,699)				14,509
Capital expenditure charged against the General Fund and HRA balances	(4,930)						4,930
Adjustments primarily involving the Capital Grants Unapplied Account: Capital Grants and contributions unapplied credited to the CIES	(1,711)					1,711	0
Application of grants to capital financing transferred to the Capital Adj Account						(295)	295

Notes to the Core Financial Statements

2012/13 continued COMPARATIVE FIGURES	Usable Reserves						Movement in Unusable Reserves £'000
	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	(11,246)		(1,924)	13,170			0
Use of the Capital Receipts Reserve to finance new capital expenditure				(16,264)			16,264
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,119			(1,119)			0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				163			(163)
Adjustments primarily involving the Major Repairs Reserve:							
Use of the Major Repairs Reserve to finance new capital expenditure					(873)		873
Reversal of Major Repairs Allowance credited to the HRA			(4,359)		4,359		
Difference between Major Repairs Allowance and HRA depreciation			16,871		(16,871)		0
Adjustments primarily involving the Financial Instruments Adj Account:							
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(301)		(1,019)				1,320
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	44,726		193				(44,919)
Employer's pensions contributions and direct payments to pensioners payable in the year	(29,125)		(181)				29,306
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	(565)						565
Adjustments primarily involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(107)						107
Other Adjustments	88		(1)				(87)
Total Adjustments	45,299	0	(11,348)	(4,050)	(13,385)	1,416	(17,932)

8. EARMARKED RESERVES

The Council keeps a number of earmarked reserves on its Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up to earmark resources for future spending plans. This note shows the amounts used to meet General Fund expenditure in 2013/14 and amounts set aside in the year to finance future expenditure plans. The use of HRA earmarked reserves is shown in the notes to the HRA in Section 4a.

Notes to the Core Financial Statements

a) General Earmarked Reserves

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

b) PFI and BSF Schemes Reserves

This is a reserve which enables services to make revenue contributions towards their committed PFI and Building Schools for the Future (BSF) schemes in future years.

c) Capital Expenditure Reserve

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

d) School Reserves and School External Funds

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

Name of Reserve	Balance 31/03/13 £000	13/14 Transfers		Balance 31/03/14 £000	
		In £000	Out £000		
Specific Revenue Earmarked	60,218	27,473	(10,062)	77,629	(a)
PFI and BSF Schemes	13,756	3,170	0	16,926	(b)
Insurance	14,947	680	(300)	15,327	
Capital Programme Expenditure	15,893	0	(7,300)	8,593	(c)
	104,814	31,323	(17,662)	118,475	
Schools Reserves	19,898	807	(2,110)	18,595	(d)
Schools External Funds	459	0	(5)	454	(d)
	20,357	807	(2,115)	19,049	
Total	125,171	32,130	(19,777)	137,524	

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

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

	Council Dwellings £000	Other Land & Buildings £000	Surplus Assets £000	Total £000
Valued at Historic Cost		16,110	926	17,036
Valued at Current Value				
2013/14	882,033	631,081	12,724	1,525,838
2012/13		121,826	3,267	125,093
2011/12		39,953	15,846	55,799
2010/11		48,921	5,007	53,928
2009/10		23,916	549	24,465
2008/09		203		203
2007/08				0
Total Net Book Value	882,033	882,010	38,319	1,802,362

Notes to the Core Financial Statements

b) Movements in Non-Current Assets

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

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

Within the Additions for Other Land & Buildings figure in note 9(b) there is included an amount of £24.065m for the Glassmill Leisure Centre donated asset.

Notes to the Core Financial Statements

The movements in non-current assets during 2012/13 were as follows:

2012/13	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Comm. Assets £000	Surplus Assets £000	Assets under Construction £000	TOTAL £000
Gross Book Value b/fwd at 1st April 2012	639,496	853,147	67,327	119,370	9,275	33,350	51,435	1,773,400
Additions	1,498	96,138	6,877	9,696	50	4,432	15,087	133,778
Revaluations (Reval Reserve)	12,803	31,116	0	0	0	0	0	43,919
Revaluations (Surp/Def on Prov of Servs)	7,536	(57,971)	0	0	0	0	0	(50,435)
Total Revaluations	20,339	(26,855)	0	0	0	0	0	(6,516)
Impairments (Reval Reserve)	0	0	0	0	0	0	0	0
Impairments (Surp/Def on Prov of Servs)	(1,138)	(13,404)	(991)	0	0	(10,048)	0	(25,581)
Total Impairments	(1,138)	(13,404)	(991)	0	0	(10,048)	0	(25,581)
Disposals	(713)	0	(35)	0	0	0	0	(748)
Transfers	(1,532)	28,533	(751)	2,258	0	8,473	(38,012)	(1,031)
Assets reclassified to/from Held for Sale	0	0	0	0	0	0	0	0
Gross Book Value c/fwd at 31st March 2013	657,950	937,559	72,427	131,324	9,325	36,207	28,510	1,873,302
Depreciation b/fwd at 1st April 2012	(30,449)	(25,159)	(34,414)	(48,118)	0	(395)	0	(138,535)
Depreciation for year	(16,095)	(11,008)	(5,948)	(4,085)	0	(203)	0	(37,339)
<u>Depreciation written back on:</u>								
Transfers	38	385	950	0	0	(1,372)	0	1
Assets Revalued	30,447	7,492	0	0	0	0	0	37,939
Assets Impaired	0	0	0	0	0	1,372	0	1,372
Assets Sold	17	0	24	0	0	0	0	41
Depreciation c/fwd at 31st March 2013	(16,042)	(28,290)	(39,388)	(52,203)	0	(598)	0	(136,521)
Net Book Value at 31st March 2013	641,908	909,269	33,039	79,121	9,325	35,609	28,510	1,736,781

Notes to the Core Financial Statements

c) Capital Programme Commitments

At 31 March 2014, the Council had one construction contract in progress with a remaining contract value of over £8m. The value of the work completed as at 31 March 2014 has been established using a stage of completion methodology based on architects' certificates obtained at periodic times during the year.

	Total Value of Contract £000	Value of Works Completed		Value of Contract Remaining £000
		Before 1 April 2013 £000	During 2013/14 £000	
BSF Sydenham School	26,409	5	8,010	18,394

10. INVESTMENT PROPERTIES

	2013/14 £000	2012/13 £000
a) In Comprehensive Income and Expenditure Statement		
Operating Expenses	197	184
<u>Rental Income</u>		
Shops	(1,049)	(1,004)
Industrial and Commercial Properties and Aerial Sites	(686)	(710)
	(1,735)	(1,714)
Net Income from Investment Properties	(1,538)	(1,530)

	2013/14 £000	2012/13 £000
b) Movement in fair value in the Balance Sheet		
Balance at Beginning of Year	21,876	21,960
Disposals	(323)	(110)
Net Gains / (Losses) from fair value adjustments	4,329	26
Transfers to / from PPE	(224)	0
Balance at End of Year	25,658	21,876

11. FINANCIAL INSTRUMENTS

The Code of Practice requires the accounts to be compliant with IFRS but some of these requirements are not consistent with primary legislation. Where this occurs, the CIES complies with IFRS, with the MiRS containing the reversals required to ensure that the closing balances comply with Statute. The figures shown in the table do not all appear on the face of the balance sheet due to the reclassification of some short term investments as Cash Equivalents under IFRS. Where values are zero, the relevant lines have been excluded from the table.

Notes to the Core Financial Statements

a) Financial Instruments Balances

	Long-Term		Current		
	31/03/2014 £000	31/03/2013 £000	31/03/2014 £000	31/03/2013 £000	
Financial Liabilities (Principal)	154,534	159,638	40,910	38,741	1
Accrued Interest	184	184	2,143	2,262	1
Total Borrowings	154,718	159,822	43,053	41,003	
PFI and Finance Lease liabilities	244,703	235,900	8,281	7,549	
Total Other Liabilities	244,703	235,900	8,281	7,549	
Financial Liabilities at contract amount	-	-	64,254	62,132	2
Total Creditors	-	-	64,254	62,132	
Loans and Receivables (Principal)	-	-	281,109	250,483	1
Accrued Interest	-	-	734	604	1
Total Investments	-	-	281,843	251,087	
Loans and Receivables	17,397	12,854	-	-	2
Financial Assets at contract amounts	-	-	43,688	42,703	2
Total Debtors	17,397	12,854	43,688	42,703	

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

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

Other Required Declarations

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

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

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

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

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

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

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

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

b) Financial Instruments Gains / (Losses)

The gains and losses recognised in the CIES in relation to financial instruments are as follows (there were no revaluations on financial instruments in 2013/14 or 2012/13, or assets classified as Available for Sale.):

Notes to the Core Financial Statements

	2013/14			2012/13
	Liabilities - Amortised Cost	Assets - Loans and Receivables	Totals	Totals
	£000	£000	£000	£000
Interest expense	9,937	-	9,937	9,573
Total Expense in Surplus or Deficit on Provision of Services	9,937	-	9,937	9,573
Interest income	-	(1,743)	(1,743)	(2,613)
Total Income in Surplus or Deficit on Provision of Services	-	(1,743)	(1,743)	(2,613)
Net (Gain) / Loss for the Year	9,937	(1,743)	8,194	6,960

c) Fair Values of Assets and Liabilities

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

- Borrowing rates from the PWLB have been applied to PWLB loans using their own procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

The fair values for loans and receivables have been assessed by reference to published prices in an active market where available, or by using a valuation technique. These give a reasonable estimate for the fair value of a financial instrument, and includes accrued interest. The comparator market rates prevailing have been taken at each balance sheet date. In practice, rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

The following table shows the carrying amount of assets and liabilities on the balance sheet compared to the fair value amounts (undisclosed on the balance sheet). The differences are due to fixed interest loans held by the Council whose interest rate is lower than the prevailing rate estimated to be available at 31 March. This reduces the fair value of financial liabilities and raises the value of loans and receivables.

	31 March 2014		31 March 2013	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt	85,025	92,941	88,877	102,986
Non-PWLB Debt	112,747	109,374	111,948	114,618
Total Debt / Liabilities	197,772	202,315	200,825	217,604
Money Market Loans	286,372	286,183	268,967	268,988
Long Term Debtors	17,397	17,397	12,878	12,878
Total Assets	303,769	303,580	281,845	281,866

Notes to the Core Financial Statements

12. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Key Risks

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

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

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

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

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

b) Overall Procedures for Managing Risk

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

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

These procedures are required to be reported and approved at 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 approved by Council in February 2013 and is available on the Council website. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These are a requirement of the Code of Practice and are reviewed periodically.

c) Credit Risk

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

The Council's maximum exposure to credit risk in respect of its investments cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to that institution. It is rare for institutions to be unable to meet their commitments and a risk applies to all of the Council's deposits, however at the 31 March 2014 there was no evidence that this was likely to happen.

d) Liquidity Risk

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

Notes to the Core Financial Statements

e) Refinancing and Maturity Risk

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

f) Interest Rate Risk

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

	Variation £000
Increase in interest payable on variable rate borrowings	100
Increase in interest receivable on variable rate investments	(275)
Effect on (Surplus) or Deficit on the Provision of Services	(175)

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

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

	31/03/2014 £000	31/03/2013 £000
Catford Regeneration Partnership Ltd - Loan	11,568	11,671
Street Lighting PFI Sinking Fund	2,634	0
Lewisham Gateway Development - Loan	2,000	0
Land Charges Debts	445	458
Mortgages	210	249
Other Long Term Debtors	540	476
Total Long Term Debtors	17,397	12,854

a) Street Lighting PFI Sinking Fund

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

b) Lewisham Gateway Development

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

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.

	31/03/2014 £000	31/03/2013 £000
Government and Other Public Bodies:		
HM Revenue & Customs - VAT	7,501	5,518
Education Recoupment	2,416	2,521
Central Government bodies	271	1,589
Other Local Authorities	9,172	16,967
NHS bodies	124	0
Other Public bodies	511	1,105
Council Tax Payers	22,728	20,724
Council Tax Court Costs	5,560	4,860
Housing Benefit Overpayments	14,748	12,907
Housing Rents (inc PSL, B & B, Hostels, Commercial)	9,947	7,687
Leaseholders Services Charges	5,597	6,559
Parking	4,760	4,432
General Debtors due for Supplies and Services	26,316	19,272
Total Current Debtors	109,651	104,141
Impairment Allowances	(52,729)	(48,936)
Total Net Current Debtors	56,922	55,205

c) Impairment Allowances

	Balance at 31/03/2013 £000	Movement in 2013/14 £000	Balance at 31/03/2014 £000
Council Tax Payers	(18,928)	(1,696)	(20,624)
Council Tax Court Costs	(4,360)	(531)	(4,891)
Housing Benefit Overpayments	(9,717)	(1,410)	(11,127)
Housing Rents (inc PSL, B & B, Hostels, Commercial)	(6,201)	(712)	(6,913)
Leaseholders Services Charges	(1,386)	131	(1,255)
Parking	(3,420)	269	(3,151)
General Debtors due for Supplies and Services	(4,924)	156	(4,768)
Total Impairment Allowances	(48,936)	(3,793)	(52,729)

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

Notes to the Core Financial Statements

14. CASH AND CASH EQUIVALENTS

	Balance 31/03/2013 £000	Movement in 2013/14 £000	Balance 31/03/2014 £000
Cash Equivalents			
Short Term Deposits	44,574	(14,549)	30,025
Cash			
Money Market Funds	183,880	(113,215)	70,665
Call Accounts with Banks	10,001	10,266	20,267
	193,881	(102,949)	90,932
Other Cash and Bank Balances	426	(351)	75
Total Cash and Cash Equivalents	238,881	(117,849)	121,032
Bank Accounts Overdrawn			
Main Bank Accounts	(17,133)	14,862	(2,271)
Schools Bank Accounts	(1,173)	(1,159)	(2,332)
	(18,306)	13,703	(4,603)
Net Cash and Cash Equivalents	220,575	(104,146)	116,429

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

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

c) The Schools Bank Accounts are an integral part of the Council's overall cash management arrangements, and are therefore included under Cash and Cash Equivalents. They consist of individual accounts for each school, and a treasury account which is used to invest the balance in conjunction with the Council's other balances. The balances on these accounts were £10.4m (12/13 £19.6m) and overdrawn £12.7m (12/13 overdrawn £20.8m) respectively.

15. ASSETS HELD FOR SALE

	2013/14 £000	2012/13 £000
Balance outstanding at start of year	825	825
Assets reclassified	(800)	0
Assets sold	0	0
Balance outstanding at year end	25	825

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.

	31/03/2014 £000	31/03/2013 £000
Government and other public bodies:		
HM Revenue & Customs	5,427	5,655
Education Recoupment	1,049	3,443
Central Government bodies	6,987	4,359
Other Local Authorities	3,110	2,805
NHS bodies	7,312	5,210
Other Public bodies	2,002	1,724
	25,887	23,196
Short Term Compensated Absences	6,275	6,260
General Creditors (amounts owed for supplies and services)	49,944	48,347
Total Creditors	82,106	77,803

17. PROVISIONS

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

	Balance	13/14 Transfers		Balance
	31/03/13 £000	In £000	Out £000	31/03/14 £000
Current (less than 1 year)				
Insurance Provision	1,870	0	0	1,870
Other Provisions	1,421	118	(1,029)	510
	3,291	118	(1,029)	2,380
Non Current (Over 1 year)				
Insurance Provision	6,857	2,254	(2,644)	6,467
Other Provisions	1,240	2,249	(115)	3,374
	8,097	4,503	(2,759)	9,841
Total - Provisions	11,388	4,621	(3,788)	12,221

Insurance Provisions

The Council's insurance programme comprises a mix of external insurance, largely for cover at catastrophe level or where required by contract or lease arrangements, and self-insurance. Dedicated Insurance Provisions and Reserves are maintained to provide 'self-insurance' to meet either uninsured losses or losses that fall below the external insurance excess. The appropriate levels are assessed annually by the Council's insurance actuaries.

Notes to the Core Financial Statements

18. USABLE CAPITAL RECEIPTS

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

	31/03/2014 £000	31/03/2013 £000
Balance brought forward at start of year	20,277	24,327
Amounts Received	15,492	13,333
Poolable to Central Government	(1,886)	(1,119)
Amounts applied to finance new capital investment	(14,437)	(16,264)
Total increase/(decrease) in capital receipts in year	(831)	(4,050)
Balance carried forward at end of year	19,446	20,277

19. PENSION RESERVE

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

	2013/14 £000	Restated 2012/13 £000
Opening balance at start of year	(548,230)	(455,055)
Actuarial gains or losses on pensions assets and liabilities	(16,461)	(77,562)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(57,321)	(44,919)
Employer's pensions contributions and direct payments to pensioners payable in the year	33,922	29,306
Balance carried forward at end of year	(588,090)	(548,230)

Notes to the Core Financial Statements

20. REVALUATION RESERVE

The Revaluation Reserve records the accumulated gains since 1 April 2007 on non-current assets held by the Council arising from increases in value (to the extent that these gains have not been consumed by subsequent downward movements in value). The Reserve is also debited with the part of the depreciation that has been incurred because the asset has been revalued. On disposal of an asset, its Revaluation Reserve balance is written out to the Capital Adjustment Account.

The overall balance on the Reserve thus represents the amount by which the value of non-current assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historical cost.

	2013/14 £000	2012/13 £000
Balance brought forward at start of year	254,978	212,749
Revaluation of assets not charged to the Surplus/Deficit on the provision of services	205,470	52,938
Impairment losses not charged to the Surplus/Deficit on the provision of services	(7,362)	(6,771)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	198,108	46,167
Difference between fair value and historic cost depreciation	(5,978)	(3,912)
Accumulated gains on assets sold or scrapped	(9,828)	(26)
Amount written off to the Capital Adjustment Account	(15,806)	(3,938)
Balance carried forward at end of year	437,280	254,978

Notes to the Core Financial Statements

21. CAPITAL ADJUSTMENT ACCOUNT

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

	2013/14 £000	2012/13 £000
Balance at Beginning of Year	1,021,814	1,022,024
<u>Reversal of capital expenditure items debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	(48,077)	(76,290)
Revenue expenditure funded from capital under statute	(13,256)	(6,065)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(4,854)	(791)
Donated Asset written onto the Balance Sheet	24,065	0
	(42,122)	(83,146)
Adjusting amounts written out of the Revaluation Reserve	5,978	3,912
Net amount written out of the cost of non-current assets consumed in the year	(36,144)	(79,234)
<u>Capital financing applied in the year:</u>		
Use of Capital Receipts to finance new capital expenditure	14,437	16,216
Use of Major Repairs Reserve to finance new capital expenditure	3,276	873
Capital grants and contributions credited to the CIES	40,839	42,470
Application of grants from the Capital Grants Unapplied Account	0	0
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	8,417	9,206
Repayment of principal on PFI schemes	(2,130)	5,303
Capital expenditure charged to General Fund and HRA	9,427	4,930
	74,266	78,998
Movements in the value of Investment Properties debited or credited to the CIES	4,006	26
Balance at End of Year	1,063,942	1,021,814

Notes to the Core Financial Statements

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

SEGMENTAL REPORTING FOR THE YEAR ENDING 31ST MARCH 2014

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

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

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

Reconciliation to Subjective Analysis (Single Entity)	Service Analysis	Services not in Analysis	Not reported to mgmt	Not included in I&E	Net Cost of Services	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(228,176)	0	0	0	(228,176)	0	(228,176)
Surplus or deficit on associates and joint ventures		0	0	0	0	0	0
Interest and investment income		0	237	0	237	(1,534)	(1,297)
Income from council tax Government grants and contributions	(593,241)	0	(5,314)	0	(598,555)	(282,731)	(881,286)
Total Income	(821,417)	0	(5,077)	0	(826,494)	(362,002)	(1,188,496)
Employee expenses	317,142	7,564	36,991	(38,088)	323,609	0	323,609
Other service expenses	759,060	1,219	(4,492)	0	755,787	0	755,787
Depreciation, amortisation, impairment & write-ons		0	36,697	0	36,697	(4,329)	32,368
Interest Payments		0	(18,107)	0	(18,107)	60,178	42,071
Precepts & Levies		0	0	0	0	1,527	1,527
Payments to Housing Capital Receipts Pool		0	0	0	0	1,886	1,886
Gain or Loss on Disposal of non-current assets		0	0	0	0	98	98
Total operating expenses	1,076,202	8,783	51,089	(38,088)	1,097,986	59,360	1,157,346
Surplus or deficit on provision of services	254,785	8,783	46,012	(38,088)	271,492	(302,642)	(31,150)

Notes to the Core Financial Statements

SEGMENTAL REPORTING FOR THE YEAR ENDING 31ST MARCH 2013 - COMPARATIVE FIGURES (Restated)

	CYP £000s	Community Services £000s	Customer Services £000s	Resources and Regeneration £000s	HRA £000s	Total £000s
Fees, charges & other service income	(12,105)	(37,663)	(47,192)	(20,030)	(145,438)	(262,428)
Government grants	(268,051)	(13,210)	(258,834)	(9)	(30,868)	(570,972)
Total Income	(280,156)	(50,873)	(306,026)	(20,039)	(176,306)	(833,400)
Employee expenses	208,754	33,558	37,954	29,165	2,287	311,718
Other operating expenses	135,559	129,328	300,975	37,687	170,960	774,509
Total operating expenses	344,313	162,886	338,929	66,852	173,247	1,086,227
Net Cost of Services	64,157	112,013	32,903	46,813	(3,059)	252,827
Net Budgets	65,212	114,217	31,996	47,944	0	259,369
Variation	(1,055)	(2,204)	907	(1,131)	(3,059)	(6,542)
Less; HRA Variation						3,059
General Fund Underspend reported to Members						(3,483)

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

	£000s
Cost of Services in Service Analysis	252,827
Add services not included in main analysis	7,164
Add amounts not reported to management (Technical Accounting adjustments)	39,197
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(29,736)
Net Cost of Services in Comprehensive Income and Expenditure Statement	269,452

Reconciliation to Subjective Analysis (Single Entity)	Service Analysis	Services not in Analysis	Not reported to mgmt	Not included in I&E	Net Cost of Services	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(262,428)	0	0	0	(262,428)	0	(262,428)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	0	0	494	0	494	(2,373)	(1,879)
Income from council tax	0	0	0	0	0	(94,766)	(94,766)
Government grants and contributions	(570,972)	0	(23,453)	0	(594,425)	(223,147)	(817,572)
Total Income	(833,400)	0	(22,959)	0	(856,359)	(320,286)	(1,176,645)
Employee expenses	311,718	5,237	22,982	(29,306)	310,631	0	310,631
Other service expenses	774,509	1,927	(9,529)	0	766,907	0	766,907
Depreciation, amortisation and impairment	0	0	59,421	0	59,421	(26)	59,395
Interest Payments	0	0	(10,718)	0	(10,718)	52,071	41,353
Precepts & Levies	0	0	0	(430)	(430)	1,723	1,293
Payments to Housing Capital Receipts Pool	0	0	0	0	0	1,119	1,119
Gain or Loss on Disposal of non-current assets	0	0	0	0	0	(12,392)	(12,392)
Total operating expenses	1,086,227	7,164	62,156	(29,736)	1,125,811	42,495	1,168,306
Surplus or deficit on provision of services	252,827	7,164	39,197	(29,736)	269,452	(277,791)	(8,339)

Notes to the Core Financial Statements

23. TRADING OPERATIONS

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

	2013/14			2012/13
	Expenditure £000	Income £000	(Surplus)/ Deficit £000	(Surplus)/ Deficit £000
Markets	1,449	(1,447)	2	(98)
Industrial Estates	197	(424)	(227)	(264)
Theatre	995	(636)	359	319
Total - Trading Operations	2,641	(2,507)	134	(43)

Note - Under the Local Authorities Act 1990 (amended) Street Markets operate as a trading account and any surplus or deficit at the year-end is carried over into the following year. As at 31 March 2014, the accumulated surplus is £416k.

24. AGENCY SERVICES AND POOLED BUDGETS

The Council did not carry out any agency services, construction work or any other work for any other Local Authorities, public bodies or entities in 2013/14 (or 2012/13).

The Council did not operate any pooled budgets as defined by the terms of a Section 75 Agreement (National Health Service Act 2006) in 2013/14 (or 2012/13).

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

Lewisham Homes is an arms-length management organisation (ALMO) which is responsible for managing and providing housing related services such as repairs and maintenance of Council dwellings. It is a wholly owned subsidiary of the Council and is limited by guarantee. Councillors Bell, Nisbet and John Paschoud sat on its board throughout the year. The majority of their income is a management fee paid by the Council to the company. In 2013/14 this was £18.9m (£18.9m in 2012/13).

Lewisham Homes Limited's Accounts for 2012/13 received an unqualified audit opinion and their Statement of Accounts can be obtained from Lewisham Homes Limited, 9 Holbeach Road, Catford, London, SE6 4TW. Its auditors are KPMG LLP, 2 Cornwall Street, Birmingham, B3 2DL, United Kingdom.

ii) Catford Regeneration Partnership Limited

Catford Regeneration Partnership Ltd (CRPL) is a wholly owned subsidiary of the Council and the Head of Financial Services and the Head of Public Services are its board members and directors. The Council made a loan of £12m to CRPL in 2009/10, and CRPL repaid principal of £98k and made interest payments of £0.66m during 2013/14 to the Council (in 2012/13, these payments were £93k and £0.66m respectively). CRPL purchased the Catford Centre in February 2009 which is included on its balance sheet as an investment property at £11.8m, and receives approximately £1m per annum in rent from its tenants.

Notes to the Core Financial Statements

Catford Regeneration Partnership Limited's Accounts for 2012/13 received an unqualified audit opinion and their Statement of Accounts can be obtained from Catford Regeneration Partnership Limited, 3rd Floor, Laurence House, Catford, London, SE6 4RU. Its auditors are ACF Auditing Services Limited, Plaza Building, Lee High Road, London, SE13 5PT.

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

The Council has a small minority stake of 10% in Lewisham Schools for the Future LEP Limited which is the Local Education Partnership company. It was established by its strategic partners, a consortium made up of Costain Engineering & Construction Limited, Babcock Project Investments Limited and Building Schools for the Future Ltd under the Council's Building Schools for the Future (BSF) programme to rebuild and refurbish the secondary schools within the Borough.

The Council also has a 10% stake in four Special Purpose Vehicles set up in relation to those schools which are being newly built within this BSF Programme, one for each phase of the programme, known as Lewisham SPV Limited, Lewisham SPV 2 Limited, Lewisham SPV3 Limited and Lewisham SPV4 Limited, and in their related Holding Companies, Lewisham Building Schools for the Future Holdings 1 Limited, 2, 3 and 4 Limited. The corporate structure is standard to the BSF scheme. The Head of Resources (CYP) is the Council's Director on the LEP, the SPV's and the Hold Co's.

In 2013/14, the Council paid the LEP £10.3m (£15.4m in 2012/13), SPV1 £8.9m (£8.5m in 2012/13), SPV2 £3.0m (£2.9m in 2012/13), SPV3 £4.3m (£2.8m in 2012/13) and SPV4 £7.9m in 2012/13 (3.5m in 2012/13).

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

The Council has a small minority share of less than 1% in South-East London Combined Heat and Power Ltd (SELCHP) which is a joint venture with the London Borough of Greenwich for the provision of waste disposal and waste to energy services. Payments of £4.9m were made in 2013/14 to the company (£5.3m in 2012/13).

iii) Greater London Enterprise Ltd

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

26. MEMBERS' ALLOWANCES

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

	2013/14	2012/13
	£000	£000
Allowances (inc. NI)	1,022	1,028
Other Expenses	61	71
Total Expenditure in Year	1,083	1,099

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	
	Scale	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
£50,000 to £54,999	SMG1	58	65	145	177	203	242
£55,000 to £59,999	SMG2	22	20	71	63	93	83
£60,000 to £64,999	SMG3	19	14	45	41	64	55
£65,000 to £69,999	SMG3	12	11	29	32	41	43
£70,000 to £74,999	CO Band 4	5	6	20	21	25	27
£75,000 to £79,999	CO Band 4	2	5	12	18	14	23
£80,000 to £84,999		0	0	13	5	13	5
£85,000 to £89,999	CO Band 3	5	1	6	6	11	7
£90,000 to £94,999	CO Band 3	6	6	2	2	8	8
£95,000 to £99,999	CO Band 3	3	3	3	6	6	9
£100,000 to £104,999	CO Band 2	2	2	5	2	7	4
£105,000 to £109,999	CO Band 2	2	1	3	2	5	3
£115,000 to £119,999	CO Band 2	1	1	0	0	1	1
£120,000 to £124,999		0	0	1	0	1	0
£130,000 to £134,999	CO Band 1	1	1	0	0	1	1
£135,000 to £139,999		0	0	1	0	1	0
£140,000 to £144,999	CO Band 1	3	3	0	0	3	3
Total		141	139	356	375	497	514

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

Note - The 2013 /14 Non-School employees figures includes 10 staff who were transferred from the NHS on 1st April 2013 in respect of Public Health.

b) Disclosure of Senior Employees' Remuneration

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

Financial Year 2013/14	Salary (inc fees and allowances)	Employer's Pension Contributions	Total (inc.Pension Contributions)
	£	£	£
Senior Employees - Salary below £150,000			
Executive Director for Children and Young People	141,123	30,341	171,464
Executive Director for Resources and Regeneration	141,123	30,341	171,464
Executive Director for Community Services	141,123	30,341	171,464
Executive Director for Customer Services	130,400	28,036	158,436
Chief Executive (Part time)	115,432	0	115,432
Director of Children's Social Care and Health	107,538	23,121	130,659
Director of Regeneration and Asset Management	107,538	23,121	130,659
Director of Public Health	101,460	14,204	115,664
Head of Law and Monitoring Officer (Part time)	64,523	13,872	78,395
Totals	1,050,260	193,377	1,243,637

Notes to the Core Financial Statements

Financial Year 2012/13

Senior Employees - Salary below £150,000

Executive Director for Children and Young People	141,123	29,636	170,759
Executive Director for Resources and Regeneration	141,123	29,636	170,759
Executive Director for Community Services	141,123	29,636	170,759
Executive Director for Customer Services	132,611	27,848	160,459
Chief Executive (Part time)	115,432	0	115,432
Director of Children's Social Care and Health	105,108	22,073	127,181
Director of Regeneration and Asset Management	103,901	21,819	125,720
Head of Law and Monitoring Officer (Part time)	64,523	13,550	78,073

Salary (inc fees and allowances)	Employer's Pension Contributions	Total (inc. Pension Contributions)
£	£	£
141,123	29,636	170,759
141,123	29,636	170,759
141,123	29,636	170,759
132,611	27,848	160,459
115,432	0	115,432
105,108	22,073	127,181
103,901	21,819	125,720
64,523	13,550	78,073
944,944	174,198	1,119,142

Totals

Note – No payments in respect of bonuses, expenses or compensation for loss of office were made to any of these employees in 2013/14 (or 2012/13).

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 of £1.3m in 2013/14 (£0.2m in 2012/13) 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	
	2013/14	2012/13	2013/14 £	2012/13 £
£0 - £20,000	168	76	1,297	571
£20,001 to £40,000	73	19	2,101	590
£40,001 to £60,000	20	11	925	553
£60,001 to £80,000	6	5	437	321
£80,001 to £100,000	3	0	251	0
£100,001 to £150,000	1	0	111	0
£150,001 to £200,000	0	0	0	0
Total	271	111	5,122	2,035

28. EXTERNAL AUDIT COSTS

	2013/14 £000	2012/13 £000
External Audit Services	255	255
Certification of Grant Claims and Returns	37	79
Other services provided by the appointed auditor	0	7
	292	341

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

Notes to the Core Financial Statements

29. DEDICATED SCHOOLS' GRANT

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

	2013/14			2012/13		
	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000
Final DSG for 2013/14 before academy recoupment	41,369	208,992	250,361			
Academy figure recouped for 2013/14	(303)	(5,842)	(6,145)			
Total DSG after academy recoupment	41,066	203,150	244,216	36,617	192,334	228,951
Brought forward from previous year	0	0	0	501	0	501
Carry forward to next year agreed in advance	0	0	0	0	0	0
Agreed initial budgeted distribution in 2013/14	45,674	203,088	248,762			
In year adjustments for 2013/14	1,537	62	1,599			
Final Budget Distribution	47,211	203,150	250,361	37,118	192,334	229,452
Actual Central Expenditure	47,211		47,211	37,118		37,118
Actual ISB deployed to schools		203,150	203,150		192,334	192,334

30. GRANT AND TAXATION INCOME

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

	2013/14 £000	2012/13 £000
Income from Council Tax	(77,737)	(94,766)
Recognised Capital Grants and Contributions	(45,280)	(43,886)
Recognised Capital Grants and Contributions - Donated Asset (Glassmill)	(24,065)	0
Non-Domestic Rates redistribution	(83,124)	(170,994)
<u>General Government Grants</u>		
Formula Revenue Grant	(124,948)	(3,315)
Other Grants (non-service specific)	(5,314)	(4,952)
Total	(360,468)	(317,913)

Notes to the Core Financial Statements

The following grants were credited to services during the year.

	2013/14 £000	2012/13 £000
Dedicated Schools Grant	(244,514)	(229,452)
Housing Benefit	(233,821)	(254,037)
Early Intervention Grant	(6,658)	(18,500)
Other Grants	(78,970)	(88,561)
Total	(563,963)	(590,550)

31. REVENUE RECEIPTS IN ADVANCE

	31/03/2014 £000	31/03/2013 £000
Capital Contributions Unapplied	41,387	46,499
Council Tax	5,867	5,612
PFI Schemes	19,041	17,421
Revenue Grants and Contributions	8,276	4,670
Other Receipts in Advance	5,687	8,340
Total	80,258	82,542

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

32. RELATED PARTY TRANSACTIONS

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

(a) Central Government and Other Local Authorities

The UK government exerts significant influence on 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 4b of the Accounts. There were numerous other transactions between the Council and other Local Authorities.

(b) Subsidiaries, Associated Companies and Joint Ventures

The companies that are related to the Council are detailed in Note 25 to the Core Financial Statements.

(c) Members and Chief Officers

Councillors have direct control over the Council's financial and operating policies. Their total cost is shown in Note 26. The declarable related party transactions where the Council has paid an amount in 2013/14 of over £20,000 to an organisation in which a Councillor has a controlling interest are shown below. This information is based 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 Town Hall.

- The Mayor, Sir Steve Bullock, is a member of the Friends of the Horniman Museum (£43k).
- Councillor Adefiranye is a committee member of the Marsha Phoenix Memorial Trust (£0.25m) and the Deptford City Challenge Trust (£0.26m).
- Councillor Bell is a member of Lewisham CAB (£0.56m).

Notes to the Core Financial Statements

- Councillor Best is a member of SEE3 Ltd (£35k).
- Councillor Clarke is employed by the National Council for Epilepsy (£0.17m).
- Councillor Curran is a member of Lewisham Plus Credit Union (£0.14m).
- Councillor Daby is a board member of Phoenix Community Housing Association (£0.24m) and a member of Connect Family Services (£81k).
- Councillor Egan is employed by Herbert Smith Freehills LLP (£0.4m).
- Councillor Feakes is a member of SEE3 Ltd (£35k).
- Councillor Fitzsimmons is a member of the Lewisham Pensioners Forum (£57k).
- Councillor Fletcher is a board member of Phoenix Community Housing Association (£0.24m) and a member of the Lewisham Youth Theatre (£0.1m).
- Councillor Hall is a board member of the Phoenix Community Housing Association (£0.24m).
- Councillor Handley is Chair of Lewisham Community Transport Scheme (£53k).
- Councillor Harris is a member of the Albany Theatre (£0.43m).
- Councillor Klier is a member and trustee of Age Exchange Theatre Trust (£36k).
- Councillor Long is Chair (remunerated) of the South London and Maudsley NHS Trust (£2.7m).
- Councillor Mallory is a member of Deptford Challenge Trust (£0.26m).
- Councillor Millbank is a member of Voluntary Action Lewisham (£1.03m) and the Honor Oak Community Centre Association (£24k).
- Councillor Morrison is Chair of the Ackroyd Community Association (£62k).
- Councillor Muldoon is a board member of the South London and Maudsley NHS Trust (£2.7m) and a member of the Noah's Ark Children's Venture (£65k).
- Councillor Nisbet is a trustee of Age Concern Southwark (£0.11m) and Sydenham Gardens (£50k).
- Councillor Onuegbu is a member of the South London and Maudsley NHS Trust (£2.7m).
- Councillor Jacqueline Paschoud is a member of the Ravensbourne Project (£0.32m).
- Councillor John Paschoud is a member of the Lewisham Disability Coalition (£0.51m) and a member of the Ravensbourne Project (£0.32m).
- Councillor Smith is a member of Groundwork Trust, London South (£83k).
- Councillor Till is employed by Dinardo Ltd (£0.76m), a member of the Marsha Phoenix Memorial Trust (£0.25m), the Ackroyd Community Association (£62k), the Noah's Ark Children's Venture (£65k), the Goldsmiths Community Centre (£30k), and the Parent Support Group (£30k).
- Councillor Wise is a member of Groundwork Trust, London South (£83k).

(d) Lewisham Pension Fund

- The Council's total contribution to the Pension Fund in 2013/14 on behalf of its employees was £24.4m (£22.5m in 2012/13).
- The Council's cost of administering the Pension Fund in 2013/14 of £0.58m (£0.56m in 2012/13) was charged to the fund.
- As at the 31 March 2014 the Council owed the Pension Fund £0.5m (as at 31 March 2013 the Pension Fund owed £0.93m to the Council).

33. 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.

Notes to the Core Financial Statements

	2013/14 £000	2012/13 £000
Opening Capital Financing Requirement	241,477	247,382
Capital Investment		
Property, Plant and Equipment	57,513	60,313
Revenue Expenditure Funded from Capital under Statute	13,256	6,065
	70,769	66,378
Resources Used for Financing		
Capital Receipts	(14,437)	(16,216)
Government Grants and Other Contributions	(40,839)	(41,073)
Sums set aside from Revenue:	(12,703)	(5,788)
	(67,979)	(63,077)
Increase in the underlying need to borrowing	2,790	3,301
Debt Redeemed - Minimum Revenue Provision	(8,417)	(9,206)
Increase/ (decrease) in Capital Financing Requirement	(5,627)	(5,905)
Closing Capital Financing Requirement	235,850	241,477

34. 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 £3.4m (£3.25m in 2012/13). The future minimum lease payments due under non-cancellable leases in futures are:

	31/03/14 £000	31/03/13 £000
Not later than one year	2,091	2,943
Later than one year and not later than five years	3,837	4,097
Later than five years	17,276	19,065
	23,204	26,105

b) Council as a Lessori) Finance Leases

The Council leases out a small number of commercial properties and has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross income (Finance Lease Debtor) was £91,000 in 2013/14 (£96,000 in 2012/13). The gross investment and the minimum lease income will be received over the following periods;

Notes to the Core Financial Statements

	Gross Investment in the Lease		Minimum Lease Income	
	31/03/14 £000	31/03/13 £000	31/03/14 £000	31/03/13 £000
Not later than one year	36	41	36	41
Later than one year and not later than five years	120	120	120	120
Later than five years	176	206	176	206
	332	367	332	367

ii) Operating Leases

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

	31/03/14 £000	31/03/13 £000
Not later than one year	2,020	2,109
Later than one year and not later than five years	6,051	6,771
Later than five years	10,353	20,555
	18,424	29,435

35. PRIVATE FINANCE INITIATIVES (PFI) CONTRACTS

a) Description of PFI Schemes

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

b) Payments made under PFI contracts

Payments made in 2013/14	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF 1	BSF 2	BSF 3	BSF 4	Street Lighting	13/14 Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Service Charges	5,703	414	2,747	2,547	722	777	1,359	1,171	15,440
Interest	5,661	1,632	3,661	4,684	1,902	2,808	5,885	521	26,754
Liability Repayment	2,946	210	739	1,198	280	539	529	1,088	7,529
Unitary Charge	14,310	2,256	7,147	8,429	2,904	4,124	7,773	2,780	49,723

Payments made in 2012/13	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF 1	BSF 2	BSF 3	BSF 4	Street Lighting	12/13 Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Service Charges	5,463	372	2,578	2,298	677	675	866	1,450	14,379
Interest	5,844	1,592	3,729	4,790	1,924	1,621	3,200	263	22,963
Liability Repayment	2,699	197	736	1,224	273	86	-695	783	5,303
Unitary Charge	14,006	2,161	7,043	8,312	2,874	2,382	3,371	2,496	42,645

Notes to the Core Financial Statements

c) Movement in PFI Assets in year

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

	2013/14		2012/13	
	£000	£000	£000	£000
Gross Book Value B/fwd		308,785		219,313
Additions		5,588		72,576
Revaluations (recognised in Revaluation Reserve)	20,268		20,057	
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	11,197		(3,161)	
Total Revaluations		31,465		16,896
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	(375)		0	
Total Impairments		(375)		0
Disposals		(330)		0
Gross Book Value at End of the Year		345,133		308,785
Depreciation Balance B/fwd		(9,615)		(8,526)
Depreciation for year		(6,206)		(4,647)
Depreciation written back - Assets Impaired		10,552		3558
Depreciation written back - Assets Sold		12		0
Depreciation Balance c/fwd to following year		(5,257)		(9,615)
Net Book Value at End of the Year		339,876		299,170

d) PFI Liabilities

The unitary payments made to the contractors have been calculated to compensate them for the fair value of the services they provide, the capital expenditure they have incurred and interest they will pay whilst the capital expenditure remains to be reimbursed. The Council's total outstanding liability to the contractors is shown in the following table. The increase in the 2013/14 liability is due to the on-going Street Lighting scheme. The liabilities included on the Balance Sheet for Street Lighting represents the completions to date on the updating work, and not the full expected cost. The full cost is included in note e).

	Liabilities Due within 1 Year		Deferred Liabilities	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
Balance outstanding at start of year	7,549	5,831	235,900	170,344
Balance outstanding at end of year	8,281	7,549	244,703	235,900

Notes to the Core Financial Statements

e) Payments due under PFI contracts in future years

The Council makes an agreed fixed payment each year which is linked to inflation and can be reduced if the contractor fails to meet availability and performance standards. The following table shows the estimated cash payments due to be paid (as part of a unitary charge) for each PFI. The price base is in nominal terms assuming a 3.1% RPI increase per annum compounded until the end of the contract. The amounts are broken down into the different elements of the payments reflecting how they will be accounted for.

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

Payments due	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF 1	BSF 2	BSF 3	BSF 4	Street lighting	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
In 2014/15									
Service charges	5,979	215	2,459	2,321	715	809	1,392	1,197	15,087
Interest	5,414	1,639	3,599	4,591	1,880	2,782	5,467	901	26,273
Repayment of liability	3,094	238	797	1,262	310	589	980	1,011	8,281
Planned lifecycle replacement	84	212	384	356	25	1	0	0	1,062
	14,571	2,304	7,239	8,530	2,930	4,181	7,839	3,109	50,703
within 2 to 5 years									
Service charges	29,599	914	10,549	9,987	3,031	3,575	6,157	3,696	67,508
Interest	18,337	6,412	13,450	17,034	7,225	10,726	21,146	8,745	103,075
Repayment of liability	11,484	796	2,969	5,518	1,361	2,717	4,617	2,108	31,570
Planned lifecycle replacement	1,352	931	2,913	2,587	366	154	221	0	8,524
	60,772	9,053	29,881	35,126	11,983	17,172	32,141	14,549	210,677
within 6 to 10 years									
Service charges	46,489	1,277	14,955	14,260	4,199	5,419	9,772	4,300	100,671
Interest	15,770	8,042	14,848	17,965	8,103	12,186	24,322	10,998	112,234
Repayment of liability	16,714	861	4,528	7,942	2,060	4,275	6,550	3,926	46,856
Planned lifecycle replacement	3,057	1,342	5,411	6,199	1,271	692	1,454	0	19,426
	82,030	11,522	39,742	46,366	15,633	22,572	42,098	19,224	279,187
within 11 to 15 years									
Service charges	30,841	1,445	17,202	16,527	4,750	6,954	11,894	4,865	94,478
Interest	5,533	8,122	12,310	13,744	6,831	10,099	20,799	9,381	86,819
Repayment of liability	16,094	1,597	7,755	12,168	3,212	5,395	9,511	5,859	61,591
Planned lifecycle replacement	1,813	1,534	5,066	6,995	1,653	1,504	2,291	0	20,856
	54,281	12,698	42,333	49,434	16,446	23,952	44,495	20,105	263,744
within 16 to 20 years									
Service charges	0	1,635	19,798	19,175	5,375	8,788	14,606	5,504	74,881
Interest	0	7,535	8,492	7,420	4,815	7,026	15,330	6,779	57,397
Repayment of liability	0	2,412	13,448	19,629	5,350	7,196	13,759	8,742	70,536
Planned lifecycle replacement	0	1,746	3,918	6,679	1,829	2,501	3,511	0	20,184
	0	13,328	45,656	52,903	17,369	25,511	47,206	21,025	222,998
within 21 to 25 years									
Service charges		1,850	9,278	4,187	4,077	6,657	13,980	2,844	42,873
Interest		6,424	1,467	-205	1,390	2,921	6,285	1,872	20,154
Repayment of liability		4,508	7,844	3,385	5,509	7,520	15,820	5,447	50,033
Planned lifecycle replacement		1,975	1,874	917	1,504	1,807	3,871	0	11,948
	0	14,757	20,463	8,284	12,480	18,905	39,956	10,163	125,008
within 26 to 30 years									
Service charges									0
Interest									0
Repayment of liability									0
Planned lifecycle replacement									0
	0	0	0	0	0	0	0	0	0
Total Payments Due	211,654	63,662	185,314	200,643	76,841	112,293	213,735	88,175	1,152,317

Notes to the Core Financial Statements

36. LONG TERM CONTRACTS

a) Leisure Centre Management

In October 2012 the Council started a 15 year contract with Fusion Lifestyles for the operation of all of its leisure centres plus Bellingham Leisure & Lifestyle Centre. The contract also covers Forest Hill Pools and the new Glass Mill Leisure Centre. The total payment in 2013/14 was £1.2m (£1.9m in 2012/13).

b) Parks and Open Spaces

On 1st March 2010 the Council started a 10 year Green Space contract with Glendale Grounds Management with a 5 year break clause which covers parks and open spaces, highways enclosures and grounds maintenance on Lewisham Homes sites. The contact value is £3m per year and contains no investment element.

c) Networks and Telecommunications and Primary ICT Services

On 1st April 2011 Lewisham and Bromley Councils started a joint contract to procure services from Capita which runs for 5 years, with options to extend for up to 4 more years. For the Council the cost is £2.3m per year, which is fixed for the first 3 years of the contract.

d) IT Licenses and Support Contract

In May 2012 the Council renewed its existing contract with Oracle for a further 4 years for licenses and support on the financial information system. The total contract value is £1m.

e) Data Centre Provision

The Council's servers are housed in a Data Centre provided by Logicalis. The contract began in April 2011 and runs for 5 years with options to extend by up to 5 more years. The cost is £0.4m per annum.

f) Multi-Functional Device Contract

The Council's contract with Siemens Financials to lease multi-functional devices (printers/faxes/copiers) at a cost of £1.7m per year runs out in August 2014. The Council has let a new contract with Xerox for this provision to run from July 2014 for 3 years with a total cost across the life of the contract of £1.2m.

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

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

h) Parking Contract

A new 6 year contract for the provision of parking management services has been awarded to NSL at a cost of £1.9m per year with effect from 1 August 2013. The previous contract with NSL expired on 31 July 2013.

i) Highway Maintenance Contract

This contract was with FM Conway and the spend was £3.7m. A new contact has been agreed with FM Conway for 5 years from 1st April 2014 with an option to extend by two years at a cost of £2.8m per year.

j) School Meals Catering Contract

In July 2009 the Council awarded the school meals contract to Compass Group (trading as Chartwells). This provides a centrally managed school meals service for 71 schools and for civic service provision inclusive of the management of the Wearside canteen. The Council has extended this contract for a further two years until 30th April 2015. The value of contract varies with the number of meals but is around £8m.

k) Corporate Cleaning Contract

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

l) Premises Maintenance (Planned and Statutory Maintenance)

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

Notes to the Core Financial Statements

37. DEFINED CONTRIBUTION PENSION SCHEMES

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

Teachers employed by the Council are members of the Teachers' Pension Scheme, which is run by the Department for Education (DfE). The scheme provides benefits upon retirement with both the Council and the employee making contributions to the scheme. The scheme is "unfunded" and the DfE use a notional fund to set a national employers contribution rate based on a percentage of members pensionable pay (14.1% for 2013/14 and 2012/13). In 2013/14 the Council paid £12.3m to the DfE in respect of teachers' pension costs (£11.9m in 2012/13).

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

38. DEFINED BENEFIT PENSION SCHEMES

a) Participation in Pension Schemes

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

b) Transactions relating to Retirement Benefits

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

Notes to the Core Financial Statements

Comprehensive Income and Expenditure Statement	2013/14	Restated
	£000	2012/13
Cost of Service		£000
Current Service Cost	30,616	25,145
Past Service Cost (including curtailments)	920	383
	31,536	25,528
Financing and Investment Income and Expenditure		
<u>Net interest on the Net Defined Benefit Liability</u>		
Interest income on scheme assets	(39,329)	(38,236)
Interest cost on defined benefit obligation (liabilities)	63,840	60,065
	24,511	21,829
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	56,047	47,357
<u>Remeasurements of the Net Defined Benefit Liability</u>		
Return on plan assets excluding amounts included in net interest	9,708	(57,580)
Actuarial losses arising from changes in demographic assumptions	448	0
Actuarial losses arising from changes in financial assumptions	52,079	133,459
Other	(45,774)	1,616
Total Remeasurements recognised in CIES	16,461	77,495
Total Post Employment Benefits Charged to the CIES	72,508	124,852

Movement in Reserves Statement	2013/14	Restated
	£000	2012/13
Reversal of net charges made to the the surplus or deficit on the provision of services	(56,047)	(47,357)
Employers' Contributions Payable to the Scheme	33,922	31,677
Return on assets excluding amounts included in net interest	(9,708)	57,580
Actuarial Gains/(Losses)	(6,753)	(135,075)
Pensions Reserve adj to opening bal (re Lewisham Homes)	(1,274)	0
Net Movement in Pensions Reserve	(39,860)	(93,175)

c) Pensions Assets and Liabilities Recognised in the Balance Sheet

	31/03/2014	Restated
	£000	31/03/2013
Present Value of Defined Benefit Liability (Obligation)	(1,429,682)	(1,354,114)
Fair Value of Plan Assets	923,298	891,487
	(506,384)	(462,627)
Present Value of Unfunded Liabilities	(81,706)	(86,877)
Pensions Reserve adj re Lewisham Homes		1,274
Pensions Reserve - Year End Balance	(588,090)	(548,230)

Notes to the Core Financial Statements

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

	31/03/2014 £000	Restated 31/03/2013 £000
Opening Fair Value of Scheme Assets	891,487	802,304
Interest income on assets	39,329	38,236
Admin	(93)	(94)
<u>Remeasurement Gains / Losses</u>		
Return on assets excluding amounts included in net interest	(9,708)	57,580
Employer Contributions	28,579	26,222
Contributions in respect of Unfunded Benefits	5,343	5,455
Contributions from Scheme Participants	8,291	8,241
Benefits Paid	(43,809)	(41,002)
Unfunded Benefits Paid	(5,343)	(5,455)
Other Gains and Losses	9,222	0
Closing Fair Value of Scheme Assets	923,298	891,487

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

	31/03/2014 £000	Restated 31/03/2013 £000
Opening Present Value of Scheme Liabilities (Obligations)	(1,440,991)	(1,258,411)
Pensions Reserve - Adj to opening bal (re Lewisham Homes)	0	(222)
Current Service Cost	(30,616)	(25,145)
Interest cost on scheme liabilities	(63,747)	(59,971)
Contributions from Scheme Participants	(8,291)	(8,241)
<u>Remeasurement Gains / Losses</u>		
Benefits Paid	43,809	41,002
Unfunded Benefits Paid	5,343	5,455
Actuarial losses arising from changes in demographic assumptions	(448)	0
Actuarial losses arising from changes in financial assumptions	(52,079)	(133,459)
Other Gains and Losses	36,552	(1,616)
Past Service Cost / Curtailments / Settlements	(920)	(383)
Closing Present Value of Scheme Liabilities (Obligations)	(1,511,388)	(1,440,991)

f) Pension Scheme Assets

	31/03/2014			Restated 31/03/2013		
	Active Market £000	Not in Active Markets £000	Total £000	Active Market £000	Not in Active Markets £000	Total £000
LGPS						
Equities	14,919		14,919	15,995		15,995
Debt Securities	78,999		78,999	73,805		73,805
Real Estate		70,137	70,137		65,767	65,767
Investment Funds / Unit Trusts	607,833	69,645	677,478	564,788	76,753	641,541
Derivatives			0		(75)	(75)
Cash and Cash Equivalents	948	10,364	11,312		32,347	32,347
Total LGPS Assets	702,699	150,146	852,845	654,588	174,792	829,380

Notes to the Core Financial Statements

	31/03/2014			Restated 31/03/2013		
	Active Market £000	Not in Active Markets £000	Total £000	Active Market £000	Not in Active Markets £000	Total £000
LPFA						
Equities	37,340		37,340	8,695		8,695
LDI Cashflow matching	4,227		4,227	19,253		19,253
Target Return Portfolio	21,136		21,136	33,537		33,537
Infrastructure		2,818	2,818			0
Commododities	705		705			0
Properties		2,114	2,114			0
Cash		2,114	2,114		621	621
Total LPFA Assets	63,408	7,046	70,454	61,485	621	62,106

g) Basis for Estimating Assets and Liabilities

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

	Local Government Pension Scheme		LPFA	
	2013/14	2012/13	2013/14	2012/13
Rate of Inflation – CPI	2.8%	2.8%	2.6%	2.4%
Salary Increase Rate *	4.6%	5.1%	4.4%	4.1%
Pensions Increases	2.8%	2.8%	2.6%	2.4%
Rate for discounting scheme liabilities	4.3%	4.5%	4.2%	3.5%
	Local Government Pension Scheme		LPFA	
	2013/14	2012/13	2013/14	2012/13
Mortality assumptions				
Longevity at 65 for current pensioners				
Men	21.7yrs	21.0yrs	21.4yrs	20.2yrs
Women	24.0yrs	23.8yrs	24.2yrs	23.1yrs
Longevity at 65 for future pensioners				
Men	24.4yrs	22.9yrs	23.7yrs	22.2yrs
Women	26.7yrs	25.7yrs	26.5yrs	25.0yrs

Note – Salary increases in the LGPS forecast are assumed to be 1% p.a. until 31 March 2016 reverting to the long term assumption shown thereafter.

h) Sensitivity Analysis

Change in Assumption at 31st March 2014	Approximate % Increase in Employer Liability	Approximate Monetary Amount (£000)
LGPS - LB Lewisham		
0.5% Decrease in Real Discount Rate	9%	120,685
1 Year Increase in Member Life Expectancy	3%	40,267
0.5% Increase in the Salary Increase Rate	2%	29,518
0.5% Increase in the Pension Increase Rate	7%	90,021

Notes to the Core Financial Statements

Change in Assumption at 31st March 2014	Approximate % Increase in Employer Liability	Approximate Monetary Amount (£000)
LGPS - Lewisham Homes		
0.5% Decrease in Real Discount Rate	12%	10,698
1 Year Increase in Member Life Expectancy	3%	2,726
0.5% Increase in the Salary Increase Rate	4%	3,685
0.5% Increase in the Pension Increase Rate	8%	6,826
LPFA		
0.5% Decrease in Real Discount Rate		5,320
1 Year Increase in Member Life Expectancy		2,665
0.5% Increase in the Salary Increase Rate		240
0.5% Increase in the Pension Increase Rate		5,160

The sensitivity analysis is based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

i) Future Contributions

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve an increased funding level over the next 3 years. Funding levels are monitored on an annual basis and the next triennial valuation is due at 31st March 2016. The Council anticipates paying £25.5m in contributions to the scheme in 2014/15.

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

39. CONTINGENT LIABILITIES

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

40. 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.

41. TRUST FUNDS

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

	Balance 31/03/2014 £000	Movement in 13/14 £000	Balance 31/03/2013 £000
Children and Young People	29	0	29
Community Services	740	280	460
Cemeteries Graves Maintenance	18	(3)	21
Total Trust Funds	787	277	510

Notes to the Core Financial Statements

Interest on trust funds is credited annually at the average rate earned on the Council's revenue balances.

The fund balances as at 31 March 2014 were invested as follows:

	31/03/2014 £000	31/03/2013 £000
External Investments	27	27
Cash	760	483
Total Trust Funds	787	510

42. HERITAGE ASSETS

These assets comprise Lewisham Clock Tower and the Civic Regalia. Their values in the accounts are insurance values which are assessed internally and based on current market values. The value of the assets at 31st March 2014 is £257,000 (£257,000 as at 31st March 2013).

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

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

	2013/14 £000	2012/13 £000
Depreciation, Impairment & Downward Valuations	48,077	76,290
Receipt of Donated Asset - Glassmill	(24,065)	0
Increase/decrease in impairment for bad debts	0	0
Increase/decrease in creditors	(2,242)	17,733
Increase/decrease in debtors	(2,762)	(11,380)
Increase/decrease in inventories (stock)	(4)	9
Movement in pension liability	33,107	9,847
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	4,854	791
Other non-cash items charged to the net surplus or deficit on the provision of services	(3,173)	(1,828)
Total Adjustment to net surplus or deficit on the provision of services for non-cash movements	53,792	91,462

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

	2013/14 £000	2012/13 £000
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0	0
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(15,450)	(13,170)
Any other items for which the cash effects are investing or financing cash flows.	(44,654)	(43,886)
Total Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(60,104)	(57,056)

45. CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2013/14 £000	2012/13 £000
Interest Received	1,985	2,373
Interest Paid	(36,014)	(30,943)
Net interest paid	(34,029)	(28,570)

46. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2013/14 £000	2012/13 £000
Purchase of Property, Plant and Equipment, investment property and intangible assets	(43,583)	(61,854)
Purchase of short and long term investments	(384,818)	(62,442)
Other payments for Investing Activities	(4,767)	(49)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	15,492	13,333
Proceeds from short-term and long-term investments	249,334	79,928
Other Receipts from Investing Activities	46,641	45,161
Net cash flows from investing activities	(121,701)	14,077

47. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2013/14 £000	2012/13 £000
Cash receipts of short and long term borrowing	5,125	4,404
Other receipts from financing activities	3,071	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(7,529)	(5,302)
Repayment of Short-Term and Long-Term Borrowing	(7,950)	(8,750)
Other payments for financing activities		(544)
Net cash flows from investing activities	(7,283)	(10,192)

Housing Revenue Account

SECTION 4a

**HOUSING
REVENUE
ACCOUNT**

2013/2014

Housing Revenue Account

HOUSING REVENUE ACCOUNT

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

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

	2013/14 £000	2012/13 £000	Note
INCOME			
Gross Rent - Dwellings	(69,679)	(67,471)	1
Gross Rent - Other Housing Properties	(4,690)	(3,881)	1
Charges for Services and Facilities	(9,476)	(9,242)	1
Housing Subsidy and Government Grants	(34,353)	(30,868)	2
Contribution towards Expenditure	(2,696)	(2,614)	4
Total Income	(120,894)	(114,076)	
EXPENDITURE			
Supervision and Management - General Expenses	30,656	29,172	5
Supervision and Management - Special Expenses	6,723	5,754	5
Repairs and Maintenance	56,845	50,007	6
Rent, Rates and Other Charges	457	380	
Rent Rebate Subsidy Shortfall	152	172	3
Contribution to Doubtful Debts Provision	756	758	7
Depreciation - Dwellings	20,959	16,094	10
Depreciation - Other Housing Assets	836	777	10
Impairment of Non Current Assets	(53,090)	(35,796)	
Debt Management Expenses	29	30	
Total Expenditure	64,323	67,348	
Net Cost of Services included in the Council's Income and Expenditure Account	(56,571)	(46,728)	
HRA Services share of Corporate and Democratic Core Costs	134	134	
Net Cost of HRA Services	(56,437)	(46,594)	
HRA share of the Operating Income and Expenditure incl.in the Comprehensive Income and Expenditure Statement			
(Gain) / Loss on Sale of HRA Non Current Assets	(5,390)	(1,228)	
Interest Payable and Similar Charges	9,385	9,398	11
Interest and Investment Income	(238)	(237)	
Pension Interest Cost and Expected Return on Pension Assets	(4,166)	21	12
(Surplus) / Deficit for the Year on HRA Services	(56,846)	(38,640)	

Housing Revenue Account

HOUSING REVENUE ACCOUNT - MOVEMENT IN RESERVES STATEMENT

	2013/14 £000	2012/13 £000
Balance on the HRA at the End of the Previous Year	22,898	17,181
Surplus or (Deficit) for the year on the HRA Income and Expenditure Statement	56,846	38,640
Adjustments between Accounting Basis and Funding Basis under Statute	5,153	(11,348)
Net Increase or (Decrease) before Transfers (To) / From Reserves	61,999	27,292
Transfers (To) / From Reserves	(58,351)	(21,575)
Increase or (Decrease) in Year on the HRA	3,648	5,717
Balance on the HRA at the End of the Year	26,546	22,898

An analysis of the amounts included within the figures for "Adjustments between Accounting Basis and Funding Basis under Statute" can be found within Note 7 to the Core Financial Statements.

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

Housing Revenue Account

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

This is the total rent collectable for the year after allowance is made for empty property. At 31 March 2014, 0.74% of lettable property was empty (0.7% at 31 March 2013). These figures for empty property exclude accommodation for the homeless and dwellings designated for sale, major works and improvements. Average rents were £91.03 in 2013/14 and £87.49 per week in 2012/13. Service charges have been disaggregated from rents and are shown under charges for services and facilities.

a) Housing Stock

There were no stock transfers during 2013/14 or 2012/13.

	31/03/2014	31/03/2013
<u>Stock Numbers at year end</u>		
Houses and Bungalows	2,432	2,445
Flats and Maisonettes	12,325	12,635
Stock at 31 March	14,757	15,080

	2013/14	2012/13
<u>Change in Stock Numbers during the year</u>		
Stock at 1 April	15,080	15,160
Less Sales, Demolitions, etc.	(327)	(80)
Add Re-purchases, Conversions etc.	4	0
Stock at 31 March	14,757	15,080

b) Rent Arrears

	2013/14 £000	2012/13 £000
Rent Arrears due from Current Tenants	3,822	3,353
Rent Arrears due from Former Tenants	1,774	1,653
Total Arrears	5,596	5,006
Total Arrears as % of Gross Rent of Dwellings Due	8.0%	7.4%

The arrears shown in this note exclude water charges, heating charges and all other charges collected as part of tenants' rent. Housing rent represents 91% of the total collectable from tenants.

c) Rent – Other Housing Property

	2013/14 £000	2012/13 £000
Aerial Sites	262	262
Garages	981	921
Reception Hostels	2,340	1,638
Commercial Property	1,049	1,004
Ground Rents	58	56
Total Other Rents and Charges	4,690	3,881

Housing Revenue Account

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

Service Charges include caretaking, grounds maintenance, communal lighting, bulk household waste removal, window cleaning, pest control and the Lewisham Tenants' Levy. The average tenants' service charge was £5.99 in 2013/14 (£5.85 in 2012/13).

	2013/14 £000	2012/13 £000
Heating Charges	744	778
Leasehold Service Charges	4,163	3,954
Tenants Service Charges	4,569	4,510
Total Charges for Services and Facilities	9,476	9,242

2. GOVERNMENT HOUSING GRANTS AND SUBSIDY

From 1st April 2012 the HRA accounts have been prepared under the Government's HRA self-financing regime. Under this system no 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 a PFI credit until completion of the contract in 2027. In addition, the Council also received a £24m grant towards the costs of meeting the decent homes obligations.

	2013/14 £000	2012/13 £000
Charges for Capital	0	15
PFI Credit	10,353	10,353
Decent Homes Grant	24,000	20,500
Total Grants and Subsidy	34,353	30,868

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 62% of tenants received help in 2013/14. Rent rebates are chargeable to and the corresponding subsidy is credited to the General Fund. Subsidy on rent rebates is capped and if the Council's rent exceeds the Government's limit for subsidy, the cost is charged to the HRA. The shortfall on subsidy due to overpayments is charged to the General Fund, as are the administration costs.

	2013/14 £000	2012/13 £000
Rent Rebates Given (GF)	44,646	44,847
Subsidy Received on Rebates (GF)	(44,494)	(44,675)
Net cost to the HRA	152	172

Housing Revenue Account

4. CONTRIBUTION TOWARDS EXPENDITURE

	2013/14 £000	2012/13 £000
Commission on insurance and water rates	661	648
Recharges of repairs	1,185	1,241
Recharge to Capital Receipts	561	318
Hostels: Heat, Light and Water Charges	194	258
Other miscellaneous income	95	149
Total Other Income	2,696	2,614

5. SUPERVISION AND MANAGEMENTGeneral Expenses

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

Special Expenses

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

6. REPAIRS AND MAINTENANCE

This includes day-to-day repairs to Council housing stock and cyclical external decoration. Void properties prior to re-letting and certain tenants' properties are eligible for internal decoration. Gross repairs and maintenance expenditure for 2013/14 was £15.4m (£16.7m in 2012/13). Expenditure originally charged to the capital programme and then written back to revenue was £41.4m in 2013/14 (£33.3m in 2012/13).

7. CONTRIBUTIONS TO IMPAIRMENT ALLOWANCE

In 2013/14 a contribution of £0.76m (2012/13 - £0.76m) was transferred from the HRA to an impairment allowance to meet doubtful debts. Details of the accumulated provision are as follows:

	2013/14 £000	2012/13 £000
Housing Tenants	4,518	4,145
Leaseholders	1,875	2,171
Commercial Properties, Miscellaneous Debts	844	787
Total Impairment Allowance	7,237	7,103

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 31 March 2014 was £83.5m.

Housing Revenue Account

9. NON CURRENT ASSETS VALUATION

A full valuation of the housing stock is commissioned every five years with a market adjustment being applied in the years in between. A full stock valuation was undertaken in 2013/14. 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.

	31/03/14 £000	31/03/13 £000
Operational Assets:		
Dwellings (Existing Use Value - Social Housing)	882,033	641,833
Other Land and Buildings	42,693	36,705
Infrastructure	102	107
Vehicles, Plant and Equipment	5,613	3,495
	930,441	682,140
Investment Properties	18,406	17,290
Total Housing Assets	948,847	699,430
Full Valuation of Council Dwellings	3,528,132	2,567,332

10. DEPRECIATION

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

	2013/14 £000	2012/13 £000
Operational Assets		
Dwellings	20,957	16,094
Other Land and Buildings	502	479
Vehicles, Plant and Equipment	311	298
	21,770	16,871

Depreciation is not charged on Non Operational Assets.

11. INTEREST PAYABLE AND SIMILAR CHARGES

This line includes the charge of £3.7m for capital assets calculated in accordance with the DCLG's Item 8 Debit Determination for 2013/14 (£3.6m in 2012/13). It also includes £0.75m for the net cost of amortised loan redemption premiums and discounts (£1m in 2012/13).

12. PENSIONS COSTS – IAS 19

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

Housing Revenue Account

13. HOUSING CAPITAL EXPENDITURE

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

	2013/14 £000	2012/13 £000
Expenditure:		
Dwellings	3,361	873
Revenue Expenditure Funded from Capital under Statute	0	34
	3,361	907
Financed by:		
Capital Receipts	85	34
Major Repairs Reserve	3,276	873
Total Capital Expenditure Financed	3,361	907

The total capital receipts from the disposal of housing assets and residual stock transfer receipts were £10.7m in 2013/14 (£12.7m in 2012/13).

14. MAJOR REPAIRS RESERVE

	2013/14 £000	2012/13 £000
Balance B/fwd as at 1 April	(12,719)	(4,529)
Transferred in (depreciation dwellings)	(21,795)	(16,871)
Financing of capital expenditure on housing assets	3,276	873
Financing Major Revenue Repairs	17,422	12,512
Contributions from Revenue (Capital)	(5,971)	(4,704)
Balance C/fwd as at 31 March	(19,787)	(12,719)

15. HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

	Balance at 31/03/2013 £000	Transfers In £000	Transfers Out £000	Balance at 31/03/2014 £000
Property and Stock Related Reserves	5,341	143	(868)	4,616
Staff Related Reserves	750	0	0	750
Other Earmarked Reserves	16,807	19,340	(14,967)	21,180
Total	22,898	19,483	(15,835)	26,546

Collection Fund

SECTION 4b

**COLLECTION
FUND**

2013/2014

Collection Fund

THE COLLECTION FUND

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

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

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

COLLECTION FUND REVENUE ACCOUNT	2013/14			2012/13	Note
	Council Tax	NDR	Total	Total	
	£000	£000	£000	£000	
INCOME					
Income from Council Tax (net)	105,006		105,006	97,459	4
Transfers from General Fund:					
- Council Tax Benefits	0		0	28,519	4
Income from Non-Domestic Rates (net)		53,245	53,245	49,678	5
TOTAL INCOME	105,006	53,245	158,251	175,656	
EXPENDITURE					
Precepts and Demands upon the Fund					
- London Borough of Lewisham	76,555		76,555	93,184	
- Greater London Authority	21,876		21,876	27,427	
Non-Domestic Rates					
- Payment to National Pool		50,485	50,485	47,210	5
- Cost of Collection Allowance		306	306	309	5
Business Rate Supplement					
- Payment to Greater London Authority		1,291	1,291	1,230	5
- Administrative Costs		5	5	6	5
Bad and Doubtful Debts					
- Net adj to Impairment Allowance (Council Tax)	2,460		2,460	(838)	6a
- Net adj to Impairment Allowance (NDR)		675	675	536	6b
- Amounts Written Off (Council Tax)	322		322	4,141	
- Amounts Written Off (NDR)		486	486	387	5
Contributions from previous year's Surplus					
- London Borough of Lewisham	4		4	1,017	
- Greater London Authority	1		1	302	
Provision for Appeals					
- London Borough of Lewisham		2,248	2,248		
TOTAL EXPENDITURE	101,218	55,496	156,714	174,911	
DEFICIT / (SURPLUS) FOR THE YEAR	(3,788)	2,251	(1,537)	(745)	3
(SURPLUS) AT START OF THE YEAR	(2,448)	0	(2,448)	(1,703)	3
DEFICIT / (SURPLUS) AT END OF THE YEAR	(6,236)	2,251	(3,985)	(2,448)	

Collection Fund

NOTES TO THE COLLECTION FUND

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

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

The tax base used in setting the Council tax is set by the end of January for the following financial year. It is based on the actual number of dwellings on the Valuation List that fall within each valuation band. The total in each band is adjusted for exemptions, single person occupancy discounts, discounts for second homes and long term empty properties, disabled band relief and new properties. The total for each band is then expressed as a "Band D" equivalent number by multiplying the resulting total by the relevant band proportion. The tax base for 2013/14 assumed a collection rate of 95% (96.25% for 2012/13).

The table below sets out the original tax base calculation for 2013/14 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. The reduction in the Council tax base for 2013/14 compared to 2012/13 is due to the change in the way the CTRS is accounted for. Without these changes the council tax base would have increased in line with the rise in the total number of properties in the borough and changes to the system of discounts and exemptions.

Council Tax Band	Property Value £000	2013/14		Band D Ratio	2013/14		2012/13	
		No. of Properties			Band D Equivalents as per Ratio No.	Council Tax Charge £	Band D Equivalents as per Ratio No.	Council Tax Charge £
		Actual Number (1)	Adjusted Number (2)					
A	up to 40	7,013	3,016	6/9	2,010	908.90	3,762	899.22
B	40 - 52	31,949	18,554	7/9	14,430	1,060.39	20,612	1,049.09
C	52 - 68	40,963	28,917	8/9	25,704	1,211.86	31,784	1,198.96
D	68 - 88	24,851	20,335	1	20,335	1,363.35	22,700	1,348.83
E	88 - 120	6,992	6,183	11/9	7,557	1,666.31	8,022	1,648.57
F	120 - 160	2,690	2,513	13/9	3,631	1,969.29	3,717	1,948.31
G	160 - 320	1,271	1,212	15/9	2,020	2,272.25	2,004	2,248.05
H	over 320	166	156	18/9	311	2,726.70	302	2,697.66
Totals		115,895	80,886		75,998		92,903	
Add: Contributions in lieu					0		0	
Total Band D Equivalents					75,998		92,903	
Estimated Collection Rate					95.00%		96.25%	
NET COUNCIL TAX BASE					72,198		89,419	

(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			Surplus	
	As at 31/03/12 £000	For 2012/13 £000	As at 31/03/13 £000	For 2013/14 £000	As at 31/03/14 £000
London Borough of Lewisham	(1,312)	(566)	(1,878)	(1,179)	(3,057)
Greater London Authority	(391)	(179)	(570)	(358)	(928)
	(1,703)	(745)	(2,448)	(1,537)	(3,985)

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

	2013/14		2012/13
	£000	£000	£000
Gross Council Tax Income Due		147,656	145,076
Less: Adjustments to charge	1,073		1,729
Exemptions	(3,727)		(5,355)
Disabled Relief	(66)		(70)
Discounts	(15,368)		(15,402)
Adjustment for Council Tax Reduction Scheme	(24,562)		0
		(42,650)	(19,098)
Total Due from Council Tax payers		105,006	125,978
Transfers from General Fund for Council Tax Benefits		0	(28,519)
Net Amount of Council Tax Receivable		105,006	97,459

Collection Fund

5. NON-DOMESTIC RATES

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

	2013/14		2012/13
	£000	£000	£000
Gross NDR Collectable (after voids and exemptions)		59,130	55,466
Reductions and Relief:			
Mandatory Relief	(5,735)		(5,712)
Discretionary Relief	(150)		(249)
Interest on Refunds and Other Adjustments	0	(5,885)	173
Total Receivable from Business Rates		53,245	49,678
Irrecoverable Amounts Written Off		(486)	(387)
Net Adjustment to Impairment Allowance		(675)	(536)
Net Amount Collectable from Business Ratepayers		52,084	48,755
Business Rate Supplement			
Payment to Greater London Authority	(1,291)		(1,230)
Administrative Costs	(5)	(1,296)	(6)
NDR			
Cost of Collection Allowance transfer		(306)	(309)
Amount Payable to NDR Pool		50,482	47,210

	2013/14	2012/13
	£m	£m
Non-Domestic Rateable Value	139.5	134.7

	2013/14	2012/13
	pence	pence
Non-Domestic Rate Multiplier	47.1	45.8
Non-Domestic Rate Multiplier (Small Business)	46.2	45.0

Collection Fund

6. COLLECTION FUND ARREARS AND IMPAIRMENT ALLOWANCES

a) Council Tax

	31/03/2014 £000	31/03/2013 £000
Council Tax Arrears	29,330	27,021
Impairment Allowance	(26,884)	(24,674)
As a Percentage of Arrears	91.7%	91.3%

	2013/14		2012/13	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Arrears				
Year of Accounts	6,177	21	5,623	21
Under 2 Years old	3,830	13	3,939	15
Under 3 Years old	3,377	12	3,544	13
Under 5 Years old	6,359	22	6,547	24
Over 5 Years old	9,587	32	7,368	27
Total	29,330	100	27,021	100

Arrears of income from court costs and penalties resulting from recovery action are accounted for in the General Fund. As at 31 March 2014, the arrears were £5.6m (£4.9m at 31 March 2013) with an impairment allowance of £4.9m or 88% (£4.4m or 90% at 31 March 2013).

b) Non-Domestic Rates

	31/03/2014 £000	31/03/2013 £000
NDR Arrears	4,778	4,492
Impairment Allowance	(2,555)	(1,880)
As a Percentage of Arrears	53.5%	41.9%

	2013/14		2012/13	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Arrears				
Year of Accounts	1,518	32	2,013	45
Under 2 Years old	1,203	25	1,246	28
Under 3 Years old	897	19	636	14
Under 5 Years old	938	20	508	11
Over 5 Years old	222	4	89	2
Total	4,778	100	4,492	100

Arrears of income from court costs and penalties resulting from recovery action are accounted for in the General Fund. As at 31 March 2014, the arrears were £162k (£143k at 31 March 2013) with an impairment allowance of £112k or 69% (£130k or 91% at 31 March 2013).

Pension Fund Accounts

SECTION 5

**PENSION FUND
ACCOUNTS**

2013/14

Pension Fund Accounts

PENSION FUND ACCOUNTS

FOREWORD

This Pension Fund Statement of Accounts details the financial position and performance of the Lewisham Pension Fund for the year 2013/14.

The Pension Fund's value rose over the year by £37m, mainly due to an increase in stock valuation during the year.

INTRODUCTION

The London Borough of Lewisham Pension Fund ('the Fund') is part of the Local Government Pension Scheme. The Fund is a contributory defined 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 Superannuation Act 1972. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- The Local Government Pension Scheme (Administration) Regulations 2008 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

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 have to consider the PIC's views on socially responsible investments. Details of the Socially Responsible Investment policy are contained in the Statement of Investment Principles (see 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 teachers compensations.

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

<http://www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/finances/Pages/Pension-fund.aspx>

ACCOUNTING POLICIES

The Pension Fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 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, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in paragraph (n) below.

Pension Fund Accounts

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

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

- (a) Basis of Preparation - The accounts have been prepared on an accruals basis (i.e. income and expenditure attributable to the financial year have been included) even where payment has not actually been made or received, except Transfer Values which are prepared on a cash basis. The financial statements do not take account of liabilities to pay pensions and other benefits due after the period end; these are reported upon separately in the Actuary's report and reflected in the Council's income and expenditure account. The accounts are prepared on a going concern basis for accounting purposes.
- (b) Investments - Investments in the Net Assets Statement are shown at market value based on bid prices, as required by the 2013/14 Local Authority Code of Practice and the IAS 26 Retirement Benefit Plans. The market value of equity investments is based on the official closing data, in the main, with last trade data being used in a small number of countries. Unlisted equities are quoted based on last trade or official closing price. Northern Trust, the Fund's custodian, sets out its pricing policies in a document entitled "Asset pricing guidelines" which details its pricing process and sets out preferred pricing sources and price types.
- (c) 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.
- (d) Income - Dividend income earned from equity and bonds (excluding Private Equity) is reinvested by Investment Managers and not repaid directly to the fund as cash. Interest income is recognised in the Fund as it accrues. Any amount not received by the end of the accounting period will be disclosed in the note on Debtors and Creditors.
- (e) Private equity investments are valued in accordance with United States generally accepted accounting principles, including FAS 157, which is consistent with the International Private Equity and Venture Capital Valuation Guidelines. These guidelines set out that all investments are carried at fair value and they recommend methodologies for measurement. Due to timing differences in the valuation of this investment, the value carried in the accounts as at 31st March 2014 is the actual fair value using the latest available valuation on or after 31st December 2013, plus an estimated valuation for the period up to 31st March 2014.
- (f) Property – The Fund does not have any direct investments in property, but does use a property Fund of Funds manager, Schroders, to invest in pooled property funds. The Schroders funds are all currently valued at least quarterly. The majority of property assets to which the fund has exposure are located in the UK. They are valued in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards on the basis of their open market value (OMV).

The only non UK funds are the Continental European Fund 1 and Lend Lease Real Estate Partners 3. Their net asset values are derived from the net asset values of the underlying funds. Like the UK, the values of the underlying assets are assessed by professionally qualified valuers. Valuation practices will differ between countries according to local Generally Accepted Accounting Practices. The frequency of independent valuations varies. All the funds are independently valued on a rolling basis at least annually.

Pension Fund Accounts

- (g) The fair value of the M&G financial instruments is based on their quoted market prices at the statement of financial position date without any deduction for estimated future selling costs. Due to timing differences in the valuation of this investment, the value carried in the accounts as at 31st March 2014 is the actual fair value using the latest available valuation on or after 31st December 2013, plus an estimated valuation for the period up to 31st March 2014.
- (h) The fair value of the Investec commodities is based on their quoted market prices at the Balance Sheet date. If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for a non-exchange traded financial instrument, the fair value of the instrument is estimated using Investec's valuation techniques.
- (i) Contributions – These represent the total amounts receivable from employers within the scheme in respect of their own contributions and any of their employees contributions who are members of the scheme. There are seven employee contribution bands (revised annually in line with inflation) ranging from 5.5% for members earning up to £13,700 a year to 7.5% for members earning over £87,100 a year.

Full Time Pay for the Post	Contribution Rate
Up to £13,700	5.5%
£13,701 to £16,100	5.8%
£16,101 to £20,800	5.9%
£20,801 to £34,700	6.5%
£34,701 to £46,500	6.8%
£46,501 to £87,100	7.2%
More than £87,100	7.5%

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.

- (j) 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.
- (k) 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.
- (l) 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.
- (m) 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.
- (n) Actuarial – The adequacy of the Fund's investments and contributions in relation to its overall and future obligations is reviewed every three years by an Actuary appointed by the Council. The Council's Actuary, Hymans Robertson, assesses the Fund's assets and liabilities in accordance with Regulation 77 of the Local Government Scheme Regulations 1997. The contribution rate required for benefits accruing in future is assessed by considering the benefits which accrue over the course of the three years to the next valuation.

The most recent actuarial valuation carried out under Regulation 36 of the LGPS (Administration) Regulations 2008 was as at 31 March 2013. Some of the triennial valuation financial assumptions made, with comparison to the previous valuation, are presented in the table below:

Pension Fund Accounts

Financial Assumption	March 2013 (%)	March 2010 (%)
Discount Rate	4.6	6.1
Price Inflation	3.3	3.8
Pay Increases	4.3	5.3*
<u>Pension Increase:</u>		
Pension in excess of GMP	2.5	3.3
Post-88 GMP	2.5	2.8
Pre-88 GMP	0.0	0.0
Revaluation of Deferred Pension	2.5	3.3
Expenses	0.7	0.6

* The assumption for 2010 was actually 1% p.a. for 2010/11 and 2011/12 and 5.3% thereafter.

With effect from the 1 April 2014, the actuarial review carried out for 31 March 2013 resulted in no increase to the Council's contribution rate of 21.5% for 2014/15 and annual increases of 0.5% for the subsequent two years (2015/16 and 2016/17). The next actuarial valuation of the Fund will be carried out as at 31 March 2016, with new employer contribution rates taking effect from 1 April 2017.

The triennial valuation on the 31st March 2013 revealed that the Fund's assets, which at 31 March 2013 were valued at £868 million, were sufficient to meet 71.4% (75.4% in 2010) of the current liabilities valued at £1,216 million (£949 in million 2010) accrued up to that date. The resulting deficit at the 2013 valuation was £348million (£234 million in 2010).

Actuarial Present Value of Promised Retirement Benefits

The Actuary has calculated the actuarial present value of future retirement benefits (on an IAS 26 basis) to be £1,416 million as at 31st March 2014 (£1,353 million 31st March 2013).

- (o) Investment Management and Administration - paragraph 42 of the Local Government Pension Scheme (Administration) Regulations 2008, permit the Council to charge the scheme's administration costs to the Fund. A proportion of relevant Council officers' salaries, including related on-costs, have been charged to the Fund on the basis of actual time spent on scheme administration and investment-related business. The fees of the Fund's general investment managers are charged on a quarterly basis and are generally calculated as a set percentage of the market value funds under management as at the end of those quarters. The Council's administrative costs are shown in the Fund Account as part of expenditure.
- (p) 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 is received is used.

Pension Fund Accounts

(q) 2013/14 Financial Year Summary of the Fund's Market Value

Fund Manager	Assets	Assets Value 31/03/14 £000	Proportion of the Fund 31/03/14 %	Assets Value 31/03/13 £000	Proportion of the Fund 31/03/13 %
Schroders Property	Property	76,179	8	69,598	8
HarbourVest	Private Equity	39,136	4	37,515	4
UBS	Passive Equity and Bonds	371,042	41	340,486	39
Blackrock	Passive Equity and Bonds	369,472	41	338,769	39
Investec	Commodities	33,651	4	37,889	5
M&G	Credit	13,981	2	13,411	2
Securities Lending	Securities Lending	93	0	88	0
Unallocated Funds	Cash	1,202	0	29,836	3
LB Lewisham	Cash and Net Current Assets	38	0	(43)	0
Total Fund		904,794	100	867,549	100

- (r) 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 13.
- (s) Financial Instruments –
 Financial Liabilities are recognised on the Net Asset Statement when the Fund becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.
 Financial Assets are recognised on the Net Asset Statement when the Fund becomes a party to the contractual provisions of a financial instrument. Financial Assets are classified into two types:
 Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
 Fair value through profit or loss – assets that are held for trading.
- (t) Critical Judgements in Applying Accounting Policies and Assumptions made about the Future and other Major Sources of Estimation Uncertainty – The statement of accounts contain critical judgements in applying accounting policies and estimated figures based on assumptions made by the authority about the future or that are otherwise uncertain. There are two areas in the accounts where critical judgements are applied which are materially significant to the accounts:
- Actuarial present value of promised retirement benefits – the figure of net liability to pay pensions is based on a significant number of assumptions including the discount rate, 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.
 - Private Equity and M&G valuations – the value of the Fund's private equity holdings is calculated by the General Partners of the fund on the basis of their Valuation Policy, which follows best practice in the industry. However this is based upon a 31 December audited accounts valuation adjusted for distributions and capital calls up to 31 March.
- (u) 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 Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, 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 within transfers-in. Further details about the AVC arrangements are disclosed in note 15 to the financial statements.

Pension Fund Accounts

FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2014

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

	2013/14 £000	2012/13 £000	See note
<u>DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED WITH THE SCHEME</u>			
Contributions Receivable:			
- from Employers	(29,147)	(26,934)	1
- from Employees	(9,095)	(8,612)	1
- reimbursement for Early Retirement from Employers	(1,380)	(308)	
Transfer Values In	(1,407)	(3,084)	
Other Income	(11)	(10)	
Sub-Total: Income	(41,040)	(38,948)	
Benefits Payable:			
- Pensions	33,841	32,101	2
- Lump Sums: Retirement allowances	6,539	6,169	
- Lump Sums: Death grants	368	1,249	
Payments to and on account of leavers:			
- Refunds of Contributions	3	1	
- Transfer Values Out	2,012	2,376	
Administrative and other expenses borne by the scheme	836	752	3
Sub-Total: Expenses	43,599	42,648	
Total Net (additions) / withdrawals from Dealings with Scheme Members	2,559	3,700	
<u>RETURNS ON INVESTMENTS</u>			
Investment Income	(5,477)	(10,981)	4
Change in market value of investments (realised & unrealised)	(36,147)	(85,404)	5
Investment Expenses:			
- Investment Management Fees	1,467	2,162	6
- Tax on Dividends	353	438	
Total Net Returns on Investments	(39,804)	(93,785)	
NET (INCREASE) / DECREASE IN THE FUND DURING YEAR	(37,245)	(90,085)	
OPENING NET ASSETS OF THE FUND	(867,549)	(777,464)	
CLOSING NET ASSETS OF THE FUND	(904,794)	(867,549)	

Pension Fund Accounts

NET ASSETS STATEMENT AS AT 31ST MARCH 2014

The Net Assets Statement shows the market value of the investments and other assets held by the Pension Fund as at 31 March 2014.

	31/03/14 £000	31/03/13 £000	See note
INVESTMENT ASSETS			
Equities			
United Kingdom	6,505	5,861	5
Global	10,389	11,499	5
	16,894	17,360	
Managed Funds			
Property	75,732	68,794	5
Equities	558,575	510,346	5
Fixed Interest	142,268	130,160	5
Index Linked	28,476	26,496	5
Other Assets	71,689	80,290	5
	876,740	816,086	
Cash Deposits	10,651	33,502	10
Derivative Contracts			
Assets	0	0	8
Liabilities	0	0	8
Other Investment Balances			
Debtors - Investment Transactions	491	3,771	9
Creditors - Investment Transactions	(20)	(3,127)	9
TOTAL INVESTMENTS	904,756	867,592	
NET CURRENT ASSETS AND LIABILITIES			
Debtors	1,107	590	9
Creditors	(1,222)	(1,777)	9
Cash in Hand	153	1,144	10
TOTAL NET ASSETS	904,794	867,549	

Note: The financial statements of the fund do not take account of the liability to pay pensions or benefits after 31st March 2014. This liability is included within the Council's balance sheet.

Pension Fund Accounts

NOTES TO THE PENSION FUND ACCOUNTS

1. CONTRIBUTIONS RECEIVED

	2013/14 £000	2012/13 £000
Employer Contributions		
Administering: Normal	(24,400)	(22,313)
Admitted: Normal	(826)	(1,026)
Scheduled	(3,921)	(3,595)
	(29,147)	(26,934)
Employee Contributions		
Administering	(7,521)	(7,102)
Admitted	(317)	(328)
Scheduled	(1,257)	(1,182)
	(9,095)	(8,612)

2. BENEFITS PAYABLE

	2013/14 £000	2012/13 £000
Administering	20,278	19,010
Admitted	262	224
Scheduled	1,000	946
Dependants Pensions	1,328	1,259
Pensions Increases	10,973	10,662
	33,841	32,101

3. ADMINISTRATION COSTS

	2013/14 £000	2012/13 £000
Lewisham Administration	581	623
Administration Costs *	249	124
Bank Charges	6	5
	836	752

* These costs include a net figure of £21k paid to Grant Thornton for external audit services in 2013/14. The same amount was paid to them in 2012/13.

4. INVESTMENT INCOME

	2013/14 £000	2012/13 £000
Cash	(67)	(140)
Equity	(570)	(6,003)
Fixed Interest	(1,869)	(1,945)
Index Linked	0	(177)
Managed Funds (incl Property)	(2,962)	(2,626)
Securities Lending	(9)	(89)
Other	0	(1)
	(5,477)	(10,981)

Pension Fund Accounts

5. INVESTMENT ANALYSIS

Asset	Manager	31st March 2014	
		£000	%
Individual Investment assets with a market value exceeding 5% of the total fund value are:			
Aquila Life US Equity Index Fund	Blackrock	111,601	12.9
UBS GBL Asset Life North America Equity Tracker	UBS	107,733	12.4
UBS Global Life UK Equity Tracker Fund	UBS	76,670	8.8
Aquila Life UK Equity Index Fund	Blackrock	75,627	8.7

Investments exceeding 5% within each class of security are as follows:

UK Equities			
Harbourvest GE PE Shares	Harbourvest	6,505	100
Global Equities			
Commonwealth Bank of Australia	UBS	621	6.0
BHP Billiton Ltd	UBS	588	5.7
Westpac BKG Corp	UBS	535	5.2
Property			
Standard Life Pooled Property Fund	Schroder	9,229	12.2
Schroder UK Property Fund	Schroder	9,697	12.8
Real Continental European Fund	Schroder	6,026	8.0
Hermes Property UT	Schroder	6,424	8.5
Legal and General Property Fund	Schroder	9,214	12.2
Blackrock UK Fund	Schroder	10,996	14.5
Lend Lease Real REIT Fund	Schroder	4,903	6.5
Real Income Fund	Schroder	4,797	6.3
Hercules Unit Property	Schroder	4,386	5.8
West End of London Unit Trust	Schroder	4,075	5.4
Managed Equities			
UBS Global AM Life Equity Tracker	UBS	76,670	13.7
UBS Global Life North America	UBS	107,732	19.3
Aquila Life European Equity Index Fund	Blackrock	38,411	6.9
UBS Global Life European EX UK Equity Tracker Fund	UBS	34,710	6.2
Aquila Life US Equity Index Fund	Blackrock	111,488	19.9
Aquila Life UK Equity Index Fund	Blackrock	75,548	13.5
Fixed Interest			
UBS Global Asset Management Corporate Bond Fund	UBS	28,706	20.2
Blackrock AM UK Corporate Bond Index	Blackrock	28,268	19.9
Aquila Life over 5 yrs Index Fund	Blackrock	28,854	20.3
Barclays Global Aquila Life	Blackrock	28,060	19.7
Index Linked			
UK 0.75% Stock	UBS	1,474	5.2
UK 1.125% Stock	UBS	1,613	5.7
UK 1.25% Stock	UBS	1,795	6.3
UK 1.25% Gilt	UBS	1,706	6.0
UK 1.875% Stock	UBS	1,946	6.8
UK 2% Stock	UBS	1,512	5.3
UK 2.5% Gilt	UBS	1,878	6.6
UK 2.5% Stock	UBS	1,945	6.8
UK 1.25% Stock	UBS	1,546	5.4
Others			
Global Commodities and Resources	Investec	33,651	47.0
Cayman Partnership Fund	Harbourvest	10,602	14.8
UK Companies Financing Fund	M&G	13,981	19.5
Cayman Buyout Fund	Harbourvest	7,967	11.1
Cayman Venture Fund	Harbourvest	4,999	7.0

Pension Fund Accounts

An analysis of investment movements for 2013/14 (and 2012/13) is set out below:

INVESTMENT MOVEMENTS 2013/14	Value at 31 March 2013 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Capital Value £000	Change in Market Value £000	Value at 31 March 2014 £000
UK Equities	5,861	0	0	(150)	794	6,505
Global Equities	11,499	0	(3)	13	(1,120)	10,389
Property	68,794	8,760	(4,933)	(871)	3,982	75,732
Managed Equities	510,346	12,280	(3,500)	(6)	39,455	558,575
Fixed Interest Securities	130,160	17,983	(2,822)	0	(3,053)	142,268
Index Linked Securities	26,496	6,079	(2,791)	0	(1,308)	28,476
Other *	80,290	1,917	(7,915)	0	(2,603)	71,689
Derivatives	0	0	0	0	0	0
	833,446	47,019	(21,964)	(1,014)	36,147	893,634
Cash Deposits	33,502					10,651
Other Investment Balances	644					471
Total Investments	867,592					904,756

INVESTMENT MOVEMENTS 2012/13	Value at 31 March 2012 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Capital Value £000	Change in Market Value £000	Value at 31 March 2013 £000
UK Equities	43,745	12,272	(47,285)	13	(2,884)	5,861
Global Equities	269,466	234,024	(224,112)	(1,127)	(266,752)	11,499
Managed Equities	151,513	51,554	(33,429)	0	340,708	510,346
Property	66,993	8,388	(5,390)	0	(1,197)	68,794
Fixed Interest Securities	88,581	83,801	(76,709)	0	34,487	130,160
Index Linked Securities	49,552	5,271	(7,195)	0	(21,132)	26,496
Other *	98,435	4,597	(24,899)	0	2,157	80,290
Derivatives	(17)	0	0	0	17	0
	768,268	399,907	(419,019)	(1,114)	85,404	833,446
Cash Deposits	6,196					33,502
Other Investment Balances	990					644
Total Investments	775,454					867,592

* Includes Commodities, Venture Capital and Credit Mandates and Private Equity

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

Apart from Global Equities and bonds, the only other overseas investments held by the Fund, fall under the 'Other' category and are namely Private Equity £31.7m and Commodities £37.9m.

The total value of unquoted securities held by the fund as at 31st March 2014 was £643m, this includes equities, bonds and other assets.

The total value of quoted securities held by the fund as at 31st March 2014 was £176m, this includes equities and bonds.

Pension Fund Accounts

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. No financial assets were reclassified during the accounting period. All assets are held at fair value, therefore there is no difference between fair value and carrying value.

	31 st March 2014			31 st March 2013		
	Fair Value through Profit & Loss £000	Loans and Receivables £000	Financial Liabilities at Amortised Cost £000	Fair Value through Profit & Loss £000	Loans and Receivables £000	Financial Liabilities at Amortised Cost £000
Financial Assets						
Equities	16,894			17,360		
Managed Funds:						
Property	75,732			68,794		
Managed Equity	558,575			510,346		
Fixed Interest	142,268			130,160		
Index Linked	28,476			26,496		
Other Assets	71,689			80,290		
Derivative contracts	0			0		
Cash deposits		10,651			33,502	
Pending Trades		326			2,670	
Dividends & Income		165			1,153	
Contributions Due		611			538	
Cash Balances		153			1,144	
Other Current Assets	0	496		0	0	
Total Financial Assets	893,634	12,402	0	833,446	39,007	0
Financial Liabilities						
Derivative Contracts			0			0
Pending Trades			(20)			(3,127)
Unpaid benefits			(955)			(584)
Other Current Liabilities			(267)			(1,193)
Total Financial Liabilities	0	0	(1,242)	0	0	(4,904)
Net Financial Assets	893,634	12,402	(1,242)	833,446	39,007	(4,904)

Net Gains and Losses on Financial Instruments

Financial Assets

Fair Value through Profit and Loss
Loans and Receivables

Financial Liabilities

Fair Value through Profit and Loss

	31/03/14 £000	31/03/13 £000
Fair Value through Profit and Loss	36,147	85,404
Loans and Receivables	0	0
Fair Value through Profit and Loss	0	0
Total	36,147	85,404

The fund also received bank interest totalling £996 during the year.

Pension Fund Accounts

Valuation of Financial Instruments carried at Fair Value

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Level 1 - consists of assets where the fair values are derived from unadjusted quoted prices in active markets for identical assets and liabilities (e.g. quoted equities).

Level 2 - consists of assets where quoted market prices are not available (e.g. where an instrument is traded in a market that is not considered to be active).

Level 3 - consists of assets where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Values as at 31st March 2014	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total at 31/03/14 £000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	16,894	844,109	32,631	893,634
Loans and Receivables	12,402	0	0	12,402
	29,296	844,109	32,631	906,036
Financial Liabilities				
Fair Value through Profit and Loss	0	0	0	0
Financial Liabilities at Amortised Cost	(1,242)	0	0	(1,242)
	(1,242)	0	0	(1,242)
Net Financial Assets	28,054	844,109	32,631	904,794

Values as at 31st March 2013	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total at 31/03/13 £000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	17,360	786,519	29,567	833,446
Loans and Receivables	39,007	0	0	39,007
	56,367	786,519	29,567	872,453
Financial Liabilities				
Fair Value through Profit and Loss	0	0	0	0
Financial Liabilities at Amortised Cost	(4,904)	0	0	(4,904)
	(4,904)	0	0	(4,904)
Net Financial Assets	51,463	786,519	29,567	867,549

FINANCIAL RISK MANAGEMENT

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), collective investment schemes (pooled funds), and cash equivalents. In addition, debtors and creditors arise as a result of its operations. The value of these financial instruments is reflected in the financial statements at their fair value.

Pension Fund Accounts

Responsibility for the fund's risk management strategy rests with the Council's Pension Investment Committee. 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 Committee has determined that the current largely passive investment management structure is appropriate and is in accordance with its revised investment strategy.

The Fund's investments are held by Northern Trust, who act as custodian 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.

1) 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 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 the investments held by asset class, investment mandate guidelines and investment managers. The risk arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the PIC.

a) Market Price Risk represents 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. 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 smoothes out short term price volatility.

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's advisors, the Council has determined that the following movements in market price risk are reasonably possible for the 2014/15 reporting period.

Asset Type	Potential Market Movement +/- (% p.a.)
UK Equities	12.21
Overseas Equities	11.77
Total Bonds	6.85
Cash	0.02
Alternatives	6.96
Property	2.09

The potential volatilities are broadly consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the period end asset mix as follows:

Pension Fund Accounts

Asset Type	Final Market Value as at 31/03/2014 £000	Percentage Change	Value on Increase £000	Value on Decrease £000
UK Equities	334,884	12.21	375,774	293,995
Overseas Equities	240,584	11.77	268,901	212,268
Property	75,732	2.09	77,315	66,700
Total Bonds	170,744	6.85	182,440	159,048
Other Assets	71,690	6.96	76,679	74,149
Cash	10,651	0.02	10,653	10,649
Total Assets	904,285 *	7.37 **	991,762	816,809

* This figure excludes derivatives and other investment balances.

** This is the average variance in proportion to the value of asset type held.

b) Interest Rate Risk is the risk the Pension Fund is exposed to from changes in interest rates and relates to its holdings in bonds and cash. Based on interest received on bonds and cash held by investment managers, a 0.5% change in interest rates would result in an approximate annualised change in income of £765k. The risk is mitigated by the Fund holding minimum cash balances and a diversified portfolio.

c) 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 (£UK). The fund was exposed to the following significant foreign currency levels (i.e. £2m and over) as at the 31st March 2014:

Australian Dollars £15m

Euro £37m

Hong Kong Dollars £4m

Singapore Dollars £2m

US Dollars £130m

The remaining exposures arise from smaller investments relating to other European currencies such as the Swiss Franc.

The fund's currency rate risk is routinely monitored by the Council and its investment advisors. In practice, this is achieved by the use of futures and forward foreign exchange contracts, which entitle and oblige the seller and holder to exchange assets or currency on a future date at a predetermined price or rate. The former are tradable on exchanges, the latter are "over the counter" agreements, which neither the purchaser nor the seller may transfer. There is no cost on entering into these contracts but the market value is established as the gain or loss that would arise at the settlement date from entering into an equal and opposite contract at the reporting date. As at 31 March 2014, there were no derivative contracts held. Following analysis of historical data in consultation with the Fund's advisors, the Council considers the likely volatility associated with foreign exchange rate movements to be 6.09%. This volatility is applied to the fund's overseas assets as follows:

Asset Type	Asset Value at 31/03/14 £000	%age Change	Value on Increase £000	%age Change	Value on Increase £000
Overseas Equities	240,584	+ 6.09%	255,247	- 6.09%	225,922
Other Assets	56,974	+ 6.09%	60,447	- 6.09%	53,502
Other Alternatives	60,191	+ 6.09%	63,860	- 6.09%	56,523
Total	357,749	+ 6.09%	379,554	- 6.09%	335,947

Pension Fund Accounts

2) 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 of 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.

The Fund is also exposed to credit risk through Securities Lending. The Securities Lending (SL) programme is run by the Fund's custodian, Northern Trust. Northern Trust assign four different risk management oversight committees to control counterparty risk, collateral risk and the overall securities lending programme. The minimum level of collateral for securities on loan is 102%. However, more collateral may be required depending on the type of transaction. To further mitigate risks, the collateral held on behalf of the Pension Fund is ring fenced from Northern Trust. Securities lending is capped by investment regulations and statutory limits are in place to ensure no more than 25% of eligible assets can be on loan at any one time. The Fund's exposure through the SL programme is now reduced as the fund is now passively managed and SL activity has greatly reduced.

The Financing Fund (M&G) is also exposed to credit risk. The fund gains exposure by investing in private placements. This risk is managed by the manager assigning a credit analyst to all investments, who continually monitors the asset, its direct peers and its sector.

3) 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 a large proportion of assets in instruments which can be liquidated at short notice, normally three working days. As at the 31 March 2014 these assets totalled approximately £746m, with a further £10.6m held in cash by the custodian on behalf of the Fund and fund managers.

6. INVESTMENT MANAGEMENT FEES

	2013/14 £000	2012/13 £000
Fund Managers' Fees	1,389	1,872
Custodian Fees	48	227 *
Advisory Costs	30	63
Totals	1,467	2,162

* These fees include the cost of transition management from active to passive.

7. PRIOR YEAR ADJUSTMENT

No prior year adjustments have been made to these accounts.

8. DERIVATIVE CONTRACTS

At 31 March 2014, there was no foreign exchange contracts held.

Pension Fund Accounts

9. DEBTORS AND CREDITORS**(a) Debtors**

	31/03/14 £000	31/03/13 £000
Contributions Due from Admitted / Scheduled Employers	474	404
Contributions Due from Admitted / Scheduled Employees	137	134
Equity Dividends / Income from Managed Funds	4	711
Interest and Other Income	161	390
LB Lewisham	496	0
Tax Refunds	0	52
Pending Trades	326	2,670
	1,598	4,361

(b) Creditors

	31/03/14 £000	31/03/13 £000
Fund Manager and Custody Fees	(267)	(171)
Consultancy / Advisory Fees (inc Audit Fees)	0	(94)
Pension Payments due to Employees	(955)	(586)
Pending Trades	(20)	(3,127)
LB Lewisham	0	(926)
	(1,242)	(4,904)

The pending trades relate to purchases and sales by managers which have yet to be the subject of cash settlement. Pending trade sales and purchases at the year-end are treated as investment debtors and creditors.

10. CASH AND BANK**Cash Held With Custodian**

The Northern Trust Company is the fund's global custodian and the cash is held to meet the cash flow requirements of the fund and its managers. Part of the cash held last year was re-invested in equal shares of £12.5m in both Blackrock and UBS according to their existing benchmarks. The total cash held as at 31st March 2014 was £10.7m (£33.5m as at 31st March 2013). Approximately £6.0m of the cash held was from Harbourvest, and £2.5m from M&G. Only approximately £0.8m was being held on behalf of managers.

Pension Fund Bank Account

The Lewisham cash balance represents uninvested cash held in the Pension Fund bank account as at 31st March 2014. The cash in hand figure excludes a figure of £496K to be paid by the Council to the Fund for items described in note 14a below.

11. TRANSACTION COSTS

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

	2013/14 £000	2012/13 £000
Total Purchases	1	261
Total Sales	2	148
Totals	3	409

Pension Fund Accounts

12. POST YEAR END EVENTS

The value of the Fund's investment assets has increased by £57.4m (6.4%) from 31 March 2014 to 18 September 2014.

13. COMMITMENTS

The Pension Fund was committed to the following capital contributions as at the 31st March 2014:

Harbourvest

Fund	Amount ('000)	Translated (£'000)
HarbourVest Partners VIII – Cayman Venture Fund L.P	\$997.50	599
HarbourVest Partners VIII – Cayman Buyout Fund L.P	\$3,515	2,109
HarbourVest International Private Equity Partners V – Cayman Partnership Fund L.P	€1,575	1,302
HarbourVest International Private Equity Partners V – Cayman Direct Fund L.P	€180	149
Total		4,159

The Harbourvest commitments have been translated from either Euros or Dollars using exchange rates as at 31st March 2014. This compares to the total Harbourvest commitments at 31st March 2013 of £6.7m.

14. 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. Six Councillors of this Committee were members of the pension scheme as at 31st March 2014. At each meeting of the Pensions Investment Committee, Councillors are required to make declarations of interest which are then included in the minutes of the meeting.

During the year the following declarations were made:

- Cllr Muldoon declared a personal interest, that he has been appointed as substitute member of the Cost and Contribution Sub-Committee of the Shadow Advisory Board of the Local Government Pension Scheme. This will become a (non-Shadow) full Advisory Board in April 2014.
- Councillor Muldoon declared a personal interest, as a friend of the Chair of Schroder Income Growth Fund plc.

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 2014.

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

- a) Recharges from the Council for the in-house administration costs and other expenses, such as interest payable on balances, borne by the scheme were transacted for £581k (see note 3). 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.

Pension Fund Accounts

- b) The salary of the Executive Director for Resources and Regeneration is disclosed in the Council's full set of accounts.

15. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

Contributing members have the right to make AVCs to enhance their pension. There are currently 48 '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 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(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

	2013/14			2012/13		
	Equitable £000	Clerical Medical £000	Total £000	Equitable £000	Clerical Medical £000	Total £000
Value at the Beginning of Year	527	966	1,493	535	984	1,519
Contributions and Transfers Received	5	330	335	9	199	208
Investment Return	21	53	74	20	85	105
Paid Out	(57)	(275)	(332)	(37)	(302)	(339)
Value at the End of the Year	496	1,074	1,570	527	966	1,493

16. SCHEDULED BODIES

The following are scheduled bodies to the fund as at 31st March 2014:

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

17. ADMITTED BODIES

The following are admitted bodies to the fund as at 31st March 2014:

National Car Parks Ltd	Quality Heating
Excalibur Tenant Management Project	Blenheim CDP
PLUS	RSM Tenon (formerly RSM Bentley Jenison now Baker Tilly)
Housing 21	Broomleigh Housing Association Ceased 30th June 2013
Lewisham Nexus Services	Penrose (now Crime Reduction Initiatives CRI))
Lewisham Way Youth and Community Centre	Skanska
SAGE Educational Trust	One Housing
CIS Securities Ceased 31st May 2013	Fusions Leisure Management
Wide Horizons	3 C's Support
Phoenix	Children's Society
INSPACE	Pre-School Learning Alliance
T Brown & Sons	Chequers Contract Services

Pension Fund Accounts

18. STOCK LENDING

The Statement of Investment Principles permits the Fund to enter into stock lending whereby the Fund lends other bodies stocks in return for a fee and collateral whilst on loan. Equities and fixed income assets held in segregated accounts in custody may be lent. The Fund actively lends in 50 different equity and fixed income markets worldwide. Northern Trust conducts this activity on behalf of the Fund.

The economic benefits of ownership are retained when securities are on loan. The Fund has its full entitlements at all times to any income due, or rights on its securities on the anticipated date of the entitlement so that no economic benefits are foregone as a result of securities lending activity.

Northern Trust is responsible for collecting dividend and interest income on loaned securities from borrowers. The right to vote moves with the securities.

As at the 31st March 2014, the value of aggregate stock on loan was £1.3m (£1.0m as at 31st March 2013). These have been carried in the accounts at this value. There are no liabilities associated with these assets.

Collateral

The collateral held as security on loans cannot be sold or pledged in the absence of default by the borrower. The Council entered into stock lending transactions during the financial year earning £93k net of direct expenses (compared to £88k in 2012/13). The value of collateral held as at 31 March 2014 was £1.4m (£1.1m as at 31st March 2013).

19. MEMBERSHIP

	Active Members		Deferred Beneficiaries		Retired Members	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Administering Authority	5,961	5,322	7,837	7,284	6,687	6,530
Scheduled Bodies	705	655	385	303	147	127
Admitted Bodies	151	180	84	92	56	43
	6,817	6,157	8,306	7,679	6,890	6,700

20. AUTHORISATION

These accounts were authorised on the 25th September 2014 by the Executive Director for Resources and Regeneration.

SECTION 6

**ANNUAL
GOVERNANCE
STATEMENT**

2013/14

ANNUAL GOVERNANCE STATEMENT

1. What is corporate governance?

Corporate governance is about making sure the Council is run properly. It is about ensuring the Council does the right things, at the right time and in the right way.

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 also how it meets the requirements of the *Accounts and Audit (England) Regulations 2011* in relation to the publication of a statement on internal control.

2. How has this statement been prepared?

Every year a review of the effectiveness of the Council's governance framework is conducted by the Annual Governance Statement working party which comprises of a team of policy, legal and audit officers with expertise in governance and internal control matters. The group meets quarterly to collate and evaluate governance evidence and identify areas requiring action; and is responsible for analysing CIPFA/SOLACE guidance in relation to the development of this statement and ensuring that the statement is approved via the council's key control mechanisms. The governance review process includes:

- The consideration of the Annual Governance Statement Action Plan by the Council's Internal Control Board (ICB) on a quarterly basis. This year no significant gaps or governance issues have been identified and the actions outlined at the end of this statement summarise the areas of governance focus needed to maintain an effective governance framework.
- **24 June 2014:** The consideration of the Accounts, the Head of Audit and Risk's Annual Report and the Annual Governance Statement by the Council's Audit Panel.
- **23 July 2014:** A review of the Council's Local Code of Corporate Governance by the Standards Committee, with reference to CIPFA/Solace Guidance.
- **September 2014:** Referral of the Annual Governance Statement to full Council with the Statement of Accounts.
- Sign off by the Chair of the Council and Chief Executive, once approved.

3. What are the Council's 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 overleaf shows the Council's external facing governance structure, as set out in the Council's constitution:

Annual Governance Statement

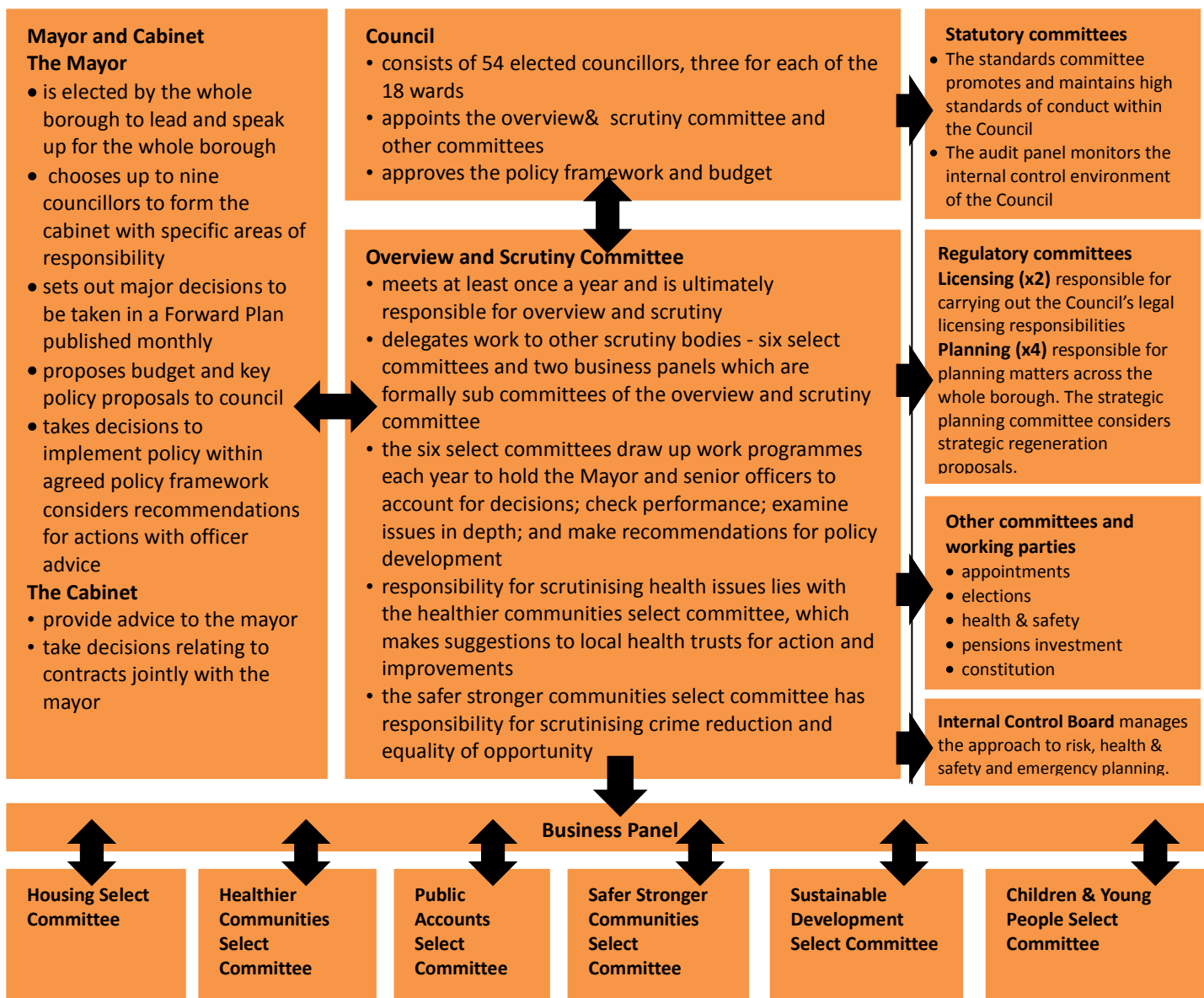


Diagram 1

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 Panel monitor and challenge the governance arrangements and ensure their robustness.

The Council has worked closely with its partners, both strategic and operational, throughout the year, primarily through the Lewisham Strategic Partnership (LSP). New arrangements for strategic partnership working are currently being developed. The Council has two statutory partnership boards: the Safer Lewisham Partnership which works to protect the community from crime and help people feel safer; and the Health and Wellbeing Board which works to identify local health challenges and lead on the activity necessary to address them.

Annual Governance Statement

(a) Communicating and reviewing the Council's vision

The Council has an overarching vision for the borough: **'Together we will make Lewisham the best place in London to live, work and learn'** which is shared by its key partners and which was developed following extensive consultation with the community. The Sustainable Community Strategy (SCS) outlines how all partners will work towards the vision by contributing to six key priorities. The Council, in turn, has developed ten corporate priorities which articulate its contribution.

(b) Delivering Quality Services

The Council seeks to use its resources efficiently and effectively to provide quality services which help deliver its vision for the borough. In the 2012/13 Annual Audit Letter Grant Thornton, the Council's external auditors commented that "the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity". The Council is currently considering how to fundamentally reshape and transform the services it delivers to save money and provide better value for money. The *Lewisham Future Programme* has been established to spearhead work into how the Council can do this and a number of thematic and cross-cutting reviews are being carried out. This work is underpinned by four core values: (1) we put service to the public first; (2) we respect all people and all communities; (3) we invest in employees; and (4) we are open, honest and fair in all we do.

The Council's performance is monitored via a monthly management report which tracks 58 performance indicators, grouped according to the Council's ten corporate priorities, and associated risks. The report uses Red exception reporting to focus attention on areas of poor performance or high risk and is a critical tool for supporting decisions across the organisation. The report is seen by the Executive Management Team (EMT) monthly and the Public Accounts Select Committee and Mayor & Cabinet quarterly and is published on the Council website. The quality of services for users is also measured through satisfaction surveys and information from the complaints management and resolution process.

(c) Roles and responsibilities

The Council's constitution sets out the roles and responsibilities of the Mayor, the Chair of 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 on the basis of professional officer advice, as part of an annual programme of regular meetings.

(d) Embedding Roles and Responsibilities

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. The Standards Committee received its annual report on Member compliance with the Code of Conduct in November 2013 and considered that there had been good compliance. Following the elections in May 2014, training on the Member Code of Conduct was delivered to all Councillors in June 2014, as part of a comprehensive induction programme to enable them to understand and access all appropriate support and development to undertake their role.

Annual Governance Statement

(e) Decision making

The constitution requires councillors to follow formal procedures when taking decisions, which 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 to ensure that report authors address all significant considerations such as the legal and financial implications of decisions and equalities issues; and 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 Business Panel. Five matters were called-in during 2013/14 including a number of savings proposals. The Council has a Constitution Working Party (CWP) 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 to reflect changing needs.

(f) Managing risks

The Council has a robust risk strategy and framework which is reviewed annually (see diagram 2). The management of risk is handled at a corporate and directorate level and is overseen by ICB which is chaired by an independent 'non-executive' person (the chair). The system of internal control is designed to manage risk to a reasonable level by identifying and prioritising any risks to the achievement of the Council's policies, aims and objectives. It evaluates the likelihood of risks being realised and the impact should they be realised, and seeks to manage them efficiently, effectively and economically. The Council's risk management policy and strategy was last updated in February 2014.

(g) Audit***Internal Audit***

The role of internal audit is to provide an independent and objective opinion on the internal control environment within the Council. Its work is set out in an annual internal audit plan that covers the activities where internal audit and management perceive there are risks to achieving objectives. A number of audits take place each year to analyse relevant controls and following each audit an assurance statement indicating the level of assurance that management can place on the adequacy and effectiveness of the internal controls is produced. In 2013/14 73 assurance reviews were commissioned (with 70 requiring an opinion on internal control and the others being advisory reviews). Of the 70 requiring an opinion on internal control, 58 have been completed and only 3 received a negative level of assurance, including 1 'no assurance' opinion. Action is being taken to address the inadequacies identified and the activity is being monitored by Audit Panel and ICB.

External Audit

The Council's governance, risk and control management arrangements are subject to an annual independent review by Grant Thornton, the Council's external auditors. The last review took place in October 2013 and it was noted that "The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future".

Audit Panel

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 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.

Annual Governance Statement

Risk Strategy and Framework

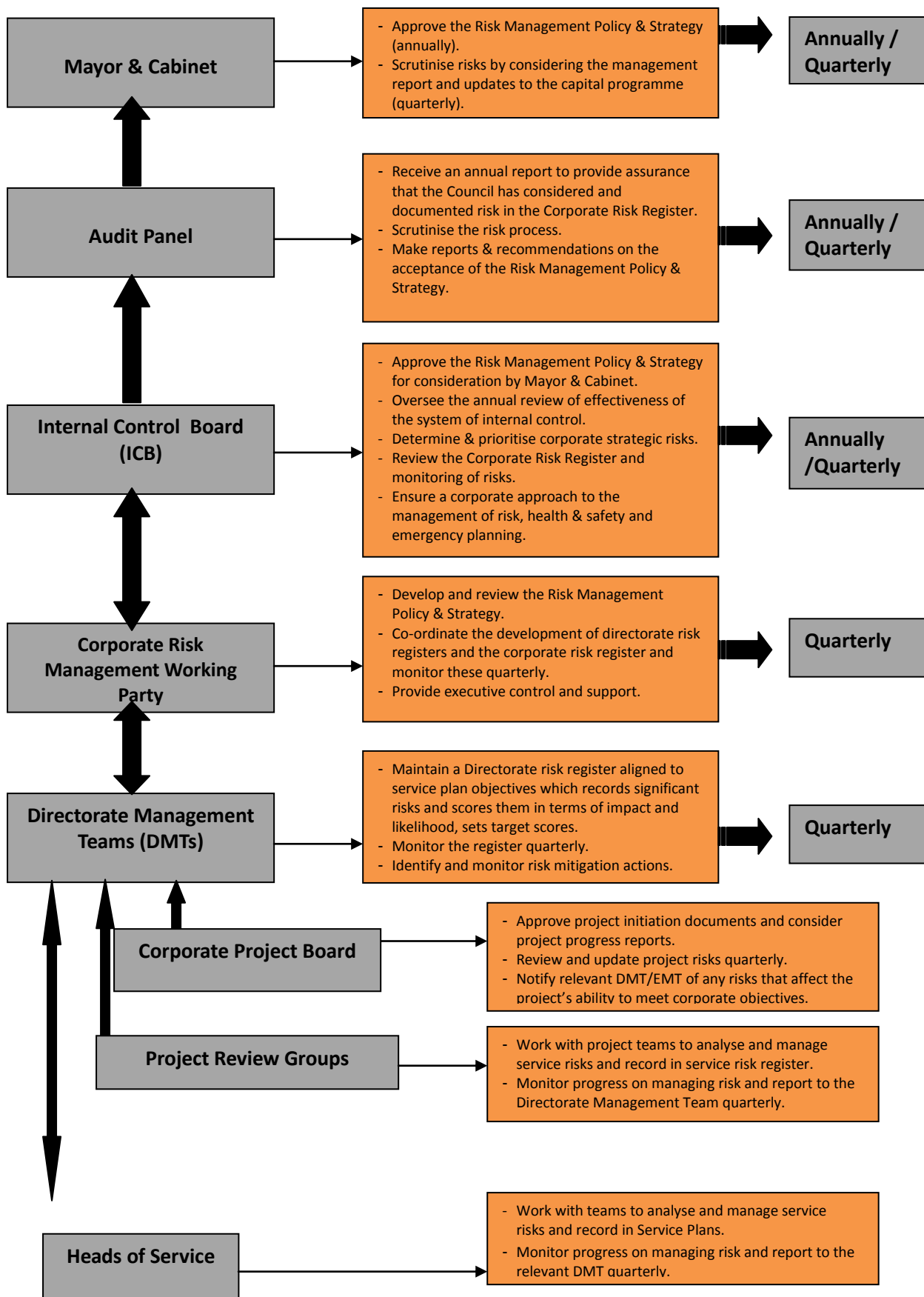


Diagram 2

Annual Governance Statement

(h) Compliance

The Monitoring Officer is central to ensuring compliance with the rules and procedures set out in the constitution. The Monitoring Officer attends Mayor and Cabinet and Full Council meetings and regularly briefs EMT, 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 of Resources and Regeneration as its Chief Finance 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 whistle-blowing policy in place which is publicised on the Council's website. Complaints made under this policy are handled by the Monitoring Officer and an annual review is considered by the Standards Committee.

(i) Training and development

The Council runs a Member Development Programme, focussed on the period following local elections, which 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. The development needs of senior officers are the responsibility of the Head of Personnel and Development and the Monitoring Officer ensures that they are aware of their statutory duties and any changes in relevant legislation. At the start of the financial year the Chief Executive defines objectives for each of the Executive Directors which are then cascaded to officers throughout the organisation through the Performance Evaluation Scheme.

(j) Engaging the community and partners

The Council's engagement activity is overseen by the Strategy Performance and Communications Board which operates at Executive Director level and provides a strategic steer on the communication and consultation agendas within the Council. It is supported by the Consultation Steering Group, which has representation from across the Council and supports effective resident engagement at an operational level. The Council promotes e-Participation through its online engagement system which provides a platform through which citizens can respond to online consultations as well as set up and respond to e-Petitions. 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. The Council 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. The arrangements for strategic partnership working are set out earlier in this statement.

4. How do we know our arrangements are working?

Throughout the year, the Council regularly reviews the effectiveness of its governance framework, including its system of internal control. Activity undertaken includes:

- Consideration of governance issues by the ICB – including risk registers, counter-fraud updates and internal audit reports.
- Preparation of a rolling plan of audit coverage to be achieved in the forthcoming year by the Head of Audit and Risk, primarily based on an assessment of the Council's risk profile, and review of the plan by ICB.
- Receipt of the Internal Audit Strategy by the Audit Panel and approval of the annual audit plan.
- Preparation of the annual assurance report by the Head of Audit & Risk, setting out his opinion on the Council's overall control environment and approval of the report by the Audit Panel.

Annual Governance Statement

- Twice yearly updates to the Public Accounts Select Committee on the work of the Audit Panel.
- Consideration by EMT of a full range of governance issues throughout the year, including issues relating to the improvement of the Internal Audit Service and scrutiny of performance and risk (ensuring management action is taken where necessary).
- Consideration of the following reports by the Standards Committee:
 - Council's annual complaints report and Whistle Blowing Policy (November 2013).
 - Compliance with the Member Code of Conduct (November 2013).
 - Review of the Council's Code of Corporate Governance (July 2014).
- Consideration of external audit reports by Mayor and Cabinet, Audit Panel and relevant Select Committees.

No governance concerns were raised by the Council's external auditors in the 2012/13 Annual Audit letter.

5. What are our governance priorities going forward?

Our priorities include:

- Legislative changes, such as going live with Individual Electoral Registration.
- Partnership Working, including embedding new strategic partnership working arrangements.
- Procurement changes, such as compliance with new regulations on transparency.

Signed on behalf of the Council;

Councillor
Chair of Council
25th September 2014

Barry Quirk
Chief Executive
25th September 2014

SECTION 7

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

Glossary

GLOSSARY OF TERMS USED IN THE ACCOUNTS

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

Glossary

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

Glossary

COMMON ACRONYMS USED IN THE ACCOUNTS

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