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**FOREWORD
TO THE
STATEMENT
OF ACCOUNTS**

2008/09

Foreword

FOREWORD BY THE EXECUTIVE DIRECTOR FOR RESOURCES

1. INTRODUCTION

This document sets out the London Borough of Lewisham's Annual Accounts for the year 2008/09. The financial position is regularly monitored and reviewed throughout the year and the Statement of Accounts brings together the financial results of all the Council's operations for the financial year and the financial position as at 31 March 2009.

The Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting Statement of Recommended Practice in the United Kingdom 2008 (the SORP), and the Best Value Accounting Code of Practice (BVACOP) jointly developed by CIPFA and the Accounting Standards Board. The Code constitutes 'proper accounting practice' which local authorities must comply with by statute. The Code for 2008 only introduced minor changes to the Statement of Accounts and also clarified changes that were introduced in the 2007 SORP. In accounting terms 2008/09 can be classified as a stable year after the major changes introduced in 2007/08.

However, although there were no major technical changes caused by changes to the regulations there were some significant events that have had a major impact on the Statement of Accounts. These are dealt with in section 5 of the foreword below.

2. THE COUNCIL'S ACCOUNTS

The Accounts are divided into the following 6 sections. The purpose of each account or statement is also shown.

Section 1 – Statement of Accounting Policies

This explains the basis for the recognition, measurement and disclosure of figures and events in the accounts.

Section 2 – The Core Financial Statements

Section 2a - Income and Expenditure Account (I & E Account) – This account summarises the income and expenditure for the year and shows the cost of the major functions, including the Education and Housing Services, for which the Council is responsible. It is a requirement of the SORP that the analysis is by service rather than by Directorate as is used in the budget.

Section 2b - Statement of Movement on the General Fund Balance (SMGFB) – This statement links the income and expenditure account to the amount to be met from Council Tax and the balances available at year end.

Section 2c - Statement of Recognised Gains and Losses (STRGL) – This statement links the income and expenditure and other gains and losses to the increase or decrease in the net worth as shown on the balance sheet.

Section 2d - Balance Sheet

This is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves position, the Council's long-term debt, the net current assets employed in its operations and summarised information on the fixed assets held. It excludes Trust Funds and the Pension Fund but includes the Collection Fund and the Housing Revenue Account.

Section 2e - Cash Flow Statement

The Cash Flow Statement summarises the outflows and inflows of cash for the year arising from transactions with third parties for revenue and capital purposes.

Section 2f – Notes to the Core Financial Statements - This section contains all the notes that help to explain or give more detail to the Core Financial Statements.

Foreword

Section 3 – Supplementary Financial Statements

Section 3a – Housing Revenue Account

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

Section 3b – Collection Fund

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

Section 4 – 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 5 – Lewisham Group Accounts

The Group Accounts combine the financial results of Lewisham Council with that of its subsidiary Lewisham Homes. Transactions between the two entities are removed on merging the two sets of Accounts. The Group Accounts therefore adds the surpluses and balances and shows the combined financial position with third parties.

Section 6 – Annual Governance Statement

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

Glossary

The Statement of Accounts includes some technical terms, which are explained in the Glossary.

Appendices

These include an Action Plan on the Annual Governance Statement and more detailed analysis of capital expenditure and revenue income and expenditure.

3. SUMMARY OF THE 2008/09 FINANCIAL YEAR

The Council incurs revenue and capital expenditure in the year. Revenue spending is generally on items which are consumed within a year (such as teacher's salaries) and is financed from Government Grants, Council Tax, National Non-Domestic Rates and other income. Capital expenditure (such as re-roofing of Council Dwellings) is incurred on items that have a life over one year and is financed from loans, grants, capital receipts or revenue contributions.

3a REVENUE SPENDING 2008/09

(i) The Revenue Budget Setting

The Council's net budget for 2008/09 was agreed by Council in March 2008 and set at a total figure of £262.521 million. This was after implementing savings of £9.745 million and financing budget pressures of £11.434 million.

(ii) The Revenue Budget Outturn

During 2008/09, Mayor and Cabinet received regular financial monitoring reports to enable it to ensure spending was being kept within approved budgets, or to take corrective action if this was not the case. At the end of the 2008/09 financial year there was a net overspend of £0.302m on the Directorate service budgets. The reasons for the Directorate budget variances were reported to Mayor and Cabinet on the 10 June 2009 and the Public Accounts Committee on the 15 June 2009. The main areas of overspend

Foreword

were on Regeneration £1.412m, and Customer Services £0.558m. There were underspends of £0.954m on Children and Young People, Resources of £0.438m, and Community Services of £0.276m. On the corporate budgets there was a net underspend of £0.602m after transfers to earmarked reserves. Therefore, the net underspend on the General Fund overall was £0.300m and this amount has been added to General Fund Balances.

(iii) The Revenue Budget Outlook for 2009/10

The Council set a net budget of £268.251 million for 2009/10, an increase of £5.730 million or 2.2% on the previous year's net budget. This increase includes £6.000 million for inflation, savings of £10.785 million and unavoidable budget pressures of £10.405 million.

3b CAPITAL PROGRAMME 2008/09

A summary of capital expenditure and its financing compared to the original programme budget is shown below:

	2008/09 Actual Outturn £000s	2008/09 Programme Provision £000s	2007/08 Actual Outturn £000s
CAPITAL EXPENDITURE			
Directorates' Capital Programme	65,452	63,394	76,942
Lewisham Homes Capital Programme	11,181	10,565	19,822
Total Capital Expenditure for the Year	76,633	73,959	96,764
CAPITAL FINANCING			
Government Supported Borrowing	12,778	12,778	10,581
Unsupported Borrowing	5,911	4,526	4,877
Capital Grants	41,248	45,712	46,572
Capital Receipts	9,923	7,737	18,566
Capital Expenditure financed from Revenue Account	6,773	3,206	16,168
Total Expenditure Financed	76,633	73,959	96,764

i) The percentage of the 2008/09 budgeted capital programme that was spent was 104% (96% in 2007/08), due to progress being better than forecast. The expenditure incurred in excess of the 2008/09 budget will be met from the 2009/10 budget.

ii) In the last capital monitoring report, the actual expenditure figures reported by Lewisham Homes were low compared to forecasts. However, by the year end Lewisham Homes had overachieved its forecast by 6%. The main areas concerned were Mechanical & Electrical projects and Structural & Essential works.

iii) Major projects (with spend over £1m) in the Directorates' capital programme 2008/09 were: Rushey Green School replacement (£5.2m), Grouped Schools PFI (£4.7m), Schools Devolved Capital (£4.5m), BSF ICT (£4.3m), New Cross NDC programme (£4.1m), Worksmart (£3.9m), Heathside & Lethbridge (£3.2m), Transport for London programme (£2.5m), Highways BVR programme (£2.3m), Deptford Town Centre Regeneration (£2.2m), Children's' Centres programme (£2.2m), Manor House (£2.0m), Vehicle replacement programme (£1.9m), Kender Estate (£1.7m), AMP programme (£1.5m), Quality & Access for All Young Children (£1.5m), Private Sector Grants (£1.4m), ICT - Technology & Transformation (£1.0m)

iv) Major projects (with spend over £1m) in the Lewisham Homes capital programme 2008/09 were: Mechanical & Electrical Schemes (£4.6m), including Domestic boilers (£1.7m) and Central boilers (£1.1m); Decent Homes Programme (£2.0m); Structural and Essential Schemes (£1.7m); Capitalised Repairs (£1.4m)

Foreword

Capital Programme 2009/10

The budget report for the Council's capital programme was agreed at Mayor and Cabinet on 11 February 2009. This was for the three year period 2009/10 to 2011/12. The total resources available to the programme were £329.8m, with planned expenditure in 2009/10 being £81.7m.

The programme has subsequently been monitored and updated following the finalisation of the 2008/09 accounts. As a result therefore, the Directorates' capital programme for 2009/10 is now planned to be £70.9m and Lewisham Homes programme for 2009/10 is now planned to be £14.9m. The principal programmes and projects of over £1m are as follows:

	2009/10 Programmed Budget £000s
Directorates' Capital Programme	
Primary Capital Programme	6,905
Building Schools for the Future (BSF)	5,405
Deptford Station	5,027
Tidemill School replacement	4,302
Worksmart programme	4,197
ICT - IMT programme	4,174
Deptford Town Centre Regeneration	3,120
Brockley PFI	3,000
New Cross NDC programme	2,037
Customer Services transformation programme	1,874
Highways BVR programme	1,862
Heathside & Lethbridge - Partnership Works	1,793
AMP programme	1,744
Quality & Access for All Young Children	1,580
Kender New Build Phase 3 South (NDC)	1,485
Pepys Environmental	1,463
Rushey Green School replacement	1,442
Kender Estate - Site Assembly (Phase 4)	1,346
SEN strategy	1,132
Travellers Site Relocation	1,131
Parker House refurbishment	1,108
Schools AMP	1,084
Other	13,688
Sub Total	70,899
Lewisham Homes Capital Programme	
Decent Homes	6,604
Mechanical & Electrical projects	1,841
Structural & Essential works	1,749
ICT	1,412
Tenant and Caretaking schemes	1,167
Chrysalis Decent Homes Programme	1,000
Other	1,151
Sub Total	14,924
Total Capital Programme – 2009/10	85,823

Foreword

3c FUNDING OF THE REVENUE BUDGET

The Council Tax is a major source of local revenue. The other main sources of income are the Government determined National Non-Domestic Rates and the Revenue Support Grant. The amount to be raised from Council Tax was calculated as follows:

	2008/09 £000s	2007/08 £000s
Lewisham's Net Budget	262,521	250,207
Less: Revenue Support Grant (RSG)	21,340	23,685
Less: National Non-Domestic Rates received from the national pool (NNDR)	153,295	141,132
Less: Surplus on Collection Fund	30	15
General Fund Services to be met from Council Tax	87,856	85,375
Add: Precept (GLA)	26,773	26,156
Total to be met from Council Tax	114,629	111,531

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

3d COUNCIL 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 86,414 equivalent Band D properties. This then equates to the following Council Tax at Band D:

	2008/09 £000s	2007/08 £000s	Increase £	Increase %
Lewisham's Demand	1,016.69	991.89	24.80	2.50
Add: Preceptor Requirements: Greater London Authority	309.82	303.88	5.94	1.95
Council Tax for Band D	1,326.51	1,295.77	30.74	2.37

3e COLLECTION RATES

Actual Collection Rates	2008/09 %	2007/08 %
Council Tax	93.1	94.4
National Non-Domestic Rates	99.2	99.4

Further information on Council Tax and National Non-Domestic Rates can be found in the Collection Fund statements in Section 3 of the Accounts.

4. FINANCIAL HEALTH**4a General Fund**

After transfers to reserves a surplus of £0.300m was added to General Fund balance, which now stands at £11.236m. This is considered to be an adequate level of cover and represents approximately 2.5% of Lewisham's net budget (including Dedicated Schools Grant expenditure). Lewisham also has other earmarked reserves for specific ongoing projects and these are detailed in Note 23 to the Core Financial Statements in Section 2 of the Accounts.

Foreword

4b Housing Revenue Account

After transfers to and from reserves, the HRA non earmarked balance now stands at £0.7m. This is considered to be an adequate level of cover. The HRA also has other earmarked reserves for specific ongoing projects and these are outlined in note 16 of the HRA statements in Section 3 of the Accounts.

4c Collection Fund

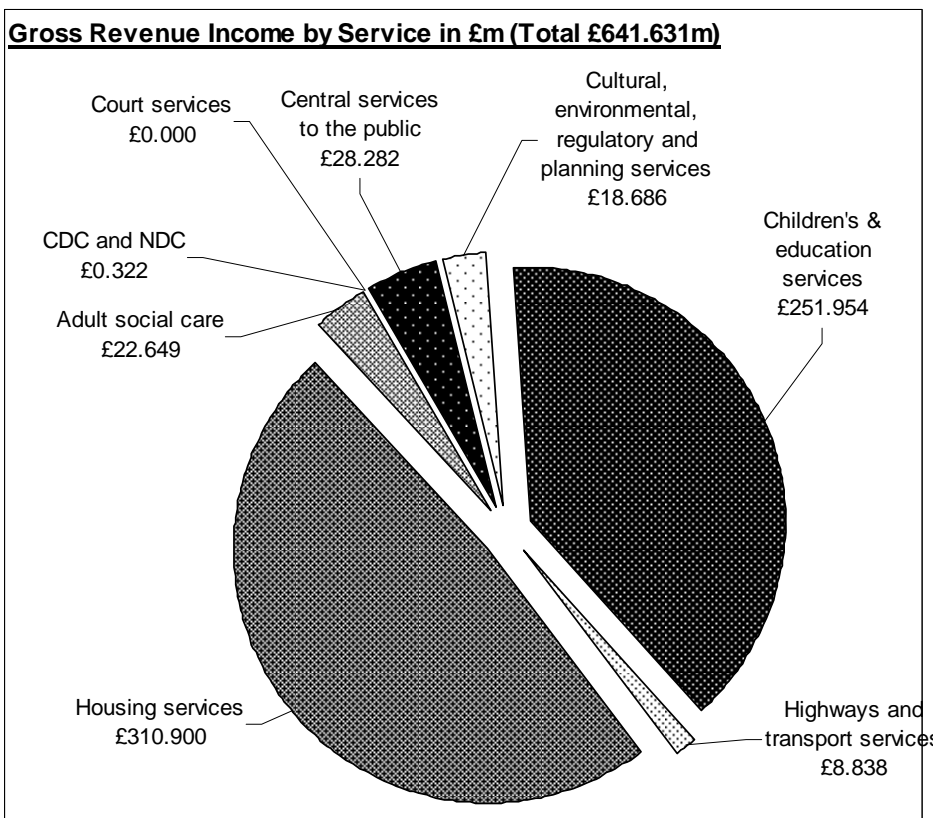
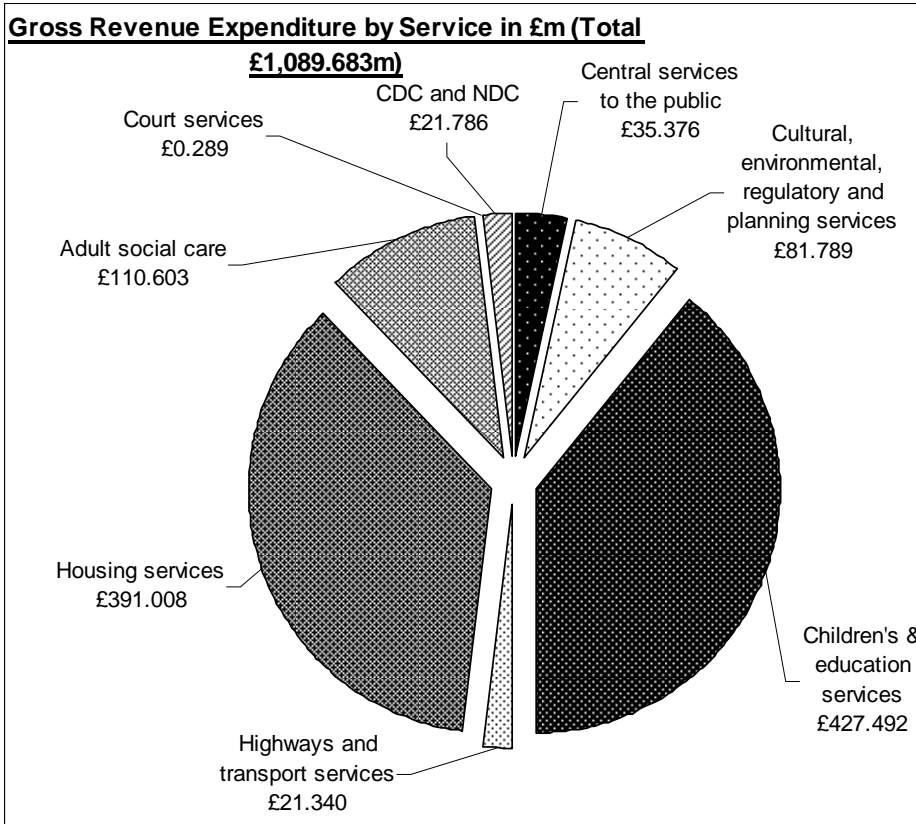
The Collection Fund had a surplus of £0.073m for the year, which when added to the brought forward balance of £0.071m, leaves a surplus of £0.144m to carry forward to 2009/10. The details are shown in the Collection Fund statements in Section 3 of the Accounts.

5. SIGNIFICANT EVENTS IN 2008/09 THAT HAVE HAD AN IMPACT ON THE ACCOUNTS

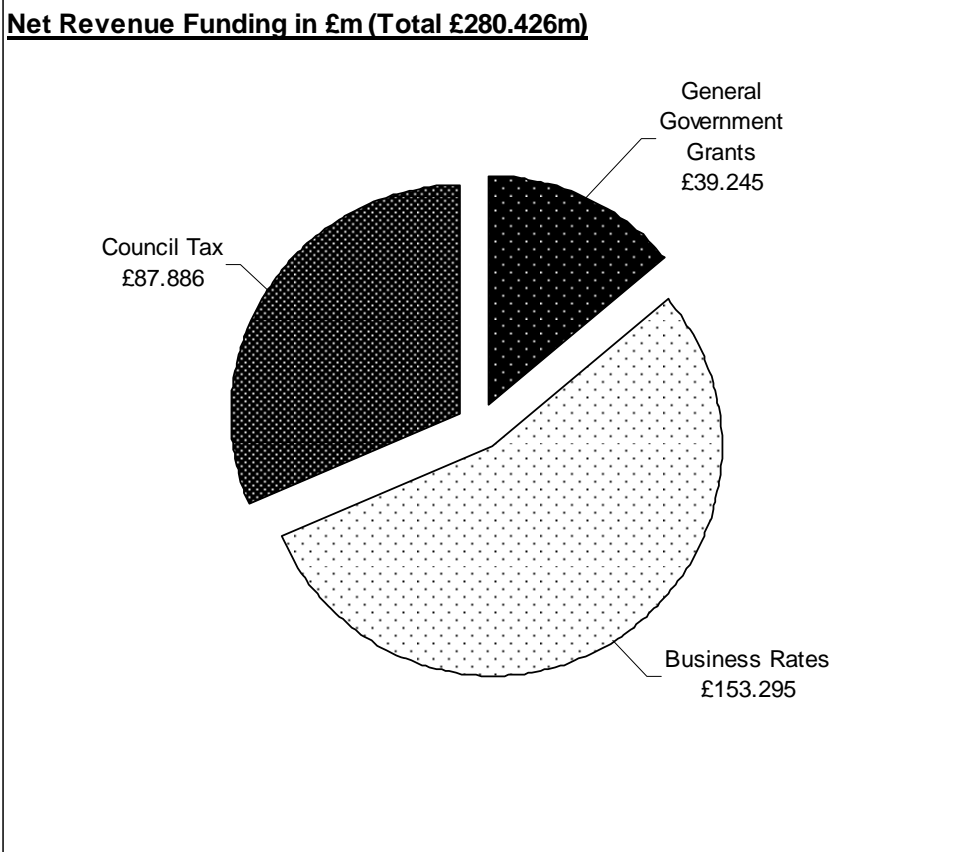
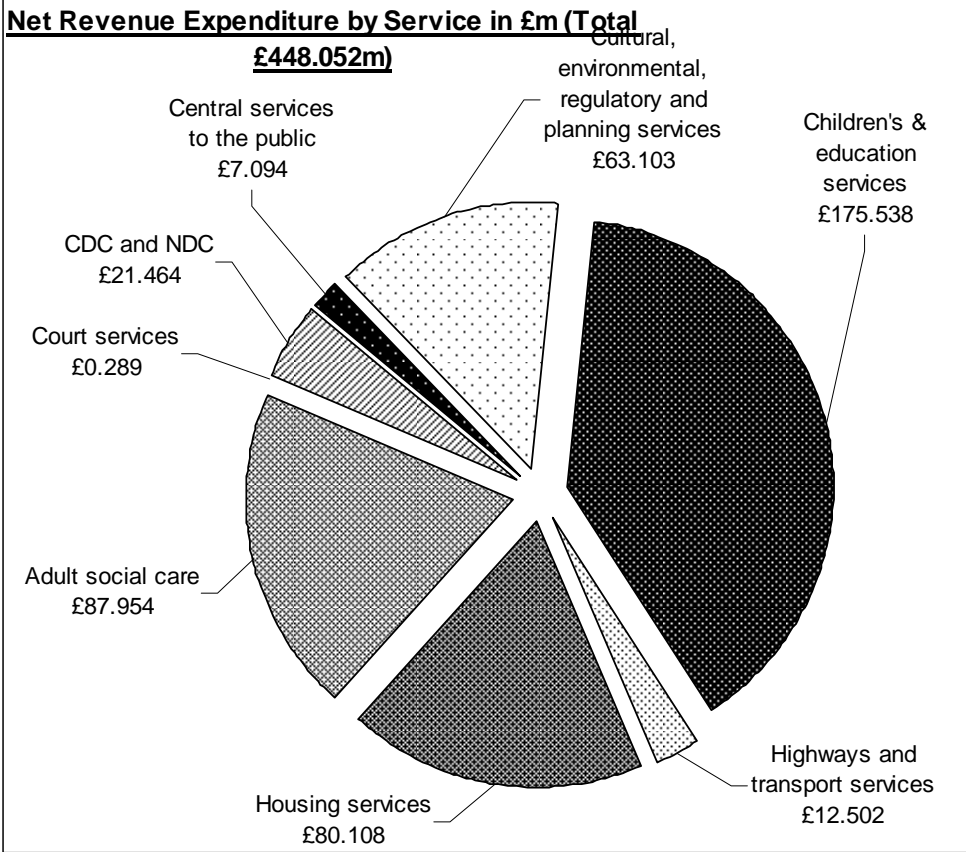
- a) **Decent Homes Strategy** – There have been three further transfers of the Housing stock. A total of 1,208 Housing Units have been transferred at Grove Park, Foreshore and the Orchard and Village Court area. The total value of the assets transferred was £59.8m and this reduces the total of Fixed Assets on the Balance Sheet.
- b) **Area Based Grant (ABG)** – The ABG is a non-ring fenced general grant which replaced the Local Area Agreement (LAA) grant and a number of former specific grants in 2008/09, the first year of the Government three year financial settlement. The grant was used to support the delivery of services to Lewisham's residents through collaboration with the Local Strategic Partnership. Further information can be found in note 4 of the main Accounting Statements.
- c) **Efficiency Programme 2008/09 to 2010/11** – Lewisham had a 3 year Efficiency target of 3% for 2008/09 which equates to £6.465m, the actual efficiency gains achieved in the year totalled £7.1m. The Council has a target of 4% for 2009/10 and 2010/11, which is approximately £8.5m per year.
- d) **PFI** – No new PFI schemes were signed during 2008/09, however Phase 2 of the first Schools PFI began, with Forest Hill Secondary School starting in August 2008 and Prendergast Ladywell Fields College starting in January 2009. Phase 1 of the second Schools PFI also began, with Sedgemoor Secondary School starting in January 2009.
- e) **Actuarial Valuation** – The Actuarial valuation as at 31 March 2007 showed the Funding level at 87%. However due to the volatility of financial markets the value of the Fund has reduced during the year by £158m to £519m.
- f) **Economic Downturn** – The world economy was hit by a succession of shocks during 2007 and 2008, with the financial crisis of late 2008 leading to a steep and synchronised global economic downturn. UK Gross Domestic Product (GDP) experienced quarter-on-quarter declines of 0.7% and 1.6% in the 3rd and 4th quarters of 2008 and 1.9% in the first quarter of 2009.
- g) **Inflation and Pay Award** – The Consumer Prices Index of inflation rose from 3.0% in April 2008 to a peak of 5.2% in September 2008, before falling to 2.9% in March 2009, still above the Government's target of 2%. The fluctuating rate of inflation led to uncertainty as to the likely staff pay award for 2008/09. In 2007/08, Council employees were awarded a pay increase of 2.475%. In 2008/09, the employer's side of the NJC for Local Government Employees made an offer of 2.45%. This was referred to arbitration by the Trade Unions, and the arbitration panel subsequently imposed a settlement of 2.75%.
- h) **Building Works Division Transfer to Lewisham Homes** – On 1 November 2008 the Building Works Division in Customer Services Directorate was transferred to Lewisham Homes Ltd. This involved the transfer of some 145 employees and a budget of £5.615m in 2008/09 (for the period November 08 to March 09).

Foreword

6. ANALYSIS OF 2008/09 REVENUE AND CAPITAL SPENDING BY SERVICE

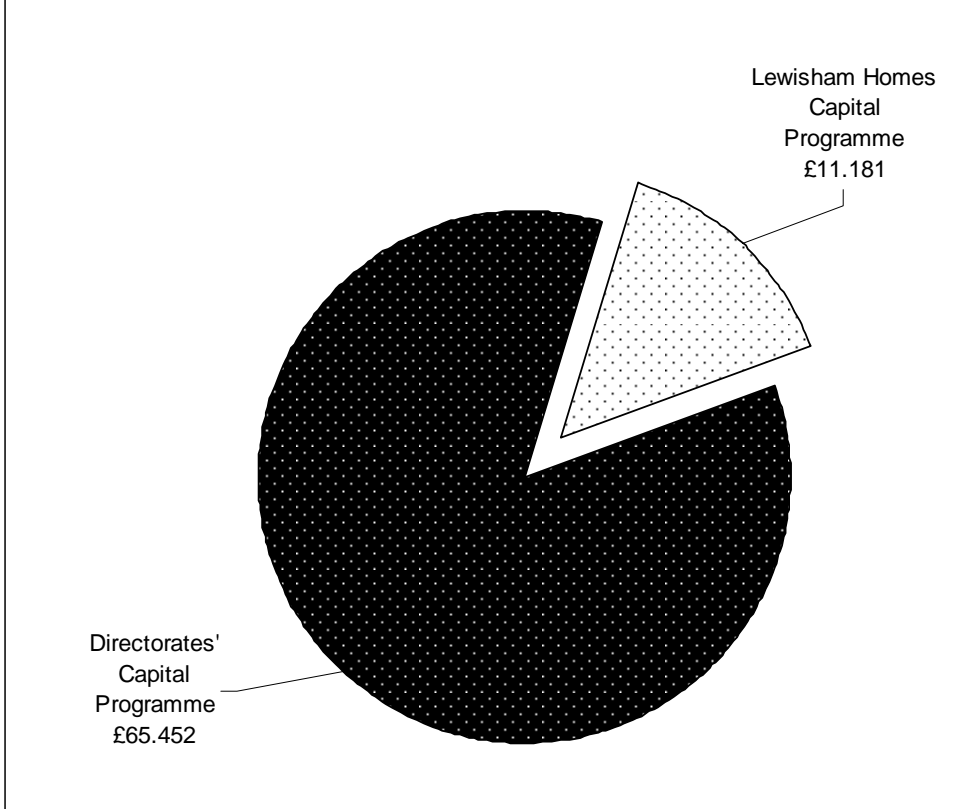


Foreword

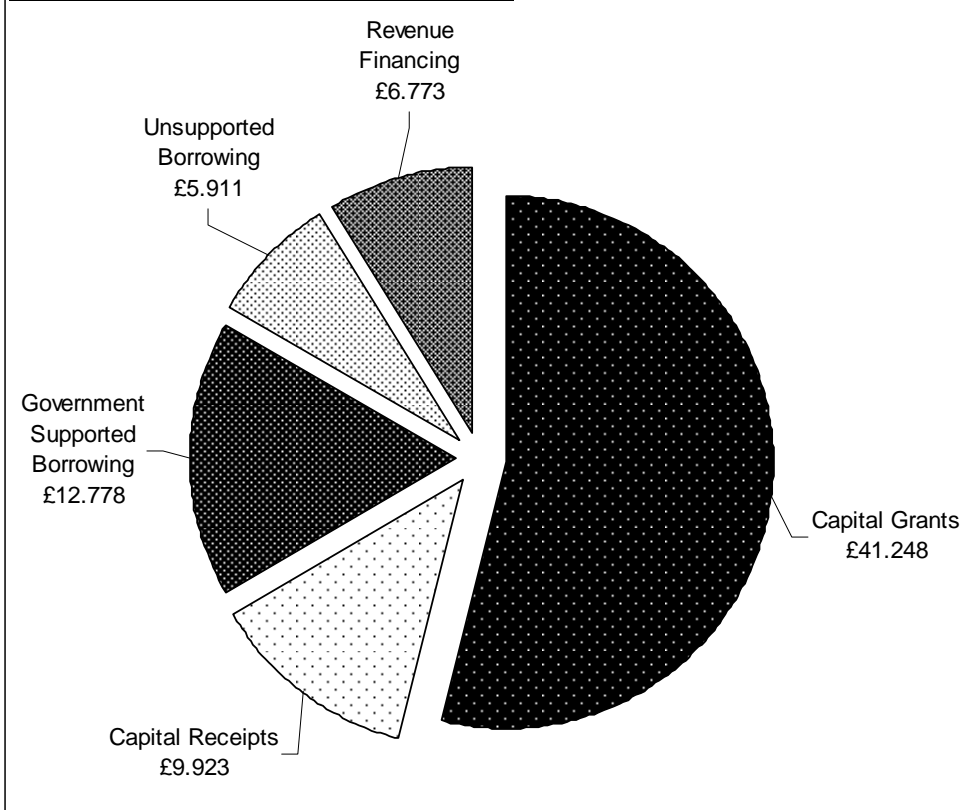


Foreword

Capital Expenditure in £m (Total £76.633m)



Capital Financing in £m (Total £76.633m)



Statement of Responsibilities

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

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

Responsibility of the Executive Director for Resources

The Executive Director for Resources is responsible for the preparation of the Authority's Statement of Accounts, which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code of Practice'), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2009.

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 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.

Janet Senior CPFA

Executive Director for Resources

Dated: 24th September 2009

I confirm that these accounts were approved by the Council at the meeting held on 24 September 2009

Signed on behalf of the London Borough of Lewisham:

Councillor B Anderson

Chair of Council

Dated: 24th September 2009

Independent Auditor's Report

Independent auditor's report to the Members of London Borough of Lewisham

Opinion on the Authority accounting statements

I have audited the Authority and Group accounting statements and related notes of London Borough of Lewisham for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account the Collection Fund and the related notes.. The Authority and Group accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Executive Director for Resources and auditor

The Executive Director for Resources' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the Authority and Group accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the Authority and Group accounting statements and related notes and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

Independent Auditor's Report

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

Opinion

In my opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Group as at 31 March 2009 and its income and expenditure for the year then ended.

Opinion on the pension fund accounts

I have audited the pension fund accounts for the year ended 31 March 2009 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Executive Director for Resources and auditor

The Executive Director for Resources' responsibilities for preparing the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the Explanatory Foreword published in the financial statements and the Pension Fund Annual Report. The information in the Pension Fund Annual Report comprises Management Performance, Strategic Asset Allocation, Largest Holdings of the Fund and the Actuary's Statement on Valuation of assets and liabilities. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

Independent Auditor's Report

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the pension fund accounts and related notes.

Opinion

In my opinion the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Authority's Responsibilities

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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, I am satisfied that, in all significant respects, the London Borough of Lewisham made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Susan M. Exton
District Auditor
Audit Commission
1st Floor, Millbank Tower
Millbank
London
SW1P 4HQ

25 September 2009

SECTION 1

**STATEMENT OF
ACCOUNTING
POLICIES**

2008/09

Statement of Accounting Policies

STATEMENT OF ACCOUNTING POLICIES

The general principles adopted in compiling and presenting these Accounts are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). Guidance is contained in the *Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice (the SORP)*, relevant Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS). Any departures from recommended practice are stated within this section and/or within the Notes to the Accounts.

1. FIXED ASSETS

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis in the accounts (provided the spend adds value and exceeds Lewisham's de minimus limit of £20,000). Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the authority and the services it provides for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to service revenue accounts.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Appraisal and Valuation Manual and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the SORP. The assets are valued on the following basis:

- Land, Dwellings and Operational Properties are included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use.
- Non-operational assets include investment and commercial properties, assets that are surplus to requirements and assets under construction. Investment and Commercial Properties are valued by capitalising the rental income stream associated with each asset. Surplus Assets are valued on the basis of similar market transactions. The cost of uncompleted building work is included in the balance sheet at historic cost and classified as Assets under Construction.
- Vehicles are re-valued annually. Plant assets are valued at historic cost but are insignificant. Equipment (mostly IT) is included in the balance sheet at historic cost as a proxy for net current replacement cost. Any difference between historic cost and a valuation based on the lower of net current replacement cost or net realisable value in existing use would be adjusted if considered material.
- Infrastructure Assets and Community Assets are included in the balance sheet at historic cost (net of depreciation for infrastructure).
- Intangible Fixed Assets (e.g. software licenses) do not have any physical substance but are identifiable and controlled by the Council through custody or legal rights. The Council has reviewed the level of spend on these assets and they continue to be immaterial and therefore are not capitalised but charged to the Income and Expenditure Account.

Revaluations of fixed assets are undertaken on a rolling five yearly programme, although material changes to asset valuations are adjusted in the interim period, as they occur (see note 25 to the Core Financial Statements in Section 2 of the Accounts). Revaluation gains arising from revaluations of fixed assets are credited to the Revaluation Reserve (see note 19 to the Core Financial Statements in Section 2 of the Accounts).

2. IMPAIRMENT

A decrease in the value of an asset is known as impairment. There are two ways in which this can arise and there are separate accounting treatments for each as below.

- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets are charged to the Income and Expenditure Account.

Statement of Accounting Policies

- Impairment losses due to a general change in prices are charged against accumulated gains in the Revaluation Reserve. Any loss greater than the individual asset balance held in the Revaluation Reserve is charged to the Income and Expenditure Account.

The Council undertakes an annual review of all capital expenditure on single assets greater than the de minimus level of £20,000, but less than £200,000. The Valuation and Estates Manager advises on which of these assets have had their value (or life) increased and these changes are reflected in the fixed asset valuations. Where the value has not increased, the capital spend will be charged as an impairment. All impairments which are charged to the Income and Expenditure Account will be reversed out in the Statement of Movement on Balances and debited to the Capital Adjustment Account (see note 20 to the Core Financial Statements in Section 2 of the Accounts). There is, therefore, no impact on Council Tax.

3. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

This occurs where capital expenditure is incurred although no fixed asset attributable to the authority is created. They include home improvement grants to individuals and capital expenditure on buildings not owned by the Council such as Voluntary Aided schools. The Council's policy is to write down the expenditure to revenue in the year in which it is incurred, on the basis that there is no ongoing benefit to the authority that should be represented in the balance sheet. This charge is reversed out to the Capital Adjustment Account so that there is no impact on Council Tax.

4. DEPRECIATION

Charges for depreciation are made to service revenue accounts for all fixed assets used in the provision of services (operational assets). This is fully compliant with the requirements of FRS 15.

The Council's policy is to base the depreciation charge on the value of the asset as at 1 April each year (i.e. opening value), and is calculated using the straight-line method based on finite useful life, which can be determined at the time of acquisition or revaluation. Council dwellings are depreciated over 25 years and buildings are normally depreciated over 40 years, although this can vary depending on the valuers' opinion. Vehicles are depreciated over a period between 5 to 10 years depending upon the nature of the vehicle. Depreciation is charged from the beginning of the year that follows the date of purchase or completion of construction, and is not adjusted for disposals or additions of assets during the year.

The charge would also include any amortisation of material Intangible Fixed Assets attributable to services, but for 2008/09 the Council has no intangible assets.

5. LEASES

Leasing arrangements come in two types, finance and operating leases. Assets acquired under finance leases must be capitalised in the authority's accounts, together with the liability to pay future rentals. The Council does not currently hold any assets under finance leases. Operating leases have been used for equipment such as vehicles and IT. Existing operating lease rentals are financed direct from revenue on a straight-line basis over the term of the lease (see note 10 of the Core Financial Statements in Section 2 of the Accounts).

6. CAPITAL RECEIPTS

Capital Receipts from the disposal of assets are accounted for on an accruals basis in accordance with requirements set out in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. The housing receipts are split between an element that is pooled (75% for dwellings, 50% for housing land and other housing assets, net of statutory deductions and allowances) to the Department for Communities and Local Government and an element which is retained by the Council to finance capital expenditure. The general receipts are credited to a Usable Capital Receipts Reserve and are available to finance capital expenditure or to repay debt.

Statement of Accounting Policies

7. GAINS OR LOSSES ON DISPOSAL

Gains or losses on the disposal of fixed assets are charged to the Income and Expenditure Account. This is the amount by which the disposal proceeds are more (gain) or less (loss) than the carrying amount of the fixed asset. The 2008 SORP prohibits the revaluation of fixed assets at the point of disposal. The carrying amount of the asset used for comparison with the disposal proceeds is based on the brought forward value of the asset adjusted for any movements as a result of routine revaluations, impairment reviews and depreciation.

8. REDEMPTION OF DEBT AND THE TREATMENT OF PREMIUMS AND DISCOUNTS

Repayment of debt is made in accordance with the statutory guidance to set aside a provision from revenue calculated on a prudent basis. A provision is also made for 4% of the inherited ex-ILEA debt and this is shown as a contribution in the Statement of Movement in the General Fund Balance.

For early redemption of debt, premiums or discounts incurred are accounted for as follows:

- Premiums and discounts are charged to the Income and Expenditure Account in the year in which they are incurred, in accordance with Proper Accounting Practice, unless strict criteria are met indicating that the substance of the redemption and simultaneous replacement of the debt is in fact just a modification of the original loan agreement. In such a case, where material, the premium or discount will be applied to the carrying value of the replacement loan, resulting in the Effective Interest Rate of the loan being higher or lower than the contractual rate for a premium or discount respectively.
- The 2008 SORP requires that from 2008/09, these amounts are to be shown against the "Interest payable and similar charges" line, rather than on a separate line as before.
- Premiums and discounts are split between the General Fund and Housing Revenue Account in accordance with their share of debt as identified by the Council's Capital Financing Requirement as at 1 April in the year in which they are incurred.
- In accordance with statute, the impact on both the General Fund and Housing Revenue Account may be replaced via the Statement of Movement on Balances to ensure there is an immaterial effect on the amounts charged against Council Tax or Housing Rents.

9. FINANCIAL INSTRUMENTS

The financial instruments recognised in the Council's accounts fall into three categories:

- **Loans and Receivables**
This includes short term investments and sundry debtors, which are required to be held on the balance sheet at amortised cost. Effective interest on investments is recorded in the Income and Expenditure Account on an accrued basis and increases the carrying value of the instruments until cash payment is received. There is no net impact on the balance sheet as a result of this treatment. For short term debtors, the carrying amount is simply the invoiced amount (less any impairment).
- **Financial Liabilities at Amortised Cost**
This includes sundry creditors and loans taken out by the Council from either the Public Works Loans Board (PWLB) or market sources, such as large commercial banks. Short term creditors are held at their invoice amount and longer term instruments are held at formally calculated amortised cost.
- **Financial Assets at Fair Value through the Income and Expenditure Account**
This includes funds held by Invesco and Investec. These externally managed funds are held at fair value (market value at bid price) and any change in value is reflected in the Income and Expenditure Account. Previously, mid price valuation was used, but the difference was deemed immaterial and subsumed in the overall change in market value for 2007/08.

Statement of Accounting Policies

Pension Fund Investments were previously recorded at market value based on the mid-market price at the balance sheet date. From 2008/09 onwards, in compliance with the SORP and the Pensions SORP, bid-price valuations will be used.

10. INTEREST ON BALANCES

Surplus cash balances held during the year are invested in accordance with the Council's Treasury Management Policy. Interest earned on the Council's balances is calculated and accounted for on an accrued basis and is credited to the Income and Expenditure Account and the HRA as appropriate.

11. PRIVATE FINANCE INITIATIVE (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. Payments made by the Council under these contracts are charged to service revenue accounts to reflect the value of services received in each financial year.

In a number of these agreements, assets have been transferred to the contractor in return for an abatement of the contract payment. Where this has occurred, the value of the abatement has been treated as a prepayment and is written down to service revenue accounts over the period of the contract. Under a number of the PFI agreements the ownership of the assets will pass back to the Council at the end of the contract for an agreed amount. The expected value of these assets will be built up on the balance sheet over the life of the contracts, examples of these being housing and schools PFI's. The first year of contribution will start in the first full year of these contracts.

12. REVENUE PROVISIONS AND RESERVES

The Council has set aside amounts from its revenue account to form provisions and reserves, which will be used to cover future expenditure. Details of provisions and reserves are contained in notes 41 and 23 to the Core Financial Statements in Section 2 of the Accounts.

- Provisions have only been recognised in the accounts when there is a legal or constructive obligation to transfer economic benefits as a result of a past event. Provisions are charged to the Income and Expenditure Account in the year in which the authority is aware of the obligation. Provisions for doubtful debts (i.e. to cover council tax, housing rents and other debtors) are deducted from the current debtors balance on the balance sheet. When it is deemed that the debts are irrecoverable they are written off to the bad debt provision.
- Amounts set aside for purposes falling outside the definition of provisions have been accounted for as reserves. These include earmarked reserves set aside for specific policy purposes and general reserves, which represent resources set-aside for purposes such as general contingencies and cash flow management. A number of statutory reserves are maintained to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council.

13. ACCRUALS OF INCOME AND EXPENDITURE

The revenue and capital accounts are maintained on an accruals basis. This means that the accounts have been prepared by matching income and expenditure against the timing of when goods and/or services were provided or received respectively.

- Debtors: All sums due to the Council are recorded in the accounts at the time they become due. Therefore, the debtors shown on the balance sheet represent sums due to the Council, which have not been received at the year-end.
- Creditors: At the year-end the accounts are adjusted so that they reflect the value of all goods and services received during the year but not paid for by the Council within the financial year.
- Interest payable on borrowings and receivable on investments is accounted for in the year to which it relates, on a basis that reflects the loan or investment.

Statement of Accounting Policies

14. VALUE ADDED TAX (VAT)

Income and Expenditure excludes any amounts related to VAT. VAT on payments is paid on invoice and charged to an input tax holding account. VAT is collected with income at source and posted to an output tax holding account. VAT holding accounts are reconciled on a monthly basis and claims to HM Revenues and Customs for the net VAT incurred are similarly made on a monthly basis.

15. STOCKS AND WORK IN PROGRESS

- Fleet stores are valued at average price (mid-point between price at start and end of year), which is considered to be an appropriate method for this type of stock. The revenue accounts are in general charged with the cost of obsolescent stock written off.
- Work in progress on current assets represents the cost price of uncompleted jobs which will ultimately be charged to external parties

16. OVERHEADS AND THE COSTS OF SUPPORT SERVICES

The method of recharging Central Support Services to services is based on CIPFA's latest Best Value Accounting Code of Practice (BVACOP). Centrally provided support services such as Legal, Human Resources, Finance and ICT are fully recharged to services using the most appropriate basis of allocation or apportionment. Management and administration costs that enable the Council to operate as a multi-purpose authority (e.g. members' services, external audit fees), are not recharged to services and are shown separately in the Income and Expenditure Account as Corporate and Democratic Core. Non-distributed costs (e.g. the cost of discretionary benefits awarded to employees retiring early) are also not recharged.

17. GOVERNMENT GRANTS AND CONTRIBUTIONS

(a) Capital Grants

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the Government Grants Deferred Account. Amounts are released to the Income and Expenditure Account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

(b) Revenue Grants

Sums due in respect of grants from the Government are based on the best assessment made on the data available at the time the accounts are closed. Amounts due may also be varied by subsequent Government action or external audit of the final claims. Grants received to cover general expenditure (e.g. Revenue Support Grant) are credited to the Income and Expenditure Account after Net Operating Expenditure.

(c) Landfill Allowance Trading Scheme

Lewisham has followed CIPFA's advice and accounted for the allowance allocated as an asset on the balance sheet, matched by a liability to DEFRA for allowances used. The valuation of the allowance is based on guidance provided by DEFRA and was set at zero for 2008/09 (See note 33 to the Core Financial Statements in Section 2 of the Accounts).

18. FINANCIAL RELATIONSHIPS WITH COMPANIES

Lewisham Homes is a wholly owned subsidiary company of the Council. Group Accounts have been prepared which incorporate the accounts of LB Lewisham and Lewisham Homes and these are included in Section 5 of the Accounts.

The Council has relationships with a number of other companies, details of which are shown in note 43 to the Core Financial Statements in Section 2 of the Accounts. During 2008/09 the Council had a minority interest (less than 50%) in these companies.

Statement of Accounting Policies

19. RETIREMENT BENEFITS

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

- The Teachers Pension Scheme administered by the Teacher's Pensions Agency (TPA) on behalf of the Department for Children, Schools and Families (DCSF).
- The Local Government Pension Scheme administered by Lewisham Council.
- The London Pension Fund administered by the London Pension Fund Authority (LPFA).

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

(a) Teachers' Pension Scheme

This scheme is a defined benefit scheme, but is accounted for as if it was a defined contributions scheme, since its liabilities can not be separately identified to individual local authorities. No liabilities for future payment of benefits are therefore recognised in the balance sheet for this scheme.

The Income and Expenditure Account is charged with the employer's contributions paid to the TPA during the year.

(b) Lewisham Pension Scheme

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

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

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

- Quoted securities – current bid price (previously mid-market value)
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

Statutory provisions only allow the Council to raise council tax to fund the amounts payable to the Pension Scheme in the year. The notional entries for liabilities are therefore matched with appropriations to the Pension Reserve.

The accounting policies followed in preparing the pension fund accounts are disclosed separately in the Pension Fund Accounts in Section 4 of the Accounts.

(c) London Pension Fund

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

The Income and Expenditure Account is charged with a levy from the LPFA to meet the employer's contributions and the costs of administration.

(d) Discretionary Benefits

The Council has a Panel which considers applications for early voluntary retirement and also approves retirements on grounds of redundancy / efficiency for all employees including Teachers. Any additional costs to the Pension Fund are met by a payment from the Income and Expenditure Account.

20. PRIOR PERIOD ADJUSTMENTS

Material prior period adjustments are accounted for by restating the comparative figures in the financial statements and notes. Prior period adjustments will be indicated in the accounts.

Statement of Accounting Policies

21. CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities and assets are obligations that arise from past events and will only be confirmed by uncertain events not in the Council's control, or cannot be measured with sufficient reliability. They have no effect on the current year's accounts (see notes 45 and 46 to the Core Financial Statements in Section 2 of the Accounts).

Income and Expenditure Account

SECTION 2a

**INCOME AND
EXPENDITURE
ACCOUNT**

2008/09

Income and Expenditure Account

INCOME AND EXPENDITURE ACCOUNT

The Income and Expenditure Account sets out the revenue expenditure and income for all services including Housing. The service headings follow CIPFA's Best Value Accounting Code of Practice 2008.

Income and Expenditure Account for the year ending 31 March 2009:

2007/08		2008/09			
Net Exp. £000s	SERVICE	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	Note
6,238	Central services to the public	35,376	(28,282)	7,094	
51,742	Cultural, environmental, regulatory and planning services	81,789	(18,686)	63,103	
79,656	Children's and education services	427,492	(251,954)	175,538	
11,021	Highways and transport services	21,340	(8,838)	12,502	
201,918	Housing services	391,008	(310,900)	80,108	
72,459	Adult social care	110,603	(22,649)	87,954	
310	Court Services	289	0	289	
6,434	Corporate and democratic core	6,995	(322)	6,673	
6,966	Non distributed costs	14,791	0	14,791	
436,744	Net Cost of Services	1,089,683	(641,631)	448,052	1
12,409	(Gain) / Loss on the disposal of fixed assets			(1,190)	
1,696	Levies			1,779	2
21,800	Interest payable and similar charges			27,818	
9,014	Contribution of housing capital receipts to Government Pool			213	22
34,948	Amortisation of premiums and discounts			0	
(5,363)	Interest and Investment Income			(8,084)	
550	Pensions interest cost and expected return on pensions assets			12,301	9
511,798	Net Operating Expenditure			480,889	2
(85,376)	Precept Demand on the Collection Fund			(87,856)	
(16)	Transfer from Collection Fund for previous year's surplus			(30)	
(23,685)	General Government Grants			(39,245)	4
(141,132)	National Non-Domestic Rates redistribution			(153,295)	
261,589	Deficit/(Surplus) for the Year			200,463	

Note : The 2008 SORP does not provide for an "Amortisation of Premiums and Discounts" line. Any such amounts for 2008/09 are appear under the "Interest and similar charges" line. For 2008/09, the relevant amount was £9.1m.

Statement of Movement on the General Fund Balance

SECTION 2b

**STATEMENT OF
MOVEMENT ON THE
GENERAL FUND BALANCE**

2008/09

Statement of Movement on the General Fund Balance

MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows Lewisham's actual financial position for the year, measured in terms of the resources generated and consumed over the last 12 months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government is shown as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares Lewisham's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions made to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

Statement of Movement on the General Fund Balance for the year ending 31 March 2009:

2007/08 £000s		2008/09 £000s
261,589	Deficit for the year on the Income & Expenditure Account	200,463
(261,887)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(200,763)
(298)	Increase in General Fund Balance for the Year	(300)
(10,638)	General Fund Balance brought forward	(10,936)
(10,936)	General Fund Balance carried forward	(11,236)

Statement of Movement on the General Fund Balance

SUPPLEMENT TO THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

This supplement to the Statement of Movement on the General Fund Balance provides a reconciliation of the items that make up the net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year.

2007/08 £000s		2008/09 £000s	Note
	Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(331,741)	Depreciation and impairment of fixed assets	(200,899)	
124,729	Government Grants Deferred amortisation	29,859	40
(15,477)	Revenue Expenditure Funded from Capital under Statute	(6,247)	
0	Revenue contributions to Deferred Assets	1,062	
0	Deferred Contribution Written Down	(2,697)	
(32,381)	Difference between amounts debited/credited to the Income and Expenditure Account and amounts payable/ receivable to be recognised under statutory provisions relating to premiums and discounts on the early redemption of debt	(6,716)	
(12,228)	Net gain / (loss) on sale of fixed assets	1,224	
(23,085)	Net charges made for retirement benefits in accordance with FRS17	(35,256)	9
(290,183)		(219,670)	
	Amounts not included in the Income & Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
3,985	Minimum revenue provision for capital financing	4,236	
470	Revenue provision for ex-ILEA debt	451	
11,113	Capital expenditure charged in-year to the General Fund Balance	6,282	
(9,014)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(213)	
27,444	Employers contributions to the Pension Fund and retirement benefits payable direct to pensioners	29,430	9
33,998		40,186	
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
2,096	Housing Revenue Account balance	(4,082)	
12,641	Net transfer to or from earmarked reserves	2,170	23
(20,439)	Transfer from Major Repairs Reserve	(19,367)	
(5,702)		(21,279)	
(261,887)	Net additional amount to be required to be credited to the General Fund balance	(200,763)	

Statement of Total Recognised Gains and Losses

SECTION 2c

**STATEMENT OF
TOTAL RECOGNISED
GAINS AND LOSSES**

2008/09

Statement of Total Recognised Gains and Losses

TOTAL RECOGNISED GAINS AND LOSSES

The Statement of Total Recognised Gains and Losses brings together all the recognised gains and losses of the authority during the period. The inclusion of this statement reflects the requirement for organisations to present a primary statement of total recognised gains and losses.

Statement of Total Recognised Gains and Losses for the year ending 31 March 2009

2007/08 £000s		2008/09 £000s
261,589	Deficit for the year on the Income and Expenditure Account	200,463
(159,031)	(Surplus)/deficit arising on revaluation of fixed assets	18,221
(47,197)	Actuarial (gains)/losses on pension fund assets and liabilities	130,485
(31)	Collection Fund surplus	(73)
13,474	Prior year adjustments to fixed assets	0
484	Other (gains)/losses	(3,507)
69,288	Total recognised (gains)/losses for the year	345,589

Balance Sheet

SECTION 2d

**BALANCE
SHEET**

2008/09

Balance Sheet

BALANCE SHEET

This is a summary of the Council's financial position as at 31 March 2009. It brings together all the balances on the accounts except those relating to Trust Funds (note 42) and the Pension Fund.

31/03/2008 £000s		31/03/2009 £000s	Note
	Fixed assets		
	Operational assets		
1,064,389	Council dwellings	913,225	
829,057	Other land and buildings	800,154	
17,916	Vehicles, plant, furniture and equipment	24,292	
51,665	Infrastructure	52,780	
6,893	Community	7,965	
	Non-operational assets		
49,903	Investment properties and surplus assets	65,774	
28,918	Assets under construction	36,756	
2,048,741	Total fixed assets	1,900,946	24
	Other long-term assets		
34,635	Long term investments	55,787	30
1,745	Long term debtors	2,427	28
2,085,121	Total long-term assets	1,959,160	
	Current assets		
544	Stocks	225	32
38,416	Debtors	37,248	28
97,586	Short Term Investments	116,334	31
486	Landfill usage allowance	0	33
105,288	Prepayments	65,231	34
242,320	Total current assets	219,038	
	Current liabilities		
25,380	Short term borrowing	35,325	37
78,702	Creditors	61,407	35
7,764	Bank overdraft and other cash holdings	14,269	38
50,763	Receipts in advance	61,980	36
381	Landfill usage - liability to DEFRA	0	33
162,990	Total current liabilities	172,981	
2,164,451	Total assets less current liabilities	2,005,217	
	Long term liabilities		
295,296	Long term borrowing	331,392	
15,130	Provisions	12,143	41
652	Deferred capital receipts	488	39
126,067	Government grants deferred	143,165	40
184,421	Liability related to defined benefit pension scheme	320,733	9
621,566	Total long term liabilities	807,921	
1,542,885	Total assets less liabilities	1,197,296	

Balance Sheet

Balance Sheet (continued)

31/03/2008 £000s		31/03/2009 £000s	Note
	Reserves and balances		
	Reserves		
109,685	Revaluation Reserve	86,732	19
1,509,165	Capital Adjustment Account	1,329,719	20
(10,247)	Financial Instruments Adjustment Account	(15,760)	21
18,550	Usable Capital Receipts Reserve	17,411	22
0	Major Repairs Reserve	1,310	HRA16
(184,421)	Pensions Reserve	(320,733)	9
72,970	Earmarked Revenue Reserves	75,143	23
1,515,702	Total Reserves	1,173,822	
	Balances		
10,936	General Fund Balance	11,236	
16,176	Housing Revenue Account	12,094	HRA17
71	Collection Fund	144	
27,183	Total Balances	23,474	
1,542,885	TOTAL EQUITY	1,197,296	18

Cash Flow Statement

SECTION 2e

**CASH FLOW
STATEMENT**

2008/09

Cash Flow Statement

CASH FLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

2007/08		2008/09	
£000		£000	£000
	REVENUE ACTIVITIES		
	Cash Outflows		
338,377	Cash paid to and on behalf of employees	337,677	
310,518	Other operating cash payments	352,540	
27,856	Precepts & levies	28,561	
12,597	Contribution to Capital Receipts Pool	1,308	
45,558	Payment to NNDR Pool	45,828	
90,905	Housing benefit paid out	108,839	
825,811			874,753
	Cash Inflows		
(89,936)	Council Tax income	(93,231)	
(490,110)	Government grants	(501,826)	
(186,019)	NNDR received from ratepayers and national pool	(203,475)	
(46,944)	Rent received from council housing	(42,990)	
(39,262)	Cash received for goods and services	(37,100)	
(14,505)	Other operating cash receipts	(4,867)	
(866,776)			(883,489)
(40,965)	Revenue Activities Net Cash Inflow		(8,736)
	SERVICING OF FINANCE		
	Cash Outflows		
23,631	Interest paid	18,645	
	Cash Inflows		
(4,526)	Interest received	(5,529)	
19,105	Net Cash Outflow from Servicing of Finance		13,116
	CAPITAL ACTIVITIES		
	Cash Outflows		
104,676	Purchase of fixed assets	70,962	
15,477	Deferred charges	6,246	
8,478	PFI Prepayments	2,633	
128,631			79,841
	Cash Inflows		
(20,157)	Sale of fixed assets	(5,428)	
(58,750)	Capital grants and other capital cash received	(55,928)	
(78,907)			(61,356)
49,724	Net Cash Outflow from Capital Activities		18,485
27,864	NET CASH OUTFLOW BEFORE FINANCING		22,865
	MANAGEMENT OF LIQUID RESOURCES		
(3,313)	Net increase in short term deposits	18,310	
0	Net increase in long term deposits	20,000	
(3,313)			38,310
	FINANCING		
	Cash Outflows		
65,134	Repayments of amounts borrowed		124,128
	Cash Inflows		
(90,029)	New loans raised	(60,000)	
0	New short term borrowing	(118,798)	(178,798)
(24,895)	Net Cash (Inflow)/Outflow from Financing		(54,670)
(344)	NET (INCREASE) / DECREASE IN CASH		6,505

SECTION 2f

**NOTES TO THE
CORE FINANCIAL
STATEMENTS**

2008/09

Notes to the Core Financial Statements

NOTES TO THE CORE FINANCIAL STATEMENTS

1. SERVICE EXPENDITURE

(a) Income and Expenditure Account

The Income and Expenditure Account conforms to the Service Expenditure Analysis contained in CIPFA's Best Value Accounting Code of Practice.

(b) Disclosure of Deployment of Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2008/09 are as follows:

Schools Budget Funded by Dedicated Schools Grant			
	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2008/09	27,199	145,221	172,420
Brought forward from 2007/08	579	10,959	11,538
Carry forward to 2009/10 agreed in advance	0	0	0
Agreed budgeted distribution in 2008/09	27,778	156,180	183,958
Actual central expenditure	26,657	0	26,657
Actual ISB deployed to schools	0	148,214	148,214
Local authority contribution for 2008/09	0	0	0
Carry forward to 2009/10	1,121	7,966	9,087

2. NET OPERATING EXPENDITURE

Items included under this section of the Income and Expenditure Account are:

(a) Levies – This includes statutory levies for services carried out by other bodies. This includes the Environment Agency £0.174m, London Pension Fund Authority £1.340m and Lee Valley Regional Park £0.264m.

(b) Housing Pooled Receipts – Authorities in England have to pay a proportion of specified housing related capital receipts into a Government pool for redistribution. The expenditure is matched by an appropriation from Usable Capital Receipts so that there is no net effect on the movement on the General Fund Balance.

3. SECTION 137 EXPENDITURE

The Local Government Act 2000 granted powers to authorities in England and Wales to promote well being in their area and as a consequence the majority of the provisions of section 137 were repealed. All discretionary expenditure not specifically authorised under other powers is now made under the LGA. No expenditure was made under Section 137 of the Local Government Act 1972 in 2008/09 (none in 2007/08).

Notes to the Core Financial Statements

4. GOVERNMENT GRANTS (NOT ATTRIBUTABLE TO SPECIFIC SERVICES)

Some of the government grants which the Council receives do not relate to a particular service area and are therefore available for general rather than specific use. These include the following grants received in 2008/09.

	2008/09 £000	2007/08 £000
Revenue Support Grant (RSG)	(21,340)	(23,685)
Local Authority Business Growth Incentive Scheme (LABGI)	(652)	0
Area Based Grants (ABG)	(17,253)	0
Accounted for in the Income and Expenditure Account	(39,245)	(23,685)
National Non-Domestic Rates redistribution	(153,295)	(141,132)
Total of General Government Grants	(192,540)	(164,817)

The variances between 2007/08 and 2008/09 for RSG and NNDR are due to a change in the redistributable amount from Central Government to different classes of authority. In addition, the overall amount increased due to a number of specific grants, totalling £5.95m, being rolled into the block grant in 2008/09. The main grants concerned were Children's Social Services (£2.2m), Access and Systems Capacity (£3.1m) and Delayed Discharge (£0.57m).

The Local Authority Business Growth Incentive Scheme (LABGI) has been accounted for as a general grant in 2008/09, it was previously accounted for as a specific grant. The amount of £0.652m comprises £0.315m brought forward from 2007/08 and £0.337m received during 2008/09.

The Area Based Grant (ABG) is a new non-ring fenced general grant for 2008/09, therefore it can be used for any purpose. It replaced a number of specific Local Area Agreement (LAA) grants which were received in 2007/08. In 2008/09, the first year of the Government's three year financial settlement, the Council's ABG allocation was £17.25m. The grant was utilised in supporting the delivery of services to Lewisham's residents through collaboration with the Local Strategic Partnership. The funding was targeted to the following specific themes to achieve local and national priorities:

- Children and Young People
- Safer and Stronger Communities
- Economic Development and Enterprise
- Healthier Communities
- Sustainable Development

5. AGENCY SERVICES

The Council did not carry out any agency services (i.e. those services which are carried out on behalf of other bodies) during 2008/09 or 2007/08.

Notes to the Core Financial Statements

6. TRADING OPERATIONS

The following services trade with the public or other third parties. The relevant line in the Service Expenditure Analysis is also shown for each category.

	2008/09			2007/08 (Surplus)/ Deficit £000s
	Expenditure £000s	Income £000s	(Surplus)/ Deficit £000s	
Planning & Development Services				
Markets	1,101	(1,101)	0	0
Industrial Estates	136	(455)	(319)	(230)
Cultural & Related Services				
Theatre	1,260	(756)	504	616
Total - Trading Operations	2,497	(2,312)	185	386

Under the Local Authorities Act 1990 (amended) Street Markets operate as a ring-fenced trading account and are therefore held separately from the Council's General Fund. Any surplus or deficit at the year end is carried over into the following year. In 2008/09 there was a deficit of £23k (2007/08 – surplus of £81k). The total accumulated surplus is £140k. The deficit in 2008/09 was due to additional spending and a freeze in charges for Deptford Market pending regeneration of the area in 2009/10.

7. PUBLICITY EXPENDITURE

Section 5 of the Local Government Act 1986 requires local authorities to keep separate accounts of their publicity expenditure. This expenditure includes costs of press office staff, staff advertising, and special campaigns. Publicity expenditure is an overhead that is allocated to services in accordance with accounting policy 16 in Section 1 of the Accounts.

Set out below is the Council's spending on publicity:

	2008/09 £000s	2007/08 £000s
Press Office	999	979
Publicity Expenses		
Publications	487	539
Recruitment Advertising	610	733
Total Publicity Expenditure	2,096	2,251

8. WORK DONE FOR OTHER LOCAL AUTHORITIES OR PUBLIC BODIES

The Council did not carry out any work for other local authorities or public bodies in 2008/09 or 2007/08.

Notes to the Core Financial Statements

9. FRS 17 PENSION COSTS AND RETIREMENT BENEFITS

a) Participation in pensions schemes

Lewisham 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 authority has a commitment to make these payments which needs to be disclosed at the time that employees earn their future entitlement.

Lewisham makes contributions on behalf of its employees to three pension schemes:

(a) the Local Government Pension Scheme (LGPS), which is a defined benefit final salary scheme, meaning that both the authority and the employees pay contributions into a fund, calculated at a level which is intended to balance the pensions liabilities with investment assets.

(b) the London Pensions Fund Authority (LPFA), which provides retirement benefits for former GLC staff and operates in the same way as the LGPS.

(c) the Teachers Pension Agency (TPA), which provides retirement benefits for teachers on behalf of the Department for Children, Schools and Families. Benefits are payable by the TPA on an unfunded basis and any liability is ultimately the responsibility of the Department for Children, Schools and Families; the Council is therefore not required to account for teachers' pensions in the same way as the LGPS and LPFA. In 2008/09 the Council paid £11.507m to the Department for Children, Schools and Families in respect of teachers' pension costs (£11.288m in 2007/08). This represented 14.1% of pensionable pay between April 2008 and March 2009.

b) Transactions relating to retirement benefits

In accordance with FRS 17, Lewisham recognises the cost of retirement benefits relating to the LGPS and LPFA in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge which is required against council tax is based on the cash payable in the year so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and the Statement of Movement in the General Fund Balance during the year:

	Local Government Pension Scheme		LPFA	
	2008/09 £000s	2007/08 £000s	2008/09 £000s	2007/08 £000s
Income and Expenditure Account				
Net Cost of Services				
Current Service Cost	15,286	20,850	563	705
Past Service Cost	5,880	273	373	17
Curtailments and Settlements	685	245	19	0
Net Operating Expenditure				
Interest Cost	55,973	50,603	4,227	3,789
Expected Return on Scheme Assets	(45,276)	(51,250)	(2,623)	(2,592)
Net Charge to the I&E Account	32,548	20,721	2,559	1,919
Statement of Movement on the General Fund and HRA Balances				
Reversal of net charges made for retirement benefits	(32,548)	(20,721)	(2,559)	(1,919)
Actual amount charged against General Fund and HRA Balances for pensions in the year:				
Employers' contributions payable to scheme	28,047	25,885	1,233	1,114

Notes to the Core Financial Statements

In addition to the recognised gains and losses included in the Income and Expenditure Account, an actuarial loss for the Local Government Pension Scheme in 2008/09 of £130.485m, (gain of £47.197m for 2007/08) was included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is a loss of £133.894m.

c) Assets and liabilities in relation to retirement benefits

The LGPS, LPFA and TPA are all defined benefit schemes. However, the assets and liabilities for the Teachers' scheme cannot be identified at individual employer level and for the purposes of this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme. The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These benefits are fully accrued in the pensions liability shown below.

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2009 are shown in the following tables detailing a reconciliation of opening and closing balances. It should be noted that the valuation of the assets was based on February 2009 data and may differ from the final valuation shown in the Pension Fund Accounts.

Reconciliation of present value of the scheme liabilities

	Local Government Pension Scheme		LPFA	
	31 Mar 09 £000s	31 Mar 08 £000s	31 Mar 09 £000s	31 Mar 08 £000s
Opening Scheme Liabilities	812,380	939,600	62,474	71,797
Current Service Cost	15,286	20,850	563	705
Interest Cost	55,973	50,603	4,227	3,789
Contributions by Members	8,010	6,799	193	187
Actuarial Losses/(Gains)	(72,504)	(172,778)	(4,297)	(9,807)
Past Service Costs	5,880	273	373	17
Losses on Curtailments	685	245	19	0
Estimated Unfunded Benefits Paid	(4,780)	(4,685)	(262)	(255)
Estimated Benefits Paid	(27,481)	(28,527)	(3,352)	(3,959)
Closing Scheme Liabilities	793,449	812,380	59,938	62,474

Reconciliation of fair value of the scheme assets

	Local Government Pension Scheme		LPFA	
	31 Mar 09 £000s	31 Mar 08 £000s	31 Mar 09 £000s	31 Mar 08 £000s
Opening Fair Value of Scheme Assets	635,822	722,000	54,611	53,420
Expected Return on Assets	45,276	51,250	2,623	2,592
Actuarial Gains/(Losses)	(199,461)	(136,900)	(7,825)	1,512
Contributions by the employer	23,267	21,200	971	859
Contributions by members	8,010	6,799	193	187
Contributions in respect of Unfunded Benefits	4,780	4,685	262	255
Benefits Paid	(27,481)	(28,527)	(3,352)	(3,959)
Unfunded Benefits Paid	(4,780)	(4,685)	(262)	(255)
Settlements	0	0	0	0
Closing Fair Value of Scheme Assets	485,433	635,822	47,221	54,611

The actual return on scheme assets in the year showed a loss of £153.553m (£63.873m for 2007/08) for the Local Government Pension Scheme and a loss of £4.978m (£3.105m for 07/08) for the LPFA.

Notes to the Core Financial Statements

d) Scheme history

	2008/09 £000s	2007/08 £000s	2006/07 £000s	2005/06 £000s	2004/05 £000s
Local Government Pension Scheme					
Fair Value of Scheme Assets	485,433	635,822	722,000	663,400	527,400
Present Value of Scheme Liabilities	(793,449)	(812,380)	(939,600)	(944,100)	(790,600)
Surplus/Deficit	(308,016)	(176,558)	(217,600)	(280,700)	(263,200)
LPFA					
Fair Value of Scheme Assets	47,221	54,611	53,420	52,630	49,260
Present Value of Scheme Liabilities	(59,938)	(62,474)	(71,797)	(72,810)	(63,990)
Surplus/Deficit	(12,717)	(7,863)	(18,377)	(20,180)	(14,730)
Total Liability	(320,733)	(184,421)	(235,977)	(300,880)	(277,930)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. Whilst the total liability of £320.733m has a significant impact on the net worth of the authority as recorded in the balance sheet, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy; the deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2010 are £35.3m. The total expected contributions to the LPFA in the year to 31 March 2010 are £2.5m.

e) Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, based on their latest triennial valuation as at 31 March 2007. The main assumptions used in their calculations are:

	Local Government Pension Scheme		LPFA	
	2008/09 £000s	2007/08 £000s	2008/09 £000s	2007/08 £000s
<i>Expected rate of return on scheme assets:</i>				
Equities	7.0%	7.7%	7.0%	7.7%
Bonds	5.6%	5.7%	-	-
Property	4.9%	5.7%	-	-
Cash	4.0%	4.8%	4.0%	4.8%
Cashflow Matching	-	-	4.2%	4.5%
Rate of Inflation	3.1%	3.6%	3.1%	3.6%
Salary Increase Rate	4.6%	5.1%	4.6%	5.1%
Rate for discounting scheme liabilities	6.9%	6.9%	6.9%	6.9%
<i>Mortality assumptions</i>				
Longevity at 65 for current pensioners				
Men	19.6yrs		21.8yrs	
Women	22.5yrs		23.4yrs	
Longevity at 65 for future pensioners				
Men	20.7yrs		22.0yrs	
Women	23.6yrs		24.2yrs	

Notes to the Core Financial Statements

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

Fair Value of Total Scheme Assets	Local Government Pension Scheme		LPFA	
	2008/09 £000s	2007/08 £000s	2008/09 £000s	2007/08 £000s
Equities	337,861	446,891	3,778	6,798
Bonds	92,718	111,911	-	-
Property	39,320	67,818	-	-
Cash	15,534	9,202	472	1,098
Cashflow Matching	-	-	42,971	46,715
Total	485,433	635,822	47,221	54,611

f) History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, shown also as a percentage of assets or liabilities as at 31 March 2009.

	2008/09 £000s	2007/08 £000s	2006/07 £000s	2005/06 £000s	2004/05 £000s
Local Government Pension Scheme					
Experience Gains/(Losses) on Assets	(199,461)	(136,900)	8,400	89,100	15,800
As a percentage of Assets	25.1%	16.9%	-0.9%	-9.4%	-2.0%
Experience Gains/(Losses) on Liabilities	135	36,809	900	(1,000)	40,200
As a percentage of Liabilities	0.0%	5.8%	0.1%	-0.2%	7.6%
LPFA					
Experience Gains/(Losses) on Assets	(7,825)	1,512	1	1,953	263
As a percentage of Assets	13.1%	-2.4%	0.0%	-2.7%	-0.4%
Experience Gains/(Losses) on Liabilities	(11)	5,098	86	(12)	(8,369)
As a percentage of Liabilities	0.0%	9.3%	0.2%	0.0%	-17.0%

10. LEASED ASSETS RENTALS

The Council uses vehicles, plant and equipment under the terms of operating leases. The Council also leases housing properties from Hyde Housing Association.

The future liability of housing operating leases is stated at 2009/10 prices (although the lease rents are subject to annual review in line with market rents indexation).

	2008/09			2007/08	
	Housing Operating Leases £000s	Other Operating Leases £000s		Housing Operating Leases £000s	Other Operating Leases £000s
Total rentals payable	915	228	Total rentals payable	915	262
Outstanding undischarged leasing obligations:			Outstanding undischarged leasing obligations:		
- 2009/2010	480	174	- 2008/2009	915	190
- 2010/2011 - 2014/2015	225	9	- 2009/2010 - 2013/2014	225	0
- 2015/2016 onwards	1,643	0	- 2014/2015 onwards	1,688	0
Totals	2,348	183	Totals	2,828	190

Notes to the Core Financial Statements

11. LONG TERM CONTRACTS / PRIVATE FINANCE INITIATIVES (PFI)**(a) Networks and Telecommunications and Primary ICT Services**

Following an extensive procurement exercise SunGard Vivista were awarded two contracts for these services commencing on 1 October 2006. The contracts were for a period of 3 years, with options to extend. The combined cost of the contracts is circa £3.7 million per year. Mayor & Cabinet have agreed to a one year extension for both of these contracts from October 2009, whilst retaining the option to extend for a further (final) year from October 2010.

A £3m project to replace the Council's voice and data networks with one, converged (Voice over IP) network has been commissioned via SunGard and will be taking place during 2009/10.

(b) School Catering and Kitchen Facilities

The Council makes payments under a PFI contract for the provision of a school catering service and refurbishment of kitchen facilities. The level of payments depends on sales of meals but the actual expenditure in 2008/9 was £8.1m (the actual spend in 2007/08 was £7.7m), these payments are partially offset by grant received by the Council. 2008/09 was the final year of this contract.

A new, non PFI contract to provide a catering service only is currently being agreed. During the life of the PFI contract, an accumulated surplus has been built up of £2.046m; it is proposed to use this sum to invest in the kitchen facilities.

(c) Parks and Open Spaces

The Council has a PFI agreement for the upgrading and maintenance of its parks and open spaces. The payments in 2008/09 amounted to £3.13m (£2.84m in 2007/08). The contract ends in February 2010.

(d) Leisure Centre Management

The Council has a PFI contract for the management of three of its five leisure facilities (Bridge Leisure Centre, Ladywell Arena and the Wavelengths Leisure Centre). The arrangement includes investment, totalling £2.7m over the life of the contract, to upgrade and maintain the facilities. The contract commenced in October 2001 and runs until October 2011. However, due to the extension of the Wavelengths Leisure Centre and Library to include a new 25m pool and changing areas, a variation was agreed to manage the extended facility. The new facilities opened in August 2008 and attracted additional payments of £74k. The total payment under the revised contract in 2008/09 was £1.45m (£1.78m in 2007/08).

The two remaining centres were run under management only contracts which were due to expire on the 14 October 2006. The Forest Hill Pools contract was allowed to expire on its due date but was still managed under an extension contract to enable the site to be maintained and secured. The Ladywell Leisure Centre contract has been extended till April 2010 with a further Variation currently being negotiated to extend the Contract until October 2011 to bring it in line with the existing Parkwood Contract. The total payment for these contracts in 2008/09 was £0.74m (£0.77m in 2007/08).

(e) Downham Lifestyles Centre

A PFI agreement was signed in September 2005 for the provision of the Downham Lifestyles Centre for a period of 32 years. The centre provides health and leisure facilities and opened in March 2007. Under this contract the Council paid £1.82m in 2008/09 (£1.8m in 2007/08). This sum is partially offset by income from the PCT and PFI grant.

(f) Brockley Area Housing

A Housing Revenue Account PFI agreement was signed in June 2007 for the provision of the housing management services, repairs and maintenance and Decent Homes Standard refurbishment work to 1,845 leasehold and tenanted properties in the Brockley area. Total payments in 2008/09 were £12.1m (the payments in 2007/08 were £5.5m for part of the year). The contract is for a 20 year period and over its lifetime the project is expected to cost £314m.

(g) Schools 1

A PFI contract was signed in August 2006 for the rebuild and running of three schools for 30 years at an estimated cost of £217m;

- Greenvale Special School - which opened in September 2007
- Forest Hill Secondary School - phase 1 opened in January 2008 and phase 2 in August 2008

Notes to the Core Financial Statements

- Prendergast Ladywell Fields College (formerly Crofton Secondary School) - phase 1 opened in January 2008 and phase 2 opened in February 2009.

The actual revenue spend for 2008/09 was £6.5m and the capital spend was £1.6m (in 2007/08 the revenue spend was £3.8m and capital spend was £8.5m).

(h) Schools 2

A PFI contract was signed in December 2007 for the rebuild and running of two secondary schools, Sedgehill and Catford High. The operational start date for Sedgehill school was 5th January 2009, and Catford High school will be in April 2009. The annual unitary charge payable under the contract is £7.676m (as at May 2007 price base, of which 40% is subject to indexation). In the financial year 2008/09 the unitary charge was £1.011m. The total expenditure on the PFI contract over the 25 year operational life is estimated to be £232m (nominal assuming RPI at 2.5%).

(i) Schools ICT Framework

As part of the Building Schools for the Future programme, an ICT Framework agreement was signed in December 2007 for the provision of interim and full ICT managed service provision for secondary schools in the Borough over a period of 10 years. Capital investment in ICT equipment for 2008/09 was £4.2m, with the total capital expenditure estimated to be £19m over the life of the contract. The revenue implications of the ICT managed service are being met by the individual schools.

12. EXTERNAL AUDIT FEES

Payment due to the Audit Commission for external audit work in relation to the 2008/09 financial year is as follows:

	2008/09	2007/08
	£000s	£000s
Fees payable with regard to external audit services	443	444
Fees payable in respect of statutory inspection	27	151
Fees payable for the certification of grant claims and returns	149	140
Fees payable in respect of other services provided by the appointed auditor	2	24
External Auditor Fees	621	759

Notes:

- 1) The fees payable for external audit services exclude a £38,000 fee payable for the audit of the Pension Fund
- 2) The other audit fees of £2,000 were in relation to additional technical advice on the 06/07 Accounts

Notes to the Core Financial Statements

13. OFFICERS EMOLUMENTS

The number of employees whose remuneration, including employees pension contributions, was £50,000 or more in bands of £10,000 was:

Remuneration Band	2008/09			2007/08		
	School Employees	Non-School Employees	Total Employees	School Employees	Non-School Employees	Total Employees
£50,000 to £59,999	161	91	252	140	58	198
£60,000 to £69,999	65	28	93	60	24	84
£70,000 to £79,999	19	11	30	20	7	27
£80,000 to £89,999	10	12	22	2	11	13
£90,000 to £99,999	4	5	9	4	2	6
£100,000 to £109,999	1	3	4	2	3	5
£110,000 to £119,999	0	0	0	0	0	0
£120,000 to £129,999	0	0	0	0	1	1
£130,000 to £139,999	0	4	4	0	3	3
£140,000 to £149,999	0	0	0	0	0	0
£150,000 to £159,999	0	0	0	0	0	0
£160,000 to £169,999	0	0	0	0	0	0
£170,000 to £179,999	0	0	0	0	0	0
£180,000 to £189,999	0	0	0	0	1	1
£190,000 to £200,000	0	1	1	0	0	0
Total	260	155	415	228	110	338

Note: the 2007/08 figures above are different to those reported in the 2007/08 Statement of Accounts as the figures are now inclusive of employees' pension contributions, whereas previously these were excluded.

Employees whose remuneration was £100,000 or more

The 4 officers who earned between £100,000 and £110,000 in 2008/09 were the Head of Law, the Director of Property and Programme Management, the Director of Children's Social Care and the Principal of Crossways College (they also earned within that range in 2007/08).

The 5 officers who earned more than £120,000 in 2008/09 (and in 2007/08) were as follow;

	2008/09 Salary £	2007/08 Salary £
Executive Directors		
Community Services	133,239	127,488
Resources	135,867	130,053
Customer Services	138,495	132,618
Children and Young People	138,495	132,618
Chief Executive		
Mr B J Quirk	192,387	187,788

14. MEMBERS' ALLOWANCES

The total of Members' allowances for 2008/09 was £1.202m (£1.130m in 2007/08).

Notes to the Core Financial Statements

15. RELATED PARTY TRANSACTIONS

This note concerns the disclosure of additional information on transactions between the Council and its related parties. The purpose of the note is to demonstrate fairness and openness in the Accounts. The related party transactions are as follows:

(a) Central Government and Other Local Authorities

The total government grants received are shown in Note 50 to the Core Financial Statements. Transactions to other local authorities include the precept to the Greater London Authority. Details of this precept are shown in the notes of the Collection Fund in Section 3 of the Accounts. There were numerous other transactions between the Council and other Local Authorities. However, none of these were considered to be material.

(b) Subsidiaries, Associated Companies and Joint Ventures

The companies that are related to the Council are detailed in Note 43 to the Core Financial Statements. Material transactions were as follows:

- Payments totalling £4.84m were made in 2008/09 (£4.69m in 2007/08) to South East London Combined Heat and Power (SELCHP), which is a joint venture with Greenwich for the provision of a waste disposal service.
- The Council owns 10% of the shares of the Lewisham Schools for the Future Local Education Partnership (LEP), and its subsidiary Special Purpose Vehicle (SPV). The Council made payments to the LEP of £4.9m and the SPV of £1.48m in 2008/09 (£1.59m to the LEP in 2007/08).
- Lewisham Homes is a wholly owned subsidiary of the Council and Councillors Nisbet, Paschoud and Stockbridge sit on its board. The payments by Lewisham to Lewisham Homes in 2008/09 were £30.504m (payments in 2007/08 totalled £24.6m).

(c) Members and Chief Officers

This has been approached by using the Council's Register of Members and Chief Officers' Declaration of Interests. Declarable related party transactions are as follows:

- The Mayor's wife is an employee of London Councils whom Lewisham paid £0.942m in 2008/09.
- The Deputy Mayor, Councillor Alexander, is a member of South East Enterprise to whom Lewisham paid £0.234m in 2008/09, and is a member of the Local Education Partnership.
- Councillor Bentley's wife is an employee of Northbrook School.
- Councillor Clarke is a member of the Grove Park Community Group to whom Lewisham paid £0.036m in 2008/09.
- Councillor Fletcher is a board member of the Ilderton Motor Project to whom Lewisham paid £0.120m in 2008/09
- Councillor Keogh is employed by Envirowork Lewisham to whom Lewisham paid £0.253m in 2008/09
- Councillor Long is Chair of the South London and Maudsley NHS Trust to whom Lewisham paid £2.96m in 2008/09.
- Councillor Massey is a board member of Lewisham College to whom Lewisham paid £0.614m in 2008/09, and is a board member of the Trinity Laban Centre to whom Lewisham paid £0.178 in 2008/09.
- Councillor Milton is a member of the Advisory Board of Envirowork Lewisham to whom Lewisham paid £0.253m in 2008/09, is a board member of Voluntary Action Lewisham to whom Lewisham paid £0.328m in 2008/09 and is a member of Lewisham Park Housing Association to whom Lewisham paid £0.633m in 2008/09..
- Councillor Muldoon is a member of Noah's Ark Children's Venture to whom Lewisham paid £0.065m in 2008/09 and a member of the South London and Maudsley NHS Trust to whom Lewisham paid £2.96m in 2008/09.
- Councillor Nisbet is a member of Age Concern Lewisham to whom Lewisham paid £0.194m in 2008/09.

Notes to the Core Financial Statements

- Councillor Paschoud is a member of Lewisham Disability Coalition to whom Lewisham paid £0.112m, a member of Platform 1 (Forest Hill) Youth Project to whom Lewisham paid £0.038m, a member of Contact a Family – Lewisham to whom Lewisham paid £0.287m, all payments made in 2008/09.
- Councillor Onueghu is a member of the South London and Maudsley NHS Trust to whom Lewisham paid £2.96m in 2008/09.
- Councillor Smith is Vice Chair of Trustees of Groundwork Trust London South East to whom Lewisham paid £0.143m in 2008/09.
- Councillor Till is a member of Noah's Ark Children's Venture to whom Lewisham paid £0.065m, a member of North Downham Training Project to whom Lewisham paid £0.119m, a member of Rockbourne Youth Club Management Committee to whom Lewisham paid £0.002m, a member of Ilderton Motor Project to whom Lewisham paid £0.120m, a member of the Marsha Phoenix Memorial Trust to whom Lewisham paid £0.219m, a member of Goldsmith's Community Association to whom Lewisham paid £0.043m and a member of the Parent Support Group to whom Lewisham paid £0.090m, all payments were made in 2008/09.
- The Director of Childrens' Social Care's wife is Director / Chief Executive of St. Michael's Fellowship to whom Lewisham paid £0.670m in 2008/09.
- The Interim Executive Director for Regeneration is the Director of Interea Consulting, to whom Lewisham paid £0.233m in 2008/09 for his services.

(d) Lewisham Pension Fund

- The council's contribution to the Pension Fund in 2008/09 on behalf of employees was £24.09m (£22.94m in 2007/08).
- The cost of administering the Pension Fund of £0.69m (£0.83m in 2007/08) was charged to the fund in 2008/09.
- The Pension Fund had £1.748m of cash balances invested with the Council as at 31 March 2009 (on 31 March 2008 the Pension Fund owed £2.995m of cash balances to the council).

16. PARKING CONTROL ACCOUNT

In accordance with the 1984 Road Traffic Act, the Council maintains a Parking Control Account as a memorandum to the Statement of Accounts. Any surplus is ring fenced to Transport related projects and schemes.

	2008/09	2007/08
	£000s	£000s
Income	(3,481)	(4,123)
Expenditure	2,217	2,813
Surplus	(1,264)	(1,310)
Use of surplus:		
Traffic Management Schemes	498	208
Improved signing/safety maintenance	131	466
Improved lighting	635	636
Total	(1,264)	(1,310)

Notes to the Core Financial Statements

17. BUILDING CONTROL TRADING ACCOUNT

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the building control unit cannot be charged for – such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities for 2008/09.

	Building Regulations		Other Building Control £000s	Total 2008/09 £000s	Total 2007/08 £000s
	Chargeable (Trading a/c) £000s	Non Chargeable £000s			
Expenditure					
Employee expenses	513	14	176	703	497
Transport	7	0	2	9	8
Supplies and services	31	1	11	43	54
Support services	105	3	84	192	338
Total Expenditure	656	18	273	947	897
Income					
Building reg charges	(696)	0	0	(696)	(672)
Miscellaneous income	0	0	(18)	(18)	(13)
Total Income	(696)	0	(18)	(714)	(685)
Surplus/(Deficit) for Year	40	(18)	(255)	(233)	(212)

From 1999/2000 the Trading Account element has been required to break even over a rolling three-year period. 2008/09 was the last year of the seventh three-year period which ended with an overall surplus of £0.128m. The table below sets out the position for each period.

Period	Surplus/(Deficit) £000s			Total
	Year 1	Year 2	Year 3	
2000/01 - 2002/03	12	5	130	147
2001/02 - 2003/04	5	130	62	197
2002/03 - 2004/05	130	62	(68)	124
2003/04 - 2005/06	62	(68)	52	46
2004/05 - 2006/07	(68)	52	36	20
2005/06 - 2007/08	52	36	52	140
2006/07 - 2008/09	36	52	40	128

The Building Control service has continued to perform well in competition with the private sector. Its share of the market has been maintained, and the service also continues to benefit from the overall level of development activity across the Borough.

Notes to the Core Financial Statements

18. MOVEMENTS ON RESERVES

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

Reserve	Balance 1 April 2008 £000s	Net Movement in Year £000s	Balance 31 March 2009 £000s	Purpose of Reserve	Further Detail of Movements
Revaluation Reserve	109,685	(22,953)	86,732	Store of gains on revaluation of fixed assets not yet realised through sales.	Note 19
Capital Adjustment Account	1,509,165	(179,446)	1,329,719	Store of capital resources set aside to meet past expenditure.	Note 20
Financial Instruments Adjustment Account	(10,247)	(5,513)	(15,760)	Balancing Account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.	Note 21
Usable Capital Receipts	18,550	(1,139)	17,411	Proceeds of fixed assets sales available to meet future expenditure.	Note 22
Pensions Reserve	(184,421)	(136,312)	(320,733)	Balancing account to allow inclusion of Pension Liability in the Balance Sheet.	Note 9
Other Reserves	72,970	2,173	75,143	Amounts set aside to finance future earmarked revenue expenditure.	Note 23
General Fund	10,936	300	11,236	General non-earmarked revenue balances.	Statement of Movement on the General Fund Balance
Housing Revenue Account	16,176	(4,082)	12,094	Earmarked and non-earmarked revenue balances ringfenced to the HRA.	Note 16 to the HRA Statement
Major Repairs Reserve	0	1,310	1,310	Resources available to meet capital investment in council housing.	Note 15 to the HRA Statement
Collection Fund	71	73	144	Balance arising from excess or shortfall in budgeted Council Tax collection, net of provision for bad debts.	Collection Fund Revenue Account
Total	1,542,885	(345,589)	1,197,296		

Notes to the Core Financial Statements

19. REVALUATION RESERVE

The Revaluation Reserve was introduced with a zero balance on 1 April 2007. It records the accumulated gains since 1 April 2007 on the fixed assets held by the authority arising from increases in value (to the extent that these gains have not been consumed by subsequent downward movements in value). The Reserve is also debited with amounts equal to the part of depreciation charged on assets that has been incurred only because the asset has been revalued (since 1 April 2007). On disposal the Revaluation Reserve balance for the asset disposed of is written out to the Capital Adjustment Account. The overall balance on the Reserve thus represents the amount by which the current value of fixed assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historical cost (where historical cost in this sense refers to their value at 1 April 2007).

	2008/09 £000s	2007/08 £000s
Revaluation gains	93,388	160,273
Impairment losses (not due to consumption of economic benefits)	(111,609)	(1,242)
	(18,221)	159,031
Write out of gains on assets with impairments due to consumption of economic benefits	(4)	(19,557)
Additional depreciation incurred due to assets being revalued	(4,046)	(2,109)
Write out of gains on assets disposed of	(682)	(27,680)
Total movement on reserve in year	(22,953)	109,685
Balance brought forward at start of year	109,685	0
Balance carried forward at end of year	86,732	109,685

Notes to the Core Financial Statements

20. CAPITAL ADJUSTMENT ACCOUNT

This account was created on 1 April 2007, with the opening balance comprising of the balances from the previous Capital Financing Account and the Fixed Asset Restatement Account.

	2008/09 £000s	2007/08 £000s
Historical cost of acquiring, creating or enhancing fixed assets:		
Depreciation and impairment losses from the Statement of Movement on Balances	(136,297)	(369,366)
Transfer from Revaluation Reserve to convert current value depreciation / impairment losses to historical cost	4,050	21,666
Amounts written off fixed asset balances for disposals	(101,002)	(30,713)
Transfer from Revaluation Reserve of revaluation gains outstanding on disposal of fixed assets	682	27,680
Amortisation of PFI prepayment	(3,081)	0
Build up of PFI residual value	1,062	0
Total historical cost of acquiring, creating or enhancing fixed assets	(234,586)	(350,733)
Revenue Expenditure Funded from Capital under Statute	(6,247)	(15,477)
Resources set aside to finance capital expenditure:		
Usable receipts applied	8,904	17,237
Capital expenditure financed from revenue	6,462	11,113
Minimum revenue provision	4,688	4,455
Capital grants and contributions	41,333	118,367
Total resources set aside to finance capital expenditure	61,387	151,172
Total movement on reserve	(179,446)	(215,038)
Balance brought forward at start of year	1,509,165	1,738,051
Adjustments relating to previous year	0	(13,848)
Balance carried forward at end of year	1,329,719	1,509,165

21. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

	2008/09 £000s	2007/08 £000s
Opening balance at start of year	(10,247)	(1,967)
Premiums paid for early redemption of debt	0	(11,581)
Amortisation of premiums and discounts	(5,513)	3,301
Balance carried forward at end of year	(15,760)	(10,247)

Notes to the Core Financial Statements

22. USABLE CAPITAL RECEIPTS

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

	2008/09 £000s	2007/08 £000s
Amounts receivable in year	5,428	19,846
Poolable to Central Government	(213)	(9,014)
Amounts applied to finance new capital investment in year	(6,354)	(17,294)
Total increase/(decrease) in realised capital resources in year	(1,139)	(6,462)
Balance brought forward at start of year	18,550	25,012
Balance carried forward at end of year	17,411	18,550

23. REVENUE RESERVES

Revenue reserves are amounts set aside to finance future revenue expenditure. Contributions to and from reserves are outside service expenditure, so are shown in the Statement of Movement on the General Fund Balance rather than the Income and Expenditure Account. A summary of movements in revenue reserves is as follows:

	Balance at 01/04/2008 £000s	Transfers In £000s	Transfers Out £000s	Balance at 31/03/2009 £000s	
General Earmarked	37,084	21,462	(14,097)	44,449	
Insurance	11,040	1,772	(402)	12,410	
Directorate Underspends	2,375	0	(2,375)	0	(a)
Capital Expenditure	9,273	8,955	(8,889)	9,339	(b)
School Balances	12,461	9,486	(13,667)	8,280	(c)
School's External Funds	740	665	(740)	665	(d)
Total	72,973	42,340	(40,170)	75,143	

The net transfer into reserves is therefore £2.170m, as shown in the Statement of Movement on the General Fund Balance.

(a) Directorate Underspends

These reserves represented budget underspends that were being earmarked for use within specific directorates. In 2008/09 these reserves were incorporated into the General Earmarked Reserve.

(b) Capital Expenditure Reserve

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

(c) Schools Balances

This reserve was set up as a result of the Education Reform Act 1988 and represents schools' self-managed budgets that remain unspent at the year-end. It is earmarked for use by the schools only.

(d) Schools' External Funds

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

Notes to the Core Financial Statements

24. FIXED ASSETS

(a) The movements in fixed assets during the year were as follows:

	Council Dwellings £000s	Other Land & Bldgs £000s	Vehicles, Plant & Equip't £000s	Infra-structure Assets £000s	Comm. Assets £000s	Investment props/ surplus assets £000s	Assets under construction £000s	TOTAL £000s
Gross Book Value b/fwd at 1st April 2008	1,092,139	839,746	33,144	88,345	6,893	49,903	28,918	2,139,088
Additions	9,030	14,983	11,329	3,834	461	9,330	19,208	68,175
Disposals	(60,503)	0	0	0	0	(950)	0	(61,453)
Transfers	(548)	2,985	84	1	611	8,237	(11,370)	0
Re-valuations	25,508	29,743	0	0	0	6,704	0	61,955
Impairments	(152,095)	(74,863)	0	0	0	(7,450)	0	(234,408)
Gross Book Value c/fwd at 31st March 2009	913,531	812,594	44,557	92,180	7,965	65,774	36,756	1,973,357
Depreciation b/fwd at 1st April 2008	(27,750)	(10,690)	(15,228)	(36,680)	0	0	0	(90,348)
Depreciation for year	(31,502)	(8,993)	(5,037)	(2,720)	0	0	0	(48,252)
Depreciation written back on:								
Transfers	5	242	0	0	0	0	0	247
Assets Revalued	27,437	4,429	0	0	0	0	0	31,866
Assets Impaired	31,504	2,572	0	0	0	0	0	34,076
Assets Sold	0	0	0	0	0	0	0	0
Depreciation c/fwd at 31st March 2009	(306)	(12,440)	(20,265)	(39,400)	0	0	0	(72,411)
Net Book Value at 31st March 2009	913,225	800,154	24,292	52,780	7,965	65,774	36,756	1,900,946

Notes to the Core Financial Statements

(b) A reconciliation of expenditure on fixed assets with total capital expenditure is detailed below:

	2008/09 £000s	2007/08 £000s
Fixed Assets (Additions net of WIP & appropriations)	60,374	77,626
PFI prepayments	2,174	8,478
Revenue Expenditure Funded from Capital under Statute	6,247	15,477
(Decrease) / Increase in work in progress & retention payments	7,838	(4,817)
Total Capital Expenditure	76,633	96,764

The total capital expenditure of £76.6m (£96.8m in 2007/08) was financed as follows:

	2008/09 £000s	2007/08 £000s
Borrowing	18,689	15,458
Capital Grants	41,248	46,572
Capital Receipts	9,923	18,566
Capital Expenditure charged to Revenue Account	6,773	16,168
Total Capital Expenditure	76,633	96,764

25. FIXED ASSET VALUATION

(a) A five-year rolling programme of revaluation for land and buildings has been in operation since 1994/95 to ensure that the Council's assets are held at valuations in accordance with RICS and CIPFA guidance. These are signed off by the Council's Valuer, the Head of Property and Development, Mr P Clark FRICS. The Council's policies on valuing its assets are set out in the Accounting Policies on Fixed Assets in Section 1 of the Accounts.

(b) The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets:

	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles Plant & Equip. £000s	Infra- structure Assets £000s	Comm- unity Assets £000s	Invest Props / surplus assets £000s	Assets under constr'n	Total £000s
Valued at Historic Cost	1,482	1,489	24,292	52,780	7,965	11,944	36,756	136,708
Valued at current value								
As at 31 March 2009	911,743	84,944	0	0	0	0	0	996,687
As at 1 April 2008	0	173,480	0	0	0	40,161	0	213,641
As at 31 March 2008	0	474,735	0	0	0	275	0	475,010
As at 1 April 2007	0	8,226	0	0	0	13,394	0	21,620
As at 1 April 2006	0	26,989	0	0	0	0	0	26,989
As at 1 April 2005	0	25,156	0	0	0	0	0	25,156
As at 1 April 2004	0	5,135	0	0	0	0	0	5,135
Total Net Book Value	913,225	800,154	24,292	52,780	7,965	65,774	36,756	1,900,946

Notes to the Core Financial Statements

26. NUMBERS OF FIXED ASSETS

A summary of physical assets owned by the Council at 31 March 2009 and 31 March 2008 is shown below:

	31-Mar-09 (Number)	31-Mar-08 (Number)
Council Dwellings	17,072	18,282
Housing non residential	235	251
Garages	2,865	3,053
Nursery Schools	3	3
Day centre - Early Years	12	8
Primary Schools	48	48
Secondary Schools	3	4
Sixth Form Centre	1	1
Special Schools	5	5
Adult Education Centres	4	5
Youth Centres	5	7
Hostel for the Mentally ill persons with Disabilities	1	1
Social Services Centres	13	13
Administrative Buildings	9	9
Leisure Centres/Pools	5	5
Parks/Recreation Grounds	87	86
Libraries	10	10
Theatre	1	1
Cemeteries	4	4
Crematorium	1	1
Mortuary	1	1
Depots	4	4
Car/Lorry Parks	17	18
Roads (in Kms)	390	390
Allotments	43	43
Travellers Site	0	1
Civic Amenity & Recycling Centre	1	1

Note : The assets above exclude the Vehicle, Plant and Equipment category.

27. CAPITAL COMMITMENTS

The significant capital commitments over £0.5m which had been entered into by the Council at 31 March 2009 are shown below. This expenditure will be incurred in future financial years:

	£000s
Children & Young People:	
Rushey Green School	1,260
Regeneration:	
Kender road gyratory	1,005
All Saints community church - refurbishment	832
Total Commitments	3,097

The total capital commitments over £0.5m at 31 March 2008 totalled £17.0m. The main reason for the reduction in 2008/09 is the progress on the Rushey Green School project (2007/08 commitment £5.8m), the completion of the Grouped Schools PFI programme (2007/08 commitment £4m) and the progress/

Notes to the Core Financial Statements

practical completion of the Manor House project (2007/08 commitment £1.9m). Also there are a number of larger projects and programmes within the capital programme where progress is being made, but no contracts have yet been signed. It is anticipated that these projects and programmes will progress during 2009/10 with contracts being let. The commitments as at 31 Mar 2010 should therefore be significantly higher.

28. DEBTORS**(a) Long Term Debtors**

These consist of sums repayable to the Council over a period of time of more than one year. Balances outstanding at the end of the year are:

	2008/09 £000s	2007/08 £000s
Mortgages:		
For Private House Purchase	15	17
For Sale of Council Houses	489	653
To Housing Associations	162	163
Land Charges Debts	554	737
Private Finance Initiatives	1,062	35
Other Long Term Debtors	145	140
Total Long Term Debtors	2,427	1,745

Private Finance Initiatives – Under a number of these agreements (e.g. housing and schools) the ownership of the assets will pass back to the Council at the end of the contract for an agreed amount. The expected value of these assets is being built up on the balance sheet over the life of the contracts as long term debtors. The first year of contribution is in the first full year of the contract.

(b) Current Debtors

These are short term debts consisting of amounts due from the Government, other local authorities and amounts for goods and services provided as at 31 March 2009:

	2008/09 £000s	2007/08 £000s
Government and Other Public Bodies:		
HM Revenue & Customs - VAT	5,168	3,438
Education Recoupment	1,206	1,162
Other Govt. & Local Authority Accounts	7,064	9,480
Council Tax Payers	25,910	23,234
National Non-Domestic Ratepayers	1,438	1,266
Housing Debtors	17,032	15,487
	57,818	54,067
General Debtors due for Supplies and Services	22,730	23,333
Total Current Debtors	80,548	77,400
Provision for Bad Debts - Collection Fund	(22,169)	(19,695)
Provision for Bad Debts - Housing	(12,160)	(10,378)
Provision for Bad Debts - Sundry	(8,971)	(8,911)
Total Provision for Bad Debts	(43,300)	(38,984)
Net Current Debtors	37,248	38,416

Notes to the Core Financial Statements

(c) Provision for Bad Debts

An analysis of the contributions to and from Provisions for Bad Debts is shown below:

	Balance at 31/03/2008 £000s	Contributions In £000s	Use of Provision £000s	Balance at 31/03/2009 £000s
Collection Fund				
Council Tax	19,257	3,625	(1,096)	21,786
NNDR	438	580	(635)	383
Total Collection Fund	19,695	4,205	(1,731)	22,169
Housing				
Rents	6,597	1,436	(846)	7,187
Overpayments	3,781	1,718	(526)	4,973
Total Housing	10,378	3,154	(1,372)	12,160
Sundry				
CYP	295	0	(1)	294
Community	1,707	298	(297)	1,708
Customer	6,218	573	(506)	6,285
Regeneration	569	50	(134)	485
Resources & Corporate	122	98	(21)	199
Total Sundry	8,911	1,019	(959)	8,971
Total Provision for Bad Debts	38,984	8,378	(4,062)	43,300

29. FINANCIAL INSTRUMENTS DISCLOSURES**Introduction:**

The 2007 Statement of Recommended Practice for Local Authority Accounting introduced greater compliance with the Financial Reporting Standards 25, 26 and 29 which pertain to the recognition, measurement and disclosure of Financial Instruments; that is to say, any legal contract giving rise to a certain or potential asset for one party and a certain or potential liability for another.

The 2008 SORP has refined the application of those standards, but the attention of users of these accounts is drawn to the fact that many of the requirements are non-compliant with primary legislation such as the Local Government and Housing Acts 1989 and 2003 and subsequent subordinate legislation.

In case of such conflict, the Income and Expenditure Accounts of the Authority and its funds (not including the Pension Fund) comply with the new arrangements, with the SMGFB statements displaying any reversals required to ensure closing balances comply with Statute.

Debtors and creditors are excluded from the tables below where the equivalent disclosures are present in notes 28 and 35. The focus of these notes is the Council's strategic borrowing and investment.

Notes to the Core Financial Statements

29a. FINANCIAL INSTRUMENTS BALANCES

The table below shows how the borrowings and investments disclosed in the balance sheet are obtained.

	Long Term		Current	
	31 March 2009 £000s	31 March 2008 £000s	31 March 2009 £000s	31 March 2008 £000s
Financial Liabilities (Principal Amount)	(331,237)	(293,792)	(30,123)	(30,349)
Financial Liabilities at Amortised Cost	(331,392)	(295,296)	(35,325)	(25,380)
Loans and Receivables (Principal Amount)	-	-	114,560	96,250
Loans and Receivables	-	-	116,334	97,586
Financial Assets at Fair Value through the I&E	55,787	34,635	-	-
Total Investments	55,787	34,635	116,334	97,586

Users of the accounts should note that the Authority has reviewed its accounting treatment for Premiums and Discounts and transferred balances relating to positively attributed premiums from current and long term liabilities (totalling £5.4m and £3.7m respectively) to the Financial Instruments Adjustment Account. These balances served to reduce the liabilities at amortised cost in 2007/08. Additionally, from 2008/09 onwards, amounts relating to accrued interest (which increase the liability at amortised cost) are now included in current liabilities if due within one year. In 2007/08, these amounts would have been included in the same category as the loan to which they related.

29b. FINANCIAL INSTRUMENTS GAINS / (LOSSES)

	Financial Liabilities	Financial Assets		2008/09 Total £000s	2007/08 Comparator Totals £000s
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Fair value through the I&E £000s		
Interest expense	(18,784)			(18,784)	(21,972)
Losses on derecognition				-	(3,252)
Interest payable and similar charges	(18,784)	-	-	(18,784)	(25,225)
Interest and investment income	-	3,715	3,568	7,283	6,586
Net gain/(loss) for the year	(18,784)	3,715	3,568	(11,501)	(18,639)

Notes to the Core Financial Statements

There have been no revaluations or impairments of financial instruments, excepting

- Market Value changes of external cash manager funds, recognised through the I&E as part of the investment income total above.
- Impairment of debtors, analysed below (e) and in note 28.

	2008/09 £000s	2007/08 £000s
New provision made	(8,378)	(12,051)
Total Impairment Loss	(8,378)	(12,051)
Debt Written Off	4,062	5,949
Change in Provision Balance	(4,316)	(6,102)

29c. FAIR VALUES OF FINANCIAL INSTRUMENTS NOT ALREADY DISCLOSED ON THE BALANCE SHEET

£000s	31 March 2009		31 March 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
PWLB debt	247,426	293,773	216,962	259,132
Market Debt	119,291	121,410	103,614	114,312
Total Loan Debt at Amortised Cost	366,717	415,183	320,576	373,444
Money market loans less than 1 year	116,334	116,904	97,586	97,586
Total Investments at Amortised Cost	116,334	116,904	97,586	97,586

The fair value of financial liabilities is higher than the carrying amount because the Council's loans portfolio includes a number of fixed rate loans with interest rates exceeding the prevailing market rates at the balance sheet date for similar debt. Investments held at amortised cost have a higher fair value for the same reason.

The fair value represents the value the Council would need to pay to settle the liabilities at the balance sheet date in the hypothetical event of an agreement or requirement to do so. This is principal value plus accrued interest plus/minus any premiums/discounts due on redemption.

For PWLB debt, this information was obtained directly from that organisation and for market debt and investments, the relevant adjustments have been estimated by our newly appointed Treasury consultants, Sector, using comparator market rates for investments and debt of similar nature at the balance sheet date.

Whilst trade creditors and both trade debtors and short term investments are formally accounted for under the headings 'financial liabilities at amortised cost' and 'loans and receivables' respectively, in all cases the values disclosed on the balance sheet coincide with fair value.

29d. CREDIT RISK

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined in our Annual Investment Strategy, agreed March 2009. Currently, the Council's officers are operating to a strict list of counterparties with credible sovereign guarantees or support or with minimum ratings from the agency, Fitch, of F1+ AA-, and of those, only institutions domiciled in states with AAA sovereign ratings. At the balance sheet date, £23.8m of deposits were held with institutions with Fitch long term ratings A- to A+. These were either outstanding from periods before the adoption of these criteria, or held with institutions which met the strict criteria at the time of investment, but were downgraded in the intervening period.

Notes to the Core Financial Statements

The following analysis summarises the Authority's potential maximum exposure to credit risk from investments:

	Fitch Long Term Rating	Sum invested at 31 March 2009 £000s	Historical Experience of Default	Estimated Maximum Exposure to Default £000s	2007/08 Comparator Totals £000s
Deposits	A	23,800	0.09%	21	
	AA	90,760	0.04%	36	
		114,560		57	6
Cash Managers	AA	34,635	0.04%	14	6
Total Investments		149,195		71	12

The historical experience of default has been taken from Fitch, the primary credit rating organisation used by the Council, and applies to the period 1990 to 2008. The increase from 2007/08 may seem surprising, since the Council in fact operates stricter criteria than at the previous balance sheet date. The increase in exposure is due to the increase in default of financial institutions, occasioned by the extreme market turmoil in 2008. At the time of preparation of the 2007/08, the best available default rates were obtained from the agency, Moody's, and related to the period 1982 to 2005. The rates used in the table above reflect the latest market experience.

Whilst the recent market crises have raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties. As a result of these high credit criteria, we have judged these default rates a good indicator under current conditions.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Our external cash managers' portfolios change on a daily basis and include gilts and certificates of deposit. At 31 March 2009 the cash managers operated to the strict list mentioned above, with no counterparty rated below AA-, so this default rate has been applied to their entire portfolios to calculate a prudent maximum exposure.

Debtors are considered individually by Service managers and Finance Officers. Judgement based on historical experience is applied to estimate credit risk exposure and this quantity is credited to provisions for bad and doubtful debts, analysed in note 28.

29e. FINANCIAL ASSETS THAT ARE EITHER PAST DUE OR IMPAIRED

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

Age of Debt	2008/09		2007/08	
	Amount £'000	Percentage £'000	Amount £'000	Percentage £'000
Current (1 to 30 days)	3,390	35	6,877	51
31 to 60 Days	686	7	559	4
61 to 90 Days	339	3	272	2
91 to 180 Days	588	6	674	5
181 to 365 Days	1,256	13	972	7
Over 1 Year	3,534	36	4,106	31
Total	9,793	100	13,460	100

Of the remaining general debtors (£12.9m, see note 28(b)), where an aged analysis has been carried out, £6.5m is less than one year old and £0.4m is more than one year old. The notes to the Collection Fund include an age analysis of Council Tax and NNDR arrears.

Notes to the Core Financial Statements

29f. LIQUIDITY RISK

The Council maintains a significant debt and investment portfolio. This introduces a risk to meeting day to day cash flow needs without borrowing, and meeting repayments of existing debt. Further risk is introduced by the maturity profile of debt, since an excessive concentration of maturities within a given period may increase the risk of having to refinance larger sums at disadvantageous rates.

(i) MATURITY ANALYSIS FOR FINANCIAL LIABILITIES

The table below shows the maturity profile of long term borrowing, based on the Principal sums due for repayment. Trade payables are all due within one year.

	2008/09	2007/08
Average Interest Rates at 31 March		
PWLB	5.65%	5.94%
Money Market	4.87%	4.94%
	£000s	£000s
Long-Term Borrowing		
PWLB	243,409	216,292
Money Market	87,828	77,500
	331,237	293,792
An analysis of loans by maturity:		
Maturity in 1-2 years	15,000	5,134
Maturity in 2-5 years	17,040	20,000
Maturity in 5-10 years	74,954	79,723
Maturity in 10-15 years	19,589	26,237
Maturity in 15-20 years	31,037	26,158
Maturity in 20-25 years	31,623	47,211
Maturity in 25-30 years	31,146	33,932
Maturity in over 30 years	110,849	55,397
Total Long-Term Borrowing	331,237	293,792

(ii) FINANCIAL ASSETS

All of the Council's deposits (£114.56m) are due to be returned within one year. The externally managed funds (£55.79m), whilst long term investments within the Council's Treasury Strategy, could be recalled within one year if required.

(iii) MANAGEMENT OF LIQUIDITY RISK

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the Capital and Treasury Group address the operational risks within the approved parameters. Activities include:

- Monitoring the maturity profile and being mindful of this when considering new borrowing or possible rescheduling of existing debt;
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

29g. COLLATERAL OR OTHER CREDIT ENHANCEMENTS OBTAINED

The council has not obtained any such enhancements in the financial year 2008/09 or 2007/08.

Notes to the Core Financial Statements

29h. MARKET RISK

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

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- Borrowings at fixed rates – the fair value of the borrowing liability will fall;
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings and assets classified as Loans and Receivables are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL.

However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance, subject to influences from Government grants.

Changes in fair value for assets held at Fair Value through the Income and Expenditure Account will be posted to the Income and Expenditure Account. The assets Lewisham holds under this heading are managed by our external cash managers. Their portfolios are in a constant state of flux as the managers seek to exploit the market. Changes in market value will not necessarily mirror general market conditions.

The Council has a number of strategies for managing interest rate risk. The Annual Investment Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Capital and Treasury Group will monitor market and forecast interest rates within the year to adjust exposures appropriately.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs. If all interest rates had been 1% higher with all other variables held constant, the financial effect based on balances held at 31 March 2009 would be:

	2008/09	2007/08
	£000	£000
Interest Payable on Variable Rate Debt	(300)	(279)
Interest Receivable on Variable Rate Investments	190	128
Net Impact on Inc & Exp A/c (loss)	(110)	(151)
Increase in Government Grant receivable	601	239
Share of overall impact credited/(debited) to HRA	(516)	(193)
Net impact on the HRA	85	46

The Council holds no truly variable rate debt. It does hold £82.5m of market debt which may be recalled at intervals by the lending institutions and thus could lead to market risk as a result of having to re-borrow at higher rates. Of this only £30m could possibly be recalled within 12 months of the balance sheet date, leading to a maximum impact on interest payable of £300k as shown above. If interest rates fell by the same amount, the debt is unlikely to be recalled so there would be no corresponding decrease in interest payable.

Regardless of the impact on actual amounts payable or receivable, movements in market rates will affect the Authority's consolidated rate of interest and hence the amount debited to the HRA (and also the amount of government subsidy received). Users should note, therefore, that these figures are driven more by accounting technicalities than the risks arising from exposure to particular types of debt or investment.

Notes to the Core Financial Statements

Investments held by our cash managers have been excluded from this analysis on the grounds that their activities adapt to fit changes in the market.

Market risk also includes price (i.e. market value of equities) and foreign exchange risk. The Council holds no equity investments or assets or liabilities denominated in foreign currency, so is exposed to neither of these.

30. LONG-TERM INVESTMENTS

Long term investments consist of funds which are held with two external cash managers, Invesco and Investec, who were appointed during 2007/08.

31. SHORT-TERM INVESTMENTS

Short-term investments consist of £116.3m that represents the temporary investment of bank surpluses in the money markets.

32. STOCK

	2008/09 £000s	2007/08 £000s
Stocks		
Building stores and fleet stock	217	290
Other stock	8	254
Total Stocks	225	544

33. LANDFILL ALLOWANCE TRADING SCHEME

The Council was allocated a specific allowance per annum for landfill following the introduction of the Landfill Allowance Trading Scheme in 2005/06. Each annual allowance was credited to revenue, with a corresponding debit being made for the value of the allowance used. Any unused allowance was then allowed to be "banked" for future use or traded with other authorities.

No allowances were traded during 2008/09. In previous years DEFRA has given an average traded value for the allowance, but this year, due to a lack of trading of these allowances, the value of these allowances was deemed to be nil. Therefore, the Council has 49,648 tonnes of allowances banked, but there is no value attached to these allowances on the balance sheet.

	Tonnes	Value (£000s)
Opening balance of LATS allowance	97,174	486
Write out prior year	(76,209)	(381)
Revaluation	0	(105)
LATS allowance received for 2008/09	38,550	0
Closing balance of LATS allowance	59,515	0
Opening balance of Landfill usage - liability to DEFRA	(76,209)	(381)
Write out prior year	76,209	381
Estimated usage in 2008/09	(9,867)	0
Closing balance of Landfill usage - liability to DEFRA	(9,867)	0
Net amount	49,648	0

Notes to the Core Financial Statements

34. PREPAYMENTS

	2008/09 £000s	2007/08 £000s
Insurance premiums	742	1,023
Capital PFI projects	61,570	102,026
Miscellaneous	2,919	2,239
Total	65,231	105,288

35. CREDITORS

These consist of amounts owed to the Government and other public bodies and all unpaid sums for goods and services received as at 31 March 2009.

	2008/09 £000s	2007/08 £000s
Government and other public bodies:		
Inland Revenue - Tax & NI Contributions	6,017	6,137
Education Recoupment	3,418	3,905
Other Govt. and Local Authority Accounts	10,815	4,557
Sub-Total	20,250	14,599
Add: General creditors (amounts owed for supplies and services)	41,157	64,103
Total Creditors	61,407	78,702

36. RECEIPTS IN ADVANCE

	2008/09 £000s	2007/08 £000s
NNDR	3,570	3,657
Council Tax	6,056	5,281
Capital Contributions Unapplied	13,420	12,078
Other Receipts in Advance	38,934	29,747
Total Receipts in Advance	61,980	50,763

Note: Other receipts in advance includes grants of £8.5m for the Brockley PFI scheme.

37. SHORT TERM BORROWING

This consists of borrowing repayable within twelve months or on demand.

38. BANK OVERDRAFT AND OTHER CASH HOLDINGS

This is the total of all the Council's cash and bank balances. It therefore includes the Council's main bank accounts overdraft of £13.42m (net), the schools bank account overdraft of £2.4m (net), the euro bank account balance of £0.508m and other cash balances of £1.04m.

39. DEFERRED CAPITAL RECEIPTS

Deferred Capital Receipts represent amounts derived from sales of assets, which will be received in instalments over agreed periods of time. They arise principally from mortgages on the sale of Council Houses.

Notes to the Core Financial Statements

40. GOVERNMENT GRANTS DEFERRED

Grants and contributions used to finance capital expenditure are paid into this account. A proportion of the grant is transferred to the Net Cost of Services in the Income and Expenditure Account each year, corresponding to the life of the asset financed by the grant. Movements in the year were:

	2008/09 £000s	2007/08 £000s
Balance at Beginning of Year	126,067	113,621
Prior Year adjustment	0	206
Grants Received:		
Standards Fund	16,330	16,385
Transport for London	2,458	2,709
Central Government	22,050	1,338
Other Contributions	6,119	6,858
	173,024	141,117
Written down to the Income and Expenditure Account	(29,859)	(15,050)
Balance at End of Year	143,165	126,067

41. PROVISIONS

A provision is an amount set aside to meet liabilities or losses that are likely or certain to arise. For the provisions shown below, it is not possible to determine precisely when any transfer of economic benefits will take place.

	Balance 31/03/2008 £000s	Contributions In £000s	Contributions Out £000s	Balance 31/03/2009 £000s
Insurance Provision	8,669	872	(1,309)	8,232
Other Provisions	6,461	2,436	(4,986)	3,911
Total	15,130	3,308	(6,295)	12,143

(a) Insurance Provisions

The Council holds insurance provisions for property and employers & public liability claims, which fall below the policy excess of insurance placed with external insurers. The Council does not routinely arrange 'All Risk' insurance for all of its properties because it is prohibitively expensive. The Council's buildings and contents are insured for limited perils such as fire, lightning, aircraft impact, explosion and riot & civil commotion. The Council does not insure against water or weather perils or theft; it is not possible to place a precise value on the potential exposure to loss on these uninsured risks. All Risks cover is obtained for more attractive property such as cash, computers and other specified property. A reserve is also held to cover insurable but uninsured losses and to fund risk management initiatives.

(b) Other Provisions

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

Notes to the Core Financial Statements

42. TRUST FUNDS

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

	Balance 31/03/2008 £000s	Income £000s	Expenditure £000s	Balance 31/03/2009 £000s
Children & Young People	35	1	10	26
Community Services	62	22	62	22
Cemeteries Graves Maintenance	11	1	0	12
Comforts Fund	1	0	0	1
Total Trust Funds	109	24	72	61

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 2009 were invested as follows:

	£000s
Cash	34
External investments (at market value)	27
Total Trust Funds	61

43. INVESTMENTS: RELATED BUSINESSES AND COMPANIES

This note provides details of companies related to the Council. Also see notes A and B below.

Registered Name of Company	SELCHP (South East London Combined Heat & Power Ltd)	Greater London Enterprise Ltd.
Nature of Company's Business and trading with Council	Waste Disposal / Waste to Energy	Property management & Consultancy
Proportion of Shares held by Council	< 1% share	Company limited by guarantee
Value of Shares	£750	1/13 of surplus assets to £13m + interest; 1/32 of assets above this level (v)
Company's Net Assets		
- at end of last financial year	£2.797m (i)	£49.610m (iii)
- at end of previous financial year	£0.327m (ii)	£48.289m (iv)
Company's Profit/(Loss) before Tax		
- at end of last financial year	£3.164m (i)	£0.501m (iii)
- at end of previous financial year	£1.315m (ii)	£8.777m (iv)
Company's Profit/(Loss) after Tax		
- at end of last financial year	£2.470m (i)	£0.853m (iii)
- at end of previous financial year	£0.264m (ii)	£6.605m (iv)
Amounts owing to Council at year-end	Nil	Nil
Nature of Amounts owing to Council at year-end	N/A	N/A
Status of Company's Audit of Accounts	Accounts year to 31/12/07 audited	Accounts year to 31/03/08 audited
Copies of Accounts may be obtained from:	Veolia House, 154A Pentonville Road, London N1 9PE	St Martin's Place, 210-212 Chapeltown Road, Leeds, LS7 4HZ

Notes to the Core Financial Statements

Notes:-

(i) As at 31 December 2007; (ii) As at 31 December 2006; (iii) As at 31 March 2008; (iv) As at 31 March 2007 (restated for adoption of IFRS); (v) Only on winding up or dissolution of the company

Note A: The Council has 10% ownership of the shares of the Local Education Partnership. For further details of the Local Education Partnership see Note 15 (Related Party Transactions).

Note B: Lewisham Homes Limited is a related company to the council. For further details of Lewisham Homes see note 15 (Related Parties Transactions) and also the Group Accounts (Section 5).

44. NET ASSETS EMPLOYED

This represents the aggregate of the Council's reserves, both revenue and capital, corresponding to Total Equity as stated in the Balance Sheet. An analysis of each area at the year end is shown below:

	2008/09 £000s	2007/08 £000s
General Fund	452,605	1,009,590
Housing Revenue Account	744,691	533,295
Total Net Assets Employed	1,197,296	1,542,885

Note : The Capital Adjustment Account and Revaluation Reserve have been apportioned differently for 2008/09, resulting in a fluctuation of £360m between the areas. In addition, the Pensions Reserve credit, which is virtually all apportioned to the General Fund, has decreased the General Fund by £150m.

45. CONTINGENT LIABILITIES

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

(a) Since 1986, the Council has guaranteed a loan until 1 April 2010 from a financial institution to Hyde Housing Association in connection with a housing development at Brandram Road. The amount guaranteed as at 31 March 2009 was £0.5m (£0.7m at 31 March 2008).

(b) The Council wholly owns Lewisham Homes, which is an arms-length management organisation (ALMO) who are responsible for managing and providing housing related services for the Council. In the event that they cease to be a "going concern", all their assets and liabilities would revert to the Council, with the Council being responsible for the net liability. Since the 2008/09 audited accounts of Lewisham Homes show that they made a surplus and that they are a going concern, it is appropriate that this indemnity is disclosed as a contingent liability, rather than raise a provision in the accounts.

It is not possible to quantify the extent of the costs that may result from this event happening. However, there is a potential FRS 17 pensions liability, estimated at £2.011m as at 31 March 2009, which would be met by an increase in the Council's Pension Reserve rather than from revenue.

46. CONTINGENT ASSET

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 the following contingent asset:

A claim has been submitted to Her Majesties Revenues and Customs (HMRC) for repayment of overpaid VAT. The claim is for a net sum of £2.525m plus interest and is in connection with the Fleming legal case. This case relates to changes in VAT legislation that the Courts have now decreed should be backdated to when they were first introduced. This means that any VAT reimbursed to HMRC on items of income that, for example, have subsequently become exempt, should be repaid to the Council. The

Notes to the Core Financial Statements

Council's claim is in relation to VAT on sales income from Leisure, Broadway Theatre, and the Canteen. A decision on the Council's claim by HMRC is expected by the autumn.

47. EVENTS AFTER THE BALANCE SHEET DATE

Following the approval of Stage 1 for the Northbrook School development, the Stage 2 proposals and the Early Works Agreement were approved by Mayor and Cabinet on 15 April 2009. The proposals for the Temple Grove Hatcham Primary School (Monson) have also been agreed since the end of 2008/09.

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

48. RECONCILIATION OF REVENUE CASH FLOW

2007/08 £000s		2008/09 £000s	
		£000s	£000s
261,589	Net Deficit on the Income & Expenditure Account	200,463	
(31)	Collection Fund Deficit/(Surplus)	(73)	
261,558			200,390
	Less: Non-Cash Transactions		
3,600	Contributions (to)/from Provisions	2,987	
8,838	Deferred Premiums on Early Repayment of Debt	(4,480)	
176	Deferred Discounts on Early Repayment of Debt	0	
1,764	Interest Payable / Receivable Adjustments	3,500	
227	Landfill Liability	381	
(228)	Landfill Usage Allowance	(486)	
(331,741)	Depreciation and Impairment of Fixed Assets	(200,899)	
124,729	Government Grants Deferred Amortisation	29,859	
(15,477)	Write Down of Revenue Expenditure Funded from Capital under Statute	(6,247)	
0	Revenue contributions to Deferred Assets	1,027	
0	Deferred Contribution Written Down	(2,697)	
(32,381)	Premiums & Discounts Adjustment	(6,716)	
(12,228)	Net Gain / (Loss) on Sale of Fixed Assets	1,224	
(23,085)	Net Charges made for Retirement Benefits in accordance with FRS17	(35,256)	
27,444	Employers Contributions to the Pension Fund and Retirement Benefits payable direct to Pensioners	29,430	
(20,439)	Transfer from Major Repairs Reserve	(19,367)	
(268,801)			(207,740)
	Less: Items Included as Accruals		
269	Increase/(Decrease) in Long-Term Debtors	(179)	
169	Increase/(Decrease) in Stocks	(319)	
(11,814)	Increase/(Decrease) in Debtors	587	
791	Increase/(Decrease) in Prepayments	400	
(1,277)	(Increase)/Decrease in Creditors	11,521	
(2,755)	(Increase)/Decrease in Receipts in Advance	(280)	
(14,617)			11,730
	Less: Financing Items		
(19,105)	Shown Earlier in Cashflow Statement		(13,116)
(40,965)	Net Cashflow from Revenue Activities		(8,736)

Notes to the Core Financial Statements

49. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

Analysis of changes in Net Debt:

	31/03/2008 £000s	Cash Flow £000s	Non-Cash Redemption (see note A) £000s	Transfers & Adjustments to Carrying Values (see note B) £000s	31/03/2009 £000s
Cash Balance					
Bank overdraft	(7,764)	(6,505)	0	0	(14,269)
Financing Activities					
Debt due within one year	(25,380)	0	0	(9,945)	(35,325)
Debt due after one year	(295,296)	(54,670)	17,778	796	(331,392)
	(320,676)	(54,670)	17,778	(9,149)	(366,717)
Management of Liquid Resources					
Short term investments	97,586	18,310	0	438	116,334
Long term investments	34,635	20,000	0	1,152	55,787
	132,221	38,310	0	1,590	172,121
Total	(196,219)	(22,865)	17,778	(7,559)	(208,865)

Reconciliation of Net Cash Flow to Movement in Net Debt:

	2008/09	
	£000s	£000s
Net cash flow		(6,505)
Net cash inflow from financing	(54,670)	
Net cash inflow from management of liquid resources	38,310	
Non-cash redemption (note A)	17,778	
Transfers and adjustments to carrying values(note B)	(7,559)	
		(6,141)
Movement in Net Debt		(12,646)

Notes:

A) Non-Cash Redemption - this represents redemption of PWLB loan debt related to the transfer of housing stock for Grove Park. The Government paid this amount directly to the PWLB on behalf of the Council in lieu of grant.

B) Transfers and Adjustments to Carrying Values - this represents transfers between categories of long-term and short-term debt, and adjustments to carrying values as required by the SORP.

Notes to the Core Financial Statements

50. ANALYSIS OF GOVERNMENT GRANTS IN CASH FLOW

	2008/09 £000s	2007/08 £000s
Housing & Council Tax Benefit	(192,531)	(181,172)
Dedicated Schools Grant	(172,753)	(168,579)
Standards Fund	(42,200)	(41,447)
Revenue Support Grant	(21,340)	(23,685)
Supporting People	(17,243)	(17,430)
Area Based Grant	(17,253)	(20,358)
Schools Sixth Form	(10,070)	(10,219)
Adult & Community Learning	(4,516)	(4,294)
NDC New Cross Gate	(2,913)	(4,283)
Access & Systems Capacity	0	(3,121)
Other Grants	(21,007)	(15,522)
	(501,826)	(490,110)

Housing Revenue Account

SECTION 3a

**HOUSING
REVENUE
ACCOUNT**

2008/09

Housing Revenue Account

HOUSING REVENUE ACCOUNT

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

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

	2008/09 £000	2007/08 £000	Note
INCOME			
Gross rent - dwellings	71,057	84,801	1
- other housing property	2,857	3,117	1
Charges for services and facilities	7,800	7,959	1
Housing subsidy - housing element	4,638	11,740	2
Contribution towards expenditure	4,639	6,637	4
Overhanging debt grant	17,778	90,514	
Total income	108,769	204,768	
EXPENDITURE			
Supervision & management - General expenses	37,631	38,975	5
- Special expenses	6,675	7,437	6
Repairs and maintenance	19,896	21,289	7
Rent, rates and other charges	1,419	710	8
Rent Rebate Subsidy Shortfall	485	1,446	3
Contribution to doubtful debt provision	1,267	2,812	9
Depreciation - dwellings	30,806	16,299	11
- other housing assets	1,202	1,229	11
Impairment of fixed assets	77,768	299,330	12
Debt management expenses	63	71	
Total expenditure	177,212	389,598	
Net cost of services per Authority Income and Expenditure Account	68,443	184,830	
HRA services share of CDC	195	414	
HRA share of other amounts included in the whole authority Net cost of services but not allocated to specific services	0	0	
Net Cost of HRA Services	68,638	185,244	
(Gain) / loss on sale of HRA fixed assets	(1,224)	148	
Interest payable and similar charges	13,667	17,602	
Amortisation of premiums and discounts	0	31,046	13
Interest and investment income	(583)	(57)	
Pension interest cost and expected return on pension assets	137	45	18
Net operating expenditure	80,635	234,028	

Housing Revenue Account

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

	2008/09 £000	2007/08 £000	Note
Statement of movement on the HRA balance			
(Surplus) / deficit for the year on the HRA income & expenditure account	80,635	234,028	
Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	(76,553)	(236,124)	
(Increase) or decrease in the Housing Revenue Account Balance	4,082	(2,096)	
Housing Revenue Account Surplus Brought Forward	(16,176)	(14,080)	
Housing Revenue Account Surplus Carried Forward	(12,094)	(16,176)	17

SUPPLEMENT TO THE STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

	2008/09 £000	2007/08 £000	Note
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year			
Difference between amounts charged to income and expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	1,893	(28,629)	
Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	(61,066)	(188,706)	
Gain / (loss) on sale of HRA fixed assets	1,224	0	
Net Charges made for retirement benefits re FRS17	0	0	
Subtotal: Items Included	(57,949)	(217,335)	
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year			
Revenue contribution to capital	750	1,250	
HRA set-aside (contribution to minimum revenue provision)	0	0	
Transfer to/(from) major repairs reserve	(19,367)	(20,439)	16
Employers contribution payable to the pension fund & retirement benefits payable direct to pensioners	13	400	18
Subtotal: Items Not Included	(18,604)	(18,789)	
Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	(76,553)	(236,124)	

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 2009, 3.1% of lettable property was empty (1.5% at 31 March 2008). These figures for empty property exclude accommodation for the homeless and dwellings designated for sale, major works and improvements. Average rents were £74.80 in 2008/09 and £70.90 per week in 2007/08.

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

a) Housing stock

The Council was responsible for managing 18,437 dwellings as at 31 March 2009 (19,642 as at 31 March 2008).

During the year three stock transfers have taken place. 1,090 flats and houses in the Grove Park area were transferred to London & Quadrant Housing Association, 32 flats and houses in the Foreshore area were transferred to Hyde Housing and 86 flats and houses in the Orchard and Village Court area were transferred to Broomleigh Housing Association.

The stock was made up as follows:

	2008/09 Nos.	2007/08 Nos.
Houses/Bungalows	3,256	3,737
Flats/Maisonettes	15,181	15,905
Stock at 31 March	18,437	19,642

The changes in stock can be summarised as follows:

	2008/09 Nos.	2007/08 Nos.
Stock at 1 April	19,642	25,667
Less Sales, Demolitions, etc.	(13)	(380)
Less Stock Transfers	(1,210)	(5,670)
Add Re-purchases, Conversions etc.	18	25
Stock at 31 March	18,437	19,642

b) Rent arrears

	2008/09 £'000	2007/08 £'000
Arrears due from - current tenants	3,976	4,675
- former tenants	3,568	3,170
Total Arrears	7,544	7,845
Total Arrears as % of Gross Rent of Dwellings Due	10.6%	9.3%

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

Housing Revenue Account

c) Rent – other housing property

	2008/09 £'000	2007/08 £'000
Aerial Sites	190	284
Garage rents	728	795
Reception Hostels	1,073	1,071
Commercial property rent	856	882
Ground Rents	10	85
Total Other Rents & Charges	2,857	3,117

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

From 5 April 2003, service charges for caretaking and grounds maintenance were separated from rent and charged separately to tenants. From 5 April 2004, service charges for communal lighting were separated from rent and charged separately to tenants. From 4 April 2005, service charges for the Lewisham Tenants Levy were separated from rent and charged separately to tenants. The average tenants' service charge was £3.17 in 2008/09 (£2.99 in 2007/08).

	2008/09 £'000	2007/08 £'000
Heating Charges	705	749
Leasehold Service Charges	3,775	3,562
Tenants Service Charges	3,320	3,648
Total Charges for Services and Facilities	7,800	7,959

2. GOVERNMENT HOUSING EXCHEQUER SUBSIDY

This is a Government grant towards the net cost of management and maintenance and financing costs (i.e. capital financing, lease costs and deferred interest payments) after allowing for an assumed rent increase. From April 2001, the subsidy includes the major repairs allowance. This represents the Government's estimate of the long-term average amount of capital spending required to maintain the housing stock in its present condition.

The Subsidy is made up of the following elements:

	2008/09 £'000	2007/08 £'000
Management Allowance	16,660	19,994
Maintenance Allowance	24,951	31,174
Major Repairs Allowance	13,379	17,186
Charges for Capital	18,566	24,743
Other Reckonable Expenditure	519	524
Allowance for Tenant Participation Compacts	0	0
Allowance for Resource Accounting	0	0
Guideline Rent Income	(69,390)	(82,164)
Rental Constraint Allowance	0	346
Interest on Receipts	(47)	(63)
Total Housing Element of Subsidy	4,638	11,740

Housing Revenue Account

3. REBATES

Assistance with rents is available under the Housing Benefits scheme for those on low income. Approximately 60% of Council tenants received help under this scheme as at 31 March 2009 (61% as at 31 March 2008). The scheme is administered by the Council

Rent rebates are chargeable to general fund from April 2004 (previously charged to HRA). Similarly, the corresponding subsidy is now credited to General Fund.

Subsidy on rent rebates is subject to capping as the Council's rent is in excess of the Government's limit for subsidy on rebates. 2005/06 was the last year of transitional protection which required that the shortfall on subsidy due to overpayments (incentive areas) should be recharged back to the HRA. These costs are now picked up by General Fund from 2006/07. The cost of rebates over the subsidy limit is recharged back to the HRA. Rent rebate administration costs are fully chargeable to general fund.

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

	2008/09 £'000	2007/08 £'000
Rent Rebates Given (GF)	42,704	53,021
Subsidy Received on Rebates (GF)	(42,219)	(51,575)
Net cost to council	485	1,446
Recharge from GF to HRA		
Shortfall on limitation	485	1,446
Shortfall on overpayments	0	0
Net cost to the HRA	485	1,446
Net cost to GF	0	0

4. OTHER INCOME

	2008/09 £'000	2007/08 £'000
Asset rentals	91	312
Commission on insurance and water rates	961	959
Corporate recharges	0	0
Court costs	90	67
Inter-borough nominations	0	41
Government grants	576	760
Recharges of repairs	1,386	2,697
Professional fees	41	59
Recharge to capital receipts	375	631
Hostels: Heat, Light and Water Charges	254	229
Transfer from Leaseholders Insurance Fund	0	0
Fees and Charges to Lewisham Homes	373	787
Other miscellaneous income	492	95
Total Other Income	4,639	6,637

Housing Revenue Account

5. SUPERVISION AND MANAGEMENT – GENERAL EXPENSES

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

6. SUPERVISION AND MANAGEMENT - SPECIAL EXPENSES

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

7. REPAIRS AND MAINTENANCE

This includes day-to-day repairs to Council housing stock and cyclical external decoration. Void properties prior to re-letting and certain tenants' properties are eligible for internal decoration. The gross repairs and maintenance expenditure for 2008/09 was £21.3m (2007/08 - £22.3m). In 2008/09 £1.4m (2007/08 - £1.03m) was charged to capital.

8. RENT, RATES AND OTHER CHARGES

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

9. CONTRIBUTIONS TO PROVISION FOR DOUBTFUL DEBTS

A contribution of £1.267m (2007/08 - £2.812m) was provided from the HRA to a provision set aside to meet doubtful debts. Details of the accumulated provision are as follows:

	2008/09 £'000	2007/08 £'000
Housing tenants	7,187	6,597
Leaseholders	1,962	2,005
Commercial properties, miscellaneous debts	428	357
Total Provision for Bad and Doubtful Debts	9,577	8,959

Housing Revenue Account

10. FIXED ASSETS

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

	31/03/09 £'000	31/03/08 £'000	31/03/07 £'000	31/03/06 £'000	31/03/05 £'000
Operational Assets:					
Dwellings	913,225	1,064,389	1,294,331	1,427,261	1,383,030
Other Land and Buildings	52,937	57,428	102,618	21,813	25,220
Infrastructure	473	495	0	0	0
Total Operational Assets	966,635	1,122,312	1,396,949	1,449,074	1,408,250
Non-operational assets	30,099	9,152	745	8,463	2,164
Total Housing Assets	996,734	1,131,464	1,397,694	1,457,537	1,410,414
Valuation of Council dwellings					
Existing use value - social housing	913,225	1,064,389	1,294,331	1,247,261	1,383,030
Vacant possession value	2,468,178	2,876,727	3,507,027	3,530,834	3,513,527

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

11. DEPRECIATION

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

	2008/09 £'000	2007/08 £'000
Operational Assets:		
Dwellings	31,502	36,367
Govt Grants Deferred	(696)	(20,068)
Total Depreciation Dwellings	30,806	16,299
Other Land and Buildings	1,244	1,271
Govt Grants Deferred	(42)	(41)
Total Depreciation Other land and buildings	1,202	1,230
Total Operational Assets	32,008	17,529
Non-operational assets	0	0
Total Housing Assets	32,008	17,529

12. IMPAIRMENT OF FIXED ASSETS

This is in respect of capital expenditure which was impaired because it did not add value to the assets, and the revaluation of council dwellings which resulted in a 10% decrease in the value of the stock.

Housing Revenue Account

13. AMORTISATION OF PREMIUMS AND DISCOUNTS

The cost to the HRA of loan redemption premiums is amortised over 10 years. The same applies to income from loan redemption discounts.

14. HOUSING CAPITAL EXPENDITURE

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

	2008/09 £'000	2007/08 £'000
Capital expenditure on housing, land and buildings	19,305	35,915
Financed by:		
Borrowing (SCE(R))	2,697	5,500
Usuable Capital Grants	3,818	12,992
Grants (Estate action, CRS, Silwood SRB)	722	237
Revenue contribution	0	0
Major Repairs Reserve	12,068	17,186
Total Financing	19,305	35,915

Total capital receipts from the disposal of housing assets were £2.051m in 2008/09 (£19.330m in 2007/08) of which £0.545m (£9.732m) were usable capital receipts.

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

This is the repayment of principal on housing debt. As from 01 April 2004, there is no requirement to repay housing debt. The total housing debt was £255m (£263m in 2007/08).

16. MAJOR REPAIRS RESERVE

	2008/09 £'000	2007/08 £'000
Balance as at 1 April	0	0
Transferred in (depreciation dwellings)	(32,745)	(37,625)
Financing of capital expenditure on housing assets	12,068	17,186
Transfer to the HRA	19,367	20,439
Balance as at 31 March	(1,310)	0

17. MOVEMENT IN HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

	Balance at 31/03/2008 £'000	Transfers in £'000	Transfers out £'000	Balance at 31/03/2009 £'000
Non-earmarked Balance	5,243	2,704	7,244	703
Property and Stock Related Reserves	6,849	3,672	2,917	7,604
Staff Related Reserves	2,784	1,500	3,274	1,010
Other Earmarked Reserves	1,300	1,777	300	2,777
Total	16,176	9,653	13,735	12,094

Housing Revenue Account

18. PENSIONS COSTS - FRS 17

In accordance with FRS 17, 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 cash payable in the year, so the accrued cost of retirement benefits is reversed out of the HRA in the Statement of Movement on the Housing Revenue Account Balance.

Collection Fund

SECTION 3b

**COLLECTION
FUND**

2008/09

Collection Fund

THE COLLECTION FUND

Lewisham Council is a designated 'billing' authority and as such is required by statute to set up and maintain a separate Collection Fund. This account shows the transactions relating to both the Council Tax and the National Non-Domestic Rates (NNDR) and how the amount collected has been distributed to the Greater London Authority (the Preceptor), the Council's General Fund and, with regard to NNDR, to the Government.

The costs of collecting local taxes are accounted for in the General Fund as part of the Council's own budget. An allowance towards the cost of collecting NNDR, calculated on a formula basis, is however deducted from the monies paid to the Government and transferred to the General Fund. The accounts of the Collection Fund have been prepared on an accruals basis and its year end balances are included in the Council's Balance Sheet and its transactions in the Council's Cash Flow Statement.

COLLECTION FUND REVENUE ACCOUNT

	2008/09 £'000	2007/08 £'000	Note
INCOME			
Income from Council Tax	93,756	91,252	3
Transfers from General Fund:			
- Council Tax Benefits	24,611	24,071	
Income from National Non-Domestic Rates	43,813	40,297	4
TOTAL INCOME	162,180	155,620	
EXPENDITURE			
Precepts and Demands upon Collection Fund			
- London Borough of Lewisham	87,856	85,376	
- Greater London Authority	26,773	26,156	
National Non-Domestic Rates			
- Payment to National Pool	42,903	39,510	4
- Cost of Collection Allowance	330	343	4
Bad and Doubtful Debts Provision			
- Net adjustment to Provisions (Council Tax)	2,529	2,594	5
- Net adjustment to Provisions (NNDR)	(55)	(31)	5
- Amounts Written Off (Council Tax)	1,096	1,146	
- Amounts Written Off (NNDR)	635	474	
Contributions from previous year's Collection Fund Surplus			
- London Borough of Lewisham	31	16	1
- Greater London Authority	9	5	1
TOTAL EXPENDITURE	162,107	155,589	
Surplus for the Year	(73)	(31)	
Surplus at the Beginning of the Year	(71)	(40)	
FUND SURPLUS AT THE END OF THE YEAR	(144)	(71)	

An in-year surplus of £0.073m has increased the brought forward surplus of £0.071m at the start of the year to a surplus of £0.144m at the end of the year.

Collection Fund

NOTES TO THE COLLECTION FUND REVENUE ACCOUNT

1. COLLECTION FUND SURPLUS OR DEFICIT

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

2. COUNCIL TAX

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

The tax base used in setting the council tax is set by the end of January for the following financial year. It is based on the actual number of dwellings on the Valuation List that fall within each valuation band. The total in each band is adjusted for exemptions, single person occupancy discounts, discounts for second homes and long term empty properties, disabled band relief and new properties. The total for each band is then expressed as a Band D equivalent number by multiplying the resulting total by the relevant band proportion. The tax base for both 2008/09 and 2007/08 assumed a collection rate of 96.25%.

The table below sets out the tax base calculation for 2008/09;

Council Tax Band	2008/09		Band D Ratio	2008/09		2007/08	
	Number of Properties Actual Number (1)	Adjusted Number (2)		Band D Equivalents as per Ratio	Council Tax Charge £	Band D Equivalents as per Ratio	Council Tax Charge £
A	7,003	5,447	6/9	3,631	884.34	3,601	863.85
B	31,099	25,091	7/9	19,515	1,031.73	19,329	1,007.82
C	40,163	34,103	8/9	30,314	1,179.12	30,089	1,151.80
D	25,081	22,277	1	22,277	1,326.51	22,321	1,295.77
E	7,233	6,594	11/9	8,059	1,621.29	8,081	1,583.72
F	2,771	2,557	13/9	3,693	1,916.07	3,705	1,871.67
G	1,293	1,198	15/9	1,996	2,210.85	2,008	2,159.62
H	174	148	18/9	296	2,653.02	292	2,591.54
Total	114,817	97,414		89,781		89,426	
Add: Contributions in lieu				0		0	
Total Band D equivalents				89,781		89,426	
Estimated Collection Rate				96.25%		96.25%	
NET COUNCIL TAX BASE				86,414		86,073	

(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

3. COUNCIL TAX INCOME

The income from Council Tax is shown in the table below;

	2008/09		2007/08
	£'000	£'000	£'000
Gross Council Tax Due		139,397	135,285
Less: Adjustments to charge	671		884
Exemptions	(6,113)		(5,704)
Disabled Relief	(77)		(79)
Discounts	(15,511)		(15,063)
		(21,030)	(19,962)
Total Due from Council Tax payers		118,367	115,323
Transfers from General Fund for Council Tax Benefits		(24,611)	(24,071)
Net amount of Council Tax Receivable		93,756	91,252

4. NATIONAL NON-DOMESTIC RATES

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

The total Non-Domestic Rateable Value for the Council at the end of 2008/09 was £113.6m (£116.2m at the end of 2007/08).

The National Non-Domestic rate multiplier for 2008/09 was 46.2p (44.4p in 2007/08), with the small business National Non-Domestic rating multiplier being 45.8p (44.1p in 2007/08).

	2008/09		2007/08
	£'000	£'000	£'000
Gross NNDR Collectable (after voids and exemptions)		47,719	43,796
Reductions and Relief:			
Mandatory Relief	(3,823)		(3,369)
Discretionary Relief	(154)		(166)
Interest on Refunds and Other Adjustments	71	(3,906)	35
Total Receivable from Business Rates		43,813	40,296
Irrecoverable Amounts Written Off		(635)	(474)
Net Adjustment to Provision for Bad Debts		55	31
Net Amount Collectable from Business Ratepayers		43,233	39,853
Cost of Collection Allowance transfer		(330)	(343)
Amount Payable to NNDR Pool		42,903	39,510

Collection Fund

5. COLLECTION FUND ARREARS AND BAD DEBT PROVISION

(a) Council Tax

	31/03/2009 £'000	31/03/2008 £'000
Council Tax Arrears	25,910	23,234
Provision for Bad Debts	(21,786)	(19,257)
As a Percentage of Arrears	84.1%	82.9%

Age of Debt	2008/09		2007/08	
	Amount £'000	Percentage %	Amount £'000	Percentage %
Year of Accounts	7,645	30	7,811	34
Under 2 Years old	4,908	19	4,761	20
Under 3 Years old	3,580	14	2,927	13
Under 5 Years old	4,744	18	4,272	18
Over 5 Years old	5,033	19	3,463	15
Total	25,910	100	23,234	100

Income from court costs and penalties (and the associated debtors provision) as a result of arrears recovery action are accounted for in the General Fund. As at 31 March 2009, these amounted to £2.62m (£2.24m in 2007/08) with an accumulated provision for bad debts totalling £2.22m or 85% (£2.09m or 93% in 2007/08).

(b) National Non-Domestic Rates

	31/03/2009 £'000	31/03/2008 £'000
NNDR Arrears	1,438	1,266
Provision for Bad Debts	(383)	(438)
As a Percentage of Arrears	26.6%	34.6%

Age of Debt	2008/09		2007/08	
	Amount £'000	Percentage %	Amount £'000	Percentage %
Year of Accounts	907	63	694	55
Under 2 Years old	227	16	293	23
Under 3 Years old	163	11	127	10
Under 5 Years old	106	7	91	7
Over 5 Years old	35	2	61	5
Total	1,438	100	1,266	100

For 2008/09, although the overall arrears have increased, the percentage of the arrears which are over 5 years old has decreased from 5% to 2% and the percentage between 1 and 2 years old has decreased from 23% to 16%. There has been a corresponding increase in the percentage of more recent arrears. Since the level of bad debt provision required increases with the age of the debt, this shift has resulted in a lower overall requirement. The collection rate on NNDR has been over 99% in recent years.

Income from court costs and penalties (and the associated debtors provision) as a result of arrears recovery action are accounted for in the General Fund. As at 31 March 2009, these amounted to £0.066m (£0.059m in 2007/08) with an accumulated provision for bad debts totalling £0.060m or 91% (£0.053m or 90% in 2007/08).

Collection Fund

Pension Fund Accounts

SECTION 4

**PENSION
FUND
ACCOUNTS**

2008/09

Pension Fund Accounts

PENSION FUND ACCOUNTS

INTRODUCTION

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

ORGANISATION

The Fund is operated under various sets of regulations made under the Superannuation Act 1972. The main sets of regulations are the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Administration) Regulations 2008. As at 31 March 2009, the Fund membership was 6,078 retired members, including the surviving spouse's of members (6,005 in 2007/08); 6,436 current employees (6,380 in 2007/08); and 6,237 deferred members (5,815 in 2007/08).

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

Following a review of the Fund's investment strategy in January 2008 the Fund went through a restructuring during 2008/09. Fauchier was appointed to the new Hedge Fund of Funds allocation in July 2008 with investment following at the end of August. Additionally 18% of the Fund was earmarked towards a new Global equities manager and in September RCM were appointed to this mandate. UBS continued to manage the bonds portfolio and the newly created UK equity tracker allocation (previously run by UBS as an active UK mandate). The Fund has also recruited a new Independent Investment Advisor, Dr Scott Jamieson, who advises the Committee on investment strategy.

A report on the Fund's performance and topical developments is sent to all pensioners bi-annually. The report published in November gives details of the outturn for each year to 31 March. A statement of the Fund's corporate governance, funding strategy and investment principles can be found on the authority's website, at the following address:

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

ACCOUNTING POLICIES

The Pension Fund Accounts have been prepared in accordance with the 2008 CIPFA Code of Practice on Local Authority Accounting - a Statement of Recommended Practice (the SORP). The 2008 Code states that the Pension Fund Accounts should be prepared in accordance with The Financial Reports of Pension Schemes – A Statement of Recommended Practice 2007 (the Pension SORP 2007).

From 1 April 2007 the Local Government Pension Scheme (Amendment) (No. 3) Regulations 2007 requires administering authorities in England and Wales to prepare a Pension Fund Annual Report which must include for each of those funds, the Fund Account and a Net Assets Statement with supporting notes prepared in accordance with proper practices. The Code summarises the Pension SORP and the minimum disclosure requirements.

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

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

Pension Fund Accounts

- (a) Basis of Preparation - The Accounts have been prepared on an accruals basis, i.e. income and expenditure attributable to the financial year have been included, even where payment has not actually been made or received. The only exception being Transfer Values which are prepared on a cash basis. The financial statements do not take account of liabilities to pay pensions and other benefits due after the period end; these are reported upon separately in the actuary's report and reflected in the income and expenditure account. The Fund is assumed to be a going concern for accounting purposes.
- (b) Investments - Investments in the Net Assets Statement are shown at market value based on bid prices as required by the 2008 local authority SORP and the 2007 Pension Fund SORP (up to and including 2007/08, mid price valuations were used; the 2007/08 comparative figures have not been restated). The market value of equity investments is based on the official closing data, in the main, with last trade data being used in a small number of countries. Unitised equities are quoted based on last trade or official closing price. Northern Trust, the Fund's custodian, sets out its pricing policies in a document entitled "Asset pricing guidelines" which details its pricing process and sets out preferred pricing sources and price types. Acquisition costs, where material, are added to asset carrying values.
- (c) Private equity investments are valued in accordance with U.S. 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.

A SAS70 report provides external assurance on a fund managers controls and procedures. In 2008/09 a type I report was obtained by HarbourVest, which sets out the controls they use and has been audited by Ernst and Young. It shows whether the controls are appropriately designed and that the controls were in place as at the 30 April. Ernst & Young set out that the controls are presented fairly and that they are designed to ensure their control objectives.

What follows next is the type II report which will give assurance that the controls are working as intended. The type II SAS 70 report will be available in late August or September.

- (d) The Pension Fund's Hedge Fund assets are held in the Jubilee Absolute Return Fund which is a collective investment scheme structured as a protected cell of Jubilee Absolute Return Fund PCC Limited, an open ended investment company listed on the Irish Stock Exchange. The Jubilee Absolute Return Fund produces an official single-priced NAV and hence there are no bid-offer prices for subscriptions or redemptions. The official single-priced NAV is produced on a monthly basis by the independent administrator, HSBC Securities Services (Ireland) Limited ("HSBC").
- (e) Property - The Fund does not have any direct investments in property but does use a property Fund of Funds manager, Schroders, to invest in pooled property funds. The Schroders funds are all currently valued at least quarterly. The majority of property assets to which the fund has exposure to are located in the UK. They are valued in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards and are valued on the basis of their open market value (OMV).

The only non UK fund is the Continental European Fund I. Its net asset value is derived from the net asset values of the underlying funds. Like the UK, the value of the underlying assets are assessed by professionally qualified valuers. Valuation practices will vary between countries according to local Generally Accepted Accounting Practices. The frequency of independent valuations does however vary. All the funds are independently valued on a rolling basis at least annually.

In the last year, a number of Schroder's UK property sub funds have issued caveats that state that the accuracy of their valuations may be affected by the low volumes of investment transactions that have taken place.

- (f) Contributions – As from the 1 April 2008 the Local Government Pension Scheme has changed the contribution rates for individual members' contributions to the scheme according to their salary (or the full time equivalent of their salary if they are part time). Previously there were two

Pension Fund Accounts

bands: 6% for officers and recently joined manuals and 5% for manual workers joining before 1998. In 2008/09 there were seven bands (revised annually in line with inflation) ranging from 5.5% for members earning under £12,000 a year to 7.5% to members earning over £75,000 a year. The employer's contribution is reviewed every three years and is determined as the rate necessary to ensure that the Fund is able to meet its long-term liabilities. This is assessed at each triennial actuarial revaluation.

- (g) Actuarial – The adequacy of the Fund's investments and contributions in relation to its overall and future obligations is reviewed every three years by an actuary appointed by the Council. The Council's Actuary, Hymans Robertson, assesses the Fund's assets and liabilities in accordance with Regulation 77 of the Local Government Scheme Regulations 1997. The contribution rate required for benefits accruing in future is assessed by considering the benefits which accrue over the course of the three years to the next valuation. The value of the fund as at the last valuation on 31 March 2007 was £734.5m which represented an 87% funding level.

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

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

The actuarial review carried out for 31 March 2007 resulted in an increase to the Council's (and other employer's) contribution rate from 18.5% to 19% with effect from 1st April 2008 and a further increase to 19.5% effective from 1st April 2009. A further increase to 20% will occur in 2010/11. The next actuarial valuation of the fund will have an effective date of 1 April 2010, with new employer contribution rates taking effect from 2011/12.

- (h) Investment Management and Administration - paragraph 42 of the Local Government Pension Scheme (Administration) Regulations 2008 permit the Council to charge the scheme's administration costs to the Fund. A proportion of relevant Council officers' salaries, including related on-costs, has been charged to the Fund on the basis of actual time spent on scheme administration and investment-related business. The fees of the Fund's general investment managers are charged on a quarterly basis and are generally calculated as a set percentage of the market value funds under management as at the end of those quarters. The Council's administrative costs are shown in the Fund Account as part of expenditure.
- (i) Foreign currency transactions are made using the WM/ Reuters exchange rate in the following circumstances:
- Purchase and sales: the foreign exchange rate applicable on the day prior to the trade date is used.
 - Stock holdings: the converted foreign exchange rate is used at stock valuation date.
 - Dividend receipts: the rate applicable on the day prior to the date the dividend is received is used.
- (j) Derivatives are valued according to the 2007 Pensions SORP requirements particular to their nature. Specific details are given in the derivatives note, Note 6.

INVESTMENT PERFORMANCE

(i) 2008/09 Financial Year

Lewisham's Pension Fund achieved a return on investment for the year of -24.1% compared with the benchmark return of -21.0%. The average return on investments achieved by all local authority pension funds was -19.9% for 2008/09. The volatility in all markets has affected all asset classes and the value of the fund as at the end of March 2009 had fallen to £519m.

Pension Fund Accounts

(ii) Three Year (1 April 2006 to 31 March 2009) Average Performance

The average return on investment for Lewisham in the three year period to March 2009 was -8.8% p.a. This compares with -5.9% p.a. earned by the average local authority pension fund. Over the three years to March 2009 the upper benchmark return on investment was -4.7% p.a. The average investment return compared to previous periods is:

Three years to	Lewisham % p.a.	Average fund % p.a. for all Local Authorities	Top Quartile %
Mar-09	-8.8	-5.9	-4.7
Mar-08	7.3	9.1	9.7
Mar-07	8.5	7.0	8.7

(iii) Summary of Fund value and Fund Manager's performance

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

Fund Manager	Asset Type	Asset Value 2008/09 £m	Asset Value 2007/08 £m	Proportion of the Fund 2008/09 (%)
UBS	Bonds	99.6	119.4	19.2%
Capital International	UK Equities	0.0	0.4	0.0%
Alliance Bernstein	Global Equities incl. UK (from 07/08)	125.5	204.5	24.3%
RCM	Global Equities incl. UK	101.3	0.0	19.6%
Schroders Property	Property	53.3	74.2	10.4%
HarbourVest	Private Equity	20.5	16.3	4.0%
Legacy Stock	Venture Capital	0.2	0.4	0.0%
UBS passive equity	UK Tracker Fund	98.8	140.1	19.1%
UBS transition	Assets under transition	0.0	124.3	0.0%
Fauchier	Hedge Fund of Fund	18.0	0.0	3.5%
Lewisham	Cash	1.7	-2.9	0.0%
Total Fund		518.9	676.6	100.0%

Note: Inception date was 1st November 2004.

The absolute value of the Fund reduced during 2008/09 from £676.6m to £518.9m - a reduction of some £158m or 23%. This was due to falls in financial markets generally. Since the end of the financial year rallies in the stock market have left the Fund valued at £565m. The Actuarial Valuation at 31 March 2007 showed the funding level of the Fund to be 87% with a funding shortfall of £105.6m. The calculation of liabilities is a complex exercise undertaken on a triennial basis. The actuary has indicated that the liabilities will have increased since 31 March 2007. The funding level and the level of employer contributions for 2011/12 onwards will be determined by the Actuary at the 2010 valuation.

Pension Fund Accounts

FUND ACCOUNT FOR THE YEAR

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

	2008/09 £000s	2007/08 £000s	See Notes
<u>DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED WITH THE SCHEME</u>			
Contributions Receivable:			
- from Employer	27,856	25,266	1
- from Employees	9,355	7,714	1
Transfer Values In	3,384	4,832	
Other Income	8	2	
Sub-Total: Income	40,603	37,814	
Benefits Payable:			
- Pensions	24,977	23,616	2
- Lump Sums: Retirement allowances	4,415	3,243	
- Lump Sums: Death grants	632	628	
Payments to and on account of leavers:			
- Refunds of Contributions	1	12	
- Transfer Values Out	3,243	4,357	
Administrative and other expenses borne by the scheme	725	830	3
Sub-Total: Expenses	33,993	32,686	
Total Net (additions) withdrawals from Dealings with Scheme Members	(6,610)	(5,128)	
<u>RETURNS ON INVESTMENTS</u>			
Investment Income	14,594	20,631	4
Change in market value of investments (realised and unrealised)	(177,086)	(79,766)	
Investment Expenses:			
- Fund Managers' Fees	(1,181)	(2,621)	
- Tax on Dividends	(731)	(1,203)	
Total Net Returns on Investments	(164,404)	(62,959)	
NET INCREASE / (DECREASE) IN THE FUND DURING THE YEAR	(157,794)	(57,831)	
OPENING NET ASSETS OF THE SCHEME	676,648	734,479	
CLOSING NET ASSETS OF THE SCHEME	518,854	676,648	

Pension Fund Accounts

NET ASSETS STATEMENT

The Net Assets Statement shows the market value of the investments and other assets held by the Pension Fund as at 31 March 2009.

	2008/09 £000s	2007/08 £000s	See Notes
INVESTMENT ASSETS			
EQUITIES:			
United Kingdom	28,927	116,824	
Overseas	182,156	159,667	
	211,083	276,491	5
MANAGED FUNDS:-			
Property	41,989	71,854	
Equities	129,940	196,361	
Bonds	99,061	118,658	
Hedge Fund of Funds	17,976	-	
	288,966	386,873	5
CASH DEPOSITS	15,846	15,384	8
DERIVATIVE CONTRACTS			6
Assets	1,095	-	
Liabilities	(526)	(86)	
OTHER INVESTMENT BALANCES			7
Debtors in respect of investment transactions	875	1,866	
Creditors in respect of investment transactions	(16)	(129)	
TOTAL INVESTMENTS	517,323	680,399	5
NET CURRENT ASSETS & LIABILITIES			
Debtors	519	163	7
Creditors	(762)	(919)	7
Cash in Hand	1,774	(2,995)	8
TOTAL NET ASSETS	518,854	676,648	
SUMMARY OF MOVEMENT IN NET ASSETS OF FUND			
Net Assets at Market Value at beginning of year	676,648	734,479	
Net New Money Invested	19,292	21,934	
Change in Market Value of Investments:			
- Realised	(96,535)	39,693	
- Unrealised	(80,551)	(119,458)	
NET ASSETS AT MARKET VALUE AT END OF YEAR	518,854	676,648	

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

Pension Fund Accounts

NOTES TO THE PENSION FUND ACCOUNTS**1. CONTRIBUTIONS RECEIVABLE**

The administering employers contributed £1.351m (£1.106m for 2007/08) from the General Fund for early retirement cases.

Employer Contributions

	2008/09	2007/08
	£'000	£'000
Administering: normal	22,736	21,834
additional	1,351	1,106
Admitted: normal	944	357
Scheduled	2,825	1,969
	27,856	25,266

Employee Contributions

	2008/09	2007/08
	£'000	£'000
Administering	8,064	7,195
Admitted	308	55
Scheduled	983	464
	9,355	7,714

2. BENEFITS PAYABLE

	2008/09	2007/08
	£'000	£'000
Retirement pensions:		
Administering	15,057	14,439
Admitted	84	76
Scheduled	310	80
Dependants' pensions	1,131	1,143
Pensions increases	8,395	7,878
	24,977	23,616

Retirement and Dependants' Pensions are the benefits of members and their families from the commencement of entitlement via a formula based upon pensionable service. Pensions increases relate to both dependants and retired members of the scheme and comprise the index linking of these benefits under the annual Pensions Increase Review.

3. ADMINISTRATION

	2008/09	2007/08
	£'000	£'000
Consultancy fees	155	263
Central Support Services	86	70
Scheme administration	388	439
Audit Fees	38	0
Corporate and Democratic Costs	58	58
	725	830

Pension Fund Accounts

4. INVESTMENT INCOME

	2008/09 £000s	2007/08 £000s
Interest on cash deposits	380	822
Equities (Includes Unit Trust Equity)	8,712	17,089
Other Managed Fund Income	5,502	2,720
Total Investment Income	14,594	20,631

5. INVESTMENT ANALYSIS

The only (non UK Government) security forming over 5% of the portfolio is an investment in a UBS UK Equity Tracker pooled fund (19.1%). This pooled fund is sufficiently diversified to ensure that overall exposure to a single UK security exceeding 5% will not occur.

An analysis of investment movements is set out below:

	Value at 31 March 2008 £000	Purchases at cost and derivative payments £000	Sales proceeds and derivative receipts £000	Change in market value £000	Value at 31 March 2009 £000
Equities (inc. Equity Unit Trusts)	472,852	221,063	(223,719)	(129,173)	341,023
Other Managed Funds					
Property	71,854	2,712	(8,996)	(23,581)	41,989
Bonds: Fixed Interest	76,083	118,376	(127,789)	(2,934)	63,736
Bonds: Index linked	42,575	-	(5,980)	(1,270)	35,325
Hedge Fund of Funds	-	20,000	-	(2,024)	17,976
Derivatives	(86)	1,207,802	(1,187,095)	(20,052)	569
	663,278	1,569,953	(1,553,579)	(179,034)	500,618
Cash Deposits	15,384			1,948	15,846
Other Investment Balances	1,737				859
Total Investments	680,399			(177,086)	517,323

(The amounts in respect of derivative payments and receipts represent the Sterling cost of the position entered into at the inception of the contract).

Equity holdings are further analysed as follows

	2008/09 £000s	2007/08 £000s
UK EQUITY		
- listed	28,769	116,684
- unlisted	158	140
TOTAL UK EQUITY	28,927	116,824
OVERSEAS EQUITY		
- listed	182,156	159,667
TOTAL EQUITY INVESTMENTS	211,083	276,491
EQUITY MANAGED FUNDS		
Unit Trust: UK Equities	98,865	185,704
Unit Trust: Overseas Equities	31,075	10,657
TOTAL EQUITY MANAGED FUNDS	129,940	196,361
TOTAL EQUITY RELATED INVESTMENTS	341,023	472,852

Pension Fund Accounts

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

The dramatic fall in equities (and equity managed funds) is due to unfavourable market conditions in 2008/09. The UK equity line has additionally reduced as the fund has expanded its global equity position and as a result of a greater proportion of total UK equity exposure being in managed funds rather than common stock.

6. DERIVATIVE CONTRACTS

The global equity managers Alliance Bernstein and RCM are instructed to operate a half currency hedge to mitigate the effect on returns of appreciation or depreciation of Sterling against the local currencies of assets held. In practice this is achieved by the use of futures and forward foreign exchange contracts, which entitle and oblige the seller and holder to exchange assets or currency on a future date at a predetermined price or rate. The former are tradable on exchanges, the latter are "over the counter" agreements, which neither the purchaser or the seller may transfer.

At 31 March 2009, forward foreign exchange contracts were the only derivative contracts held. There is no cost on entering into these contracts but the market value is established as the gain or loss that would arise at the settlement date from entering into an equal and opposite contract at the reporting date.

	Sterling Value of obligation on purchase or sale date £000s	Sterling Value of equal and opposite obligation at 31 March 2009 £000s	Implied unrealised Gains / (losses) £000s
Currency contracted to purchase	(93,768)	93,772	4
Currency contracted to sell	93,768	(93,203)	565
Net Position	-	569	569

The Net Asset Statement analyses the net position into the sum of those contracts (for either purchase or sale) which imply a loss at the reporting date (£526k) and the sum of those that imply a gain (£1,095k).

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

	2008/09 £000s	2007/08 £000s
Equity Dividends/ Income from Managed Funds	635	1,638
Interest	8	36
Tax refunds	232	192
Contributions Due from Admitted / Scheduled Bodies	519	163
	1,394	2,029

(b) Creditors

	2008/09 £000s	2007/08 £000s
Fund manager and Custody fees	(724)	(919)
Audit Fees	(38)	0
Taxes due	(16)	(129)
	(778)	(1,048)

Pension Fund Accounts

8. CASH DEPOSITS

The Cash Deposits relate 100% to UK Cash Holdings.
An analysis of Cash Deposits as at 31st March 2009 is as follows:

	2008/09	2007/08
	£000s	£000s
Northern Trust	15,846	15,298
Lewisham	1,774	(2,995)
	17,620	12,303

The Northern Trust Company is the fund global custodian and the cash is held in an interest bearing account to meet the cash flow requirements of our fund managers.

Cash in Hand is Pension Fund contributions held in the Borough's current account prior to investment.

9. TRANSACTION COSTS

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

	£000
Equity Purchases	196
Equity Sales	110
Total Transaction Costs	306

10. RELATED PARTY TRANSACTIONS

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. Five Councillors of this Committee are members of the pensions scheme. At each meeting of the Pensions Investment Committee Councillors are asked to make declarations of interest. No material declarations of interest were made in 2008/09. The Executive Director of Resources is an adviser to the committee and also a member of the scheme. During the year no trustees or Council chief officers with direct responsibility for pension fund issues have undertaken any declarable transactions with the Pension Fund.

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

- a) Recharges from the Council for the in-house administration costs and other expenses borne by the scheme were transacted for £725k (see note 3).
- b) A excess of contributions received over benefits and expenses paid totalling £1.748m at 31st March 2009 was held within the Council's current account prior to investment. Any interest receivable on such balances is paid to the Pension Fund on an annual basis.
- c) As disclosed in Note 8, The Pension Fund had £1.774m of cash balances invested with the Council as at 31 March 2009 (on 31 March 2008 the Pension Fund owed £2.995m of cash balances to the council).
- d) The amounts relating to benefits paid to members of and contributions received from the Fund's admitted and scheduled bodies (as listed in Notes 12-13) are disclosed in Note 1.

Pension Fund Accounts

11. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

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

	£000s
Value at 31 March 2008	1,020
Contributions and Transfers Received	164
Investment Return	(59)
Paid Out	(68)
Value at 31 March 2009	1,057

The opening balance has been restated as Equitable Life have restated their opening figures due to the omission of one of the contributors in 2007/08.

12. SCHEDULED BODIES

The following are scheduled bodies to the fund:

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

13. ADMITTED BODIES

The following are admitted bodies to the fund:

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

14. STOCK LENDING

Whilst 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) this process was put on hold in 2008/09 pending the completion of a review. No stock has been lent to date and Lewisham's policy will be reviewed in 2009/10.

Group Accounts

SECTION 5

**GROUP
ACCOUNTS**

2008/09

Group Accounts

GROUP ACCOUNTS

The following Group Accounts present the financial position of the Council's group of organisations. The Council's group includes Lewisham Homes Limited, a wholly owned subsidiary of the Council.

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

Group Income and Expenditure Account for the year ending 31 March 2009

2007/08		2008/09		
Net Exp. £000s	SERVICE	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
6,517	Central services to the public	35,376	(28,282)	7,094
51,957	Cultural, environmental and planning services	81,789	(16,529)	65,260
81,857	Childrens' and education services	427,492	(249,175)	178,317
11,095	Highways, roads and transport services	21,340	(8,446)	12,894
199,148	Housing services	379,598	(307,427)	72,171
72,806	Adult social care	110,603	(20,997)	89,606
310	Court Services	289	0	289
6,439	Corporate and democratic core	6,995	375	7,370
6,966	Non distributed costs	14,791	0	14,791
437,095	Net Cost of Services	1,078,273	(630,481)	447,792
12,409	Loss on the disposal of fixed assets			(1,190)
1,696	Levies			1,779
21,800	Interest payable and similar charges			27,818
9,014	Contribution of housing capital receipts to Government Pool			213
34,948	Amortised premiums and discounts			0
0	Investment losses			0
(5,521)	Interest and Investment Income			(8,243)
151	Pensions interest cost and expected return on pensions assets			12,182
30	Corporation Tax			28
511,622	Net Operating Expenditure			480,379
(85,376)	Precept Demand on the Collection Fund			(87,856)
(16)	Transfer from Collection Fund for previous year's surplus			(30)
(23,685)	General government grants			(39,245)
(141,132)	Non-domestic rates redistribution			(153,295)
261,413	Deficit/(Surplus) for the Year			199,953

Group Accounts

Reconciliation of the Single Entity Surplus or Deficit for the year to the Group Surplus or Deficit

	2008/09 £000s	2007/08 £000s
Deficit for the year on the Authority Income and Expenditure Account	200,463	261,589
Adjustments for transactions with other group entities	(22,737)	(18,552)
Deficit in the Group Income and Expenditure Account attributable to the authority	177,726	243,037
Deficit in the Group Income and Expenditure Account attributable to group entities	22,227	18,376
Surplus for the year on the Group Income and Expenditure Account	199,953	261,413

Group Statement of Total Recognised Gains and Losses

	2008/09 £000s	2007/08 £000s
Deficit for the year on the Income and Expenditure Account	199,953	261,413
Surplus arising on revaluation of fixed assets	18,234	(159,031)
Actuarial (gains)/losses on pension fund assets and liabilities	134,880	(49,071)
Collection Fund surplus	(73)	(31)
Prior year adjustments to fixed assets	0	13,474
Net assets acquired as a result of a business combination	(1,606)	0
Other (gains)/losses	(3,507)	484
Lewisham Homes opening Balance Sheet value	0	801
Total recognised (gains)/losses for the year	347,881	68,039

Group Accounts

Group Balance Sheet

	31/03/2009 £000s	31/03/2008 £000s
Fixed assets		
Operational assets		
Council dwellings	913,225	1,064,389
Other land and buildings	800,154	829,057
Vehicles, plant, furniture and equipment	24,469	17,949
Infrastructure	52,780	51,665
Community	7,965	6,893
Non-operational assets		
Investment properties	65,774	49,903
Assets under construction	36,756	28,918
Total fixed assets	1,901,123	2,048,774
Other long-term assets		
Long term investments	55,787	34,635
Long term debtors	2,427	1,745
Total long-term assets	1,959,337	2,085,154
Current assets		
Stocks	309	544
Debtors	34,195	34,591
Cash	1,386	
Short Term Investments	116,334	97,586
Landfill usage allowance	0	486
Prepayments	65,231	105,288
Total current assets	217,455	238,495
Current liabilities		
Short term borrowing	35,325	25,380
Creditors	58,578	76,213
Bank overdraft	14,269	6,426
Receipts in advance	61,980	50,763
Landfill usage - liability to DEFRA	0	381
Total current liabilities	170,152	159,163
Total assets less current liabilities	2,006,640	2,164,486
Long term liabilities		
Long term borrowing	331,392	295,296
Provisions	12,585	15,130
Deferred capital receipts	488	652
Government grants deferred	143,165	126,067
Liability related to defined benefit pension scheme	322,744	183,207
	810,374	620,352
Total assets less liabilities	1,196,266	1,544,134

Group Accounts

Group Balance Sheet (continued)

	31/03/2009 £000s	31/03/2008 £000s
Reserves and balances		
Reserves		
Revaluation Reserve	86,732	109,685
Capital Adjustment Account	1,329,719	1,509,165
Financial Instruments Adjustment Account	(15,760)	(10,247)
Usable Capital Receipts Reserve	17,411	18,550
Major Repairs Reserve	1,310	0
Pensions Reserve	(322,744)	(183,373)
Revenue Reserves	75,143	72,970
	1,171,811	1,516,750
Balances		
General Fund Balance	11,236	10,936
Housing Revenue Account	12,094	16,176
Lewisham Homes Reserves	981	201
Collection Fund	144	71
	24,455	27,384
TOTAL EQUITY	1,196,266	1,544,134

Group Accounts

Group Cash Flow Statement

	2008/09	2007/08
	£000s	£000s
NET CASH INFLOWS FROM REVENUE ACTIVITIES	(8,838)	(42,184)
<u>Returns on Investments and Servicing of Finance</u>		
Cash Outflows		
Interest Paid	18,645	23,631
Cash Inflows		
Interest received	(5,688)	(4,684)
<u>Capital Expenditure and Financial Investment</u>		
Cash Outflows		
Purchase of fixed assets	71,147	104,715
Deferred charges	6,246	15,477
PFI Prepayments	2,633	8,478
Taxation paid	28	0
Cash Inflows		
Sale of fixed assets	(5,428)	(20,157)
Capital grants and other capital cash received	(55,928)	(58,750)
NET CASH OUTFLOWS BEFORE FINANCING	22,817	26,526
<u>Management of Liquid Resources</u>		
Net increase in short term deposits	18,310	(3,313)
Net increase in long term deposits	20,000	0
<u>Financing</u>		
Cash Outflows		
Repayments of amounts borrowed	124,128	65,134
Cash Inflows		
New loans raised	(60,000)	(90,029)
New short term borrowing	(118,798)	0
NET (INCREASE)/DECREASE IN CASH	6,457	(1,682)

Group Accounts

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

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

2. Lewisham Homes Limited

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

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

3. Lewisham Homes Limited's Accounts

Lewisham Homes Limited's Accounts for 2008/09 received an unqualified audit opinion and their Statement of Accounts can be obtained from:

Lewisham Homes Limited
9 Holbeach Road
Cattford
London
SE6 4TW

4. Accounting Policies

The accounting policies of both the London Borough of Lewisham and Lewisham Homes Limited are in line with those stated in section 1 of these accounts.

5. Summary of Lewisham Homes Transactions included in the Group Revenue Account

This is a summary of the Lewisham Homes transactions included in the 2008/09 Group Revenue Account after the elimination of intra-group transactions (the transactions that took place between Lewisham Homes and the council):

	2008/09	2007/08
	£000s	£000s
Operating (Gain) / Loss	(260)	351
Interest Receivable	(159)	(158)
Pensions Interest Cost and Expected Returns on Pensions Assets	(119)	(399)
Corporation Tax	28	0
	(510)	(206)

Group Accounts

6. Summary of Lewisham Homes Transactions included in the Group Balance Sheet

This is a summary of the Lewisham Homes transactions included in the 2008/09 Group Balance Sheet after the elimination of intra-group transactions (the transactions that took place between Lewisham Homes and the council):

	LB Lewisham £000s	Lewisham Homes £000s	Total £000s
Fixed Assets	1,900,946	177	1,901,123
Debtors	37,248	5,495	42,743
Bank Overdraft	(14,269)	0	(14,269)
Creditors	(61,407)	(5,719)	(67,126)
Pension Liability	(320,733)	(2,011)	(322,744)

7. Reconciliation of Group Cash Flow:

	2008/09 £000s	2007/08 £000s
Net Deficit on the Group Income & Expenditure Account	199,953	261,413
Collection Fund Deficit/(Surplus)	(73)	(31)
Less: Non-Cash Transactions		
Contributions (to)/from Provisions	2,987	3,600
Deferred Premiums/Discounts on Early Repayment of Debt	(4,480)	9,014
Interest Payable / Receivable Adjustments	3,500	1,764
Landfill Liability	381	227
Landfill Usage Allowance	(486)	(228)
Financial Instruments Adjustment Account	0	0
Depreciation and Impairment of Fixed Assets	(200,941)	(331,746)
Government Grants Deferred Amortisation	29,859	124,729
Write Down of Revenue Expenditure Funded from Capital under Statute	(6,247)	(15,477)
Revenue contributions to Deferred Assets	1,027	0
Deferred Contribution Written Down	(2,697)	0
Amortisation of HRA Premiums & Discounts	(6,716)	(32,381)
Net Gain / (Loss) on Sale of Fixed Assets	1,224	(12,228)
Net Charges made for Retirement Benefits in accordance with FRS17	(37,597)	(24,839)
Employers Contributions to the Pension Fund and Retirement Benefits payable direct to Pensioners	31,335	29,339
Transfer from Major Repairs Reserve	(19,367)	(20,439)
Less: Items Included as Accruals		
Increase/(Decrease) in Long-Term Debtors	(179)	269
Increase/(Decrease) in Stocks & Work in Progress	(235)	169
Increase/(Decrease) in Debtors	1,985	(15,742)
Increase/(Decrease) in Prepayments	400	791
(Increase)/Decrease in Creditors	10,766	1,314
(Increase)/Decrease in Receipts in Advance	(280)	(2,755)
Less: Financing Items	(12,957)	(18,947)
Net Cashflow from Revenue Activities	(8,838)	(42,184)

ANNUAL GOVERNANCE STATEMENT

SECTION 6

**ANNUAL
GOVERNANCE
STATEMENT**

2008/09

ANNUAL GOVERNANCE STATEMENT

ANNUAL GOVERNANCE STATEMENT

1. Scope of responsibility

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

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

Lewisham has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at

<http://www.lewisham.gov.uk/CouncilAndDemocracy/AboutLewishamCouncil/CodeCorporateGovernance.htm>. This Annual Governance Statement (AGS) explains how the authority has complied with the code and also meets the requirements of regulation 4(2) of the *Accounts and Audit Regulations 2003* as amended by the *Accounts and Audit (Amendment) (England) Regulations 2006* in relation to the publication of a statement on internal control.

2. The purpose of the governance framework

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

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

The governance framework has been in place at Lewisham for the year ended 31 March 2009 and up to the date of approval of the annual governance statement and statement of accounts.

A summary of the governance framework

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

The Local Code of Corporate Governance and well developed Codes of Conduct for Members and Officers demand the highest standards of ethical behaviour. These are reviewed regularly and are communicated widely. This focus on ethical governance has been recognised by external auditors who have found that "Ethical standards are high and relationships between Councillors and Officers excellent", and who have nominated the Council as an example of "notable practice".

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Financial decisions are tied to corporate priorities. The management of risk is handled at a corporate and directorate level and is overseen by an independently chaired Internal Control Board. The involvement and contribution made by the Constitution Working Party, the Standards Committee and the Audit Panel to provide a check on the Council's governance arrangements represent constructive and informative tools to ensure the robustness of the Council's arrangements.

The Council seeks to pursue its overall vision for the area as established with the Lewisham Strategic Partnership (LSP), following extensive consultation with the community, through a decision making process that is open, transparent and inspires confidence in local government. This process is well documented in the Council's Constitution and is put into practice.

In the Annual Audit letter of 2008, the Audit Commission concluded that "excellent arrangements are in place" to secure effective and ethical governance.

3. Elements of the governance framework

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

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

In 2008 the LSP published "*Shaping our future: Lewisham's Sustainable Community Strategy (SCS) 2008-2020*" in line with the recommendations of the Local Government White Paper, *Strong and Prosperous Communities* (2006) and in support of the development of Lewisham's second generation Local Area Agreement (LAA) 2008-2011. The development of the SCS was informed by an extensive programme of consultation which identified resident's aspirations for Lewisham, and which ensured that those views fed into the six key outcomes for the borough the SCS sets out to achieve.

The Council has an enduring set of 10 corporate priorities and in 2008 published and communicated widely a new Corporate Strategy (2008-11) which sets out how the organisation will contribute to the delivery of the SCS.

The Council is currently refreshing its existing Comprehensive Engagement Strategy. This will act as a guide to existing mechanisms for engagement and will highlight examples of best practice and case studies, and its delivery will be monitored through the attached action plan.

2. Reviewing the authority's vision and its implications for the authority's governance arrangements

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

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When the SCS was reviewed the Council assessed the implications of change for the Council's governance arrangements through the review of the Local Code of Corporate Governance at the Standards Committee (10th May 2007) and at Council (23rd May 2007). Further reviews of the Local Code have taken place in 2008 and in 2009. The review of 2009 (reported to Standards Committee on 5th May 2009) recommended that the Local Code be extended to include a new requirement – in the light of new CIPFA guidance and the Council's extensive partnership arrangements – to ensure effective partnership governance and risk management.

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

- 3. Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication**

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

Lewisham has a successful record in performance management. The LAA is an excellent example of how the Council and its partners have put in place sustainable systems to progress towards our vision to make Lewisham the best place in London to live, work and learn. Quarterly performance reports are reviewed at the thematic partnership boards and half yearly reports are presented to the LSP and Government Office for London. These reports profile performance by exception and direction of travel and are publicly available on the LSP website.

The Council has a robust performance management framework, which was recognised in the Corporate Assessment (2007) with a score of 4 out of 4 for performance management. The framework is reviewed annually to ensure continuous improvement. The Council sets SMART targets in light of national standards, top quartiles and other benchmarks. The monthly performance management report details progress against the Council's 10 corporate priorities using a 'traffic light system' to highlight areas of strong performance and also areas for improvement. The management report is monitored on a monthly basis by the Executive Management Team (EMT) and on a quarterly basis by Mayor & Cabinet and by the Public Accounts Select Committee. The report is published on the Lewisham website. This is supported by Directorate Management Teams (DMT) convening performance meetings to directly monitor and address areas for which they are responsible. The Council utilises Performance Plus, a highly regarded performance management IT solution, to manage data input and retrieval. The Council is undertaking an intensive programme of audit and development to further improve the robustness of partnership data collection systems.

The quality of services for users is also measured through satisfaction surveys and information from the complaints management and resolution process. The Council's complaints procedure is

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published on the web and has been publicised, through the Council's monthly newsletter – "Lewisham Life" – to all residents of the borough. The Council has continued to improve its complaints procedure. A new complaints management system – iCasework – was implemented across the Council on 30 June 2008 and allows for the monitoring and review of intelligence on the resolution of complaints. In combination with bespoke complaints handling training courses, this ensures that the Council learns from complaints.

Value for Money (VfM) is integral to Council operations, and the budget strategy is predicated on ensuring that the council is delivering good VfM. Reporting of VfM is embedded across the organisation and includes consideration of the VFM grid at the Chief Executive's Efficiency Board, the Efficiency Programme Board and within directorates. Routine spend and performance information is included in the Management Report. By using a VfM grid, a detailed analysis of cost and quality of services is developed on an annual basis. This compares the Council's costs to comparator boroughs, and has led to targeted cost reductions in high-cost services.

The Council is currently delivering a Customer Service Transformation Programme and an Efficiency Review Programme along with the Modernising Adult Social Care Programme to redesign services so that they offer greater choice and personalisation and to streamline processes across service boundaries. As at March 2009, the programmes had supported the delivery of £2.625m in efficiency savings.

The Council is responsive to external challenge and assessment, and seeks to ensure that structures exist to respond to the recommendations made during those assessments. To that end, the "Significant Governance Issues" action plan appended to this statement makes specific reference to the Audit Commission's recommendations in their Annual Audit Letter of 2009. Actions relating to improving education, health and housing outcomes, among others, have been included in the action plan and the delivery of those will be monitored during the year by the Internal Control Board.

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

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

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

Decisions are taken in accordance with the Council and Mayoral scheme of delegation as appropriate and these schemes are maintained, kept up to date and made available to the public as detailed within the Constitution. Decisions are taken in accordance with the general principles of administrative law and on the basis of professional advice at all times. Minutes are published and made widely available through the Lewisham website. All executive decisions are subject to review by Overview and Scrutiny business panel and may be called-in in accordance with the Council's Constitution. Examples of the matters referred to the Mayor for reconsideration in accordance with the call in procedure include the transfer of Building Services to Lewisham Homes in July 2008.

The highest standards of ethical conduct are adhered to in order to avoid actual, potential and perceived conflicts of interest. The principles of decision making appear as Article 16 within the

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Constitution (p67). Standards Committee receives a report on Member compliance with the Code of Conduct, a process which was recognised as 'notable practice' by the Audit Commission in the 2007/08 Use of Resources audit.

In achieving accreditation under the London Member Development Charter in 2007/08, the Council has agreed a range of role descriptors for members according to the role they fulfil (e.g. executive/community representative/overview and scrutiny etc) and has put in place a personal development scheme to enhance member capability in those roles. Officers support all Members in the performance of their various roles and this is detailed in the Constitution. The roles of the statutory officers are also set out at Article 14 of the Constitution and in detailed job descriptions. The Schemes of Delegation by both the Mayor and the Council are appended to the Constitution at Part VIII.

4. Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The Council adopted an amended Member Code of Conduct in July 2007 to comply with new legal requirements. It complies with all statutory provisions and is appended to the Constitution at Part V. It appears on the Council's website, on the intranet and is well publicised. A comprehensive training programme on the Codes of Conduct is delivered by the Head of Law (Monitoring Officer) on an on-going basis for all members of the Council, which was nominated as "notable practice" by the Audit Commission in its judgement on the Council's use of resources in November 2008.

Monitoring Officer advice is regularly sought by members in relation to potential Code of Conduct issues. The Council has in place an Employee Code of Conduct which complies with all legal requirements and is appended to the Constitution at Part V. The Standards Committee reviewed compliance with the Member Code of Conduct in November 2007. The Standards Committee was consulted on changes to both the Member and Employee codes in November 2008. The level of compliance with both codes is high.

The purpose and content of the Officer Code of Conduct is communicated frequently and widely. In the last year a number of presentations on the issue have been made, including at Directorate Management Teams, to large groups in the Council Chamber and to specific invited groups on a regular basis.

The Head of Personnel and Development and Heads of Service deliver "Welcome to Lewisham" sessions to all new starters. This includes an update on what is expected of staff as detailed in the employee Code of Conduct.

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

Reviewing and updating standing orders, standing financial instructions

The Council's Financial Regulations, Financial Procedures and Directorates' Scheme of Delegation, are regularly updated and communicated to all relevant staff. The Financial Regulations and Schemes of Delegation were updated in April 2009. The updating of the Financial Procedures is ongoing due to the recent changes in the structure of the finance function. The Council's procedure rules, of which Standing Orders are a part, are reviewed alongside the Constitution; the Constitution is reviewed on a regular basis/.

Alongside this, the financial awareness rolling training programme for budget holders will continue in 2009/10 and beyond, to ensure that all budget holders have the necessary skills required to manage budgets effectively.

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

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

The Constitution provides for the Council to have a Constitution Working Party (CWP) to advise it on the operation of its constitutional arrangements. In practice, the procedure rules set out in the Constitution are under constant review to reflect changing needs. In March 2009 the Constitution Working Party reviewed the operation of the constitution in its entirety, including the provisions of the Local Government and Public Involvement in Health Act 2007. This review was reported to Full Council in April 2009 and led to the amendment of the Constitution to reflect the 2007 Act.

The processes and controls required to manage risks

There is a robust framework in place to manage risks. All services must now include a comprehensive risk register within service plans. Risk registers are monitored quarterly at directorate level. Key risks within the directorate and corporate risk registers are subject to quarterly review by the Risk Management Working Party and also the Internal Control Board, which has operated since early in 2004. The Internal Control Board is chaired by an independent 'non executive' person (Bill Roots, a former London local authority Chief Executive) and comprises the Executive Management Team, Head of Law (Monitoring Officer), Head of Audit and Risk and Group Manager for Insurance and Risk. Risks are updated quarterly and are tracked through the monthly management report which summarises key risks. The Risk Management Strategy is reviewed on an annual basis, updated when necessary, and is agreed by the Internal Control Board and by the members through the Audit Panel and Mayor and Cabinet. The Risk Management strategy has been revised to include a section on partnership risk and to reflect the use of Performance Plus as a key tool for the management of risk. This system has been rolled out at service level to embed the management of risk at all levels of the organisation. RSM Bentley Jennison, the Council's internal audit contractor, carried out a risk maturity review in 2008/09 and have assessed the Council as being a 'risk managed' organisation (level 4), the second highest category on a scale of 1 to 5.

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

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

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

The panel consider and monitor the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements. In terms of external assurance, the panel consider the external auditor's Annual Plan, other relevant external reports and reports to members. The panel monitors management action in response to issues raised by internal and external audit, and significant issues identified by these are included in the action plan appended to this statement at Annexe 1. The panel also consider the Council's annual Statement of Accounts and this Statement and makes comments on those to the meeting of the Full Council that considers the accounts.

7. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The duties of the Head of Law (Monitoring Officer) are defined in the Constitution. The Monitoring Officer attends Mayor and Cabinet and Full Council meetings and regularly briefs EMT on corporate legislative developments (e.g. *Local Government and Public Involvement in Health Act 2007*, the role and purpose of the Annual Governance Statement, changes to both the Member and Employee Codes of Conduct, and for legislative changes in relation electoral registration and awareness raising). Legal advice is incorporated in every report and advice on proper process is a regular feature of that. Where gaps or non-compliance are identified, appropriate action is taken (e.g. in response to Freedom of Information compliance issues, alternative procedural arrangements were put in place to enhance performance). Reports do not proceed unless robust legal implications on all matters have been considered and are included in the report. Experienced professional legal staff are employed.

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

The Pensions Investment Committee has agreed a Governance Policy Statement which sets out how the Committee exercises its fiduciary duty to members of the Pension Fund. The Committee's governance arrangements include the appointment of an independent Custodian Bank responsible for the safe custody of the Fund's assets, the appointment of an independent investment advisor, independent actuary and investment consultant, Hymans Robertson. In addition, the Committee will be revising its Statement of Investment Principles - which complies with CIPFA's Pensions Panel Principles of Investment decision making – as a result of a recent decision to revise the fund's investment strategy.

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The Council has outsourced its Internal Audit Service to RSM Bentley Jennison. The Audit Commission has recognised that this has led to improvements, and has recommended that the Council continues to focus on the embedding those improvements this year. To that end this issue has been included in the action plan (page 20) that is appended to this Statement, and will be monitored by the Internal Control Board throughout the year.

8. Whistle-blowing and procedures for receiving and investigating complaints from the public

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

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

The overall aim of the Members' Development Programme is to ensure that all members have access to the training and development opportunities they need to fulfil their responsibilities to the local community and provide clear leadership and effective scrutiny of local Council functions. The 2008-09 personal development programme and general member development programme have both been completed and preparations are being made for local elections of May 2010, including an initial induction programme for new Members.

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

10. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

Lewisham has developed a community governance model which combines democratic innovation, citizen engagement and public consultation to deliver improved social results and service outcomes. The Council deploys an extensive range of consultation and engagement techniques: Annual Residents Surveys (with 15 years trend data since 1992); e-panels; youth panels; Mayoral ward meetings; and, engagement of young people through the Young Mayor and Young Mayor's Advisors Group.

In 2007/08 Local Assemblies were introduced to replace area forums as a means for local people to come together to identify priorities and influence what happens in their area. Local assemblies are empowered to influence decisions regarding spending in the local area; a total of £180k was provided to support local prioritisation in 2008/09 and this has been enhanced for 2010/11 with a further £900k. During 2008 each ward assessed and determined priorities – at a ward level – and agreed action plans to address those priorities. The assemblies have used that assessment to inform their recommendations regarding the best use of the £10,000 locality fund made available to each. Uses for that funding have ranged from a series of intergenerational workshops in the Evelyn ward to the provision of a minibus to take housebound residents to the library in Grove Park.

Internal structures for the management of communication and consultation were re-aligned in 2007/08. The Consultation and Communication Board has now been set up to provide a strategic steer on the communication and consultation agendas within the Council with the aim of co-ordinating, approving and reviewing communication and engagement activity, promoting best practice and allocating pooled funds for communication activity. Underneath this overarching

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board sits an operational steering group for consultation. The Council's Strategic Framework for Engagement is currently being refreshed - to be published in the summer of 2009 - and will underpin these arrangements.

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

The Council acts in a number of partnerships with a view to improving the quality of life for local people. These partnerships take a variety of forms, from large scale contracting, as in the case of the Building Schools for the Future programme, to strategic alliances such as the Lewisham Strategic Partnership. The Council has used the Audit Commission report on the governance of partnerships to provide a framework to assess its arrangements in relation to partnership working. As a first stage in that process, the Head of Law (Monitoring Officer) conducted an exercise in relation to several of the most significant partnerships in the borough and reported those findings to the Internal Control Board in 2008. ICB welcomed the report and requested further work by EMT during 2008/9. In February 2009 a detailed audit of all of the Council's major partnerships and contractual arrangements was reported to the EMT and to ICB. As a result of that review EMT now requires all Directorates to consider partnership governance arrangements, and particularly the business continuity arrangements of those partnerships, as a standing item at Directorate Management Team meetings.

Compliance with the Local Code of Corporate Governance was reviewed in April 2009 and was reported to Standards Committee on 5th May 2009. As part of that process, the Local Code was reviewed and the Standards Committee accepted a recommendation to extend the Code to include a provision to ensure that the Council has robust and effective mechanisms to ensure partnerships are effectively governed and that partnership risks are identified and managed.

4. Review of effectiveness

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

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

- Consideration by Internal Control Board of governance issues – including partnerships and internal audit reports.
- The Audit Panel receives the annual assurance report from the Head of Audit & Risk which sets out his opinion on the Council's overall control environment.
- The Audit Panel and Public Accounts Committee both receive the Internal Audit Strategy, this sets the context within which more detailed plans can be developed. The Internal Audit Strategy is reviewed on an annual basis and updated when necessary.
- The Internal Audit Strategy underpins the internal audit planning process. The Head of Audit and Risk determines and prepares a plan of audit coverage to be achieved in the forthcoming year, based primarily on an assessment of the Council's risk profile. The plan is approved by the Audit Panel.

ANNUAL GOVERNANCE STATEMENT

- Executive Management Team (EMT) consider a full range of governance issues throughout the year, including issues relating to the improvement of the Internal Audit Service. EMT scrutinise performance and risk regularly and ensure management action where necessary.
- The Standards Committee considered the efficiency of the Council's complaints handling system and the effectiveness of the Whistle Blowing Policy. It November 2008 it reviewed Member compliance with the Member Code of Conduct and in May 2009 it considered the review of the Council's Code of Corporate Governance.
- The Independent Remuneration Panel made recommendations to the Council about the accountability and effectiveness of Members.
- Consideration of external audit reports conducted in year by Mayor and Cabinet, Audit Panel and relevant Select Committees.
- Constitution Working Party undertook a review of the Constitution in its entirety in March 2009 which led to amendments to the Constitution in line with the Local Government and Public Involvement Act 2007. It also considered the reviews undertaken by the Independent Remuneration Panel and referred those to Full Council.

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

- Kath Nicholson: Head of Law and Monitoring Officer
- Troy Robinson: Senior Education Advisor
- Barrie Neal: Head of Corporate Policy and Governance
- Ray Gard: Head of Audit and Risk
- Paul Aladenika: Strategic Programme Manager
- Jeff Endean: Principal Policy Officer

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

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

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

- A review of the Council's Local Code of Corporate Governance by the Standards Committee (5th May 2009) with reference to CIPFA/Solace Guidance..
- The preparation of a draft annual governance statement by the team, to be considered in draft by EMT on 9th June 2009, together with collation of evidence of assurance. Where any gaps have been identified in evidence gathering, these are addressed in the action plan outlined in Appendix 1. EMT also consider the outcome and action plans of external inspections and audit, using those to address any significant governance issues for the future.

ANNUAL GOVERNANCE STATEMENT

- Preparation of the Accounts and Annual Audit letter and consideration of these and the Annual Governance Statement by the Council's Audit Panel on 23rd June 2009.
- Referral to full Council with Statement of Accounts, and advice from Audit Panel 24th June 2009
- Sign off by the Chair of the Council and Chief Executive, once approved.

5. Significant governance issues

Actions taken to deal with governance issues during the course of 2008/09 are referred to at section 3 of this statement.

We propose over the coming year (2009/10) to take steps to address significant governance issues which have been identified through the annual review and through external assessment and inspection. These issues are set out at Annexe 1 along with the actions proposed to address the need for improvement.

We intend to monitor their implementation, operation and effectiveness as part of our next annual review. To do this regularly throughout 2009/10 it is proposed that the officer team dealing with governance arrangements meet quarterly and report on progress to the EMT/Internal Control Board and / or the Audit Panel on relevant issues.

Signed:
Barry Quirk
Chief Executive
On behalf of the London Borough of Lewisham

Signed:
Councillor A Hall
Chair of Audit Panel
On behalf of the London Borough of Lewisham

ANNEXE 1

**SIGNIFICANT
GOVERNANCE ISSUES –
ACTION PLAN**

2008/09

Annexe 1

SIGNIFICANT GOVERNANCE ISSUES – ACTION PLAN

AGS area: Performance management arrangements are in place

Issue	Data quality Ensure that good corporate management arrangements for data quality are embedded at the directorate level
Action	To deliver the actions required by the Data Quality Action plan (agreed with the Audit Commission) in line with the required timescales
AGS Criteria	Objective 1: Step 4, Point 1
External Assurance Link	Annual Audit Letter 2009
Desired Outcomes	A consistent approach to data quality management arrangements promoted across the organisation.
Timescales	March 2010
Lead Officer	Barrie Neal
Notes	A similar action was included in the 2007/08 action plan and was completed successfully. Since then an Audit Commission assessment awarded the Council's management arrangements to secure data quality the highest possible score. That assessment also made recommendations designed to achieve further improvement, and the delivery of those will be monitored in the 2008/09 action plan.

Issue	Education Outcomes Further reduce the gap between national expectations for educational outcomes and those achieved in Lewisham
Action	Continue to monitor progress in delivering the CYPP action plan and in particular those actions designed to narrow the gap between Lewisham and national expectations.
AGS Criteria	Objective 1: Step 4, Point 4
External Assurance Link	Annual Audit Letter 2009
Desired Outcomes	A reduction in the gap between national educational outcomes and those achieved in Lewisham
Timescales	March 2010
Lead Officer	Carolyn Unstead/Warwick Tomsett
Notes	This is a new action derived from the recommendations made by the Audit Commission in the 2008 Annual Audit Letter: <i>"The Council needs to ensure that its strong partnerships and effective leadership lead to a step change in outcomes...it should concentrate in particular on further reducing the gaps between national expectations for educational outcomes, health inequalities and decent homes standards and those in Lewisham"</i>

Annexe 1

Issue	Health Inequalities Further reduce health inequalities in Lewisham
Action	Continue to monitor progress in delivering the Health Inequalities action plan
AGS Criteria	Objective 1: Step 4, Point 4
External Assurance Link	Annual Audit Letter 2009
Desired Outcomes	A reduction in the health inequalities in Lewisham
Timescales	March 2010
Lead Officer	Sarah Wainer
Notes	This is a new action derived from the recommendations made by the Audit Commission in the 2008 Annual Audit Letter: <i>"The Council needs to ensure that its strong partnerships and effective leadership lead to a step change in outcomes...it should concentrate in particular on further reducing the gaps between national expectations for educational outcomes, health inequalities and decent homes standards and those in Lewisham"</i>

Issue	Decent Homes Further reduce the gap between Lewisham and national expectations for the decent homes standard
Action	Continue to monitor progress in delivering the Housing Strategy action plan
AGS Criteria	Objective 1: Step 4, Point 4
External Assurance Link	Annual Audit Letter 2009
Desired Outcomes	A reduction in the gap between the proportion of homes in Lewisham that meet the Decent Homes Standard, and the proportion of homes that do so nationally
Timescales	March 2010
Lead Officer	Genevieve Macklin
Notes	This is a new action derived from the recommendations made by the Audit Commission in the 2008 Annual Audit Letter: <i>"The Council needs to ensure that its strong partnerships and effective leadership lead to a step change in outcomes...it should concentrate in particular on further reducing the gaps between national expectations for educational outcomes, health inequalities and decent homes standards and those in Lewisham"</i>

Annexe 1

AGS area: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

Issue	The Council's relationship with voluntary sector organisations
Action	The Council continues to manage its governance arrangements with voluntary sector organisations through the LSP – specifically the Stronger Communities Partnership Board. The SCB will agree and monitor a set of indicators for measuring success
AGS Criteria	Apply the 6 CIPFA / SOLACE core principles. Objective 1: Step 1
External Assurance Link	CAA, VCS, NI 7 and the Partner Survey
Desired Outcomes	The Stronger Communities Partnership Board continues to effectively develop and promote the role of the voluntary sector in Lewisham.
Timescales	July 2009
Lead Officer	Liz Dart, Interim Head of Community & Neighbourhood Development
Notes	This action is carried forward from the 07/08 action plan. The latest update found that, the SCB had identified a set of indicators for measuring success in creating an environment for a thriving third sector and has begun work on a delivery plan for those. The delivery plan is scheduled for approval at SCB. On that basis the action has been carried forward for inclusion in the AGS action plan for 2008/09

Issue	Development of new consultation and engagement strategy
Action	The current Comprehensive Engagement Strategy is being refreshed and will be published in Autumn 2008. This Strategy will build on the messages of the Local Government White Paper “ <i>Strong and Prosperous Communities</i> ” (2007) and the forthcoming Local Government White Paper “ <i>Empowering Local Communities</i> ” (2008)
AGS Criteria	Apply the 6 CIPFA / SOLACE core principles. Objective 1: Step 6
External Assurance Link	
Desired Outcomes	Citizens will: <ul style="list-style-type: none"> • be better informed about services, know what is happening in their area & how to make a difference (<i>informed</i>) • contribute to decisions affecting their local area & how services are delivered (<i>consulted</i>) play a part in how their area develops & help set local priorities & budgets (<i>involved</i>)
Timescales	It is anticipated that the strategic framework and supporting mechanisms will continue to be developed during the first half of 2009. This document (and supporting action plan and toolkit) will be published in July 2009 prior to a launch event in September 2009.
Lead Officer	Kevin Sheehan
Notes	This action is carried forward from the 07/08 action plan. The latest update found that a draft refreshed Comprehensive Engagement Strategy had been completed and was awaiting sign off in line with the timescales set out above. The action has therefore been carried over for monitoring with the 08/09 AGS action plan.

Annexe 1

AGS area: The authority has a robust systems and processes in place for the identification and management of strategic and operational risks

Issue	Impact of the Recession on Services and Regeneration Assess and monitor the impact of the recession
Action	(1) Ensure budget monitoring reports assess and monitor the impact of the recession on demand-led services (2) Assess and monitor the impact of the recession on the BSF, housing and town centre regeneration programmes.
AGS Criteria	Objective 2
External Assurance Link	Annual Audit Letter 2009
Desired Outcomes	Accurate and timely monitoring of risks to delivery provides basis for well-informed decision making
Timescales	March 2010
Lead Officer	(1) David Gallie (2) Steve Gough
Notes	This is a new action derived from the recommendations made by the Audit Commission in the 2008 Annual Audit Letter: <i>"The Council needs to assess and monitor the impact of the economic downturn on demand-led services and its regeneration programmes, especially Building Schools for the Future, housing and the Lewisham Town Centre development project"</i>

AGS area: The authority has a robust system of internal control which includes systems and procedures to mitigate principal risks

Issue	Managing performance of financial information systems Improve the quality of Internal Audit reports when testing financial information systems
Action	Achieve external assurance on the reliance that can be placed on key financial systems.
AGS Criteria	Objective 3: Step 1, Point 1
External Assurance Link	CAA Use of Resources Assessment, 2009
Desired Outcomes	External Auditor can place reliance on the work carried out by the Internal Audit service on the key financial systems
Timescales	First half of 09/10
Lead Officer	Ray Gard
Notes	This action is carried forward from the 07/08 action plan. The latest update noted that the Internal Audit service has been outsourced to an external provider, RSM Bentley Jennison. A protocol between LBL, the Audit Commission and Bentley Jennison has been agreed between the three parties and to ensure that reliance can be placed on the work on the key financial and other systems. It also noted that assurance will be received in the first half of 2009/10, and on that basis the action will be monitored in the 09/10 AGS action plan

Annexe 1

Issue	Internal Audit Maintain focus on improving Internal Audit
Action	Continue to improve and embed the improvements that have been made as normal practice
AGS Criteria	Objective 3: Step 1, Point 1
External Assurance Link	Annual Audit Letter 2009
Desired Outcomes	Improvements made in Internal Audit recognised by Audit Commission in Annual Audit Letter 2009.
Timescales	March 2010
Lead Officer	Ray Gard
Notes	This is a new action derived from the recommendations made by the Audit Commission in the 2008 Annual Audit Letter: <i>"The Council needs to maintain its focus on internal audit to ensure that the improvements continue and are embedded as normal practice"</i>

Issue	Health & Safety Compliance with and accreditation to appropriate standards of health and safety
Action	To identify the appropriate standard to which the Council should be accredited for health and safety. To achieve compliance and accreditation with that standard
AGS Criteria	Objective 3: Step 1, Point 13
External Assurance Link	Accrediting Body, as appropriate
Desired Outcomes	All Directorates to be compliant the appropriate standard of health and safety for the Council.
Timescales	End of 2009
Lead Officer	Ray Gard / Executive Directors
Notes	This action is carried forward from the 07/08 action plan. The latest update noted that progress had been made, and that the Resources, Customer Services and Regeneration Directorates were substantially compliant with the BSOHSAS18001 standard. It was expected that the Community Services would also be compliant in the near future, while further work was required for the CYP. These levels of compliance were under external review. The Council's aspiration is that the system it employs to ensure effective health and safety arrangements is as resilient as 18001. In the coming year EMT consideration is to be given to the most appropriate option for the Council to achieve that. On that basis, the 2008/09 AGS action plan will monitor progress in establishing and delivering the appropriate standard for health and safety for the Council.

Annexe 1

Issue	Internal control in schools Improve the standard of internal control and risk management in the Council's schools
Action	Set up and implement action plan to improve the standard of internal control and risk management in the Council's schools. Update and reissue the schools financial control manual. Undertake a series of briefing and training sessions for key officers in schools. Internal Audit to monitor improvements through follow up reviews and new audits of schools.
AGS Criteria	Objective 3: Step 1, Point 1
External Assurance Link	Procedures, processes and systems reviewed by the Council's Internal Auditors, RSM Bentley Jennison.
Desired Outcomes	Internal control and risk management in schools improves to enable the Head of Audit and Risk to reflect this in his annual report for 2009/10. RSM Bentley Jennison issue and overall assurance assessment for schools at 'adequate or substantial' levels.
Timescales	By 31/3/10
Lead Officer	Alan Docksey
Notes	This action is derived from the audit work carried out at the schools by the Council's internal auditors, RSM Bentley Jennison. Whilst this work acknowledged that schools are meeting the requirements of the Department for Children, Families and Schools' Financial Management Standards in Schools (FMSiS), this appears to be at the expense of maintaining sound internal control and risk management. 59% of the 33 schools audited in 2008/09 failed to achieve a positive assurance level ie the Council can only take limited assurance on the effectiveness of the internal control systems in place at the schools.

AGS area: Developing the capacity and capability of members and of officers to be effective

Issue	The housing service [including homelessness] Reduce the numbers of people in temporary accommodation
Action	Put in place robust systems for the management of homeless applications and the allocation of temporary accommodation, reduce the number of people in temporary accommodation
AGS Criteria	Objective 3: Step 1
External Assurance Link	National Indicator 156
Desired Outcomes	Halve the number of people in temporary accommodation to 877 by 2010
Timescales	2010
Lead Officer	Lesley Seary
Notes	This action is carried forward from the 07/08 action plan as the time for completion had not expired. The latest update noted that a temporary accommodation action plan had been agreed with the CLG and that performance was on target to reduce the numbers in TA to 877 by 2010. Numbers had reduced from 2,619 at the end of June 2007 to 1,869 in February 2009 The original timescale extended beyond the scope of the 07/08 action plan, and on that basis it has been rolled-over into the 08/09 action plan.

Annexe 1

Issue	ICT Business Continuity Strengthen the Council's ICT business continuity arrangements
Action	Robust ICT business continuity arrangements established and tested on a regular basis, to ensure key ICT systems are recovered according to the business continuity plan
AGS Criteria	Objective 3: Step 1, Point 1
External Assurance Link	Procedures reviewed by the Council's Internal Auditors, RSM Bentley Jennison,
Desired Outcomes	Robust ICT business continuity arrangements established and their effectiveness tested on a regular basis
Timescales	End of 2009
Lead Officer	Simon Berlin
Notes	This is a new action derived from the Head of Audit and Risk's annual assurance statement on internal control and relates to the business continuity arrangements for the Council's ICT systems.

Issue	Ongoing review of the Annual Governance Statement The AGS working party will continue to meet on a regular basis through 2009/10 to review progress against the Annual Governance Statement Action Plan.
Action	Reports on progress will be submitted to EMT and ICB as appropriate
AGS Criteria	Objective 5,6,7,8
External Assurance Link	
Desired Outcomes	The AGS working party act as an effective body to ensure the ongoing review and improvement of governance arrangements.
Timescales	Quarterly meetings in 2009/10; reporting to EMT and ICB as required
Lead Officer	Kath Nicholson, Ray Gard, David Gallie, Barrie Neal
Notes	The AGS working group will continue to meet during 2009/10. It will consider progress with this action plan and will report to EMT and ICB as appropriate It will also be responsible for updating and reporting the 2009/10 Annual Governance Statement in line with required timescales.

ANNEXE 2

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

2008/09

Annexe 2

TERMS USED IN THE ACCOUNTS

ACCRUALS	Amounts included in the accounts to cover income and expenditure attributable to the financial year, but for which payment had not been received or made as at 31 March.
CAPITAL EXPENDITURE	Expenditure on the acquisition or enhancement of assets which are considered to be of benefit to the authority over a period of more than one year, e.g. land and buildings.
CAPITAL ADJUSTMENT ACCOUNT	Represents a store of capital resources set aside to meet past expenditure.
CAPITAL RECEIPTS	Income received from the sale of land, buildings and plant.
COLLECTION FUND	A separate statutory account into which Council Tax and National Non-Domestic Rates are paid in order to meet payments due to the Council's General Fund and Preceptors (currently the Greater London Authority).
CONTINGENT LIABILITY	A possible liability to future expenditure at the balance sheet date dependant upon the outcome of uncertain events.
CREDITORS	Amount of money owed by Lewisham for goods or services received.
DEBTORS	Amount of money owed to Lewisham by individuals and organisations.
DEFERRED CHARGES	Expenditure of a capital nature, met from borrowing, but where there is no tangible asset e.g. improvement grants. This includes loans outstanding on assets sold in cases where the sale proceeds were used for new capital investment.
DEPRECIATION	The loss in value of an asset due to age, wear and tear, deterioration or obsolescence. An annual charge in respect of this is made to service revenue accounts over the life of the asset to reflect the usage in the year.
EARMARKED RESERVES	Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.
GENERAL FUND	The account which comprises the revenue costs of providing services, which are met by the Council's demand on the Collection Fund.
INFRASTRUCTURE	A classification of fixed assets which have no market value and which exist primarily to facilitate transportation and communication requirements (e.g. roads, street lighting). They are usually valued at historic cost.
LEASES	There are two types of leases: Finance lease - Transfers the risks and rewards of ownership of an asset to the Lessee and at the end of the lease term substantially all the asset value and interest payments have been paid. Operating leases - The Lessor is paid a rental for the hire of an asset for a period that is substantially less than the useful economic life of the asset.

Annexe 2

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 minimum amount which must be charged to an authority's revenue account each year for principal repayments on loans .
NATIONAL NON-DOMESTIC RATE (NNDR)	National Non-Domestic Rate (NNDR) is set by the Government and collected by each authority and paid into the central pool. The Government pays back to the authorities their share of the pool as part of the formula grant allocation.
PRIVATE FINANCE INITIATIVE	A central government initiative whereby contracts are let to private sector suppliers for both services and capital investment in return for a unitary payment, which may be reduced if performance targets are not met.
PRECEPT	These are demands made upon the Collection Fund by the Council's General Fund and the Greater London Authority in accordance with its demand.
PROVISIONS	An amount set-aside for any 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	Represents a store of gains on revaluation of fixed assets not yet realised through sales.
REVENUE SUPPORT GRANT	The main grant paid to local authorities by the Central Government in aid of local services generally.
REVENUE EXPENDITURE	Day-to-day payments on the running of Council services, e.g. salaries, wages, supplies and services, and debt charges.
SUPPORT SERVICES	Activities of a professional, technical and administrative nature which are not local authority services in their own right, but support main front-line services.

Annexe 2

ACRONYMS USED IN THE ACCOUNTS

ABG	Area Based Grant
BVACOP	Best Value Code of Practice
BVR	Best Value Review
CDC	Corporate and Democratic Core
CIPFA	Chartered Institute of Public Finance and Accountancy
DCSF	Department for Children, Schools and Families
DEFRA	Department for Environment, Food and Rural Affairs
DSG	Dedicated Schools Grant
Ex-ILEA	Ex-Inner London Education Authority
FRS	Financial Reporting Standard
HRA	Housing Revenue Account
I&E A/c	Income and Expenditure Account
LAA	Local Area Agreement
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LEP	Local Education Partnership
LGPS	Local Government Pension Scheme
LPFA	London Pensions Fund Authority
LSP	Local Strategic Partnership
MRP	Minimum Revenue Provision
NNDR	National Non-Domestic Rates
PCT	Primary Care Trust
PFI	Private Finance Initiative
SMGFB	Statement of Movement on the General Fund Balance
SORP	Statement of Recommended Practice
SSAP	Statement of Standard Accounting Practice
STRGL	Statement of Total Recognised Gains and Losses
TPA	Teacher's Pensions Agency
VAT	Value Added Tax

ANNEXE 3

**CAPITAL
EXPENDITURE
ANALYSIS**

2008/09

Annexe 3

CAPITAL EXPENDITURE ANALYSIS 2008//09

Directorates' Capital Programme:

	Actual Expenditure £'000	Forecast/ Budget £'000	Variation of Actual to Programme	
			£'000	%
Community Services				
Manor House	1,973	2,000	(27)	-1%
Honor Lea Hostel	574	576	(2)	0%
Aids & Adaptations	551	461	90	19%
Wavelengths Pool	518	615	(97)	-16%
Sedgehill school - all weather pitch	405	405	0	0%
Integrated Adult Social Care System	357	0	357	N/A
Forest Hill Pool	280	150	130	87%
- Other projects	789	810	(21)	-3%
Community Services Sub Total	5,447	5,017	430	8.6%
Resources				
ICT - Technology & Transformation	1,017	940	77	8%
ICT - Tech Refresh	770	322	448	139%
- Other projects	51	51	0	0%
Resources Sub Total	1,838	1,313	525	40.0%
Children and Young People (CYP)				
Rushey Green School (Replacement) (TCF)	5,232	5,094	138	3%
Grouped Schools PFI	4,668	4,619	49	1%
BSF - ICT	4,326	4,853	(527)	-11%
Children's Centres Phase 2	2,153	2,560	(407)	-16%
Quality & Access for All Young Children - Capital Grant	1,484	980	504	51%
Tidemill School (Replacement) (TCF)	854	1,154	(300)	-26%
BSF - Northbrook advance works package	501	498	3	1%
Extended Schools Capital	375	376	(1)	0%
Elfrida Remodelling Work (TCF)	368	412	(44)	-11%
Schools Access Initiative Projects	367	331	36	11%
Integrated Children's System (ICS)	314	254	60	24%
Fair Play Builder programme	287	308	(21)	-7%
Downderry & Gordonbrock P1 Works	269	286	(17)	-6%
- Other projects	1,219	1,388	(169)	-12%
Children and Young People Sub Total	22,417	23,113	-696	-3.0%
CYP Schools				
Standards Fund Projects	4,466	4,492	(26)	-1%
CYP Schools Sub Total	4,466	4,492	-26	-1%

Annexe 3

Directorates' Capital Programme (continued):

	Actual Expenditure £'000	Forecast/ Budget £'000	Variation of Actual to Programme	
			£'000	%
Regeneration				
New Cross NDC Programme	4,122	3,184	938	29%
Worksmart	3,939	4,297	(358)	-8%
TfL Programme	2,467	2,324	143	6%
Highways BVR Programme	2,266	847	1,419	167%
Giffin Street / Deptford Town Centre Regeneration	2,168	1,034	1,134	110%
AMP Programme	1,498	1,534	(36)	-2%
Loampit Vale - Development Site & Pool	676	715	(39)	-6%
DDA Strategy Programme	641	516	125	24%
Lewisham Homes Accommodation	416	488	(72)	-15%
Deptford Station	385	396	(11)	-3%
Travellers Site Relocation	327	670	(343)	-51%
- Other projects	825	1,088	(263)	-24%
Regeneration SubTotal	19,730	17,093	2,637	15.4%
Customer Services				
Heathside & Lethbridge - Partnership Works	3,165	3,172	(7)	0%
Vehicle Purchases	1,852	1,884	(32)	-2%
Kender Estate - Partnership Works	1,736	1,545	192	12%
Private Sector Grants	1,392	1,431	(39)	-3%
Ennersdale House (St. Mungo's - DCLG grant)	800	800	0	0%
Disabled Facilities Grant (DFG)	637	915	(279)	-30%
Homelessness Group	607	441	166	38%
Broadway Fields	335	347	(12)	-3%
Honor Oak garages	250	250	0	0%
Customer Services Strategy	35	895	(860)	-96%
- Other projects	749	685	64	9%
Customer Services Sub Total	11,558	12,365	-808	-6.5%
Total Directorates' Capital Programme	65,456	63,393	2,063	3.3%

Annexe 3

Lewisham Homes Capital Programme:

	Actual Expenditure £'000	Forecast Budget £'000	Variation of Actual to Programme	
			£'000	%
LH 2007/08				
Essential Schemes	48	65	(17)	-26%
Energy and efficiency	36	39	(3)	-8%
Central Boilers	733	973	(240)	-25%
Long Term Voids	1	19	(18)	-95%
Lift Refurbishment Programme	282	256	26	10%
Homelessness Group	3	21	(18)	-86%
Decent Homes Programme	1,797	1,924	(127)	-7%
Capitalised Repairs	1,417	1,413	4	0%
LH 2008/09				
Mechanical & Electrical Schemes	4,599	4,084	515	13%
Structural and Essential Schemes	1,655	1,170	485	41%
ICT & Offices	218	244	(26)	-11%
Decent Homes Programme	247	215	32	15%
Tenant and Caretaking schemes	146	142	3	2%
Total Lewisham Homes Capital Programme	11,182	10,565	617	5.8%
Total Council's Capital Programme	76,638	73,958	2,679	3.6%