



LONDON BOROUGH OF LEWISHAM

AUDITED STATEMENT OF ACCOUNTS 2020/ 2021

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2020/ 2021 AUDITED STATEMENT OF ACCOUNTS
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NARRATIVE STATEMENT BY THE EXECUTIVE DIRECTOR OF CORPORATE RESOURCES

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

1. COUNCIL STRUCTURE AND PERFORMANCE

a) Corporate structure and governance

Lewisham Council is made up of one Mayor, elected by the whole borough, and 54 ward councillors, three elected by each of the 18 wards within the borough. The Mayor is Labour and there were 49 Labour councillors, 1 Independent and 4 vacancies as at 31 March 2021. Details of the way that the Council governs itself are given in the Annual Governance Statement in section 9 of these accounts.

b) Management structure

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

- Chief Executive
- Executive Director Children and Young People
- Executive Director Community Services
- Executive Director Housing, Regeneration and Public Realm
- Executive Director Corporate Resources
- Assistant Chief Executive
- Director of Law, Governance and Human Resources
- Monitoring Officer (to June 2021)

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

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

c) Service delivery

Including teachers, Lewisham employs some 5,900 full-time equivalent staff to deliver services. The demographic composition of the workforce as at 31 March 2021 was:

- 62.3% female
- 45.0% BAME
- 5.5% disabled
- an average age of 48 years

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

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

- Lewisham Homes Limited: An arms-length management organisation (ALMO) set up in 2007 as part of the Council's initiative to deliver better housing services and sustain the Decent Homes Standard. The company manages approximately 19,000 homes.

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- Catford Regeneration Partnership Limited: The Company owns the Catford shopping centre and aims to drive forward a regeneration programme for the town centre and the surrounding area.

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

d) Future Lewisham

There are four core themes run through the heart of the Council's plans for Future Lewisham:

A greener future

A healthy and well future

An economically sound future

A future we all have a part in

As a Council we will do everything in our power to support those who need us most and build on the amazing community spirit and local activism. We will continue to make Lewisham's voice heard nationally, and will never lose focus on supporting those who need us most, and making sure that the values that make Lewisham a special place are at the forefront of our recovery.

The key strategic document for Lewisham is "Lewisham's Corporate Strategy 2018-2022", which can be viewed on the Council's website.

e) Corporate priorities in achieving Future Lewisham

The Council has seven corporate priorities within its corporate strategy as follows:

- Open Lewisham – Lewisham will be a place where diversity and cultural heritage are recognised as a strength and are celebrated.
- Tackling the housing crisis – Everyone has a decent home that is secure and affordable.
- Giving children and young people the best start in life – Every child has access to an outstanding and inspiring education and is given the support they need to keep them safe, well and able to achieve their full potential.
- Building an inclusive local economy – Everyone can access high-quality job opportunities, with decent pay and security in our thriving and inclusive local economy.
- Delivering and defending health, social care and support – Ensuring everyone receives the health, mental health, social care and support services they need.
- Making Lewisham greener – Everyone enjoys our green spaces, and benefits from a healthy environment as we work to protect and improve our local environment.
- Building safer communities – Every resident feels safe and secure living here, as we work together towards a borough free from the fear of crime.

f) Core values

The Council also has the following four core values:

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

g) Performance management

In 2020/21 reports from the five directorates have been periodically presented at the directorate Executive Management Team (EMT) meetings, each of which was circulated to the relevant lead Cabinet member.

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The Council continues to publish performance information on our website. This includes various reports and progress updates, which are presented on a cyclical basis at Committee. The Council is continuing to explore ways to increase transparency and accountability of performance information to the public. This work will be informed by the recovery and transition following Covid-19.

2. THE IMPACTS OF COVID-19

a) The Council's response to the pandemic

The Covid-19 pandemic has had an unprecedented impact on the Council's operations since lockdown was introduced in late March 2020. The Council has adapted to new ways of working, such as remote working for the majority of employees, and a reliance on redeployment and volunteering to support those services where the need is greatest.

Throughout the various lockdown periods over the course of the last 18 months, the Council has continued to deliver its critical services - keeping schools open for children of key workers and vulnerable families, working with care homes, allowing parks and public spaces to remain open and ensuring bin collections and recycling continue as usual.

From the start of the pandemic, the Council agreed a broad package of support to businesses and residents, such as: holding back on reminders due on bills raised; inviting all customers, businesses or residents, to contact the Council early to discuss any financial difficulties they may be facing as a result of Covid-19; deferring commercial rents and annual waste charges for defined periods; cessation of fees and charges for market traders for the same period; and establishing a 'Lewisham backs Business' Task Force, comprising lead Members, representatives from the local business community, industry, and officers to develop and coordinate a whole Council response to supporting business and jobs recovery quickly and inclusively from the disruption of Covid-19. These measures support the delivery of the Council's corporate priorities, in particular the 'building an inclusive local economy' priority.

Now that the easing of lockdown has begun, Council meetings have resumed in a hybrid setting, but demand for critical services and the new responsibilities that Covid-19 has brought will not ease off for some time.

The Council's continued focus will be on:

- protecting critical services;
- managing increased demand as a result of the various lockdowns;
- promoting good public health and minimising the spread of infection;
- responding and preparing for the ongoing demands for future waves of Covid-19.

Working from home arrangements are continuing where possible with phased return to the office based on the demands of services. Significant work has been undertaken to make the important and necessary physical changes to office environments so they comply with the new Working Safely during Coronavirus guidelines.

The volunteering effort through the Covid Action Team has transformed the Council's ability to manage through this crisis and there is a need to continue and build on this successful effort via ongoing support for the volunteer programme.

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b) Government funding

The Council has received some specific funding from the Government regarding Covid-19 – these schemes are focused on support for businesses with a view to future employment. The main elements include:

- Measures included extended business rates relief for 2020/21, grants to small businesses and those in the retail, hospitality, and leisure sectors, and a grant to support Small and Medium Enterprises (SMEs) – those with less than 50 employees – not covered by the initial grant arrangements
- The Council has received a cash advance of £47m to distribute in grants of £10k or £25k to small business within certain rateable values and/or in the retail, hospitality, and leisure sectors. There have been a number of other government backed financial packages provided to support local businesses during the course of the second and third national lockdown periods, with circa 20 different schemes being in operation at one time or another during the course of the pandemic.

In addition, the Council has received £3.2m for residents to be distributed as £150 credits to households of working age in receipt of the council tax reduction scheme and to supplement the Council's hardship support scheme.

In respect of the burden on Council services, the Government has provided some funding to meet the financial impacts. This is via additional funding and early payment of some grants to support cash flow. Lewisham has received £29.4m to cover the costs of the Covid-19 response and a further £6.1m to support the shortfalls in the Council's sales, fees and charges income. A further £21.1m has been received in grant income for targeted and specific Covid-19 related activity, providing an overall allocation for the year of £56.6m. Some £40.8m of these sums have been spent in 2020/21, with the balance being carried forward to help alleviate the on-going pressures of the coronavirus pandemic or as Creditors to be repaid to MHCLG. Monthly monitoring to the Ministry of Housing, Communities and Local Government (MHCLG) has been in place throughout the year.

c) Financial impacts, risks and uncertainties, going concern considerations

The current situation has given rise to a number of risks and uncertainties. There is significant uncertainty in the potential loss of council tax and business rates income. The full impact will be unknown until we are deep into the recovery phase and the impact on the local economy and employment implications are identified. The impact of Covid-19 on the Council's financial plans, if further Government funding support is not available will fall on reserve balances; firstly from the general unallocated reserves and then, the earmarked reserves.

The Council has borne the cost of additional unplanned work to sustain critical services, including supporting the social care market, distributing Personal Protective Equipment, and providing shielding as critical services. As well as the extra work to run and support services including housing, waste, benefits, and bereavement services with higher levels of activity whilst also maintaining social distancing and safe working practices.

Other uncertainties include:

- Contracts – Some providers may withdraw from the market or adjust their cost base and put prices up leaving the Council, or unable to recover the services due.
- Service demand – Changes have been made as part of the Covid-19 response in respect of a range of services but particularly social care, housing, education, and community support with Council providing more support during the pandemic - as the full social, health and economic impact of this pandemic is realised. We are expecting further increases in demand in these, and other areas. The Council will have to assess what to continue and what to stop.

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The Council has sufficient reserves to meet these financial commitments at present, including the estimated costs and lost income considerations of the Covid-19 response (taking into account additional support from the Government); while the impact of the Covid-19 response may reduce the Council's financial resilience to face future crises. This requires the Council to be mindful of its financial sustainability to ensure it does not need to consider issuing a section 114 notice (the effect of which would be to prevent any further expenditure by the authority save with the approval of the s151 officer, to help control the financial position). The Council is not in this position at this time, but is likely to have to make significant changes to the range and scale of services it offers or further put the burden of these costs on local tax payers as a consequence of the financial impact of Covid-19. This situation has been kept under constant review throughout the year and will continue to be kept under review. Furthermore, it will be commented on through the external audit process and their value for money conclusion, in the regular 2021/22 monitoring, and as the Medium Term Financial Strategy (MTFS) is refreshed and the budget for 2022/23 prepared.

The 2021/22 budget was set without the use of reserves and after the funding of growth and pressures of £19.7m to reset service baseline budgets and reduce the risk of the in-year overspending seen in recent years. The budget was also set with the commitment from services to deliver £28m of agreed cuts. Some of these plans are now at risk of delay or not being delivered due to the Covid-19 response taking priority. These are the revenue budget impacts and the risks also extend to the expanded capital programme which remain under constant review as part of the recovery planning phase.

Nevertheless, in light of the above considerations, the current situation does not alter the Council's position as a going concern.

d) Impact on 20/21 final accounts

There are two important implications worth noting for the 20/21 final accounts:

- The statutory deadlines for the production of the draft accounts and audited accounts have been changed from 31 August to 30 June for the draft, and from 30 November to 30 September 2021 for the audited accounts. The original September dates were not met and the external audit extended to November 2021.

e) Recovery plans, strategy and objectives

The Council has been preparing its recovery response which will be underpinned by the following principles:

- Tackling widening social, economic and health inequalities;
- Protecting the most vulnerable;
- Ensuring the Council's continued resilience, stability and sustainability; and
- Enabling residents to make the most of Lewisham the place.

The Council's strategy in this regard is:

- We will work together with our partner agencies to respond to and recover from Covid-19 for our communities, businesses and staff.

The Council's objectives related to this are:

- To provide support to the vulnerable.
- Managing resourcing to meet the needs of emergency and maintain essential public services.
- To provide support to our responding partner agencies who are protecting and preserving life.
- To provide support to Lewisham businesses and communities.
- To inform and reassure through communication and engagement.
- To provide community leadership/reassurance.
- Minimize disruption to infrastructure and business.
- To facilitating recovery and the return to normality.

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3. FINANCIAL PERFORMANCE

a) 2020/21 Revenue Budget Setting and Funding

The Council set a net budget requirement of £248.7m for 2020/21 at its meeting on 05 February 2020. This was an increase of £5.7m or 2.3% on the previous year's net budget requirement of £243.0m. The main sources of income were Revenue Support Grant (RSG), Business Rates and Council Tax. With central RSG and Business rates similar to the previous year, Council Tax funds a higher proportion of the budget than it did last year, with bills increasing by 3.99% (4.99% last year). A year on year comparison of revenue budget funding is shown in the following table.

2020/21 Revenue Budget Funding

	2020/21 £m	2019/20 £m
Revenue Support Grant	28.0	27.5
Business Rates	102.6	102.1
Council Tax	116.2	109.5
Social Care Precept	2.3	2.2
Surplus/ (deficit) on Collection Fund	-0.4	1.7
Budget Requirement	248.7	243.0

b) Council Tax

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

For 2020/21, the Council increased the general rate of Council Tax by 1.99% and agreed to levy the 2% Adult Social Care precept resulting in an overall increase of 3.99%. The actual Council Tax charge is determined by dividing the net amount to be met from Council Tax by the tax base, which for Lewisham is 90,099 equivalent Band D properties for 2020/21 (88,405 for 2019/20).

The comparison of Council Tax Band D levels from 2019/20 to 2020/21 for Lewisham is shown in the following table, together with the Greater London Authority precept.

Band D Council Tax by Tax Raising Body

	2020/21 £	2019/20 £	Variation £	Variation %
Lewisham Council	1,314.37	1,263.94	50.43	3.99
Greater London Authority	332.07	320.51	11.56	3.61
Council Tax for Band D	1,646.44	1,584.45	61.99	3.91

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c) 2020/21 Revenue Budget Outturn

The Council's 2020/21 revenue outturn position is shown in the following table. Further detail can be found in the Expenditure and Funding Analysis in section 3 of this document.

Directorate	Net Budget	Outturn	Outturn Variance	Covid-19 Related Variance	General Fund Services Variance	General Fund Outturn Variance
	£m	£m	£m	£m	£m	%
Children & Young People	60.3	69.1	8.8	4.7	4.1	5.9%
Community Services	89.2	98.3	9.1	17.3	(8.2)	-8.3%
Housing, Regeneration & Public Realm	23.2	30.7	7.5	9.7	(2.2)	-7.2%
Corporate Services	35.3	40.2	4.9	4.3	0.6	1.5%
Chief Executive	12.2	11.6	(0.6)	1.0	(1.6)	-13.8%
Directorate Totals	220.2	249.9	29.7	37.0	(7.3)	-2.9%
Covid Grant Income	0.0	(40.8)	(40.8)	(40.8)	0.0	0.0%
Corporate Items – incl. Contributions to Provisions and Reserves	28.5	39.8	11.3	3.8	7.5	18.8%
Net Revenue Budget	248.7	248.9	0.2	0.0	0.2	0.1%

During 2020/21, the overspend against the directorates' net controllable budgets was £0.2m. This consists of Covid related spend of £40.8m for the year which is met by Covid-19 government grant income and a general fund 'business as usual' overspend of £0.2m. The final overspend of £0.2m comes after contributions to reserves and provisions. Detailed reasons for budget variances have been reported to Mayor & Cabinet on 9 June 2021. For the fourth successive year, the main element of the overspend has been expenditure on children's social care. Officers are continually seeking to identify ways to manage down overspending budgets, but this has not been sufficient to balance the budget in this financial year.

The outturn includes the outcome of delivered agreed savings for 2020/21, and the identified in-year cash reductions totalling £5.2m. The overall pressures were alleviated in part by additional government grant income received to provide some financial support to councils to undertake additional activities in recognition of the unplanned costs which have been incurred in responding to Covid-19. The amount received by Lewisham in 2020/21 for such purposes, totals £56.6m. More detail on these grants have been set out in the final outturn report presented to Mayor & Cabinet on 9 June 2021. Of the £56.6m government grant income, some £40.8m has been applied to Covid-19 related spend during the year, thereby leaving £15.8m to be carried forward into 2021/22.

Throughout the year, Mayor & Cabinet and Executive Directors have received regular financial monitoring reports. The financial position demonstrates the impact of the very severe financial constraints which have been imposed on Council services with the cuts made year on year, alongside the increasing demand due to the growing number of the borough's residents and the impact the coronavirus pandemic has had on the Council's finances.

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

Dedicated Schools Grant

The final budget distribution of the Dedicated Schools Grant (DSG) for 2020/21 was a net of £259.9m (net of academy recoupment). Overall there is an increase in the overall surplus position for schools balances of £4.9m (net). This is some 13% of the value of the schools block, but it should be noted that within this, there are £1.6m of loans supporting deficits. There are 15 schools which are within the correct tolerance of 8% surplus. All other schools are in surplus positions, many with significant levels relative to their budget position. Some 28 schools have balances in excess of 20% of their annual schools budget. All schools with deficits have a budget recovery plan and work will continue this year to ensure that plans are delivered and the future position is sustainable.

d) Balances and Reserves

After transfers to and from reserves the General Fund balance has remained at £20m. This is an adequate level of cover and represents approximately 8.2% of Lewisham's Net Budget Requirement for 2021/22. The Council also has a number of earmarked reserves for specific on-going initiatives and these are shown in Note 9 to the Core Financial Statements.

The Housing Revenue Account (HRA) spent to budget after transfers to reserves as at 31 March 2021. It continues to build reserves up on an annual basis, mainly to ensure that there are sufficient resources available to fund the current 30 year business plan. This aims to continue to invest in decent homes and to significantly increase the supply of housing in the borough over the medium to long term. The business plan is reviewed each year to ensure that the resources available from HRA reserves can be profiled appropriately to meet the business needs. After transfers to and from reserves the HRA balance at the end of the year, including earmarked reserves, now stands at £76.9m (£100.7m as at 31 March 2020). These reserves include the Major Repairs Reserve and are for specific on-going projects as outlined in the notes to the HRA in Section 4 of the Accounts.

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e) Cashflow

Cash and Cash equivalents held by the Council reduced from £112.8m to £77.6m in 2020/21. The detailed analysis of the movements in Cash throughout the year can be found in the Cashflow Statement and related notes. The summary is as follows:

	2020/21 £000s
Net Cash flows from Operating Activities	100,227
Purchases of PPE	(101,146)
Sales of PPE	11,267
Net Purchases of Short & Long-term investments	(45,000)
Net Receipts from Investing activities	36,601
Cash receipts of short and Long-Term Borrowing	0
Repayment of Short and Long-Term Borrowing	(12,952)
Net payments for Other Financing activities	(24,202)
Net Increase or (Decrease) in Cash and Cash Equivalents	(35,205)

f) 2020/21 Capital Budget Outturn

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

	2020/21 Final Outturn £m	2020/21 Original Budget Report £m	2020/21 Revised Budget Report £m	2019/20 Final Outturn £m
CAPITAL PROGRAMME EXPENDITURE				
General Fund	58.0	58.1	70.4	76.6
Housing Revenue Account	62.1	136.3	101.2	44.6
Total Spent	120.1	194.4	171.6	121.2
CAPITAL PROGRAMME FINANCING				
Borrowing	8.2	107.2		44.8
Capital Grants	43.6	39.9		20.9
Capital Receipts	12.4	3.4		10.0
Use of reserves and revenue financing	55.9	43.9		45.5
Total Financed	120.1	194.4	171.6	121.2

During the year, the budget was revised to reflect the forecast development of the programme. The percentage spent compared to the revised programme budget was 70% (2019/20 72%).

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Spend on the major projects, where in year spend exceeded £1m, is shown in the table below.

Major Projects of over £1m

	2020/21 Expenditure £m
General Fund	
Lewisham Gateway (Phase 2)	14.8
Fleet Replacement Programme	6.3
Highways & Bridges (incl. TFL programme)	5.8
Edward Street Development	5.7
Temporary Accommodation Conversion - Morton House	4.2
Schools minor works	4.2
Deptford Southern Sites Regeneration	2.6
Residential Portfolio Acquisition – Hyde Housing Association	2.1
School Places Programme	1.9
Private Sector Grants and Loans (inc. DFG)	1.5
Housing Revenue Account	
Building for Lewisham Programme	15.8
HRA Capital Programme	38.1
Creekside Acquisition	6.7

4. LOOKING AHEAD**a) Revenue Budget Outlook**

Local government continues to face an extremely challenging financial outlook following a prolonged period of austerity and growth in demand for services. The Covid-19 pandemic has increased the pressure on costs. This has driven significant changes to services that in turn bring additional risks and uncertainties. The consequences of Brexit have added to the uncertainty.

The Council set a net budget requirement of £243.1m for 2021/22 at its meeting on 03 February 2021, which is £5.6m lower than the equivalent figure for 2020/21. The Council has made reductions of £28.0m to its budget, and added £22.4m to provide for risks and pressures. This is sufficient to set a balanced budget for the year, without the need to use reserves, but action is also being taken to ensure that expenditure is affordable in future years. Reserves may be used at the start of the financial year to underpin selected service budgets, pending actions being taken to bring these budgets back in line on an ongoing basis.

The Medium Term Financial Strategy (MTFS) is being reported to Mayor & Cabinet in July 2021. This sets out that an estimated £26m of cuts would be required from 2022/23 to 2025/26 to meet the remaining budget gap. This position has now been revised following the cuts proposals submitted to Mayor and Cabinet early in the year, the final local government finance settlement announced in January 2021 and the annual review of the statutory calculation for the Collection Fund. The revised profile for cuts required is now broadly:

- £28m to be implemented in 2021/22;
- sufficient to set a balanced budget for the year, without the need to use reserves;
- Current base case assumptions for 2022/23 to 2025/26 produce an assumed budget gap of £26m, with a profile of £2m, £9m, £7m and £8m, respectively

Looking further ahead, the Government is due to carry out a review of Local Government spending in 2022/23 and has consulted on two potential changes that will contribute to shaping the future of Local Government Finance:

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- A Fair Funding Review of local authorities' relative needs and resources which sought views on the approach to measuring the relative needs and resources of local authorities. This will determine new baseline funding allocations for all local authorities in England.
- Business Rates Retention Reform – Views were sought on proposals for sharing risk and reward, managing volatility in income and setting up the reformed business rates retention system, whereby local authorities will retain 75% of business rates.

b) Capital Budget Outlook

The Council set its capital programme budget at its meeting on 03 February 2021. This outlined the Council's programme of £517.5m for the years 2021/22 to 2023/24. The most significant parts of the programme are school expansion to provide additional pupil places, highways and bridges, fleet replacement programme, major regeneration schemes including Catford town centre, plus the Building for Lewisham programme.

The budgeted amount to be invested in 2021/22 is shown in the table below.

2021/22 Capital Programme	2021/22 Budget £m
General Fund	
Schools – Pupil Places Programme & other capital works	12.1
Asset Management programme	8.5
Edward St. Development	8.4
Mayow Rd. Development	6.6
Acquisition of Sydney Arms	3.8
Traveller's Site Relocation	3.6
Lewisham Gateway (Phase 2)	3.5
Highways, footways and bridges	3.3
Lewisham Homes - Property Acquisition	3.0
Ladywell Leisure Centre Development site	2.7
Disabled Facilities Grant	2.1
Private Sector Grants and Loans	2.1
Beckenham Place Park	1.7
Canonbie Rd. Development	1.4
Town Centres & High Street improvements	1.2
Achilles St. Development	1.0
Fleet Replacement Programme	0.8
Other schemes	4.5
	70.3
Housing Revenue Account	
Building for Lewisham Programme	48.3
HRA Capital Programme	31.6
Ladywell Leisure Centre Development site	15.4
Creekside Acquisition	13.9
Mayow Rd. Development	0.8
Other Schemes	4.0
	114.0
Total Capital Programme	184.3

Narrative Statement

The budgeted capital programme expenditure and how this is forecast to be resourced is shown below:

2021/22 Capital Programme	2021/22 Budget £m
CAPITAL PROGRAMME EXPENDITURE	
General Fund	70.3
Housing Revenue Account	114.0
Total Forecast Spend	184.3
CAPITAL PROGRAMME FINANCING	
Borrowing	63.5
Capital Grants	39.3
General (Capital receipts, Reserves, Revenue)	81.5
Total Financing Budget	184.3

c) Corporate Risks

The Council has an embedded process to manage risks and assist the achievement of its objectives. The Risk Management Strategy is compliant with the statutory requirements as defined in the Accounts & Audit Regulations 2015 and is summarised as part of the Annual Governance Statement in section 9 of this document.

The Risk Management Objectives of the London Borough of Lewisham are as follows:

- Ensure the health, safety & security of service users, citizens and staff
- Safeguard vulnerable children and adults to help prevent injury and damage
- Help to achieve corporate priorities
- Integrate risk management into the culture of the Authority
- Identify, evaluate and manage risk in accordance with good practice
- Ensure legal and regulatory compliance as a minimum standard
- Anticipate and respond to changing social, environmental and legislative requirements
- Raise awareness of the need for risk management in all service areas
- Mitigate risks
- Enhance corporate governance of risk
- Optimise opportunities
- Reduce the cost of risk
- Safeguarding Council assets

Risks are scored in terms of likelihood and impact, with a range from 1 to 5 (with 5 being the highest) and the result is plotted on a matrix to produce a Red/Amber/Green rating. The risk register contains action plans to manage the risks to target and these are subject to regular review by Directorate Management Teams. The risk registers are reported to the Executive Management Team (previously the now disbanded Internal Control Board) on a quarterly basis, and to every Audit Panel meeting.

Narrative Statement

5. PENSION FUND VALUATION

The actuarial valuation of the Council's pension scheme liabilities and pension reserve shown on the Balance Sheet has increased by £252.6m during the year, mainly as a result of changes to the financial assumptions used by the pension fund Actuary (Hymans-Robertson). This offsets the reduction of £233.9m during 2019/20. The Council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation.

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

6. THE COUNCIL'S STATEMENT OF ACCOUNTS

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

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

Section 1 – The Core Financial Statements

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

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

Section 1b - Movement in Reserves Statement (MiRS)

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

Section 1c - Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second

Narrative Statement

category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Section 1d - Cash Flow Statement

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

Section 2 – Statement of Accounting Policies

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

Section 3 – Notes to the Core Financial Statements

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

Section 4 – Housing Revenue Account (HRA)

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

Section 5 – Collection Fund Accounts

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

Section 6 – Group Accounts

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

Section 7 - Glossary

This explains some technical and commonly used terms.

Section 8 – Pension Fund Accounts

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

Section 9 – Annual Governance Statement (AGS)

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

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

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

Responsibility of the Executive Director of Corporate Resources

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

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

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

I certify that I have also:

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

The Statement of Accounts gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2021.

K. Freeman

Kathy Freeman CPFA

Executive Director of Corporate Resources (S151)

14 December 2021

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of the London Borough of Lewisham (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Comprehensive Income and Expenditure Account, the Housing Revenue Account Movements in Reserve Statement, the Collection Fund Revenue Account, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including the accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2021 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

In our evaluation of the conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

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

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

The responsibilities of the Executive Director of Corporate Resources with respect to going concern are described in the 'Responsibilities of the Authority, Executive Director of Corporate Resources and Those Charged with Governance for the financial statements' section of this report.

Other information

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

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority, the Executive Director of Corporate Resources and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Corporate Resources. The Executive Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Corporate Resources is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Audit Panel is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, the Local Government Act 1972, the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992), and the Local Government Finance Act 2012.
- We enquired of senior officers and the Audit Panel concerning the group and Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit Panel whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - journal entries posted which met a range of criteria determined during the course of the audit, in particular those posted around the reporting date which had an impact on the Comprehensive Income and Expenditure Statement, and
 - accounting estimates made in respect of the valuation of assets and liabilities in the Balance Sheet
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Executive Director of Corporate Resources has in place to prevent and detect fraud;
 - journal entry testing, with a focus on entries meeting the risk criteria determined by the audit team;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings, including council dwellings, and the valuation of the net defined benefit pensions liability;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations included the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of land and buildings, including council dwellings, and the valuation of the net defined benefit pensions liability.
- Assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's and component auditors:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Authority and group including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.
- For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

Responsibilities of the Authority

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

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

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

We cannot formally conclude the audit and issue an audit certificate for the London Borough of Lewisham for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report.
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

In addition, we are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2021. As the Authority has not prepared the Pension Fund Annual Report at the time of this report, we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

We are satisfied that this work does not have a material effect on the financial statements.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Grady

Paul Grady, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

16 December 2021

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

Opinion

We have audited the financial statements of the London Borough of Lewisham Pension fund (the 'Pension Fund') administered by the London Borough of Lewisham (the 'Authority') for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

In our evaluation of the Executive Director of Corporate Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

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

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

The responsibilities of the Executive Director of Corporate Resources with respect to going concern are described in the 'Responsibilities of the Authority, Executive Director of Corporate Resources and Those Charged with Governance for the financial statements' section of this report.

Other information

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

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

We have nothing to report in this regard.

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority, the Executive Director of Corporate Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Corporate Resources. The Executive Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Executive Director of Corporate Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

The Audit Panel is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of senior officers and the Audit Panel concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit Panel whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - journal entries posted which met a range of criteria determined during the course of the audit, in particular those posted around the reporting date which had an impact on the Fund Account, and
 - accounting estimates made in respect of the valuation of assets and liabilities in the Net Assets Statement
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Executive Director of Corporate Resources has in place to prevent and detect fraud;
 - journal entry testing, with a focus on entries meeting the criteria determined by the audit team;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 3 investments and IAS 26 pensions liability valuations;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- The team communications in respect of potential non-compliance with relevant laws and regulations included the potential for fraud in revenue and expenditure recognition and the significant accounting estimates related to the valuation of level 3 investments and the IAS 26 pensions liability valuation.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government pensions sector
 - understanding of the legal and regulatory requirements specific to the Pension Fund including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Grady

Paul Grady, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
London
16 December 2021

SECTION 1 - CORE FINANCIAL STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 31 MARCH 2021

2019/20 Restated			SERVICE	2020/21			Note
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	
389,628	(341,681)	47,947	Children & Young People Directorate	450,726	(352,975)	97,751	
185,662	(92,833)	92,829	Community Services Directorate	201,559	(122,443)	79,116	
109,577	(75,864)	33,713	Housing, Regeneration & Public Realm Directorate	148,787	(85,150)	63,637	
234,259	(191,127)	43,132	Corporate Services Directorate	223,698	(183,646)	40,052	
13,212	(1,813)	11,399	Chief Executive Directorate	12,489	(576)	11,913	
89,684	(105,641)	(15,957)	HRA	98,972	(97,210)	1,762	
10,431	(2,334)	8,097	Corporate Provisions	16,721	(6,953)	9,768	
1,032,453	(811,293)	221,160	Cost of Services	1,152,952	(848,953)	303,999	1
40,617	(19,860)	20,757	Other Operating Expenditure (Gain) / Loss on the disposal and de-recognition of non-current assets	37,206	(6,832)	30,374	
1,700	0	1,700	Levies	1,706	0	1,706	7
20,121	0	20,121	Contribution of housing capital receipts to Government Pool	1,939	0	1,939	19
62,438	(19,860)	42,578		40,851	(6,832)	34,019	
35,651	0	35,651	Financing and Investment Income and Expenditure	31,713	0	31,713	
0	(4,623)	(4,623)	Interest payable and similar charges	0	(3,164)	(3,164)	
0	0	0	Interest and Investment Income	21,120	0	21,120	
47,656	(29,199)	18,457	Loss of Control of Assets	39,190	(27,088)	12,102	37
83,307	(33,822)	49,485	Net interest on the net defined benefit liability	92,023	(30,252)	61,771	
0	(113,437)	(113,437)	Taxation and non-specific Grant Income	0	(118,065)	(118,065)	
0	(55,224)	(55,224)	Income from Council Tax	0	(85,163)	(85,163)	30
0	(18,568)	(18,568)	General Government Grants	0	(36,508)	(36,508)	
0	(102,075)	(102,075)	Recognised Capital Grants and Contributions	0	(95,735)	(95,735)	
0	(289,304)	(289,304)	Non-Domestic Rates income and expenditure	0	(335,471)	(335,471)	
		23,919	Deficit/(Surplus) on provision of services			64,318	1
	(123,566)		Surplus on revaluation of non-current assets			(101,373)	21
	(273,410)		Remeasurement of the net defined benefit liability			232,272	20, 37
	(396,976)		Other Comprehensive Income and Expenditure			130,899	
	(373,057)		Total Comprehensive Income and Expenditure			195,217	

LEWISHAM STATEMENT OF ACCOUNTS 2020/21

Core Financial Statements

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31 MARCH 2021

YEAR ENDING 31 MARCH 2021	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Sub-Total General Fund £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000	Note
Balance at 01 April 2020 Brought Forward	20,000	151,122	171,122	84,281	16,463	61,368	23,626	356,860	1,637,703	1,994,563	
Movement in Reserves during 2020/21											
Surplus or (Deficit) on the provision of services	(25,121)	0	(25,121)	(39,197)	0	0	0	(64,318)	0	(64,318)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(130,899)	(130,899)	21, 22
Total Comprehensive Income and Expenditure	(25,121)	0	(25,121)	(39,197)	0	0	0	(64,318)	(130,899)	(195,217)	
Adjustments between accounting basis and funding basis under regulations	74,727	0	74,727	29,894	(14,579)	(3,072)	2,979	89,949	(89,949)	0	8
Net Increase / (Decrease) before Transfers to Earmarked Reserves	49,606	0	49,606	(9,303)	(14,579)	(3,072)	2,979	25,631	(220,848)	(195,217)	
Transfers to / (from) Reserves	(49,606)	49,606	0	0	0	0	0	0	0	0	
Increase / (Decrease) in 2020/21	0	49,606	49,606	(9,303)	(14,579)	(3,072)	2,979	25,631	(220,848)	(195,217)	
Balance at 31 March 2021 Carried Forward	20,000	200,728	220,728	74,978	1,884	58,296	26,605	382,491	1,416,855	1,799,346	
Note		9		HRA 15	HRA 14	19					

Core Financial Statements

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31 MARCH 2020

YEAR ENDING 31 MARCH 2020	Restated										Note
	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Sub-Total General Fund £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000	
Balance at 01 April 2019 Brought Forward	20,000	147,145	167,145	76,708	36,919	62,101	16,998	359,871	1,261,635	1,621,506	
Movement in Reserves during 2019/20											
Surplus or (Deficit) on the provision of services	3,192	0	3,192	(27,111)	0	0	0	(23,919)	0	(23,919)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	396,976	396,976	21, 22
Total Comprehensive Income and Expenditure	3,192	0	3,192	(27,111)	0	0	0	(23,919)	396,976	373,057	
Adjustments between accounting basis and funding basis under regulations	785	0	785	34,684	(20,456)	(733)	6,628	20,908	(20,908)	0	8
Net Increase / (Decrease) before Transfers to Earmarked Reserves	3,977	0	3,977	7,573	(20,456)	(733)	6,628	(3,011)	376,068	373,057	
Transfers to / (from) Earmarked Reserves	(3,977)	3,977	0	0	0	0	0	0	0	0	
Increase / (Decrease) in 2019/20	0	3,977	3,977	7,573	(20,456)	(733)	6,628	(3,011)	376,068	373,057	
Balance at 31 March 2020 Carried Forward	20,000	151,122	171,122	84,281	16,463	61,368	23,626	356,860	1,637,703	1,994,563	
Note		9		HRA 15	HRA 14	19					

Core Financial Statements

BALANCE SHEET AS AT 31 MARCH 2021

31/03/2020 £000		31/03/2021 £000	Note
	Property, Plant & Equipment		
1,283,064	Council Dwellings	1,393,428	10b, HRA 1a, 9
1,074,576	Other Land and Buildings	1,064,692	10b
24,159	Vehicles, Plant, Furniture and Equipment	28,785	10b
113,902	Infrastructure	109,064	10b
5,424	Community Assets	5,295	10b
94,699	Surplus Assets not Held for Sale	52,244	10b
80,532	Assets under Construction	69,923	10b
2,676,356		2,723,431	
257	Heritage Assets	928	41
1,975	Long Term Investments	1,924	
56,645	Long Term Debtors	56,237	14a
2,735,233	Total Long Term Assets	2,782,520	
268,595	Short Term Investments	313,327	12
171	Inventories	188	
63,655	Debtors	80,677	14b
115,967	Cash and Cash Equivalents	78,676	15
7,397	Prepayments	3,786	
455,785	Current Assets	476,654	
3,125	Bank Overdraft	1,039	15
5,968	Short Term Borrowing	2,073	12
11,863	Provisions (Less than 1 year)	21,644	18
102,269	Creditors	117,814	16
103,902	Receipts in Advance	100,662	17
8,797	PFI Liabilities due within one year	9,302	34d
235,924	Current Liabilities	252,534	
2,955,094	Total Assets less Current Liabilities	3,006,640	
222,987	Long Term Borrowing	222,784	12
5,005	Provisions (More than 1 year)	8,052	18
211,567	Deferred PFI Liabilities	202,138	34d
2,506	Capital Grants Receipts in Advance	2,989	
0	Other Long Term Liabilities	290	
518,466	Liability related to defined benefit pension scheme	771,041	20, 37
960,531	Long Term Liabilities	1,207,294	
1,994,563	NET ASSETS	1,799,346	
	Usable Reserves		
20,000	General Fund Balance	20,000	
151,122	Earmarked Revenue Reserves	200,728	9
84,281	Housing Revenue Account	74,978	HRA 15
16,463	Major Repairs Reserve	1,884	HRA 14
61,368	Usable Capital Receipts Reserve	58,296	19
23,626	Capital Grants Unapplied	26,605	42
356,860		382,491	
	Unusable Reserves		
1,130,110	Revaluation Reserve	1,209,588	21
1,070,983	Capital Adjustment Account	1,044,137	22
93	Deferred Capital Receipts	93	
(34,694)	Financial Instruments Adjustment Account	(33,834)	12e
(518,466)	Pensions Reserve	(771,041)	20, 37
(3,570)	Collection Fund Adjustment Account	(21,141)	Coll Fd 3
0	DSG Unusable Reserve	(2,375)	29
(6,753)	Short Term Compensated Absences Account	(8,572)	
1,637,703		1,416,855	
1,994,563	TOTAL RESERVES	1,799,346	

Certification by the Executive Director of Corporate Resources

K. Freeman	Kathy Freeman CPFA - Executive Director of Corporate Resources (S151) 14 December 2021
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CASH FLOW STATEMENT FOR THE YEAR ENDING 31 MARCH 2021

Restated 2019/20 £000s		2020/21 £000s	Note
(23,919)	Net surplus or (deficit) on the provision of services	(64,318)	
101,164	Adjustment to surplus or deficit on the provision of services for non-cash movements	214,948	43
(51,677)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(50,403)	44
25,568	Net Cash flows from Operating Activities	100,227	
15,410	Net Cash flows from Investing Activities	(98,278)	46
(3,626)	Net Cash flows from Financing Activities	(37,154)	47
37,352	Net Increase or (decrease) in Cash and Cash Equivalents	(35,205)	
75,490	Cash and Cash Equivalents at the beginning of the reporting period	112,842	15
112,842	Cash and Cash Equivalents at the end of the reporting period	77,637	15

SECTION 2 - STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 (as amended for the Accounts and Audit (Amendment) Regulations 2021), which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and the SERCOP 2020/21, both published by CIPFA, and based on IFRS and statutory guidance under Section 12 of the Local Government Act 2003 (see Glossary for definitions). The accounting convention adopted in the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a 'going concern' basis (in other words, on the expectation that the Council will continue to operate in its current form for the foreseeable future).

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

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

3. ACCRUALS OF INCOME AND EXPENDITURE

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

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

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

4. EXCEPTIONAL ITEMS

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

5. FOREIGN CURRENCY TRANSLATION

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

6. VALUE ADDED TAX (VAT)

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

7. EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

8. OVERHEADS AND SUPPORT SERVICES

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

9. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

10. LEASES

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

a) The Council as Lessee**i) Finance Leases**

The Council as lessee does not have any finance leases.

ii) Operating Leases

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

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

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

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

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

ii) Operating Leases

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

There will be significant changes to accounting for leases in 2022/23 - for further information see Note 2 of Section 3 in these Accounts.

11. INVENTORIES (STOCK)

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

12. LONG TERM CONTRACTS

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

13. EMPLOYEE BENEFITS

a) Benefits Payable during Employment

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

b) Termination and Discretionary Benefits

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

Where termination benefits have involved the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any amounts payable but unpaid at the year-end. The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities arising as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

c) Post-Employment Benefits

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

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

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

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

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

(ii) London Pension Fund Scheme

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

(iii) Local Government Pension Scheme

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

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

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

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

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

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

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

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

14. INTERESTS IN COMPANIES

The Council has two wholly owned subsidiary companies, Lewisham Homes Limited and Catford Regeneration Partnership Limited. These are accounted for at cost in the single entity accounts. It also is an equal partner (50:50) in Lewisham Grainger Holdings LLP with Grainger Developments Ltd and has a minority interest (significantly lower than 50%) in a number of other companies. The transactions between the Council and all of these companies are included in the Council's accounts. An annual review of the necessity of preparing Group Accounts is undertaken, and for 2020/21 it has again been concluded that the activities of Group's entities are sufficiently material to warrant the production of Group Accounts. See also Section 6 – Group Accounts, and Note 25 - Investment in Companies.

15. REVENUE PROVISIONS AND IMPAIRMENT ALLOWANCES

a) Provisions

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

b) Impairment Allowances

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

16. RESERVES

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

17. CONTINGENT LIABILITIES AND ASSETS

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

18. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

19. FINANCIAL INSTRUMENTS

a) Financial Liabilities

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

Premiums and discounts from previous year's settlements are charged to the CIES in accordance with regulations requiring the impact on the General Fund and the HRA to be spread over future years. The Council's policy is to spread the gain or loss over the remaining term of the loan repaid on which the

premium was payable or discount receivable. As required by statute, the amounts charged to the CIES are adjusted to the required charge against Council Tax or Housing Rents by a transfer to or from the Financial Instruments Adjustment Account in the MiRS. This account holds the accumulated difference between the financing costs charged to the CIES and the accumulated financing costs required to be charged to the General Fund Balance in accordance with regulations.

b) Financial Assets

Following the adoption of accounting standard IFRS 9 from 01 April 2018, which replaced IAS 39 Financial Instruments, the Available for Sale Financial Asset category is no longer available. Assets previously held as available for sale have now been reclassified in line with IFRS 9 code. In order to comply with the new requirements of the Code, financial assets are now classified into three categories:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

b (i) Financial assets measured at amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value, then subsequently at amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES

c) Expected Credit Loss Model

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

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

20. CASH AND CASH EQUIVALENTS

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

21. INTANGIBLE NON CURRENT ASSETS

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

22. NON CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

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

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

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

a) Recognition

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

b) Measurement and Valuation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

c) Charges to Revenue for Non-Current Assets

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

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

These amounts are not required to be charged against Council Tax; however the Council is required to make an annual contribution from revenue (the Minimum Revenue Provision – MRP) to reduce its overall outstanding borrowing, calculated on a prudent basis in accordance with statutory guidance.

The difference between the two is accounted for within the Capital Adjustment Account in the Movement in Reserves Statement.

d) Impairment

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

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

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

e) Depreciation

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

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

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

f) Disposals of Non-Current Assets

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

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

g) Deferred Capital Receipts

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

23. HERITAGE ASSETS

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

24. PRIVATE FINANCE INITIATIVE (PFI) CONTRACTS

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

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

25. ACCOUNTING FOR SCHOOLS

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

SECTION 3 – NOTES TO THE CORE FINANCIAL STATEMENTS

1. EXPENDITURE AND FUNDING ANALYSIS – YEAR ENDING 31 MARCH 2021

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

The 2019/20 position in the Comprehensive Income and Expenditure Statement and the Expenditure Funding Analysis have been restated to allow comparability between that year and the current year. This is necessary as the management structure of the Council has changed following a restructure of the Directorate Structure by the Chief Executive.

A new Chief Executives Directorate has been created (Net Expenditure chargeable to General Fund of £11.4m in 2019/20) with corresponding adjustments to the Children and Young Peoples Directorate (-£17.1m) the Community Services Directorate (+£2.6m) the Housing Regeneration and Public Realm Directorate (+£0.4m) and the Corporate Services Directorate (+£2.7m).

Other restatements of the 2019/20 accounts that affected the Expenditure and Funding Analysis are detailed in Note 48.

Notes to the Core Financial Statements

SERVICE	As reported for resource management (Narrative report) £'000	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances £'000	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis (see Notes to EFA (i)) £'000	Net Expenditure in the CIES £'000
Children & Young People Directorate	69,100	(18,815)	50,285	47,466	97,751
Community Services Directorate	98,300	(26,177)	72,123	6,993	79,116
Housing, Regeneration & Public Realm Directorate	30,700	(21,678)	9,022	54,615	63,637
Corporate Services Directorate	40,200	(2,487)	37,713	2,339	40,052
Chief Executive Directorate	11,600	(59)	11,541	373	11,914
HRA	0	11,049	11,049	(9,288)	1,761
Corporate Provisions	-1,000	66,972	65,972	(56,204)	9,768
Cost of Services	248,900	8,805	257,705	46,294	303,999
Other Income and Expenditure	(248,700)	(49,308)	(298,008)	58,327	(239,681)
(Surplus) or Deficit	200	(40,503)	(40,303)	104,621	64,318

Analysis of Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances (£40.5m)General Fund -£49.8m

The "Other Income and Expenditure" that is reported to management is equal to the net general fund budget set for the year (£248.7m). This is then compared to the net cost of services to get to the reported overspend for the year of £0.2m. However, the net increase in General Fund reserves for the year was £49.6m, the difference to the reported outturn position being mostly made up of Covid grants received in 2020/21 that were not spent but had satisfied the grant conditions to allow them to be carried forward in Reserves. In particular £33.2m of Business Rates Reliefs Grants were carried forward in the General Fund Earmarked reserves to be applied to the Collection Fund deficit in 2021/22.

HRA £9.3m

Within reports to management the net over/ underspend position of the HRA is always reported as nil, after taking account of/ noting the various movements and forecasts for the main income and expenditure items and the required action to return the account to a net nil budget. The net movement in HRA reserves in the year was a reduction of £9.3m, so this needs to be added back into the "Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances" to get to the required "Net Expenditure Chargeable to the General Fund and HRA Balances".

Notes to the Core Financial Statements

Opening General Fund and HRA Balance at 01 April 2020	(255,403)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	(40,303)
Closing General Fund and HRA Balance at 31 March 2021	(295,706)

Analysed between General Fund and HRA Balances			
	General Fund	HRA	Total
Opening General Fund and HRA Balance at 01 April 2020	(171,122)	(84,281)	(255,403)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	(49,606)	9,303	(40,303)
Closing General Fund and HRA Balance at 31 March 2021	(220,728)	(74,978)	(295,706)

Notes to the Core Financial Statements

EXPENDITURE AND FUNDING ANALYSIS – YEAR ENDING 31 MARCH 2020

SERVICE	Restated				
	As reported for resource management (Narrative report)	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis (see Notes to EFA (i))	Net Expenditure in the CIES
	£'000	£'000	£'000	£'000	£'000
Children & Young People Directorate	65,800	(6,779)	59,021	(11,074)	47,947
Community Services Directorate	86,800	(365)	86,435	6,394	92,829
Housing, Regeneration & Public Realm Directorate	37,700	(18,962)	18,738	14,976	33,714
Corporate Services Directorate	35,200	3,590	38,790	4,343	43,133
Chief Executive Directorate	0	11,399	11,399	0	11,399
HRA	0	(27,917)	(27,917)	11,960	(15,957)
Corporate Provisions	23,600	16,243	39,843	(31,747)	8,096
Cost of Services	249,100	(22,791)	226,309	(5,148)	221,161
Other Income and Expenditure	-243,200	5,341	(237,859)	40,617	(197,242)
(Surplus) or Deficit	5,900	(17,450)	(11,550)	35,469	23,919

Opening General Fund and HRA Balance at 01 April 2019	(243,853)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	(11,550)
Closing General Fund and HRA Balance at 31 March 2020	(255,403)

Notes to the Core Financial Statements

Analysed between General Fund and HRA Balances			
	General Fund	HRA	Total
Opening General Fund and HRA Balance at 01 April 2019	(167,145)	(76,708)	(243,853)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	(3,977)	(7,573)	(11,550)
Closing General Fund and HRA Balance at 31 March 2020	(171,122)	(84,281)	(255,403)

Notes to the EFA

(i) Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the CIES amounts	2020/21			
	Adjustment for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
SERVICE				
Children & Young People Directorate	33,872	9,460	4,134	47,466
Community Services Directorate	5,599	1,359	35	6,993
Housing, Regeneration & Public Realm Directorate	39,411	1,172	14,032	54,615
Corporate Services Directorate	1,174	1,112	53	2,339
Chief Executive Directorate	0	373	0	373
HRA	(9,393)	105	0	(9,288)
Corporate Provisions	(65,577)	6,722	2,651	(56,204)
Cost of Services	5,086	20,303	20,905	46,294
Other Income and Expenditure	58,327	0	0	58,327
Difference between General Fund surplus or deficit and CIES surplus or deficit	63,413	20,303	20,905	104,621

Notes to the Core Financial Statements

	Restated			
	2019/20			
Adjustments from General Fund to arrive at the CIES amounts	Adjustment for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
SERVICE				
Children & Young People Directorate	(27,992)	16,806	112	(11,074)
Community Services Directorate	3,624	2,764	6	6,394
Housing, Regeneration & Public Realm Directorate	9,546	3,273	2,157	14,976
Corporate Services Directorate	2,024	2,243	76	4,343
Chief Executive Directorate	0	0	0	0
HRA	11,815	146	(1)	11,960
Corporate Provisions	(44,538)	14,234	(1,443)	(31,747)
Cost of Services	(45,521)	39,466	907	(5,148)
Other Income and Expenditure	40,617	0	0	40,617
Difference between General Fund surplus or deficit and CIES surplus or deficit	(4,904)	39,466	907	35,469

Notes to the Core Financial Statements

(ii) Segmental Income and Expenditure

	2020/21
	£'000
Revenues from external customers	(243,767)
Revenues from transactions with other operating segments of the authority	0
Interest revenue	(3,164)
Interest expense	31,713
Depreciation and amortisation	110,434
Material items of income and expense (related to disposals of PPE and investments and reversals of provisions)	30,374
The authority's interest in the profit or loss of associates and joint ventures accounted for by the equity method	0
Income tax expense or income	0
Material non-cash items other than depreciation and amortisation	0

	2019/20
	£'000
Revenues from external customers	(237,625)
Revenues from transactions with other operating segments of the authority	0
Interest revenue	(4,623)
Interest expense	35,651
Depreciation and amortisation	9,351
Material items of income and expense (related to disposals of PPE and investments and reversals of provisions)	20,757
The authority's interest in the profit or loss of associates and joint ventures accounted for by the equity method	0
Income tax expense or income	0
Material non-cash items other than depreciation and amortisation	0

2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED IN THE 2020/21 ACCOUNTS

The Code of Practice requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued, but not yet adopted. This applies to the adoption of the following new or amended standards within the Code:

- Leases: IFRS 16 will require lessees to recognise most leases on their balance sheet – this is a significant change from current practice. Lessees will have a single accounting model for all leases, with two exemptions (low value assets and short term leases). Lessor accounting will be substantially unchanged. The new standard will come into effect in financial year 2022/23; therefore there is no impact on the 2020/21 Accounts.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- a. The Authority has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These judgements are based on the main reason that the Authority is holding the asset. If the asset is used in the delivery of services or is occupied by third parties that are subsidised by the Authority it is deemed to be a Property, Plant and Equipment asset. If there were no subsidy and/or a full market rent being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method used.
- b. An accounting judgement has been made for each school as to whether their land and buildings should be included within the Council's Balance Sheet. All Community Schools are deemed to be held on the Council's Balance Sheet due to the risks and rewards that the Council is deemed to have. Similarly, the Council's two Nursery Schools and the Pupil Referral Unit are owned and operated by the Local Authority and therefore on the Council's Balance Sheet. Two Foundation Schools are currently on the Council's balance sheet as the transfer of land and buildings did not take place as expected when the Foundation was established – steps are in hand to execute this transfer in 2021. Voluntary Aided Schools and Academies together with a further two Foundation Schools are not included on the Council's balance sheet as ownership of Land and Buildings rests either with the relevant Diocesan body or, in the case of Academies the Government or the Foundation. In summary therefore:
 - Included are 39 Community Primary Schools, 4 Community Secondary Schools, 3 Community Special Schools, 2 Foundation Schools, 1 Pupil Referral Unit and 2 Nursery Schools (51 schools).
 - Excluded are 22 Voluntary-aided Schools, 2 Foundation Schools, 11 Academies (35 schools).
 - Also excluded are assets acquired via PFI contracts where they relate to the excluded schools given above, although the PFI liability remains with the Council.
- c. A judgement has been made by the Council that it is proper practice to prepare Group Accounts for 2020/21, on grounds of materiality. For further information, see Section 2 – Accounting Policies (para. 14 – Interests in Companies); also Section 6 – Group Accounts; and Note 25 – Investment in Companies. All relevant entities have been consolidated into the Group Accounts.

Notes to the Core Financial Statements

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

These Accounts contain a number of estimated figures that are based on assumptions made about the future or that are otherwise uncertain, and take into account historical experience, current trends and other relevant factors. Because of this, the actual outcomes could be materially different from the assumptions and estimates made. The areas in the Council's Accounts at 31 March 2021 for which there is a significant possibility of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment - PP&E (Valuations, Asset Lives and Derecognition)	Land and building assets included in the Balance Sheet at fair value are revalued regularly in accordance with the Statements of Appraisal and Valuation Manual and Guidance Notes issued by the RICS and recommended by CIPFA. Land and building assets carrying value and remaining useful life are assessed by the Council's Valuers. These valuations include an assessment of the extent and feature of the sites, construction and the accommodation of the building etc.	<p>Changes to asset value and lives will have an effect on the annual depreciation charge for use of assets charged to services in the CI&ES. The annual depreciation charge for PP&E in 2020/21 is £49.862m (£49.987m in 2019/20) and the gross book value of these assets is £2,844m (£2,794m in 2019-20).</p> <p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 5%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £123m. An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement. Depreciation charges for operational buildings will change in direct relation to changes in estimated current value.</p> <p>The asset life has an inverse effect with depreciation charge. The lower the asset life, the higher the depreciation charge; the higher the asset life, the lower the depreciation charge.</p>
Valuation of HRA Dwellings	The council's valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available	<p>A reduction in the estimate value of HRA dwellings would be revaluation reserve or a loss in the CIES. If the value of dwellings were to reduce by 10% this would lead to a reduction in value of about £139m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p>

Notes to the Core Financial Statements

Actuarial present value of promised retirement benefits	The figure of net liability to pay pensions is based on a significant number of complex assumptions including the discount rate, salary increases, mortality rates and expected returns on Fund assets. The Pension Fund's qualified actuary calculates this figure to ensure the risk of misstatement is minimised. However, the market disruption caused by the coronavirus outbreak will have mixed and uncertain impacts on all of those assumptions, possibly resulting in material changes to the disclosed present value of promised retirement benefits as at 31 March 2021. Further sensitivity analysis is included in note 19 to the Pension Fund in Section 8, below.	The effects on the net pension liability of changes in assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption is estimated to reduce the present value of the pension liability by £233m. A 0.5% increase in the assumed level of pension increases will increase the net pension liability by £214m
Impairment allowance for doubtful debt	As at 31 March 2021, the Council had an outstanding balance of short-term debtors totalling £180.3m. Against this debtors' balance, there is an impairment allowance of £99.6m. It is not certain that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not. The economic impact of the Covid-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts. The council also has larger share of the collection fund arrears from businesses which increased from £39.8m to £45.1m and therefore recognised a higher bad debt provision of £41.7m (up from £36.5m). Calculation of expected credit loss is forward looking and doesn't just rely upon historic information without considering if that needs to be adapted to reflect current and future conditions. The calculation of the impairment allowance takes into account current and forecast future conditions.	An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on policies adapted to historic experience and success rates experienced in collection. The nature of the debt and service area have been considered and further review has been carried out to reflect the uncertainty of the collection rates as a result of Covid-19. If collection rates were to deteriorate significantly then the Council would need to review its policies on the calculation of its impairment allowance for doubtful debts.
Private equity and infrastructure investment valuations	These investments are not publicly listed and involve estimation techniques in their valuation. In addition, timing issues in producing capital statements for inclusion in the statement of accounts means that several assets are valued in the accounts at previous quarter valuations or later, and rolled forward to 31 March 2021 with adjustments and estimations where possible for known activity such as disbursements and capital calls. The Pension Fund's private equity and infrastructure holdings (all level 3 investments) are impacted by this delay; as such, the final realised value of those assets may differ from the valuations presented in the accounts. The Council makes up approximately 83% of the active members of the Pension Fund so would be impacted by this uncertainty.	Private equity and infrastructure investments are valued at £138.7m in the Pension Fund financial statements. There is a risk that this investment may be under- or overstated in the accounts by up to 4.2% i.e. an increase or decrease of £5.8m. The Council makes up approximately 83% of the active members of the Pension Fund so would be impacted by this uncertainty - 83% of this risk is £4.8m.

Notes to the Core Financial Statements

Property investment valuations	Valuation techniques are used to determine the carrying values of directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, otherwise the best available data is used. The Council makes up approximately 83% of the active members of the Pension Fund so would be impacted by this uncertainty.	Following an analysis of historical volatility of asset class returns and expected investment returns, in consultation with the Fund's advisors, the Council has determined that the percentage of volatility that can be applied to the Fund's Property assets in 2020/21, assuming all other variables such as foreign exchange rates and interest rates remain the same, is estimated to be 1.9%. This would be an increase or decrease in the value of property investments of £2.2m, on a fair value of £112m. The Council makes up approximately 83% of the active members of the Pension Fund so would be impacted by this uncertainty - 83% of this risk is £1.8m.
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a) Movement in Land and Buildings valuations analysis

A sensitivity analysis detailing movement in valuations is as follows:

Asset Category	Assets Valued at 31 March 21	Value on Increase			Value on Decrease		
		1% £000	5% £000	10% £000	1% £000	5% £000	10% £000
Council Dwellings	1,393,428	1,407,362	1,463,099	1,532,771	1,379,494	1,323,757	1,254,085
Other Land & Buildings	1,064,692	1,075,339	1,117,927	1,171,161	1,054,045	1,011,457	958,223
Surplus Assets	52,244	52,766	54,856	57,468	51,722	49,632	47,020
Total	2,510,364	2,535,468	2,635,882	2,761,400	2,485,260	2,384,846	2,259,328

b) Pension Fund Liability

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

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

6. EVENTS AFTER THE BALANCE SHEET DATE

The pre-audit Statement of Accounts was authorised for issue by the Executive Director for Corporate Resources on 30 June 2021. Events taking place after this date are not reflected in the accounts. Where events took place before this date which materially altered the conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect these altered conditions. There are no events after the balance sheet date to report for 2020/21.

Notes to the Core Financial Statements

7. OTHER OPERATING EXPENDITURE - LEVIES

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

	2020/21 £000	2019/20 £000
London Pension Fund Authority (a)	1,289	1,289
Lee Valley Regional Park Authority	211	210
Environment Agency	206	201
Total Levies Paid	1,706	1,700

(a) London Pension Fund Authority

The CIES is charged with a levy from the LPFA to meet the employer's contributions such as premature retirement costs in respect of former employees of the GLC, ILEA and LRB.

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

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

2020/21	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to/ from the Pensions Reserve)	20,199	104				(20,303)
Financial instruments (transferred to the Financial Instruments Adjustment Account)	(860)	0				860
Council Tax and NDR (transfers to/ from Collection Fund Adjustment Account)	17,571					(17,571)
Holiday Pay (transferred to the Accumulated Absences Account)	1,819					(1,819)
Reversal of entries included in the Surplus/ Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account (CAA))	73,728	55,308	23,379			(152,415)
Schools Budget deficit accounting (to account for the in-year deficit and year-end deficit balance)	2,375					(2,375)
Total Adjustments to Revenue Resources	114,832	55,412	23,379	0	0	(193,623)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,791)	(8,476)		11,267		0

Notes to the Core Financial Statements

Payments to the Government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	1,939			(1,939)		0
Statutory provision for the repayment of debt (transfer from the CAA)	(9,894)	(3,165)				13,059
Revenue Expenditure Funded from Capital under Statute	8,953					(8,953)
Capital expenditure funded from revenue balances (transfer to the CAA)	875	(13,877)				13,002
Total Adjustments between Revenue and Capital Resources	(918)	(25,518)	0	9,328	0	17,108
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure				(12,400)		12,400
Use of the Major Repairs Reserve to finance capital expenditure			(37,958)			37,958
Application of capital grants to finance capital expenditure	(39,187)				2,979	36,208
Total Adjustments to Capital Resources	(39,187)	0	(37,958)	(12,400)	2,979	86,566
Total Adjustments	74,727	29,894	(14,579)	(3,072)	2,979	(89,949)

2019/20	Restated					
	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to/ from the Pensions Reserve)	39,320	146				(39,466)
Financial instruments (transferred to the Financial Instruments Adjustment Account)	(1,430)	0				1,430
Council Tax and NDR (transfers to/ from Collection Fund Adjustment Account)	2,196					(2,196)
Holiday Pay (transferred to the Accumulated Absences Account)	155					(155)
Reversal of entries included in the Surplus/ Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account (CAA))	(8,203)	44,798	22,903			(59,498)
Total Adjustments to Revenue Resources	32,038	44,944	22,903	0	0	(99,885)

Notes to the Core Financial Statements

Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(21,964)	(7,402)		29,366		0
Payments to the Government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	20,121			(20,121)		0
Statutory provision for the repayment of debt (transfer from the CAA)	(8,732)	(2,858)				11,590
Revenue Expenditure Funded from Capital under Statute	1,687					(1,687)
Capital expenditure funded from revenue balances (transfer to the CAA)	0	0				0
Total Adjustments between Revenue and Capital Resources	(8,888)	(10,260)	0	9,245	0	9,903
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure				(9,978)		9,978
Use of the Major Repairs Reserve to finance capital expenditure			(43,359)			43,359
Application of capital grants to finance capital expenditure	(22,365)				6,628	15,737
Total Adjustments to Capital Resources	(22,365)	0	(43,359)	(9,978)	6,628	69,074
Total Adjustments	785	34,684	(20,456)	(733)	6,628	(20,908)

9. EARMARKED RESERVES

The Council has a number of earmarked reserves on its Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up to provide resources for future spending plans. This note shows the amounts used to meet General Fund expenditure in 2020/21 and amounts set aside in the year to finance future expenditure plans. The use of HRA earmarked reserves is shown in the notes to the HRA in Section 4.

Name of Reserve	Balance	2020/21 Transfers		Balance	
	31/03/20 £000	Out £000	In £000	31/03/21 £000	
Specific Revenue Earmarked	56,707	(9,145)	13,289	60,851	(a (i))
S31 Business Rates Grant	0	0	33,157	33,157	(a (ii))
Other Covid-19 Grants	9,598	(4,255)	10,712	16,055	(a (iii))
PFI and BSF Schemes	27,893	(135)	1,559	29,317	(b)
New Homes Bonus Reserve	16,470	(2,147)	5,880	20,203	(c)
Insurance	16,030	(725)	870	16,175	(d)
Capital Programme Expenditure	940	(4,134)	3,674	480	(e)
	127,638	(20,541)	69,141	176,238	
Schools Reserves and External Funds	23,484	(32,943)	33,949	24,490	(f)
	23,484	(32,943)	33,949	24,490	
Total	151,122	(53,484)	103,090	200,728	

a) Specific Earmarked Reserves

(i) These comprise a number of specific reserves which are earmarked for particular purposes.

Notes to the Core Financial Statements

- (ii) The Earmarked Revenue reserve contains the S31 Business rates relief grant for £30.4m received in 2020/21 plus the BR Reliefs Underestimation Grant of £2.7m. These will be applied against the Collection Fund Deficit in 2021/22.
- (iii) Revenue reserves balances also includes £16.1m of Other Covid-19 grants. These will either be used against revenue spend in 2021/22, used to support the Collection Fund, or returned to Central Government.

b) PFI and BSF Schemes Reserves

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

c) New Homes Bonus Reserve

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

d) Insurance Reserve

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

e) Capital Programme Expenditure Reserve

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

f) Schools Reserves and Schools External Funds

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

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

Assets are valued at least every five years as a minimum or more regularly where a five-yearly valuation is insufficient to keep pace with material changes in fair value, to ensure that the Council's assets are valued in accordance with RICS and CIPFA guidance. The valuations this year were undertaken and signed off by the valuers Wilkes, Head and Eve LLP. Where revaluations have occurred in 2020/21, their exact effective date was 31 March 2021 for council dwellings and 31 March 2021 for other assets.

	Council Dwellings £000	Other Land & Buildings £000	Surplus Assets £000	Total £000
Valued at Historic Cost	0	0	0	0
Valued at Current Value				
2020-21	1,393,428	1,064,228	52,244	2,509,900
2019-20	0	0	0	0
2018-19	0	400	0	400
2017-18	0	64	0	64
Total Net Book Value	1,393,428	1,064,692	52,244	2,510,364

Notes to the Core Financial Statements

b) Movements in Non-Current Assets

The movements in non-current assets during 2020/21 were as follows:

2020/21	Council Dwellings £000	Other Land & Bldgs £000	Vehicles, Plant & Equip't £000	Infra-structure Assets £000	Comm. Assets £000	Surplus Assets £000	Assets under Construction £000	TOTAL £000
Gross Book Value b/fwd at 01 April 2020	1,284,065	1,077,934	59,003	191,981	5,596	94,858	80,532	2,793,969
Additions	38,960	3,700	7,781	3,136	0	0	45,211	98,788
Revaluations (recognised in Revaluation Reserve)	112,685	37,578	0	0	0	(31,635)	0	118,628
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	(9,333)	(31,238)	0	0	0	(2,846)	0	(43,417)
Impairments (recognised in Revaluation Reserve)	(1,943)	(1,172)	0	0	(14)	(3,667)		(6,796)
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	(2,059)	(437)	0	(360)	(20)	(2,729)	0	(5,605)
Loss of Control of Assets (recognised in Revaluation Reserve)	0	(45,617)	0	0	0	0	0	(45,617)
Loss of Control of Assets (recognised in Financing and Investment Income and Expenditure)	0	(21,120)	0	0	0	0	0	(21,120)
De-recognition of Assets (recognised in Other Operating Expenditure)	(37,206)	0	0	0	0	0	0	(37,206)
Disposals	(4,274)	0	(2,728)	0	0	(205)	0	(7,207)
Transfers	12,533	45,109	(1,869)	0	0	47	(55,820)	0
Gross Book Value c/fwd at 31 March 2021	1,393,428	1,064,737	62,187	194,757	5,562	53,823	69,923	2,844,417

Notes to the Core Financial Statements

Depreciation b/fwd at 01 April 2020	(1,001)	(3,358)	(34,844)	(78,079)	(172)	(159)	0	(117,613)
Depreciation for year	(22,564)	(14,950)	(3,596)	(7,614)	(95)	(1,043)	0	(49,862)
<u>Depreciation written back on:</u>								
Transfers	72	11	1,578	0	0	(1,359)	(302)	0
Revaluations (recognised in Revaluation Reserve)	21,039	12,136	1,065	0	0	248	0	34,488
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	2,294	6,059	0	0	0	668	0	9,021
Impairments (recognised in Revaluation Reserve)	0	0	0	0	0	0	0	0
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	160	57	0	0	0	30	302	549
Assets Sold	0	0	2,395	0	0	36	0	2,431
Depreciation c/fwd at 31 March 2021	0	(45)	(33,402)	(85,693)	(267)	(1,579)	0	(120,986)
Net Book Value at 31 March 2021	1,393,428	1,064,692	28,785	109,064	5,295	52,244	69,923	2,723,431

Notes to the Core Financial Statements

The movements in non-current assets during 2019/20 were as follows:

2019/20	Restated							TOTAL £000
	Council Dwellings £000	Other Land & Bldgs £000	Vehicles, Plant & Equip't £000	Infra- structure Assets £000	Comm. Assets £000	Surplus Assets £000	Assets under Construction £000	
Gross Book Value b/fwd at 01 April 2019	1,254,663	976,188	57,395	186,395	5,587	91,758	31,095	2,603,081
Additions	42,481	5,325	2,008	6,194	361	895	54,965	112,229
Revaluations (recognised in Revaluation Reserve)	30,522	64,256	0	0	0	13,888	0	108,666
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	579	37,405	0	0	0	4,989	0	42,973
Impairments (recognised in Revaluation Reserve)	(7)	(7,953)	0	0	0	(5,033)	0	(12,993)
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	(278)	(1,484)	0	(608)	(352)	(5,037)	(1,416)	(9,175)
De-recognition of Assets (recognised in Other Operating Expenditure)	(40,617)	0	0	0	0	0	0	(40,617)
Disposals	(3,732)	0	(400)	0	0	(6,063)	0	(10,195)
Transfers	454	4,197	0	0	0	(539)	(4,112)	0
Gross Book Value c/fwd at 31 March 2020	1,284,065	1,077,934	59,003	191,981	5,596	94,858	80,532	2,793,969
Depreciation b/fwd at 01 April 2019	(211)	(1,638)	(30,524)	(70,321)	(77)	(257)	0	(103,028)
Depreciation for year	(22,071)	(14,328)	(4,720)	(7,758)	(95)	(1,015)	0	(49,987)
<u>Depreciation written back on:</u>								
Transfers	(33)	(1)	0	0	0	34	0	0
Revaluations (recognised in Revaluation Reserve)	20,482	6,898	0	0	0	513	0	27,893
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	832	5,711	0	0	0	253	0	6,796
Impairments (recognised in Revaluation Reserve)	0	0	0	0	0	0	0	0
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	0	0	0	0	49	0	49
Assets Sold	0	0	400	0	0	264	0	664
Depreciation c/fwd at 31 March 2020	(1,001)	(3,358)	(34,844)	(78,079)	(172)	(159)	0	(117,613)
Net Book Value at 31 March 2020	1,283,064	1,074,576	24,159	113,902	5,424	94,699	80,532	2,676,356

Notes to the Core Financial Statements

11. INVESTMENT PROPERTIES

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

12. FINANCIAL INSTRUMENTS

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

a) Categories of Financial Instruments

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

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

Restated		Financial Assets		31-Mar-21	
31-Mar-20				Long Term	Short Term
Long Term	Short Term			£000	£000
£000	£000			£000	£000
		Fair Value Through Profit & Loss			
0	114,770		Investments	0	74,165
		Financial assets at amortised cost			
0	268,594		Investments	0	313,327
56,860	36,126		Debtors	56,237	45,730
0	-1,927		Other Cash & Cash Equivalents	0	3,472
56,860	417,563		Total financial assets	56,237	436,694

31-Mar-20		Financial Liabilities		31-Mar-21	
Long Term	Short Term			Long Term	Short Term
£000	£000			£000	£000
		Financial liabilities at amortised cost			
222,987	5,968		Borrowing	222,785	2,073
211,880	8,797		Private finance initiative (PFI) liabilities	202,561	9,302
0	81,592		Creditors	0	101,858
434,867	96,357		Total financial liabilities	425,346	113,233

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

The value of short-term investments on the Balance Sheet of £313m includes short term fixed deposits of £223m and notice accounts of £90m, including accrued interest.

Notes to the Core Financial Statements

b) Financial and Non-Financial Instruments split

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

Debtors:

	Long Term		Current		Total	
	Debtors		Debtors			
	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20
	£000	£000	£000	£000	£000	£000
Financial instruments	56,237	56,860	45,730	36,126	101,967	92,986
Non-financial instruments	0	0	34,947	27,529	34,947	27,529
Total Debtors	56,237	56,860	80,677	63,655	136,914	120,515

Creditors

	Long Term		Current		Total	
	Creditors		Creditors			
	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20
	£000	£000	£000	£000	£000	£000
Financial instruments	0	0	101,858	81,592	101,858	81,592
Non-financial instruments	0	0	15,956	20,677	15,956	20,677
Total Creditors	0	0	117,814	102,269	117,814	102,269

c) Income, Expense, Gains and Losses

The gains and losses recognised in the CIES in relation to financial instruments are as follows (there were no revaluations of financial instruments in 2020/21 or 2019/20):

	2020/21		2019/20	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Interest Income	(1,872)	0	(3,836)	0
Total income in Surplus/Deficit on the Provision of Services	(1,872)	0	(3,836)	0
Interest expense	8,339	0	8,287	0
Expected Credit Loss: Financial Liabilities Measured at Amortised Cost	(277)	0	2,912	0
Total Expense in Surplus/Deficit on the Provision of Service	8,062	0	11,199	0
Net (Gain)/ Loss for the Year	6,190	0	7,363	0

Notes to the Core Financial Statements

d) Fair value of assets and liabilities

Financial Liabilities

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

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

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

31/03/20			31/03/21	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
		Financial liabilities at amortised cost:		
		Borrowing		
97,741	125,751	Public Works Loan Board loans	93,844	129,299
131,214	164,315	Lender Option Borrower Option (LOBO) loans	131,013	177,897
220,677	220,677	PFI and finance lease liabilities	211,863	211,863
449,632	510,743	Sub-Total	436,720	519,059
81,592	81,592	Creditors	101,858	101,858
531,224	592,335	Total Financial Liabilities	538,578	620,917

The fair value of borrowings is greater than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

Notes to the Core Financial Statements

Financial Assets

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

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

31/03/20			31/03/21	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
Fair Value Through Profit and Loss				
114,770	114,770	Investments	74,164	74,164
Financial Assets Held at Amortised Cost				
268,595	268,595	Investments	313,327	313,327
92,986	92,986	Debtors	101,967	101,967
0	0	Cash and Cash Equivalents	3,472	3,472
476,351	476,351	Total Financial Assets	492,930	492,930

e) Financial Instruments Adjustment Account

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

	Balance 31/03/20 £000	20/21 Transfers Net £000	Balance 31/03/21 £000
LOBO Premium (created in Nov-17 following LOBO restructure)	(21,893)	569	(21,324)
FV recognition adjustment following LOBO restructure	(9,967)	0	(9,967)
Other Premiums and Discounts	(2,834)	291	(2,543)
Total	(34,694)	860	(33,834)

f) Other Required Declarations

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

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

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

Notes to the Core Financial Statements

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

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

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

The adoption of IFRS 9 includes the requirement for disclosure of the expected credit loss impairment or gain associated with financial instruments held at amortised cost. For 2020/21 this gain is set out in the following section as £0.277m (£2.9m loss in 2019/20). These gains relate to the expected debit gains on trade receivables.

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

13. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Key Risks

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

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

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

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

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

b) Overall Procedures for Managing Risk

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

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

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

Notes to the Core Financial Statements

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

c) Credit Risk

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

The Council's maximum exposure to credit risk in respect of its investments cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to an individual institution. It is rare for such entities to be unable to meet their commitments and a risk of irrecoverable losses applies to all of the Council's deposits; however at the 31 March 2021 there was no evidence that this was likely to happen.

d) Amounts Arising from Expected Credit Losses

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

The Council's investment assets are held with highly rated counterparties with very low historical rates of default, and are mainly simple deposit products held for durations of less than a year to collect contractual cash flows. Using the 12 month ECL model, at 31 March 2021 the Council's investment assets with a value of £377.2m had a calculated ECL of £0.041m; the Council has deemed this immaterial for adjusting the carrying values of those assets.

e) Liquidity Risk

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

Notes to the Core Financial Statements

31/03/21				Maturity Period	31/03/20			
PWLB	LOBO	PFI and Finance Leases	Total		PWLB	LOBO	PFI and Finance Leases	Total
£000	£000	£000	£000		£000	£000	£000	£000
0	203	9,302	9,505	Less than 1 year	3,825	203	8,797	12,825
935	203	10,147	11,285	Between 1 and 2 years	0	203	9,303	9,506
3,367	608	35,922	39,897	Between 2 and 5 years	2,432	608	32,713	35,753
10,662	1,014	60,565	72,241	Between 5 and 10 years	11,597	1,014	61,160	73,771
17,431	17,028	95,927	130,386	Between 10 and 20 years	18,366	17,028	108,705	144,099
8,581	22,028		30,609	Between 20 and 30 years	8,581	22,028	0	30,609
51,939	35,101		87,040	Between 30 and 40 years	51,939	35,101	0	87,040
0	43,919		43,919	Above 40 years	0	44,122	0	44,122
92,915	120,104	211,863	424,882	Total	96,740	120,307	220,677	437,724

The LOBO maturity profile assumes that the lenders will not exercise any options embedded in the loans until maturity. As at 31 March 2021, LOBO loans with nominal value £83m have fixed interest rates ranging from 3.98% to 4.67%, whilst a loan with nominal value £38m has a stepped rate ranging from 2.19% at 31 March 2021 to 6.30% at maturity. Of the total amount of LOBO loans, £35m have a break clause at every biannual interest payment date, £5m have a break clause every three years, and £80m every five years. In the current low interest rate environment, it is unlikely that the lenders will exercise their options to request early repayment of these LOBOs.

f) Refinancing and Maturity Risk

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

g) Market Risk – Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments and these impact the Council according to how variable and fixed interest rates move across differing financial instrument periods. The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy includes expected interest rate movements. A treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure, and this is monitored regularly. If variable interest rates had been 0.1% higher (with all other variables held constant) the financial effect would be a net increase in income of £0.3m. The impact of a 0.1% fall in interest rates would be a net decrease in income of £0.3m.

Notes to the Core Financial Statements

14. DEBTORS

a) Long Term Debtors

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

	31/03/21 £000	31/03/20 £000	
Lewisham Homes Limited - Loan	37,000	37,000	(a)
Catford Regeneration Partnership Limited (CRPL) - Loan	14,801	13,361	(b)
Street Lighting PFI Sinking Fund	2,950	2,950	(c)
Lewisham Gateway Development - Loan	0	2,000	(d)
Land Charges Debts	257	277	
Other Long Term Debtors	1,229	1,057	(e)
Total Long Term Debtors	56,237	56,645	

a) Lewisham Homes Limited Loan

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

b) Catford Regeneration Partnership Limited Loan

A loan of £12m was advanced to CRPL in 2010/11, followed by further loans of £0.25m in 2015/16, £1.0m in 2016/17, £0.5m in 2019/20 and £1.2m in 2020/21. (See Section 6 – Group Accounts.)

c) Street Lighting PFI Sinking Fund

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

d) Lewisham Gateway Development

A loan of £2m was advanced to the consortium which is undertaking the Lewisham Gateway development. After a review this was impaired to nil in 2020/21.

e) Other Long Term Debtors

Other long term debtors includes a social investment business loan to Wide Horizons for £0.5m (£0.7m made 2017/18) which, after a review, was impaired by £0.2m in 2020/21.

Notes to the Core Financial Statements

b) Current Debtors

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

	31/03/21 £000	31/03/20 £000
Government and Other Public Bodies:		
HM Revenue & Customs - VAT	6,516	6,030
Central Government bodies	11,816	6,937 (a)
Other Local Authorities	13,936	3,261 (b)
NHS bodies	5,784	1,186
Other Public bodies	219	545
Council Tax Payers	45,112	39,807
NDR Payers	2,351	2,219
Council Tax Court Costs	9,136	9,764
Housing Benefit Overpayments	24,153	25,168
Housing Rents (inc PSL, B & B, Hostels, Commercial)	11,209	11,680
Leaseholders Services Charges	5,655	6,204
Parking	0	0
LBL Pension Fund	3,518	5,036
General Debtors due for Supplies and Services	40,902	40,108
Total Current Debtors	180,307	157,945
Impairment Allowances	(99,630)	(94,290)
Total Net Current Debtors	80,677	63,655

a) Central Government bodies

The 2020/21 balance of £11.8m contains an amount for MHCLG's element of the NDR deficit of £7.7m, in 2019/20 this was a Creditor of £3.7m.

b) Other Local Authorities

The 2020/21 balance of £13.9m contains an amount for GLA's element of the NDR deficit of £8.6m, in 2019/20 this was a Creditor of £3.4m.

c) Impairment Allowances

	Balance at 31/03/20 £000	Movement in 2020/21 £000	Balance at 31/03/21 £000
Council Tax Payers	(36,477)	(5,235)	(41,712)
Council Tax Court Costs	(8,955)	328	(8,627)
NDR Payers	(1,025)	(1,115)	(2,140)
Housing Benefit Overpayments	(20,243)	405	(19,838)
Housing Rents (inc PSL, B & B, Hostels, Commercial)	(4,646)	42	(4,604)
Leaseholders Services Charges	(1,980)	96	(1,884)
General Debtors due for Supplies and Services	(20,964)	139	(20,825)
Total Impairment Allowances	(94,290)	(5,340)	(99,630)

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

Notes to the Core Financial Statements

15. CASH AND CASH EQUIVALENTS

	Balance 31/03/20 £000	Movement in 2020/21 £000	Balance 31/03/21 £000
Cash Equivalents			
Short Term Deposits	0	0	0
Cash			
Money Market Funds	114,769	(40,605)	74,164
Call Accounts with Banks	0	0	0
	114,769	(40,605)	74,164
Other Cash and Bank Balances			
Main Bank Accounts	0	3,177	3,177
Other Cash and Bank Accounts	1,198	137	1,335
	1,198	3,314	4,512
Total Cash and Cash Equivalents	115,967	(37,291)	78,676
Bank Accounts Overdrawn			
Main Bank Accounts	(3,397)	3,397	0
Schools Bank Accounts	272	(1,311)	(1,039)
	(3,125)	2,086	(1,039)
Net Cash and Cash Equivalents	112,842	(35,205)	77,637

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

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

c) The schools bank accounts are an integral part of the Council's overall cash management arrangements, and are therefore included under Net Cash and Cash Equivalents. They consist of individual accounts for each school, and an overall treasury account which is used to invest the net balance in conjunction with the Council's other balances. The balances on these accounts were £8.5m (2019/20 £12.0m) and overdrawn £9.5m (2019/20 overdrawn £11.7m) respectively.

Notes to the Core Financial Statements

16. CREDITORS

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

	31/03/21 £000	31/03/20 £000
Government and other public bodies:		
HM Revenue & Customs	7,188	5,869
Central Government bodies	52,511	35,835 (a)
Other Local Authorities	3,368	6,232
NHS bodies	1,511	3,399
Other Public bodies	964	598
	65,542	51,933
Short Term Compensated Absences	8,572	6,753
General Creditors (amounts owed for supplies and services)	43,700	43,583
Total Creditors	117,814	102,269

a) Central Government bodies

The 2020/21 balance of £52.5m contains an amount for Covid Grants owed back to MHCLG where LBL was acting as an agent of £37.5m.

17. REVENUE RECEIPTS IN ADVANCE

	31/03/21 £000	31/03/20 £000
Capital Contributions Unapplied (*)	39,966	45,483
PFI Schemes	24,431	23,769
Council Tax	9,254	8,932
Revenue Grants and Contributions	6,692	7,285
Rents in Advance	6,037	5,734
NDR	2,983	6,953
Other Receipts in Advance	11,299	5,746
Total Receipts in Advance	100,662	103,902

(*) Capital Contributions Unapplied includes a balance of £39.9m Section 106 Contributions, where the conditions have not yet been met, in 2020/21 (2019/20 was £43.7m).

Notes to the Core Financial Statements

18. PROVISIONS

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

	Balance 31/03/20 £000	2020/21 Transfers		Balance 31/03/21 £000
		Out £000	In £000	
Current (less than 1 year)				
Insurance Provision (a)	2,370	(1,589)	1,867	2,648
Water Charges Provision (b)	7,062	(2,119)	0	4,943
Term Time Only Claims Provision (c)	0	0	4,700	4,700
NDR Appeals Provision	2,187	(633)	4,445	5,999
Other Provisions (d)	244	0	3,110	3,354
	11,863	(4,341)	14,122	21,644
Non Current (Over 1 year)				
Insurance Provision (a)	4,027	(434)	0	3,593
Water Charges Provision (b)	0	0	2,119	2,119
Other Provisions (d)	978	0	1,362	2,340
	5,005	(434)	3,481	8,052
Total - Provisions	16,868	(4,775)	17,603	29,696

(a) Insurance Provisions

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

(b) Water Charges Provision

This is a provision to refund tenants their water charge discounts going back to 2001. This follows a Court of Appeal ruling in October 2020 regarding Kingston Council. A potential liability has been calculated with the current available data and a provision was set up in 2019/20. It was forecast that refunds would start in 2020/21, however there have been delays and it is now forecast a report will go to Mayor and Cabinet in the first half of 2021/22.

(c) Term Time Only Claims Provision

There is currently uncertainty over the formula used by some Councils to calculate holiday pay for term-time only support staff in schools dating back several years. It has been decided to create a provision of £4.7m within the accounts for potential back payments to those staff. Of the amount of £4.7m, it has been agreed that the first £3m will be met corporately and the remaining £1.7m (or any additional excess cost) will be met by schools directly.

(d) Other Provisions

Other Provisions includes two new provisions set up in 2020/21, a provision for the potential liability in respect of savings accounts for Children Leaving Care, which extends back a number of years (£1.7m) and a provision for a potential liability for London Borough of Lewisham for claims that may follow after the high court ruled that Norfolk County Council discriminated against disabled people with high support needs in its charging policy (known as the Norfolk Judgement) (£1.0m).

Notes to the Core Financial Statements

19. USABLE CAPITAL RECEIPTS

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

	2020/21 £000	2019/20 £000
Balance brought forward at start of year	61,368	62,101
Amounts Received	11,267	29,366
Poolable to Central Government	(1,939)	(1,926)
Receipts returned to Central Government	0	(18,195)
Amounts applied to finance new capital investment	(12,400)	(9,978)
Total increase/(decrease) in capital receipts in year	(3,072)	(733)
Balance carried forward at end of year	58,296	61,368

20. PENSION RESERVE

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

	2020/21 £000	2019/20 £000
Balance brought forward at start of year	(518,466)	(752,410)
Actuarial gains or losses on pensions assets and liabilities	(422,364)	322,424
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	138,936	(121,605)
Employer's pensions contributions and direct payments to pensioners payable in the year	30,853	33,125
Balance carried forward at end of year	(771,041)	(518,466)

Notes to the Core Financial Statements

21. REVALUATION RESERVE

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

	2020/21 £000	2019/20 £000
Balance brought forward at start of year	1,130,110	1,026,623
Balance brought forward adjustment	0	13
Restated Balance brought forward at start of year	1,130,110	1,026,636
Revaluation of Assets	153,787	136,558
Impairment Losses	(6,797)	(12,992)
Loss of Control of Assets	(45,617)	0
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	101,373	123,566
Difference between fair value and historic cost depreciation	(19,372)	(18,058)
Accumulated gains on assets sold or scrapped	(2,523)	(2,034)
Amount written off to the Capital Adjustment Account	(21,895)	(20,092)
Balance carried forward at end of year	1,209,588	1,130,110

Notes to the Core Financial Statements

22. CAPITAL ADJUSTMENT ACCOUNT

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

	2020/21 £000	Restated 2019/20 £000
Balance brought forward at start of year	1,070,983	1,031,425
<u>Reversal of capital expenditure items debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	(110,434)	(9,351)
Revenue expenditure funded from capital under statute	(8,953)	(1,687)
Non-current assets written off on disposal and de-recognition - gain/loss to the CIES	(39,458)	(48,127)
	(158,845)	(59,165)
Adjusting amounts written out of the Revaluation Reserve	19,372	18,058
Net amount written out of the cost of non-current assets consumed in the year	(139,473)	(41,107)
<u>Capital Financing applied in the year:</u>		
Use of Capital Receipts to finance new capital expenditure	12,400	9,978
Use of Major Repairs Reserve to finance new capital expenditure	37,958	43,359
Capital grants and contributions credited to the CIES	36,208	15,738
Statutory Provision for the financing of capital investment	4,134	3,958
Repayment of Principal on PFI schemes	8,925	7,632
Capital expenditure charged to General Fund and HRA	13,002	0
	112,627	80,665
Balance carried forward at end of year	1,044,137	1,070,983

Notes to the Core Financial Statements

23. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2020/21 £000	Restated 2019/20 £000
Employee expenses - LBL	288,535	282,180
Employee expenses - Schools Non-LBL	61,700	60,171
Other Expenditure	692,283	680,751
Revaluation, Depreciation, Amortisation and Impairment	110,434	9,351
Interest payments	31,713	35,651
Loss of Control of Assets	21,120	0
Precepts and levies	1,706	1,700
Payments to Housing Capital Receipts Pool	1,939	20,121
Gain or loss on disposal and de-recognition of non-current assets	37,206	40,617
Net interest on the net defined benefit liability	12,102	18,457
Total Expenditure	1,258,738	1,148,999
Government grants and contributions	(690,349)	(628,892)
Fees, Charges and Other service income	(243,767)	(237,625)
Interest and Investment income	(3,164)	(4,623)
Income from council tax, non-domestic rates, district rate income	(213,800)	(215,512)
Recognised Capital Grants and Contributions	(36,508)	(18,568)
Gain or loss on disposal and de-recognition of non-current assets	(6,832)	(19,860)
Other Income	0	0
Total Income	(1,194,420)	(1,125,080)
(Surplus) or Deficit on the Provision of Services	64,318	23,919

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

	2020/21 £000	2019/20 £000
Rent & Service Charges	(119,476)	(115,081)
Contributions from Health	(26,914)	(27,903)
Parking Income	(12,016)	(9,768)
Fees & Charges Income	(7,669)	(12,377)
Schools Income	(7,051)	(12,963)
Non-Government Grants	(6,667)	(5,352)
Other Care Charges Income	(5,684)	(7,085)
Fairer Charging Income	(4,550)	(5,508)
Cemeteries & Crematoria Income	(2,824)	(1,801)
PFI Credits Income	(2,352)	(2,357)
Planning Fees	(1,517)	(1,988)
Other Income	(47,047)	(35,440)
Total Income	(243,767)	(237,625)

24. AGENCY SERVICES AND POOLED BUDGETS

The Council did not carry out any agency services, construction work or any other work for any other Local Authorities, public bodies or entities in 2020/21 (nor 2019/20).

In 2020/21 the Council operated a pooled budget as defined by the terms of a Section 75 Agreement (National Health Service Act 2006)

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

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

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

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

The total Lewisham Better Care Fund for 2020/21 was £40.1m, the split of which can be seen in the table below:

	2020/21 £000	2019/20 £000
<u>Funding provided to the pooled budget:</u>		
Lewisham Borough Council	(16,795)	(16,615)
NHS Lewisham CCG	(23,287)	(22,056)
	(40,082)	(38,671)
<u>Expenditure met from the pooled budget:</u>		
Lewisham Borough Council	26,467	25,927
NHS Lewisham CCG	13,615	12,744
	40,082	38,671
Net surplus arising in year	0	0
<i>LBL share being 9.6% of the net surplus in year</i>	0	0

Note:

- (i) The LBL share of any in-year net surplus would be 9.6%. This was nil in 2020/21 (and 2019/20) due to there not being a surplus.

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

The Council is sole owner of two companies:

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

Notes to the Core Financial Statements

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

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

i) Lewisham Schools for the Future LEP Limited and Lewisham Schools for the Future SPV Limited

The Council has a stake of 10% in Lewisham Schools for the Future LEP Limited which is the Local Education Partnership company also comprising Costain Engineering & Construction Limited, Babcock Project Investments Limited and Building Schools for the Future Limited as well. It was established under the Council's Building Schools for the Future (BSF) programme to rebuild and refurbish the secondary schools within the Borough. Payments of £8.5k were made to this company in 20/21 (none in 2019/20).

The Council also has a 10% stake in four Special Purpose Vehicles which were set up in relation to the schools which were built within this BSF Programme. The companies concerned are Lewisham Schools For The Future SPV Limited (20/21 £9.1m, 19/20 £9.3m), Lewisham Schools For The Future SPV2 Limited (20/21 £3.1m, 19/20 £3.2m), Lewisham Schools For The Future SPV3 Limited (20/21 £4.6m, 19/20 £4.6m) and Lewisham Schools For The Future SPV4 Limited (20/21 £8.6m, 19/20 £8.5m). The Director of Financial Services is the Council's Director on all of these companies' boards. The corporate structure is standard to BSF schemes.

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

The Council has a minority share of less than 1% in South-East London Combined Heat and Power Limited (SELCHP) which is a joint venture with the London Borough of Greenwich for the provision of waste disposal and waste to energy services. Payments of £5.3m were made in 2020/21 to the company (£5.2m in 2019/20) and are included in the Housing, Regeneration & Environment line of the CIES.

iii) Lewisham Grainger Holdings LLP

During 2018/19 the Council formed a Limited Liability Partnership with Grainger Developments Ltd. The Council and Grainger are each 50:50 shareholders in the holding company and this (and its subsidiaries) are all registered at Companies House. Therefore this is not a subsidiary of the Council as LBL do not have the majority shareholding. The partnership will build housing for rent in Besson Street, New Cross. No payments were made to the company by the Council in 2020/21 or 2019/20.

26. MEMBERS' ALLOWANCES

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

	2020/21 £000	2019/20 £000
Allowances (incl. NI)	971	965
Other Expenses	1	71
Total Expenditure in Year	972	1,036

27. OFFICERS' REMUNERATION

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

Remuneration Band	Non-Schools		Schools		Totals	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
£50,000 to £54,999	138	92	289	188	427	280
£55,000 to £59,999	58	46	73	113	131	159
£60,000 to £64,999	7	19	84	79	91	98
£65,000 to £69,999	18	15	34	51	52	66
£70,000 to £74,999	25	14	38	21	63	35
£75,000 to £79,999	2	7	30	21	32	28
£80,000 to £84,999	2	3	24	17	26	20
£85,000 to £89,999	2	2	10	12	12	14
£90,000 to £94,999	0	0	5	3	5	3
£95,000 to £99,999	1	3	3	6	4	9
£100,000 to £104,999	1	4	3	6	4	10
£105,000 to £109,999	9	4	3	2	12	6
£110,000 to £114,999	1	1	1	4	2	5
£115,000 to £119,999	0	2	1	1	1	3
£120,000 to £124,999	0	0	2	1	2	1
£125,000 and over	0	0	2	0	2	0
Total	264	212	602	525	866	737

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

Notes to the Core Financial Statements

b) Disclosure of Senior Employees' Remuneration

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

After a review in 2020/21 it was decided to only include the current members of the Executive Management Team (EMT) and the statutory post holders. Therefore the posts included in the note have changed from the 2019/20 published note (shown for comparison) and the 2020/21 note.

Disclosure of Senior Employees Remuneration for financial year 2020/21

Financial Year 2020/21	Salary (inc fees and allowances)	Employer's Pension Contributions	Total (inc. Pension Contributions)
	£	£	£
Senior Employees			
Chief Executive (Kim Wright)	184,950	41,614	226,564
Assistant Chief Executive	111,200	25,020	136,220
Executive Director for Corporate Resources (a)	141,825	31,911	173,736
01-Apr-20 to 14-Sep-20 (Acting)	60,748	13,668	74,416
14-Sep-20 to 31-Mar-21	81,077	18,243	99,320
Executive Director for Children and Young People (b)	172,348	28,856	201,204
01-Apr-20 to 12-Jun-20 (Interim - Agency)	44,100	0	44,100
01-Jun-20 to 31-Mar-21	128,248	28,856	157,104
Executive Director for Community Services (Tom Brown)	151,029	33,982	185,011
Executive Director for Housing, Regeneration and Public Realm (Kevin Sheehan)	153,897	34,627	188,524
Director of Public Health	102,789	23,128	125,917
Director of Law, Governance & HR (c)	94,546	21,273	115,819
13-Jul-20 to 31-Mar-21	94,546	21,273	115,819
Head of Law and Monitoring Officer (part-time) (c)	172,906	4,515	177,421
01-Apr-20 to 16-Jul-20 (Kath Nicholson)	172,906	4,515	177,421
Totals	1,285,490	244,926	1,530,416

(a) Executive Director for Corporate Resources - This was an interim appointment for 01-Apr-20 to 14-Sep-20. The postholder then returned to their position of Director of Corporate Services.

(b) Executive Director for Children and Young People - The post was covered by an interim (agency) from 01-Apr-20 to 12-Jun-20. Agency costs of £7,938 (not included above) were also incurred for the interim employee. There was a brief overlap between agency and permanent postholders.

(c) Head of Law - The part-time head of Law retired in Jul-20. The figure in the table above consists of their salary plus exit package; their exit package is also included in Note 27c below (band £100,001 and over). There was a brief overlap in employment with the newly appointed Director of Law, Governance & HR.

Notes to the Core Financial Statements

Disclosure of Senior Employees Remuneration for financial year 2019/20

Financial Year 2019/20	Salary (inc fees and allowances)	Employer's Pension Contributions	Total (inc. Pension Contributions)
	£	£	£
Senior Employees			
Chief Executive (a)	180,525	40,619	221,144
01-Apr-19 to 27-Oct-19	100,202	22,546	122,748
21-Oct-19 to 31-Mar-20	80,323	18,073	98,396
Executive Director for Resources and Regeneration (b)	111,807	25,157	136,964
Executive Director for Children and Young People (c)	163,634	25,276	188,910
01-Apr-19 to 31-Dec-19	112,334	25,276	137,610
09-Dec-19 to 31-Mar-20	51,300	0	51,300
Executive Director for Community Services (d)	59,891	13,476	73,367
Executive Director for Housing, Regeneration and Environment (previously Customer Services)	149,778	33,700	183,478
Director of Children's Social Care and Health	111,552	25,099	136,651
Director of Public Health	97,407	22,357	119,764
Acting Chief Finance Officer (b)	22,361	5,032	27,393
Head of Law and Monitoring Officer (part-time)	68,479	15,408	83,887
Totals	965,434	206,124	1,171,558

(a) Chief Executive - post was covered by an interim from 01-Apr-19 to 27-Oct-19. Salary is the total of both postholders in place during the year. There was a brief overlap between postholders.

(b) Executive Director for Resources and Regeneration - this was an interim appointment for period 01-Apr-19 to 31-Jan-20. The postholder then returned to their position of Acting Chief Finance Officer for period 01-Feb-20 to 31-Mar-20.

(c) Director for Children and Young People - post was covered by an interim from 09-Dec-19 to 31-Mar-20 (however only 2 days were worked in Dec-19). Salary is the total of both postholders in place during the year. Agency costs of £9,234 (not included above) were also incurred for the interim employee.

(d) Executive Director for Community Services - part-time 01-Apr-19 to 29-Feb-20.

c) Termination Benefits - Exit Packages Agreed in Year

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

Cost Band (inc Pension Fund Contributions)

	Total Number of Exit Packages		Total Cost of Exit Packages	
	2020/21 No.	2019/20 No.	2020/21 £000	2019/20 £000
£0 to £20,000	30	90	249	716
£20,001 to £40,000	9	20	244	520
£40,001 to £60,000	1	4	58	204
£60,001 to £80,000	1	3	79	214
£80,001 to £100,000	0	1	0	86
£100,001 and over	3	1	405	493
Total	44	119	1,035	2,233

Notes to the Core Financial Statements

28. EXTERNAL AUDIT COSTS

	2020/21 £000	2019/20 £000
External Audit Services	233	183
Certification of Grant Claims and Returns	42	42
Other services provided by the appointed auditor (*)	24	0
	299	225

(*) The Other services provided by the appointed auditor is work on prior year objections relating to LOBO's and PFI's that were finalised during 2020/21.

The Council's External Auditors are Grant Thornton.

29. DEDICATED SCHOOLS' GRANT

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

	2020/21		
	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000
Final DSG before academy & high needs recoupment	49,065	247,214	296,279
Academy & high needs figure recouped	(601)	(35,748)	(36,349)
Total DSG after academy & high needs recoupment	48,464	211,466	259,930
Brought forward from previous year (Restated)	(629)	1,180	551
Carry forward to next year agreed in advance	0	0	0
Agreed initial budgeted distribution	47,835	212,646	260,481
In year adjustments		(547)	(547)
Final Budget Distribution	47,835	212,099	259,934
Actual Central Expenditure	52,659		52,659
Actual ISB deployed to schools		209,650	209,650
Carry Forward	(4,824)	2,449	(2,375)

Notes to the Core Financial Statements

	2019/20		
	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000
Final DSG before academy recoupment	81,444	209,649	291,093
Academy figure recouped	(787)	(31,473)	(32,260)
Total DSG after academy recoupment	80,657	178,176	258,833
Brought forward from previous year	0	0	0
Carry forward to next year agreed in advance	0	0	0
Agreed initial budgeted distribution	80,657	178,176	258,833
In year adjustments	0	0	0
Final Budget Distribution	80,657	178,176	258,833
Actual Central Expenditure	80,106		80,106
Actual ISB deployed to schools		178,176	178,176
Carry Forward	551	0	551

30. GRANT INCOME

The following grants were credited to services during the year:

	2020/21 £000	2019/20 £000
Dedicated Schools Grant	(259,383)	(259,006)
Housing Benefit Grant	(169,277)	(180,332)
Covid-19 Grants	(38,529)	0
BSF/ Grouped Schools PFI Unitary Charge Grant	(26,329)	(26,267)
Public Health Grant	(24,776)	(23,683)
Improved Better Care Fund	(14,502)	(13,134)
Pupil Premium Grant	(12,035)	(12,939)
Housing Subsidy/ Decent Homes Backlog Grant	(10,353)	(17,553)
Other Grants	(50,002)	(40,754)
Total	(605,186)	(573,668)

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

	2020/21 £000	2019/20 £000
Revenue Support Grant (RSG)	(27,996)	(27,500)
S31 Business rate relief grant	(33,157)	(6,532)
Social Care Grant	(8,434)	0
S31 Business rate grants - Other	(6,918)	0
New Homes Bonus	(6,176)	(6,501)
Covid-19 Grants	(1,816)	(9,598)
Other	(666)	(5,093)
Total	(85,163)	(55,224)

Notes to the Core Financial Statements

31. RELATED PARTY TRANSACTIONS

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

(a) Central Government and Other Local Authorities

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

(b) Subsidiaries, Associated Companies and Joint Ventures

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

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

Name	Loan with LBL	Expenditure	Income	Income outstanding to LBL (LBL debtor balance)	Balance outstanding (LBL creditor balance)
	£'000	£'000	£'000	£'000	£'000
Lewisham Homes Ltd	37,000	44,678	4,037	4,587	1,297
Catford Regeneration Partnership Ltd	14,801	1,158	456	6	8

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

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

Payments made by the Council to these companies in 2020/21 are shown below:

- i) Lewisham Schools for the Future LEP Limited – £0.01m
Lewisham Schools for the Future SPV Limited – £9.1m
Lewisham Schools for the Future SPV2 Limited – £3.1m
Lewisham Schools for the Future SPV3 Limited – £4.6m
Lewisham Schools for the Future SPV4 Limited – £8.6m
- ii) South-East London Combined Heat and Power Limited (SELCHP) – £5.3m
- iii) Lewisham Grainger Holdings LLP – no payments were made.

(d) Elected Members (Councillors) and Chief Officers

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

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

(e) Lewisham Pension Fund

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

Notes to the Core Financial Statements

32. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2020/21 £000	Restated 2019/20 £000
Opening Capital Financing Requirement	519,801	486,552
Capital Investment		
Property, Plant and Equipment	98,788	112,229
Revenue Expenditure Funded from Capital under Statute	8,953	1,687
	107,741	113,916
Resources Used for Financing		
Capital Receipts	(12,400)	(9,978)
Government Grants and Other Contributions	(36,208)	(15,740)
Major Repairs Reserve	(37,958)	(43,359)
Sums set aside from Revenue:	(13,002)	0
	(99,568)	(69,077)
Increase in the underlying need to borrowing	8,173	44,839
Adjustment (**)		
Bring in PFI Schemes Asset	(7,705)	0
	(7,705)	0
Debt Redeemed		
Minimum Revenue Provision	(4,134)	(3,958)
Repayment of Principal on PFI schemes	(8,925)	(7,632)
	(13,059)	(11,590)
Increase/ (decrease) in Capital Financing Requirement	(12,591)	33,249
Closing Capital Financing Requirement	507,210	519,801

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

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

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

Notes to the Core Financial Statements

ii) Operating Leases

The Council has operating leases in the areas of Council Dwellings, School Plant and Equipment and Refuse Vehicles. The expenditure charged to services in the CIES during the year in relation to these leases was £1.6m (£1.6m in 2019/20). The future minimum lease payments due under non-cancellable leases in futures are:

	31/03/21 £000	31/03/20 £000
Not later than one year	1,241	1,329
Later than one year and not later than five years	3,328	3,279
Later than five years	14,866	15,431
	19,435	20,039

b) Council as a Lessori) Finance Leases

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

ii) Operating Leases

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

	31/03/21 £000	31/03/20 £000
Not later than one year	3,414	3,614
Later than one year and not later than five years	5,389	6,610
Later than five years	5,858	5,751
	14,661	15,975

34. PRIVATE FINANCE INITIATIVES (PFI) CONTRACTS**a) Summary of PFI Schemes**

PFI Scheme	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF 1	BSF 2	BSF 3	BSF 4	Street Lighting
Start of Contract	2007	2007	2007	2009	2011	2012	2012	2011
End of Contract	2027	2039	2036	2035	2037	2037	2038	2036
Total Estimated Cost	£285m	£77m	£226m	£240m	£85m	£118m	£223m	£95m
Total PFI Credits	£207m	£30m		£674m				£54m
Net PFI Cost	£78m	£47m		£218m				£41m

Notes to the Core Financial Statements

b) Payments made under PFI contracts

	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF 1	BSF 2	BSF 3	BSF 4	Street Lighting	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
2020/21									
Service Charges	9,213	497	3,833	3,732	1,025	1,075	2,076	838	22,289
Interest	3,474	1,652	3,055	3,780	1,660	2,504	4,967	2,280	23,372
Liability Repayment	3,165	275	844	1,537	382	835	1,196	692	8,926
Unitary Charge	15,852	2,424	7,732	9,049	3,067	4,414	8,239	3,810	54,587

2019/20									
Service Charges	9,023	492	3,733	3,933	975	1,109	2,454	818	22,537
Interest	3,757	1,653	3,138	3,825	1,707	2,559	4,970	2,322	23,931
Liability Repayment	2,858	258	800	1,227	372	723	756	636	7,630
Unitary Charge	15,638	2,403	7,671	8,985	3,054	4,391	8,180	3,776	54,098

c) Movement in PFI Assets in year

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

Notes to the Core Financial Statements

	2020/21		2019/20	
	£000	£000	£000	£000
Gross Book Value b/fwd		415,835		422,963
Additions		0		0
Revaluations (recognised in Revaluation Reserve)	23,949		(5,012)	
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	462	24,411	(1,913)	(6,925)
Impairments (recognised in Revaluation Reserve)	0		0	
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	0	0	0
Loss of Control of Assets (recognised in Revaluation Reserve)	(45,617)		0	
Loss of Control of Assets (recognised in Financing and Investment Income and Expenditure)	(21,120)	(66,737) *	0	0
Disposals		(608)		(203)
Transfers		0		0
Assets reclassified (to)/ from Held for Sale		0		0
Gross Book Value c/fwd		372,901		415,835
Depreciation b/fwd		(6,653)		(5,007)
Depreciation for year		(7,784)		(7,826)
<u>Depreciation written back on:</u>				
Transfers		0		0
Revaluations (recognised in Revaluation Reserve)	6,686		2,009	
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	412	7,098	4,171	6,180
Impairments (recognised in Revaluation Reserve)	0		0	
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0		0	
Assets sold		0		0
Depreciation c/fwd		(7,339)		(6,653)
Net Book Value at End of Year		365,562		409,182

* The £66.7m Loss of Control of Assets relates to the de-recognition of the asset value of Sedgemoor secondary school held on the balance sheet when it transferred to an academy.

d) PFI Liabilities

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

	Current Liabilities (Due within 1 Year)		Deferred (Future) Liabilities	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Balance outstanding at start of year	8,797	7,504	211,880	220,696
Balance outstanding at end of year	9,302	8,797	202,138	211,880

Notes to the Core Financial Statements

e) Payments due under PFI contracts in future years

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

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

	In 2021/22 £000s	2 to 5 years £000s	6 to 10 years £000s	11 to 15 years £000s	16 to 20 years £000s	Total £000s
Brockley HRA						
Service charges	9,407	38,282	10,684			58,373
Interest	3,015	9,279	1,457			13,751
Repayment of liability	3,025	17,425	6,334			26,784
Planned lifecycle replacement	680	2,402	597			3,679
Downham Lifestyles						
Service charges	249	1,061	1,483	1,677	1,111	5,581
Interest	1,585	6,398	7,797	7,070	3,537	26,387
Repayment of liability	166	913	1,836	3,072	3,026	9,015
Planned lifecycle replacement	261	1,122	1,580	1,791	1,186	5,940
Grouped Schools						
Service charges	2,918	12,525	17,767	20,430	553	54,194
Interest	2,967	10,944	10,948	5,825	29	30,714
Repayment of liability	900	4,496	9,816	16,244	475	31,931
Planned lifecycle replacement	1,056	4,538	4,369	3,869	136	13,968
BSF 1						
Service charges	2,781	11,987	17,128	15,655		47,551
Interest	3,670	12,589	11,568	3,266		31,094
Repayment of liability	1,743	7,427	14,892	16,297		40,360
Planned lifecycle replacement	965	5,805	6,526	4,701		17,997
BSF 2						
Service charges	819	3,488	4,873	5,513	1,694	16,387
Interest	1,613	6,008	6,128	3,632	334	17,715
Repayment of liability	390	1,999	3,939	6,545	2,504	15,377
Planned lifecycle replacement	274	1,201	1,688	1,883	655	5,701
BSF 3						
Service charges	1,040	4,799	7,441	9,087	2,827	25,194
Interest	2,437	8,961	8,981	5,684	960	27,022
Repayment of liability	869	3,785	6,030	8,502	3,519	22,705
Planned lifecycle replacement	117	835	1,807	2,585	804	6,149
BSF 4						
Service charges	1,797	8,370	12,594	15,385	7,119	45,266
Interest	4,906	18,168	18,798	12,341	2,300	56,512
Repayment of liability	1,456	6,315	10,985	16,188	8,528	43,471
Planned lifecycle replacement	173	1,389	2,657	3,902	2,039	10,161
Streetlighting						
Service charges	859	3,658	5,111	5,775	452	15,856
Interest	2,234	8,360	8,622	5,438	200	24,853
Repayment of liability	751	3,709	6,735	10,193	833	22,222
Planned lifecycle replacement	0	0	0	0	0	0
Totals	55,128	228,238	231,171	212,552	44,820	771,909

Notes to the Core Financial Statements

35. CAPITAL CONTRACTUAL COMMITMENTS

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

	Contractual commitments as at 31/03/21 £m	Contractual commitments as at 31/03/20 £m
General Fund		
Greenvale School Expansion	8.5	0.0
Ashmead School Expansion	0.3	0.0
CCTV Modernisation Plan 2017	1.0	0.0
Good Growth Scheme	0.4	0.0
School Places Programme	0.0	1.0
Fleet Vehicle Replacement	0.0	6.3
Housing Revenue Account	65.1	13.6
Total Capital Programme contractual commitments	75.3	20.9

36. DEFINED CONTRIBUTION PENSION SCHEMES

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

Teachers employed by the Council are members of the Teachers' Pension Scheme, which is run by the Department for Education (DfE). The scheme provides benefits upon retirement with both the Council and the employee making contributions to the scheme. The scheme is "unfunded" and the DfE use a notional fund to set a national employers contribution rate based on a percentage of members' pensionable pay – in 2020/21 this rate was 23.68% (in 2019/20 16.48% to 31-Aug-19 and 23.68% from 01-Sep-19). In 2020/21, the Council paid £23.8m to the DfE in respect of teachers' pension costs (£17.8m in 2019/20).

Public Health staff employed by the Council are members of the NHS Pension Scheme, which is run by the Department of Health (DoH). The scheme provides benefits upon retirement with both the Council and the employee making contributions to the scheme. The scheme is "unfunded" and the DoH use a notional fund to set a national employers contribution rate based on a percentage of members' pensionable pay – this rate was 20.68% for 2020/21 (20.68% in 2019/20). In 2020/21 the Council paid £0.079m to the DoH in respect of employees' pension costs (£0.052m in 2019/20).

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

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

Notes to the Core Financial Statements

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

These are assessed on an actuarial basis using the projected unit method and an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. They have been prepared by independent firms of actuaries (the LGPS by Hymans Robertson and the LPFA by Barnett Waddingham), and are based on IAS19 assumptions and calculations for the year and the latest triennial valuations as at 31 March 2019. It should be noted the Council has guaranteed any pension liability that may arise for its wholly owned subsidiary, Lewisham Homes Limited – this figure is excluded from the Council's single entity accounts but is included in the Group Accounts (see Section 6).

c) Transactions relating to Retirement Benefits

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

Comprehensive Income and Expenditure Statement**Cost of Service**

Current Service Cost

Past Service Cost (inc.settlements and curtailments)

Financing and Investment Income and ExpenditureNet Interest on the Net Defined Benefit Liability

Interest Income on Scheme Assets

Interest Cost on Defined Benefit Obligation (Liabilities)

Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of ServicesRemeasurements of the Net Defined Benefit Liability

Return on Assets excluding amounts included in Net Interest

Actuarial Losses from changes in Demographic Assumptions

Actuarial Losses from changes in Financial Assumptions

Other Gains and Losses

Total Remeasurements recognised in CIES**Total Post Employment Benefits Charged to the CIES**

	2020/21 £000	2019/20 £000
	39,968	53,619
	(914)	515
	39,054	54,134
	(27,088)	(29,199)
	39,190	47,656
	12,102	18,457
	51,156	72,591
	(190,092)	49,014
	27,775	(46,956)
	413,441	(151,328)
	(18,852)	(124,140)
	232,272	(273,410)
	283,428	(200,819)

Notes to the Core Financial Statements

Movement in Reserves Statement	2020/21 £000	2019/20 £000
Reversal of Net Charges made to the Surplus or Deficit on the Provision of Services	(51,156)	(72,591)
Employers' Contributions Payable to the Scheme	30,853	33,125
Return on Assets excluding amounts included in Net Interest	190,092	(49,014)
Actuarial Gains and Losses	(422,364)	322,424
Net Movement in Pensions Reserve	(252,575)	233,944

d) Pensions Assets and Liabilities Recognised in the Balance Sheet

	31/03/21 £000	31/03/20 £000
Fair Value of Plan Assets	1,390,628	1,191,887
Present Value of Defined Benefit Liability (Obligation)	(2,100,702)	(1,650,206)
	(710,074)	(458,319)
Present Value of Unfunded Liabilities	(60,967)	(60,147)
Pensions Reserve - Year End Balance	(771,041)	(518,466)

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

	31/03/21 £000	31/03/20 £000
Opening Fair Value of Scheme Assets	1,191,887	1,233,006
Interest Income on Scheme Assets	27,184	29,307
Administration	(96)	(108)
<u>Remeasurement Gains / Losses</u>		
Return on Assets excluding amounts included in Net Interest	190,092	(49,014)
Employer Contributions	26,447	28,455
Contributions in respect of Unfunded Benefits	4,406	4,670
Contributions from Scheme Participants	7,968	8,120
Assets distributed on settlements	(838)	0
Benefits Paid	(52,016)	(55,169)
Unfunded Benefits Paid	(4,406)	(4,670)
Other Gains and Losses	0	(2,710)
Closing Fair Value of Scheme Assets	1,390,628	1,191,887

Notes to the Core Financial Statements

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

	31/03/21 £000	31/03/20 £000
Opening Present Value of Scheme Liabilities (Obligations)	(1,710,353)	(1,985,416)
Current Service Cost	(39,968)	(53,619)
Interest Cost on Defined Benefit Obligation (Liabilities)	(39,190)	(47,656)
Contributions from Scheme Participants	(7,968)	(8,120)
<u>Remeasurement Gains / Losses</u>		
Benefits Paid	52,016	55,169
Unfunded Benefits Paid	4,406	4,670
Actuarial Losses from changes in Demographic Assumptions	(27,775)	46,956
Actuarial Losses from changes in Financial Assumptions	(413,441)	151,328
Other Gains and Losses	18,852	126,850
Past Service Costs / Curtailments / Settlements	1,752	(515)
Closing Present Value of Scheme Liabilities (Obligations)	(2,161,669)	(1,710,353)

g) Pension Scheme Assets

	31/03/21			31/03/20		
	Active Market £000	Not in Active Markets £000	Total £000	Active Market £000	Not in Active Markets £000	Total £000
LGPS (LBL)						
Equities	0	0	0	0	0	0
Debt Securities	170,700	0	170,700	145,671	0	145,671
Real Estate	0	91,627	91,627	0	87,640	87,640
Investment Funds / Unit Trusts	800,696	118,579	919,275	628,740	194,737	823,477
Private Equity	0	39,113	39,113	0	37,816	37,816
Cash and Cash Equivalents	0	86,311	86,311	0	23,378	23,378
Total LGPS Assets	971,396	335,630	1,307,026	774,411	343,571	1,117,982
LPFA						
Equities	38,605	7,813	46,418	33,425	6,606	40,031
Target Return Portfolio	11,091	8,093	19,184	11,177	6,836	18,013
Infrastructure	0	7,139	7,139	0	5,187	5,187
Real Estate	0	7,370	7,370	0	6,749	6,749
Cash	3,090	401	3,491	2,707	1,218	3,925
Total LPFA Assets	52,786	30,816	83,602	47,310	26,595	73,905

Notes to the Core Financial Statements

h) Basis for Estimating Assets and Liabilities

	Local Government Pension Scheme		LPFA	
	2020/21	2019/20	2020/21	2019/20
Rate of Inflation – CPI	2.9%	1.9%	2.9%	2.0%
Salary Increase Rate	3.6%	2.6%	3.9%	3.0%
Pensions Increases	2.9%	1.9%	2.9%	2.0%
Rate for discounting scheme liabilities	2.0%	2.3%	1.9%	2.3%
Mortality assumptions				
Longevity at 65 for current pensioners - Men	21.4	20.9	20.9	21.2
Longevity at 65 for current pensioners - Women	24.0	23.5	24.1	24.2
Longevity at 65 for future pensioners - Men	22.8	22.2	22.1	22.4
Longevity at 65 for future pensioners - Women	25.8	24.8	25.6	25.7

i) Sensitivity Analysis

Change in Assumption at 31st March 2021	Approximate % Increase in Employer Liability	Approximate Monetary Amount (£000)
LGPS - LB Lewisham		
0.5% Decrease in Real Discount Rate	9%	195,981
1 Year Increase in Member Life Expectancy	4%	78,392
0.5% Increase in the Salary Increase Rate	1%	12,133
0.5% Increase in the Pension Increase Rate	9%	180,248
LPFA		
0.1% Decrease in Real Discount Rate	n/a	173
1 Year Increase in Member Life Expectancy	n/a	179
0.1% Increase in the Salary Increase Rate	n/a	171
0.1% Increase in the Pension Increase Rate	n/a	174

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

j) Future Contributions

The objectives of the scheme are to keep the employer's contributions at as constant a rate as possible. The Council anticipates paying £27.0m in contributions to the scheme in 2021/22.

38. CONTINGENT LIABILITIES

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

- There were 11 schools with licensed deficit budgets at the year end, totalling £2.7m. There were also eight schools with local authority loans with a total balance of £1.6m, six of which had licensed deficit budgets. Because of the complexities and future uncertainties over the arrangements for dealing with school deficits/loans, some or all of this total of £4.3m may ultimately fall to be met from the Council's General Fund, either in 2021/22 or a later year.

Notes to the Core Financial Statements

39. CONTINGENT ASSETS

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

40. TRUST FUNDS

The Council acts as a trustee for other funds which are not included in the Balance Sheet. Interest on these funds is credited annually at the average rate earned on the Council's revenue balances. The total amount held as at 31 March 2021 was £0.2m (£0.2m as at 31 March 2020).

41. HERITAGE ASSETS

These assets comprise Lewisham Clock Tower (£679k) and the Civic Regalia (£249k). Their values in the accounts are insurance values which are assessed internally and based on current market values. The value of the assets at 31 March 2021 is £0.93m (£0.26m as at 31 March 2020).

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

42. CAPITAL GRANTS UNAPPLIED

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

	2020/21 £000	2019/20 £000
Community Infrastructure Levy - LB Lewisham	(17,046)	(14,363)
Adults PSS Grant (DoH)	(2,895)	(2,895)
Disabled Facilities Grant	(1,863)	(1,452)
Social Care Single Capital Pot (DoH)	(681)	(712)
NHS Capital Grant	(642)	(900)
Other Housing Grants (GLA)	(3,219)	(2,845)
Other Grants	(259)	(459)
Total	(26,605)	(23,626)

Notes to the Core Financial Statements

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

	2020/21 £000	Restated 2019/20 £000
Depreciation, Impairment and Downward Valuations	110,434	9,351
Increase/ (decrease) in creditors	22,123	7,491
(Increase)/ decrease in debtors	5,086	(12,479)
(Increase)/ decrease in inventories (stock)	(17)	(6)
Movement in pension liability	20,303	39,466
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	41,981	50,161
Other non-cash items charged to the net surplus or deficit on the provision of services	15,038	7,180
Total Adjustment to net surplus or deficit on the provision of services for non-cash movements	214,948	101,164

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

	2020/21 £000	2019/20 £000
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	51	55
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(11,267)	(29,366)
Any other items for which the cash effects are investing or financing cash flows.	(39,187)	(22,366)
Total Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(50,403)	(51,677)

Notes to the Core Financial Statements

45. CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2020/21 £000	2019/20 £000
Interest Received	3,749	5,516
Interest Paid	(31,853)	(36,257)
Net Interest Paid	(28,104)	(30,741)

46. CASH FLOW STATEMENT - INVESTING ACTIVITY

	2020/21 £000	Restated 2019/20 £000
Purchase of Property, Plant and Equipment, investment property and intangible assets	(101,146)	(107,737)
Purchase of short and long term investments	(378,000)	(308,000)
Other payments for Investing Activities	(1,204)	(1,944)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	11,267	29,366
Proceeds from short-term and long-term investments	333,000	380,000
Other Receipts from Investing Activities	37,805	23,725
Net Cash Flows from Investing Activities	(98,278)	15,410

47. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2020/21 £000	2019/20 £000
Cash receipts of short and long term borrowing	0	0
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(8,924)	(7,632)
Repayment of Short-Term and Long-Term Borrowing	(4,028)	(203)
Other payments for financing activities	(24,202)	4,209
Net Cash Flows from Financing Activities	(37,154)	(3,626)

Notes to the Core Financial Statements

48. PRIOR YEAR ADJUSTMENTS/ RESTATEMENTS

In 2020/21 there were two main reasons why the 2019/20 audited accounts figures needed to be amended/ restated. These were the re-organisation of the Council's management hierarchy structure and the correction to the accounting for MRR funded capital expenditure.

a) Re-Organisation of Council Management Hierarchy Structure

This was the re-organisation of the Council's management hierarchy structure from 4 Directorates to 5 Directorates as follows:

From	To
Children & Young People Directorate	Children & Young People Directorate
Community Services Directorate	Community Services Directorate
Housing, Environment & Regeneration Directorate	Housing, Regeneration & Public Realm Directorate
Corporate Services Directorate	Corporate Services Directorate
N/A	Chief Executive Directorate
HRA	HRA
Corporate Provisions	Corporate Provisions

Comprehensive Income & Expenditure Statement (CIES)

This re-organisation required the 2019/20 CIES to be re-stated by mapping the cost centres used in 2019/20 to the new 2020/21 hierarchy as follows:

From		To	
Service	Net Expenditure £'000s	Service	Net Expenditure £'000s
Children & Young People Directorate	65,094	Children & Young People Directorate	47,947
Community Services Directorate	90,197	Community Services Directorate	92,829
Housing, Environment & Regeneration Directorate	33,341	Housing, Regeneration & Public Realm Directorate	33,713
Corporate Services Directorate	40,389	Corporate Services Directorate	43,132
N/A	0	Chief Executive Directorate	11,399
HRA	24,660	HRA	(15,957)
Corporate Provisions	8,096	Corporate Provisions	8,097
Cost of Services	261,777	Cost of Services	221,160

Note, the restated HRA figure is (£15,597k). This restatement was not due to the re-organisation of the Council's management hierarchy but was due to the Correction of Accounting of MRR funded Capital Expenditure (see (b) below).

Expenditure & Funding Analysis (Note 1)

The expenditure and funding analysis was restated so that the column "Net Expenditure in the CIES" matches the restated CIES Net Expenditure column. The subsequent columns were also updated to reconcile back to "Net Expenditure Chargeable to the General Fund and HRA Balances" and the figures reported in the management Outturn report.

Group Accounts - Group CIES

The group accounts CIES was restated in line with the LBL single entity accounts with the amendments for each service line exactly equalling those in the single entity accounts.

Notes to the Core Financial Statements

b) Correction of Accounting of MRR funded Capital Expenditure

It was identified during the 2020/21 audit of the accounts that the accounting for the Major Repairs Reserve (MRR) funding of housing dwellings capital expenditure was not correct. What had happened was that the expenditure on Council dwellings that added no value to the assets had been written off to the HRA revenue account and then funded by a transfer from the MRR. This was not correct accounting for MRR.

The amendment to the accounting was that the capital spend on the dwellings was capitalised and added to the asset register, it was then de-recognised to nil and charged to Other Operating Expenditure: (Gain) / Loss on the disposal and de-recognition of non-current assets before being reversed out through the MIRS. The net effect on the HRA surplus/ deficit is nil, but a number of Statements and Notes to the accounts have been restated as follows:

LBL Single Entity Accounts**CIES**

	From	To
	Net Expenditure	Net Expenditure
Cost of Services: HRA	24,660	(15,957)
(Gain) / Loss on the disposal and de-recognition of non-current assets	(19,860)	20,757

Cash Flow Statement

	From	To
Adjustment to surplus or deficit on the provision of services for non-cash movements	60,547	101,164
Net Cash flows from Investing Activities	56,027	15,410

Expenditure and Funding Analysis (Note 1)

Amendments were made to the "Adjustments between Funding and Accounting Basis" column as follows:

	From	To
HRA	52,577	11,960
Other Income and Expenditure	0	40,617

These adjustments were for Capital Purposes so this column was restated in note (i) to the EFA as follows:

	From	To
HRA	34,718	11,815
Other Income and Expenditure	0	40,617

Notes to the Core Financial Statements

Other differences was restated as follows:

	From	To
HRA	17,713	(1)
Other Income and Expenditure	0	0

EFA note (ii) Segmental Income and Expenditures was restated as follows:

	From	To
Material items of income and expense (related to disposals of PPE and investments and reversals of provisions)	(19,860)	20,757

Analysis in the movement in reserves statement adjustments between the accounting basis and funding basis (Note 8)

There were 2 rows where restatements were required as follows:

Adjustments to Revenue Resources: Reversal of entries included in the Surplus/ Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account (CAA)):

	GF	HRA	MRR
From	(8,203)	27,084	0
To	(8,203)	44,798	22,903
Amendment	0	17,714	22,903

Adjustments to Capital Resources: Use of the Major Repairs Reserve to finance capital expenditure:

	GF	HRA	MRR
From	0	0	(2,742)
To	0	0	(43,359)
Amendment	0	0	(40,617)

Movements in Non-Current Assets (Note 10b)

The Council Dwellings column was restated as follows:

	Additions	De-recognition of Assets (recognised in Other Operating Expenditure)
From	1,864	0
To	42,481	(40,617)
Amendment	40,617	(40,617)

Notes to the Core Financial Statements

Capital Adjustment Account (Note 22)

The following figures were restated (to add the capital spend and revaluation charges):

	Non-current assets written off on disposal and de-recognition - gain/loss to the CIES	Use of Major Repairs Reserve to finance new capital expenditure
From	(7,510)	2,742
To	(48,127)	43,359
Amendment	(40,617)	40,617

Expenditure & Income Analysed by Nature (Note 23)

The following figures were restated (to move the revaluation charges from Other Expenditure to Revaluation, Depreciation, Amortisation and Impairment):

	Other Expenditure	Expenditure: Gain or loss on disposal and de-recognition of non-current assets
From	721,368	0
To	680,751	40,617
Amendment	(40,617)	40,617

Capital Expenditure & Capital Financing (Note 32)

The following figures were restated (to add the capital spend and the financing of it):

	Capital Investment: Property, Plant and Equipment	Resources Used for Financing: Major Repairs Reserve	Resources Used for Financing: Sums set aside from Revenue
From	71,612	0	(2,742)
To	112,229	(43,359)	0
Amendment	40,617	(43,359)	2,742

Cash Flow Statement – Adjustment to surplus or deficit on the provision of services for non-cash movements (Note 43)

	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised
From	9,544
To	50,161
Amendment	40,617

Cash Flow Statement – Investing Activity (Note 46)

	Purchase of Property, Plant and Equipment, investment property and intangible assets
From	(67,120)
To	(107,737)
Amendment	(40,617)

Notes to the Core Financial Statements

Housing Revenue Account**HRA CIES**

The major repairs capital expenditure was restated from Repairs and Maintenance expenditure to (Gain) / Loss on Sale and de-recognition of HRA Non-Current Assets as follows:

	Repairs and Maintenance	(Gain) / Loss on Sale and de-recognition of HRA Non-Current Assets
From	54,621	(7,402)
To	14,004	33,215
Amendment	(40,617)	40,617

Repairs and Maintenance (Note 6)

The row "R&M works charged to MRR" was removed

Depreciation and Revaluation charges (Note 10)

The row "Revaluation losses on non-current assets" has been added to the 2019/20 column to be directly comparable to the 2020/21 figure.

Housing Capital Expenditure (Note 13)

The additional capital expenditure on Dwellings and financing by MRR have been added as follows:

	Expenditure: Dwellings	Financed by: MRR
From	3,279	2,742
To	43,896	43,359
Amendment	40,617	40,617

Major Repairs Reserve (Note 14)

Financing Major Revenue Repairs Contributions from Revenue (Capital) removed and added to financing of capital expenditure on housing assets as follows:

	Financing Major Revenue Repairs Contributions from Revenue (Capital)	Financing of capital expenditure on housing assets
From	(40,617)	(2,742)
To	0	(43,359)
Amendment	40,617	(40,617)

Group Accounts**Group CIES & Cash Flow Statement**

The amendments to the single entity statements detailed above were also incorporated into the restated Group Accounts statements.

Notes to the Core Financial Statements

Movements in Non-Current Assets (Group Note 4)

The Council Dwellings column was restated as follows:

	Additions	De-recognition of Assets (recognised in Other Operating Expenditure)
From	2,123	0
To	42,740	(40,617)
Amendment	40,617	(40,617)

c) Other Restatements**(i) Expenditure & Funding Analysis (Note 1)**

Two additional columns were added to show the reconciliation from the outturn figures reported to management and the Net Expenditure chargeable to the General fund and HRA balances. These columns were added so that the 2019/20 note was directly comparable to the 2020/21 note.

(ii) Financial Instruments (Note 12a & 12d)

The correction of the categorisation of Money Market Fund investments in 2020/21 from being held as "Financial assets at amortised cost" to "Fair Value Through Profit & Loss" led to the 2019/20 notes needing to be restated as follows:

Categories of Financial Instruments (Note 12a)

	Fair Value Through Profit & Loss: Investments	Financial assets at amortised cost: Investments	Financial assets at amortised cost: Other Cash & Cash Equivalents
From	0	381,437	0
To	114,770	268,594	-1,927
Amendment	114,770	-112,843	-1,927

Fair value of assets and liabilities (Note 12d)

	Fair Value Through Profit & Loss: Investments	Financial assets at amortised cost: Cash & Cash Equivalents
From	0	114,770
To	114,770	0
Amendment	114,770	-114,770

(iii) Group Accounts - Group MIRS

An additional column "Authority Share of Subsidiaries" was added along with an additional row "Adjustments between group accounts and authority accounts". These were added so that the 2019/20 statement was directly comparable to the 2020/21 statement.

Further details can be found in Note 9 to the Group Accounts in section 6, below.

Housing Revenue Account

SECTION 4 - HOUSING REVENUE ACCOUNT

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

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

	2020/21	Restated	Note
	£000	2019/20 £000	
INCOME			
Gross Rent - Dwellings	(69,396)	(68,223)	1
Gross Rent - Other Housing Properties	(3,365)	(3,480)	1
Charges for Services and Facilities	(12,588)	(12,545)	1
Housing Subsidy and Government Grants	(10,353)	(17,553)	2
Contribution towards Expenditure	(1,041)	(3,439)	4
Total Income	(96,743)	(105,240)	
EXPENDITURE			
Supervision and Management - General Expenses	37,472	36,881	5
Supervision and Management - Special Expenses	5,263	5,303	5
Repairs and Maintenance	17,035	14,004	6
Rent, Rates and Other Charges	513	346	8
Rent Rebate Subsidy Shortfall	0	0	3
Contribution to Doubtful Debts & Other Provisions	479	7,698	7
Depreciation - Dwellings	22,564	22,071	10
Depreciation - Other Housing Assets	816	832	10
Impairment of Non Current Assets	14,167	4,182	10
Debt Management Expenses	19	20	
Total Expenditure	98,328	91,337	
Net Cost of Services included in the Council's Income and Expenditure Account	1,585	(13,903)	
HRA Services share of Corporate and Democratic Core Costs	177	173	
Net Cost of HRA Services	1,762	(13,730)	
HRA share of the Operating Income and Expenditure incl.in the Comprehensive Income and Expenditure Statement (Gain) / Loss on Sale and de-recognition of HRA Non Current Assets	32,664	33,215	
Interest Payable and Similar Charges	5,283	8,767	11
Interest and Investment Income	(571)	(1,210)	
Pension Interest Cost and Expected Return on Pension Assets	59	69	12
(Surplus) / Deficit for the Year on HRA Services	39,197	27,111	

Housing Revenue Account

HOUSING REVENUE ACCOUNT - MOVEMENT IN RESERVES STATEMENT

	2020/21 £000	Restated 2019/20 £000
Balance on the HRA at the End of the Previous Year	84,281	76,708
<u>Movement in Year</u> Surplus or (Deficit) for the year on the HRA Income and Expenditure Statement	(39,197)	(27,111)
Adjustments between Accounting Basis and Funding Basis under Statute	29,894	34,684
Net Increase or (Decrease) before Transfers (To) / From Reserves	(9,303)	7,573 *
Transfers (To) / From Reserves	0	0
Increase or (Decrease) in Year on the HRA	(9,303)	7,573
Balance on the HRA at the End of the Year	74,978	84,281

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

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

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

Housing Revenue Account

NOTES TO THE HOUSING REVENUE ACCOUNT

1. GROSS RENT OF DWELLINGS

This is the total rent collectable for the year after allowance is made for empty property. At 31 March 2021, 0.47% of lettable property was empty (0.48% at 31 March 2020). These figures for empty property exclude accommodation for the homeless and dwellings designated for sale, major works and improvements. Average rents were £97.72 In 2020/21 and £94.98 per week In 2019/20.

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

(a) Housing stock

The Council was responsible for managing 13,762 dwellings as at 31 March 2021 (13,796 as at 31 March 2020).

There have been no stock transfers undertaken in 2020/21.

The stock was made up as follows:

	31/03/21	31/03/20
<u>Stock Numbers at year end</u>		
Houses and Bungalows	2,309	2,307
Flats and Maisonettes	11,453	11,489
Stock at End of Year	13,762	13,796

	2020/21	2019/20
<u>Change in Stock Numbers during the year</u>		
Stock at 1 April	13,796	13,957
Less Sales, Demolitions, etc.	(46)	(219)
Add Re-purchases, Conversions etc.	12	58
Stock at End of Year	13,762	13,796

b) Rent Arrears

	2020/21 £000	2019/20 £000
Rent Arrears due from Current Tenants	4,420	3,833
Rent Arrears due from Former Tenants	2,034	2,133
Total Arrears	6,454	5,966
Total Arrears as % of Gross Rent of Dwellings Due	7.1%	6.6%

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

	2020/21 £000	2019/20 £000
Aerial Sites	337	415
Garages	154	164
Reception Hostels	2,547	2,563
Commercial Property	268	280
Ground Rents	59	58
Total Other Rents and Charges	3,365	3,480

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

Service charges include caretaking, grounds maintenance, communal lighting, bulk household waste removal and disposal, window cleaning, pest control and the Lewisham Tenants Levy. The average tenants' service charge was £9.26 in 2020/21 (£8.66 in 2019/20).

	2020/21 £000	2019/20 £000
Heating Charges	653	662
Leasehold Service Charges	5,511	5,587
Tenants Service Charges	6,424	6,296
Total Charges for Services and Facilities	12,588	12,545

2. GOVERNMENT HOUSING EXCHEQUER SUBSIDY

From 01 April 2012 HRA accounts were prepared under the Government's HRA self-financing regime. Under this system no further housing subsidy transactions are made between government and stock owning Councils. This is in recognition that all rent collected will be retained by the Council and not contributed into the national rent pool.

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

The council also received £7.2m in 2019/20 in funding towards the removal and recladding of 3 tower blocks within the borough.

	2020/21 £000	2019/20 £000
Other Reckonable Expenditure	0	7,200
PFI Credit	10,353	10,353
Decent Homes Grant	0	0
Total Grants and Subsidy	10,353	17,553

Housing Revenue Account

3. REBATES

Assistance with rents is available under the Housing benefits scheme for those on low income. The scheme is administered by the Council and approximately 36% of tenants received help in 2020/21 (40% in 2019/20). Rent rebates are chargeable to, and the corresponding subsidy is credited to the General Fund.

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

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

	2020/21 £000	2019/20 £000
Rent Rebates Given (GF)	28,412	30,964
Subsidy Received on Rebates (GF)	(28,412)	(30,964)
Net cost to the HRA	0	0

4. CONTRIBUTIONS TOWARDS EXPENDITURE

	2020/21 £000	2019/20 £000
Court Costs	21	68
Recharges of repairs	415	2,711
Recharge to Capital Receipts	413	401
Hostels: Heat, Light and Water Charges	100	102
Other miscellaneous income	106	157
Total Other Income	1,055	3,439

5. SUPERVISION AND MANAGEMENTGeneral expenses

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

Special expenses

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

Housing Revenue Account

6. REPAIRS AND MAINTENANCE

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

	2020/21 £000	2019/20 £000
Revenue R&M works	17,035	14,004
Total Repairs and Maintenance	17,035	14,004

7. CONTRIBUTIONS TO IMPAIRMENT ALLOWANCE

A contribution of £0.479m (2019/20 £0.636m) was transferred from the HRA to an impairment allowance to meet doubtful debts. Details of the accumulated provisions are as follows:

	2020/21 £000	2019/20 £000
Housing Tenants	4,519	4,517
Leaseholders	1,969	2,109
Commercial Properties, Miscellaneous Debts	878	704
Total Impairment Allowance	7,366	7,330

8. HRA OUTSTANDING DEBT (CAPITAL FINANCING REQUIREMENT)

Under the current HRA self-financing system, which began on 01 April 2012, there is no requirement to repay principal on housing debt. The total housing debt at 31 March 2021 was £55.5m (31 March 2020 was £55.5m).

9. NON CURRENT ASSET VALUATION

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

	31/03/21 £000	31/03/20 £000
Operational Assets:		
Dwellings (Existing Use Value - Social Housing)	1,393,428	1,283,064
Other Land and Buildings	18,931	16,386
Infrastructure	91	96
Vehicles, Plant and Equipment	7,211	6,985
	1,419,661	1,306,531
Investment Properties	0	0
Surplus Assets	7,007	45,679
Total Housing Assets	1,426,668	1,352,210
Full Valuation of Council Dwellings	5,573,712	5,132,256

Housing Revenue Account

10. DEPRECIATION AND REVALUATION CHARGES

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

	2020/21 £000	Restated 2019/20 £000
Operational Assets		
Dwellings	22,564	22,071
Other Land and Buildings	286	275
Infrastructure	5	5
Vehicles, Plant and Equipment	525	552
Total Depreciation	23,380	22,903
Revaluation losses on non-current assets	14,167	4,182
Total Depreciation & Revaluation Charges	37,547	27,085

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

11. INTEREST PAYABLE AND SIMILAR CHARGES

This line includes the charge of £3.5m for capital assets calculated in accordance with the DCLG's Item 8 Debit Determination for 2019/20 (£3.8m in 2019/20). It no longer includes any costs for the net cost of amortised loan redemption premiums and discounts as the final payment was made in 2017/18.

12. PENSIONS COSTS – IAS 19

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

13. HOUSING CAPITAL EXPENDITURE

There was a contribution to Capital from HRA revenue of £13.9m to fund the new development and investment programme for 2020/21.

	2020/21 £000	Restated 2019/20 £000
Expenditure:		
Dwellings	61,172	43,896
Revenue Expenditure Funded from Capital under Statute	0	0
	61,172	43,896
Financed by:		
Capital Receipts	9,337	537
HRA Contribution to Capital	13,877	0
Major Repairs Reserve	37,958	43,359
Total Capital Expenditure Financed	61,172	43,896

Housing Revenue Account

14. MAJOR REPAIRS RESERVE

The movements on the major repairs reserve are as follows:

	2020/21 £000	Restated 2019/20 £000
Balance brought forward at start of year	16,462	36,918
Transferred in (depreciation dwellings)	23,380	22,903
Financing of capital expenditure on housing assets	(37,958)	(43,359)
Balance carried forward at end of year	1,884	16,462

15. HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

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

	Balance at 31/03/20 £000	Transfers In £000	Transfers Out £000	Balance at 31/03/21 £000
Property and Stock Related Reserves	5,260	165	0	5,425
Staff Related Reserves	750	0	0	750
Other Earmarked Reserves	78,271	0	(9,468)	68,803
Total Reserves and Balances	84,281	165	(9,468)	74,978

Collection Fund

SECTION 5 - THE COLLECTION FUND

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

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

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

COLLECTION FUND REVENUE ACCOUNT

	2020/21			2019/20			Note
	Council Tax £000	NDR £000	Total £000	Council Tax £000	NDR £000	Total £000	
INCOME							
Income from Council Tax (net)	151,060		151,060	144,911		144,911	4
Income from Non-Domestic Rates (net)		33,958	33,958		65,919	65,919	5
Income from Non-Domestic Rates (net) - BRS		937	937		1,710	1,710	5
TOTAL INCOME	151,060	34,895	185,955	144,911	67,629	212,540	
EXPENDITURE							
Precepts and Demands upon Fund (C. Tax)							
- London Borough of Lewisham	118,424		118,424	111,739		111,739	
- Greater London Authority	29,828		29,828	28,335		28,335	
Precepts and Demands upon Fund (NDR)							
- London Borough of Lewisham		19,344	19,344		30,571	30,571	
- Greater London Authority		23,858	23,858		17,196	17,196	
- Central Government		21,278	21,278		15,923	15,923	
- Cost of Collection Allowance		303	303		300	300	
Business Rate Supplement (BRS)							
- Paid to Greater London Authority		751	751		1,660	1,660	
- Administrative Costs		6	6		6	6	
Bad and Doubtful Debts							
- Net adj to Impairment Allowance	7,011		7,011	4,734		4,734	6a
- Net adj to Impairment Allowance		5,000	5,000		528	528	6b
- Amounts Written Off	664		664	403		403	
- Amounts Written Off		72	72		281	281	
Contributions from previous year							
- London Borough of Lewisham	(359)	(1,355)	(1,714)	1,698	108	1,806	
- Central Government	0	(762)	(762)	0	512	512	
- Greater London Authority	0	(179)	(179)	415	740	1,155	
Provision for Appeals							
- Net contribution		15,442	15,442		3,050	3,050	
TOTAL EXPENDITURE	155,568	83,758	239,326	147,324	70,875	218,199	
Deficit / (Surplus) for the year	4,508	48,863	53,371	2,413	3,246	5,659	3
Deficit / (Surplus) at start of year	2,070	3,467	5,537	(343)	2,742	2,399	3
Opening Balance Adjustment	0	0	0	0	(2,521)	(2,521)	3
Deficit / (Surplus) at end of year	6,578	52,330	58,908	2,070	3,467	5,537	

(*)

* See note 2 below regarding NDR deficit.

Collection Fund

NOTES TO THE COLLECTION FUND

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

The annual budget process requires that each Council determines its own 'Band D' tax charge by dividing its own budget requirement by the respective tax base for the financial year. The 'Band D' tax calculated forms the basis of the charge for all properties. Properties fall into one of eight valuation bands based on market values at 01 April 1991. Those that fall in other valuation bands pay a proportion of the 'Band D' tax charge according to its banding and the band proportion.

The tax base used in setting the Council Tax is set by the end of January for the following financial year. It is based on the actual number of dwellings on the Valuation List that fall within each valuation band. The total in each band is adjusted for exemptions, single person occupancy discounts, discounts for second homes and long term empty properties, disabled band relief and new properties. The total for each band is then expressed as a "Band D" equivalent number by multiplying the resulting total by the relevant band proportion. The tax base for 2020/21 assumed a collection rate of 97.0% (97.0% for 2019/20).

The table below sets out the original tax base calculation for 2020/21 and has been prepared in accordance with The Welfare Reform Act that abolished the system of council tax benefits and replaced it with the Council Tax Reduction Scheme (CTRS) with effect from 01 April 2013.

Council Tax Band	Property Value £000	2020/21		Band D Ratio	2020/21		2019/20	
		No. of Properties			Band D Equivalents as per Ratio No.	Council Tax Charge £	Band D Equivalents as per Ratio No.	Council Tax Charge £
		Actual Number (1)	Adjusted Number (2)					
A	up to 40	7,923	5,188	6/9	3,458.4	1,097.62	3,306.0	1,056.30
B	40 - 52	34,175	24,987	7/9	19,434.3	1,280.57	19,232.8	1,232.35
C	52 - 68	45,497	36,753	8/9	32,668.9	1,463.50	31,849.7	1,408.40
D	68 - 88	26,426	22,853	1	22,853.3	1,646.44	22,456.8	1,584.45
E	88 - 120	7,669	6,849	11/9	8,370.9	2,012.44	8,230.5	1,936.55
F	120 - 160	2,739	2,566	13/9	3,705.8	2,378.19	3,680.2	2,288.65
G	160 - 320	1,305	1,243	15/9	2,071.8	2,744.06	2,060.3	2,640.75
H	over 320	171	161	18/9	322.5	3,292.88	323.0	3,168.90
Totals		125,905	100,600		92,885.9		91,139.3	
Add: Contributions in lieu					0.0		0.0	
Total Band D Equivalents					92,885.9		91,139.3	
Estimated Collection Rate					97.0%		97.0%	
NET COUNCIL TAX BASE					90,099.3		88,405.1	

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

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

Collection Fund

2. COLLECTION FUND SURPLUS OR DEFICIT

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

Note on NDR deficit (£52,330k at year-end)

The deficit has increased significantly during 2020/21 because of Covid reliefs for businesses covered by Section 31 grant from Central Government, which is being held in General Fund earmarked reserves at year-end. In addition, provisions for bad debts and appeals have been greatly increased following a review.

3. COLLECTION FUND BALANCE SPLIT INTO ITS ATTRIBUTABLE PARTS

	(Surplus)/ Deficit		(Surplus)/ Deficit		
	Balance at 31/03/19 £000	Movement in 2019/20 £000	Balance at 31/03/20 £000	Movement in 2020/21 £000	Balance at 31/03/21 £000
Council Tax					
London Borough of Lewisham	(286)	1,938	1,652	3,597	5,249
Greater London Authority	(57)	475	418	911	1,329
	(343)	2,413	2,070	4,508	6,578
Non-Domestic Rates					
London Borough of Lewisham	1,660	257	1,917	13,993	15,910
Greater London Authority	990	88	1,078	18,167	19,245
Central Government	92	380	472	16,703	17,175
	2,742	725	3,467	48,863	52,330
Collection Fund Balances	2,399	3,138	5,537	53,371	58,908

Collection Fund Adjustment Account

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

4. COUNCIL TAX INCOME

	2020/21		2019/20
	£000	£000	£000
Gross Council Tax Income Due		194,195	185,318
Less: Exemptions	(5,913)		(6,194)
Disabled Relief	(97)		(102)
Discounts	(17,659)		(16,745)
Adjustment for Council Tax Reduction Scheme	(23,254)		(18,402)
Plus: Adjustments to charge	647		1,036
Covid Grants	3,141		0
		(43,135)	(40,407)
Total Due from Council Tax payers		151,060	144,911

Collection Fund

5. NON-DOMESTIC RATES

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

	2020/21		2019/20
	£000	£000	£000
Gross NDR Collectable (after voids and exemptions)		86,675	87,312
Reductions and Relief:			
Mandatory Relief	(17,406)		
Discretionary Relief	(34,374)		
		(51,780)	(19,683)
Total Receivable from Business Rates		34,895	67,629

	2020/21	2019/20
	£m	£m
Non-Domestic Rateable Value	178.2	177.4

	2020/21	2019/20
	pence	pence
Non-Domestic Rate Multiplier	51.2	50.4
Non-Domestic Rate Multiplier (Small Business)	49.9	49.1

6. COLLECTION FUND ARREARS AND IMPAIRMENT ALLOWANCES

	31/03/21	31/03/20
	£000	£000
Council Tax Arrears	57,000	49,864
Impairment Allowance	(52,705)	(45,694)
As a Percentage of Arrears	92.5%	91.6%

	2020/21		2019/20	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Arrears				
Year of Accounts	10,598	19	9,104	18
Under 2 Years old	7,396	13	6,224	12
Under 3 Years old	5,786	10	5,191	10
Under 5 Years old	8,592	15	7,193	14
Over 5 Years old	24,628	43	22,152	44
Total	57,000	100	49,864	100

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

Collection Fund

b) Non-Domestic Rates

	31/03/2021 £000	31/03/2020 £000
NDR Arrears	7,939	4,753
Impairment Allowance	(7,135)	(2,135)
As a Percentage of Arrears	89.9%	44.9%

	2020/21		2019/20	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Arrears				
Year of Accounts	3,289	41	2,173	46
Under 2 Years old	2,034	26	1,056	22
Under 3 Years old	1,087	14	480	10
Under 5 Years old	802	10	473	10
Over 5 Years old	727	9	571	12
Total	7,939	100	4,753	100

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

SECTION 6 – GROUP ACCOUNTS

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

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

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

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

Group Accounts

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDING 31 MARCH 2021

2019/20 Restated				2020/21		
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
			SERVICE			
389,628	(341,681)	47,947	Children & Young People Directorate	450,726	(352,923)	97,803
185,660	(92,812)	92,848	Community Services Directorate	201,559	(122,191)	79,368
109,106	(74,326)	34,780	Housing, Regeneration & Public Realm Directorate	148,787	(76,865)	71,922
234,633	(191,808)	42,825	Corporate Services Directorate	224,351	(182,390)	41,961
13,212	(1,813)	11,399	Chief Executive Directorate	12,489	(561)	11,928
111,359	(110,586)	773	HRA	100,913	(106,128)	(5,215)
10,431	(2,334)	8,097	Corporate Provisions	16,721	(6,826)	9,895
1,054,029	(815,360)	238,669	Cost of Services	1,155,546	(847,884)	307,662
			Other Operating Expenditure			
40,617	(19,860)	20,757	(Gain) / Loss on the disposal and de-recognition of non-current assets	37,206	(6,832)	30,374
1,700	0	1,700	Levies	1,706	0	1,706
20,121	0	20,121	Contribution of housing capital receipts to Government Pool	1,939	0	1,939
62,438	(19,860)	42,578		40,851	(6,832)	34,019
			Financing and Investment Income and Expenditure			
35,395	0	35,395	Interest payable and similar charges	31,772	0	31,772
0	(2,610)	(2,610)	Interest and Investment Income	0	(1,407)	(1,407)
0	0	0	Loss of Control of Assets	21,120	0	21,120
51,641	(32,617)	19,024	Net interest on the net defined benefit liability	42,498	(30,382)	12,116
87,036	(35,227)	51,809		95,390	(31,789)	63,601
			Taxation and non-specific Grant Income			
0	(113,437)	(113,437)	Income from Council Tax	0	(118,065)	(118,065)
0	(55,224)	(55,224)	General Government Grants	0	(85,163)	(85,163)
0	(18,568)	(18,568)	Recognised Capital Grants and Contributions	0	(36,508)	(36,508)
0	(102,075)	(102,075)	Non-Domestic Rates income and expenditure	0	(95,735)	(95,735)
152	(136)	16	Corporation Tax Payable	518	0	518
152	(289,440)	(289,288)		518	(335,471)	(334,953)
		43,768	Deficit/(Surplus) on provision of services			70,329
		(122,769)	Surplus or deficit on revaluation of non-current assets			(104,787)
		(300,342)	Remeasurement of the net defined benefit liability			256,650
		(423,111)	Other Comprehensive Income and Expenditure			151,863
		(379,343)	Total Comprehensive Income and Expenditure			222,192

Group Accounts

GROUP MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31 MARCH 2021

YEAR ENDING 31ST MARCH 2021	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority share of subsidiaries £000	Total Group Reserves £000
Balance at 31 March 2020 Brought Forward	20,000	151,122	84,281	16,463	61,368	23,626	356,860	1,637,703	1,994,563	(850)	1,993,713
Movement in Reserves during 2020/21											
Surplus or (Deficit) on the provision of services	(3,018)	0	(39,197)	0	0	0	(42,215)	0	(42,215)	(28,114)	(70,329)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(130,899)	(130,899)	(20,964)	(151,863)
Total Comprehensive Income and Expenditure	(3,018)	0	(39,197)	0	0	0	(42,215)	(130,899)	(173,114)	(49,078)	(222,192)
Adjustments between group accounts and authority accounts	(22,103)	0	0	0	0	0	(22,103)	0	(22,103)	22,103	0
Net increase before transfers	(25,121)	0	(39,197)	0	0	0	(64,318)	(130,899)	(195,217)	(26,975)	(222,192)
Adjustments between accounting basis and funding basis under regulations	74,727	0	29,894	(14,579)	(3,072)	2,979	89,949	(89,949)	0	0	0
Net Increase / Decrease before Transfers to Earmarked Reserves	49,606	0	(9,303)	(14,579)	(3,072)	2,979	25,631	(220,848)	(195,217)	(26,975)	(222,192)
Transfers to / from Earmarked Reserves	(49,606)	49,606	0	0	0	0	0	0	0	0	0
Increase / (Decrease) in 2020/21	0	49,606	(9,303)	(14,579)	(3,072)	2,979	25,631	(220,848)	(195,217)	(26,975)	(222,192)
Balance at 31 March 2021 Carried Forward	20,000	200,728	74,978	1,884	58,296	26,605	382,491	1,416,855	1,799,346	(27,825)	1,771,521

Group Accounts

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31ST MARCH 2020											
RESTATED											
YEAR ENDING 31 MARCH 2020	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority share of subsidiaries £000	Total Group Reserves £000
Balance at 31 March 2019 Brought Forward	20,000	147,145	76,708	36,919	62,101	16,998	359,871	1,261,635	1,621,506	(7,136)	1,614,370
Movement in Reserves during 2019/20											
Surplus or (Deficit) on the provision of services	41,157	0	(27,111)	0	0	0	14,046	0	14,046	(57,814)	(43,768)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	396,976	396,976	26,135	423,111
Total Comprehensive Income and Expenditure	41,157	0	(27,111)	0	0	0	14,046	396,976	411,022	(31,679)	379,343
Adjustments between group accounts and authority accounts	(37,965)	0	0	0	0	0	(37,965)	0	(37,965)	37,965	0
Net increase before transfers	3,192	0	(27,111)	0	0	0	(23,919)	396,976	373,057	6,286	379,343
Adjustments between accounting basis and funding basis under regulations	785	0	34,684	(20,456)	(733)	6,628	20,908	(20,908)	0	0	0
Net Increase / Decrease before Transfers to Earmarked Reserves	3,977	0	7,573	(20,456)	(733)	6,628	(3,011)	376,068	373,057	6,286	379,343
Transfers to / from Earmarked Reserves	(3,977)	3,977	0	0	0	0	0	0	0	0	0
Increase / (Decrease) in 2019/20	0	3,977	7,573	(20,456)	(733)	6,628	(3,011)	376,068	373,057	6,286	379,343
Balance at 31 March 2020 Carried Forward	20,000	151,122	84,281	16,463	61,368	23,626	356,860	1,637,703	1,994,563	(850)	1,993,713

Group Accounts

GROUP BALANCE SHEET AS AT 31 MARCH 2021

Restated 31/03/2020 £000		31/03/2021 £000
	Property, Plant & Equipment	
1,310,558	Council dwellings	1,421,775
1,074,576	Other land and buildings	1,064,692
24,936	Vehicles, plant, furniture and equipment	29,383
113,902	Infrastructure	109,064
5,424	Community	5,295
94,699	Surplus Assets not held for Sale	52,244
80,532	Assets under Construction	69,923
2,704,627		2,752,376
257	Heritage Assets	928
14,970	Investment Property	17,092
1,975	Long term investments	1,924
6,284	Long term debtors	4,436
2,728,113	Total Long Term Assets	2,776,756
268,595	Short Term Investments	313,327
210	Inventories	240
64,158	Debtors	82,540
118,418	Cash and Cash Equivalents	80,147
4,357	Prepayments	3,786
455,738	Current Assets	480,040
3,125	Bank Overdraft	1,039
5,968	Short term borrowing	2,073
12,037	Provisions	21,789
96,180	Creditors	116,451
103,902	Receipts in advance	100,662
8,797	PFI Liabilities due within one year	9,302
230,009	Current Liabilities	251,316
2,953,842	Total Assets less Current Liabilities	3,005,480
222,987	Long term borrowing	222,784
5,302	Provisions	8,710
211,567	Deferred PFI Liabilities	202,138
2,506	Capital Grants Receipts in Advance	2,989
517,767	Liability related to defined benefit pension scheme	797,338
960,129	Long Term Liabilities	1,233,959
1,993,713	NET ASSETS	1,771,521
	Usable Reserves	
20,000	General Fund Balance	20,000
151,122	Earmarked Revenue Reserves	200,728
(3,577)	Lewisham Homes Profit & Loss Reserve	(6,361)
699	Lewisham Homes Pensions Reserve	(26,297)
827	Catford Regeneration Partnership P & L Reserve	218
84,281	Housing Revenue Account	74,978
16,463	Major Repairs Reserve	1,884
61,368	Usable Capital Receipts Reserve	58,296
23,626	Capital Grants Unapplied	26,605
354,809		350,051
	Unusable Reserves	
1,131,311	Revaluation Reserve	1,214,203
1,070,983	Capital Adjustment Account	1,044,137
93	Deferred Capital Receipts	93
(34,694)	Financial Instruments Adjustment Account	(33,834)
(518,466)	LBL Pensions Reserve	(771,041)
(3,570)	Collection Fund Adjustment Account	(21,141)
0	DSG Unusable Reserve	(2,375)
(6,753)	Short Term Compensated Absences Account	(8,572)
1,638,904		1,421,470
1,993,713	TOTAL RESERVES	1,771,521

Group Accounts

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDING 31 MARCH 2021

2019/20 £000s		2020/21 £000s
(43,768)	Net surplus or (deficit) on the provision of services	(70,329)
117,753	Adjustment to surplus or deficit on the provision of services for noncash movements	220,495
(51,677)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(50,403)
22,308	Net Cash flows from operating activities	99,763
12,782	Net Cash flows from Investing Activities	(100,234)
(2,902)	Net Cash flows from Financing Activities	(35,714)
32,188	Net increase or (decrease) in cash and cash equivalents	(36,185)
83,105	Cash and cash equivalents at the beginning of the reporting period	115,293
115,293	Cash and cash equivalents at the end of the reporting period	79,108

Group Accounts

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

The Group Accounts should be read in conjunction with the Lewisham Council single entity accounts on pages 3 to 99. Only notes to the accounts that are materially different from the single entity accounts are produced for the group accounts.

The 2019/20 Group Accounts have been re-stated in-line with the LBL single entity accounts. This is due to a re-organisation of the Council's management structure in 2020/21 which affected the CIES and all related notes.

2. Group Boundary

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

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

3. Accounting Policies

- (i) In preparing the Group Accounts the Council has aligned the accounting policies of its companies with those of the Council and made consolidation adjustments where necessary.
- (ii) In 2020/21 Lewisham Homes "Council Dwellings" assets were re-valued using the same accounting standards as LBL to consolidate Lewisham Homes assets into the Group balance sheet. This resulted in a credit to the Group CIES of £1.292m due to an upward valuation of the assets compared to the 2019/20 valuation (2019/20 was an impairment charge of £15.117m to the Group CIES due to the downward revaluation of the assets).
- (iii) Lewisham Homes account for their assets in their single entity balance sheet as cost based. Within the Lewisham Homes accounts the assets are valued at NBV £42.770m (£43.388m in 2019/20). To be included in the Group Accounts these were valued at Fair Value of NBV £28.945m (£28.271m in 2019/20).
- (iv) The Council has consolidated the companies' financial statements with those of the Council on a line by line basis and has eliminated in full balances, transactions, income and expenses between the Council and its subsidiaries.

Group Accounts

4. Movements in Non-Current Assets

The movements in non-current assets during 2020/21 and 2019/20 were as follows:

2020/21	Council Dwellings £000	Other Land & Bldgs £000	Vehicles, Plant & Equip't £000	Infra-structure Assets £000	Comm. Assets £000	Surplus Assets £000	Assets under Construction £000	TOTAL £000
Gross Book Value b/fwd at 01 April 2020	1,311,559	1,077,934	62,291	191,981	5,596	94,858	80,532	2,824,751
Additions	39,050	3,700	7,832	3,136	0	0	45,211	98,929
Revaluations (recognised in Revaluation Reserve)	112,685	37,578	0	0	0	(31,635)	0	118,628
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	(8,570)	(31,238)	0	0	0	(2,846)	0	(42,654)
Impairments (recognised in Revaluation Reserve)	(1,943)	(1,172)	0	0	(14)	(3,667)	0	(6,796)
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	(2,059)	(437)	0	(360)	(20)	(2,699)	0	(5,575)
Loss of Control of Assets (recognised in Revaluation Reserve)	0	(45,617)	0	0	0	0	0	(45,617)
Loss of Control of Assets (recognised in Financing and Investment Income and Expenditure)	0	(21,120)	0	0	0	0	0	(21,120)
De-recognition of Assets (recognised in Other Operating Expenditure)	(37,206)	0	0	0	0	0	0	(37,206)
Disposals	(4,274)	0	(2,728)	0	0	(205)	0	(7,207)
Transfers	12,533	45,109	(1,869)	0	0	47	(55,820)	0
Gross Book Value c/fwd at 31 March 2021	1,421,775	1,064,737	65,526	194,757	5,562	53,853	69,923	2,876,133
Depreciation b/fwd at 01 April 2020	(1,001)	(3,358)	(37,355)	(78,079)	(172)	(159)	0	(120,124)
Depreciation for year	(23,251)	(14,950)	(3,826)	(7,614)	(95)	(1,043)	0	(50,779)
<u>Depreciation written back on:</u>								
Transfers	72	11	1,578	0	0	(1,359)	(302)	0
Revaluations (recognised in Revaluation Reserve)	21,039	12,136	1,065	0	0	248	0	34,488
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	2,981	6,059	0	0	0	668	0	9,708
Impairments (recognised in Revaluation Reserve)	0	0	0	0	0	0	0	0
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	160	57	0	0	0	0	302	519
Assets Sold	0	0	2,395	0	0	36	0	2,431
Depreciation c/fwd at 31 March 2021	0	(45)	(36,143)	(85,693)	(267)	(1,609)	0	(123,757)
Net Book Value at 31 March 2021	1,421,775	1,064,692	29,383	109,064	5,295	52,244	69,923	2,752,376

Group Accounts

2019/20	Restated							
	Council Dwellings £000	Other Land & Bldgs £000	Vehicles, Plant & Equip't £000	Infra-structure Assets £000	Comm. Assets £000	Surplus Assets £000	Assets under Construction £000	TOTAL £000
Gross Book Value b/fwd at 01 April 2019	1,298,495	976,188	60,638	186,403	5,587	91,757	31,094	2,650,162
Additions	42,740	5,325	2,045	6,186	361	896	54,966	112,519
Revaluations (recognised in Revaluation Reserve)	30,522	64,256	0	0	0	13,888	0	108,666
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	(16,018)	37,405	0	0	0	4,989	0	26,376
Impairments (recognised in Revaluation Reserve)	(7)	(7,953)	0	0	0	(5,033)	0	(12,993)
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	(278)	(1,484)	0	(608)	(352)	(5,037)	(1,416)	(9,175)
De-recognition of Assets (recognised in Other Operating Expenditure)	(40,617)	0	0	0	0	0	0	(40,617)
Disposals	(3,732)	0	(392)	0	0	(6,063)	0	(10,187)
Transfers	454	4,197	0	0	0	(539)	(4,112)	0
Gross Book Value c/fwd at 31 March 2020	1,311,559	1,077,934	62,291	191,981	5,596	94,858	80,532	2,824,751
Depreciation b/fwd at 01 April 2019	(1,158)	(1,638)	(32,623)	(70,321)	(77)	(257)	0	(106,074)
Depreciation for year	(22,604)	(14,328)	(5,112)	(7,758)	(95)	(1,015)	0	(50,912)
Depreciation written back on:								
Transfers	(33)	(1)	0	0	0	34	0	0
Revaluations (recognised in Revaluation Reserve)	20,482	6,898	0	0	0	513	0	27,893
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	2,312	5,711	0	0	0	253	0	8,276
Impairments (recognised in Revaluation Reserve)	0	0	0	0	0	0	0	0
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	0	0	0	0	49	0	49
Assets Sold	0	0	380	0	0	264	0	644
Depreciation c/fwd at 31 March 2020	(1,001)	(3,358)	(37,355)	(78,079)	(172)	(159)	0	(120,124)
Net Book Value at 31 March 2020	1,310,558	1,074,576	24,936	113,902	5,424	94,699	80,532	2,704,627

Group Accounts

5. Investment Properties

Whilst the Council has no investment properties, CRPL owns Catford shopping centre and several surrounding properties. As these properties were solely being used to generate income at 31 March 2021, under the code of practice they are classed as investment properties.

The fair value of the properties owned by CRPL as at 31 March 2021 (£17.092m) (31 March 2020 was £14.970m). This is a £2.122m increase in value from 2019/20.

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

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

An analysis of the adjustments between group accounts and authority accounts row within the Group MIRS in 2020/21 is as follows:

Adjustment for:	£'000
London Borough of Lewisham Payments to Lewisham Homes	(35,066)
Lewisham Homes Payments to London Borough of Lewisham	12,226
London Borough of Lewisham Payments to CRPL	134
CRPL Payments to London Borough of Lewisham	603
Total Adjustments to GF Net Expenditure	(22,103)

2019/20 comparator:

Adjustment for:	£'000
London Borough of Lewisham Payments to Lewisham Homes	(42,145)
Lewisham Homes Payments to London Borough of Lewisham	3,493
London Borough of Lewisham Payments to CRPL	(26)
CRPL Payments to London Borough of Lewisham	713
Total Adjustments to GF Net Expenditure	(37,965)

7. Pensions

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

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

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

Group Accounts

a) Transactions relating to Retirement Benefits

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

Comprehensive Income and Expenditure Statement	2020/21 £000	2019/20 £000
Cost of Service		
Current Service Cost	46,074	61,072
Past Service Cost (inc.settlements and curtailments)	(868)	551
	45,206	61,623
Financing and Investment Income and Expenditure		
<u>Net Interest on the Net Defined Benefit Liability</u>		
Interest Income on Scheme Assets	(30,382)	(32,617)
Interest Cost on Defined Benefit Obligation (Liabilities)	42,498	51,641
	12,116	19,024
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	57,322	80,647
<u>Remeasurements of the Net Defined Benefit Liability</u>		
Return on Assets excluding amounts included in Net Interest	(211,307)	53,658
Actuarial Losses from changes in Demographic Assumptions	30,971	(51,551)
Actuarial Losses from changes in Financial Assumptions	457,451	(166,646)
Other Gains and Losses	(20,465)	(135,803)
Total Remeasurements recognised in CIES	256,650	(300,342)
Total Post Employment Benefits Charged to the CIES	313,972	(219,695)

b) Pensions Assets and Liabilities Recognised in the Balance Sheet

	31/03/21 £000	31/03/20 £000
Fair Value of Plan Assets	1,559,763	1,333,900
Present Value of Defined Benefit Liability (Obligation)	(2,296,134)	(1,791,520)
	(736,371)	(457,620)
Present Value of Unfunded Liabilities	(60,967)	(60,147)
Pensions Reserve - Year End Balance	(797,338)	(517,767)

Group Accounts

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

	31/03/21 £000	31/03/20 £000
Opening Fair Value of Scheme Assets	1,333,900	1,374,037
Interest Income on Scheme Assets	30,478	32,725
Administration	(96)	(108)
<u>Remeasurement Gains / Losses</u>		
Return on Assets excluding amounts included in Net Interest	211,307	(53,658)
Employer Contributions	29,995	31,811
Contributions in respect of Unfunded Benefits	4,406	4,670
Contributions from Scheme Participants	9,348	9,393
Assets distributed on settlements	(838)	0
Benefits Paid	(54,331)	(57,590)
Unfunded Benefits Paid	(4,406)	(4,670)
Other Gains and Losses	0	(2,710)
Closing Fair Value of Scheme Assets	1,559,763	1,333,900

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

	31/03/21 £000	31/03/20 £000
Opening Present Value of Scheme Liabilities (Obligations)	(1,851,667)	(2,147,980)
Current Service Cost	(46,074)	(61,072)
Interest Cost on Defined Benefit Obligation (Liabilities)	(42,498)	(51,641)
Contributions from Scheme Participants	(9,348)	(9,393)
<u>Remeasurement Gains / Losses</u>		
Benefits Paid	54,331	57,590
Unfunded Benefits Paid	4,406	4,670
Actuarial Losses from changes in Demographic Assumptions	(30,971)	51,551
Actuarial Losses from changes in Financial Assumptions	(457,451)	166,646
Other Gains and Losses	20,465	138,513
Past Service Costs / Curtailments / Settlements	1,706	(551)
Closing Present Value of Scheme Liabilities (Obligations)	(2,357,101)	(1,851,667)

Group Accounts

e) Pension Scheme Assets

	31/03/21			31/03/20		
	Active Market £000	Not in Active Markets £000	Total £000	Active Market £000	Not in Active Markets £000	Total £000
LGPS (LBL & LH)						
Equities	116,703	0	116,703	92,308	0	92,308
Debt Securities	170,700	0	170,700	145,671	0	145,671
Real Estate	0	103,467	103,467	0	99,001	99,001
Investment Funds / Unit Trusts	837,906	118,579	956,485	664,243	194,737	858,980
Private Equity	0	39,113	39,113	0	37,816	37,816
Cash and Cash Equivalents	0	89,694	89,694	0	26,218	26,218
Total LGPS Assets	1,125,309	350,852	1,476,161	902,223	357,772	1,259,995

	31/03/21			31/03/20		
	Active Market £000	Not in Active Markets £000	Total £000	Active Market £000	Not in Active Markets £000	Total £000
LPFA						
Equities	38,605	7,813	46,418	33,425	6,606	40,031
Target Return Portfolio	11,091	8,093	19,184	11,177	6,836	18,013
Infrastructure	0	7,139	7,139	0	5,187	5,187
Real Estate	0	7,370	7,370	0	6,749	6,749
Cash	3,090	401	3,491	2,707	1,218	3,925
Total LPFA Assets	52,786	30,816	83,602	47,310	26,595	73,905

f) Basis for Estimating Assets and Liabilities

	Local Government Pension Scheme		LPFA	
	2020/21	2019/20	2020/21	2019/20
Rate of Inflation – CPI	2.9%	1.9%	2.9%	2.0%
Salary Increase Rate	3.6%	2.6%	3.9%	3.0%
Pensions Increases	2.9%	1.9%	2.9%	2.0%
Rate for discounting scheme liabilities	2.0%	2.3%	1.9%	2.3%
Mortality assumptions				
Longevity at 65 for current pensioners - Men	21.4	20.9	20.9	21.2
Longevity at 65 for current pensioners - Women	24.0	23.5	24.1	24.2
Longevity at 65 for future pensioners - Men	22.8	22.2	22.1	22.4
Longevity at 65 for future pensioners - Women	25.8	24.8	25.6	25.7

Group Accounts

g) Sensitivity Analysis

Change in Assumption at 31st March 2021	Approximate % Increase in Employer Liability	Approximate Monetary Amount (£000)
LGPS - LB Lewisham		
0.5% Decrease in Real Discount Rate	9%	195,981
1 Year Increase in Member Life Expectancy	4%	78,392
0.5% Increase in the Salary Increase Rate	1%	12,133
0.5% Increase in the Pension Increase Rate	9%	180,248
LGPS - Lewisham Homes		
0.5% Decrease in Real Discount Rate	11%	21,742
1 Year Increase in Member Life Expectancy	4%	8,697
0.5% Increase in the Salary Increase Rate	1%	1,591
0.5% Increase in the Pension Increase Rate	10%	19,730
LPFA		
0.1% Decrease in Real Discount Rate	n/a	173
1 Year Increase in Member Life Expectancy	n/a	179
0.1% Increase in the Salary Increase Rate	n/a	171
0.1% Increase in the Pension Increase Rate	n/a	174

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

h) Future Contributions

The objectives of the scheme are to keep the employer's contributions at as constant a rate as possible. The Council anticipates paying £27.0m in contributions to the scheme in 2021/22 and Lewisham Homes 3.6m.

8. Long Term Debtors

The value of Long Term debtors has reduced from the Single entity accounts balance to the Group Accounts balance because of the removal of loans to the subsidiaries (Lewisham Homes £37,000k and CRPL £17,801k).

9. Group Accounts Prior Period Adjustments/ Restatements

In 2020/21 the 2019/20 Group Accounts have been restated for a number of reasons.

a) Re-Organisation of Council Management Hierarchy Structure

This was the re-organisation of the Council's management hierarchy structure from 4 Directorates to 5 Directorates. This re-organisation required the 2019/20 CIES to be re-stated by mapping the cost centres used in 2019/20 to the new 2020/21 hierarchy. The group accounts CIES was restated in line with the LBL single entity accounts with the amendments for each service line exactly equally those in the single entity accounts. See Note 48 (a) to the Core Financial Statements for more details.

Group Accounts

b) Correction of Accounting of MRR funded Capital Expenditure

This was to correct for the accounting of the use of MRR funding for spend on Dwellings components that were de-recognised.

Group CIES & Cash Flow Statement

The amendments to the single entity statements detailed in Note 48 (b) to the Core Financial Statements were also incorporated into the restated Group Accounts statements.

Movements in Non-Current Assets (Group Note 4)

The Council Dwellings column was restated as follows:

	Additions	De-recognition of Assets (recognised in Other Operating Expenditure)
From	2,123	0
To	42,740	(40,617)
Amendment	40,617	(40,617)

c) Accounting for the Consolidation of the Lewisham Homes Pension Asset

During the 2020/21 audit of the group accounts it was identified that the consolidation of the Lewisham Homes pension asset into the group accounts was not correct.

In the past when consolidating the Lewisham Homes Pension asset has been incorrectly added to the LBL single entity Pensions Reserve within Unusable Reserves on the balance sheet.

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

Within the restated Group Accounts this had the effect of moving £699k from Unusable Reserves to Usable Reserves as follows:

	From	To
	£'000	£'000
Usable Reserves: Lewisham Homes Pensions Reserve	0	699
Unusable Reserves: LBL Pensions Reserve	(517,767)	(518,466)

Group Accounts

d) Group MIRS & Balance Sheet

As part of the audit of the group accounts it was identified that the group MIRS had not been consolidated in line with the code of practice and CIPFA guidance.

An additional column "Authority Share of Subsidiaries" was added along with an additional row "Adjustments between group accounts and authority accounts". These were added so that the 2019/20 statement was directly comparable to the 2020/21 statement.

The consolidation of the 3 sets of single entity accounts have been re-worked following the CIPFA Guidance and example accounts for consolidation of group accounts.

The overall net effect on the group MIRS restating it from the 2019/20 audited accounts is as follows:

	From	To	Amendment
	£'000	£'000	£'000
Usable Reserves: Earmarked Reserves	152,078	151,122	-956
Usable Reserves: HRA	80,704	84,281	3,577
Unusable Reserves	1,639,603	1,637,703	-1,900
Authority Share of Subsidiaries	0	-850	-850

The net overall effect of these changes on the Balance sheet was a reduction in Net Assets of £129k (from £1,993,842k to £1,993,713k) with the reduction being contained within Creditors. This was matched by a reduction in the CRPL P&L reserve from £956k to £827k.

Glossary of Terms Used in the Accounts

SECTION 7 – GLOSSARY OF TERMS USED IN THE ACCOUNTS

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

Glossary of Terms Used in the Accounts

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

Glossary of Terms Used in the Accounts

COMMON ACRONYMS USED IN THE ACCOUNTS

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

SECTION 8 – PENSION FUND ACCOUNTS

FOREWORD

This Pension Fund Statement of Accounts details the financial position and performance of the Lewisham Pension Fund for the year ending 31 March 2021.

The Pension Fund's value increased over the year by £265m (20%), from £1.352bn to £1.617bn. (In 2019/20 the fund reduced in value by £35m in large part caused by the Covid Outbreak in the last months of the financial year). The increase in 2020/21 more than reversed the reduction in 2019/20.

INTRODUCTION

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

ORGANISATION

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

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

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

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

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

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

www.lewishampensions.org

Pension Fund Accounts

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2021

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

	2020/21 £000	2019/20 £000	See note
<u>DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED WITH THE SCHEME</u>			
Contributions Receivable:			
- from Employers	(35,439)	(35,027)	5
- from Employees	(10,822)	(10,369)	5
Transfer Values In	(3,605)	(10,708)	
Other Income	(347)	(79)	
Sub-Total: Income	(50,213)	(56,183)	
Benefits Payable:			
- Pensions	45,729	44,347	6
- Lump Sums: Retirement allowances	5,905	9,726	6
- Lump Sums: Death grants	1,983	1,080	6
Payments to and on account of leavers:			
- Refunds of Contributions	51	105	
- Transfer Values Out	5,351	5,314	
Sub-Total: Expenses	59,019	60,572	
Sub-Total: Net (Additions)/ Withdrawals from dealings with members	8,806	4,389	
Management Expenses	3,910	3,593	7
Sub-Total: Net (Additions)/ Withdrawals including fund management expenses	12,716	7,982	
<u>RETURNS ON INVESTMENTS</u>			
Investment Income	(18,254)	(14,952)	9
Change in market value of investments (Realised & Unrealised)	(259,794)	41,344	14b
Taxes on Income	191	145	
Total Net Returns on Investments	(277,857)	26,537	
NET (INCREASE) / DECREASE IN THE FUND DURING YEAR	(265,141)	34,519	
OPENING NET ASSETS OF THE FUND	(1,352,208)	(1,386,727)	
CLOSING NET ASSETS OF THE FUND	(1,617,349)	(1,352,208)	

Pension Fund Accounts

NET ASSETS STATEMENT AS AT 31 MARCH 2021

The Net Assets Statement shows the market value of the investments and other assets held by the Pension Fund as at 31 March 2021.

	31/03/21	31/03/20	See note
	£000	£000	
INVESTMENT ASSETS			
Equities			
United Kingdom	0	0	10 - 14
Global	19,271	13,342	10 - 14
	19,271	13,342	
Managed Funds			
Property	112,040	106,332	10 - 14
Equities	852,936	663,396	10 - 14
Fixed Interest	207,213	176,092	10 - 14
Index Linked	107,210	88,785	10 - 14
Other Assets	210,012	275,021	10 - 14
	1,489,411	1,309,626	
Cash Held with Custodian	105,524	28,393	18
Derivative Contracts			
Assets	0	1,815	16
Liabilities	0	(1,815)	16
Other Investment Balances	2,769	1,272	17a
TOTAL INVESTMENTS	1,616,975	1,352,633	
Current Assets	4,340	5,070	17b
Current Liabilities	(3,966)	(5,495)	17b
TOTAL NET ASSETS	1,617,349	1,352,208	

NOTES TO THE PENSION FUND ACCOUNTS

Note 1: Basis of Preparation of Financial Statements

The Statement of Accounts summarise the Fund's transactions for 2020/21 and its position at year end and as at 31st March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

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

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

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

Note 2: Summary of Significant Accounting Policies

The Pension Fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ('the Code') which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

The Local Government Pension Scheme (Administration) Regulations 2013 require administering authorities in England and Wales to prepare a Pension Fund Annual Report which must include the Fund Account and a Net Assets Statement with supporting notes prepared in accordance with proper practices. The Regulations summarise the Pension Code and the minimum disclosure requirements.

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

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

- (a) Investments - Investments in the Net Assets Statement are shown at Fair Value. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016). The market value of equity investments is based on the official closing data, in the main, with last trade data being used in a small number of countries. Unitised equities are quoted based on last trade or official closing price. Northern Trust, the Fund's custodian, sets out its pricing policies in a document entitled "Asset pricing guidelines" which details its pricing process and sets out preferred pricing sources and price types.

Pension Fund Accounts

- (b) The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on the sale of investments during the year.
- (c) Passive equity and bonds - dividend income earned from equity and bonds with BlackRock and UBS is reinvested and not repaid directly to the Fund as cash. Interest income is recognised in the Fund as it accrues. Any amount not received by the end of the accounting period will be disclosed in the notes for Debtors and Creditors.
- (d) Private equity investments are valued in accordance with United States generally accepted accounting principles, including FAS 157, which is consistent with the International Private Equity and Venture Capital Valuation Guidelines. These guidelines set out that all investments are carried at fair value and they recommend methodologies for measurement. Due to timing differences in the valuation of these investments, the value carried in the accounts as at 31 March 2021 is the fair value using the latest available valuation at 31 December 2020, rolled forward to include known fund level activity up to 31 March 2021, and adjusted for market valuation changes.
- (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/unit trust funds. The Schroders funds are all currently valued at least quarterly. The majority of property assets to which the Fund has exposure are located in the UK. They are valued in accordance with the Royal Institute of Chartered Surveyors' (RICS) Valuation Standards at Fair Value based on their Open Market Value (OMV).
- The only non-UK fund is the Real Continental European Fund. The net asset value is derived from the net asset value of the underlying funds. Like the UK, the values of the underlying assets are assessed by professionally qualified valuers. Valuation practices will differ between countries according to local Generally Accepted Accounting Practices. The frequency of independent valuations varies, and will be based on the price frequency of the underlying assets.
- (f) Diversified Growth/Targeted Returns Fund – The Fund is allocated notional units in the Invesco fund based on its overall contribution. Units will be valued on every business day in which units are created and realised. The value given to the fund's assets will be the recognised market quotation; if this is not available, the latest independent valuation will be used. Where no independent valuation can be used, the value will be determined by the manager in such manner as it deems appropriate. This fund was fully exited in March 2021 with the assets held as cash at year end.
- (g) Multi-Asset Credit Funds – the Pemberton private debt fund is valued at Fair Value using external benchmarks such as the equity values of comparable companies to borrowers, Credit Default Swap or commodity price movements and macro-economic data. Due to timing delays in the receipt of manager statements by the Fund's custodian, the value carried in the accounts at 31 March 2021 is the fair value at 31 December 2020 as reported by the custodian, with an adjustment for changes in market value based on manager statements as at 31 March 2021.

Partners Group values its instruments using private credit estimates or public ratings for the issuer if available and above a rating of B- from Standard & Poor's. Below that, broker quotes are used where available, or Fair Values are derived based on widely recognised market and income valuation methods. Due to timing delays in the receipt of manager statements by the Fund's custodian, the value carried in the accounts at 31 March 2021 is the fair value at 31 December 2020 as reported by the custodian, with an adjustment for changes in market value based on manager statements as at 31 March 2021.

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- (h) Infrastructure Fund – Being illiquid and not publicly traded assets, J.P. Morgan appoint external valuers at least annually to determine the Fair Value of fund assets, whilst J.P. Morgan itself calculates the Net Asset Value (NAV) of each investment quarterly in accordance with their internal valuation policies which align with market best practice. Due to timing delays in the receipt of manager statements by the Fund's custodian, the value carried in the accounts at 31 March 2021 is the fair value at 31 December 2020 as reported by the custodian, with an adjustment for changes in market value based on manager statements as at 31 March 2021.
- (i) Contributions – These represent the total amounts receivable from the employers and employees within the scheme. Rates will differ between bodies in the scheme; from 01 April 2020 the employee contribution bands (revised annually in line with inflation) for the administering authority are as follows:

Pensionable Pay for the Post	Contribution Rates 2020/21	
	Main Section	50/50 Section
Up to £14,600	5.50%	2.75%
£14,601 to £22,800	5.80%	2.90%
£22,801 to £37,100	6.50%	3.25%
£37,101 to £46,900	6.80%	3.40%
£46,901 to £65,600	8.50%	4.25%
£65,601 to £93,000	9.90%	4.95%
£93,001 to £109,500	10.50%	5.25%
£109,501 to £164,200	11.40%	5.70%
More than £164,201	12.50%	6.25%

The employer's contribution is reviewed every three years and is determined by the Fund's Actuary as the rate necessary to ensure that the Fund is able to meet its long-term liabilities. This is assessed at each triennial actuarial revaluation. The employer's contribution rate for the administering authority in 2020/21 is 22.5%, unchanged from 2019/20.

- (j) Benefits – Benefits payable are made up of pension payments and lump sums payable to members of the Fund upon retirement and death. These have been brought into the accounts on the basis of all valid claims approved during the year.
- (k) Transfer Values – Transfer values are those sums paid to, or received from, other pension schemes relating to periods of previous pensionable employment. Transfer values are calculated in accordance with the Local Government Pension Scheme Regulations and have been brought into the accounts on a cash basis.
- (l) Taxation – The Fund is a registered public service scheme under section (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as an expense as it arises.
- (m) VAT – By virtue of Lewisham Council being the administering authority, VAT input tax is recoverable on Fund activities. Any irrecoverable VAT is accounted for as an expense.

Pension Fund Accounts

- (n) Actuarial – The adequacy of the Fund's investments and contributions in relation to its overall and future obligations is reviewed every three years by an Actuary appointed by the Council. The Council's Actuary, Hymans Robertson, assesses the Fund's assets and liabilities in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013. The contribution rate required for benefits accruing in future is assessed by considering the benefits which accrue over the course of the three years to the next valuation.

The most recent triennial valuation carried out by the actuaries was as at 31 March 2019. Some of the financial assumptions made, with comparison to the previous valuation, are presented in the table below:

Financial Assumption	March 2019 (%)	March 2016 (%)
Discount Rate	3.5	4.0
Price Inflation (CPI*)	2.3	2.1
Pay Increases	3.0	2.9
Benefit Increase	2.3	2.1
CARE Revaluation	2.3	2.1
Expenses	0.7	0.6

* Consumer Price Index

With effect from 1 April 2017 to 31 March 2019, the actuarial review carried out for 31 March 2016 resulted in the Council's employer contribution rate being set at 22.5%.

The recent triennial valuation as at the 31 March 2019 revealed that the Fund's assets, which at 31 March 2019 were valued at £1.387bn, were sufficient to meet 90% (78% in 2016) of the past service liabilities valued at £1.541bn (£1.328bn in 2016) accrued up to that date. The resulting deficit as at the 2019 valuation was £154m (£287m in 2016).

- (o) Actuarial Present Value of Promised Retirement Benefits – The actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS 19 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, the Pension Fund financial statements include a note disclosing the actuarial present value of retirement benefits (see Note 19).

The longevity assumptions for current pensioners are average future life expectancies at age 65, whilst future pensioners are assumed to be aged 45 at the last formal valuation; these longevity assumptions have changed since the previous IAS26 disclosures for year ending 31 March 2020.

For sensitivity purposes, the actuary estimates that a 1 year increase in life expectancy would increase liabilities by approximately 3-5%.

- (p) Investment Management and Administration - Regulation 42 of the Local Government Pension Scheme (Administration) Regulations 2008, permit the Council, as the administering authority, to charge the scheme's administration costs to the Fund. A proportion of relevant Council officers' salaries, including related on-costs, have been charged to the Fund on the basis of actual time spent on scheme administration and investment-related business. Management fees of the Fund's investment managers are typically calculated as a set percentage of the market value of funds under management at regular intervals, although some agreements also allow for performance fees above a defined hurdle rate. Of the Fund's nine fund managers, four charge fees by invoice, the remaining five deduct them at source; in the latter instance, adjustments have been made to the Fund Account to recognise the net return on those investments.

Pension Fund Accounts

- (q) Foreign currency transactions are made using the WM/Reuters exchange rate in the following circumstances:
- Purchase and sales: the foreign exchange rate applicable on the day prior to the trade date is used.
 - Stock holdings: all holdings valuations are made using the WM/Reuters close of previous business day.
 - Dividend receipts: the rate applicable on the day prior to the date the dividend received is used.
- (r) Commitments - Where capital committed to investments is not fully drawn down at the end of the financial year the outstanding commitment is not included in the Net Asset Statement but is referred to in the notes to the accounts; please see note 21.
- (s) Financial Instruments
- (i) Financial Liabilities are recognised at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund
 - (ii) Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the value of the asset are recognised in the Fund account.
The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13
- (t) Additional Voluntary Contributions (“AVCs”)
Members of the Fund are able to make AVCs in addition to their normal contributions. The related assets are invested separately from the main Fund, and in accordance with the Regulations, are not accounted for within the financial statements. If on retirement members opt to enhance their Scheme benefits using their AVC funds, the amounts returned to the Scheme by the AVC providers are disclosed as transfers-in. Further details about the AVC arrangements are disclosed in note 23.

Note 3: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out above, the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events.

There were no such critical judgements made during 2020/21.

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	The figure of net liability to pay pensions is based on a significant number of complex assumptions including the discount rate, salary increases, mortality rates and expected returns on Fund assets. The Pension Fund's qualified actuary calculates this figure to ensure the risk of misstatement is minimised. However, the market disruption caused by the coronavirus outbreak will have mixed and uncertain impacts on all of those assumptions, possibly resulting in material changes to the disclosed present value of promised retirement benefits as at 31 March 2021. Further sensitivity analysis is included in note 19, below.	The effects on the net pension liability of changes in assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption is estimated to reduce the present value of the pension liability by £233m.
Property valuations	Valuation techniques are used to determine the carrying values of directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, otherwise the best available data is used.	Following an analysis of historical volatility of asset class returns and expected investment returns, in consultation with the Fund's advisors, the Council has determined that the percentage of volatility that can be applied to the Fund's Property assets in 2020/21, assuming all other variables such as foreign exchange rates and interest rates remain the same, is estimated to be 1.9%. This would be an increase or decrease in the value of property investments of £2.2m, on a fair value of £112m.
Private equity and infrastructure valuations	These investments are not publicly listed and involve estimation techniques in their valuation. In addition, timing issues in producing capital statements for inclusion in the statement of accounts means that several assets are valued in the accounts at previous quarter valuations or later, and rolled forward to 31 March 2021 with adjustments and estimations where possible for known activity such as disbursements and capital calls. The Fund's private equity and infrastructure holdings (all level 3 investments) are impacted by this delay; as such, the final realised value of those assets may differ from the valuations presented in the accounts.	Private equity and infrastructure investments are valued at £138.7m in the financial statements. There is a risk that this investment may be under- or overstated in the accounts by up to 4.2% i.e. an increase or decrease of £5.8m.

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Pension Fund Liability

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

Covid 19 Impact

Following the uncertainty surrounding asset values as result of the COVID 19 outbreak during late 2019/20, Officers now believe asset values have stabilised in order that a materially accurate value can be applied to illiquid assets.

Note 5: Contributions Receivable

	2020/21 £000	2019/20 £000
Employer Contributions		
Administering Authority	(28,556)	(28,555)
Scheduled Bodies	(6,191)	(5,824)
Admitted Bodies	(692)	(648)
	(35,439)	(35,027)
Employee Contributions		
Administering Authority	(8,566)	(8,251)
Scheduled Bodies	(2,062)	(1,900)
Admitted Bodies	(194)	(218)
	(10,822)	(10,369)

Contributions receivable from employers are shown below:

	2020/21 £000	2019/20 £000
Employer Contributions		
Normal	(34,672)	(33,302)
Early Retirement Strain	(357)	(1,024)
Deficit Funding	(410)	(701)
	(35,439)	(35,027)

Note 6: Benefits PayableBy Category

	2020/21 £000	2019/20 £000
Pensions	45,729	44,347
Commutation and Lump Sum Retirement Benefits	5,905	9,726
Lump Sum Death Grants	1,983	1,080
	53,617	55,153

By Authority

	2020/21 £000	2019/20 £000
Administering Authority	48,055	50,057
Scheduled Bodies	4,007	3,808
Admitted Bodies	1,555	1,288
	53,617	55,153

Pension Fund Accounts

Note 7: Management Expenses

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

	2020/21 £000	2019/20 £000
Administration Expenses	1,018	698
Oversight and Governance Expenses	509	403
<u>Investment Management Expenses:</u>		
- Transaction Costs	15	13
- Management Fees	2,332	2,444
- Performance Fees	0	0
- Custody Fees	36	35
	3,910	3,593

Note 8: External Audit Costs

	2020/21 £000	2019/20 £000
External Audit Services	36	25
	36	25

The Pension Fund's external auditors are Grant Thornton.

Note 9: Investment Income

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

	2020/21 £000	Restated 2019/20 £000
Cash	(59)	(1,003)
Global Equities	0	0
Fixed Interest	0	0
Index Linked	0	0
Property	(3,233)	(4,204)
Managed Equities	(9,798)	(8,078)
Securities Lending	0	(1)
Other Alternative Assets	(5,164)	(1,666)
	(18,254)	(14,952)

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Note 10: Fund Assets

The table below outlines the fund managers, asset classes, and values of those assets held by the Fund as at 31 March 2021.

Fund Manager	Asset	Asset Value 31 March 2021 £000	Proportion of the Fund 31 March 2021 %	Asset Value 31 March 2020 £000
Blackrock	Passive Equity and Bonds	636,109	39.3%	501,591
UBS	Passive Equity and Bonds	531,236	32.8%	426,666
Schroders Property	Property	112,036	6.9%	106,328
HarbourVest	Private Equity	86,452	5.3%	57,267
J.P. Morgan	Infrastructure	74,260	4.6%	78,098
Pemberton	Multi-Asset Credit	38,127	2.4%	34,873
Partners Group	Multi-Asset Credit	33,175	2.1%	40,400
Invesco	Diversified Growth/Targeted Returns	0	0.0%	77,726
Various Managers	Cash and Net Current Assets	105,579	6.5%	29,683
Lewisham	Cash and Net Current Assets/(Liabilities)	375	0.0%	(424)
Total Fund Assets		1,617,349	100.0%	1,352,208

Note 11: Investment Analysis

Individual Investment assets with a market value exceeding 5% of the total fund value as at 31 March 21 are as follows:

Asset	Manager	31 March 2021	
		£000	%
UBS Asset Management Life World Equity Tracker	UBS	240,024	14.8
Aquila Life US Equity Index Fund	Blackrock	214,030	13.2
BlackRock Pensions Aquila Life UK Equity Index	Blackrock	126,901	7.8
UBS Asset Management Life UK Equity Tracker A Nav	UBS	95,341	5.9

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Individual Investment assets with a market value exceeding 5% of the total fund value as at 31 March 20 are as follows:

Asset	Manager	31 March 2020	
		£000	%
UBS Asset Management Life World Equity Tracker	UBS	190,536	14.1
Aquila Life US Equity Index Fund	Blackrock	162,396	12.0
BlackRock Pensions Aquila Life UK Equity Index	Blackrock	99,797	7.4
IIF UK I LP	JP Morgan	78,098	5.8
Invesco Fund Managers Perpetual Targeted Returns	Invesco	77,726	5.7
UBS Asset Management Life UK Equity Tracker A Nav	UBS	75,078	5.6

Investments exceeding 5% within each class of security at 31 March 21 are as follows:

Asset	Manager	31 March 2021	
		£000	%
Global Equities			
Harbourvest Global PE Shares	Harbourvest	19,275	100.0
Property			
Schroder Unit TST UK Real Estate	Schroders	15,663	14.0
IPIF Feeder Unit Trust Fund	Schroders	15,439	13.8
Hermes Property Unit	Schroders	11,634	10.4
Metro Ppty Unit Trust	Schroders	11,591	10.3
Real Income Fund	Schroders	9,635	8.6
Blackrock UK FD	Schroders	9,650	8.6
Mayfair Cap Ppty (MCPUT)	Schroders	8,524	7.6
Multi-Let INDL Property Unit Trust	Schroders	8,648	7.7
Legal and General Managed Property Fund	Schroders	5,844	5.2
Managed Equities			
UBS Asset Management Life World Equity Tracker	UBS	240,024	28.1
Aquila Life US Equity Index Fund	Blackrock	214,030	25.1
BlackRock Pensions Aquila Life UK Equity Index	Blackrock	126,901	14.9
UBS Asset Management Life UK Equity Tracker A Nav	UBS	95,341	11.2
Aquila Life European Equity Index Fund	Blackrock	47,196	5.5
Blackrock AM (IE) ISHS EMG Markets Index IE FLX	Blackrock	45,707	5.4
Fixed Interest			
UBS Asset Mgmnt STG Corp Bond Index Fund	UBS	53,393	25.8
UBS GBL Asset Life UK Over 15 Year Gilt Tracker Fund	UBS	52,820	25.5
Blackrock AM (IE) iShares UK Credit Bond Index Fund	Blackrock	52,309	25.2
Blackrock Pensions Aquila Life Over 15 Years UK Gilt Index Fund	Blackrock	48,692	23.5
Index Linked			
Aquila Life Over 5 Yrs Index Fund	Blackrock	54,294	50.6
UBS Asset Mgmnt Life Over 5 Year Index Linked Gilt Tracker	UBS	52,916	49.4
Other Alternative Assets			
JP Morgan IIF UK I LP	JP Morgan	71,529	34.1
Partners Group Comp MAC 2017 IV	Partners Group	33,175	17.2
Pemberton Euro Debt Investments Jersey II	Pemberton	38,127	19.7
HIPEP VII (AIF) Partnership Fund LP	Harbourvest	27,724	13.2
HarbourVest Partners X AIF LP	Harbourvest	21,817	10.4

Pension Fund Accounts

Investments exceeding 5% within each class of security at 31 March 20 are as follows:

Asset	Manager	31 March 2020	
		£000	%
Global Equities			
Harbourvest GE PE Shares	Harbourvest	13,346	100.0
Property			
Schroder Unit TST UK Real Estate	Schroders	15,388	14.5
IPIF Feeder Unit Trust Fund	Schroders	13,668	12.9
Hermes Property Unit	Schroders	10,820	10.2
Real Income Fund	Schroders	10,260	9.6
Blackrock UK FD	Schroders	9,576	9.0
Metro Ppty Unit Trust	Schroders	9,406	8.8
Mayfair Cap Ppty (MCPUT)	Schroders	8,559	8.0
Multi-Let INDL Property Unit Trust	Schroders	7,864	7.4
Legal and General Managed Property Fund	Schroders	5,738	5.4
Managed Equities			
UBS Asset Management Life World Equity Tracker	UBS	190,536	28.7
Aquila Life US Equity Index Fund	Blackrock	162,396	24.5
BlackRock Pensions Aquila Life UK Equity Index	Blackrock	99,797	15.0
UBS Asset Management Life UK Equity Tracker A Nav	UBS	75,078	11.3
Aquila Life European Equity Index Fund	Blackrock	38,078	5.7
Fixed Interest			
UBS Asset Mgmnt STG Corp Bond Index Fund	UBS	45,399	25.8
UBS GBL Asset Life UK Over 15 Year Gilt Tracker Fund	UBS	44,675	25.4
Blackrock Pensions Aquila Life Over 15 Years UK Gilt Index Fund	Blackrock	43,661	24.8
Blackrock AM (IE) iShares UK Credit Bond Index Fund	Blackrock	42,357	24.0
Index Linked			
Aquila Life Over 5 Yrs Index Fund	Blackrock	45,170	50.9
UBS Asset Mgmnt Life Over 5 Year Index Linked Gilt Tracker	UBS	43,615	49.1
Other Alternative Assets			
JP Morgan IIF UK I LP	JP Morgan	78,098	28.4
Invesco Fund Managers Perpetual Targeted Returns	Invesco	77,726	28.3
Partners Group Comp MAC 2017 IV	Partners Group	40,400	14.7
Pemberton Euro Debt Investments Jersey II	Pemberton	34,873	12.7
HIPEP VII (AIF) Partnership Fund LP	Harbourvest	19,148	7.0

Pension Fund Accounts

Note 12: Reconciliation in Movement in Investments

An analysis of investment movements in 2020/21 is set out below:

INVESTMENT MOVEMENTS 2020/21	Value at 31 March 2020 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Capital Value £000	Change in Market Value £000	Value at 31 March 2021 £000
Global Equities	13,342	0	0	0	5,929	19,271
Managed Equities	663,396	1,677	(46,054)	(4,819)	238,736	852,936
Property	106,332	8,552	(3,119)	0	275	112,040
Fixed Interest Securities	176,092	31,592	(750)	3,246	(2,967)	207,213
Index Linked Securities	88,785	14,483	0	1,573	2,369	107,210
Other Alternative Assets *	275,021	15,574	(96,874)	(2)	16,293	210,012
	1,322,968	71,878	(146,797)	(2)	260,635	1,508,682
Cash Deposits	28,393				(834)	105,524
Other Investment Balances	1,272				(7)	2,769
Total Investments	1,352,633				259,794	1,616,975

INVESTMENT MOVEMENTS 2019/20	Value at 31 March 2019 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Capital Value £000	Change in Market Value £000	Value at 31 March 2020 £000
Global Equities	13,747	0	0	0	(406)	13,342
Managed Equities	695,931	40,119	(10,600)	1,247	(63,301)	663,396
Property	112,285	3,534	(3,856)	(730)	(4,900)	106,332
Fixed Interest Securities	183,854	6,650	(28,526)	(1,247)	15,360	176,092
Index Linked Securities	92,934	4,550	(11,089)	0	2,390	88,785
Other Alternative Assets *	259,751	32,421	(26,236)	(11)	9,096	275,021
	1,358,502	87,274	(80,307)	(741)	(41,761)	1,322,968
Cash Deposits	28,593				409	28,393
Other Investment Balances	70				7	1,272
Total Investments	1,387,165				(41,345)	1,352,633

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Note 13a: Fair Value – Basis of Valuation

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

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key sensitivities affecting the valuations provided
UK Equities	Level 2	Average of broker prices	Evaluated price of feeds	Not required
Global Equities	Level 1	The published bid market price on the final day of the accounting period	Not required	Not required
Bonds and Index Linked	Level 2	Average of broker prices	Evaluated price of feeds	Not required
Property	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price published	NAV - based pricing set on a forward basis	Not required
Cash	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
UK Fixed Income Managed Funds	Level 2	Average of broker prices	Evaluated price of feeds	Not required
UK Venture Capital	Level 2	Average of broker prices	Evaluated price of feeds	Not required
Overseas Venture Capital	Level 2	Average of broker prices	Evaluated price of feeds	Not required
Private equity/ Overseas venture capital	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020)	-EBITDA Multiple -Revenue multiple - Discount for lack of marketability - Control premium	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Overseas Hedge Funds	Level 3	Valued by investing managers on a fair value basis each year using PRAG guidance	NAV - based pricing set on a forward basis	Valuations are affected by a change to the value of the financial instrument it is being hedged against

Pension Fund Accounts

Note 13b: Sensitivity of Assets Valued at Level 3

The fund has determined that the valuation methods described above for level 3 investments are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021.

	Valuation range (+/-)	Value at 31 Mar 21	Value on increase	Value on decrease
		£000	£000	£000
Overseas Hedge Funds	4.20%	71,530	74,534	68,526
Overseas Venture Capital	4.20%	67,179	70,001	64,357
Total		138,709	144,535	132,883

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

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

Level 1 – where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities (quoted equities, quoted fixed securities, quoted index linked securities and unit trusts). Listed investments are shown at bid prices. The bid value is based on the market quotation of the relevant stock exchange.

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

Level 3 – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include infrastructure, which the Fund holds assets in, unquoted equity investments and hedge fund of funds, neither of which the Fund currently invests in.

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

Values as at 31 March 2021	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total at 31/03/21 £000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	19,271	1,350,702	138,709	1,508,682
Financial Assets at Amortised Cost	123,433	0	0	123,433
	142,704	1,350,702	138,709	1,632,115
Financial Liabilities				
Fair Value through Profit and Loss	0	0	0	0
Financial Liabilities at Amortised Cost	(14,766)	0	0	(14,766)
	(14,766)	0	0	(14,766)
Net Financial Assets	127,938	1,350,702	138,709	1,617,349

Pension Fund Accounts

Values as at 31 March 2020	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total at 31/03/20 £000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	13,342	1,187,605	122,022	1,322,969
Financial Assets at Amortised Cost	52,238	0		52,238
	65,580	1,187,605	122,022	1,375,207
Financial Liabilities				
Fair Value through Profit and Loss	0	0	0	0
Financial Liabilities at Amortised Cost	(22,999)	0	0	(22,999)
	(22,999)	0	0	(22,999)
Net Financial Assets	42,581	1,187,605	122,022	1,352,208

Note 13d: Transfers between Levels 1 and 2

There has not been any transfers between Level 1 and Level 2 assets in 2020/21.

Note 13e: Reconciliation of Fair Value Measurements within Level 3

	Value at 31 March 2020 £000	Purchases at cost £000	Sales proceeds £000	Change in Capital Value £000	Change in Market Value £000	Value at 31 March 2021 £000
Overseas Hedge Funds	78,099		0	0	(6,569)	71,530
Overseas Venture Capital	43,923	7,490	(7,661)	0	23,427	67,179
Total	122,022	7,490	(7,661)	0	16,858	138,709

Pension Fund Accounts

Note 14a: Classification of Financial Instruments

The accounting policies describe how the different asset classes of financial instruments are measured, and how income and expenses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category. No financial assets were reclassified between accounting categories during the year ended 31 March 2021.

	31-Mar-21			31-Mar-20		
	Fair Value through Profit & Loss	Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost	Fair Value through Profit & Loss	Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost
	£000	£000	£000	£000	£000	£000
Financial Assets						
Equities	19,271			13,342		
Managed Funds:						
Property	112,040			106,332		
Managed Equity	852,936			663,396		
Fixed Interest	207,213			176,092		
Index Linked	107,210			88,785		
Other Alternative Assets	210,012			275,021		
Derivative contracts	0			1,815		
Cash deposits		105,524			28,393	
Pending Trades		12,085			17,500	
Dividends & Income Due		1,484			1,276	
Cash Balances		3,877			4,691	
Other Current Assets		463			188	
Total Financial Assets	1,508,682	123,433	0	1,324,783	52,048	0
Financial Liabilities						
Derivative Contracts			0			(1,815)
Pending Trades			(10,793)			(17,511)
Unpaid benefits			0			0
Other Current Liabilities			(3,973)			(5,488)
Total Financial Liabilities	0	0	(14,766)	0	0	(24,814)
Net Financial Assets	1,508,682	123,433	(14,766)	1,324,783	52,048	(24,814)

Note 14b: Net Gains and Losses on Financial Instruments

The following table shows net gains on financial instruments:

	31/03/21 £000	31/03/20 £000
Financial Assets		
Fair Value through Profit and Loss	260,635	(41,760)
Assets at Amortised Cost	(834)	409
Financial Liabilities		
Liabilities at Amortised Cost	(7)	7
	259,794	(41,344)

Note 15: Nature and Extent of Risks Arising from Financial Instruments

The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). As an investment fund, the Lewisham Pension Fund's objective is to generate positive investment returns for an accepted level of risk. Therefore the Fund holds a mix of financial instruments such as securities (equities, bonds), interests in collective investment schemes (pooled funds), and cash equivalents. In addition, debtors and creditors arise as a result of its operations. The value of these financial instruments is reflected in the financial statements at their fair value.

Responsibility for the Fund's risk management strategy rests with the Council's Pension Investment Committee (PIC). Risk management policies are established to identify and analyse the risks faced by the Council's pension operations. The main risks from the Fund's holding of financial instruments are market risk, credit risk, and liquidity risk. These policies are reviewed regularly to reflect change in activity and in market conditions.

The Committee regularly monitors each investment manager, and its investment consultant (Hymans Robertson) advises on the nature of the investments made and associated risks.

The Fund's investments are managed on behalf of the Fund by the appointed investment managers. Each investment manager is required to invest the assets managed by them in accordance with the terms of their investment guidelines or pooled fund prospectus.

The Fund's custodian is Northern Trust, who manage investments and report on them on behalf of the Fund. As the Fund adopts a long term investment strategy, the high level strategic risks described below will not alter significantly during any one year unless there are significant strategic or tactical changes made to the portfolio.

a) Market Risk

Market risk represents the risk that fair value of a financial instrument will fluctuate because of changes in market prices, interest rates or currencies. The Fund is exposed, through its investments in equities, bonds and pooled investment funds, to all these market risks. The aim of the investment strategy is to manage and control exposure to market risk within acceptable parameters while optimising the return from the investment portfolio. In general, market risk is managed through the diversification of investments by asset class and establishing mandate guidelines with investment managers. The risk arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the PIC.

i) Other Price Risk – Market

The risk that the value of a financial instrument will fluctuate as a result of factors other than interest rate or foreign currency movements, whether those changes are caused by factors specific to the individual instrument, its issuer or factors affecting the market in general. Market price risk arises from uncertainty about the future value of the financial instruments that the Fund holds. All investments present a risk of loss of capital, the maximum risk being determined by the fair value of the financial instruments. The investment managers mitigate this risk through diversification in line with their own investment strategies and mandate guidelines.

ii) Other Price Risk – Sensitivity analysis

The Council and its investment advisors also undertake appropriate monitoring of market conditions and benchmark analysis. The Fund has a long term view on expected investment returns which smoothes out short term price volatility.

Pension Fund Accounts

Following an analysis of historical volatility of asset class returns and expected investment returns, in consultation with the Fund's advisors, the Council has determined that the following asset level percentages of volatility can be applied to the Fund's assets in 2020/21, assuming all other variables such as foreign exchange rates and interest rates remain the same:

Asset Type	Potential Market Movement +/- (% p.a.)
UK Equities	17.1
Global Equities	14.7
Bonds and Index Linked	7.9
Other Alternative Assets	4.2
Property	1.9
Cash	1.8

Applied to the period end asset mix, the potential impact on the Fund's market value in the next financial year is as follows:

Asset Type	Final Market Value as at 31 March 2021 £000	Percentage Change	Value on Increase £000	Value on Decrease £000
UK Equities	462,781	17.1	541,917	383,645
Global Equities	409,426	14.7	469,612	349,240
Bonds and Index Linked	314,423	7.9	339,262	289,584
Other Alternative Assets	210,012	4.2	218,837	201,187
Property	112,040	1.9	114,211	109,869
Cash	105,524	1.8	107,413	103,635
Total Assets (*), (**)	1,614,206	7.9	1,741,762	1,486,650

* The % change and value change for Total Assets includes the impact of correlation across asset classes

** The % change and value change for Total Assets is the average impact across the asset classes

The 2019/20 comparator table is as follows:

Asset Type	Final Market Value as at 31 March 2020 £000	Percentage Change	Value on Increase £000	Value on Decrease £000
UK Equities	365,850	12.6	411,767	319,933
Global Equities	310,888	14.7	356,704	265,072
Bonds and Index Linked	264,877	7.9	285,800	243,954
Other Alternative Assets	275,021	4.1	286,186	263,856
Property	106,332	2.3	108,758	103,906
Cash	28,393	2.4	29,083	27,703
Total Assets*	1,351,361	6.9	1,444,875	1,257,847

* This figure excludes derivatives and other investment balances.

** The % change and value change for Total Assets includes the impact of correlation across asset classes

Pension Fund Accounts

iii) Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fixed interest securities, cash and cash equivalents are exposed to interest rate risk.

iv) Interest Rate Risk – Sensitivity Analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

The analysis demonstrates that a 1% increase in interest rates will reduce the fair value on fixed interest assets (obviously the interest received will not change), and vice versa.

Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Asset Type	Asset Value at 31 March 21 £000	Impact of 1% Decrease £000	Impact of 1% Increase £000
Cash & Cash Equivalents	105,493	105,493	105,493
UK Fixed Income Managed Funds	101,512	96,669	106,355
Overseas Fixed Income Managed Funds	105,701	92,115	119,288
Total	312,707	294,278	331,136

Asset Type	Asset Value at 31 March 20 £000	Impact of 1% Decrease £000	Impact of 1% Increase £000
Cash & Cash Equivalents	28,393	28,393	28,393
UK Fixed Income Managed Funds	166,062	161,069	171,055
Overseas Fixed Income Managed Funds	87,756	76,477	99,035
Total	282,211	265,939	298,483

v) Currency Risk is the risk to which the Pension Fund is exposed to fluctuations in foreign currency exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£GBP). The Fund was exposed to the following significant foreign currency levels (i.e. £2m and over) at the 31 March 2021, with the previous year in brackets:

Euro	€10.6m	(€9.9m)
US Dollars	\$230.4m	(\$196.4m)

The remaining exposures arise from much smaller holdings of other currencies including Swiss Francs, Norwegian Krone and Australian Dollars.

Pension Fund Accounts

vi) Currency risk – sensitivity analysis.

The Fund's currency rate risk is routinely monitored by the Council and its investment advisors. Overseas equities, fixed interest securities and cash in foreign currencies are exposed to currency risk. Following analysis of historical data in consultation with the Fund's advisors, the Council considers the likely volatility associated with foreign exchange rate movements in 2020/21 to be 7.7% (7.4% in 2019/20). This volatility is applied to the Fund's overseas assets at period end as follows:

Asset Type	Asset Value at 31 March 21 £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas Equities	409,426	7.7	440,961	377,891
Overseas Fixed Income	105,701	7.7	113,842	97,560
Other Alternative Assets	174,638	7.7	188,089	161,187
Total	689,765	7.7	742,892	636,638

Asset Type	Asset Value at 31 March 20 £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas Equities	310,888	7.4	333,746	288,030
Overseas Fixed Income	87,756	7.4	94,208	81,304
Other Alternative Assets	156,858	7.4	168,391	145,325
Total	555,502	7.4	596,345	514,659

b) Credit Risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to meet an obligation and cause the Fund to incur a financial loss. This is often referred to as counterparty risk. The market values of investments generally reflect an assessment of credit risk in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The Fund is exposed to credit risk through its underlying investments (including cash balances) and the transactions it undertakes to manage its investments. The careful selection and monitoring of counterparties, including; brokers, custodian and investment managers, seeks to minimise the credit risk that may occur through the failure to settle transactions in a timely manner.

	Rating	Balances at 31 March 2021 £000	Balances at 31 March 2020 £000
Barclays	A +	3,877	4,691
Northern Trust	AA -	105,524	28,393
Total		109,401	33,084

c) Liquidity Risk

Liquidity risk is the risk that the Pension Fund will have difficulties in paying its financial obligations as they fall due. For example; the benefits payable costs and capital commitments. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The Fund holds a large proportion of assets in instruments which can be liquidated at short notice, normally three working days. As at the 31 March 2021 these assets totalled approximately £1,187m, comprising of bonds and equities, with a further £105.5m held in cash by the custodian on behalf of the Fund and fund managers.

Pension Fund Accounts

Note 16: Derivative Contracts

As at 31 March 2021 there were no pending foreign exchange purchases or sales. The net losses related to foreign exchange forward contracts was £6k in 2020/21 (£0k in 2019/20).

Note 17a: Other Investment Balances

These comprise the following amounts:

	31/03/21 £000	31/03/20 £000
Debtors		
Equity Dividends / Income from Managed Funds	1,494	1,244
Interest and Other Income	(10)	32
Pending Trades	12,085	17,500
Creditors		
Interest and Other Expenditure	(7)	7
Pending Trades	(10,793)	(17,511)
Net	2,769	1,272

Note 17b: Net Current Assets

These comprise the following amounts:

Current Assets

	31/03/21 £000	31/03/20 £000
Contributions Due from Admitted/ Scheduled Employers/ Employees	341	191
Interest and Other Income	0	0
Other Current Assets	122	188
Cash in Hand	3,877	4,691
	4,340	5,070

Current Liabilities

	31/03/21 £000	31/03/20 £000
Fund Manager and Custody Fees	(357)	(283)
Consultancy/ Advisory Fees	(33)	(35)
Other Current Liabilities	(3,576)	(5,177)
	(3,966)	(5,495)

Pension Fund Accounts

Note 18: Cash and Bank**Cash Held With Custodian**

The Northern Trust Company is the Fund's global custodian and cash is held to meet the cash flow requirements of the Fund and its managers. The total cash held as at 31 March 2021 was £105.5m (£28.4m as at 31 March 2020). The table below shows how this was split between the Fund Managers.

Fund Manager	31-Mar-21	31-Mar-20
	£'000	£'000
Cash Account (Formerly Invesco)	76,471	0
HarbourVest	9,267	5,962
Schroders	8,720	10,941
JP Morgan	6,423	4,655
Partners Group	4,263	1,525
Cash Account (Formerly Fauchier)	365	472
Securities Lending	14	125
UBS	1	21
Pemberton	0	4,018
M&G	0	673
Cash Account (Formerly Investec)	0	1
	105,524	28,393

Pension Fund Bank Account

The Lewisham cash in hand balance of £3.9m represents uninvested cash held in the Pension Fund bank accounts as at 31 March 2021. The Fund's accounts are held with Barclays Bank.

Note 19: Actuarial Present Value of Promised Retirement Benefits

The table below shows the total net liability of the Fund as at 31 March 2021. The figures have been prepared by Hymans Robertson LLP, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pension's legislation. In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

	31-Mar-21	31-Mar-20
	£m	£m
Present value of promised retirement benefits	-2,369	-1,817
Fair Value of Scheme Assets	1,601	1,352
Net Liability	-768	-465

Pension Fund Accounts

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Longevity Assumptions for year ended 31 March 2021	Males	Females
Current Pensioners	21.4 years	24.0 years
Future Pensioners	22.8 years	25.8 years

Financial assumptions

	31-Mar-21 (%)	31-Mar-20 (%)
Discount Rate	2.0	2.3
Salary Increases	3.6	2.6
Pension Increases	2.9	1.9

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for year ended 31 March 2021	Approximate increase to liabilities (%)	Approximate monetary amount (£m)
0.5% p.a. decrease in the Real Discount Rate	10	233
0.5% p.a. increase in the Salary Increase Rate	1	15
0.5% p.a. increase in the Pension Increase Rate	9	214

Note 20: Events after the Reporting Period

The audited Pension Fund Statement of Accounts was authorised for issue by the Executive Director of Corporate Resources on 14 December 2021. Events taking place after this date are not reflected in the accounts. Where events took place before this date which materially altered the conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect these altered conditions. There are no events after the balance sheet date to report for 2020/21.

Pension Fund Accounts

Note 21: Contractual Commitments

The Pension Fund was committed to the following capital contributions as at the 31 March 2021:

Fund Manager	Fund	Amount ('000)	Translated (£'000)
HarbourVest	HIPEP IX AIF SCSp	\$25,000	18,121
HarbourVest	HarbourVest Partners XI AIF L.P.	\$16,688	12,096
HarbourVest	HarbourVest Partners X AIF L.P.	\$12,045	8,731
Pemberton	European Debt Investments Jersey II L.P.	£4,907	4,907
HarbourVest	HIPEP VII (AIF) Partnership Fund L.P.	\$4,875	3,534
HarbourVest	Harbourvest Partners VIII - Cayman Buyout Fund L.P.	\$555	402
HarbourVest	Harbourvest International Private Equity Partners V - Cayman Partnership Fund L.P.	€ 700	596
HarbourVest	Harbourvest Partners VIII - Cayman Venture Fund L.P.	\$190	138
HarbourVest	Harbourvest International Private Equity Partners V - Cayman Direct Fund L.P.	€ 124	106
	Total		48,631

Note 22: Related Party Transactions

There have been no material transactions with related parties in the financial year. There were no provisions for doubtful debt and amounts written off in the period.

Eight Councillors sit on the Pensions Investment Committee which oversees the Fund. At each meeting of the Pensions Investment Committee, Councillors are required to make declarations of interest which are recorded.

During the year the following declarations were made:

- Councillor John Muldoon declared an interest as a member of Lewisham's Pension Fund.
- Councillor Caroline Kalu declared an interest as a board member of Lewisham Homes, the Council's housing subsidiary.
- The Chair of the Investment Committee Councillor Mark Ingleby declared an interest as a Councillor elected Director of Lewisham Homes, the Council's housing subsidiary, not in receipt of pension.

Four members and an independent chair make up the membership of the Pensions Board, which assists the administering authority in adhering to the Regulations with regards to its administration and governance of the scheme. At each meeting of the Board, members are required to make declarations of interest which are recorded.

During the year no declarations of interest were made apart from the members being participants in the scheme, although this is a requirement of their Board membership.

No other trustees or Council chief officers with direct responsibility for Pension Fund issues made any declarable transactions with the Pension Fund in the period to 31 March 2021.

Pension Fund Accounts

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

- Recharges from the Council for the in-house administration costs borne by the scheme were transacted for £730k (included in Administration Expenses in Note 7). Some cash transactions relating to pension activities are currently effected through the Council's bank account and consequently Pension Fund cash balances are held by the Council from time to time and vice versa.

Key Management Personnel Remuneration

The key management personnel of the Fund are the Executive Director of Corporate Resources and the Director of Finance.

There were no costs apportioned to the Pension Fund in respect of the Executive Director of Corporate Resources post for 2019/20 and 2020/21.

Total remuneration payable to key management personnel from the Pension Fund is set out below:

	2020/21 £'000	2019/20 £'000
Short Term Benefits	21	24
Post-Employment Benefits	4	3
Total	25	27

Note 23: Additional Voluntary Contributions (AVC's)

Contributing members have the right to make AVCs to enhance their pension. There are currently 45 'open' AVC contracts for LGPS members (i.e. excluding members with AVC contracts who have left Lewisham and now have preserved benefits). Some of these 'open contracts' will be for members who have paid AVCs in the past but who have suspended payments to the scheme for the time being.

The Fund has two AVC providers: Clerical Medical and Utmost (formerly Equitable Life). The value of AVC investments is shown below. The contributions are held by the providers and do not form part of the Lewisham Fund's assets in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

	2020/21			2019/20		
	Utmost £000	Clerical Medical £000	Total £000	Equitable Life £000	Clerical Medical £000	Total £000
Value at the Beginning of Year	421	986	1,407	428	964	1,392
Contributions and Transfers Received	0	286	286	3	182	185
Investment Return	29	156	185	81	(83)	(2)
Paid Out	(94)	(322)	(416)	(91)	(77)	(168)
Value at the End of the Year	356	1,106	1,462	421	986	1,407

Pension Fund Accounts

Note 24a: Scheduled Bodies

The following are scheduled bodies to the Fund as at 31 March 2021, arranged in descending order by the value of their contributions in 2020/21:

Lewisham Homes Limited
Haberdashers' Aske's Hatcham College
Christ The King Sixth Form College
St Matthews Academy
Tidemill Academy
Childeric
Sedgehill School
St George's Academy

Note 24b: Admitted Bodies

The following are admitted bodies to the Fund as at 31 March 2021, arranged in descending order by the value of their contributions in 2020/21:

Youth First Ltd
Phoenix
Inspace/ BS Phoenix
DB Services (left during 2020/21)
Skanska
Change Grow Live / CIS / Penrose
Lewisham Music
Quality Heating
GLL
City West Services
3 C's Support
Fusions Leisure Management
Nvro (left during 2020/21)
Housing 21
Pre-School Learning Alliance
NSL (formerly known as National Car Parks Ltd)
Tower Services

Pension Fund Accounts

Note 25: Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the London Borough of Lewisham Pension Fund include:

Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.

Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

The following table summarises the membership numbers of the scheme:

	Active Members		Deferred Beneficiaries		Retired Members	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Administering Authority	5,745	5,590	10,593	10,502	7,629	7,556
Scheduled Bodies	1,083	1,050	1,323	1,234	389	346
Admitted Bodies	79	114	60	124	76	122
	6,907	6,754	11,976	11,860	8,094	8,024

SECTION 9 - ANNUAL GOVERNANCE STATEMENT

What is corporate governance?

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards; and for having a governance framework that comprises of the culture, values, systems and processes by which this is achieved. It must make sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively to meet its strategic objectives.

It also has a duty, through the establishment of internal control measures, to manage risk to a reasonable level by identifying, prioritising, evaluating and managing the risks to the achievement of its policies, aims and objectives. Finally, it has a duty to secure continuous improvement in the way in which its functions are exercised.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives and Senior Managers) Framework Delivering Good Governance in Local Government. This statement explains how the authority has complied with the code and also how it meets the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement on internal control.

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

How has this statement been prepared?

Every year a review of the effectiveness of the Council's governance framework is conducted by senior officers from policy, legal and audit with expertise in governance and internal control matters.

Officers monitor and evaluate governance evidence and identify areas requiring action; and is responsible for analysing CIPFA/SOLACE guidance in relation to the development of this statement for the financial statements.

The governance review process includes:

- Oversight of the Annual Governance Statement Action Plan rests with the Council's Executive Management Team.
- Consideration of the Accounts by the Executive Director for Corporate Resources (as s151).
- Receipt of the Annual Internal Audit Assurance Report from the Head of Internal Audit.
- Review of the Annual Governance Statement by the Council's Audit Panel as part of the financial statements.
- A review of the Council's Local Code of Corporate Governance by the Standards Committee, with reference to CIPFA/Solace Guidance.
- Referral of the Annual Governance Statement to Full Council with the Statement of Accounts and sign off by the Chair of the Council and Chief Executive, once approved.

This year, the Council's governance arrangements have operated as designed. There were some changes in statutory post holders with a change of Monitoring Officer in July 2020 and s151 officer in September 2020.

The Council’s governance arrangements in 2020/21

The Council’s governance arrangements aim to foster effective leadership and high standards of behaviour; a culture based on openness and honesty; and an external focus on the needs of service users and the public. The diagram below shows the Council’s external facing governance structure, as set out in the Council’s constitution.

Lewisham’s directly elected Mayor provides the Council with clear strategic direction and effective leadership but the Council also benefits from the perspectives and contributions of its 54 Councillors. The Council’s constitution clearly defines the roles of councillors and officers, and this clarity contributes to effective working relationships across the Council. The Constitution Working Party, the Standards Committee and the Audit Panel monitor and challenge the governance arrangements and ensure their robustness.

The Council has worked closely with its partners, both strategic and operational. The Council has four statutory partnership boards:

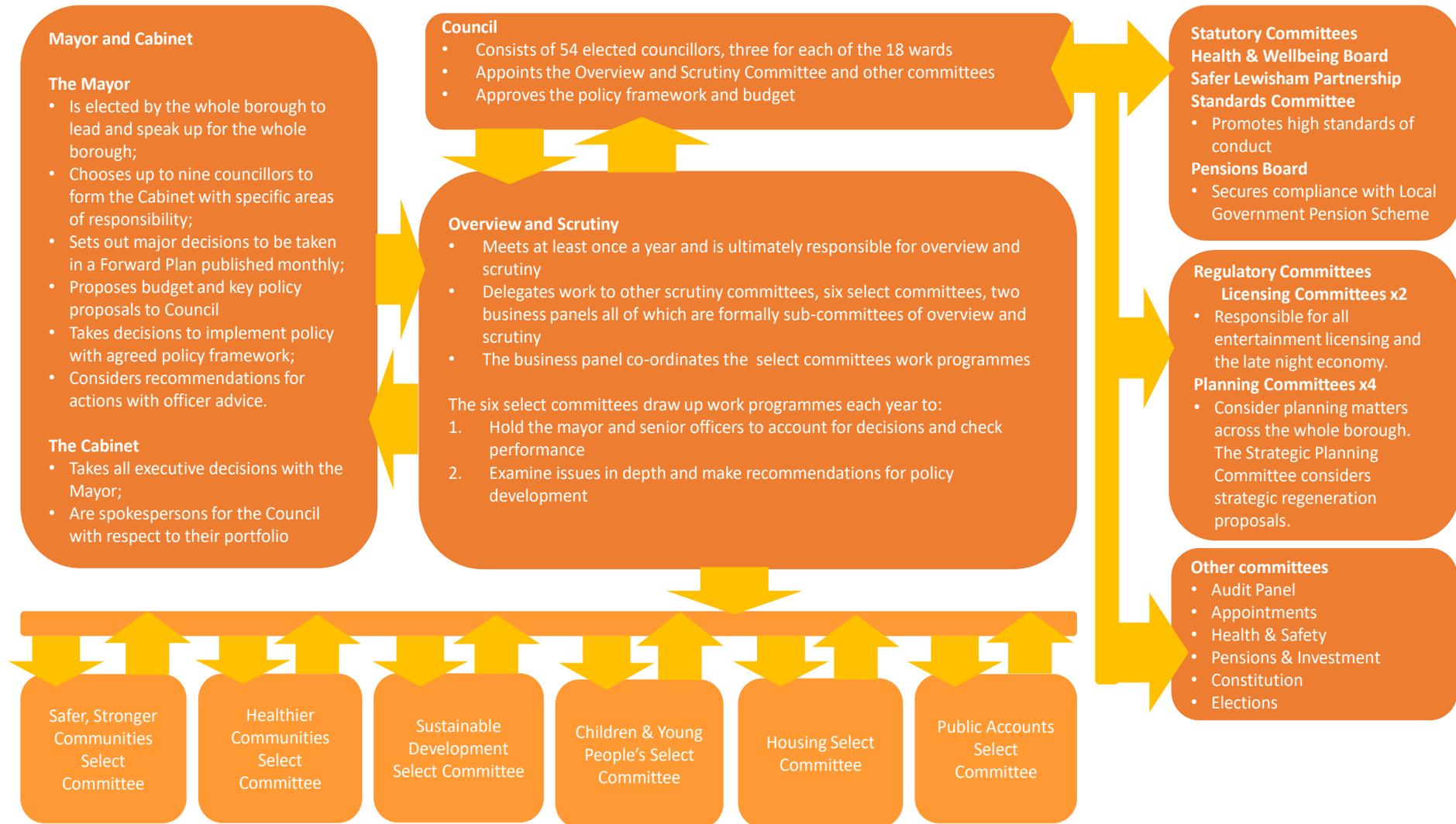
- The Safer Lewisham Partnership is the statutory crime and disorder partnership for Lewisham.
- The Health and Wellbeing Board, Chaired by the Mayor, works to promote greater partnership engagement that contribute to health and social care outcomes locally.
- Local Adult Safeguarding Board responsible for helping oversee and safeguard adults with care and support needs through effective preventative measures.
- Lewisham Children’s Safeguarding Partnership aims to ensure that member agencies work together to keep children and young people safe, hold one another to account and ensure that safeguarding remains a priority.

Council composition

The Council is comprised of 54 Councillors, including the Mayor. Elections in 2020/21 were deferred so no new Councillors joined in this period. Four by-elections were subsequently held in May 2021 with four Labour Councillors elected. This returned the Council to the following:



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Communicating and reviewing the Council's vision

The Council adopted a new Corporate Strategy 2018-2022 in February 2019. The Council's Corporate Strategy sets out how Lewisham Council plans to deliver for our residents over the next four years. There are seven corporate priorities:

Open Lewisham – Lewisham is a welcoming place of safety for all where we celebrate the diversity that strengthens us.

Tackling the housing crisis – Everyone has a decent home that is secure and affordable.

Giving children and young people the best start in life – Every child has access to an outstanding and inspiring education and is given the support they need to keep them safe, well and able to achieve their full potential.

Building an inclusive local economy – Everyone can access high-quality job opportunities, with decent pay and security in our thriving and inclusive local economy.

Delivering and defending: health, social care and support – Ensuring everyone receives the health, mental health social care and support services they need.

Making Lewisham greener – Everyone enjoys our green spaces and benefits from a healthy environment as we work to protect and improve our local environment.

Building safer communities – Every resident feels safe and secure living here as we work together towards a borough free from the fear of crime.

Monitoring Performance

The Council's performance is monitored via a suite of regular Directorate (Children and Young People Services, Community Services, Housing Regeneration and Public Realm, Corporate Resources, and Chief Executive) management reports and quarterly at the Executive Management Team. The reports use 'red' exception reporting to focus attention on underperforming or high risk areas and is a critical tool for supporting decisions across the organisation.

These reports are shared with Cabinet Leads, giving them direct line of sight to current and emerging performance issues. The appropriateness of Directorate performance measures is reviewed annually. The quality of services for users is also measured through satisfaction surveys and information from the complaints management resolution processes.

In addition, where areas for improvement are identified, the Council acts swiftly to address them. The overriding priority through 2020/21 has been the Council's response to the Covid-19 pandemic and the focus on protecting critical services in support of residents, the community, and business. This was done, alongside the usual decision making processes moving on-line and with a streamlined Overview and Scrutiny process, using the Council's emergency response arrangements and establishing a GOLD command to oversee planning and activities on the objectives agreed by Council in May 2020.

Roles and responsibilities

The Council's constitution sets out the roles and responsibilities of the Mayor, the Speaker of the Council, the Council as a whole, the Executive, Statutory Officers, Overview and Scrutiny committees, Standards committees and other committees to help ensure that all decision making activity is lawful and transparent. Decisions are taken and scrutinised in accordance with the Council and Mayoral scheme of delegation, the procedure rules set out in the constitution and on the basis of professional officer advice, as part of an annual programme of regular meetings.

Embedding Roles and Responsibilities

The tone from the top in terms of establishing effective governance arrangements and culture rests with the Council and the Mayor. The Council approve the Constitution and confirm the appointments and delegations annually at their Annual General Meeting. This is usually in May although for 2020/21 it was held in July due to Covid-19 disruption of meetings at the start of the municipal year.

The Mayor is elected to **lead** the Council. They serve for a period of **four years**. They must act in the **interests of the borough as a whole**. They are responsible for taking most of the **main decisions**, and for **giving the power** to others to do so.

Councillors are elected for a term of **four years**. Councillors who are elected to represent local wards must both represent the people of the ward that elected them and act in the interest of the whole area. They are all expected to contribute to the **good governance** of the area and to encourage **community participation**. They must respond to their constituents' enquiries **fairly and without prejudice**.

The constitution requires councillors to follow formal procedures when taking decisions to make sure that decisions are made **transparently** and **openly**. The Local Code of Corporate Governance and the Codes of Conduct for Members and Officers, set out in the constitution, demand the highest standards of ethical behaviour. These are reviewed regularly and are communicated widely. The Standards Committee received its annual report on Member compliance with the Code of Conduct in January 2020 concluded that the Member Code of Conduct was well embedded and the evidence suggested a high level of compliance.

Training on the Member Code of Conduct was delivered to all Councillors in June 2018, following the local elections that year, as part of a comprehensive induction programme to enable Members to understand and access all appropriate support and development to undertake their role. Training is updated periodically with a focus for 2020/21 on supporting Members exercise their functions through the changing Covid-19 environment. This involved moving all meetings on-line and Members scaling back their work plans to focus on essential meetings only and decisions in support of the priorities of the response.

Decision making

The constitution requires councillors to follow formal procedures when taking decisions to make sure that decisions are made transparently and openly. This includes declaring if they have a personal interest in the matters under discussion and, if required, withdrawing from the room whilst the decision is taken. Reports are produced in a standard format to ensure that report authors address all significant considerations such as the legal, financial and equalities implications of decisions. These considerations have been expanded to include environment, wellbeing, and (for contracts) social value implications. The minutes of every formal meeting are published on the Council website.

The constitution requires Executive decisions to be published within two working days of being taken and they may be **called-in** (referred to the Mayor for reconsideration) by the Overview and Scrutiny Business Panel and the Education Business Panel.

For 2020/21, no Mayor & Cabinet decisions were called-in by the Overview and Scrutiny Business Panel to be reconsidered.

The Council has a Constitution Working Party (CWP) to advise it on the operation of its constitutional arrangements but in practice, the procedure rules set out in the constitution are under constant review to reflect changing needs.

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Internal Audit

The role of internal audit is to provide an objective opinion on the internal control environment within the Council. Its work is set out in an annual internal audit plan that covers the activities where internal audit and management perceive there are risks to achieving objectives. This work is conducted in compliance with the Public Sector Internal Audit Standards (PSIAS), as adopted by the Council in its Internal Audit Charter.

The annual self-assessment of the compliance to the PSIAS, confirms that the service continues to meet the standards. For the first quarter of 2020/21 the Head of Internal Audit post was covered by the Council's interim s151 officer. No internal audit work was completed in this quarter due to the disruption from and priority given to the Covid-19 response. From July 2020 the post was covered by a dedicated person.

The internal audit plan for the year concludes with reporting to the Audit Panel in June/July with an annual assurance opinion. For 2020/21, 40 (32 assurance and 8 advisory and grant certification) reviews were undertaken and the annual opinion of the Head of Internal Audit, reported to the Audit Panel, was:

“Satisfactory assurance can be placed on the adequacy and effectiveness of the Council’s corporate system of internal control.”

Subject to the following qualifications to the opinion;

On 23 March 2020 the UK was put into lockdown in response to the Covid-19 pandemic. The impact of the pandemic on all organisations has been significant and Internal Audit resources were reduced because the team was redeployed across the Council until August 2020. Therefore, the Audit Plan for the year was reduced in agreement with the Audit Panel. This included not undertaking any schools audits for 2020/21 given the specific challenges they were facing. As such, our opinion is based on a reduced scope and is subject to the identification of issues that could arise as a result of the emergency response to the pandemic.

External audit

The Council's governance, risk and control management arrangements are subject to an annual independent review by Grant Thornton, the Council's external auditors. In their last Annual Audit Letter on the 2019/20 accounts Grant Thornton gave an unqualified opinion for the financial statements and unqualified conclusion for the Council's value for money arrangements. Grant Thornton reported:

“In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2020 and of the group’s expenditure and income and the Authority’s expenditure and income for the year then ended;*
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and*
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.”*

and

“we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.”

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The audit certificates for the years 2016/17 to 2019/20 were issued following the auditors finalising their work into two objections received to the accounts in 2016/17 by a number of authorities. Both of these investigations concluded with no action required.

The audit will conclude and report to the Audit Panel and Council in the usual way, the 2020/21 inspection period will be in July with the audit deadlines for completion of audits set for September. The original September dates were not met and the external audit extended to November 2021.

Audit Panel

The Council's Audit Panel meets quarterly and is made up of a mixture of Councillors and independent advisors. The key roles of the Panel are to:

- Review and comment on the strategy, plans and resources of Internal Audit. Internal Audit update reports, summarising the audit reports issued, management's progress on implementing any recommendations and the performance of the Internal Audit function, are received by the Panel on a quarterly basis.
- Consider and monitor the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
- Consider the external auditor's annual plan and other relevant external reports which contribute to the level of assurance.
- Consider the Council's annual Statement of Accounts and this statement and make comments to Full Council when it considers the accounts.

Compliance

The Monitoring Officer is central to ensuring compliance with the rules and procedures set out in the constitution. The Monitoring Officer attends Mayor and Cabinet and Full Council meetings and regularly briefs the Executive Management Team (EMT), councillors and relevant staff on corporate legislative developments; and legal advice is incorporated in every council report. Where gaps or non-compliance are identified, appropriate action is taken. The financial management of the authority is conducted in accordance with financial regulations set out in the constitution and the Council has designated the Executive Director for Corporate Resources as its Section 151 Officer, who advises on the proper administration of the Council's financial affairs, keeping proper financial records and maintaining effective systems of financial control. The Council has a whistle-blowing policy in place which is publicised on the Council's website. Complaints made under this policy are handled by the Monitoring Officer and an annual review is considered by the Standards Committee.

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Risk and Strategy Framework



Training and development

The Council runs a Member Development Programme, focussed heavily initially on the period following local elections, which ensures that all Councillors have access to the training and development opportunities they need to fulfil their responsibilities to the local community and provide clear leadership and effective scrutiny of local Council functions. There is an ongoing programme of learning development available for councillors every year, inclusive of regular all member briefings.

The development needs of senior officers are the responsibility of the Head of Human Resources and the Monitoring Officer who are aware of their statutory duties and stay abreast any changes in relevant legislation. At the start of the financial year the Chief Executive, as the Head of Paid Service, defines objectives for each of the Executive Directors which are then cascaded to officers throughout the organisation through the objective setting arrangements set out in the People Management Framework.

Engaging the community and partners

The Council promotes e-Participation through its online engagement system which provides a platform through which citizens can respond to online consultations as well as set up and respond to e-Petitions. Ward-level Local Assemblies are an opportunity for residents to work with their ward councillors to shape the future of their neighbourhood; and the Young Citizens Panel gives young people aged 11–18 the chance to feed into council policy and spending decisions, including the use of the Young Mayor's budget. Significant community and partner work was undertaken through 2020/21 but through the arrangements put in place as part of the Covid-19 response rather than these usual assembly structures.

The Council's website includes a page on open data and transparency, which gives information on spending; wages of senior managers; Freedom of Information requests; the annual audit of accounts; the pay policy; and Council decisions.

The arrangements for statutory strategic partnership working are set out earlier in this statement. In addition, extensive partnership working arrangements are in place which support the delivery of the Council's objectives. For example; in 2020/21 the Member led Jobs and Business Taskforce was established to better support and engage with local employers. The Council has borough based arrangements in place with the local Clinical Commissioning Group to align with the work of the National Health Service. The Council, through its wholly owned company Lewisham Homes, and working with local Registered Providers has extensive engagement with residents on housing matters. The Council has also deepened its links with local voluntary and community service organisations through the Covid-19 response who have helped immeasurably in reaching out to support local residents and communities. Periodically the Council also engages in wide consultation and communication activities.

How do we know our arrangements are working?

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

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

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- Annual updates to the Public Accounts Select Committee on the work of the Audit Panel.
- Consideration by EMT of a full range of governance and performance issues throughout the year, including issues relating to the improvement of the Internal Audit Service and risk (ensuring management action is taken as necessary).
- Consideration of the following reports by the Standards Committee:
 - Review of Compliance with the Council's Code of Corporate Governance;
 - Review of Whistle-blowing and Referrals Policy;
 - Review of Compliance with the Member Code of Conduct; and
 - Annual Complaints Report.
- Consideration of external inspection reports (for example; Ofsted for Children social care and education provision, Care Quality Commission for the provision on adult social care, and Her Majesty's Inspectorate of Probation for Youth Offending Services) by Mayor and Cabinet, Audit Panel and relevant Select Committees.

What are our governance priorities going forward?

Our priorities continue to include:

- Progressing delivery of the Mayor's policy programme, as set out in the Corporate Strategy to 2022 adopted by Council in 2018/19;
- Plan and prepare to implement further cuts and adjust the allocation of resources across Council services in light of the anticipated further budget reductions the Council faces;
- Continue the work begun in 2020/21 to progress the Chief Executive's priorities for improvement, as agreed by Council in February 2020, in the following areas:
 - Financial management;
 - Organisation culture and our people;
 - Our resident's experience;
 - Evidence based decision making;
 - Governance and attitudes to risk;
 - Project and people management;
 - Communications;
- Catching up on the delayed annual reviews of the schemes of delegation and financial regulations and procedures to align them with the new Directorate structures implemented 2020/21;
- Update the payroll and HR procedures to ensure resilience and capture the operational changes from the move to a new system (Oracle Cloud) in support of the People Management Framework introduced in 2020/21 and Organisation Development Strategy for 2021/22;
- Address the external and internal audit findings reported to the Audit Panel to maintain and, where necessary, improve the Council's financial controls and risk mitigations for the growing cyber security risk;
- Continue to address areas for improvement overseen by a discrete Improvement Board on the findings and recommendations of the Children Services review by Ofsted (August 2019) and follow up in 2020; and
- Continue the work with our local and regional health partners to best deliver the 'integrated health and social care agenda' for the benefit of the borough's citizens, and in responding to the impact of Covid 19.

In addition to the above the Council is responding to the impact of Covid 19 on the Borough and the Council. On the 23 March 2020 the UK was put on 'lockdown' as a result of Covid-19. The impact of the pandemic has been considerable both in terms of loss of life as well as disruption to the economy. In response, the Council activated its emergency response procedures to effectively coordinate activities. The impact of the pandemic has also placed significant pressure on the Council's finances.

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The exceptional measures implemented for the 2020/21 municipal year, including revised governance arrangements for responding to the Covid-19 pandemic which reduced Member meetings concentrating on Council, Mayor & Cabinet, and Overview and Scrutiny for decision making in line with the Constitution and the introduction of virtual meetings for participants and the public. The Council was able to hold its Annual General Meeting virtually on the 15 July to start the 2020/21 municipal year. As the exceptional measures introduced following Covid-19 are eased, the Council is gradually moving from a response to transition and recovery phases and intends to continue to operate hybrid meetings for the foreseeable future.

The Council's Covid-19 response was guided by a set of agreed overarching priorities, they were:

- Tackling widening social, economic and health inequalities;
- Protecting and empowering our most vulnerable residents;
- Ensuring the Council's continued resilience, stability and sustainability;
- Enabling residents to make the most of Lewisham the place; and
- Collaborating and working together with our communities and partnership across the borough.

These are being developed by Members and Officers through the recovery phase into 2021/22 with the Future Lewisham and Future Working themes.

Signed on behalf of the Council

Tauseef Anwar

Councillor Tauseef Anwar

Speaker of the Council

24 November 2021

Kim Wright

Kim Wright

Chief Executive

24 November 2021