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**FOREWORD
TO THE
STATEMENT
OF ACCOUNTS**

2007/08

Foreword

FOREWORD BY THE EXECUTIVE DIRECTOR FOR RESOURCES

1. INTRODUCTION

This document sets out the London Borough of Lewisham's Annual Accounts for the year 2007/08. Although the financial position is regularly monitored and reviewed throughout the year, the Statement of Accounts brings together the financial results of all the Council's operations for the financial year and the financial position as at 31 March 2008.

The Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2007 (the SORP), and the Best Value Accounting Code of Practice (BVACOP) jointly developed by CIPFA and the Accounting Standards Board. The Code constitutes 'proper accounting practice' which local authorities must comply with by statute.

There have been a number of accounting changes to the 2007/08 Statement of Accounts compared to those produced in 2006/07. There are some new accounts on the Balance Sheet this year that are detailed in 2(d) below. The Annual Governance Statement replaces the Statement of Internal Control and is a more overarching Statement of the Council's activities. Also for the first time the Council have prepared Group Accounts due to the first full year of operation of Lewisham Homes Limited. The Decent Homes strategy included a large scale transfer of Housing stock to Phoenix Community Housing and this has also had a significant impact on the Balance Sheet and the Income and Expenditure Account. A corporate sustainability statement is also included as an appendix to the Statement of Accounts for the first time.

2. THE COUNCIL'S ACCOUNTS

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

Section 1 – Statement of Accounting Policies

This explains the basis of the figures in the accounts.

Section 2 – The Core Financial Statements

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

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

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

Section 2d - Balance Sheet

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

The new Accounts include the Revaluation Reserve, Capital Adjustment Account, and Financial Instruments Adjustment Account. The purpose of these Accounts are explained in the Notes to the Balance Sheet.

Section 2e - Cash Flow Statement

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

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

Foreword

Section 3 – Supplementary Financial Statements

Section 3a - Housing Revenue Account (HRA) Income and Expenditure Account, Statement of Movement on the HRA Balance, and Notes to the Housing Revenue Account.

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

Section 3b – The Collection Fund

This Account shows the transactions for Council Tax and National Non-Domestic Rates and how the amount collected has been distributed to preceptors and the General Fund.

Section 4 - Pension Fund Account and Net Assets Statement

These Accounts show the annual income and expenditure to the Fund and state the market value of the investments held by the Fund at the year-end.

Section 5 – Lewisham Group Accounts

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

Section 6 – Annual Governance Statement

The Annual Governance Statement replaces the Statement on Internal Control with effect from the 2007/08 financial year. This governance statement covers all significant corporate systems, processes and controls, spanning the whole range of the Council's activities.

Glossary

The Accounts include some technical terms, which are explained in the Glossary.

The Appendices include an Action Plan on the Annual Governance Statement; a Corporate Sustainability Statement; and more detailed analysis of both capital and revenue spends.

3. SUMMARY OF THE 2007/08 FINANCIAL YEAR

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

3a REVENUE SPENDING 2007/08

(i) The Revenue Budget Setting

The Council's net budget for 2007/08 was agreed by Council in February 2007 and set at a total figure of £250.207 million. This was after implementing savings of £12.815 million.

(ii) The Revenue Budget Outturn

During 2007/08, Mayor and Cabinet received regular financial monitoring reports to enable it to ensure spending was being kept within approved budgets, or to take corrective action if this was not the case. At the end of the 2007/08 financial year there was a net underspend of £0.950 million on the Directorate service budgets. The reasons for the Directorate budget variances have been reported to Mayor and Cabinet on the 25 June 2008. The main areas of overspend were on Customer Services £0.849m. There were underspends of £0.733m on Children and Young People and Community Services of £0.719m. After the contribution to earmarked reserves of £1.467m there was a net underspend of £0.950m. On the corporate budgets there was a net overspend of £0.652m after transfers to earmarked reserves. Therefore, the net underspend on the General Fund overall was £0.298m and this amount has been added to General Fund Balances.

Foreword

(iii) The Revenue Budget Outlook for 2008/09

The Council set a net budget of £262.521 million for 2008/09, an increase of £12.314 million or 4.9% on the previous year's net budget. This increase includes £4.400 million for inflation, savings of £12.710 million, unavoidable budget pressures of £11.434 million and growth of £1.044 million.

3b CAPITAL SPENDING 2007/08

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

	2007/08 Actual Outturn £000s	2007/08 Programme Provision £000s	2006/07 Actual Outturn £000s
CAPITAL EXPENDITURE			
Directorates' Capital Programme	76,942	79,927	59,528
Lewisham Homes Capital Programme	19,822	21,201	32,201
Total Capital Expenditure for the Year	96,764	101,128	91,729
CAPITAL FINANCING			
Government Supported Borrowing	10,581	10,581	13,855
Unsupported Borrowing	4,877	4,838	2,541
Capital Grants	46,572	46,433	45,856
Capital Receipts	18,566	21,535	25,015
Capital Expenditure financed from Revenue Account	16,168	17,741	4,462
Total Expenditure to be Financed	96,764	101,128	91,729

i) The percentage of the 2007/08 capital programme that has been spent is 96%. This compares to a figure of 103% for 2006/07.

ii) The structure of the capital programme was changed in 2007/08 with the Housing Investment Programme (HIP) split between the Customer Services directorate and the newly formed Lewisham Homes programme. The 2006/07 comparative figure for Lewisham Homes is for spend in 2006/07 on projects / programmes that now are managed by Lewisham Homes.

iii) Major projects (with spend over £1m) in the directorates' capital programme 2007/08: Grouped Schools PFI (£13.4m), BSF (£6.3m), RSL programme (£4.5m), Schools Devolved capital (£3.3m), Wavelengths pool (£2.8m), Vehicle replacement programme (£2.8m), Transport for London (£2.7m), Heathside & Lethbridge (£2.6m), Kender phase 3 North (£2.0m), Rushey Green school replacement (£2.0m), Downderry school ceilings (£1.9m), New Cross NDC (£1.8m), Lewisham Homes accommodation (£1.8m), Highways BVR programme (£1.6m), Town Hall re-wiring (£1.6m), Silwood Estate community facility (£1.4m), Elfrida school remodelling (£1.3m).

iv) Major projects (with spend over £1m) in the Lewisham Homes capital programme 2007/08: Decent Homes programme (£16.6m) including: Honor Oak (£2.5m), Home Park (£2.5m), Giffin (£2.4m), Rushey Green (£1.9m), Lee Green (£1.8m), Sayes Court (£1.6m), Pepys (£1.2m), Ewart Road (£1.1m), Lift Refurbishment programme (£1.3m).

v) The major variances between 2006/07 and 2007/08 are:

- Lewisham Homes: reduction in Decent Homes spend (£7m), completion of the Energy efficiency programme in 2006/07 (£3m) and reduction in R&M Capitalisation (£2m)
- Directorates: The capital programme continues to grow, with larger and larger projects/programmes being included, see paragraph (iii) above for details of the major areas of spend in 2007/08.

Foreword

Capital Programme 2008/09

The Council's capital programme was agreed at Council on 10 March 2008. This is for the three year programme 2008/09 to 2010/11. The total resources available to the programme are £206.4m. The directorates' capital programme for 2008/09 is £84.5m and Lewisham Homes programme for 2008/09 is £13.0m. Principal programmes and projects of over £1m include:

	2008/09 Programme Budget £000s
<u>Directorates' Capital Programme</u>	
Building Schools for the future	10,363
Urban Renaissance	8,750
Forest Hill Pool	5,600
Rushey Green School Replacement	5,514
Kender estate partnership works	4,815
Grouped Schools PFI	4,205
Heathside and Lethbridge partnership works	3,680
AMP programme (incl DDA strategy)	3,574
New Cross NDC	3,572
Transport for London (TfL)	3,280
Deptford Station	3,088
Manor House	2,684
ICT	2,237
Customer Services programme	2,200
Giffin Street development (incl Lewisham Lounge and Frankham car park)	1,700
Children's centres phase 2	1,664
Highways BVR programme	1,250
Travellers site relocation	1,149
SEN Strategy	1,000
Schools Capital	1,000
Lewisham Homes accommodation	1,000
Private sector housing grants	1,000
Other	11,146
Sub Total	84,471
<u>Lewisham Homes Capital Programme</u>	
Lewisham Homes programme 2008/09*	10,000
Pepys stock condition survey data phase 2 (Decent Homes)	1,100
Central Boilers	1,000
Other	881
Sub Total	12,981
Total Capital Programme	97,452

*Note: the Lewisham Homes programme for 2008/09 as included in the budget report includes the following schemes:

- Decent Homes: Hazel Grove (£2.4m); Honor Oak (£0.5m); Sayes Court (£0.5m); Other (£0.5m).
- Mechanical, electrical and structural: Boilers (£2.8m); Lifts (£1.1m); Door entry systems (£1.1m); Other (£1.1m).

Foreword

3c Council Tax And Non-Domestic Rates

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

	2007/08 £000s	2006/07 £000s
Lewisham's Net Budget	250,207	242,840
Less: Revenue Support Grant	23,685	26,003
Less National Non-Domestic Rates received from the national pool	141,132	134,707
General Fund services to be met from Council Tax	85,390	82,130
Add: Amending Report Loss	0	913
Less: Surplus on Collection Fund	15	21
Add Precepts	26,156	24,761
Total to be met from Council Tax	111,531	107,783

The actual Council Tax is determined by dividing the net amounts to be met from Council Tax by the tax base, which for Lewisham is 86,073 equivalent Band D properties. This then equates to the following Council Tax at Band D:

	2007/08 £000s	2006/07 £000s
Lewisham's Demand	991.89	967.70
Add Preceptor Requirements: Greater London Authority	303.88	288.61
Council Tax for Band D	1,295.77	1,256.31

Actual Collection Rates	2007/08 %	2006/07 %
Council Tax	94.4	92.7
National Non Domestic	99.4	99.3

Further information on the Council Tax can be found in Section 3b on the Collection Fund (pages 85-88).

4. FINANCIAL HEALTH

After transfers to reserves there was a surplus of £0.298million that was added to General Fund balances, which now stand at £10.936 million. This is considered an adequate level of cover and represents approximately 2.5% of Lewisham's net budget (including gross Dedicated Schools Grant). Lewisham also has other earmarked reserves for specific ongoing projects and these are detailed in Note 22 on pages 53-54.

Foreword

5. SIGNIFICANT EVENTS IN THE ACCOUNTS 2007/08

a) During 2007/08 about 5,500 council properties were transferred to Phoenix Community Housing Trust, in order to help meet the Government's Decent Homes Standard. This housing stock had a value on the balance sheet of approximately £302 million, so this appears as a large reduction in the council's assets on the balance sheet and will also contribute towards the deficit on the Income and Expenditure Account.

b) New Private Finance Initiatives (PFI) for Sedgehill and Catford schools (as part of the Building Schools for the Future programme) and Brockley Housing were agreed in 2007/08. Further details of these are in Note 10, page 45.

c) In producing the Statement of Accounts the Council is required to follow the Statement of Recommended Practice (SORP) 2007. A significant change in the SORP this year is the way in which the Council must account for its financial instruments. This has resulted in a new Financial Instruments Adjustment Account on the Balance Sheet, and some new disclosures.

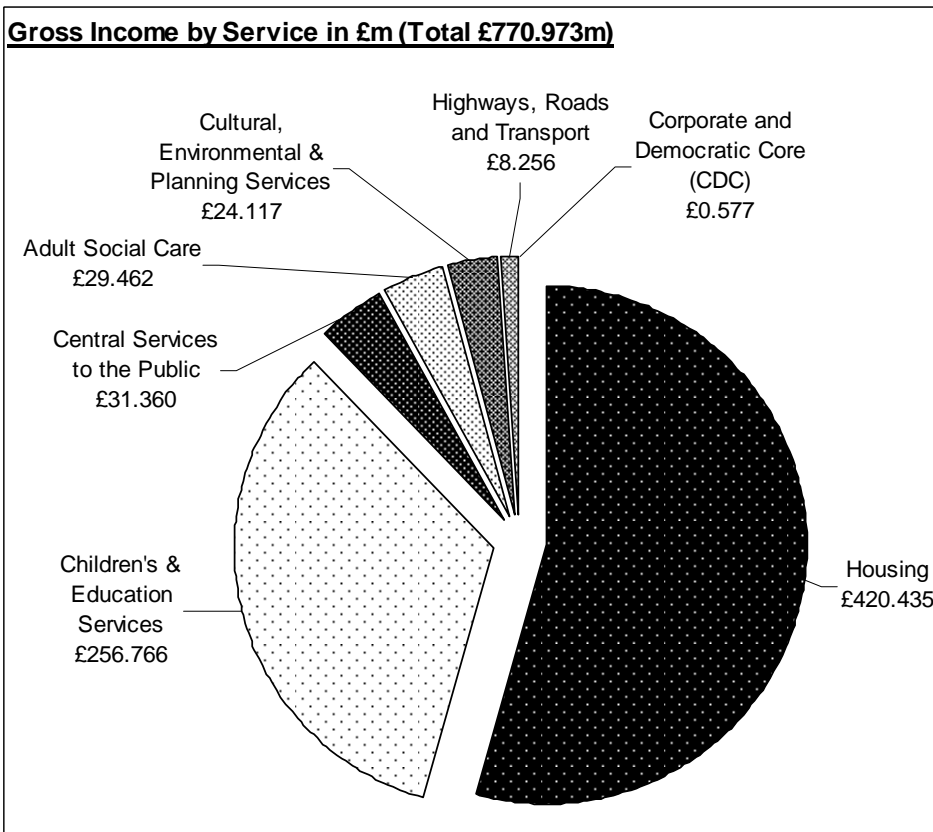
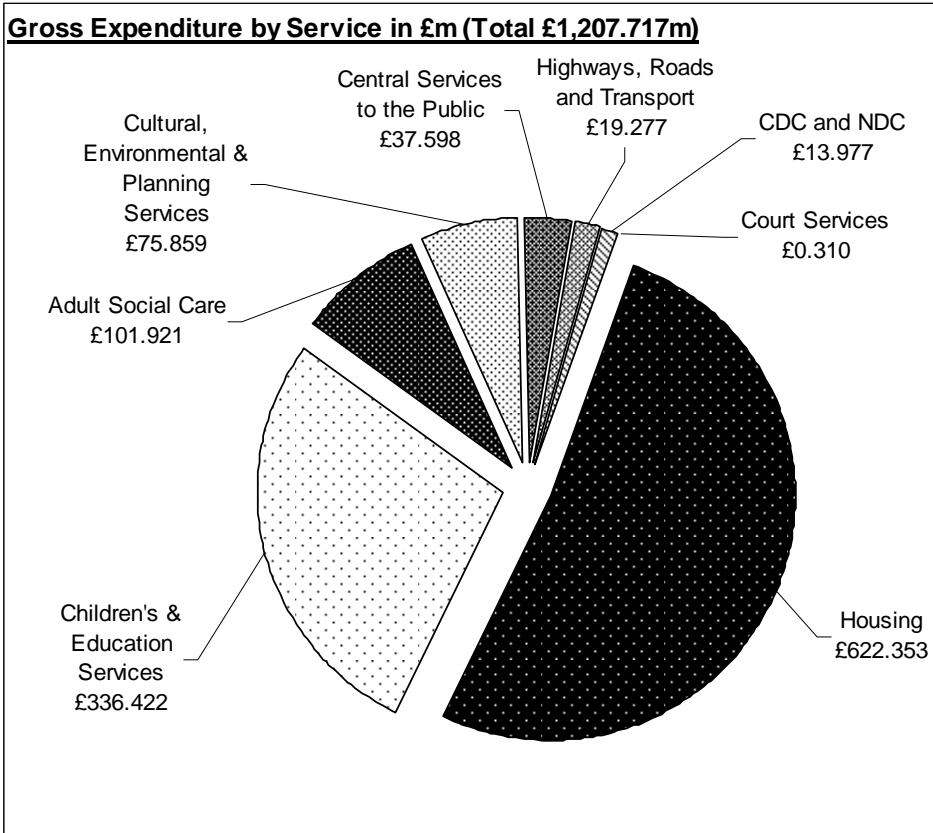
d) Another change in the SORP affects the capital reserves and has resulted in the creation of two new reserves: the Revaluation Reserve and the Capital Adjustment Account. Details of these reserves can be found in notes 18 and 19 on pages 51 and 52.

e) 2007/08 is the first full year of operation of Lewisham Homes Limited, an Arms Length Management Organisation (ALMO) that manages some 15,000 homes. Lewisham Homes Limited is a subsidiary of the Council and as such the Council is required to produce group accounts combining their accounts with the Councils. These Group Accounts can be found in section 5 of the Accounts.

f) The Actuarial Valuation of the Pension Fund at 31 March 2007 showed an increase in the funding level from 76% to 87%. However, the Pension Fund accounts at pages 89 to 99 set out the decrease in the Fund's value during 2007/08 of some £58 million due to volatility in the financial markets.

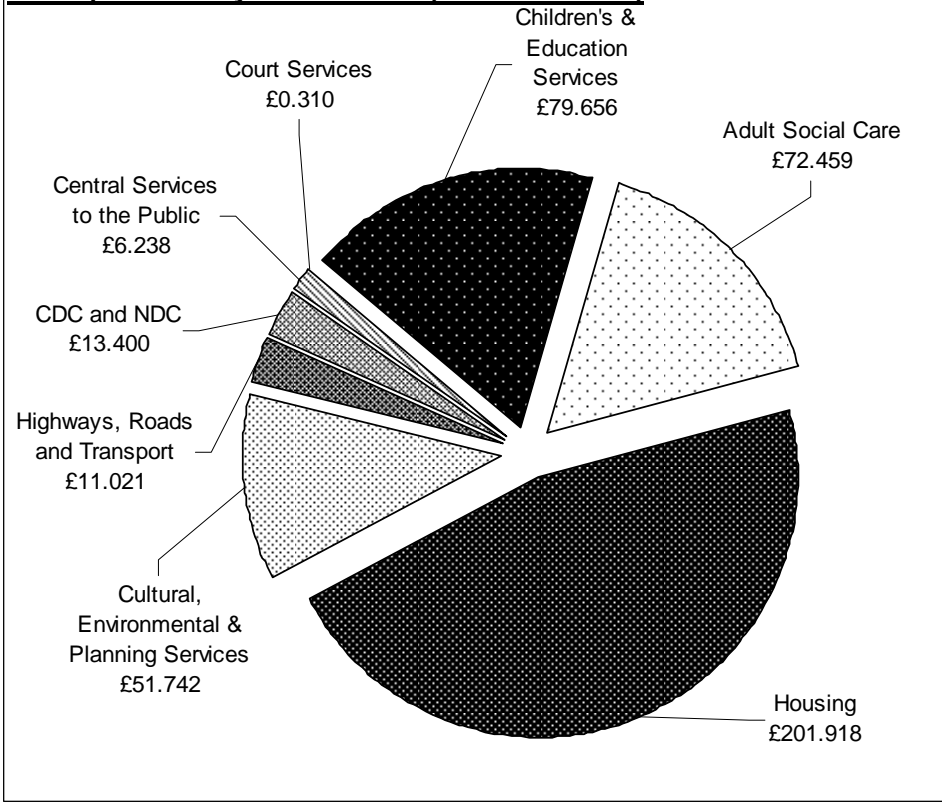
Foreword

6. ANALYSIS OF 2007/08 REVENUE AND CAPITAL SPENDING BY SERVICE

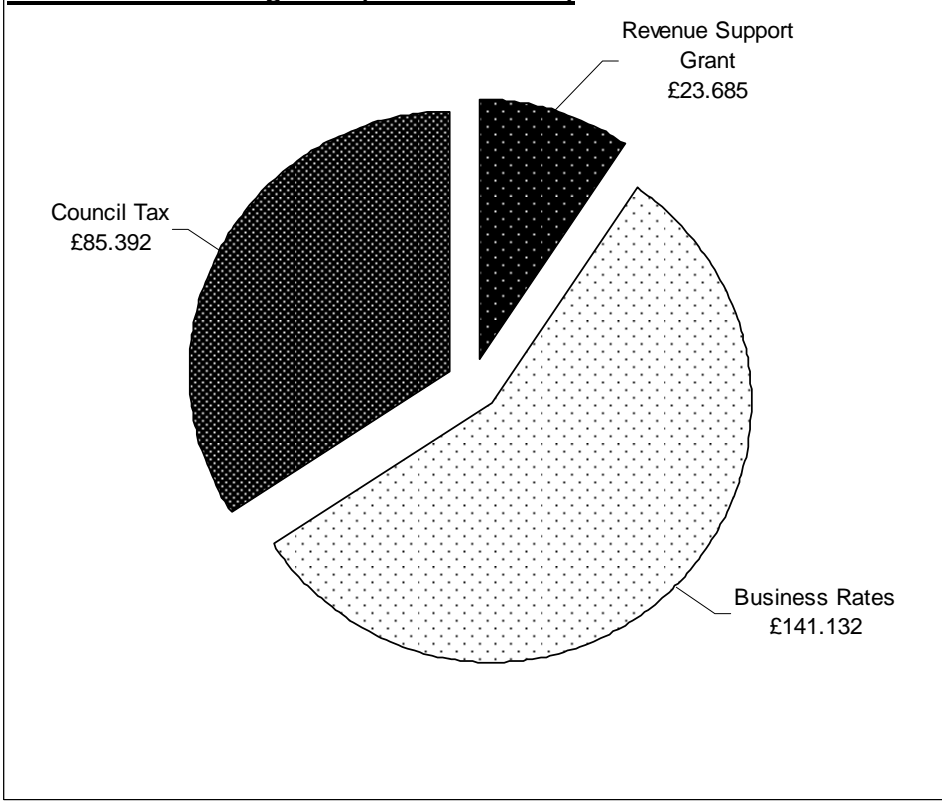


Foreword

Net Expenditure by Service in £m (Total £436.744m)

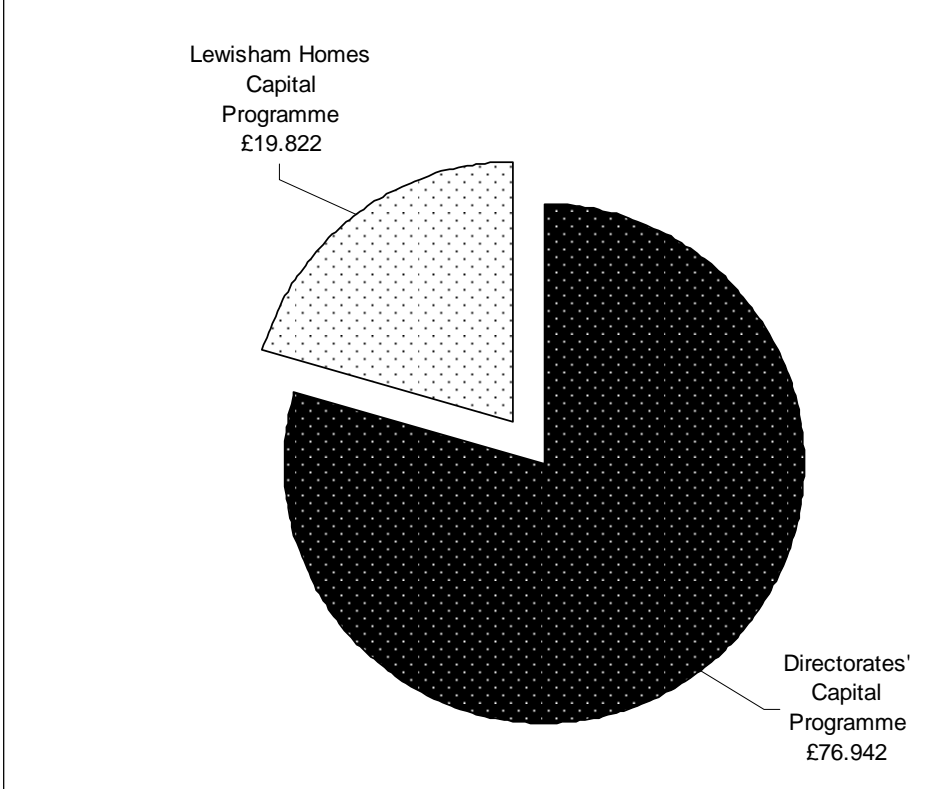


Net Revenue Funding in £m (Total £250.209m)

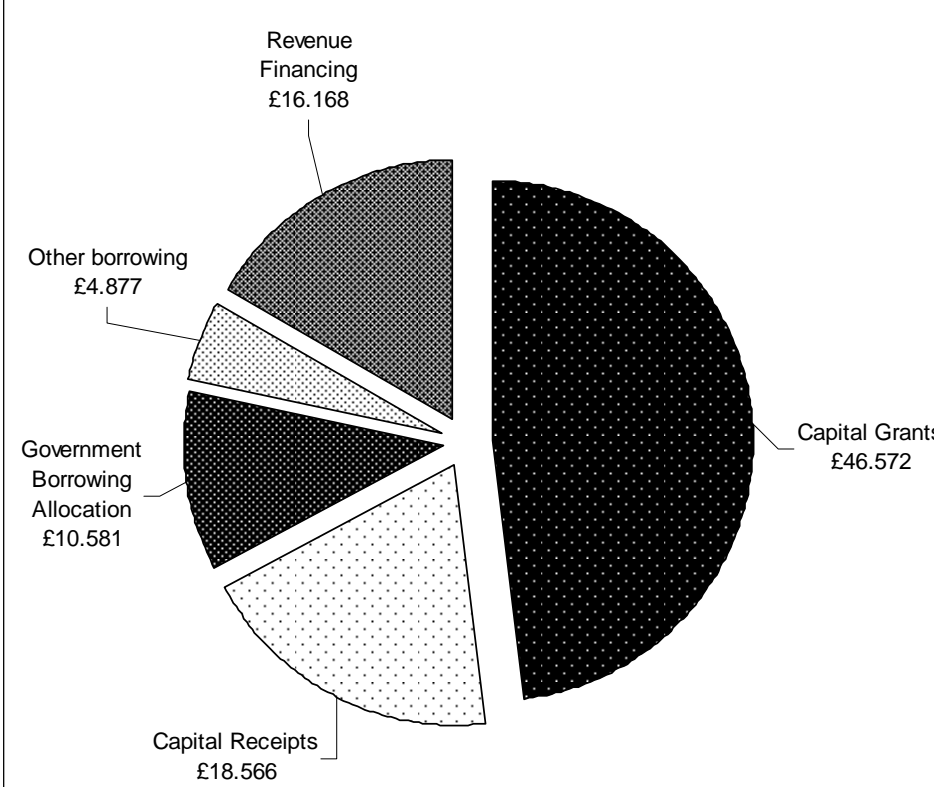


Foreword

Capital Expenditure in £m (Total £96.764m)



Capital Financing in £m (Total £96.764m)



Foreword

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

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

Responsibility of the Executive Director for Resources

The Executive Director for Resources is responsible for the preparation of the Authority's Statement of Accounts, which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code of Practice'), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2008.

In preparing the Statement of Accounts as set out on pages 3 to 121, I certify that I have:

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

I certify that I have also:

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

Janet Senior CPFA

Executive Director for Resources

Dated: 29 September 2008

I confirm that these accounts were approved by the Council at the meeting held on 29 September 2008

Signed on behalf of the London Borough of Lewisham:

Cllr B Anderson

Chair of Council

Dated: 29 September 2008

Auditor's Report

**INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF THE LONDON BOROUGH OF
LEWISHAM**

Opinion on the financial statements

I have audited the Authority and Group accounting statements, pension fund accounts and related notes of the London Borough of Lewisham for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The Authority and Group accounting statements and pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the London Borough of Lewisham in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditor

The Chief Financial Officer's responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Authority and Group accounting statements and the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year;
- the financial position of the Group and its income and expenditure for the year; and
- the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

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

Auditor's Report

Basis of audit opinion

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

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

Opinion

In my opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended;
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Group as at 31 March 2008 and its income and expenditure for the year then ended; and
- The pension fund accounts and related notes present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the Pension Fund during the year ended 31 March 2008, and the amount and disposition of the fund's assets and liabilities as at 31 March 2008, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Philip Johnstone
District Auditor

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

30 September 2008

Auditor's Report

CONCLUSION ON ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES

Authority's responsibilities

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

Auditor's responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, the London Borough of Lewisham made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008.

Best Value Performance Plan

I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2006/07 on 11 December 2007. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

Philip Johnstone
District Auditor

Audit Commission
1st Floor
Millbank Tower
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SW1P 4HQ

30 September 2008

Statement of Accounting Policies

SECTION 1

**STATEMENT OF
ACCOUNTING
POLICIES**

2007/08

Statement of Accounting Policies

STATEMENT OF ACCOUNTING POLICIES

The general principles adopted in compiling and presenting the Accounts are those recommended in the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Statement of Recommended Practice (SORP) 2007, and relevant Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS). Departures from recommended practice are stated within this section and/or within the Notes to the Accounts.

1. FIXED ASSETS

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the authority and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to service revenue accounts.

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

- Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use
- Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost or net realisable value. In the case of investment properties, this is normally open market value
- Vehicle, Plant and Equipment assets are included in the balance sheet at historic cost. Any difference between this and a valuation based on the lower of net current replacement cost or net realisable value in existing use would be considered in terms of materiality. For 2007/08 the difference was immaterial.
- Infrastructure assets and community assets are included in the balance sheet at historic cost (net of depreciation for infrastructure).
- Intangible Fixed Assets are assets that do not have any physical substance but are identifiable and controlled by the Council. An example of these assets is software licences. The Council have reviewed the level of spend on these assets and deemed it to be immaterial.

From 1 April 2007 a new Revaluation Reserve (RR) and Capital Adjustment Account (CAA) have been created and replace the Fixed Asset Restatement Account (FARA) and Capital Financing Account (CFA). The combined balance from the FARA and the CFA form the opening balance of the Capital Adjustment Account at 1 April 2007. The Revaluation Reserve is created with a zero balance at 1 April 2007. The opening balance of the Capital Adjustment Account at 1 April 2007 therefore reflects the consolidated revaluation gains up to that date and the surplus of capital financing to consumption of resources.

Revaluations of fixed assets are planned on a rolling five yearly programme, although material changes to asset valuations will be adjusted in the interim period, as they occur. The value of uncompleted capital schemes is shown as assets under construction on the balance sheet (note 23 to the Core Financial Statements).

Revaluation gains arising on revaluations of fixed assets from 1 April 2007 onwards will be credited to the Revaluation Reserve (see note 18 to the Core Financial Statements). Losses arising on revaluations of fixed assets (impairments) from 1 April 2007 onwards will be debited to the Income & Expenditure account unless the loss can be covered by accumulated gains in the Revaluation Reserve for that particular asset.

Statement of Accounting Policies

The Council has a policy of reviewing all capital expenditure on single assets greater than the de minimus level of £20,000, but less than £200,000. Following a cyclical annual review, the Valuation and Estates Manager advises on which of these assets have had their value (or life) increased and these changes are reflected in the fixed asset valuations. Where the value has not increased the value of capital spend will be charged as an impairment.

Any impairments charged to the Income & Expenditure account will be reversed out in the Statement of Movement on Balances and debited to the Capital Adjustment Account (see note 19 to the Core Financial Statements) and therefore there is no impact on Council Tax.

2. DEFERRED CHARGES

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

3. LEASES

Leasing arrangements come in two types, finance and operating leases. Assets acquired under finance leases must be capitalised in the authority's accounts, together with the liability to pay future rentals. The Council does not currently hold any assets under finance leases. Operating leases have been used have in the past been used for equipment such as vehicles and IT. The Council did not enter into any new operating leases for 2007/08. Existing lease rentals are financed direct from revenue (see Note 9 on page 44).

Rentals payable under operating leases are charged directly to revenue on a straight-line basis over the term of the lease.

4. CAPITAL RECEIPTS

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

5. DEPRECIATION

FRS 15 requires all operational assets to be depreciated and Lewisham Council is fully compliant. Depreciation is provided for on operational fixed assets with a finite useful life, which can be determined at the time of acquisition or revaluation. Council dwellings are depreciated over 25 years and buildings are normally depreciated over 40 years, although this can vary depending on the valuer's opinion. Vehicles are depreciated over 5-10 years. All assets are depreciated from the beginning of the year that follows the date of purchase or completion of construction. Depreciation is calculated using the straight-line method.

Statement of Accounting Policies

6. BASIS OF CHARGE TO REVENUE FOR USE OF FIXED ASSETS

Capital charges are made to service revenue accounts for all fixed assets used in the provision of services. Lewisham's policy is to make this charge calculated on the value of the asset as at 1 April each year. No adjustment to the capital charge is made for disposals and additions of assets made during the year. The charge comprises:

- Depreciation attributable to the assets used by the relevant service
- Impairment losses on tangible fixed assets

7. REDEMPTION OF DEBT

Repayment of debt is made in accordance with the statutory requirement to set aside a Minimum Revenue Provision. This is equal to at least 4% of the Capital Financing Requirement, excluding amounts attributable to HRA activity. A provision is also made for 4% of the inherited ex-ILEA debt and this is shown as a contribution in the Statement of Movement in the General Fund Balance. Reserved capital receipts are used to reduce external debt and where early redemption of debt takes place, premiums or discounts incurred are accounted for as follows:

- Premiums and discounts are charged to the revenue account in the year in which they are incurred, in accordance with Proper Accounting Practice, unless strict criteria are met indicating that the substance of the redemption and simultaneous replacement of the debt is in fact just a modification of the original loan agreement. In such a case, where material, the premium or discount will be applied to the carrying value of the replacement loan, resulting in the Effective Interest Rate of the loan being higher or lower than the contractual rate for a premium or discount respectively.
- In the case of those premiums or discounts arising before 1 April 2006 and held on the balance sheet as deferred premiums and discounts at 31 March 2007, where these have been deemed positively attributable to existing loans, the balances were transferred to the carrying values of those loans and new effective interest rates calculated on 1 April 2007.
- Premiums and discounts are split between the General Fund and Housing Revenue Account in accordance with their share of debt as identified by the Council's Capital Financing Requirement as at 1 April in the year in which they are incurred.
- In accordance with statute, the impact on both the General Fund and Housing Revenue Account may be replaced via the Statement of Movement On the Balances to ensure there is an immaterial effect on the amounts charged against Council Tax or Housing Rents.

8. REVENUE PROVISIONS AND RESERVES

The Council has set aside amounts from its revenue account to form provisions and reserves, which will be used to cover future expenditure.

- Provisions have only been recognised in the accounts when there is a legal or constructive obligation to transfer economic benefits as a result of a past event. Provisions are charged to the revenue account in the year in which the authority is aware of the obligation. In exceptional circumstances and the obligation does not become due until a future year, the charge to revenue is deferred by creating a Deferred Liability Pre-payment on the Balance Sheet. Provisions for doubtful debts (ie to cover council tax, housing rents and other debtors) are deducted from the current debtors balance on the balance sheet.
- Amounts set aside for purposes falling outside the definition of provisions have been accounted for as reserves. These include earmarked reserves set aside for specific policy purposes, and also balances or general reserves, which represent resources set-aside for purposes such as general contingencies and cash flow management. Details of provisions and reserves are contained in notes 40 & 17 (pages 68 and 50) to the Core Financial Statements. Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council.

Statement of Accounting Policies

9. ACCRUALS OF INCOME AND EXPENDITURE

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

- Debtors: All sums due to the Council are recorded in the accounts at the time they become due. Therefore, the debtors shown on the balance sheet represent sums due to the Council, which have not been received at the year-end.
- Creditors: At the year-end the accounts are adjusted so that they reflect the value of all goods and services received during the year but not paid for by the Council within the financial year.
- Work In Progress: Works are charged as expenditure when they are completed. Incomplete work is accrued as Work in Progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for in the year to which it relates, on a basis that reflects the loan or investment.
- Where it is deemed that the debts are irrecoverable they are written off to a bad debt provision. Income and expenditure is transacted through the revenue account unless they are of a capital nature.

10. VALUE ADDED TAX (VAT)

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

11. STOCKS AND WORK IN PROGRESS

Fleet stores are valued at average price (mid-point between price at start and end of year), which is considered to be an appropriate method for this type of stock. The revenue accounts are in general charged with the cost of obsolescent stock written off.

- Fixed assets work in progress is now shown in the Balance Sheet as "Assets under construction" and represents the value of uncompleted capital schemes.
- Current assets work in progress represents the cost price of uncompleted jobs which will ultimately be charged to external parties

12. COST OF SUPPORT SERVICES

The method of allocating Central Support Services is based on CIPFA's Best Value Accounting Code of Practice 2007. Centrally provided support services such as Legal, Human Resources, Finance and ICT are 100% recharged to services using the most appropriate basis of allocation or apportionment. Management and administration costs that enable the Council to operate as a multi-purpose authority (e.g. members' services, & external audit fees), are not recharged to services and are shown separately in the Income and Expenditure Account on page 26 as Corporate and Democratic Core. Non-distributed costs – the cost of discretionary benefits awarded to employees retiring early are also not recharged.

13. GOVERNMENT GRANTS AND CONTRIBUTIONS

(a) Capital Grants

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

Statement of Accounting Policies

(b) Other Grants

Sums due in respect of grants from the Government are based on the best assessment made on the data available at the time the accounts are closed. Amounts due may also be varied by subsequent Government action. All grant claims included in the accounts are subject to internal review and some final grant claims are also required to be externally audited. Grants to cover general expenditure (eg, Revenue Support Grant) are credited to the foot of the Income & Expenditure Account after Net Operating Expenditure.

(c) Landfill Allowance Trading Scheme

Lewisham has followed CIPFA's advice and accounted for the allowance allocated as an asset on the balance sheet, matched by a liability to DEFRA for allowances used. The valuation of the allowance is based on figures provided by DEFRA (See note 32 to the Core Financial Statements on page 66).

14. INTEREST ON BALANCES

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

15. FINANCIAL RELATIONSHIPS WITH COMPANIES

The Council has relationships with two companies, details of which are shown in note 42 to the Core Financial Statements (page 70). During 2007/08 the Council had a minority interest (less than 50%) in these companies.

Lewisham Homes is a subsidiary of the Council. The company began trading during 2006/07 but the transactions were immaterial in that year. 2007/08 is the first full year of trading and Lewisham are required to produce Group Accounts including Lewisham Homes Accounts. The Lewisham Group Accounts are included on pages 101 to 109.

16. RETIREMENT BENEFITS

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

- (a) The Teachers Pension Scheme that is managed by Department for Children, Schools, & Families (DCFS)
- (b) The Local Government Pension Scheme administered by Lewisham Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. No liabilities for future payment of benefits is recognised in the balance sheet for the Teachers Pensions scheme.

Lewisham Pension Scheme –

- The liabilities of the Scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments based on assumptions of mortality rates, turnover, etc.
- The liability is discounted to their value at current prices, using a discount rate of 6.9% (based on the gross redemption yield of a high quality corporate bond, using the iboxx Sterling Corporate Index).
- Statutory provisions limit the Council to raising council tax to cover the amounts payable to the Pension Fund in the year. The notional entries for liabilities are therefore matched with appropriations to a Pension Reserve.

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

The accounting policies followed in preparing the pension fund accounts are disclosed separately in the section Pension Fund Accounts on pages 89-99.

Statement of Accounting Policies

17. FINANCIAL INSTRUMENTS

The financial instruments recognised in Lewisham fall into three categories:

- Loans and Receivables

This includes short term investments and sundry debtors. These are required to be held on the balance sheet at amortised cost. Effective interest on investments is recorded in the Income and Expenditure Account on an accrued basis and increases the carrying value of the instruments until cash payment is received. Formerly, short term investments were held at principal value on the balance sheet, with accrued income forming part of the debtors balance. All else being equal, there is no net impact on the balance sheet as a result of the new treatment. For short term debtors, the carrying amount is simply the invoiced amount (less any impairment).

- Financial Liabilities at Amortised Cost

This includes sundry creditors and loans taken out by the Council from either the Public Works Loans Board (PWLB) or market sources, such as large commercial banks. Short term creditors are held at their invoice amount and longer term instruments and longer term instruments are held at formally calculated amortised cost.

- Financial Assets at Fair Value through the Income and Expenditure Account

For 2007/08 this includes funds held by Invesco and Investec. These externally managed funds are held at fair value (market value at bid price) and any change in value is reflected in the Income and Expenditure Account. In 2006/07, mid price valuation was used. The difference was deemed immaterial and subsumed in the overall change in market value for 2007/08.

Pension Fund Investments are recorded at market value based on the mid-market price at the balance sheet date.

18. PRIVATE FINANCE INITIATIVE (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. Payments made by Lewisham under a contract are charged to revenue to reflect the value of services received in each financial year. Under the contracts for Brockley and the Schools PFI's the value of the asset will pass back to the Council. The expected value of these assets will be built up over the life of the contracts. The first year of contribution will start in the first full year of these contracts in 2008/09.

19. PRIOR PERIOD ADJUSTMENTS

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

20. CONTINGENT LIABILITIES

Contingent liabilities are obligations that arise from past events and will only be confirmed by uncertain events not in the authorities control, or cannot be measured with sufficient reliability (see note 44, page 71).

Income and Expenditure Account

SECTION 2a

**INCOME AND
EXPENDITURE
ACCOUNT**

2007/08

Income and Expenditure Account

INCOME AND EXPENDITURE ACCOUNT

The Income and Expenditure Account sets out the revenue expenditure and income for all services including Housing. The service headings follow CIPFA's Best Value Accounting Code of Practice 2007.

Income and Expenditure Account for the year ending 31 March 2008:

As restated		2007/08			
2006/07		Gross Expenditure	Gross Income	Net Expenditure	Note
Net Exp. £000s	SERVICE	£000s	£000s	£000s	
6,458	Central services to the public	37,598	31,360	6,238	
53,976	Cultural, environmental and planning services	75,859	24,117	51,742	
74,250	Children's and education services	336,422	256,766	79,656	
13,218	Highways, roads and transport services	19,277	8,256	11,021	
13,094	Housing services	622,353	420,435	201,918	
73,056	Adult social care	101,921	29,462	72,459	
310	Court Services	310	0	310	
7,499	Corporate and democratic core	7,011	577	6,434	
8,025	Non distributed costs	6,966	0	6,966	
249,886	Net Cost of Services	1,207,717	770,973	436,744	1
3,056	Loss on the disposal of fixed assets			12,409	
1,704	Levies			1,696	2
25,300	Interest payable and similar charges			21,800	
15,079	Contribution of housing capital receipts to Government Pool			9,014	
2,617	Amortised premiums and discounts			34,948	
29	Investment losses			0	
(9,732)	Interest and Investment Income			(5,363)	
2,734	Pensions interest cost and expected return on pensions assets			550	8
290,673	Net Operating Expenditure			511,798	2
(83,022)	Precept Demand on the Collection Fund			(85,376)	
(21)	Transfer from Collection Fund for previous year's surplus			(16)	
(25,741)	General government grants			(23,685)	
(134,056)	Non-domestic rates redistribution			(141,132)	
47,833	Deficit/(Surplus) for the Year			261,589	

Note: The 2006/07 comparatives for Children's and Education Services and Adult Social Care services have changed compared to the published figures in the 2006/07 Statement of Accounts due to a change in the classification of these services in CIPFA's Best Value Accounting Code of Practice.

Statement of Movement on the General Fund Balance

SECTION 2b

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

2007/08

Statement of Movement on the General Fund Balance

MOVEMENT ON THE GENERAL FUND BALANCE

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

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

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

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

Statement of Movement on the General Fund Balance for the year ending 31 March 2008:

	2007/08 £000s	2006/07 £000s
Deficit for the year on the Income & Expenditure Account	261,589	47,833
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(261,887)	(48,384)
Increase in General Fund Balance for the Year	(298)	(551)
General Fund Balance brought forward	(10,638)	(10,087)
General Fund Balance carried forward	(10,936)	(10,638)

Statement of Movement on the General Fund Balance

SUPPLEMENT TO THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

2006/07 £000s		2007/08 £000s		Note
	Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year			
(16,104)	Depreciation and impairment of fixed assets	(331,741)		
9,897	Government Grants Deferred amortisation	124,729		39
(10,774)	Write downs of deferred charges to be financed from capital resources	(15,477)		
373	Difference between amounts debited/credited to the Income and Expenditure Account and amounts payable/ receivable to be recognised under statutory provisions relating to premiums and discounts on the early redemption of debt	(32,381)		
(2,410)	Net loss on sale of fixed assets	(12,228)		
(30,837)	Net charges made for retirement benefits in accordance with FRS17	(23,085)		8
(49,855)			(290,183)	
	Amounts not included in the Income & Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year			
4,209	Minimum revenue provision for capital financing	3,985		
490	Revenue provision for ex-ILEA debt	470		
3,554	Capital expenditure charged in-year to the General Fund Balance	11,113		
(15,079)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(9,014)		
27,103	Employers contributions to the Pension Fund and retirement benefits payable direct to pensioners	27,444		8
20,277			33,998	
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year			
2,829	Housing Revenue Account balance	2,096		
853	Net transfer to or from earmarked reserves	12,641		22
(22,488)	Transfer from Major Repairs Reserve	(20,439)		
(18,806)			(5,702)	
(48,384)	Net additional amount to be required to be credited to the General Fund balance		(261,887)	

Statement of Total Recognised Gains and Losses

SECTION 2c

**STATEMENT OF
TOTAL RECOGNISED
GAINS AND LOSSES**

2007/08

Statement of Total Recognised Gains and Losses

TOTAL RECOGNISED GAINS AND LOSSES

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

Statement of Total Recognised Gains and Losses for the year ending 31 March 2008

	2007/08 £000s	2006/07 £000s
Deficit for the year on the Income and Expenditure Account	261,589	47,833
Surplus arising on revaluation of fixed assets	(159,031)	(321,393)
Actuarial (gains)/losses on pension fund assets and liabilities	(47,197)	(68,637)
Collection Fund surplus	(31)	(188)
Prior year adjustments to fixed assets	13,474	0
Other (gains)/losses	484	(688)
Total recognised (gains)/losses for the year	69,288	(343,073)

Balance Sheet

SECTION 2d

**BALANCE
SHEET**

2007/08

Balance Sheet

BALANCE SHEET

This is a summary of the Council's financial position as at 31 March 2008. It brings together all the balances on the accounts except those relating to the Pension Fund (pages 89-99) and Trust Funds (note 41, page 69).

	31/03/2008 £000s	31/03/2007 £000s	Notes
Fixed assets			
Operational assets			
Council dwellings	1,064,389	1,294,331	
Other land and buildings	829,057	892,665	
Vehicles, plant, furniture and equipment	17,916	13,847	
Infrastructure	51,665	43,339	
Community	6,893	4,684	
Non-operational assets			
Investment properties	49,903	9,964	
Assets under construction	28,918	33,492	
Total fixed assets	2,048,741	2,292,322	23
Other long-term assets			
Long term investments	34,635	31,230	29
Long term debtors	1,745	1,701	27
Deferred premiums on early repayment of debt	0	15,457	
Total long-term assets	2,085,121	2,340,710	
Current assets			
Stocks	544	375	31
Debtors	38,416	54,618	27
Short Term Investments	97,586	99,300	30
Landfill usage allowance	486	714	32
Prepayments	105,288	5,286	33
Total current assets	242,320	160,293	
Current liabilities			
Short term borrowing	25,380	78,306	36
Creditors	78,702	80,293	34
Bank overdraft and other cash holdings	7,764	8,108	37
Receipts in advance	50,763	40,264	35
Landfill usage - liability to DEFRA	381	608	32
Total current liabilities	162,990	207,579	
Total assets less current liabilities	2,164,451	2,293,424	
Long term liabilities			
Long term borrowing	295,296	311,454	
Provisions	15,130	18,730	40
Deferred capital receipts	652	829	38
Government grants deferred	126,067	113,621	39
Deferred discounts on early repayment of debt	0	640	
Liability related to defined benefit pension scheme	184,421	235,977	8
Total assets less liabilities	1,542,885	1,612,173	

Balance Sheet

Balance Sheet (continued)

	31/03/2008	31/03/2007	
	£000s	£000s	
Reserves and balances			
Revaluation Reserve	109,685	0	18
Capital Adjustment Account	1,509,165	1,738,051	19
Financial Instruments Adjustment Account	(10,247)	0	20
Usable Capital Receipts Reserve	18,550	25,012	21
Pensions Reserve	(184,421)	(235,977)	8
Earmarked Revenue Reserves	72,970	60,329	22
BALANCES			
General Fund Balance	10,936	10,638	
Housing Revenue Account	16,176	14,080	
Collection Fund	71	40	
TOTAL EQUITY	1,542,885	1,612,173	17

Cash Flow Statement

SECTION 2e

**CASH FLOW
STATEMENT**

2007/08

Cash Flow Statement

CASH FLOW STATEMENT

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

2006/07 £000s		2007/08		Notes
		£000s	£000s	
	REVENUE ACTIVITIES			
	Cash Outflows			
329,775	Cash paid to and on behalf of employees	338,377		
318,083	Other operating cash payments	310,518		
26,470	Precepts & levies	27,856		
14,206	Contribution to Capital Receipts Pool	12,597		
38,355	Payment to NNDR Pool	45,558		
80,785	Housing benefit paid out	90,905		
807,674			825,811	
	Cash Inflows			
(86,042)	Council Tax income	(89,936)		
(478,535)	Government grants	(490,110)		48
(174,423)	NNDR received from ratepayers and national pool	(186,019)		
(48,018)	Rent received from council housing	(46,944)		
(41,259)	Cash received for goods and services	(39,262)		
(6,921)	Other operating cash receipts	(14,505)		
(835,198)			(866,776)	
(27,524)	Revenue Activities Net Cash Inflow		(40,965)	46
	SERVICING OF FINANCE			
	Cash Outflows			
25,865	Interest paid	23,631		
	Cash Inflows			
(11,669)	Interest received	(4,526)		
14,196	Net Cash Outflow from Servicing of Finance		19,105	
	CAPITAL ACTIVITIES			
	Cash Outflows			
84,880	Purchase of fixed assets	104,676		
7,505	Deferred charges	15,477		
1,115	PFI Prepayments	8,478		
93,500			128,631	
	Cash Inflows			
(26,833)	Sale of fixed assets	(20,157)		
(51,511)	Capital grants and other capital cash received	(58,750)		
(78,344)			(78,907)	
15,156	Net Cash Outflow from Capital Activities		49,724	
1,828	NET CASH OUTFLOW BEFORE FINANCING		27,864	47
	MANAGEMENT OF LIQUID RESOURCES			
(72,100)	Net decrease in short term deposits		(3,313)	
31,230	Net increase in long term deposits		0	
(40,870)			(3,313)	
	FINANCING			
	Cash Outflows			
74,805	Repayments of amounts borrowed		65,134	
	Cash Inflows			
(7,500)	New loans raised	(90,029)		
(27,830)	New short term borrowing	0		
			(90,029)	
39,475	Net Cash (Inflow)/Outflow from Financing		(24,895)	
433	NET (INCREASE)/DECREASE IN CASH		(344)	

SECTION 2f

**NOTES TO THE
CORE FINANCIAL
STATEMENTS**

2007/08

Notes to the Core Financial Statements

NOTES TO THE CORE FINANCIAL STATEMENTS

1. SERVICE EXPENDITURE

(a) Income and Expenditure Account

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

(b) Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the DCFS, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over- and underspends on the two elements are required to be accounted for separately. Details of the deployment of DSG receivable for 2007/08 are as follows:

Schools Budget Funded by Dedicated Schools Grant		
Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
26,523	142,669	169,192
(613)		(613)
25,910	142,669	168,579
(25,331)	(140,166)	(165,497)
579	2,503	3,082
0	0	0
0	8,445	8,445
0	0	0
579	10,948	11,527

2. NET OPERATING EXPENDITURE

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

(a) Levies – This includes statutory levies for services carried out by other bodies. This includes the Environment Agency £0.158m, London Pension Fund Authority £1.277m and Lee Valley Regional Park £0.261m.

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

3. SECTION 137 EXPENDITURE

The Local Government Act 2000 granted powers to authorities in England and Wales to promote well being in their area and as a consequence the majority of the provisions of section 137 were repealed. All discretionary expenditure not specifically authorised under other powers is now made under the LGA. No expenditure was made under Section 137 of the Local Government Act 1972 in 2007/08 (none in 2006/07).

Notes to the Core Financial Statements

4. AGENCY SERVICES

There were no agency services carried out during 2007/08 (none in 2006/07).

5. TRADING OPERATIONS

The following services trade with the public or other third parties. The relevant line in the Service Expenditure Analysis is also shown for each category (see Annex 4 for detailed service expenditure analysis, page 148).

2006/07 (Surplus)/ Deficit £000s	Trading Operation	2007/08		
		Expenditure £000s	Income £000s	(Surplus)/ Deficit £000s
0	Markets (Planning & Development Services)	1,089	1,089	0
617	Theatre (Cultural & Related Services)	1,420	804	616
(158)	Industrial Estates (Planning & Devt Services)	166	396	(230)
459	Total	2,675	2,289	386

Note to trading operations

Under the Local Authorities Act 1990 (amended) Street Markets operate as a ring-fenced trading account and are therefore held separately from the Council's General Fund. Any surplus or deficit at the year end is carried over into the following year. In 2007/08 there was a surplus of £81k (2006/07 – surplus of £41k). The total accumulated surplus is £163k. The 2007/08 surplus was due to an increase in casual traders' income and receipts from special events.

6. PUBLICITY EXPENDITURE

Section 5 of the Local Government Act 1986 requires local authorities to keep separate accounts of their publicity expenditure. This expenditure includes costs of press office staff, staff advertising, and special campaigns. Publicity expenditure is an overhead that is allocated to services in accordance with accounting policy 12 on page 21.

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

	2007/08 £000s	2006/07 £000s
Press Office	979	969
Publicity Expenses		
Publications	539	469
Recruitment Advertising	733	876
Total Publicity Expenditure	2,251	2,314

The cost for 2006/07 has been restated to include departmental communications costs that have now been centralised as part of a corporate team.

7. WORK DONE FOR OTHER LOCAL AUTHORITIES OR PUBLIC BODIES

The Council does not carry out any work for other local authorities or public bodies. In 2007/08 the Council did not carry any work for Housing Associations (£3k 2006/07). Building Services no longer does any external work as its labour force is now only sufficient to deal with repairs on council housing stock under the management of Lewisham Homes.

Notes to the Core Financial Statements

8. FRS 17 PENSION COSTS AND RETIREMENT BENEFITS

Lewisham offers retirement benefits as part of the terms and conditions of staff employment. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

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

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

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

(c) the Teachers Pension Agency (TPA), which provides retirement benefits for teachers on behalf of the DCFS. Benefits are payable by the TPA on an unfunded basis and any liability is ultimately the responsibility of the DCFS; the Council is therefore not required to account for teachers' pensions in the same way as the LGPS and LPFA. In 2007/08 the Council paid £11.288 million to the DCFS in respect of teachers' pension costs (£10.532m in 2006/07). This represented 14.1% of pensionable pay in 2007/08 (13.5% between April 2006 and December 2006, and 14.1% between January 2007 and March 2007).

In accordance with FRS 17, Lewisham recognises the cost of retirement benefits relating to the LGPS and LPFA in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the I&E Account during the year:

	Local Government Pension Scheme		LPFA	
	2007/08 £000s	2006/07 £000s	2007/08 £000s	2006/07 £000s
Net Cost of Services:				
Current Service Cost	20,850	25,100	705	875
Past Service Costs	273	200	17	63
Curtailments and Settlements	245	1,800	0	65
Net Operating Expenditure:				
Interest Cost	50,603	46,400	3,789	3,519
Expected Return on Scheme Assets	(51,250)	(44,800)	(2,592)	(2,385)
Amounts to be met from Government Grants and Local Taxation:				
Movement on Pensions Reserve	5,164	(3,000)	(805)	(734)
	25,885	25,700	1,114	1,403
Actual Amount Charged Against Council Tax for Pensions in Year:				
Employers Contributions Payable to Scheme	(25,885)	(25,700)	(1,114)	(1,403)

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

Notes to the Core Financial Statements

the terms of the Teachers' scheme. These benefits are fully accrued in the pensions liability shown below. The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2008 are shown in the table below. It should be noted that the valuation of the assets was based on February 2008 data and may differ from the final valuation shown in the Pension Fund Accounts.

	Local Government Pension Scheme		LPFA		Total	
	2007/08 £000s	2006/07 £000s	2007/08 £000s	2006/07 £000s	2007/08 £000s	2006/07 £000s
Estimated assets in scheme	635,822	722,000	54,611	53,420	690,433	775,420
Estimated liabilities:						
Present value of scheme liabilities	(742,585)	(871,200)	(58,914)	(67,780)	(801,499)	(938,980)
Present value of unfunded liabilities	(69,795)	(68,400)	(3,560)	(4,017)	(73,355)	(72,417)
Net asset / (liability)	(176,558)	(217,600)	(7,863)	(18,377)	(184,421)	(235,977)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. Whilst the total liability of £184.421m has a significant impact on the net worth of the authority as recorded in the balance sheet, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy; the deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

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

	2007/08		2006/07	
	Nominal % per annum	Real % per annum	Nominal % per annum	Real % per annum
Price increases	3.6	-	3.2	-
Salary increases	5.1	1.5	4.7	1.5
Pension increases	3.6	-	3.2	-
Discount rate	6.9	3.2	5.4	2.1

(e) Assets are valued at fair value, principally market value for investments, and consist of:

	2007/08	Long-term	2006/07	Long-term
	£000s	Return %	£000s	Return %
Equities	446,891	7.7	526,200	7.8
Bonds	111,911	5.7	103,900	4.9
Property	67,818	5.7	70,100	5.8
Cash	9,202	4.8	21,900	4.9
Total	635,822	7.1	722,100	7.1

Notes to the Core Financial Statements

The actuarial gains and losses on the Pension Reserve are shown below. The actuarial valuation was based on February data projected to year end and contributions payable may differ from the final amount actually paid.

	Local Government Pension Scheme		LPFA		Total
	2007/08		2007/08		2007/08
	£000s	%	£000s	%	£000s
Differences between the expected and actual return on assets	(115,123)	-18.1	455	0.8	(114,668)
Differences between the actuarial assumptions about liabilities and actual experience	15,032	1.9	6,155	9.9	21,187
Changes in the demographic and financial assumptions used to estimate liabilities	135,969		4,709		140,678
Actual recognised gain/(loss)	35,878	4.4	11,319	18.1	47,197
Other revenue items	5,164		(805)		4,359
	41,042		10,514		51,556

Comparative actuarial gains/(losses) for 2006/07	63,100	1,803	64,903
Comparative actuarial gains/(losses) for 2005/06	(17,500)	(5,450)	(22,950)
Comparative actuarial gains/(losses) for 2004/05	(80,000)	(16,813)	(96,813)
Comparative actuarial gains/(losses) for 2003/04	43,200	1,384	44,584

9. LEASED ASSETS RENTALS

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

The future liability of housing operating leases is stated in 2008/09 prices (although the lease rents are subject to annual review in line with market rents indexation).

The difference between the forecast position last year and the 2007/08 actuals for Housing Leases is due to St John's Estate no longer being included and the termination of the Brandram Road lease forecast for November 2009.

The difference between the forecast for 2007/08 last year and that actual payments for Other Leases is due to a number of leases being extended for an extra year. The future accrued payments required under these leases are:

	2007/08			2006/07	
	Housing Operating Leases £000s	Other Operating Leases £000s		Housing Operating Leases £000s	Other Operating Leases £000s
Total rentals payable	915	262	Total rentals payable	2,719	469
Outstanding undischarged leasing obligations:			Outstanding undischarged leasing obligations:		
- 2008/2009	915	190	- 2007/2008	1,353	190
- 2009/2010 - 2013/2014	225	0	- 2008/2009 - 2012/2013	1,469	172
- 2014/2015 onwards	1,688	0	- 2013/2014 onwards	1,733	0

Notes to the Core Financial Statements

10. LONG TERM CONTRACTS/PRIVATE FINANCE INITIATIVES (PFI)

(a) The Council makes payments under a Private Finance Initiative (PFI) contract for the provision of a school catering service and refurbishment of kitchen facilities. The level of payments depends on sales of meals but the actual spend in 2007/8 was £7.7m and estimated to be £7.8m in 2008/9, the final year of the contract. These payments are partially offset by grant received by the Council.

(b) The Authority is committed to making payments estimated at £2.5 million per annum (£2.84 million actual in 2007/08; £2.82 million actual in 2006/7) under a Private Finance Transaction (PFT) for the upgrading and maintaining of its parks and open spaces. The contract runs until 28 February 2010.

(c) The authority has entered into a PFI with an external provider for the management of three of its five leisure facilities. The arrangement includes investment, totalling £2.7 million over the life of the contract, to upgrade and maintain the facilities. The contract commenced in October 2001 and runs until 2011. The total payment for 2007/08 was £1.778 million (2006/07 £1.121 million). The other two centres were run under management only contracts which were due to expire on the 14 October 2006. The Forest Hill Pools contract was allowed to expire on its due date but was still managed under an extension contract to enable the site to be maintained and secured. The Ladywell Leisure Centre contract has been extended for at least another year with the intention for it to remain open until the new town centre leisure centre is open. The total payment for these contracts in 2007/08 was £0.770 million (2006/07 £0.770 million).

(d) Following an extensive procurement exercise Sungard Vivista were awarded two contracts (for Networks and Telecommunications and Primary ICT services) commencing on 1 October 2006. The contracts replaced those with Fujitsu and Steria, and are for a period of 3 years, with options to extend. The combined cost of the contacts is circa £3.7 million per year. Discussions are currently underway about extending both of these contracts, and this will include provision for an agreed capital programme to replace the Council's ageing Voice and Data networks.

(e) A PFI agreement was signed in September 2005 for the provision of the Downham Lifestyles Centre for a period of 32 years. Under this contract the Council paid £1.8 million in 2007/08 (which was the first full year of the contract) and will continue to pay this amount plus inflation for the remainder of the contract. This sum is partially offset by income from the PCT and PFI grant. The centre provides health and leisure facilities and opened in March 2007.

(f) A PFI agreement was signed in August 2006 for the rebuild and running of 3 schools. These are Greenvale Special School, which opened in September 2007, Forest Hill Secondary School, which opened in January 2008, and Crofton Secondary School, phase 1 of which opened in January 2008. Phase 2 of Crofton school will be completed during 2008/09. The actual revenue spend for 2007/08 was £3.8m and the capital spend was £8.5m. The total expenditure on the PFI contract over the 30 year life is estimated to be £217.2m.

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

(h) A PFI agreement was signed in December 2007 for the rebuild and running of 2 schools, Sedgehill and Catford. The operational start date for these schools is scheduled to be January 2009. The annual unitary charge payable under the contract is £7.676m (as at May 2007 price base, of which 40% is subject to indexation). In the financial year 2008/09 the unitary charge is expected to be £1.478m (at May 2007 price base). The total expenditure on the PFI contract over the 25 year operational life is estimated to be £232m (nominal assuming RPI at 2.5%).

Notes to the Core Financial Statements

(i) As part of the Building Schools for the Future programme, an ICT Framework agreement was signed in December 2007 for the provision of interim and full ICT managed service provision for secondary schools in the Borough. Capital investment in ICT equipment for 2008/09 is expected to be £4.520m and total capital expenditure is estimated to be £19m over the 10 year agreement. The revenue implications of the ICT managed service are borne by the individual schools.

11. EXTERNAL AUDITORS FEES

Payment to the Audit Commission for external audit work during the financial year was as follows:

	2007/08 £000s	2006/07 £000s
Fees payable with regard to external audit services	444	412
Fees payable in respect of statutory inspection	151	26
Fees payable for the certification of grant claims and returns	140	158
Fees payable in respect of other services provided by the appointed auditor	24	21
External Auditor Fees	759	617

The other audit fees were in relation to the investigation of an objection on the 2006/07 Accounts £20k, and £4k on technical audit advice.

12. OFFICERS EMOLUMENTS

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

Remuneration Band	2007/08			2006/07		
	School Employees	Non-School Employees	Total Employees	School Employees	Non-School Employees	Total Employees
£50,000 to £59,999	104	70	174	106	66	172
£60,000 to £69,999	61	21	82	45	18	63
£70,000 to £79,999	19	11	30	11	11	22
£80,000 to £89,999	1	8	9	6	7	13
£90,000 to £99,999	4	3	7	2	2	4
£100,000 to £109,999	2	2	4	0	1	1
£110,000 to £119,999	0	0	0	0	0	0
£120,000 to £129,999	0	1	1	0	4	4
£130,000 to £139,999	0	3	3	0	0	0
£140,000 to £149,999	0	0	0	0	0	0
£150,000 to £159,999	0	0	0	0	0	0
£160,000 to £169,999	0	0	0	0	0	0
£170,000 to £179,999	0	0	0	0	0	0
£180,000 to £189,999	0	1	1	0	0	0
£190,000 to £200,000	0	0	0	0	1	1

Note: the 2006/07 figures are different to those reported in the 2006/07 Statement of Accounts as the figures are now inclusive of employees' pension contributions, whereas previously these had been excluded.

Notes to the Core Financial Statements

13. MEMBERS' ALLOWANCES

The total of Members' allowances for 2007/08 was £1.130m (£1.104m in 2006/07).

14. RELATED PARTY TRANSACTIONS

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

(a) Central Government and Other Local Authorities

The total of government grants are shown in Note 48 to the Core Financial Statements, page 74. Transactions to other local authorities include the precept to the Greater London Authority. Details of this precept are shown as part of the Collection Fund on page 88 in Note 3. There were numerous other transactions between the Council and other Local Authorities. However, none of these were considered to be material.

(b) Subsidiaries, Associated Companies and Joint Ventures

The companies that are related to the Council are detailed in Note 42 to the Core Financial Statements on page 70. Material transactions were as follows:

- Payment of £4.694m (£4.455 – 2006/07) was made to South East London Combined Heat and Power (SELCHP), which is a joint venture with Greenwich for the provision of a waste disposal service.
- The Council owns 10% of the shares of the Local Education Partnership (LEP). The Council made payments totalling £1.593m in 2007/08 to the LEP.
- Lewisham Homes is a wholly owned subsidiary of the Council and three Members sit on its board. The payments by Lewisham to Lewisham Homes in 2007/08 totalled £24.610m

(c) Members and Chief Officers

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

- The Mayor's wife is an employee of London Councils whom Lewisham paid £1.459m in 2007/08.
- The Deputy Mayor, Councillor Alexander, is a member of the Lewisham Local Education Partnership to whom Lewisham paid £1.593m in 2007/08 and is a member of South East Enterprise to whom Lewisham paid £0.191m in 2007/08.
- Councillor Fletcher is a board member of the Ilderton Motor Project to whom Lewisham paid £0.082m in 2007/08
- Councillor Keogh is employed by Envirowork Lewisham to whom Lewisham paid £0.019m in 2007/08
- Councillor Long is Chair of the South London and Maudsley NHS Trust whom Lewisham paid £3.189m in 2007/08.
- Councillor Milton is a member of the Advisory Board of Envirowork Lewisham to whom Lewisham paid £0.019m and board member of Voluntary Action Lewisham to whom Lewisham paid £0.592m in 2007/08.
- Councillor Muldoon is a member of Noah's Ark Children's Venture to whom Lewisham paid £0.066m in 2007/08.
- Councillor Nisbet is a member of Age Concern Lewisham to whom Lewisham paid £0.102m in 2007/08.
- Councillor Paschoud is a member of Lewisham MENCAP to whom Lewisham paid £0.001m, a member of Lewisham Disability Coalition to whom Lewisham paid £.010m and a member of Platform 1 (Forest Hill) Youth Project to whom Lewisham paid £0.032m. in 2007/08.
- Councillor Smith is Vice Chair of Trustees of Groundwork Trust London South East to whom Lewisham paid £0.049m in 2007/08.

Notes to the Core Financial Statements

- Councillor Till is a member of Noah's Ark Children's Venture to whom Lewisham paid £0.066m, a member of North Downham Training Project to whom Lewisham paid £0.255m, a member of Rockbourne Youth Club Management Committee to whom Lewisham paid £0.001m, a member of Ilderton Motor Project to whom Lewisham paid £0.082m, a member of the Marsha Phoenix Memorial Trust to whom Lewisham paid £0.217m, A member of Goldsmith's Community Association to whom Lewisham paid £0.030m and a member of Parent Support Group to whom Lewisham paid £0.085m, in 2007/08.
- The Director of Childrens' Social Care's wife is Director / Chief Executive of St. Michael's Fellowship to whom Lewisham paid £0.339m in 2007/08.
- The Executive Director for Regeneration is the Director of Interea Consulting. Lewisham paid Interea Consulting £0.189m (excluding VAT) for the services of the Executive Director of Regeneration.

(d) Lewisham Pension Fund

- The council's contribution to the Pension Fund on behalf of employees was £22.940 million (£22.402 million in 2006/07).
- The cost of administering the Pension Fund of £0.830 million (£0.547 million in 2006/07) was recharged to the fund in 2007/08.
- The pension Fund owed the council £2.995 million of cash balances as at 31 March 2008 (on 31 March 2007 the Pension Fund had £1.978 million of cash balances invested with the council).

15. PARKING CONTROL ACCOUNT

In accordance with the 1984 Road Traffic Act, Lewisham maintains a Parking Control. Any surplus is ring fenced to Transport related projects and schemes.

	2007/08 £000s	2006/07 £000s
Income	(4,123)	(3,998)
Expenditure	2,813	2,659
Surplus	(1,310)	(1,339)
Use of surplus:		
Traffic Management Schemes	208	235
Improved signing/safety maintenance	466	523
Improved lighting	636	581
Total	(1,310)	(1,339)

The Parking Control Account is incorporated within the Parking Services line of the service expenditure analysis (see Annexe 4 for detailed service expenditure analysis, page 148).

Notes to the Core Financial Statements

16. BUILDING CONTROL TRADING ACCOUNT

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the building control unit cannot be charged for – such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities for 2007/08.

	Building Regulations		Other Building Control £000s	Total 2007/08 £000s	Total 2006/07 £000s
	Chargeable (Trading a/c) £000s	Non Chargeable £000s			
Expenditure					
Employee expenses	359	11	127	497	547
Transport	6	0	2	8	14
Supplies and services	39	1	14	54	34
Support services	216	7	115	338	335
Total Expenditure	620	19	258	897	930
Income					
Building reg charges	(672)	0	0	(672)	(656)
Miscellaneous income	0	0	(13)	(13)	(14)
Total Income	(672)	0	(13)	(685)	(670)
Surplus/(Deficit) for Year	52	(19)	(245)	(212)	(260)

From 1999/2000 the Trading Account element has been required to break even over a rolling three-year period. 2007/08 was the last year of the seventh three-year period which ended with an overall surplus of £0.140m. The table below sets out the position for each period.

Period	Surplus/(Deficit) £000s			
	Year 1	Year 2	Year 3	Total
1999/00 - 2001/02	(9)	12	5	8
2000/01 - 2002/03	12	5	130	147
2001/02 - 2003/04	5	130	62	197
2002/03 - 2004/05	130	62	(68)	124
2003/04 - 2005/06	62	(68)	52	46
2004/05 - 2006/07	(68)	52	36	20
2005/06 - 2007/08	52	36	52	140

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

Notes to the Core Financial Statements

17. MOVEMENTS ON RESERVES

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

Reserve	Balance 1 April 2007 £000s	Net Movement in Year £000s	Balance 31 March 2008 £000s	Purpose of Reserve	Further Detail of Movements
Revaluation Reserve	0	109,685	109,685	Store of gains on revaluation of fixed assets not yet realised through sales.	Note 18
Capital Adjustment Account	1,738,051	(228,886)	1,509,165	Store of capital resources set aside to meet past expenditure.	Note 19
Financial Instruments Adjustment Account	0	(10,247)	(10,247)	Balancing Account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.	Note 20
Usable Capital Receipts	25,012	(6,462)	18,550	Proceeds of fixed assets sales available to meet future expenditure.	Note 21
Pensions Reserve	(235,977)	51,556	(184,421)	Balancing account to allow inclusion of Pension Liability in the Balance Sheet.	Note 8
Other Reserves	60,329	12,641	72,970	Amounts set aside to finance future earmarked revenue expenditure.	Note 22
General Fund	10,638	298	10,936	General non-earmarked revenue balances.	Statement of Movement on the General Fund Balance, page 28
Housing Revenue Account	14,080	2,096	16,176	Earmarked and non-earmarked revenue balances ringfenced to the HRA.	Note 16 to the HRA Statement, page 83
Major Repairs Reserve	0	0	0	Resources available to meet capital investment in council housing.	Note 15 to the HRA Statement, page 83
Collection Fund	40	31	71	Balance arising from excess or shortfall in budgeted Council Tax collection, net of provision for bad debts.	Collection Fund Revenue Account, p86
Total	1,612,173	(69,288)	1,542,885		

Notes to the Core Financial Statements

18. REVALUATION RESERVE

The Revaluation Reserve was introduced with a zero balance on 01 April 2007. It records the accumulated gains since 01 April 2007 on the fixed assets held by the authority arising from increases in value (to the extent that these gains have not been consumed by subsequent downward movements in value). The Reserve is also debited with amounts equal to the part of depreciation charged on assets that has been incurred only because the asset has been revalued (since 01 April 2007). On disposal the Revaluation Reserve balance for the asset disposed of is written out to the Capital Adjustment Account. The overall balance on the Reserve thus represents the amount by which the current value of fixed assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historical cost (where historical cost in this sense refers to their value at 01 April 2007).

	Revaluation Reserve £000s
Revaluation gains	160,273
Impairment losses (not due to consumption of economic benefits)	(1,242)
	159,031
Write out of gains on assets with impairments due to consumption of economic benefits	(19,557)
Additional depreciation incurred due to assets being revalued	(2,109)
Write out of gains on assets disposed of	(27,680)
Total movement on reserve in 2007/08	109,685
Balance brought forward at 1 April 2007	0
Balance carried forward at 31 March 2008	109,685

Notes to the Core Financial Statements

19. CAPITAL ADJUSTMENT ACCOUNT

This account was created on 01 April 2007 and the opening balance includes the balance from the previous Capital Financing Account and the Fixed Asset Restatement Account. A debit balance indicates that Fixed Assets have been consumed in advance of their being financed. This is only a nominal deficit as assets have been revalued in the past. The balance therefore consolidates the previous revaluation gains. This balance will continue until such time as assets are disposed of or are decommissioned.

	Capital Adjustment Account £000s
<u>Historical cost of acquiring, creating or enhancing fixed assets:</u>	
Depreciation and impairment losses from Statement of Movement on Balances	(369,366)
Transfer from Revaluation Reserve to convert current value depreciation / impairment losses to historical cost	21,666
Amounts written off fixed asset balances for disposals	(30,713)
Transfer from Revaluation Reserve of revaluation gains outstanding on disposal	27,680
	(350,733)
Total historical cost of acquiring, creating or enhancing fixed assets	
Historical cost of deferred charges	(15,477)
<u>Resources set aside to finance capital expenditure:</u>	
Usable receipts applied	17,237
Capital expenditure financed from revenue	11,113
Minimum revenue provision	4,455
Capital grants and contributions	118,367
Total resources set aside to finance capital expenditure	151,172
Total movement on reserve	(215,038)
Balance brought forward at 1 April 2007	1,738,051
Adjustments relating to previous year	(13,848)
Balance carried forward at 31 March 2008	1,509,165

Notes to the Core Financial Statements

20. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

	Financial Instruments Adjustment Account £000s
Opening Balance as at 01 April 2007	(1,967)
Premiums paid for early redemption of debt	(11,581)
Amortisation of premiums and discounts	3,301
Balance carried forward as at 31 March 2008	(10,247)

21. USABLE CAPITAL RECEIPTS

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

	Usable Capital Receipts £000s
Amounts receivable in 2007/08	19,846
Poolable to Central Government	(9,014)
Amounts applied to finance new capital investment in 2007/08	(17,294)
Total increase/(decrease) in realised capital resources in 2006/07	(6,462)
Balance brought forward at 1 April 2007	25,012
Balance carried forward at 31 March 2008	18,550

22. REVENUE RESERVES

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

	Balance at 01/04/2007 £000s	Transfers In £000s	Transfers Out £000s	Balance at 31/03/2008 £000s	
General Earmarked	32,104	27,378	(11,359)	48,123	(a)
Directorate Underspends	2,209	1,488	(1,322)	2,375	(b)
Capital Expenditure	15,389	10,273	(16,390)	9,272	(c)
School Balances	8,840	12,460	(8,840)	12,460	(d)
School's External Funds	1,787	740	(1,787)	740	(e)
Total	60,329	52,339	(39,698)	72,970	(f)

Notes to the Core Financial Statements

(a) General Earmarked Reserves (48.123m)

An analysis of movement in general earmarked reserves is as follows:

	Balance at 01/04/2007 £000s	Transfers In £000s	Transfers Out £000s	Balance at 31/03/2008 £000s	
Priority Growth & Budget Insurance	21,370	24,997	(11,303)	35,064	(i)
Other	9,140	1,956	(56)	11,040	
	1,594	425	0	2,019	(ii)
Total	32,104	27,378	(11,359)	48,123	

(i) Priority Growth & Budget Issues (£35.064m) – This reserve is to support the authority's budget in future years.

(ii) Other (£2.019m) – This reserve comprises Treasury interest receipts for specific projects.

(b) Directorate Underspends (£2.375m)

These reserves represent budget underspends that have been earmarked for use within specific directorates. An analysis of the movement is as follows:

	Balance at 01/04/2007 £000s	Transfers In £000s	Transfers Out £000s	Balance at 31/03/2008 £000s
Children & Young People	764	534	(252)	1,046
Community Services	419	638	(419)	638
Customer Services	686	0	(651)	35
Regeneration	0	0	0	0
Resources	340	316	0	656
Total	2,209	1,488	(1,322)	2,375

(c) Capital Expenditure Reserve – (£9.272m)

This is a reserve created to enable directorates to make revenue contributions towards their committed capital spending in future years as part of the other services capital programme.

(d) School Balances – (£12.460m)

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

(e) Schools' External Funds – (£0.740m)

This equates to the unspent balances from schools' locally generated funds. As for other school balances these Funds are earmarked for schools only.

(f) Total Reserves

Reconciliation to the Statement of Movement on the General Fund Balance – A reconciliation of transfers in and out of reserves with the Statement of Movement on the General Fund Balance on page 29 is as follows:

	2007/08 £000s
Transfers In	52,339
Transfers Out	(39,698)
Net Contributions	12,641

Notes to the Core Financial Statements

23. FIXED ASSETS

(a) Movements in fixed assets during the year were as follows (some adjustments to the carried forward figures from 2006/07 have been made including some to reclassify assets in the correct asset class and some adjustments between fixed assets and the fixed asset restatement account):

	Council Dwellings	Other Land & Bldgs	Vehicles, Plant & Equip't	Infra-structure Assets	Comm. Assets	Investment props/ assets under constr'n	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Gross Book Value b/fwd at 1st April 2007	1,371,716	910,278	25,424	77,799	4,685	43,455	2,433,357
B/f adjustments	(11,380)	(2,481)	(119)	0	0	0	(13,980)
Additions	52,613	17,774	6,081	4,321	280	20,671	101,740
Disposals	(63,594)	(52,366)	(48)	0	0	(5,622)	(121,630)
Transfers	24,170	(36,127)	1,825	6,224	1,928	1,980	0
Re-valuations	(281,386)	2,668	(18)	0	0	18,337	(260,399)
Gross Book Value c/fwd at 31st March 2008	1,092,139	839,746	33,145	88,344	6,893	78,821	2,139,088
Depreciation b/fwd	(77,385)	(17,613)	(11,577)	(34,460)	0	0	(141,035)
B/f adjustments	337	104	52	0	0	0	493
Transfers	(514)	1,538	0	0	0	(1,024)	0
Depreciation for year	(36,367)	(9,699)	(3,757)	(2,219)	0	0	(52,042)
Depreciation on Assets Revalued	86,179	14,851	53	0	0	1,024	102,107
Depreciation on Assets sold	0	130	0	0	0	0	130
Depreciation Balance as at 31st March 2008	(27,750)	(10,689)	(15,229)	(36,679)	0	0	(90,347)
Net Book Value as at 31st March 2008	1,064,389	829,057	17,916	51,665	6,893	78,821	2,048,741

NOTE: During 2007/08 about 5,500 council properties were transferred to Phoenix Community Housing Trust, in order to help meet the Government's Decent Homes Standard. This housing stock had a value on the balance sheet of approximately £302 million, so this appears as a large reduction in the council's assets on the balance sheet and will also contribute to the deficit on the Income and Expenditure Account as the assets were revalued to nil upon transfer.

Notes to the Core Financial Statements

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

	2007/08	2006/07
	£000s	£000s
Fixed Assets (Additions net of WIP & appropriations)	77,626	67,107
PFI prepayments	8,478	1,115
Deferred Charges	15,477	10,774
(Decrease) / Increase in work in progress & retention payments	(4,817)	12,733
Total Capital Expenditure	96,764	91,729

The total capital expenditure of £96.764 million (£91.729 million in 2006/07) as detailed above and shown in the foreword on page 6 was financed as follows:

	2007/08	2006/07
	£000s	£000s
Borrowing	15,458	16,396
Capital Grants	46,572	45,856
Capital Receipts	18,566	25,015
Capital Expenditure charged to Revenue Account	16,168	4,462
Total Capital Expenditure	96,764	91,729

24. FIXED ASSET VALUATION

(a) A five-year rolling programme of revaluation for land and buildings has been in operation since 1994/95 to ensure that the Council's assets are held at valuations in accordance with RICS and CIPFA guidance. These are signed off by the Council's Valuer, the Head of Property and Development, Mr P Clark FRICS. Properties regarded by the Authority as operational are valued on the basis of open market value for the existing use, or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost.

Vehicles, plant and equipment have been valued on the basis of cost less depreciation (straight-line basis). Similarly Infrastructure assets and Community assets are held at historic cost.

Investment properties are re-valued annually on an open market basis.

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

	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equip.	Infra-structure Assets	Comm-unity Assets	Non-operational Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Valued at Historic Cost	23,676	6,290	17,916	51,665	6,893	146	106,586
Valued at current value							
As at 31 March 2008	0	92,905	0	0	0	16,952	109,857
As at 1 April 2007	1,040,713	95,842	0	0	0	61,723	1,198,278
As at 1 April 2006	0	524,941	0	0	0	0	524,941
As at 1 April 2005	0	64,297	0	0	0	0	64,297
As at 1 April 2004	0	34,789	0	0	0	0	34,789
As at 1 April 2003	0	9,993	0	0	0	0	9,993
Total Net Book Value	1,064,389	829,057	17,916	51,665	6,893	78,821	2,048,741

Notes to the Core Financial Statements

25. NUMBERS OF FIXED ASSETS

A summary of physical assets held by the Council at 31 March 2008 and 31 March 2007 is shown below:

	31-Mar-08 (Nos.)	31-Mar-07 (Nos.)
Council Dwellings	18,282	25,399 *
Housing non residential	251	253 *
Garages	3,053	3,486
Nursery Schools	3	3
Day centre - Early Years	8	8
Primary Schools	48	48
Secondary Schools	4	6
Sixth Form Centre	1	1
Special Schools	5	6
Adult Education Centres	5	5
Youth Centres	7	6 *
Hostel for the Mentally ill persons with Disabilities	1	1
Social Services Centres	13	13 *
Administrative Buildings	9	9 *
Leisure Centres/Pools	5	5
Parks/Recreation Grounds	86	85
Libraries	10	10
Theatre	1	1
Cemeteries	4	4
Crematorium	1	1
Mortuary	1	1
Depots	4	4 *
Car/Lorry Parks	18	18
Roads (in Kms)	390	390
Allotments	43	43
Travellers Site	1	1
Civic Amenity & Recycling Centre	1	1

*Some of the categories above have been restated from those disclosed in the 2006/07 accounts.

Notes to the Core Financial Statements

26. CAPITAL COMMITMENTS

Significant capital commitments (>£500k) entered into by the Council at 31 March 2008 are shown below. This expenditure will be incurred in future financial years:

	£000s
Children & Young People:	
Rushey Green School	5,783
Grouped Schools PFI - Ashmead & Childeric	3,056
Downderry Children's Centre	969
Grouped Schools PFI	900
Community Services:	
Manor House	1,907
Wavelengths	888
Regeneration:	
Vehicles (11 26/24 tonne Refuse vehicles)	752
Vehicles (30 Mercedes Buses)	554
Customer Services:	
St Mungo's	800
Lewisham Homes:	
Pepys decent homes - Phase 2	1,404
Total Commitments	17,013

Total capital commitments (>£500k) in 2006/07 was £40.4m. The main reason for the significant reduction is the reduction in the Housing / Lewisham Homes commitments from £17.5m to £1.4m. This is due to the fact that at the end of 2006/07 there were a large number of projects where the letting of the contract had been approved by Mayor and Cabinet and works were progressing on site. In 2007/08 the budget for the decent homes programme has been approved by Mayor and Cabinet (£10m), however no contracts had been let as at the 31 March 2008.

27. DEBTORS**(a) Long term debtors**

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

	2007/08 £000s	2006/07 £000s
Mortgages:		
For Private House Purchase	17	18
For Sale of Council Houses	653	876
To Housing Associations	163	163
Other Long Term Debtors	912	644
Total Long Term Debtors	1,745	1,701

Note: Other includes land charges debts of £737k in 2007/08

Notes to the Core Financial Statements

(b) Current debtors

These are short term debts consisting of amounts due from Government, other local authorities and amounts for goods and services provided as at 31 March 2008:

	2007/08 £000s	2006/07 £000s	Note
Government and Other Public Bodies:			
HM Revenue & Customs - VAT	3,438	5,684	
Education Recoupment	1,162	1,066	
Other Govt. & Local Authority Accounts	9,480	22,992	
Council Tax Payers	23,234	21,054	
National Non-Domestic Ratepayers	1,266	1,390	
Housing Debtors	15,487	12,952	
Sub-Total	54,067	65,138	
General Debtors amounts due for Supplies & Services	23,333	22,362	
Total Current Debtors	77,400	87,500	
Less:			
Provision for Bad Debts - Collection Fund	(19,695)	(17,132)	(i)
Provision for Bad Debts - Housing	(10,378)	(8,426)	(i)
Provision for Bad Debts - Sundry	(8,911)	(7,324)	(i)
Net Current Debtors	38,416	54,618	

(i) An analysis of the contributions to and from the Provision for Bad Debts is shown below:

	Balance at 31/03/2007 £000s	Contrib'n In £000s	Use of Provision £000s	Balance at 31/03/2008 £000s
Collection Fund				
Council Tax	16,663	3,740	(1,146)	19,257
NNDR	469	443	(474)	438
Total Collection Fund	17,132	4,183	(1,620)	19,695
Housing				
Rents	5,710	2,034	(1,147)	6,597
Overpayments	2,716	1,555	(490)	3,781
Total Housing	8,426	3,589	(1,637)	10,378
Sundry				
CYP	295	0	0	295
Community	1,828	643	(764)	1,707
Customer	4,532	3,536	(1,850)	6,218
Regeneration	544	25	0	569
Resources & Corporate	125	75	(78)	122
Total Sundry	7,324	4,279	(2,692)	8,911
Total Provision for Bad Debts	32,882	12,051	(5,949)	38,984

Notes to the Core Financial Statements

28. FINANCIAL INSTRUMENTS DISCLOSURES

Introduction:

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

In adopting the new requirements, the Authority's existing Financial Instruments have been subject to a thorough review, and a number of significant adjustments have been made to balances (as of 01 April 2007) in order to bring those balances into line with the position required by the new recommended practice.

The attention of users of these accounts is drawn to the fact that many of the requirements of the standards referred to above are non-compliant with primary legislation such as the Local Government and Housing Acts 1989 and 2003 and subsequent subordinate legislation.

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

Debtors and creditors are excluded from the tables below where the equivalent disclosures are present in notes 27 and 34. The focus of these notes is the Council's strategic borrowing and investment.

Notes to the Core Financial Statements

28a. FINANCIAL INSTRUMENTS BALANCES

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

At 31 March 2007, no amounts were held under the formal 'Amortised Cost' or 'Loans and Receivables' headings. All debt and investment was held at cost (i.e. the principal value), with the exception of the long term investments which were held at market value.

The balances in the table for those dates indicate the balances at 01 April 2007, immediately following the adjustments required to make transition to the new requirements. These will not, therefore, necessarily equal the 2006/2007 comparator figures in the balance sheet.

	Long Term		Current	
	31 March 2008 £000s	31 March 2007 £000s	31 March 2008 £000s	31 March 2007 £000s
Financial Liabilities (Principal Amount)	(293,792)	(311,454)	(30,349)	(78,306)
Financial Liabilities at Amortised Cost	(295,296)	(314,691)	(25,380)	(69,893)
Loans and Receivables (Principal Amount)	-	-	96,250	99,300
Loans and Receivables	-	-	97,586	100,967
Financial Assets at Fair Value through the I&E	34,635	31,230		
Total Investments	34,635	31,230	97,586	100,967

28b. FINANCIAL INSTRUMENTS GAINS/(LOSSES)

	Financial Liabilities	Financial Assets		Total £000s
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Fair value through the I&E £000s	
Interest expense	21,973			21,973
Losses on derecognition*	3,252			3,252
Interest payable and similar charges	25,225	-	-	25,225
Interest and investment income	-	4,284	2,302	6,586
Net gain/(loss) for the year	(25,225)	4,284	2,302	(18,639)

Notes to the Core Financial Statements

*This loss arose from the carrying value of a loan being less than the principal due on repayment as a result of attributed premiums. In line with current government regulations, this loss is shown in the I&E accounts, but reversed out via the SMOBs to the Financial Instruments Adjustment Account. Consequently there is no impact on the HRA or General Fund balances.

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

- Market Value changes of external cash manager funds, recognised through the I&E as part of the investment income total above.
- Impairment of debtors, analysed in note 27

	£000s
New provision made	(12,914)
Previous Provision Reversed	1,422
Total Impairment Loss	<u>(11,492)</u>
Debt Written Off	5,389
Change in Provision Balance	(6,103)

28c. FAIR VALUES OF FINANCIAL INSTRUMENTS NOT ALREADY DISCLOSED ON THE BALANCE SHEET

£000s	31 March 2008		31 March 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
PWLB debt	216,962	259,132	262,259	308,746
Market Debt	103,614	114,312	127,500	122,984
Total Loan Debt at Amortised Cost	320,576	373,444	389,759	431,730
Money market loans < 1 yr	97,586	97,586	99,300	100,881
Total Investments at Amortised Cost	97,586	97,586	99,300	100,881

The fair value of financial liabilities is higher than the carrying amount because the Council's loans portfolio includes a number of fixed rate loans with interest rates exceeding the market rates at the balance sheet date for similar debt. Additionally, the carrying amount of some loans is reduced by positively attributed premiums (totalling 9m) from former debt.

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

For PWLB debt this information has been obtained directly from that organisation and for market debt, the premium/discount figures have been estimated by our Treasury consultants, Butlers, a division of ICAP Securities Ltd, using comparator market rates for investments of similar size at the balance sheet date.

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

Notes to the Core Financial Statements

28d. CREDIT RISK

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined in our Annual Investment Strategy, agreed February 2007.

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

	Cohort Rating	Sum invested at 31 March 2008 £000s	Historical Experience of Default	Adjustment for Market Conditions at 31 March 2008	Estimated Maximum Exposure to Default £000s
Deposits	Aaa	5,000	0.000%	0.000%	-
	Aa1	60,750	0.000%	0.000%	-
	Aa2	8,500	0.001%	0.001%	0
	Aa3	5,000	0.018%	0.018%	1
	A1	2,000	0.007%	0.007%	0
	A2	15,000	0.033%	0.033%	5
			<u>96,250</u>		
Cash Managers	Aa3	<u>34,635</u>	0.018%	0.018%	<u>6</u>
Total Investments		<u><u>130,885</u></u>			<u><u>12</u></u>

The historical experience of default has been taken from Moody's, one of the credit rating organisations used by the Council, and applies to the period 1982 – 2005.

Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties. As a result of these high credit criteria, we have maintained historical default rates as a good indicator under these current conditions.

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

Two deposit counterparties were not rated by Moody's and these investments, totalling £3m are included in the A2 cohort, based on their Fitch credit ratings.

Our external cash managers portfolios change on a daily basis and include gilts and certificates of deposit. At no point may any counterparty have a rating less than Aa3, so this default rate has been applied to the entire portfolio to calculate a prudent maximum exposure.

Debtors are considered individually by Service managers and Finance Officers. Judgement based on historical experience is applied to estimate credit risk exposure and this quantity is credited to provisions for bad and doubtful debts, analysed in note 27.

Notes to the Core Financial Statements

28e. FINANCIAL ASSETS THAT ARE EITHER PAST DUE OR IMPAIRED

The Council generally requires trade debtors to be settled within 30 days. An analysis of invoices issued through the accounts receivable system is as follows. The total debtors for other financial assets such as Council Tax and Housing Rents are shown in Note 27 (page 59). Impairments are discussed in note 27.

	£'000s	
Current	6,482	51%
30-59 Days	566	4%
60-89 Days	251	2%
90-119 Days	241	2%
120-365 Days	1,292	10%
365+ Days	3,815	30%
Total	12,647	

28f. LIQUIDITY RISK

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

(i) MATURITY ANALYSIS FOR FINANCIAL LIABILITIES

The table below shows the maturity profile of long term debt , based on the Principal sums due for repayment.

Average Interest Rates at 31 March	2007/2008	2006/2007
PWLB	5.94%	6.55%
Money Market	4.94%	5.15%
	£000s	£000s
PWLB	216,292	243,954
Money Market	77,500	67,500
Total Long-Term Borrowing	293,792	311,454
An analysis of loans by maturity:		
Maturity in 1-2 years	5,134	5,546
Maturity in 2-5 years	20,000	5,210
Maturity in 5-10 years	79,723	105,844
Maturity in 10-15 years	26,237	30,450
Maturity in 15-20 years	26,158	31,000
Maturity in 20-25 years	47,211	69,000
Maturity in 25-30 years	33,932	34,000
Maturity in over 30 years	55,397	30,404
Total Long-Term Borrowing	293,792	311,454

(ii) FINANCIAL LIABILITIES

All of the Council's deposits (£96.25m) are due to be returned within one year. The externally managed funds (£34.6m), whilst long term investments within the Council's Treasury Strategy, could be recalled within one year if required.

Notes to the Core Financial Statements

(iii) MANAGEMENT OF LIQUIDITY RISK

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

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

28g. COLLATERAL OR OTHER CREDIT ENHANCEMENTS OBTAINED

The council has obtained no such enhancements in the financial year 2007/2008

28h. MARKET RISK

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

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

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

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

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

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

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

	<u>£000s</u>
Interest Payable on Variable Rate Debt	(279)
Interest Receivable on Variable Rate Investments	128
Net Impact on I&E (loss)	(151)
Increase in Government Grant receivable	239
Share of overall impact debited to HRA	193

Notes to the Core Financial Statements

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

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

29. LONG-TERM INVESTMENTS

Long term investments consists of funds held with two external cash managers that were appointed in 2006/07. These external cash managers are Invesco and Investec.

30. SHORT-TERM INVESTMENTS

Short-term investments consists of £97.586m that represents the temporary investment of bank surpluses in the money markets.

31. STOCK

	2007/08 £000s	2006/07 £000s
Stocks		
Building Stores & Fleet Stock	290	212
Other Stock	254	163
Total Stocks and Work in Progress	544	375

32. LANDFILL ALLOWANCE TRADING SCHEME

Lewisham is allocated a specific allowance for landfill following the introduction of the Landfill Trading Scheme in 2005/06. DEFRA assigns a value to this allowance which is tradable. Each annual allowance is credited to revenue, with a corresponding debit being made for the value of the allowance used. As Lewisham used less than its full allowance, the surplus has been credited to reserves. The value of the allowance allocated to date is shown in the balance sheet under current assets, with the value of the amount used shown under current liabilities. The net amount of these two figures is included within revenue reserves.

Lewisham received an allowance of 29,231 tonnes for the year 2007/08, with usage estimated at 14,225 tonnes. No allowances were bought or sold during the year. DEFRA has advised that the average traded value of 2007/08 has been £5.00. Amounts included in the 2007/08 accounts are as follows:

	Income £000s	Expenditure £000s	Net expenditure £000s
Income and Expenditure Account			
Cultural, Environmental & Planning Services	146	71	75
Balance Sheet			
<u>Current Assets:</u>			
Landfill Usage Allowances for 2007/08	-	-	486
<u>Current liabilities:</u>			
Liability to DEFRA for 2007/08 landfill usage	-	-	(381)
<u>Reserves:</u>			
Earmarked reserves	-	-	(105)

Notes to the Core Financial Statements

33. PREPAYMENTS

	2007/08 £000s	2006/07 £000s
Insurance premiums	1,023	1,399
Capital PFI projects	102,026	2,815
Miscellaneous	2,239	1,072
Total	105,288	5,286

34. CREDITORS

These consist of amounts owed to Government and other public bodies and all unpaid sums for goods and services provided as at 31 March 2008.

	2007/08 £000s	2006/07 £000s
Government and other public bodies:		
Inland Revenue - Tax & NI Contributions	6,137	6,004
Education Recoupment	3,905	3,694
Other Govt. & Local Authority Accounts	4,557	17,003
Sub-Total	14,599	26,701
Add: General creditors (amounts owed for supplies and services)	64,103	53,592
Total Creditors	78,702	80,293

35. RECEIPTS IN ADVANCE

	2007/08 £000s	2006/07 £000s
NNDR	3,657	2,865
Council Tax	5,281	5,480
Capital Contributions Unapplied	12,078	12,848
Other Receipts in Advance	29,747	19,071
Total Receipts in Advance	50,763	40,264

Note: Other receipts includes grants of £6m for Brockley PFI.

36. SHORT TERM BORROWING

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

37. BANK OVERDRAWN AND OTHER CASH HOLDINGS

The Bank Overdrawn figure is the total of all the Council's cash and bank balances. It therefore includes cash holdings of schools and other cash balances. Further information on the movement in cash can be found in the Cash Flow Statement on page 38.

Notes to the Core Financial Statements

38. DEFERRED CAPITAL RECEIPTS

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

39. GOVERNMENT GRANTS DEFERRED

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

	2007/08 £000s	2006/07 £000s
Balance at Beginning of Year	113,621	98,222
Prior Year adjustment	206	30
Grants Received:		
Standards Fund	16,385	8,302
Transport for London	2,709	3,108
Central Government	1,338	1,094
Other Contributions	6,858	12,762
	141,117	123,518
Written down to the Income and Expenditure Account	(15,050)	(9,897)
Balance at End of Year	126,067	113,621

40. PROVISIONS

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

	Balance 31/03/2007 £000s	Contrib. In £000s	Contrib. Out £000s	Balance 31/03/2008 £000s
Insurance Provision	11,909	1,166	(4,406)	8,669 (a)
Other Provisions	6,821	1,226	(1,586)	6,461 (b)
Total	18,730	2,392	(5,992)	15,130

(a) Insurance provisions

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

Notes to the Core Financial Statements

(b) Other provisions

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

41. TRUST FUNDS

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

	Balance 31/03/2007 £000s	Income £000s	e £000s	Balance 31/03/2008 £000s
Comforts Funds	1	0	0	1
Residents' Savings	3	0	0	3
Other Funds	100	43	38	105
Total Trust Funds	104	43	38	109

Interest on trust funds is credited annually at the average rate earned on Lewisham's revenue balances. Following the closure of Lewisham's residential homes during 2001/02 a residual amount of unclaimed balances is being held pending repayment to former residents. Comforts Funds are non-Council funds held by day centres for the benefit of service users. The other funds include those held for educational purposes and maintenance of graves. The fund balances were invested as follows:

	£000s
Cash	82
External investments (at market value)	27
Total Trust Funds	109

Notes to the Core Financial Statements

42. INVESTMENTS: RELATED BUSINESSES & COMPANIES

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

Registered Name of Company	SELCHP (South East London Combined Heat & Power Ltd)	Greater London Enterprise Ltd.
Nature of Company's Business and trading with Council	Waste Disposal / Waste to Energy	Property management & consultancy
Proportion of Shares held by Council	< 1% share	Company limited by guarantee
Value of Shares	£750	1/13 of surplus assets to £13m + interest; 1/32 of assets above this level
Company's Net Assets		
- at end of last financial year	£0.327m (i)	£51.880m (iii)
- at end of previous financial year	£0.062m (ii)	£42.636m (iv)
Company's Profit/(Loss) before Tax		
- at end of last financial year	£1.315m (i)	£1.140m (iii)
- at end of previous financial year	(£0.840m) (ii)	£1.125m (iv)
Company's Profit/(Loss) after Tax		
- at end of last financial year	£0.264m (i)	£1.660m (iii)
- at end of previous financial year	(£0.588m) (ii)	£0.780m (iv)
Amounts owing to Council at year-end	Nil	Nil
Nature of Amounts owing to Council at year-end	N/A	N/A
Status of Company's Audit of Accounts	Accounts year to 31/12/06 audited	Accounts year to 31/3/07 audited
Copies of Accounts may be obtained from:	Veolia House, 154A Pentonville Road, London N1 9PE	28 Park Street, London SE1 9EQ

Notes:-

(i) As at 31 December 2006

(ii) As at 31 December 2005

(iii) As at 31 March 2007

(iv) As at 31 March 2006

(v) Only on winding up or dissolution of the company

Note A: The Council has 10% ownership of the shares of the Local Education Partnership. The company was incorporated during 2007/08 and at the time of producing the Statement of Accounts no accounting information was available.

Note B: Lewisham Homes Limited is a related company to the council. For further details of Lewisham Homes see note 14 (Related Parties Transactions) and also the Group Accounts (section 5).

Notes to the Core Financial Statements

43. NET ASSETS EMPLOYED

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

	2007/08 £000s	2006/07 £000s
General Fund	1,009,590	835,552
Housing Revenue Account	533,295	776,621
Total Net Assets Employed	1,542,885	1,612,173

44. CONTINGENT LIABILITIES

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

(a) Since 1986, the Council has guaranteed a loan from a financial institution to Hyde Housing Association in connection with a housing development at Brandram Road. The amount guaranteed as at 31 March 2008 was £0.7m (£1.1m at 31 March 2007). The redemption date is 01 April 2010.

(b) Following the approval of Stage 1 for Northbrook School the Authority are liable to pay the Local Education Partnership's (LEP) Project Management fee (under the terms of the Strategic Partnering Agreement) if the Stage 2 submission is rejected. The Project Management fee for Northbrook is £1.054m.

(c) Underwriting of design costs, up to a maximum of £0.500m, for work to the new school in Loampit Vale, in the event that the Authority improperly reject the LEP's Stage 1 submission if, for example, the Authority do not have suitable permissions in place regarding School Organisation.

(d) Potential liability of up to £0.135m of finance costs, if the land at Thurston Road Travellers site is not delivered to the developer with vacant possession. There are also potential abortive development costs up to a maximum of £2.500m if, when the developers are otherwise in a position to commence development, and have in place all other conditions (such as planning permission and road closure orders), they cannot commence development solely due to failure by the Council to deliver vacant possession of the site.

(e) There is a judicial review that states that the special guardianship and by implication fostering allowances schemes may be illegal. There are potential legal costs of up to £1m involved.

(f) The Council have been asked to contribute towards the cost of the De Menezes Inquest. The funding between the local authorities and central government is currently under discussion. The potential liability could be up to £1.750m.

(g) There is a legal claim outstanding of £0.500m from a contractor who has discovered asbestos on the Crofton School site.

45. EVENTS AFTER THE BALANCE SHEET DATE

Since the Accounts were closed the Council has agreed to transfer Housing stock to Housing providers. This is in accordance with the Decent Homes strategy. The two transfers agreed are Foreshore on the 4 August 2008 involving 77 Housing units, and Grove Park on 7 July 2008 which has 1,449 units. The new providers are Hyde Housing and London & Quadrant Housing Trust respectively. This will have a significant impact on the Balance Sheet for 2008/09 as the properties have a combined value of approximately £59.775m.

Notes to the Core Financial Statements

46. RECONCILIATION OF REVENUE CASH FLOW

2006/07 £000s		2007/08	
		£000s	£000s
47,833	Net Deficit on the Income & Expenditure Account	261,589	
(188)	Collection Fund Deficit/(Surplus)	(31)	
47,645			261,558
	Less: Non-Cash Transactions		
(6,543)	Contributions (to)/from Provisions	3,600	
(2,840)	Deferred Premiums on Early Repayment of Debt	8,838	
(284)	Deferred Discounts on Early Repayment of Debt	176	
0	Interest Payable / Receivable Adjustments	1,764	
(310)	Landfill Liability	227	
388	Landfill Usage Allowance	(228)	
(16,104)	Depreciation and Impairment of Fixed Assets	(331,741)	
9,897	Government Grants Deferred Amortisation	124,729	
(10,774)	Write Downs of Deferred Charges to be Financed From Capital Resources	(15,477)	
373	Premiums & Discounts Adjustment	(32,381)	
(2,410)	Net Loss on Sale of Fixed Assets	(12,228)	
(30,837)	Net Charges made for Retirement Benefits in accordance with FRS17	(23,085)	
27,103	Employers Contributions to the Pension Fund and Retirement Benefits payable direct to Pensioners	27,444	
(22,488)	Transfer from Major Repairs Reserve	(20,439)	
(54,829)			(268,801)
	Less: Items Included as Accruals		
187	Increase/(Decrease) in Long-Term Debtors	269	
60	Increase/(Decrease) in Stocks	169	
(113)	Increase/(Decrease) in Debtors	(11,814)	
(1,861)	Increase/(Decrease) in Prepayments	791	
366	(Increase)/Decrease in Creditors	(1,277)	
(4,783)	(Increase)/Decrease in Receipts in Advance	(2,755)	
(6,144)			(14,617)
	Less: Financing Items		
(14,196)	Shown Earlier in Cashflow Statement		(19,105)
(27,524)	Net Cashflow from Revenue Activities		(40,965)

Notes to the Core Financial Statements

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

Analysis of changes in Net Debt:

	31/03/2007 £000s	Cash Flow £000s	Non-Cash Redemption (see note A) £000s	Transfers & Adjustments to Carrying Values (see note B) £000s	31/03/2008 £000s
Cash Balance					
Bank overdraft	(8,108)	344	0	0	(7,764)
Financing Activities					
Debt due within one year	(78,306)	0	0	52,926	(25,380)
Debt due after one year	(311,454)	(24,895)	90,514	(49,461)	(295,296)
	(389,760)	(24,895)	90,514	3,465	(320,676)
Management of Liquid Resources					
Short term investments	99,300	(3,313)	0	1,599	97,586
Long term investments	31,230	0	0	3,405	34,635
Total	(267,338)	(27,864)	90,514	8,469	(196,219)

Reconciliation of Net Cash Flow to Movement in Net Debt

	£000s	£000s
Net cash flow		344
Net cash inflow from financing	(24,895)	
Net cash inflow from management of liquid resources	(3,313)	
Non-cash redemption (note A)	90,514	
Transfers & adjustments to carrying values (note B)	8,469	
		70,775
Movement in Net Debt		71,119

Notes:

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

B) Transfers & Adjustments to Carrying Values - this represents transfers between categories of long-term and short-term debt, and adjustments to carrying values as required by the 2007 SORP.

Notes to the Core Financial Statements

48. ANALYSIS OF GOVERNMENT GRANTS IN CASH FLOW

	2007/08 £000s	2006/07 £000s
Housing & Council Tax Benefit	(181,172)	(167,250)
Dedicated Schools Grant	(168,579)	(161,465)
Standards Fund	(41,447)	(36,924)
Revenue Support Grant	(23,685)	(25,741)
Supporting People	(17,430)	(17,453)
Local Area Agreements	(20,358)	(15,278)
Schools Sixth Form	(10,219)	(9,067)
Adult & Community Learning	(4,294)	(4,396)
NDC New Cross Gate	(4,283)	(4,346)
Access & Systems Capacity	(3,121)	(3,207)
LAA Performance Reward Grant	0	(2,675)
Other Grants	(15,522)	(30,733)
	(490,110)	(478,535)

49. LOCAL AREA AGREEMENT (LAA)

The Council is a participant in an LAA – a partnership with other public bodies involving the aligning and pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, the LAA has completed the second year of its three year agreement.

The main purpose of our LAA is to support the objectives set out in our Community Strategy and to deliver better outcomes for local people. LAA's also have the following objectives:-

- improving central and local government relationships
- enhancing efficiency
- strengthening partnership working
- offering a framework for the local authority to enhance its community leadership role.

The partners on the Local Strategic Partnership (LSP) Board and five thematic partnerships have all signed up to the Lewisham LAA. The key delivery partners include:-

- London Borough of Lewisham (The Accountable body)
- Lewisham PCT
- JobCentre Plus
- Metropolitan Police
- Voluntary Action Lewisham
- Lewisham College

However, relevant activities from all our partner organisations will be included in the delivery of the LAA.

Lewisham Council acts as the accountable body for the LAA. The Council are responsible for distributing the grant. The Council also acts as an agent for the partnership and therefore only recognises the amount spent by the Council in its Accounts, not the full amount of LAA grant.

The total amount received by the LSP in 2007/08 is £20.506m. The Council received £18.544m of this total to fund its own services.

As accountable body the Council is potentially responsible for the repayment of any grant that has been misused by its partners. It has not been necessary to recognise any contingent liability for possible repayments and no provision has been made for any such eventuality.

Housing Revenue Account

SECTION 3a

**HOUSING
REVENUE
ACCOUNT**

2007/08

Housing Revenue Account

HOUSING REVENUE ACCOUNT

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

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

	2007/08	2006/07	Notes
	£000s	£000s	
Income			
Gross rent - dwellings	84,801	87,488	1
- other housing property	3,117	3,066	1
Charges for services and facilities	7,959	8,322	1
Housing subsidy - housing element	11,740	18,552	2
- housing benefit element	0	0	3
Other income	6,637	3,281	4
Total income	114,254	120,709	
Expenditure			
Supervision and management - General expenses	38,975	35,105	5
- Special expenses	7,437	10,321	6
Repairs and maintenance	21,289	23,873	7
Rents, rates, taxes and other charges	710	3,136	8
Rent rebate subsidy shortfall	1,446	2,518	3
Contribution to doubtful debt provision	2,812	1,051	9
Depreciation - dwellings	16,299	38,941	11
- other housing assets	1,229	2,263	11
Impairment of fixed assets	208,816	0	
Deferred charges	0	2,593	
Debt management costs	71	73	
Total expenditure	299,084	119,874	
Net cost of HRA Services per Authority Income and Expenditure Account	184,830	(835)	
HRA services share of Corporate and Democratic Core	414	1,088	
HRA share of other amounts included in the whole authority Net	0	10	
Cost of services but not allocated to specific services			
Net Cost of HRA Services	185,244	263	
Loss on sale of HRA fixed assets	148	2,814	
Interest payable and similar charges	17,602	18,482	
Amortisation of premiums and discounts	31,046	1,814	12
Interest and investment income	(57)	(73)	
Pension interest cost and expected return on pension assets	45	109	17
(Surplus) or deficit for the year on HRA services	234,028	23,409	

Housing Revenue Account

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

	2007/08	2006/07	
	£000s	£000s	Note
(Surplus) or deficit for the year on the HRA Income and Expenditure Account	234,028	23,409	
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(236,124)	(26,238)	
(Increase) or decrease in the HRA Balance	(2,096)	(2,829)	
Housing Revenue Account surplus brought forward	(14,080)	(11,251)	
Housing Revenue Account surplus carried forward	(16,176)	(14,080)	16

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

	2007/08	2006/07	
	£000s	£000s	Note
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year			
Difference between amounts charged to income and expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	(28,629)	373	
Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	(188,706)	(1,648)	
Loss on sale of HRA fixed assets	0	(2,410)	
Net charges made for retirement benefits in accordance with FRS 17	0	(110)	17
	(217,335)	(3,795)	
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year			
Capital expenditure funded by the HRA	1,250	0	
Transfer to/(from) Major Repairs Reserve	(20,439)	(22,488)	15
Employers contribution payable to the Pension Fund and retirement benefits payable direct to pensioners	400	45	
	(18,789)	(22,443)	
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(236,124)	(26,238)	

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 2008, 1.5% of lettable property was empty (2.5% at 31 March 2007). These figures for empty property exclude accommodation for the homeless and dwellings designated for sale, major works and improvements. Average weekly rents were £70.90 in 2007/08 and £67.52 per week in 2006/07.

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 19,642 dwellings as at 31 March 2008 (25,667 as at 31 March 2007).

During the year two stock transfers have taken place. One to Phoenix Community Housing consisting of 5,509 flats and houses and one to London & Quadrant RSL consisting of 161 flats in Lewisham Park.

The stock was made up as follows:

	2007/08	2006/07
	Nos.	Nos.
Houses/Bungalows	3,737	6,862
Flats/Maisonettes	15,905	18,805
Stock at 31 March	19,642	25,667

The changes in stock can be summarised as follows:

	2007/08	2006/07
	Nos.	Nos.
Stock at 1 April	25,667	25,921
Less Sales, Demolitions, etc.	(380)	(293)
Less Stock Transfers	(5,670)	0
Add Re-purchases, Conversions etc.	25	39
Stock at 31 March	19,642	25,667

b) Rent arrears

	2007/08	2006/07
	£000s	£000s
Arrears due from - current tenants	4,675	5,150
- former tenants	3,170	2,471
Total Arrears	7,845	7,621
Total Arrears as % of Gross Rent of Dwellings Due	9.3%	8.7%

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

	2007/08 £000s	2006/07 £000s
Aerial Sites	284	349
Garage rents	795	809
Reception Hostels	1,071	1,021
Commercial property rent	882	802
Housing Benefit overpayments	0	0
Ground Rents	85	85
Total Other Rents & Charges	3,117	3,066

d) Charges for services and facilities

This item includes Heating charges and services charges to Tenants and leaseholders.

From 5 April 2003, service charges for caretaking and grounds maintenance were separated from rent and charged separately to tenants. From 5 April 2004, service charges for communal lighting were separated from rent and charged separately to tenants. From 4 April 2005, service charges for the Lewisham Tenants Levy were separated from rent and charged separately to tenants. The average tenants' service charge was £2.99 in 2007/08 (£2.92 in 2006/07).

	2007/08 £000s	2006/07 £000s
Heating Charges	749	766
Leasehold Service Charges	3,562	3,749
Tenants Service Charges	3,648	3,807
Total Charges for Services and Facilities	7,959	8,322

2. GOVERNMENT HOUSING EXCHEQUER SUBSIDY

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

Subsidy is made up of the following elements:

	2007/08 £000s	2006/07 £000s
Management Allowance	19,994	22,148
Maintenance Allowance	31,174	34,549
Major Repairs Allowance	17,186	19,660
Charges for Capital	24,743	25,618
Other Reckonable Expenditure	524	1,850
Allowance for Tenant Participation Compacts	0	0
Allowance for Resource Accounting	0	0
Guideline Rent Income	(82,164)	(85,597)
Rental Constraint Allowance	346	417
Interest on Receipts	(63)	(93)
Total Housing Element of Subsidy	11,740	18,552

Housing Revenue Account

3. REBATES

Assistance with rents is available under the Housing benefits scheme for those on low income. Approximately 61% of Council tenants received help under this scheme as at 31 March 2008 (61% as at 31 March 2007). The scheme is administered by the Council

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

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

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

	2007/08 £000s	2006/07 £000s
Rent Rebates Given (GF)	53,021	58,736
Subsidy Received on Rebates (GF)	(51,575)	(56,218)
Net cost to council	1,446	2,518
Recharge from GF to HRA		
Shortfall on limitation	1,446	2,518
Shortfall on overpayments	0	0
Net cost to the HRA	1,446	2,518
Net cost to GF	0	0

4. OTHER INCOME

	2007/08 £000s	2006/07 £000s
Asset rentals	312	339
Commission on insurance and water rates	959	911
Corporate recharges	0	0
Court costs	67	115
Inter-borough nominations	41	54
Government grants	760	732
Recharges of repairs	2,697	337
Professional fees	59	0
Recharge to capital receipts	631	266
Hostels: Heat, Light & Water Charges	229	277
Transfer from Leaseholders Insurance Fund	0	0
Fees & Charges to Lewisham Homes	787	0
Other miscellaneous income	95	250
Total Other Income	6,637	3,281

Housing Revenue Account

5. SUPERVISION AND MANAGEMENT – GENERAL EXPENSES

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

6. SUPERVISION AND MANAGEMENT - SPECIAL EXPENSES

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

7. REPAIRS AND MAINTENANCE

Day-to-day repairs to Council housing stock and cyclical external decoration. Void properties prior to re-letting and certain tenants' properties are eligible for internal decoration. Gross repairs and maintenance expenditure for 2007/08 was £22.316m (2006/07 - £25.974m). In 2007/08 £1.027m (2006/07 £2.100m) was charged to capital.

8. RENT, RATES AND OTHER CHARGES

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

9. CONTRIBUTIONS TO PROVISION FOR DOUBTFUL DEBTS

Contribution of £2.812m (2006/07 - £1.051m) from the HRA to a provision set aside to meet doubtful debts. Details of the accumulated provision are as follows:

	2007/08 £000s	2006/07 £000s
Housing tenants	6,597	5,710
Leaseholders	2,005	1,729
Commercial properties, miscellaneous debts	357	243
Total Provision for Bad and Doubtful Debts	8,959	7,682

10. FIXED ASSETS

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

	31/03/08 £000s	31/03/07 £000s
Operational Assets:		
Dwellings	1,064,389	1,294,331
Other land and buildings	57,428	102,618
Infrastructure	495	
Total Operational Assets	1,122,312	1,396,949
Non-operational assets	9,152	745
Total Housing Assets	1,131,464	1,397,694
<u>Valuation of Council dwellings</u>		
Existing use value - social housing	1,064,389	1,294,331
Vacant possession value	2,876,727	3,507,027

Housing Revenue Account

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

11. DEPRECIATION

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

	2007/08 £000s	2006/07 £000s
Operational Assets:		
Dwellings	36,367	39,699
Govt Grants Deferred	(20,068)	(758)
Total Depreciation Dwellings	16,299	38,941
Other land and buildings	1,270	2,449
Govt Grants Deferred	(41)	(186)
Total Depreciation Other land and buildings	1,229	2,263
Total Operational Assets	17,528	41,204
Non-operational assets	0	0
Total Housing Assets	17,528	41,204

12. AMORTISED PREMIUMS AND DISCOUNTS

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

13. HOUSING CAPITAL EXPENDITURE

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

	2007/08 £000s	2006/07 £000s
Capital expenditure on housing, land and buildings	23,936	50,816
<u>Financed by:</u>		
Government Supported Borrowing	5,500	5,500
Capital Grants	237	2,862
Capital Receipts	12,992	22,794
Major repairs reserve	17,186	19,660
Total Capital Expenditure Financed	35,915	50,816

Total capital receipts from the disposal of council dwellings were £19.330m in 2007/08 (£26.534m in 2006/07) of which £9.732m (£11.058m in 2006/07) were usable capital receipts.

Housing Revenue Account

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

As from 01 April 2004 there is no requirement to repay housing debt. The total housing debt taken from the Council's Capital Financing Requirement stands at £263m (£315m in 2006/07).

15. MAJOR REPAIRS RESERVE

The movements on the major repairs reserve are as follows:

	2007/08 £000s	2006/07 £000s
Balance as at 1 April	0	0
Transferred in (depreciation)	(37,625)	(42,148)
Financing of capital expenditure on housing assets	17,186	19,660
Transfer to the HRA	20,439	22,488
Balance as at 31 March	0	0

16. MOVEMENT IN HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

	Balance at 31/03/2007 £000s	Transfers In £000s	Transfers Out £000s	Balance at 31/03/2008 £000s
Non-earmarked Reserves	1,840	3,403	0	5,243
Property and Stock Related Reserves	5,821	3,470	2,442	6,849
Staff Related Reserves	3,269	1,500	1,985	2,784
Other Earmarked Reserves	3,150	1,301	3,151	1,300
TOTAL	14,080	9,674	7,578	16,176

17. PENSIONS COSTS - FRS 17

In accordance with FRS 17, Lewisham recognises the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the cost to the HRA is based on the cash payable in the year, so the accrued cost of retirement benefits is reversed out of the HRA in the Statement of Movement on the Housing Revenue Account Balance.

Collection Fund

SECTION 3b

**COLLECTION
FUND**

2007/08

Collection Fund

THE COLLECTION FUND

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund. The revenue account shows the transactions into the Fund by way of Council Tax and National Non-Domestic Rates and how the amount collected has been distributed to Preceptors and the General Fund. Further information is contained in the notes to these accounts.

COLLECTION FUND REVENUE ACCOUNT

	2007/08 £000s	2006/07 £000s	See Notes
INCOME			
Receivable from Council Tax	91,252	88,584	1
Transfers from General Fund:			
- Council Tax Benefits	24,071	23,394	
Receivable from Business Rates	39,854	38,706	2
TOTAL INCOME	155,177	150,684	
EXPENDITURE			
Precepts and Demands	111,532	107,783	3
Business Rates:			
- Payment to National Pool	39,510	38,355	
- Cost of Collection	343	351	
Bad & Doubtful Debts:			
- Contribution to Provisions (Council Tax)	3,740	3,981	5
Contributions:			
- Previous Year's Collection Fund Surplus	21	26	4
TOTAL EXPENDITURE	155,146	150,496	
Surplus / Deficit at the Beginning of the Year	(40)	148	
Surplus for the Year	(31)	(188)	
FUND SURPLUS AT THE END OF THE YEAR	(71)	(40)	6

Collection Fund

NOTES TO THE COLLECTION FUND REVENUE ACCOUNT

1. COUNCIL TAX

The council tax base was calculated as follows:

Council Tax Band	Total No. of Dwellings as per Valuation Officer's List	Total Equivalent No. of Dwellings after allowing for Discounts & Exemptions & Other Adjustments	Ratio to Band D	Band D Equivalents as per Ratio	Council Tax Charge £
A	6,940	5,401	6/9	3,601	863.85
B	30,673	24,852	7/9	19,329	1,007.82
C	39,634	33,850	8/9	30,089	1,151.80
D	24,992	22,321	1	22,321	1,295.77
E	7,230	6,612	11/9	8,081	1,583.72
F	2,777	2,565	13/9	3,705	1,871.67
G	1,295	1,205	15/9	2,008	2,159.62
H	174	146	18/9	292	2,591.54
TOTAL	113,715	96,952		89,426	
		Add: Contributions in lieu		0	
		Total Band D equivalents		89,426	
		Estimated Collection Rate		96.25%	
		Net Council Tax Base		86,073	

The total Council Tax income required to balance the Collection Fund can be calculated by multiplying the net tax base by the Council Tax at Band D. The net amount payable by Council Tax payers is calculated by multiplying the number of dwellings in each band by the relevant Council Tax charge to give the gross amount and then adjusting for discounts etc. This does not take into account any estimate of non-collection and will include all charge adjustments to the end of the year.

	2007/08		2006/07
	£'000	£'000	£'000
Gross Opening Charge		135,285	130,110
Less: Adjustments to charge	884		2,188
Exemptions	(5,704)		(5,664)
Disabled Relief	(79)		(71)
Discounts	(15,063)		(14,585)
		(19,962)	(18,132)
		115,323	111,978
Less:			
Transfers from General Fund for Council Tax Benefits		(24,071)	(23,394)
Net amount of Council Tax Receivable		91,252	88,584

Collection Fund

2. NATIONAL NON-DOMESTIC RATES

	2007/08		2006/07
	£'000	£'000	£'000
Gross Non-Domestic Rates Collectable (after adj)		43,796	42,317
Other adjustments			
(a) Reductions and Relief:			
Mandatory Relief	(3,369)		(3,244)
Other Adjustments	(130)	(3,499)	103
Total Receivable from Business Rates		40,297	39,176
(b) Contribution to Provision for Bad & Doubtful Debts		(443)	(470)
Net Amount Collectable from Business Ratepayers		39,854	38,706

The total Non-Domestic rateable value at the end of the year was £116.210m (£118.682m in 2006/07) and the National Non-Domestic rate multiplier for the year was 44.4p (43.3p in 2006/07). The small business non-domestic rating multiplier was 44.1p (42.6p in 2006/07). Therefore, the gross amount payable was £46.869m (£40.939m in 2006/07). The gross amount collectable from ratepayers after allowing for void adjustments and exemptions was £43.796m (£42.317m in 2006/07).

3. PRECEPTS

The Precepts on the Collection Fund comprise the following:

	2007/08	2006/07
	£000s	£000s
Lewisham General Fund	85,376	83,022
Greater London Authority	26,156	24,761
	111,532	107,783

4. PREVIOUS YEAR'S COLLECTION FUND (SURPLUS)/DEFICIT

This item represents a contribution paid to preceptors during the year to distribute the Council Tax surplus on the Fund for the previous year (as estimated before year-end).

	2007/08	2006/07
	£000s	£000s
Lewisham General Fund	(16)	(21)
Greater London Authority	(5)	(5)
	(21)	(26)

5. PROVISION FOR IRRECOVERABLE COUNCIL TAX DEBTS

Contributions are made from the Collection Fund Revenue Account to a provision for bad and doubtful debts. During 2007/08, £3.740m was contributed to this provision (2006/07 - £3.981m) and £1.146m of irrecoverable debts were written off (2006/07 - £1.216m).

6. COLLECTION FUND (SURPLUS)/DEFICIT AT END OF YEAR

An in-year surplus of £0.031m has increased the brought forward surplus of £0.040m at the start of the year to a surplus of £0.071m at the end of the year.

Pension Fund Accounts

SECTION 4

**PENSION
FUND
ACCOUNTS**

2007/08

Pension Fund Accounts

PENSION FUND ACCOUNTS

INTRODUCTION

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

ORGANISATION

The Fund is operated under various sets of regulations made under the Superannuation Act 1972. The main sets of regulations are the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Administration) Regulations 2008. As at 31 March 2008, the Fund membership was 6,005 retired members, including the surviving spouse's of members (5,929 in 2006/07); 6,380 current employees (6,178 in 2006/07); and 5,815 deferred members (5,392 in 2006/07).

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

During the last twelve months a restructure of the Fund has occurred after the first rolling three year period had been completed following the last major restructure (November 2004). Following this the UK equity mandates with Capital International and UBS were terminated. UBS has been appointed to manage the transition to the new structure agreed at the Pensions Investment Committee on 24 January 2008. New mandates include changing Alliance Bernstein's mandate into a global equities portfolio (previously it excluded the UK) and appointing another global equity manager to manage approximately £100m of assets. Furthermore, a Hedge Fund of Fund manager will be appointed to manage circa 3% of the funds assets which equates to roughly £20m.

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

"www.lewisham.gov.uk/CouncilAndDemocracy/Finances/PensionsDocuments.htm".

ACCOUNTING POLICIES

The Pension Fund Accounts have been prepared in accordance with the 2007 CIPFA Code of Practice on Local Authority Accounting. The 2007 Code states that the Pension Fund Accounts should be prepared in accordance with The Financial Reports of Pension Schemes (the Pension SORP). From 1 April 2007 the Local Government Pension Scheme (Amendment) (No. 3) Regulations 2007 requires administering authorities in England and Wales to prepare a Pension Fund Annual Report which must include for each of those funds, the fund account and net assets statement with supporting notes prepared in accordance with proper practices. The Code summarises the Pension SORP and the minimum disclosure requirements.

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

- (a) Basis of Preparation - The Accounts have been prepared on an accruals basis, i.e. income and expenditure attributable to the financial year have been included, even where payment has not actually been made or received. The only exception being Transfer Values which are prepared on

Pension Fund Accounts

- a cash basis. The financial statements do not take account of liabilities to pay pensions and other benefits due after the period end; these are reported upon separately in the actuary's report.
- (b) Investments - Investments in the Net Assets Statement are shown at market value. 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.
- (c) Private equity investments are valued in accordance 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.
- (d) Contributions – As from the 11 April 2008 the Local Government Pension Scheme has changed the contribution rates for individual members' contributions to the scheme according to their salary (or the full time equivalent of their salary if they are part time). Previously there were two bands: 6% for officers and recently joined manuals and 5% for manual workers joining before 2001. From April 2008 there are seven bands ranging from 5.5% for members earning under £12,000 a year to 7.5% to members earning over £75,000 a year. The employer's contribution is reviewed every three years and is determined as the rate necessary to ensure that the Fund is able to meet its long-term liabilities. This is assessed at each triennial actuarial revaluation.
- (e) Actuarial – The adequacy of the Fund's investments and contributions in relation to its overall and future obligations is reviewed every three years by Actuaries appointed by the Council. The Council's Actuary, Hymans Robertson, assesses the Fund's assets and liabilities in accordance with Regulation 77 of the Local Government Scheme Regulations 1997. The contribution rate required for benefits accruing in future is assessed by considering the benefits which accrue over the course of the three years to the next valuation. The value of the fund as at the last valuation on 31 March 2007 was £734.5m which represented a 87% funding level. The valuation was based on the projected unit valuation method. This assesses the cost of benefits accruing to existing members during the year following valuation and allowing for future salary increases. The resulting contribution rate is adjusted to allow for any difference in the value of accrued liabilities (allowing for future salary increases) and the market value of assets. In order to value both liabilities which have accrued at the valuation date and those accruing in respect of future service the actuary has assumed that the Fund's assets will generate a return of 5.8%. The actuary set the employer contribution accordingly to recover the deficit over future periods. The actuarial review carried out for 31 March 2007 resulted in an increase to the Council's contribution rate from 18.5% to 19% with effect from 1st April 2008 and a further increase to 19.5% effective from 1st April 2009. A further increase to 20% will occur in 2010/11. The next actuarial valuation of the fund will have an effective date of 31 March 2010.
- (f) Investment Management and Administration - paragraph 42 of the Local Government Pension Scheme (Administration) Regulations 2008 permit the Council to charge the scheme's administration costs to the Fund. A proportion of relevant Council officers' salaries, including related on costs, has been charged to the Fund on the basis of actual time spent on scheme administration and investment-related business. The fees of the Fund's general investment managers are charged on a quarterly basis and are generally calculated as a set percentage of the market value funds under management as at the end of those quarters. The Council's administrative costs are shown in the Fund Account as part of expenditure.
- (g) Foreign currency translations are made using the WM/ Reuters exchange rate in the following circumstances:
- Purchase and sales: The foreign exchange rate applicable on the day prior to the trade date is used.
 - Stock holdings: The converted foreign exchange rate is used at stock valuation date.
 - Dividend receipts: The rate applicable on the day prior to the date the dividend is received is used.

Pension Fund Accounts

INVESTMENT PERFORMANCE**(i) 2007/08 Financial Year**

Lewisham's Pension Fund achieved a return on investment for the year of -8.5% compared with the benchmark return of 3.1%. The average return on investments achieved by all local authority pension funds was -2.8% for 2007/08. The volatility in all markets has affected all asset classes and the value of the fund as at the end of March 2008 has fallen to £677m.

(ii) Three Year (1 April 2005 to 31 March 2008) Average Performance

The average return on investment for Lewisham in the three year period to March 2008 was +7.3% p.a. This compares with +9.1% p.a. earned by the average local authority pension fund. Over the three years to March 2008 the upper benchmark return on investment was +9.7% p.a. The average investment return compared to previous periods is:

Three years to	Lewisham % p.a.	Average fund % p.a. for all Local Authorities	Top Quartile %
Mar-08	7.3	9.1	9.7
Mar-07	8.5	7.0	8.7
Mar-06	19.4	19.8	20.8

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

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

Fund	Assets	Assets value £m 31/03/08	Assets value £m 31/03/07	Proportion of the Fund (%) at 31/03/08
Manager				
UBS *	Bonds	119.3	258.9	17.6%
Capital International	UK Equities	0.4	173.9	0.1%
Alliance Bernstein	Global Equities incl. UK (from 07/08)	204.5	213.3	30.1%
Schroders Property	Property	74.2	81.1	11.0%
HarbourVest	Private Equity	16.3	4.9	2.4%
Legacy Stock	Venture Capital	0.4	0.4	0.1%
UBS passive equity	UK Tracker fund	140.1		20.7%
UBS transition	Assets under transition	124.3		18.4%
Lewisham	Cash	-2.9	2	-0.4%
Total Fund		676.6	734.5	100.0%

Note: Inception date was 1st November 2004.

* UBS assets under management in 2006/07 included bonds and UK equities mandates. Part way through 2007/08 their mandate was changed and now only holds bonds.

The absolute value of the Fund reduced during 2007/08 from £734.5m to £676.6m – a reduction of some £58m or 8%. This was due to falls in financial markets generally. The Actuarial Valuation at 31 March 2007 showed the funding level of the Fund to be 87% with a funding shortfall of £105.6m. Assuming that there was no increase in liabilities during 2007/08, which would not be the case, and for illustrative purposes only, the funding level of the Fund is likely to have fallen to 80% at 31 March 2008.

Pension Fund Accounts

FUND ACCOUNT FOR THE YEAR

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

	2007/08 £000s	2006/07 £000s	See Notes
<u>DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS</u>			
<u>DIRECTLY INVOLVED WITH THE SCHEME</u>			
Contributions Receivable:			
- from Employer	25,266	22,997	1
- from Employees	7,714	7,576	1
Transfer Values In	4,832	4,943	
Other Income	2	415	
Sub-Total: Income	37,814	35,931	
Benefits Payable:			
- Pensions	23,616	22,435	2
- Lump Sums: Retirement allowances	3,243	3,309	
- Lump Sums: Death grants	628	272	
Payments to and on account of leavers:			
- Refunds of Contributions	12	15	
- Transfer Values Out	4,357	3,984	
Administrative and other expenses borne by the scheme	830	547	3
Sub-Total: Expenses	32,686	30,562	
Total Net (additions) withdrawals from Dealings with Scheme Members	(5,128)	(5,369)	
<u>RETURNS ON INVESTMENTS</u>			
Investment Income	20,631	20,685	4
Change in market value of investments (realised and unrealised)	(79,766)	37,724	
Investment Expenses:			
- Fund Managers' Fees	(2,621)	(2,997)	
- Tax on Dividends	(1,203)	(1,600)	
Total Net Returns on Investments	(62,959)	53,812	
NET INCREASE / (DECREASE) IN THE FUND DURING THE YEAR	(57,831)	59,181	
OPENING NET ASSETS OF THE SCHEME	734,479	675,298	
CLOSING NET ASSETS OF THE SCHEME	676,648	734,479	

Pension Fund Accounts

NET ASSETS STATEMENT

The Net Assets Statement shows the market value of the investments and other assets held by the Pension Fund as at 31 March 2008.

	2007/08 £000s	2006/07 £000s	See Notes
INVESTMENT ASSETS			
EQUITIES:			
United Kingdom	116,824	296,407	
Overseas	159,667	182,298	
	276,491	478,705	5
MANAGED FUNDS:-			
Property	71,854	72,404	
Equities	196,361	52,037	
Bonds	118,658	105,669	
	386,873	230,110	6
CASH DEPOSITS	15,298	21,910	9
Other investments			
Debtors	1,866	3,198	8
Creditors	(129)	(412)	8
TOTAL INVESTMENTS	680,399	733,511	7
NET CURRENT ASSETS & LIABILITIES			
Debtors	163		
Creditors	(919)	(1,010)	
Cash in Hand	(2,995)	1,978	9
TOTAL NET ASSETS	676,648	734,479	
SUMMARY OF MOVEMENT IN NET ASSETS OF FUND			
Net Assets at Market Value at beginning of year	734,479	675,298	
Net New Money Invested	21,934	21,457	
Change in Market Value of Investments:			
- Realised	39,693	35,148	
- Unrealised	(119,458)	2,576	
NET ASSETS AT MARKET VALUE AT END OF YEAR	676,648	734,479	

Pension Fund Accounts

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

The administering employers contributed £1.051m (£0.982m for 2006/07) from the General Fund for early retirement cases.

Employer Contributions

	2007/08	2006/07
	£000s	£000s
Administering: normal	21,834	21,420
additional	1,106	982
special		
Admitted: normal	357	195
special		(175)
Scheduled	1,969	575
	25,266	22,997

Employee Contributions

	2007/08	2006/07
	£000s	£000s
Administering	7,195	7,298
Admitted	55	66
Scheduled	464	212
	7,714	7,576

2. BENEFITS PAYABLE

	2007/08	2006/07
	£000s	£'000
Retirement pensions: Administering	14,439	14,139
Admitted	76	28
Scheduled	80	29
Dependants' pensions	1,143	1,057
Pensions increases	7,878	7,182
	23,616	22,435

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

Benefit payments in respect of members of admitted and scheduled bodies were not material and are not disclosed separately in the accounts.

Pension Fund Accounts

3. ADMINISTRATION

	2007/08	2006/07
	£000s	£000s
Consultancy fees	263	112
Central Support Services	70	78
Scheme administration	439	310
CDC	58	47
	830	547

4. INVESTMENT INCOME

	2007/08	2006/07
	£000s	£000s
Interest on cash deposits	822	831
Equities (Includes Unit Trust Equity)	17,089	17,271
Other Managed Fund Income	2,720	2,583
	20,631	20,685

5. EQUITY INVESTMENTS

There is no single Equity investment greater than 5% of the total value of the fund. The final rows of the table show the total value of Equities and Equity Unit Trusts.

	2007/08	2006/07
	£000s	£000s
UK. INVESTMENTS		
- listed	116,684	296,270
- unlisted	140	137
TOTAL UK INVESTMENTS	116,824	296,407
OVERSEAS INVESTMENTS		
- United States & Canada	78,760	71,542
- Japan, Pacific & Emerging Markets	25,932	45,253
- Europe	54,975	65,503
TOTAL OVERSEAS INVESTMENTS	159,667	182,298
TOTAL EQUITY INVESTMENTS	276,491	478,705
Total Unit Trust Equity Investments	196,361	52,037
TOTAL EQUITY RELATED INVESTMENTS	472,852	530,742

Pension Fund Accounts

6. MANAGED FUNDS INVESTMENTS

The increase in managed funds in 2007/08 reflects a shift in Equities from Common Stock holdings to Equity Unit Trusts.

	2007/08 £000s	2006/07 £000s
Property	71,854	72,404
International Fixed Interest	18,502	25,890
UK Corporate Bond	24,757	23,796
UK Government Bond	32,824	26,602
UK Indexed Linked Bond	42,575	29,381
Unit Trust: UK Equities	185,704	17,193
Unit Trust: Overseas Equities	10,657	34,844
TOTAL MANAGED FUNDS INVESTMENTS	386,873	230,110
TOTAL EXCLUDING EQUITY UNIT TRUSTS	190,512	178,073

7. INVESTMENT ACTIVITY

During the year investment managers carried out the following transactions:

	2007/08 £000s	2006/07 £000s
Balance b/fwd (Book Cost)	561,084	499,436
Sales (Book Cost)	(221,167)	(105,478)
Purchases	295,095	167,126
BOOK COST AT YEAR-END	635,012	561,084
Net Debtor/Creditor	981	1,776
External cash deposits	15,298	21,910
Market value adjustment	28,352	147,731
MARKET VALUE AT YEAR-END	679,643	732,501

8. DEBTORS & CREDITORS

These consist of the following amounts:

(a) Debtors

	2007/08 £000s	2006/07 £000s
Equity Dividends/ Income from Manged Funds	1,638	2,947
Interest	36	96
Tax refunds	192	155
Contributions Due from ALMO	163	0
	2,029	3,198

Pension Fund Accounts

(b) Creditors

	2007/08	2006/07
	£000s	£000s
Fund managers fees	(919)	(1,010)
Tax due	(129)	(412)
	(1,048)	(1,422)

9. CASH DEPOSITS

The Cash Deposits relate 100% to UK Cash Holdings.

An analysis of Cash Deposits as at 31st March 2008 is as follows:

	2007/08	2006/07
	£000s	£000s
Northern Trust	15,298	21,910
Lewisham	(2,995)	1,978
	12,303	23,888

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

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

10. RELATED PARTY TRANSACTIONS

- a) The total employer's contributions of £25.266m (£22.997m – 2006/07) paid by Lewisham and other contributors are disclosed in the Fund Account.
- b) There are three educational institutions (Christ The King Sixth Form College; St Matthew Academy which joined in September 2007; and Haberdashers' Aske's Knights Academy) and Lewisham Homes (an Arms Length Management Organisation) which became a scheduled body to the fund on 22 January 2007, that have transaction with the Pension Fund. The total contribution in 2007/08 was £2.433m (£0.787m in 2006/07).
- c) There are 13 admitted bodies who had transactions with the Pension Fund, with total contributions to the fund of £412k. There were two new admitted bodies Phoenix and Inspace both in December 2007.
- d) The in-house administration cost and other expenses borne by the scheme was £830k.
- e) The fund had a deficit of £2.995m with the Council, the administering body for the Fund, as at 31 of March 2008, which reduced funds invested temporarily by the Council in the sterling money markets.

Pension Fund Accounts

11. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

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

	£000s
Value at 1 April 2007	992
Contributions & Transfers Received	101
Investment Return	(6)
Paid Out	(76)
Value at 31 March 2008	1,011

12. SCHEDULED BODIES

The following are scheduled bodies to the fund:

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

13. ADMITTED BODIES

The following are admitted bodies to the fund:

National Car Parks Ltd
 Excalibur Tenant Management Project
 PLUS
 Housing 21
 Lewisham Nexus Services
 Lewisham Way Youth and Community Centre
 Lewisham Park Housing Association
 SAGE Educational Trust
 Lewisham Elders Resource Centre
 CIS Securities
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Group Accounts

SECTION 5

**GROUP
ACCOUNTS**

2007/08

Group Accounts

GROUP ACCOUNTS

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

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

Group Income and Expenditure Account for the year ending 31 March 2008

2006/07	SERVICE	2007/08		
		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
6,458	Central services to the public	37,598	31,081	6,517
53,976	Cultural, environmental and planning services	75,859	23,902	51,957
74,250	Childrens' and education services	336,422	254,565	81,857
13,218	Highways, roads and transport services	19,277	8,182	11,095
13,094	Housing services	613,572	414,424	199,148
73,056	Adult social care	101,921	29,115	72,806
310	Court Services	310	0	310
7,499	Corporate and democratic core	7,011	572	6,439
8,025	Non distributed costs	6,966	0	6,966
249,886	Net Cost of Services	1,198,936	761,841	437,095
3,056	Loss on the disposal of fixed assets			12,409
1,704	Levies			1,696
25,300	Interest payable and similar charges			21,800
15,079	Contribution of housing capital receipts to Government Pool			9,014
2,617	Amortised premiums and discounts			34,948
29	Investment losses			0
(9,732)	Interest and Investment Income			(5,521)
2,734	Pensions interest cost and expected return on pensions assets			151
0	Corporation Tax			30
290,673	Net Operating Expenditure			511,622
(83,022)	Precept Demand on the Collection Fund			(85,376)
(21)	Transfer from Collection Fund for previous year's surplus			(16)
(25,741)	General government grants			(23,685)
(134,056)	Non-domestic rates redistribution			(141,132)
47,833	Deficit/(Surplus) for the Year			261,413

Group Accounts

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

	2007/08 £000s	2006/07 £000s
Deficit for the year on the Authority Income and Expenditure Account	261,589	47,833
Adjustments for transactions with other group entities	(18,552)	0
Deficit in the Group Income and Expenditure Account attributable to the authority	243,037	47,833
Deficit in the Group Income and Expenditure Account attributable to group entities	18,376	0
Surplus for the year on the Group Income and Expenditure Account	261,413	47,833

Group Statement of Total Recognised Gains and Losses

	2007/08 £000s	2006/07 £000s
Deficit for the year on the Income and Expenditure Account	261,413	47,833
Surplus arising on revaluation of fixed assets	(159,031)	(321,393)
Actuarial (gains)/losses on pension fund assets and liabilities	(49,071)	(68,637)
Collection Fund surplus	(31)	(188)
Prior year adjustments to fixed assets	13,474	0
Other (gains)/losses	484	(688)
Lewisham Homes opening Balance Sheet value	801	0
Total recognised (gains)/losses for the year	68,039	(343,073)

Group Accounts

Group Balance Sheet

	31/03/2008 £000s	31/03/2007 £000s
Fixed assets		
Operational assets		
Council dwellings	1,064,389	1,294,331
Other land and buildings	829,057	892,665
Vehicles, plant, furniture and equipment	17,949	13,847
Infrastructure	51,665	43,339
Community	6,893	4,684
Non-operational assets		
Investment properties	49,903	9,964
Assets under construction	28,918	33,492
Total fixed assets	2,048,774	2,292,322
Other long-term assets		
Long term investments	34,635	31,230
Long term debtors	1,745	1,701
Deferred premiums on early repayment of debt	0	15,457
Total long-term assets	2,085,154	2,340,710
Current assets		
Stocks	544	375
Debtors	34,591	54,618
Short term investments	97,586	99,300
Landfill usage allowance	486	714
Prepayments	105,288	5,286
Total current assets	238,495	160,293
Current liabilities		
Short term borrowing	25,380	78,306
Creditors	76,213	80,293
Bank overdraft and other cash holdings	6,426	8,108
Receipts in advance	50,763	40,264
Landfill usage - liability to DEFRA	381	608
Total current liabilities	159,163	207,579
Total assets less current liabilities	2,164,486	2,293,424
Long term liabilities		
Long term borrowing	295,296	311,454
Provisions	15,130	18,730
Deferred capital receipts	652	829
Government grants deferred	126,067	113,621
Deferred discounts on early repayment of debt	0	640
Liability related to defined benefit pension scheme	183,207	235,977
Total assets less liabilities	1,544,134	1,612,173

Group Accounts

Group Balance Sheet (continued)

	31/03/2008	31/03/2007
	£000s	£000s
Reserves and balances		
Revaluation Reserve	109,685	0
Capital Adjustment Account	1,509,165	1,738,051
Financial Instruments Adjustment Account	(10,247)	0
Usable Capital Receipts Reserve	18,550	25,012
Pensions Reserve	(183,373)	(235,977)
Revenue Reserves	72,970	60,329
BALANCES		
General Fund Balance	10,936	10,638
Housing Revenue Account	16,176	14,080
Lewisham Homes Reserves	201	0
Collection Fund	71	40
TOTAL EQUITY	1,544,134	1,612,173

Group Accounts

Group Cash Flow Statement

	2007/08	2006/07
	£000s	£000s
NET CASH INFLOWS FROM REVENUE ACTIVITIES	(42,184)	(27,524)
<u>Returns on Investments and Servicing of Finance</u>		
Cash Outflows		
Interest Paid	23,631	25,865
Cash Inflows		
Interest received	(4,684)	(11,669)
<u>Capital Expenditure and Financial Investment</u>		
Cash Outflows		
Purchase of fixed assets	104,715	84,880
Deferred charges	15,477	7,505
PFI Prepayments	8,478	1,115
Cash Inflows		
Sale of fixed assets	(20,157)	(26,833)
Capital grants and other capital cash received	(58,750)	(51,511)
NET CASH OUTFLOWS BEFORE FINANCING	26,526	1,828
<u>Management of Liquid Resources</u>		
Net decrease in short term deposits	(3,313)	(72,100)
Net increase in long term deposits	0	31,230
<u>Financing</u>		
Cash Outflows		
Repayments of amounts borrowed	65,134	74,805
Cash Inflows		
New loans raised	(90,029)	(7,500)
New short term borrowing	0	(27,830)
NET INCREASE IN CASH	(1,682)	433

Group Accounts

NOTES TO THE GROUP ACCOUNTS**1. Method of preparation**

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

2. Lewisham Homes Limited

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

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

3. Lewisham Homes Limited's Accounts

At the time of publication of these accounts, Lewisham Homes Limited's Accounts for 2007/08 were in the process of being audited. Upon completion, their Statement of Accounts will be obtainable from:

Lewisham Homes Limited
9 Holbeach Road
Cattford
London
SE6 4TW

4. Accounting Policies

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

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

This is a summary of the Lewisham Homes Limited transactions included in the 2007/08 Group Revenue Account:

	2007/08
	£000s
Operating Loss	351
Interest Receivable	(158)
Pensions Interest Cost and Expected Returns on Pensions Assets	(399)
Corporation Tax	30
	(176)

Group Accounts

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

This is a summary of the Lewisham Homes (LH) and London Borough of Lewisham (LBL) transactions included in the 2007/08 Group Balance Sheet after the elimination of intra-group transactions (the transactions that took place between Lewisham Homes and the council):

	LBL £000s	LH £000s	Total £000s
Fixed Assets	2,048,741	33	2,048,774
Debtors	34,475	116	34,591
Bank Overdraft	(7,764)	1,338	(6,426)
Creditors	(74,408)	(1,805)	(76,213)
Pension Liability	(184,421)	1,214	(183,207)

Group Accounts

7. Reconciliation of Group Cash Flow

	2007/08 £000s	2006/07 £000s
Net Deficit on the Group Income & Expenditure Account	261,413	47,833
Collection Fund Deficit/(Surplus)	(31)	(188)
Less: Non-Cash Transactions		
Contributions (to)/from Provisions	3,600	(6,543)
Deferred Premiums/Discounts on Early Repayment of Debt	9,014	(3,124)
Interest payable/receivable adjustments	1,764	0
Landfill Liability	227	(310)
Landfill Usage Allowance	(228)	388
Depreciation and Impairment of Fixed Assets	(331,746)	(16,104)
Government Grants Deferred Amortisation	124,729	9,897
Write Downs of Deferred Charges to be Financed From Capital Resources	(15,477)	(10,774)
Amortisation of HRA Premiums & Discounts	(32,381)	373
Net Loss on Sale of Fixed Assets	(12,228)	(2,410)
Net Charges made for Retirement Benefits in accordance with FRS17	(24,839)	(30,837)
Employers Contributions to the Pension Fund and Retirement Benefits payable direct to Pensioners	29,339	27,103
Transfer from Major Repairs Reserve	(20,439)	(22,488)
Less: Items Included as Accruals		
Increase/(Decrease) in Long-Term Debtors	269	187
Increase/(Decrease) in Stocks & Work in Progress	169	60
Increase/(Decrease) in Debtors	(15,742)	(113)
Increase/(Decrease) in Prepayments	791	(1,861)
(Increase)/Decrease in Creditors	1,314	366
(Increase)/Decrease in Receipts in Advance	(2,755)	(4,783)
Less: Financing Items	(18,947)	(14,196)
Net Cashflow from Revenue Activities	(42,184)	(27,524)

SECTION 6

**ANNUAL
GOVERNANCE
STATEMENT**

2007/08

Annual Governance Statement

ANNUAL GOVERNANCE STATEMENT

1. Scope of responsibility

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

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

Lewisham has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at <http://www.lewisham.gov.uk/CouncilAndDemocracy/AboutLewishamCouncil/CodeCorporateGovernance.htm>. This Annual Governance Statement (AGS) explains how the authority has complied with the code and also meets the requirements of regulation 4(2) of the *Accounts and Audit Regulations 2003* as amended by the *Accounts and Audit (Amendment) (England) Regulations 2006* in relation to the publication of a statement on internal control.

2. The purpose of the governance framework

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

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

The governance framework has been in place at Lewisham for the year ended 31 March 2008 and up to the date of approval of the annual governance statement and statement of accounts.

A summary of the governance framework

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

Annual Governance Statement

members and officers on the highest standards of ethical behaviour and well developed Codes of Conduct for both members and officers are in place. Members' and officers' roles are well defined and there is an effective working relationship between them. Financial decisions are tied to corporate priorities. The management of risk is handled at a corporate and directorate level and is overseen by an Internal Control Board which is independently chaired. The involvement and contribution made by the Constitution Working Party, the Standards Committee and the Audit Panel to provide a check on the Council's governance arrangements represent constructive and informative tools to ensure the robustness of the Council's arrangements.

3. Elements of the governance framework

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

The long-standing vision of the Council is: *Together, we will make Lewisham the best place in London to live, work and learn*. This was agreed following extensive consultation and adopted by the LSP as the vision statement for Lewisham's first Community Strategy, launched in 2003. This joint vision is promoted on the Lewisham website and in Council strategies, which are also published on the website. The Community Strategy was revisited in 2007/08 and published in 2008/09 as *Shaping our future: Lewisham's Sustainable Community Strategy (SCS) 2008-2020*. It was necessary to refresh the strategy in line with the recommendations of the Local Government White Paper, *Strong and Prosperous Communities* (2006) and the development of Lewisham's second generation Local Area Agreement (LAA) 2008-2011. During 2007/08 a number of events were held to identify resident's aspirations for Lewisham, and these priorities were fed into the SCS. The SCS details six key outcomes for the borough. Alongside this, the Council has 10 corporate priorities which set how the organisation will contribute to the delivery of the SCS.

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

The Lewisham Strategic Partnership is led by the LSP board which is chaired by Lewisham's directly-elected Mayor. Working with the LSP board are a series of thematic partnerships, each concentrating on a specific set of cross-cutting policy issues. The thematic partnerships bring together the relevant organisations and individuals to determine appropriate interventions and to ensure that joint-working results in the best possible outcomes. The LSP board and thematic partnership boards will now re-align focus around the 6 key outcomes set out in the new SCS. The plans which relate to the thematic boards, such as the Children and Young People's Plan, are monitored on a regular basis. The monitoring of such plans feeds up to the LSP board and into the wider monitoring of the new SCS.

The implications for the Council's governance arrangements were assessed through the review of the Local Code of Corporate Governance at the Standards Committee (10th May 2007) and at Council (23rd May 2007). Further to this, on an ongoing basis, the work of the Constitution Working Party and the Internal Control Board addresses governance issues arising out of the Council's vision for the area. The Audit Commission Corporate Assessment Report published on the 16th October 2007 made the following comments: 'ethical standards are high, relationships between Councillors and staff are very good and the culture is user-focused and free of in-fighting', and 'ethical standards are high and relationships between Councillors and Officers excellent.' In addition, in its 2007 Direction of Travel statement, the Audit Commission noted that, in Lewisham, 'robust corporate governance arrangements continue to operate'.

Annual Governance Statement

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

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

Lewisham has a successful record in performance management. The LAA is an excellent example of how the Council and its partners have put in place sustainable systems to progress towards our vision to make Lewisham the best place in London to live, work and learn. Quarterly performance reports are reviewed by the LSP which profile performance by exception and direction of travel.

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

The quality of services for users is also measured through satisfaction surveys and information from the complaints management and resolution process. The Council's complaints procedure is publicised on the web and through leaflets made available to the public. The Council has taken active steps to improve its complaints procedure. An Independent Adjudicator at Stage 3 of the complaints process was made permanent in November 2007. A review of casework in 2007 has led to the development of actions to improve complaints management. A new complaints management system is now live and being implemented across the Council. This will enable information relating to complaints to feed into service development and design.

Value for Money (VfM) is integral to the budget strategy. The strategy is predicated on ensuring that the council is delivering good VfM. VfM issues are considered by the Chief Executive's Efficiency Board and the Efficiency Programme Board, which provide a strategic and operational steer on delivering efficiency and VfM respectively. Recently a VfM matrix, combining financial data with performance information, has been produced to drive further VfM activity. Measuring and delivering VfM forms an integral part of the service planning process. Services are asked to include a VfM section within their service plan, which sets out unit costs and performance compared to our nearest neighbours.

Annual Governance Statement

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

The Council's Constitution sets out the roles and responsibilities of Members, both generally and specifically (i.e. the Mayor, Chair of Council, the Council as a whole, the Executive, Overview and Scrutiny committees, Standards Committees etc.) This appears both in the Articles and in more detail throughout the Constitution.

In achieving accreditation under the London Member Development Charter in 2007/08, the Council has agreed a range of role descriptors for members according to the role they fulfil (i.e. executive/community representative/overview and scrutiny etc) and has put in place a personal development scheme to enhance member capability in those roles. Officers support all Members in the performance of their roles and this is detailed in the Constitution. The roles of the statutory officers are also set out at Article 14 of the Constitution and in detailed job descriptions. The Schemes of Delegation by both the Mayor and the Council are appended to the Constitution at Part 7.

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

The Council adopted an amended Member Code of Conduct in July 2007 to comply with new legal requirements. It complies with all statutory provisions and is appended to the Constitution at Part V. It appears on the Council's website, on the intranet and is well publicised. A comprehensive training programme on the Codes of Conduct was delivered by the Head of Law (Monitoring Officer) for all members of the Council, with specific training for the Standards Committee (July, September, October 2007).

Monitoring Officer advice is regularly sought by members in relation to potential Code of Conduct issues. The Standards Committee reviewed compliance with the Member Code of Conduct on 22nd November 2007. Levels of compliance are high. The Council has in place an Employee Code of Conduct which complies with all legal requirements and is appended to the Constitution at Part V. Further training for Heads of Service on the new Code of Conduct took place in April 2008 to advise officers of changes to the investigation of complaints.

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

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

Reviewing and updating standing orders, standing financial instructions

There are written financial regulations in place which have been formally approved, regularly reviewed and widely communicated to all relevant staff. The financial control manual was updated and re-issued in 2007/08. Alongside this, the financial awareness training programme for staff was updated for 2007/08. These will be updated again in 2008/09 to align with the successful implementation of e-procurement.

Annual Governance Statement

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

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

The Constitution provides for the Council to have a Constitution Working Party (CWP) to advise it on the operation of its constitutional arrangements. In practice, the procedure rules set out in the Constitution are under constant review to reflect changing needs. During 2007/8, the Council accepted the recommendations of the CWP in relation to procedures to be followed on such matters as the tendering process and e-auctions, motions, standards committee composition and answering members' questions.

The processes and controls required to manage risks

There is a robust framework in place to manage risks. All services must now include a comprehensive risk register within service plans. Risk registers are monitored quarterly at directorate level. Key risks within the directorate and corporate risk registers are subject to quarterly review by the Risk Management Working Party and also the Internal Control Board, which has operated since early in 2004. The Internal Control Board is chaired by an independent 'non executive' person (Bill Roots, a former London local authority Chief Executive) and comprises the Executive Management Team, Head of Law (Monitoring Officer), Head of Audit and Risk and Group Manager for Insurance and Risk. Risks are updated quarterly and are tracked through the monthly management report which summarises key risks. The Risk Management Strategy is reviewed and updated on an annual basis and is agreed by the Internal Control Board and by the members through the Audit Panel. The Risk Management strategy is currently being revised to reflect the use of Performance Plus (the Council's new performance management system) as a key tool for the management of risk. This system is being rolled out at service level to embed the management of risk at all levels of the organisation.

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

Annual Governance Statement

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

The Audit Panel is made up of six elected members and three independent advisors and meets at least quarterly. A key role of the panel is to review and comment on the strategy, plans and resources of Internal Audit. Internal Audit progress reports are received by the panel on a quarterly basis summarising the audit reports issued and performance of the Internal Audit function. The panel receive the annual report of the Council's Head of Internal Audit.

The panel consider and monitor the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements. In terms of external assurance, the panel consider the external auditor's Annual Plan, other relevant external reports and reports to members. The panel then monitor management action in response to issues raised by external audit. The panel also approve the Council's annual Statement of Accounts.

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

The Head of Law (Monitoring Officer) regularly briefs EMT on corporate legislative developments (e.g. *Local Government and Public Involvement in Health Act 2007*, new ethical framework, corporate manslaughter). Legal advice is incorporated in every report and advice on proper process is a regular feature of legal advice. Where gaps or non-compliance are identified, appropriate action is taken (e.g. in response to Freedom of Information compliance issues, alternative procedural arrangements were put in place to enhance performance). Experienced professional legal staff are employed.

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

The Pensions Investment Committee will agree a Governance policy Statement by 1 August 2008 which sets out how the Committee exercises its fiduciary duty to members of the Pension Fund. The Committee's governance arrangements include the appointment of an independent Custodian Bank responsible for the safe custody of the Fund's assets, the appointment of an independent investment advisor, independent actuary and investment consultant. In addition, the Committee has recently revised its Statement of Investment Principles which complies with CIPFA's Pensions Panel Principles of Investment decision making.

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

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

Annual Governance Statement

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

The overall aim of the Members' Development Programme is to ensure that all members have access to the training and development opportunities they need to fulfil their responsibilities to the local community and provide clear leadership and effective scrutiny of local Council functions. Lewisham's approach to member development will continue to evolve and be informed by member input, evaluation of best practice, and an increasingly personalised approach to member development and support to both the Mayor and elected Councillors. Future plans for Member Development in Lewisham include: continued offer of personal development planning (PDP) and coaching opportunities for Members to help identify learning and development priorities and to enhance Members' professional expertise; piloting a 360 degree PDP/review process; and, trials of innovative ways of delivering training opportunities to Members, such as co-ordinated development days where a series of key learning and development events are delivered concurrently in an entire day.

The Head of Personnel and Development has responsibility for the development needs of senior officers. The Monitoring Officer also plays a key role in ensuring that senior officers are aware of their statutory duties and changes in legislation.

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

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

A major new initiative starting 2007/08 was the introduction of Local Area Assemblies. These assemblies replace area forums as a means for local people to come together to identify priorities and influence what happens in their area. Local assemblies are intended to complement and build on existing engagement, using the diversity of local communities and existing structures to reflect local circumstances, bring citizens together and connect the range of activity within each ward.

Underpinning these arrangements is the Council's Consultation and Engagement Strategy which is currently being refreshed and will be published at the end of 2008. Internal structures for the management of communication and consultation were re-aligned in 2007/08. The Consultation and Communication Board has now been set up to provide a strategic steer on the communication and consultation agendas within the Council via progression of an annual work programme. Underneath this overarching board sit two operational steering groups for consultation and communication.

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

Annual Governance Statement

The Council acts in a number of partnerships with a view to improving the quality of life for local people. These partnerships take a variety of forms, from large scale contracting, as in the case of the Building Schools for the Future programme, to strategic alliances such as the Lewisham Strategic Partnership. The Council has used the Audit Commission report on the governance of partnerships to provide a framework to assess its arrangements in relation to partnership working. During 2007, the Head of Law (Monitoring Officer) conducted an exercise in relation to several of the most significant partnerships in the borough and reported those findings to the Internal Control Board, which welcomed the report and requested further work by EMT during 2008/9. Though there is evidence of very good practice in terms of partnership governance, this work remains in development and is recognised as an area for focus in the coming year.

4. Review of effectiveness

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

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

- Consideration by Internal Control Board of governance issues – including partnerships and internal audit reports.
- Whilst the Audit Commission rated the Internal Audit service as scoring 1 out of 4 for the Use of Resources assessment (2007), the Audit Panel continues to receive the annual Internal Audit report which details the Head of Audit & Risk's opinion on the Council's overall control environment.
- The Audit Panel and Public Accounts Committee both receive the Internal Audit Strategy, this sets the context within which more detailed plans can be developed. The Internal Audit Strategy is reviewed on an annual basis.
- The Internal Audit Strategy underpins the internal audit planning process. The Head of Audit and Risk determines and prepares a plan of audit coverage to be achieved in the forthcoming year, based primarily on an assessment of the Council's risk profile. The plan is approved by the Audit Panel.
- Executive Management Team (EMT) consider a full range of governance issues throughout the year, including issues relating to the improvement of the Internal Audit Service. EMT scrutinise performance and risk regularly and ensure management action where necessary.
- The Standards Committee input into new procedures for local investigation of complaints of breach of the Member Code of Conduct and reviews of compliance with Codes of Conduct, Register of Interests, Gifts and Hospitality.

Annual Governance Statement

- The Independent Remuneration Panel considered Councillor performance on 31st October 2007. The Cross Party Steering Group on Member Development considered Councillor performance on 1st April 2008 and referred their views to the Constitution Working Part (CWP). The CWP considered this issue on the 10th April 2008.
- Consideration of external audit reports conducted in year by Mayor and Cabinet and relevant Select Committees.
- Constitution Working Party recommendations to full Council to update procedure rules to reflect changing needs.
- Decisions by Council to reflect CWP recommendations (e.g. 11th February 2008).

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

- Kath Nicholson: Head of Law and Monitoring Officer
- Troy Robinson: Senior Lawyer
- David Gallie: Head of Corporate Resources
- Barrie Neal: Head of Corporate Policy and Governance
- Ray Gard: Head of Audit and Risk
- Paul Aladenika: Strategic Programme Manager
- Geraldine England: Principal Policy Officer

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

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

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

- A review of the Council's Local Code of Corporate Governance by the Standards Committee (15th May 2008) with reference to CIPFA/Solace Guidance and a referral to full Council.
- The preparation of a draft annual governance statement by the team, to be considered in draft by EMT on 3rd June 2008, together with collation of evidence of assurance. Where any gaps have been identified in evidence gathering, these are addressed in the action plan outlined in

Annual Governance Statement

Appendix 1. EMT also consider the outcome and action plans of external inspections and audit, using those to address any significant governance issues for the future.

- Preparation of the Accounts and Annual Audit letter and consideration of these and the Annual Governance Statement by the Council's Audit Panel on 23rd June 2008.
- Referral to full Council with Statement of Accounts, and advice from Audit Panel 30th June 2008.
- Sign off by the Chair of the Council and Chief Executive, once approved.

5. Significant governance issues

Actions taken to deal with governance issues during the course of 2007/08 are referred to at section 3 of this statement.

We propose over the coming year (2008/09) to take steps to address significant governance issues which have been identified through the annual review and through external assessment and inspection. These issues are set out at Annexe 1 along with the actions proposed to address the need for improvement.

We intend to monitor their implementation, operation and effectiveness as part of our next annual review. To do this regularly throughout 2008/09 it is proposed that the officer team dealing with governance arrangements meet quarterly and report on progress to the EMT/Internal Control Board and/or Audit Panel on relevant issues.

Signed: Barry Quirk

Chief Executive
30 June 2008

Signed: Cllr Barrie Anderson

Chair of Council
30 June 2008

Glossary of Terms and Acronyms Used in the Accounts

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

2007/08

Glossary of Terms and Acronyms Used in the Accounts

TERMS USED IN THE ACCOUNTS

ACCRUALS	Amounts included in the accounts to cover income and expenditure attributable to the financial year, but for which payment had not been received or made as at 31 March.
CAPITAL CHARGE	A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services. The charge is for notional interest (to represent the cost of tying up resources in those assets) and may include depreciation (intended to represent the cost of using the asset).
CAPITAL EXPENDITURE	Payments on the acquisition or enhancement of assets which are considered to be of benefit to the authority over a period of more than one year, e.g. land and buildings.
CAPITAL ADJUSTMENT ACCOUNT	Represents a store of capital resources set aside to meet past expenditure.
CAPITAL RECEIPTS	Income received from the sale of land, buildings and plant.
COLLECTION FUND	A separate account into which Council Tax and National Non-domestic Rates are paid in order to meet payments due to the Council's General Fund and Preceptors (currently the Greater London Authority).
CONTINGENT LIABILITY	A possible liability to future expenditure at the balance sheet date dependant upon the outcome of uncertain events.
CREDITORS	Amount of money owed by Lewisham for goods or services received.
DEBTORS	Amount of money owed to Lewisham by individuals and organisations.
DEFERRED CHARGES	Expenditure of a capital nature, met from borrowing, but where there is no tangible asset e.g. improvement grants. This includes loans outstanding on assets sold in cases where the sale proceeds were used for new capital investment.
DEPRECIATION	The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.
EARMARKED RESERVES	Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.
GENERAL FUND	The account which summarises the revenue costs of providing services, which are met by the Council's demand on the Collection Fund.
INFRASTRUCTURE	A classification of fixed assets which have no market value and which exist primarily to facilitate transportation and communication requirements (e.g. roads, street lighting).

Glossary of Terms and Acronyms Used in the Accounts

LEASES	<p>There are two types of leases:</p> <p>Finance lease - Transfers the risks and rewards of ownership of an asset to the Lessee and at the end of the lease term substantially all the asset value and interest payments have been paid.</p> <p>Operating leases - The Lessor is paid rental for the hire of an asset for a period that is substantially less than the useful economic life of the asset.</p>
MEMORANDUM ACCOUNT	<p>These Accounts are not part of the Council's formal statutory Accounts and are included in the Statement for added information.</p>
MINIMUM REVENUE PROVISION	<p>The minimum amount which must be charged to an authority's revenue account each year for principal repayments on loans .</p>
NATIONAL NON-DOMESTIC RATE (NNDR)	<p>National Non-Domestic Rate (NNDR) is set by the Government and collected by each authority and paid into the central pool. The Government in turn pays back to the authorities their share of the pool on a standard amount per head of population.</p>
PRIVATE FINANCE INITIATIVE	<p>A central government initiative whereby contracts are let to private sector suppliers for both services and capital investment in return for a unitary payment, which may be reduced if performance targets are not met.</p>
PRECEPT	<p>These are demands made upon the Collection Fund by the Council's General Fund and the Greater London Authority in accordance with its demand.</p>
PROVISIONS	<p>An amount set-aside for any liability or loss, which is likely to be incurred, but where the exact amount and date on which they will arise is uncertain.</p>
REVALUATION RESERVE	<p>Represents a store of gains on revaluation of fixed assets not yet realised through sales.</p>
REVENUE SUPPORT GRANT	<p>The main grant paid to local authorities by the Central Government in aid of local services generally.</p>
REVENUE EXPENDITURE	<p>Day-to-day payments on the running of Council services, e.g. salaries, wages, supplies and services, and debt charges.</p>
SMART TARGETS	<p>Targets that are Specific, Measurable, Achievable, Relevant and Time-oriented.</p>
SUPPORT SERVICES	<p>Activities of a professional, technical and administrative nature which are not local authority services in their own right, but support main front-line services.</p>

Glossary of Terms and Acronyms Used in the Accounts

ACRONYMS USED IN THE ACCOUNTS

BVACOP	Best Value Code of Practice
BVR	Best Value Review
CDC	Corporate and Democratic Core
CIPFA	Chartered Institute of Public Finance and Accountancy
DCSF	Department for Children, Schools and Families
DEFRA	Department for Environment, Food and Rural Affairs
DSG	Dedicated Schools Grant
Ex-ILEA	Ex-Inner London Education Authority
FRS	Financial Reporting Standard
HRA	Housing Revenue Account
I&E Account	Income and Expenditure Account
LAA	Local Area Agreement
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LEP	Local Education Partnership
LSP	Local Strategic Partnership
MRP	Minimum Revenue Provision
OSCP	Other Services Capital Programme
PCT	Primary Care Trust
PFI	Private Finance Initiative
SMGFB	Statement of Movement on the General Fund Balance
SORP	Statement of Recommended Practice
SSAP	Statement of Standard Accounting Practice
STRGL	Statement of Total Recognised Gains and Losses
VAT	Value Added Tax

ANNEXE 1

**SIGNIFICANT
GOVERNANCE ISSUES –
ACTION PLAN**

2007/08

Annexe 1

SIGNIFICANT GOVERNANCE ISSUES – ACTION PLAN

Issue	Action	AGS criteria	External assurance link	Desired outcomes	Timescales	Lead officer
AGS area: Performance management arrangements are in place						
Data quality Ensure that good corporate management arrangements for data quality are embedded at the directorate level	The council has a strong corporate data quality policy. An action plan has been developed based on the recommendations of the 2006/07 data quality management arrangements audit. As part of preparations for the audit 2007/08 the data quality policy will be expanded at a directorate level. This will require directorate statements of data quality and action plans. Additional audit functions will be provided corporately.	Objective 1: Step 4, Point 1	Annual Audit Letter 2008	A consistent approach to data quality management arrangements promoted across the organisation.	Dec 2008	Barrie Neal
AGS area: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area						
Renewal of Sustainable Community Strategy (SCS) 2008-2020 and LAA 2008-2011	The SCS 2008-2020 and LAA 2008-2011 were agreed at Full Council on the 21 st May 2008. The LSP will now realign its focus against the six key outcomes set out in the new draft SCS. All partners will work towards the collective achievement of these outcomes.	Apply the 6 CIPFA / SOLACE core principles. Objective 1: Step 1, Point 1 & 2		The LAA is the delivery plan for the SCS. Progress against LAA targets will determine success against the 6 key outcomes of the SCS.	The LAA will be monitored on a regular basis by the LSP thematic partnerships and on an annual basis by the LSP.	LSP

Annexe 1

<p>The Council's relationship with voluntary sector organisations</p>	<p>The Council continues to manage its governance arrangements with voluntary sector organisations through the LSP and LAA – specifically the Stronger Communities Partnership Board.</p>	<p>Apply the 6 CIPFA / SOLACE core principles. Objective 1: Step 1</p>	<p>CAA</p>	<p>The Stronger Communities Partnership Board continues to effectively develop and promote the role of the voluntary sector in Lewisham.</p>	<p>Ongoing</p>	<p>LSP</p>
<p>Improving complaints Improve resolution of complaints</p>	<p>The Council has taken active steps to improve the resolution of complaints. An Independent Adjudicator at Stage 3 of the complaints process was made permanent in November 2007. A review of casework in 2007 lead to the development of actions to improve complaints management. A new complaints management system is now live and being implemented across the Council. This will enable information relating complaints to feed into service development and design.</p> <p>New complaints procedure for Standards Committee A new regime for the investigation of complaints came into place on the 8th May 2008. Allegations of a breach of the Member Code of Conduct will be referred initially to the Local Standards Committee instead of the National</p>	<p>Apply the 6 CIPFA / SOLACE core principles. Objective 1: Step 1, Point 6</p>	<p>CAA</p>	<p>Successful implementation of the new complaints management system</p> <p>Complaints information shapes service development and design.</p> <p>The Standards Committee are supported to deal effectively with complaints locally.</p>	<p>2008/09</p> <p>Ongoing</p>	<p>Ralph Wilkinson</p> <p>Kath Nicholson</p>

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	Standards Board for England. Legal Services will be providing support to the Standards committee to enable this new system to work effectively.					
Value for Money Continue to embed the requirement for achieving and improving value for money	The council's budget strategy is built on ensuring that the council is delivering good value for money. A VfM matrix, combining financial data with performance information, has been produced to drive further VfM activity. Measuring and delivering VfM forms an integral part of the service planning process. Services are asked to include a VfM section within their service plan which sets out unit costs and performance compared to our nearest neighbours.	Apply the 6 CIPFA / SOLACE core principles. Objective 1: Step 1, Point 7	UoR / Annual Audit Letter	The council is delivering services that are good Value for Money.	Ongoing	CEX Efficiency Board
AGS area: Members and officers working together to achieve a common purpose with clearly defined functions and roles						
Governance of partnerships	During 2007, the Head of Law conducted an exercise in relation to several of the most significant partnerships in the borough and reported those findings to the Internal Control Board, which welcomed the report and requested further work by EMT during 2008/09. Though there is evidence of very good practice in terms of partnership governance, this work	Apply the 6 CIPFA / SOLACE core principles. Objective 1: Step 2, Points 12 & 13		EMT address the recommendations of the Internal Control Board discussion on partnerships (April 2008) and continue to ensure that significant partnerships are governed effectively in line with Lewisham's values, procedures and processes.	Ongoing	EMT

Annexe 1

	remains in development and is recognised as an area for focus in the coming year.					
AGS area: Developing the capacity and capability of members and officers to be effective						
Effectiveness of scrutiny and member development	The Overview & Scrutiny Unit has been restructured to build on recent improvements and address the growing complexity of emerging work areas affecting Overview & Scrutiny. It is envisaged that the introduction of more senior officer capacity, alongside the use of project planning and management techniques, will lead to more effective advice and support for the development and delivery of a comprehensive work programme. Following accreditation against the Member Development Charter, Lewisham's approach to member development will continue to evolve. Future plans for Member Development in Lewisham include: Continued offer of personal development planning (PDP) and coaching opportunities for Members to help identify learning and development priorities and to enhance Members' professional expertise; piloting a 360 degree PDP/review process; and, trials of innovative ways of delivering training opportunities to	Apply the 6 CIPFA / SOLACE core principles. Objective 1: Step 5	CAA	Members effectively scrutinising council business. Members take up the offer of PDPs and training opportunities.	Pilot for PDPs – autumn 2008. Evaluation at Cross Party Steering Group for member development to follow. Training for members delivered by end of 2008/09.	Barrie Neal

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	Members, such as co-ordinated development days where a series of key learning and development events are delivered concurrently in an entire day.					
Development of new consultation and engagement strategy	The current Consultation and Engagement Strategy is being refreshed and will be published in Autumn 2008. This Strategy will build on the messages of the Local Government White Paper " <i>Strong and Prosperous Communities</i> " (2007) and the forthcoming Local Government White Paper " <i>Empowering Local Communities</i> " (2008)	Apply the 6 CIPFA / SOLACE core principles. Objective 1: Step 6		<p>Citizens will be better informed about their local services and know what is happening in their local area and how they can make a difference (<i>informed</i>)</p> <p>Citizens will contribute to decisions affecting their local area and the way in which services are delivered (<i>consulted</i>)</p> <p>Citizens will play an active part in how their area develops and help set local priorities and budgets (<i>involved</i>)</p>	It is anticipated that the strategy will be signed-off by the LSP in early 2009.	Kevin Sheehan
Engagement of Older People	The current Ageing Well Strategy and action plan is in development. The Cabinet champion for older people has an advisory group of older people who are leading on developing the Action	Apply the 6 CIPFA / SOLACE core principles.		The Ageing well strategy is finalised and actions are implemented and monitored.	End 2008	CAA

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	Plan of the Strategy. In addition, the Strategy itself sets out plans for ongoing consultation with older people and a key outcome within the strategy is 'consulted and informed'.	Objective 1: Step 6				
AGS area: The authority has robust systems and processes in place for the identification and management of strategic and operational risk						
Risk management Risk management needs to be embedded at the service level, utilising the service planning process and the Council's new performance management system – Performance Plus	In 2007/08 risk management was embedded into the Council's performance management and service planning frameworks. During the year the Council started to use the risk management module of the Performance Plus application which has helped focus attention on risks through out the Authority. In 08/09 further work will be undertaken to develop risk management through Performance Plus and to roll this out at a service level. Guidance and training for services is being developed. A series of risk management workshops will be run with the lead officers in each directorate to encourage service managers to challenge how they identify and manage risk. The Risk Management Strategy is being refreshed to reflect the use of Performance Plus as a risk management tool.	Objective 2: Step 1	UoR	Robust risk registers produced and maintained for each service. Service operational risk registers underpin the Directorate strategic risk registers. Operational and strategic risk registers reviewed periodically during the year. Services using Performance Plus to manage risk in a comprehensive and consistent manner.	End 2008/09	Ray Gard / Directorate Lead Officers for Risk

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	The Council is continually embedding a comprehensive approach to risk management for major projects and programmes (outside of capital programmes). All major programmes are now managed using Microsoft Project and all major projects follow Prince2 project management methodologies.					
Asset management Improve management of the Council's asset base	The asset management function has been restructured to effect a new capacity to deliver this important agenda. Progress is reported to EMT on a regular basis and all capital programmes are managed in line with Microsoft Project (Managing Successful Projects - MSP).	Objective 2: Step 1	UoR	Capital programmes are successfully project managed using designated standards and techniques identified through MSP.	Ongoing	Steve Gough
Debtors Following a best value review of financial management and an Internal Audit review of debtors, the debt raising and recovery process across the	The Debtors function was centralised on the 1 st April 2008 and is now part of the Public Services Division. The focus of the project from April 2008 to September 2008 is: Performance Management: investigate and set up a performance management regime to monitor the Debtors collection team activity, show trends and allow comparisons to be made. To set up performance reporting to Head of Public Services, Heads of Resources, Executive Director for	Objective 2: Step 1, Point 1	SIC 0607	Performance management regime for Debtors successfully implemented.	September 2008	Ralph Wilkinson

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<p>Council needs enhancing to make it more effective.</p>	<p>Resources and relevant committees.</p> <p>Systems: complete the systems arrangements for Debtors.</p> <p>Procedures: complete the review and implementation of Debtors procedures. This includes a review of the recovery procedures for each type of debt.</p> <p>Organisational Structure: complete the implementation of the Debtors staff structure - many staff are temporary pending the completion of the Resources Best Value Review restructure.</p> <p>Audit recommendations: implement Audit recommendations.</p>			<p>Completion of systems arrangements for Debtors</p> <p>Updated Debtors procedures implemented.</p> <p>New staffing structure in place for Debtors</p> <p>All Audit recommendations implemented</p>	<p>September 2008</p> <p>September 2008</p> <p>September 2008</p> <p>September 2008</p>	
<p>AGS area: The authority has a robust system of internal control which includes systems and procedures to mitigate principal risks</p>						
<p>Internal audit Need to maintain the current focus on internal audit and ensure that the Council's internal audit function operates in</p>	<p>The 07/08 Audit Plan was more ambitious in addressing the key areas of risk and concern for Directorates. As at the end of 07/08, a much larger proportion of planned internal audits had been undertaken compared with previous years which is a significant improvement. However there are still significant issues to be resolved if the Internal Audit service is to become</p>	<p>Objective 3 - Step 1</p>	<p>UoR Annual Audit Letter</p>	<p>Internal Audit service to be outsourced to an external provider.</p>	<p>First half of 08/09</p>	<p>Ray Gard</p>

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accordance with the CIPFA Code of Practice for Internal Audit in Local Government.	fully compliant with the CIPFA Code of Practice for Internal Audit in Local Government and the External Auditor feels that they can place reliance on the work of Internal Audit. To resolve these issues, the Internal Audit service will be outsourced to an external provider. This will be completed by the first half of 08/09. The 08/09 Audit Plan will be based on the capacity gained through outsourcing.					
Management of performance against budgets Improve the quality of Internal Audit reports when testing financial information systems	Significant progress in improving the quality of Internal Audit reports relating to key financial systems has been achieved during 07/08. During 07/08 the Council engaged the services of Deloitte and Touche PSIA to undertake the majority of the key financial systems. This arrangement will continue during 2008/09 until the point when the whole Internal Audit service transfers to an external provider.	Objective 3: Step 1, Point 1	UoR	Internal Audit service to be outsourced to an external provider. External Auditor can place reliance on the work carried out by the Internal Audit service on the key financial systems	End of 08/09	Ray Gard
Business Continuity Plans Review and strengthen BCPs	The Council has made significant progress on Business Continuity Plans (BCP). A Business Continuity Manager has been employed and governance arrangements agreed at all levels of the organisation.	Objective 3: Step 1, Point 9		Business Continuity Plans are reviewed annually and updated when lessons are learnt from incidents.	Ongoing	Ralph Wilkinson

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	<p>Currently Lewisham is strengthening ICT recovery plans, developing the way vulnerable people are dealt with in an incident, supporting education colleagues in schools business continuity arrangements, and reviewing the prioritisation of services.</p> <p>The Council will continue to promote and champion business continuity to the business and voluntary communities within the borough, through the launch of a new website, facilitating exercises with town centre managers and business's, and creating /strengthening links through the business advisory service and chambers of commerce. In November 2007 a Council wide exercise was conducted to test BCP arrangements. The exercise was also attended by the Council's main partner agencies (health, Police and Fire Brigade). The learning from the exercise has been written up, agreed by the EMT and developed into action plans for 2008/09. Further Council wide exercises will take place every 18 months, complimented by service level exercises throughout the year.</p>					
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Annexe 1

Health & Safety Compliance and accreditation against BSOHSAS18001	The Corporate Health and Safety Team has now been restructured to provide the Council with a single focal point for Health and Safety. The Team are working with Directorates to enable them to become compliant and subsequently gain accreditation at BSOHSAS18001. It is anticipated that by autumn 08/09, three Directorates will have been assessed and achieved accreditation, with the remaining two achieving this by the end of the 08/09.	Objective 3: Step 1, Point 13		All Directorates to be compliant with BSOHSAS18001. All Directorates that are deemed to be ready for assessment achieve, BSOHSAS18001 accreditation.	End of 2008/09	Ray Gard / Executive Directors
ICT ICT and business continuity	There are risks to Council business continuity arising from the need for technology migration in 3 areas: In all 3 cases current technologies present capacity and/or reliability challenges : 1. Data storage: migration to a new 'Storage Area Network' 2. Communications: migration of the Internet connection to Docklands 3. Data and transaction processing: migration to a new 'SQL' database cluster. In respect of all 3 areas identified left, as of May 2008, procurements are complete, projects are initiated, and full migration is scheduled to be complete by September 2008.	Objective 3: Step 1		Full migration completed on key projects – data storage, communications and data and transaction processing.	September 2008	Simon Berlin

Annexe 1

<p>The housing service [including homelessness] Improve service performance and reduce the numbers of people in temporary accommodation</p>	<p>The Comprehensive Performance Assessment in 2007 identified that the Council is actively managing improvement in the housing service, including homelessness. There remain a number of key areas for action to ensure continuous improvement including securing significant additional investment for the homelessness service through the development and submission of invest to save proposals. Robust systems for the processing and management of homeless applications and the allocation of temporary accommodation are being put in place.</p>	<p>Objective 3: Step 1</p>		<p>Robust systems for the processing and management of homeless applications and the allocation of temporary accommodation are in place.</p> <p>Halve the number of people in temporary accommodation to 877</p>	<p>April 2009</p> <p>2010</p>	<p>Lesley Seary</p>
AGS area: Evaluate assurances and identify gaps in control / assurances						
<p>Ongoing review of the Annual Governance Statement</p>	<p>The AGS working party will continue to meet on a regular basis through 2008/09 to review progress against the Annual Governance Statement Action Plan.</p> <p>The Local Code of Corporate Governance will also be updated in line with the new CIPFA/ SOLACE Good Governance dimensions as agreed at the Standards Committee on the 15th May 2008.</p>	<p>Objective 5,6,7,8</p>		<p>The AGS working party act as an effective body to ensure the ongoing review and improvement of governance arrangements.</p>	<p>Quarterly meetings in 2008/09</p>	<p>Kath Nicholson, Ray Gard, David Gallie, Barrie Neal.</p>

ANNEXE 2

**CORPORATE
SUSTAINABILITY**

2007/08

Annexe 2

CORPORATE SUSTAINABILITY

Lewisham Council is committed to making the borough a cleaner, safer and more attractive place to live and work. Part of that commitment involves taking a lead in ensuring an efficient and sustainable use of resources, including minimising the Council's impact on the environment.

The following table includes indicators showing the use of a range of resources through Council operations:

	2005/06	2006/07	2007/08	annual % change	
				2006/07	2007/08
Electricity (kWh)	5,627,535	5,281,263	4,896,222	-6.15%	-7.29%
Gas (kWh)	6,304,785	5,061,095	5,388,627	-19.73%	6.47%
Water (m ³)	23,634	28,115	23,316	18.96%	-17.07%
CO2 emissions (tonnes)	4,119	3,710	3,567	-9.93%	-3.85%
Paper purchased (tonnes)		139.46	142.50		2.18%
Paper recycled (tonnes)		141.85	140.60		-0.88%

Context and Achievements

- Lewisham Council was awarded Beacon Status in 2005/06 for its work on sustainable energy.
- 80% of the Council's electricity needs are met through renewable energy sources.
- Energy efficient lighting in the 2007/08 Town Hall refurbishment saves an estimated £3,000 annually.
- Since October 2007 the Council has used 100% recycled and unbleached paper (previously 80%).
- Office paper recycling facilities are being extended from the Town Hall and other buildings in the Catford complex across Council buildings.
- Facilities to recycle glass, plastic, cardboard and tins as well as paper are being installed in the Town Hall, Civic Suite, Laurence House and Capital House.
- Lewisham's vehicle fleet has reduced the amount of fuel consumed by 8% since 2002, despite an increase in overall mileage.
- The Council has a staff Environmental Champions scheme with over 100 volunteers from across different services.
- In 2006 the Council published a Green Procurement Guide for staff that has been cited as a model of good practice

Notes on data:

- Electricity, Gas and Waste figures covers the Town Hall, Civic Suite, Laurence House and Capital House.
- Paper purchased covers all sites.
- Paper recycling covers the Town Hall, Civic Suite and Laurence House and includes all office paper (i.e. not just paper purchased by the Council).

ANNEXE 3

**CAPITAL
EXPENDITURE
ANALYSIS**

2007/08

Annexe 3

CAPITAL EXPENDITURE ANALYSIS 2007/08

Directorates' Capital Programme:

	Actual Expenditure £000s	Forecast Budget £000s	Variation of Actual to Programme	
			£000s	%
Community Services				
Wavelengths Pool	2,799	2,700	99	4%
Forest Hill Library	812	924	(112)	-12%
Brockley Rise Pottery	620	530	90	17%
Moonshot Reopening	281	400	(119)	-30%
Manor House	448	282	166	59%
Aids & Adaptations	338	222	116	52%
Honor Lea Hostel	60	209	(149)	-71%
- Other projects	750	592	158	27%
Community Services Sub Total	6,108	5,859	249	4.2%
Resources				
Capitalisation Direction - Single Status	1,512	1,765	(253)	-14%
Capitalisation Direction - Redundancy	693	0	693	100%
- Other projects	238	284	(46)	-16%
Resources Sub Total	2,444	2,049	395	19.3%
Children and Young People (CYP)				
Grouped Schools PFI	13,370	13,091	279	2%
BSF	6,260	4,708	1,552	33%
Rushey Green School (Replacement) (TCF)	2,018	2,162	(144)	-7%
Dowderry Primary School - Ceiling replacement	1,921	1,947	(26)	-1%
Children's Centres Phase 2	1,030	1,837	(807)	-44%
Elfrida Remodelling Work (TCF)	1,282	1,239	43	3%
New Woodlands KS3 Extension	702	675	27	4%
NDS Capital Modernisation - Advance (2006-07)	404	675	(271)	-40%
Dowderry & Gordonbrock P1 Works	383	478	(95)	-20%
Children's Centres Phase 1	242	364	(122)	-34%
Lucas Vale School Roof	325	356	(31)	-9%
Schools Access Initiative Projects	329	345	(16)	-5%
Urgent work to Schools	272	280	(8)	-3%
Tidemill School (Replacement) (TCF)	245	250	(5)	-2%
Integrated Children's System	249	179	70	39%
- Other projects	391	189	202	107%
Children and Young People Sub Total	29,423	28,775	648	2.3%
CYP Schools				
Standards Fund Projects	3,439	2,202	1,237	56%
CYP Schools Sub Total	3,439	2,202	1,237	56%

Annexe 3

Directorates' Capital Programme (continued):

	Actual Expenditure £000s	Forecast Budget £000s	Variation of Actual to Programme £000s	%
Regeneration				
New Cross NDC Programme	1,751	3,983	(2,232)	-56%
TfL Programme	2,709	2,482	227	9%
Vehicle Purchase (Door2Door - 30 Vehicles)	1,797	1,797	(0)	0%
Lewisham Homes Office accommodation	1,803	1,750	53	3%
Silwood Estate Programme	1,494	1,485	9	1%
Highways BVR Programme	1,562	1,439	123	9%
Town Hall Electrical System - Rewiring	1,563	1,420	143	10%
Loampit Vale - Development Site & Pool	691	1,023	(332)	-32%
Vehicle Purchase (19 Refuse & 3 Minibuses)	1,020	1,020	0	0%
DDA Strategy Programme	1,005	983	22	2%
AMP Capital Maintenance Backlog Programme	380	507	(127)	-25%
Leemore Centre	484	497	(13)	-3%
Deptford Station	443	392	51	13%
Water Hygiene & Legionella Prevention Works	256	346	(90)	-26%
Travellers Site Relocation	329	255	74	29%
Lewisham Open Space	274	233	42	18%
- Other projects	788	412	376	91%
Regeneration SubTotal	18,349	20,024	-1,674	-8.4%
Customer Services				
RSL Programme	4,507	4,507	0	0%
Heathside & Lethbridge - Partnership Works	2,598	3,380	(782)	-23%
Kender phase 3	2,025	2,025	0	0%
Private Sector Grants	1,097	1,383	(286)	-21%
Rushey Green Renewal Area	821	969	(148)	-15%
Kender Estate - Partnership Works	337	918	(581)	-63%
St John's Estate site acquisition	757	775	(18)	-2%
Decent Homes Programme	686	745	(59)	-8%
Sundermead Estate (Phase 2)	684	557	127	23%
QUERCUS (River Ravensbourne)	435	484	(49)	-10%
Silwood Estate demolition	476	456	20	4%
Disabled Facilities Grant (DFG)	395	450	(55)	-12%
Sundermead Estate demolition	348	347	1	0%
Cash Incentive scheme	280	300	(20)	-7%
Rushey Green renewal area – Council properties	239	260	(21)	-8%
Homelessness Group	142	293	(151)	-52%
Silwood SRB 5	290	255	35	14%
Honor Oak - Partnership Works	157	233	(76)	-33%
- Other projects	906	2,682	(1,776)	-66%
Customer Services Sub Total	17,179	21,019	-3,840	-18.3%
Total Directorates' Capital Programme	76,943	79,928	(2,985)	-3.7%

Annexe 3

Lewisham Homes Capital Programme:

	Actual	Forecast	Variation of Actual	
	Expenditure	Budget	to Programme	
	£000s	£000s	£000s	%
Decent Homes Programme: Honor Oak	2,522	2,553	(31)	-1%
Decent Homes Programme: Home Park	2,450	2,498	(48)	-2%
Decent Homes Programme: Giffin	2,359	2,454	(95)	-4%
Decent Homes Programme: Rushey Green	1,893	1,970	(77)	-4%
Decent Homes Programme: Lee Green	1,839	1,859	(20)	-1%
Decent Homes Programme: Sayes Court	1,562	1,629	(67)	-4%
Decent Homes Programme: Pepys	1,236	1,515	(279)	-18%
Lift Refurbishment Programme	1,283	1,266	18	1%
Decent Homes Programme: Ewart Road	1,080	1,094	(14)	-1%
Decent Homes Programme: R&M Capitalisation	1,023	1,000	23	2%
Decent Homes Programme: Other	659	949	(290)	-31%
Homelessness Group	826	834	(8)	-1%
Essential schemes	476	567	(91)	-16%
Central Boilers	194	414	(220)	-53%
Long-term Voids	338	400	(62)	-15%
- Other projects	81	199	(118)	-59%
Total Lewisham Homes Capital Programme	19,822	21,201	(1,378)	-6.5%
Total Council's Capital Programme	96,765	101,128	(4,364)	-4.3%

ANNEXE 4

**BEST VALUE
DETAILED SERVICE
EXPENDITURE ANALYSIS**

2007/08

Annexe 4

BEST VALUE DETAILED SERVICE EXPENDITURE ANALYSIS

The following is a detailed breakdown of income and expenditure by service according to CIPFA's Best Value Accounting Code of Practice.

2006/07		2007/08		
Actual Net Exp.		Actual Gross Exp.	Actual Income	Actual Net Exp.
	<u>Central Services to the Public</u>			
3,757	Council tax collection	7,233	(3,549)	3,684
(1,098)	Council tax benefits administration	756	(1,584)	(828)
(322)	Council tax benefits	24,072	(24,436)	(364)
(48)	Non domestic rates collection	710	(613)	97
373	Registration of births, deaths & marriages	692	(443)	249
373	Registration of electors	400	(39)	361
336	Conducting elections	21	0	21
248	Emergency planning	246	(3)	243
(512)	Local land charges	365	(689)	(324)
3,351	General grants, bequests & donations	3,103	(4)	3,099
6,458	Total Central Services to the Public	37,598	(31,360)	6,238

Annexe 4

2006/07		2007/08		
Actual Net Exp.		Actual Gross Exp.	Actual Income	Actual Net Exp.
	<u>Cultural, Environmental and Planning Services</u>			
	Cultural Services			
1,502	Arts development & support	1,531	(127)	1,404
719	Theatres & public entertainment	1,493	(778)	715
563	Community centres & public halls	1,234	(267)	967
1,218	Sports development & community recreation	2,806	(1,097)	1,709
5,348	Indoor sports & recreation facilities	5,740	(1,171)	4,569
4,377	Community parks & open spaces	5,100	(813)	4,287
12	Allotments	23	(8)	15
(2)	Tourism policy, marketing & development	(8)	0	(8)
6,131	Library buildings	6,043	(253)	5,790
0	Mobile & housebound library services	0	0	0
19,868	Sub-Total: Cultural Services	23,962	(4,514)	19,448
	Environmental Services			
653	Cemeteries	1,403	(930)	473
(2)	Crematoria	482	(676)	(194)
142	Mortuaries	143	0	143
708	Food safety	682	(18)	664
1,223	Pollution reduction	1,387	(211)	1,176
547	Housing standards	716	(195)	521
211	Health & safety at work	214	0	214
837	Pest control	1,071	(426)	645
263	Public health	297	(28)	269
1,024	Licensing (env. health)	1,046	(285)	761
283	Public conveniences	310	0	310
2,943	Community safety (crime reduction)	4,447	(1,233)	3,214
1	Community safety (safety services)	23	0	23
684	Trading Standards	682	(26)	656
6,145	Street cleansing (not chargeable to highways)	5,377	(134)	5,243
5,523	Household waste collection	4,888	(267)	4,621
(11)	Trade waste (waste collection)	1,326	(1,358)	(32)
1,470	Recycling	2,664	(519)	2,145
0	Waste strategy (waste collection)	0	0	0
0	Waste minimisation (waste collection)	0	0	0
5,142	Disposal of waste	5,497	0	5,497
0	Trade waste (waste disposal)	0	0	0
281	Civic amenity sites	346	(17)	329
0	Waste strategy (waste disposal)	0	0	0
0	Waste minimisation (waste disposal)	0	0	0
0	Closed landfill sites	0	0	0
(79)	Trading of landfill allowances	148	(146)	2
27,988	Sub-Total: Environmental Services	33,149	(6,469)	26,680

Annexe 4

2006/07		2007/08		
Actual Net Exp.		Actual Gross Exp.	Actual Income	Actual Net Exp.
	Planning Services			
(57)	Building regulations	(56)	0	(56)
19	Enforcement (building control)	19	0	19
270	Other building control work	243	0	243
0	Advice (development control)	0	0	0
1,346	Dealing with applications (dev. control)	2,602	(1,230)	1,372
0	Enforcement (development control)	0	0	0
0	Regulation of other special topics e.g. minerals/waste control	0	0	0
0	Regional & sub-regional planning	0	0	0
794	Local development framework (incl. dev. plan docs. & supp. pla	643	(72)	571
0	Planning projects & implementation	0	(1,605)	(1,605)
417	Conservation & listed blds policy (incl. Nature conservation s	448	(65)	383
0	Other special topics (planning policy)	0	0	0
256	Sustainable development strategies	385	(85)	300
(2)	Environmental education	(10)	0	(10)
0	Environmental projects	0	0	0
0	Economic research	12	(12)	0
(133)	Premises development (econ. dev.)	164	(394)	(230)
(3)	Market undertakings	810	(810)	0
226	Support to business & enterprise	530	(211)	319
873	Training & employment	1,635	(831)	804
561	Government initiatives	8,335	(7,019)	1,316
360	Promotion & marketing of the area	958	(474)	484
1,193	Community development	2,030	(326)	1,704
6,120	Sub-Total: Planning Services	18,748	(13,134)	5,614
53,976	Total Cultural, Environmental and Planning Services	75,859	(24,117)	51,742

Annexe 4

2006/07		2007/08		
Actual Net Exp.		Actual Gross Exp.	Actual Income	Actual Net Exp.
	<u>Children's and Education Services</u>			
1,099	Delegated nursery school budgets	1,533	(263)	1,270
15,240	Grants devolved to nursery schools	0	(1,230)	(1,230)
175	LA/corporate exp. attributable to nursery schools	87	0	87
81,034	Delegated primary school budgets	114,119	(18,829)	95,290
(86,421)	Grants devolved to primary schools	0	(83,603)	(83,603)
12,495	LA/corporate exp. attributable to primary schools	3,517	(496)	3,021
55,354	Delegated secondary school budgets	70,636	(15,595)	55,041
(60,224)	Grants devolved to secondary schools	471	(57,022)	(56,551)
11,064	LA/corporate exp. attributable to secondary schools	5,254	(3,368)	1,886
8,530	Delegated special school budgets	12,814	(881)	11,933
(13,672)	Grants devolved to special schools	0	(10,564)	(10,564)
9,201	LA/corporate exp. attributable to special schools	7,492	(3,923)	3,569
(15,479)	Strategic management of non-school services	30,501	(28,730)	1,771
(793)	Pre-school education	16,434	(15,991)	443
2,930	Youth services	5,635	(450)	5,185
653	Adult & community learning	7,925	(6,029)	1,896
1,376	Student support	1,290	(252)	1,038
0	Other non-school funding	0	0	0
0	Strategic management - Children's social care	177	0	177
0	Complaints procedures - Children's social care	161	(23)	138
14,219	Children's: commissioning & social work	15,622	(2,611)	13,011
10,695	Children's homes	9,379	(100)	9,279
48	Secure accommodation (welfare)	196	0	196
11,147	Fostering services	12,339	(302)	12,037
3,303	Other 'children looked after' services	3,677	(391)	3,286
1,206	Family centres	1,176	(45)	1,131
2,701	Services for under 8s	3,195	(1,526)	1,669
176	Direct payments (family support services)	302	(116)	186
934	Home care (family support services)	1,131	(204)	927
0	Equipment & adaptations (family support services)	7	0	7
1,645	Other family support services	1,845	(32)	1,813
405	Secure accommodation (youth justice)	299	0	299
1,202	Youth offender teams	2,538	(1,087)	1,451
0	Other youth justice services	0	0	0
0	Assessment & care mgt (asylum seekers)	0	0	0
457	Unaccompanied children (asylum seekers)	1,423	(853)	570
114	Families (asylum seekers)	10	(12)	(2)
759	Adoption services	1,362	(516)	846
2,414	Leaving care services	1,982	0	1,982
263	Other children's & families' services	1,893	(1,722)	171
74,250	Total Children's and Education Services	336,422	(256,766)	79,656

Annexe 4

2006/07		2007/08		
Actual Net Exp.		Actual Gross Exp.	Actual Income	Actual Net Exp.
	Highways, Roads and Transport Services			
644	Transport planning, policy & strategy	910	(225)	685
117	Structural maintenance (principal roads)	269	(91)	178
4,519	Structural maintenance (other roads)	2,120	(155)	1,965
141	Structural maintenance (bridges)	151	(48)	103
726	Construction (principal roads)	731	(31)	700
0	Construction (other roads)	0	0	0
0	Construction (bridges)	0	0	0
48	Safety maintenance (principal roads)	41	0	41
603	Safety maintenance (other roads)	665	(1)	664
15	Routine repairs (principal roads)	21	0	21
652	Routine repairs (other roads)	622	(4)	618
1,108	Street lighting	1,205	(194)	1,011
100	Winter maintenance	99	0	99
319	Traffic management	1,065	(644)	421
310	Road safety education	687	(451)	236
138	Safe routes (incl. school crossing patrols)	336	(21)	315
(1,965)	On street parking	2,026	(4,152)	(2,126)
(759)	Off street parking	812	(1,559)	(747)
7,005	Concessionary fares	7,362	0	7,362
(503)	Public transport coordination	155	(680)	(525)
13,218	Total Highways, Roads and Transport Services	19,277	(8,256)	11,021

Annexe 4

2006/07		2007/08		
Actual Net Exp.		Actual Gross Exp.	Actual Income	Actual Net Exp.
	Housing Services			
	General Fund Services			
1,440	Housing Strategy	3,465	(1,922)	1,543
0	Enabling	0	0	0
55	Housing advice	45	0	45
5,209	Housing advances (GF)	6,533	(17)	6,516
2,390	Administration of grants	3,457	(863)	2,594
27	Hostels (non HRA support)	27	0	27
0	Other temporary accommodation	0	0	0
1,395	Homelessness admin.	10,430	(8,252)	2,178
1,244	Rent allowances (GF)	88,996	(87,936)	1,060
0	Non-HRA rent rebates (GF)	0	0	0
(629)	Rent rebates to HRA tenants (GF)	61,149	(61,999)	(850)
0	Subsidy limitation transfer from HRA	0	0	0
4,281	Housing benefits admin. (GF)	6,704	(3,179)	3,525
0	Contrib. to HRA re whole community	0	0	0
10	Travellers' sites	60	(19)	41
0	Non HRA council property	0	0	0
227	Supporting people	16,661	(16,397)	264
224	Other welfare services	342	(197)	145
15,873	Sub-Total: General Fund Services	197,869	(180,781)	17,088

Annexe 4

2006/07		2007/08		
Actual Net Exp.		Actual Gross Exp.	Actual Income	Actual Net Exp.
	Housing Revenue Account Services			
(80,213)	HRA Dwelling rents (gross) - general needs	0	(77,550)	(77,550)
(1,825)	HRA Dwelling rents (gross) - sheltered accommodation	0	(1,936)	(1,936)
(6,469)	HRA Dwelling rents (gross) - temporary accommodation	0	(6,385)	(6,385)
(809)	HRA Non-dwelling rents (gross) - garages	0	(795)	(795)
(803)	HRA Non-dwelling rents (gross) - shops	0	(883)	(883)
(434)	HRA Non-dwelling rents (gross) - land	0	(85)	(85)
0	HRA Non-dwelling rents (gross) - other	0	(284)	(284)
(3,806)	HRA Service charges	0	(3,648)	(3,648)
(766)	HRA Heating charges	0	(749)	(749)
0	HRA Charges to tenants re 'Supporting People'	0	0	0
0	HRA Charges for other welfare services (excl. essential)	0	0	0
0	HRA Other charges to tenants	0	0	0
(3,751)	HRA Leaseholders' charges for services & facilities	0	(3,562)	(3,562)
(2,943)	Contrib. to HRA re transferred dwellings	0	(3,940)	(3,940)
(337)	Contrib. to HRA re rechargeable repairs	0	(2,697)	(2,697)
0	Grants to HRA for 'Supporting People' initiative	0	0	0
(18,552)	HRA Subsidy receivable	0	(11,740)	(11,740)
15,518	HRA Responsive repairs & maintenance	14,775	0	14,775
8,356	HRA Planned repairs & maintenance	6,514	0	6,514
18,699	HRA Policy & management	8,615	(256)	8,359
16,170	HRA Managing tenancies	45,000	(14,564)	30,436
234	HRA Rent collection, recovery and accounting	180	0	180
743	HRA Communal heating (special services)	726	0	726
617	HRA Communal lighting (special services)	649	0	649
700	HRA Lifts (special services)	692	0	692
3,379	HRA Caretaking (special services)	1,574	0	1,574
1,383	HRA Ground maintenance (special services)	1,162	0	1,162
3,500	HRA Other special services	2,706	(72)	2,634
2,751	HRA Lease rentals on property	442	0	442
294	HRA Rates & water charges payable on non dwellings	171	0	171
90	HRA Insurance costs paid by landlord	(19)	116	97
2,518	HRA Subsidy limitation transfer to GF	1,446	0	1,446
0	HRA Transfer of HRA surplus to GF	0	0	0
1,051	HRA Increase in prov. for bad or doubtful debts	2,812	0	2,812
0	HRA Cost of capital charge (not in BVACOP 2006)	0	0	0
39,006	HRA Depreciation & impairment:dwellings	335,074	(110,582)	224,492
2,171	HRA Depreciation & impairment:all other HRA assets	1,893	(41)	1,852
676	HRA Amortisation of deferred charges & intangible assets	0	0	0
73	HRA Debt management costs	71	0	71
0	HRA Sums directed by Sec. of State	0	0	0
(2,779)	Sub-Total: Housing Revenue Account Services	424,483	(239,653)	184,830
13,094	Total Housing Services	622,352	(420,434)	201,918

Annexe 4

2006/07		2007/08		
Actual Net Exp.		Actual Gross Exp.	Actual Income	Actual Net Exp.
	<u>Adult Social Care</u>			
(5)	Strategic management - Adult social care	0	0	0
0	Complaints procedures - Adult social care	(6)	0	(6)
5,008	Assessment & care mgt (older people 65+)	5,604	(864)	4,740
8,428	Nursing home placements (older people 65+)	11,887	(4,341)	7,546
7,257	Residential care home placements (older people 65+)	9,797	(2,690)	7,107
804	Supported & other accomm. (older people 65+)	796	(92)	704
128	Direct payments (older people 65+)	242	(3)	239
9,849	Home care (older people 65+)	14,570	(4,934)	9,636
2,382	Day care (older people 65+)	2,149	(111)	2,038
269	Equipment & adaptations (older people 65+)	800	(552)	248
373	Meals (older people 65+)	426	(64)	362
273	Other services to older people 65+	442	(242)	200
2,651	Assessment & care mgt (adults under 65 with disability)	2,855	(322)	2,533
1,246	Nursing home placements (<65 phys. disab./sensory impairment)	1,663	(232)	1,431
1,435	Residential care home placements (<65 phys. disab./sensory impa	1,808	(128)	1,680
30	Supported & other accomm. (<65 phys. disab./sensory impairment)	8	0	8
840	Direct payments (<65 phys. disab./sensory impairment)	971	(21)	950
2,429	Home care (<65 phys. disab./sensory impairment)	2,499	(204)	2,295
1,871	Day care (adults under 65 with disability)	1,506	(22)	1,484
410	Equip. & adaptations (<65 phys. disab./sensory impairment)	574	(271)	303
0	Meals (<65 phys. disab./sensory impairment)	0	0	0
965	Other services to adults (<65 phys. disab./sensory impairment)	1,227	(146)	1,081
1,106	Assessment & care mgt (adults <65 learning disab.)	971	(3)	968
140	Nursing home placements (adults <65 learning disab.)	206	(24)	182
9,394	Residential care home placements (adults <65 learning disab.)	17,611	(6,801)	10,810
247	Supported & other accommodation (adults <65 learning disab.)	225	(1)	224
49	Direct payments (adults <65 learning disab.)	87	0	87
1,852	Home care (adults <65 learning disab.)	1,516	(52)	1,464
5,073	Day care (adults under 65 with learning disabilities)	5,044	(393)	4,651
0	Equipment & adaptations (adults <65 learning disab.)	0	0	0
0	Meals (adults <65 learning disab.)	0	0	0
1,035	Other services to adults <65 with learning disabilities	1,251	(156)	1,095

Annexe 4

2006/07		2007/08		
Actual Net Exp.		Actual Gross Exp.	Actual Income	Actual Net Exp.
Adult Social Care (continued)				
2,016	Assessment & care mgt (adults <65 MH needs)	4,016	(1,340)	2,676
212	Nursing home placements (adults <65 MH needs)	223	(49)	174
2,445	Residential care home placements (adults <65 MH needs)	3,082	(140)	2,942
377	Supported & other accomm. (adults <65 MH needs)	851	(556)	295
6	Direct payments (adults <65 MH needs)	7	0	7
213	Home care (adults <65 MH needs)	125	(41)	84
624	Day care (adults under 65 with mental health needs)	1,048	(321)	727
0	Equipment & adaptations (adults <65 MH needs)	0	0	0
0	Meals (adults <65 MH needs)	0	0	0
314	Other services to adults with mental health needs	689	(353)	336
245	Assessment & care mgt (other adult services)	299	(49)	250
(36)	HIV/Aids	80	(80)	0
1,059	Substance abuse (addictions)	4,754	(3,864)	890
3	Asylum seekers	0	0	0
1	Other adult services	0	0	0
38	Supported employment (incl. sheltered employment)	18	0	18
73,056	Total Adult Social Care	101,921	(29,462)	72,459

Annexe 4

2006/07		2007/08		
Actual Net Exp.		Actual Gross Exp.	Actual Income	Actual Net Exp.
	<u>Court Services</u>			
310	Coroners' Court	310	0	310
310	Total Court Services	310	0	310
	<u>Corporate and Democratic Core (CDC)</u>			
1,460	Democratic representation & mgt (DRM)	6,415	(577)	5,838
4,951	Corporate management (CM)	182	0	182
1,088	HRA Share of total CDC	414	0	414
7,499	Total Corporate and Democratic Core (CDC)	7,011	(577)	6,434
	<u>Non-Distributed Costs (NDC)</u>			
6,150	Retirement benefits: past service costs	6,743	0	6,743
0	Retirement benefits: settlements	0	0	0
1,865	Retirement benefits: curtailments	245	0	245
10	Unused shares of IT facilities	(22)	0	(22)
0	HRA Share of total NDC	0	0	0
8,025	Total Non-Distributed Costs (NDC)	6,966	0	6,966
249,886	Total Net Cost of Services	1,207,716	(770,972)	436,744