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**FOREWORD
TO THE
STATEMENT
OF ACCOUNTS**

2009/10

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 2009/10. The financial position is regularly monitored and reviewed throughout the year and the Statement of Accounts brings together the financial results of all the Council's operations for the financial year and the financial position as at 31 March 2010.

The Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting Statement of Recommended Practice in the United Kingdom 2009 (the SORP), and the Best Value Accounting Code of Practice (BVACOP) jointly developed by CIPFA and the Accounting Standards Board. The Code constitutes 'proper accounting practice' which local authorities must comply with by statute.

The Code for 2009 introduced two major changes to the Statement of Accounts. The first major change concerned accounting for Private Finance Initiative (PFI) schemes and similar contracts. For 2009/10, the treatment is based on International Financial Reporting Standards (IFRS) which will require PFI's to be recognised on the Balance Sheet. More details of this are given in Accounting Policy 11 and Note 8 to the financial statements. The other major change relates to the accounting for Council Tax and National Non-Domestic Rates (NNDR). The Council now accounts for the collection of these taxes on an agency basis rather than on a cash basis. Thus the Council's Core Financial Statements only includes the Council's share of the Council Tax collected, and does not include any of the NNDR collected, since it is all collected on behalf of the government.

The significant events that have had a major impact on the Statement of Accounts during 2009/10 are outlined in section 5 of the foreword below.

2. THE COUNCIL'S ACCOUNTS

The Accounts are divided into the following 6 sections, the purpose of each is shown below.

Section 1 – Statement of Accounting Policies

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

Section 2 – The Core Financial Statements

Section 2a - Income and Expenditure Account (I & E Account) – This account summarises the income and expenditure for the year and shows the cost of the major functions, including the Education and Housing Services, for which the Council is responsible. It is a requirement of the SORP that the analysis is by service rather than by Directorate as is used in the Council's 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 Total Recognised Gains and Losses (STRGL) – This statement links the income and expenditure and other gains and losses to the increase or decrease in the total equity as shown on the balance sheet.

Section 2d - Balance Sheet

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

Foreword

Section 2e - Cash Flow Statement

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

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

Section 3 – Supplementary Financial Statements

Section 3a – Housing Revenue Account

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

Section 3b – Collection Fund

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

Section 4 – Pension Fund

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

Section 5 – Lewisham Group Accounts

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

Section 6 – Annual Governance Statement

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

Appendices

These include the Action Plan for the Annual Governance Statement, a Glossary which explains some technical terms and a detailed analysis of capital expenditure incurred during the year.

3. SUMMARY OF THE 2009/10 FINANCIAL YEAR

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

3a REVENUE SPENDING 2009/10

(i) The Revenue Budget Setting

The Council's net budget for 2009/10 was agreed by Council in March 2009 and was set at a total figure of £268.251 million. This was after implementing savings of £10.785 million and financing budget pressures of £10.405 million.

Foreword

(ii) The Revenue Budget Outturn

During 2009/10, 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 2009/10 financial year there was a net underspend of £0.388m on the Directorate service budgets. The reasons for the Directorate budget variances were reported to Public Accounts Committee on the 22 June 2010 and the Mayor and Cabinet on the 14 July 2010. The main areas of underspend were on Resources of £0.555m and Customer Services of £0.427m. There was an overspend of £0.580m on Children and Young People and minor variations on the other two Directorates. On the corporate budgets there was a net overspend of £0.113m after transfers to earmarked reserves. Therefore, the net underspend on the General Fund overall was £0.275m and this amount has been added to General Fund Balances.

(iii) The Revenue Budget Outlook for 2010/11

The Council set a net budget of £271.454 million for 2010/11, an increase of £3.203 million or 1.2% on the previous year's net budget. This increase includes £3.44 million for inflation, savings of £4.188 million and unavoidable budget pressures of £6.75 million.

3b CAPITAL PROGRAMME 2009/10

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

	2009/10 Actual Outturn £000	2009/10 Adjusted Budget £000	2009/10 Programme Budget £000	2008/09 Actual Outturn £000
CAPITAL EXPENDITURE				
Directorates' Capital Programme	60,128	59,621	62,786	65,452
Lewisham Homes Capital Programme	3,472	4,026	13,884	11,181
Total Capital Expenditure for the Year	63,600	63,647	76,670	76,633
CAPITAL FINANCING				
Government Supported Borrowing	12,997	12,997	12,997	12,778
Unsupported Borrowing	13,484	13,489	13,489	5,911
Capital Grants	26,038	25,520	38,543	41,248
Capital Receipts	5,663	9,037	9,037	9,923
Capital Expenditure financed from Revenue	5,418	2,604	2,604	6,773
Total Capital Expenditure Financed	63,600	63,647	76,670	76,633

i) The percentage of the 2009/10 programme budget that has been spent is 83%. This compares to a figure of 104% for 2008/09.

ii) The reason for the apparent low percentage is that during quarter 4 of 2009/10 a review of the Capital Programme was carried out to enable the adoption of component accounting under International Financial Reporting Standards (IFRS) rules. This technical accounting adjustment resulted in £13.0m being written off to revenue (£3.2m Directorates' capital programme, £9.8m Lewisham Homes). If the amount written off to revenue is added back to the capital spend, the total spend is £76.7m (100% spend to budget).

iii) Major projects (with spend over £1m) in the directorates' capital programme 2009/10 were: Acquisition of Catford Centre (£12.3m), Devolved schools capital (£3.8m), Monson school (£3.2m), ICT - Telephony and Data Network (£2.7m), Borough Road Reconstruction & Resurfacing Works (£2.5m), Tidemill school

Foreword

(£2.0m), Gordonbrock school (£1.3m), Quality & Access for All Young Children (£1.2m), Rushey Green school (£1.1m), Private sector grants (£1.0m).

iv) The one major project (with spend over £1m) in the Lewisham Homes capital programme 2009/10 was: Domestic boilers (£2.4m).

Capital Programme 2010/11

The budget report for the Council's capital programme was agreed at Mayor and Cabinet on 10 February 2010. This is for the three year programme 2010/11 to 2012/13. The total resources available to the programme are £232.5m. The directorates' capital programme for 2010/11 is £90.0m and Lewisham Homes programme for 2010/11 is £34.1m. The principal programmes and projects of over £1m include:

	2010/11 Programme Budget £000
Directorates' Capital Programme	
Primary Places programme	16,172
Deptford Town centre	9,475
Deptford Station	6,305
Tidemill school	5,956
Schools minor works programme	3,357
Highways BVR	3,000
Surrey Canal road station	3,000
BSF Design & Build	2,914
Pepys Environmental	2,636
North Lewisham Links - Route 1	2,219
Property AMP programme	2,145
Forest Hill pool	2,019
Brockley PFI	2,000
Schools AMP	1,714
Parklands: Ladywell Fields and the Waterlink Way	1,553
Kender New Build Grant: Phase 4	1,540
Quality & Access for All Young Children - Capital Grant	1,532
Heathside & Lethbridge	1,500
SEN Strategy	1,492
Kender New Build Grant: Phase 3 South (NDC)	1,485
Other Schemes	17,855
Directorates' Capital Programme	89,869
Lewisham Homes Capital Programme	34,144
Total Capital Programme - 2010/11	124,013

3c FUNDING OF THE REVENUE BUDGET

The Council Tax is a major source of local revenue. The other main sources of income are the Government determined National Non-Domestic Rates (NNDR) and the Revenue Support Grant (RSG). The amount to be raised from Council Tax was calculated as shown in the following table.

Foreword

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

	2009/10 £000	2008/09 £000
Lewisham's Net Budget	268,251	262,521
Less: Revenue Support Grant	33,304	21,340
Less NNDR received from the national pool	144,288	153,295
Less: Surplus on Collection Fund	49	30
General Fund Services to be met from Council Tax	90,610	87,856
Add Precept (GLA)	26,939	26,773
Total to be met from Council Tax	117,549	114,629

3d COUNCIL TAX BASE

The actual Council Tax is determined by dividing the net amounts to be met from Council Tax by the tax base, which for Lewisham is 86,949 equivalent Band D properties. This then equates to the following Council Tax at Band D:

	2009/10 £000	2008/09 £000	Increase £	Increase %
Lewisham's Demand	1,042.11	1,016.69	25.42	2.50
Add: Preceptor Requirements:				
Greater London Authority	309.82	309.82	0.00	0
Council Tax for Band D	1,351.93	1,326.51	25.42	1.92

3e COLLECTION RATES

Actual Collection Rates	2009/10 %	2008/09 %	2007/08 %
Council Tax	92.7	93.1	94.4
National Non-Domestic Rates	98.8	99.2	99.4

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

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

After transfers to reserves a surplus of £0.275m was added to General Fund balance, which now stands at £11.511m. This is considered to be an adequate level of cover and represents approximately 2.5% of Lewisham's net budget (including Dedicated Schools Grant expenditure). Lewisham also has other

Foreword

earmarked reserves for specific ongoing projects and these are detailed in Note 19 to the Core Financial Statements in Section 2 of the Accounts.

4b Housing Revenue Account

After transfers to and from earmarked reserves, the HRA non earmarked balance has now been fully allocated. The earmarked reserves are for specific ongoing projects and these are outlined in Note 16 of the HRA statements in Section 3a of the Accounts.

4c Collection Fund

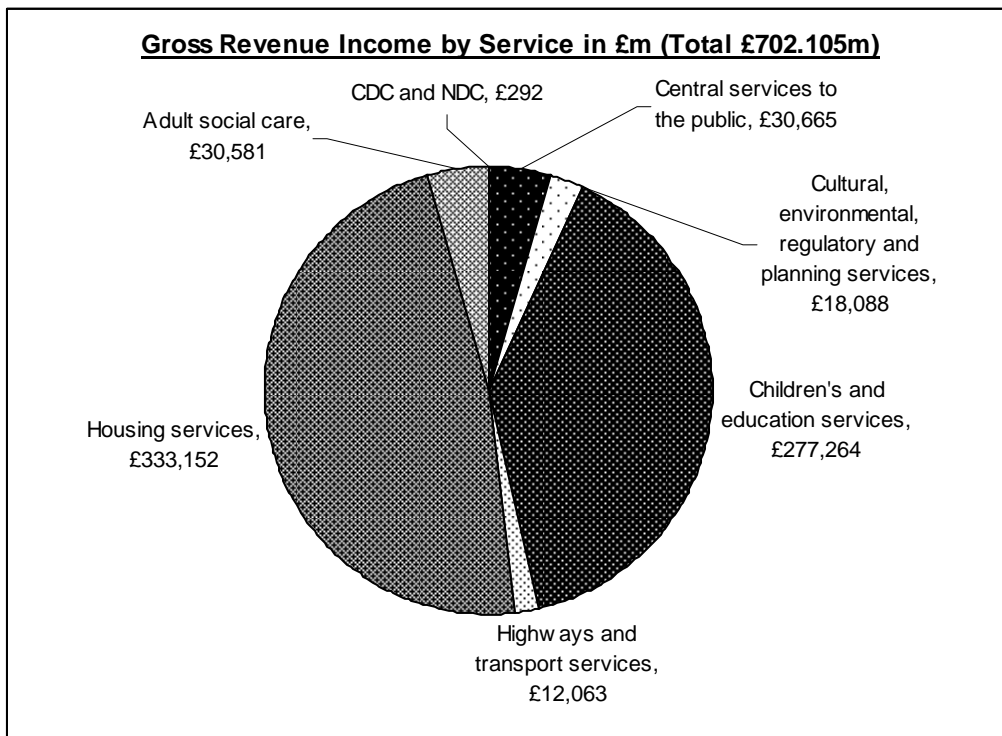
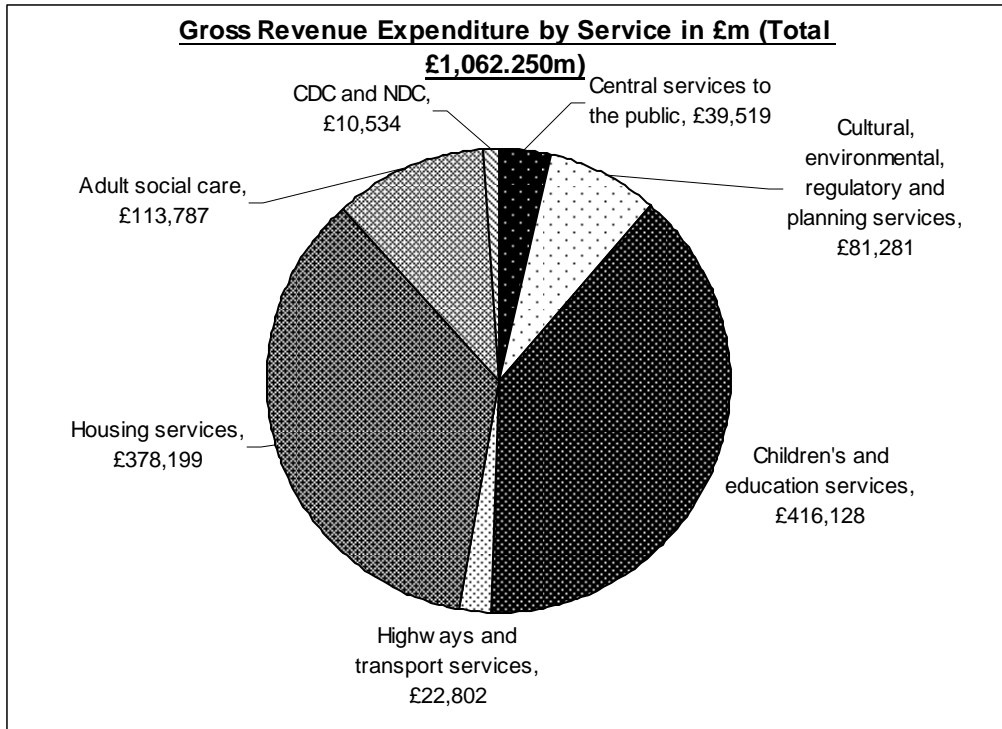
The Collection Fund had a deficit of £0.112m for the year, which when added to the brought forward balance of £0.144m, leaves a surplus of £0.032m to carry forward to 2010/11. The details are shown in the Collection Fund statements in Section 3b of the Accounts.

5. SIGNIFICANT EVENTS IN 2009/10 THAT HAVE HAD AN IMPACT ON THE ACCOUNTS

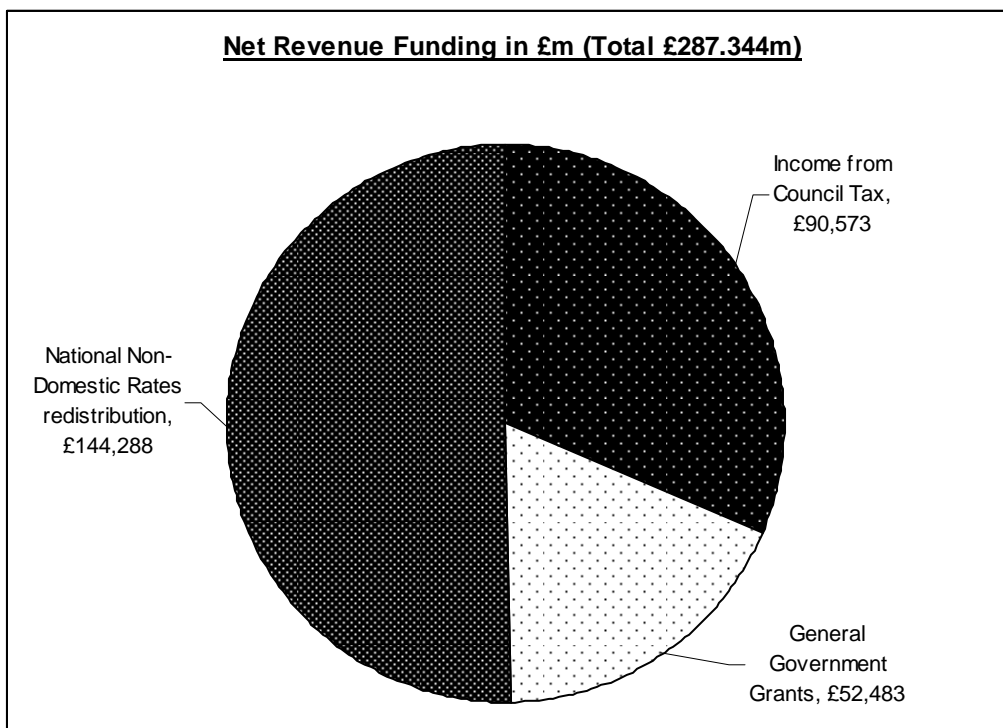
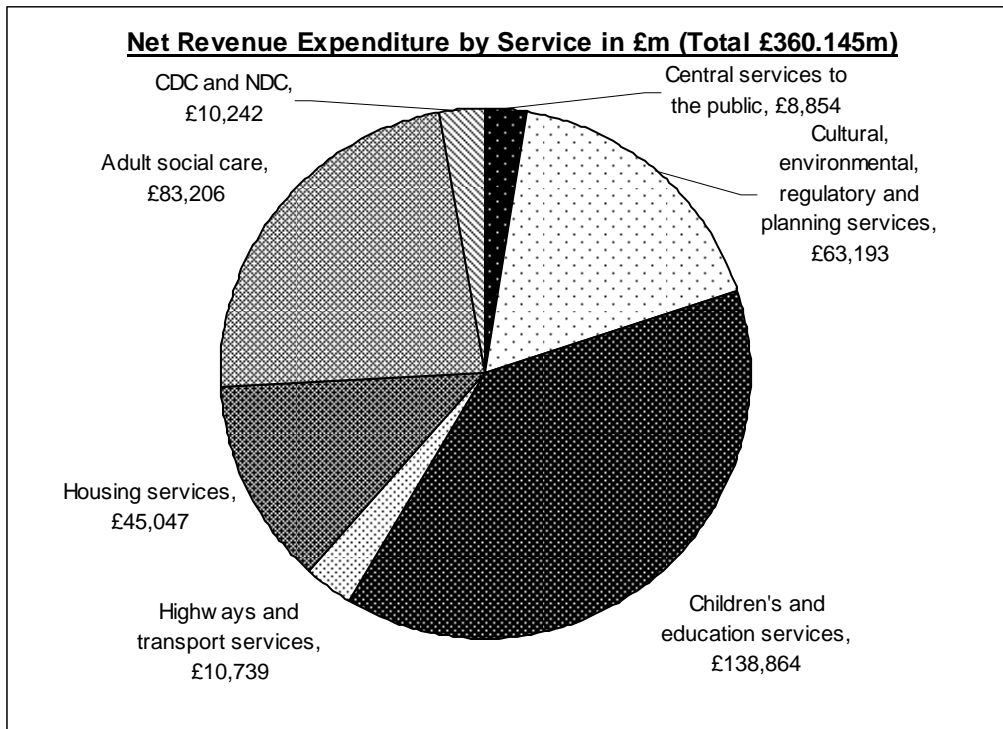
- a) **Decent Homes Strategy** – A further Housing stock transfer took place in October 2009. A total of 475 Housing Units have been transferred in the Lee area with a total asset value of £19.7m being removed from the total of Fixed Assets on the Balance Sheet.
- b) **Efficiency Programme 2008/09 to 2010/11** – As part of the 3 year Efficiency Programme the Council has a target of 4% for 2009/10 and 2010/11, which is approximately £8.5m per year. The actual efficiency gains achieved for 2009/10 totalled £11.4m.
- c) **Pension Fund Valuation** – The gradual recovery of the financial markets has increased the value of the Fund during the year by £196m from £519m to £715m.
- d) **Economic Downturn** – In comparison to 2008/09 price swings on the raising of debt has not been so exaggerated. Base rates have remained at historic lows and the UK economy has only emerged from recession in the last quarter of the financial year after six quarters of negative growth. During 2009/10 there was a net reduction of 6% in Gross Domestic Product (GDP). For Lewisham in 2009/10 this has meant a significant reduction in interest receipts of £4.5m.
- e) **Inflation and Pay Award** – The annual rate of inflation rose towards the end of the financial year. The Retail Price Index (RPI) rose by 2.4% for the year. The pay award for 2009/10 was agreed at 1%.
- f) **Accounting for Private Finance Initiative (PFI) Schemes** – For 2009/10 new rules introduced under IFRS have altered the accounting requirements for PFI's. This has had a significant effect on the Accounts as Lewisham has had to bring 4 major schemes onto the Balance Sheet which were previously excluded. The overall effect has been to increase the value of fixed assets on the Balance Sheet by £156m. Further details are contained in Accounting Policy Number 11 and Note 8 to the Statement of Accounts.
- g) **Catford Regeneration Partnership Ltd (CRPL)** – In February 2010, the Council set up a limited company to acquire and regenerate the Catford Centre. A loan of £11.98m was advanced to the company to carry out the purchase. Further information is given in the Group Accounts statements in Section 5 of the Accounts.

Foreword

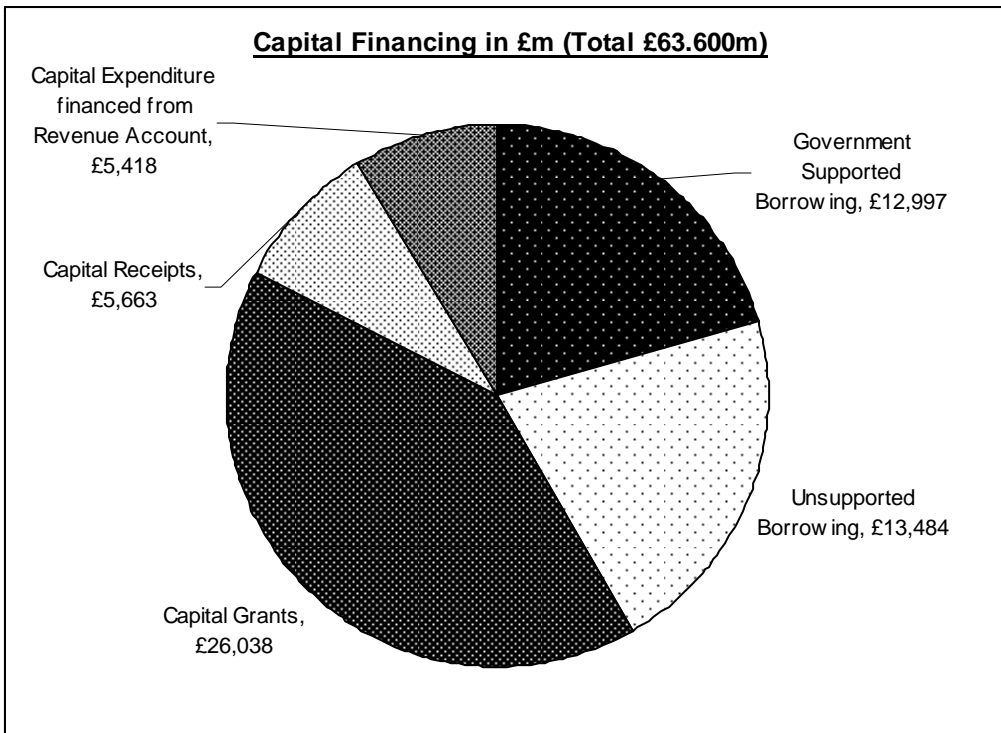
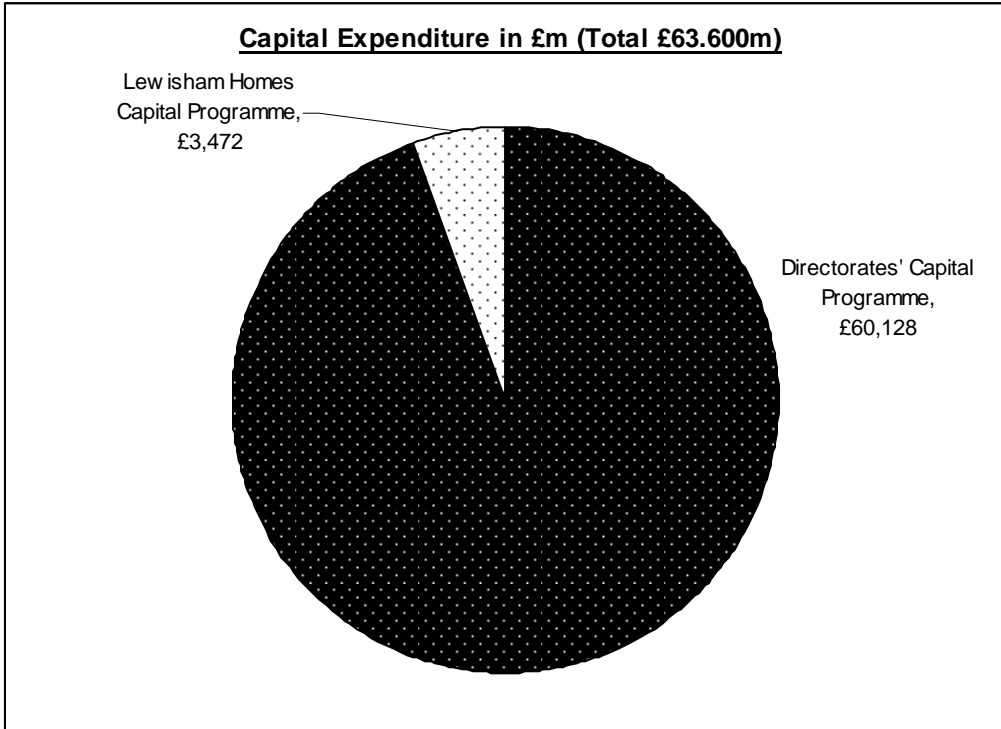
6. ANALYSIS OF 2009/10 REVENUE AND CAPITAL SPENDING BY SERVICE



Foreword



Foreword



Statement of Responsibilities

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

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

Responsibility of the Executive Director for Resources

The Executive Director for Resources is responsible for the preparation of the Authority's Statement of Accounts, which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code of Practice'), is required to give a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2010.

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

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

I certify that I have also:

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

Janet Senior CPFA

Executive Director for Resources

Dated: 23rd September 2010

I confirm that these accounts were approved by the Council at the meeting held on 23rd September 2010

Signed on behalf of the London Borough of Lewisham:

Councillor M Long

Chair of Council

Dated: 23rd September 2010

Independent Auditor's Report

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

Opinion on the Authority accounting statements

I have audited the Authority and Group accounting statements and related notes of London Borough of Lewisham for the year ended 31 March 2010 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account the Collection Fund and the related notes.. The Authority and Group accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of London Borough of Lewisham in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008..

Respective responsibilities of the Executive Director for Resources and auditor

The Executive Director for Resources' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Authority and Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

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

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

I read other information published with the Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Foreword by the Executive Director for Resources. 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. My responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Independent Auditor's Report

and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

Opinion

In my opinion:

- The Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- The Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Group as at 31 March 2010 and its income and expenditure for the year then ended.

Opinion on the pension fund accounting statements

I have audited the pension fund accounting statements for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of London Borough of Lewisham in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008..

Respective responsibilities of the Executive Director for Resources and auditor

The Executive Director for Resources' responsibilities for preparing the pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the pension fund accounting statement give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounting statements 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 pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other

Independent Auditor's Report

irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the pension fund accounting statements and related notes.

Opinion

In my opinion the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, the London Borough of Lewisham made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.

Certificate

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

Susan M. Exton

District Auditor

Officer of the Audit Commission

Audit Commission

1st Floor, Millbank Tower

Millbank

London

SW1P 4HQ

30th September 2010

Statement of Accounting Policies

SECTION 1

**STATEMENT OF
ACCOUNTING
POLICIES**

2009/10

Statement of Accounting Policies

STATEMENT OF ACCOUNTING POLICIES

The general principles adopted in compiling and presenting these Accounts are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). Guidance is contained in the *Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (the SORP)* and any relevant Statements of Standard Accounting Practice (SSAP), Financial Reporting Standards (FRS) and International Financial Reporting Standards (IFRS). Any departures from recommended practice are stated within this section and/or within the Notes to the Accounts.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

1. FIXED ASSETS

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis in the accounts (provided the spend adds value to the property or can be capitalised as a component under IFRS rules and exceeds Lewisham's de minimus limit of £40,000). Expenditure on fixed assets is capitalised, provided that such expenditure 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 categories required by the SORP. The assets are valued on the following basis:

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

Revaluations of fixed assets are undertaken on a rolling five yearly programme, although material changes to asset valuations are adjusted in the interim period, as they occur. Revaluation gains arising from revaluations of fixed assets are generally credited to the Revaluation Reserve (see the Note 15 to the Core Financial Statements in Section 2 of the Accounts). However, if the asset was previously impaired and the rationale for the revaluation gain is the same as that for the impairment, then the previous impairment is reversed and the credit goes to the Income and Expenditure Account.

Statement of Accounting Policies

2. IMPAIRMENT

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

- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets are charged to the Income and Expenditure Account.
- Impairment losses due to a general change in prices are charged against accumulated gains in the Revaluation Reserve. Any loss greater than the individual asset balance held in the Revaluation Reserve is charged to the Income and Expenditure Account.

The Council undertakes an annual review of all capital expenditure on single assets greater than the de minimus level of £40,000. The Valuation and Estates Manager advises on which of these assets have had their value (or life) increased as a result of the expenditure and these changes are reflected in the fixed asset valuations. Where the value has not increased, the capital spend will be charged as an impairment. All impairments which are charged to the Income and Expenditure Account will be reversed out in the Statement of Movement on Balances and debited to the Capital Adjustment Account (see Note 16 to the Core Financial Statements in Section 2 of the Accounts) to ensure that there is no impact on Council Tax.

3. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

4. DEPRECIATION

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

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

The charge would also include any amortisation of material Intangible Fixed Assets attributable to services, but for 2009/10 the Council has no intangible assets.

5. LEASES

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

Statement of Accounting Policies

6. CAPITAL RECEIPTS

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

7. GAINS OR LOSSES ON DISPOSAL

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

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

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

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

- Premiums and discounts are charged to the Income and Expenditure Account in the year in which they are incurred, unless the redemption and simultaneous replacement of the debt represents a modification of the original loan agreement. In these circumstances, the premium or discount will be applied to the carrying value of the replacement loan. These amounts are to be shown against "Interest payable and similar charges".
- 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 is adjusted in the Statement of Movement on Balances to ensure there is no effect on the amounts charged against Council Tax or Housing Rents.

9. FINANCIAL INSTRUMENTS

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

- **Loans and Receivables**
This includes short term investments and sundry debtors, which are required to be held on the balance sheet at amortised cost. Interest on investments is recorded in the Income and Expenditure Account on an accrued basis and the accrual increases the carrying value of the instruments until realised. There is no net impact on the balance sheet as a result of this treatment. For short term debtors, the carrying amount is the invoiced amount (less any impairment).
- **Financial Liabilities at Amortised Cost**
This includes sundry creditors and loans taken out by the Council. Short term creditors are held at their invoice amount and longer term instruments are held at amortised cost.

Statement of Accounting Policies

- Financial Assets at Fair Value through the Income and Expenditure Account
This includes funds currently 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 compliance with the SORP and the Pensions SORP, Pension Fund investments are valued at bid-price.

10. INTEREST ON BALANCES

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

11. PRIVATE FINANCE INITIATIVE (PFI)

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

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. Where schemes include a capital contribution, the liability is written down accordingly. Fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as other fixed assets which are owned by the council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Income and Expenditure Account.
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator.
- lifecycle replacement costs – recognised as fixed assets on the Balance Sheet.

12. 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, works or services were provided or received respectively.

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

Statement of Accounting Policies

13. REVENUE PROVISIONS AND RESERVES

The Council has set aside amounts from its revenue account to form provisions and reserves, which will be used to cover future expenditure. Details of provisions and reserves are contained in notes 19 and 20 to the Core Financial Statements in Section 2 of the Accounts.

- Provisions have only been recognised in the accounts when there is a legal or constructive obligation to transfer economic benefits as a result of a past event, but the timing is uncertain. Provisions are charged to the Income and Expenditure Account in the year in which the authority is aware of the obligation.
- Provisions for bad debts (i.e. to cover council tax, housing rents and other debtors) are set up where it is doubtful that the debts will be settled. A charge is made to the relevant account for the income and is deducted from the current debtors balance on the balance sheet. When it is deemed that the debts are irrecoverable they are written off to the bad debt provision. Where payments are made, they are credited to the provision on the Balance Sheet.
- Reserves are amounts set aside for purposes falling outside the definition of provisions. These include earmarked reserves set aside for specific policy purposes and general reserves, which represent resources set-aside for purposes such as general contingencies and cash flow management. They are created by appropriating amounts from the Statement of Movement in the General Fund Balance, and therefore count as expenditure against Council Tax in that year. When expenditure to be financed from a reserve is incurred in subsequent years, it is charged to the relevant services revenue account and counts against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the SMGFB to ensure that there is no net effect on the Council Tax for that year. A number of statutory reserves are maintained to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council.

14. VALUE ADDED TAX (VAT)

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

15. STOCKS

- Building stores and fleet stock is valued and included in the Balance Sheet at average price (mid-point between price at start and end of year). Revenue accounts are charged with the cost of obsolescent stock written off.

16. OVERHEADS AND THE COSTS OF SUPPORT SERVICES

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

Statement of Accounting Policies

17. GOVERNMENT GRANTS AND CONTRIBUTIONS

(a) Capital Grants

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

(b) Revenue Grants

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

18. FINANCIAL RELATIONSHIPS WITH COMPANIES

Lewisham Homes (LH) and Catford Regeneration Partnership Ltd (CRPL) are wholly owned subsidiary companies of the Council. Group Accounts have been prepared which incorporate the accounts of LB Lewisham, LH and CRPL and these are included in Section 5 of the Accounts.

The Council has relationships with a number of other companies, details of which are shown in note 38 to the Core Financial Statements in Section 2 of the Accounts. During 2009/10 the Council had a minority interest (less than 50%) in these companies.

19. RETIREMENT BENEFITS

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

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

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

(a) Teachers' Pension Scheme

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

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

(b) Local Government Pension Scheme

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

The liabilities of the Scheme which are attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments to be made by the Scheme in relation to benefits earned to date, based on a number of assumptions about mortality rates, turnover, projected earnings etc. These liabilities are discounted to their value at current prices, using a discount rate advised by the Scheme's Actuaries (based on the gross redemption yield of a high quality corporate bond, using the iboxx Sterling Corporate Index).

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

Statement of Accounting Policies

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

Statutory provisions only allow the Council to raise council tax to fund the amounts payable to the Pension Scheme in the year. The notional entries for assets and liabilities are therefore matched with appropriations to and from the Pension Reserve in the Statement of Movement on the General Fund Balance.

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

(c) London Pension Fund

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

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

(d) Discretionary Benefits

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

20. PRIOR PERIOD ADJUSTMENTS

Material prior period adjustments are accounted for by restating the comparative figures in the financial statements and notes.

Prior period adjustments have been made due to two major changes in accounting policy which have been introduced in the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice.

The first major change concerned accounting for Private Finance Initiative (PFI) schemes and similar contracts. For 2009/10, the treatment is based on International Financial Reporting Standards (IFRS) which requires PFI's to be recognised on the Balance Sheet. More details of this are given in Accounting Policy 11 and Note 8 to the financial statements.

The other major change relates to the accounting for Council Tax and National Non-Domestic Rates (NNDR). The Council now accounts for the collection of these taxes on an agency basis rather than on a cash basis. Thus the Council's Core Financial Statements only includes the Council's share of the Council Tax collected, and does not include any of the NNDR collected, since it is all collected on behalf of the government.

21. CONTINGENT LIABILITIES AND ASSETS

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

SECTION 2a

**INCOME AND
EXPENDITURE
ACCOUNT**

2009/10

Core Financial Statements

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 2009.

Income and Expenditure Account for the year ending 31 March 2010:

2008/09 Restated	SERVICE	2009/10			Note
		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	
7,383	Central services to the public	39,519	(30,665)	8,854	
61,769	Cultural, environmental, regulatory and planning services	81,281	(18,088)	63,193	
175,803	Children's and education services	416,128	(277,264)	138,864	
12,502	Highways and transport services	22,802	(12,063)	10,739	
90,146	Housing services	378,199	(333,152)	45,047	
87,954	Adult social care	113,787	(30,581)	83,206	
6,673	Corporate and democratic core	7,520	(292)	7,228	
14,791	Non distributed costs	3,014	0	3,014	
457,021	Net Cost of Services	1,062,250	(702,105)	360,145	
(1,190)	(Gain) / Loss on the disposal of fixed assets			5,283	
1,779	Levies			1,772	1
35,147	Interest payable and similar charges			32,544	
213	Contribution of housing capital receipts to Government Pool			0	1
(8,084)	Interest and Investment Income			(3,589)	
12,301	Pensions interest cost and expected return on pensions assets			24,869	6
497,188	Net Operating Expenditure			421,024	
(87,942)	Income from Council Tax			(90,573)	
(39,245)	General Government Grants			(52,483)	3
(153,295)	National Non-Domestic Rates redistribution			(144,288)	
216,706	Deficit/(Surplus) for the Year			133,680	

SECTION 2b

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

2009/10

Core Financial Statements

MOVEMENT ON THE GENERAL FUND BALANCE

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

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

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

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

Statement of Movement on the General Fund Balance for the year ending 31 March 2010:

2008/09 Restated £000		2009/10 £000
216,706 (217,006)	Deficit for the year on the Income & Expenditure Account	133,680
	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(133,955)
(300)	Increase in General Fund Balance for the Year	(275)
(10,936)	General Fund Balance brought forward	(11,236)
(11,236)	General Fund Balance carried forward	(11,511)

Core Financial Statements

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.

2008/09 Restated £000		2009/10 £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		
(223,001)	Depreciation and impairment of fixed assets	(121,241)	
29,859	Government Grants Deferred amortisation	23,391	36
(6,247)	Revenue Expenditure Funded from Capital under Statute	(7,291)	
1,062	Revenue contributions to Deferred Assets	0	
(2,697)	Deferred Contribution Written Down	0	
(1,062)	Build up of PFI Asset Residual Value	0	8
3,081	Amortisation of prepayments	0	
56		(86)	
	Amount by which Council Tax income included in the Income and Expenditure Account is different from the amount taken to the General Fund in accordance with regulation.		
(6,716)	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	2,412	
1,224	Net gain / (loss) on sale of fixed assets	(5,283)	
(35,256)	Net charges made for retirement benefits in accordance with FRS17	(40,928)	6
(239,697)		(149,026)	
	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		
4,236	Minimum revenue provision for capital financing	4,674	
451	Revenue provision for ex-ILEA debt	1,564	
3,785	Revenue provision for PFI schemes	4,375	8
6,282	Capital expenditure charged in-year to the General Fund Balance	5,218	
(213)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	0	1
29,430	Employers contributions to the Pension Fund and retirement benefits payable direct to pensioners	30,028	6
43,971		45,859	
	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		
(4,082)	Housing Revenue Account balance	(2,334)	
2,170	Net transfer to or from earmarked reserves	(2,198)	19
(19,367)	Transfer from Major Repairs Reserve	(26,257)	
(21,279)		(30,788)	
(217,006)	Net additional amount to be required to be credited to the General Fund balance	(133,955)	

Statement of Total Recognised Gains and Losses

SECTION 2c

**STATEMENT OF
TOTAL RECOGNISED
GAINS AND LOSSES**

2009/10

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 2010

2008/09 Restated £000		2009/10 £000s
216,706	Deficit for the year on the Income and Expenditure Account	133,680
18,718	(Surplus)/deficit arising on revaluation of fixed assets	(23,087)
130,485	Actuarial (gains)/losses on pension fund assets and liabilities	337,621
1,023	Other (gains)/losses	(2,817)
366,932	Total recognised (gains)/losses for the year	445,397

Note:

The 2008/09 restated figures have been amended to include the effect of prior year and in-year adjustments for accounting for PFI Schemes. The cumulative effect on reserves of these adjustments is a decrease of £29.6m (see Note 8, page 47).

Balance Sheet

SECTION 2d

**BALANCE
SHEET**

2009/10

Balance Sheet

BALANCE SHEET

This is a summary of the Council's financial position as at 31 March 2010. It brings together all the balances on the accounts except those relating to Trust Funds (note 42) and the Pension Fund.

31/03/2009 Restated £000		31/03/2010 £000	Note
	Fixed assets		
	Operational assets		
967,150	Council dwellings	931,126	
875,961	Other land and buildings	842,253	
24,292	Vehicles, plant, furniture and equipment	28,469	
52,780	Infrastructure	55,938	
7,965	Community	8,451	
	Non-operational assets		
65,774	Investment properties and surplus assets	89,719	
36,756	Assets under construction	38,785	
2,030,677	Total fixed assets	1,994,741	21
	Other long-term assets		
55,787	Long term investments	56,216	27
1,365	Long term debtors	13,123	25
2,087,829	Total long-term assets	2,064,080	
	Current assets		
225	Stocks	257	29
32,733	Debtors	45,045	25
116,334	Short Term Investments	135,228	28
3,630	Prepayments	3,172	30
152,922	Total current assets	183,702	
	Current liabilities		
35,325	Short term borrowing	45,013	33
61,883	Creditors	68,514	31
14,269	Bank overdraft and other cash holdings	14,691	34
57,022	Receipts in advance	66,513	32
4,283	PFI Liabilities due within one year	6,968	8
172,782	Total current liabilities	201,699	
2,067,969	Total assets less current liabilities	2,046,083	
	Long term liabilities		
331,392	Long term borrowing	344,194	26
12,143	Provisions	13,016	20
488	Deferred capital receipts	365	35
92,353	Deferred PFI Liabilities	146,189	8
143,165	Government grants deferred	150,767	36
320,733	Liability related to defined benefit pension scheme	669,254	6
900,274	Total long term liabilities	1,323,785	
1,167,695	Total assets less liabilities	722,298	

Balance Sheet

Balance Sheet (continued)

31/03/2009 Restated £000		31/03/2010 £000	Note
	Reserves and balances		
	Reserves		
87,880	Revaluation Reserve	109,430	15
1,299,003	Capital Adjustment Account	1,177,078	16
(15,760)	Financial Instruments Adjustment Account	(13,100)	17
17,411	Usable Capital Receipts Reserve	20,298	18
111	Collection Fund Adjustment Account	25	
1,310	Major Repairs Reserve	4,320	HRA16
(320,733)	Pensions Reserve	(669,254)	6
75,143	Earmarked Revenue Reserves	72,230	19
1,144,365	Total Reserves	701,027	
	Balances		
11,236	General Fund Balance	11,511	
12,094	Housing Revenue Account	9,760	HRA17
23,330	Total Balances	21,271	
1,167,695	TOTAL EQUITY	722,298	39

Cash Flow Statement

SECTION 2e

**CASH FLOW
STATEMENT**

2009/10

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.

2008/09 Restated £000		2009/10	
		£000	£000
	REVENUE ACTIVITIES		
	Cash Outflows		
337,677	Cash paid to and on behalf of employees	345,386	
352,540	Other operating cash payments	368,578	
1,779	Precepts and Levies	1,772	
1,308	Contribution to Capital Receipts Pool	0	
108,839	Housing benefit paid out	130,473	
802,143			846,209
	Cash Inflows		
(71,452)	Council Tax income	(72,142)	
(501,826)	Government grants	(556,665)	
(159,337)	NNDR received from ratepayers and national pool	(147,203)	
(42,990)	Rent received from council housing	(42,992)	
(37,100)	Cash received for goods and services	(40,386)	
(4,867)	Other operating cash receipts	(11,640)	
(817,572)			(871,028)
(15,429)	Revenue Activities Net Cash Inflow		(24,819)
	SERVICING OF FINANCE		
	Cash Outflows		
18,645	Interest paid	19,737	
	Cash Inflows		
(5,529)	Interest received	(5,008)	
13,116	Net Cash Outflow from Servicing of Finance		14,729
	CAPITAL ACTIVITIES		
	Cash Outflows		
70,962	Purchase of Fixed Assets	38,314	
6,246	Revenue Expenditure Funded from Capital Under Statute	7,291	
2,633	PFI Prepayments	788	
0	Long-Term Debtors	11,981	
79,841			58,374
	Cash Inflows		
(5,428)	Sale of fixed assets	(8,525)	
(55,928)	Capital grants and other capital cash received	(33,748)	
(61,356)			(42,273)
18,485	Net Cash Outflow from Capital Activities		16,101
16,172	NET CASH OUTFLOW BEFORE FINANCING		6,011
	MANAGEMENT OF LIQUID RESOURCES		
18,310	Net increase in short term deposits		20,560
20,000	Net decrease in long term deposits		0
6,693	Net increase in other liquid resources		3,728
45,003			24,288
	FINANCING		
	Cash Outflows		
124,128	Repayments of amounts borrowed		250,391
	Cash Inflows		
(60,000)	New loans raised	(30,000)	
(118,798)	New short term borrowing	(250,268)	
			(280,268)
(54,670)	Net Cash (Inflow)/Outflow from Financing		(29,877)
6,505	NET (INCREASE)/DECREASE IN CASH		422

SECTION 2f

**NOTES TO THE
CORE FINANCIAL
STATEMENTS**

2009/10

Notes to the Core Financial Statements

NOTES TO THE CORE FINANCIAL STATEMENTS

1. INCOME AND EXPENDITURE ACCOUNT – 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.

	2009/10 £000	2008/09 £000
London Pension Fund Authority	1,330	1,341
Environment Agency	174	174
Lee Valley Regional Park Authority	267	264
Total Levies Paid	1,771	1,779

(b) Housing Pooled Receipts

Council's 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.

2. DEDICATED SCHOOLS GRANT

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

Details of the deployment of DSG receivable for 2009/10 are as follows:

	Central Expenditure £000	Individual Schools Budget (ISB) £000	2009/10 Total £000
Final DSG for 2009/10	27,998	150,218	178,216
Brought forward from 2008/09	1,122	9,005	10,127
Carry forward to 2010/11 agreed in advance	0	0	0
Agreed budgeted distribution in 2009/10	29,120	159,223	188,343
Actual Central Expenditure	28,730	0	28,730
Actual ISB deployed to schools	0	159,223	159,223
Local authority contribution for 2009/10	0	0	0
Use of DSG in 2009/10	28,730	159,223	187,953
Carried forward to 2010/11	390	0	390

Notes to the Core Financial Statements

3. GOVERNMENT GRANTS (NOT ATTRIBUTABLE TO SPECIFIC SERVICES)

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

	2009/10 £000	2008/09 £000
Revenue Support Grant (RSG)	(33,304)	(21,340)
Local Authority Business Growth Incentive Scheme (LABGI)	(367)	(652)
Area Based Grants (ABG)	(18,812)	(17,253)
Accounted for in the Income and Expenditure Account	(52,483)	(39,245)
National Non-Domestic Rates redistribution	(144,288)	(153,295)
Total of General Government Grants	(196,771)	(192,540)

The variances between 2008/09 and 2009/10 for RSG and NNDR are due to a change in the redistributable amount from Central Government to different classes of authority.

The Area Based Grant (ABG) is a non-ring fenced general government grant which can be used for any purpose. It was introduced in 2008/09 and replaced a number of specific grants. It has been used to support the delivery of services to Lewisham's residents through collaboration with the Local Strategic Partnership (LSP).

4. AGENCY SERVICES OR WORK FOR OTHER LOCAL AUTHORITIES OR PUBLIC BODIES

The Council did not carry out any agency services or any other work for other local authorities or public bodies in 2009/10 or 2008/09.

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.

	2009/10			2008/09 (Surplus)/ Deficit £000
	Expenditure £000	Income £000	(Surplus)/ Deficit £000	
Planning & Development Services				
Markets	1,321	(1,257)	64	0
Industrial Estates	138	(519)	(381)	(319)
Cultural & Related Services				
Theatre	1,649	(934)	715	504
Total - Trading Operations	3,108	(2,710)	398	185

Under the Local Authorities Act 1990 (amended) Street Markets operate as a trading account and any surplus or deficit at the year end is carried over into the following year. In 2009/10 there was a deficit of £16k (2008/09 - deficit of £23k), and the total accumulated surplus is now £123k. This is after allowing for a one-off subsidy of £64k granted to Lewisham 6-day Market to help with rising expenditure (including single status costs).

Notes to the Core Financial Statements

6. FRS 17 PENSION COSTS AND RETIREMENT BENEFITS

a) Participation in pensions schemes

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

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

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

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

(iii) the Teachers Pension Agency (TPA), which provides retirement benefits for teachers on behalf of the Department for Education (DfE). Benefits are payable by the TPA on an unfunded basis and any liability is ultimately the responsibility of the DfE; the Council is therefore not required to account for teachers' pensions in the same way as the LGPS and LPFA. In 2009/10 the Council paid £11.914m to the DfE in respect of teachers' pension costs (£11.507m in 2008/09). This represented 14.1% of pensionable pay between April 2009 and March 2010.

b) Transactions relating to retirement benefits

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

	Local Government Pension Scheme		LPFA	
	2009/10 £000s	2008/09 £000s	2009/10 £000s	2008/09 £000s
Income and Expenditure Account				
Net Cost of Services				
Current Service Cost	13,528	15,286	457	563
Past Service Cost	140	5,880	0	373
Curtailments and Settlements	1,906	685	28	19
Net Operating Expenditure				
Interest Cost	53,659	55,973	4,029	4,227
Expected Return on Scheme Assets	(30,856)	(45,276)	(1,963)	(2,623)
Net Charge to the I&E Account	38,377	32,548	2,551	2,559
Statement of Movement on the General Fund and HRA Balances				
Reversal of net charges made for retirement benefits	(38,377)	(32,548)	(2,551)	(2,559)
Actual amount charged against General Fund and HRA Balances for pensions in the year:				
Employers' contributions payable to scheme	29,172	28,047	856	1,233

Notes to the Core Financial Statements

In addition to the recognised gains and losses included in the Income and Expenditure Account, an actuarial loss for the Local Government Pension Scheme and LPFA in 2009/10 of £319.036m, (loss of £130.485m for 2008/09) was included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is a loss of £452.930m.

c) Assets and liabilities in relation to retirement benefits

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

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2010 are shown in the following tables detailing a reconciliation of opening and closing balances. It should be noted that the valuation of the assets was based on February 2010 data and may differ from the final valuation shown in the Pension Fund Accounts.

Reconciliation of present value of the scheme liabilities

	Local Government Pension Scheme		LPFA	
	31 Mar 10 £000	31 Mar 09 £000	31 Mar 10 £000	31 Mar 09 £000
Opening Scheme Liabilities	793,449	812,380	59,938	62,474
Adjustments relating to previous year	(9,952)	0	0	0
Lewisham Homes FRS17 Indemnity	59,726	0	0	0
Current Service Cost	13,528	15,286	457	563
Interest Cost	53,659	55,973	4,029	4,227
Contributions by Members	8,301	8,010	172	193
Actuarial Losses/(Gains)	434,334	(72,504)	25,332	(4,297)
Past Service Costs	140	5,880	0	373
Losses on Curtailments	300	685	28	19
Liabilities Extinguished on Settlements	0	0	0	0
Estimated Unfunded Benefits Paid	(4,783)	(4,780)	(257)	(262)
Estimated Benefits Paid	(29,348)	(27,481)	(3,518)	(3,352)
Closing Scheme Liabilities	1,319,354	793,449	86,181	59,938

Reconciliation of fair value of the scheme assets

	Local Government Pension Scheme		LPFA	
	31 Mar 10 £000	31 Mar 09 £000	31 Mar 10 £000	31 Mar 09 £000
Opening Fair Value of Scheme Assets	485,433	635,822	47,221	54,611
Adjustments relating to previous year	(12,363)	0	0	0
Lewisham Homes FRS17 Indemnity	41,141	0	0	0
Expected Return on Assets	30,856	45,276	1,963	2,623
Actuarial Gains/(Losses)	138,009	(199,461)	3,426	(7,825)
Contributions by the employer	24,389	23,267	599	971
Contributions by members	8,301	8,010	172	193
Contributions in respect of Unfunded Benefits	4,783	4,780	257	262
Benefits Paid	(29,348)	(27,481)	(3,518)	(3,352)
Unfunded Benefits Paid	(4,783)	(4,780)	(257)	(262)
Assets Distributed on Settlements	0	0	0	0
Closing Fair Value of Scheme Assets	686,418	485,433	49,863	47,221

Notes to the Core Financial Statements

The actual return on scheme assets in the year showed a gain of £168.865m (loss of £153.553m for 2008/09) for the LGPS and a gain of £5.389m (loss of £4.978m for 2008/09) for the LPFA.

d) Scheme history

	2009/10 £000s	2008/09 £000s	2007/08 £000s	2006/07 £000s	2005/06 £000s
Local Government Pension Scheme					
Fair Value of Scheme Assets	686,418	485,433	635,822	722,000	663,400
Present Value of Scheme Liabilities	(1,319,354)	(793,449)	(812,380)	(939,600)	(944,100)
Surplus/Deficit	(632,936)	(308,016)	(176,558)	(217,600)	(280,700)
LPFA					
Fair Value of Scheme Assets	49,863	47,221	54,611	53,420	52,630
Present Value of Scheme Liabilities	(86,181)	(59,938)	(62,474)	(71,797)	(72,810)
Surplus/Deficit	(36,318)	(12,717)	(7,863)	(18,377)	(20,180)
Total Liability	(669,254)	(320,733)	(184,421)	(235,977)	(300,880)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. Whilst the total liability of £669.34m 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 (and See Note 42).

The total contributions expected to be made to the LGPS by the council in the year to 31 March 2011 are £23.9m. The total expected contributions to the LPFA in the year to 31 March 2011 are £0.6m.

e) Basis for estimating assets and liabilities

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

	Local Government Pension Scheme		LPFA	
	2009/10 £000s	2008/09 £000s	2009/10 £000s	2008/09 £000s
<i>Expected rate of return on scheme assets:</i>				
Equities	7.8%	7.0%	7.3%	7.0%
Bonds	5.0%	5.6%	-	-
Property	5.8%	4.9%	-	-
Cash	4.8%	4.0%	3.0%	4.0%
Cashflow Matching	-	-	4.5%	4.2%
Rate of Inflation	3.8%	3.1%	3.9%	3.1%
Salary Increase Rate	5.3%	4.6%	5.4%	4.6%
Rate for discounting scheme liabilities	5.5%	6.9%	5.5%	6.9%
<i>Mortality assumptions</i>				
Longevity at 65 for current pensioners				
Men	20.8yrs	19.6yrs	21.0yrs	21.0yrs
Women	24.1yrs	22.5yrs	23.4yrs	23.4yrs
Longevity at 65 for future pensioners				
Men	22.3yrs	20.7yrs	22.0yrs	22.0yrs
Women	25.7yrs	23.6yrs	24.2yrs	24.2yrs

Notes to the Core Financial Statements

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

Fair Value of Total Scheme Assets	Local Government Pension Scheme		LPFA	
	2009/10	2008/09	2009/10	2008/09
	£000s	£000s	£000s	£000s
Equities	483,958	337,861	5,485	3,778
Bonds	109,697	92,718	-	-
Property	45,169	39,320	-	-
Lewisham Homes FRS17 Indemnity (not identified)	41,141	-	-	-
Target Return Portfolio	-	-	26,926	-
Cash	6,453	15,534	(1,496)	472
Cashflow Matching	-	-	18,948	42,971
Total	686,418	485,433	49,863	47,221

f) History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, shown also as a percentage of assets or liabilities as at 31 March 2010.

	2009/10	2008/09	2007/08	2006/07	2005/06
	£000s	£000s	£000s	£000s	£000s
Local Government Pension Scheme					
Experience Gains/(Losses) on Assets	138,009	(199,461)	(136,900)	8,400	89,100
As a percentage of Assets	21.4%	(25.1%)	(16.9%)	0.9%	9.4%
Experience Gains/(Losses) on Liabilities	(2,015)	135	36,809	900	(1,000)
As a percentage of Liabilities	(0.2%)	0.0%	5.8%	0.1%	(0.2%)
LPFA					
Experience Gains/(Losses) on Assets	3,426	(7,825)	1,512	1	1,953
As a percentage of Assets	6.9%	(16.6%)	2.8%	0.0%	3.7%
Experience Gains/(Losses) on Liabilities	633	(11)	5,098	86	(12)
As a percentage of Liabilities	0.7%	0.0%	(8.2%)	(0.1%)	0.0%

7. OPERATING AND FINANCE LEASES

The Council uses vehicles, plant and equipment under the terms of operating leases and has no finance leases. It also leases housing properties from Hyde Housing Association. The future liability of housing operating leases is stated in 2010/11 prices, although the lease rents are subject to annual review in line with market rents indexation. The details of the operating leases are given below.

Operating Leases	2009/10			2008/09	
	Housing	Other		Housing	Other
	£000	£000		£000	£000
Total rentals payable	452	75	Total rentals payable	915	228
Outstanding undischarged obligations:			Outstanding undischarged obligations:		
- 2010/2011	45	2	- 2008/2009	480	174
- 2011/2012 - 2015/2016	225	6	- 2009/2010 - 2013/2014	225	9
- 2016/2017 onwards	1,598	0	- 2014/2015 onwards	1,643	0
Totals	1,868	8	Totals	2,348	183

Notes to the Core Financial Statements

8. PRIVATE FINANCE INITIATIVES (PFI) / LONG TERM CONTRACTS**PRIVATE FINANCE INITIATIVES****a) Downham Lifestyles Centre PFI**

A PFI agreement was signed in September 2005 for the provision of the Downham Lifestyles Centre for a period of 32 years. The centre provides health and leisure facilities and opened in March 2007. Under this contract the Council made a capital contribution of £1.7m before the facilities opened. Unitary charge payments were £1.8m in 2008/09 and £1.8m in 2009/10. It is expected that the lifetime unitary charge payments are expected to be £74m.

b) Brockley Area Housing PFI

A Housing Revenue Account PFI agreement was signed in June 2007 for the provision of the housing management services, repairs and maintenance and Decent Homes Standard refurbishment work to 1,845 leasehold and tenanted properties in the Brockley area. Under this contract the Council has made unitary charge payments of £3.8m in 2007/08, £7.9m in 2008/09 and of £10.4m in 2009/10. The contract is for a 20 year period and over its lifetime the project is expected to cost £314m, including £280m of unitary charges and £2m of capital contributions.

c) Grouped Schools PFI

A PFI contract was signed in August 2006 for the rebuild and running of three schools for 30 years at an estimated cost of £224m;

- Greenvale Special School - which opened in September 2007
- Forest Hill Secondary School - which opened in January 2008.
- Prendergast Ladywell Fields College (formerly Crofton Secondary School) - phase 1 opened in January 2008 and phase 2 opened in September 2008.

The unitary charge for 2009/10 was £6.6m (in 2008/09 the unitary charge was £6.8m and capital spend was £1.7m).

d) BSF Catford and Sedgemoor Schools

A PFI contract was signed in December 2007 for the rebuild and running of two secondary schools, Sedgemoor and Catford High. The operational start date for Sedgemoor school was 5th January 2009, and Catford High school was in April 2009. The unitary charge for 2009/10 was £7.1m (in 2008/09 there was a unitary charge of £1.5m and capital contribution of £0.4m). The total expenditure on the PFI contract over the 26 year operational life is estimated to be £236m (nominal assuming RPI at 2.5%).

e) BSF Northbrook School

A PFI contract was signed in 2009/10 for the construction of Northbrook school. Construction started in June 2009. It is due to become operational in January 2011, with total unitary charge payments over 27 years of £84m.

PFI PRIOR YEAR ADJUSTMENTS – EFFECT ON THE CORE FINANCIAL STATEMENTS

The table on the next page details the prior year adjustments made in relation to the above PFI contracts as a result of changes in the accounting rules for PFI's due to the introduction of International financial Reporting Standards (IFRS).

For each PFI, prior year adjustments dating before 1 April 2008 are shown as an adjustment to the balance sheet.

The effect on prior year comparators for 2008/09 across the Statement of Accounts are also shown for each PFI.

Notes to the Core Financial Statements

£000s	Brockley PFI		Downham PFI		Grouped Schools PFI		BSF Catford & Sedgehill PFI	TOTAL ADJUSTMENT FOR PFIs
	Adj to 1 Apr 08 balance	Adj to 2008/09 entries	Adj to 1 Apr 08 balance	Adj to 2008/09 entries	Adj to 1 Apr 08 balance	Adj to 2008/09 entries	Adj to 2008/09 entries	
Income and Expenditure Account								
Net Cost of Services								
Cultural, environmental and planning services				(1,334)				(1,334)
Children's and education services						(3,947)	4,212	265
Housing services		10,038						10,038
Net Operating Expenditure								
Interest payable and similar charges		1,338		1,415		4,183	394	7,330
Deficit/(Surplus) for the Year		11,376		81		236	4,606	16,299
Statement of Movement on the General Fund Balance								
Deficit for the year on the Income & Expenditure Account		11,376		81		236	4,606	16,299
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year		(11,376)		(81)		(236)	(4,606)	(16,299)
Increase in General Fund Balance for the Year		0		0		0	0	0
Supplement to SMGFB								
Depreciation and impairment of fixed assets		(15,080)		(325)		(1,349)	(5,349)	(22,103)
Build Up of PFI Asset Residual Value		(884)		(70)		(108)		(1,062)
Amortisation of prepayments		2,697		53		331		3,081
Revenue provision for PFI schemes		1,891		261		890	743	3,785
Net additional amount to be required to be credited to the General Fund balance		(11,376)		(81)		(236)	(4,606)	(16,299)
Balance Sheet								
Long term assets								
Fixed assets	51,208	2,716	11,867	(200)	52,349	(1,349)	13,141	129,732
Long term debtors		(884)	(35)	(35)		(108)		(1,062)
Current assets								
Prepayments	(51,069)	2,697	(1,647)	53	(9,450)	(1,780)	(406)	(61,602)
Current liabilities								
PFI liabilities due within one year		(2,409)		(106)		(648)	(1,120)	(4,283)
Long term liabilities								
Deferred PFI liabilities	(8,351)	(16,901)	(11,004)	207	(43,732)	3,649	(16,221)	(92,353)
Total assets less liabilities	(8,212)	(14,781)	(819)	(81)	(833)	(236)	(4,606)	(29,568)
Reserves and balances								
Revaluation Reserve	4,516	(3,368)						1,148
Capital Adjustment Account	(12,727)	(11,414)	(819)	(81)	(833)	(236)	(4,606)	(30,716)
TOTAL EQUITY	(8,211)	(14,782)	(819)	(81)	(833)	(236)	(4,606)	(29,568)
Housing Revenue Account								
Net Cost of HRA Services								
Supervision and management - General expenses		(5,043)						(5,043)
Depreciation - dwellings		2,377						2,377
Impairment of fixed assets		12,704						12,704
Net Operating Expenditure								
Interest payable and similar charges		1,338						1,338
(Surplus) or deficit for the year on HRA services		11,376						11,376
Statement of Movement on the HRA Balance								
(Surplus) or deficit for the year on the HRA Income and Expenditure Account		11,376						11,376
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year		(11,376)						(11,376)
(Increase) or decrease in the HRA Balance		0						0
Supplement to the SMHRAB								
Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements		(13,267)						(13,267)
Revenue provision for PFI schemes		1,891						1,891
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year		(11,376)						(11,376)

Notes to the Core Financial Statements

PFI: FIXED ASSETS AND LEASE LIABILITY BALANCES AND ANALYSIS OF MOVEMENTS

The table below shows the movements in balances for Fixed Assets and Lease Liabilities relating to PFI contracts. The liabilities relate to the value of the assets provided under the PFI contract which have not yet been paid for through the unitary charge payments or capital contributions.

	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF Catford & Sedgehill	Total
	£000s	£000s	£000s	£000s	£000s
Fixed Assets balance					
Balance at 1 April 2008	51,208 ¹	11,867	52,349 ²	13,549	128,973
5% uplift @ 1 Apr	2,829				2,829
2008/09 depreciation	-2,377	-324	-1,349		-4,050
RTB disposal	-37				-37
10% impairment @ 31 March	-5,700				-5,700
2008/09 additions	21,201	124		18,490	39,815
2008/09 valuation impairment	-13,200 ⁴			-5,349 ⁴	-18,549
Balance at 31 March 2009	53,924	11,667	51,000	26,690	143,281
2009/10 depreciation	-2,900	-327	-1,349	-462	-5,038
RTB disposal	-45				-45
2009/10 additions	22,423	137		38,381	60,941
2009/10 valuation impairment	-13,404 ⁴			-17,621 ⁴	-31,025
2009/10 valuation gain	157		435		592
Balance at 31 March 2010	60,155	11,476	50,086	46,988	168,705
PFI Lease liability balance					
Balance at 1 April 2008	-8,351	-11,004	-43,732		-63,087
Increase in liability	-21,201			-18,490	-39,691
Repayment of liability	1,891	102	3,001 ³	1,149 ³	6,143
Balance at 31 March 2009	-27,661	-10,903	-40,731	-17,341	-96,636
Increase in liability	-22,423			-38,381	-60,804
Repayment of liability	2,409	105	648	1,120	4,282
Balance at 31 March 2010	-47,675	-10,797	-40,083	-54,602	-153,157

Notes

¹ Brockley PFI involves refurbishing existing properties, and so the fixed assets value includes their existing value and is increased by works carried out through the PFI. Therefore the fixed asset value is significantly more than the lease liability.

² The arrangements for the Grouped Schools PFI included significant capital contributions in the early years, leading to a large gap between the fixed assets value and the lease liability.

³ Higher values here due to release of capital contribution from Prepayments account

⁴ A valuation of PFI assets was carried out at 31/03/2010. The resulting impairments have been spread over three years reflecting the requirement to restate accounts in line with the new PFI accounting rules.

PAYMENTS DUE UNDER PFI

The following table shows an estimate of the cash amounts due to be paid (as part of a unitary charge) for each PFI. The price base is in nominal terms assuming a 2.5% RPI increase per annum compounded until the end of the contract. The amounts are broken down into the different elements of the payments reflecting how they will be accounted for.

Note: Contingent rents are an element of interest, that vary with inflation. Expected contingent rents are included in the line for interest. The Contingent rent prepayment is where payments are classed as an advance payment towards the contingent rent.

Notes to the Core Financial Statements

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

	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF Catford & Sedgehill	BSF Northbrook	Total
	£000	£000	£000	£000	£000	£000
Payments due						
within 1 year						
Service charges	4,214	184	2,083	1,946	153	8,580
Interest	5,551	1,450	3,853	4,888	483	16,225
Repayment of liability	3,078	119	672	1,099	59	5,027
Planned lifecycle replacement	0	140	132	28	0	300
Contingent rent prepayment			-28			-28
	12,843	1,893	6,712	7,961	695	30,104
within 2 to 5 years						
Service charges	21,191	781	8,899	8,386	2,603	41,860
Interest	22,232	5,885	14,735	18,654	7,583	69,089
Repayment of liability	11,361	519	2,914	4,862	1,108	20,764
Planned lifecycle replacement	165	730	1,135	801	46	2,877
Contingent rent prepayment			-40			-40
	54,949	7,915	27,643	32,703	11,340	134,550
within 6 to 10 years						
Service charges	36,266	1,092	12,603	11,961	3,614	65,536
Interest	21,486	7,493	16,832	20,602	8,864	75,277
Repayment of liability	14,342	722	3,678	6,745	1,734	27,221
Planned lifecycle replacement	1,799	1,119	3,641	3,671	521	10,751
Contingent rent prepayment			-260			-260
	73,893	10,426	36,494	42,979	14,733	178,525
within 11 to 15 years						
Service charges	45,153	1,235	14,491	13,863	4,061	78,803
Interest	13,797	7,671	14,866	16,996	7,842	61,172
Repayment of liability	18,497	1,021	4,860	8,526	2,212	35,116
Planned lifecycle replacement	2,941	1,301	5,269	6,216	1,315	17,042
Contingent rent prepayment			-571			-571
	80,388	11,228	38,915	45,601	15,430	191,562
within 16 to 20 years						
Service charges	19,929	1,398	16,670	16,073	4,595	58,665
Interest	3,062	7,574	11,835	12,554	6,478	41,503
Repayment of liability	11,452	1,780	8,727	13,470	3,566	38,995
Planned lifecycle replacement	1,156	1,487	4,522	6,471	1,578	15,214
Contingent rent prepayment			-99			-99
	35,599	12,239	41,655	48,568	16,217	154,278
within 21 to 25 years						
Service charges		1,581	19,186	18,641	5,198	44,606
Interest		6,908	6,330	5,020	4,224	22,482
Repayment of liability		2,792	14,956	19,900	5,916	43,564
Planned lifecycle replacement		1,689	3,763	5,700	1,770	12,922
Contingent rent prepayment			517			517
		12,970	44,752	49,261	17,108	124,091
within 26 to 30 years						
Service charges		1,413	4,684		2,756	8,853
Interest		4,598	341		756	5,695
Repayment of liability		3,843	4,276		4,064	12,183
Planned lifecycle replacement		1,510	907		1,065	3,482
Contingent rent prepayment			319			319
		11,364	10,527		8,641	30,532
TOTAL PAYMENTS DUE	257,672	68,035	206,698	227,073	84,164	843,642

Notes to the Core Financial Statements

OTHER PRIVATE FINANCE INITIATIVE SCHEMES**f) Leisure Centre Management**

The Council has a PFI contract for the management of three of its five leisure facilities (Bridge Leisure Centre, Ladywell Arena and the Wavelengths Leisure Centre). The arrangement includes investment, totalling £2.7m over the life of the contract, to upgrade and maintain the facilities. The contract commenced in October 2001 and runs until October 2011. However, due to the extension of the Wavelengths Leisure Centre and Library to include a new 25m pool and changing areas, a variation was agreed to manage the extended facility. The new facilities opened in August 2008 and attracted additional payments of £0.128m. The total payment under the revised contract in 2009/10 was £1.33m (£1.42m in 2008/09).

LONG TERM CONTRACTS**g) Parks and Open Spaces**

The Council entered into a new 10 year Green Space Contract with Glendale Grounds Management on 1st March 2010. The contract has a 5 year break clause and a value of £3.5 million which includes the London Living wage allocation. The contract covers parks and open spaces, highways enclosure and housing grounds maintenance on Lewisham homes sites. There is no investment element to this contract.

h) Networks and Telecommunications and Primary ICT Services

The current contracts with SunGard Public Sector expire on 31 March 2011. The Council is now engaged in a joint procurement process with Bromley Council for contracts covering these services. Although there will be separate contracts with each Borough, it is hoped that possible economies of scale will generate some reduction in costs. The contracts will be for a period of up to 9 years, beginning on 1 April 2011. Tenders are due in on 5 July 2010, and it is hoped that a report recommending provider(s) will go to Mayor and Cabinet on 6 October 2010.

i) Schools ICT Framework

As part of the Building Schools for the Future programme, an ICT Framework agreement was signed in December 2007 for the provision of interim and full ICT managed service provision for secondary schools in the Borough over a period of 10 years. Capital investment in ICT equipment for 2009/10 was £2m (£4.2m in 2008/09), with the total estimated capital expenditure over the life of the contract to be £19m. The revenue implications of the ICT managed service are being met by the individual schools.

j) Leisure Centre Management

The two remaining centres were run under management only contracts which were due to expire on the 14 October 2006. The Forest Hill Pools contract was allowed to expire on its due date but was still managed under an extension contract to enable the site to be maintained and secured. The Ladywell Leisure Centre contract was due to expire in April 2010 but a further Variation was secured to allow the contract to be extended until October 2011 to bring it in line with the existing Parkwood Contract. The total payment for these contracts in 2009/10 was £0.675m (£0.74m in 2008/09).

9. EXTERNAL AUDIT FEES

	2009/10 £000	2008/09 £000
Payments to the Audit Commission		
Fees payable with regard to external audit services	427	443
Fees payable in respect of statutory inspection	20	27
Fees payable for the certification of grant claims and returns	148	149
Fees payable in respect of other services provided by the appointed auditor	0	2
External Auditor Fees	595	621

These fees exclude a £38,500 fee payable for the audit of the Pension Fund.

Notes to the Core Financial Statements

10. OFFICERS EMOLUMENTS

Employees whose Remuneration was £50,000 or more

The number of employees (including senior employees whose details are also disclosed separately below) whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 was:

Remuneration Band	2009/10			2008/09		
	School Employees	Non-School Employees	Total Employees	School Employees	Non-School Employees	Total Employees
£50,000 to £54,999	157	66	223	111	59	170
£55,000 to £59,999	62	34	96	50	32	82
£60,000 to £64,999	40	17	57	39	15	54
£65,000 to £69,999	37	13	50	26	13	39
£70,000 to £74,999	19	4	23	14	4	18
£75,000 to £79,999	9	8	17	5	7	12
£80,000 to £84,999	8	4	12	8	4	12
£85,000 to £89,999	7	5	12	2	8	10
£90,000 to £94,999	1	5	6	1	4	5
£95,000 to £99,999	0	2	2	3	1	4
£100,000 to £104,999	2	2	4	0	0	0
£105,000 to £109,999	0	3	3	1	3	4
£110,000 to £114,999	1	0	1	0	0	0
£130,000 to £134,999	0	0	0	0	1	1
£135,000 to £139,999	0	2	2	0	3	3
£140,000 to £144,999	0	2	2	0	0	0
£190,000 to £194,999	0	1	1	0	1	1
£230,000 to £234,999	1	0	1	0	0	0
Total	344	168	512	260	155	415

Note - Where salary bands are not quoted, there are no employees in those bands for either year.

Disclosure of Senior Employees Remuneration for financial year 2009/10

Post Holder Information	Salary (inc fees and allowances) £	Total excluding Pension Contributions £	Employer's Pension Contributions £	Total including Pension Contributions £
Senior Employees - Salary over £150,000				
Head Teacher Tidemill School - M Elms	231,400	231,400	16,701	248,101
Chief Executive - B Quirk	192,387	192,387	37,515	229,902
Senior Employees - Salary below £150,000				
Executive Director for Customer Services	141,123	141,123	27,519	168,642
Executive Director for Children and Young People	141,123	141,123	27,519	168,642
Executive Director for Resources	138,495	138,495	27,007	165,502
Executive Director for Community Services	135,867	135,867	26,494	162,361
Director of Programme Management and Property	109,538	109,538	21,360	130,898
Director of Children's Social Care	109,538	109,538	21,360	130,898
Head of Law and Monitoring Officer	107,538	107,538	20,970	128,508
Totals	1,307,009	1,307,009	226,445	1,533,454

Notes to the Core Financial Statements

Disclosure of Senior Employees Remuneration for financial year 2008/09

Post Holder Information	Salary (inc fees and allowances)	Total excluding Pension Contributions	Employer's Pension Contributions	Total including Pension Contributions
	£	£	£	£
Senior Employees - Salary over £150,000				
Chief Executive - B Quirk	192,387	192,387	36,554	228,941
Senior Employees - Salary below £150,000				
Executive Director for Customer Services	138,495	138,495	26,314	164,809
Executive Director for Children and Young People	138,495	138,495	26,314	164,809
Executive Director for Resources	135,867	135,867	25,815	161,682
Executive Director for Community Services	133,239	133,239	25,315	158,554
Director of Programme Management and Property	109,538	109,538	20,812	130,350
Director of Children's Social Care	109,205	109,205	20,749	129,954
Head of Law and Monitoring Officer	107,538	107,538	20,432	127,970
Totals	1,064,764	1,064,764	202,305	1,267,069

11. MEMBERS' ALLOWANCES

The total amount of Members' Allowances paid in 2009/10 was £0.999m (£0.997m in 2008/09). This includes related pensions contributions, but excludes IT, equipment, telephones, training etc.

12. 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.

(a) Central Government and Other Local Authorities

The total government grants received are shown in Note 45 to the Core Financial Statements. The precept to the Greater London Authority is shown in the notes of the Collection Fund in Section 3b of the Accounts. There were numerous other transactions between the Council and other Local Authorities.

(b) Subsidiaries, Associated Companies and Joint Ventures

The companies that are related to the Council are detailed in Note 38 to the Core Financial Statements. Material transactions were as follows:

- Payment of £4.93m (£4.84m in 2008/09) was made to South-East London Combined Heat and Power Ltd (SELCHP) which is a joint venture with the London Borough of Greenwich for the provision of a waste disposal service.
- The Council owns 10% of the shares of the Lewisham Schools for the Future Local Education Partnership (LEP), and its subsidiary Special Purpose Vehicle (SPV). The Council made payments in 2009/10 to the LEP of £6.85m (£4.9m in 2008/09) and to the SPV of £8.82m (£1.48m in 2008/09).
- Lewisham Homes is a wholly owned subsidiary of the Council and Councillors Nisbet, Paschoud and Stockbridge sit on its board. The Council made payments of £26.13m to Lewisham Homes in 2009/10 (payments in 2008/09 totalled £30.50m).
- Catford Regeneration Partnership Ltd (CRPL) is a wholly owned subsidiary of the Council and the Head of Property and Programme Management and the Head of Business Management and Service Support are directors of the board. The Council gave a loan of £11.98m to CRPL in 2009/10.

(c) Members and Chief Officers

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

- The Mayor's wife is an employee of London Councils whom Lewisham paid £1.216m in 2009/10.

Notes to the Core Financial Statements

- The Deputy Mayor, Councillor Alexander, is a member of South East Enterprise to whom Lewisham paid £0.220m in 2009/10, is a member of Lewisham Schools for the Future LEP Limited to whom Lewisham paid £6.848m, is a member of Lewisham Schools for the Future SPV Limited to whom Lewisham paid £8.816m, Lewisham Schools for the Future SPV2 Ltd to whom Lewisham paid £0.005m and is a member of Shelter Charities to whom Lewisham paid £0.003m, all payments made in 2009/10.
- Councillor Anderson is a committee member of the Marsha Phoenix Memorial Trust to whom Lewisham paid £0.231m in 2009/10.
- Councillor Bentley's wife is an employee of Northbrook School.
- Councillor Best is a member of London Wildlife Trust to whom Lewisham paid £2,000 in 2009/10, and a member of the Chartered Institute of Housing to whom Lewisham paid £2,000 in £2009/10.
- Councillor Clutten is a student member of Goldsmith University College Council to whom Lewisham paid £0.047m in 2009/10.
- Councillor Edgerton is the treasurer of Lewisham Park Housing Association Management Committee to whom Lewisham paid £0.595m in 2009/10.
- Councillor Feakes is a board member of London Youth Games Ltd to whom Lewisham paid £0.006m in 2009/10.
- Councillor Fletcher is a board member of the Ilderton Motor Project to whom Lewisham paid £0.076m in 2009/10 and is on the Council of Management of the Lewisham Youth Theatre to whom Lewisham paid £0.066m in 2009/10.
- Councillor Flood is employed at City University to whom Lewisham paid £0.015m.
- Councillor Gyechie is a committee member of the Marsha Phoenix Memorial Trust to whom Lewisham paid £0.231m in 2009/10, and is a member of National Autistic Society, to whom Lewisham paid £0.075m in 2009/10.
- Councillor Hall is a board member of the Phoenix Community Centre to whom Lewisham paid £2.016m in 2009/10, and is a member of the South London and Maudsley NHS Trust to whom Lewisham paid £3.69m in 2009/10.
- Councillor Houghton is a member of Phoenix Community Homes to whom Lewisham paid £2.016m in 2009/10.
- Councillor Ibitson is a Church Warden at St Dunstan's Church to whom Lewisham paid £0.003m in 2009/10.
- Councillor Johnson is a committee member of the Marsha Phoenix Memorial Trust to whom Lewisham paid £0.231m in 2009/10.
- Councillor Keogh is a part time contractor of Glendale Grounds Management to whom Lewisham paid £0.012m in 2009/10.
- Councillor Klier is a board member of Blackheath Concert Halls to whom Lewisham paid £0.003m in 2009/10.
- Councillor Long is Chair of the South London and Maudsley NHS Trust to whom Lewisham paid £3.69m in 2009/10.
- Councillor Luxton is a member of the London Wildlife Trust to whom Lewisham paid £2,000, is a member of Shelter to whom Lewisham paid £0.003m, is a member of Friends of Brockley & Ladywell Cemeteries to who Lewisham paid £1,000, and is a member of Ladywell Village Improvement Group to whom Lewisham paid £0.009m, all payments made in 2009/10.
- Councillor Maines is a consultant to the Improvement & Development Agency to whom Lewisham paid £0.011m in 2009/10.
- Councillor Maslin is a member of Deptford Challenge Trust to whom Lewisham paid £0.229m in 2009/10.
- Councillor Massey is a board member of Trinity Laban Conservatoire of Music and Dance to whom Lewisham paid £0.146m in 2009/10 and is a board member of Lewisham College to whom Lewisham paid £0.672m in 2009/10.
- Councillor Milton is a member of the Advisory Board of Envirowork Lewisham to whom Lewisham paid £0.572m, is a board member of Lewisham Park Housing Association to whom Lewisham paid £0.595m, and is a member of Voluntary Action Lewisham to whom Lewisham paid £0.450m, all payments made in 2009/10.
- Councillor Muldoon is a member of the Noah's Ark Children's Venture to whom Lewisham paid £0.077m in 2009/10, and is a board member of the South London and Maudsley NHS Trust to whom Lewisham paid £3.69m.

Notes to the Core Financial Statements

- Councillor Nisbet is a member of Lewisham & Southwark Age Concern to whom Lewisham paid £0.269m in 2009/10, and a member of Sydenham Music to whom Lewisham paid £0.018m in 2009/10.
- Councillor Onuegbu is a member of the South London and Maudsley NHS Trust to whom Lewisham paid £3.69m.
- Councillor Owolabi-Oluyole is a member of Race Equality Action Lewisham to whom Lewisham paid £0.098m in 2009/10.
- Councillor Paschoud is a member of the Lewisham Disability Coalition to whom Lewisham paid £0.184m, a member of British Computer Society to whom Lewisham paid £0.001m, a member of Platform 1 (Forest Hill) Youth Project to whom Lewisham paid £0.038m, and a member of Contact a Family – Lewisham to whom Lewisham paid £0.157m, all payments made in 2009/10.
- Councillor Peake is a member of the Lewisham Citizen Advice Bureau to whom Lewisham paid £0.581m in 2009/10.
- Councillor Smith is a member of Groundwork Trust, London South to whom Lewisham paid £0.078m in 2009/10.
- Councillor Stockbridge is a member of Phoenix Community Homes to whom Lewisham paid £2.016m in 2009/10.
- Councillor Till is employed by Dinardo Ltd to whom Lewisham paid £0.431m, a member of the North Downham Training Project to whom Lewisham paid £0.215m, a member of the Rockbourne Youth Management Committee to whom Lewisham paid £0.018m, a member of the Noah's Ark Children's Venture to whom Lewisham paid £0.77m, is a committee member of the Marsha Phoenix Memorial Trust to whom Lewisham paid £0.231m, is a member of the Goldsmith Community Association to whom Lewisham paid £0.044m, a member of the Ilderton Motor Project to whom Lewisham paid £0.076m and a board member of London Youth Games Ltd to whom Lewisham paid £0.006m in 2009/10.
- The Head of Human Resources is on the Board of PPMA (Putting people at the heart of public service), to whom Lewisham paid £0.001m in 2009/10.
- The wife of the Director of Children's Social Care is Director / Chief Executive of St. Michael's Fellowship to whom Lewisham paid £0.509m in 2009/10.
- The Interim Executive Director for Regeneration is the Director of Interea Consulting, to whom Lewisham paid £0.204m in 2009/10 for his services.

(d) Lewisham Pension Fund

- The Council's contribution to the Pension Fund in 2009/10 on behalf of its employees was £25.6m (£24.1m in 2008/09).
- The cost of administering the Pension Fund of £0.58m (£0.53 in 2008/09) was charged to the fund in 2009/10.
- The Pension Fund had £5.1m of cash balances invested with the Council as at 31 March 2010 (on 31 March 2009 the Pension Fund had £1.8m of cash balances invested with the Council).

13. PARKING CONTROL ACCOUNT

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

	2009/10 £000	2008/09 £000
Income	(5,164)	(3,481)
Expenditure	4,482	2,217
Surplus	(682)	(1,264)
Use of surplus:		
Traffic Management Schemes	149	498
Improved signing/safety maintenance	0	131
Improved lighting	533	635
Total	(682)	(1,264)

Notes to the Core Financial Statements

14. 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	Restated Balance 1 April 2009 £000	Net Movement in Year £000	Balance 31 March 2010 £000	Purpose of Reserve	Further Detail of Movements
Revaluation Reserve	87,880	21,550	109,430	Store of gains on revaluation of fixed assets not yet realised through sales.	Note 15
Capital Adjustment Account	1,299,003	(121,925)	1,177,078	Store of capital resources set aside to meet past expenditure.	Note 16
Financial Instruments Adjustment Account	(15,760)	2,660	(13,100)	Balancing Account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.	Note 17
Usable Capital Receipts	17,411	2,887	20,298	Proceeds of fixed assets sales available to meet future expenditure.	Note 18
Collection Fund Adjustment Account	111	(86)	25	Balance arising from excess or shortfall in budgeted Council Tax collection, net of provision for bad debts.	Collection Fund Revenue Account
Major Repairs Reserve	1,310	3,010	4,320	Resources available to meet capital investment in council housing.	Note 16 to the HRA Statement
Pensions Reserve	(320,733)	(348,521)	(669,254)	Balancing account to allow inclusion of Pension Liability in the Balance Sheet.	Note 6
Earmarked Revenue Reserves	75,143	(2,913)	72,230	Amounts set aside to finance future earmarked revenue expenditure.	Note 19
General Fund	11,236	275	11,511	General non-earmarked revenue balances.	Statement of Movement on the General Fund Balance
Housing Revenue Account	12,094	(2,334)	9,760	Earmarked and non-earmarked revenue balances ringfenced to the HRA.	Note 17 to the HRA Statement
Total	1,167,695	(445,397)	722,298		

Notes to the Core Financial Statements

15. REVALUATION RESERVE

	2009/10 £000	2008/09 Restated £000
Revaluation gains	30,286	96,217
Impairment losses (not due to consumption of economic benefits)	(7,199)	(117,806)
	23,087	(21,589)
Write out of gains on assets with impairments due to consumption of economic benefits	(112)	(4)
Additional depreciation incurred due to assets being revalued	(581)	(4,046)
Write out of gains on assets disposed of in year	(844)	(682)
Total movement on reserve in year	21,550	(26,321)
Balance brought forward at start of year	87,880	109,685
Adjustments relating to previous year	0	4,516
Balance carried forward at end of year	109,430	87,880

16. CAPITAL ADJUSTMENT ACCOUNT

	2009/10 £000	2008/09 Restated £000
Historical cost of acquiring, creating or enhancing fixed assets:		
Depreciation and impairment losses from the Statement of Movement on Balances	(149,671)	(158,399)
Transfer from Revaluation Reserve to convert current value depreciation / impairment losses to historical cost	693	4,050
Amounts written off fixed asset balances for disposals	(10,047)	(101,039)
Transfer from Revaluation Reserve of revaluation gains outstanding on disposal of fixed assets	844	682
Amortisation of PFI prepayment	0	0
Build up of PFI residual value	0	0
	(158,181)	(254,706)
Total historical cost of acquiring, creating or enhancing fixed assets		
Revenue Expenditure Funded from Capital under Statute	(7,291)	(6,247)
Resources set aside to finance capital expenditure:		
Usable receipts applied	5,401	8,904
Capital expenditure financed from revenue	5,218	6,462
Minimum revenue provision	6,238	4,687
Revenue provision for PFI schemes	4,375	3,785
Capital grants and contributions	22,315	41,333
Total resources set aside to finance capital expenditure	43,547	65,171
Total movement on reserve	(121,925)	(195,782)
Balance brought forward at start of year	1,299,003	1,509,165
Adjustments relating to previous year	0	(14,380)
Balance carried forward at end of year	1,177,078	1,299,003

Notes to the Core Financial Statements

17. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

	2009/10 £000	2008/09 £000
Opening balance at start of year	(15,760)	(10,247)
Premiums paid for early redemption of debt	248	0
Amortisation of premiums and discounts	2,412	(5,513)
Balance carried forward at end of year	(13,100)	(15,760)

18. USABLE CAPITAL RECEIPTS

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

	2009/10 £000	2008/09 £000
Amounts receivable in year	8,550	5,428
Poolable to Central Government	0	(213)
Amounts applied to finance new capital investment in year	(5,663)	(6,354)
Total increase/(decrease) in capital receipts in year	2,887	(1,139)
Balance brought forward at start of year	17,411	18,550
Balance carried forward at end of year	20,298	17,411

19. 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. The net transfer from reserves in the year is £2.913m, as follows:

	Balance at 01/04/2009 £000	Transfers In £000	Transfers Out £000	Balance at 31/03/2010 £000
General Earmarked	44,449	15,134	(10,673)	48,910
Insurance	12,410	786	0	13,196
Capital Expenditure	9,339	10,303	(13,710)	5,932
School Balances	8,280	6,645	(11,357)	3,568
School's External Funds	665	624	(665)	624
Total	75,143	33,492	(36,405)	72,230

Notes to the Core Financial Statements

Capital Expenditure Reserve

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

Schools Balances

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

Schools' External Funds

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

20. 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 31/03/2009 £000	Contribution In £000	Contribution Out £000	Balance 31/03/2010 £000
Insurance Provision	8,233	1,591	(1,214)	8,610
Other Provisions	3,910	542	(46)	4,406
Total	12,143	2,133	(1,260)	13,016

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 arrange 'All Risks' insurance for all of its properties, but insures its buildings and contents for limited perils such as fire, lightning, aircraft impact, explosion and riot & civil commotion, It does not insure against water or weather perils or theft. All Risks cover is obtained for more attractive property such as cash, computers and other specified property. A reserve is also held to cover insurable but uninsured losses and to fund risk management initiatives.

Other Provisions

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

Notes to the Core Financial Statements

21. FIXED ASSETS

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

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Comm. Assets £000	Investment Props / Surplus Assets £000	Assets under Construction £000	TOTAL £000
Restated Gross Book Value b/fwd at 1st April 2009	970,463	888,352	44,557	92,180	7,965	65,774	36,756	2,106,047
Additions	25,816	45,941	8,571	5,660	486	2,323	16,212	105,009
Disposals	(2,692)	(4,903)	(952)	0	0	(2,935)	0	(11,482)
Transfers	1,731	(5,626)	363	737	0	12,522	(10,228)	(501)
Re-valuations	1,311	7,966	0	0	0	17,723	0	27,000
Impairments	(36,380)	(72,956)	0	(375)	0	(5,688)	(3,955)	(119,354)
Gross Book Value c/fwd at 31st March 2010	960,249	858,774	52,539	98,202	8,451	89,719	38,785	2,106,719
Restated Depreciation b/fwd at 1st April 2009	(3,313)	(12,390)	(20,265)	(39,400)	0	0	0	(75,368)
Depreciation for year	(27,400)	(10,181)	(4,742)	(2,896)	0	0	0	(45,219)
Depreciation written back on:								
Transfers	(31)	1,339	0	0	0	0	0	1,308
Assets Revalued	9	3,046	0	0	0	0	0	3,055
Assets Impaired	1,606	1,095	0	32	0	0	0	2,733
Assets Sold	6	571	937	0	0	0	0	1,514
Depreciation c/fwd at 31st March 2010	(29,123)	(16,520)	(24,070)	(42,264)	0	0	0	(111,977)
Net Book Value at 31st March 2010	931,126	842,254	28,469	55,938	8,451	89,719	38,785	1,994,742

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

	2009/10 £000	2008/09 £000
Fixed Assets (additions net of WIP & appropriations)	37,627	60,374
PFI Prepayments	788	2,174
Long-Term Loan	11,981	0
Revenue Expenditure Funded from Capital Under Statute	7,221	6,247
(Decrease) / Increase in work in progress	5,983	7,838
Total Capital Expenditure	63,600	76,633

Notes to the Core Financial Statements

(c) The total capital expenditure of £63.6m (£76.6m in 2008/09) as detailed above and shown in the foreword, was financed as follows:

	2009/10 £000	2008/09 £000
Borrowing	26,481	18,689
Capital Grants	26,238	41,248
Capital Receipts	5,401	8,808
Capital Receipts - PFI Prepayments	262	1,115
Capital Expenditure charged to Revenue Account	5,218	6,773
Total Capital Expenditure	63,600	76,633

22. NUMBERS OF FIXED ASSETS

A summary of physical assets owned by the Council is shown below:

	31- Mar -10 (Number)	31- Mar -09 (Number)
Council Dwellings	17,864	17,072 *
Housing non residential	214	235
Garages	2,827	2,865
Nursery Schools	2	3
Day centre - Early Years	13	13
Primary Schools	47	48
Secondary Schools	6	6 *
Sixth Form Centre	1	1
Special Schools	6	6 *
Adult Education Centres	4	4
Youth Centres	6	6 *
Hostel for the mentally ill / Persons with disabilities	1	1
Social Services Centres	13	13
Administrative Buildings	9	9
Leisure Centres/Pools	4	4 *
Parks/Recreation Grounds	87	87
Libraries	10	10
Theatre	1	1
Cemeteries	4	4
Crematorium	1	1
Mortuary	1	1
Depots	3	4
Car/Lorry Parks	16	17
Roads (in Kms)	390	390
Allotments	37	43
Travellers Site	0	0
Civic Amenity and Recycling Centre	1	1

* Some of the categories above have been restated from those disclosed in the 2008/09 accounts.

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

Notes to the Core Financial Statements

23. FIXED ASSET VALUATION

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

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

	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles Plant & Equip. £000s	Infra-structure Assets £000s	Comm-unity Assets £000s	Invest Props / Surplus assets £000s	Assets under Constr'n £000s	Total £000s
Valued at Historic Cost	25,972	9,913	28,469	55,938	8,451	9,929	38,785	177,457
Valued at current value								
As at 31 March 2010	64,077	169,816	0	0	0	0	0	233,893
As at 1 April 2009	841,077	154,641	0	0	0	72,594	0	1,068,312
As at 31 March 2009	0	430,316	0	0	0	29	0	430,345
As at 1 April 2008	0	49,160	0	0	0	3,483	0	52,643
As at 31 March 2008	0	8,855	0	0	0	0	0	8,855
As at 1 April 2007	0	7,847	0	0	0	3,684	0	11,531
As at 1 April 2006	0	9,040	0	0	0	0	0	9,040
As at 1 April 2005	0	2,666	0	0	0	0	0	2,666
Total Net Book Value	931,126	842,254	28,469	55,938	8,451	89,719	38,785	1,994,742

24. CAPITAL COMMITMENTS

The significant capital commitments over £0.5m which had been entered into by the Council at 31 March 2010 are shown below. This expenditure will be incurred in future financial years:

	As at 31 March 10 £000
Children & Young People:	
Rushey Green School	1,052
Monson (Hatcham Temple Grove) School*	2,328
Regeneration:	
Deptford Town Centre Programme	17,614
Pepys Parks	1,711
NLL - Fordham Park & New Cross Underpass	1,405
Acquisition of freehold interests	579
Customer Services:	
Brockley PFI	2,000
Total Commitments	26,689

* It should be noted that there was a fire at the Monson school site in April 2010 (post balance sheet). This project is currently suspended with the way forward dependent on the insurance outcome.

Notes to the Core Financial Statements

25. 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:

	2009/10 £000	2008/09 Restated £000
Mortgages:		
For Private House Purchase	14	15
For Sale of Council Houses	366	489
To Housing Associations	162	162
Land Charges Debts	499	554
Catford Regeneration Partnership Ltd	11,981	0
Other Long Term Debtors	101	145
Total Long Term Debtors	13,123	1,365

Catford Regeneration Partnership Ltd (CRPL) is a wholly owned subsidiary of the Council.

b) Current Debtors

These are short term debts consisting of amounts due from the Government, other local authorities and amounts for goods and services provided as at 31 March 2010:

	2009/10 £000	2008/09 Restated £000
Government and Other Public Bodies:		
HM Revenue & Customs - VAT	6,340	5,168
Education Recoupment	1,200	1,206
Other Govt. & Local Authority Accounts	16,664	4,548
Council Tax Payers	22,684	19,973
Housing Benefit Overpayments	8,446	7,729
Housing Rents	8,672	9,303
General Debtors due for Supplies and Services	24,315	22,730
Total Current Debtors	88,321	70,657
Provision for Bad Debts - Collection Fund	(19,501)	(16,793)
Provision for Bad Debts - Housing	(12,080)	(12,160)
Provision for Bad Debts - Sundry	(11,695)	(8,971)
Total Provision for Bad Debts	(43,276)	(37,924)
Net Current Debtors	45,045	32,733

Notes to the Core Financial Statements

c) Provision for Bad Debts

	Restated Balance at 31/03/2009 £000	Contributions In £000	Use of Provision £000	Balance at 31/03/2010 £000
Collection Fund				
Council Tax	16,793	3,582	(874)	19,501
Total Collection Fund	16,793	3,582	(874)	19,501
Housing				
Rents	7,187	848	(1,787)	6,248
Overpayments	4,973	1,171	(312)	5,832
Total Housing	12,160	2,019	(2,099)	12,080
Sundry				
CYP	294	0	0	294
Community	1,708	291	(324)	1,675
Customer	6,285	627	(389)	6,523
Regeneration	485	2,489	(13)	2,961
Resources & Corporate	199	163	(120)	242
Total Sundry	8,971	3,570	(846)	11,695
Total Provision for Bad Debts	37,924	9,171	(3,819)	43,276

26. FINANCIAL INSTRUMENTS DISCLOSURES

The 2009 SORP requires compliance with the Financial Reporting Standards 25, 26 and 29, but many of the requirements are non-compliant with primary legislation such as the Local Government and Housing Acts 1989 and 2003 and subsequent subordinate legislation. Where this occurs, the Income and Expenditure Account complies with the new arrangements, with the SMGFB statements displaying any reversals required to ensure closing balances comply with Statute. Debtors and Creditors are excluded from the tables below where the equivalent disclosures are present in notes 25 and 31. The focus of these notes is the Council's strategic borrowing and investment.

a) FINANCIAL INSTRUMENTS BALANCES

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

	Long Term		Current	
	31 Mar 10 £000	31 Mar 09 £000	31 Mar 10 £000	31 Mar 09 £000
Financial Liabilities (Principal Amount)	(344,035)	(331,237)	(40,000)	(30,122)
Financial Liabilities at Amortised Cost	(344,194)	(331,392)	(45,013)	(35,325)
Loans and Receivables (Principal Amount)	13,123	1,365	135,120	114,560
Loans and Receivables	13,123	1,365	135,228	116,334
Financial Assets at Fair Value through I&E	56,216	55,787	-	-
Total Investments	69,339	57,152	135,228	116,334

Notes to the Core Financial Statements

Amounts relating to accrued interest (which increase the liability at amortised cost) are included in current liabilities if due within one year.

b) FINANCIAL INSTRUMENTS GAINS / (LOSSES)

	Financial Liabilities measured at amortised cost £000	Financial Assets		2009/10 Total £000	2008/09 Totals £000
		Loans and Receivables £000	Fair value through the I&E £000		
Interest expense	(19,557)	-	-	(19,557)	(18,784)
Losses on derecognition	-	-	-	-	-
Interest payable and similar charges	(19,557)	-	-	(19,557)	(18,784)
Interest and investment income	-	1,805	433	2,238	7,283
Net gain/(loss) for the year	(19,557)	1,805	433	(17,319)	(11,501)

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

- Market Value changes of external cash manager funds, recognised through the Income and Expenditure Account as part of the investment income total above.
- Impairment of debtors, analysed below and in Note 25c.

	2009/10 £000	2008/09 £000
New provision made	(9,171)	(8,378)
Total Impairment Loss	(9,171)	(8,378)
Debt Written Off	3,819	4,062
Change in Provision Balance	(5,352)	(4,316)

c) FAIR VALUE OF FINANCIAL INSTRUMENTS NOT DISCLOSED ON THE BALANCE SHEET

	31 March 2010		31 March 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
PWLB debt	269,254	300,595	247,426	293,773
Market Debt	119,952	84,645	119,291	121,410
Total Loan Debt at Amortised Cost	389,206	385,240	366,717	415,183
Money market loans less than 1 year	135,228	45,647	116,334	116,904
Total Investments at Amortised Cost	135,228	45,647	116,334	116,904

The fair value represents the value the Council would need to pay to settle the liabilities at the balance sheet date. This equates to principal value plus accrued interest plus/minus any premiums/discounts due on redemption.

For PWLB debt, the fair value was provided by that organisation and for market debt and investments, the estimates provided by the Council's Treasury consultants, Sector.

Notes to the Core Financial Statements

d) 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 the Council's Annual Investment Strategy. Currently, the Council's officers are operating to a strict list of counterparties with credible sovereign guarantees or support or with minimum ratings from the agency, Fitch, of F1+ AA-, and of those, only institutions domiciled in states with AA+ sovereign ratings.

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

	Fitch Long Term Rating	Sum invested at 31 March 2010 £000	Historical Experience of Default	Estimated Maximum Exposure to Default	
				2009/10 £000	2008/09 £000
Deposits	AA	19,700	0.00%	0	21
	AA-	115,420	0.07%	81	36
		135,120		81	57
Cash Managers	AA	56,216	0.00%	0	14
Total Investments		191,336		81	71

The historical experience of default has been taken from Fitch, the primary credit rating organisation used by the Council, and applies to the period 1990 to 2009.

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

Our external cash managers' portfolios change on a daily basis and include gilts and certificates of deposit. At 31 March 2010 the cash managers operated to the strict list mentioned above, with no counterparty rated below AA-, so this default rate has been applied to their entire portfolios to calculate a prudent maximum exposure.

Debtors are considered individually by Service managers and Finance Officers. Judgement based on historical experience is applied to estimate credit risk exposure and this quantity is credited to provisions for bad and doubtful debts (see Note 25c).

e) FINANCIAL ASSETS THAT ARE EITHER PAST DUE OR IMPAIRED

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

Accounts Receivable System	2009/10		2008/09	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Debt				
Current (1 to 30 days)	4,114	42	3,390	35
31 to 60 Days	294	3	686	7
61 to 90 Days	397	4	339	3
91 to 180 Days	674	7	588	6
181 to 365 Days	809	8	1,256	13
Over 1 Year	3,616	37	3,534	36
Total	9,904	100	9,793	100

The following tables show the aged analysis for Housing Rents, Day to Day Service Charges (excluding Major Works) and Council Tax Court Costs. The notes to the Collection Fund include an age analysis of Council Tax and NNDR arrears.

Notes to the Core Financial Statements

	2009/10	
	Amount £000	Percentage %
Housing Rents Debts		
Age of Debt		
Current (1 to 30 days)	5,128	59
31 to 90 Days	620	7
91 to 180 Days	539	6
181 to 365 Days	674	8
Over 1 Year	1,711	20
Total	8,672	100

	2009/10	
	Amount £000	Percentage %
Service Charges (Day to Day, excludes Major Works)		
Age of Debt		
Current (1 to 30 days)	1,457	84
31 to 90 Days	215	13
91 to 180 Days	22	1
181 to 365 Days	5	0
Over 1 Year	40	2
Total	1,739	100

	2009/10		2008/09	
	Amount £000	Percentage %	Amount £000	Percentage %
Council Tax Court Costs				
Age of Debt				
Year of Account	1,086	35	686	26
Under 2 Years old	534	17	526	20
Under 3 Years old	379	12	389	15
Under 5 Years old	523	17	536	20
Over 5 Years old	593	19	482	18
Total	3,115	100	2,619	100

f) LIQUIDITY RISK

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

(i) MATURITY ANALYSIS FOR FINANCIAL LIABILITIES

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

	2009/10	2008/09
Average Interest Rates at 31 March		
PWLB	% 5.58	% 5.65
Money Market	4.78	4.87
Long-Term Borrowing		
PWLB	£000 265,529	£000 243,409
Money Market	78,506	87,828
	344,035	331,237

Notes to the Core Financial Statements

An analysis of loans by maturity:	£000	£000
Maturity in 1-2 years	0	15,000
Maturity in 2-5 years	55,241	17,040
Maturity in 5-10 years	56,325	74,954
Maturity in 10-15 years	18,954	19,589
Maturity in 15-20 years	35,132	31,037
Maturity in 20-25 years	30,599	31,623
Maturity in 25-30 years	25,038	31,146
Maturity in over 30 years	122,746	110,848
Total Long-Term Borrowing	344,035	331,237

(ii) FINANCIAL ASSETS

All of the Council's deposits (£135.228m) are due to be returned within one year. The externally managed funds (£56.216m), whilst long term investments within the Council's Treasury Strategy, could be recalled within one year if required.

(iii) MANAGEMENT OF LIQUIDITY RISK

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

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

g) COLLATERAL OR OTHER CREDIT ENHANCEMENTS OBTAINED

The council has not obtained any such enhancements in the financial year 2009/10 or 2008/09.

h) 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 the Council 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.

Notes to the Core Financial Statements

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 Section will monitor market and forecast interest rates within the year to adjust exposures appropriately.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs. If all interest rates had been 1% higher with all other variables held constant, the financial effect based on balances held at 31 March 2010 is estimated to be:

	2009/10 £000	2008/09 £000
Interest Payable on Assessed Variable Rate Debt	(400)	(300)
Interest Receivable on Variable Rate Investments	1,124	772
Net Impact on Income & Expenditure Account - Gain	724	472
Share of overall impact charged to HRA	(253)	(190)
Government Grant receivable on increased charges	306	230
Net impact on the HRA	53	40

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 not exposed to these.

27. LONG-TERM INVESTMENTS

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

28. SHORT-TERM INVESTMENTS

Short-term investments consist of £135.228m that represents the temporary investment of bank surpluses in the money markets.

29. STOCK

	2009/10 £000	2008/09 £000
Building stores and fleet stock	220	217
Other stock	37	8
Total Stocks	257	225

30. PREPAYMENTS

	2009/10 £000	2008/09 Restated £000
Directorate prepayments	2,437	2,888
Insurance Premiums	735	742
Total Prepayments	3,172	3,630

Notes to the Core Financial Statements

31. CREDITORS

These consist of amounts owed to the Government and other public bodies and all unpaid sums for goods and services received as at 31 March 2010.

	2009/10 £000	2008/09 Restated £000
Government and other public bodies:		
Inland Revenue - Tax & NI Contributions	6,459	6,017
Education Recoupment	4,221	3,418
Other Govt. and Local Authority Accounts	6,190	11,291
	16,870	20,726
General creditors (amounts owed for supplies and services)	51,644	41,157
Total Creditors	68,514	61,883

32. RECEIPTS IN ADVANCE

	2009/10 £000	2008/09 Restated £000
Council Tax	5,245	4,668
Capital Contributions Unapplied	33,827	13,420
Other Receipts in Advance	27,441	38,934
Total Receipts in Advance	66,513	57,022

33. SHORT TERM BORROWING

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

34. BANK ACCOUNT AND OTHER CASH HOLDINGS

This is the total of all the Council's cash and bank balances.

	Balance 31/03/2009 £000	Movement in 2009/10 £000	Balance 31/03/2010 £000
Schools Bank Accounts	(2,399)	(1,191)	(3,590)
Euro Bank Account	508	(498)	10
Main Bank Accounts	1,041	212	1,253
Other Cash Balances	(13,419)	1,055	(12,364)
Totals	(14,269)	(422)	(14,691)

Notes to the Core Financial Statements

35. 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 mainly from mortgages on the sale of Council Houses.

36. 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:

	2009/10 £000	2008/09 £000
Balance at Beginning of Year	143,165	126,067
Grants Received:		
DCLG (Lee LSVT)	9,649	17,778
Standards Fund	10,910	16,330
Transport for London	2,661	2,458
Central Government	3,011	4,272
Other Contributions	6,530	6,119
	175,926	173,024
Written down to Income and Expenditure Account	(25,159)	(29,859)
Balance at End of Year	150,767	143,165

37. TRUST FUNDS

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

	Balance 31/03/2009 £000	Income £000	Expenditure £000	Balance 31/03/2010 £000
Children and Young People	26	1	0	27
Community Services	22	13	6	29
Cemeteries Graves Maintenance	12	0	1	11
Comforts Fund	1	0	0	1
Total Trust Funds	61	14	7	68

Interest on trust funds is credited annually at the average rate earned on the Council's revenue balances. The fund balances as at 31 March 2010 were invested as follows:

	2009/10 £000	2008/09 £000
Cash	41	34
External investments (at market value)	27	27
Total Trust Funds	68	61

Notes to the Core Financial Statements

38. INVESTMENTS: RELATED BUSINESSES AND COMPANIES

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

Registered Name of Company	SELCHP (South East London Combined Heat & Power Ltd)	Greater London Enterprise Ltd.
Nature of Company's Business and trading with Council	Waste Disposal / Waste to Energy	Property management & consultancy
Proportion of Shares held by Council	< 1% share	Company limited by guarantee
Value of Shares	£750	1/13 of surplus assets to £13m + interest; 1/32 of assets above this level (v)
Company's Net Assets		
- at end of last financial year	£7.924m (i)	£30.658m (iii)
- at end of previous financial year	£2.797m (ii)	£49.610m (iv)
Company's Profit/(Loss) before Tax		
- at end of last financial year	£5.684m (i)	(£21.036m) (iii)
- at end of previous financial year	£3.164m (ii)	£0.501m (iv)
Company's Profit/(Loss) after Tax		
- at end of last financial year	£5.127m (i)	(£18.084m) (iii)
- at end of previous financial year	£2.470m (ii)	£0.853m (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 31/12/08 audited	Accounts year to 31/3/09 audited
Copies of Accounts may be obtained from:	Veolia House, 154A Pentonville Road, London N1 9PE	St Martins House, 210-212 Chapeltown Road, LEEDS LS7 4HZ

Notes:-

(i) As at 31 December 2008; (ii) As at 31 December 2007; (iii) As at 31 March 2009; (iv) As at 31 March 2008; (v) Only on winding up or dissolution of the company

Note A: The Council has 10% ownership of the shares of the Local Education Partnership. For further details of the Local Education Partnership see Note 12 (Related Party Transactions).

Note B: Lewisham Homes Limited is a related company to the council. For further details of Lewisham Homes see note 12 (Related Parties Transactions) and also the Group Accounts (Section 5).

Note C: Catford Regeneration Partnership Limited is a wholly owned company of the council. For further details see note 12 (Related Parties Transactions) and also the Group Accounts (Section 5).

Notes to the Core Financial Statements

39. NET ASSETS EMPLOYED

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

	2009/10 £000	2008/09 Restated £000
General Fund	67,355	459,504
Housing Revenue Account	654,943	708,191
Total Net Assets Employed	722,298	1,167,695

The Pensions Reserve credit has decreased the General Fund figure by £353m.

40. CONTINGENT LIABILITIES

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

The Council wholly owns Lewisham Homes, which is an arms-length management organisation (ALMO) who are responsible for managing and providing housing related services for the Council. In the event that they cease to be a "going concern", all their assets and liabilities would revert to the Council, with the Council being responsible for any net liability. Since the 2009/10 audited accounts of Lewisham Homes show that they made a surplus and that they are a going concern, it is appropriate that this is disclosed as a contingent liability, rather than raise a provision in the accounts. It is not possible to quantify the extent of the costs that may result from this event happening.

41. CONTINGENT ASSETS

A contingent asset is an item of income that is likely but not certain and is subject to a further event or decision. At the date of approval of the accounts the Council has the following contingent asset:

A further claim has been submitted to Her Majesties Revenues and Customs (HMRC) for repayment of overpaid VAT in connection with the Fleming legal case. The claim is for a net sum of approximately £0.5m including interest on VAT on sales income from Leisure courses. This case relates to changes in VAT legislation that the Courts have now decreed should be backdated to when they were first introduced. This means that any VAT reimbursed to HMRC on items of income that, for example, have subsequently become exempt, should be repaid to the Council

42. EVENTS AFTER THE BALANCE SHEET DATE

a) It should be noted that there was a fire at the Monson school site in April 2010 (post balance sheet). This project is currently suspended with the way forward dependent on the insurance outcome.

b) The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this will reduce the value of the FRS17 liabilities in the Council's Pension Fund by £78.8m.

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

Notes to the Core Financial Statements

43. RECONCILIATION OF REVENUE CASH FLOW

2008/09 £000		2009/10 £000	£000
216,706	Net Deficit on the Income & Expenditure Account	133,680	
(40)	Collection Fund Adjustment Account	0	
216,666			133,680
	Less: Non-Cash Transactions		
2,987	Contributions (to)/from Provisions	(873)	
(4,480)	Deferred Premiums/Discounts on Early Repayment of Debt	(2,205)	
3,500	Interest Payable / Receivable Adjustments	(1,064)	
381	Landfill Liability	0	
(486)	Landfill Usage Allowance	0	
(223,001)	Depreciation and Impairment of Fixed Assets	(121,241)	
29,859	Government Grants Deferred Amortisation	23,391	
(6,247)	Write Down of Revenue Expenditure Financed From Capital Resources	(7,291)	
1,027	Revenue Contributions to Deferred Assets	0	
(2,697)	Deferred Contribution Written Down	0	
(1,062)	Build-up of PFI Asset Residual Value	0	
3,081	Amortisation of Prepayments	0	
56	Council Tax Adjustment	(86)	
3,785	Revenue Provision for PFI Schemes	4,375	
(6,716)	Premiums & Discounts Adjustment	2,412	
1,224	Net Gain / (Loss) on Sale of Fixed Assets	(5,283)	
(35,256)	Net Charges made for Retirement Benefits in accordance with FRS17	(40,928)	
29,430	Employer's Contributions to the Pension Fund and Retirement Benefits payable direct to Pensioners	30,028	
(19,367)	Transfer from Major Repairs Reserve	(26,257)	
(223,982)			(145,022)
	Less: Items Included as Accruals		
(179)	Increase/(Decrease) in Long-Term Debtors	(99)	
(319)	Increase/(Decrease) in Stocks	32	
(3,928)	Increase/(Decrease) in Debtors	9,744	
400	Increase/(Decrease) in Prepayments	(1,007)	
11,044	(Increase)/Decrease in Creditors	(5,306)	
4,678	(Increase)/Decrease in Receipts in Advance	1,616	
(6,693)	Collection Fund Transfers to Other Liquid Resources	(3,728)	
5,003			1,252
	Less: Financing Items		
(13,116)	Shown Earlier in Cashflow Statement		(14,729)
(15,429)	Net Cashflow from Revenue Activities		(24,819)

Notes to the Core Financial Statements

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

Analysis of changes in Net Debt:

	31/03/2009 £'000	Cash Flow £'000	Non-Cash Redemption (see note A) £'000	Transfers & Adjustments to Carrying Values (see note B) £'000	31/03/2010 £'000
Cash Balance					
Bank overdraft	(14,269)	(422)	0	0	(14,691)
Financing Activities					
Debt due within one year	(35,325)	0	0	(9,688)	(45,013)
Debt due after one year	(331,392)	(29,877)	7,881	9,194	(344,194)
	(366,717)	(29,877)	7,881	(494)	(389,207)
Management of Liquid Resources					
Short term investments	116,334	20,560	0	(1,666)	135,228
Long term investments	55,787	0	0	429	56,216
Other liquid resources	0	3,728	0	(3,728)	0
	172,121	24,288	0	(4,965)	191,444
Total	(208,865)	(6,011)	7,881	(5,459)	(212,454)

Reconciliation of Net Cash Flow to Movement in Net Debt:

	2009/10	
	£'000	£'000
Net cash flow		(422)
Net cash inflow from financing	(29,877)	
Net cash outflow from management of liquid resources	24,288	
Non-cash redemption (note A)	7,881	
Transfers & adjustments to carrying values(note B)	(5,459)	(3,167)
Movement in Net Debt		(3,589)

Notes:

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

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

Notes to the Core Financial Statements

45. ANALYSIS OF GOVERNMENT GRANTS IN CASH FLOW

	2009/10 £000s	2008/09 £000s
Housing & Council Tax Benefit	(203,304)	(192,531)
Dedicated Schools Grant	(178,913)	(172,753)
Standards Fund	(56,774)	(42,200)
Revenue Support Grant	(33,303)	(21,340)
Supporting People	(17,349)	(17,243)
Area Based Grant	(18,837)	(17,253)
Schools Sixth Form	(9,938)	(10,070)
Adult & Community Learning	(4,321)	(4,516)
NDC New Cross Gate	(2,071)	(2,913)
Childcare Partnership	(10,101)	(3,792)
Other Grants	(8,146)	(17,215)
	(543,057)	(501,826)

* In 2008/09 Childcare Partnership Grant of £3,792k was included in Other Grants

Notes to the Core Financial Statements

Housing Revenue Account

SECTION 3a

**HOUSING
REVENUE
ACCOUNT**

2009/10

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

	2009/10 £000	2008/09 Restated £000	Note
INCOME			
Gross rent - dwellings	70,144	71,057	1
- other housing property	3,319	2,857	1
Charges for services and facilities	8,821	7,800	1
Housing subsidy - housing element	4,703	4,638	2
Contribution towards expenditure	4,914	4,639	4
Overhanging debt grant	7,881	17,778	
Total Income	99,782	108,769	
EXPENDITURE			
Supervision & management - General expenses	26,088	32,588	5
- Special expenses	6,823	6,675	6
Repairs and maintenance	21,977	19,896	7
Repairs and Maintenance funded by Major Repairs Allowance	13,608	0	14/16
Rent, rates and other charges	858	1,419	8
Rent Rebate Subsidy Shortfall	1,514	485	3
Contribution to doubtful debt provision	476	1,267	9
Depreciation - dwellings	26,023	33,183	11
- other housing assets	1,025	1,202	11
Impairment of fixed assets	36,239	90,472	12
Debt management expenses	58	63	
Total Expenditure	134,689	187,250	
Net Cost of Services as included in the Council's Income and Expenditure Account	34,907	78,481	
HRA services share of CDC	190	195	
HRA share of other amounts included in the whole authority net cost of services but not allocated to specific services	0	0	
Net Cost of HRA Services	35,097	78,676	
(Gain) / loss on sale of HRA fixed assets	4,197	(1,224)	
Interest payable and similar charges	15,985	15,005	13
Interest and investment income	(131)	(583)	
Pension interest cost and expected return on pension assets	137	137	18
Net Operating Expenditure	55,285	92,011	

Housing Revenue Account

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

	2009/10 £000	2008/09 Restated £000	Note
Statement of movement on the HRA balance			
(Surplus) / deficit for the year on the HRA income & expenditure account	55,285	92,011	
Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	(52,952)	(87,929)	
(Increase) or decrease in the Housing Revenue Account Balance	2,333	4,082	17
Housing Revenue Account Surplus Brought Forward	(12,094)	(16,176)	17
Housing Revenue Account Surplus Carried Forward	(9,761)	(12,094)	17

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

	2009/10 £000	2008/09 Restated £000	Note
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year			
Difference between amounts charged to income and expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	2,111	1,893	
Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	(26,969)	(74,333)	
Gain / (loss) on sale of HRA fixed assets	(4,197)	1,224	
Net Charges made for retirement benefits re FRS17	(249)	0	
Subtotal: Items Included	(29,304)	(71,216)	
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year			
Revenue contribution to capital	0	750	
HRA set-aside (contribution to minimum revenue provision)	2,409	0	15
Revenue Provision for PFI schemes	0	1,891	
Transfer to/(from) Major Repairs Reserve	(26,257)	(19,367)	16
Employers contribution payable to the pension fund & retirement benefits payable direct to pensioners	200	13	18
Subtotal: Items Not Included	(23,648)	(16,713)	
Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	(52,952)	(87,929)	

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 2010, 2.7% of lettable property was empty (3.1% at 31 March 2009). These figures for empty property exclude accommodation for the homeless and dwellings designated for sale, major works and improvements. Average rents were £76.79 in 2009/10 and £74.80 per week in 2008/09.

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 17,893 dwellings as at 31 March 2010 (18,347 as at 31 March 2009).

During the year one stock transfer has taken place: 475 flats and houses in the Lee area were transferred to Broomleigh Housing Association.

The stock was made up as follows:

	2009/10 Nos.	2008/09 Nos.
Houses/Bungalows	3,216	3,256
Flats/Maisonettes	14,677	15,181
Stock at 31 March	17,893	18,437

The changes in stock can be summarised as follows:

	2009/10 Nos.	2008/09 Nos.
Stock at 1 April	18,437	19,642
Less Sales, Demolitions, etc.	(78)	(13)
Less Stock Transfers	(475)	(1,210)
Add Re-purchases, Conversions etc.	9	18
Stock at 31 March	17,893	18,437

b) Rent arrears

	2009/10 £'000	2008/09 £'000
Arrears due from - current tenants	3,229	3,976
- former tenants	3,028	3,568
Total Arrears	6,257	7,544
Total Arrears as % of Gross Rent of Dwellings Due	8.9%	10.6%

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

Housing Revenue Account

c) Rent – other housing property

	2009/10 £'000	2008/09 £'000
Aerial Sites	309	190
Garage rents	708	728
Reception Hostels	1,165	1,073
Commercial property rent	1,065	856
Ground Rents	72	10
Total Other Rents & Charges	3,319	2,857

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

From 5 April 2003, service charges for caretaking and grounds maintenance were separated from rent and charged separately to tenants. From 5 April 2004, service charges for communal lighting were separated from rent and charged separately to tenants. From 4 April 2005, service charges for the Lewisham Tenants Levy were separated from rent and charged separately to tenants. The average tenants' service charge was £4.49 in 2009/10 (£3.17 in 2008/09).

	2009/10 £'000	2008/09 £'000
Heating Charges	942	705
Leasehold Service Charges	3,780	3,775
Tenants Service Charges	4,099	3,320
Total Charges for Services and Facilities	8,821	7,800

2. GOVERNMENT HOUSING EXCHEQUER SUBSIDY

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

The Subsidy is made up of the following elements:

	2009/10 £'000	2008/09 £'000
Management Allowance	19,010	16,660
Maintenance Allowance	26,889	24,951
Major Repairs Allowance	15,788	13,379
Charges for Capital	17,156	18,566
Other Reckonable Expenditure	264	519
Allowance for Tenant Participation Compacts	0	0
Allowance for Resource Accounting	0	0
Guideline Rent Income	(74,367)	(69,390)
Rental Constraint Allowance	0	0
Interest on Receipts	(37)	(47)
Total Housing Element of Subsidy	4,703	4,638

Housing Revenue Account

3. REBATES

Assistance with rents is available under the Housing benefits scheme for those on low income. Approximately 60% of Council tenants received help under this scheme as at 31 March 2010 (60% as at 31 March 2009). The scheme is administered by the Council.

Rent rebates are chargeable to the General Fund and similarly, the corresponding subsidy is 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:

	2009/10 £'000	2008/09 £'000
Rent Rebates Given (GF)	45,486	42,704
Subsidy Received on Rebates (GF)	(43,972)	(42,219)
Net cost to council	1,514	485
Recharge from GF to HRA		
Shortfall on limitation	1,514	485
Shortfall on overpayments	0	0
Net cost to the HRA	1,514	485
Net cost to GF	0	0

4. OTHER INCOME

	2009/10 £'000	2008/09 £'000
Asset rentals	0	91
Commission on insurance and water rates	736	961
Corporate recharges	0	0
Court costs	83	90
Inter-borough nominations	43	0
Hsg Mgt Contract Retentions	76	0
Government grants	462	576
Recharges of repairs	2,801	1,386
Professional fees	36	41
Recharge to capital receipts	278	375
Hostels: Heat, Light and Water Charges	242	254
Transfer from Leaseholders Insurance Fund	0	0
Fees and Charges to Lewisham Homes	0	373
Other miscellaneous income	157	492
Total Other Income	4,914	4,639

Housing Revenue Account

5. SUPERVISION AND MANAGEMENT – GENERAL EXPENSES

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

6. SUPERVISION AND MANAGEMENT - SPECIAL EXPENSES

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

7. REPAIRS AND MAINTENANCE

This includes day-to-day repairs to Council housing stock and cyclical external decoration. Void properties prior to re-letting and certain tenants' properties are eligible for internal decoration. Gross repairs and maintenance expenditure for 2009/10 was £21.977m (2008/09 - £21.313m).

8. RENT, RATES AND OTHER CHARGES

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

9. CONTRIBUTIONS TO PROVISION FOR DOUBTFUL DEBTS

A contribution of £0.476m (2008/09 - £1.267m) was provided from the HRA to a provision set aside to meet doubtful debts. Details of the accumulated provision are as follows:

	2009/10	2008/09
	£000	£000
Housing tenants	5,661	7,187
Leaseholders	2,230	1,962
Commercial properties, miscellaneous debts	361	428
Total Provision for Bad and Doubtful Debts	8,252	9,577

Housing Revenue Account

10. FIXED ASSETS

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

	31/03/10 £000	31/03/09 Restated £000
Operational Assets:		
Dwellings	931,126	967,150
Other Land and Buildings	38,431	52,937
Infrastructure	124	473
Vehicles, Plant & Equipment	1,356	0
Total Operational Assets	971,037	1,020,560
Non-operational assets	60,938	30,099
Total Housing Assets	1,031,975	1,050,659
Valuation of Council dwellings		
Existing use value - social housing	931,126	967,150
Vacant possession value	2,516,557	2,613,919

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:

	2009/10 £000	2008/09 £000
Operational Assets:		
Dwellings	27,400	31,502
Govt Grants Deferred	(1,377)	(696)
Total Depreciation Dwellings	26,023	30,806
Other Land and Buildings	938	1,244
Govt Grants Deferred	(12)	(42)
Total Depreciation Other land and buildings	926	1,202
Total Operational Assets	26,949	32,008
Non-operational assets	0	0
Total Housing Assets	26,949	32,008

Housing Revenue Account

12. IMPAIRMENT OF FIXED ASSETS

A valuation of the Brockley PFI Scheme was carried out at 31st March 2010. The resulting impairment has been spread over three years reflecting the requirement to restate accounts in line with the new PFI accounting rules. For 2008/09, additional impairments resulted from capital expenditure which did not add value to the assets, and a revaluation of council dwellings which resulted in a 10% decrease in the value of the stock as at 31/03/09.

13. AMORTISATION OF PREMIUMS AND DISCOUNTS

Included in the "Interest payable and similar charges" line is the cost to the HRA of loan redemption premiums is amortised over 10 years. The same applies to income from loan redemption discounts.

14. HOUSING CAPITAL EXPENDITURE

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

	2009/10 £'000	2008/09 £'000
Capital expenditure on housing	8,736	19,305
Financed by:		
Government Supported Borrowing	2,600	2,697
Capital Grants	1,243	722
Capital Receipts	1,967	3,818
Major Repairs Reserve	2,926	12,068
Revenue contribution	0	0
Total Capital Expenditure Financed	8,736	19,305

The significant reduction in capital expenditure from 2008/09 (£19.3m) to 2009/10 (£8.7m) is due to the write off of £9.9m from capital to revenue. This was necessary under the new IFRS component accounting rules. Expenditure that cannot be capitalised as a component or does not add value to an existing building has to be written off to revenue. The £9.9m written off was fully funded from the Major repairs reserve.

Total capital receipts from the disposal of housing assets were £2.348m in 2009/10 (£2.051m in 2008/09) of which £0.617m (£0.545m in 2008/09) were usable capital receipts.

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

This is the repayment of principal on housing debt. As from 1st April 2004, there is no requirement to repay housing debt. The total housing debt was £246m (£255m in 2008/09).

Housing Revenue Account

16. MAJOR REPAIRS RESERVE

The movements on the Major Repairs Reserve are as follows:

	2009/10 £'000	2008/09 £'000
Balance as at 1 April	(1,310)	0
Transferred in (depreciation dwellings)	(28,437)	(32,745)
Financing of capital expenditure on housing assets	2,926	12,068
Financing Revenue MRP repairs	9,853	0
Transfer to the HRA	12,648	19,367
Balance as at 31 March	(4,320)	(1,310)

17. MOVEMENT IN HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

	Balance at 31/03/2009 £'000	Transfers in £'000	Transfers out £'000	Balance at 31/03/2010 £'000
Non-earmarked Balance	703	0	703	0
Property and Stock Related Reserves	7,604	1,114	1,783	6,935
Staff Related Reserves	1,010	300	1,010	300
Other Earmarked Reserves	2,777	366	617	2,526
Total	12,094	1,780	4,113	9,761

18. PENSIONS COSTS - FRS 17

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

Collection Fund

SECTION 3b

**COLLECTION
FUND**

2009/10

Collection Fund

THE COLLECTION FUND

Lewisham Council is a designated 'billing' authority and as such is required by statute to set up and maintain a separate Collection Fund. The accounts of the Collection Fund are prepared on an accruals basis and show the transactions relating to both the Council Tax and the National Non-Domestic Rates (NNDR). The account also shows how the amount collected has been distributed to the Council's General Fund, the Greater London Authority (the Preceptor) in respect of Council Tax and to the Government in respect of NNDR.

The costs of collecting local taxes are accounted for in the General Fund as part of the Council's own budget. An allowance towards the cost of collecting NNDR, calculated on a formula basis, is however deducted from the monies paid to the Government and transferred to the General Fund.

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

COLLECTION FUND REVENUE ACCOUNT

	2009/10 £000	2008/09 £000	Note
INCOME			
Income from Council Tax (net)	94,778	93,756	3
Transfers from General Fund:			
- Council Tax Benefits	27,109	24,611	
Income from National Non-Domestic Rates (net)	44,873	43,813	4
TOTAL INCOME	166,760	162,180	
EXPENDITURE			
Precepts and Demands upon the Collection Fund			
- London Borough of Lewisham	90,610	87,856	
- Greater London Authority	26,939	26,773	
National Non-Domestic Rates			
- Payment to National Pool	43,784	42,903	4
- Cost of Collection Allowance	328	330	4
Bad and Doubtful Debts			
- Net adjustment to Provisions (Council Tax)	3,512	2,529	5
- Net adjustment to Provisions (NNDR)	345	(55)	5
- Amounts Written Off (Council Tax)	874	1,096	
- Amounts Written Off (NNDR)	416	635	
Contributions from previous year's Collection Fund Surplus			
- London Borough of Lewisham	50	31	2
- Greater London Authority	14	9	2
TOTAL EXPENDITURE	166,872	162,107	
DEFICIT / (SURPLUS) FOR THE YEAR	112	(73)	
SURPLUS AT THE BEGINNING OF THE YEAR	(144)	(71)	
FUND SURPLUS AT THE END OF THE YEAR	(32)	(144)	

COLLECTION FUND BALANCE SPLIT INTO ITS ATTRIBUTABLE PARTS

	Surplus as at 31/03/09 £000	Deficit for 2009/10 £000	Surplus as at 31/03/10 £000
London Borough of Lewisham	(111)	86	(25)
Greater London Authority	(33)	26	(7)
Surplus at 31st March 2010	(144)	112	(32)

Collection Fund

NOTES TO THE COLLECTION FUND REVENUE ACCOUNT

1. COLLECTION FUND SURPLUS OR DEFICIT

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

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

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

The tax base used in setting the council tax is set by the end of January for the following financial year. It is based on the actual number of dwellings on the Valuation List that fall within each valuation band. The total in each band is adjusted for exemptions, single person occupancy discounts, discounts for second homes and long term empty properties, disabled band relief and new properties. The total for each band is then expressed as a "Band D" equivalent number by multiplying the resulting total by the relevant band proportion. The tax base for both 2009/10 and 2008/09 assumed a collection rate of 96.25%.

The table below sets out the tax base calculation for 2009/10;

Council Tax Band	2009/10		Band D Ratio	2009/10		2008/09	
	Number of Properties Actual Number (1)	Adjusted Number (2)		Band D Equivalents as per Ratio	Council Tax Charge £	Band D Equivalents as per Ratio	Council Tax Charge £
A	6,949	5,372	6/9	3,581	901.29	3,631	884.34
B	31,418	25,419	7/9	19,771	1,051.50	19,515	1,031.73
C	40,446	34,441	8/9	30,614	1,201.73	30,314	1,179.12
D	25,081	22,308	1	22,308	1,351.93	22,277	1,326.51
E	7,200	6,586	11/9	8,050	1,652.36	8,059	1,621.29
F	2,781	2,571	13/9	3,714	1,952.79	3,693	1,916.07
G	1,293	1,205	15/9	2,008	2,253.22	1,996	2,210.85
H	173	145.25	18/9	290.5	2,703.86	296	2,653.02
Total	115,341	98,047		90,336.5		89,781	
Add: Contributions in lieu				0		0	
Total Band D equivalents				90,336.5		89,781	
Estimated Collection Rate				96.25%		96.25%	
NET COUNCIL TAX BASE				86,949		86,414	

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

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

Collection Fund

3. COUNCIL TAX INCOME

	2009/10		2008/09
	£000	£000	£000
Gross Council Tax Income Due		143,028	139,397
Less: Adjustments to charge	561		671
Exemptions	(5,943)		(6,113)
Disabled Relief	(79)		(77)
Discounts	(15,680)		(15,511)
		(21,141)	(21,030)
Total Due from Council Tax payers		121,887	118,367
Transfers from General Fund for Council Tax Benefits		(27,109)	(24,611)
Net amount of Council Tax Receivable		94,778	93,756

4. NATIONAL NON-DOMESTIC RATES

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

	2009/10	2008/09
	£m	£m
Non-Domestic Rateable Value	118.1	113.6
	pence	pence
National Non-Domestic Rate Multiplier	48.5	46.2
National Non-Domestic Rate Multiplier (Small Business)	48.1	45.8

	2009/10		2008/09
	£000	£000	£000
Gross NNDR Collectable (after voids and exemptions)		48,985	47,719
Reductions and Relief:			
Mandatory Relief	(4,035)		(3,823)
Discretionary Relief	(152)		(154)
Interest on Refunds and Other Adjustments	75	(4,112)	71
Total Receivable from Business Rates		44,873	43,813
Irrecoverable Amounts Written Off		(416)	(635)
Net Adjustment to Provision for Bad Debts		(345)	55
Net Amount Collectable from Business Ratepayers		44,112	43,233
Cost of Collection Allowance transfer		(328)	(330)
Amount Payable to NNDR Pool		43,784	42,903

Collection Fund

5. COLLECTION FUND ARREARS AND BAD DEBT PROVISION

a) Council Tax

	31/03/2010 £000	31/03/2009 £000
Council Tax Arrears	29,428	25,910
Provision for Bad Debts	(25,298)	(21,786)
As a Percentage of Arrears	86.0%	84.1%

	2009/10		2008/09	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Arrears				
Year of Accounts	8,048	27	7,645	30
Under 2 Years old	5,176	18	4,908	19
Under 3 Years old	4,100	14	3,580	14
Under 5 Years old	5,524	19	4,744	18
Over 5 Years old	6,580	22	5,033	19
Total	29,428	100	25,910	100

Income from court costs and penalties (and the associated debtors provision) as a result of arrears recovery action are accounted for in the General Fund. As at 31 March 2010, these amounted to £3.12m (£2.62m at 31 March 2009) with an accumulated provision for bad debts totalling £2.72m or 87% (£2.22m or 85% at 31 March 2009).

b) National Non-Domestic Rates

	31/03/2010 £000	31/03/2009 £000
NNDR Arrears	2,922	1,438
Provision for Bad Debts	(728)	(383)
As a Percentage of Arrears	24.9%	26.6%

	2009/10		2008/09	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Arrears				
Year of Accounts	2,036	70	907	63
Under 2 Years old	517	18	227	16
Under 3 Years old	206	7	163	11
Under 5 Years old	140	5	106	7
Over 5 Years old	23	1	35	2
Total	2,922	100	1,438	100

For 2009/10, the overall arrears have increased for a number of reasons. The overall collection rate has reduced from 99.2% to 98.8%, the total amount collectable has increased and the government's "deferred scheme" has resulted in a significant number of ratepayers deferring their payments for six months into 2010/11. However, the percentage of the arrears which are over 2 years old has decreased from 20% to 13%. The collection rate on NNDR has been over 99% in recent years.

Income from court costs and penalties (and the associated debtors provision) as a result of arrears recovery action are accounted for in the General Fund. As at 31 March 2010, these amounted to £0.062m (£0.066m at 31 March 2009) with an accumulated provision for bad debts totalling £0.056m or 90% (£0.060m or 91% at 31 March 2009).

Collection Fund

Pension Fund Accounts

SECTION 4

**PENSION
FUND
ACCOUNTS**

2009/10

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.

Formal responsibility for investment management of the Pension Fund is delegated to the Council's Pensions Investment Committee, which monitors the external investment managers. Each investment manager has an individual performance target and benchmark tailored to balance the risk and return appropriate to the fund. 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).

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

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

ACCOUNTING POLICIES

The Pension Fund Accounts have been prepared in accordance with the 2009 CIPFA Code of Practice on Local Authority Accounting - a Statement of Recommended Practice (the SORP). The 2009 Code states that the Pension Fund Accounts should be prepared in accordance with The Financial Reports of Pension Schemes – A Statement of Recommended Practice 2007 (the Pension SORP 2007).

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

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

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

- (a) Basis of Preparation - The Accounts have been prepared on an accruals basis, i.e. income and expenditure attributable to the financial year have been included, even where payment has not actually been made or received. The only exception being Transfer Values which are prepared on a cash basis. The financial statements do not take account of liabilities to pay pensions and other benefits due after the period end; these are reported upon separately in the actuary's report and reflected in the income and expenditure account. The accounts are prepared on a going concern basis for accounting purposes.

Pension Fund Accounts

- (b) Investments - Investments in the Net Assets Statement are shown at market value based on bid prices as required by the 2009 Local Authority SORP and the 2007 Pension Fund SORP. 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 U.S. generally accepted accounting principles, including FAS 157 which is consistent with the International Private Equity and Venture Capital Valuation Guidelines. These guidelines set out that all investments are carried at fair value and they recommend methodologies for measurement.
- (d) The Pension Fund's Hedge Fund assets are held in the Jubilee Absolute Return Fund which is a collective investment scheme structured as a protected cell of Jubilee Absolute Return Fund PCC Limited, an open ended investment company listed on the Irish Stock Exchange. The Jubilee Absolute Return Fund produces an official single-priced NAV and hence there are no bid-offer prices for subscriptions or redemptions. The official single-priced NAV is produced on a monthly basis by the independent administrator, HSBC Securities Services (Ireland) Limited ("HSBC").
- (e) Property - The Fund does not have any direct investments in property but does use a property Fund of Funds manager, Schroders, to invest in pooled property funds. The Schroders funds are all currently valued at least quarterly. The majority of property assets to which the fund has exposure to are located in the UK. They are valued in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards and are valued on the basis of their open market value (OMV).

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

- (f) Contributions –there are seven employee contribution bands (revised annually in line with inflation) ranging from 5.5% for members earning under £12,000 a year to 7.5% to members earning over £75,000 a year. The employer's contribution is reviewed every three years and is determined as the rate necessary to ensure that the Fund is able to meet its long-term liabilities. This is assessed at each triennial actuarial revaluation.
- (g) Actuarial – The adequacy of the Fund's investments and contributions in relation to its overall and future obligations is reviewed every three years by an actuary appointed by the Council. The Council's Actuary, Hymans Robertson, assesses the Fund's assets and liabilities in accordance with Regulation 77 of the Local Government Scheme Regulations 1997. The contribution rate required for benefits accruing in future is assessed by considering the benefits which accrue over the course of the three years to the next valuation. The value of the fund as at the last valuation on 31 March 2007 was £734.5m which represented an 87% funding level.

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

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

Pension Fund Accounts

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 1 April 2010, with new employer contribution rates taking effect from 2011/12.

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

INVESTMENT PERFORMANCE**2009/10 Financial Year - Summary of Fund Value and Fund Manager's Performance**

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

Fund Manager	Assets	Assets Value £m 2009/10	Assets Value £m 2008/09	Proportion of the Fund (%)
UBS	Bonds	123.3	99.6	17.2%
Alliance Bernstein	Global Equities incl. UK (from 07/08)	192.2	125.5	26.9%
RCM	Global Equities incl. UK	141.5	101.3	19.8%
Schroders Property	Property	60.8	53.3	8.5%
HarbourVest (*Incl Legacy Stock)	Private Equity	21.1	20.7	3.0%
UBS passive equity	UK Tracker fund	150.7	98.8	21.1%
Fauchier	Hedge Fund of Fund	20.4	18.0	2.9%
Lewisham	Cash	5.1	1.7	0.7%
Total Fund		715.1	518.9	100.0%

Pension Fund Accounts

FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

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

	See note	2009/10 £000	2008/09 £000
<u>DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED WITH THE SCHEME</u>			
Contributions Receivable:			
- from Employer	1	29,761	27,856
- from Employees	1	9,728	9,355
Transfer Values In		7,017	3,384
Other Income		2	8
Sub-Total: Income		46,508	40,603
Benefits Payable:			
- Pensions	2	26,833	24,951
- Lump Sums: Retirement allowances		5,002	4,441
- Lump Sums: Death grants		583	632
Payments to and on account of leavers:			
- Refunds of Contributions		4	1
- Transfer Values Out		3,453	3,243
Administrative and other expenses borne by the scheme	3	863	725
Sub-Total: Expenses		36,738	33,993
Total Net (additions) withdrawals from Dealings with Scheme Members		(9,770)	(6,610)
<u>RETURNS ON INVESTMENTS</u>			
Investment Income	4	12,158	14,594
Change in market value of investments (realised and unrealised)		175,590	(177,086)
Investment Expenses:			
- Fund Managers' Fees		(1,518)	(1,181)
- VAT reclaimed on fund managers fees		1,005	-
- Tax on Dividends		(713)	(731)
Total Net Returns on Investments		186,522	(164,404)
NET INCREASE / (DECREASE) IN THE FUND DURING YEAR		196,292	(157,794)
OPENING NET ASSETS OF THE FUND		518,854	676,648
CLOSING NET ASSETS OF THE FUND		715,146	518,854

Note: The VAT reclaim relates to a backdated claim to recover VAT which had not been recovered on management expenses. The claim has been the agreed with Her Majesty's Revenue and Customs.

Pension Fund Accounts

NET ASSETS STATEMENT AS AT 31ST MARCH 2010

The Net Assets Statement shows the market value of the investments and other assets held by the Pension Fund as at 31 March 2010.

	See note	2009/10 £000	2008/09 £000
INVESTMENT ASSETS			
EQUITIES:			
United Kingdom		33,327	28,927
Overseas		264,064	182,156
	5	297,301	211,083
MANAGED FUNDS:-			
Property		60,276	41,989
Equities		169,277	129,940
Bonds		116,692	99,061
Hedge Fund of Funds		20,371	17,976
	5	366,616	288,966
CASH DEPOSITS	8	8,143	15,846
DERIVATIVE CONTRACTS			
Assets	6	-	1,095
Liabilities	6	(175)	(526)
OTHER INVESTMENT BALANCES			
Debtors in respect of investment transactions	7	38,666	875
Creditors in respect of investment transactions	7	(573)	(16)
TOTAL INVESTMENTS	5	709,978	517,323
NET CURRENT ASSETS AND LIABILITIES			
Debtors	7	700	519
Creditors	7	(591)	(762)
Cash in Hand	8	5,059	1,774
TOTAL NET ASSETS		715,146	518,854

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

Pension Fund Accounts

NOTES TO THE PENSION FUND ACCOUNTS

1. CONTRIBUTIONS RECEIVABLE

	2009/10 £000	2008/09 £000
Employer Contributions		
Administering: Normal	24,027	22,736
Administering: Additional	1,523	1,351
Admitted: Normal	873	944
Scheduled	3,338	2,825
	29,761	27,856
Employee Contributions		
Administering	8,314	8,064
Admitted	271	308
Scheduled	1,143	983
	9,728	9,355

2. BENEFITS PAYABLE

	2009/10 £000	2008/09 £000
Administering	15,613	15,057
Admitted	73	84
Scheduled	561	310
Dependants Pensions	1,248	1,131
Pensions Increases	9,338	8,395
	26,833	24,977

3. ADMINISTRATION

	2009/10 £000	2008/09 £000
Audit Fee	38	38
Administration	583	532
Consultancy Costs	242	155
	863	725

4. INVESTMENT INCOME

	2009/10 £000	2008/09 £000
Cash	40	380
Equity	6,958	8,749
Bonds	2,869	2,813
Property	2,284	2,652
Venture Capital	7	-
Hedge Fund	-	-
	12,158	14,594

Pension Fund Accounts

5. INVESTMENT ANALYSIS

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

An analysis of investment movements is set out below:

	Value at 31 March 2009	Purchases at cost	Sales proceeds	Change in market value and Other	Value at 31 March 2010
	£000	£000	£000	£000	£000
Equities (inc. Equity Unit Trusts)	341,023	149,023	(175,503)	152,036	466,578
Other Managed Funds:					
Property	41,989	19,081	(1,845)	1,051	60,276
Bonds: Fixed Interest	63,736	24,912	(29,582)	17,287	76,354
Bonds: Index linked	35,325	3,409	(2,265)	3,869	40,338
Hedge Fund of Funds	17,976	-	-	2,395	20,371
Derivatives	569	-	-	(745)	(175)
	500,618	196,425	(209,194)	175,893	663,742
Cash Deposits	15,846			(304)	8,143
Other Investment Balances	859				38,093
Total Investments	517,323			175,590	709,978

(The amounts in respect of derivative payments and receipts represent the cost at inception of the contract)

Equity holdings are further analysed as follows

	2009/10 £000	2008/09 £000
UK EQUITY		
- listed	33,192	28,769
- unlisted	45	158
TOTAL UK EQUITY	33,237	28,927
OVERSEAS EQUITY		
- listed	264,064	182,156
TOTAL EQUITY INVESTMENTS	297,301	211,083
EQUITY MANAGED FUNDS		
Unit Trust: UK Equities	151,941	98,865
Unit Trust: Overseas Equities	17,336	31,075
TOTAL EQUITY MANAGED FUNDS	169,277	129,940
TOTAL EQUITY RELATED INVESTMENTS	466,578	341,023

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

Pension Fund Accounts

6. DERIVATIVE CONTRACTS

The global equity managers Alliance Bernstein and RCM are instructed to operate a half currency hedge to mitigate the effect on returns of appreciation or depreciation of Sterling against the local currencies of assets held.

In practice this is achieved by the use of futures and forward foreign exchange contracts, which entitle and oblige the seller and holder to exchange assets or currency on a future date at a predetermined price or rate. The former are tradable on exchanges, the latter are "over the counter" agreements, which neither the purchaser or the seller may transfer.

At 31 March 2010, forward foreign exchange contracts were the only derivative contracts held. There is no cost on entering into these contracts but the market value is established as the gain or loss that would arise at the settlement date from entering into an equal and opposite contract at the reporting date.

	Sterling Value of obligation on purchase or sale date	Sterling Value of equal and opposite obligation at 31 March 2010	Implied unrealised Gains / (losses)
	£000	£000	£000
Currency contracted to purchase	(13,177)	13,100	(77)
Currency contracted to sell	13,177	(13,275)	(98)
Net Position	0	(175)	(175)

The Net Asset Statement analyses the net position into the sum of those contracts (for either purchase or sale) which imply a loss at the reporting date (£175k) and the sum of those that imply a gain (£0).

7. DEBTORS AND CREDITORS

These consist of the following amounts:

(a) Debtors

	2009/10	2008/09
	£000	£000
Equity Dividends/ Income from Managed Funds	590	635
Interest	2	8
Tax Refunds	396	232
Pending Trades	37,678	-
Contributions Due from Admitted / Scheduled Bodies	700	519
	39,366	1,394

(b) Creditors

	2009/10	2008/09
	£000	£000
Fund Manager and Custody Fees	(580)	(724)
Taxes Due	(4)	(16)
Audit Fees	(11)	(38)
Pending Trades	(569)	-
	(1,164)	(778)

The pending trades relate to purchases and sales by managers which have yet to be the subject of cash settlement. The debtors figure is relatively high as a result of a balancing exercise at the year end which required managers to sell shares to provide funds to establish a new commodities mandate and to transfer between managers to get the asset allocation to correspond to the strategic benchmark.

Pension Fund Accounts

8. CASH DEPOSITS

The Cash Deposits relate 100% to UK Cash Holdings, and are analysed as follows:

	2009/10	2008/09
	£000	£000
Northern Trust	8,143	15,846
Lewisham	5,059	1,774
	13,202	17,620

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. Pending trade sales and purchases at the year end are treated as investment debtors and creditors

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

9. TRANSACTION COSTS

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

	2009/10	2008/09
	£000	£000
Equity Purchases	192	196
Equity Sales	129	110
Total Transaction Costs	321	306

10. RELATED PARTY TRANSACTIONS

Information in respect of material transactions with related parties is disclosed elsewhere within the Pension Fund accounts. There were no provisions for doubtful debt and amounts written off in the period.

Eight Councillors sit on the Pensions Investment Committee which oversees the Fund. Five Councillors of this Committee are members of the pensions scheme. At each meeting of the Pensions Investment Committee Councillors are asked to make declarations of interest. No material declarations of interest were made in 2009/10. During the year no trustees or Council chief officers with direct responsibility for pension fund issues have undertaken any declarable transactions with the Pension Fund.

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

- a) Recharges from the Council for the in-house administration costs and other expenses borne by the scheme were transacted for £863k (see note 3).
- b) All cash transactions relating to pension activities are currently effected through the Council's bank account and consequently pension fund cash balances are held by the Council from time to time. Any interest receivable on such balances is paid to the Pension Fund on an annually at an interest rate equating to that earned by the Council on temporary investments.

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.

	£000
Value at 30 March 2009	1,057
Contributions and Transfers Received	335
Investment Return	151
Paid Out	(122)
Value at 30 March 2010	1,421

Pension Fund Accounts

12. SCHEDULED BODIES

The following are scheduled bodies to the fund:

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

13. ADMITTED BODIES

The following are admitted bodies to the fund:

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

14. STOCK LENDING

The Statement of Investment Principles permits the Fund to enter into stock lending (whereby the Fund lends other bodies stocks in return for a fee and collateral whilst on loan). The council has agreed to stock lending although none has been entered into so far.

15. MEMBERSHIP

	Employees		Deferred Beneficiaries		Retired Former Employees	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
Administering Authority	5860	5599	6267	6085	6117	6026
Scheduled Bodies	582	602	122	90	76	49
Admitted Bodies	131	144	44	36	32	26
	6,573	6,345	6,433	6,211	6,225	6,101

Pension Fund Accounts

Group Accounts

SECTION 5

**GROUP
ACCOUNTS**

2009/10

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 and Catford Regeneration Partnership Limited. These organisations are both wholly owned subsidiaries 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.

Catford Regeneration Partnership Ltd (CRPL) is a wholly owned subsidiary of the Council and the Head of Property and Programme Management and the Head of Business Management and Support are directors of the board

Group Income and Expenditure Account for the year ending 31 March 2010

2008/09 Restated	SERVICE	2009/10		
		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
7,383	Central services to the public	39,519	(29,963)	9,556
63,926	Cultural, environmental and planning services	81,294	(15,926)	65,368
178,582	Childrens' and education services	416,128	(275,179)	140,949
12,894	Highways, roads and transport services	22,802	(11,727)	11,075
82,209	Housing services	364,396	(329,159)	35,237
89,606	Adult social care	113,787	(28,853)	84,934
7,370	Corporate and democratic core	7,520	267	7,787
14,791	Non distributed costs	3,014	0	3,014
456,761	Net Cost of Services	1,048,460	(690,540)	357,920
(1,190)	Loss on the disposal of fixed assets			5,283
1,779	Levies			1,772
35,147	Interest payable and similar charges			32,791
213	Contribution of housing capital receipts to Government Pool			0
(8,243)	Interest and Investment Income			(3,639)
12,182	Pensions interest cost and expected return on pensions assets			6,834
28	Corporation Tax			11
496,677	Net Operating Expenditure			400,972
(87,942)	Income from Council Tax			(90,573)
(39,245)	General government grants			(52,483)
(153,295)	Non-domestic rates redistribution			(144,288)
216,195	Deficit/(Surplus) for the Year			113,628

Group Accounts

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

	2009/10 £000	2008/09 Restated £000
Deficit for the year on the Authority's Income and Expenditure Account	133,680	216,706
Adjustments for transactions with other group entities	(29,067)	(22,737)
Deficit in the Group Income and Expenditure Account attributable to the authority	104,613	193,969
Deficit in the Group Income and Expenditure Account attributable to group entities	9,015	22,227
Deficit for the year on the Group Income and Expenditure Account	113,628	216,195

Group Statement of Total Recognised Gains and Losses

	2009/10 £000	2008/09 Restated £000
Deficit for the year on the Income and Expenditure Account	113,628	216,195
Surplus arising on revaluation of fixed assets	(23,087)	18,718
Actuarial (gains)/losses on pension fund assets and liabilities	337,621	134,076
Net assets acquired as a result of a business combination	0	(1,606)
Other (gains)/losses	15,955	(1,398)
Total recognised (gains)/losses for the year	444,117	365,985

Group Accounts

Group Balance Sheet

	31/03/2010 £000s	31/03/2009 Restated £000s
Fixed assets		
Operational assets		
Council dwellings	931,126	967,150
Other land and buildings	842,253	875,961
Vehicles, plant, furniture and equipment	29,179	24,469
Infrastructure	55,938	52,780
Community	8,451	7,965
Non-operational assets		
Investment properties	101,700	65,774
Assets under construction	38,785	36,756
Total fixed assets	2,007,432	2,030,854
Other long-term assets		
Long term investments	56,216	55,787
Lewisham Homes Pension Asset	1,461	2,011
Long term debtors	1,150	1,365
Total long-term assets	2,066,259	2,090,017
Current assets		
Stocks	344	309
Debtors	44,557	29,680
Cash	3,177	1,386
Short Term Investments	135,228	116,334
Landfill usage allowance	0	0
Prepayments	3,172	3,630
Total current assets	186,478	151,339
Current liabilities		
Short term borrowing	45,013	35,325
Creditors	69,679	59,054
Bank overdraft	14,691	14,269
Receipts in advance	66,513	57,022
PFI Liabilities due within one year	6,968	4,283
Landfill usage - liability to DEFRA	0	0
Total current liabilities	202,864	169,953
Total assets less current liabilities	2,049,873	2,071,403
Long term liabilities		
Long term borrowing	344,194	331,392
Provisions	13,084	12,585
Deferred capital receipts	365	488
Deferred PFI Liabilities	146,189	92,353
Government grants deferred	150,767	143,165
Liability related to defined benefit pension scheme	670,715	322,744
	1,325,314	902,727
Total assets less liabilities	724,559	1,168,676

Group Accounts

Group Balance Sheet (continued)

	31/03/2010 £000s	31/03/2009 Restated £000s
Reserves and balances		
Reserves		
Revaluation Reserve	109,430	87,880
Capital Adjustment Account	1,177,078	1,299,003
Financial Instruments Adjustment Account	(13,100)	(15,760)
Usable Capital Receipts Reserve	20,298	17,411
Collection Fund Adjustment Account	25	111
Major Repairs Reserve	4,320	1,310
Pensions Reserve	(669,254)	(320,733)
Revenue Reserves	72,230	75,143
	701,027	1,144,365
Balances		
General Fund Balance	11,511	11,236
Housing Revenue Account	9,760	12,094
Catford Regeneration Partnership Ltd Reserves	(3)	0
Lewisham Homes Reserves	2,264	981
	23,532	24,311
TOTAL EQUITY	724,559	1,168,676

Group Accounts

Group Cash Flow Statement

	2009/10 £000s	2008/09 Restated £000s
NET CASH INFLOWS FROM REVENUE ACTIVITIES	(27,203)	(15,532)
<u>Returns on Investments and Servicing of Finance</u>		
Cash Outflows		
Interest Paid	19,737	18,645
Cash Inflows		
Interest received	(5,058)	(5,689)
<u>Capital Expenditure and Financial Investment</u>		
Cash Outflows		
Purchase of fixed assets	51,020	71,148
Deferred charges	7,291	6,246
PFI Prepayments	788	2,633
Long term debtors	0	0
Taxation paid	11	29
Cash Inflows		
Sale of fixed assets	(8,525)	(5,428)
Capital grants and other capital cash received	(33,748)	(55,928)
NET CASH OUTFLOWS BEFORE FINANCING	4,313	16,124
<u>Management of Liquid Resources</u>		
Net increase in short term deposits	20,459	18,310
Net increase in long term deposits	0	20,000
Net increase in other liquid resources	3,728	6,693
<u>Financing</u>		
Cash Outflows		
Repayments of amounts borrowed	250,399	124,128
Cash Inflows		
New loans raised	(30,000)	(60,000)
New short term borrowing	(250,268)	(118,798)
NET (INCREASE)/DECREASE IN CASH	(1,369)	6,457

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 subsidiaries, Lewisham Homes Limited and Catford Regeneration Partnership Limited.

2. Lewisham Homes Limited

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

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

3. Lewisham Homes Limited's Accounts

Lewisham Homes Limited's Accounts for 2009/10 received an unqualified audit opinion and their Statement of Accounts can be obtained from:

Lewisham Homes Limited
9 Holbeach Road
Catford
London
SE6 4TW

4. Accounting Policies

The accounting policies of the London Borough of Lewisham, Lewisham Homes Limited, and Catford Regeneration Partnership Limited are in line with those stated in Section 1 of these accounts.

5. Summary of Subsidiaries' Transactions included in the Group Revenue Account

This is a summary of Lewisham Homes' and Catford Regeneration Partnership's transactions included in the 2009/10 Group Revenue Account, prior to the elimination of intra-group transactions (the transactions that took place between the subsidiaries and the council):

	Catford RP Ltd £000	Lewisham Homes £000	Total £000
Operating (Gain) / Loss	(114)	(2,228)	(2,342)
Interest payable and similar charges	117	247	364
Interest and Investment Income	0	(50)	(50)
Pensions Interest Cost and Expected Returns on Pensions Assets	0	(18,035)	(18,035)
Corporation Tax	0	11	11
Overall Gain / Loss	3	(20,055)	(20,052)

Group Accounts

6. Summary of Subsidiaries' Transactions included in the Group Balance Sheet

This is a summary of Lewisham Homes' and Catford Regeneration Partnership's transactions included in the 2009/10 Group Balance Sheet, prior to the elimination of intra-group transactions (the transactions that took place between the subsidiaries and the council):

	Catford RP Ltd	Lewisham Homes	Total
	£000	£000	£000
Fixed Assets	11,981	710	12,691
Lewisham Homes Pension Asset	0	20,046	20,046
Stock	0	87	87
Debtors	0	2,418	2,418
Cash	231	2,946	3,177
Creditors	(242)	(3,829)	(4,071)
Provisions	0	(68)	(68)
Long term borrowing	(11,973)	0	(11,973)
Liability related to defined benefit pension scheme	0	(20,046)	(20,046)
Net assets	(3)	2,264	2,261

Group Accounts

7. Reconciliation of Group Cash Flow:

	2009/10 £000	2008/09 Restated £000
Net Deficit on the Group Income & Expenditure Account	113,628	216,195
Collection Fund Adjustment Account	0	(40)
Less: Non-Cash Transactions		
Contributions (to)/from Provisions	(873)	2,987
Deferred Premiums/Discounts on Early Repayment of Debt	(2,205)	(4,480)
Interest Payable / Receivable Adjustments	(1,064)	3,500
Landfill Liability	0	381
Landfill Usage Allowance	0	(486)
Depreciation and Impairment of Fixed Assets	(121,433)	(223,043)
Government Grants Deferred Amortisation	23,391	29,859
Write Down of Revenue Expenditure Funded from Capital under Statute	(7,291)	(6,247)
Revenue contributions to Deferred Assets	0	1,027
Deferred Contribution Written Down	0	(2,697)
Build-up of PFI Asset Residual Value	0	(1,062)
Amortisation of Prepayments	0	3,081
Council Tax Adjustment	(86)	56
Revenue Provision for PFI Schemes	4,375	3,785
Premiums & Discounts Adjustment	2,412	(6,716)
Net Gain / (Loss) on Sale of Fixed Assets	(5,283)	1,224
Net Charges made for Retirement Benefits in accordance with FRS17	(42,949)	(37,597)
Employers Contributions to the Pension Fund and Retirement Benefits payable direct to Pensioners	33,033	31,216
Transfer from Major Repairs Reserve	(26,257)	(19,367)
Less: Items Included as Accruals		
Increase/(Decrease) in Long-Term Debtors	(99)	(179)
Increase/(Decrease) in Stocks & Work in Progress	35	(235)
Increase/(Decrease) in Debtors	22,434	(2,530)
Increase/(Decrease) in Prepayments	(1,007)	400
(Increase)/Decrease in Creditors	(1,016)	10,317
(Increase)/Decrease in Receipts in Advance	1,616	4,678
Collection Fund Transfers to Other Liquid Resources	(3,728)	(6,693)
Less: Financing Items	(14,836)	(12,866)
Net Cashflow from Revenue Activities	(27,203)	(15,532)

Group Accounts

SECTION 6

**ANNUAL
GOVERNANCE
STATEMENT**

2009/10

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 [Local Code of Corporate Governance](#), which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.

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 2010 and up to the date of approval of the annual governance statement and statement of accounts.

A summary of the governance framework

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

Annexe 1

The Local Code of Corporate Governance and well developed Codes of Conduct for Members and Officers demand the highest standards of ethical behaviour. These are reviewed regularly and are communicated widely.

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

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

The Annual Audit Letter of 2009, issued by the Audit Commission's appointed auditor, concluded that an area of excellent performance was "*the way the Council promotes and demonstrates the principles and values of good governance*".

3. Elements of the governance framework

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

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

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

This development approach was endorsed by the Audit Commission, when they concluded in their 2009 Area Assessment that "*Lewisham's local strategic partnership understands the issues of concern to residents very well. Their main priorities reflect local people's needs and wishes clearly*".

The Council has an enduring set of 10 corporate priorities and in 2008 published and communicated widely a new Corporate Strategy (2008-11) which sets out how the organisation will contribute to the delivery of the SCS. The Corporate Strategy is reviewed every year through the Annual Report and is also supplemented by the Monthly Management Report.

b) Reviewing the authority's vision and its implications for the authority's governance arrangements

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

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

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

c) 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 this area, which was recognised in the 2009 Corporate Assessment with a score of 3 out of 4 for performance management.

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

A review of the Performance Management Framework takes place annually, to ensure continuous improvement. The Performance Management Framework allows for robust and structured target setting against national requirements and local priorities. It also allows the Council, its partners and residents to monitor and measure the Council's effectiveness against these national and local performance indicators.

Annexe 1

We have excellent reporting and governance arrangements in place to secure continuous improvement. We support these with reports that are recognised as notable practice, and we facilitate the delivery of these reports with our Performance Management tool P+, which is also recognised as good practice.

Our Monthly Management Report is the centrepiece of our performance reporting structure. It provides a clear and easy to read analysis of our performance against a basket of 84 indicators including National Indicators and local measures, and also includes an executive summary to direct attention to areas of strong performance as well as areas requiring greater management attention. It is presented monthly to the Executive Management Team and quarterly to Mayor's briefing and to the Mayor and Cabinet.

The Monthly Management Report utilises exception reporting to focus attention on key areas: exception reporting for red Projects, Risk and Finance and Red and Green exception reporting for performance. By combining these four areas for each of our corporate priorities, it functions as the critical tool for supporting decisions across the organisation. While examining this report, the Executive Management Team, Mayor and Cabinet and Public Accounts Select Committee challenge all aspects of performance. The report is also published on the Council's website, and so is accessible to members of the general public.

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 published on the web and has been publicised, through the Council's monthly newsletter – "Lewisham Life" - to all residents of the borough. The Council has continued to improve its complaints procedure. A revised complaints management system – iCasework – was implemented across the Council on 30 June 2008 and allows for the monitoring and review of intelligence on the resolution of complaints. In combination with bespoke complaints handling training courses, this ensures that the Council learns from complaints. The Head of Public Services reports annually to the Standards Committee with an update on complaints handling, and performance in this area is also reviewed annually by both Mayor and Cabinet and the Public Account Select Committee.

Value for Money (VfM) is integral to Council operations, and the budget strategy is predicated on ensuring that the council is delivering good VfM. The Chief Executive's Efficiency Board (CEEB) provides strategic oversight for the Value for Money agenda. The Efficiency Programme Board (EPB) sits under that body and provides an organisational steer on the planning and monitoring of the efficiencies, and the measurement and improvement of VfM provided by the Council's services. It also oversees the efficiency programme which has contributed to efficiency savings in the Council's operations of some £33.3m between 2004/05 and 2008/09.

The EPB oversees the annual compilation and analysis of a set of cost and performance indicators that in combination provide a comparative assessment of the efficiency of service provision across the Council. A series of unit cost indicators have also been developed and agreed at EPB, and these have been included in updated guidance for the creation of service plans for the 2010/11 municipal year. The Council is also working with Capital Ambition to assist in the development of a set of efficiency metrics that will allow all London Boroughs to benchmark their costs and to drive efficiencies. It is anticipated that these metrics will be available by Summer 2010.

The Council is responsive to external challenge and assessment, and seeks to ensure that structures exist to respond to the recommendations made during those assessments. To that end, the "Significant Governance Issues" action plan appended to this statement makes specific reference to the Audit Commission's recommendations in their Annual Audit Letter of 2009. Actions relating to pension liabilities,

Annexe 1

internal control systems and international financial reporting standards, have been included in the action plan and the delivery of those will be monitored during the year by the Internal Control Board.

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

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

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

Decisions are taken in accordance with the Council and Mayoral scheme of delegation as appropriate and these schemes are maintained, kept up to date and made available to the public as detailed within the Constitution. Decisions are taken in accordance with the general principles of administrative law and on the basis of professional advice at all times. Minutes are published and made widely available through the Lewisham website. All Executive decisions are subject to review by Overview and Scrutiny business panel and may be called-in in accordance with the Council's Constitution. There were no call-ins during the financial year 2009-10. The most recent example of a matter referred to the Mayor for reconsideration in accordance with the call in procedure was the disposal of the Rotary Day Centre in Addington Grove, SE26 in December 2008.

The highest standards of ethical conduct are adhered to in order to avoid actual, potential and perceived conflicts of interest. The principles of decision making appear as Article 16 within the Constitution (p73). The Standards Committee receives a report on Member compliance with the Code of Conduct, a process which was recognised as 'notable practice' by the Audit Commission in the 2007/08 Use of Resources audit.

In achieving accreditation under the London Member Development Charter in April 2008 (for a minimum period of three years), the Council has agreed a range of role descriptors for members according to the role they fulfil (e.g. executive/community representative/overview and scrutiny etc) and has put in place a personal development scheme to enhance member capability in those roles. Officers support all Members in the performance of their various roles and this is detailed in the Constitution. The roles of the statutory officers are also set out at Article 14 of the Constitution (p67) and in detailed job descriptions. The Schemes of Delegation by both the Mayor and the Council are appended to the Constitution at Part VIII (p322).

e) 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 (p216). It appears on the Council's website, on the intranet and is well publicised. A comprehensive

Annexe 1

training programme on the Codes of Conduct is delivered by the Head of Law (Monitoring Officer) on an on-going basis for all members of the Council.

Monitoring Officer advice is regularly sought by members in relation to potential Code of Conduct issues. The Standards Committee was consulted on changes to the Member Code in November 2009, and also reviewed member compliance.

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 (p287). The purpose and content of the Employee Code of Conduct is communicated frequently and widely (e.g. officer training, June 2009).

The 2009 Annual Audit Letter, issued by the Audit Commission's appointed auditor, found "*members and officers have a strong, unified understanding of their roles and the Council's vision and this has led to a range of excellent outcomes...including a high level of awareness of ethical standards.*"

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

Reviewing and updating standing orders, standing financial instructions

The Council's Financial Regulations, Financial Procedures and Directorates' Scheme of Delegation, are regularly updated and communicated to all relevant staff and are available on the Council's intranet. The Financial Regulations were updated in July 2009 and Schemes of Delegation were updated in November 2009. The Financial Procedures were updated and agreed in March 2010. The Council's procedure rules, of which Standing Orders are a part, are reviewed alongside the Constitution; the Constitution is reviewed on a regular basis.

Alongside this, the financial awareness rolling training programme for budget holders will continue in 2010/11 and beyond, to ensure that all budget holders have the necessary skills required to manage budgets effectively.

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, equalities issues, environmental issues and risk assessment. 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 as Article 16 within the Constitution (p73). There is a well embedded agenda planning process and a requirement for reports to be signed off by senior officers. Decisions are taken in accordance with the Council and Mayoral scheme of delegation as appropriate and these schemes are maintained, kept up to date and made available to the public as detailed within the Constitution. The Constitution requires Executive decisions to be published within two working days of being taken, and sent to all Members of the Council where possible by electronic means. Minutes are published and made publicly available on the Lewisham website. All Executive decisions may be called-in by the Overview and Scrutiny Business Panel in accordance with the Council's Constitution.

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

Maintaining an adequate and effective system of internal audit

The Account and Audit Regulations 2003, as amended, require the Council to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control. The role of internal audit is to provide an independent and objective opinion on the control environment within the Council. Internal audit work is undertaken in accordance with the CIPFA Internal Audit Code of Practice for Internal Audit in Local Authorities 2006 (the code).

The work of Internal Audit is set out in an annual internal audit plan that covers the key financial systems, schools, and the operational activities where Internal Audit and management perceive there are risks to achieving operational objectives.

For each audit where controls have been analysed, Internal Audit issues an assurance statement which indicates the level of assurance that management can place on the adequacy and effectiveness of the internal controls within the area that has been audited. For 2009/10, four levels of assurance were used. The two positive levels used were 'substantial' and 'adequate' assurance and the two negative levels used were 'limited' and 'no assurance'.

The key financial systems are fundamental to the operation of the Council, so it is important that these systems have robust internal control mechanisms and operate effectively. The Head of Audit and Risk confirmed that all of these key financial systems have been issued with a positive assurance level for 2009/10, and some 60% with substantial assurance, the highest level used by Internal Audit. The Head of Audit and Risk has also confirmed that, overall, some 90% of these systems have either maintained or improved their assurance level on 2008/09.

A total of 44 of 72 planned non-schools risk based audits for 2009/10 were completed to final report stage by 31 March 2010. Of these, 31 (70%) have been issued with a positive assurance level of either adequate or substantial assurance, indicating that, on the whole, the Council is managing its operational risks effectively.

Where recommendations have been made to enhance controls or address specific issues identified in the key financial systems and the risk based audits, these have been classified according to their level of significance. For 2009/10, recommendations were classified as either 'fundamental', 'significant' or 'merits attention', with 'fundamental' being the highest priority classification. For the key financial systems and the risk based audits that have reached final report stage, only 6% of the recommendations have been at the 'fundamental' level.

During 2009/10, management within the Children and Young People's Directorate have focussed much attention on improving the standard of internal control in its schools. The Head of Audit and Risk confirmed that this directed attention has been effective. In 2009/10 only 18% of the finalised school audits have received negative audit assurance levels. Of the schools that received a limited assurance level in 2008/09, sixteen have received follow-up reviews in 2009/10 and in every case significant

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progress had been made towards improving internal controls and implementing the recommendations made by Internal Audit. On this basis, the assurance levels for these sixteen schools have been raised to either the adequate or substantial assurance levels.

Where recommendations have been made to enhance controls or address specific issues identified during the school audits, they to have been classified according to their level of significance. Again the recommendations were classified as either 'fundamental', 'significant' or 'merits attention', with 'fundamental' being the highest priority classification. For the schools that have reached final report stage, only 2% of the recommendations have been at the 'fundamental' level.

The processes and controls required to manage risks

There is a robust framework in place to manage risks. All services must now include a comprehensive risk register within service plans. Risk registers are monitored quarterly at directorate level. Key risks within the directorate and corporate risk registers are subject to quarterly review by the Risk Management Working Party and also the Internal Control Board, which has operated since early in 2004. The Internal Control Board is chaired by an independent 'non executive' person (Bill Roots, a former London local authority Chief Executive) and comprises the Executive Management Team, Head of Law (Monitoring Officer), Head of Audit and Risk and Group Manager for Insurance and Risk. Risks are updated quarterly and are tracked through the monthly management report which summarises key risks. The Risk Management Strategy is reviewed on an annual basis, updated when necessary, and is agreed by the Internal Control Board and by the members through the Audit Panel and Mayor and Cabinet. The Risk Management strategy has been revised to include a section on partnership risk and to reflect the use of Performance Plus as a key tool for the management of risk. This system has been rolled out at service level to embed the management of risk at all levels of the organisation. RSM Tenon, the Council's internal audit contractor, carried out a risk maturity review in 2009/10 and have assessed the Council as being a 'risk managed' organisation (level 4), the second highest category on a scale of 1 to 5.

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

In the Annual Audit Letter 2009, the Audit Commission's appointed auditor concluded they were '*satisfied that Internal Audit has continued to improve this year and assessed that all CIPFA's standards for internal audit had been met.*'

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

The panel consider and monitor the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements. In terms of external

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assurance, the panel consider the external auditor's Annual Plan, other relevant external reports and reports to members. The panel monitors management action in response to issues raised by internal and external audit, and significant issues identified by these are included in the action plan appended to this statement.

The panel also consider the Council's annual Statement of Accounts and this Statement and makes comments on those to the meeting of the Full Council that considers the accounts.

h) Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The duties of the Head of Law (Monitoring Officer) are defined in the Constitution. The Monitoring Officer attends Mayor and Cabinet and Full Council meetings and regularly briefs EMT on corporate legislative developments (e.g. *Councillor Call for Action, Regulation of Investigatory Powers Act 2000, Local Democracy, Economic Development and Construction Act 2009, and Petitions*). Legal advice is incorporated in every report and advice on proper process is a regular feature of that. Where gaps or non-compliance are identified, appropriate action is taken (e.g. in response to Freedom of Information compliance issues, alternative procedural arrangements were put in place to enhance performance). Reports do not proceed unless robust legal implications on all matters have been considered and are included in the report. Experienced professional legal staff are employed by the Council.

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 (p67). Financial implications are included in all committee reports and form an integral part of the information needed to aid the decision making process.

The Pensions Investment Committee has agreed a Governance Policy Statement which sets out how the Committee exercises its fiduciary duty to members of the Pension Fund. The Committee's governance arrangements include the appointment of an independent Custodian Bank responsible for the safe custody of the Fund's assets, the appointment of an independent investment advisor, independent actuary and investment consultant, Hymans Robertson. The Committee will review its Statement of Investment Principles in accordance with the CIPFA's Pensions Panel Principles of Investment decision making.

i) Whistle-blowing and procedures for receiving and investigating complaints from the public

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

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

The overall aim of the Members' Development Programme is to ensure that all members have access to the training and development opportunities they need to fulfil their responsibilities to the local community and provide clear leadership and effective scrutiny of local Council functions. The 2009-10 personal development programme and general member development programme have both been completed and an initial induction programme for new Members has commenced following the local elections in May 2010.

The 2009 Annual Audit Letter by the Audit Commission's appointed auditor found that *'the Council has an excellent training and development programme for members. This is recognised as best practice and feedback from members indicates the programme has helped them considerably in carrying out their roles.'*

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

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

Lewisham has an open and outward facing culture that is clearly focussed on the needs of our residents and facilitated by an exceptionally strong and diverse approach to engagement and consultation. In response to the new Duty to Inform, Consult and Involve (which came into effect in April 2009), the Council has restated its commitment to actively engaging and involving residents in decision making and service design.

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

These arrangements are underpinned by the Council's Framework for Engagement that was published during the past financial year. This sets in place shared principles for engagement, which were also agreed at a partnership level through the Stronger Communities Partnership.

In support of this, and to provide increased channels through which citizens are engaged, the Council is currently promoting e-Participation by implementing a new online engagement system. This system also provides the platform through which citizens can set up and respond to e-petitions. Other channels of engagement include the 18 ward-level Area Assemblies which came into operation in 2008 and are open to anybody living or working in the ward, and the Young Citizens Panel which enables any young person aged 11-18 years either living or studying in the borough to join.

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The Audit Commission awarded Lewisham a “green flag” for community engagement and empowerment of local people, in their 2009 Area Assessment. They concluded that *‘empowering and involving local people is at the heart of the way public sector partnerships work in Lewisham to improve the area as a place to live. Partners have an excellent track record of involving local people, including those who are less likely to be active in the local community.’*

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

The Council acts in a number of partnerships with a view to improving the quality of life for local people. These partnerships take a variety of forms, from large scale contracting, as in the case of the Building Schools for the Future programme, to strategic alliances such as the Lewisham Strategic Partnership (LSP). The Council has used the Audit Commission report on the governance of partnerships to provide a framework to assess its arrangements in relation to partnership working.

As a first stage in that process, the Head of Law (Monitoring Officer) conducted an exercise in relation to several of the most significant partnerships in the borough and reported those findings to the Internal Control Board in 2008. In February 2009, a detailed audit of all of the Council’s major partnerships and contractual arrangements was reported to the EMT and to ICB. In response, EMT required all Directorates to consider partnership governance arrangements, and particularly the business continuity arrangements of those partnerships, as a standing item at Directorate Management Team meetings. In November 2009, the Chief Executive presented a paper to ICB which assessed the main risks to the partnerships within each of Lewisham’s six Sustainable Community Strategy priority themes. This paper is to be discussed at each of the LSP Partnership Boards with the intention being to develop these risks and record them in risk registers.

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

In November 2009, Standards Committee considered a new “Standards in Partnership” protocol that has been developed by Standards for England. Adherence to this protocol is intended to ensure that the aims of the partnership can be fulfilled effectively and the public can have confidence in the operation of the partnership.

The Standing Committee made a recommendation to refer this partnership protocol to the LSP, where it was considered in December 2009. The LSP has an agreement to review its Terms of Reference and Code of Conduct in order to reflect the good practice set out in the new Standards for England partnership protocol.

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

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maintenance of the governance environment, the Head of Internal Audit and Risk's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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

- Consideration by Internal Control Board of governance issues – including partnerships and internal audit reports.
- The Audit Panel receives the annual assurance report from the Head of Audit & Risk which sets out his opinion on the Council's overall control environment.
- The Audit Panel receives the Internal Audit Strategy and Terms of Reference, which set the context within which more detailed plans can be developed. The Internal Audit Strategy is reviewed on an annual basis and updated when necessary. The updated strategy and Terms of Reference were formally approved by the Audit Panel in March 2010. The Audit Panel reports to the Public Accounts Select Committee twice per year.
- 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 considered the efficiency of the Council's complaints handling system and the effectiveness of the Whistle Blowing Policy. In May 2009 it considered the review of the Council's Code of Corporate Governance, and in November 2009 it reviewed Member compliance with the Member Code of Conduct.
- The Independent Remuneration Panel made recommendations to the Council about the accountability and effectiveness of Members.
- Consideration of external audit reports conducted in year by Mayor and Cabinet, Audit Panel and relevant Select Committees.
- Constitution Working Party undertook a review of the Constitution in its entirety in March 2009 which led to amendments to the Constitution in line with the Local Government and Public Involvement Act 2007. It also considered the reviews undertaken by the Independent Remuneration Panel and referred those to Full Council.

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

- Kath Nicholson: Head of Law and Monitoring Officer
- Troy Robinson: Senior Education Advisor
- Barrie Neal: Head of Corporate Policy and Governance
- Ray Gard: Head of Audit and Risk
- Stewart Snellgrove: 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

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- 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:

- The consideration by EMT on the 8th June 2010 of a draft Annual Governance Statement prepared by the team. Where any gaps have been identified in evidence gathering, these are addressed in the action plan outlined in Appendix 2. 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 the Head of Audit and Risk's Annual Report and consideration of these and the Annual Governance Statement by the Council's Audit Panel on 24th June 2010.
- A review of the Council's Local Code of Corporate Governance by the Standards Committee on the 24th June 2010, with reference to CIPFA/Solace Guidance.
- Referral of the Annual Governance Statement to full Council with the Statement of Accounts, and advice from Audit Panel on the 30th June 2010.
- 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 2009/10 are referred to at section 3 of this statement.

We propose over the coming year (2010/11) 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 2010/11 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:
Councillor M Long
Chair of Council
On behalf of the London Borough of Lewisham

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

ANNEXE 1

**SIGNIFICANT
GOVERNANCE ISSUES –
ACTION PLAN**

2009/10

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SIGNIFICANT GOVERNANCE ISSUES – ACTION PLAN 2010/11

	Decent Homes
Issue	Further reduce the gap between Lewisham and national expectations for the decent homes standard
Action	Continue to monitor progress in delivering the Housing Strategy action plan
AGS Criteria	Objective 1: Step 4, Point 4
External Assurance Link	Annual Audit Letter 2010
Desired Outcomes	A reduction in the gap between the proportion of homes in Lewisham that meet the Decent Homes Standard, and the proportion of homes that do so nationally
Timescales	March 2011
Lead Officer	Genevieve Macklin
Notes	<p>This is an ongoing action from the 2009/10 action plan. It originated in the recommendations made by the Audit Commission in the 2008 Annual Audit Letter:</p> <p><i>"The Council needs to ensure that its strong partnerships and effective leadership lead to a step change in outcomes...it should concentrate in particular on further reducing the gaps between national expectations for educational outcomes, health inequalities and decent homes standards and those in Lewisham"</i></p> <p>The following status applies as of June 2010:</p> <p>Brockley PFI (Regenta B3) The PFI completed its Decent Homes Programme in April 2010 making all its properties 100% decent.</p> <p>Lewisham Homes (ALMO): The Audit Commission will begin its inspection of Lewisham Homes on 21st June 2010 for two weeks. The Council has been informed by the HCA they have committed £153.8m in ALMO credits to Lewisham Homes subject to them receiving a 2 star rating prior to April 2011. However, all spending commitments are dependent on the outcome of the next Comprehensive Spending Review.</p> <p>Stock Transfers:</p> <ul style="list-style-type: none"> - Phoenix Community Housing has been carrying out an elemental decent homes programme on all its properties. So far, over 3500 homes have received works, 3289 will meet Decent Homes by the end of 2010. - Grove Park transferred to L&Q in July 2008, which consisted of 1447 properties. 1025 properties achieved decency by March 2010. - Orchard Estate (Lewisham Road) & Village Court (Blackheath) transferred to Broomleigh in January 2009, which consisted of 134 properties. 100% decency has been achieved in Village Court. In January 2010, decent homes works started on Orchard Estate and it is anticipated these will be completed by 2011. - Lee (Newstead Road Estate and Leybridge Court) transferred to Broomleigh in October 2009, which consisted of 643 properties. Decent Homes works are scheduled to complete

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	<p>by 2012 with 181 properties being made decent by 2010.</p> <p>- In January 2010, the Council achieved 3 positive ballots for Forest Hill & Sydenham, Rushey Green and Calford (2400 tenanted properties) and anticipate these will transfer to L&Q in October 2010. L&Q will bring the properties up to standard by 2012 and the initial investment is £62m.</p>
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Issue	Impact of the Recession Assess and monitor the impact of the recession
Action	Assess and monitor the impact of the recession on the BSF, housing and town centre regeneration programme.
AGS Criteria	Objective 2
External Assurance Link	Annual Audit Letter 2010
Desired Outcomes	Accurate and timely monitoring of risks to delivery provides basis for well-informed decision making
Timescales	March 2011
Lead Officer	Steve Gough
Notes	<p>This is an ongoing action from the 2009/10 action plan. It originated in the recommendations made by the Audit Commission in the 2008 Annual Audit Letter:</p> <p><i>"The Council needs to assess and monitor the impact of the economic downturn on demand-led services and its regeneration programmes, especially Building Schools for the Future, housing and the Lewisham Town Centre development project"</i></p> <p>Mayor & Cabinet has continued to agree action to help manage the impact of the Recession. On 20 January 2010 an allocation of £200k for temporary landscaping in Lewisham Town Centre was agreed to ensure that residents continue to visit the town and that demand for services and retail is maintained during the forthcoming programme of redevelopment. On 3 March 2010 the Mayor received a report from the Sustainable Development Select Committee following their review of the action taken to date.</p> <p>On 10 February 2010 the Mayor agreed the Capital Programme that included a risk assessment related to the Recession:</p> <p>"the risks to the programme have changed over the last 12 months. A year ago, the risks were the state of the housing market and the threat of high construction inflation. The risk of high construction inflation has receded, as the construction sector has been hit by the downturn in the housing market. The major risks to the current programme over the next three years are considered to be:</p> <ul style="list-style-type: none"> • a prolonged and deep downturn in the housing market leading to delayed and/or reduced capital receipts • contractor failure, delayed completion and cost overruns to major schemes • inability to recruit and retain suitably experienced project managers" <p>The report summarised the work carried out:</p> <p>"The risk assessment work on capital receipt generation during the year has effectively</p>

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ameliorated the impact on the Capital Programme, should these receipts not be realised as early as anticipated. This should enable the Council to wait until the market improves. However, a prolonged and deep downturn in the housing market could require the Council to 'land bank' sites for longer than is desirable or accept a lower than anticipated disposal price

The risks associated with the downturn are leading to potential reductions in long term capital funding. The Council has made cautious assumptions in it's Capital Programme but future development is likely to be constrained by the lack of funding.

Issue	Impact of public sector spending cuts The delivery of the Council's multi-year strategy to manage a fundamental financial restructure needs to be monitored, and impacts on public services and Council employees must be limited.
Action	Monitor the delivery of the Council's multi-year financial strategy.
AGS Criteria	Objective 2
External Assurance Link	Annual Audit Letter
Desired Outcomes	The Council's financial strategy is effectively monitored and impacts on public services and Council employees as a result of the financial restructuring are limited.
Timescales	March 2011
Lead Officer	Conrad Hall
Notes	<p>On the 23rd May 2010, the Chancellor of the Exchequer announced £6.2bn of public sector spending cuts. The key point in this announcement for Local Government was that there would be immediate reductions of £1.165bn in individual grants.</p> <p>A report on the £3.295m in-year reductions that Lewisham will need to make as a result of these public sector spending cuts went to the Public Accounts Committee on the 13th July and Mayor and Cabinet on the 14th July. This report set out the impact on services that will arise from making over £3m savings.</p> <p>The scale of spending reductions that are coming down the line from April 2011, given the Government's commitment to cutting Departmental Budgets by 25% presents a huge financial challenge to the Council. Our approach to dealing with that challenge is set out in the 'Financial Survey 2011/14' report which went to the Public Accounts Committee and Mayor and Cabinet in July. This report identified the need for a multi-year strategy to manage a fundamental financial restructuring, whilst limiting the impacts on public services and Council employees.</p>

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Issue	Health & Safety Compliance with and accreditation to appropriate standards of health and safety
Action	To identify the appropriate standard to which the Council should be accredited for health and safety. To achieve compliance and accreditation with that standard.
AGS Criteria	Objective 3: Step 1, Point 13
External Assurance Link	Accrediting Body, as appropriate
Desired Outcomes	All Directorates to be compliant to the appropriate standard of health and safety for the Council.
Timescales	June 2010
Lead Officer	Ray Gard / Andrew Bickerstaffe / Executive Directors
Notes	<p>This is an ongoing action from the 2009/10 action plan. The following status applies as of June 2010:</p> <p>RSM Tenon are auditing the Council's health and safety system to ensure that risks are being effectively managed, and reduced where necessary.</p> <p>Customer Services and Community Services Directorate have now moved to the stage of auditing the health and safety management in different service areas. The reports and recommendations of the completed audits have been sent to the relevant managers for implementation. The audit programme will be extended into other service areas and dates have been agreed for June and July 2010. In the Regeneration Directorate base line audits will be completed in 19 services areas to assess the improvements that have been achieved since the implementation of the health and safety system. The audits in the Resources Directorate will then be completed in Autumn 2010.</p> <p>The Children and Young People's Directorate working party continue to progress the implementation of their health and safety management system. The policies and procedures have been revised and are awaiting final clearance prior to being loaded onto the directorates intranet site by the end of June 2010.</p>

Issue	The housing service [including homelessness] Reduce the numbers of people in temporary accommodation.
Action	Put in place robust systems for the management of homeless applications and the allocation of temporary accommodation, reduce the number of people in temporary accommodation.
AGS Criteria	Objective 3: Step 1
External Assurance Link	National Indicator 156
Desired Outcomes	Reduce the number of people in temporary accommodation to 877 by December 2010.
Timescales	December 2010
Lead Officer	Lesley Seary
Notes	<p>This is an ongoing action from the 2009/10 action plan. The following status applies as of June 2010:</p> <p>In line with the TA reduction plan agreed with the CLG, in 2008/09, the numbers of households</p>

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in temporary accommodation reduced by 696, the third largest drop in London. In percentage terms at 28% the reduction was the 6th most improved. (P1E return – Q1 2008 & Q1 2009 (March). This trend has been sustained with the numbers in temporary accommodation reducing by a further 566 between April 2009 and March 2010. The 1242 households in temporary accommodation at the end of March was below the target set out in the TA reduction plan agreed with CLG. The latest figure shows 1153 households in temporary accommodation as at the end of April 2010. This exceeded the target in our TA reduction plan by 61.

Housing Needs Managers continue to work to the temporary accommodation reduction plan, maximising offers to homeless households, reducing applications by doing more prevention work, making quick decisions on casework and increasing the supply of private sector landlords and Rent Incentive Scheme. This increases the options available to households in temporary accommodation.

To reach the CLG figure of 877 by December the monthly reduction required stands at 35 and we are confident this will be achieved. To support this the Housing Allocations Policy has been reviewed and approved by Mayor & Cabinet, and the Annual Borough Lettings Plan requires that 60% of the lettings of properties that become available be designated for homeless households. A combination of these factors, along with affordable housing supply to meet housing need, will help to meet the target.

Issue	Business Continuity Management Strengthen the Council's business continuity arrangements.
Action	The Emergency Planning / Business Continuity Manager, and Directorate business continuity leads to implement the recommendations contained in the audit report by Kiln House Associates Ltd dated 12 May 2010.
AGS Criteria	Objective 3: Step 1, Point 1
External Assurance Link	Procedures to be reviewed by the Council's Internal Auditors, RSM Tenon.
Desired Outcomes	Robust business continuity arrangements established and their effectiveness tested on a regular basis.
Timescales	March 2011
Lead Officer	Malcolm J Smith / Ralph Wilkinson
Notes	<p>This action originated from the draft business continuity management audit report produced by Kiln House Associates Ltd which assesses the Council's Business Continuity arrangements against the requirements of BS25999.</p> <p>Kiln House Associates Ltd have stated that the Council can take limited assurance that the Business Continuity Management system as currently set out is effective, and can take limited assurance that the implementation of the enhancements to the current system are effective. The report author has made a number of recommendations relating to the enhancement of Business Continuity and the Council is in the process of implementing these.</p> <p>The Council has made significant steps towards the implementation of a robust Business Continuity system for the Council, but there is still further work to complete the process.</p> <p>The following status applies to this action as of June 2010: Work in progress and is being regularly reviewed by the Business Continuity Coordinators Group which is chaired by Malcolm Smith. Next review meeting is on 21 September 2010 with a full scale exercise on the 30 November 2010.</p>

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Issue	Improving the quality of auditable grant claims
Action	To implement the recommendations of the Audit Commission's report on grant claims for 2008/09.
AGS Criteria	Objective 3 ©
External Assurance Link	Audit Commission report on grant claims for 2009/10
Desired Outcomes	To improve the quality of grant claims submitted to the Audit Commission and thereby reducing the total amount of external audit fees for 2009/10.
Timescales	By March 2011 and annually thereafter
Lead Officer	Steve Mace and Directorate Lead Officers for individual grants
Notes	There will be a grants training session in the autumn 2010 for all responsible officers. Following this there will be close liaison by Finance staff and Directorate lead officers in the submission of grant claims and the subsequent response to audit queries. This will also involve close liaison with the Audit Commission.

Issue	Ongoing review of the Annual Governance Statement
Action	The AGS working party will continue to meet on a regular basis through 2010/11 to review progress against the Annual Governance Statement Action Plan. Reports on progress will be submitted to EMT and ICB as appropriate
AGS Criteria	Objective 5,6,7,8
External Assurance Link	
Desired Outcomes	The AGS working party act as an effective body to ensure the ongoing review and improvement of governance arrangements.
Timescales	Quarterly meetings in 2010/11; reporting to EMT and ICB as required
Lead Officer	Kath Nicholson, Ray Gard, Barrie Neal
Notes	The AGS working group will continue to meet during 2010/11. It will consider progress with this action plan and will report to EMT and ICB as appropriate. It will also be responsible for updating and reporting the 2010/11 Annual Governance Statement in line with required timescales.

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ANNEXE 2

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

2009/10

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TERMS USED IN THE ACCOUNTS

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

Annexe 2

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

Annexe 2

ACRONYMS USED IN THE ACCOUNTS

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

ANNEXE 3

**CAPITAL
EXPENDITURE
ANALYSIS**

2009/10

Annexe 3

CAPITAL EXPENDITURE ANALYSIS 2009/2010

The reason for the apparent low percentage is that during quarter 4 of 2009/10 a review of the capital programme was carried out to enable the adoption of component accounting under IFRS rules. This technical adjustment resulted in £13.0m being written off to revenue (£3.2m Directorates' capital programme, £9.8m Lewisham Homes). If the amount written off to revenue is added back to the capital spend, the total spend through the capital programme was £76.7m (100% spend to budget / forecast).

Directorates' Capital Programme:

	Actual Expenditure £'000	Forecast/ Budget £'000	Variation of Actual to Programme	
			£'000	%
Community Services				
Integrated Adult Social Care System	642	643	(1)	-0.2%
Forest Hill Pool	529	541	(12)	-2.2%
Manor House	441	490	(49)	-10.0%
Loampit Vale Pool	306	378	(72)	-19.0%
- Other projects	234	832	(598)	-71.9%
Community Services Sub Total	2,152	2,884	(732)	-25.4%
Resources				
ICT - Technology & Transformation	2,977	3,252	(275)	-8.5%
ICT - Tech Refresh	554	555	(1)	-0.2%
- Other projects	20	762	(742)	-97.4%
Resources Sub Total	3,551	4,569	(1,018)	-22.3%
Children and Young People (CYP)				
Monson school	3,170	4,564	(1,394)	-30.5%
Tidemill School	2,031	2,520	(489)	-19.4%
BSF - ICT	1,994	2,235	(241)	-10.8%
Quality & Access for All Young Children - Capital Grant	1,484	1,580	(96)	-6.1%
BSF Programme	1,460	926	534	57.7%
Gordonbrock primary school	1,322	1,531	(209)	-13.7%
Rushey Green school	1,138	1,571	(433)	-27.6%
Woodpecker Youth project	448	415	33	8.0%
Schools minor works programme	462	556	(94)	-16.9%
Play Builder programme	431	511	(80)	-15.7%
Extended Schools Capital	404	497	(93)	-18.7%
Primary place expansion	265	370	(105)	-28.4%
Brockley primary school	276	294	(18)	-6.1%
Big Lottery for Play	243	291	(48)	-16.5%
- Other projects	986	1,969	(983)	-49.9%
Children and Young People Sub Total	16,114	19,830	(3,716)	-18.7%
CYP Schools				
Standards Fund Projects	5,024	174	4,850	2787.4%
CYP Schools Sub Total	5,024	174	4,850	2787.4%

Annexe 3

Directorates' Capital Programme (continued):

	Actual	Forecast/	Variation of Actual	
	Expenditure £'000	Budget £'000	£'000	%
Regeneration				
Acquisition of the Catford Centre	12,295	12,210	85	0.7%
TfL Programme	2,568	2,446	122	5.0%
Borough Road Reconstruction & Resurfacing Works	2,498	1,800	698	38.8%
Deptford Town Centre Regeneration	1,793	535	1,258	235.1%
North Lewisham Links	1,645	1,691	(46)	-2.7%
New Cross NDC Programme	1,412	1,801	(389)	-21.6%
Worksmart	1,242	3,683	(2,441)	-66.3%
Highways BVR Programme	1,031	862	169	19.6%
AMP Programme	693	830	(137)	-16.5%
Deptford Station	535	718	(183)	-25.5%
Hatcham Gardens	464	0	464	N/A
Parklands: Ladywell Fields and the Waterlink Way	415	387	28	7.2%
Brockley Common	383	127	256	201.6%
- Other projects	510	1,253	(743)	-59.3%
Regeneration SubTotal	27,484	28,343	(859)	-3.0%
Customer Services				
Kender Estate - Phase 4	1,507	1,497	10	0.7%
Private Sector Grants	1,024	839	185	22.1%
Disabled Facilities Grant (DFG)	826	775	51	6.6%
Heathside & Lethbridge - Partnership Works	819	1,293	(474)	-36.7%
Honor Oak New Build: Hilton House	652	652	0	0.0%
Parks Works - Envirowork Lewisham	258	258	0	0.0%
Cash Incentive scheme	238	210	28	13.3%
Homelessness Group	144	206	(62)	-30.1%
Vehicle Purchases	109	369	(260)	-70.5%
- Other projects	226	887	(661)	-74.5%
Customer Services Sub Total	5,803	6,986	(1,183)	-16.9%
Total Directorates' Capital Programme	60,128	62,786	(2,658)	-4.2%

Lewisham Homes Capital Programme:

	Actual	Forecast	Variation of Actual	
	Expenditure £'000	Budget £'000	£'000	%
Boilers	2,617	2,021	596	29.5%
Tenants Panel	473	391	82	21.0%
Lift Refurbishment Programme	234	227	7	3.1%
Roofs	148	147	1	0.7%
- Other projects	0	11,098	(11,098)	-100.0%
Total Lewisham Homes Capital Programme	3,472	13,884	(10,412)	-75.0%
Total Council's Capital Programme	63,600	76,670	(13,070)	-17.0%