

Lewisham audited statement of accounts 2006/2007



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**FOREWORD
TO THE
STATEMENT
OF ACCOUNTS**

2006/07

FOREWORD BY THE EXECUTIVE DIRECTOR FOR RESOURCES

1. INTRODUCTION

This document sets out the London Borough of Lewisham's Annual Accounts for the year 2006/07. Although the financial position is regularly monitored and reviewed throughout the year, the Statement of Accounts brings together the financial results of all the Council's operations for the financial year and the financial position as at 31 March 2007

The Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2006 (the SORP), and the Best Value Accounting Code of Practice (BVACOP) jointly developed by CIPFA and the Accounting Standards Board. The Code constitutes 'proper accounting practice' which local authorities must comply with by statute.

There have been a number of changes to the 2006/07 Statement of Accounts compared to those produced in 2005/06. The most crucial development is the replacement of the consolidated revenue account with the income and expenditure account and two supporting statements. These are the statement of the movement on the general fund balance and the statement of total recognised gains and losses. These new statements are explained in 2 below. There have also been changes to the order in which the accounts are presented. The core financial statements are now grouped together and the notes to the core financial statements are shown together after the core financial statements.

2. THE COUNCIL'S ACCOUNTS

The Accounts are divided into the following 5 sections. The purpose of each account or statement is also shown.

Section 1 - Statement of Accounting Policies

This explains the basis of the figures in the accounts.

Section 2 – The Core Financial Statements

Section 2a - Income and Expenditure Account (I&E Account) – This account summarises the income and expenditure for the year and shows the costs of the major functions, including the Education Service, for which the Council is responsible.

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

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

Section 2d - Balance Sheet

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

Section 2e - Cash Flow Statement

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

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

Section 3 – Supplementary Financial Statements

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

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

Section 3b – The Collection Fund

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

Section 4 - Pension Fund Account and Net Assets Statement

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

Section 5 - Statement on Internal Control

This is a statement on the internal controls and details how Lewisham effectively discharges its responsibilities and manages risk.

Glossary

The Accounts include some technical terms, which are explained in the Glossary on pages 103-106.

3. SUMMARY OF THE 2006/07 FINANCIAL YEAR

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

3a REVENUE SPENDING 2006/07

(i) The Revenue Budget Setting

The Council's net budget for 2006/07 was agreed by Council in February 2006 and set at a total figure of £242.840 million. This was after implementing savings of £6.973 million. Due to changes in the grant funding arrangements it is necessary to amend the 2005/06 budget to obtain a comparison with the 2006/07 budget. The main change concerned schools spending which was no longer financed through the formula general grant (Revenue Support Grant). 2006/07 was the first year of the Dedicated Schools Grant (DSG) which is a specific grant that is ring fenced to schools spending. After adjusting for the Dedicated Schools Grant, the amended 2005/06 base budget was £238.557 million. This represented an increase of 1.8% in the budgeted General Fund net expenditure.

(ii) The Revenue Budget Outturn

During 2006/07, 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 2006/07 financial year there was a net underspend of £0.404 million on the Directorate service budgets. The reasons for the Directorate budget variances have been reported to Mayor and Cabinet on the 6 and 20 June. The main areas of overspend were on Community Services £1.639m and Customer Services totalling £1.102m. There was an underspend of £1.548m on Children and Young People. After the application of working balances of £1.800m and transfers to earmarked reserves of £0.401m, the overall outturn was £0.003m underspent. On the corporate budgets there was a net underspend of £0.548m. This was mainly caused by additional interest received on investments. Therefore, the net underspend on the General Fund overall was £0.551m and this amount has been added to General Fund Balances.

(iii) The Revenue Budget Outlook for 2007/08

The Council set a net budget of £250.208 million for 2007/08, an increase of £7.367 million or 3.0% on the previous year's net budget. This increase includes £5.824 million for inflation, savings of £12.815 million, unavoidable budget pressures of £10.850 million and growth of £1.950 million. This included £0.620million for recycling, £0.500 million for Community Education Lewisham, and £0.230 million for Planning.

3b CAPITAL SPENDING 2006/07

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

	2006/07 Actual Outturn £000s	2006/07 Programme Provision £000s	2005/06 Actual Outturn £000s
CAPITAL EXPENDITURE			
Housing Investment Programme	50,816	47,370	47,066
Other Services	40,913	41,304	37,003
Total Capital Expenditure for the Year	91,729	88,674	84,069
CAPITAL FINANCING			
Government Supported Borrowing	13,855	12,556	14,746
Other Borrowing	2,541	2,459	3,437
Capital Grants	45,856	47,302	42,990
Capital Receipts	25,015	28,857	21,234
Capital Expenditure charged to Revenue Account	4,277	5,199	1,662
Revenue Set Aside for PFI Capital Payment	185	0	0
Less Under Programming	0	(7,699)	0
Total Expenditure to be Financed	91,729	88,674	84,069

i) The percentage of the 2006/07 budget that has been spent is 103%. This compares to a figure for 2005/06 of 77%.

ii) Within the Housing Investment Programme (HIP) £43.7m was spent on works to Council dwellings and £7.1m was spent on Housing General Fund schemes such as grants to Housing Associations and home renovation grants.

iii) Major projects (with spend of over £1m) within the Other Services Capital Programme (OSCP) spent £26.7m relating to the following areas: £4.4m on the Grouped Schools PFI programme, £2.4m on the Building Schools for the Future programme, £3.1m on the Transport for London programme, £2.5m on the Highways (Prudential Borrowing) Best Value review programme, £2.3m on the New Cross New Deal for Communities programme, £3.2m on the Schools' Standards Fund Programme, £1.8m on the Moonshot Centre Re-opening, £2.9m on New Woodlands Key Stage 3 Extension, £1.1m on the Ladywell Children's Centre, £1.8m on SRB Urban Renaissance in Lewisham and £1.1m on s106 Silwood Estate Nursery & Community facility.

iv) As part of the grouped schools PFI £1.115m was a capital contribution towards the scheme costs. This payment will have the effect of reducing the unitary charge and so has not been capitalised but classed as a long term debtor and will be written down to revenue over the life of the PFI once the scheme is completed in 2007/08. In 2006/07 £185k of revenue and £930k of Standards Fund grant were contributed to earmarked reserves.

Capital Programme 2007/08

The budget report for the OSCP and HIP was agreed at the Mayor and Cabinet committee on 8 February 2007. This was a 3 year programme from 2007/08 to 2009/10. The total resources available for the Housing Investment Programme are £41.4m of which £16.1m is funded by the Major Repairs Allowance. The total Other Services Capital Programme (OSCP) for 2006/07 is £63.9m. Principal programmes and projects of over £1m include:

	2007/08 Programme Budget £'000
Housing Investment Programme	
Registered Social Landlord programme	4,507
Brockley PFI - contribution	3,000
Giffin Phase 2 Decent Homes Scheme	2,618
Pepys Stock Condition Survey Data Phase 2 Decent Homes Scheme	2,549
Honor Oak Stock Condition Survey Data Phase 2 Decent Homes Scheme	2,544
Home Park Stock Condition Survey Data Phase 2 Decent Homes Scheme	2,531
Lee Green Stock Condition Survey Data Phase 2 Decent Homes Scheme	2,054
Rushey Green Stock Condition Survey Data Phase 2 Decent Homes Scheme	2,054
Kender Phase 3	2,025
Sayes Court Stock Condition Survey Data Phase 2 Decent Homes Scheme	1,798
Priority Area - Honor Oak Partnership Works	1,150
Central Boilers	1,100
Lift Refurbishment	1,100
Ewart Road Stock Condition Survey Data Phase 2 Decent Homes Scheme	1,073
Other	11,299
Sub Total	41,402
Other Services Capital Programme	
Grouped Schools PFI Ashmead & Childeric	5,342
Grouped Schools PFI	5,280
New Cross NDC Programme	4,771
TfL Programme	3,760
Wavelengths Pool	3,600
Enabling works to Lewisham Town Centre	3,500
BSF ICT	3,393
Highways (BVR)	3,000
Deptford Station	2,250
Manor House	1,863
Elfrida Remodelling work (TCF)	1,531
Downerry Children's Centre Programme Phase 2	1,454
Vehicles (door to door 18 vehicles)	1,450
Silwood Estate Community Facility	1,365
Rushey Green School Replacement (TCF)	1,250
DDA Strategy	1,000
Other	19,077
Sub Total	63,886
Total Capital Programme	105,288

3c Council Tax And Non-Domestic Rates

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

	2006/07
	£'000
Lewisham's Net Budget	242,840
Less: Revenue Support Grant	26,003
Less National Non-Domestic Rates received from the national pool	134,707
General Fund services to be met from Council Tax	82,130
Add: Amending Report Loss	913
Less: Surplus on Collection Fund	21
Add Precepts	24,761
Total to be met from Council Tax	107,783

The actual Council Tax is determined by dividing the net amounts to be met from Council Tax by the tax base, which for Lewisham is 85,793. This then equates to the following Council Tax at Band D:

	£
Lewisham's Demand	967.70
Add Preceptors Requirements: Greater London Authority	288.61
Council Tax for Band D	1,256.31

Actual Collection Rates	2006/07	2005/06
	%	%
Council Tax	92.7	94.0
National Non Domestic	99.3	98.9

Further information on the Council Tax can be found in Section 3b on the Collection Fund (pages 75-78).

4. FINANCIAL HEALTH

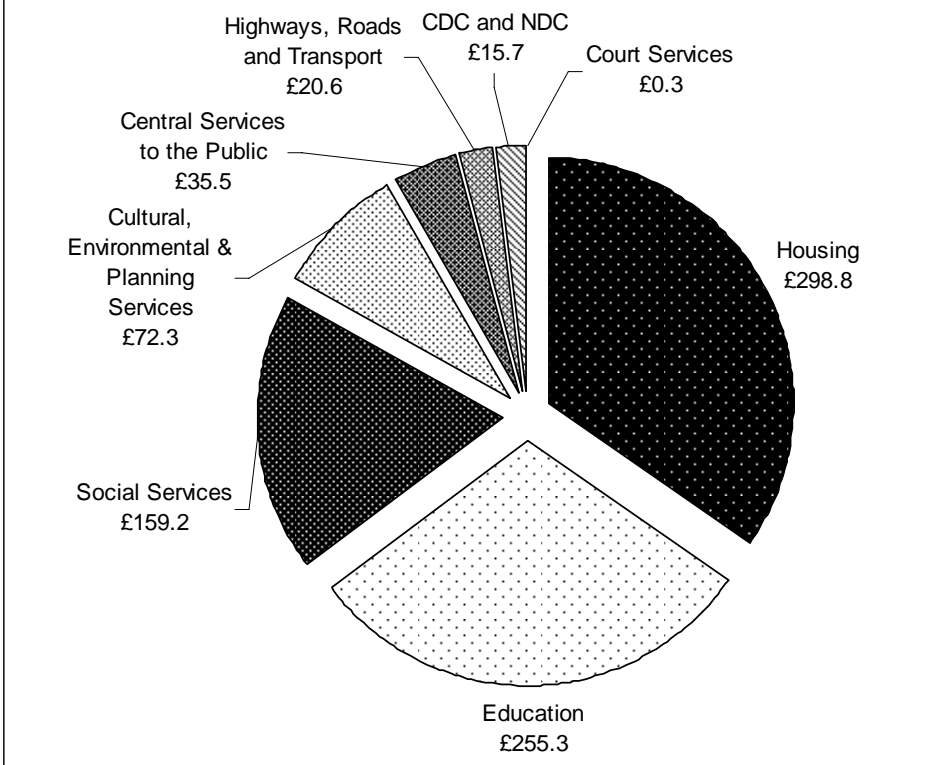
There was a deficit on the new Income and Expenditure Account of £47.833 million. However after adjusting for entries included in the Statement of Movement on the General Fund Balance for 2006/07 there was a surplus of £0.551million that was added to General Fund balances, which now stand at £10.638 million. This is considered an adequate level of cover and represents approximately 2.5% of Lewisham's gross budget. Lewisham's other revenue reserves increased by £0.853 million to £60.329 million. The main elements of this change were an increase of £1.983 million in reserves for capital expenditure, a net decrease of £0.319 million in reserves for strategic council priorities and future budget support. There was a reduction in Directorate reserves of £2.855 million. A full analysis of revenue reserves can be found in note 21 to the Core Financial Statements (page 48).

5. SIGNIFICANT EVENTS IN THE ACCOUNTS 2006/07

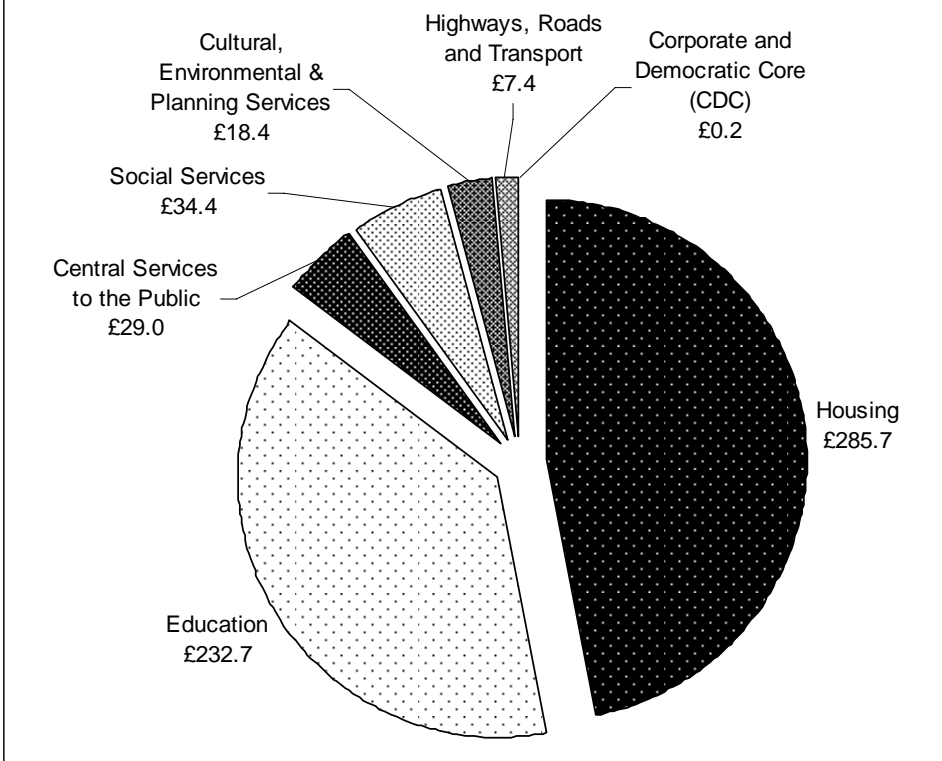
- a) There was a revaluation of the authority's 61 schools for the first time in 5 years. This has added £309m to the value of the Councils Fixed Assets – Other Land and Buildings. Further information can be found on page 30.
- b) Following revaluation, the Pension Scheme liability at 31 March 2007 stood at £235.977m this is a reduction of £64.903m from the previous year. This has largely been achieved due to an increase in the value of the assets of the Pension Fund. Further information can be seen on page 30 and in the Notes to the Accounts.
- c) All accounting policies have been reviewed in the light of the new Statement of Recommended Practice 2006. The most notable change is the removal of the notional interest charge for the use of fixed assets. A similar charge in 2005/06 added £70.183m to the net cost of service. See Accounting Policy 6 on page 17.
- d) During 2006/07 the Downham Lifestyles Centre opened which is a major new health and leisure facility. This centre has been provided by a PFI agreement which obligates the Council to pay £1.6m per annum for 32 years. See page 42 for more detail.
- e) In July 2006 Lewisham Homes was incorporated to manage some 15,000 homes and to bring them up to the Governments Decent Homes standards. The company began trading in January 2007 and will be a subsidiary body to the Council. See page 61 for further information.
- f) For 2006/07 a new Government specific grant, Dedicated Schools Grant, was paid direct to schools. This grant totals £161.465m for 2006/07. In previous years the cost of Education was included in the calculation of the Revenue Support Grant that was paid as a General Grant to the Council. See page 37 for more information.
- g) The Council's long term borrowing has reduced by £67.305m in a strategy to maximise the use of cash resources and to reduce debt overall. See page 57 for more information.
- h) The councils revenue reserves and balances have increased by £0.853m. A more detailed breakdown of revenue reserves is contained on pages 48-49.

6. ANALYSIS OF 2006/07 REVENUE AND CAPITAL SPENDING BY SERVICE

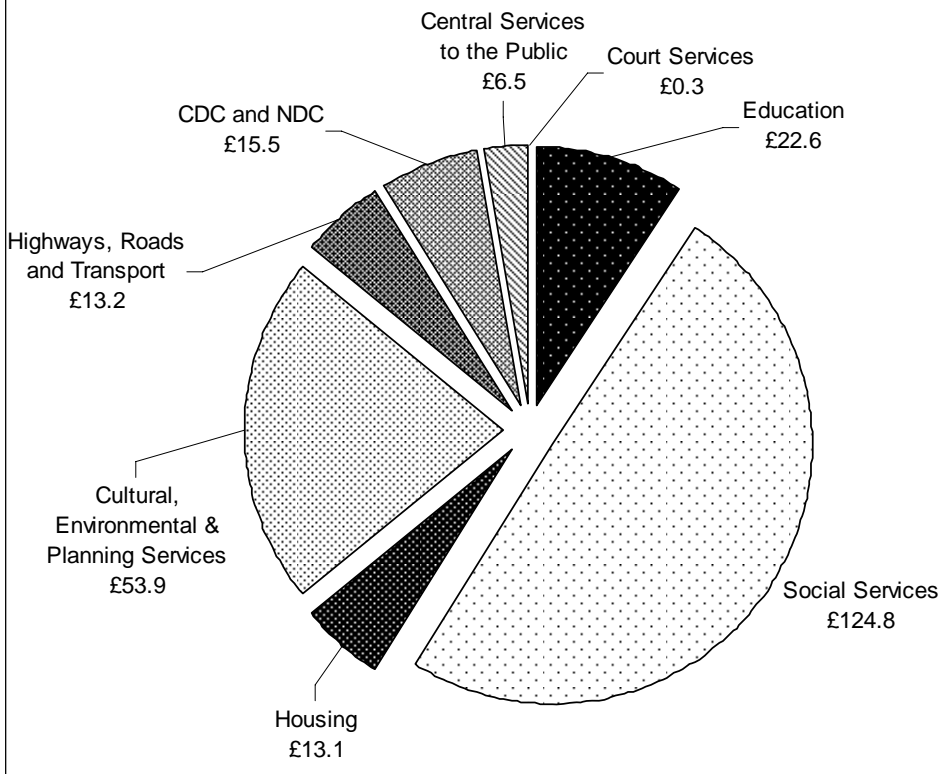
Gross Expenditure by Service in £m (Total £857.7m)



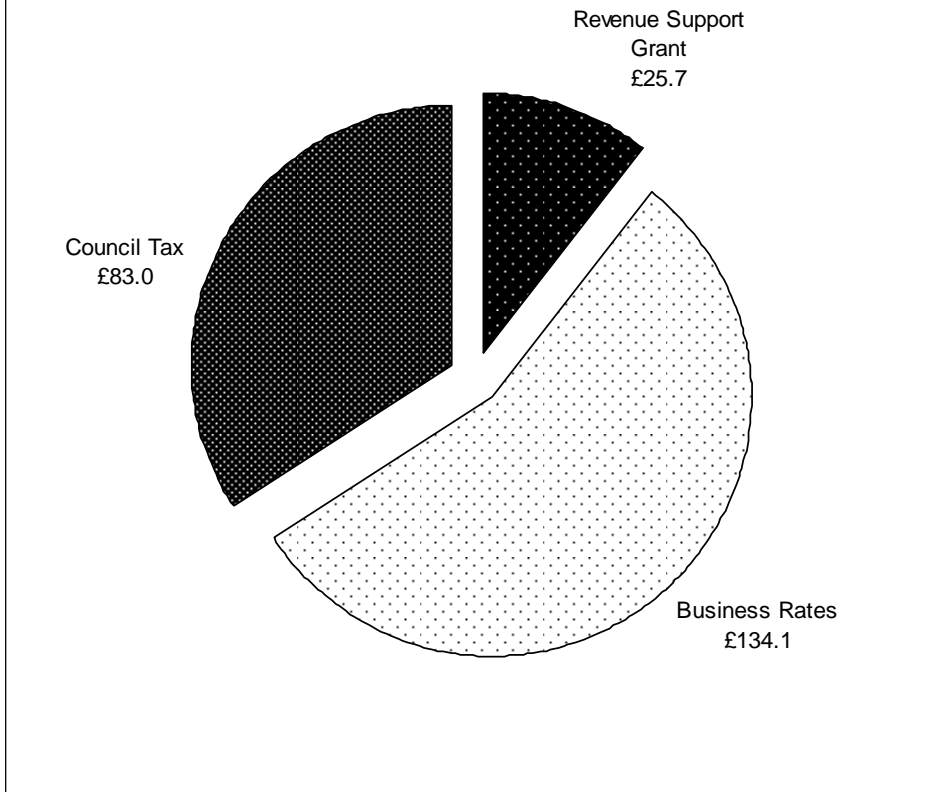
Gross Income by Service in £m (Total £607.8m)



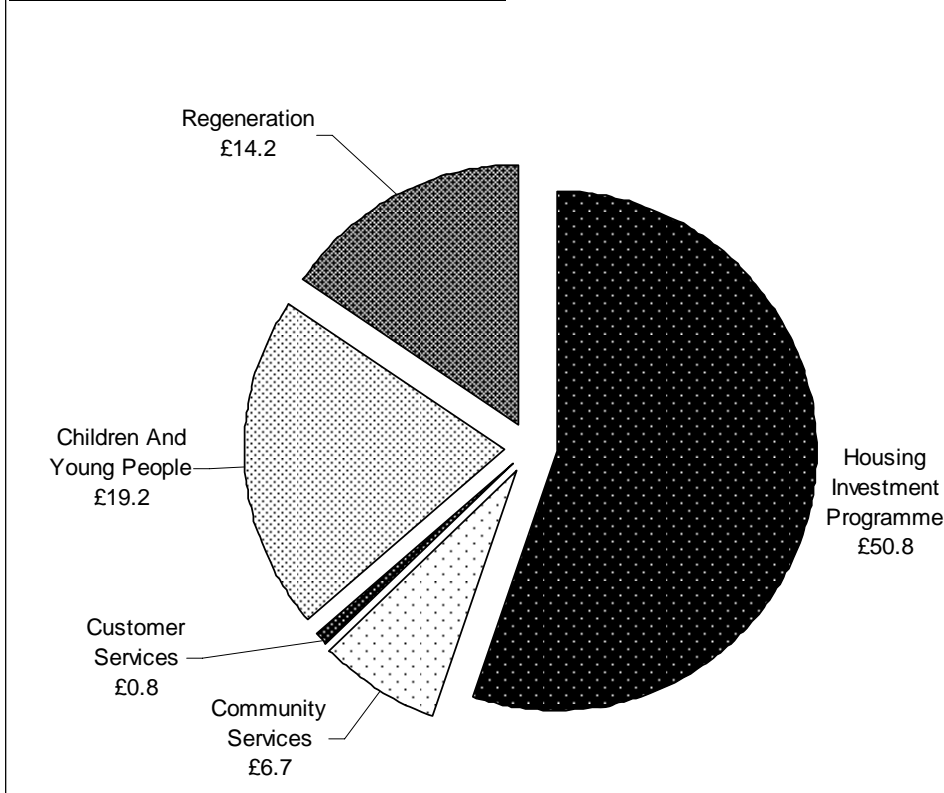
Net Expenditure by Service in £m (Total £249.9m)



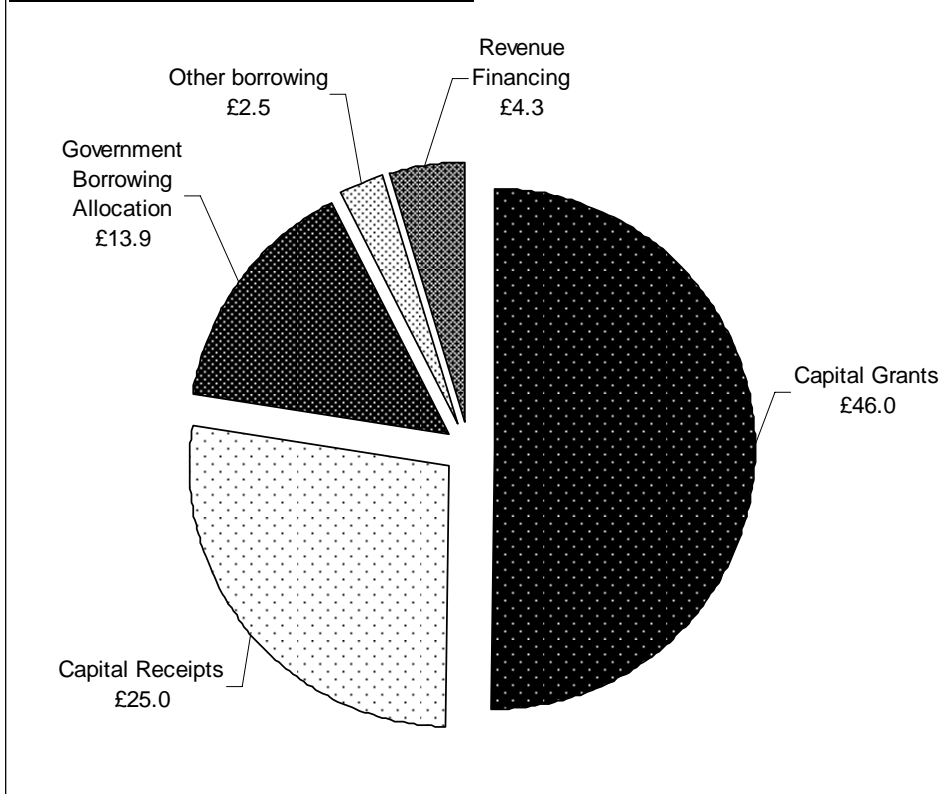
Net Revenue Funding in £m (Total £242.8m)



Capital Expenditure in £m (Total £91.7m)



Capital Financing in £m (Total £91.7m)



THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

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

Responsibility of the Executive Director for Resources

The Executive Director for Resources is responsible for the preparation of the Authority's Statement of Accounts, which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code of Practice'), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2007.

In preparing the Statement of Accounts as set out on pages 3 to 101, I certify that I have:

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

I certify that I have also:

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

Janet Senior
Executive Director for Resources

Dated: 18 September 2007

**I confirm that these accounts were approved by the Council at the meeting held on
25 September 2007**

Signed on behalf of the London Borough of Lewisham:

Cllr B Anderson
Chair of meeting approving the accounts

Date: 25 September 2007

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

Opinion on the financial statements

I have audited the financial statements and pension fund accounts of Lewisham Council for the year ended 31 March 2007 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. The pension fund accounts comprise the Fund Account, the Net Assets Statement, and the related notes. The financial statements and pension fund accounts have been prepared under the accounting policies set out within them.

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

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements 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 financial statements and the pension fund accounts present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

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

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council'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 financial statements 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 financial statements.

Opinion

In my opinion:

- The financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Council as at 31 March 2007 and its income and expenditure for the year then ended; and
- The pension fund accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial transactions of the Pension Fund during the year ended 31 March 2007, and the amount and disposition of the fund's assets and liabilities as at 31 March 2007, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Signed

Philip Johnstone
District Auditor
Audit Commission
1st Floor
Millbank Tower
Millbank
London SW1P 4HQ

26 September 2007

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

Council's Responsibilities

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

Under the Local Government Act 1999, the Council is required to prepare and publish a best value performance plan summarising the Council's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

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

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the Council's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Lewisham Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007, except for the arrangements to maintain a sound system of internal control.

Best Value Performance Plan

I issued my statutory report on the audit of the Council's best value performance plan for the financial year 2006/07 on 20 December 2006. I did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

Certificate

The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matter brought to my attention by local authority electors. I am satisfied that these matters do not have a material effect on the financial statements.

Signed

Philip Johnstone
District Auditor
Audit Commission
1st Floor
Millbank Tower
Millbank
London SW1P 4HQ

26 September 2007

SECTION 1

**STATEMENT OF
ACCOUNTING
POLICIES**

2006/07

STATEMENT OF ACCOUNTING POLICIES

The general principles adopted in compiling and presenting the Accounts are those recommended in the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Statement of Recommended Practice (SORP) 2006, and relevant Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS). Departures from recommended practice are stated within this section and/or within the Notes to the Accounts.

1. FIXED ASSETS

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

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

- Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use
- Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost or net realisable value. In the case of investment properties, this is normally open market value
- Vehicle, Plant and Equipment assets are included in the balance sheet at historic cost. Any difference between this and a valuation based on the lower of net current replacement cost or net realisable value in existing use would be considered in terms of materiality. For 2006/07 the difference was immaterial.
- Infrastructure assets and community assets are included in the balance sheet at historic cost (net of depreciation for infrastructure).
- Intangible Fixed Assets are assets that do not have any physical substance but are identifiable and controlled by the Council. An example of these assets is software licences. The Council have reviewed the level of spend on these assets and deemed it to be immaterial.

The surpluses arising on the initial valuation of fixed assets have been credited to the fixed asset restatement account. Subsequent re-valuations of fixed assets are planned on a rolling five yearly programme, although material changes to asset valuations will be adjusted in the interim period, as they occur. The value of uncompleted capital schemes is shown as assets under construction on the balance sheet (note 22 to the Core Financial Statements).

The Council has a policy of reviewing all capital expenditure on single assets greater than the de minimus level of £20,000, but less than £200,000. Following review, the Head of Property and Development advises on which of these assets have had their value (or life) increased and these changes are reflected in the fixed asset valuations. Where the value has not increased, the value of the capital spend is written off in year to the Fixed Asset Restatement Account.

2. DEFERRED CHARGES

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

3. LEASES

Assets acquired under finance leases are capitalised in the authority's accounts, together with the liability to pay future rentals. Rental payments under finance leases are apportioned between the finance charge and the principal element, i.e. the reduction of the liability to pay future rentals. The Council does not currently hold any assets under finance leases.

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

4. CAPITAL RECEIPTS

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

5. DEPRECIATION

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

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

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

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

7. REDEMPTION OF DEBT

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

- Premiums and discounts incurred as a result of a restructuring of the Council's debt portfolio are charged to the revenue account over the life of the new loan for General Fund discounts and premiums, and over the life of the old loan or ten years, whichever is shorter, for Housing Revenue Account discounts and premiums.
- Premiums and discounts that are not associated with a wider restructuring of the Council's debt portfolio are charged to the revenue account in the year in which they are incurred.
- Premiums and discounts are split between the General Fund and the Housing Revenue Account in accordance with their share of debt as identified by the Council's capital financing requirement at 1st of April in the year in which they are incurred.

8. REVENUE PROVISIONS AND RESERVES

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

- Provisions have only been recognised in the accounts when there is a legal or constructive obligation to transfer economic benefits as a result of a past event. Provisions are charged to the revenue account in the year in which the authority is aware of the obligation. In exceptional circumstances and the obligation does not become due until a future year, the charge to revenue is deferred by creating a Deferred Liability Pre-payment on the Balance Sheet. Provisions for doubtful debts (ie to cover council tax, housing rents and other debtors) are deducted from the current debtors balance on the balance sheet.
- Amounts set aside for purposes falling outside the definition of provisions have been accounted for as reserves. These include earmarked reserves set aside for specific policy purposes, and also balances or general reserves, which represent resources set-aside for purposes such as general contingencies and cash flow management. Details of provisions and reserves are contained in notes 40 & 17 (pages 58 and 46) to the Core Financial Statements. Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council.

9. ACCRUALS OF INCOME AND EXPENDITURE

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

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

10. VALUE ADDED TAX (VAT)

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

11. STOCKS AND WORK IN PROGRESS

Fleet stores are valued at average price, which is considered to be an appropriate method for this type of stock. The revenue accounts are in general charged with the cost of obsolescent stock written off.

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

12. COST OF SUPPORT SERVICES

The method of allocating Central Support Services is based on CIPFA's Best Value Accounting Code of Practice 2006. Centrally provided support services such as Legal, Human Resources, Finance and ICT are 100% recharged to services using the most appropriate basis of allocation or apportionment. Management and administration costs that enable the council to operate as a multi-purpose authority (e.g. members' services, & external audit fees), are not recharged to services and are shown separately in the Income and Expenditure Account on page 22 as Corporate and Democratic Core. Non-distributed costs – the cost of discretionary benefits awarded to employees retiring early are also not recharged.

13. GOVERNMENT GRANTS AND CONTRIBUTIONS

(a) Capital Grants

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

(b) Other Grants

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

(c) Landfill Allowance Trading Scheme

Lewisham has followed CIPFA's advice and accounted for the allowance allocated as an asset on the balance sheet, matched by a liability to DEFRA for allowances used. The valuation of the allowance is based on figures provided by DEFRA (See note 31 to the Core Financial Statements on page 56).

14. INTEREST ON BALANCES

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

15. FINANCIAL RELATIONSHIPS WITH COMPANIES

The Council has relationships with two companies, details of which are shown in note 42 to the Core Financial Statements (page 60). During 2006/07 the Council had a minority interest (less than 50%) in these companies.

Lewisham Homes is a subsidiary of the Council. The company began trading during 2006/07 but had not produced any Accounts at the date of publication of these Accounts. However, the costs incurred by Lewisham Homes are deemed to be immaterial and therefore Group Accounts are not required. The costs associated with Lewisham Homes have been included in the HRA (see note 42 to the Core Financial Statements).

16. RETIREMENT BENEFITS

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

- (a) The Teachers Pension Scheme that is managed by Department for Education and Skills (DfES)
- (b) The Local Government Pension Scheme administered by Lewisham.

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

Lewisham Pension Scheme –

- The liabilities of the Scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments based on assumptions of mortality rates, turnover, etc.
- The liability is discounted to their value at current prices, using a discount rate of 5.4% (based on the gross redemption yield of a high quality corporate bond, using the iboxx Sterling Corporate Index).
- Statutory provisions limit the Council to raising council tax to cover the amounts payable to the Pension Fund in the year. The notional entries for liabilities are therefore matched with appropriations to a Pension Reserve.

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

The accounting policies followed in preparing the pension fund accounts are disclosed separately in the section entitled "Pension Fund Accounts" on pages 79-89.

17. INVESTMENTS

Short term Investments are shown in the balance sheet at their book value. Income on these investments is recorded in the Income and Expenditure Account on an accrued basis.

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

18. PRIVATE FINANCE INITIATIVE (PFI)

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

19. PRIOR PERIOD ADJUSTMENTS

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

20. CONTINGENT LIABILITIES

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

SECTION 2a

**INCOME AND
EXPENDITURE
ACCOUNT**

2006/07

Income and Expenditure Account

INCOME AND EXPENDITURE ACCOUNT

The Income and Expenditure Account sets out the revenue expenditure and income for all services including Housing. The service headings follow CIPFA's Best Value Accounting Code of Practice 2006.

Income and Expenditure Account for the year ending 31 March 2007

As restated

2005/06		2006/07		
Net Exp. £000s	SERVICE	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
7,068	Central services to the public	35,442	28,984	6,458
46,923	Cultural, environmental and planning services	72,348	18,372	53,976
167,638	Education services	255,288	232,726	22,562
12,460	Highways, roads and transport services	20,600	7,382	13,218
6,485	Housing services	298,844	285,750	13,094
109,681	Social services	159,153	34,409	124,744
261	Court Services	310	0	310
8,856	Corporate and democratic core	7,670	171	7,499
8,358	Non distributed costs	8,025	0	8,025
367,730	Net Cost of Services	857,680	607,794	249,886
0	Loss on the disposal of fixed assets			3,056
1,825	Levies			1,704
25,511	Interest payable and similar charges			25,300
21,590	Contribution of housing capital receipts to Government Pool			15,079
2,986	Amortised premiums and discounts			2,617
0	Investment losses			29
(8,581)	Interest and Investment Income			(9,732)
6,370	Pensions interest cost and expected return on pensions assets			2,734
417,431	Net Operating Expenditure			290,673
(80,571)	Precept Demand on the Collection Fund			(83,022)
239	Transfer from Collection Fund for previous year's surplus			(21)
(221,404)	General government grants			(25,741)
(82,754)	Non-domestic rates redistribution			(134,056)
32,941	Deficit/(Surplus) for the Year			47,833

SECTION 2b

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

2006/07

Statement of Movement on the General Fund Balance

MOVEMENT ON THE GENERAL FUND BALANCE

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

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

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

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

Statement of Movement on the General Fund Balance for the year ending 31 March 2007

	2006/07 £'000	2005/06 £'000
Deficit for the year on the Income & Expenditure Account	47,833	32,941
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(48,384)	(33,214)
Increase in General Fund Balance for the Year	(551)	(273)
General Fund Balance brought forward	(10,087)	(9,814)
General Fund Balance carried forward	(10,638)	(10,087)

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.

As restated

2005/06 £000s		2006/07 £000s	
	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		
(12,343)	Depreciation and impairment of fixed assets	(16,104)	
6,703	Government Grants Deferred amortisation	9,897	
(13,042)	Write downs of deferred charges to be financed from capital resources	(10,774)	
0	Difference between amounts charged to the Income and Expenditure Account for amortisation of premiums and discounts and the HRA charge for the year determined in accordance with statute	373	
0	Net loss on sale of fixed assets	(2,410)	
(28,671)	Net charges made for retirement benefits in accordance with FRS17	(30,837)	
(47,353)			(49,855)
	Amounts not included in the Income & Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
3,690	Minimum revenue provision for capital financing	4,209	
509	Revenue provision for ex-ILEA debt	490	
1,662	Capital expenditure charged in-year to the General Fund Balance	3,554	
(21,590)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(15,079)	
30,964	Employers contributions to the Pension Fund and retirement benefits payable direct to pensioners	27,103	
15,235			20,277
	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		
3,076	Housing Revenue Account balance	2,829	
15,111	Net transfer to or from earmarked reserves	853	
(19,283)	Transfer from Major Repairs Reserve	(22,488)	
(1,096)			(18,806)
(33,214)	Net additional amount to be required to be credited to the General Fund balance		(48,384)

SECTION 2c

**STATEMENT OF
TOTAL RECOGNISED
GAINS AND LOSSES**

2006/07

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 2007

	2006/07 £'000	2005/06 £'000
Deficit for the year on the Income and Expenditure Account	47,833	32,941
Surplus arising on revaluation of fixed assets	(321,393)	(38,595)
Actuarial (gains)/losses on pension fund assets and liabilities	(68,637)	25,243
Collection Fund surplus	(188)	(592)
Other (gains)/losses	(688)	0
Total recognised (gains)/losses for the year	(343,073)	18,997

SECTION 2d

**BALANCE
SHEET**

2006/07

Balance Sheet

BALANCE SHEET

This is a summary of the Council's financial position as at 31 March 2007. It brings together all the balances on the accounts except those relating to the Pension Fund (pages 79-89) and Trust Funds (page 59).

Balance Sheet as at 31 March 2007

	31/03/2007 £000s	31/03/2006 £000s	Notes
Fixed assets			
Operational assets			
Council dwellings	1,294,331	1,306,409	
Other land and buildings	892,665	575,682	
Vehicles, plant, furniture and equipment	13,847	15,118	
Infrastructure	43,339	44,380	
Community	4,684	4,684	
Non-operational assets			
Investment properties	9,964	10,894	
Assets under construction	33,492	20,758	
Total fixed assets	2,292,322	1,977,925	22
Other long-term assets			
Long term investments	31,230	0	28
Long term debtors	1,701	1,865	26
Deferred premiums on early repayment of debt	15,457	18,297	27
Total long-term assets	2,340,710	1,998,087	
Current assets			
Stocks	375	315	30
Debtors	54,618	56,078	26
Investments	99,300	171,400	29
Landfill usage allowance	714	327	31
Prepayments	5,286	5,143	32
Total current assets	160,293	233,263	
Current liabilities			
Short term borrowing	78,306	50,476	35
Creditors	80,293	79,118	33
Bank overdraft	8,108	7,675	36
Receipts in advance	40,264	32,685	34
Landfill usage - liability to DEFRA	608	298	
Total current liabilities	207,579	170,252	
Total assets less current liabilities	2,293,424	2,061,098	
Long term liabilities			
Long term borrowing	311,454	378,759	37
Provisions	18,730	12,187	40
Deferred capital receipts	829	1,221	38
Government grants deferred	113,621	98,222	39
Deferred discounts on early repayment of debt	640	729	27
Liability related to defined benefit pension scheme	235,977	300,880	
Total assets less liabilities	1,612,173	1,269,100	

Balance Sheet

Balance Sheet (continued)

	31/03/2007 £000s	31/03/2006 £000s	
Reserves and balances			
Fixed Asset Restatement Account	1,391,833	1,099,024	18
Capital Financing Account	346,218	351,634	19
Usable Capital Receipts Reserve	25,012	38,656	20
Pensions Reserve	(235,977)	(300,880)	8
Revenue Reserves	60,329	59,476	21
 BALANCES			
General Fund Balance	10,638	10,087	
Housing Revenue Account	14,080	11,251	
Collection Fund	40	(148)	
TOTAL EQUITY	1,612,173	1,269,100	17

SECTION 2e

**CASH FLOW
STATEMENT**

2006/07

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.

2005/06 £000s		2006/07 £000s	£000s	Notes
	REVENUE ACTIVITIES			
	Cash Outflows			
314,624	Cash paid to and on behalf of employees	329,775		
312,019	Other operating cash payments	318,083		
23,491	Precepts & levies	26,470		
25,164	Contribution to Capital Receipts Pool	14,206		
35,626	Payment to NNDR Pool	38,355		
71,683	Housing benefit paid out	80,785		
782,607			807,674	
	Cash Inflows			
(83,508)	Council Tax income	(86,042)		
(496,162)	Government grants	(478,535)		48
(120,902)	NNDR received from ratepayers and national pool	(174,423)		
(46,849)	Rent received from council housing	(48,018)		
(45,427)	Cash received for goods and services	(41,259)		
(15,581)	Other operating cash receipts	(6,921)		
(808,429)			(835,198)	
(25,822)	Revenue Activities Net Cash Inflow		(27,524)	46
	SERVICING OF FINANCE			
	Cash Outflows			
25,863	Interest paid	25,865		
	Cash Inflows			
(9,612)	Interest received	(11,669)		
16,251	Net Cash Outflow from Servicing of Finance		14,196	
	CAPITAL ACTIVITIES			
	Cash Outflows			
64,015	Purchase of fixed assets	84,880		
11,342	Deferred charges	7,505		
1,700	PFI Prepayments (incl. in Deferred Charges in 2005/06)	1,115		
77,057			93,500	
	Cash Inflows			
(60,606)	Sale of fixed assets	(26,833)		
(39,566)	Capital grants and other capital cash received	(51,511)		
(100,172)			(78,344)	
(23,115)	Net Cash Outflow from Capital Activities		15,156	
(32,686)	NET CASH OUTFLOW BEFORE FINANCING		1,828	47
	MANAGEMENT OF LIQUID RESOURCES			
38,650	Net increase / (decrease) in short term deposits		(72,100)	
(3,500)	Net increase / (decrease) in long term deposits		31,230	
35,150			(40,870)	
	FINANCING			
	Cash Outflows			
30,477	Repayments of amounts borrowed		74,805	
	Cash Inflows			
(40,000)	New loans raised	(7,500)		
970	New short term borrowing	(27,830)		
3,841	New internal borrowing	0		
(4,712)	Net Cash Outflow / (Inflow) from Financing		39,475	
(2,248)	NET (INCREASE) / DECREASE IN CASH		433	

SECTION 2f

**NOTES TO THE
CORE FINANCIAL
STATEMENTS**

2006/07

NOTES TO THE CORE FINANCIAL STATEMENTS

1. SERVICE EXPENDITURE

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

(b) Prior Period Adjustments

(i) In the 2006/07 Statement of Accounts, the council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- Capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts;
- Credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item;
- The Housing Revenue Account (HRA) contribution to Corporate Democratic Core (CDC) and Non-Distributable Costs (NDC) is shown in the CDC and NDC lines of service expenditure rather than the HRA line.

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts (only figures that have changed are included in the table):

	Consolidated Revenue Account in 2005/06 Statement of Accounts £000s	Removal of capital financing charges £000s	Relocation of government grants deferred £000s	HRA contribution to CDC and NDC moved from HRA cost to CDC and NDC cost	2005/06 comparatives in Income and Expenditure Account £000s
Central services to the public	7,119	(51)	-	-	7,068
Cultural, environmental and planning services	50,147	(2,194)	(1,030)	-	46,923
Education services	185,248	(14,152)	(3,458)	-	167,638
Highways, roads and transport services	16,414	(2,414)	(1,540)	-	12,460
Housing services	58,870	(50,219)	(938)	(1,228)	6,485
Social services	111,505	(1,131)	(693)	-	109,681
Court Services	261	-	-	-	261
Corporate and democratic core	7,660	(22)	-	1,218	8,856
Non distributed costs	8,348	-	-	10	8,358
Impact on Net Cost of Services	445,572	(70,183)	(7,659)	-	367,730
Asset management revenue account (Interest payable and similar charges in 2006/07)	(52,331)	70,183	7,659	-	25,511
Impact on Net Operating	393,241	-	-	-	393,241

(ii) There is a prior period adjustment to the 2005/06 Service Costs to remove £0.957m of government grants deferred that had been amortised early. There is also a prior period adjustment to the balance sheet to amend for a further £3.469m of government grants deferred that had been amortised early.

(iii) In 2005/06 the Council treated a capital payment to its PFI provider on Downham Lifestyles as a deferred charge. This treatment has been reviewed in light of accounting guidance and the Council has restated this expenditure as a capital prepayment in the balance sheet and will amortise this to the income and expenditure account. Correspondingly the finance covering this expenditure has been removed from the Capital Financing Account and into an earmarked usable capital reserve. As the facility only went live on 12 March 2007 this amortisation will only start in 2007/08.

(c) Disclosure of Deployment of Dedicated Schools Grant

The council's expenditure on schools is funded by grant monies provided by the Department for Education and Skills, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over- and underspends on the two elements are required to be accounted for separately. Details of the deployment of DSG receivable for 2006/07 are as follows:

Schools Budget Funded by Dedicated Schools Grant		
Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
24,431	137,361	161,792
Original grant allocation to Schools Budget for the current year in the authority's budget		
Adjustment to finalised grant allocation	(327)	(327)
DSG receivable for the year	137,034	161,465
Actual expenditure for the year	(135,180)	(159,671)
(Over)/underspend for the year	1,854	1,794
Planned top-up funding of ISB from Council resources	0	60
Use of schools balances brought forward	8,763	8,763
(Over)/underspend from prior year	0	0
(Over)/underspend carried forward to 2007/08	10,617	10,617

2. NET OPERATING EXPENDITURE

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

(a) Levies – This includes statutory levies for services carried out by other bodies. This includes the Environment Agency £0.099m, London Pension Fund Authority £1.350m and Lee Valley Regional Park £0.255m.

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

3. SECTION 137 EXPENDITURE

The Local Government Act 2000 granted powers to authorities in England and Wales to promote well being in their area and as a consequence the majority of the provisions of section 137 were repealed. All discretionary expenditure not specifically authorised under other powers is now made under the LGA. No expenditure was made under Section 137 of the Local Government Act 1972 in 2006/07 (none in 2005/06)

4. AGENCY SERVICES

There were no agency services carried out during 2006/07 (none in 2005/06).

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.

2005/06 (Surplus)/ Deficit £000s		2006/07		
		Expenditure £000s	Income £000s	(Surplus)/ Deficit £000s
0	Markets (Planning & Development Services)	1,079	1,079	0
546	Theatre (Cultural & Related Services)	1,570	953	617
(138)	Industrial Estates (Planning & Dev't Services)	326	484	(158)
408		2,975	2,516	459

Note to trading operations

Under the Local Authorities Act 1990 (amended) Street Markets operate as a ring-fenced trading account and are therefore held separately from the Council's General Fund. Any surplus or deficit at the year end is carried over into the following year. In 2006-2007 there was a surplus of £41,397 (2005-2006 – deficit of £23,885). The total accumulated surplus is £81,721. The 2006-2007 surplus was due to the success of Sunday Markets and other special events.

6. PUBLICITY EXPENDITURE

Section 5 of the Local Government Act 1986 requires local authorities to keep separate accounts of their publicity expenditure. This expenditure includes costs of press office staff, staff advertising, and special campaigns. Publicity expenditure is an overhead that is allocated to services in accordance with accounting policy 12 on page 19.

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

	2006/07 £000s	2005/06 £000s
Press Office	785	741
Publicity Expenses		
Publications	469	575
Recruitment Advertising	876	562
Total Publicity Expenditure	2,130	1,878

7. WORK DONE FOR OTHER LOCAL AUTHORITIES OR PUBLIC BODIES

The Council carries out the following work for other local authorities or public bodies:

	2006/07 £000s	2005/06 £000s
Lewisham Hospital (Regeneration - Passenger Transport)	0	389
Housing Associations (Customer Services - Building Services)	3	9
Total Value of Contracts	3	398

The Lewisham Hospital contract ended in January 2006. The continuing reduction in work for Housing Associations reflects limited labour resources currently available to Building Services.

8. FRS 17 PENSION COSTS AND RETIREMENT BENEFITS

FRS 17 has changed the way that Lewisham accounts for the cost of pensions. As part of the terms and conditions of staff employment, Lewisham offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

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

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

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

(c) the Teachers Pension Agency (TPA), which provides retirement benefits for teachers on behalf of the Department for Education and Skills. Benefits are payable by the TPA on an unfunded basis and any liability is ultimately the responsibility of the Department for Education and Skills; the Council is therefore not required to account for teachers' pensions in the same way as the LGPS and LPFA. In 2006/07 the Council paid £10.532m to the Department for Education and Skills in respect of teachers' pension costs (£10.079m in 2005/06). This represented 13.5% of pensionable pay between April 2006 and December 2006, and 14.1% of pensionable pay between January 2007 and March 2007 (13.5% for all of 2005/06).

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

	Local Government Pension Scheme		LPFA	
	2006/07 £000s	2005/06 £000s	2006/07 £000s	2005/06 £000s
Net Cost of Services:				
Current Service Cost	25,100	19,500	875	826
Past Service Costs	200	400	63	0
Curtailments and Settlements	1,800	1,400	65	175
Net Operating Expenditure:				
Interest Cost	46,400	42,700	3,519	3,421
Expected Return on Scheme Assets	(44,800)	(37,200)	(2,385)	(2,551)
Amounts to be met from Government Grants and Local Taxation:				
Movement on Pensions Reserve	(3,000)	3,000	(734)	(707)
	25,700	29,800	1,403	1,164
Actual Amount Charged Against Council Tax for Pensions in Year:				
Employers Contributions Payable to Scheme	(25,700)	(29,800)	(1,403)	(1,164)

Notes to the Core Financial Statements

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 2007 are shown in the table below. It should be noted that the valuation of the assets was based on February 2007 data and may differ from the final valuation shown in the Pension Fund Accounts.

	Local Government Pension Scheme		LPFA		Total	
	2006/07 £000s	2005/06 £000s	2006/07 £000s	2005/06 £000s	2006/07 £000s	2005/06 £000s
Estimated assets in scheme	722,000	663,400	53,420	52,630	775,420	716,030
Estimated liabilities:						
Present value of scheme liabilities	(871,200)	(873,000)	(67,780)	(68,600)	(938,980)	(941,600)
Present value of unfunded liabilities	(68,400)	(71,100)	(4,017)	(4,210)	(72,417)	(75,310)
Net asset / (liability)	(217,600)	(280,700)	(18,377)	(20,180)	(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 £235.977m 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.

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 2004. The main assumptions used in their calculations are:

	2006/07		2005/06	
	Nominal % per annum	Real % per annum	Nominal % per annum	Real % per annum
Price increases	3.2	-	3.1	-
Salary increases	4.7	1.5	4.6	1.5
Pension increases	3.2	-	3.1	-
Discount rate	5.4	2.1	4.9	1.7

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

	2006/07 £000s	Long-term Return %	2005/06 £000s	Long-term Return %
	Equities	526,200	7.8	485,000
Bonds	103,900	4.9	85,200	4.6
Property	70,100	5.8	61,900	5.5
Cash	21,900	4.9	31,300	4.6
Total	722,100	7.1	663,400	6.7

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

	Local Government Pension Scheme		LPFA		Total
	2006/07		2006/07		2006/07
	£000s	%	£000s	%	£000s
Differences between the expected and actual return on assets	8,400	1.2	1	0	8,401
Differences between the actuarial assumptions about liabilities and actual experience	900	0.1	86	0.1	986
Changes in the demographic and financial assumptions used to estimate liabilities	56,800		2,450		59,250
Actual recognised gain/(loss)	66,100		2,537		68,637
Other revenue items	(3,000)		(734)		(3,734)
	63,100		1,803		64,903
Comparative actuarial gains/(losses) for 2005/06	(17,500)		(5,450)		(22,950)
Comparative actuarial gains/(losses) for 2004/05	(80,000)		(16,813)		(96,813)
Comparative actuarial gains/(losses) for 2003/04	43,200		1,384		44,584
Comparative actuarial gains/(losses) for 2002/03	(189,700)		(392)		(190,092)

9. LEASED ASSETS RENTALS

The Council uses vehicles, plant and equipment under the terms of operating leases. The Council also leases housing properties from Hyde Housing Association. There is a significant difference between the Other Leases obligations predicted for 2006/07 last year and the actual obligations incurred in 2006/07. This is explained by a number of leases being extended for an extra year. The future liability of housing operating leases is stated at 2007/08 prices, although the lease rents are subject to annual review in line with market rents indexation. There is a slight difference between Housing Operating Leases predicted for 2006/07 last year and the actual obligations incurred in 2006/07 due to the lease on the St John's Estate being extended. The future accrued payments required under these leases are:

	2006/07			2005/06	
	Housing Operating Leases £000s	Other Operating Leases £000s		Housing Operating Leases £000s	Other Operating Leases £000s
Total rentals payable	2,719	469	Total rentals payable	2,673	573
Outstanding undischarged leasing obligations:			Outstanding undischarged leasing obligations:		
- 2007/2008	1,353	190	- 2006/07	2,199	244
- 2008/2009 - 2012/2013	1,469	172	- 2007/2008 - 2011/2012	2,297	189
- 2013/2014 onwards	1,733	0	- 2012/2013 onwards	1,777	0

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

(a) The Council makes payments under a Private Finance Initiative (PFI) contract for the provision of a school catering service and refurbishment of kitchen facilities. The level of payments depends on sales of meals but is currently estimated at £7.6m per annum (Actual 2005/06 £7.7m). These payments are partially offset by grant received by the Council and the contract runs until 2009.

(b) The Authority is committed to making payments estimated at £2.5m per annum (£2.82 actual in 2006/7; £2.782m in 2005/06) under a Private Finance Transaction (PFT) for the upgrading and maintaining of its parks and open spaces. The contract runs until 2010.

(c) The authority has entered into a PFI with an external provider for the management of three of its five leisure facilities. The arrangement includes investment, totalling £2.7 million over the life of the contract, to upgrade and maintain the facilities. The contract commenced in October 2001 and runs until 2011. The total payment for 2006-2007 was £1.121 million (2005-2006 £1.060 million). The other two centres were run under management only contracts which were due to expire on the 14 October 2006. Forest Hill Pools was allowed to expire on its due date and the contract to run Ladywell Leisure Centre was extended for at least another year. The total payment for these contracts in 2006-2007 was £0.770 million (2005-2006 £0.732 million).

(d) The five-year contract for the provision of Information and Communication Technology (ICT) services which commenced in October 2001 came to an end on September 30th 2006. The half year payment under the contract for 2006-2007 was £3.1m (2005-2006 full year £5.97m). A separate contract to supply ICT services to Public Services Division, which ran co-terminus with the main contract, also ended in September and the half year payment was £0.5m. A new contract replacing both of these is in place from 1st October 2006, and the half year cost was £1.7m.

(e) A PFI agreement was signed in September 2005 for the Downham Lifestyles Centre, under which the authority is contracted to pay £1.6 million per annum for a period of 32 years partially offset by income from the PCT and PFI grant. The centre will provide health and leisure facilities and opened in March 2007.

(f) A PFI agreement was signed in August 2006 for the rebuild of 3 schools (Greenvale Special School, Crofton Secondary School and Forest Hill Secondary School). The Capital works are projected to be completed during 2008/09. The actual revenue spend for 2006/07 was £710k and the capital spend £1.092m. On completion of the project the total spend is estimated to be £21.562m.

11. EXTERNAL AUDITORS FEES

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

	2006/07 £000s	2005/06 £000s
Fees payable with regard to external audit services	412	382
Fees payable in respect of statutory inspection	26	19
Fees payable for the certification of grant claims and returns	158	155
Fees payable in respect of other services provided by the appointed auditor	21	12
External Auditor Fees	617	568

12. OFFICERS EMOLUMENTS

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

Remuneration Band	Number of Employees 2006/07	Number of Employees 2005/06
£50,000 to £59,999	123	114
£60,000 to £69,999	42	34
£70,000 to £79,999	19	14
£80,000 to £89,999	8	3
£90,000 to £99,999	3	3
£100,000 to £109,999	0	2
£110,000 to £119,999	2	1
£120,000 to £129,999	2	0
£130,000 to £139,999	0	0
£140,000 to £149,999	0	0
£150,000 to £159,999	0	0
£160,000 to £169,999	0	1
£170,000 to £179,999	1	0

13. MEMBERS' ALLOWANCES

The total of Members' allowances for 2006/07 was £1.104m (£1.004m in 2005/06).

14. RELATED PARTY TRANSACTIONS

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

(a) Central Government and Other Local Authorities

The total of other government grants are shown in Note 48 to the Core Financial Statements, page 64. Transactions to other local authorities include the precept to the Greater London Authority. Details of this precept are shown as part of the Collection Fund on page 78 in Note 3. There were numerous other transactions between the Council and other Local Authorities. However, none of these were considered to be material.

(b) Subsidiaries, Associated Companies and Joint Ventures

The companies that are related to the Council are detailed in Note 42 to the Core Financial Statements on page 60. Material transactions were as follows:

- Payment of £4.455m (£4.475 – 2005-2006) was made to South East London Combined Heat and Power (SELCHP), which is a joint venture with Greenwich for the provision of a waste disposal service.

(c) Members and Chief Officers

This has been approached by using the Council's Register of Members and Chief Officers' Declarations of Interest. Declarable related party transactions in 2006/07 are as follows:

- The Mayor's wife is on the board of Lewisham Primary Care Trust, with whom Lewisham spent £1.186m in 2006/07, covering both payments for services and contributions towards joint projects.
- Councillor Long is Chair of the South London and Maudsley NHS Trust, with whom Lewisham spent £2.740m in 2006/07
- Councillor Fletcher is a board member of the Ilderton Motor Project to whom Lewisham paid £0.097m in 2006/07
- Councillor Till is on the Management Committee of the Marsha Phoenix Memorial Trust to whom Lewisham paid £0.216m in 2006/07
- Councillor Muldoon is on the Members' Council and Nominations Committee of the South London and Maudsley NHS Trust to whom Lewisham paid £2.740m in 2006/07
- Councillor Russell was on the Board of Trustees of Wide Horizons to whom Lewisham paid £0.041m in 2006/07
- Councillor Keogh is a director of Envirowork Lewisham to whom the Council paid £0.316m in 2006/07
- The Executive Director for Regeneration is the Director of Interea Consulting. The Council paid Interea Consulting £183k (excluding VAT) for the services of the Executive Director for Regeneration
- Councillor Handley was a non-paid director of Lewisham Community Transport to whom Lewisham paid £0.048m in 2006/07

(d) Lewisham Pension Fund

- The Council's contribution to the Pension Fund on behalf of employees was £22.393m (£25.694m in 2005/06).
- The cost of administering the Pension Fund of £0.547m (£0.748m in 2005/06) was recharged to the fund in 2006/07.
- The Pension Fund had £1.978m (£1.609m in 2005/06) of cash balances invested with the Council as at 31 March 2007.

15. PARKING CONTROL ACCOUNT

In accordance with the 1984 Road Traffic Act, Lewisham maintains a Parking Control Account as a memorandum to the Statement of Accounts.

	2006/07 £000s	2005/06 £000s
Income	(3,998)	(3,635)
Expenditure	2,659	2,538
Surplus	(1,339)	(1,097)
Use of surplus:		
Traffic Management Schemes	235	186
Improved signing/safety maintenance	523	420
Improved lighting	581	491
Total	(1,339)	(1,097)

The Parking Control Account is incorporated within the Parking Services line of the service expenditure analysis.

16. BUILDING CONTROL TRADING ACCOUNT

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the building control unit cannot be charged for – such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities for 2006/07.

	Building Regulations		Other Building Control £000s	Total 2006/07 £000s	Total 2005/06 £000s
	Chargeable (Trading a/c) £000s	Non Chargeable £000s			
Expenditure					
Employee expenses	382	12	153	547	507
Transport	10	0	4	14	16
Supplies and services	24	1	9	34	38
Support services	204	6	125	335	310
Total Expenditure	620	19	291	930	871
Income					
Building reg charges	(656)	0	0	(656)	(638)
Miscellaneous income	0	0	(14)	(14)	(20)
Total Income	(656)	0	(14)	(670)	(658)
Surplus/(Deficit) for Year	36	(19)	(277)	(260)	(213)

From 1999/2000 on the Trading Account element has been required to break even over a rolling three-year period. 2006/07 was the last year of the sixth three-year period which ended with an overall surplus of £20k. The table below sets out the current position for each period.

Period	Surplus/(Deficit) £000s			
	Year 1	Year 2	Year 3	Total
1999/00 - 2001/02	(9)	12	5	8
2000/01 - 2002/03	12	5	130	147
2001/02 - 2003/04	5	130	62	197
2002/03 - 2004/05	130	62	(68)	124
2003/04 – 2005/06	62	(68)	52	46
2004/05 – 2006/07	(68)	52	36	20
2005/06 – 2007/08	52	36	n/a	n/a
2006/07 - 2008/09	36	n/a	n/a	n/a

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

17. MOVEMENTS ON RESERVES

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

Reserve	Balance 1 April 2006 £000s	Net Movement in Year £000s	Balance 31 March 2007 £000s	Purpose of Reserve	Further Detail of Movements
Fixed Asset Restatement Account	1,099,024	292,809	1,391,833	Store of gains on revaluation of fixed assets.	Note 18
Capital Financing Account	351,634	(5,416)	346,218	Store of capital resources set aside to meet past expenditure.	Note 19
Usable Capital Receipts	38,656	(13,644)	25,012	Proceeds of fixed assets sales available to meet past expenditure.	Note 20
Pensions Reserve	(300,880)	64,903	(235,977)	Balancing account to allow inclusion of Pension Liability in the Balance Sheet.	Note 8
Other Reserves	59,476	853	60,329	Amounts set aside to finance future revenue expenditure.	Note 21
General Fund	10,087	551	10,638	Resources available to meet future running costs for non-housing services.	Statement of Movement on the General Fund Balance, page 24
Housing Revenue Account	11,251	2,829	14,080	Resources available to meet future running costs for council houses.	Note 16 to the HRA Statement, page 73
Major Repairs Reserve	0	0	0	Resources available to meet capital investment in council housing.	Note 15 to the HRA Statement, page 73
Collection Fund	(148)	188	40	Balance arising from excess or shortfall in Council Tax collection	Collection Fund Revenue Account, p76
Total	1,269,100	343,073	1,612,173		

18. FIXED ASSET RESTATEMENT ACCOUNT

The system of capital accounting implemented in 1994 required the establishment of the Fixed Asset Restatement Account. The balance represents the difference between the valuation of assets under the previous system of Capital Accounting and the revaluation as at 1st April 1994. The reserve is written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on re-valuations.

	Fixed asset restatement account £'000s
<u>Movements in unrealised value of fixed assets</u>	
Gains / losses on revaluation of fixed assets in 2006/07	321,393
Impairment losses on fixed assets due to general changes in prices in 2006/07	0
Total increase / (decrease) in unrealised capital resources	321,393
<u>Value of assets sold, disposed of or decommissioned</u>	
Amounts written off fixed asset balances for disposals	(28,584)
Total movement on reserve in 2006/07	292,809
Balance brought forward at 1 April 2006	1,099,024
Balance carried forward at 31 March 2007	1,391,833

19. CAPITAL FINANCING ACCOUNT

The Capital Financing Account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between the amount provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The balance on the reserve is reduced as loan debt is repaid.

	Capital financing account £000s
Capital Receipts Set Aside:	
- receipts applied to finance premiums on debt redemption	0
- usable receipts applied	25,015
Total capital receipts set aside in 2006/07	25,015
Revenue Resources Set Aside:	
- capital expenditure financed from revenue	4,277 (i)
- reconciling amount for provisions for loan repayment	(34,708)
Total revenue resources set aside in 2006/07	(30,431)
Total increase / (decrease) in amounts set aside to finance capital investment	
Total movement on reserve in 2006/07	(5,416)
Balance brought forward at 1 April 2006	351,634
Balance carried forward at 31 March 2007	346,218

(i) The £4,277k capital expenditure financed from revenue is made up of £3.554m Capital expenditure charged in-year to the General Fund Balance (as shown in the Statement of Movement on the General Fund Balance) and a £0.723m prior period adjustment.

20. USABLE CAPITAL RECEIPTS

	Usable Capital Receipts £000s
Amounts receivable in 2006/07	26,492
Poolable to Central Government	(15,079)
Amounts applied to finance new capital investment in 2006/07	(25,015)
Prior period adjustment to financing	(42)
Total increase/(decrease) in realised capital resources in 2006/07	(13,644)
Balance brought forward at 1 April 2006	38,656
Balance carried forward at 31 March 2007	25,012

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

21. REVENUE RESERVES

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

	Balance at 01/04/2006 £000s	Transfers In £000s	Transfers Out £000s	Balance at 31/03/2007 £000s	
General Earmarked	32,169	13,450	(13,515)	32,104	(a)
Directorate Underspend	5,064	399	(3,254)	2,209	(b)
Capital Expenditure	13,406	10,343	(8,360)	15,389	(c)
School Balances	7,951	8,840	(7,951)	8,840	(d)
School's External Funds	886	1,787	(886)	1,787	(e)
Total	59,476	34,819	(33,966)	60,329	(f)

(a) General Earmarked Reserves (32.104m)

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

	Balance at 01/04/2006 £000s	Transfers In £000s	Transfers Out £000s	Balance at 31/03/2007 £000s	
Priority Growth & Budget	21,689	13,196	(13,515)	21,370	(i)
Insurance	9,140	0	0	9,140	
Other	1,340	254	0	1,594	(ii)
Total	32,169	13,450	(13,515)	32,104	

(i) Priority Growth & Budget Issues (£21.370m) – This reserve is to support the authority's budget in future years.

(ii) Other (£1.594m) – This comprises a reserve for future Pension Fund contributions.

(b) Directorate Underspends (£2.209m)

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

	Balance at 01/04/2006 £000s	Transfers In £000s	Transfers Out £000s	Balance at 31/03/2007 £000s
Children & Young People	1,403	210	(849)	764
Community Services	448		(29)	419
Customer Services	1,905	150	(1,369)	686
Regeneration	171		(171)	0
Resources	1,137	39	(836)	340
Total	5,064	399	(3,254)	2,209

The starting balances for each directorate differ to the closing balances from 2005-06 as they have been realigned to reflect the directorate structure.

(c) Capital Expenditure Reserve – (£15.389m)

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

(d) School Balances – (£8.840m)

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

(e) Schools' External Funds – (£1.787m)

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

(f) Total Reserves

Reconciliation to the Statement of Movement on the General Fund Balance – A reconciliation of transfers in and out of reserves with the Statement of Movement on the General Fund Balance on page 25 is as follows:

	2006/07 £000s
Transfers In	34,819
Transfers Out	(33,966)
Net Contributions	853

22. FIXED ASSETS

(a) Movements in fixed assets during the year were as follows (following a review of the asset management system the carried forward figures from 2005/06 have been realigned – this does not affect the overall value of assets, just the split between asset classes):

	Council Dwellings	Other Land & Bldgs	Vehicles, Plant & Equip't	Infra-structure Assets	Comm. Assets	Investment props/ assets under constr'n	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Gross Book value b/fwd at 1 April 2006	1,344,493	597,648	23,213	75,348	4,684	31,652	2,077,038
Additions	40,410	21,583	2,270	2,844	0	12,733	79,840
Disposals	(23,496)	(2,025)	(18)	0	0	(3,055)	(28,594)
Transfers	0	(1,240)	0	0	0	1,240	0
Re-valuations	10,309	294,312	(41)	(393)	0	886	305,073
Sub Total	1,371,716	910,278	25,424	77,799	4,684	43,456	2,433,357
Depreciation b/fwd	(38,084)	(21,966)	(8,095)	(30,968)	0	0	(99,113)
Depreciation for year	(39,699)	(11,579)	(3,482)	(3,492)	0	0	(58,252)
Depreciation on Asset Revalued	398	15,922	0	0	0	0	16,320
Depreciation on Assets sold	0	10	0	0	0	0	10
Depreciation Balance as at 31 March 2007	(77,385)	(17,613)	(11,577)	(34,460)	0	0	(141,035)
Net Book Value as at 31 March 2007	1,294,331	892,665	13,847	43,339	4,684	43,456	2,292,322

Notes to the Core Financial Statements

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

	2006/07 £000s	2005/06 £000s
Fixed Assets (Additions net of WIP & appropriations)	67,107	63,313
PFI prepayments	1,115	1,700
Deferred Charges	10,774	11,342
(Decrease) / Increase in work in progress & retention payments	12,733	7,714
Total Capital Expenditure	91,729	84,069

The total capital expenditure of £91.729m (£84.069m in 2005/06) as detailed above and shown in the foreword on page 6, was financed as follows:

	2006/07 £000s	2005/06 £000s
Borrowing	16,396	18,183
Capital Grants	45,856	42,990
Capital Receipts	25,015	21,234
Capital Expenditure charged to Revenue Account	4,277	1,662
Revenue Set Aside for PFI Capital Prepayment	185	0
Total Capital Expenditure	91,729	84,069

Foundation Schools/City Academy: The School Standards and Framework Act 1998 changed the status of Grant maintained schools to Foundation Schools maintained by the local education authority. The change for funding purposes took effect from 1 April 1999. Fixed assets and long term liabilities remain vested in the Governing Bodies of individual Foundation schools and therefore values and amounts have not been consolidated in this balance sheet. In this authority area there is one Foundation school (Turnham) which had an estimated fixed asset valuation of £3.025m at 31 March 2000.

23. FIXED ASSET VALUATION

(a) The freehold and leasehold properties which comprise the Authority's property portfolio were valued on 1 April 1994 by the then Council Borough Valuer on the under-mentioned bases in accordance with the Appraisal and Valuation Manual and Guidance Notes of The Royal Institution of Chartered Surveyors. However not all the properties were inspected since this was neither practicable nor considered by the valuer to be necessary for the purpose of the valuation. Where inspections were carried out, these were undertaken between April 1994 and March 1995. Since 1994/95 there has been a five-year rolling programme of revaluation for land and buildings 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.

Plant and machinery is included in the valuation of the buildings. Council-owned furniture and equipment (excluding computers) were valued separately. Vehicles, plant and equipment have been valued on the basis of cost less depreciation (straight-line basis). Properties regarded by the Authority as operational were valued on the basis of open market value for the existing use, or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost. Investment properties were re-valued in 2003/04 and thereon annually on an open market basis.

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

	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles Plant & Equip. £000s	Infra- structure Assets £000s	Comm- unity Assets £000s	Non- operational Assets £000s	Total £000s
Valued at Historic Cost	0	0	11,577	40,496	4,684	0	56,757
Valued at current value							
As at 1 April 2006	40,410	704,761	2,270	2,843	0	43,456	793,740
As at 1 April 2005	1,253,921	107,428	0	0	0	0	1,361,349
As at 1 April 2004	0	51,035	0	0	0	0	51,035
As at 1 April 2003	0	19,032	0	0	0	0	19,032
As at 1 April 2002	0	10,356	0	0	0	0	10,356
As at 1 April 2001	0	49	0	0	0	0	49
As at 1 April 2000	0	4	0	0	0	0	4
Total Net Book Value	1,294,331	892,665	13,847	43,339	4,684	43,456	2,292,322

24. NUMBERS OF FIXED ASSETS

A summary of physical assets held by the Council at 31 March 2007 and 31 March 2006 is shown below.

	31-Mar-07 (Nos.)	31-Mar-06 (Nos.)
Council Dwellings	25,667	25,921
Housing non residential	268	268 *
Garages	3,486	3,486 *
Nursery Schools	3	3 *
Day centre - Early Years	8	8 *
Primary Schools	48	48
Secondary Schools	6	6
Sixth Form Centre	1	1
Special Schools	6	6
Adult Education Centres	5	5
Youth Centres	4	4
Hostel for the Mentally ill persons with Disabilities	1	1
Social Services Centres	11	12
Administrative Buildings	13	13 *
Leisure Centres/Pools	5	5
Parks/Recreation Grounds	85	85
Libraries	10	10
Theatre	1	1
Cemeteries	4	4
Crematorium	1	1
Mortuary	1	1
Depots	5	5 *
Car/Lorry Parks	18	18 *
Roads (in Kms)	390	390
Allotments	43	43
Travellers Site	1	1
Civic Amenity Site	1	1

*Some of the categories above have been restated from those disclosed in the 2005/06 accounts.

25. CAPITAL COMMITMENTS

Significant capital commitments entered into by the Council at 31 March 2007 are shown below. This expenditure will be incurred in future years.

	£000s
Children & Young People:	
Grouped Schools PFI	8,925
Grouped Schools PFI - Ashmead & Childeric	7,594
Northbrook	1,502
Community Services:	
Wavelengths	3,578
Forest Hill Library	720
Regeneration:	
Clutch Clinic Development	525
Housing:	
Rushey Green Renewal Area	1,450
Pepys decent homes - Phase 2	2,457
Sayes Court decent homes	1,650
Honor Oak decent homes	2,531
Home Park decent homes	2,426
Ewart Road decent homes	1,084
Lee Green decent homes - Phase 2	1,809
Rushey Green - Phase 2	1,722
Giffin Street decent homes - Phase 2	2,386
Total Commitments	40,359

26. 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:

	2006/07 £000s	2005/06 £000s
Mortgages:		
For Private House Purchase	18	24
For Sale of Council Houses	876	1,221
To Housing Associations	163	163
Other Long Term Debtors	644	457
Total Long Term Debtors	1,701	1,865

(b) Current debtors

These are short term debts consisting of amounts due from Government, other local authorities and amounts for goods and services provided as at 31 March 2007:

	2006/07 £000s	2005/06 £000s	Note
Government and Other Public Bodies:			
Customs & Excise - VAT	5,684	5,955	
Education Recoupment	1,066	1,211	
Other Govt. & Local Authority Accounts	22,992	27,137	
Council Tax Payers	21,054	17,979	
National Non-Domestic Ratepayers	1,390	1,293	
Housing Debtors	12,952	11,587	
Sub-Total	65,138	65,162	
General Debtors amounts due for Supplies & Services	22,362	22,107	
Total Current Debtors	87,500	87,269	
Less:			
Provision for Bad Debts - Collection Fund	(17,132)	(14,397)	(i)
Provision for Bad Debts - Housing	(8,426)	(8,608)	(i)
Provision for Bad Debts - Sundry	(7,324)	(8,186)	(i)
Net Current Debtors	54,618	56,078	

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

	Balance at 31/03/2006 £000s	Contrib'n In £000s	Use of Provision £000s	Balance at 31/03/2007 £000s
Collection Fund				
Council Tax	13,898	3,981	(1,216)	16,663
NNDR	499	470	(500)	469
Total Collection Fund	14,397	4,451	(1,716)	17,132
Housing				
Rents	5,501	1,181	(972)	5,710
Overpayments	3,107	919	(1,310)	2,716
Total Housing	8,608	2,100	(2,282)	8,426
Sundry				
CYP	295	0	0	295
Community	2,669	421	(1,262)	1,828
Customer	4,722	253	(443)	4,532
Regeneration	413	196	(65)	544
Resources & Corporate	87	38	0	125
Total Sundry	8,186	908	(1,770)	7,324
Total Provision for Bad Debts	31,191	7,459	(5,768)	32,882

27. PREMIUMS AND DISCOUNTS / DEFERRED LIABILITY PREPAYMENT**(a) Deferred premiums on early repayment of debt**

Premiums on debt redemption are written down to the General Fund and Housing Revenue Account in accordance with the accounting policy on redemption of debt. In 2005/06 these premiums were shown as deferred liability prepayments.

(b) Deferred discounts on early repayment of debt

Discounts on debt redemption are written down to the General Fund and Housing Revenue Account in accordance with the accounting policy on redemption of debt. In 2005/06 these discounts were shown as deferred credits.

	2006/07		2005/06	
	Premiums £000s	Discounts £000s	Premiums £000s	Discounts £000s
Brought Forward	18,297	(729)	21,494	(827)
Premiums Paid	0	0	0	0
Discounts Received	0	(577)	0	(113)
Charge to revenue	(2,840)	666	(3,197)	211
Total	15,457	(640)	18,297	(729)

28. LONG-TERM INVESTMENTS

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

29. SHORT-TERM INVESTMENTS

Short-term investments consists of £99.300m that represents the temporary investment of bank surpluses in the money markets.

30. STOCK

	2006/07 £000s	2005/06 £000s
Stocks		
Building Stores & Fleet Stock	212	215
Other Stock	163	100
Total Stocks and Work in Progress	375	315

Please note that Work in Progress that was included in this note last year has now been reclassified as a debtor.

31. LANDFILL ALLOWANCE TAX

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

Lewisham received an allowance of 21,776 tonnes for the year 2006/07, with usage estimated at 17,237 tonnes. No allowances were bought or sold during the year. DEFRA has advised that the average traded value of 2006/07 has been £17.98. Amounts included in the 2006/07 accounts are as follows:

	Income £000s	Expenditure £000s	Net expenditure £000s
Income and Expenditure Account			
Cultural, Environmental & Planning Services	392	310	82
Balance Sheet			
Current Assets:			
Landfill Usage Allowances for 2006/07	-	-	392
Current liabilities:			
Liability to DEFRA for 2006/07 landfill usage	-	-	(310)
Reserves:			
Earmarked reserves	-	-	(82)

32. PREPAYMENTS

	2006/07 £000s	2005/06 £000s
Insurance premiums	1,399	959
Miscellaneous	3,887	4,184
Total	5,286	5,143

33. CREDITORS

These consist of amounts owed to Government and other public bodies and all unpaid sums for goods and services provided as at 31 March 2007.

	2006/07 £000s	2005/06 £000s
Government and other public bodies:		
Inland Revenue - Tax & NI Contributions	6,004	5,859
Education Recoupment	3,694	3,857
Other Govt. & Local Authority Accounts	17,003	8,906
Sub-Total	26,701	18,622
Add: General creditors (amounts owed for supplies and services)	53,592	60,496
Total Creditors	80,293	79,118

34. RECEIPTS IN ADVANCE

	2006/07	2005/06
	£000s	£000s
NNDR	2,865	2,661
Council Tax	5,480	5,610
Capital Contributions Unapplied	12,848	10,001
Other Receipts in Advance	19,071	14,413
Total Receipts in Advance	40,264	32,685

35. SHORT TERM BORROWING

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

36. BANK OVERDRAWN/CASH HOLDINGS

The Bank Overdrawn figure is the total of all the Council's cash and bank balances. It therefore includes cash holdings of schools and other cash balances. Further information on the movement in cash can be found in the Cash Flow Statement on page 34.

37. LONG TERM BORROWING

This represents borrowing repayable within a period of more than twelve months. The loans are raised to finance expenditure on fixed assets and other capital items.

The sources of the loans are as follows:

	Average Interest Rate	2006/2007	2005/2006
		£000s	£000s
PWLB	6.55%	243,954	308,759
Money Market	5.15%	67,500	70,000
Total Long-Term Borrowing		311,454	378,759
Analysis of loans by maturity:			
Maturity in 1-2 years		5,546	28,306
Maturity in 2-5 years		5,210	10,756
Maturity in 5-10 years		105,844	91,593
Maturity in 10-15 years		30,450	42,200
Maturity in 15-20 years		31,000	64,500
Maturity in 20-25 years		69,000	57,000
Maturity in 25-30 years		34,000	54,000
Maturity in over 30 years		30,404	30,404
Total Long-Term Borrowing		311,454	378,759

The average maturity for loans outstanding as at 31 March 2007 is 13.97 years (18.99 years at 31 March 2006). This complies with the voluntary code of practice, which recommends an average maturity of not less than seven years.

38. DEFERRED CAPITAL RECEIPTS

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

39. GOVERNMENT GRANTS DEFERRED

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

	2006/07 £000s	2005/06 £000s
Balance at Beginning of Year	98,222	82,428
Prior Year adjustment	30	0
Grants Received:		
Transport for London	3,398	3,187
New Deal / Standards Fund	8,302	2,333
Single Regeneration Budget	4,123	4,983
Other Contributions	9,443	11,994
	123,518	104,925
Written down to the Income and Expenditure Account	(9,897)	(6,703)
Balance at End of Year	113,621	98,222

40. PROVISIONS

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

	Balance 31/03/2006 £000s	Contrib. In £000s	Contrib. Out £000s	Balance 31/03/2007 £000s
Insurance Provision	9,941	2,250	(282)	11,909 (a)
Other Provisions	2,246	4,972	(397)	6,821 (b)
Total	12,187	7,222	(679)	18,730

(a) Insurance provisions

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

(b) Other provisions

This includes a provision to cover the liability for repayment of charges made under the Section 117 1983 Mental Health Act that have now been declared unlawful by the Court of Appeal; a provision to meet dilapidation costs of leased properties that are primarily used as office accommodation and which are to be vacated as part of the authority's office accommodation strategy; a provision to cover any potential loss of grant pending the audit of grant claims relating to asylum seekers costs (however, the outcome of this audit resulted in no loss of grant so this provision has been written down to nil); and other general provisions.

41. TRUST FUNDS

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

	Balance 01/04/2006 £000s	Income £000s	Expenditure £000s	Balance 31/03/2007 £000s
Comforts Funds	1	0	0	1
Residents' Savings	3	0	0	3
Other Funds	119	17	36	100
Total Trust Funds	123	17	36	104

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

	£000s
Cash	77
External investments (at market value)	27
Total Trust Funds	104

42. INVESTMENTS: RELATED BUSINESSES & COMPANIES

This note provides details of companies related to the Council.

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 - at end of previous financial year	£0.062m (i) £0.650m (ii)	£42.636m (iii) £35.606m (iv)
Company's Profit/(Loss) before Tax - at end of last financial year - at end of previous financial year	(£0.840m) (i) (£0.777m) (ii)	£1.125m (iii) £2.082m (iv)
Company's Profit/(Loss) after Tax - at end of last financial year - at end of previous financial year	(£0.588m) (i) (£0.493m) (ii)	£0.780m (iii) £1.607m (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 31/12/05 audited	Accounts year to 31/3/06 audited
Copies of Accounts may be obtained from:	Veolia House, 154A Pentonville Road, London N1 9PE	28 Park Street, London SE1 9EQ

(i) As at 31 December 2005

(ii) As at 31 December 2004

(iii) As at 31 March 2006

(iv) As at 31 March 2005 (GLE's 2004/05 figures have been restated due to a prior year adjustment)

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

Lewisham Homes

a) Lewisham Homes is a separate legal body and was incorporated on the 26 July 2006. Being a separate legal entity it was necessary to consider Group Accounts and Lewisham Homes own Accounts.

b) Lewisham Homes is wholly owned by London Borough of Lewisham and as such is a subsidiary. For 2006/07 the figures shown in the Memorandum Account below are immaterial and therefore Group Accounts are not required. The Lewisham Homes' auditors have deemed the company as trading for 2006/07 and therefore they will be required to produce formal accounts (unavailable at the time these Accounts were published).

c) For information the expenditure included in the HRA for Lewisham Homes for the period 22 January to 31 March 2007 is shown in the memorandum account below:

Lewisham Homes 2006/07 Memorandum Account for year ending 31 March 2007

	£000s
Direct salaries and running expenses	2,470
Support services	1,268
Total expenditure Lewisham Homes	3,738

Notes:

a) Pension Fund. All transferring employees will be treated as 100% Funded so there is a minimal deficit to account for in 2006/07.

b) There are other minor debtors and creditors totalling £52k net creditors as at 31 March 2007.

43. NET ASSETS EMPLOYED

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

	2006/07	2005/06
	£000s	£000s
General Fund	835,552	431,102
Housing Revenue Account	776,621	837,998
Total Net Assets Employed	1,612,173	1,269,100

44. CONTINGENT LIABILITIES

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

(a) Since 1986, the Council has guaranteed a loan from a financial institution to Hyde Housing Association in connection with a housing development at Brandram Road. The amount guaranteed as at 31 March 2007 was £1.1m (£1.2m at 31 March 2006). The redemption date is 31 December 2010.

(b) Underwriting of design costs up to a maximum of £0.500m in respect of capital works to Northbrook School under the Building Schools for the Future programme, in the event that the BSF contract does not reach financial close.

(c) Underwriting of 50% of costs of early works, up to a maximum of £1.000m, at Sedgehill and Catford Schools, the amount only to be due if the Council (without reasonable cause) does not enter into the contracts with the private sector partner under the BSF programme.

(d) Potential liability of up to £135k of finance costs, if the land at Thurston Road Travellers site is not delivered to the developer with vacant possession. There are also potential abortive development costs up to a maximum of £2.500m if, when the developers are otherwise in a position to commence development, and have in place all other conditions (such as planning permission and road closure orders), they can not commence development solely due to failure by the Council to deliver vacant possession of the site.

45. POST BALANCE SHEET EVENTS

(a) In June 2007 the Council entered into a PFI arrangement to refurbish and manage 1,200 homes in Brockley. The contract is worth £165m over a period of 20 years, commencing in August 2007.

(b) In 2005/06 the Council disclosed a Contingent Liability regarding a loan guarantee to Hyde Housing Association in connection with a housing development at the St John's site. On 27 June 2007 the guarantee was honoured and the outstanding loan and housing estate transferred to the Council. The Council redeemed the loan on 28 June 2007 at a cost of £41.341m and will be re-financing it in due course.

46. RECONCILIATION OF REVENUE CASH FLOW

	2006/07		2005/06
	£000s	£000s	£000s
Net Deficit on the Income & Expenditure Account	47,833		32,941
Collection Fund Deficit/(Surplus)	(188)		(592)
		47,645	32,349
Less: Non-Cash Transactions			
Contributions (to)/from Provisions	(6,543)		1,253
Deferred Premiums on Early Repayment of Debt	(2,840)		(3,197)
Deferred Discounts on Early Repayment of Debt	(284)		98
Landfill Liability	(310)		(298)
Landfill Usage Allowance	388		0
Depreciation and Impairment of Fixed Assets	(16,104)		(12,343)
Government Grants Deferred Amortisation	9,897		6,703
Write Downs of Deferred Charges to be Financed From Capital Resources	(10,774)		(13,042)
Amortisation of HRA premiums and discounts	373		0
Net Loss on Sale of Fixed Assets	(2,410)		0
Net Charges made for Retirement Benefits in accordance with FRS17	(30,837)		(28,671)
Employers Contributions to the Pension Fund and Retirement Benefits payable direct to Pensioners	27,103		30,964
Transfer from Major Repairs Reserve	(22,488)		(19,283)
		(54,829)	(37,816)
Less: Items Included as Accruals			
Increase/(Decrease) in Long-Term Debtors	187		184
Increase/(Decrease) in Stocks & Work in Progress	60		201
Increase/(Decrease) in Debtors	(113)		5,653
Increase/(Decrease) in Prepayments	(1,861)		(2,055)
(Increase)/Decrease in Creditors	366		(3,588)
(Increase)/Decrease in Receipts in Advance	(4,783)		(4,499)
		(6,144)	(4,104)
Less: Financing Items			
Shown Earlier in Cashflow Statement		(14,196)	(16,251)
Net Cashflow from Revenue Activities		(27,524)	(25,822)

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

	31/03/2006 £000s	Cash Flow £000s	31/03/2007 £000s
Cash Balance			
Bank Overdrawn	(7,675)	(433)	(8,108)
Financing Activities			
Debt due within one year	(50,476)	(27,830)	(78,306)
Debt due after one year	(378,759)	67,305	(311,454)
	(429,235)	39,475	(389,760)
Management of Liquid Resources			
Short Term Investments	171,400	(72,100)	99,300
Long Term Investments	0	31,230	31,230
Total	(265,510)	(1,828)	(267,338)

Reconciliation of Net Cash Flow to Movement in Net Debt

	£000s	£000s
Net Cash Flow		(433)
Net Cash Outflow from Financing	39,475	
Net Cash Inflow from Management of Liquid Resources	(40,870)	
		(1,395)
Movement in Net Debt		(1,828)

48. ANALYSIS OF GOVERNMENT GRANTS IN CASH FLOW

	2006/07 £000s	2005/06 £000s
Housing & Council Tax Benefit	(167,250)	(145,300)
Dedicated Schools Grant	(161,465)	0
Standards Fund	(36,924)	(36,615)
Revenue Support Grant	(25,741)	(221,404)
Supporting People	(17,453)	(17,756)
Local Area Agreements	(15,278)	0
Schools Sixth Form	(9,067)	(8,334)
Adult & Community Learning	(4,396)	(3,732)
NDC New Cross Gate	(4,346)	(4,030)
Access & Systems Capacity	(3,207)	(3,431)
LAA Performance Reward Grant	(2,675)	0
Other Grants	(30,733)	(55,560)
	(478,535)	(496,162)

SECTION 3a

**HOUSING
REVENUE
ACCOUNT**

2006/07

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

	2006/07 £000s	2005/06 £000s	Notes
Income			
Gross rent - dwellings	87,488	85,605	1
- other housing property	3,066	3,133	1
Charges for services and facilities	8,322	7,043	
Housing subsidy - housing element	18,552	23,453	2
- housing benefit element	0	0	3
Other income	3,281	6,239	4
Total income	120,709	125,473	
Expenditure			
Supervision and management - General expenses	35,105	36,193 *	5
- Special expenses	10,321	10,431	6
Repairs and maintenance	23,873	23,478	7
Rents, rates, taxes and other charges	3,136	3,124	8
Rent rebate subsidy shortfall	2,518	4,526	
Contribution to doubtful debt provision	1,051	1,078	9
Depreciation - dwellings	38,941	37,959 *	11
- other housing assets	2,263	1,105 *	11
Deferred charges	2,593	0	
Debt management costs	73	80	
Total expenditure	119,874	117,974	
Net cost of HRA Services per Authority Income and Expenditure Account	(835)	(7,499)	
HRA services share of Corporate and Democratic Core	1,088	1,218	
HRA share of other amounts included in the whole authority Net	10	10	
Cost of services but not allocated to specific services			
Net Cost of HRA Services	263	(6,271)	
Gain or loss on sale of HRA fixed assets	2,814	0	
Interest payable and similar charges	18,482	18,777	
Amortisation of premiums and discounts	1,814	2,809	12
Interest and investment income	(73)	(103)	
Pension interest cost and expected return on pension assets	109	299	
(Surplus) or deficit for the year on HRA services	23,409	15,511	

* indicates restatements to the 2005/06 comparative figures due to changes to the requirements for presenting the accounts.

Housing Revenue Account

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

	2006/07 £000s	2005/06 £000s	Note
(Surplus) or deficit for the year on the HRA Income and Expenditure Account	23,409	15,511	
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(26,238)	(18,587)	
(Increase) or decrease in the HRA Balance	(2,829)	(3,076)	
Housing Revenue Account surplus brought forward	(11,251)	(8,175)	
Housing Revenue Account surplus carried forward	(14,080)	(11,251)	16

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

	2006/07 £000s	2005/06 £000s	Note
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year			
Difference between amounts charged to income and expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	373	0	
Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	(1,648)	(439)	
Gain or loss on sale of HRA fixed assets	(2,410)	0	
Net charges made for retirement benefits in accordance with FRS 17	(110)	(299)	
	(3,795)	(738)	
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year			
Transfer to/(from) Major Repairs Reserve	(22,488)	(18,132)	15
Employers contribution payable to the Pension Fund and retirement benefits payable direct to pensioners	45	283	
	(22,443)	(17,849)	
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(26,238)	(18,587)	

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 2007, 2.5% of lettable property was empty (2.4% at 31 March 2006). These figures for empty property exclude accommodation for the homeless and dwellings designated for sale, major works and improvements. Average rents were £67.52 per week in 2006/07 and £64.47 per week in 2005/06.

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 25,667 dwellings as at 31 March 2007 (25,921 as at 31 March 2006).

The stock was made up as follows:

	2006/07 Nos.	2005/06 Nos.
Houses/Bungalows	6,862	6,900
Flats/Maisonettes	18,805	19,021
Stock at 31 March	25,667	25,921

The changes in stock can be summarised as follows:

	2006/07 Nos.	2005/06 Nos.
Stock at 1 April	25,921	26,489
Less Sales, Demolitions, etc.	(293)	(589)
Add Re-purchases, Conversions etc.	39	21
Stock at 31 March	25,667	25,921

b) Rent arrears

	2006/07 £000s	2005/06 £000s
Arrears due from - current tenants	5,150	4,511
- former tenants	2,471	2,631
Total Arrears	7,621	7,142
Total Arrears as % of Gross Rent of Dwellings Due	8.7%	8.3%

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

Housing Revenue Account

c) Rent – other housing property

	2006/07 £000s	2005/06 £000s
Aerial Sites	349	358
Garage rents	809	756
Reception Hostels	1,021	1,148
Commercial property rent	802	788
Housing Benefit overpayments	0	0
Ground Rents	85	83
Total Other Rents & Charges	3,066	3,133

d) Charges for services and facilities

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

From 5 April 2003 service charges for caretaking and grounds maintenance were separated from rent and charged separately to tenants. From 5 April 2004 service charges for communal lighting were separated from rent and charged separately to tenants. From 4 April 2005 service charges for the Lewisham Tenants Levy were separated from rent and charged separately to tenants. The average tenants service charge was £2.99 in 2006/07 (£2.92 in 2005/06).

	2006/07 £000s	2005/06 £000s
Heating Charges	766	532
Leasehold Service Charges	3,749	2,746
Tenants Service Charges	3,807	3,765
Total Charges for Services and Facilities	8,322	7,043

2. GOVERNMENT HOUSING EXCHEQUER SUBSIDY

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

Subsidy is made up of the following elements:

	2006/07 £000s	2005/06 £000s
Management Allowance	22,148	21,633
Maintenance Allowance	34,549	33,848
Major Repairs Allowance	19,660	20,494
Charges for Capital	25,618	26,059
Other Reckonable Expenditure	1,850	2,317
Allowance for Tenant Participation Compacts	0	0
Allowance for Resource Accounting	0	0
Guideline Rent Income	(85,597)	(80,782)
Rental Constraint Allowance	417	0
Interest on Receipts	(93)	(116)
Total Housing Element of Subsidy	18,552	23,453

3. REBATES

Assistance with rents is available under the Housing benefits scheme for those on low income. Approximately 61% of Council tenants received help under this scheme as at 31 March 2007 (61% as at 31 March 2006). The scheme is administered by the Council.

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

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

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

	2006/07 £000s	2005/06 £000s
Rent Rebates Given (GF)	58,736	55,397
Subsidy Received on Rebates (GF)	(56,218)	(50,871)
Net cost to council	2,518	4,526
Recharge from GF to HRA		
Shortfall on limitation	2,518	4,064
Shortfall on overpayments	0	462
Net cost to the HRA	2,518	4,526
Net cost to GF	0	0

4. OTHER INCOME

	2006/07 £000s	2005/06 £000s
Commission on insurance and water rates	911	891
Asset rentals	339	552
Corporate recharges	0	324
Court costs	115	165
Inter-borough nominations	54	236
Government grants	732	1,479
Recharges of repairs	337	1,912
Professional fees	0	61
Recharge to capital receipts	266	297
Hostels: Heat, Light & Water Charges	277	230
Transfer from Leaseholders Insurance Fund	0	0
Contribution from Corporate Insurance Fund	0	0
Other miscellaneous income	250	92
Total Other Income	3,281	6,239

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, care taking, maintenance of grounds, communal lighting, lifts and ancillary services.

7. REPAIRS AND MAINTENANCE

Day-to-day repairs to Council housing stock and cyclical external decoration. Void properties prior to re-letting and certain tenants' properties are eligible for internal decoration. Gross repairs and maintenance expenditure for 2006/07 was £25.973m (2005/06 - £24.676m). In 2006/07 £2.100m (2005/06 £1.197m) was charged to capital.

8. RENT, RATES AND OTHER CHARGES

Expenditure relating to business rates, ground rents and lease rents payable. Expenditure on lease rentals to Hyde Housing for the provision of additional housing stock was £2.629m (£2.629m in 2005/06).

9. CONTRIBUTIONS TO PROVISION FOR DOUBTFUL DEBTS

Contribution of £1.051m (2005/06 - £1.078m) from the HRA to a provision set aside to meet doubtful debts. Details of the accumulated provision are as follows:

	2006/07 £000s	2005/06 £000s
Housing tenants	5,710	5,500
Leaseholders	1,729	1,809
Commercial properties, miscellaneous debts	243	328
Total Provision for Bad and Doubtful Debts	7,682	7,637

10. FIXED ASSETS

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

	31/03/07 £000s	31/03/06 £000s
Operational Assets:		
Dwellings	1,294,331	1,306,409
Other land and buildings	102,618	100,411
Total Operational Assets	1,396,949	1,406,820
Non-operational assets	745	3,800
Total Housing Assets	1,397,694	1,410,620
<u>Valuation of Council dwellings</u>		
Existing use value - social housing	1,294,331	1,306,409
Vacant possession value	3,507,027	3,530,834

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:

	2006/07 £000s	2005/06 £000s
Operational Assets:		
Dwellings	39,699	38,625
Govt Grants Deferred	(758)	(666)
Total Depreciation Dwellings	38,941	37,959
Other land and buildings	2,449	1,151
Govt Grants Deferred	(186)	(46)
Total Depreciation Other land and buildings	2,263	1,105
Total Operational Assets	41,204	39,064
Non-operational assets	0	0
Total Housing Assets	41,204	39,064

12. AMORTISED PREMIUMS AND DISCOUNTS

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

13. HOUSING CAPITAL EXPENDITURE

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

	2006/07 £000s	2005/06 £000s
Capital expenditure on housing, land and buildings	50,816	38,751
Financed by:		
Borrowing (SCE(R))	5,500	5,505
Usable capital receipts	22,794	10,833
Grants (Estate action, CRS, Silwood SRB)	2,862	1,920
Revenue contribution	0	0
Major repairs reserve	19,660	20,493
Total Financing	50,816	38,751

Total capital receipts from the disposal of housing assets were £26.534m in 2006/07 (£55.230m in 2005/06) of which £11.058m (£26.378) were usable capital receipts.

14. 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 £304m (£304m in 2005/06).

Housing Revenue Account

15. MAJOR REPAIRS RESERVE

The movements on the major repairs reserve are as follows:

	2006/07 £000s	2005/06 £000s
Balance as at 1 April	0	0
Transferred in (depreciation)	(42,148)	(39,776)
Financing of capital expenditure on housing assets	19,660	20,493
Transfer to the HRA	22,488	19,283
Balance as at 31 March	0	0

16. MOVEMENT IN HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

	Balance at 31/03/2006 £000s	Transfers In £000s	Transfers Out £000s	Balance at 31/03/2007 £000s
Insurance	2,461	194	129	2,526
Early retirement / voluntary redundancy	1,483	350	650	1,183
Leasehold Properties Insurance	1,686	160	2	1,844
Programmed Works	2,300	0	460	1,840
ALMO Start-up Costs	0	1,200	0	1,200
2007/08 Budget Strategy	0	1,563	0	1,563
2008/09 Budget Strategy	0	1,200	0	1,200
Other Reserves and Balances under £1m	3,068	1,500	2,179	2,389
HRA Balance	253	335	253	335
TOTAL	11,251	6,502	3,673	14,080

17. PENSIONS COSTS - FRS 17

In accordance with FRS 17, Lewisham recognises the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the cost to the HRA is based on the cash payable in the year, so the accrued cost of retirement benefits is reversed out of the HRA in the Statement of Movement on the Housing Revenue Account Balance. The actual cash payable to the Pension Fund of £45k is included.

SECTION 3b

**COLLECTION
FUND**

2006/07

Collection Fund

THE COLLECTION FUND

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

COLLECTION FUND REVENUE ACCOUNT

	2006/07 £000s	2005/06 £000s	Notes
INCOME			
Receivable from Council Tax	88,584	82,947	1
Transfers from General Fund:			
- Council Tax Benefits	23,394	22,088	
Receivable from Business Rates	38,706	35,983	2
Contributions:			
- Previous Year's Collection Fund Deficit	0	303	4
TOTAL INCOME	150,684	141,321	
EXPENDITURE			
Precepts and Demands	107,783	102,301	3
Business Rates:			
- Payment to National Pool	38,355	35,625	
- Cost of Collection	351	357	
Bad & Doubtful Debts:			
- Contribution to Provisions (Council Tax)	3,981	2,446	5
Contributions:			
- Previous Year's Collection Fund Surplus	26	0	4
TOTAL EXPENDITURE	150,496	140,729	
Deficit/(surplus) at the Beginning of the Year	148	740	
Deficit/(surplus) for the Year	(188)	(592)	
FUND DEFICIT/(SURPLUS) AT THE END OF YEAR	(40)	148	6

NOTES TO THE COLLECTION FUND REVENUE ACCOUNT

1. COUNCIL TAX

The council tax base was calculated as follows:

Council Tax Band	Total No. of Dwellings as per Valuation Officer's List	Total Equivalent No. of Dwellings after allowing for Discounts & Exemptions & Other Adjustments	Ratio to Band D	Band D Equivalents as per Ratio	Council Tax Charge £
A	6,927	5,414	6/9	3,608	852.90
B	30,294	24,670	7/9	19,188	995.05
C	39,337	33,684	8/9	29,941	1,137.20
D	24,921	22,331	1	22,331	1,279.35
E	7,230	6,631	11/9	8,105	1,563.65
F	2,788	2,589	13/9	3,740	1,847.96
G	1,296	1,207	15/9	2,012	2,132.26
H	173	138	18/9	276	2,558.71
TOTAL	112,966	96,664		89,200	
		Add: Contributions in lieu		0	
		Total Band D equivalents		89,200	
		Estimated Collection Rate		96.18%	
		Net Council Tax Base		85,793	

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

	2006/07		2005/06
	£000s	£000s	£000s
Gross Opening Charge		130,110	123,366
Less: Adjustments to charge	2,188		631
Exemptions	(5,664)		(5,042)
Disabled Relief	(71)		(63)
Discounts	(14,585)		(13,857)
		(18,132)	(18,331)
		111,978	105,035
Less:			
Transfers from General Fund for Council Tax Benefits		(23,394)	(22,088)
Net amount of Council Tax Receivable		88,584	82,947

Collection Fund

2. NATIONAL NON-DOMESTIC RATES

	2006/07		2005/06
	£000s	£000s	£000s
Gross Non-Domestic Rates Collectable (after adj)		42,317	39,862
<u>Other adjustments</u>			
(a) Reductions and Relief:			
Mandatory Relief	(3,244)		(3,274)
Other Adjustments	103	(3,141)	(140)
Total Receivable from Business Rates		39,176	36,448
(b) Contribution to Provision for Bad & Doubtful Debts		(470)	(465)
Net Amount Collectable from Business Ratepayers		38,706	35,983

The total Non-Domestic rateable value at the end of the year was £118.682m (£119.582m in 2005/06) and the National Non-Domestic rate multiplier for the year was 43.3p (42.2p in 2005/06). The small business non-domestic rating multiplier is 42.6p (41.5p in 2005/06). Therefore, the gross amount payable was £40.939m (£37.613m in 2005/06). The gross amount collectable from ratepayers after allowing for void adjustments and exemptions was £42.317m (£39.862m in 2005/06).

3. PRECEPTS

The Precepts on the Collection Fund comprise the following:

	2006/07	2005/06
	£000s	£000s
Lewisham General Fund	83,022	80,571
Greater London Authority	24,761	21,730
	107,783	102,301

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

This item for 2006/07 represents a contribution paid during the year to distribute the Council Tax surplus on the Fund for the previous year. The comparative figure for 2005/06 represents a contribution received during the year to clear the Council Tax deficit on the Fund for the previous year.

	2006/07	2005/06
	£000s	£000s
Lewisham General Fund	(21)	239
Greater London Authority	(5)	64
	(26)	303

5. PROVISION FOR IRRECOVERABLE COUNCIL TAX DEBTS

Contributions are made from the Collection Fund Revenue Account to a provision for bad and doubtful debts. During 2006/07, £3.981m was contributed to this provision (2005/06 - £2.446m) and £1.216m of irrecoverable debts were written off (2005/06 - £3.759m).

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

An in-year surplus of £0.188m has turned the brought forward deficit of £0.148m at the start of the year to a surplus of £0.040m at the end of the year.

SECTION 4

**PENSION
FUND
ACCOUNTS**

2006/07

PENSION FUND ACCOUNTS 2006/07

INTRODUCTION

The Pension Fund provides for the payment of benefits to London Borough of Lewisham employees and former employees. 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 bodies.

ORGANISATION

The Fund is operated under the provisions of the Local Government Pension Scheme Regulations 1997. As at 31 March 2007, the Fund membership was 5,929 retired members (5,836 in 2005/06); 6,178 current employees (6,231 in 2005/06); and 5,392 deferred members (5,334 in 2005/06).

Formal responsibility for management of the Pension Fund is delegated to the Council's Pensions Investment Committee, which monitors the activities of the external investment managers. Each investment manager has an individual performance target to secure a return of between 0.75% and 1.5% above their benchmark over a rolling three-year period. These benchmarks are tailored to spread the risk appropriate to the portfolio for each manager. When considering where to place funds, the investment managers also have to consider the Pensions Investment Committee's views on socially responsible investments. Details of this policy are contained in the Statement of Investment Principles (see web address below). During the last twelve months HarbourVest Partners were appointed to manage investments in private equity funds. HarbourVest is a global firm with a long track record of managing private equity. The target allocation is 3% and is split as follows: 50% Europe with the rest of the world and 50% North American private equity.

A report is published twice a year for Fund members, keeping them aware of all relevant transactions and topical developments. The report published in November gives details of the outturn for each year to 31 March. A statement of the Fund's corporate governance, funding strategy and investment principles can be found on the authority's website, at the following address:
"www.lewisham.gov.uk/CouncilAndDemocracy/Finances/PensionsDocuments.htm".

ACCOUNTING POLICIES

The Pension Fund Accounts have been prepared in accordance with the 2006 CIPFA code of Practice on Local Authority Accounting. The 2006 code states that the Pension Fund Accounts should be prepared in accordance with The Financial Reports of Pension Schemes (the pensions SORP). The Code summarises the Pensions SORP and the minimum disclosure requirements.

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

- (a) Basis of Preparation - The Accounts have been prepared on an accruals basis, i.e. income and expenditure attributable to the financial year have been included, even where payment has not actually been made or received. The only exception being Transfer Values which are prepared on a cash basis. The financial statements do not take account of liabilities to pay pensions and other benefits due after the period end; these are reported upon separately in the actuary's report.
- (b) Investments - Investments in the Net Assets Statement are shown at market value. The market value of UK investments traded on the London Stock Exchange is the last traded price. All other UK investments are valued at middle market prices. Non UK investments traded on exchanges are valued using the last traded price.

Pension Fund Accounts

- (c) Private equity investments are valued in accordance with European Venture Capital association "EVCA" guidelines for reporting and accounting. The managers retain the discretion to use a lower valuation than the underlying fund manager when it considers this to be appropriate. EVCA guidelines recommend that a conservative valuation policy is adopted for accounting purposes i.e. the investments are valued at cost or written down value.
- (d) Contributions - Under the Local Government Pension Scheme, the contribution to the scheme by the employees is fixed (at 6% for officers and manual workers who joined after April 2001 and 5% for manual workers who joined before April 2001). However, the employer's contribution is required to vary so as to ensure that the Fund is able to meet its long-term liabilities. This is assessed at each triennial actuarial revaluation.
- (e) Actuarial – The adequacy of the Fund's investments and contributions in relation to its overall and future obligations is reviewed periodically by Actuaries appointed by the Council. The Council's Actuary, Hymans Robertson, assesses the Fund's assets and liabilities in accordance with Regulation 77 of the Local Government Scheme Regulations 1997. The valuation is conducted every three years. 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 2004 was £485.7m which represented a 76% 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 are invested in a portfolio consisting of 75% equities and 25% bonds. The stream of future liability payments is converted into capital value today by assuming a return on Fund assets of 5.9%. The actuary set the employer contribution accordingly to recover the deficit over future periods (copies of valuation report are available on request). The actuarial review carried out on 31 March 2004 resulted in an increase to the Council's contribution rate from 12.75% to 17.75% with effect from 1st April 2005 and a further increase to 18.5%, effective from 1st April 2007. The next actuarial valuation of the fund is 31 March 2007 and the report should be available in January 2008.
- (f) Investment Management and Administration - Regulations published in 1989 permit the Council to charge the scheme's administration costs to the Fund. A proportion of relevant Council officers' salaries, including related oncosts, 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 calculated as a set percentage of the market value of the fund as at the end of those quarters. The Council's administrative costs are shown in the Fund Account as part of expenditure.
- (g) Foreign currency translations are made using the WM/Reuters exchange rate in the following circumstances:
- Purchase and sales: The foreign exchange rate applicable on the trade date is used.
 - Stock holdings: The converted foreign exchange rate is used at stock valuation date.
 - Dividend receipts: The rate applicable on the date the dividend is received is used.

INVESTMENT PERFORMANCE

(i) 2006/07 Financial Year

Lewisham's Pension Fund achieved a return on investment for the year of +8.5% compared with the benchmark return of +8.7%. The average return on investments achieved by all local authority pension funds was +7.0% for 2006/07. The continuing recovery in the value of world equity markets has resulted in a further increase in the market value of the Fund's assets in 2006/07 to £734.5m.

(ii) Three Year (1 April 2004 to 31 March 2007) Average Performance

The average return on investment for Lewisham in the three year period to March 2007 was +14.9% p.a. This compares with +14.3% p.a. earned by the average local authority pension fund. Over the three years to March 2007 the upper benchmark return on investment was +15.7% p.a. The average investment return compared to previous periods is:

Three years to	Lewisham % p.a.	Average fund % p.a. for all Local Authorities	Top Quartile % for all Local Authorities
Mar-07	+14.9	+14.3	+15.7
Mar-06	+19.4	+19.8	+20.8
Mar-05	+2.9	+3.6	+4.0

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

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

Fund Manager	Assets	Assets value £m	Proportion of the Fund (%)	Return relative to benchmark	
				One year(%)	Inception to 31/03/07
UBS	Multi Asset (Fixed Interest and UK Equities)	258.9	35.2	-0.40	-1.34
Capital International	UK Equities	173.9	23.7	-0.26	-2.92
Alliance Bernstein	Global Equities ex. UK	213.3	29.0	-0.40	+2.06
Schroders Property	Property	81.1	11.0	+3.61	+2.83
HarbourVest	Private Equity	4.9	0.7	N/A	N/A
Legacy Stock	Venture Capital	0.4	0.1	N/A	N/A
Lewisham	Cash	2.0	0.3	N/A	N/A
Total Fund		734.5	100.0	-0.06	-0.32

Note: Inception date was 1st November 2004.

FUND ACCOUNT FOR THE YEAR ENDED 31st MARCH 2007

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

	2006/07 £000s	2005/06 £000s	See Note
Dealings with members, employers and others directly involved in the scheme			
Contributions Receivable			
- from Employer	22,997	26,661	1
- from Employees	7,576	7,181	1
Transfer Values In	4,943	6,095	
Other Income	415	450	
Sub-Total: Income	35,931	40,387	
Benefits Payable			
- Pensions	22,435	21,723	2
- Lump Sums: retirement allowances	3,309	2,331	
- Lump Sums: death grants	272	506	
Payments to and on account of leavers			
- Refunds of Contributions	15	69	
- Transfer Values Out	3,984	7,597	
Administrative and other expenses borne by the scheme	547	748	3
Sub-Total: Expenses	30,562	32,974	
Total net (additions) / withdrawals from dealings with members	(5,369)	(7,413)	
RETURNS ON INVESTMENTS			
Investment Income	20,685	16,466	4
Change in market value of investments (realised and unrealised)	37,724	116,567	
Investment Expenses			
- Fund Managers' Fees	(2,997)	(2,335)	
- Tax on Dividends	(1,600)	(1,568)	
Total Net Returns on Investments	53,812	129,130	
NET INCREASE / (DECREASE) IN THE FUND DURING THE YEAR	59,181	136,543	
OPENING NET ASSETS OF THE SCHEME	675,298	538,755	
CLOSING NET ASSETS OF THE SCHEME	734,479	675,298	

NET ASSETS STATEMENT

The Net Assets Statement shows the market value of the investments and other assets held by the Pension Fund as at 31 March 2007.

	2006/07 £000s	2005/06 £000s	See Note
INVESTMENT ASSETS			
EQUITIES:-			
United Kingdom	296,407	272,866	
Overseas	182,298	174,056	
	478,705	446,922	5
MANAGED FUNDS:-			
Property	72,404	65,202	
Equity	52,037	40,257	
Fixed Interest	105,669	92,308	
	230,110	197,767	6
UK CASH DEPOSITS	21,910	27,361	9
OTHER INVESTMENTS			
Debtors	3,198	3,063	8
Creditors	(1,422)	(1,424)	8
TOTAL INVESTMENTS	732,501	673,689	7 & 10
NET CURRENT ASSETS & LIABILITIES			
Cash in Hand	1,978	1,609	9
TOTAL NET ASSETS	734,479	675,298	
SUMMARY OF MOVEMENT IN NET ASSETS OF FUND			
Net Assets at Market Value at beginning of year	675,298	538,755	
Net New Money Invested	21,457	19,975	
Change in Market Value of Investments			
Realised	35,148	19,676	
Unrealised	2,576	96,892	
NET ASSETS AT MARKET VALUE AT END OF YEAR	734,479	675,298	

NOTES TO THE PENSION FUND ACCOUNTS

1. CONTRIBUTIONS RECEIVABLE

The administering employer's contributed £0.982m (£1.339m for 2005/06) from the General Fund for early retirement cases.

Employer Contributions

	2006/07 £000s	2005/06 £000s
Administering: Normal	21,420	20,376
Special	982	5,318
Admitted bodies: Normal	195	335
Special	(175)	393
Scheduled bodies	575	239
	22,997	26,661

There was a net refund of £0.175m to Circle 33, who withdrew from the fund during 2006/07.

Employee Contributions

	2006/07 £000s	2005/06 £000s
Administering	7,298	7,050
Admitted bodies	66	92
Scheduled bodies	212	39
	7,576	7,181

2. BENEFITS PAYABLE

	2006/07 £000s	2005/06 £000s
Retirement pensions	14,196	13,732
Dependants' pensions	1,057	1,063
Pensions increases	7,182	6,928
	22,435	21,723

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

In 2006/07 the fund paid £28.6k of retirement allowance and £0.7k of pension remuneration to members of a scheduled body; and also paid £21.8k of retirement allowance and £6.9k of pension remuneration to members of an admitted body.

3. ADMINISTRATION

	2006/07 £000s	2005/06 £000s
Consultancy fees	112	181
Central Support Services	78	135
Scheme administration	310	385
Corporate & Democratic Core (CDC)	47	47
	547	748

4. INVESTMENT INCOME

	2006/07	2005/06
	£000s	£000s
Interest on cash deposits	831	879
Equities	17,271	12,769
Property Unit trusts	2,583	2,818
Total income	20,685	16,466

5. EQUITY INVESTMENTS

There is no single investment greater than 5% of the total value of the fund.

	2006/07	2005/06
	£000s	£000s
UK INVESTMENTS		
- listed	296,270	272,728
- unlisted	137	138
TOTAL UK INVESTMENTS	296,407	272,866
OVERSEAS INVESTMENTS		
- United States & Canada	71,542	63,504
- Japan, Pacific & Emerging Markets	45,253	44,387
- Europe	65,503	66,165
TOTAL OVERSEAS INVESTMENTS	182,298	174,056
TOTAL EQUITY INVESTMENTS	478,705	446,922

6. MANAGED FUNDS INVESTMENTS

The large increase in the value of Managed Funds for 2006/07 is due to investment in pooled fixed interest funds and index linked funds. This also includes £4.9m private equity investments in North America, Europe and the rest of the world.

	2006/07	2005/06
	£000s	£000s
Property	72,404	65,202
International Fixed Interest	25,890	19,814
UK Corporate Bond	23,796	21,182
UK Government Bond	26,602	24,707
UK Index Linked Bond	29,381	26,605
Unit Trust: UK Equities	17,193	13,823
Unit Trust: Overseas Equities	34,844	26,434
TOTAL MANAGED FUNDS INVESTMENTS	230,110	197,767

7. INVESTMENT ACTIVITY

During the year investment managers carried out the following transactions:

	2006/07	2005/06
	£000s	£000s
Balance b/fwd (Book Cost)	499,436	467,954
Sales (Book Cost)	(105,478)	(74,026)
Purchases	167,126	105,508
BOOK COST AT YEAR-END	561,084	499,436
Other Investments	1,776	1,639
External cash deposits	21,910	27,361
Market value adjustment	147,731	145,253
MARKET VALUE AT YEAR-END	732,501	673,689

8. DEBTORS & CREDITORS – these consist of the following amounts: -**(a) Debtors**

	2006/07	2005/06
	£000s	£000s
Dividends	2,947	2,839
Interest	96	90
Tax refunds	155	134
	3,198	3,063

(b) Creditors

	2006/07	2005/06
	£000s	£000s
Fund managers fees	(1,010)	(994)
Tax due	(412)	(430)
	(1,422)	(1,424)

9. CASH DEPOSITS

The Cash Deposits relate 100% to UK Cash Holdings.

An analysis of Cash Deposits as at 31st March 2007 is as follows:

	2006/07	2005/06
	£000s	£000s
Northern Trust	21,910	27,361
Cash in Hand	1,978	1,609
	23,888	28,970

Note: The Northern Trust Company is the fund global custodian and the cash is held in an interest bearing account to meet the Cashflow requirements of the Council's fund managers.

10. PORTFOLIO ALLOCATION

Fund Manager	2006/07		2005/06	
	%	£000s	%	£000s
UBS (legacy stock)	0	395	0	374
Schroder	11	81,034	10	67,670
Alliance Bernstein	29	213,257	30	203,465
Capital International	24	174,088	24	156,963
UBS	35	258,894	36	245,217
HarbourVest	1	4,833	0	0
	100	732,501	100	673,689

11. RELATED PARTY TRANSACTIONS

- The total employer's contributions of £22.997m (£26.661m – 2005/06) paid by Lewisham and other contributors are disclosed in the Fund Account.
- There are three scheduled bodies who had transactions with the Pension Fund, Christ The King Sixth Form College and Haberdashers' Aske's Knights Academy, with total contributions to the Fund of £0.484m (2005/06 - £0.278m). Lewisham Homes (an Arms Length Management Organisation) became a scheduled body to the fund on 22 January 2007; its total contribution to the Fund was £0.303m in 2006/07.
- There are 12 admitted bodies who had transactions with the Pension Fund, with total contributions to the fund of £0.261m. Circle 33 left the fund during the year and Wide Horizons, a new employer joined the fund in February 2007.
- The in-house administration cost and other expenses borne by the scheme totalled £0.547m.
- The fund had £1.978m cash in hand as at 31st of March 2007, which was invested temporarily in the Sterling money market on behalf of the fund by Lewisham Council, the administering body for the fund.

12. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

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

	£000s
Value at 1 April 2006	757
Contributions & Transfers Received	167
Investment Return	149
Paid Out	(196)
Value at 31 March 2007	877

13. SCHEDULED BODIES

The following are scheduled bodies to the fund:

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

14. ADMITTED BODIES

The following are admitted bodies to the fund:

Circle 33 Housing Trust Ltd (part year)
CIS Securities
SAGE Educational Trust
Excalibur Tenant Management Project
Housing 21
Lewisham Elders Resource Centre
Lewisham Nexus Services
Lewisham Park Housing Association
Lewisham Way Youth and Community Centre
National Car Parks Ltd
PLUS
Wide Horizons

SECTION 5

**STATEMENT
ON INTERNAL
CONTROL**

2006/07

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

Lewisham is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council 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 a regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

2. The purpose of the system of Internal Control

The system of internal control is designed to manage risk to a reasonable level but we do not eliminate risk where possible. It 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 the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, their impact should they be realised, and to manage them efficiently, effectively and economically.

The systems in operation during 2006/07, and up to the date of the review, have been built on the internal control arrangements of earlier years.

3. The Internal Control environment

The key elements of the Council's internal control environment are as follows:

Governance arrangements

- The Council has adopted a constitution, which sets out how Lewisham operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.
- Lewisham has adopted a Mayoral model of decision making which is pivotal to the system of internal control. The Mayor has executive decision making powers, advised by his Cabinet and the Executive Management Team (EMT). The Mayor makes all the decisions except those delegated to officers or reserved to the full Council by law.
- Scrutiny and pre-scrutiny committees review the work of the Mayor and Cabinet
- The Mayor and his Cabinet meet in public to consider reports and for the Mayor to make his decisions. All key decisions to be taken are published in the forward plan.
- Overview and Scrutiny Business Panels monitor the work of the Mayor. These Business Panels have the power to "call in" executive decisions.
- The Audit Panel reports to the Council on the statutory financial reporting requirements and internal audit functions.
- The Council has adopted a local code of corporate governance in accordance with the CIPFA/SOLACE Framework for Corporate Governance. The local code contains appropriate monitoring and reporting procedures.

Statement on Internal Control

- The Council has designated the Head of Law as the Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service and Chief Finance Officer, the Monitoring Officer will report to the full Council if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

Performance Management

- The Council's Performance Management System gained the highest rating in the Comprehensive Performance Assessment. The Council's Performance Plan details what Lewisham intends to do in both the short and medium term.
- Service Plans are compiled in line with corporate guidance and include all equalities, financial and risk related matters.
- Performance is reviewed by Directorate Management Teams monthly and key indicators are subsequently reviewed by EMT and at Mayor's Briefing.

Risk Management

- A Risk Management Strategy has been adopted which is regularly updated and reviewed. An Internal Control Board (ICB), which includes the Chief Executive and all Executive Directors and is chaired independently, meets quarterly to review all significant risks. The ICB is advised by a Risk Management Group representing all services.
- Systems are in place to identify and evaluate all significant risks, these include the integration of risk management with service planning, quarterly risk profile reviews by Directorate Management Teams and co-ordinated reviews of directorate risks by the Risk Management Group and the ICB.

Financial Management

- 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 1988 and Sections 25-28 of the Local Government Act 2003 in relation to the Chief Financial Officer's statutory duties.
- Lewisham has in place a five-year Financial Survey, updated annually to support the medium-term aims of the Council.
- 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. In addition, the Committee has agreed a Statement of Investment Principles which complies with CIPFA's Pensions Panel Principles of Investment decision making.

External Inspection and internal audit

- Through reviews by external auditors, external agencies, internal audit, efficiency and Best Value processes, the Council constantly seeks ways of ensuring economical, effective and efficient use of resources and for securing continuous improvement in the way in which functions are exercised.
- The Council maintains an Internal Audit Section, which aims to comply with the standards set out in CIPFA's 'Code of Practice for Internal Audit in Local Government in the UK'.
- The Council has an open, objective and professional relationship with external auditors and statutory inspectors.

4. Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the system of internal control. The review of the effectiveness of internal control is informed by key management systems, the work of internal audit and senior managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The review of effectiveness of internal control for 2006-07 has identified the following:

Governance arrangements

- The Monitoring Officer continuously reviews the Code of Corporate Governance and manages any standards issues that arise.
- The Standards Committee has reviewed the Local Code of Corporate Guidance.

Performance Management

- The Performance Management Framework is reviewed annually and the Council strengthened corporate arrangements with new advice for 2007-08 service planning.
- Performance is regularly monitored against targets and has been reported to EMT and Mayors Briefing.
- Concerns about poor performance are addressed by all levels of management and by EMT who invite managers to attend and agree appropriate action.

Risk Management

- Directorate Risk Registers identify and evaluate significant risks within Directorates and nominate responsible persons for managing those risks. These risks are reported to the ICB. The effects of corporate assessment, as recorded in the Corporate Risk Register, is informed by the Directorate evaluation. Executive Directors maintain responsibility for identifying and managing risks within their service areas and this is monitored by the ICB.
- The ICB reviews and updates Corporate and Directorate Risk Registers quarterly.
- ICB has regularly reviewed progress on Business Continuity Planning

Statement on Internal Control

- The ICB reviewed the “Assurance and Evidence” gathering exercise in accordance with CIPFA’s guidance to authorities on preparing a Statement on Internal Control.

Financial Management

- Mayor and Cabinet receive regular budget monitoring reports
- Public Accounts Committee receive regular reports from Internal Audit, including bi-annual reports.

External Inspection and reviews

- A number of external inspections of the Council have been undertaken, in particular the refresh of the CPA and the Audit Commission’s Annual letter and Audit of Accounts. Officers have considered and responded to the outcomes of these reviews.
- Over the last year there have been Audit Commission reviews of Internal Audit, Information Sharing through Lewisham Information Sharing and Assessment (LISA); Pooled Budgets; IT Strategy and Transitional Arrangements; Organisational Changes; and Public Private Partnerships. The Audit Commission and the Commission for Social Care Inspection (CSCI) reported on their joint review of Supporting People. The Council also undertook a Best Value Review of Financial Management within the Authority. Each of the reviews has an action plan that addresses key issues raised although there were no new significant matters identified.

Internal Audit

- The Internal Audit work plan was informed by Corporate and Directorate risk registers.
- Internal Audit report each audit to the relevant Executive Director and Service Head and ensure implementation of agreed recommendations is followed up.
- ICB regularly reviews progress on the implementation of recommendations from Internal Audit reports.

The Audit Commission has reviewed the work of Internal Audit and, while recognising that significant improvements have been made since the 2005/06 review, has noted that Internal Audit is substantially, but not yet fully, compliant with the more stringent 2006 CIPFA Code of Practice for Internal Audit. However, the Audit Commission is confident that with continued improvement during 2007/08, there is every indication that Internal Audit will be able to gain a 'compliant with the Code' assessment in 2007/08. An Action Plan has been agreed with the Audit Commission to address the issues raised in their review.

The Internal Audit programme for 2006-07 generated a number of corporate concerns that are considered relevant to this statement. These are:

- **Debtors**

This review built on the findings from the Best Value Review of Financial Management and highlighted issues such as: procedures relating to the write off of debts need enhancing; standardised debt creation forms are not in use in some of the directorates; and debt collection performance has not been good, with a significant amount of old debts (greater than one year old) remaining uncollected.

- **Business Continuity Planning and Disaster Recovery**

At the time of this review a significant number of service units had still not produced business continuity plans (BCPs). The position has improved since this review with around 92% of services having now produced their plans. However in many cases the effectiveness of these BCPs still needs to be tested although there is a programme in place to ensure this happens. The review also identified that there is a need to ensure that BCP is embedded into the annual service planning process. A subsequent review of the Council's IT service also found that the BCP and disaster recovery arrangements needed strengthening. The Council's IT service provider has put forward proposals to address these issues and these are currently being assessed by the Council.

- **Money Laundering**

There have been further delays in completing the Council-wide assessment of the risk of money laundering that the Proceeds of Crime Act requires. Awareness of the requirements of the legislation may not be fully understood by all relevant officers. To address this a Council-wide risk assessment will be undertaken, together with a review of the procedures, and appropriate training provided to services deemed to be at highest risk during 2007/08.

- **Data Protection and Freedom of Information**

Previous reviews have identified inconsistencies in the way that requests under Data Protection and Freedom of Information legislation were responded to across the Council, the lack of available training for Council officers and the lack of a corporate system for logging and monitoring such requests. A comprehensive plan to implement the required improvements was prepared. The review in 2006/07 found that whilst much progress had been made there were still some improvements that had not been fully implemented and as such this remains an issue for the Council. There will be a further review carried out.

- **ICT Guidance**

Previous reviews have identified that the existing guidance to officers on the use of ICT equipment and services, including email and the internet, is significantly out-of-date and no longer applicable to current arrangements. There has been significant slippage with the planned review of the 'Wired Working' policy and the subsequent communication of any changes resulting from this to staff. As such this remains a significant issue for the Council.

The status of the following two issues reported in the Statement of Internal Control for 2005/06 as being significant issues have changed:-

- **Miscoding of Payments**

Following increased attention on the miscoding of payments and regular reporting to the Council's Executive Management Team and members, there has been a significant reduction in the number of miscoded payments and this is no longer regarded as a significant issue.

- **Creditors**

Following an overhaul of the Council's authorised signatory lists, the creation of a central data base of authorised officers, and the implementation of an electronic purchasing system, sufficient progress has been made towards strengthening controls in this area that this is not currently regarded as a significant issue.

5 Summary of Review of Effectiveness

This systematic review has identified a small number of significant internal control issues and these are set out in section 6. In addition to the priority areas listed there are other directorate-based risks in individual Directorate Risk Registers and these are regularly reviewed at ICB to ensure they are being properly managed. These are not considered material and have not been included as significant internal control issues.

6 Significant Internal Control Issues

The following sets out the significant internal control issues arising from the review. These will continue to be subject to the Council's regular review of risk and quarterly review of progress by the ICB.

	High Priority Issues	Action
1	<p>Health and Safety Following Health and Safety Executive enforcement action the Council has allocated additional resources to improve Health and Safety management and implement a systematic and robust approach to Health and Safety. The Corporate Health and Safety team has been strengthened and a comprehensive programme of health and safety training is now in place.</p>	<p>Good progress has been made on the development and implementation of a new policy framework and improved systems. Implementation of a new Health and Safety management system, OHSAS18001 has been delayed but is expected to be ready for external assessment and certification by the autumn of 2007. Further work on embedding health and safety into all of the Council's service areas will be undertaken during 2007/08. Progress is reported to EMT and quarterly to ICB.</p>
2	<p>Business Continuity Plans Despite a number of delays the majority of service areas (92%) now have business continuity plans in place and testing of these has commenced. The only key area which is outstanding is adequate ICT business continuity arrangements but work is in progress to complete this. The recruitment of the new Business Continuity Manager will ensure this work is moved forward and developed.</p>	<p>The next steps are to continue the review and testing process for the business continuity plans, recruit to the new Business Continuity Manager post, and develop a continual cycle of activity throughout 2007/08 to embed the new regime in the organisation.</p>

Statement on Internal Control

<p>3</p>	<p>Internal Audit The Audit Commission's reviews of Internal Audit in 2004-05 and 2005-06 identified a need to improve the performance and standing of Internal Audit. A further Audit Commission review for 2006-07 has identified significant progress over the last year. Although they are not yet fully compliant with the more stringent 2006 CIPFA Internal Audit Code of Practice, Internal Audit are now substantially compliant and the Audit Commission believe they will achieve full compliance in 2007/08 if progress continues to be maintained at the current rate.</p>	<p>A new Head of Audit and Risk has been appointed to strengthen the management of the section and an Action Plan has been agreed to address the few concerns raised in the 2006-07 Review. Focus will continue to be directed towards the quality of the output, monitoring performance and delivery of the planned high priority audits.</p>
<p>4</p>	<p>ICT The Council awarded a contract to a new ICT provider which became effective in October 2006. There were risks associated with the transition to the new provider and these were managed successfully. Reviews by Internal audit and the new ICT contractor have identified significant operational and contingency issues that need to be addressed.</p>	<p>The Council's IT service provider has put forward proposals to address the issues around the business continuity and disaster recovery plans and these are currently being assessed by the Council to find an acceptable and affordable solution. Internal Audit will carry out further reviews on these and the planned review of the 'wired working' policy during 2007/08.</p>

Statement on Internal Control

	Medium Priority Issues	Action
1	<p>Embedding Risk Management Risk management has now been incorporated into the service planning process. Risk awareness training has been provided to officers however there has been some slippage with the Member level training on risk awareness.</p>	<p>During 2007/08 the risk management module of the Council's performance monitoring software will be introduced to the service units and key officers will be trained on the use of this application. This will include further risk identification and awareness training for officers to ensure that risk management becomes fully embedded into the Council's operations. A programme of risk awareness training will be prepared and delivered to Members.</p>
2	<p>Delivery of major projects and partnership working The Council's Capital Programme has substantially increased especially with the impact of the Building Schools for the Future and PFI programmes. The Council's capacity to deliver complex capital programmes has been strengthened by the creation of a Director of Programme Management and Property within the Regeneration Directorate. There remain concerns about the delivery of partnership working with agencies.</p>	<p>The management and governance arrangements for partnership working with agencies has been developed. This now needs to go through a consultation process with the agencies and then to be embedded in all of the Council's operations where partnership working with agencies is taking place.</p>
3	<p>Debtors Following a best value review of financial management and an Internal Audit review of debtors, the debt raising and recovery process across the Council needs enhancing to make it more effective.</p>	<p>Centralisation of the debtor function is a key recommendation from the best value review and this will facilitate the standardisation of processes for raising, collecting and managing debts across the Council. Progress on strengthening the debt collection process will be reviewed by Internal Audit during 2007/08.</p>

Signed on behalf of the London Borough Of Lewisham

Signature: Cllr B Anderson

Chair of Council

Date: 27 June 2007

Signature: Barry Quirk

Chief Executive

Date: 27 June 2007

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

2006/07

TERMS USED IN THE ACCOUNTS

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

Glossary of Terms and Acronyms Used in the Accounts

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

ACRONYMS USED IN THE ACCOUNTS

BVACOP	Best Value Code of Practice
BVR	Best Value Review
CDC	Corporate and Democratic Core
CIPFA	Chartered Institute of Public Finance and Accountancy
DEFRA	Department for Environment, Food and Rural Affairs
DfES	Department for Education and Skills
DSG	Dedicated Schools Grant
Ex-ILEA	Ex-Inner London Education Authority
FRS	Financial Reporting Standard
HIP	Housing Investment Programme
HRA	Housing Revenue Account
I&E Account	Income and Expenditure Account
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
MRP	Minimum Revenue Provision
OSCP	Other Services Capital Programme
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
TCF	Targeted Capital Funding
VAT	Value Added Tax

ANNEXE 1

**BEST VALUE
DETAILED SERVICE
EXPENDITURE ANALYSIS**

2006/07

2005/06		2006/07		
Actual Net Exp.		Actual Gross Exp.	Actual Income	Actual Net Exp.
	<u>Central Services to the Public</u>			
4,853	Council tax collection	5,178	(1,421)	3,757
(530)	Council tax benefits administration	515	(1,613)	(1,098)
(402)	Council tax benefits	23,393	(23,715)	(322)
43	Non domestic rates collection	532	(580)	(48)
212	Registration of births, deaths & marriages	713	(340)	373
368	Registration of electors	811	(438)	373
143	Conducting elections	336	0	336
147	Emergency planning	248	0	248
(502)	Local land charges	346	(858)	(512)
2,736	General grants, bequests & donations	3,370	(19)	3,351
7,068	Total Central Services to the Public	35,442	(28,984)	6,458

2005/06		2006/07		
Actual Net Exp.		Actual Gross Exp.	Actual Income	Actual Net Exp.
	<u>Cultural, Environmental and Planning Services</u>			
1,147	Arts development & support	1,618	(116)	1,502
402	Theatres & public entertainment	1,610	(891)	719
505	Community centres & public halls	733	(170)	563
601	Sports development & community recreation	1,891	(673)	1,218
6,383	Indoor sports & recreation facilities	5,660	(312)	5,348
3,769	Community parks & open spaces	4,997	(620)	4,377
0	Allotments	21	(9)	12
(8)	Tourism policy, marketing & development	(2)	0	(2)
4,942	Library buildings	6,353	(222)	6,131
0	Mobile & housebound library services	0	0	0
17,741	Sub-Total: Cultural Services	22,881	(3,013)	19,868
260	Cemeteries	1,428	(775)	653
(129)	Crematoria	569	(571)	(2)
81	Mortuaries	142	0	142
589	Food safety	724	(16)	708
938	Pollution reduction	1,258	(35)	1,223
467	Housing standards	803	(256)	547
167	Health & safety at work	211	0	211
679	Pest control	1,334	(497)	837
220	Public health	294	(31)	263
954	Licensing (env. health)	1,248	(224)	1,024
245	Public conveniences	283	0	283
2,118	Community safety (crime reduction)	3,737	(794)	2,943
171	Community safety (safety services)	1	0	1
591	Inspection & enforcement (trading standards)	615	0	615
66	Advice & education (trading standards)	69	0	69
4,478	Street cleansing (not chargeable to highways)	6,265	(120)	6,145
4,842	Household waste collection	5,839	(316)	5,523
(52)	Trade waste (waste collection)	1,292	(1,303)	(11)
775	Recycling	2,455	(985)	1,470
0	Waste strategy (waste collection)	0	0	0
0	Waste minimisation (waste collection)	0	0	0
4,693	Disposal of waste	5,142	0	5,142
0	Trade waste (waste disposal)	0	0	0
267	Civic amenity sites	317	(36)	281
0	Waste strategy (waste disposal)	0	0	0
0	Waste minimisation (waste disposal)	0	0	0
0	Old landfill sites	0	0	0
(29)	Trading of landfill allowances	313	(392)	(79)
22,391	Sub-Total: Environmental Services	34,339	(6,351)	27,988

2005/06		2006/07		
Actual Net Exp.		Actual Gross Exp.	Actual Income	Actual Net Exp.
(52)	Building regulations	(57)	0	(57)
18	Enforcement (building control)	19	0	19
248	Other building control work	270	0	270
0	Advice (development control)	0	0	0
1,214	Dealing with applications (dev. control)	2,301	(955)	1,346
0	Enforcement (development control)	0	0	0
0	Regulation of other special topics e.g. minerals/waste control	0	0	0
0	Regional & sub-regional planning	0	0	0
650	Local development framework (incl. dev. plan docs. & supp. pla	795	(1)	794
0	Planning projects & implementation	0	0	0
520	Conservation & listed blds policy (incl. Nature conservation s	459	(42)	417
0	Other special topics (planning policy)	0	0	0
363	Sustainable development strategies	432	(176)	256
(12)	Environmental education	(2)	0	(2)
0	Environmental projects	0	0	0
2	Economic research	1	(1)	0
(283)	Premises development (econ. dev.)	239	(372)	(133)
(29)	Market undertakings	806	(809)	(3)
339	Support to business & enterprise	408	(182)	226
589	Training & employment	1,538	(665)	873
1,319	Government initiatives	5,891	(5,330)	561
416	Promotion & marketing of the area	522	(162)	360
879	Community development	1,506	(313)	1,193
6,181	Sub-Total: Planning Services	15,128	(9,008)	6,120
46,313	Total Cultural, Environmental and Planning Services	72,348	(18,371)	53,976

2005/06		2006/07		
Actual Net Exp.		Actual Gross Exp.	Actual Income	Actual Net Exp.
	<u>Education Services</u>			
1,128	Delegated nursery school budgets	1,359	(260)	1,099
14	Grants devolved to nursery schools	0	15,240	15,240
60	LA/corporate exp. attributable to nursery schools	175	0	175
70,916	Delegated primary school budgets	98,963	(17,929)	81,034
1,687	Grants devolved to primary schools	0	(86,421)	(86,421)
6,173	LA/corporate exp. attributable to primary schools	12,587	(92)	12,495
48,861	Delegated secondary school budgets	68,307	(12,953)	55,354
(6,802)	Grants devolved to secondary schools	123	(60,347)	(60,224)
5,869	LA/corporate exp. attributable to secondary schools	11,410	(346)	11,064
8,291	Delegated special school budgets	10,502	(1,972)	8,530
44	Grants devolved to special schools	0	(13,672)	(13,672)
10,020	LA/corporate exp. attributable to special schools	9,413	(212)	9,201
10,476	Strategic management of non-school services	21,870	(37,349)	(15,479)
4,247	Pre-school education	8,764	(9,557)	(793)
2,917	Youth services	3,487	(557)	2,930
1,897	Adult & community learning	6,849	(6,196)	653
1,190	Student support	1,479	(103)	1,376
0	Other non-school funding	0	0	0
166,988	Total Education Services	255,288	(232,726)	22,562

2005/06		2006/07		
Actual Net Exp.		Actual Gross Exp.	Actual Income	Actual Net Exp.
	<u>Highways, Roads and Transport Services</u>			
46	Transport planning, policy & strategy	850	(206)	644
278	Structural maintenance (principal roads)	207	(90)	117
3,796	Structural maintenance (other roads)	4,619	(100)	4,519
109	Structural maintenance (bridges)	181	(40)	141
466	Construction (principal roads)	732	(6)	726
0	Construction (other roads)	0	0	0
0	Construction (bridges)	0	0	0
36	Safety maintenance (principal roads)	48	0	48
591	Safety maintenance (other roads)	604	(1)	603
19	Routine repairs (principal roads)	15	0	15
603	Routine repairs (other roads)	652	0	652
1,317	Street lighting	1,236	(128)	1,108
147	Winter maintenance	100	0	100
748	Traffic management	953	(634)	319
139	Road safety education	582	(272)	310
134	Safe routes (incl. school crossing patrols)	159	(21)	138
(1,494)	On street parking	1,765	(3,730)	(1,965)
(808)	Off street parking	760	(1,519)	(759)
6,570	Concessionary fares	7,005	0	7,005
(503)	Public transport coordination	132	(635)	(503)
12,194	Total Highways, Roads and Transport Services	20,600	(7,382)	13,218

2005/06		2006/07		
Actual Net Exp.		Actual Gross Exp.	Actual Income	Actual Net Exp.
	<u>Housing Services</u>			
	General Fund Services			
821	Housing Strategy	1,559	(119)	1,440
0	Registered social landlords	0	0	0
33	Housing advice	55	0	55
4,474	Housing advances (GF)	5,226	(17)	5,209
4,136	Admin. of renovation & improvement grants	2,869	(479)	2,390
27	Hostels (non HRA support)	27	0	27
0	Other temporary accommodation	0	0	0
1,575	Homelessness admin.	6,233	(4,838)	1,395
(631)	Rent allowances (GF)	80,953	(79,709)	1,244
0	Non-HRA rent rebates (GF)	0	0	0
4,822	Rent rebates to HRA tenants (GF)	56,627	(57,256)	(629)
(5,057)	Subsidy limitation transfer from HRA	0	0	0
	Transitional measures transfer to/from HRA (not in			
(462)	BVACOP 2006	0	0	0
3,899	Housing benefits admin. (GF)	7,834	(3,553)	4,281
0	Contrib. to HRA re whole community	0	0	0
1	Travellers' sites	18	(8)	10
(138)	Non HRA council property	0	0	0
371	Supporting people	16,645	(16,418)	227
(16)	Other welfare services	236	(12)	224
13,855	Sub-total General Fund Services	178,282	(162,409)	15,873

2005/06		2006/07		
Actual Net Exp.		Actual Gross Exp.	Actual Income	Actual Net Exp.
	Housing Revenue Account Services			
(78,694)	HRA Dwelling rents (gross) - general needs	0	(80,213)	(80,213)
(1,744)	HRA Dwelling rents (gross) - sheltered accommodation	0	(1,825)	(1,825)
(6,315)	HRA Dwelling rents (gross) - temporary accommodation	0	(6,469)	(6,469)
(757)	HRA Non-dwelling rents (gross) - garages	0	(809)	(809)
(788)	HRA Non-dwelling rents (gross) - shops	0	(803)	(803)
(441)	HRA Non-dwelling rents (gross) - land	0	(434)	(434)
(3,766)	HRA Service charges	4	(3,810)	(3,806)
(532)	HRA Heating charges	0	(766)	(766)
0	HRA Charges to tenants re 'Supporting People'	0	0	0
0	HRA Charges for other welfare services (excl. essential)	0	0	0
0	HRA Other charges to tenants	0	0	0
(2,746)	HRA Leaseholders' charges for services & facilities	0	(3,751)	(3,751)
(5,524)	Contrib. to HRA re transferred dwellings	(215)	(2,728)	(2,943)
(1,911)	Contrib. to HRA re rechargeable repairs	0	(337)	(337)
0	Grants to HRA for 'Supporting People' initiative	0	0	0
(23,453)	HRA Subsidy receivable	0	(18,552)	(18,552)
15,299	HRA Responsive repairs & maintenance	15,518	0	15,518
9,377	HRA Planned repairs & maintenance	8,356	0	8,356
17,747	HRA Policy & management	20,209	(1,510)	18,699
18,201	HRA Managing tenancies	16,574	(404)	16,170
245	HRA Rent collection & accounting	237	(3)	234
755	HRA Communal heating (special services)	743	0	743
627	HRA Communal lighting (special services)	617	0	617
809	HRA Lifts (special services)	700	0	700
2,671	HRA Caretaking (special services)	3,379	0	3,379
1,157	HRA Ground maintenance (special services)	1,383	0	1,383
4,412	HRA Other special services	3,500	0	3,500
2,702	HRA Lease rentals on property	2,751	0	2,751
298	HRA Rates & water charges payable on non dwellings	294	0	294
124	HRA Insurance costs paid by landlord	(19)	109	90
4,064	HRA Subsidy limitation transfer to GF	2,518	0	2,518
462	HRA Transitional measures transfer to GF	0	0	0
1,078	HRA Increase in prov. for bad or doubtful debts	1,051	0	1,051
0	HRA Cost of capital charge (not in BVACOP 2006)	0	0	0
37,936	HRA Depreciation & impairment:dwellings	39,764	(758)	39,006
1,091	HRA Depreciation & impairment:all other HRA assets	2,449	(278)	2,171
0	HRA Amortisation of deferred charges & intangible assets	676	0	676
80	HRA Debt management costs	73	0	73
0	HRA Sums directed by Sec. of State	0	0	0
(7,536)	Sub-total Housing Revenue Account Services	120,562	(123,341)	(2,779)
6,319	Total Housing Services	298,844	(285,750)	13,094

2005/06		2006/07		
Actual Net Exp.		Actual Gross Exp.	Actual Income	Actual Net Exp.
	<u>Social Services</u>			
(207)	Strategic management - Children's social services	0	0	0
(207)	Complaints procedures - Children's social services	0	0	0
11,425	Children's: commissioning & social work	16,750	(2,531)	14,219
10,228	Children's homes	10,779	(84)	10,695
390	Secure accommodation (welfare)	48	0	48
9,187	Fostering services	11,385	(238)	11,147
3,312	Other 'children looked after' services	3,604	(301)	3,303
1,049	Family centres	1,237	(31)	1,206
3,016	Services for under 8s	3,190	(489)	2,701
35	Direct payments (family support services)	176	0	176
789	Home care (family support services)	1,058	(124)	934
0	Equipment & adaptations (family support services)	0	0	0
1,692	Other family support services	1,726	(81)	1,645
195	Secure accommodation (youth justice)	405	0	405
910	Youth offender teams	1,726	(524)	1,202
0	Other youth justice services	0	0	0
0	Assessment & care mgt (asylum seekers)	0	0	0
191	Unaccompanied children (asylum seekers)	1,221	(764)	457
(902)	Families (asylum seekers)	204	(90)	114
728	Adoption services	1,067	(308)	759
1,250	Leaving care services	2,782	(368)	2,414
125	Other children's & families' services	1,841	(1,578)	263
314	Strategic management - Adult social services	(5)	0	(5)
69	Complaints procedures - Adult social services	14	(14)	0
5,212	Assessment & care mgt (older people 65+)	5,630	(622)	5,008
8,137	Nursing home placements (older people 65+)	12,070	(3,642)	8,428
8,135	Residential care home placements (older people 65+)	10,133	(2,876)	7,257
814	Supported & other accomm. (older people 65+)	903	(99)	804
133	Direct payments (older people 65+)	136	(8)	128
8,264	Home care (older people 65+)	14,706	(4,857)	9,849
4,777	Day care (older people 65+)	2,492	(110)	2,382
344	Equipment & adaptations (older people 65+)	794	(525)	269
401	Meals (older people 65+)	435	(62)	373
506	Other services to older people 65+	544	(271)	273
799	Assessment & care mgt (adults under 65 with disability)	2,981	(330)	2,651
1,251	Nursing home placements (<65 phys. disab./sensory impairment)	1,442	(196)	1,246
1,435	Residential care home placements (<65 phys. disab./sensory impa	1,562	(127)	1,435
(60)	Supported & other accomm. (<65 phys. disab./sensory impairment)	30	0	30
802	Direct payments (<65 phys. disab./sensory impairment)	851	(11)	840
2,696	Home care (<65 phys. disab./sensory impairment)	2,545	(116)	2,429
(1,101)	Day care (adults under 65 with disability)	1,893	(22)	1,871
176	Equip. & adaptations (<65 phys. disab./sensory impairment)	481	(71)	410
0	Meals (<65 phys. disab./sensory impairment)	0	0	0

LEWISHAM STATEMENT OF ACCOUNTS 2006/2007

Annexe 1

2005/06		2006/07		
Actual Net Exp.		Actual Gross Exp.	Actual Income	Actual Net Exp.
935	Other services to adults (<65 phys. disab./sensory impairment)	1,122	(157)	965
144	Assessment & care mgt (adults <65 learning disab.)	1,121	(15)	1,106
74	Nursing home placements (adults <65 learning disab.)	150	(10)	140
10,063	Residential care home placements (adults <65 learning disab.)	15,874	(6,480)	9,394
271	Supported & other accommodation (adults <65 learning disab.)	248	(1)	247
30	Direct payments (adults <65 learning disab.)	49	0	49
1,376	Home care (adults <65 learning disab.)	1,896	(44)	1,852
3,848	Day care (adults under 65 with learning disabilities)	5,439	(366)	5,073
(14)	Equipment & adaptations (adults <65 learning disab.)	0	0	0
0	Meals (adults <65 learning disab.)	0	0	0
882	Other services to adults <65 with learning disabilities	1,204	(169)	1,035
922	Assessment & care mgt (adults <65 MH needs)	3,885	(1,869)	2,016
460	Nursing home placements (adults <65 MH needs)	251	(39)	212
1,924	Residential care home placements (adults <65 MH needs)	2,610	(165)	2,445
221	Supported & other accomm. (adults <65 MH needs)	1,020	(643)	377
6	Direct payments (adults <65 MH needs)	6	0	6
208	Home care (adults <65 MH needs)	253	(40)	213
672	Day care (adults under 65 with mental health needs)	937	(313)	624
0	Equipment & adaptations (adults <65 MH needs)	0	0	0
0	Meals (adults <65 MH needs)	0	0	0
288	Other services to adults with mental health needs	692	(378)	314
201	Assessment & care mgt (other adult services)	318	(73)	245
0	HIV/Aids	61	(97)	(36)
570	Substance abuse (addictions)	3,109	(2,050)	1,059
8	Lone adult asylum seekers	33	(30)	3
0	Other adult services	1	0	1
60	Supported employment (incl. sheltered employment)	38	0	38
109,459	Total Social Services	159,153	(34,409)	124,744

2005/06		2006/07		
Actual Net Exp.		Actual Gross Exp.	Actual Income	Actual Net Exp.
	<u>Court Services</u>			
261	Coroners' Court	310	0	310
261	Total Court Services	310	0	310
	<u>Corporate and Democratic Core (CDC)</u>			
3,448	Democratic representation & mgt (DRM)	1,585	(125)	1,460
4,197	Corporate management (CM)	4,997	(46)	4,951
1,211	HRA Share of total CDC	1,088	0	1,088
8,856	Total Corporate and Democratic Core (CDC)	7,670	(171)	7,499
	<u>Non-Distributed Costs (NDC)</u>			
6,773	Retirement benefits: past service costs	6,150	0	6,150
0	Retirement benefits: settlements	0	0	0
1,575	Retirement benefits: curtailments	1,865	0	1,865
10	HRA Share of total NDC	10	0	10
8,358	Total Non-Distributed Costs (NDC)	8,025	0	8,025
365,816	Total Net Cost of Services	857,680	(607,794)	249,886

ANNEXE 2

**CAPITAL
EXPENDITURE
ANALYSIS**

2006/07

CAPITAL EXPENDITURE ANALYSIS 2006/07

Housing Investment Programme

	Actual Expenditure £000s	Forecast Budget £000s	Variation of Actual to Programme	
			£000s	%
Decent Homes Scheme (Major Repairs Allowance)	23,087	22,869	218	1%
Silwood SRB5	3,354	3,218	136	4%
Energy Efficiency Works	3,032	2,813	219	7%
Repairs & Maintenance Match Funding	3,010	1,000	2,010	67%
Honor Oak New Build - Ipswich/Hilton/Barlings	2,939	2,940	(1)	0%
Loans to registered Social Landlords	2,287	2,287	0	0%
Tenure Diversification schemes	2,275	1,989	286	13%
Heathside & Lethbridge Partnership Works	1,814	1,500	314	17%
Kender Estate Partnership Wworks	1,738	1,479	259	15%
Lift Refurbishment Programme	1,669	1,724	(55)	-3%
Lewisham Interchange SRB6 / Sundermead Estate SRB6	1,588	981	607	38%
Central Boilers	963	891	72	7%
Private Sector Grants	817	1,200	(383)	-47%
Rushey Green Renewal Area	644	671	(27)	-4%
Other	1,599	1,808	(209)	-13%
SUB TOTAL	50,816	47,370	3,446	7.3%

Other Services Capital Programme	Actual Expenditure £000s	Forecast Budget £000s	Variation of Actual to Programme	
			£000s	%
Community Services & Resources				
Moonshot Re-opening	1,833	2,006	-173	-9%
Wavelengths Pool	845	700	145	21%
Bellingham Families and Young Peoples Gateway Building	656	669	-13	-2%
Granville Park	650	656	-6	-1%
Central Clinic Refurbishment Works	527	482	45	9%
Aids & Adaptations	363	462	-99	-21%
Forest Hill School Sports Hall	257	282	-25	-9%
- Other Schemes	1,519	1,630	-111	-7%
Community Services & Resources Sub Total	6,650	6,887	-237	-3.4%
Customer Services				
Recycling Service Improvements	494	375	119	32%
- Other Schemes	319	630	-311	-49%
Customer Services Sub Total	813	1,005	-192	-19.1%
Children and Young People				
Grouped Schools PFI	4,421	3,895	526	14%
Standards Fund	3,224	3,619	-395	-11%
New Woodlands KS3 Extension	2,876	2,842	34	1%
Building Schools for the Future	2,391	2,259	132	6%
Ladywell Children's Centre (CCP1)	1,076	1,060	16	2%
North Lewisham Children's Centre (CCP1)	835	877	-42	-5%
Schools Asset Management Programme	757	837	-80	-10%
Targeted Capital Fund	748	770	-22	-3%
North West Lewisham Children's Centre (CCP1)	528	638	-110	-17%
Amersham Children's Centre (CCP1)	608	592	16	3%
Integrated Children's System (ICS)	234	422	-188	-45%
Schools Access Initiative Projects 06/07	304	324	-20	-6%
Urgent Work to Schools (NDS funded)	561	564	-3	-1%
- Other Schemes	648	690	-42	-6%
Children and Young People Sub Total	19,211	19,389	-178	-0.9%
Regeneration				
TfL Projects	3,108	3,338	-230	-7%
Highways (Prudential Borrowing) Best Value Review	2,541	2,459	82	3%
New Cross New Deal for Communities	2,329	2,381	-52	-2%
SRB Urban Renaissance in Lewisham	1,832	1,813	19	1%
S106 Silwood Estate Nursery & Community Facility	1,115	1,068	47	4%
Deptford Station	739	651	88	14%
DDA Strategy	810	924	-114	-12%
Capital Maintenance Backlog	549	570	-21	-4%
- Other Schemes	1,216	819	397	48%
Regeneration Sub Total	14,239	14,023	216	1.5%
Total Other Services	40,913	41,304	(391)	-0.9%
Total Capital Expenditure	91,729	88,674	3,055	3.4%

For translation, please provide your details below:

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Pour la traduction, veuillez fournir les détails ci-dessous:

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