

LONDON BOROUGH OF LEWISHAM

**2015 / 2016 AUDITED STATEMENT OF ACCOUNTS
CONTENTS**

NARRATIVE STATEMENT BY THE EXECUTIVE DIRECTOR FOR RESOURCES AND REGENERATION.....3

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS.....12

INDEPENDENT AUDITOR’S REPORTS TO THE MEMBERS OF LONDON BOROUGH OF LEWISHAM13

SECTION 1 – CORE FINANCIAL STATEMENTS

a) MOVEMENT IN RESERVES STATEMENT.....17

b) COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT.....19

c) BALANCE SHEET.....20

d) CASH FLOW STATEMENT.....21

SECTION 2 – STATEMENT OF ACCOUNTING POLICIES.....22

SECTION 3 – NOTES TO THE CORE FINANCIAL STATEMENTS.....33
(See Index on following page)

SECTION 4 – HOUSING REVENUE ACCOUNT.....75

SECTION 5 – COLLECTION FUND83

SECTION 6 – GLOSSARY OF TERMS AND ACRONYMS.....88

SECTION 7 – PENSION FUND ACCOUNTS.....91

SECTION 8 – ANNUAL GOVERNANCE STATEMENT (AGS).....113

Contents

INDEX OF SECTION 3 – NOTES TO THE CORE FINANCIAL STATEMENTS

| | | |
|---------|--|----|
| Note 1 | Accounting Standards Issued, Not Adopted in the 2015/16 Accounts | 33 |
| Note 2 | Critical Judgements in Applying Accounting Policies | 33 |
| Note 3 | Assumptions made about the Future and other Major Sources of Estimation Uncertainty | 34 |
| Note 4 | Material Items of Income and Expenditure | 35 |
| Note 5 | Events after the Balance Sheet Date | 35 |
| Note 6 | Other Operating Expenditure – Levies | 35 |
| Note 7 | Adjustments between Accounting Basis and Funding Basis under Regulation | 35 |
| Note 8 | Earmarked Reserves | 38 |
| Note 9 | Non-Current Assets | 39 |
| Note 10 | Investment Properties | 42 |
| Note 11 | Financial Instruments | 42 |
| Note 12 | Nature and Extent of Risks arising from Financial Instruments | 45 |
| Note 13 | Debtors | 46 |
| Note 14 | Cash and Cash Equivalents | 48 |
| Note 15 | Creditors | 49 |
| Note 16 | Provisions | 49 |
| Note 17 | Revenue Receipts in Advance | 50 |
| Note 18 | Usable Capital Receipts | 50 |
| Note 19 | Pension Reserve | 50 |
| Note 20 | Revaluation Reserve | 51 |
| Note 21 | Capital Adjustment Account | 52 |
| Note 22 | Segmental Reporting (Amounts Reported for Resource Allocation Decisions) | 53 |
| Note 23 | Agency Services and Pooled Budgets | 55 |
| Note 24 | Investment in Companies | 55 |
| Note 25 | Members' Allowances | 56 |
| Note 26 | Officers' Remuneration | 57 |
| Note 27 | External Audit Costs | 59 |
| Note 28 | Dedicated Schools Grant | 60 |
| Note 29 | Grant Income | 60 |
| Note 30 | Related Party Transactions | 61 |
| Note 31 | Capital Expenditure and Capital Financing | 62 |
| Note 32 | Leases | 63 |
| Note 33 | Private Finance Initiatives (PFI) Contracts | 64 |
| Note 34 | Long Term Contracts | 67 |
| Note 35 | Defined Contribution Pension Schemes | 67 |
| Note 36 | Defined Benefit Pension Schemes | 67 |
| Note 37 | Contingent Liabilities | 72 |
| Note 38 | Contingent Assets | 72 |
| Note 39 | Trust Funds | 72 |
| Note 40 | Heritage Assets | 72 |
| Note 41 | Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements | 73 |
| Note 42 | Adjustment for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities | 73 |
| Note 43 | Cash Flow Statement – Operating Activities | 73 |
| Note 44 | Cash Flow Statement – Investing Activities | 74 |
| Note 45 | Cash Flow Statement – Financing Activities | 74 |

Narrative Statement

NARRATIVE STATEMENT BY THE EXECUTIVE DIRECTOR FOR RESOURCES AND REGENERATION

1. INTRODUCTION

This Statement of Accounts reports the financial results of all the Council's operations for the financial year 2015/16 and shows the Council's financial position as at 31st March 2016. The Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice for Local Authorities (SERCOP) 2015/16, jointly developed by CIPFA and the Accounting Standards Board. These constitute proper accounting practice with which Local Authorities must by statute comply and include adherence to International Financial Reporting Standards (IFRS). There are no fundamental changes to the basis on which the Accounts have been compiled for 2015/16 compared to previous years.

2. THE COUNCIL'S STATEMENT OF ACCOUNTS

The Statement of Accounts comprises this Narrative Statement, a Statement of Responsibilities, an External Auditor's report (which will be inserted upon completion of the external audit), the Core Financial Statements and other statutory Accounts as set out below. A review has again concluded that Group Accounts are not required to be prepared for the year.

Section 1 – The Core Financial Statements

Section 1a - Movement in Reserves Statement (MiRS)

This statement shows the movement in the different reserves held by the Council during the year, analysed into 'usable reserves' and 'unusable reserves'. The Surplus or (Deficit) on the Provision of Services line shows the true cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax and dwellings rent setting purposes respectively. The Net Increase / Decrease before Transfers to Earmarked Reserves line show the statutory General Fund and Housing Revenue Account Balances.

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

This statement shows the accounting cost in the year of providing the Council's services in accordance with IFRS, rather than the amount to be funded from taxation. Council's raise taxes to cover expenditure in accordance with regulations; this may be different from the accounting cost.

Section 1c - Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Council at the end of the year. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. There are two types of reserve, 'usable' and 'unusable'. Usable reserves are those that can be used to provide services, subject to keeping a prudent level of reserves and any statutory limitations on their use. Unusable reserves are those that cannot be used to provide services. They include unrealised gains and losses where amounts only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the MiRS line 'Adjustments between accounting basis and funding basis under regulations'. The Balance Sheet includes the Housing Revenue Account and the Council's own share of the Collection Fund, but excludes the Pension Fund and Trust Funds.

Section 1d - Cash Flow Statement

This statement shows the changes in cash and cash equivalents of the Council during the year and how it generates and uses these by classifying cash flows into operating, investing and financing activities. Operating activities show how the Council is funded by taxation, grant income and service users. Investing activities show the extent to which cash outflows have been made for resources which contribute to the Council's future service delivery. Financing activities identify claims on future cash flows by providers of capital (i.e. borrowing) to the Council. The indirect method of compilation has been used.

Narrative Statement

Section 2 – Statement of Accounting Policies

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

Section 3 – Notes to the Core Financial Statements

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

Section 4 – Housing Revenue Account (HRA)

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

Section 5 – Collection Fund Accounts

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

Section 6 - Glossary

This explains some technical and commonly used terms.

Section 7 – Pension Fund Accounts

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

Section 8 – Annual Governance Statement (AGS)

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

3. REVENUE BUDGET**3a 2015/16 Revenue Budget Setting and Funding**

The Council set a net budget requirement of £246.2m for 2015/16 at its meeting on 25th February 2015. This was a decrease of £21.9m or 8.2% on the previous year's net budget requirement of £268.1m.

The main sources of income were the Council Tax and the Government determined Settlement Funding Assessment (SFA), which comprised Non-Domestic Rates (NDR) and Revenue Support Grant (RSG). The amount determined to be raised from Council Tax was calculated as shown in the following table.

2015/16 Revenue Budget Funding

| | 2015/16 | 2014/15 |
|---|-----------------|----------------|
| | £000 | £000 |
| Lewisham's Net Budget Requirement | 246,224 | 268,062 |
| Less: Revenue Support Grant | (73,654) | (102,606) |
| Less: NDR redistribution | (87,622) | (84,744) |
| Less: Surplus on Collection Fund | (4,864) | (2,309) |
| General Fund Services to be met from Council Tax | 80,084 | 78,403 |
| Add: Precept (GLA) | 23,652 | 22,108 |
| Total to be met from Council Tax | 103,736 | 100,511 |

Narrative Statement

3b 2015/16 Revenue Budget Outturn

During 2015/16, the overall overspend against the directorates' net controllable budgets was £6.3m. After applying the sum of £3.2m which was set aside in setting the 2015/16 budget for 'risks and other budget pressures', this brought the final directorate overspend down to £3.1m. The reasons for these variances were reported to the Mayor and Cabinet on the 1st June 2016.

Throughout the year, Mayor & Cabinet and Executive Directors have received regular financial monitoring reports and continued to implement measures to alleviate the Council's overall budget pressures and to help bring spending back into line with budget. These measures have included the strengthening of local controls on particular expenditure in the short term. In addition to this and with regards to the most significant budget pressures which the Council faces in 'no recourse to public funds' and 'children's social care' which ended the year at a combined overspend of £6.3m, officers have provided sharper focus on tackling the activities which are driving these costs.

3c 2016/17 Revenue Budget Outlook

The Council set a net budget requirement of £236.2m for 2016/17 at its meeting on 24th February 2016, which is £10.0m lower than the equivalent figure for 2015/16. The Council has again made significant savings reductions of £18.2m to its budget and added £7.5m to provide for the significant spending pressures which are being experienced. An amount of £10.9m is being taken from reserves to fund the budget, but action is also being taken to ensure that expenditure is affordable in future years. The Council is maintaining adequate reserves to enable it to manage the significant funding risks it faces as the national programme of public sector expenditure reductions continues.

Notwithstanding the pressures on 'no recourse to public funds' and 'children's social care' there still remains a number of significant budget pressures in other areas across the Council. In the main, these include pressures on service areas such as adult social care, temporary bed and breakfast accommodation and environmental services. All of these pressures go towards demonstrating the significant financial challenge the Council is currently experiencing and will continue to face over the course of the medium term.

4. COUNCIL TAX AND NON-DOMESTIC RATES (NDR)**4a Council Tax Levels and the Tax Base**

The actual Council Tax charge is determined by dividing the net amounts to be met from Council Tax by the tax base, which for Lewisham is 75,526 equivalent Band D properties for 2015/16 (73,941 for 2014/15).

| | 2015/16 £ | 2014/15 £ | Variation £ | Variation % |
|-------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| LB Lewisham's Demand | 1,060.35 | 1,060.35 | 0.0 | 0.0 |
| Preceptor Requirements: | | | | |
| Add: Greater London Authority | 295.00 | 299.00 | -4.0 | -1.3 |
| Council Tax for Band D | 1,355.35 | 1,359.35 | -4.0 | -0.3 |

4b Council Tax and Non-Domestic Rates Collection Rates

| | 2015/16 % | 2014/15 % | 2013/14 % |
|--------------------|---------------------|---------------------|---------------------|
| Council Tax | 94.5 | 95.1 | 94.8 |
| Non-Domestic Rates | 99.7 | 99.4 | 99.1 |

Narrative Statement

5. CAPITAL PROGRAMME**5a 2015/16 Capital Programme**

The capital programme expenditure incurred during the year and how it was resourced is shown below. The percentage spent compared to the revised programme budget was 80%. A number of budget underspends, mainly on housing schemes, have been carried forward to 2016/17.

| | 2015/16 Final Outturn £m | 2015/16 Budget Report (24 Feb 2016) £m | 2014/15 Final Outturn £m |
|---|---|---|---|
| CAPITAL PROGRAMME EXPENDITURE | | | |
| General Fund | 72.1 | 79.3 | 69.7 |
| Housing Revenue Account | 22.0 | 38.8 | 53.0 |
| Total Spent | 94.1 | 118.1 | 122.7 |
| CAPITAL PROGRAMME FINANCING | | | |
| Borrowing | 12.6 | | 3.5 |
| Capital Grants | 49.2 | | 88.8 |
| Capital Receipts | 11.6 | | 4.3 |
| Capital Expenditure Financed from Revenue | 20.7 | | 26.1 |
| Total Financed | 94.1 | | 122.7 |

The expenditure on major projects in the 2015/16 capital programme was:-

| Major Projects of over £1m | 2015/16 Expenditure £m |
|--|---------------------------------------|
| General Fund | |
| Primary Places Programme (inc Expansion) | 32.0 |
| Building Schools for the Future (BSF) – Design and Build Programme | 5.7 |
| Highways and Bridges Improvement Works (inc TfL programmes) | 7.3 |
| Schools Works and Upgrades | 5.9 |
| Housing Regeneration Schemes | 1.5 |
| Asset Management Programme | 1.0 |
| Acquisition and Conversion of Properties | 12.5 |
| Housing Revenue Account | |
| Decent Homes programme | 11.6 |
| Other Major Works to Dwellings | 10.4 |

Narrative Statement

5b 2016/17 Capital Programme

The Council set its capital programme budget at its meeting on 24th February 2016. This outlined the Council's programme of £337m for the years 2016/17 to 2019/20. A major part of the of the General Fund programme is focused on schools with the Primary Places Programme well underway and the major BSF secondary school refurbishment and rebuild programme nearly completed. The implementation of Housing self-financing has given the Council the opportunity to invest in new housing stock, and the decent homes programme will be completed during the year. The Council is also undertaking a number of development and regeneration schemes which utilise and maximise the value of its assets.

| 2016/17 Capital Programme | 2016/17 Budget £m |
|---|----------------------------------|
| General Fund | |
| Lewisham Homes – Property Acquisition | 4.0 |
| Primary Places Programme (inc Expansion) | 6.0 |
| Schools Works and Upgrades | 3.4 |
| Highways and Bridges Improvement Works (inc TfL programmes) | 6.0 |
| Housing Regeneration Schemes | 7.7 |
| Town Centres & High St. Improvements | 3.6 |
| Asset Management Programme | 3.1 |
| Other Schemes | 9.3 |
| | 43.1 |
| Housing Revenue Account | 86.1 |
| Total Capital Programme | 129.2 |

Narrative Statement

6. FINANCIAL HEALTH

6a General Fund

After transfers to and from reserves the General Fund balance has been kept at £13.0m due to the proposed reduction in future Government funding and the corresponding requirement on the Council to make savings. This is an adequate level of cover and represents approximately 2.5% of Lewisham's Net Budget Requirement and the Dedicated Schools Grant expenditure. The Council also has a number of earmarked reserves for specific on-going initiatives and these are shown in Note 8 to the Core Financial Statements.

6b Housing Revenue Account (HRA)

The HRA spent to budget after transfers to reserves as at 31st March 2016. It continues to build reserves up on an annual basis, mainly to ensure that there are sufficient resources available to fund the current 30 year business plan. This aims to continue to invest in decent homes and to significantly increase the supply of housing in the borough over the medium to long term. Examples include the housing regeneration taking place in both Catford and Ladywell. The business plan is reviewed each year to ensure that the resources available from HRA reserves can be profiled appropriately to meet the business needs.

After transfers to and from reserves the HRA balance at the end of the year, including earmarked reserves, now stands at £80.4m (£65.3m as at 31st March 2015). These reserves include the Major Repairs Reserve and are for specific on-going projects as outlined in the notes to the HRA in Section 4 of the Accounts.

6c Collection Fund

The Collection Fund had a deficit of £5.3m for the year, which when added to the brought forward surplus of £3.5m gives a deficit of £1.8m to carry forward to 2016/17. The details are shown in the Collection Fund statements in Section 5 of the Accounts.

7. SIGNIFICANT EVENTS IN 2015/16 THAT HAVE HAD AN IMPACT ON THE ACCOUNTS

7(a) National Deficit Reduction Strategy

The Government's strategy to reduce the national deficit over the lifetime of the previous Parliament has had a major effect on the Council's current and future funding plans. It has also had a direct effect on the 2015/16 Accounts, with termination costs of £6.3m (£5.8m in 2014/15) being incurred during the year as the Council has implemented further reductions in staff in response to the constrained funding climate (see Note 26c to the Core Financial Statements).

7(b) Pension Fund Valuation

The Pension Fund's value reduced over the year by £1m from £1,043m to £1,042m (0.1%). More detailed information is set out in the Pension Fund accounts.

7(c) No Recourse to Public Funds Clients

There was overspending in the year of £2.2m in respect of clients with 'no recourse to public funds', including bed & breakfast temporary accommodation and section 17 payments. These are families who seek support under Section 17 of the Children's Act because they claim they have no financial means of supporting themselves whilst they are in the process of attempting to regularise their stay in the UK with the Home Office. The client numbers have fallen to fewer than 200 from their peak at the start of the year of 297 clients.

Narrative Statement

7(d) Strategic Housing

There was overspending of £2.5m for costs in accommodating homeless people in temporary accommodation. Over the past few years the number of homeless approaches to the Council has increased significantly, mainly due to changes in housing benefit legislation and the changing housing market where private sector rents have seen a marked increase. The Council have a duty to house families and individuals after each case is assessed and duty is formally accepted. Inadequate levels of housing stock, has seen the increased use of temporary accommodation. To tackle pressures caused by homelessness the Council has invested in a Hostel acquisition programme.

7(e) Minimum Revenue Provision (MRP) Policy

The Council is preparing its financial statements on a revised MRP policy that more accurately recognises and reflects the underlying asset classes that the Council holds. This change in policy has yielded a once-off saving of £4.92m in 2015/16 and will save a further £0.45m in 2016/17; and then approximately £1m per year for 2017/18 and future years.

7(f) Dedicated Schools Grant

There were two secondary schools with licenced deficit budgets at the end of 2015/16. These were Sedgehill at £1.3m and Deptford Green at £0.5m. There was one primary school with a licensed deficit, being All Saints at £0.03m. At the end of the financial year there are a further nine schools which have deficit balances totalling circa £0.9m which will need to apply for a licensed deficit.

7(g) Accounting Policy

The 2015/16 has seen a change in accounting policy relating to the adoption of IFRS 13 (Fair Value Measurement) for surplus non-current assets and its effect on investment properties. For further information, see paragraphs 22b and 24 of Section 2 – Statement of Accounting Policies.

7(h) Savings

The Council completed a voluntary severance exercise in 2015/16 which resulted in 76 people leaving the Council's employment. This was in addition to a number of service reorganisations as part of the revenue budget savings implemented in 2015/16

7(i) Government Funding and Business Rates Retention

Funding changes for local government announced in 2015/16 confirmed continued reductions in funding for local authorities and moves for authorities to become self-financing from business rates and council tax with no or minimal revenue support grant by 2020/21. The Council used reserves in 2015/16 to balance the budget and will do so again in 2016/17. For 2016/17 this will be on top of raising both the Adult Social Care precept at 2.00% and maximum Council Tax increase without a referendum at 1.99%. It is also worth noting that the next property valuation for business rates is underway; the system is changing following the 'check, challenge, appeal' consultation, and a number of appeals/ considerations are pending a decision (e.g. Virgin Media, NHS Trusts).

Narrative Statement

8. THE COUNCIL'S STRATEGIES AND OVERALL PERFORMANCE

a) Our Vision and Priorities

Lewisham's vision is: 'Together, we will make Lewisham the best place in London to live, work and learn'

Our vision was developed following consultation with Lewisham residents, public sector agencies, local business, voluntary and community sector organisations. This vision is not just for the Council, it has been adopted by the Lewisham Strategic Partnership and continues to be a bold aspiration that stretches and motivates the Council and its partners to set priorities and deliver services that will achieve the vision.

The key strategic document for Lewisham and for the Lewisham Strategic Partnership is the Lewisham's Sustainable Community Strategy 2008-2020 (which can be viewed on the Council's website).

Lewisham's Sustainable Community Strategy priorities

Shaping our Future Lewisham's Community Strategy 2008 - 2020 contains the shared priorities for the borough. The Lewisham Strategic Partnership agreed a set of 6 key priority outcomes which form the basis for public action locally.

Lewisham's corporate priorities

The Council's ten corporate priorities determine what contribution the Council will make towards delivery of the Shaping our Future. The priorities focus on the needs of local people and are geared towards ensuring that, in delivering services, the Council focuses on its citizens, is transparent and responds to changing needs and demands.

b) Our Goals

- Community Leadership and Empowerment – Creating opportunities for people within the community to participate and become engaged.
- Young people's achievement and involvement – Increasing educational achievement, and through partnership working to improve facilities for young people within the borough.
- Clean green and liveable – Through improvement to environmental management, the maintained care for roads and pavements. Encouraging a sustainable way of life/sustainable environment.
- Safety security and visible presence – Through working with the police to reduce crime levels, prevention of anti-social behaviour through Council powers/resources.
- Strengthening the local economy – Through the gain of resources to redevelop key localities, strengthen employment skills and encouraging the use of public transport.
- Decent homes for all – The creation of housing that is social and affordable to achieve 'the decent homes standard', reducing homelessness.
- Protection of children – Improved safeguarding and for children at risk the presence of joined services.
- Caring for adults and older people – To provide support to the elderly and adults that require help by working with health services.
- Active healthy citizens – Providing leisure, sporting and learning activities for everyone.
- Inspiring efficiency, effectiveness and equity – Ensuring that the services provided to meet the communities needs is efficient.

c) Key Performance Indicators for Corporate Priorities

Our key performance indicators are published in our Management Report, the purpose of which is to place on record each month, in a consistent format, our performance against priorities. Each month we attempt to give a full account of what is being done, what has been achieved and which areas require additional management attention to secure future achievements. The report gives some coverage to the effectiveness of our partnership working. Reporting on performance is always double-edged. We have high ambitions and targets which are set to stretch management and staff effort. So, there are areas where the need for greater management attention is highlighted. The full Management Report can be viewed on the Council's website.

Narrative Statement

Performance: Performance is being reported for March 2016. There are 9 performance indicators (47 per cent) reported as green or amber against target, and 8 (42 per cent) are showing an upward direction of travel. There are 10 performance indicators (53 per cent) reported as red against target and 10 performance indicators (53 per cent) which have a Red direction of travel. There are 4 indicators that have missing performance data.

Projects: Projects are being reported for March 2016. There are no red projects this month.

Risks: Risks are being reported for March 2016. There are nine red corporate risks - ICT infrastructure is not fit for purpose and/or does not meet business needs; noncompliance with Health & Safety legislation; financial failure and inability to maintain service delivery within a balanced budget; loss of income to the Council; failure of safeguarding arrangement; loss of constructive employee relations; information governance failure; failure to maintain sufficient management capacity and capability to deliver business as usual and implement transformational change; and strategic programme to develop and implement transformational change does not deliver. There are 11 amber risks and one risk is rated green.

The detailed tables of Key Performance Indicators (KPI's) can be found on the Council's website at the following link:

<http://www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/performance/Pages/Latest-council-performance.aspx>

Statement of Responsibilities & Independent Auditor's Reports

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Executive Director for Resources and Regeneration;
- 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 and Regeneration

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

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

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

I certify that I have also:

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

The Statement of Accounts gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2016.

Janet Senior CPFA

Executive Director for Resources and Regeneration
21st September 2016

I confirm that these accounts were approved by the Council at the meeting held on 21st September 2016

Signed on behalf of the London Borough of Lewisham:

Councillor
Chair of Council
21st September 2016

Statement of Responsibilities & Independent Auditor's Reports

**INDEPENDENT AUDITOR'S REPORTS TO THE MEMBERS OF LONDON
BOROUGH OF LEWISHAM**

OPINION ON THE COUNCIL'S FINANCIAL STATEMENTS

We have audited the financial statements of London Borough of Lewisham (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Executive Director for Resources and Regeneration and auditor

As explained more fully in the Statement of the Executive Director for Resources and Regeneration's Responsibilities, the Executive Director for Resources and Regeneration is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director for Resources and Regeneration; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Statement of Responsibilities & Independent Auditor's Reports

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

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

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

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects *the Authority* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Statement of Responsibilities & Independent Auditor's Reports

Certificate

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2016. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

Darren Wells

Darren Wells

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Fleming Way
Manor Royal
Crawley
RH10 9GT

26 September 2016

OPINION ON THE PENSION FUND FINANCIAL STATEMENTS

We have audited the pension fund financial statements of London Borough of Lewisham (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Executive Director for Resources and Regeneration and auditor

As explained more fully in the Statement of the Executive Director for Resources and Regeneration's Responsibilities, the Executive Director for Resources and Regeneration is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director for

Statement of Responsibilities & Independent Auditor's Reports

Resources and Regeneration; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion the pension fund financial statements:

- present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and of the amount and disposition at that date of the fund's assets and liabilities, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts is consistent with the audited pension fund financial statements.

Darren Wells

Darren Wells

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Fleming Way
Manor Royal
Crawley
RH10 9GT

26 September 2016

Core Financial Statements

SECTION 1 - CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31ST MARCH 2016

| YEAR ENDING 31ST MARCH 2016 | General Fund Balance £000 | Earmarked Gen Fund Reserves £000 | Housing Revenue Account £000 | Major Repairs Reserve £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Council Reserves £000 | Note |
|---|------------------------------------|---|---------------------------------------|-------------------------------------|--|--|-------------------------------------|------------------------------|--------------------------------------|-------------------------|
| Balance at 31 March 2015 Brought Forward | 13,000 | 140,846 | 35,912 | 29,364 | 48,191 | 10,958 | 278,271 | 696,347 | 974,618 | |
| Movement in Reserves during 2015/16 | | | | | | | | | | |
| Surplus or (Deficit) on the provision of services | 37,259 | 0 | (19,021) | 0 | 0 | 0 | 18,238 | 0 | 18,238 | |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 414,186 | 414,186 | |
| Total Comprehensive Income and Expenditure | 37,259 | 0 | (19,021) | 0 | 0 | 0 | 18,238 | 414,186 | 432,424 | |
| Adjustments between accounting basis and funding basis under regulations | (25,577) | 0 | 37,871 | (3,757) | 9,040 | (2,809) | 14,768 | (14,768) | 0 | 7 |
| Net Increase / (Decrease) before Transfers to Earmarked Reserves | 11,682 | 0 | 18,850 | (3,757) | 9,040 | (2,809) | 33,006 | 399,418 | 432,424 | |
| Transfers to / (from) Earmarked Reserves | (11,682) | 11,682 | (11,868) | 11,868 | 0 | 0 | 0 | | 0 | 8, HRA 14, HRA 15 |
| Increase / (Decrease) in 2015/16 | 0 | 11,682 | 6,982 | 8,111 | 9,040 | (2,809) | 33,006 | 399,418 | 432,424 | |
| Balance at 31 March 2016 Carried Forward | 13,000 | 152,528 | 42,894 | 37,475 | 57,231 | 8,149 | 311,277 | 1,095,765 | 1,407,042 | |
| Note | | 8 | HRA 15 | HRA 14 | 18 | | | 19, 20, 21, Coll Fd 3 | | |

Core Financial Statements

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31ST MARCH 2015

| YEAR ENDING 31ST MARCH 2015 | General Fund Balance £000 | Earmarked Gen Fund Reserves £000 | Housing Revenue Account £000 | Major Repairs Reserve £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Council Reserves £000 |
|--|--|---|---|---|--|--|---|---------------------------------------|--|
| Balance at 31 March 2014 Brought Forward | 12,000 | 137,524 | 26,546 | 19,787 | 19,446 | 11,777 | 227,080 | 812,800 | 1,039,880 |
| Movement in Reserves during 2014/15 | | | | | | | | | |
| Surplus or (Deficit) on the provision of services | (152,445) | 0 | 5,152 | 0 | 0 | 0 | (147,293) | 0 | (147,293) |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 82,031 | 82,031 |
| Total Comprehensive Income and Expenditure | (152,445) | 0 | 5,152 | 0 | 0 | 0 | (147,293) | 82,031 | (65,262) |
| Adjustments between accounting basis and funding basis under regulations (see note 7) | 156,767 | 0 | 18,272 | (4,481) | 28,745 | (819) | 198,484 | (198,484) | 0 |
| Net Increase / (Decrease) before Transfers to Earmarked Reserves | 4,322 | 0 | 23,424 | (4,481) | 28,745 | (819) | 51,191 | (116,453) | (65,262) |
| Transfers to / (from) Earmarked Reserves | (3,322) | 3,322 | (14,058) | 14,058 | 0 | 0 | 0 | 0 | 0 |
| Increase / (Decrease) in 2014/15 | 1,000 | 3,322 | 9,366 | 9,577 | 28,745 | (819) | 51,191 | (116,453) | (65,262) |
| Balance at 31 March 2015 Carried Forward | 13,000 | 140,846 | 35,912 | 29,364 | 48,191 | 10,958 | 278,271 | 696,347 | 974,618 |

Core Financial Statements

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 31ST MARCH 2016

| 2014/15 | | | SERVICE | 2015/16 | | | Note |
|----------------------------|-----------------------|--------------------------|---|----------------------------|-----------------------|--------------------------|--------|
| Gross Expenditure £000s | Gross Income £000s | Net Expenditure £000s | | Gross Expenditure £000s | Gross Income £000s | Net Expenditure £000s | |
| 9,556 | (4,463) | 5,093 | Central Services to the Public | 9,643 | (4,645) | 4,998 | |
| 19,198 | (3,615) | 15,583 | Cultural and Related Services | 20,907 | (3,841) | 17,066 | |
| 38,219 | (6,441) | 31,778 | Environmental and Regulatory Services | 36,699 | (6,819) | 29,880 | |
| 13,544 | (3,905) | 9,639 | Planning Services | 14,446 | (5,458) | 8,988 | |
| 612,618 | (324,799) | 287,819 | Children's and Education Services | 352,596 | (334,153) | 18,443 | |
| 18,494 | (4,201) | 14,293 | Highways and Transport Services | 17,410 | (3,898) | 13,512 | |
| 370,154 | (396,985) | (26,831) | Housing Services | 389,172 | (363,797) | 25,375 | |
| 117,192 | (26,763) | 90,429 | Adult Social Care | 115,588 | (34,559) | 81,029 | |
| 20,396 | (20,592) | (196) | Public Health | 21,720 | (22,379) | (659) | |
| 16,315 | (12,086) | 4,229 | Corporate and Democratic Core | 18,691 | (13,326) | 5,365 | |
| 6,087 | (17) | 6,070 | Non Distributed Costs | 16,133 | (15) | 16,118 | |
| 1,241,773 | (803,867) | 437,906 | Cost of Services | 1,013,005 | (792,890) | 220,115 | 22 |
| | | | Other Operating Expenditure | | | | |
| 0 | (14,203) | (14,203) | (Gain) / Loss on the disposal of non-current assets | 0 | 6,986 | 6,986 | |
| 1,646 | 0 | 1,646 | Levies | 1,631 | 0 | 1,631 | 6 |
| 1,727 | 0 | 1,727 | Contribution of housing capital receipts to Government Pool | 1,969 | 0 | 1,969 | 18 |
| 3,373 | (14,203) | (10,830) | | 3,600 | 6,986 | 10,586 | |
| | | | Financing and Investment Income and Expenditure | | | | |
| 24,626 | 0 | 24,626 | Interest payable and similar charges | 26,616 | 0 | 26,616 | |
| 2,579 | | 2,579 | Changes in fair value of Investment Properties | 131 | | 131 | 10 |
| 0 | 0 | 0 | (Gain) / Loss on disposal of Investment Properties | 0 | 0 | 0 | |
| 683 | (2,028) | (1,345) | Interest and Investment Income | 876 | (2,879) | (2,003) | |
| 64,639 | (36,002) | 28,637 | Net interest on the net defined benefit liability | 54,493 | (31,318) | 23,175 | 36 |
| 92,527 | (38,030) | 54,497 | | 82,116 | (34,197) | 47,919 | |
| | | | Taxation and non-specific Grant Income | | | | |
| 0 | (80,738) | (80,738) | Income from Council Tax | 0 | (84,948) | (84,948) | |
| 0 | (117,250) | (117,250) | General Government Grants | 0 | (86,868) | (86,868) | |
| 0 | (51,548) | (51,548) | Recognised Capital Grants and Contributions | 0 | (37,346) | (37,346) | |
| 0 | (84,744) | (84,744) | Non-Domestic Rates redistribution | 0 | (87,696) | (87,696) | |
| 0 | (334,280) | (334,280) | | 0 | (296,858) | (296,858) | |
| | | 147,293 | Deficit/(Surplus) on provision of services | | | (18,238) | 22 |
| | | (180,306) | Surplus on revaluation of non-current assets | | | (266,154) | 20 |
| | | 98,275 | Remeasurement of the net defined benefit liability | | | (148,032) | 19, 36 |
| | | (82,031) | Other Comprehensive Income and Expenditure | | | (414,186) | |
| | | | | | | | |
| | | 65,262 | Total Comprehensive Income and Expenditure | | | (432,424) | |

Core Financial Statements

BALANCE SHEET AS AT 31ST MARCH 2016

| 31/03/2015 £000 | | 31/03/2016 £000 | Note |
|--------------------|---|--------------------|---------------|
| | Property, Plant & Equipment | | |
| 1,058,091 | Council Dwellings | 1,146,313 | 9b, HRA 1a, 9 |
| 596,367 | Other Land and Buildings | 791,587 | 9b |
| 30,399 | Vehicles, Plant, Furniture and Equipment | 29,665 | 9b |
| 95,039 | Infrastructure | 109,917 | 9b |
| 8,850 | Community Assets | 7,155 | 9b |
| 52,064 | Surplus Assets not Held for Sale | 75,657 | 9b |
| 29,604 | Assets under Construction | 23,992 | 9b |
| 1,870,414 | | 2,184,286 | |
| 257 | Heritage Assets | 257 | 40 |
| 22,743 | Investment Property | 0 | 10 |
| 2,044 | Long Term Investments | 2,189 | |
| 17,774 | Long Term Debtors | 25,734 | 13a |
| 1,913,232 | Total Long Term Assets | 2,212,466 | |
| 230,650 | Short Term Investments | 230,762 | 11 |
| 0 | Assets Held for Sale | 0 | |
| 313 | Inventories | 191 | |
| 81,990 | Debtors | 57,360 | 13b |
| 86,612 | Cash and Cash Equivalents | 101,427 | 11, 14 |
| 2,018 | Prepayments | 3,134 | |
| 401,583 | Current Assets | 392,874 | |
| 3,616 | Bank Overdraft | 3,180 | 11, 14 |
| 66,884 | Short Term Borrowing | 35,671 | 11 |
| 2,971 | Provisions (Less than 1 year) | 3,229 | 16 |
| 91,686 | Creditors | 69,079 | 15 |
| 75,672 | Receipts in Advance | 69,974 | 17 |
| 8,751 | PFI Liabilities due within one year | 7,706 | 33d |
| 249,580 | Current Liabilities | 188,839 | |
| 2,065,235 | Total Assets less Current Liabilities | 2,416,501 | |
| 125,574 | Long Term Borrowing | 157,701 | 11 |
| 8,118 | Provisions (More than 1 year) | 8,347 | 16 |
| 239,002 | Deferred PFI Liabilities | 240,061 | 33d |
| 1,201 | Capital Grants Receipts in Advance | 1,544 | |
| 716,722 | Liability related to defined benefit pension scheme | 601,806 | 19, 36 |
| 1,090,617 | Long Term Liabilities | 1,009,459 | |
| 974,618 | NET ASSETS | 1,407,042 | |
| | Usable Reserves | | |
| 13,000 | General Fund Balance | 13,000 | |
| 140,846 | Earmarked Revenue Reserves | 152,528 | 8 |
| 35,912 | Housing Revenue Account | 42,894 | HRA 15 |
| 29,364 | Major Repairs Reserve | 37,475 | HRA 14 |
| 48,191 | Usable Capital Receipts Reserve | 57,231 | 18 |
| 10,958 | Capital Grants Unapplied | 8,149 | |
| 278,271 | | 311,277 | |
| | Unusable Reserves | | |
| 558,836 | Revaluation Reserve | 808,913 | 20 |
| 861,199 | Capital Adjustment Account | 899,650 | 21 |
| 113 | Deferred Capital Receipts | 100 | |
| (5,407) | Financial Instruments Adjustment Account | (4,627) | |
| (716,722) | Pensions Reserve | (601,806) | 19, 36 |
| 3,836 | Collection Fund Adjustment Account | (1,838) | Coll Fd 3 |
| (5,508) | Short Term Compensated Absences Account | (4,627) | |
| 696,347 | | 1,095,765 | |
| 974,618 | TOTAL EQUITY | 1,407,042 | |

Core Financial Statements

CASH FLOW STATEMENT FOR THE YEAR ENDING 31ST MARCH 2016

| 2014/15 £000s | | 2015/16 £000s | Note |
|------------------|--|------------------|------|
| (147,293) | Net surplus or (deficit) on the provision of services | 18,238 | |
| 257,011 | Adjustment to surplus or deficit on the provision of services for non-cash movements | 92,591 | 41 |
| (84,477) | Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (56,008) | 42 |
| 25,241 | Net Cash flows from Operating Activities | 54,821 | |
| (42,353) | Net Cash flows from Investing Activities | (30,536) | 44 |
| (16,321) | Net Cash flows from Financing Activities | (9,034) | 45 |
| (33,433) | Net Increase or (decrease) in Cash and Cash Equivalents | 15,251 | |
| 116,429 | Cash and Cash Equivalents at the beginning of the reporting period | 82,996 | 14 |
| 82,996 | Cash and Cash Equivalents at the end of the reporting period | 98,247 | 14 |

Statement of Accounting Policies

SECTION 2 - STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which requires them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the SeRCOP 2015/16, both published by CIPFA, and based on IFRS and statutory guidance under Section 12 of the Local Government Act 2003 (see Glossary for definitions). The accounting convention adopted in the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a 'going concern' basis (in other words, on the expectation that it will to continue to operate in its current form for the foreseeable future).

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

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

3. ACCRUALS OF INCOME AND EXPENDITURE

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

- Income from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that the economic benefits or service potential associated with the transaction will be received by the Council.
- Income from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will be received by the Council.
- Income from Council Tax and Non-Domestic Rates is accounted for in the year it is due.
- Expenditure on supplies is accounted for when they are used. When there is a significant gap between the date on which supplies are received and the date of their use, and the value is material, they are carried as inventories on the Balance Sheet.
- Expenditure on services received (including those provided by employees) is accounted for when the services are received rather than when payments are made.

Where income and expenditure have been recognised in the accounts, but cash has not been received or paid, a debtor or creditor for the amount is recorded in the Balance Sheet. Where it is likely that debts may not be settled, a charge is made to revenue for the income that might not be collected and the debtor is impaired.

Statement of Accounting Policies

4. EXCEPTIONAL ITEMS

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

5. FOREIGN CURRENCY TRANSLATION

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

6. VALUE ADDED TAX (VAT)

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

7. EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

8. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to the services that benefit from the supply or service in accordance with the total absorption costing principles of the SeRCOP. The exceptions below are defined in SeRCOP and accounted for separately as part of the Cost of Services in the CIES.

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation (e.g. member's services, external audit fees).
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any impairment losses chargeable on Assets Held for Sale.

9. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement (MIRS). Where the grant has yet to be used to finance capital

Statement of Accounting Policies

expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

10. LEASES

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

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

Property, Plant and Equipment held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred. The lease payments are apportioned between a charge for the acquisition of the interest in the property, plant or equipment, which is applied to write down the lease liability, and a finance charge to the Financing and Investment Income and Expenditure line in the CIES. They are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period). The Council as lessee did not have any finance leases in 2015/16 (nor in 2014/15).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, an annual contribution is made from revenue to the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the MiRS for the difference between the two.

ii) Operating Leases

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

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

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

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

Statement of Accounting Policies

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

ii) Operating Leases

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

11. INVENTORIES (STOCK)

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

12. LONG TERM CONTRACTS

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

13. EMPLOYEE BENEFITS

a) Benefits Payable During Employment

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

b) Termination and Discretionary Benefits

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

Where termination benefits have involved the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MiRS, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any amounts payable but unpaid at the year-end.

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities arising as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Statement of Accounting Policies

c) Post-Employment Benefits

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

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

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

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

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

(ii) London Pension Fund Scheme

This scheme is a defined benefit scheme and is accounted for as such, since its liabilities and assets can be identified to individual Councils. The CIES is charged with a levy from the LPFA to meet the employer's contributions and the costs of administration.

(iii) Local Government Pension Scheme

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

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

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

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

- Service Costs comprising
The current service cost which is the increase in liabilities as a result of years of service earned this year. These are allocated in the CIES to the services for which the employees worked.
The past service cost which is the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. These are debited to Non Distributed Costs in the Surplus or Deficit on the Provision of Services in the CIES.
- Net interest on the net defined benefit liability
This is the change in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. This is calculated by applying the discount rate to the net defined benefit liability at the beginning of the period, accounting for any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Re-measurement comprising
The return on plan assets excluding amounts included in net interest.
The actuarial gains and losses arising from changes in demographic and financial assumptions since the last actuarial valuation.
Other changes not accounted for elsewhere.

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

Statement of Accounting Policies

The detailed accounting policies followed in preparing the pension fund accounts are disclosed separately in the Council's Pension Fund Accounts in Section 7 of the Statement of Accounts.

14. INTERESTS IN COMPANIES

The Council has two wholly owned subsidiary companies, Lewisham Homes and Catford Regeneration Partnership Ltd. It also has a minority interest (significantly lower than 50%) in a number of other companies. The transactions between the Council and all of these companies are included in the Council's accounts. An annual review of the necessity of preparing Group Accounts is undertaken and has again concluded that the Group's entities are immaterial to the financial statements and therefore there is no requirement under the Code to produce Group Accounts. They have therefore not been prepared for 2015/16. Note 24 - Investment in Companies includes information about the companies.

15. REVENUE PROVISIONS AND IMPAIRMENT ALLOWANCES

a) Provisions

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

b) Impairment Allowances

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

16. RESERVES

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

17. CONTINGENT LIABILITIES AND ASSETS

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

Statement of Accounting Policies

18. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

19. FINANCIAL INSTRUMENTS**a) Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council enters into a financial instrument and are initially measured at fair value and carried at their amortised cost. Charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by its effective rate of interest. This rate exactly discounts estimated future cash payments over its life to the amount at which it was originally recognised. For the Council's borrowings, the amount on the Balance Sheet is the outstanding principal repayable (plus accrued interest), and the interest charged to the CIES is the amount payable for the year for the loan. Where market loans are defined as Lender Option Borrower Option (LOBO's), these are accounted for as short term loans if they have options occurring within the next financial year.

There has been no repurchase or early settlement of borrowing in 2015/16 (nor in 2014/15). Premiums and discounts from previous year's settlements are charged to the CIES in accordance with regulations requiring the impact on the General Fund and the HRA to be spread over future years. The Council's policy is to spread the gain or loss over the remaining term of the loan repaid on which the premium was payable or discount receivable. Premiums and discounts are split between the General Fund and HRA pro rata to their respective Capital Financing Requirements as at 1 April of the year in which the loan was repaid. As required by statute, the amounts charged to the CIES are adjusted to the required charge against Council Tax or Housing Rents by a transfer to or from the Financial Instruments Adjustment Account in the MiRS. This account holds the accumulated difference between the financing costs charged to the CIES and the accumulated financing costs required to be charged to the General Fund Balance in accordance with regulations.

b) Financial Assets**i) Loans and Receivables**

Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market. They are recognised on the Balance Sheet initially at fair value and subsequently at their amortised cost, and include short term investments and sundry debtors. The credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by its effective rate of interest. For loans that the Council has made, this means that the amount shown on the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year for the loan. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

ii) Available-for-Sale Assets

These are assets which have a quoted market price and/or do not have fixed or determinable payments. The Council does not have any assets in this category.

20. CASH AND CASH EQUIVALENTS

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

Statement of Accounting Policies

21. INTANGIBLE NON CURRENT ASSETS

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

22. NON CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

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

a) Recognition

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

b) Measurement and Valuation

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

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

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

The cost of an asset acquired other than by purchase is deemed to be its fair value. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the CIES. Where the donation has been made conditionally, the gain is held in the Donated Assets Account until conditions are satisfied. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the MiRS. The Council did not receive any donated assets in 2015/16 (nor in 2014/15).

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

Statement of Accounting Policies

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

The 2015/16 Code of Practice has changed the measurement requirements for Surplus Assets within Property, Plant and Equipment (i.e. assets that are not being used to supply goods and services and that do not meet the criteria of assets held for sale). The adoption of IFRS 13 requires that these assets are measured at fair value and not existing use value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

c) Charges to Revenue for Non-Current Assets

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

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

These amounts are not required to be charged against Council Tax; however the Council is required to make an annual contribution from revenue (the Minimum Revenue Provision – MRP) to reduce its overall outstanding borrowing, calculated on a prudent basis in accordance with statutory guidance. The difference between the two is accounted for within the Capital Adjustment Account in the Movement in Reserves Statement.

d) Impairment

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

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

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

e) Depreciation

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

- council dwellings – 25 years
- other land & buildings (including hostels) – 40 years
- vehicles, plant & equipment – range of 5 to 20 years
- infrastructure – range of 10 to 40 years (but the majority being 25 years)

The Council's policy is to charge depreciation on the assets value at 1 April each year. It is charged from the year following the date of purchase or completion of construction, and is not adjusted for disposals or additions of assets during the year. Where an asset has major components whose cost is significant in

Statement of Accounting Policies

relation to the total cost of the item, the components are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

f) Non-Current Assets Held for Sale

When it is almost certain that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, and the strict criteria set out in the COP are met, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

g) Disposals of Non-Current Assets

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

Amounts received in excess of £10,000 are classified as capital receipts. A proportion of receipts from housing disposals (as per the relevant regulations) are payable to the Government. The retained receipts are required to be credited to the Usable Capital Receipts Reserve, and can only be used to finance new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the MiRS. The written-off value of disposals is not a charge against Council Tax. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MiRS.

h) Deferred Capital Receipts

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

23. HERITAGE ASSETS

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

Statement of Accounting Policies

24. INVESTMENT PROPERTIES

These are assets which are used solely to earn rentals and/or for capital appreciation, and are not used in any way for the delivery of services or production of goods or being held for sale. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. They are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. They are revalued annually according to market conditions, and are therefore not depreciated. Any gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. These are not statutorily allowed to have an impact on the Council Tax and are therefore reversed out of the General Fund Balance in the MiRS and posted to the Capital Adjustment Account and the Capital Receipts Reserve if relevant.

The adoption of IFRS13 Fair Value Measurement has led to an assessment of the Council's Investment Properties and their reclassification to Property, Plant & Equipment. Upon review they have now been defined under three main areas: (i) assets leased at less than the market rent; (ii) assets leased at market rent but required for services delivered on behalf of the authority; (iii) assets purchased for strategic purposes including regeneration or service improvements. As a result it has been clarified that our Investment Assets under the broad definition are not used solely for income or capital appreciation.

25. PRIVATE FINANCE INITIATIVE (PFI) CONTRACTS

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

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

26. ACCOUNTING FOR SCHOOLS

Schools' accounting policies are the same as the Council's, with their income and expenditure being attributed to the appropriate service line in the CIES and their assets, liabilities and balances being included on the Balance Sheet. Schools' earmarked reserves are shown separately within Note 8 to the Core Financial Statements. An analysis of Dedicated Schools' Grant (the main source of funding for schools) is shown in Note 28. Any critical judgements made relating to accounting for schools' non-current assets (i.e. land and buildings) are shown in Note 2.

SECTION 3 - NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED IN THE 2015/16 ACCOUNTS

The Code of Practice requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued, but not yet adopted. This applies to the adoption of the following new or amended standard within the 2016/17 Code:-

- Highways Network Asset: the Council owns approximately 390km of roads & footpaths, and these are currently shown on the balance sheet at historic cost less depreciation under the 'infrastructure' category. From 2016/17 these will be valued and reflected in the Council's balance sheet using a valuation method for which further advice is awaited; therefore the effect on the Council's Accounts in the future cannot be quantified at present. In 2016/17 there will be no requirement to restate the 2015/16 comparative figures for these assets.

The Code requires implementation from 1st April 2016 and therefore there is no impact on the 2015/16 Statement of Accounts.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is uncertainty about future levels of funding for local government. However, the Council has concluded that it is unlikely that the assets of the Council will be impaired as a result of the actions required to achieve the necessary savings, including closing facilities and reducing services.
- A number of judgements have been made under IFRS concerning the classification of and the accounting for Non-Current Assets, Investment Properties, Leases, PFI and other major contracts, Capital and Revenue Grants and other miscellaneous items. In 2015/16 the adoption of IFRS13 Fair Value Measurement has led to an assessment of the Council's Investment Properties and their reclassification to Property, Plant & Equipment (for further details, see Note 24 – Investment Properties – in Accounting Policies above). Other than this, there are no material changes to these judgements for the 2015/16 Accounts compared to those followed in 2014/15.
- An accounting judgement has been made for each school as to whether their land and buildings should be included within the Council's Balance Sheet:-
 - Included are 42 Community Primary Schools, 5 Community Secondary Schools, 3 Community Special Schools, 2 Foundation Schools and 2 Nursery Schools (54 schools).
 - Excluded are 24 Voluntary-aided Schools, 3 Foundation Schools, 4 Academies and 4 Other Schools (35 schools).
 - Also excluded are assets acquired via PFI contracts where they relate to the excluded schools given above.
- The Council has previously agreed that it will indemnify all the pension costs of Lewisham Homes staff. The Council's judgement is that this indemnity is most accurately represented by accounting for the liability under IAS19, rather than as an accrual, provision, reserve or contingent liability. The 2015/16 Accounts therefore include the full costs of the Lewisham Homes IAS19 liability and are consistent with the Council's 2014/15 Accounts and Lewisham Homes' Accounts for both years.

Notes to the Core Financial Statements

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

These Accounts contain a number of estimated figures that are based on assumptions made about the future or that are otherwise uncertain, and take into account historical experience, current trends and other relevant factors. Because of this, the actual outcomes could be materially different from the assumptions and estimates made. The areas in the Council's Accounts at 31st March 2016 for which there is a significant possibility of material adjustment in the forthcoming financial year are as follows:-

a) Property, Plant and Equipment

Non-Current Assets are depreciated over their useful lives which are partially dependent on assumed levels of repairs and maintenance that will be achieved. However the current economic climate makes it uncertain that the Council will be able to sustain its current level. If the useful life of assets is reduced, the depreciation will increase and the carrying amount of the assets will decrease. The annual depreciation charge for buildings could increase by approximately £1m for every year that useful lives are reduced. For further information on Non-Current Assets, see Note 9.

b) Insurance Provisions

The insurance provision is made up of contributions to cover liabilities arising over a number of years. It is split between less than and greater than one year, estimating what proportion of the monies held relate to each of the years, what has been paid in each of those years and what remains outstanding. An annual review is commissioned from insurance advisors to inform this split. The balance on the provision < 1 year at 31st March 2016 is £2.7m, and so an increase over the forthcoming year of 10% in the total number of claims or in the average settlement could add £0.27m to the provision needed.

c) Non-Domestic Rates - Appeals

Since the introduction of the Business Rates Retention Scheme from 1st April 2013, Councils are liable for successful appeals against NDR charged to businesses in 2015/16 and earlier financial years in their proportionate share. Therefore, a provision has been raised for the estimate of the amount that businesses have been overcharged up to 31st March 2016, using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date. The balance on this provision at 31st March 2016 is £0.8m.

d) Arrears of Significant Debtors

The Council had debtors balances of Council Tax, Non Domestic Rates, Housing Rents and sundry others of £121m as at 31st March 2016. All of the significant balances have been reviewed and impairment allowances for doubtful debts have been set at appropriate levels, with an overall impairment allowance of £64m. Although the current economic climate, including the Government's welfare benefits reform initiative, has been taken into account, it is not certain that these allowances will be sufficient, as the judgements made are mainly based on historical trends. If collection rates were to deteriorate, an increase of 10% in the amount of the impairment allowance would require an additional sum of £6.4m to be set aside.

e) Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured and are outlined in the Defined Benefits note to these Accounts (Note 36).

Notes to the Core Financial Statements

4. MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

5. EVENTS AFTER THE BALANCE SHEET DATE

The pre-audit Statement of Accounts was authorised for issue by the Executive Director for Resources and Regeneration on 2nd June 2016. Events taking place after this date are not reflected in the accounts. Where events took place before this date which materially altered the conditions existing at 31st March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect these altered conditions. There are no significant events which have occurred after 31st March 2016 affecting the 2015/16 accounts – any such events will affect the 2016/17 accounts only.

At the current time, it is likely that Sedgehill secondary school will be converted to academy status, but the academy orders have not yet been issued. The non-current assets for Sedgehill school show a net book value of £35.8m on the Council's balance sheet at 31st March 2016. The effect of this transfer (if confirmed) will be reflected in 2016/17 accounts.

6. OTHER OPERATING EXPENDITURE - LEVIES

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

| | 2015/16 | 2014/15 |
|------------------------------------|----------------|----------------|
| | £000 | £000 |
| London Pension Fund Authority | 1,232 | 1,243 |
| Lee Valley Regional Park Authority | 226 | 233 |
| Environment Agency | 173 | 170 |
| Total Levies Paid | 1,631 | 1,646 |

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

Notes to the Core Financial Statements

| 2015/16 | Usable Reserves | | | | | | Movement in Unusable Reserves £'000 |
|---|-------------------------------------|--------------------------------------|--|--------------------------------------|---|---|--|
| | General Fund Balance £'000 | Earmarked GF Reserves £'000 | Housing Revenue Account £'000 | Major Repairs Reserve £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | | |
| Reversal of items credited or debited to the CIES | | | | | | | |
| Charges for depreciation and impairment of non-current assets | (20,689) | | 30,112 | | | | (9,423) |
| Movements in the market value of Investment Properties | 131 | | | | | | (131) |
| Capital grants and contributions applied | (33,408) | | | | | | 33,408 |
| Revenue expenditure funded from capital under statute | 11,614 | | | | | | (11,614) |
| Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES | 3,768 | | 25,761 | | | | (29,529) |
| Insertion of items not debited or credited to the CIES | | | | | | | |
| Statutory provision for the financing of capital investment/ Repayment of Principal on PFI schemes | (6,957) | | (3,409) | | | | 10,366 |
| Capital expenditure charged against the General Fund | (6,440) | | | | | | 6,440 |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | | |
| Capital Grants and contributions unapplied credited to the CIES | | | | | | (2,809) | 2,809 |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES | (6,120) | | (16,561) | | 22,681 | | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | | | | (11,659) | | 11,659 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | 1,969 | | | | (1,969) | | 0 |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | | | | | (13) | | 13 |
| Balance of Reserved Capital Receipts at Year End | | | | | | | 0 |
| Adjustments primarily involving the Major Repairs Reserve: | | | | | | | |
| Use of the Major Repairs Reserve to finance new capital expenditure | | | 18,244 | (22,001) | | | 3,757 |
| Reversal of Major Repairs Allowance credited to the HRA | | | (30,112) | 30,112 | | | 0 |
| Difference between Major Repairs Allowance and HRA depreciation | | | 11,868 | (11,868) | | | 0 |
| Adjustments primarily involving the Financial Instruments Adj Account: | | | | | | | |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | (302) | | (478) | | | | 780 |
| Adjustments primarily involving the Pensions Reserve: | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | 60,946 | | 5,532 | | | | (66,478) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (30,276) | | (3,086) | | | | 33,362 |

Notes to the Core Financial Statements

| 2015/16 continued | Usable Reserves | | | | | | Movement in Unusable Reserves £'000 |
|---|----------------------|-----------------------|-------------------------|-----------------------|--------------------------|--------------------------|--|
| | General Fund Balance | Earmarked GF Reserves | Housing Revenue Account | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Adjustments primarily involving the Collection Fund Adjustment Account: Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements | 5,674 | | | | | | (5,674) |
| Adjustments primarily involving the Accumulated Absences Account: Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (881) | | | | | | 881 |
| Other Adjustments | (4,606) | | | | | | 4,606 |
| Total Adjustments | (25,577) | 0 | 37,871 | (3,757) | 9,040 | (2,809) | (14,768) |

| 2014/15 COMPARATIVE FIGURES | Usable Reserves | | | | | | Movement in Unusable Reserves £'000 |
|---|----------------------|-----------------------|-------------------------|-----------------------|--------------------------|--------------------------|--|
| | General Fund Balance | Earmarked GF Reserves | Housing Revenue Account | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Adjustments primarily involving the Capital Adjustment Account: Reversal of items credited or debited to the CIES Charges for depreciation and impairment of non-current assets | 207,892 | | 24,205 | | | | (232,097) |
| Movements in the market value of Investment Properties | 2,579 | | | | | | (2,579) |
| Capital grants and contributions applied | (50,108) | | | | | | 50,108 |
| Revenue expenditure funded from capital under statute | 13,595 | | | | | | (13,595) |
| Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES | 2,711 | | 6,473 | | | | (9,184) |
| Insertion of items not debited or credited to the CIES Statutory provision for the financing of capital investment | (15,303) | | (3,094) | | | | 18,397 |
| Capital expenditure charged against the General Fund and HRA balances | (7,791) | | | | | | 7,791 |
| Adjustments primarily involving the Capital Grants Unapplied Account: Capital Grants and contributions unapplied credited to the CIES | | | | | | (818) | 818 |
| Adjustments primarily involving the Capital Receipts Reserve: Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES | (15,278) | | (20,603) | | 35,881 | | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | | | | (4,315) | | 4,315 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | 1,727 | | | | (1,727) | | 0 |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | | | | | (19) | | 19 |
| Balance of Reserved Capital Receipts at Year End | | | | | (1,075) | | 1,075 |

Notes to the Core Financial Statements

| 2014/15 COMPARATIVE FIGURES continued | Usable Reserves | | | | | | Movement in Unusable Reserves £'000 |
|---|-------------------------------------|--------------------------------------|--|--------------------------------------|---|---|--|
| | General Fund Balance £'000 | Earmarked GF Reserves £'000 | Housing Revenue Account £'000 | Major Repairs Reserve £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | |
| Adjustments primarily involving the Major Repairs Reserve: | | | | | | | |
| Use of the Major Repairs Reserve to finance new capital expenditure | | | 12,273 | (16,754) | | | 4,481 |
| Reversal of Major Repairs Allowance credited to the HRA | | | (26,331) | 26,331 | | | 0 |
| Difference between Major Repairs Allowance and HRA depreciation | | | 14,058 | (14,058) | | | 0 |
| Adjustments primarily involving the Financial Instruments Adj Account: | | | | | | | |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | (300) | | (478) | | | | 778 |
| Adjustments primarily involving the Pensions Reserve: | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | 48,590 | | 14,590 | | | | (63,180) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (30,002) | | (2,821) | | | | 32,823 |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | | | | |
| Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements | (779) | | | | | | 779 |
| Adjustments primarily involving the Accumulated Absences Account: | | | | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (767) | | | | | | 767 |
| Other Adjustments | 1 | | | | | (1) | 0 |
| Total Adjustments | 156,767 | 0 | 18,272 | (4,481) | 28,745 | (819) | (198,484) |

8. EARMARKED RESERVES

The Council has a number of earmarked reserves on its Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up to provide resources for future spending plans. This note shows the amounts used to meet General Fund expenditure in 2015/16 and amounts set aside in the year to finance future expenditure plans. The use of HRA earmarked reserves is shown in the notes to the HRA in Section 4.

Notes to the Core Financial Statements

| Name of Reserve | Balance 31/03/15 £000 | 2015/16 Transfers | | Balance 31/03/16 £000 | |
|-------------------------------------|-----------------------------|-------------------|---------------|-----------------------------|-----|
| | | Out £000 | In £000 | | |
| Specific Revenue Earmarked | 68,998 | (14,112) | 25,071 | 79,957 | (a) |
| PFI and BSF Schemes | 20,619 | (46) | 1,704 | 22,277 | (b) |
| New Homes Bonus Reserve | 13,507 | (5,229) | 8,002 | 16,280 | |
| Insurance | 14,467 | (300) | 0 | 14,167 | |
| Capital Programme Expenditure | 5,538 | (13,233) | 10,741 | 3,046 | (c) |
| | 123,129 | (32,920) | 45,518 | 135,727 | |
| Schools Reserves and External Funds | 17,717 | (24,690) | 23,774 | 16,801 | (d) |
| | 17,717 | (24,690) | 23,774 | 16,801 | |
| Total | 140,846 | (57,610) | 69,292 | 152,528 | |

a) Specific Earmarked Reserves

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

b) PFI and BSF Schemes Reserves

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

c) Capital Programme Expenditure Reserve

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

d) Schools Reserves and Schools External Funds

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

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

Assets are valued at least every five years as a minimum or more regularly where a five-yearly valuation is insufficient to keep pace with material changes in fair value, to ensure that the Council's assets are valued in accordance with RICS and CIPFA guidance. The valuations this year were undertaken and signed off by the valuers Wilkes, Head and Eve. Where revaluations have occurred in 2015/16, their exact effective date was 31st January 2016.

| | Council Dwellings £000 | Other Land & Buildings £000 | Surplus Assets £000 | Total £000 |
|--------------------------------|------------------------------|-----------------------------------|---------------------------|------------------|
| Valued at Historic Cost | | 19,156 | 1,268 | 20,424 |
| Valued at Current Value | | | | |
| 2015/16 | 1,108,145 | 692,868 | 72,719 | 1,873,732 |
| 2014/15 | 38,168 | 1,514 | 460 | 40,142 |
| 2013/14 | 0 | 33,701 | 220 | 33,921 |
| 2012/13 | 0 | 38,993 | 0 | 38,993 |
| 2011/12 | 0 | 5,355 | 990 | 6,345 |
| Total Net Book Value | 1,146,313 | 791,587 | 75,657 | 2,013,557 |

Notes to the Core Financial Statements

b) Movements in Non-Current Assets

The movements in non-current assets during 2015/16 were as follows:

| 2015/16 | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant & Equipment £000 | Infra-structure Assets £000 | Comm. Assets £000 | Surplus Assets £000 | Assets under Construction £000 | TOTAL £000 |
|--|---------------------------|--------------------------------|-------------------------------------|--------------------------------|----------------------|------------------------|-----------------------------------|------------------|
| Gross Book Value b/fwd at 1st April 2015 | 1,060,622 | 610,423 | 56,105 | 138,449 | 8,854 | 52,932 | 29,604 | 1,956,989 |
| Additions | 90 | 24,964 | 3,071 | 16,216 | 284 | 5,884 | 17,846 | 68,355 |
| Revaluations (recognised in Revaluation Reserve) | 106,632 | 100,619 | 0 | 0 | 0 | 31,531 | 0 | 238,782 |
| Revaluations (recognised in Surplus/ Deficit on the Provision of Services) | 7,063 | 33,303 | 0 | 0 | 0 | (3,436) | 0 | 36,930 |
| Impairments (recognised in Revaluation Reserve) | (29) | (958) | 0 | 0 | (30) | (7,516) | 0 | (8,533) |
| Impairments (recognised in Surplus/ Deficit on the Provision of Services) | (80) | (185) | (52) | 0 | (548) | (6,791) | (2,671) | (10,327) |
| Disposals | (11,856) | (3,024) | (1,356) | 0 | (357) | (12,276) | 0 | (28,869) |
| Transfers | (12,486) | 30,411 | 1,208 | 4,431 | (1,040) | 15,698 | (20,787) | 17,435 |
| Assets reclassified to/from Held for Sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross Book Value c/fwd at 31st March 2016 | 1,149,956 | 795,553 | 58,976 | 159,096 | 7,163 | 76,026 | 23,992 | 2,270,762 |
| Depreciation b/fwd at 1st April 2015 | (2,531) | (14,056) | (25,707) | (43,410) | (4) | (867) | 0 | (86,575) |
| Depreciation for year | (29,464) | (14,065) | (5,006) | (5,769) | (4) | (992) | 0 | (55,300) |
| <u>Depreciation written back on:</u> | | | | | | | | |
| Transfers | 353 | 277 | 0 | 0 | 0 | (630) | 0 | 0 |
| Revaluations (recognised in Revaluation Reserve) | 25,879 | 9,591 | 0 | 0 | 0 | 434 | 0 | 35,904 |
| Revaluations (recognised in Surplus/ Deficit on the Provision of Services) | 2,099 | 13,819 | 0 | 0 | 0 | 718 | 0 | 16,636 |
| Impairments (recognised in Revaluation Reserve) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments (recognised in Surplus/ Deficit on the Provision of Services) | 0 | (43) | 46 | 0 | 0 | 39 | 0 | 42 |
| Assets Sold | 21 | 511 | 1,356 | 0 | 0 | 929 | 0 | 2,817 |
| Depreciation c/fwd at 31st March 2016 | (3,643) | (3,966) | (29,311) | (49,179) | (8) | (369) | 0 | (86,476) |
| Net Book Value at 31st March 2016 | 1,146,313 | 791,587 | 29,665 | 109,917 | 7,155 | 75,657 | 23,992 | 2,184,286 |

Notes to the Core Financial Statements

The movements in non-current assets during 2014/15 were as follows:

| 2014/15 | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant & Equipment £000 | Infra-structure Assets £000 | Comm. Assets £000 | Surplus Assets £000 | Assets under Construction £000 | TOTAL £000 |
|---|---------------------------|--------------------------------|-------------------------------------|--------------------------------|----------------------|------------------------|-----------------------------------|------------------|
| Gross Book Value b/fwd at 1st April 2014 | 883,366 | 807,360 | 75,927 | 145,899 | 9,364 | 39,148 | 26,327 | 1,987,391 |
| Additions | 2,698 | 20,090 | 3,148 | 10,577 | 12 | 6,785 | 24,266 | 67,576 |
| Revaluations (recognised in Revaluation Reserve) | 172,413 | (11) | 0 | 0 | 0 | 589 | 0 | 172,991 |
| Revaluations (recognised in Surplus/Deficit on the Provision of Services) | 8,368 | (172,623) | (349) | 0 | 0 | (3,328) | 0 | (167,932) |
| Impairments (recognised in Revaluation Reserve) | 0 | (15,018) | 0 | 0 | (2) | (7) | 0 | (15,027) |
| Impairments (recognised in Surplus/Deficit on the Provision of Services) | 0 | (26,362) | (24,297) | (18,599) | (564) | (628) | 0 | (70,450) |
| Disposals | (6,505) | (881) | 0 | 0 | 0 | (1,596) | 0 | (8,982) |
| Transfers | 282 | (2,132) | 1,676 | 572 | 44 | 11,969 | (20,989) | (8,578) |
| Assets reclassified to/from Held for Sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross Book Value c/fwd at 31st March 2015 | 1,060,622 | 610,423 | 56,105 | 138,449 | 8,854 | 52,932 | 29,604 | 1,956,989 |
| Depreciation b/fwd at 1st April 2014 | (1,333) | (16,412) | (44,170) | (56,761) | 0 | (829) | 0 | (119,505) |
| Depreciation for year | (25,562) | (13,965) | (4,544) | (5,242) | (4) | (565) | 0 | (49,882) |
| Depreciation written back on: | | | | | | | | |
| Transfers | (160) | (19) | (255) | (2) | 0 | 284 | 0 | (152) |
| Revaluations (recognised in Revaluation Reserve) | 17,929 | 5,401 | 0 | 0 | 0 | 223 | 0 | 23,553 |
| Revaluations (recognised in Surplus/Deficit on the Provision of Services) | 6,563 | 10,191 | 37 | 0 | 0 | 13 | 0 | 16,804 |
| Impairments (recognised in Revaluation Reserve) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments (recognised in Surplus/Deficit on the Provision of Services) | 0 | 652 | 23,226 | 18,595 | 0 | 1 | 0 | 42,474 |
| Assets Sold | 32 | 96 | 0 | 0 | 0 | 6 | 0 | 134 |
| Depreciation c/fwd at 31st March 2015 | (2,531) | (14,056) | (25,706) | (43,410) | (4) | (867) | 0 | (86,574) |
| Net Book Value at 31st March 2015 | 1,058,091 | 596,367 | 30,399 | 95,039 | 8,850 | 52,065 | 29,604 | 1,870,415 |

Notes to the Core Financial Statements

10. INVESTMENT PROPERTIES

Note: Investment Properties have all been reclassified to Property, Plant & Equipment during 2015/16; hence the reduction of the balance to nil. (For further details, see Note 24 – Investment Properties – in Accounting Policies.)

| | 2015/16 £000 | 2014/15 £000 |
|---|-----------------|-----------------|
| a) In Comprehensive Income and Expenditure Statement | | |
| Operating Expenses | 0 | 296 |
| Rents - Shops | 0 | (1,031) |
| Rents - Industrial and Commercial Properties and Aerial Sites | 0 | (953) |
| Net Income from Investment Properties | 0 | (1,688) |

| | 2015/16 £000 | 2014/15 £000 |
|---|-----------------|-----------------|
| b) Movement in Fair Value in the Balance Sheet | | |
| Balance at Beginning of Year | 22,743 | 25,658 |
| Disposals | (3,603) | (336) |
| Net Gains / (Losses) from fair value adjustments | (131) | (2,579) |
| Transfers to / from PPE | (19,009) | 0 |
| Balance at End of Year | 0 | 22,743 |

11. FINANCIAL INSTRUMENTS

The Code of Practice requires the accounts to be compliant with IFRS but some of these requirements are not consistent with primary legislation. Where this occurs, the CIES complies with IFRS, with the MiRS containing the reversals required to ensure that the closing balances comply with Statute. The figures shown in the table do not all appear as investments on the face of the balance sheet due to the reclassification of some short term investments as Cash Equivalents under IFRS. Where values are zero, the relevant lines have been excluded from the table.

a) Financial Instruments Balances

| | Long-Term | | Current | | |
|--|------------------|------------------|------------------|------------------|---|
| | 31/03/16 £000 | 31/03/15 £000 | 31/03/16 £000 | 31/03/15 £000 | |
| Financial Liabilities (Principal) | 157,492 | 125,376 | 33,763 | 65,000 | 1 |
| Accrued Interest | 209 | 198 | 1,908 | 1,884 | 1 |
| Total Borrowings | 157,701 | 125,574 | 35,671 | 66,884 | |
| PFI and Finance Lease liabilities | 240,060 | 239,002 | 7,706 | 8,751 | |
| Total Other Liabilities | 240,060 | 239,002 | 7,706 | 8,751 | |
| Financial Liabilities at contract amount | - | - | 62,471 | 75,288 | 2 |
| Total Creditors | - | - | 62,471 | 75,288 | |

Notes to the Core Financial Statements

| | Long-Term | | Current | | |
|--------------------------------------|------------------|------------------|------------------|------------------|---|
| | 31/03/16 £000 | 31/03/15 £000 | 31/03/16 £000 | 31/03/15 £000 | |
| Loans and Receivables (Principal) | - | - | 328,195 | 312,958 | 1 |
| Accrued Interest | - | - | 814 | 688 | 1 |
| Total Investments | - | - | 329,009 | 313,646 | |
| Loans and Receivables | 25,734 | 17,774 | - | - | 2 |
| Financial Assets at contract amounts | - | - | 43,949 | 66,856 | 2 |
| Total Debtors | 25,734 | 17,774 | 43,949 | 66,856 | |

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

2) These are carried at cost as this is a fair approximation of their value. The breakdown of these figures are shown in the appropriate Debtors and Creditors Notes and exclude statutory amounts.

Other Required Declarations

There were no reclassifications of financial instruments in the year or the previous year.

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

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

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

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

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

No allowance for credit losses were made during the year or the previous year.

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

Borrowing costs capitalised in the year were £0.879m, at a rate of 4.38%. These were included in interest payable in the CIES.

b) Financial Instruments Gains / (Losses)

The gains and losses recognised in the CIES in relation to financial instruments are as follows (there were no revaluations on financial instruments in 2015/16 or 2014/15, or assets classified as Available for Sale):

| | 2015/16 | | | 2014/15 |
|---|---|---|----------------|----------------|
| | Liabilities - Amortised Cost £000 | Assets - Loans and Receivables £000 | Totals £000 | Totals £000 |
| Interest Expense | 9,070 | - | 9,070 | 9,193 |
| Total Expense in Surplus or Deficit on Provision of Services | 9,070 | - | 9,070 | 9,193 |
| Interest Income | - | (2,403) | (2,403) | (2,009) |
| Total Income in Surplus or Deficit on Provision of Services | - | (2,403) | (2,403) | (2,009) |
| Net (Gain) / Loss for the Year | 9,070 | (2,403) | 6,667 | 7,184 |

Notes to the Core Financial Statements

c) Fair Values of Assets and Liabilities

Financial liabilities and assets represented by loans and receivables are carried on the balance sheet at amortised cost (in long term assets / liabilities with accrued interest in current assets / liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- Borrowing rates from the PWLB have been applied to PWLB loans using their own procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

The fair values for loans and receivables have been assessed by reference to published prices in an active market where available, or by using a valuation technique. These give a reasonable estimate for the fair value of a financial instrument, and includes accrued interest. The comparator market rates prevailing have been taken at each balance sheet date. In practice, rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

The following table shows the carrying amount of assets and liabilities on the balance sheet compared to the fair value amounts (undisclosed on the balance sheet). The fair value of Public Works Loan Board (PWLB) loans of £104m compares the terms of existing PWLB commitments with the new borrowing rates available from the PWLB, given that the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates.

A supplementary measure of the fair value of PWLB commitments is to compare the terms of these loans with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB premature repayment rate. If the authority were to seek to repay the loans to the PWLB, the PWLB would raise a penalty charge for early redemption, based on the redemption interest rates, for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £121m.

| | Premature Repayment Rate | | New Loan Rate | | 31/03/15 | |
|---------------------------------|--------------------------|--------------------|-------------------------|--------------------|-------------------------|--------------------|
| | 31/03/16 | | 31/03/16 | | Carrying Amount £000 | Fair Value £000 |
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| PWLB Debt | 78,869 | 121,476 | 78,869 | 104,315 | 78,859 | 103,535 |
| Non-PWLB Debt * | 114,503 | 173,345 | 114,503 | 140,921 | 113,599 | 137,308 |
| Total Debt / Liabilities | 193,372 | 294,821 | 193,372 | 245,236 | 192,458 | 240,843 |
| Money Market Investments | 331,294 | 331,582 | 331,294 | 331,582 | 311,647 | 167,794 |
| Long Term Debtors | 25,734 | 25,734 | 25,734 | 25,734 | 17,774 | 17,774 |
| Total Assets | 357,028 | 357,316 | 357,028 | 357,316 | 329,421 | 185,568 |

*The fair value for non-PWLB debt at the premature repayment rate is provided for illustrative purposes only.

Notes to the Core Financial Statements

12. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**a) Key Risks**

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

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

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

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

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

b) Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the uncertainty of financial markets, and are structured to implement suitable controls to minimise these risks. They set out a legal framework based on the *Local Government Act 2003* and associated regulations, and require the Council to do the following:

- formally adopt the requirements of the CIPFA Treasury Management Code of Practice;
- adopt a Treasury Policy Statement and include treasury management clauses within its financial regulations/standing orders/constitution;
- approve annually in advance prudential and treasury indicators for the following three years.
- approve an investment strategy for the forthcoming year setting out its criteria for investing and selecting investment counterparties in compliance with Government guidance.

These procedures are required to be reported and approved at Council before the start of the year to which they relate. These items are reported with the Annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year. The annual treasury management strategy which incorporates the prudential indicators was last approved by Council in February 2016 and is available on the Council website. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These are a requirement of the Code of Practice and are reviewed periodically.

c) Credit Risk

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

The Council's maximum exposure to credit risk in respect of its investments cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to that institution. It is rare for institutions to be unable to meet their commitments and a risk applies to all of the Council's deposits, however at the 31 March 2016 there was no evidence that this was likely to happen.

Notes to the Core Financial Statements

d) Liquidity Risk

The Council manages its liquidity position through the procedures above as well as using a comprehensive cash flow management system, as required by the CIPFA Code of Practice, which ensures that cash is available when needed. The Council has ready access to borrowings from the money markets to cover any day to day cash flow need and the PWLB and money markets for access to longer term funds. All sums invested are either due to be paid in less than one year or can be easily realised.

e) Refinancing and Maturity Risk

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

f) Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments and these impact according to how variable and fixed interest rates move across differing financial instrument periods. The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy includes expected interest rate movements. A treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure, and this is monitored regularly.

If variable interest rates had been 0.1% higher (with all other variables held constant) the financial effect would be a net increase in income of £0.2m. The impact of a 0.1% fall in interest rates would be a net decrease in income of £0.2m.

13. DEBTORS**a) Long Term Debtors**

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

| | 31/03/16 £000 | 31/03/15 £000 |
|--|------------------|------------------|
| Catford Regeneration Partnership Ltd (CRPL) - Loan | 11,383 | 11,431 |
| Lewisham Homes - Loan | 8,000 | 0 |
| Street Lighting PFI Sinking Fund | 3,245 | 3,245 |
| Lewisham Gateway Development - Loan | 2,000 | 2,000 |
| Land Charges Debts | 388 | 389 |
| Mortgages | 184 | 175 |
| Other Long Term Debtors | 534 | 534 |
| Total Long Term Debtors | 25,734 | 17,774 |

a) Catford Regeneration Limited Loan A loan of £12m was advanced to CRPL in 2010/11. See note 24 a) ii) for more details.

b) Lewisham Homes Loan A loan of £8m was advanced to Lewisham Homes in 2015/16. See note 24 a) i) for more details.

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

d) Lewisham Gateway Development A loan of £2m was advanced to the consortium which is undertaking the Lewisham Gateway development.

Notes to the Core Financial Statements

b) Current Debtors

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

| | 31/03/16 £000 | 31/03/15 £000 |
|---|------------------|------------------|
| Government and Other Public Bodies: | | |
| HM Revenue & Customs - VAT | 4,670 | 6,869 |
| Education Recoupment | 0 | 2,083 |
| Central Government bodies | 12,173 | 1,684 |
| Other Local Authorities | 1,527 | 13,807 |
| NHS bodies | 1,562 | 7,123 |
| Other Public bodies | 114 | 4,521 |
| Council Tax Payers | 27,480 | 25,164 |
| Council Tax Court Costs | 6,752 | 6,096 |
| Housing Benefit Overpayments | 23,267 | 18,869 |
| Housing Rents (inc PSL, B & B, Hostels, Commercial) | 9,222 | 9,815 |
| Leaseholders Services Charges | 5,371 | 5,810 |
| Parking | 2,426 | 5,839 |
| General Debtors due for Supplies and Services | 26,654 | 35,410 |
| Total Current Debtors | 121,218 | 143,090 |
| Impairment Allowances | (63,858) | (61,100) |
| Total Net Current Debtors | 57,360 | 81,990 |

c) Impairment Allowances

| | Balance at 31/03/15 £000 | Movement in 2015/16 £000 | Balance at 31/03/16 £000 |
|---|--------------------------------|--------------------------------|--------------------------------|
| Council Tax Payers | (23,530) | (1,876) | (25,406) |
| Council Tax Court Costs | (5,419) | (637) | (6,056) |
| Housing Benefit Overpayments | (13,849) | (2,635) | (16,484) |
| Housing Rents (inc PSL, B & B, Hostels, Commercial) | (6,885) | 2,161 | (4,724) |
| Leaseholders Services Charges | (1,498) | (36) | (1,534) |
| Parking | (4,839) | 3,245 | (1,594) |
| General Debtors due for Supplies and Services | (5,080) | (2,980) | (8,060) |
| Total Impairment Allowances | (61,100) | (2,758) | (63,858) |

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

Notes to the Core Financial Statements

14. CASH AND CASH EQUIVALENTS

| | Balance 31/03/15 £000 | Movement in 2015/16 £000 | Balance 31/03/16 £000 |
|--|-----------------------------|--------------------------------|-----------------------------|
| Cash Equivalents | | | |
| Short Term Deposits | 10,007 | 7 | 10,014 |
| Cash | | | |
| Money Market Funds | 70,990 | 19,528 | 90,518 |
| Call Accounts with Banks | 0 | | 0 |
| | 70,990 | 19,528 | 90,518 |
| Other Cash and Bank Balances | | | |
| Main Bank Accounts | 3,128 | (3,128) | 0 |
| Other Cash and Bank Accounts | 426 | 469 | 895 |
| | 3,554 | (2,659) | 895 |
| Total Cash and Cash Equivalents | 84,551 | 16,876 | 101,427 |
| Bank Accounts Overdrawn | | | |
| Main Bank Accounts | 0 | (2,650) | (2,650) |
| Schools Bank Accounts | (1,555) | 1,025 | (530) |
| | (1,555) | (1,625) | (3,180) |
| Net Cash and Cash Equivalents | 82,996 | 15,251 | 98,247 |

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

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

c) The schools bank accounts are an integral part of the Council's overall cash management arrangements, and are therefore included under Net Cash and Cash Equivalents. They consist of individual accounts for each school, and an overall treasury account which is used to invest the net balance in conjunction with the Council's other balances. The balances on these accounts were £13.8m (2014/15 £11.4m) and overdrawn £14.4m (2014/15 overdrawn £15m) respectively.

Notes to the Core Financial Statements

15. CREDITORS

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

| | 31/03/16 £000 | 31/03/15 £000 |
|--|------------------|------------------|
| Government and other public bodies: | | |
| HM Revenue & Customs | 5,393 | 5,691 |
| Education Recoupment | 440 | 1,100 |
| Central Government bodies | 3,559 | 3,847 |
| Other Local Authorities | 3,702 | 4,695 |
| NHS bodies | 12,907 | 13,635 |
| Other Public bodies | 955 | 1,038 |
| | 26,956 | 30,006 |
| Short Term Compensated Absences | 4,627 | 5,508 |
| General Creditors (amounts owed for supplies and services) | 37,496 | 56,172 |
| Total Creditors | 69,079 | 91,686 |

16. PROVISIONS

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

| | Balance 31/03/15 £000 | 2015/16 Transfers | | Balance 31/03/16 £000 |
|-----------------------------------|-----------------------------|-------------------|--------------|-----------------------------|
| | | Out £000 | In £000 | |
| Current (less than 1 year) | | | | |
| Insurance Provision | 2,372 | (3,058) | 3,434 | 2,748 |
| Other Provisions | 599 | (192) | 74 | 481 |
| | 2,971 | (3,250) | 3,508 | 3,229 |
| Non Current (Over 1 year) | | | | |
| Insurance Provision | 6,437 | 0 | 137 | 6,574 |
| Other Provisions | 1,681 | 0 | 92 | 1,773 |
| | 8,118 | 0 | 229 | 8,347 |
| Total - Provisions | 11,089 | (3,250) | 3,737 | 11,576 |

Insurance Provisions

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

Notes to the Core Financial Statements

17. REVENUE RECEIPTS IN ADVANCE

| | 31/03/16 £000 | 31/03/15 £000 |
|---|--------------------------------|--------------------------------|
| Capital Contributions Unapplied | 28,210 | 29,602 |
| Council Tax | 8,589 | 7,902 |
| PFI Schemes | 21,105 | 20,192 |
| Revenue Grants and Contributions | 2,614 | 6,311 |
| Other Receipts in Advance | 9,456 | 11,665 |
| Balance carried forward at end of year | 69,974 | 75,672 |

18. USABLE CAPITAL RECEIPTS

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

| | 2015/16 £000 | 2014/15 £000 |
|--|-------------------------------|-------------------------------|
| Balance brought forward at start of year | 48,191 | 19,446 |
| Amounts Received | 22,668 | 34,787 |
| Poolable to Central Government | (1,969) | (1,727) |
| Amounts applied to finance new capital investment | (11,659) | (4,315) |
| Total increase/(decrease) in capital receipts in year | 9,040 | 28,745 |
| Balance carried forward at end of year | 57,231 | 48,191 |

19. PENSION RESERVE

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

Notes to the Core Financial Statements

| | 2015/16 £000 | 2014/15 £000 |
|--|------------------|------------------|
| Balance brought forward at start of year | (716,722) | (588,090) |
| Actuarial gains or losses on pensions assets and liabilities | 148,032 | (98,275) |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES | (66,478) | (63,180) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 33,362 | 32,823 |
| Balance carried forward at end of year | (601,806) | (716,722) |

20. REVALUATION RESERVE

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

| | 2015/16 £000 | 2014/15 £000 |
|--|-----------------|-----------------|
| Balance brought forward at start of year | 558,835 | 390,256 |
| Revaluation of Assets | 274,726 | 195,443 |
| Impairment Losses | (8,572) | (15,137) |
| Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | 266,154 | 180,306 |
| Difference between fair value and historic cost depreciation | (15,417) | (7,221) |
| Accumulated gains on assets sold or scrapped | (5,266) | (4,506) |
| Other amounts written off to Capital Adjustment Account | 4,607 | 0 |
| Amount written off to the Capital Adjustment Account | (16,076) | (11,727) |
| Balance carried forward at end of year | 808,913 | 558,835 |

Notes to the Core Financial Statements

21. CAPITAL ADJUSTMENT ACCOUNT

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

| | 2015/16 £000 | 2014/15 £000 |
|--|-----------------|------------------|
| Balance brought forward at start of year | 861,199 | 1,019,904 |
| <u>Reversal of capital expenditure items debited or credited to the CIES</u> | | |
| Charges for depreciation and impairment of non-current assets | (9,423) | (232,097) |
| Revenue expenditure funded from capital under statute | (11,614) | (13,595) |
| Non-current assets written off on disposal - gain/loss to the CIES | (24,368) | (9,126) |
| | (45,405) | (254,818) |
| Adjusting amounts written out of the Revaluation Reserve | 15,417 | 12,782 |
| Net amount written out of the cost of non-current assets consumed in the year | (29,988) | (242,036) |
| <u>Capital Financing applied in the year:</u> | | |
| Use of Capital Receipts to finance new capital expenditure | 11,659 | 4,315 |
| Use of Major Repairs Reserve to finance new capital expenditure | 3,757 | 4,481 |
| Capital grants and contributions credited to the CIES | 36,217 | 50,926 |
| Statutory Provision for the financing of capital investment | 1,623 | 8,548 |
| Repayment of Principal on PFI schemes | 8,743 | 9,849 |
| Capital expenditure charged to General Fund and HRA | 6,440 | 7,791 |
| | 68,439 | 85,910 |
| Movements in the value of Investment Properties debited or credited to the CIES | 0 | (2,579) |
| Balance carried forward at end of year | 899,650 | 861,199 |

Notes to the Core Financial Statements

22. SEGMENTAL REPORTING (AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS)**SEGMENTAL REPORTING FOR THE YEAR ENDING 31ST MARCH 2016**

| | CYP | Community | Customer | Resources and | HRA | Total |
|---|------------------|------------------|------------------|----------------------|-----------------|------------------|
| | Services | Services | Services | Regeneration | | |
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Fees, charges & other service income | (14,237) | (40,328) | (48,842) | (15,744) | (89,007) | (208,158) |
| Government grants | (313,474) | (28,738) | (234,270) | (3,159) | (10,358) | (589,999) |
| Support Service Recharges | (4,098) | (3,520) | (17,812) | (29,077) | 0 | (54,507) |
| Total Income | (331,809) | (72,586) | (300,924) | (47,980) | (99,365) | (852,664) |
| Employee expenses | 226,492 | 32,298 | 38,681 | 22,805 | 2,397 | 322,673 |
| Other operating expenses | 151,097 | 122,285 | 298,074 | 33,307 | 96,968 | 701,731 |
| Support Service Recharges | 13,044 | 11,844 | 11,953 | 17,666 | 0 | 54,507 |
| Total operating expenses | 390,633 | 166,427 | 348,708 | 73,778 | 99,365 | 1,078,911 |
| Net Cost of Services | 58,824 | 93,841 | 47,784 | 25,798 | 0 | 226,247 |
| Net Budgets | 51,389 | 95,006 | 43,896 | 29,646 | 0 | 219,937 |
| Variation | 7,435 | (1,165) | 3,888 | (3,848) | 0 | 6,310 |
| Less: Corporate Items | | | | | | (3,200) |
| General Fund Overspend reported to Members | | | | | | 3,110 |

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

| | £000s |
|---|-----------------|
| Cost of Services in Service Analysis | 226,247 |
| Add services not included in main analysis | 15,067 |
| Add amounts not reported to management (Technical Accounting adjustments) | 14,826 |
| Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement | (36,025) |
| Net Cost of Services in Comprehensive Income and Expenditure Statement | 220,115 |

| Reconciliation to Subjective Analysis (Single Entity) | Service Analysis | Services not in Analysis | Not reported to mgmt | Not included in I&E | Net Cost of Services | Corporate Amounts | Total |
|--|-------------------------|---------------------------------|-----------------------------|--------------------------------|-----------------------------|--------------------------|--------------------|
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Fees, charges & other service income | (208,158) | 0 | 0 | 0 | (208,158) | 0 | (208,158) |
| Surplus or deficit on associates and joint ventures | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest and investment income | 0 | 0 | (26,145) | 0 | (26,145) | (2,003) | (28,148) |
| Income from council tax | 0 | 0 | 0 | 0 | 0 | (84,948) | (84,948) |
| Government grants and contributions | (589,999) | 0 | 0 | 0 | (589,999) | (211,910) | (801,909) |
| Total Income | (798,157) | 0 | (26,145) | 0 | (824,302) | (298,861) | (1,123,163) |
| Employee expenses | 322,673 | 10,540 | 40,640 | (36,025) | 337,828 | 0 | 337,828 |
| Other service expenses | 701,731 | 4,527 | 24,604 | 0 | 730,862 | 0 | 730,862 |
| Depreciation, amortisation, impairment & write-offs | 0 | 0 | (24,575) | 0 | (24,575) | 131 | (24,444) |
| Interest Payments | 0 | 0 | 302 | 0 | 302 | 49,791 | 50,093 |
| Precepts & Levies | 0 | 0 | 0 | 0 | 0 | 1,631 | 1,631 |
| Payments to Housing Capital Receipts Pool | 0 | 0 | 0 | 0 | 0 | 1,969 | 1,969 |
| Gain or Loss on Disposal of non-current assets | 0 | 0 | 0 | 0 | 0 | 6,986 | 6,986 |
| Total operating expenses | 1,024,404 | 15,067 | 40,971 | (36,025) | 1,044,417 | 60,508 | 1,104,925 |
| Surplus or deficit on provision of services | 226,247 | 15,067 | 14,826 | (36,025) | 220,115 | (238,353) | (18,238) |

Notes to the Core Financial Statements

SEGMENTAL REPORTING FOR THE YEAR ENDING 31ST MARCH 2015

| | CYP £000s | Community Services £000s | Customer Services £000s | Resources and Regeneration £000s | HRA £000s | Total £000s |
|---|------------------|--------------------------------|-------------------------------|--|------------------|------------------|
| Fees, charges & other service income | (14,477) | (31,933) | (46,569) | (14,002) | (88,622) | (195,603) |
| Government grants | (306,005) | (25,334) | (238,930) | (1,019) | (46,353) | (617,641) |
| Total Income | (320,482) | (57,267) | (285,499) | (15,021) | (134,975) | (813,244) |
| Employee expenses | 221,848 | 34,902 | 37,827 | 24,250 | 2,409 | 321,236 |
| Other operating expenses | 162,526 | 130,209 | 293,104 | 20,940 | 132,566 | 739,345 |
| Total operating expenses | 384,374 | 165,111 | 330,931 | 45,190 | 134,975 | 1,060,581 |
| Net Cost of Services | 63,892 | 107,844 | 45,432 | 30,169 | 0 | 247,337 |
| Net Budgets | 53,947 | 110,069 | 41,873 | 32,305 | 0 | 238,194 |
| Variation | 9,945 | (2,225) | 3,559 | (2,136) | 0 | 9,143 |
| Less: Corporate Items | | | | | | (3,900) |
| General Fund Underspend reported to Members | | | | | | 5,243 |
| Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement | | | | | | £000s |
| Cost of Services in Service Analysis | | | | | | 247,337 |
| Add services not included in main analysis | | | | | | 5,446 |
| Add amounts not reported to management (Technical Accounting adjustments) | | | | | | 220,201 |
| Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement | | | | | | (35,078) |
| Net Cost of Services in Comprehensive Income and Expenditure Statement | | | | | | 437,906 |

| Reconciliation to Subjective Analysis (Single Entity) | Service Analysis | Services not in Analysis | Not reported to mgmt | Not included in I&E | Net Cost of Services | Corporate Amounts | Total |
|---|------------------|--------------------------|----------------------|---------------------|----------------------|-------------------|--------------------|
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Fees, charges & other service income | (195,603) | (4,769) | 0 | 0 | (200,372) | 0 | (200,372) |
| Surplus or deficit on associates and joint ventures | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest and investment income | 0 | 0 | (26,327) | 0 | (26,327) | (1,345) | (27,672) |
| Income from council tax | 0 | 0 | 0 | 0 | 0 | (80,738) | (80,738) |
| Government grants and contributions | (617,641) | 0 | (35,971) | 0 | (653,612) | (253,542) | (907,154) |
| Total Income | (813,244) | (4,769) | (62,298) | 0 | (880,311) | (335,625) | (1,215,936) |
| Employee expenses | 321,236 | 10,216 | 33,369 | (35,078) | 329,743 | 0 | 329,743 |
| Other service expenses | 739,345 | 0 | 16,732 | 0 | 756,077 | 0 | 756,077 |
| Depreciation, amortisation, impairment & write-offs | 0 | 0 | 232,097 | 0 | 232,097 | 2,579 | 234,676 |
| Interest Payments | 0 | 0 | 301 | 0 | 301 | 53,263 | 53,564 |
| Precepts & Levies | 0 | 0 | 0 | 0 | 0 | 1,646 | 1,646 |
| Payments to Housing Capital Receipts Pool | 0 | 0 | 0 | 0 | 0 | 1,727 | 1,727 |
| Gain or Loss on Disposal of non-current assets | 0 | 0 | 0 | 0 | 0 | (14,203) | (14,203) |
| Total operating expenses | 1,060,581 | 10,216 | 282,499 | (35,078) | 1,318,218 | 45,012 | 1,363,230 |
| Surplus or deficit on provision of services | 247,337 | 5,446 | 220,201 | (35,078) | 437,906 | (290,613) | 147,293 |

Notes to the Core Financial Statements

23. AGENCY SERVICES AND POOLED BUDGETS

The Council did not carry out any agency services, construction work or any other work for any other Local Authorities, public bodies or entities in 2015/16 (nor 2014/15).

In 2015/16 the Council operated a pooled budget as defined by the terms of a Section 75 Agreement (National Health Service Act 2006). The pooled budget is hosted by Lewisham Borough Council ("LBL") on behalf of LBL and NHS Lewisham CCG being the two partners to the agreement:-

Pooled Budget - Better Care Fund

| | 2015/16 £000 | 2014/15 £000 |
|---|-----------------|-----------------|
| Funding provided to the pooled budget: | | |
| Lewisham Borough Council | (2,102) | 0 |
| NHS Lewisham CCG | (19,740) | 0 |
| | (21,842) | 0 |
| Expenditure met from the pooled budget: | | |
| Lewisham Borough Council | 13,629 | 0 |
| NHS Lewisham CCG | 8,213 | 0 |
| | 21,842 | 0 |
| Net surplus arising in year | 0 | 0 |

Notes:

- (i) The above pooled budget was new in 2015/16; hence nil values for 2014/15 comparatives.
- (ii) The LBL share of any in-year net surplus would be 9.6%. This was nil in 2015/16 due to there not being a surplus.

24. INVESTMENT IN COMPANIES**a) Companies of which the Council is the sole owner.**i) Lewisham Homes Limited

Lewisham Homes is an arms-length management organisation (ALMO) which is responsible for managing and providing housing related services such as lettings and repairs and maintenance for Council dwellings. The company is a wholly owned subsidiary of the Council and is limited by guarantee. Councillors Bell, Paschoud and Wise sat on the board during 2015/16. The majority of Lewisham Homes' income is a management fee paid by the Council to the company. In 2015/16, this was £18.8m (£18.6m in 2014/15).

An agreement has been reached to loan Lewisham Homes an initial £10m for affordable homes of which £8m was advanced in 2015/16.

Lewisham Homes Limited's Audited Accounts can be obtained from Lewisham Homes Limited, Old Town Hall, Catford Road, London, SE6 4RU. Its auditors are KPMG LLP, 2 Cornwall Street, Birmingham, B3 2DL, United Kingdom.

ii) Catford Regeneration Partnership Limited

Catford Regeneration Partnership Ltd (CRPL) is a wholly owned subsidiary of the Council, and the Head of Financial Services and the Head of Public Services are its board members and directors. CRPL purchased the Catford Shopping Centre in February 2010, which is included on its balance sheet as an investment property at £13.9m, and receives approximately £1m per annum in rent from its tenants. The Council made a loan of £12m to CRPL in February 2010 and a further loan of £250k in May 2015. During 2015/16 CRPL

Notes to the Core Financial Statements

repaid principal of £207k and interest of £518k to the Council (in 2014/15 these repayments were £109k and £630k respectively).

Catford Regeneration Partnership Limited's Accounts for 2014/15 received an unqualified audit opinion, and their Audited Accounts can be obtained from Catford Regeneration Partnership Limited, 5th Floor, Laurence House, Catford, London, SE6 4RU. Its auditors are ACF Auditing Services Limited, Plaza Building, Lee High Road, London, SE13 5PT.

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

i) Lewisham Schools for the Future LEP and SPV's

The Council has a minority stake of 10% in Lewisham Schools for the Future LEP Limited which is the Local Education Partnership company also comprising Costain Engineering & Construction Limited, Babcock Project Investments Limited and Building Schools for the Future Limited as well. It was established under the Council's Building Schools for the Future (BSF) programme to rebuild and refurbish the secondary schools within the Borough.

The Council also has a 10% stake in four Special Purpose Vehicles which were set up in relation to the schools which were built within this BSF Programme. These are Lewisham SPV Ltd, Lewisham SPV2 Ltd, Lewisham SPV3 Ltd and Lewisham SPV4 Ltd, and their related Holding Companies.

The Head of Financial Services is the Council's Director on all of these companies' boards. The corporate structure is standard to BSF schemes.

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

The Council has a small minority share of less than 1% in South-East London Combined Heat and Power Ltd (SELCHP) which is a joint venture with the London Borough of Greenwich for the provision of waste disposal and waste to energy services. Payments of £5.6m were made in 2015/16 to the company (£5.3m in 2014/15).

iii) Greater London Enterprise Ltd

The Council has a small minority share in Greater London Enterprise Ltd which is a company limited by guarantee and provides property management & consultancy services.

25. MEMBERS' ALLOWANCES

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

| | 2015/16 £000 | 2014/15 £000 |
|----------------------------------|-----------------|-----------------|
| Allowances (incl. NI) | 936 | 951 |
| Other Expenses | 66 | 46 |
| Total Expenditure in Year | 1,002 | 997 |

Notes to the Core Financial Statements

26. OFFICERS' REMUNERATION

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

| Remuneration Band | Non-Schools | | | Schools | | Totals | |
|----------------------|-------------|------------|------------|------------|------------|------------|------------|
| | Scale | 2015/16 | 2014/15 | 2015/16 | 2014/15 | 2015/16 | 2014/15 |
| £50,000 to £54,999 | SMG1 | 49 | 52 | 200 | 167 | 249 | 219 |
| £55,000 to £59,999 | SMG2 | 32 | 20 | 90 | 69 | 122 | 89 |
| £60,000 to £64,999 | SMG3 | 24 | 13 | 39 | 50 | 63 | 63 |
| £65,000 to £69,999 | SMG3 | 9 | 13 | 36 | 39 | 45 | 52 |
| £70,000 to £74,999 | CO Band 4 | 8 | 4 | 22 | 19 | 30 | 23 |
| £75,000 to £79,999 | CO Band 4 | 6 | 1 | 15 | 12 | 21 | 13 |
| £80,000 to £84,999 | CO Band 4 | 2 | 1 | 12 | 11 | 14 | 12 |
| £85,000 to £89,999 | CO Band 3 | 0 | 0 | 7 | 10 | 7 | 10 |
| £90,000 to £94,999 | CO Band 3 | 1 | 4 | 3 | 4 | 4 | 8 |
| £95,000 to £99,999 | CO Band 3 | 9 | 9 | 3 | 3 | 12 | 12 |
| £100,000 to £104,999 | CO Band 2 | 0 | 0 | 1 | 4 | 1 | 4 |
| £105,000 to £109,999 | CO Band 2 | 1 | 3 | 3 | 4 | 4 | 7 |
| £110,000 to £114,999 | CO Band 2 | 0 | 1 | 3 | 0 | 3 | 1 |
| £115,000 to £119,999 | CO Band 2 | 2 | 1 | 1 | 0 | 3 | 1 |
| £120,000 to £124,999 | CO Band 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| £125,000 to £129,999 | CO Band 2 | 0 | 0 | 1 | 0 | 1 | 0 |
| £130,000 to £134,999 | CO Band 1 | 0 | 0 | 0 | 1 | 0 | 1 |
| £135,000 to £139,999 | CO Band 1 | 1 | 1 | 0 | 0 | 1 | 1 |
| £140,000 to £144,999 | CO Band 1 | 2 | 3 | 0 | 0 | 2 | 3 |
| £165,000 to £169,999 | CO Band 1 | 0 | 0 | 1 | 0 | 1 | 0 |
| Total | | 146 | 126 | 437 | 393 | 583 | 519 |

Note - These figures include the senior employees disclosed separately in note b) below.

Notes to the Core Financial Statements

b) Disclosure of Senior Employees' Remuneration

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

Financial Year 2015/16**Senior Employees - Salary below £150,000**

| | | | |
|---|---------|--------|---------|
| Executive Director for Children and Young People | 135,867 | 29,891 | 165,758 |
| Executive Director for Resources and Regeneration | 141,123 | 31,047 | 172,170 |
| Executive Director for Community Services | 141,123 | 31,047 | 172,170 |
| Executive Director for Customer Services | 138,495 | 30,469 | 168,964 |
| Chief Executive (Part time) | 115,432 | 0 | 115,432 |
| Director of Children's Social Care and Health | 114,828 | 25,262 | 140,090 |
| Director of Regeneration and Asset Management | 107,538 | 23,658 | 131,196 |
| Director of Public Health | 118,567 | 16,599 | 135,166 |
| Head of Law and Monitoring Officer (Part time) | 64,523 | 14,195 | 78,718 |

Totals

| Salary (inc fees and allowances) | Employer's Pension Contributions | Total (inc. Pension Contributions) |
|----------------------------------|----------------------------------|------------------------------------|
| £ | £ | £ |
| 1,077,496 | 202,168 | 1,279,664 |

Financial Year 2014/15**Senior Employees - Salary below £150,000**

| | | | |
|---|---------|--------|---------|
| Executive Director for Children and Young People | 141,123 | 30,341 | 171,464 |
| Executive Director for Resources and Regeneration | 141,123 | 30,341 | 171,464 |
| Executive Director for Community Services | 141,123 | 30,341 | 171,464 |
| Executive Director for Customer Services | 135,867 | 29,211 | 165,078 |
| Chief Executive (Part time) | 115,432 | 0 | 115,432 |
| Director of Children's Social Care and Health | 111,386 | 23,948 | 135,334 |
| Director of Regeneration and Asset Management | 107,538 | 23,121 | 130,659 |
| Director of Public Health | 107,057 | 14,988 | 122,045 |
| Head of Law and Monitoring Officer (Part time) | 64,523 | 13,872 | 78,395 |

Totals

| Salary (inc fees and allowances) | Employer's Pension Contributions | Total (inc. Pension Contributions) |
|----------------------------------|----------------------------------|------------------------------------|
| £ | £ | £ |
| 1,065,172 | 196,163 | 1,261,335 |

Note – No payments in respect of bonuses, expenses or compensation for loss of office were made to any of these employees in 2015/16 (or 2014/15).

Notes to the Core Financial Statements

c) Termination Benefits - Exit Packages Agreed in Year

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

| Cost Band (inc Pension Fund Contributions) | Total Number of Exit Packages | | Total Cost of Exit Packages | |
|--|-------------------------------|----------------|-----------------------------|-----------------|
| | 2015/16 No. | 2014/15 No. | 2015/16 £000 | 2014/15 £000 |
| £0 to £20,000 | 95 | 140 | 1,060 | 1,253 |
| £20,001 to £40,000 | 60 | 103 | 1,737 | 2,881 |
| £40,001 to £60,000 | 32 | 10 | 1,508 | 477 |
| £60,001 to £80,000 | 11 | 12 | 768 | 842 |
| £80,001 to £100,000 | 9 | 1 | 772 | 83 |
| £100,001 to £120,000 | 1 | 2 | 112 | 223 |
| £140,001 to £160,000 | 1 | 0 | 150 | 0 |
| £220,001 to £240,000 | 1 | 0 | 232 | 0 |
| Total | 210 | 268 | 6,339 | 5,759 |

27. EXTERNAL AUDIT COSTS

| | 2015/16 £000 | 2014/15 £000 |
|--|-----------------|-----------------|
| External Audit Services | 193 | 255 |
| Certification of Grant Claims and Returns | 40 | 40 |
| Other services provided by the appointed auditor | 24 | 9 |
| | 257 | 304 |

These fees exclude the amount payable of £21,000 for the Audit of the Pension Fund for 2015/16 (£21,000 for 2014/15).

The Council's External Auditors are Grant Thornton.

Notes to the Core Financial Statements

28. DEDICATED SCHOOLS' GRANT

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

| | 2015/16 | | | 2014/15 | | |
|--|-----------------------------|---|----------------|-----------------------------|---|----------------|
| | Central Expenditure £000 | Individual Schools Budget (ISB) £000 | Total £000 | Central Expenditure £000 | Individual Schools Budget (ISB) £000 | Total £000 |
| Final DSG before academy recruitment | 51,621 | 227,821 | 279,442 | 43,054 | 226,563 | 269,617 |
| Academy figure recouped | (964) | (26,466) | (27,430) | (1,149) | (18,901) | (20,050) |
| Total DSG after academy recruitment | 50,657 | 201,355 | 252,012 | 41,905 | 207,662 | 249,567 |
| Brought forward from previous year | 0 | 0 | 0 | 0 | 0 | 0 |
| Carry forward to next year agreed in advance | 0 | 0 | 0 | 0 | 0 | 0 |
| Agreed initial budgeted distribution | 47,979 | 227,821 | 275,800 | 41,137 | 226,563 | 267,700 |
| In year adjustments | 3,790 | (148) | 3,642 | 2,044 | (127) | 1,917 |
| Final Budget Distribution | 51,769 | 227,673 | 279,442 | 43,181 | 226,436 | 269,617 |
| Actual Central Expenditure | 51,769 | | 51,769 | 43,181 | | 43,181 |
| Actual ISB deployed to schools | | 227,673 | 227,673 | | 226,436 | 226,436 |

29. GRANT INCOME

The following grants were credited to services during the year.

| | 2015/16 £000 | 2014/15 £000 |
|---|------------------|------------------|
| Dedicated Schools Grant | (254,026) | (249,579) |
| Housing Benefit Grant | (230,458) | (233,688) |
| Housing Subsidy/ Decent Homes Backlog Grant | (10,353) | (46,353) |
| BSF/ Grouped Schools PFI Unitary Charge Grant | (25,585) | (25,585) |
| Public Health Grant | (22,400) | (20,088) |
| Pupil Premium Grant | (16,406) | (16,380) |
| Other Grants | (31,004) | (40,571) |
| Total | (590,232) | (632,244) |

Notes to the Core Financial Statements

30. RELATED PARTY TRANSACTIONS

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

(a) Central Government and Other Local Authorities

Central government exerts significant influence over the Council through legislation and grant funding. The general government grants received are shown in Note 29 to the Core Financial Statements. The precept to the Greater London Authority is shown in the notes of the Collection Fund in Section 5 of these Accounts. There were numerous other transactions between the Council and other Local Authorities.

(b) Subsidiaries, Associated Companies and Joint Ventures

The companies that are related to the Council are detailed in Note 24 to the Core Financial Statements.

(c) Elected Members (Councillors) and Chief Officers

Councillors have direct control over the Council's financial and operating policies, and their total cost is shown in Note 25. They are required to declare all related party transactions which they have with any organisation in which they have a controlling interest. This information is recorded on the Council's Register of Members and Chief Officers' Declarations of Interests and is open to public inspection at the Civic Suite at Lewisham Civic Suite during office hours. The information is also published on the Council's website. The Council is compliant with the Localism Act 2012. The material instances (over £100,000) where a Councillor has declared a related party transaction are as follows:-

- Councillor Liz Johnston-Franklin is a board member of Lewisham Citizens' Advice Bureau (£0.515m)
- Councillor Brenda Dacres is a board member of the Albany Trust (£0.237m)
- Councillor Jonathan Slater is an officer for Voluntary Action Lewisham (£0.201m)
- Councillor Joan Milbank is a board member of Voluntary Action Lewisham (£0.139m)
- Councillor Pat Raven is a board member of Lewisham Disability Coalition (£0.117m)

(d) Lewisham Pension Fund

The Pension Fund Accounts are included in Section 7 of this document.

Notes to the Core Financial Statements

31. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

| | 2015/16 £000 | 2014/15 £000 |
|--|-----------------|-----------------|
| Opening Capital Financing Requirement | 230,786 | 235,850 |
| Capital Investment | | |
| Property, Plant and Equipment | 58,916 | 57,402 |
| Revenue Expenditure Funded from Capital under Statute | 11,614 | 7,984 |
| | 70,530 | 65,386 |
| Resources Used for Financing | | |
| Capital Receipts | (11,659) | (4,315) |
| Government Grants and Other Contributions | (36,112) | (50,925) |
| Sums set aside from Revenue: | (10,197) | (6,662) |
| | (57,968) | (61,902) |
| Increase in the underlying need to borrowing | 12,562 | 3,484 |
| Debt Redeemed - Minimum Revenue Provision | (1,623) | (8,548) |
| Increase/ (decrease) in Capital Financing Requirement | 10,939 | (5,064) |
| Closing Capital Financing Requirement | 241,725 | 230,786 |

Notes to the Core Financial Statements

32. LEASES**a) Council as a Lessee**

The Council has operating leases in the areas of Council Dwellings, School Plant and Equipment and Refuse Vehicles. The expenditure charged to services in the CIES during the year in relation to these leases was £1.6m (£2.3m in 2014/15). The future minimum lease payments due under non-cancellable leases in futures are:

| | 31/03/16 £000 | 31/03/15 £000 |
|---|------------------|------------------|
| Not later than one year | 1,261 | 1,276 |
| Later than one year and not later than five years | 3,428 | 3,511 |
| Later than five years | 19,130 | 17,799 |
| | 23,819 | 22,586 |

The Council does not have any assets held under finance leases.

b) Council as a Lessori) Finance Leases

The Council leases out a number of commercial properties and has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross income (Finance Lease Debtor) was £66K in 2015/16 (£71K in 2014/15). The gross investment and the minimum lease income will be received over the following periods:

| | Gross Investment in the Lease | | Minimum Lease Income | |
|---|----------------------------------|------------------|-------------------------|------------------|
| | 31/03/16 £000 | 31/03/15 £000 | 31/03/16 £000 | 31/03/15 £000 |
| Not later than one year | 30 | 30 | 30 | 30 |
| Later than one year and not later than five years | 120 | 120 | 120 | 120 |
| Later than five years | 116 | 146 | 116 | 146 |
| | 266 | 296 | 266 | 296 |

ii) Operating Leases

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

| | 31/03/16 £000 | 31/03/15 £000 |
|---|------------------|------------------|
| Not later than one year | 1,969 | 1,973 |
| Later than one year and not later than five years | 6,120 | 5,979 |
| Later than five years | 4,059 | 4,966 |
| | 12,148 | 12,918 |

Notes to the Core Financial Statements

33. PRIVATE FINANCE INITIATIVES (PFI) CONTRACTS

a) Summary of PFI Schemes

| PFI Scheme | Brockley HRA | Downham Lifestyles | Grouped Schools | BSF 1 | BSF 2 | BSF 3 | BSF 4 | Street Lighting |
|-----------------------------|--------------|--------------------|-----------------|--------------|-------------|--------------|--------------|-----------------|
| Start of Contract | 2007 | 2007 | 2007 | 2009 | 2011 | 2012 | 2012 | 2011 |
| End of Contract | 2027 | 2039 | 2036 | 2035 | 2037 | 2037 | 2038 | 2036 |
| Total Estimated Cost | £286m | £77m | £227m | £240m | £86m | £118m | £223m | £95m |
| Total PFI Credits | £207m | £30m | £674m | | | | | £54m |
| Net PFI Cost | £79m | £47m | £220m | | | | | £41m |

b) Payments made under PFI contracts

| | Brockley HRA | Downham Lifestyles | Grouped Schools | BSF 1 | BSF 2 | BSF 3 | BSF 4 | Street Lighting | Total |
|-----------------------|---------------|--------------------|-----------------|--------------|--------------|--------------|--------------|-----------------|---------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| 2015/16 | | | | | | | | | |
| Service Charges | 6,099 | 428 | 3,045 | 2,603 | 840 | 811 | 1,374 | 1,222 | 16,421 |
| Interest | 5,112 | 1,616 | 3,480 | 4,487 | 1,837 | 2,737 | 5,375 | 1,278 | 25,923 |
| Liability Repayment | 3,409 | 270 | 728 | 1,444 | 258 | 635 | 1,065 | 933 | 8,743 |
| Unitary Charge | 14,620 | 2,314 | 7,253 | 8,534 | 2,935 | 4,184 | 7,815 | 3,433 | 51,087 |
| 2014/15 | | | | | | | | | |
| Service Charges | 5,928 | 425 | 2,771 | 2,657 | 730 | 808 | 1,390 | 1,197 | 15,906 |
| Interest | 5,406 | 1,635 | 3,596 | 4,586 | 1,879 | 2,787 | 5,474 | 926 | 26,289 |
| Liability Repayment | 3,094 | 238 | 797 | 1,262 | 309 | 581 | 969 | 987 | 8,237 |
| Unitary Charge | 14,428 | 2,298 | 7,164 | 8,505 | 2,918 | 4,176 | 7,833 | 3,110 | 50,432 |

c) Movement in PFI Assets in year

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

Notes to the Core Financial Statements

| | 2015/16 | | 2014/15 | |
|--|---------|----------------|----------|----------------|
| | £000 | £000 | £000 | £000 |
| Gross Book Value b/fwd | | 251,476 | | 270,316 |
| Additions | | 8,757 | | 4,623 |
| Revaluations (recognised in Revaluation Reserve) | 18,182 | | 4,502 | |
| Revaluations (recognised in Surplus/ Deficit on the Provision of Services) | 2,094 | 20,276 | (27,403) | (22,901) |
| Impairments (recognised in Revaluation Reserve) | 0 | | (1) | |
| Impairments (recognised in Surplus/ Deficit on the Provision of Services) | 0 | 0 | (5) | (6) |
| Disposals | | (460) | | (556) |
| Transfers | | 0 | | 0 |
| Assets reclassified (to)/ from Held for Sale | | 0 | | 0 |
| Gross Book Value c/fwd | | 280,049 | | 251,476 |
| Depreciation b/fwd | | (3,488) | | (4,123) |
| Depreciation for year | | (6,235) | | (5,750) |
| <u>Depreciation written back on:</u> | | | | |
| Transfers | | 0 | | 0 |
| Revaluations (recognised in Revaluation Reserve) | 3,037 | | 2,916 | |
| Revaluations (recognised in Surplus/ Deficit on the Provision of Services) | 1,129 | 4,165 | 3,468 | 6,384 |
| Impairments (recognised in Revaluation Reserve) | 0 | | 0 | |
| Impairments (recognised in Surplus/ Deficit on the Provision of Services) | 0 | 0 | 0 | 0 |
| Assets sold | | 2 | | 1 |
| Depreciation c/fwd | | (5,556) | | (3,488) |
| Net Book Value at End of Year | | 274,493 | | 247,988 |

d) PFI Liabilities

The unitary payments made to the contractors have been calculated to pay them the fair value of the services they provide, the capital expenditure they have incurred and interest they will pay whilst the capital expenditure remains to be reimbursed. The Council's total outstanding liability to the contractors is shown in the following table. The liabilities included on the Balance Sheet for Street Lighting represents the completions to date on the updating work, and not the full expected cost. The full cost is shown in note e).

| | Current Liabilities (Due within 1 Year) | | Deferred (Future) Liabilities | |
|---|--|-----------------|----------------------------------|-----------------|
| | 2015/16 £000 | 2014/15 £000 | 2015/16 £000 | 2014/15 £000 |
| Balance outstanding at start of year | 8,751 | 8,281 | 239,002 | 244,703 |
| Balance outstanding at end of year | 7,706 | 8,751 | 240,061 | 239,002 |

e) Payments due under PFI contracts in future years

The Council makes an agreed payment each year which is linked to inflation and can be reduced if the contractor fails to meet availability and performance standards. The following table shows the estimated payments due to be paid (as part of a unitary charge) for each PFI. The price base is in nominal terms

Notes to the Core Financial Statements

assuming a 3.1% RPI increase per annum compounded until the end of the contract. The amounts are broken down into the different elements of the payments reflecting how they will be accounted for.

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

| Payments due | Brockley HRA | Downham Lifestyles | Grouped Schools | BSF 1 | BSF 2 | BSF 3 | BSF 4 | Street lighting | Total |
|-------------------------------|----------------|--------------------|-----------------|----------------|---------------|----------------|----------------|-----------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| In 2016/17 | | | | | | | | | |
| Service charges | 7,460 | 222 | 2,556 | 2,417 | 739 | 854 | 1,449 | 897 | 16,595 |
| Interest | 4,575 | 1,615 | 3,397 | 4,349 | 1,828 | 2,700 | 5,320 | 2,235 | 26,019 |
| Repayment of liability | 2,460 | 306 | 735 | 1,470 | 361 | 671 | 1,171 | 532 | 7,706 |
| Planned lifecycle replacement | 399 | 219 | 670 | 424 | 36 | 14 | 0 | 0 | 1,761 |
| | 14,893 | 2,362 | 7,358 | 8,660 | 2,964 | 4,239 | 7,940 | 3,665 | 52,081 |
| within 2 to 5 years | | | | | | | | | |
| Service charges | 32,856 | 944 | 10,968 | 10,420 | 3,111 | 3,827 | 7,041 | 3,233 | 72,402 |
| Interest | 15,713 | 6,240 | 12,733 | 15,734 | 6,910 | 10,317 | 20,319 | 9,353 | 97,319 |
| Repayment of liability | 11,640 | 503 | 3,151 | 5,368 | 1,496 | 2,938 | 4,285 | 2,452 | 31,832 |
| Planned lifecycle replacement | 1,928 | 989 | 3,554 | 4,157 | 613 | 339 | 928 | 0 | 12,509 |
| | 62,136 | 8,676 | 30,406 | 35,679 | 12,131 | 17,422 | 32,574 | 15,038 | 214,061 |
| within 6 to 10 years | | | | | | | | | |
| Service charges | 48,029 | 1,319 | 15,553 | 14,873 | 4,338 | 5,880 | 10,236 | 4,518 | 104,746 |
| Interest | 12,353 | 8,006 | 13,912 | 16,277 | 7,626 | 11,426 | 23,123 | 10,593 | 103,315 |
| Repayment of liability | 20,450 | 1,102 | 5,396 | 9,171 | 2,389 | 4,654 | 7,770 | 4,461 | 55,393 |
| Planned lifecycle replacement | 3,104 | 1,392 | 5,634 | 6,819 | 1,485 | 959 | 1,573 | 0 | 20,967 |
| | 83,936 | 11,819 | 40,495 | 47,140 | 15,838 | 22,920 | 42,702 | 19,571 | 284,421 |
| within 11 to 15 years | | | | | | | | | |
| Service charges | 10,761 | 1,493 | 17,894 | 17,250 | 4,908 | 7,494 | 12,680 | 5,111 | 77,591 |
| Interest | 1,475 | 7,819 | 10,978 | 11,593 | 6,133 | 9,002 | 18,838 | 8,622 | 74,460 |
| Repayment of liability | 6,334 | 1,862 | 9,816 | 14,892 | 3,939 | 6,030 | 10,985 | 6,735 | 60,591 |
| Planned lifecycle replacement | 601 | 1,591 | 4,400 | 6,573 | 1,700 | 1,819 | 2,675 | 0 | 19,361 |
| | 19,170 | 12,765 | 43,088 | 50,308 | 16,680 | 24,345 | 45,179 | 20,468 | 232,003 |
| within 16 to 20 years | | | | | | | | | |
| Service charges | | 1,689 | 20,576 | 15,766 | 5,553 | 9,151 | 15,490 | 5,775 | 74,000 |
| Interest | | 7,098 | 5,854 | 3,283 | 3,637 | 5,699 | 12,373 | 5,438 | 43,382 |
| Repayment of liability | | 3,097 | 16,244 | 16,297 | 6,545 | 8,502 | 16,188 | 10,193 | 77,066 |
| Planned lifecycle replacement | | 1,804 | 3,897 | 4,734 | 1,897 | 2,604 | 3,929 | 0 | 18,865 |
| | 0 | 13,688 | 46,571 | 40,080 | 17,632 | 25,957 | 47,980 | 21,406 | 213,313 |
| within 21 to 25 years | | | | | | | | | |
| Service charges | | 1,118 | 557 | | 1,706 | 2,848 | 7,168 | 452 | 13,849 |
| Interest | | 3,564 | 30 | | 335 | 966 | 2,309 | 200 | 7,403 |
| Repayment of liability | | 3,034 | 475 | | 2,504 | 3,519 | 8,528 | 833 | 18,893 |
| Planned lifecycle replacement | | 1,194 | 137 | | 660 | 810 | 2,053 | 0 | 4,853 |
| | 0 | 8,910 | 1,199 | 0 | 5,205 | 8,142 | 20,057 | 1,485 | 44,998 |
| within 26 to 30 years | | | | | | | | | |
| Service charges | | | | | | | | | 0 |
| Interest | | | | | | | | | 0 |
| Repayment of liability | | | | | | | | | 0 |
| Planned lifecycle replacement | | | | | | | | | 0 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Payments Due | 180,135 | 58,220 | 169,116 | 181,868 | 70,448 | 103,024 | 196,432 | 81,633 | 1,040,877 |

Notes to the Core Financial Statements

34. LONG TERM CONTRACTS

The table below shows the significant long term contracts that the Council has entered into:

| Contract Name | Contractor | Start/ End Date | Total Contract Value |
|--|--------------------------------|------------------------|-----------------------------|
| School Meals Catering Contract | Chartwells | May-15/ Apr-20 | £40m |
| Parks and Open Spaces | Glendale Grounds Management | Mar-10/ Feb-20 | £26.1m |
| Leisure Centre Management | Fusion Lifestyles | Oct-12/ Oct-27 | £12.7m |
| Parking Contract | NSL | Aug-13/ Jul-19 | £10.8m |
| Corporate Cleaning Contract | ISS Facility Services | Jul-10/ Jul-17 | £9.1m |
| Highway Maintenance Contract | FM Conway | Apr-14/ Mar-19 | £7.5m |
| Premises Maintenance (Planned and Statutory Maintenance) | Interserve Facilities Services | Jul-11/ Jul-16 | £6.4m |
| Corporate Security Contract | CIS Security Services | Mar-11/ Mar-16 | £4.5m |
| Data Centre Provision | Logicalis | Apr-11/ Mar-21 | £4.0m |
| Provision of CCTV control room management and operational services | OCS Group UK Ltd | Apr-12/ Apr-17 | £1.4m |

35. DEFINED CONTRIBUTION PENSION SCHEMES

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

Teachers employed by the Council are members of the Teachers' Pension Scheme, which is run by the Department for Education (DfE). The scheme provides benefits upon retirement with both the Council and the employee making contributions to the scheme. The scheme is "unfunded" and the DfE use a notional fund to set a national employers contribution rate based on a percentage of members' pensionable pay – in 2015/16 this rate was 14.1% up to 31/08/15 and 16.48% from 01/09/15 to 31/03/16 (14.1% for the whole of 2014/15). In 2015/16, the Council paid £13.9m to the DfE in respect of teachers' pension costs (£12.6m in 2014/15).

Public Health staff employed by the Council are members of the NHS Pension Scheme, which is run by the Department of Health (DoH). The scheme provides benefits upon retirement with both the Council and the employee making contributions to the scheme. The scheme is "unfunded" and the DoH use a notional fund to set a national employers contribution rate based on a percentage of members pensionable pay – this rate was 14.0% for 2015/16 (same for 2014/15). In 2015/16 the Council paid £0.115m to the DoH in respect of employees' pension costs (£0.148m in 2014/15).

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

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

Notes to the Core Financial Statements

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

These are assessed on an actuarial basis using the projected unit method and an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. They have been prepared by independent firms of actuaries (the LGPS by Hymans Robertson and the LPFA by Barnett Waddingham), and are based on IAS19 assumptions and calculations for the year and the latest triennial valuations as at 31st March 2016.

c) Transactions relating to Retirement Benefits

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

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

Current Service Cost

41,742

33,586

Past Service Cost (inc.settlements and curtailments)

1,561

957

43,303

34,543

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

Interest Income on Scheme Assets

(31,318)

(36,002)

Interest Cost on Defined Benefit Obligation (Liabilities)

54,493

64,639

23,175

28,637

Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services

66,478

63,180

Remeasurements of the Net Defined Benefit Liability

Return on Assets excluding amounts included in Net Interest

33,019

(97,268)

Actuarial Losses from changes in Demographic Assumptions

0

0

Actuarial Losses from changes in Financial Assumptions

(154,346)

217,512

Other Gains and Losses

(26,705)

(21,969)

Total Remeasurements recognised in CIES

(148,032)

98,275

Total Post Employment Benefits Charged to the CIES

(81,554)

161,455

Movement in Reserves Statement

Reversal of Net Charges made to the the Surplus or Deficit on the Provision of Services

(66,478)

(63,180)

Employers' Contributions Payable to the Scheme

33,362

32,823

Return on Assets excluding amounts included in Net Interest

(33,019)

97,268

Actuarial Gains and Losses

181,051

(195,543)

Pensions Reserve adj to opening bal (re Lewisham Homes)

0

0

Net Movement in Pensions Reserve

114,916

(128,632)

Notes to the Core Financial Statements

d) Pensions Assets and Liabilities Recognised in the Balance Sheet

| | 31/03/16 £000 | 31/03/15 £000 |
|---|------------------|------------------|
| Fair Value of Plan Assets | 1,045,251 | 1,053,518 |
| Present Value of Defined Benefit Liability (Obligation) | (1,575,146) | (1,688,924) |
| | (529,895) | (635,406) |
| Present Value of Unfunded Liabilities | (71,911) | (81,316) |
| Pensions Reserve - Year End Balance | (601,806) | (716,722) |

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

| | 31/03/16 £000 | 31/03/15 £000 |
|---|------------------|------------------|
| Opening Fair Value of Scheme Assets | 1,053,518 | 923,298 |
| Interest Income on Scheme Assets | 33,435 | 36,002 |
| Administration | (108) | (106) |
| <u>Remeasurement Gains / Losses</u> | | |
| Return on Assets excluding amounts included in Net Interest | (33,019) | 97,268 |
| Employer Contributions | 28,347 | 27,668 |
| Contributions in respect of Unfunded Benefits | 5,015 | 5,155 |
| Contributions from Scheme Participants | 8,494 | 8,479 |
| Benefits Paid | (45,416) | (47,291) |
| Unfunded Benefits Paid | (5,015) | (5,155) |
| Other Gains and Losses | 0 | 8,200 |
| Closing Fair Value of Scheme Assets | 1,045,251 | 1,053,518 |

Notes to the Core Financial Statements

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

| | 31/03/16 £000 | 31/03/15 £000 |
|--|--------------------|--------------------|
| Opening Present Value of Scheme Liabilities (Obligations) | (1,770,240) | (1,511,388) |
| Current Service Cost | (41,742) | (33,586) |
| Interest Cost on Defined Benefit Obligation (Liabilities) | (56,502) | (64,533) |
| Contributions from Scheme Participants | (8,494) | (8,479) |
| <u>Remeasurement Gains / Losses</u> | | |
| Benefits Paid | 45,416 | 47,291 |
| Unfunded Benefits Paid | 5,015 | 5,155 |
| Actuarial Losses from changes in Demographic Assumptions | 0 | 0 |
| Actuarial Losses from changes in Financial Assumptions | 154,346 | (217,512) |
| Other Gains and Losses | 26,705 | 13,769 |
| Past Service Costs / Curtailments / Settlements | (1,561) | (957) |
| Closing Present Value of Scheme Liabilities (Obligations) | (1,647,057) | (1,770,240) |

g) Pension Scheme Assets

| | 31/03/16 | | | 31/03/15 | | |
|--------------------------------|-----------------------|-------------------------------|----------------|-----------------------|-------------------------------|----------------|
| | Active Market £000 | Not in Active Markets £000 | Total £000 | Active Market £000 | Not in Active Markets £000 | Total £000 |
| LGPS (LBL and LH) | | | | | | |
| Equities | 63,273 | 29,545 | 92,818 | 74,194 | | 74,194 |
| Debt Securities | 90,328 | 0 | 90,328 | 94,621 | | 94,621 |
| Real Estate | 8,499 | 83,292 | 91,791 | | 79,649 | 79,649 |
| Investment Funds / Unit Trusts | 654,323 | 7,105 | 661,427 | 652,103 | 60,534 | 712,637 |
| Derivatives | 0 | 0 | 0 | | (52) | (52) |
| Cash and Cash Equivalents | 4,722 | 35,506 | 40,228 | | 20,655 | 20,655 |
| Total LGPS Assets | 821,145 | 155,448 | 976,592 | 820,918 | 160,786 | 981,704 |
| | 31/03/16 | | | 31/03/15 | | |
| | Active Market £000 | Not in Active Markets £000 | Total £000 | Active Market £000 | Not in Active Markets £000 | Total £000 |
| LPFA | | | | | | |
| Equities | 28,755 | 3,140 | 31,895 | 17,446 | 13,712 | 31,158 |
| LDI Cashflow matching | 0 | 6,960 | 6,960 | | 5,390 | 5,390 |
| Target Return Portfolio | 3,556 | 11,049 | 14,605 | 15,319 | 5,441 | 20,760 |
| Infrastructure | 209 | 3,552 | 3,761 | | 3,558 | 3,558 |
| Commodities | 0 | 307 | 307 | 223 | 445 | 668 |
| Properties | 0 | 2,450 | 2,450 | | 2,035 | 2,035 |
| Cash | 8,681 | 0 | 8,681 | | 8,245 | 8,245 |
| Total LPFA Assets | 41,201 | 27,458 | 68,659 | 32,988 | 38,826 | 71,814 |

Notes to the Core Financial Statements

h) Basis for Estimating Assets and Liabilities

| | Local Government Pension Scheme | | LPFA | |
|--|---------------------------------|---------|---------|---------|
| | 2015/16 | 2014/15 | 2015/16 | 2014/15 |
| Rate of Inflation – CPI | 2.20% | 2.40% | 2.00% | 2.20% |
| Salary Increase Rate * | 4.20% | 4.30% | 3.80% | 4.00% |
| Pensions Increases | 2.20% | 2.40% | 2.00% | 2.20% |
| Rate for discounting scheme liabilities | 3.50% | 3.20% | 3.30% | 3.00% |
| Mortality assumptions | | | | |
| Longevity at 65 for current pensioners - Men | 21.7yrs | 21.7yrs | 21.6yrs | 21.5yrs |
| Longevity at 65 for current pensioners - Women | 24.0yrs | 24.0yrs | 24.4yrs | 24.3yrs |
| Longevity at 65 for future pensioners - Men | 24.4yrs | 24.4yrs | 24.0yrs | 23.9yrs |
| Longevity at 65 for future pensioners - Women | 26.7yrs | 26.7yrs | 26.7yrs | 26.6yrs |

Note – Salary increases in the LGPS forecast are assumed to be 1% p.a. until 31 March 2018 reverting to the long term assumption shown thereafter.

i) Sensitivity Analysis

| Change in Assumption at 31st March 2016 | Approximate % Increase in Employer Liability | Approximate Monetary Amount (£000) |
|--|--|------------------------------------|
| LGPS - LB Lewisham | | |
| 0.5% Decrease in Real Discount Rate | 10% | 143,028 |
| 1 Year Increase in Member Life Expectancy | 3% | 43,845 |
| 0.5% Increase in the Salary Increase Rate | 2% | 33,389 |
| 0.5% Increase in the Pension Increase Rate | 7% | 108,047 |
| LGPS - Lewisham Homes | | |
| 0.5% Decrease in Real Discount Rate | 12% | 13,230 |
| 1 Year Increase in Member Life Expectancy | 3% | 3,255 |
| 0.5% Increase in the Salary Increase Rate | 4% | 4,170 |
| 0.5% Increase in the Pension Increase Rate | 8% | 8,823 |
| LPFA | | |
| 0.5% Decrease in Real Discount Rate | n/a | 1,350 |
| 1 Year Increase in Member Life Expectancy | n/a | 272 |
| 0.5% Increase in the Salary Increase Rate | n/a | 1,325 |
| 0.5% Increase in the Pension Increase Rate | n/a | 1,345 |

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

j) Future Contributions

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve an increased funding level over the next 3 years. Funding levels are monitored on an annual basis and the next triennial valuation is due at 31st March 2016. The Council anticipates paying £25.4m in contributions to the scheme in 2016/17.

The scheme will need to assess and take account of the national changes to the Local Government Pension Scheme and other main public service schemes under the Public Pensions Services Act 2013. These took effect from 1st April 2014 and provided for regulations to be made within a common framework to establish new career average earnings provisions to pay pensions and other benefits.

Notes to the Core Financial Statements

37. CONTINGENT LIABILITIES

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

As at 31st March 2016, the Council was advised by the Valuation Office Agency (VOA) that Virgin Media had put forward a proposal to merge the Virgin Media network that appears in councils' rating lists countrywide into a single national assessment appearing with effect from 1st April 2010. There is no indication whether the proposal will be accepted or rejected yet. Given this uncertainty, it is disclosed as a contingent liability and will be reviewed in January 2017 as part of the 2017/18 NDR data assessment when the outcome may be clearer. The estimated effect of this proposal on the Collection Fund is approximately £10m.

In addition, the NHS has a current application for charitable status. If accepted this would require a backdated payment of around £8m by the Council and an ongoing annual loss of business rates of £1.5m.

38. CONTINGENT ASSETS

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

39. TRUST FUNDS

The Council acts as a trustee for other funds which are not included in the Balance Sheet. Interest on these funds is credited annually at the average rate earned on the Council's revenue balances. The total amount held as at 31st March 2016 was £0.65m (£0.65m as at 31st March 2015)

40. HERITAGE ASSETS

These assets comprise Lewisham Clock Tower and the Civic Regalia. Their values in the accounts are insurance values which are assessed internally and based on current market values. The value of the assets at 31st March 2016 is £0.26m (£0.26m as at 31st March 2015).

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

Notes to the Core Financial Statements

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

| | 2015/16 £000 | 2014/15 £000 |
|---|-----------------|-----------------|
| Depreciation, Impairment and Downward Valuations | 11,186 | 232,097 |
| Increase/ (decrease) in creditors | (14,701) | 5,899 |
| (Increase)/ decrease in debtors | 31,558 | (26,221) |
| (Increase)/ decrease in inventories (stock) | 122 | (139) |
| Movement in pension liability | 33,116 | 30,357 |
| Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 29,634 | 9,126 |
| Other non-cash items charged to the net surplus or deficit on the provision of services | 1,676 | 5,892 |
| Total Adjustment to net surplus or deficit on the provision of services for non-cash movements | 92,591 | 257,011 |

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

| | 2015/16 £000 | 2014/15 £000 |
|--|-----------------|-----------------|
| Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries) | 55 | 398 |
| Proceeds from the sale of property plant and equipment, investment property and intangible assets | (22,655) | (34,768) |
| Any other items for which the cash effects are investing or financing cash flows. | (33,408) | (50,107) |
| Total Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (56,008) | (84,477) |

43. CASH FLOW STATEMENT - OPERATING ACTIVITIES

| | 2015/16 £000 | 2014/15 £000 |
|--------------------------|-----------------|-----------------|
| Interest Received | 1,786 | 1,156 |
| Interest Paid | (26,570) | (24,872) |
| Net Interest Paid | (24,784) | (23,716) |

Notes to the Core Financial Statements

44. CASH FLOW STATEMENT - INVESTING ACTIVITIES

| | 2015/16 £000 | 2014/15 £000 |
|---|-----------------|-----------------|
| Purchase of Property, Plant and Equipment, investment property and intangible assets | (71,997) | (62,705) |
| Purchase of short and long term investments | (350,200) | (395,000) |
| Other payments for Investing Activities | (8,000) | 0 |
| Proceeds from the sale of property plant and equipment, investment property and intangible assets | 22,668 | 34,787 |
| Proceeds from short-term and long-term investments | 350,000 | 330,000 |
| Other Receipts from Investing Activities | 26,993 | 50,566 |
| Net Cash Flows from Investing Activities | (30,536) | (42,352) |

45. CASH FLOW STATEMENT - FINANCING ACTIVITIES

| | 2015/16 £000 | 2014/15 £000 |
|--|-----------------|-----------------|
| Cash receipts of short and long term borrowing | 879 | 0 |
| Other receipts from financing activities | 0 | 0 |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | (8,743) | (8,237) |
| Repayment of Short-Term and Long-Term Borrowing | 0 | (5,314) |
| Other payments for financing activities | (1,170) | (2,770) |
| Net Cash Flows from Financing Activities | (9,034) | (16,321) |

Housing Revenue Account

SECTION 4 - HOUSING REVENUE ACCOUNT

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

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

| | 2015/16 £000 | 2014/15 £000 | Note |
|---|-----------------|------------------|------|
| INCOME | | | |
| Gross Rent - Dwellings | (72,402) | (71,829) | 1 |
| Gross Rent - Other Housing Properties | (3,187) | (3,362) | 1 |
| Charges for Services and Facilities | (9,602) | (9,793) | 1 |
| Housing Subsidy and Government Grants | (10,353) | (46,353) | 2 |
| Contribution towards Expenditure | (3,946) | (3,951) | 4 |
| Total Income | (99,490) | (135,288) | |
| EXPENDITURE | | | |
| Supervision and Management - General Expenses | 30,952 | 30,174 | 5 |
| Supervision and Management - Special Expenses | 6,171 | 6,366 | 5 |
| Repairs and Maintenance | 32,406 | 62,875 | 6 |
| Rent, Rates and Other Charges | 486 | 296 | 8 |
| Rent Rebate Subsidy Shortfall | 0 | 242 | 3 |
| Contribution to Doubtful Debts Provision | 474 | 730 | 7 |
| Depreciation - Dwellings | 29,444 | 25,530 | 10 |
| Depreciation - Other Housing Assets | 668 | 801 | 10 |
| Impairment of Non Current Assets | 0 | (2,126) | |
| Debt Management Expenses | 26 | 26 | |
| Total Expenditure | 100,627 | 124,914 | |
| Net Cost of Services included in the Council's Income and Expenditure Account | 1,137 | (10,374) | |
| HRA Services share of Corporate and Democratic Core Costs | 134 | 134 | |
| Net Cost of HRA Services | 1,271 | (10,240) | |
| HRA share of the Operating Income and Expenditure incl.in the Comprehensive Income and Expenditure Statement | | | |
| (Gain) / Loss on Sale of HRA Non Current Assets | 9,200 | (14,130) | |
| Interest Payable and Similar Charges | 8,238 | 8,584 | 11 |
| Interest and Investment Income | (604) | (422) | |
| Net Pension Interest Cost | 916 | 11,056 | 12 |
| (Surplus) / Deficit for the Year on HRA Services | 19,021 | (5,152) | |

Housing Revenue Account

HOUSING REVENUE ACCOUNT - MOVEMENT IN RESERVES STATEMENT

| | 2015/16 £000 | 2014/15 £000 |
|---|-----------------|-----------------|
| Balance on the HRA at the End of the Previous Year | 35,912 | 26,546 |
| <u>Movement in Year</u> | | |
| Surplus or (Deficit) for the year on the HRA Income and Expenditure Statement | (19,021) | 5,152 |
| Adjustments between Accounting Basis and Funding Basis under Statute | 37,871 | 18,272 |
| Net Increase or (Decrease) before Transfers (To) / From Reserves | 18,850 | 23,424 |
| Transfers (To) / From Reserves | (11,868) | (14,058) |
| Increase or (Decrease) in Year on the HRA | 6,982 | 9,366 |
| Balance on the HRA at the End of the Year | 42,894 | 35,912 |

An analysis of the amounts included within the figures for "Adjustments between Accounting Basis and Funding Basis under Statute" can be found within Note 7 to the Core Financial Statements.

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

Housing Revenue Account

NOTES TO THE HOUSING REVENUE ACCOUNT**1. GROSS RENT OF DWELLINGS**

This is the total rent collectable for the year after allowance is made for empty property. At 31 March 2016, 0.61% of lettable property was empty (0.62% at 31 March 2015). These figures for empty property exclude accommodation for the homeless and dwellings designated for sale, major works and improvements. Average rents were £98.42 in 2015/16 and £95.97 per week in 2014/15.

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 14,390 dwellings as at 31 March 2016 (14,637 as at 31 March 2015).

There have been no stock transfers undertaken in 2015/16.

The stock was made up as follows:

| | 31/03/16 | 31/03/15 |
|----------------------------------|---------------|---------------|
| <u>Stock Numbers at year end</u> | | |
| Houses and Bungalows | 2,416 | 2,423 |
| Flats and Maisonettes | 11,974 | 12,214 |
| Stock at End of Year | 14,390 | 14,637 |

| | 2015/16 | 2014/15 |
|--|---------------|---------------|
| <u>Change in Stock Numbers during the year</u> | | |
| Stock at 1 April | 14,637 | 14,757 |
| Less Sales, Demolitions, etc. | (248) | (128) |
| Add Re-purchases, Conversions etc. | 1 | 8 |
| Stock at End of Year | 14,390 | 14,637 |

b) Rent Arrears

| | 2015/16 £000 | 2014/15 £000 |
|--|-----------------|-----------------|
| Rent Arrears due from Current Tenants | 3,113 | 3,331 |
| Rent Arrears due from Former Tenants | 2,145 | 1,813 |
| Total Arrears | 5,258 | 5,144 |
| Total Arrears as % of Gross Rent of Dwellings Due | 6.1% | 8.0% |

The arrears shown in this note exclude water charges, heating charges and all other charges collected as part of tenants' rent. Housing rent represents 91% of the total collectable from tenants.

Housing Revenue Account

c) Rent – Other Housing Property

| | 2015/16 £000 | 2014/15 £000 |
|--------------------------------------|-----------------|-----------------|
| Aerial Sites | 394 | 342 |
| Garages | 179 | 322 |
| Reception Hostels | 2,527 | 2,455 |
| Commercial Property | 28 | 184 |
| Ground Rents | 59 | 59 |
| Total Other Rents and Charges | 3,187 | 3,362 |

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

Service charges include caretaking, grounds maintenance, communal lighting, bulk household waste removal, window cleaning, pest control and the Lewisham Tenants Levy. The average tenants' service charge was £7.71 in 2015/16 (£7.72 in 2014/15).

| | 2015/16 £000 | 2014/15 £000 |
|--|-----------------|-----------------|
| Heating Charges | 566 | 730 |
| Leasehold Service Charges | 4,445 | 4,430 |
| Tenants Service Charges | 4,591 | 4,633 |
| Total Charges for Services and Facilities | 9,602 | 9,793 |

2. GOVERNMENT HOUSING GRANTS AND SUBSIDY

From 1st April 2012 HRA accounts were prepared under the Government's HRA self-financing regime. Under this system no further housing subsidy transactions are made between government and stock owning Councils. This is in recognition that all rent collected will be retained by the Council and not contributed into the national rent pool.

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

| | 2015/16 £000 | 2014/15 £000 |
|---------------------------------|-----------------|-----------------|
| Charges for Capital | 0 | 0 |
| PFI Credit | 10,353 | 10,353 |
| Decent Homes Grant | 0 | 36,000 |
| Total Grants and Subsidy | 10,353 | 46,353 |

3. REBATES

Assistance with rents is available under the Housing benefits scheme for those on low income. The scheme is administered by the Council and approximately 58% of tenants received help in 2015/16 (56% in 2014/15). Rent rebates are chargeable to, and the corresponding subsidy is credited to the General Fund.

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

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

Housing Revenue Account

| | 2015/16 £000 | 2014/15 £000 |
|----------------------------------|-----------------|-----------------|
| Rent Rebates Given (GF) | 47,212 | 45,197 |
| Subsidy Received on Rebates (GF) | (47,212) | (45,197) |
| Net cost to the HRA | 0 | 0 |

4. CONTRIBUTIONS TOWARDS EXPENDITURE

| | 2015/16 £000 | 2014/15 £000 |
|---|-----------------|-----------------|
| Commission on insurance and water rates | 696 | 650 |
| Recharges of repairs | 2,280 | 2,225 |
| Recharge to Capital Receipts | 601 | 618 |
| Hostels: Heat, Light and Water Charges | 89 | 95 |
| Other miscellaneous income | 280 | 363 |
| Total Other Income | 3,946 | 3,951 |

5. SUPERVISION AND MANAGEMENTGeneral expenses

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

Special expenses

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

6. REPAIRS AND MAINTENANCE

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

| | 2015/16 £000 | 2014/15 £000 |
|--------------------------------------|-----------------|-----------------|
| Revenue R&M works | 14,162 | 14,602 |
| R&M works charged to MRR | 18,244 | 48,183 |
| Total Repairs and Maintenance | 32,406 | 62,785 |

Housing Revenue Account

7. CONTRIBUTIONS TO IMPAIRMENT ALLOWANCE

A contribution of £0.474m (2014/15 £0.730m) was transferred from the HRA to an impairment allowance to meet doubtful debts. Details of the accumulated provisions are as follows:

| | 2015/16 £000 | 2014/15 £000 |
|--|-----------------|-----------------|
| Housing Tenants | 4,421 | 4,207 |
| Leaseholders | 1,837 | 1,946 |
| Commercial Properties, Miscellaneous Debts | 991 | 989 |
| Total Impairment Allowance | 7,249 | 7,142 |

8. HRA OUTSTANDING DEBT (CAPITAL FINANCING REQUIREMENT)

Under the current HRA self-financing system, which began on 1st April 2012, there is no requirement to repay principal on housing debt. The total housing debt at 31st March 2016 was £74.8m (no change since 31st March 2015).

9. NON CURRENT ASSETS VALUATION

A full valuation of the housing stock is commissioned every year due to materiality. The difference between the value of dwellings in their existing use as social housing and the vacant possession value reflects the economic cost to the council of providing housing at less than open market rents.

| | 31/03/16 £000 | 31/03/15 £000 |
|---|------------------|------------------|
| Operational Assets: | | |
| Dwellings (Existing Use Value - Social Housing) | 1,146,314 | 1,058,091 |
| Other Land and Buildings | 13,973 | 26,267 |
| Infrastructure | 107 | 0 |
| Vehicles, Plant and Equipment | 7,374 | 5,792 |
| | 1,167,768 | 1,090,150 |
| Investment Properties | 0 | 16,233 |
| Surplus Assets | 6,139 | 0 |
| Total Housing Assets | 1,173,907 | 1,106,383 |
| Full Valuation of Council Dwellings | 4,585,256 | 4,232,364 |

Housing Revenue Account

10. DEPRECIATION

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

10. Depreciation

| | 2015/16 £000 | 2014/15 £000 |
|-------------------------------|-----------------|-----------------|
| Operational Assets | | |
| Dwellings | 29,444 | 25,562 |
| Other Land and Buildings | 294 | 615 |
| Vehicles, Plant and Equipment | 374 | 337 |

Depreciation is not charged on Non Operational Assets.

11. INTEREST PAYABLE AND SIMILAR CHARGES

This line includes the charge of £3.1m for capital assets calculated in accordance with the DCLG's Item 8 Debit Determination for 2015/16 (£3.2m in 2014/15). It also includes £0.477m for the net cost of amortised loan redemption premiums and discounts (£0.477m 2014/15).

12. PENSIONS COSTS – IAS 19

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

13. HOUSING CAPITAL EXPENDITURE

Any expenditure on the Capital Programme which cannot be capitalised as a component or did not add value to an existing asset has been charged to revenue. These amounts have been mainly funded from the Major Repairs Reserve, which can be used for both revenue and capital expenditure.

| | 2015/16 £000 | 2014/15 £000 |
|---|-----------------|-----------------|
| Expenditure: | | |
| Dwellings | 3,757 | 4,694 |
| Revenue Expenditure Funded from Capital under Statute | 0 | 0 |
| | 3,757 | 4,694 |
| Financed by: | | |
| Capital Receipts | 0 | 213 |
| Major Repairs Reserve | 3,757 | 4,481 |
| Total Capital Expenditure Financed | 3,757 | 4,694 |

Housing Revenue Account

14. MAJOR REPAIRS RESERVE

The movements on the major repairs reserve are as follows:

| | 2015/16 £000 | 2014/15 £000 |
|--|-----------------|-----------------|
| Balance brought forward at start of year | 29,364 | 19,787 |
| Transferred in (depreciation dwellings) | 30,112 | 26,331 |
| Financing of capital expenditure on housing assets | (3,757) | (4,481) |
| Financing Major Revenue Repairs | (18,244) | (12,273) |
| Contributions from Revenue (Capital) | 0 | 0 |
| Balance carried forward at end of year | 37,475 | 29,364 |

15. HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

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

| | Balance at 31/03/15 £000 | Transfers In £000 | Transfers Out £000 | Balance at 31/03/16 £000 |
|-------------------------------------|--------------------------------|-------------------------|--------------------------|--------------------------------|
| Property and Stock Related Reserves | 4,773 | 211 | 0 | 4,984 |
| Staff Related Reserves | 750 | 0 | 0 | 750 |
| Other Earmarked Reserves | 30,389 | 6,771 | 0 | 37,160 |
| Total Reserves and Balances | 35,912 | 6,982 | 0 | 42,894 |

Collection Fund

SECTION 5 - THE COLLECTION FUND

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

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

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

| | 2015/16 | | | 2014/15 | | | Note |
|--|----------------|---------------|----------------|----------------|---------------|----------------|------|
| | Council Tax | NDR | Total | Council Tax | NDR | Total | |
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| INCOME | | | | | | | |
| Income from Council Tax (net) | 109,442 | | 109,442 | 105,674 | | 105,674 | 4 |
| Income from Non-Domestic Rates (net) | | 54,403 | 54,403 | | 54,530 | 54,530 | 5 |
| TOTAL INCOME | 109,442 | 54,403 | 163,845 | 105,674 | 54,530 | 160,204 | |
| EXPENDITURE | | | | | | | |
| Precepts and Demands upon Fund (C. Tax) | | | | | | | |
| - London Borough of Lewisham | 80,084 | | 80,084 | 78,404 | | 78,404 | |
| - Greater London Authority | 23,652 | | 23,652 | 22,108 | | 22,108 | |
| Precepts and Demands upon Fund (NDR) | | | | | | | |
| - London Borough of Lewisham | | 16,452 | 16,452 | | 15,501 | 15,501 | |
| - Greater London Authority | | 10,968 | 10,968 | | 10,334 | 10,334 | |
| - Central Government | | 27,420 | 27,420 | | 25,836 | 25,836 | |
| - Cost of Collection Allowance | | 307 | 307 | | 306 | 306 | |
| Business Rate Supplement | | | | | | | |
| - Paid to Greater London Authority | | 1,212 | 1,212 | | 1,459 | 1,459 | |
| - Administrative Costs | | 4 | 4 | | 5 | 5 | |
| Bad and Doubtful Debts | | | | | | | |
| - Net adj to Impairment Allowance | 1,729 | | 1,729 | 2,004 | | 2,004 | 6a |
| - Net adj to Impairment Allowance | | (37) | (37) | | 546 | 546 | 6b |
| - Amounts Written Off | 799 | | 799 | 605 | | 605 | |
| - Amounts Written Off | | 1,369 | 1,369 | | 543 | 543 | |
| Contributions from previous year | | | | | | | |
| - London Borough of Lewisham | 4,864 | | 4,864 | 2,334 | | 2,334 | |
| - Greater London Authority | 0 | | 0 | 659 | | 659 | |
| Provision for Appeals | | | | | | | |
| - London Borough of Lewisham | | 295 | 295 | | 38 | 38 | |
| TOTAL EXPENDITURE | 111,129 | 57,990 | 169,119 | 106,114 | 54,568 | 160,682 | |
| Deficit / (Surplus) for the year | 1,687 | 3,587 | 5,274 | 440 | 38 | 478 | 3 |
| Deficit / (Surplus) at start of year | (5,796) | 2,289 | (3,507) | (6,236) | 2,251 | (3,985) | 3 |
| Deficit / (Surplus) at end of year | (4,109) | 5,876 | 1,767 | (5,796) | 2,289 | (3,507) | |

Collection Fund

NOTES TO THE COLLECTION FUND

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

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

The tax base used in setting the Council Tax is set by the end of January for the following financial year. It is based on the actual number of dwellings on the Valuation List that fall within each valuation band. The total in each band is adjusted for exemptions, single person occupancy discounts, discounts for second homes and long term empty properties, disabled band relief and new properties. The total for each band is then expressed as a "Band D" equivalent number by multiplying the resulting total by the relevant band proportion. The tax base for 2015/16 assumed a collection rate of 96.0% (95.5% for 2014/15).

The table below sets out the original tax base calculation for 2015/16 and has been prepared in accordance with The Welfare Reform Act that abolished the system of council tax benefits and replaced it with the Council Tax Reduction Scheme (CTRS) with effect from 1st April 2013.

| Council Tax Band | Property Value £000 | 2015/16 | | Band D Ratio | 2015/16 | | 2014/15 | |
|---------------------------------|---------------------------|-------------------------|---------------------------|--------------------|--|-------------------------------|--|-------------------------------|
| | | No. of Properties | | | Band D Equivalents as per Ratio No. | Council Tax Charge £ | Band D Equivalents as per Ratio No. | Council Tax Charge £ |
| | | Actual Number (1) | Adjusted Number (2) | | | | | |
| A | up to 40 | 7,281 | 3,683 | 6/9 | 2,455.2 | 903.57 | 2,420.9 | 906.23 |
| B | 40 - 52 | 32,733 | 20,132 | 7/9 | 15,658.2 | 1,054.16 | 15,481.6 | 1,057.28 |
| C | 52 - 68 | 42,354 | 30,061 | 8/9 | 26,720.5 | 1,204.75 | 26,225.8 | 1,208.31 |
| D | 68 - 88 | 25,285 | 20,345 | 1 | 20,345.0 | 1,355.35 | 20,058.5 | 1,359.35 |
| E | 88 - 120 | 7,229 | 6,199 | 11/9 | 7,577.0 | 1,656.54 | 7,354.0 | 1,661.42 |
| F | 120 - 160 | 2,718 | 2,492 | 13/9 | 3,599.1 | 1,957.73 | 3,581.0 | 1,963.51 |
| G | 160 - 320 | 1,277 | 1,199 | 15/9 | 1,999.1 | 2,258.92 | 1,993.5 | 2,265.58 |
| H | over 320 | 170 | 160 | 18/9 | 319.0 | 2,710.70 | 310.0 | 2,718.70 |
| Totals | | 119,047 | 84,270 | | 78,673.1 | | 77,425.3 | |
| Add: Contributions in lieu | | | | | 0.0 | | 0.0 | |
| Total Band D Equivalents | | | | | 78,673.1 | | 77,425.3 | |
| Estimated Collection Rate | | | | | 96.0% | | 95.5% | |
| NET COUNCIL TAX BASE | | | | | 75,526.2 | | 73,941.2 | |

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

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

Collection Fund

2. COLLECTION FUND SURPLUS OR DEFICIT

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

3. COLLECTION FUND BALANCE SPLIT INTO ITS ATTRIBUTABLE PARTS

| | (Surplus)/ Deficit | | | (Surplus)/ Deficit | |
|---------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | Balance at 31/03/14 £000 | Movement in 2014/15 £000 | Balance at 31/03/15 £000 | Movement in 2015/16 £000 | Balance at 31/03/16 £000 |
| Council Tax | | | | | |
| London Borough of Lewisham | (4,795) | 272 | (4,523) | 1,303 | (3,220) |
| Greater London Authority | (1,441) | 168 | (1,273) | 384 | (889) |
| | (6,236) | 440 | (5,796) | 1,687 | (4,109) |
| Non-Domestic Rates | | | | | |
| London Borough of Lewisham | 675 | 12 | 687 | 1,077 | 1,764 |
| Greater London Authority | 450 | 8 | 458 | 717 | 1,175 |
| Central Government | 1,126 | 18 | 1,144 | 1,793 | 2,937 |
| | 2,251 | 38 | 2,289 | 3,587 | 5,876 |
| Collection Fund Balances | (3,985) | 478 | (3,507) | 5,274 | 1,767 |

Collection Fund Adjustment Account

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

4. COUNCIL TAX INCOME

| | 2015/16 | | 2014/15 |
|--|-----------------|-----------------|-----------------|
| | £000 | £000 | £000 |
| Gross Council Tax Income Due | | 150,100 | 149,144 |
| Less: Adjustments to charge | 1,362 | | 915 |
| Exemptions | (3,661) | | (3,807) |
| Disabled Relief | (65) | | (65) |
| Discounts | (15,010) | | (15,156) |
| Adjustment for Council Tax Reduction Scheme | (23,285) | | (25,357) |
| | | (40,658) | (43,470) |
| Total Due from Council Tax payers | | 109,442 | 105,674 |
| Transfers from General Fund for Council Tax Benefits | | 0 | 0 |
| Net Amount of Council Tax Receivable | | 109,442 | 105,674 |

Collection Fund

5. NON-DOMESTIC RATES

The Council is responsible for collecting the Non-Domestic Rates (NDR) (often referred to as Business Rates) which are payable within its area. The amount payable is based upon the rateable value of commercial properties multiplied by the NDR multiplier, which is set annually by the Government. The amount due is paid as precepts to London Borough of Lewisham's General Fund (30%), Greater London Authority (20%) and Central Government (50%).

| | 2015/16 | | 2014/15 |
|---|---------|---------|---------|
| | £000 | £000 | £000 |
| Gross NDR Collectable (after voids and exemptions) | | 62,027 | 61,529 |
| Reductions and Relief: | | | |
| Mandatory Relief | (7,441) | | (6,777) |
| Discretionary Relief | (182) | | (222) |
| | | (7,624) | |
| Total Receivable from Business Rates | | 54,403 | 54,530 |

| | 2015/16 | 2014/15 |
|------------------------------------|---------|---------|
| | £m | £m |
| Non-Domestic Rateable Value | 138.5 | 138.7 |

| | 2015/16 | 2014/15 |
|--|---------|---------|
| | pence | pence |
| Non-Domestic Rate Multiplier | 49.3 | 48.2 |
| Non-Domestic Rate Multiplier (Small Business) | 48.0 | 47.1 |

6. COLLECTION FUND ARREARS AND IMPAIRMENT ALLOWANCES

a) Council Tax

| | 31/03/16 | 31/03/15 |
|----------------------------|----------|----------|
| | £000 | £000 |
| Council Tax Arrears | 33,080 | 31,365 |
| Impairment Allowance | (30,617) | (28,888) |
| As a Percentage of Arrears | 92.6% | 92.1% |

| | 2015/16 | | 2014/15 | |
|-----------------------|---------|------------|---------|------------|
| | Amount | Percentage | Amount | Percentage |
| | £000 | % | £000 | % |
| Age of Arrears | | | | |
| Year of Accounts | 5,979 | 18 | 5,982 | 19 |
| Under 2 Years old | 4,175 | 13 | 4,443 | 14 |
| Under 3 Years old | 3,886 | 12 | 3,323 | 11 |
| Under 5 Years old | 5,683 | 17 | 5,889 | 19 |
| Over 5 Years old | 13,357 | 40 | 11,728 | 37 |
| Total | 33,080 | 100 | 31,365 | 100 |

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

Collection Fund

b) Non-Domestic Rates

| | 31/03/16 £000 | 31/03/15 £000 |
|----------------------------|------------------|------------------|
| NDR Arrears | 4,959 | 5,015 |
| Impairment Allowance | (3,064) | (3,101) |
| As a Percentage of Arrears | 61.8% | 61.8% |

| | 2015/16 | | 2014/15 | |
|-----------------------|----------------|-----------------|----------------|-----------------|
| | Amount £000 | Percentage % | Amount £000 | Percentage % |
| Age of Arrears | | | | |
| Year of Accounts | 1,338 | 27 | 1,297 | 26 |
| Under 2 Years old | 881 | 18 | 974 | 19 |
| Under 3 Years old | 835 | 17 | 876 | 17 |
| Under 5 Years old | 1,304 | 26 | 1,373 | 27 |
| Over 5 Years old | 600 | 12 | 495 | 10 |
| Total | 4,959 | 100 | 5,015 | 100 |

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

SECTION 6 - GLOSSARY OF TERMS USED IN THE ACCOUNTS

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

Glossary

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

Glossary

COMMON ACRONYMS USED IN THE ACCOUNTS

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

Pension Fund Accounts

PENSION FUND ACCOUNTS

FOREWORD

This Pension Fund Statement of Accounts details the financial position and performance of the Lewisham Pension Fund for the year 2015/16.

The Pension Fund's value fell over the year by £1.1m, mainly due to a decrease in the value of equities during the year.

INTRODUCTION

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

ORGANISATION

The fund is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended);
- The Local Government Pension Scheme (Transition Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

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

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

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

<http://www.lewishampensions.org/>

Pension Fund Accounts

ACCOUNTING POLICIES

The Pension Fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of the obligations to pay pensions and benefits which fall due after the end of the financial year. In respect of future obligations, the actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis.

The Local Government Pension Scheme (Administration) Regulations 2008 requires administering authorities in England and Wales to prepare a Pension Fund Annual Report which must include the Fund Account and a Net Assets Statement with supporting notes prepared in accordance with proper practices. The Regulations summarise the Pension Code and the minimum disclosure requirements.

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

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

- (a) Basis of Preparation - The accounts have been prepared on an accruals basis (i.e. income and expenditure attributable to the financial year have been included) even where payment has not actually been made or received, except Transfer Values which are prepared on a cash basis. The financial statements do not take account of liabilities to pay pensions and other benefits due after the period end; these are reported upon separately in the Actuary's report and reflected in the Council's income and expenditure account. The accounts are prepared on a going concern basis for accounting purposes.
- (b) Investments - Investments in the Net Assets Statement are shown at market value based on bid prices, as required by the 2015/16 Local Authority Code of Practice and the IAS 26 Retirement Benefit Plans. The market value of equity investments is based on the official closing data, in the main, with last trade data being used in a small number of countries. Unitised equities are quoted based on last trade or official closing price. Northern Trust, the Fund's custodian, sets out its pricing policies in a document entitled "Asset pricing guidelines" which details its pricing process and sets out preferred pricing sources and price types.
- (c) The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on the sale of investments during the year.
- (d) Income - Dividend income earned from equity and bonds (excluding Private Equity) is reinvested by Investment Managers and not repaid directly to the fund as cash. Interest income is recognised in the Fund as it accrues. Any amount not received by the end of the accounting period will be disclosed in the note on Debtors and Creditors.
- (e) Private equity investments are valued in accordance with United States generally accepted accounting principles, including FAS 157, which is consistent with the International Private Equity and Venture Capital Valuation Guidelines. These guidelines set out that all investments are carried at fair value and they recommend methodologies for measurement. Due to timing differences in

Pension Fund Accounts

the valuation of this investment, the value carried in the accounts as at 31st March 2016 is the actual fair value using the latest available valuation on or after 31st December 2015, plus an estimated valuation for the period up to 31st March 2016.

- (f) Property – The Fund does not have any direct investments in property, but does use a property Fund of Funds manager, Schroders, to invest in pooled property funds. The Schroders funds are all currently valued at least quarterly. The majority of property assets to which the fund has exposure are located in the UK. They are valued in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards on the basis of their open market value (OMV).

The only non-UK fund is the Continental European Fund 1. The net asset value is derived from the net asset value of the underlying funds. Like the UK, the values of the underlying assets are assessed by professionally qualified valuers. Valuation practices will differ between countries according to local Generally Accepted Accounting Practices. The frequency of independent valuations varies. All the funds are independently valued on a rolling basis at least annually.

- (g) Financing Fund - The fair value of the M&G financial instruments is based on their quoted market prices at the statement of financial position date without any deduction for estimated future selling costs. Due to timing differences in the valuation of this investment, the value carried in the accounts as at 31st March 2016 is the actual fair value using the latest available valuation on or after 31st December 2015, plus an estimated valuation for the period up to 31st March 2016.
- (h) Contributions – These represent the total amounts received from the employers and employees within the scheme. From 1st April 2015 the employee contribution bands (revised annually in line with inflation) are as follows:

| Full Time Pay for the Post | Contribution Rate 2015/16 |
|-----------------------------------|----------------------------------|
| Up to £13,600 | 5.5% |
| £13,601 to £21,200 | 5.8% |
| £21,201 to £34,400 | 6.5% |
| £34,401 to £43,500 | 6.8% |
| £43,501 to £60,700 | 8.5% |
| £60,701 to £86,000 | 9.9% |
| £86,001 to £101,200 | 10.5% |
| £101,201 to £151,800 | 11.4% |
| More than £151,801 | 12.5% |

The employer's contribution is reviewed every three years and is determined by the fund's Actuary as the rate necessary to ensure that the Fund is able to meet its long-term liabilities. This is assessed at each triennial actuarial revaluation. The employer's contribution rate for 2015/16 is 22.0% and for 2016/17 it will be 22.5%.

- (i) Benefits – Benefits payable are made up of pension payments and lump sums payable to members of the Fund upon retirement and death. These have been brought into the accounts on the basis of all valid claims approved during the year.
- (j) Transfer Values – Transfer values are those sums paid to, or received from, other pension schemes relating to periods of previous pensionable employment. Transfer values are calculated in accordance with the Local Government Pension Scheme Regulations and have been brought into the accounts on a cash basis.
- (k) Taxation – The fund is a registered public service scheme under section (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital

Pension Fund Accounts

gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as an expense as it arises.

- (l) VAT – By virtue of Lewisham Council being the administrating authority, VAT input tax is recoverable on fund activities. Any irrecoverable VAT is accounted for as an expense.
- (m) Actuarial – The adequacy of the Fund's investments and contributions in relation to its overall and future obligations is reviewed every three years by an Actuary appointed by the Council. The Council's Actuary, Hymans Robertson, assesses the Fund's assets and liabilities in accordance with Regulation 77 of the Local Government Scheme Regulations 1997. The contribution rate required for benefits accruing in future is assessed by considering the benefits which accrue over the course of the three years to the next valuation.

The most recent actuarial valuation carried out under Regulation 36 of the LGPS (Administration) Regulations 2008 was as at 31 March 2013.

Some of the triennial valuation financial assumptions made, with comparison to the previous valuation, are presented in the table below:

| Financial Assumption | March 2013 (%) | March 2010 (%) |
|---------------------------------|----------------|----------------|
| Discount Rate | 4.6 | 6.1 |
| Price Inflation | 3.3 | 3.8 |
| Pay Increases | 4.3 | 5.3* |
| <u>Pension Increase:</u> | | |
| Pension in excess of GMP | 2.5 | 3.3 |
| Post-88 GMP | 2.5 | 2.8 |
| Pre-88 GMP | 0.0 | 0.0 |
| Revaluation of Deferred Pension | 2.5 | 3.3 |
| Expenses | 0.7 | 0.6 |

* The assumption for 2010 was actually 1% p.a. for 2010/11 and 2011/12 and 5.3% thereafter.

With effect from the 1 April 2015, the actuarial review carried out for 31 March 2013 resulted in an increase to the Council's contribution rate of 0.5% (i.e. to 22%) for 2015/16. This will be followed by annual increases of 0.5% for 2016/17.

The next actuarial valuation of the Fund is underway and will be carried out as at 31 March 2016, with new employer contribution rates taking effect from 1 April 2017 for the 2017/18 financial year. The results of this valuation will be published in autumn 2016.

The triennial valuation on the 31st March 2013 revealed that the Fund's assets, which at 31 March 2013 were valued at £868 million, were sufficient to meet 71.4% (75.4% in 2010) of the current liabilities valued at £1,216 million (£949 million in 2010) accrued up to that date. The resulting deficit as at the 2013 valuation was £348million (£234 million in 2010).

Actuarial Present Value of Promised Retirement Benefits

- (n) The Actuary has calculated the actuarial present value of future retirement benefits (on an IAS 26 basis) to be £1,570 million as at 31st March 2016 (£1,683 million as at 31st March 2015).
- (o) Investment Management and Administration - paragraph 42 of the Local Government Pension Scheme (Administration) Regulations 2008, permit the Council to charge the scheme's administration costs to the Fund. A proportion of relevant Council officers' salaries, including related

Pension Fund Accounts

on-costs, have been charged to the Fund on the basis of actual time spent on scheme administration and investment-related business. The fees of the Fund's general investment managers are charged on a quarterly basis and are generally calculated as a set percentage of the market value funds under management as at the end of those quarters. The Council's administrative costs are shown in the Fund Account as part of expenditure.

- (p) Foreign currency transactions are made using the WM/Reuters exchange rate in the following circumstances:
- Purchase and sales: the foreign exchange rate applicable on the day prior to the trade date is used.
 - Stock holdings: all holdings valuations are made using the WM/Reuters close of previous business day.
 - Dividend receipts: the rate applicable on the day prior to the date the dividend received is used.

(q)

| Fund Manager | Assets | Assets Value 31/03/16 £000 | Proportion of the Fund 31/03/16 % | Assets Value 31/03/15 £000 |
|---------------------|-----------------------------|---|--|---|
| Schroders Property | Property | 97,527 | 9.4 | 88,262 |
| HarbourVest | Private Equity | 41,247 | 4.0 | 44,167 |
| UBS | Passive Equity and Bonds | 430,848 | 41.4 | 433,052 |
| Blackrock | Passive Equity and Bonds | 432,402 | 41.5 | 433,790 |
| Investec | Commodities | 0 | 0.0 | 31,784 |
| M&G | Credit | 14,869 | 1.4 | 14,447 |
| Securities Lending | Securities Lending | 109 | 0.0 | 100 |
| Unallocated Funds | Cash | 24,358 | 2.3 | 198 |
| Lewisham | Cash and Net Current Assets | 68 | 0.0 | (3,242) |
| Total Fund | | 1,041,428 | 100.0 | 1,042,558 |

- (r) Commitments - Where capital committed to investments is not fully drawn down at the end of the financial year the outstanding commitment is not included in the net asset statement but is referred to in the notes to the accounts. Please see note 13.
- (s) Financial Instruments –
- (i) Financial Liabilities are recognised on the Net Asset Statement when the Fund becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.
- (ii) Financial Assets are recognised on the Net Asset Statement when the Fund becomes a party to the contractual provisions of a financial instrument. Financial Assets are classified into two types:
- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
 - Fair value through profit or loss – assets that are held for trading.
- (t) Critical judgements in applying accounting policies and assumptions made about the future and other major sources of estimation uncertainty – The statement of accounts contain critical judgements in applying accounting policies and estimated figures based on assumptions made by the authority about the future or that are otherwise uncertain. There are two areas in the accounts where critical judgements are applied which are materially significant to the accounts:

Pension Fund Accounts

- Actuarial present value of promised retirement benefits – the figure of net liability to pay pensions is based on a significant number of assumptions including the discount rate, mortality rates and expected returns on fund assets. The Pension Fund’s qualified actuary calculates this figure to ensure the risk of misstatement is minimised.
- Private Equity and M&G valuations – the value of the Fund’s private equity holdings is calculated by the General Partners of the fund on the basis of their Valuation Policy, which follows best practice in the industry. However this is based upon a 31 December audited accounts valuation adjusted for distributions and capital calls up to 31 March.

(u) **Additional Voluntary Contributions (“AVCs”)**

Members of the Fund are able to make AVCs in addition to their normal contributions. The related assets are invested separately from the main fund, and In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, are not accounted for within the financial statements. If on retirement members opt to enhance their Scheme benefits using their AVC funds, the amounts returned to the Scheme by the AVC providers are disclosed within transfers-in. Further details about the AVC arrangements are disclosed in note 15 to the financial statements.

Pension Fund Accounts

FUND ACCOUNT FOR THE YEAR

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

| | 2015/16 £000 | 2014/15 £000 | See note |
|---|--------------------|--------------------|-------------|
| <u>DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED WITH THE SCHEME</u> | | | |
| Contributions Receivable: | | | |
| - from Employers | (30,542) | (30,471) | 1 |
| - from Employees | (9,339) | (9,774) | 1 |
| - reimbursement for Early Retirement from Employers | (1,898) | (1,604) | |
| Transfer Values In | (1,409) | (1,572) | |
| Other Income | (221) | (3) | |
| Sub-Total: Income | (43,409) | (43,424) | |
| Benefits Payable: | | | |
| - Pensions | 37,629 | 35,476 | 2 |
| - Lump Sums: Retirement allowances | 8,087 | 8,478 | |
| - Lump Sums: Death grants | 1,048 | 528 | |
| Payments to and on account of leavers: | | | |
| - Refunds of Contributions | (3) | 52 | |
| - Transfer Values Out | 2,709 | 3,190 | |
| Administrative and other expenses borne by the scheme | 928 | 941 | 3 |
| Sub-Total: Expenses | 50,398 | 48,665 | |
| Total Net (additions) / withdrawals from Dealings with Scheme Members | 6,989 | 5,241 | |
| <u>RETURNS ON INVESTMENTS</u> | | | |
| Investment Income | (6,437) | (6,978) | 4 |
| Change in market value of investments (realised & unrealised) | (1,013) | (137,859) | 5 |
| Investment Expenses: | | | |
| - Investment Management Fees | 1,383 | 1,443 | 6 |
| - Tax on Dividends | 207 | 389 | |
| Total Net Returns on Investments | (5,860) | (143,005) | |
| NET (INCREASE) / DECREASE IN THE FUND DURING YEAR | 1,129 | (137,764) | |
| OPENING NET ASSETS OF THE FUND | (1,042,558) | (904,794) | |
| CLOSING NET ASSETS OF THE FUND | (1,041,429) | (1,042,558) | |

Pension Fund Accounts

NET ASSETS STATEMENT

The Net Assets Statement shows the market value of the investments and other assets held by the Pension Fund as at 31 March 2016.

| | 31/03/16 £000 | 31/03/15 £000 | See note |
|---|------------------|------------------|-------------|
| INVESTMENT ASSETS | | | |
| Equities | | | |
| United Kingdom | 8,735 | 8,777 | 5 |
| Global | 10,714 | 11,228 | 5 |
| | 19,449 | 20,005 | |
| Managed Funds | | | |
| Property | 96,263 | 82,286 | 5 |
| Equities | 656,010 | 662,071 | 5 |
| Fixed Interest | 162,329 | 159,838 | 5 |
| Index Linked | 33,177 | 32,410 | 5 |
| Other Assets | 33,077 | 65,028 | 5 |
| | 980,856 | 1,001,633 | |
| Cash Deposits | 40,667 | 23,775 | 10 |
| Derivative Contracts | | | |
| Assets | 0 | 0 | 8 |
| Liabilities | 0 | 0 | 8 |
| Other Investment Balances | | | |
| Debtors - Investment Transactions | 389 | 387 | 9 |
| Creditors - Investment Transactions | 0 | 0 | 9 |
| TOTAL INVESTMENTS | 1,041,361 | 1,045,800 | |
| NET CURRENT ASSETS AND LIABILITIES | | | |
| Debtors | 587 | 1,226 | 9 |
| Creditors | (792) | (4,740) | 9 |
| Cash in Hand | 273 | 272 | 10 |
| TOTAL NET ASSETS | 1,041,429 | 1,042,558 | |

The financial statements of the fund do not take account of the liability to pay pensions or benefits after 31st March 2016. This liability is included within the Authority's balance sheet.

Pension Fund Accounts

NOTES TO THE PENSION FUND ACCOUNTS

1. CONTRIBUTIONS RECEIVED

| | 2015/16 £000 | 2014/15 £000 |
|-------------------------------|-----------------|-----------------|
| Employer Contributions | | |
| Administering: Normal | (25,593) | (24,974) |
| Admitted: Normal | (557) | (809) |
| Scheduled | (4,392) | (4,688) |
| | (30,542) | (30,471) |
| Employee Contributions | | |
| Administering | (7,593) | (7,868) |
| Admitted | (222) | (381) |
| Scheduled | (1,524) | (1,525) |
| | (9,339) | (9,774) |

2. BENEFITS PAYABLE

| | 2015/16 £000 | 2014/15 £000 |
|--------------------|-----------------|-----------------|
| Administering | 24,639 | 22,652 |
| Admitted | 401 | 383 |
| Scheduled | 1,147 | 1,174 |
| Pensions Increases | 11,442 | 11,267 |
| | 37,629 | 35,476 |

3. ADMINISTRATION COSTS

| | 2015/16 £000 | 2014/15 £000 |
|-------------------------|-----------------|-----------------|
| Lewisham Administration | 586 | 614 |
| Administration Costs * | 334 | 305 |
| Other Costs | 0 | 14 |
| Bank Charges | 8 | 8 |
| | 928 | 941 |

*includes Grant Thornton Audit fees

4. INVESTMENT INCOME

| | 2015/16 £000 | 2014/15 £000 |
|-------------------------------|-----------------|-----------------|
| Cash | (19) | (184) |
| Equity | (670) | (462) |
| Fixed Interest | (1,583) | (1,074) |
| Index Linked | (376) | (277) |
| Managed Funds (incl Property) | (3,234) | (4,930) |
| Securities Lending | (9) | (7) |
| Other | (546) | (44) |
| | (6,437) | (6,978) |

Pension Fund Accounts

5. INVESTMENT ANALYSIS

Individual Investment assets with a market value exceeding 5% of the total fund value are:

| Asset | Manager | 31st March 2016 | |
|---|-------------|-----------------|-------|
| | | £000 | % |
| Individual Investment assets with a market value exceeding 5% of the total fund value are: | | | |
| Aquila Life US Equity Index Fund | Blackrock | 146,076 | 15.1 |
| UBS GBL Asset Life North America Equity Tracker | UBS | 134,737 | 13.9 |
| UBS Global Life UK Equity Tracker Fund | UBS | 87,569 | 9.0 |
| Aquila Life UK Equity Index Fund | Blackrock | 86,527 | 8.9 |
| Investments exceeding 5% within each class of security are as follows: | | | |
| UK Equities | | | |
| Harbourvest GE PE Shares | Harbourvest | 8,739 | 100.0 |
| Global Equities | | | |
| Commonwealth Bank of Australia | UBS | 662 | 6.5 |
| Westpac BKG Corp | UBS | 511 | 5.0 |
| Property | | | |
| Standard Life Pooled Property Fund | Schroder | 11,798 | 12.3 |
| Schroder UK Property Fund | Schroder | 13,534 | 14.0 |
| Hermes Property Unit | Schroder | 9,178 | 9.5 |
| Legal and General Property Fund | Schroder | 12,543 | 13.0 |
| IPIF Feeder Unit Trust | Schroder | 5,122 | 5.3 |
| Real Income Fund | Schroder | 8,681 | 9.0 |
| Hercules Unit Property | Schroder | 4,844 | 5.0 |
| Managed Equities | | | |
| UBS Global AM Life Equity Tracker | UBS | 87,569 | 13.3 |
| UBS Global Life North America | UBS | 134,737 | 20.5 |
| Aquila Life European Equity Index Fund | Blackrock | 39,545 | 6.0 |
| UBS Global Life European EX UK Equity Tracker Fund | UBS | 38,830 | 5.9 |
| BlackRock Pension Aquila Life UK | Blackrock | 86,477 | 13.2 |
| Aquila Life UK Equity Index Fund | Blackrock | 145,998 | 22.2 |
| Fixed Interest | | | |
| UBS Global Asset Management Corporate Bond Fund | UBS | 32,404 | 19.9 |
| Blackrock AM UK Corporate Bond Index | Blackrock | 31,783 | 19.6 |
| Aquila Life over 5 yrs Index Fund | Blackrock | 31,842 | 19.6 |
| Barclays Global Aquila Life over 15 yrs | Blackrock | 33,011 | 20.3 |
| Index Linked | | | |
| UK(Government Of) 0.75% I/L 22/3/34 Gbp | UBS | 1,737 | 5.2 |
| UK(Government Of) 1.25% I/L 22/11/2027 | UBS | 1,730 | 5.2 |
| UK(Government Of) 0.125% I/L Gilt 22/3/68 Gbp | UBS | 1,674 | 5.1 |
| UK (Govt Of) 0.375% Idx-Lkd Gilt 22/3/62 | UBS | 1,821 | 5.5 |
| UK(Govt)Of) 0.5% Idx/Lkd 22/3/50 Gbp | UBS | 1,682 | 5.1 |
| UK (Govt Of) 0.625% Idx/Lkd 22/03/40 Gbp | UBS | 1,848 | 5.6 |
| UK (Govt Of) 0.75% I/L Stk 22/11/2047 | UBS | 1,694 | 5.1 |
| UK (Govt Of) 1.25% Idx-Lkd Gilt 2055 Gbp | UBS | 2,044 | 6.2 |
| UK(Govt Of) 1.875% I/L Stk 22/11/22 Gbp | UBS | 1,647 | 5.0 |
| Others | | | |
| International PE Ptrs V Cayman Ptnship Fd | Harbourvest | 7,101 | 15.0 |
| Partners Viii Cayman Venture Fund LP | Harbourvest | 5,471 | 11.6 |
| HIPEP Vii (AIF) Partnership Fund LP | Harbourvest | 3,998 | 8.4 |
| Ptrs Viii Cayman Buyout | Harbourvest | 7,272 | 15.4 |
| M&G UK Companies Financing Fund | M&G | 7,556 | 16.0 |

Pension Fund Accounts

An analysis of investment movements is set out below:

| INVESTMENT MOVEMENTS 2015/16 | Value at 31 March 2015 £000 | Purchases at Cost £000 | Sales Proceeds £000 | Change in Capital Value £000 | Change in Market Value £000 | Value at 31 March 2016 £000 |
|-------------------------------------|--|-----------------------------------|--------------------------------|---|--|--|
| UK Equities | 8,777 | 0 | 0 | 0 | (42) | 8,735 |
| Global Equities | 11,228 | 2,152 | (1,450) | 19 | (1,235) | 10,714 |
| Property | 82,286 | 8,907 | (58) | (845) | 5,973 | 96,263 |
| Managed Equities | 662,071 | 5,462 | (4,511) | 26 | (7,038) | 656,010 |
| Fixed Interest Securities | 159,838 | 7,429 | (6,446) | 0 | 1,508 | 162,329 |
| Index Linked Securities | 32,410 | 4,845 | (4,567) | 0 | 489 | 33,177 |
| Other * | 65,028 | 5,341 | (38,330) | (47) | 1,085 | 33,077 |
| Derivatives | 0 | 0 | 0 | 0 | 0 | 0 |
| | 1,021,638 | 34,136 | (55,362) | (847) | 740 | 1,000,305 |
| Cash Deposits | 23,775 | | | | 273 | 40,667 |
| Other Investment Balances | 387 | | | | | 389 |
| Total Investments | 1,045,800 | | | | 1,013 | 1,041,361 |

* Includes Venture Capital, Credit Mandates and Private equity (and Commodities in 2014/15 only).

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

Apart from Global Equities and bonds, the only other overseas investment held by the Fund fall under the 'Other' category and is namely Private Equity £25.4m.

The total value of unquoted securities held by the fund as at 31st March 2016 was £711m, this includes equities, bonds and other assets.

The total value of quoted securities held by the fund as at 31st March 2016 was £193m, this includes equities and bonds.

The Fund has investment assets that are classed as pooled investment vehicles. The Fund holds Unit Trusts valued at £490m, Unitised Insurance Policies valued at £363m, and other managed funds valued at £25m.

Pension Fund Accounts

As at 31st March 2015:

| INVESTMENT MOVEMENTS 2014/15 | Value at 31 March 2014 £000 | Purchases at Cost £000 | Sales Proceeds £000 | Change in Capital Value £000 | Change in Market Value £000 | Value at 31 March 2015 £000 |
|---|--|---------------------------------------|------------------------------------|---|--|--|
| UK Equities | 6,505 | 0 | 0 | (152) | 2,424 | 8,777 |
| Global Equities | 10,389 | 17 | (1) | (73) | 896 | 11,228 |
| Property | 75,732 | 12,059 | (9,991) | (3,965) | 8,451 | 82,286 |
| Managed Equities | 558,575 | 13,627 | (850) | | 90,719 | 662,071 |
| Fixed Interest Securities | 142,268 | 3,728 | (12,436) | | 26,278 | 159,838 |
| Index Linked Securities | 28,476 | 3,515 | (5,265) | | 5,684 | 32,410 |
| Other * | 71,689 | 1,356 | (11,266) | | 3,249 | 65,028 |
| Derivatives | 0 | 0 | 0 | 0 | 0 | 0 |
| | 893,634 | 34,302 | (39,809) | (4,190) | 137,701 | 1,021,638 |
| Cash Deposits | 10,651 | | | | 158 | 23,775 |
| Other Investment Balances | 471 | | | | | 387 |
| Total Investments | 904,756 | | | | 137,859 | 1,045,800 |

5A. FINANCIAL INSTRUMENTS

The accounting policies describe how the different asset classes of financial instruments are measured, and how income and expenses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category. No financial assets were reclassified during the accounting period. All assets are held at fair value, therefore there is no difference between fair value and carrying value.

Pension Fund Accounts

| | 31 st March 2016 | | | 31 st March 2015 | | |
|------------------------------------|----------------------------------|-----------------------|---|----------------------------------|-----------------------|---|
| | Fair Value through Profit & Loss | Loans and Receivables | Financial Liabilities at Amortised Cost | Fair Value through Profit & Loss | Loans and Receivables | Financial Liabilities at Amortised Cost |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Financial Assets | | | | | | |
| Equities | 19,449 | | | 20,005 | | |
| Managed Funds: | | | | | | |
| Property | 96,263 | | | 82,286 | | |
| Managed Equity | 656,010 | | | 662,071 | | |
| Fixed Interest | 162,329 | | | 159,838 | | |
| Index Linked | 33,177 | | | 32,410 | | |
| Other Assets | 33,077 | | | 65,028 | | |
| Derivative contracts | 0 | | | 0 | | |
| Cash deposits | | 40,667 | | | 23,775 | |
| Pending Trades | | 0 | | | 0 | |
| Dividends & Income | | 389 | | | 387 | |
| Contributions Due | | 566 | | | 1,191 | |
| Cash Balances | | 273 | | | 272 | |
| Other Current Assets | | 186 | | 0 | 35 | |
| Total Financial Assets | 1,000,305 | 42,081 | 0 | 1,021,638 | 25,660 | 0 |
| Financial Liabilities | | | | | | |
| Derivative Contracts | | | 0 | | | 0 |
| Pending Trades | | | 0 | | | 0 |
| Unpaid benefits | | | 0 | | | (374) |
| Other Current Liabilities | | | (957) | | | (4,366) |
| Total Financial Liabilities | 0 | 0 | (957) | 0 | 0 | (4,740) |
| Net Financial Assets | 1,000,305 | 42,081 | (957) | 1,021,638 | 25,660 | (4,740) |

Net Gains and Losses on Financial Instruments

The following table shows net gains on financial instruments:

| | 31/03/16 £000 | 31/03/15 £000 |
|------------------------------------|------------------|------------------|
| Financial Assets | | |
| Fair Value through Profit and Loss | 1,013 | 137,859 |
| Loans and Receivables | 0 | 0 |
| Financial Liabilities | | |
| Fair Value through Profit and Loss | 0 | 0 |
| | 1,013 | 137,859 |

Valuation of Financial Instruments carried at Fair Value

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Level 1 - consists of assets where the fair values are derived from unadjusted quoted prices in active markets for identical assets and liabilities (e.g. quoted equities).

Pension Fund Accounts

Level 2 - consists of assets where quoted market prices are not available (e.g. where an instrument is traded in a market that is not considered to be active).

Level 3 - consists of assets where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

| Values as at 31st March 2016 | Quoted Market Price Level 1 £000 | Using Observable Inputs Level 2 £000 | With Significant Unobservable Inputs Level 3 £000 | Total at 31/03/16 £000 |
|--|---|---|--|---------------------------------------|
| Financial Assets | | | | |
| Financial Assets at Fair Value through Profit and Loss | 19,449 | 947,779 | 33,077 | 1,000,305 |
| Loans and Receivables | 41,916 | 0 | 0 | 41,916 |
| | 61,365 | 947,779 | 33,077 | 1,042,221 |
| Financial Liabilities | | | | |
| Fair Value through Profit and Loss | 0 | 0 | 0 | 0 |
| Financial Liabilities at Amortised Cost | (792) | 0 | 0 | (792) |
| | (792) | 0 | 0 | (792) |
| Net Financial Assets | 60,573 | 947,779 | 33,077 | 1,041,429 |

| Values as at 31st March 2015 | Quoted Market Price Level 1 £000 | Using Observable Inputs Level 2 £000 | With Significant Unobservable Inputs Level 3 £000 | Total at 31/03/15 £000 |
|--|---|---|--|---------------------------------------|
| Financial Assets | | | | |
| Financial Assets at Fair Value through Profit and Loss | 20,005 | 968,394 | 33,239 | 1,021,638 |
| Loans and Receivables | 25,660 | 0 | 0 | 25,660 |
| | 45,665 | 968,394 | 33,239 | 1,047,298 |
| Financial Liabilities | | | | |
| Fair Value through Profit and Loss | 0 | 0 | 0 | 0 |
| Financial Liabilities at Amortised Cost | (4,740) | 0 | 0 | (4,740) |
| | (4,740) | 0 | 0 | (4,740) |
| Net Financial Assets | 40,925 | 968,394 | 33,239 | 1,042,558 |

5B. FINANCIAL RISK MANAGEMENT

The Funds primary long term risk is that the fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). As an investment fund, the Lewisham Pension Fund's objective is to generate positive investment returns for an accepted level of risk. Therefore the Fund holds a mix of financial instruments such as securities (equities, bonds), collective investment schemes (pooled funds), and cash equivalents. In addition, debtors and creditors arise as a result of its operations. The value of these financial instruments is reflected in the financial statements at their fair value.

Responsibility for the fund's risk management strategy rests with the Council's Pension Investment Committee (PIC). Risk management policies are established to identify and analyse the risks faced by the Council's pension operations. The main risks from the Fund's holding of financial instruments are market

Pension Fund Accounts

risk, credit risk, and liquidity risk. These policies are reviewed regularly to reflect change in activity and in market conditions.

The Committee regularly monitors each investment manager, and its investment consultant (Hymans Robertson) advises on the nature of the investments made and associated risks.

The Fund's investments are managed on behalf of the Fund by the appointed investment managers. Each investment manager is required to invest the assets managed by them in accordance with the terms of their investment guidelines or pooled fund prospectus.

The Committee has determined that the current largely passive investment management structure is appropriate and is in accordance with its revised investment strategy.

The Fund's investments are held by Northern Trust, who act as custodian on behalf of the Fund. As the Fund adopts a long term investment strategy, the high level strategic risks described below will not alter significantly during any one year unless there are significant strategic or tactical changes made to the portfolio.

i) Market Risk

Market risk represents the risk that fair value of a financial instrument will fluctuate because of changes in market prices, interest rates or currencies. The Fund is exposed, through its investments in equities, bonds and investment funds, to all these market risks. The aim of the investment strategy is to manage and control exposure to market risk within acceptable parameters while optimising the return from the investment portfolio. In general, market risk is managed through the diversification of the investments held by asset class, investment mandate guidelines and investment managers. The risk arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the PIC.

a) Other Price Risk – Market

The risk that the value of a financial instrument will fluctuate as a result of factors other than interest rate or foreign currency movements, whether those changes are caused

by factors specific to the individual instrument, its issuer or factors affecting the market in general. Market price risk arises from uncertainty about the future value of the financial instruments that the Fund holds. All investments present a risk of loss of capital, the maximum risk being determined by the fair value of the financial instruments. The investment managers mitigate this risk through diversification in line with their own investment strategies and mandate guidelines.

b) Other Price Risk – Sensitivity analysis

The Council and its investment advisors also undertake appropriate monitoring of market conditions and benchmark analysis. The Fund has a long term view on expected investment returns which smoothes out short term price volatility.

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's advisors, the Council has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period.

| Asset Type | Potential Market Movement +/- (%p.a.) |
|-------------------|--|
| UK Equities | 10.48 |
| Overseas Equities | 9.65 |
| Total Bonds | 8.74 |
| Cash | 0.01 |
| Alternatives | 6.61 |
| Property | 2.69 |

The potential volatilities are broadly consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the period end asset mix as follows:

Pension Fund Accounts

| Asset Type | Final Market Value as at 31/03/2016 £000 | Percentage Change | Value on Increase £000 | Value on Decrease £000 |
|---------------------|---|-------------------|---------------------------|---------------------------|
| UK Equities | 382,657 | 10.48 | 422,759 | 342,555 |
| Overseas Equities | 292,802 | 9.65 | 321,057 | 264,546 |
| Total Bonds | 195,506 | 8.74 | 212,593 | 178,418 |
| Other Assets | 33,077 | 6.61 | 35,264 | 30,891 |
| Property | 96,263 | 2.69 | 98,852 | 93,673 |
| Cash | 40,667 | 0.01 | 40,671 | 40,663 |
| Total Assets | 1,040,972 * | 6.74 ** | 1,131,196 | 950,746 |

* This figure excludes derivatives and other investment balances.

** The % change and value change for Total Assets includes the impact of correlation across asset classes

c) Interest Rate Risk is the risk the Pension Fund is exposed to from changes in interest rates and relates to its holdings in bonds and cash. Based on interest received on bonds and cash held by investment managers, a 0.5% change in interest rates would result in an approximate annualised change in income of £7k. The risk is mitigated by the Fund holding minimum cash balances and a diversified portfolio.

d) Currency Risk is the risk to which the Pension Fund is exposed to fluctuations in foreign currency exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£UK). The fund was exposed to the following significant foreign currency levels (i.e. £2m and over) as at the 31st March 2016 with the previous year in brackets:

| | |
|--------------------|-----------------|
| Australian Dollars | £8.9m (£9.6m) |
| Euro | £17.2m (£22.4m) |
| Hong Kong Dollars | £4.2m (£4.9m) |
| US Dollars | £70.3m (£127m) |

The remaining exposures arise from smaller investments relating to other currencies such as the Singapore Dollar and New Zealand Dollar.

e) Currency risk – sensitivity analysis

The fund's currency rate risk is routinely monitored by the Council and its investment advisors. In practice, this is achieved by the use of futures and forward foreign exchange contracts, which entitle and oblige the seller and holder to exchange assets or currency on a future date at a predetermined price or rate. The former are tradable on exchanges, the latter are "over the counter" agreements, which neither the purchaser nor the seller may transfer. There is no cost on entering into these contracts but the market value is established as the gain or loss that would arise at the settlement date from entering into an equal and opposite contract at the reporting date. As at 31 March 2016, there were no derivative contracts held. Following analysis of historical data in consultation with the Fund's advisors, the Council considers the likely volatility associated with foreign exchange rate movements to be 6.4%. This volatility is applied to the fund's overseas assets as follows:

| Asset Type | Asset Value at 31/03/16 £000 | %age Change | Value on Increase £000 | %age Change | Value on Increase £000 |
|-----------------------|---------------------------------|---------------|---------------------------|---------------|---------------------------|
| Overseas Equities | 292,802 | +6.4 | 311,541 | -6.4 | 274,063 |
| Overseas Fixed Income | 64,300 | +6.4 | 68,415 | -6.4 | 60,185 |
| Other Alternatives | 25,474 | +6.4 | 27,104 | -6.4 | 23,844 |
| Total | 382,576 | + 6.4% | 407,061 | - 6.4% | 358,091 |

Pension Fund Accounts

ii) Credit Risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to meet an obligation and cause the Fund to incur a financial loss. This is often referred to as counterparty risk. The market values of investments generally reflect an assessment of credit risk in their pricing and consequently the risk of loss is implicitly provided for in

the carrying value of the fund's financial assets and liabilities. The Fund is exposed to credit risk through its underlying investments (including cash balances) and the transactions it undertakes to manage its investments. The careful selection of and monitoring of counterparties including brokers, custodian and investment managers seeks to minimise the credit risk that may occur through the failure to settle transactions in a timely manner.

The Fund is also exposed to credit risk through Securities Lending. The Securities Lending (SL) programme is run by the Fund's custodian, Northern Trust. Northern Trust assign four different risk management oversight committees to control counterparty risk, collateral risk and the overall securities lending programme. The minimum level of collateral for securities on loan is 102%. However, more collateral may be required depending on the type of transaction. To further mitigate risks, the collateral held on behalf of the Pension Fund is ring fenced from Northern Trust. Securities lending is capped by investment regulations and statutory limits are in place to ensure no more than 25% of eligible assets can be on loan at any one time. The Fund's exposure through the SL programme is now reduced as the fund is now passively managed and SL activity has greatly reduced.

The Financing Fund (M&G) is also exposed to credit risk. The fund gains exposure by investing in private placements. This risk is managed by the manager assigning a credit analyst to all investments, who continually monitors the asset, its direct peers and its sector.

iii) Liquidity Risk

Liquidity risk is the risk that the Pension Fund will have difficulties in paying its financial obligations as they fall due, for example the benefits payable costs and capital commitments. The fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The fund holds a large proportion of assets in instruments which can be liquidated at short notice, normally three working days. As at the 31 March 2016 these assets totalled approximately £870.9m, with a further £40.7m held in cash by the custodian on behalf of the Fund and fund managers.

6. INVESTMENT MANAGEMENT FEES

| | 2015/16 £000 | 2014/15 £000 |
|---------------------|-----------------|-----------------|
| Fund Managers' Fees | 1,226 | 1,351 |
| Custodian Fees | 40 | 38 |
| Advisory Costs | 117 | 54 |
| Totals | 1,383 | 1,443 |

7. PRIOR YEAR ADJUSTMENT

No prior year adjustments have been made to these accounts.

8. DERIVATIVE CONTRACTS

As at 31 March 2016, there were no foreign exchange contracts held.

Pension Fund Accounts

9. DEBTORS & CREDITORS

These comprise the following amounts:

Debtors

| | 31/03/16 £000 | 31/03/15 £000 |
|---|------------------|------------------|
| Contributions Due from Admitted / Scheduled Employers | 400 | 1031 |
| Contributions Due from Admitted / Scheduled Employees | 166 | 160 |
| Equity Dividends / Income from Managed Funds | 0 | 0 |
| Interest and Other Income | 0 | 387 |
| LB Lewisham | 0 | 0 |
| Tax Refunds | 21 | 35 |
| Pending Trades | 0 | 0 |
| | 587 | 1,613 |

Creditors

| | 31/03/16 £000 | 31/03/15 £000 |
|--|------------------|------------------|
| Fund Manager and Custody Fees | (172) | (243) |
| Consultancy / Advisory Fees (inc Audit Fees) | (43) | (56) |
| Pension Payments due to Employees | 0 | (374) |
| Pending Trades | 0 | 0 |
| LB Lewisham | (577) | (4,067) |
| | (792) | (4,740) |

The pending trades relate to purchases and sales by managers which have yet to be the subject of cash settlement. Pending trade sales and purchases at the year end are treated as investment debtors and creditors.

Pension Fund Accounts

10. CASH AND BANK**Cash Held With Custodian**

The Northern Trust Company is the fund's global custodian and the cash is held to meet the cash flow requirements of the fund and its managers. The total cash held as at 31st March 2016 was £40.7m (£23.7m as at 31st March 2015). Approximately £24m was held from de-investment in Investec, £7m of the cash held was from Harbourvest, £7.0m from M&G, £1.0m of cash held was from Schroder. Approximately £0.9m was being held on behalf of the other managers.

Pension Fund Bank Account

The Lewisham cash balance represents uninvested cash held in the Pension Fund bank account as at 31st March 2016.

11. TRANSACTION COSTS

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

| | 2015/16 £000 | 2014/15 £000 |
|-----------------|------------------------|------------------------|
| Total Purchases | 7 | 0 |
| Total Sales | 1 | 0 |
| Totals | 8 | 0 |

12. POST YEAR END EVENTS

There were no post year end events to report. However the Fund is completing the procurement of a new multi-asset mandate to replace the disinvestment in Commodities (Investec) in 2015.

Following the EU referendum the Council considered the issue of Brexit, how it might impact the Pension Fund, and discussed this with its professional pension advisors.

The Council's pension investments are invested for the medium to long term. The Council does not have any complex leveraged mandates that could react badly in the face of extreme market volatility, and is therefore monitoring the value of the fund on a weekly basis via the asset values provided in sterling by its custodians Northern Trust. A month after Brexit, there has been a 10% increase in value of the fund.

Over the course of the year, in the current investment environment the fund would be looking for between a 5-10% growth in valuation. However recent years have been more volatile – in 2014/15 the fund valuation grew by some 15% but in 2015/16 the fund valuation grew by just over 0%. On this basis the valuation changes in the year to date are not out of range.

The Council is expecting the results of the most recent triennial valuation in the Autumn and is planning to then review its investment strategy. This review will take account of the updated view on the performance required from the fund (and therefore risk) and a better understanding of the likely market implications for investment options post the EU referendum decision.

Other potential considerations for the investment strategy of the fund are the London CIV and pooling, MIFID II impact on LGPS, and continuing Public Sector austerity reducing active LGPS members.

Pension Fund Accounts

13. COMMITMENTS

The Pension Fund was committed to the following capital contributions as at the 31st December 2015

| Fund | Amount (‘000) | Translated (£’000) |
|---|--------------------------|-------------------------------|
| Harbourvest Partners VIII - Cayman Venture Fund L.P | \$285 | 195 |
| Harbourvest Partners VIII - Cayman Buyout Fund L.P | \$1,655 | 1,131 |
| HarbourVest Partners X AIF L.P. | \$29,160 | 19,919 |
| HIPEP VII (AIF) Partnership Fund L.P. | \$25,350 | 17,317 |
| Harbourvest International Private Equity Partners V - Cayman Partnership Fund L.P | € 1,050 | 831 |
| Harbourvest International Private Equity Partners V - Cayman Direct Fund L.P | € 180 | 143 |
| Total | | 39,536 |

The Harbourvest commitments have been translated from either Euros or Dollars using exchange rates as at 31st March 2016. This compares to the total Harbourvest commitments at 31st March 2015 £2.9m.

14. RELATED PARTY TRANSACTIONS

There have been no material transactions with related parties in the financial year. There were no provisions for doubtful debt and amounts written off in the period.

Eight Councillors sit on the Pensions Investment Committee which oversees the Fund. At each meeting of the Pensions Investment Committee, Councillors are required to make declarations of interest which are minuted at the meeting.

During the year the following declarations were made:

- Councillor John Muldoon declared personal interests as a holder of preserved benefits in the Lewisham scheme which elected members had been able to join until May 2014 and as an independently selected substitute member on the Shadow Advisory Board of the LGPS scheme nationally.
- Councillor Muldoon declared a personal interest as a member of the Local Government Pensions Scheme Shadow Advisory Board.

No other trustees or Council chief officers with direct responsibility for pension fund issues made any declarable transactions with the Pension Fund in the period to 31 March 2016.

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

- a) Recharges from the Council for the in-house administration costs borne by the scheme were transacted for £586k (see note 3). Some cash transactions relating to pension activities are currently effected through the Council’s bank account and consequently pension fund cash balances are held by the Council from time to time and vice versa.
- b) The salary of the Executive Director for Resources and Regeneration for 2015/16 was £172,120 including employer pension contributions of £31,047.

Pension Fund Accounts

15. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

Contributing members have the right to make AVCs to enhance their pension. There are currently 41 'open' AVC contracts for LGPS members (i.e. excluding members with AVC contracts who have left Lewisham and now have preserved benefits). Some of these 'open contracts' will be for members who have paid AVCs in the past but who have suspended payments to the scheme for the time being.

The fund has two AVC providers: Clerical Medical and Equitable Life. The value of AVC investments is shown below. The contributions are held by the providers and do not form part of the Lewisham fund's assets in accordance with regulation 4(2),(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

| | 2015/16 | | | 2014/15 | | |
|---------------------------------------|-------------------|-----------------------------|---------------|-------------------|-----------------------------|---------------|
| | Equitable £000 | Clerical Medical £000 | Total £000 | Equitable £000 | Clerical Medical £000 | Total £000 |
| Value at the Beginning of Year | 472 | 1,159 | 1,631 | 496 | 1,074 | 1,570 |
| Contributions and Transfers Received | 4 | 159 | 163 | 4 | 324 | 328 |
| Investment Return | 12 | (6) | 6 | 18 | 134 | 152 |
| Paid Out | (46) | (520) | (566) | (46) | (373) | (419) |
| Value at the End of the Year | 442 | 792 | 1,234 | 472 | 1,159 | 1,631 |

16. SCHEDULED BODIES

The following are scheduled bodies to the fund as at 31st March 2016:

| |
|--------------------------------------|
| Christ The King Sixth Form College |
| Haberdashers' Aske's Knights Academy |
| Lewisham Homes |
| St Matthew Academy |
| Tidemill Academy |
| Griffin Schools Trust |

17. ADMITTED BODIES

The following are admitted bodies to the fund as at 31st March 2016:

| |
|--|
| NSL (formerly known as National Car Parks Ltd) |
| Excalibur Tenant Management Co-operative Ltd |
| PLUS (Ceased December 2015) |
| Housing 21 |
| Lewisham Nexus Services |
| Wide Horizons |
| Phoenix |
| INSPACE |
| T Brown & Sons (Ceased June 2015) |
| Quality Heating |
| Blenheim CDP |
| Crime Reduction Initiatives (CRI) |
| Skanska |
| One Housing |
| Fusions Leisure Management |
| 3 C's Support |

Pension Fund Accounts

| |
|--|
| Pre-School Learning Alliance |
| Chequers Contract Services – Lee Manor |
| Tower Services |
| Blenheim |
| Chartwells |
| Lifeline (Ceased October 2015) |

18. STOCK LENDING

The Statement of Investment Principles permits the Fund to enter into stock lending whereby the Fund lends other bodies stocks in return for a fee and collateral whilst on loan. Equities and fixed income assets held in segregated accounts in custody may be lent. The Fund actively lends in 50 different equity and fixed income markets worldwide. Northern Trust conducts this activity on behalf of the Fund.

The economic benefits of ownership are retained when securities are on loan. The Fund has its full entitlements at all times to any income due, or rights on its securities on the anticipated date of the entitlement so that no economic benefits are foregone as a result of securities lending activity.

Northern Trust is responsible for collecting dividend and interest income on loaned securities from borrowers. The right to vote moves with the securities.

As at the 31st March 2016, the value of aggregate stock on loan was £5.5m (£1.9m as at 31st March 2015). These have been carried in the accounts at this value. There are no liabilities associated with these assets.

Collateral

The collateral held as security on loans cannot be sold or repledged in the absence of default by the borrower. The Council entered into stock lending transactions during the financial year earning £109k net of direct expenses (compared to £100k in 2014/15). The value of collateral held as at 31 March 2016 was £6.2m (£2.1m as at 31st March 2015).

19. MEMBERSHIP

| | Active Members | | Deferred Beneficiaries | | Retired Members | |
|-------------------------|----------------|--------------|------------------------|--------------|-----------------|--------------|
| | 2015/16 | 2014/15 | 2015/16 | 2014/15 | 2015/16 | 2014/15 |
| Administering Authority | 6,049 | 6,147 | 9,045 | 8,370 | 6,939 | 6,805 |
| Scheduled Bodies | 892 | 855 | 668 | 588 | 202 | 180 |
| Admitted Bodies | 104 | 140 | 115 | 103 | 84 | 65 |
| | 7,045 | 7,142 | 9,828 | 9,061 | 7,225 | 7,050 |

20. These accounts were authorised on the 21st September 2016 by the Executive Director for Resources and Regeneration.

Lewisham Annual Governance Statement 2015/16

What is corporate governance?

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards; and for having a governance framework that comprises of the culture, values, systems and processes by which this is achieved. It must make sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively to meet its strategic objectives.

It also has a duty, through the establishment of internal control measures, to manage risk to a reasonable level by identifying, prioritising, evaluating and managing the risks to the achievement of its policies, aims and objectives. Finally, it has a duty to secure continuous improvement in the way in which its functions are exercised.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives and Senior Managers) Framework Delivering Good Governance in Local Government. This statement explains how the authority has complied with the code and also how it meets the requirements of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control.

*“Corporate governance is about making sure the Council is run properly. It is about ensuring the Council does the **right** things, at the **right** time and in the **right** way.”*

Annual Governance Statement

How has this statement been prepared?

Every year a review of the effectiveness of the Council's governance framework is conducted by the Annual Governance Statement working party which comprises a team of policy, legal and audit officers with expertise in governance and internal control matters.

The group meets quarterly to collate and evaluate governance evidence and identify areas requiring action; and is responsible for analysing CIPFA/SOLACE guidance in relation to the development of this statement and ensuring that the statement is approved via the Council's key control mechanisms.

The governance review process includes:

- The consideration of the Annual Governance Statement Action Plan by the Council's Internal Control Board (ICB) on a quarterly basis.
- The consideration of the Accounts, the Head of Audit and Risk's Annual Report and the Annual Governance Statement by the Council's Audit Panel.

- A review of the Council's Local Code of Corporate Governance by the Standards Committee, with reference to CIPFA/Solace Guidance.
- Referral of the Annual Governance Statement to full Council with the Statement of Accounts.
- Sign off by the Chair of the Council and Chief Executive, once approved.
- This year some control weaknesses identified by internal audit have raised the risk of governance issues and the actions outlined at the end of this statement summarise the areas of governance focus needed to ensure an effective governance framework is in place.

What are the Council's governance arrangements?

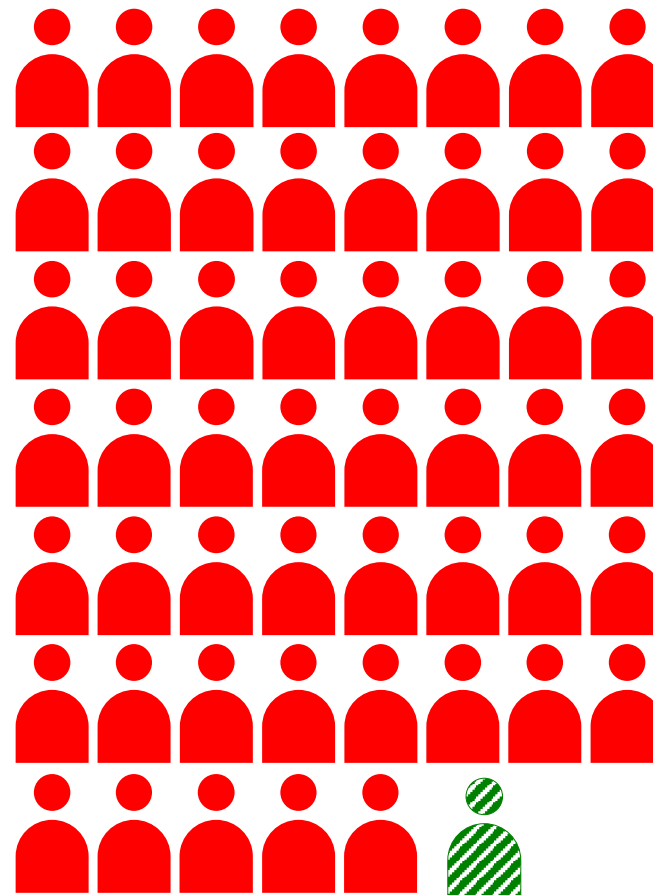
The Council's governance arrangements aim to foster effective leadership and high standards of behaviour; a culture based on openness and honesty; and an external focus on the needs of service users and the public. The diagram on page 117 shows the Council's external facing governance structure, as set out in the Council's constitution.

Lewisham's directly elected Mayor provides the Council with clear strategic direction and effective leadership but the Council also benefits from the perspectives and contributions of its 54 Councillors. The Council's constitution clearly defines the roles of councillors and officers, and this clarity contributes to effective working relationships across the Council. The Constitution Working Party, the Standards Committee and the Audit Panel monitor and challenge the governance arrangements and ensure their robustness.

The Council has worked closely with its partners, both strategic and operational. The Council has two statutory partnership boards: the Safer Lewisham Partnership which works to protect the community from crime and help people feel safer; and the Health and Wellbeing Board which works to identify local health challenges and lead on the activity necessary to address them.



1 Mayor (Labour)



54 Councillors (53 Labour, 1 Green Party)

Mayor and Cabinet

The Mayor

- Is elected by the whole borough to lead and speak up for the whole borough;
- chooses up to nine councillors to form the Cabinet with specific areas of responsibility;
- sets out major decisions to be taken in a Forward Plan published monthly;
- proposes budget and key policy proposals to Council
- takes decisions to implement policy with agreed policy framework;
- considers recommendations for actions with officer advice.

The Cabinet

- Provide advice to the Mayor;
- jointly with the Mayor takes decisions relating to contracts.

Council

- Consists of 54 elected councilors, three for each of the 18 wards
- Appoints the overview & scrutiny committee and other committees.
- Approves the policy framework and budget.

Overview and Scrutiny

- Meets at least once a year and is ultimately responsible for overview and scrutiny;
- Delegates work to other scrutiny bodies – six select committees, two business panels, all of which are formally subcommittees of overview and scrutiny;
- The Business Panel co-ordinates the select committees work programmes;
- The six select committees draw up work programmes each year to:
 1. Hold the Mayor and senior officers to account for decisions and check performance.
 2. Examine issues in depth and make recommendations for policy development

Business Panel & Education Business Panel

Healthier Communities Select Committee

Housing Select Committee

Safer Stronger Communities Select Committee

Children & Young People Select Committee

Public Accounts Select Committee

Sustainable Development Select Committee

Statutory Committees

- Standards Committee**
 - promotes high standards of conduct.
- Pension Board**
 - secures compliance with Local Government Pension Scheme.

Regulatory Committees

- Licensing committees (x2)**
 - responsible for all entertainment licensing and the provision of late night refreshment.
- Planning committees (x4)**
 - consider planning matters across the whole borough. The Strategic Planning Committee consider strategic regeneration proposals.

Other Committees & Working Parties

- Audit Panel
- Appointments
- Elections
- Health & Safety
- Pensions Investment
- Constitution

Internal Control Board:

- Manages the approach to risk.

*‘Together we will
make Lewisham the
best place in London
to live, work and
learn’*

Communicating and reviewing the Council’s vision

The Council has an overarching vision for the borough which is shared by its key partners and which was developed following extensive consultation with the community: **‘Together we will make Lewisham the best place in London to live, work and learn’.**

The Sustainable Community Strategy (SCS) outlines how all partners will work towards the vision by contributing to six key priorities:

Ambitious and achieving – where people are inspired and supported to fulfil their potential.

Safer – where people feel safe and live free from crime, antisocial behaviour and abuse.

Empowered and responsible – where people are actively involved in their local area and contribute to supportive communities.

Clean, green and liveable – where people live in high quality housing and can care for and enjoy their environment.

Healthy, active and enjoyable – where people can actively participate in maintaining and improving their health and well-being.

Dynamic and prosperous – where people are part of vibrant communities and town centres, well connected to London and beyond.

The Council, in turn, has developed **ten corporate priorities** which articulate its contribution to the Sustainable Community Strategy priorities.

Delivering quality services

The Council seeks to use its resources efficiently and effectively to provide quality services which help deliver its vision for the borough. In the 2014/15 Annual Audit Letter Grant Thornton, the Council's external auditors, commented that:

*“we are satisfied that in all significant respects the Council put in place proper arrangements to secure **economy, efficiency and effectiveness** in its use of resources for the year ending 31 March 2015”*

The Council's performance is monitored via a monthly management report which tracks **27 performance indicators**, grouped according to the Council's ten corporate priorities, and associated risks. The report uses Red exception reporting to focus attention on areas of poor performance or high risk and is a critical tool for supporting decisions across the organisation. The report is seen by the Executive Management Team (EMT) monthly and the Public Accounts Select Committee and Mayor & Cabinet quarterly and is published on the Council website. The appropriateness of these measures is reviewed annually. The quality of services for users is also measured through satisfaction surveys and information from the complaints and management resolution process. In addition, where areas for improvement are

identified, the Council acts swiftly to address them. For example, following Ofsted's inspection of children's social care in Lewisham, the Council has worked with its partners to develop a robust improvement plan to address the nine recommendations arising from the regulator's report.

The *Lewisham Future Programme* has been established to spearhead how the Council can move forward in the face of reduced government funding. A number of thematic and cross-cutting reviews are being carried out. This work is underpinned by **four core values**:

*We put service to the **public first***

*We respect **all people and all communities***

*We **invest in employees***

*We are **open, honest and fair in all we do***

Roles and responsibilities

The Council's constitution sets out the roles and responsibilities of the Mayor, the Chair of Council, the Council as a whole, the Executive, Statutory Officers, Overview and Scrutiny committees, Standards committees and other committees to help ensure that all decision making activity is lawful and transparent. Decisions are taken and scrutinised in accordance with the Council and Mayoral scheme of delegation, the procedure rules set out in the constitution and on the basis of professional officer advice, as part of an annual programme of regular meetings.

Embedding Roles and Responsibilities

The Local Code of Corporate Governance and the Codes of Conduct for Members and Officers, set out in the constitution, demand the highest standards of ethical behaviour. These are reviewed regularly and are communicated widely. The Standards Committee received its annual report on Member compliance with the Code of Conduct in November 2015 and considered that there was a high level of compliance. Training on the Member Code of Conduct was delivered to all Councillors in June 2014, following the local elections that year, as part of a comprehensive induction programme to enable Members to understand and access all appropriate support and development to undertake their role.

'The Mayor is elected to lead the Council. They serve for a period of four years. They must act in the interests of the borough as a whole. They are responsible for taking most of the main decisions, and for giving the power to others to do so.'

'Councillors are elected for a term of four years. Councillors who are elected to represent local wards must both represent the people of the ward that elected them and act in the interest of the whole area. They are all expected to contribute to the good governance of the area and to encourage community participation. They must respond to their constituents' enquiries fairly and without prejudice.'

*‘The constitution requires councillors to follow formal procedures when taking decisions to make sure that decisions are made **transparently and openly**’*

Decision making

The constitution requires councillors to follow formal procedures when taking decisions to make sure that decisions are made transparently and openly. This includes declaring if they have a personal interest in the matters under discussion and, if required, withdrawing from the room whilst the decision is taken. Reports are produced in a standard format to ensure that report authors address all significant considerations such as the legal, financial and equalities implications of decisions. The minutes of every formal meeting are published on the Council website.

The constitution requires Executive decisions to be published within two working days of being taken and they may be **called-in** (referred to the Mayor for reconsideration) by the Overview and Scrutiny Business Panel and the Education Business Panel. Four matters were called in by the Education Business Panel in the 2015/16 period. The Council has a Constitution Working Party (CWP) to advise it on the operation of its constitutional arrangements but in practice, the procedure rules set out in the constitution are under constant review to reflect changing needs.

Internal Audit

The role of internal audit is to provide an independent and objective opinion on the internal control environment within the Council. Its work is set out in an annual internal audit plan that covers the activities where internal audit and management perceive there are risks to achieving objectives. A number of audits take place each year to analyse relevant controls and following each audit an assurance statement indicating the level of assurance that management can place on the adequacy and effectiveness of the internal controls is produced. In 2015/16 71 assurance reviews were commissioned and the annual opinion of the Head of Internal Audit was:

“[having] considered all of the work undertaken and reported on by the Internal Audit Service, Anti-Fraud and Corruption Team and other sources of assurance available to the Council for the audit year 2015/16. In my opinion, Limited assurance can be placed on the adequacy and effectiveness of Council’s corporate internal controls framework in place”

External audit

The Council’s governance, risk and control management arrangements are subject to an annual independent review by Grant Thornton, the Council’s external auditors. The last review, which was published in October 2015 noted that

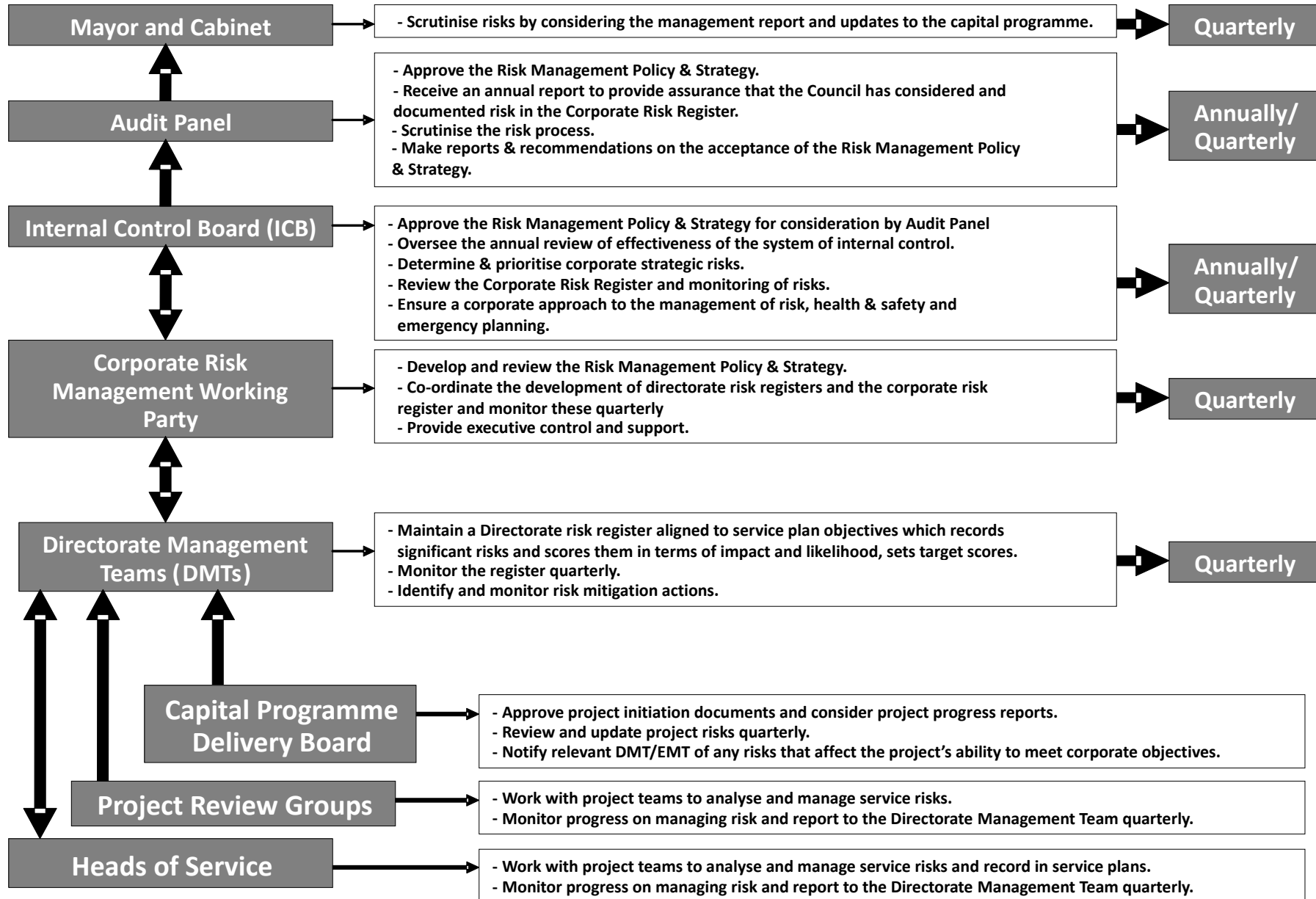
“... we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources...”

Audit Panel

The Council’s Audit Panel meets quarterly and is made up of a mixture of Councillors and independent advisors. The key roles of the Panel are to:

- Review and comment on the strategy, plans and resources of Internal Audit. Internal Audit update reports, summarising the audit reports issued, management’s progress on implementing any recommendations and the performance of the Internal Audit function, are received by the Panel on a quarterly basis.
- Consider and monitor the effectiveness of the Council’s risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
- Consider the external auditor’s annual plan and other relevant external reports which contribute to the level of assurance.
- Consider the Council’s annual Statement of Accounts and this statement and make comments to Full Council when it considers the accounts.

Risk and Strategy Framework



Compliance

The Monitoring Officer is central to ensuring compliance with the rules and procedures set out in the constitution. The Monitoring Officer attends Mayor and Cabinet and Full Council meetings and regularly briefs EMT, councillors and relevant staff on corporate legislative developments; and legal advice is incorporated in every council report. Where gaps or non-compliance are identified, appropriate action is taken. The financial management of the authority is conducted in accordance with financial regulations set out in the constitution and the Council has designated the Executive Director of Resources and Regeneration as its Chief Finance Officer, who advises on the proper administration of the Council's financial affairs, keeping proper financial records and maintaining effective systems of financial control. The Council has a whistle-blowing policy in place which is publicised on the Council's website. Complaints made under this policy are handled by the Monitoring Officer and an annual review is considered by the Standards Committee.

Training and Development

The Council runs a Member Development Programme, focussed on the period following local elections, which ensures that all Councillors have access to the training and development opportunities they need to fulfil their responsibilities to the local community and provide clear leadership and effective scrutiny of local Council functions. The development needs of senior officers are the responsibility of the Head of Personnel and Development

and the Monitoring Officer who are aware of their statutory duties and stay abreast any changes in relevant legislation. At the start of the financial year the Chief Executive defines objectives for each of the Executive Directors which are then cascaded to officers throughout the organisation through the Performance Evaluation Scheme.

Engaging the community and partners

The Council's engagement activity is overseen by the Strategy Performance and Communications Board (SPCB) which operates at Executive Director level and provides a strategic steer on the communication and consultation agendas within the Council.

The Council promotes e-Participation through its online engagement system which provides a platform through which citizens can respond to online consultations as well as set up and respond to e-Petitions. Ward-level Local Assemblies are an opportunity for residents to work with their ward councillors to shape the future of their neighbourhood; and the Young Citizens Panel gives young people aged 11 – 18 the chance to feed into council policy and spending decisions, including the use of the Young Mayor's budget.

The Council's website includes a page on open data and transparency, which gives information on spending; wages of senior managers; Freedom of Information requests; the annual audit of accounts; the pay policy; and Council decisions. The

arrangements for strategic partnership working are set out earlier in this statement. Periodically the Council also engages in wide consultation and communication activities. In 2015 the Council commissioned an independent organisation to run a borough-wide Residents Survey. The survey provided local residents with the opportunity to express their views on a wide range of issues such as their experience of living in the borough and their views of the Council's performance.

How do we know our arrangements are working?

Throughout the year, the Council regularly reviews the effectiveness of its governance framework, including its system of internal control. Activity undertaken includes:

- Consideration of governance issues by the ICB – including risk registers, counter-fraud updates and internal audit reports.
- Preparation of a rolling plan of audit coverage to be achieved in the forthcoming year by the Head of Audit and Risk, primarily based on an assessment of the Council's risk profile, and review of the plan by ICB.
- Receipt of the Internal Audit Strategy by the Audit panel and approval of the annual audit plan.
- Preparation of the annual assurance report by the Head of Resources, setting out his opinion on the Council's overall

control environment and approval of the report by the Audit Panel.

- Annual updates to the Public Accounts Select Committee on the work of the Audit Panel
- Consideration by EMT of a full range of governance and performance issues throughout the year, including issues relating to the improvement of the Internal Audit Service and scrutiny of performance and risk (ensuring management action is taken where necessary).
- Consideration of the following reports by the Standards Committee:
 - Compliance with the Member Code of Conduct (November 2015)
 - Review of Whistle-blowing Policy (December 2015)
 - Review of Compliance with the Council's Code of Corporate Governance (May 2015)
- Consideration of external audit reports by Mayor and Cabinet, Audit Panel and relevant Select Committees.
- Changes made by the Constitution Working Party such as the introduction of the Pension Board

What are our governance priorities going forward?

Our priorities include:

- Managing change across Council services in light of the further budget reductions the Council faces, whilst at the same time maintaining internal control;
- Responding to policy and priority changes for Lewisham, following the Queen's Speech in May 2016.
- Addressing the external and internal audit findings reported to the Audit Panel in 2015/16 to maintain and, where necessary, improve the Council's financial controls.

Signed on behalf of the Council

Councillor
Chair of Council
21st September 2016

Barry Quirk
Chief Executive
21st September 2016