

LONDON BOROUGH OF LEWISHAM
2024/ 25 DRAFT STATEMENT OF ACCOUNTS
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NARRATIVE STATEMENT FOR LEWISHAM COUNCIL

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

1. COUNCIL STRUCTURE AND PERFORMANCE

a) Corporate structure and governance

Lewisham Council is made up of one directly elected Mayor and 54 ward councillors, of which 31 represent the Labour party, 22 the Labour and Co-operative party, and 1 representing the Green party. Lewisham comprises 19 wards, 16 of which have three ward Councillors, and the remainder have two ward Councillors.

To ensure we meet the ambitions set out in our corporate strategy in accordance with the law and proper standards; we need a governance framework that supports the culture, values, systems and processes that this requires. Our governance arrangements make sure that the public money we spend is safeguarded, properly accounted for and used economically, efficiently and effectively to meet our strategic objectives.

Corporate governance is about making sure the Council is run properly. It is about ensuring we do the right things, at the right time and in the right way.

The Council's governance arrangements aim to foster effective leadership and standards of behaviour that embody our values; a culture based on openness and honesty; and an external focus on the needs of service users and the public.

Details of the way that the Council governs itself are given in the Annual Governance Statement in section 9 of these accounts.

b) Management structure

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

- Chief Executive
- Executive Director Children and Young People
- Executive Director Adult Social Care and Health
- Executive Director Housing
- Executive Director Place
- Executive Director Corporate Resources
- Director of Law and Corporate Governance

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

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

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c) Service delivery

The total workforce for Lewisham at the end of FY 2024/25 was of 3,644 (3,705 at end of 2023/24), which consisted of 3,055 staff members (excluding casual workers) (3,023 at end of 2023/24) and 589 agency workers (682 in 2023/24).

The schools staff headcount is 3,667 (4,073 at end of 2023/24).

The demographic composition of the workforce as at 31 March 2025 was:

- 59.4% Female
- 51.6% Black, Asian and Mixed Ethnicity
- 9.4% Disabled
- 47.2% of the workforce are over the age of 50.

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

The Council also has subsidiaries and a joint venture through which it does or will provide services:

- Lewisham Homes Limited: This was an arms-length management organisation (ALMO) set up in 2007. The company previously managed approximately 19,000 homes for the Council. In 2023/24 the staff of and services delivered by Lewisham Homes were taken back into the Council. Lewisham Homes Limited retained ownership of assets it had purchased and continues to manage 203 homes on behalf of the Council.
- Catford Regeneration Partnership Limited: The Company owns significant interests in the Catford shopping centre area and aims to support the Council to deliver a regeneration programme for the town centre and the surrounding area.
- Besson Street Joint Venture (JV): This is a 50:50 joint venture with Grainger PLC to develop and operate 324 private rental sector properties, 35% of which are affordable housing. The scheme has planning permission and is expected to have delivered the units in 2030.

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

d) Corporate priorities

The Council has seven corporate priorities within its corporate strategy (2022-2026) as follows:

- Cleaner and Greener
- A Strong Local Economy
- Quality Housing
- Children and Young People
- Safer Communities
- Open Lewisham
- Health and Wellbeing

e) Our values

Our values underpin everything we do and set a benchmark for our behaviour across the organisation. Our values are:

- Ambitious
- Inclusive
- Collaborative
- Accountable
- Trustworthy

Narrative Statement

These can be summed up in the statement: "In Lewisham Council, we are **ambitious** for the future of our borough. We are **inclusive** in working with our residents, partners and colleagues, and **collaborative** in how we work with them. We are **accountable** for our actions, and **trustworthy** in all we do."

f) Performance management

In 2024/25 reports from the directorates have been periodically presented at Directorate Management Team (DMT) and Executive Management Team (EMT) meetings, each of which is also shared with the relevant lead Cabinet member.

The Council continues to publish quarterly performance information on our website. This includes various reports and progress updates which are also presented on a cyclical basis to Members. The Council seeks to continuously improve and identify ways to increase the transparency and accountability of performance information to the public.

2. LOCAL GOVERNMENT FINANCE CONSIDERATIONS

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

The financial outlook for the Council and the public sector as a whole remains extremely challenging.

Inflation reached the Bank of England's long-term target of 2% in May 2024 after a prolonged period of extremely high levels, before dropping to 1.7% by September 2024. Since September 2024, inflation has then increased again to 3.5% in April 2025. Bearing in mind the delay this will have in feeding into local authority funding plus the exposure to higher costs and demand, the Council will need to make further budget reductions over the next four-year period in order to be able to set a balanced budget for each of the respective years in line with its statutory obligation to do so. However, there is now confirmation of a local government funding reform which will take effect from 2026/27 and see the introduction of a multi-year settlement. The impact this will have on the Council's funding envelope is uncertain and could lead to either further financial strain or further financial support in the coming years,

The 2024/25 budget was set without the use of reserves and after the funding of growth and pressures of £36.7m to increase service baseline budgets and reduce the risk of the in-year overspending seen in recent years. The budget was also set with the commitment from services to deliver £8.0m of agreed new savings as well as those not yet delivered. Some of the associated revenue plans are at risk of delay or not being delivered and the risk extends to potential material slippage in the expanded capital programme. The regular financial monitoring reported quarterly to Mayor & Cabinet keep these matters under constant review to enable plans to be flexed or changed as needed. Throughout the financial monitoring of 2024/25 it became apparent that despite growth of £36.7m those areas of persistent overspend continued to face pressures above budgeted levels. This led to the 2025/26 budget setting approach being one of continued stabilisation, in that the S31 grant was brought into base budget in full as opposed to in part, utilised to provide £42.8m of permanent budget growth to effectively address the areas of persistent overspend in 2024/25, being children's social care, temporary accommodation and adult social care. The stabilising of the budget was done to ensure that the Council services are in a robust position, delivering balanced budget spend in anticipation of the funding reforms and expected resultant reduction in funding when more clarity was known on this. However, the setting of the budget in 2025/26 utilised £21.9m of reserves, and the Council has taken action in 2025/26 to identify savings for 2025/26 and 2026/27 to unwind this reliance.

The Council has sufficient reserves to meet its financial commitments at present, including the estimated costs and lost income considerations, and despite these risks and pressures the current situation does not alter the Council's position as a going concern.

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b) Impact on 2024/25 final accounts

There are two important implications worth noting for the 2024/25 final accounts:

- The statutory deadlines for the production of the draft accounts and audited accounts have been changed from 31 May 2025 to 30 June 2025 for the draft with the audited statutory backstop date being 27 February 2026.
- The Council continues to rely on the statutory override in relation to accounting for deficits in respect special education needs overspending by schools.

3. FINANCIAL PERFORMANCE**a) 2024/25 Revenue Budget Setting and Funding**

The Council set a net budget requirement of £293.8m for 2024/25 at its meeting on 28 February 2024. This was an increase of £30.1m or 11.41% on the previous year's net budget requirement of £263.7m. The main sources of income were Revenue Support Grant (RSG), Business Rates and Council Tax. The central RSG and Baseline Funding Level (income from the Business Rates Retention Scheme) form the Settlement Funding Assessment which has increased by 4.6% between 2023/24 and 2024/25 while Council Tax bills increased by 4.99% (including the 2.99% increase in the core Council Tax as announced in the provisional Local Government Finance Settlement and 2% increase for the Social Care precept. A year-on-year comparison of revenue budget funding is shown in the following table.

| | 2024/25 | 2023/24 |
|---------------------------|--------------|--------------|
| | £m | |
| Revenue Support Grant | 34.5 | 32.4 |
| Business Rates | 102.7 | 98.7 |
| Council Tax | 141.6 | 132.6 |
| Section 31 Grants | 15.0 | 0.0 |
| Budget Requirement | 293.8 | 263.7 |

b) Council Tax

In the 2024/25 provisional Local Government Finance Settlement, the Government announced a 3% limit to the amount by which Councils can increase their Council Tax (inclusive of levies) without a referendum. In addition, there is also the opportunity to increase Council Tax by up to a further 2%, for the Social Care Precept in 2023/24 and 2024/25. The government's assumptions in the local government finance settlement 2024/25 include the raising of both Council Tax and the Social Care precept in each and every year to meet the recognised funding pressures faced by the sector.

In 2024/25, the Council approved a 2% Social Care precept, ring fenced for Adult Social Care spend and at the same time approved an increase in core Council Tax of 2.99% (i.e. within the limit of the 3% referendum threshold).

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The comparison of Council Tax Band D levels from 2023/24 to 2024/25 for Lewisham is shown in the following table, together with the Greater London Authority precept.

| | 2024/25 | 2023/24 | Variation | Variation |
|-------------------------------|-----------------|-----------------|---------------|-------------|
| | £ | £ | £ | % |
| Lewisham Council | 1,566.58 | 1,492.13 | 74.45 | 4.99 |
| Greater London Authority | 471.40 | 434.14 | 37.26 | 8.58 |
| Council Tax for Band D | 2,037.98 | 1,926.27 | 111.71 | 5.80 |

c) 2024/25 Revenue Budget Outturn

The Council's 2024/25 revenue outturn position is shown in the following table. Further detail can be found in the Expenditure and Funding Analysis in Section 3, Note 1 of this document.

| General Fund | Net Budget | Net Spend | Outturn Budget Variance |
|---|--------------|--------------|-------------------------|
| | £m | £m | £m |
| Children and Young People | 93.1 | 108.4 | 15.3 |
| Adult Social Care & Health | 78.0 | 86.6 | 8.6 |
| Place | 37.4 | 39.2 | 1.8 |
| Housing | 16.6 | 26.3 | 9.7 |
| Corporate Resources | 41.8 | 39.0 | (2.8) |
| Chief Executive | 15.7 | 15.3 | (0.4) |
| Directorate Total | 282.6 | 314.8 | 32.2 |
| Corporate Items | 11.2 | (2.0) | (13.2) |
| Corporate Provisions and Reserves | 0.0 | 0.0 | 0.0 |
| General Fund Total | 293.8 | 312.8 | 19.0 |
| Unplanned Corporate Provisions and Reserves | 0.0 | 0.0 | 0.0 |
| Outturn | 293.8 | 312.8 | 19.0 |

During 2024/25, the overspend against the Directorates' net controllable budgets was £32.2m. This is after funding £1.8m of energy costs over and above the budgeted level due to higher tariffs. There is a £6.2m of funding held corporately to meet these pressures, including £2.2m of social care grant held corporately, £2m of new homes bonus held corporately and £2m of Adult Social Care money held in provisions with the remainder held to meet the financial impact of waste services gate fee increases. There was also an overachievement on interest earned compared to the forecast level.

After these planned corporate measures, the final overspend of £19.0m has been managed within existing budgets without an unplanned drawing down of reserves. This was due to an increase in interest earned on cash balances (£10m additional), which have arisen due to the slippage in the capital programme and interest rates remaining higher than forecast as well as c£5m of additional Section 31 grant.

A detailed explanation of the service overspends, and mitigations found was reported to Mayor & Cabinet on 25 June 2025.

Throughout the year, Mayor & Cabinet and Executive Directors have received regular financial monitoring reports. The financial position demonstrates the impact of the severe financial constraints which have been imposed on Council services with the cuts made year on year, alongside the increasing demand on services such as home to school transportation, adults discharged from hospital and temporary accommodation as well as the cost of increased social care costs in Children's social care.

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

Dedicated Schools Grant

Following the closure of accounts process, the total deficit value for schools is now £18.6m compared with £15.6m in 2023/24. The deficit has grown by £3.0m in 2024/25.

The number of schools in deficit remains at 25 (2 nursery, 2 special, 21 Primary), there is a shift from Secondary to the Special sector. It should be noted that this is the net movement, as some schools have an improved financial position, and some have worsened, and overall, the level of reserves that schools hold have decreased.

Lewisham Finance continues to work effectively with schools to ensure long term sustainability, however under local management of schools the council cannot instruct a school. The councils' powers for intervention are limited to advising the school that they are school causing concern and instructing the schools to produce a deficit recovery plan.

Schools continue to face financial challenges arising mainly from but not limited to the annual pay awards for both teaching staff and non-teaching staff being greater than the additional funding provided for this, fall in pupil numbers in primary schools, increased number of children requiring educational, health and care plans, increased costs from energy cost increases and other inflationary pressures.

It should be noted that cumulative deficits could potentially revert as a pressure on the General Fund if the statutory override ceases.

d) Balances and Reserves

After transfers to and from reserves the General Fund balance has been increased to £30m. This balance has been increased as the balance is calculated to equate to approximately 5% of the Council's gross expenditure (excluding schools and housing benefits), which has grown in recent years to be in excess of £600m. Furthermore, the uncertainty of the upcoming Local Government Funding Reform justifies the need for a greater reserves buffer. The Council also has a number of earmarked reserves for specific on-going initiatives, and these are shown in Note 9 to the Core Financial Statements.

The Housing Revenue Account (HRA) spent to budget after transfers to reserves as at 31 March 2025. Reserves continue to be utilised, along with grants and borrowing approvals to contribute to investment requirements and 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 increase the supply of housing in the borough over the medium to long term. The business plan is reviewed each year to ensure that the resources available from HRA reserves and other funding such as grants, and borrowing 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 £18.6m (£9.2m in 2023/24). These reserves include the Major Repairs Reserve and are for specific ongoing projects as outlined in the notes to the HRA in Section 4 of the Accounts. The level of reserves held by the HRA at the start of 2024/25 was below the recognised target level of 10% of rental and service charge income (£9.5m) and the forecast level of overspend threatened to deplete these further. To address the overspend in repairs, a Repairs Transformation Project is underway which is improving delivery, efficiency, and value for money. This was able to reduce the overspend in repairs in year. There were further mitigating actions,

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many of which were once off in nature, which enabled the reserves levels available for use in year to be built back to slightly above the minimum level required, with £11.3m available.

e) Cashflow

Cash and Cash equivalents held by the Council decreased from £49.7m to £46.7m in 2024/25. The detailed analysis of the movements in Cash throughout the year can be found in the Cashflow Statement and related notes. The summary is as follows:

| | 2024/25 | 2023/24 |
|--|----------------|-----------------|
| | £000s | £000s |
| Net Cash flows from Operating Activities | 6,964 | 38,207 |
| Purchases of Property Plant and Equipment | (106,955) | (99,344) |
| Sales of Property Plant and Equipment | 8,418 | 13,257 |
| Net Sales/ (Purchases) of Short & Long-term investments | 70,000 | 0 |
| Net Receipts from Investing activities | 45,680 | 45,903 |
| Cash receipts of short and Long-Term Borrowing | 0 | 0 |
| Repayment of Short and Long-Term Borrowing | (21,184) | (37,197) |
| Net Receipts/ (Payments) for Other Financing activities | (5,939) | (4,561) |
| Net Increase or (Decrease) in Cash and Cash Equivalents | (3,016) | (43,735) |

f) 2024/25 Capital Budget Outturn

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

| | 2024/25 | 2024/25 | 2024/25 | 2023/24 |
|--------------------------------------|----------------|-------------------------|--------------------------|----------------|
| | Final | Original Budget | Revised Budget | Final |
| | Outturn | M&C - Feb-24 | Proposed - Feb-25 | Outturn |
| | £m | £m | £m | £m |
| CAPITAL PROGRAMME EXPENDITURE | | | | |
| General Fund | 81.4 | 94.9 | 88.5 | 34.6 |
| Housing Revenue Account | 69.4 | 112.8 | 88.7 | 81.6 |
| Total Spent | 150.9 | 207.7 | 177.2 | 116.2 |

During the year, the budget was revised to reflect the forecast development of the programme. The percentage spent compared to the revised programme budget was 85% (2023/24 78%).

Narrative Statement

The Financing of the Capital Programme spend is shown in the table below:

| | 2024/25 Final Outturn £m | 2024/25 Original Budget M&C - Feb-24 £m | 2023/24 Final Outturn £m |
|---------------------------------------|-----------------------------------|--|-----------------------------------|
| CAPITAL PROGRAMME FINANCING | | | |
| Borrowing | 58.1 | 118.3 | 48.5 |
| Capital Grants | 54.7 | 39.6 | 23.9 |
| Capital Receipts | 2.3 | 12.3 | 5.9 |
| Use of reserves and revenue financing | 35.8 | 37.5 | 38.0 |
| Total Financed | 150.9 | 207.7 | 116.2 |

Spend on the major projects, where in year spend in 2024/25 or 2023/24 exceeded £1m, is shown in the tables below.

Major Projects of over £1m**General Fund**

| | |
|---|------|
| Education Services - School Minor Works Programme | 4.4 |
| Children's Social Care | 1.3 |
| Families, Quality and Commissioning - Youth Service | 1.3 |
| Parks, Sports and Leisure | 2.6 |
| Highways & Bridges – TfL | 4.4 |
| Highways & Bridges – LBL | 5.2 |
| Asset Management Programme | 2.2 |
| Corporate Estates Maintenance Programme | 2.8 |
| Strategic Regeneration - Lewisham Gateway | 3.4 |
| Strategic Regeneration - Catford Programme | 5.4 |
| LUF Programme - Public Realm | 2.8 |
| General Fund Housing | 40.4 |
| Housing Services | 3.0 |

Housing Revenue Account

| | |
|---|------|
| Building for Lewisham Programme - HRA | 7.7 |
| HRA Capital Programme (Inc. Decent Homes) | 60.1 |

| 2024/25 Expenditure £m |
|------------------------------|
| 4.4 |
| 1.3 |
| 1.3 |
| 2.6 |
| 4.4 |
| 5.2 |
| 2.2 |
| 2.8 |
| 3.4 |
| 5.4 |
| 2.8 |
| 40.4 |
| 3.0 |
| 7.7 |
| 60.1 |

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Major Projects of over £1m

General Fund

| | |
|---|-----|
| Beckenham Place Park (Inc. Eastern Part) | 1.4 |
| Strategic Regeneration - Catford Programme | 3.3 |
| Education Services - School Minor Works Programme | 3.4 |
| Highways & Bridges – TfL | 1.1 |
| Highways & Bridges – LBL | 3.8 |
| Education Services - School Places Programme | 1.9 |
| Strategic Regeneration - Lewisham Gateway | 3.4 |
| Asset Management Programme | 2.2 |
| Corporate Estates Maintenance Programme | 2.0 |
| General Fund Housing | 7.7 |
| Housing Services | 1.8 |

Housing Revenue Account

| | |
|---|------|
| Building for Lewisham Programme - HRA | 16.3 |
| HRA Capital Programme (Inc. Decent Homes) | 64.0 |

| 2023/24 Expenditure £m |
|------------------------------|
| 1.4 |
| 3.3 |
| 3.4 |
| 1.1 |
| 3.8 |
| 1.9 |
| 3.4 |
| 2.2 |
| 2.0 |
| 7.7 |
| 1.8 |
| 16.3 |
| 64.0 |

4. LOOKING AHEAD

a) Revenue Budget Outlook

Local government continues to face an extremely challenging financial outlook following a prolonged period of austerity and growth in demand for services. The economic backdrop, including historically high levels of inflation, has increased the pressure on costs. This has also driven changes to regulations and service delivery that in turn bring additional risks and uncertainties.

The Council set a net budget requirement of £312.5m for 2025/26 at its meeting on 5 March 2025, which is £18.7m higher than the equivalent figure for 2024/25. The Council has made budget reductions of £4.7m, added £42.8m to provide for specific risks and pressures across the services and added £14.4m to provide for salary and non-salary inflation. Funding has also been allocated towards the changes in Employers National Insurance Contributions. This is sufficient to set a balanced budget for the year but to be able to do so, has required the use of £21.9m of reserves.

The Medium-Term Financial Strategy (MTFS) will be reported to Mayor & Cabinet in July 2025. This sets out the £30m of cuts required for 2026/27 to allow us to remove the reliance on reserves and set an anticipated balanced budget for 2026/27. The impact of the Local Government Funding Reform could further impact this and the Council expects to bring an updated MTFS in the autumn to reflect the outcomes of the Government changes. Government has been consulting on the upcoming Local Government Funding Reform along with the Business Rates Reset, both of which are expected to cause the funding for every local authority to undergo a radical transformation from 2026/27. The Funding Reform, which will be presented as a multi-year settlement, will introduce a new funding formula and associated baselines and will come into effect simultaneously with the fully reset Business Rates Retention Scheme, a new range of multipliers and a new revaluation based on updated Rateable Values.

The initial consultation on the upcoming Funding Reform, focused on the reform's objectives and principles, took place from mid-December to mid-February with a full consultation paper expected after the conclusion of the 2025 Spending Review in June. The transitional arrangements Government choose to put in place will influence the depth and timescales of the funding changes the Council will be subject to and within the initial consultation, it was confirmed that Government intends to apply

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transitional arrangements in some form to smooth changes going into 2026/27. They are also minded to implement updated allocations over several years in line with their stability principle. The full impact of the Funding Reform on individual authorities isn't expected to be known with certainty until the provisional Local Government Finance Settlement in December.

The Business Rates Reset has also undergone its initial technical consultation, due to close in June, with a more fundamental consultation expected later this year. This will cover a wider range of more strategic issues, including tier split, levy and safety net payments and the duration of the reset. Based on the initial consultation, the new Business Rates Baselines for local authorities will be based on Gross Rates Payable, calculated using Rateable Values (RVs) and multipliers. As the new revaluation will only come into effect in 2026/27, Government will use VOA draft ratings list to determine RV for each local authority area, already highlighting estimations being used which will need to be adjusted for in future.

The anticipated but delayed Health and Social Care reform will also likely significantly impact the funding and operational arrangements for these Council services.

b) Capital Budget Outlook

The Council set its capital programme budget at its meeting on 5 March 2025. This outlined the Council's programme of £558.0m for the years 2024/25 to 2027/28. split £171.0m (31%) for the General Fund and £387.0m (69%) for the Housing Revenue Account. The most significant proportion of the capital programme is focused on the Housing Revenue Account, broadly split with two thirds for the capital programme including Decent Homes and one third for new Affordable Homes (Building for Lewisham programme). Due to slippage in the capital programme from 2024/25 into 2025/26, the budget for 2025/26 has increased by £47.9m in the General Fund. The HRA capital programme is expected to reduce by £16.9m. These budgets will need adjusting and the re-profiling of the Capital programme is currently taking place and will be presented to Mayor and Cabinet in July 2025.

The budgeted amount to be invested in 2025/26 is shown in the table below:

| 2025/26 Capital Programme | 2025/26 Budget £m |
|----------------------------------|----------------------------------|
| General Fund | |
| Schools | 9.5 |
| Highways | 2.4 |
| Corporate Assets | 23.7 |
| Non-HRA Housing | 64.1 |
| Other | 5.3 |
| | 105.0 |
| Housing Revenue Account | |
| Existing Stock | 77.9 |
| New Supply | 36.4 |
| Other Schemes | 3.0 |
| | 117.3 |
| Total Capital Programme | 222.3 |

c) Corporate Risks

The Council refreshed its Risk Management process during 2022/23 culminating in a new Risk Management Strategy presented to Members in March 2023, this included the adoption of specific risk management software. The strategy has an embedded process to manage risks and assist the

Narrative Statement

achievement of its objectives compliant with the statutory requirements as defined in the Accounts & Audit Regulations 2015 and summarised as part of the Annual Governance Statement.

The Risk Management Objectives of the London Borough of Lewisham are in line with the key principles set out in HM Treasury's Orange Book:

For risk management to be an essential part of governance and leadership at the Council, part of how it is directed, managed, and controlled at all levels.

To be an integral part of supporting decision making in achieving objectives.

To be collaborative and informed by best available information and expertise.

To be a structured process, involving risk identification and evaluation, selection, and implementation of appropriate risk treatment options, deliver integrated, insightful, and informative monitoring and timely, accurate and useful reporting to enhance the quality of decision-making in governance.

To be continually improved through learning and experience.

In the Risk Management Strategy, we score risks on likelihood and impact, with a range from 1 to 5 (with 5 being the highest) and the result plotted on a matrix to produce a rating. The full risk register contains actions to manage risks to target. Risks are subject to regular review, reported quarterly to the Executive Management Team, and to every Audit & Risk Committee meeting.

5. PENSION FUND VALUATION

The actuarial valuation of the Council's pension scheme liabilities and pension reserve shown on the Balance Sheet has reduced by £9.5m during the year, mainly as a result of actuarial assumptions being offset by the impact of the asset ceiling. (It reduced by £80.1m during 2023/24 mainly as a result of the in-sourcing of the Lewisham Homes staff). The Council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation.

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

The triennial valuation of the Pension Fund has started and there is more detail on the process and the timing of this in the Pension Fund accounts.

6. THE COUNCIL'S STATEMENT OF ACCOUNTS

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

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

Narrative Statement

Section 1 – The Core Financial Statements**Section 1a – Comprehensive Income and Expenditure Statement (CIES)**

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

Section 1b - Movement in Reserves Statement (MiRS)

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

Section 1c - Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Section 1d - Cash Flow Statement

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

Section 2 – Statement of Accounting Policies

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

Section 3 – Notes to the Core Financial Statements

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

Narrative Statement

Section 4 – Housing Revenue Account (HRA)

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

Section 5 – Collection Fund Accounts

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

Section 6 – Group Accounts

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

Section 7 - Glossary

This explains some technical and commonly used terms.

Section 8 – Pension Fund Accounts

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

Section 9 – Annual Governance Statement (AGS)

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

Statement of Responsibilities

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

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

Responsibility of the Executive Director for Corporate Resources

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

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 2025.

David Austin CPFA

Executive Director for Finance, Digital and Corporate Resources (S151)

13 June 2025

Auditor's Reports

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON
BOROUGH OF LEWISHAM ON THE AUTHORITY'S FINANCIAL STATEMENTS**

To Follow

Core Financial Statements

SECTION 1 - CORE FINANCIAL STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 31 MARCH 2025

| Restated | | | SERVICE | 2024/25 | | | Note |
|----------------------------|-----------------------|--------------------------|---|----------------------------|-----------------------|--------------------------|---------|
| 2023/24 | | | | | | | |
| Gross Expenditure £000s | Gross Income £000s | Net Expenditure £000s | | Gross Expenditure £000s | Gross Income £000s | Net Expenditure £000s | |
| 507,540 | (404,077) | 103,463 | Children & Young People Directorate | 490,859 | (391,091) | 99,768 | 1 |
| 181,709 | (100,171) | 81,538 | Adult Social Care & Health Directorate | 203,359 | (114,417) | 88,942 | |
| 119,521 | (70,452) | 49,069 | Place Directorate | 149,264 | (73,482) | 75,782 | |
| 213,843 | (178,905) | 34,938 | Corporate Services Directorate | 209,985 | (169,842) | 40,143 | |
| 15,270 | (296) | 14,974 | Chief Executive Directorate | 18,056 | (2,099) | 15,957 | |
| 82,728 | (57,206) | 25,522 | Housing Directorate | 107,740 | (73,802) | 33,938 | |
| 221,934 | (133,842) | 88,092 | Housing Revenue Account | 193,635 | (156,911) | 36,724 | |
| 13,980 | 3,161 | 17,141 | Corporate Provisions | 16,296 | (7,137) | 9,159 | |
| 1,356,525 | (941,788) | 414,737 | Cost of Services | 1,389,194 | (988,781) | 400,413 | |
| 0 | (6,208) | (6,208) | Other Operating Expenditure | 0 | (6,481) | (6,481) | 7 33 |
| 1,699 | 0 | 1,699 | (Gain) / Loss on the disposal of non-current assets | 1,712 | 0 | 1,712 | |
| 0 | 0 | 0 | Levies | 12,368 | 0 | 12,368 | |
| 1,699 | (6,208) | (4,509) | De-recognition of Leased assets | 14,080 | (6,481) | 7,599 | |
| 29,406 | 0 | 29,406 | Financing and Investment Income and Expenditure | 29,316 | 0 | 29,316 | 37 |
| 0 | (15,187) | (15,187) | Interest payable and similar charges | 0 | (20,938) | (20,938) | |
| 77,003 | (73,176) | 3,827 | Interest and Investment Income | 81,391 | (86,308) | (4,917) | |
| 106,409 | (88,363) | 18,046 | Net interest on the net defined benefit liability | 110,707 | (107,246) | 3,461 | |
| 0 | (132,574) | (132,574) | Taxation and non-specific Grant Income | 0 | (143,684) | (143,684) | 30 |
| 0 | (80,554) | (80,554) | Income from Council Tax | 0 | (110,119) | (110,119) | |
| 0 | (36,356) | (36,356) | General Government Grants | 0 | (45,920) | (45,920) | |
| 0 | (97,132) | (97,132) | Recognised Capital Grants and Contributions | 0 | (99,547) | (99,547) | |
| 0 | (346,616) | (346,616) | Non-Domestic Rates income and expenditure | 0 | (399,270) | (399,270) | |
| | | 81,658 | Deficit/ (Surplus) on provision of services | | | 12,203 | 1 |
| | | 28,262 | (Surplus)/ Deficit on revaluation of non-current assets | | | (165,040) | 21 |
| | | (76,529) | Remeasurement of the net defined benefit liability | | | 6,913 | 20, 37 |
| | | (48,267) | Other Comprehensive Income and Expenditure | | | (158,127) | |
| | | | | | | | |
| | | 33,391 | Total Comprehensive Income and Expenditure | | | (145,924) | |

Core Financial Statements

| MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31 MARCH 2025 | | | | | | | | | | | |
|---|------------------------------------|---|--------------------------------------|---------------------------------------|-------------------------------------|--|--|-------------------------------------|------------------------------|--------------------------------------|--------|
| YEAR YEAR ENDING 31 MARCH 2025 | General Fund Balance £000 | Earmarked Gen Fund Reserves £000 | Sub-Total General Fund £000 | Housing Revenue Account £000 | Major Repairs Reserve £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Council Reserves £000 | Note |
| Balance at 01 April 2024 Brought Forward | 20,000 | 215,572 | 235,572 | 9,186 | 0 | 74,538 | 46,758 | 366,054 | 2,211,474 | 2,577,528 | |
| Opening Balance Adjustment | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | (1) | (1) | |
| Adjusted Balance at 31 March 2024 Brought Forward | 20,000 | 215,573 | 235,573 | 9,186 | 0 | 74,538 | 46,758 | 366,054 | 2,211,473 | 2,577,527 | |
| Movement in Reserves during 2024/25 | | | | | | | | | | | |
| Surplus or (Deficit) on the provision of services | 34,066 | 0 | 34,066 | (46,269) | 0 | 0 | 0 | (12,203) | 0 | (12,203) | |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 158,127 | 158,127 | 21, 22 |
| Total Comprehensive Income and Expenditure | 34,066 | 0 | 34,066 | (46,269) | 0 | 0 | 0 | (12,203) | 158,127 | 145,924 | |
| Adjustments between accounting basis and funding basis under regulations | (25,073) | 0 | (25,073) | 55,715 | 96 | 6,163 | 6,900 | 43,801 | (43,801) | 0 | 8 |
| Net Increase / (Decrease) before Transfers to Earmarked Reserves | 8,993 | 0 | 8,993 | 9,446 | 96 | 6,163 | 6,900 | 31,598 | 114,326 | 145,924 | |
| Transfers to / (from) Reserves | 1,007 | (1,007) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Increase / (Decrease) in 2024/25 | 10,000 | (1,007) | 8,993 | 9,446 | 96 | 6,163 | 6,900 | 31,598 | 114,326 | 145,924 | |
| Balance at 31 March 2025 Carried Forward | 30,000 | 214,566 | 244,566 | 18,632 | 96 | 80,701 | 53,658 | 397,653 | 2,325,799 | 2,723,452 | |
| Note | 9 HRA 15 HRA 14 19 | | | | | | | | | | |

LEWISHAM STATEMENT OF ACCOUNTS 2024/25
Core Financial Statements

| MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31 MARCH 2024 | | | | | | | | | | | |
|---|------------------------------------|---|--------------------------------------|---------------------------------------|-------------------------------------|--|--|-------------------------------------|------------------------------|--------------------------------------|--------|
| YEAR YEAR ENDING 31 MARCH 2024 | General Fund Balance £000 | Earmarked Gen Fund Reserves £000 | Sub-Total General Fund £000 | Housing Revenue Account £000 | Major Repairs Reserve £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Council Reserves £000 | Note |
| Balance at 01 April 2023 Brought Forward | 20,000 | 227,169 | 247,169 | 14,068 | 0 | 67,138 | 27,761 | 356,136 | 2,254,783 | 2,610,919 | |
| Opening Balance Adjustment | 0 | 757 | 757 | 0 | 0 | 0 | 0 | 757 | (757) | 0 | |
| Adjusted Balance at 31 March 2023 Brought Forward | 20,000 | 227,926 | 247,926 | 14,068 | 0 | 67,138 | 27,761 | 356,893 | 2,254,026 | 2,610,919 | |
| Movement in Reserves during 2023/24 | | | | | | | | | | | |
| Surplus or (Deficit) on the provision of services | 6,691 | 0 | 6,691 | (88,349) | 0 | 0 | 0 | (81,658) | 0 | (81,658) | |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 48,267 | 48,267 | 21, 22 |
| Total Comprehensive Income and Expenditure | 6,691 | 0 | 6,691 | (88,349) | 0 | 0 | 0 | (81,658) | 48,267 | (33,391) | |
| Adjustments between accounting basis and funding basis under regulations | (19,045) | 0 | (19,045) | 83,467 | 0 | 7,400 | 18,997 | 90,819 | (90,819) | 0 | 8 |
| Net Increase / (Decrease) before Transfers to Earmarked Reserves | (12,354) | 0 | (12,354) | (4,882) | 0 | 7,400 | 18,997 | 9,161 | (42,552) | (33,391) | |
| Transfers to / (from) Reserves | 12,354 | (12,354) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Increase / (Decrease) in 2023/24 | 0 | (12,354) | (12,354) | (4,882) | 0 | 7,400 | 18,997 | 9,161 | (42,552) | (33,391) | |
| Balance at 31 March 2024 Carried Forward | 20,000 | 215,572 | 235,572 | 9,186 | 0 | 74,538 | 46,758 | 366,054 | 2,211,474 | 2,577,528 | |
| Note | 9 HRA 15 HRA 14 19 | | | | | | | | | | |

Core Financial Statements

| 31/03/2024 £000 | | 31/03/2025 £000 | Note |
|--------------------|---|--------------------|----------------|
| | <u>Property, Plant & Equipment</u> | | |
| 1,385,917 | Council Dwellings | 1,477,629 | 10b, HRA 1a, 9 |
| 1,211,712 | Other Land and Buildings | 1,282,523 | 10b |
| 24,543 | Vehicles, Plant, Furniture and Equipment | 23,581 | 10b |
| 90,536 | Infrastructure | 85,429 | 10c |
| 5,075 | Community Assets | 5,091 | 10b |
| 60,347 | Surplus Assets not Held for Sale | 61,080 | 10b |
| 87,713 | Assets under Construction | 89,425 | 10b |
| 2,865,843 | | 3,024,758 | |
| 955 | Heritage Assets | 955 | 41 |
| 0 | Investment Properties | 0 | |
| 1,781 | Long Term Investments | 1,721 | |
| 61,548 | Long Term Debtors | 61,969 | 14a |
| 0 | Asset related to defined benefit pension scheme | 0 | 20, 37 |
| 2,930,127 | Total Long Term Assets | 3,089,403 | |
| 222,683 | Short Term Investments | 148,178 | 12 |
| 237 | Inventories | 300 | |
| 75,139 | Debtors | 99,514 | 14b |
| 49,731 | Cash and Cash Equivalents | 46,715 | 15 |
| 5,080 | Prepayments | 6,135 | |
| 352,870 | Total Current Assets | 300,842 | |
| 0 | Bank Overdraft | 0 | 15 |
| (1,960) | Short Term Borrowing | (13,830) | 12 |
| (6,208) | Provisions (Less than 1 year) | (5,076) | 18 |
| (152,732) | Creditors | (127,879) | 16 |
| (92,950) | Receipts in Advance | (95,642) | 17 |
| 0 | Lease Liabilities due within one year | (7,067) | 33 |
| (11,739) | PFI Liabilities due within one year | (13,378) | 34d |
| (265,589) | Total Current Liabilities | (262,872) | |
| | | | |
| 3,017,408 | Total Assets less Current Liabilities | 3,127,373 | |
| (195,221) | Long Term Borrowing | (168,272) | 12 |
| (7,104) | Provisions (More than 1 year) | (7,252) | 18 |
| (170,655) | Deferred PFI Liabilities | (157,277) | 34d |
| 0 | Long Term Lease Liabilities | (13,071) | 33 |
| (5,083) | Capital Grants Receipts in Advance | (8,110) | |
| (2,323) | Other Long Term Liabilities | 0 | |
| (59,494) | Liability related to defined benefit pension scheme | (49,939) | 20, 37 |
| (439,880) | Total Long-Term Liabilities | (403,921) | |
| | | | |
| 2,577,528 | NET ASSETS | 2,723,452 | |

Core Financial Statements

| 31/03/2024 £000 | | 31/03/2025 £000 | Note |
|--------------------|--|--------------------|-----------|
| | Usable Reserves | | |
| 20,000 | General Fund Balance | 30,000 | |
| 215,572 | Earmarked Revenue Reserves | 214,566 | 9 |
| 9,186 | Housing Revenue Account | 18,632 | HRA 15 |
| 0 | Major Repairs Reserve | 96 | HRA 14 |
| 74,538 | Usable Capital Receipts Reserve | 80,701 | 19 |
| 46,758 | Capital Grants Unapplied | 53,658 | 42 |
| 366,054 | Total Usable Reserves | 397,653 | |
| | Unusable Reserves | | |
| 1,328,807 | Revaluation Reserve | 1,461,099 | 21 |
| 1,012,609 | Capital Adjustment Account | 978,211 | 22 |
| 93 | Deferred Capital Receipts | 93 | |
| (31,352) | Financial Instruments Adjustment Account | (20,581) | 12e |
| (59,494) | Pensions Reserve | (49,939) | 20, 37 |
| (934) | Collection Fund Adjustment Account | (2,000) | Coll Fd 3 |
| (15,522) | DSG Unusable Reserve | (18,616) | 29 |
| (22,733) | Short Term Compensated Absences Account | (22,468) | |
| 2,211,474 | Total Unusable Reserves | 2,325,799 | |
| | | | |
| 2,577,528 | TOTAL RESERVES | 2,723,452 | |

Certification by the Executive Director for Finance, Digital and Corporate Resources

| | |
|--|--|
| | David Austin CPFA – Executive Director for Finance, Digital and Corporate Resources (S151) 13 June 2025 |
|--|--|

Core Financial Statements

CASH FLOW STATEMENT FOR THE YEAR ENDING 31 MARCH 2025

| 2023/24 £000s | | 2024/25 £000s | Note |
|------------------|--|------------------|------|
| (81,658) | Net surplus or (deficit) on the provision of services | (12,203) | |
| 175,116 | Adjustment to surplus or deficit on the provision of services for non-cash movements | 77,013 | 43 |
| (55,251) | Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (57,846) | 44 |
| 38,207 | Net Cash flows from Operating Activities | 6,964 | |
| (40,184) | Net Cash flows from Investing Activities | 17,143 | 46 |
| (41,758) | Net Cash flows from Financing Activities | (27,123) | 47 |
| (43,735) | Net Increase or (decrease) in Cash and Cash Equivalents | (3,016) | |
| 93,466 | Cash and Cash Equivalents at the beginning of the reporting period | 49,731 | 15 |
| 49,731 | Cash and Cash Equivalents at the end of the reporting period | 46,715 | 15 |

SECTION 2 - STATEMENT OF ACCOUNTING POLICIES**1. GENERAL PRINCIPLES**

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 (as amended for the Accounts and Audit (Amendment) Regulations 2021), which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 and the SERCOP 2024/25, both published by CIPFA, and based on IFRS and statutory guidance under Section 12 of the Local Government Act 2003 (see Glossary for definitions). The accounting convention adopted in the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a 'going concern' basis (in other words, on the expectation that the Council will continue to operate in its current form for the foreseeable future).

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

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

3. ACCRUALS OF INCOME AND EXPENDITURE

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

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

Statement of Accounting Policies

the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will be received by the Council.

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

4. MATERIAL ITEMS

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

5. FOREIGN CURRENCY TRANSLATION

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

6. VALUE ADDED TAX (VAT)

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

7. EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

8. OVERHEADS AND SUPPORT SERVICES

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

Statement of Accounting Policies

9. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

10. LEASES**a) The Council as Lessee**

As a Lessee, the Authority has previously classified leases as Operating or Finance leases, based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset, to the Authority.

The Authority has adopted IFRS16 (Leases) with effect from 01 April 2024. The implementation IFRS 16 removes the distinction between Finance and Operating leases. The adoption of the new standard resulted in the balance sheet de-recognition of some assets that had previously been classified as Council Dwellings and Land and Buildings and then the recognition of a Right of Use Asset and related lease liability in relation to all former operating leases. Prior to 2024/25, rentals paid under operating leases were charged to the CIES as an expense of the services benefitting from use of the leased property, plant and equipment.

The authority classifies contracts as leases based on their substance. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use.

The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

The Authority has several peppercorn lease agreements in place which have been externally valued to determine the Right of Use Asset and lease liability.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date

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- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the authority is reasonably certain to exercise
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method.

The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- the authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Lease expenditure

The annual lease payments for these assets were fully charged to service revenue budgets but are now split into interest payments and payments against the financial liability for that asset. The change in approach means that any such leases are now treated as capital expenditure being funded by borrowing which in turn affects the Capital Financing Requirement (CFR) and the Prudential Indicators.

The changes to accounting policies for leases will not result in any additional cost to the General Fund, however where lease payments were previously an expenditure shown against the relevant service in the net cost of services, they are now treated as an interest cost and a minimum revenue provision (MRP) payment in financing and investment income. There is also a depreciation charge associated with the asset; however, this will be mitigated by the statutory reversal of depreciation from the General Fund.

The transition to IFRS 16 has resulted in several adjustments to Financial Statements. See note 33 for a full breakdown.

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b) The Council as Lessor

Leases are classified as finance leases where the terms of the lease transfer substantially 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.

i) Finance Leases

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

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

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

ii) Operating Leases

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

11. INVENTORIES (STOCK)

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. 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

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applicable in the year in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services but then reversed out through the MiRS using the Short Term Compensated Absences Account so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. This account shows the differences arising on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March each year. Statutory requirements are that the impact on Council Tax is reversed through the Account.

b) Termination and Discretionary Benefits

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

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

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

c) Post-Employment Benefits

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

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

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

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

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

(ii) London Pension Fund Scheme

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

(iii) Local Government Pension Scheme

This scheme is a defined benefit scheme and is accounted for as such, since its liabilities and assets are attributable to individual Local Authorities. The Council's attributed liabilities are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments to be made by the Scheme in relation to benefits earned to date, based on a number of

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assumptions about mortality rates, turnover, projected earnings etc. These liabilities are discounted to their value at current prices, using a discount rate recommended by the Scheme's Actuaries.

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

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

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

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

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

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

(iv) Pension Fund Surplus Restriction

When the scheme (London Pension Fund Scheme or Local Government Pension Scheme) is in a surplus position at year-end an asset restriction (or asset ceiling) will be applied because London Borough of Lewisham is not eligible to recognise the surplus. The asset restriction will be applied in respect of the current surplus plus the future surplus which would arise based on the present value future agreed secondary contributions.

14. INTERESTS IN COMPANIES

The Council has two wholly owned subsidiary companies, Lewisham Homes Limited and Catford Regeneration Partnership Limited. These are accounted for at cost in the single entity accounts. It also is an equal partner (50:50) in Lewisham Grainger Holdings LLP with Grainger Developments Ltd (There is joint control between the Council and Grainger Developments Ltd., and this meets the definition of a joint venture under IFRS11). The transactions between the Council and all of these companies are included in the Council's accounts. An annual review of the necessity of preparing Group Accounts is undertaken, and for 2024/25 it has again been concluded that the activities of Group's entities are sufficiently material to warrant the production of Group Accounts. See also Section 6 – Group Accounts, and Note 25 - Investment in Companies.

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15. REVENUE PROVISIONS AND IMPAIRMENT ALLOWANCES**a) Provisions**

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. Provisions are determined to be short or long term dependent on when settlement is expected. 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

The Authority recognises an allowance for expected credit losses on financial assets measured at amortised cost, debt instruments measured at amortised cost, Business Rates, lease receivables, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments

(i) Trade Receivables

For trade receivables, the Authority applies a simplified approach permitted under IFRS 9 and recognises a loss allowance equal to lifetime expected credit losses. The expected credit losses on these financial assets are estimated using a unique method for each service area based on their respective historical credit loss experience and adjusted for factors that are specific to each area, general economic conditions, and an assessment of both the current and forecast direction of conditions at the reporting date.

In measuring the expected credit losses, if specific information regarding recoverability of any major debt is available then balances are assessed individually for impairment. Debts not assessed individually have been assessed on a collective basis based on unique method for each service area. Debtors are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

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 9 of Section 3. The reserves are created by appropriating amounts out of the General Fund Balance in the MiRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then credited back to the General Fund Balance in the MiRS so that there is no net charge against Council Tax. Statutory reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and are not available for the Council to use to finance services.

17. CONTINGENT LIABILITIES AND ASSETS

A contingent liability or asset arises where an event has taken place that gives the Council a possible obligation or asset. However, this will only be confirmed by the occurrence or otherwise of another event

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not wholly within the control of the Council. These are not recognised in the Balance Sheet but are disclosed in a note to the accounts. A contingent liability could also arise in circumstances where a provision would otherwise be made but either it is not probable that a payment will be required or the amount of the obligation cannot be measured reliably.

18. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

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

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

Premiums and discounts from previous year's settlements are charged to the CIES in accordance with regulations requiring the impact on the General Fund and the HRA to be spread over future years. The Council's policy is to spread the gain or loss over the remaining term of the loan repaid on which the premium was payable or discount receivable. As required by statute, the amounts charged to the CIES are adjusted to the required charge against Council Tax or Housing Rents by a transfer to or from the Financial Instruments Adjustment Account in the MiRS. This account holds the accumulated difference between the financing costs charged to the CIES and the accumulated financing costs required to be charged to the General Fund Balance in accordance with regulations.

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b) Financial Assets

In accordance with IFRS 9, financial assets are classified into three categories:

- **Amortised cost**
 - These are loans and loan arrangements where repayments of interest and principal occur on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest and the interest credited to the Comprehensive Income and Expenditure Statement (CIES) is the amount receivable as per the loan agreement.
- **Fair value through profit or loss (FVPL)**
 - These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.
- **Fair value through other comprehensive income (FVOCI)**
 - These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES on asset disposal.

The Council holds investments to collect contractual cash flows. Financial assets within the accounts are classified as amortised cost or Fair value through profit or loss.

c) Expected Credit Loss Model

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

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

20. CASH AND CASH EQUIVALENTS

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

21. INTANGIBLE NON CURRENT ASSETS

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

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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 (PPE).

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

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

a) Recognition

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

b) Measurement and Valuation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

c) Charges to Revenue for Non-Current Assets

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

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

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

d) Impairment

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

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

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

e) Depreciation

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

- council dwellings – 40 years
- other land & buildings (including hostels) – 40 years
- vehicles, plant & equipment – range of 5 to 40 years

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

f) Disposals of Non-Current Assets

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

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

g) Deferred Capital Receipts

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

Statement of Accounting Policies

23. HIGHWAYS INFRASTRUCTURE ASSETS

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

a) Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

b) Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 England, which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

c) Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are assessed by the Chief Highways Engineer using industry standards where applicable as follows:

| Part of the highways network | Useful life |
|---|--------------------|
| Carriageways | 25 years |
| Footways and cycle tracks | 25 years |
| Structures (bridges, tunnels and underpasses) | 25 years |
| Street lighting | 25/ 40 years |
| Street furniture | 25 years |
| Traffic management systems | 25 years |

Statement of Accounting Policies

d) Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, 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).

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

The authority has determined in accordance with Regulation [30M] of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

24. 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.

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 9 to the Core Financial Statements. An analysis of Dedicated Schools' Grant (the main source of funding for schools) is shown in Note 29. Any critical judgements made relating to accounting for schools' non-current assets (i.e. land and buildings) are shown in Note 3.

Notes to the Core Financial Statements

SECTION 3 – NOTES TO THE CORE FINANCIAL STATEMENTS

1. EXPENDITURE AND FUNDING ANALYSIS – YEAR ENDING 31 MARCH 2025

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

| SERVICE | As reported for resource management (Narrative report) £'000 | Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances £'000 | Net Expenditure Chargeable to the General Fund and HRA Balances £'000 | Adjustments between Funding and Accounting Basis (see Notes to EFA (i)) £'000 | Net Expenditure in the CIES £'000 |
|-------------------------------------|--|--|---|---|---|
| Children & Young People Directorate | 108,439 | (15,618) | 92,821 | 6,947 | 99,768 |
| Adult Social Care Directorate | 86,585 | 1,416 | 88,001 | 941 | 88,942 |
| Place Directorate | 39,225 | (1,563) | 37,662 | 38,120 | 75,782 |
| Corporate Services Directorate | 39,047 | 483 | 39,530 | 613 | 40,143 |
| Chief Executive Directorate | 15,263 | 649 | 15,912 | 45 | 15,957 |
| Housing Directorate | 26,321 | (3,515) | 22,806 | 11,132 | 33,938 |
| HRA | 0 | (22,142) | (22,142) | 58,866 | 36,724 |
| Corporate Provisions | (1,948) | 52,068 | 50,120 | (40,960) | 9,160 |
| Cost of Services | 312,932 | 11,778 | 324,710 | 75,704 | 400,414 |
| Other Income and Expenditure | (293,838) | (49,312) | (343,150) | (45,061) | (388,211) |
| (Surplus) or Deficit | 19,094 | (37,534) | (18,440) | 30,643 | 12,203 |

Notes to the Core Financial Statements

Analysis of Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances (£37.5m)General Fund -£28.1m

The "Other Income and Expenditure" that is reported to management is equal to the net general fund budget set for the year (£293.8m). This is then compared to the net cost of services to get to the reported overspend for the year of £19.1m, as per the Outturn Report table in the Narrative Statement. The net increase in General Fund reserves for the year was £9.0m, the difference to the reported outturn position being mostly made up of technical adjustments for PFI accounting (-£25.4m) and IFRS16 (Leases) adjustments (-£4.4m), with some other Corporate Provisions and Reserves adjustments.

HRA -£9.4m

Within reports to management the net over/ underspend position of the HRA is always reported as nil, after taking account of/ noting the various movements and forecasts for the main income and expenditure items and the required action to return the account to a net nil budget. The net movement in HRA reserves in the year was an increase of £9.4m, so this needs to be added back into the "Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances" to get to the required "Net Expenditure Chargeable to the General Fund and HRA Balances".

| | |
|--|------------------|
| Opening General Fund and HRA Balance at 01 April 2024 | (244,758) |
| Add (Surplus)/ Deficit on General fund and HRA Balance in Year | (18,440) |
| Closing General Fund and HRA Balance at 31 March 2025 | (263,198) |

| Analysed between General Fund and HRA Balances | | | |
|--|---------------------|-----------------|------------------|
| | General Fund | HRA | Total |
| Opening General Fund and HRA Balance at 01 April 2024 | (235,572) | (9,186) | (244,758) |
| Add (Surplus)/ Deficit on General fund and HRA Balance in Year | (8,994) | (9,446) | (18,440) |
| Closing General Fund and HRA Balance at 31 March 2025 | (244,566) | (18,632) | (263,198) |

Notes to the Core Financial Statements

EXPENDITURE AND FUNDING ANALYSIS – YEAR ENDING 31 MARCH 2024

| Restated | | | | | |
|-------------------------------------|--|--|---|---|---|
| SERVICE | As reported for resource management (Narrative report) £'000 | Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances £'000 | Net Expenditure Chargeable to the General Fund and HRA Balances £'000 | Adjustments between Funding and Accounting Basis (see Notes to EFA (i)) £'000 | Net Expenditure in the CIES £'000 |
| Children & Young People Directorate | 98,036 | (11,474) | 86,562 | 16,901 | 103,463 |
| Adult Social Care Directorate | 78,574 | 2,343 | 80,917 | 621 | 81,538 |
| Place Directorate | 35,746 | (1,770) | 33,976 | 15,093 | 49,069 |
| Corporate Services Directorate | 32,267 | 1,651 | 33,918 | 1,020 | 34,938 |
| Chief Executive Directorate | 14,657 | 310 | 14,967 | 7 | 14,974 |
| Housing Directorate | 17,027 | 707 | 17,734 | 7,788 | 25,522 |
| HRA | 0 | (2,091) | (2,091) | 90,183 | 88,092 |
| Corporate Provisions | 6,893 | 34,240 | 41,133 | (23,992) | 17,141 |
| Cost of Services | 283,200 | 23,916 | 307,116 | 107,621 | 414,737 |
| Other Income and Expenditure | (263,700) | (26,937) | (290,637) | (42,442) | (333,079) |
| (Surplus) or Deficit | 19,500 | (3,021) | 16,479 | 65,179 | 81,658 |

Notes to the Core Financial Statements

| | |
|--|------------------|
| Opening General Fund and HRA Balance at 01 April 2023 | (261,237) |
| Add (Surplus)/ Deficit on General fund and HRA Balance in Year | 16,479 |
| Closing General Fund and HRA Balance at 31 March 2024 | (244,758) |

| <u>Analysed between General Fund and HRA Balances</u> | | | |
|--|------------------|----------------|------------------|
| | General Fund | HRA | Total |
| Opening General Fund and HRA Balance at 01 April 2023 | (247,169) | (14,068) | (261,237) |
| Add (Surplus)/ Deficit on General fund and HRA Balance in Year | 11,597 | 4,882 | 16,479 |
| Closing General Fund and HRA Balance at 31 March 2024 | (235,572) | (9,186) | (244,758) |

Notes to the Core Financial Statements

Notes to the EFA

(i) Adjustments between Funding and Accounting Basis

| Adjustments from General Fund to arrive at the CIES amounts | 2024/25 | | | |
|---|--|--|----------------------------|----------------------------|
| | Adjustment for Capital Purposes £'000 | Net change for the Pensions Adjustments £'000 | Other Differences £'000 | Total Adjustments £'000 |
| SERVICE | | | | |
| Children & Young People Directorate | 8,032 | (3,085) | 2,000 | 6,947 |
| Adult Social Care Directorate | 2,413 | (364) | (1,108) | 941 |
| Place Directorate | 36,013 | (583) | 2,690 | 38,120 |
| Corporate Services Directorate | 789 | (447) | 271 | 613 |
| Chief Executive Directorate | 0 | (169) | 214 | 45 |
| Housing Directorate | 11,389 | (85) | (172) | 11,132 |
| HRA | 59,250 | (384) | 0 | 58,866 |
| Corporate Provisions | (23,756) | (6,434) | (10,770) | (40,960) |
| Cost of Services | 94,130 | (11,551) | (6,875) | 75,704 |
| Other Income and Expenditure | (40,144) | (4,917) | 0 | (45,061) |
| Difference between General Fund surplus or deficit and CIES surplus or deficit | 53,986 | (16,468) | (6,875) | 30,643 |

Notes to the Core Financial Statements

| Restated | | | | |
|---|--|--|----------------------------|----------------------------|
| | 2023/24 | | | |
| Adjustments from General Fund to arrive at the CIES amounts | Adjustment for Capital Purposes £'000 | Net change for the Pensions Adjustments £'000 | Other Differences £'000 | Total Adjustments £'000 |
| SERVICE | | | | |
| Children & Young People Directorate | 14,682 | (1,174) | 3,393 | 16,901 |
| Adult Social Care Directorate | 480 | (221) | 362 | 621 |
| Place Directorate | 14,368 | (139) | 864 | 15,093 |
| Corporate Services Directorate | 1,135 | (173) | 58 | 1,020 |
| Chief Executive Directorate | 0 | (52) | 59 | 7 |
| Housing Directorate | 7,131 | (31) | 688 | 7,788 |
| HRA | 90,287 | (104) | 0 | 90,183 |
| Corporate Provisions | (16,898) | (7,039) | (55) | (23,992) |
| Cost of Services | 111,185 | (8,933) | 5,369 | 107,621 |
| Other Income and Expenditure | (47,819) | 5,377 | 0 | (42,442) |
| Difference between General Fund surplus or deficit and CIES surplus or deficit | 63,366 | (3,556) | 5,369 | 65,179 |

Notes to the Core Financial Statements

2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED IN THE 2024/25 ACCOUNTS

At the balance sheet date, no new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom and will be adopted in 2025/26:

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- a. The Authority has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These judgements are based on the main reason that the Authority is holding the asset. If the asset is used in the delivery of services or is occupied by third parties that are subsidised by the Authority it is deemed to be a Property, Plant and Equipment asset. If there were no subsidy and/or a full market rent being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method used.
- b. An accounting judgement has been made for each school as to whether their land and buildings should be included within the Council's Balance Sheet. All Community Schools are deemed to be held on the Council's Balance Sheet due to the risks and rewards that the Council is deemed to have. Similarly, the Council's two Nursery Schools and the Pupil Referral Unit are owned and operated by the Local Authority and therefore on the Council's Balance Sheet. Voluntary Aided Schools and Academies together with a further two Foundation Schools are not included on the Council's balance sheet as ownership of Land and Buildings rests either with the relevant Diocesan body or, in the case of Academies the Government or the Foundation. In summary therefore:
 - Included are 40 Community Primary Schools, 3 Community Secondary Schools, 3 Community Special Schools, 2 Community Foundation Schools, 1 Pupil Referral Unit and 2 Nursery Schools (51 schools).
 - Excluded are 15 Voluntary-aided Schools, 0 Foundation Schools, 19 Academies and 2 others (36 schools).
 - Also excluded are assets acquired via PFI contracts where they relate to the excluded schools given above, although the PFI liability remains with the Council.
- c. A judgement has been made by the Council that it is proper practice to prepare Group Accounts for 2024/25, on grounds of materiality. For further information, see Section 2 – Accounting Policies (para. 14 – Interests in Companies); also Section 6 – Group Accounts; and Note 25 – Investment in Companies. All relevant entities have been consolidated into the Group Accounts.

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

These Accounts contain a number of estimated figures that are based on assumptions made about the future or that are otherwise uncertain, and take into account historical experience, current trends and other relevant factors. Because of this, the actual outcomes could be materially different from the assumptions and estimates made. The areas in the Council's Accounts at 31 March 2025 for which there is a significant possibility of material adjustment in the forthcoming financial year are as follows:

Notes to the Core Financial Statements

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---|--|--|
| Property, Plant and Equipment - PP&E (Valuations, Asset Lives and Derecognition) | <p>Asset valuations are based on Current Value and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Council's external valuers provided valuations as at 31 March 2025 for nearly all of its operational portfolio. The remaining balance of operational properties were also reviewed to ensure values reflect current values. The Council's valuers use a combination of methodologies to value operational assets. This includes Depreciated Replacement Cost (DRC), Existing Use Value (EUV) and comparable methods. These methods can cause estimation uncertainty due to the indices and inputs that must be used to applying valuations, which are updated monthly.</p> <p>The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council external valuers.</p> | <p>Changes to asset value and lives will have an effect on the annual depreciation charge for use of assets charged to services in the CI&ES. The annual depreciation charge for PP&E in 2024/25 is £45.988m (£45.630m in 2023/24) and the gross book value of these assets is £2,958m (£2,802m in 2023/24).</p> <p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 5%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £137m. An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement. Depreciation charges for operational buildings will change in direct relation to changes in estimated current value.</p> <p>The asset life has an inverse effect with depreciation charge. The lower the asset life, the higher the depreciation charge; the higher the asset life, the lower the depreciation charge.</p> |

Notes to the Core Financial Statements

| | | |
|---|---|--|
| Valuation of HRA Dwellings | The HRA residential portfolio is valued based on a beacon methodology, with a 25% EUV-SH (social housing) factor applied, which is the standardised Department for Levelling up, Housing and Communities rate for London. The current value of the stock (at 25%) is £1.48bn. In order to value the whole portfolio, it was necessary to research a number of information sources. These include sales of directly comparable property, changes of income flow for non-residential property, information available at a local level showing house price movement plus regional and National Indices. | A reduction in the estimate value of HRA dwellings would be a reduction on the revaluation reserve or a loss in the CIES. If the value of dwellings were to reduce by 10% this would lead to a reduction in value of about £148m. An increase in estimated valuations would result in increases to the Revaluation Reserve or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement. |
| Actuarial present value of promised retirement benefits | The figure of net liability to pay pensions is based on a significant number of complex assumptions including the discount rate, salary increases, mortality rates and expected returns on Fund assets. The Pension Fund's qualified actuary calculates this figure to ensure the risk of misstatement is minimised. Further sensitivity analysis is included in note 19 to the Pension Fund in Section 8, below. | The effects on the net pension liability of changes in assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption is estimated to reduce the present value of the pension liability by £22.8m. A 0.1% increase in the assumed level of pension increases will increase the net pension liability by £22.6m. |
| Impairment allowance for expected credit loss | The Authority recognises an allowance for expected credit losses on financial assets measured at amortised cost, debt instruments measured at amortised cost, Business Rates, lease receivables, trade receivables and contract assets. As at 31 March 2025, the Council had an outstanding balance of short-term debtors totalling £198.1m. Of this, £164.7m falls within the scope of the expected credit loss model and has various impairment allowances recognised. Against the £164.7m debtors' balance, there is an impairment allowance of £99.1m. It is not certain that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not. Calculation of expected credit loss is forward looking and doesn't just rely upon historic information without considering if that needs to be adapted to reflect current and future conditions. The calculation of the impairment allowance takes into account current and forecast future conditions. | An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on policies adapted to historic experience and success rates experienced in collection. The nature of the debt and service area have been considered. If collection rates were to deteriorate significantly then the Council would need to review its policies on the calculation of its impairment allowance for expected credit losses. If collection rates of all debts were to deteriorate by 5% then the impairment allowance would need to increase by £8.3m (10% would be £16.5m). |
| Venture Capital - private equity/ infrastructure | As at 31 March 2025, the Council's Pension Fund had venture capital private equity investments of £335m. Private equity investments are valued at fair value in accordance with British Private Equity and Venture Capital Association guidelines. These investments are not publicly listed and as such, there is a degree of estimation involved in the valuation. The Council makes up approximately 92% of the active members of the Pension Fund so would be impacted by this uncertainty. | The venture capital investment in the financial statements is £335m. There is a risk that this investment may be under or overstated in the accounts and the Council has determined that the percentage of volatility that can be applied to the Fund's Venture Capital is estimated to be 7.0%. This would be an increase or decrease in the value of venture capital investments by £23.4m, on a fair value of £335m. The Council makes up approximately 92% of the active members of the Pension Fund so would be impacted by this uncertainty - 92% of this risk is £21.6m. |

Notes to the Core Financial Statements

a) Movement in Land and Buildings valuations analysis

A sensitivity analysis detailing movement in valuations is as follows:

| Asset Category | Assets Valued at 31 March 25 | Value on Increase | | | Value on Decrease | | |
|------------------------|---------------------------------|-------------------|------------------|------------------|-------------------|------------------|------------------|
| | | 1% £000 | 5% £000 | 10% £000 | 1% £000 | 5% £000 | 10% £000 |
| Council Dwellings | 1,482,368 | 1,497,192 | 1,556,486 | 1,630,605 | 1,467,544 | 1,408,250 | 1,334,131 |
| Other Land & Buildings | 1,267,106 | 1,279,777 | 1,330,461 | 1,393,817 | 1,254,435 | 1,203,751 | 1,140,395 |
| Surplus Assets | 61,295 | 61,908 | 64,360 | 67,425 | 60,682 | 58,230 | 55,166 |
| Total | 2,810,769 | 2,838,877 | 2,951,307 | 3,091,847 | 2,782,661 | 2,670,231 | 2,529,692 |

| Asset Category | Assets Valued at 31 March 24 | Value on Increase | | | Value on Decrease | | |
|------------------------|---------------------------------|-------------------|------------------|------------------|-------------------|------------------|------------------|
| | | 1% £000 | 5% £000 | 10% £000 | 1% £000 | 5% £000 | 10% £000 |
| Council Dwellings | 1,385,917 | 1,399,776 | 1,455,213 | 1,524,509 | 1,372,058 | 1,316,621 | 1,247,325 |
| Other Land & Buildings | 1,211,712 | 1,223,829 | 1,272,298 | 1,332,883 | 1,199,595 | 1,151,126 | 1,090,541 |
| Surplus Assets | 60,347 | 60,950 | 63,364 | 66,382 | 59,744 | 57,330 | 54,312 |
| Total | 2,657,976 | 2,684,555 | 2,790,875 | 2,923,774 | 2,631,397 | 2,525,077 | 2,392,178 |

b) Pension Fund Liability

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

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

6. EVENTS AFTER THE BALANCE SHEET DATE

The draft Statement of Accounts was authorised for issue by the Executive Director for Corporate Resources on 13 June 2025. Events taking place after this date are not reflected in the accounts. Where events took place before this date which materially altered the conditions existing at 31 March 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect these altered conditions.

Notes to the Core Financial Statements

7. OTHER OPERATING EXPENDITURE - LEVIES

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

| | 2024/25 £000 | 2023/24 £000 |
|------------------------------------|-------------------------------|-------------------------------|
| London Pension Fund Authority (a) | 1,263 | 1,263 |
| Lee Valley Regional Park Authority | 234 | 226 |
| Environment Agency | 215 | 210 |
| Total Levies Paid | 1,712 | 1,699 |

(a) London Pension Fund Authority

The CIES is charged with a levy from the LPFA to meet the employer's contributions such as premature retirement costs in respect of former employees of the Greater London Council and Inner London Education Authority.

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

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

Notes to the Core Financial Statements

| 2024/25 | Usable Reserves | | | | | Movement in Unusable Reserves £'000 |
|--|-------------------------------------|--|--------------------------------------|---|---|--|
| | General Fund Balance £'000 | Housing Revenue Account £'000 | Major Repairs Reserve £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | |
| | | | | | | |
| <u>Adjustments to Revenue Resources</u> | | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | | | |
| Pensions costs (transferred to/ from the Pensions Reserve) | (16,278) | (190) | | | | 16,468 |
| Financial instruments (transferred to the Financial Instruments Adjustment Account) | (10,771) | 0 | | | | 10,771 |
| Council Tax and NDR (transfers to/ from Collection Fund Adjustment Account) | 1,066 | | | | | (1,066) |
| Holiday Pay (transferred to the Accumulated Absences Account) | (265) | | | | | 265 |
| Reversal of entries included in the Surplus/ Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account (CAA)) | 44,589 | 67,351 | 25,455 | | | (137,395) |
| Schools Budget deficit accounting (to account for the in-year deficit and year-end | 3,094 | | | | | (3,094) |
| Total Adjustments to Revenue Resources | 21,435 | 67,161 | 25,455 | 0 | 0 | (114,051) |
| <u>Adjustments between Revenue and Capital Resources</u> | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | 3,028 | (11,446) | | 8,418 | | 0 |
| Payments to the Government housing receipts pool (funded by a contribution from the Capital Receipts Reserve) | 0 | | | 0 | | 0 |
| Statutory provision for the repayment of debt (transfer from the CAA) | (21,553) | 0 | | | | 21,553 |
| Revenue Expenditure Funded from Capital under Statute | 28,194 | | | | | (28,194) |
| Capital expenditure funded from revenue balances (transfer to the CAA) | (6,689) | | | | | 6,689 |
| Total Adjustments between Revenue and Capital Resources | 2,980 | (11,446) | 0 | 8,418 | 0 | 48 |
| <u>Adjustments to Capital Resources</u> | | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | | | | (2,255) | | 2,255 |
| Use of the Major Repairs Reserve to finance capital expenditure | | | (25,359) | | | 25,359 |
| Application of capital grants to finance capital expenditure | (49,488) | | | | 6,900 | 42,588 |
| Total Adjustments to Capital Resources | (49,488) | 0 | (25,359) | (2,255) | 6,900 | 70,202 |
| | | | | | | |
| Total Adjustments | (25,073) | 55,715 | 96 | 6,163 | 6,900 | (43,801) |

Notes to the Core Financial Statements

| 2023/24 | Usable Reserves | | | | | Movement in Unusable Reserves £'000 |
|--|-----------------|-----------------|-----------------|----------------|---------------|--|
| | General | Housing | Major | Capital | Capital | |
| | Fund | Revenue | Repairs | Receipts | Grants | |
| | Balance | Account | Reserve | Reserve | Unapplied | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adjustments to Revenue Resources | | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | | | |
| Pensions costs (transferred to/ from the Pensions Reserve) | (3,540) | (16) | | | | 3,556 |
| Financial instruments (transferred to the Financial Instruments Adjustment Account) | (811) | 0 | | | | 811 |
| Council Tax and NDR (transfers to/ from Collection Fund Adjustment Account) | 937 | | | | | (937) |
| Holiday Pay (transferred to the Accumulated Absences Account) | 2,056 | | | | | (2,056) |
| Reversal of entries included in the Surplus/ Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account (CAA)) | 38,840 | 100,346 | 26,311 | | | (165,497) |
| Schools Budget deficit accounting (to account for the in-year deficit and year-end deficit) | 2,431 | | | | | (2,431) |
| Total Adjustments to Revenue Resources | 39,913 | 100,330 | 26,311 | 0 | 0 | (166,554) |
| Adjustments between Revenue and Capital Resources | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (172) | (13,085) | | 13,257 | | 0 |
| Payments to the Government housing receipts pool (funded by a contribution from the Capital Receipts Reserve) | 0 | | | 0 | | 0 |
| Statutory provision for the repayment of debt (transfer from the CAA) | (15,195) | 0 | | | | 15,195 |
| Revenue Expenditure Funded from Capital under Statute | 3,201 | | | | | (3,201) |
| Capital expenditure funded from revenue balances (transfer to the CAA) | (4,750) | (3,778) | | | | 8,528 |
| Total Adjustments between Revenue and Capital Resources | (16,916) | (16,863) | 0 | 13,257 | 0 | 20,522 |
| Adjustments to Capital Resources | | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | | | | (5,857) | | 5,857 |
| Use of the Major Repairs Reserve to finance capital expenditure | | | (26,311) | | | 26,311 |
| Application of capital grants to finance capital expenditure | (42,042) | | | | 18,997 | 23,045 |
| Total Adjustments to Capital Resources | (42,042) | 0 | (26,311) | (5,857) | 18,997 | 55,213 |
| Total Adjustments | (19,045) | 83,467 | 0 | 7,400 | 18,997 | (90,819) |

Notes to the Core Financial Statements

9. EARMARKED RESERVES

The Council has a number of earmarked reserves on its Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up to provide resources for future spending plans. This note shows the amounts used to meet General Fund expenditure in 2024/25 and amounts set aside in the year to finance future expenditure plans. The use of HRA earmarked reserves is shown in the notes to the HRA in Section 4.

| Name of Reserve | Balance 31/03/24 £000 | 2024/25 Transfers | | Balance 31/03/25 £000 | |
|---|-----------------------------|-------------------|----------------|-----------------------------|----------|
| | | Out £000 | In £000 | | |
| Specific Revenue Earmarked - Corporate | 96,749 | (48,994) | 44,723 | 92,478 | (a (i)) |
| Specific Revenue Earmarked - Collection Funds | 12,241 | (1,070) | 4,841 | 16,012 | (a (ii)) |
| Sinking Fund Reserves | 32,267 | (2,653) | 2,883 | 32,497 | (b) |
| Capital Contingency & Programme Expenditure | 26,994 | (31,269) | 35,739 | 31,464 | (c) |
| Insurance | 13,079 | (519) | 699 | 13,259 | (d) |
| Section 106 Reserve | 17,753 | (5,537) | 2,840 | 15,056 | (e) |
| | 199,083 | (90,042) | 91,725 | 200,766 | |
| Schools Reserves and External Funds | 16,489 | (16,074) | 13,385 | 13,800 | (f) |
| | 16,489 | (16,074) | 13,385 | 13,800 | |
| Total | 215,572 | (106,116) | 105,110 | 214,566 | |

a) Specific Earmarked Reserves

- (i) These comprise a number of specific reserves which are earmarked for particular purposes.
- (ii) Earmarked reserves have also been set up for future smoothing of potential collection fund deficits.

b) Sinking Fund Reserves

These reserves enable services to make revenue contributions towards their committed contractual spend in future years. This includes schools, street lighting and leisure.

c) Capital Contingency & Programme Expenditure Reserve

The reserve is made up of unused grant ('New Homes Bonus grant') from central government. The grant is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. Use of the reserve is not ring-fenced and will be used to support the capital programme in future years.

d) Insurance Reserve

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

e) Section 106 Reserve

This is S106 income received where no conditions related to repayment of unspent amount of grant received exists. This reserve will be used to finance capital programme expenditure in future years.

f) Schools Reserves and Schools External Funds

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

Notes to the Core Financial Statements

10. NON CURRENT ASSETS

a) Non-Current Assets Revaluations

Assets are valued at least every five years as a minimum or more regularly where a five-yearly valuation is insufficient to keep pace with material changes in fair value, to ensure that the Council's assets are valued in accordance with RICS and CIPFA guidance. The valuations this year were undertaken and signed off by the valuers Wilkes, Head and Eve LLP. Where revaluations have occurred in 2024/25, their exact effective date was 31 March 2025 for council dwellings and 31 March 2025 for other assets.

| | Council Dwellings £000 | Other Land & Buildings £000 | Surplus Assets £000 | Total £000 |
|--------------------------------|---------------------------------------|--|------------------------------------|-----------------------|
| Valued at Historic Cost | 3,553 | 451 | 0 | 4,004 |
| Valued at Current Value | | | | |
| 2024-25 | 1,474,051 | 1,277,111 | 60,865 | 2,812,027 |
| 2023-24 | 25 | 4,961 | 215 | 5,201 |
| Total Net Book Value | 1,477,629 | 1,282,523 | 61,080 | 2,821,232 |

Notes to the Core Financial Statements

b) Movements in Non-Current Assets The movements in non-current assets during 2024/25 were as follows:

| 2024/25 | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant & Equip't £000 | Community Assets £000 | Surplus Assets £000 | Assets under Construction £000 | TOTAL £000 |
|--|------------------------------|-----------------------------------|--------------------------------------|-----------------------------|------------------------|--------------------------------------|------------------|
| Gross Book Value b/fwd at 01 April 2024 | 1,385,916 | 1,211,908 | 50,421 | 5,462 | 60,401 | 87,713 | 2,801,821 |
| Additions | 67,542 | 48,241 | 1,563 | 72 | 0 | 11,009 | 128,427 |
| Revaluations (recognised in Revaluation Reserve) | 93,553 | 32,829 | (8) | 0 | 3,131 | 0 | 129,505 |
| Revaluations (recognised in Surplus/ Deficit on the Provision of Services) | 1,444 | (6,789) | (20) | 0 | (953) | 0 | (6,318) |
| Impairments (recognised in Revaluation Reserve) | 0 | (2,007) | 0 | 0 | 0 | 0 | (2,007) |
| Impairments (recognised in Surplus/ Deficit on the Provision of Services) | (62,054) | (2,091) | 0 | 0 | 0 | 0 | (64,145) |
| De-recognition of Assets (recognised in Other Operating Expenditure) | (8,193) | (3,960) | 0 | 0 | (215) | 0 | (12,368) |
| Disposals | (5,255) | 0 | (16) | 0 | (140) | 0 | (5,411) |
| Transfers | 4,675 | 5,498 | 226 | 2 | (1,144) | (9,297) | (40) |
| Gross Book Value c/fwd at 31 March 2025 | 1,477,628 | 1,283,629 | 52,166 | 5,536 | 61,080 | 89,425 | 2,969,464 |
| Depreciation b/fwd at 01 April 2024 | 1 | (196) | (25,878) | (387) | (54) | 0 | (26,514) |
| Depreciation for year | (24,352) | (18,657) | (2,995) | (58) | (287) | 0 | (46,349) |
| <u>Depreciation written back on:</u> | | | | | | | |
| Transfers | 0 | (10) | 0 | 0 | 10 | 0 | 0 |
| Revaluations (recognised in Revaluation Reserve) | 23,141 | 13,771 | 270 | 0 | 306 | 0 | 37,488 |
| Revaluations (recognised in Surplus/ Deficit on the Provision of Services) | 1,211 | 3,987 | 2 | 0 | 25 | 0 | 5,225 |
| Impairments (recognised in Revaluation Reserve) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments (recognised in Surplus/ Deficit on the Provision of Services) | 0 | (1) | 0 | 0 | 0 | 0 | (1) |
| Assets Sold | 0 | 0 | 16 | 0 | 0 | 0 | 16 |
| Depreciation c/fwd at 31 March 2025 | 1 | (1,106) | (28,585) | (445) | 0 | 0 | (30,135) |
| Net Book Value at 31 March 2025 | 1,477,629 | 1,282,523 | 23,581 | 5,091 | 61,080 | 89,425 | 2,939,329 |

Notes to the Core Financial Statements

The movements in non-current assets during 2023/24 were as follows:

| 2023/24 | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant & Equip't £000 | Community Assets £000 | Surplus Assets £000 | Assets under Construction £000 | TOTAL £000 |
|--|------------------------------|-----------------------------------|--------------------------------------|-----------------------------|------------------------|--------------------------------------|------------------|
| Gross Book Value b/fwd at 01 April 2023 | 1,440,605 | 1,212,764 | 49,045 | 5,462 | 63,661 | 114,035 | 2,885,572 |
| Additions | 66,146 | 7,482 | 1,419 | 0 | 0 | 25,684 | 100,731 |
| Revaluations (recognised in Revaluation Reserve) | (34,418) | (2,219) | 0 | 0 | (2,542) | 0 | (39,179) |
| Revaluations (recognised in Surplus/ Deficit on the Provision of Services) | (51,932) | (12,330) | (17) | 0 | (833) | 0 | (65,112) |
| Impairments (recognised in Revaluation Reserve) | (374) | (3,884) | 0 | 0 | 0 | 0 | (4,258) |
| Impairments (recognised in Surplus/ Deficit on the Provision of Services) | (66,140) | (2,287) | 0 | 0 | 0 | 0 | (68,427) |
| Disposals | (6,817) | 0 | (26) | 0 | (663) | 0 | (7,506) |
| Transfers | 38,846 | 12,382 | 0 | 0 | 778 | (52,006) | 0 |
| Gross Book Value c/fwd at 31 March 2024 | 1,385,916 | 1,211,908 | 50,421 | 5,462 | 60,401 | 87,713 | 2,801,821 |
| Depreciation b/fwd at 01 April 2023 | (514) | (70) | (23,209) | (325) | (2) | 0 | (24,120) |
| Depreciation for year | (25,215) | (17,203) | (2,778) | (62) | (372) | 0 | (45,630) |
| <u>Depreciation written back on:</u> | | | | | | | |
| Transfers | 14 | 0 | 0 | 0 | (14) | 0 | 0 |
| Revaluations (recognised in Revaluation Reserve) | 1,377 | 13,580 | 66 | 0 | 151 | 0 | 15,174 |
| Revaluations (recognised in Surplus/ Deficit on the Provision of Services) | 24,339 | 3,497 | 17 | 0 | 183 | 0 | 28,036 |
| Impairments (recognised in Revaluation Reserve) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments (recognised in Surplus/ Deficit on the Provision of Services) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Assets Sold | 0 | 0 | 26 | 0 | 0 | 0 | 26 |
| Depreciation c/fwd at 31 March 2024 | 1 | (196) | (25,878) | (387) | (54) | 0 | (26,514) |
| Net Book Value at 31 March 2024 | 1,385,917 | 1,211,712 | 24,543 | 5,075 | 60,347 | 87,713 | 2,775,307 |

Notes to the Core Financial Statements

c) Highways Infrastructure Assets

Movements on balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets note 10 (b) does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

| | 2024/25 £000 | 2023/24 £000 |
|--|-----------------|-----------------|
| Net book value (modified historical cost) at 1 April | 90,536 | 96,100 |
| Additions | 2,899 | 2,248 |
| Derecognition | 0 | 0 |
| Depreciation | (8,006) | (7,812) |
| Impairment | 0 | 0 |
| Net Book Value at 31 March | 85,429 | 90,536 |

Derecognition

The authority has determined in accordance with Regulation [30M England] of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

11. INVESTMENT PROPERTIES

Investment Properties were all reclassified to Property, Plant & Equipment many years ago (2015/16), hence the nil balance.

Notes to the Core Financial Statements

12. FINANCIAL INSTRUMENTS

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

a) Categories of Financial Instruments

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

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

Financial Assets

| 31-Mar-24 | | | 31-Mar-25 | |
|-----------|------------|---|-----------|------------|
| Long Term | Short Term | | Long Term | Short Term |
| £000 | £000 | | £000 | £000 |
| | | Fair Value Through Profit & Loss | | |
| 0 | 43,499 | MMF Investments (Cash & Cash Equivalent) | 0 | 39,809 |
| | | Financial assets at amortised cost | | |
| 0 | 222,683 | Investments | 0 | 148,178 |
| 61,548 | 49,197 | Debtors | 61,969 | 64,666 |
| 0 | 6,226 | Other Cash & Cash Equivalents | 0 | 6,906 |
| 61,548 | 321,605 | Total financial assets | 61,969 | 259,559 |

Financial Liabilities

| 31-Mar-24 | | | 31-Mar-25 | |
|-----------|------------|--|-----------|------------|
| Long Term | Short Term | | Long Term | Short Term |
| £000 | £000 | | £000 | £000 |
| | | Financial liabilities at amortised cost | | |
| 195,221 | 1,960 | Borrowing | 168,272 | 13,830 |
| 170,655 | 11,739 | Private finance initiative (PFI) liabilities | 157,277 | 13,378 |
| 0 | 96,545 | Creditors | 0 | 79,911 |
| 365,876 | 110,244 | Total financial liabilities | 325,549 | 107,119 |

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

The value of short-term investments on the Balance Sheet of £120m includes short term fixed deposits and Certificates of Deposits of £25m, including accrued interest.

Notes to the Core Financial Statements

b) Financial and Non-Financial Instruments split

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

Debtors

| | Long Term | | Current | | Total | |
|---------------------------|---------------|---------------|---------------|---------------|----------------|----------------|
| | Debtors | | Debtors | | | |
| | 31/03/25 | 31/03/24 | 31/03/25 | 31/03/24 | 31/03/25 | 31/03/24 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Financial instruments | 61,970 | 61,548 | 64,666 | 49,197 | 126,636 | 110,745 |
| Non-financial instruments | 0 | 0 | 34,848 | 25,942 | 34,848 | 25,942 |
| Total Debtors | 61,970 | 61,548 | 99,514 | 75,139 | 161,484 | 136,687 |

Creditors

| | Long Term | | Current | | Total | |
|---------------------------|-----------|----------|----------------|----------------|----------------|----------------|
| | Creditors | | Creditors | | | |
| | 31/03/25 | 31/03/24 | 31/03/25 | 31/03/24 | 31/03/25 | 31/03/24 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Financial instruments | 0 | 0 | 79,911 | 96,545 | 79,911 | 96,545 |
| Non-financial instruments | 0 | 0 | 47,968 | 56,187 | 47,968 | 56,187 |
| Total Creditors | 0 | 0 | 127,879 | 152,732 | 127,879 | 152,732 |

c) Income, Expense, Gains and Losses

The gains and losses recognised in the CIES in relation to financial instruments are as follows (there were no revaluations of financial instruments in 2024/25 or 2023/24):

| | 2024/25 | | Restated 2023/24 | |
|---|---|---|---|---|
| | Surplus or Deficit on the Provision of Services £000 | Other Comprehensive Income and Expenditure £000 | Surplus or Deficit on the Provision of Services £000 | Other Comprehensive Income and Expenditure £000 |
| Interest Income | (22,050) | 0 | (21,559) | 0 |
| Total income in Surplus/Deficit on the Provision of Services | (22,050) | 0 | (21,559) | 0 |
| Interest expense | 7,132 | 0 | 7,705 | 0 |
| Total Expense in Surplus/Deficit on the Provision of Service | 7,132 | 0 | 7,705 | 0 |
| Net (Gain)/ Loss for the Year | (14,918) | 0 | (13,854) | 0 |

Notes to the Core Financial Statements

d) Fair value of assets and liabilities

Financial Liabilities

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

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

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

| 31/03/24 | | | 31/03/25 | |
|-------------------------|--------------------|---|-------------------------|--------------------|
| Carrying Amount £000 | Fair Value £000 | | Carrying Amount £000 | Fair Value £000 |
| | | Financial liabilities at amortised cost: | | |
| | | Borrowing | | |
| 91,368 | 90,040 | Public Works Loan Board loans | 91,360 | 82,102 |
| 105,212 | 91,564 | Lender Option Borrower Option (LOBO) loans | 90,025 | 87,356 |
| 600 | 600 | Other Loans | 496 | 496 |
| 182,394 | 182,394 | PFI and finance lease liabilities | 170,655 | 170,655 |
| 379,574 | 364,598 | Sub-Total | 352,536 | 340,609 |
| 96,545 | 96,545 | Creditors | 79,911 | 79,911 |
| 476,119 | 461,143 | Total Financial Liabilities | 432,447 | 420,520 |

The fair value of borrowings is less than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2025) arising from a commitment to pay interest to lenders below current market rates.

Notes to the Core Financial Statements

Financial Assets

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

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

| 31/03/24 | | | 31/03/25 | |
|-------------------------|--------------------|--|-------------------------|--------------------|
| Carrying Amount £000 | Fair Value £000 | | Carrying Amount £000 | Fair Value £000 |
| | | Fair Value Through Profit and Loss | | |
| 43,499 | 43,499 | MMF Investments (Cash & Cash Equivalent) | 39,809 | 39,809 |
| | | Financial Assets Held at Amortised Cost | | |
| 222,683 | 222,683 | Investments | 148,303 | 148,303 |
| 110,746 | 110,746 | Debtors | 126,636 | 126,636 |
| 6,226 | 6,226 | Cash and Cash Equivalents | 6,906 | 6,906 |
| 383,154 | 383,154 | Total Financial Assets | 321,654 | 321,654 |

e) Financial Instruments Adjustment Account

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

| | Balance 31/03/24 £000 | 24/25 Transfers Net £000 | Balance 31/03/25 £000 |
|---|-----------------------------|-----------------------------------|-----------------------------|
| Loan Premium (created in Nov-17 following Loan restructure) | (19,617) | 569 | (19,048) |
| FV recognition adjustment following LOBO restructure | (9,982) | 9,967 | (15) |
| Other Premiums and Discounts | (1,753) | 235 | (1,518) |
| Total | (31,352) | 10,771 | (20,581) |

f) Other Required Declarations

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

There were no unusual movements during the year.

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

Notes to the Core Financial Statements

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

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

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

The adoption of IFRS 9 includes the requirement for disclosure of the expected credit loss impairment or gain associated with financial instruments held at amortised cost. For 2024/25 this loss is set out in the following section as £0.081m (£0.028m loss in 2023/4). These gains relate to the expected debit gains on trade receivables.

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

13. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Key Risks

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

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

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

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

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

b) Overall Procedures for Managing Risk

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

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

These procedures are required to be reported and approved at Council before the start of the year to which they relate. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year. The annual treasury management strategy which incorporates the prudential indicators was last approved by Council in March 2025 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.

Notes to the Core Financial Statements

c) Credit Risk

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

The Council's maximum exposure to credit risk in respect of its investments cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to an individual institution. It is rare for such entities to be unable to meet their commitments and a risk of irrecoverable losses applies to all of the Council's deposits; however at the 31 March 2025 there was no evidence that this was likely to happen.

d) Amounts Arising from Expected Credit Losses (ECL)

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

The Council's investment assets are held with highly rated counterparties with very low historical rates of default and are mainly simple deposit products held for durations of less than a year to collect contractual cash flows. Using the 12-month ECL model, at 31 March 2025 the Council's investment assets with an average value of £281m had a calculated ECL of £0.02% which would be £0.056m; the Council has deemed this immaterial for adjusting the carrying values of those assets. There has been an additional impairment allowance of £10m in current debtors primarily made up of two areas (Council Tax payers £7.9m and Private Sector Leasing £2.5m) - see note 14c.

e) Liquidity Risk

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

Notes to the Core Financial Statements

| 31/03/25 | | | | Maturity Period | 31/03/24 | | | |
|----------|--------|------------------------|---------|-------------------------|----------|---------|------------------------|---------|
| PWLB | LOBO | PFI and Finance Leases | Total | | PWLB | LOBO | PFI and Finance Leases | Total |
| £000 | £000 | £000 | £000 | | £000 | £000 | £000 | £000 |
| 2,747 | 11,069 | 11,739 | 25,555 | Less than 1 year | 903 | 1,594 | 11,739 | 14,236 |
| 1,496 | 343 | 13,377 | 15,217 | Between 1 and 2 years | 1,871 | 913 | 13,377 | 16,161 |
| 8,230 | 681 | 36,300 | 45,211 | Between 2 and 5 years | 8,043 | 2,409 | 36,300 | 46,753 |
| 10,101 | 1,014 | 70,534 | 81,649 | Between 5 and 10 years | 10,101 | 2,467 | 70,534 | 83,102 |
| 8,826 | 2,028 | 50,444 | 61,298 | Between 10 and 20 years | 10,510 | 4,935 | 50,444 | 65,888 |
| 17,923 | 2,028 | 0 | 19,951 | Between 20 and 30 years | 11,321 | 19,935 | 0 | 31,256 |
| 42,035 | 30,710 | 0 | 72,745 | Between 30 and 40 years | 48,638 | 31,288 | 0 | 79,925 |
| 0 | 42,500 | 0 | 42,500 | Above 40 years | 0 | 42,500 | 0 | 42,500 |
| 91,360 | 90,373 | 182,394 | 364,126 | Total | 91,386 | 106,040 | 182,394 | 379,821 |

The LOBO maturity profile assumes that the lenders will not exercise any options embedded in the loans until maturity. As of 31 March 2025, LOBO loans with nominal value £52.5m have fixed interest rates ranging from 3.58% to 4.50%, whilst a loan with nominal value £37m has a stepped rate ranging from 2.69% on 31 March 2025 to 6.30% at maturity. Of the total amount of LOBO loans, £10m has a break clause at every biannual interest payment date and £79.5m every five years.

f) Refinancing and Maturity Risk

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

g) Market Risk – Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments and these impact the Council according to how variable and fixed interest rates move across differing financial instrument periods. The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy includes expected interest rate movements. A treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure, and this is monitored regularly. If variable interest rates had been 0.1% higher (with all other variables held constant) the financial effect would be a net increase in income of £0.081m. The impact of a 0.1% fall in interest rates would be a net decrease in income of £0.081m.

Notes to the Core Financial Statements

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

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

| | 31/03/25 £000 | 31/03/24 £000 | |
|--|--------------------------------|--------------------------------|-----|
| Lewisham Homes Limited - Loan | 40,000 | 40,000 | (a) |
| Catford Regeneration Partnership Limited (CRPL) - Loan | 17,327 | 16,934 | (b) |
| Street Lighting PFI Sinking Fund | 2,950 | 2,950 | (c) |
| Other Long Term Debtors | 1,692 | 1,664 | |
| Total Long Term Debtors | 61,969 | 61,548 | |

a) Lewisham Homes Limited Loan

A loan of £8m was advanced to Lewisham Homes Limited in 2015/16, a further £6m in 2016/17 a further £12m in 2017/18, a further £11m in 2018/19 and a further £3m in 2021/22. (See Section 6 – Group Accounts).

b) Catford Regeneration Partnership Limited Loan

A loan of £12m was advanced to CRPL in 2010/11, followed by further loans of £0.25m in 2015/16, £1.0m in 2016/17, £0.5m in 2019/20, £1.2m in 2020/21 and £0.6m in 2021/22. (See Section 6 – Group Accounts). In recent years the yearly interest charge on the loan has been capitalised and added to the loan value.

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 streetlights.

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.

| | 31/03/25 £000 | 31/03/24 £000 |
|---|------------------|------------------|
| Government and Other Public Bodies: | | |
| HM Revenue & Customs - VAT | 7,036 | 7,049 |
| Central Government bodies | 8,544 | 8,062 |
| Other Local Authorities | 3,558 | 3,364 |
| NHS bodies | 10,349 | 6,108 |
| Other Public bodies | 394 | 482 |
| Council Tax Payers | 44,879 | 38,531 |
| Council Tax Court Costs | 6,351 | 5,450 |
| NDR Payers | 2,269 | 2,475 |
| Housing Benefit Overpayments | 14,916 | 16,395 |
| Housing Rents (inc PSL, B & B, Hostels, Commercial) | 23,419 | 15,201 |
| Leaseholders Services Charges | 11,784 | 11,322 |
| LBL Pension Fund | 3,479 | 1,338 |
| General Debtors due for Supplies and Services | 61,592 | 48,270 |
| Total Current Debtors | 198,570 | 164,047 |
| Impairment Allowances | (99,056) | (88,908) |
| Total Net Current Debtors | 99,514 | 75,139 |

c) Impairment Allowances

| | Balance at 31/03/24 £000 | Movement in 2024/25 £000 | Balance at 31/03/25 £000 |
|---|--------------------------------|--------------------------------|--------------------------------|
| Council Tax Payers | (34,693) | (7,867) | (42,560) |
| Council Tax Court Costs | (4,738) | (839) | (5,577) |
| NDR Payers | (1,928) | 95 | (1,833) |
| Housing Benefit Overpayments | (14,472) | 1,205 | (13,267) |
| Housing Rents (inc PSL, B & B, Hostels, Commercial) | (4,666) | (1,321) | (5,987) |
| Leaseholders Services Charges | (3,119) | (195) | (3,314) |
| General Debtors due for Supplies and Services | (25,292) | (1,226) | (26,518) |
| Total Impairment Allowances | (88,908) | (10,148) | (99,056) |

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

Notes to the Core Financial Statements

15. CASH AND CASH EQUIVALENTS

| | Balance 31/03/24 £000 | Movement in 2024/25 £000 | Balance 31/03/25 £000 |
|--|-----------------------------|--------------------------------|-----------------------------|
| Cash Equivalents | | | |
| Short Term Deposits | 0 | 0 | 0 |
| Cash | | | |
| Money Market Funds | 43,499 | (3,690) | 39,809 |
| Call Accounts with Banks | 0 | 0 | 0 |
| | 43,499 | (3,690) | 39,809 |
| Other Cash and Bank Balances | | | |
| Main Bank Accounts | 379 | 1,212 | 1,591 |
| Schools Bank Accounts | 3,816 | (185) | 3,631 |
| Other Cash and Bank Accounts | 2,037 | (353) | 1,684 |
| | 6,232 | 674 | 6,906 |
| Total Cash and Cash Equivalents | 49,731 | (3,016) | 46,715 |
| Bank Accounts Overdrawn | | | |
| Main Bank Accounts | 0 | 0 | 0 |
| Schools Bank Accounts | 0 | 0 | 0 |
| | 0 | 0 | 0 |
| Net Cash and Cash Equivalents | 49,731 | (3,016) | 46,715 |

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 £17.3m (2023/24 £19.8m) and overdrawn £13.7m (2023/24 overdrawn £16.0m) respectively.

Notes to the Core Financial Statements

16. CREDITORS

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

| | 31/03/25 £000 | 31/03/24 £000 |
|--|------------------|------------------|
| Government and other public bodies: | | |
| HM Revenue & Customs | 6,834 | 7,028 |
| Central Government bodies | 7,265 | 13,353 (a) |
| Other Local Authorities | 7,826 | 10,783 |
| NHS bodies | 2,509 | 3,167 |
| Other Public bodies | 189 | 705 |
| | 24,623 | 35,036 |
| Short Term Compensated Absences | 22,468 | 22,734 |
| Council Tax | 6,406 | 8,507 |
| NDR | 1,890 | 3,789 |
| General Creditors (amounts owed for supplies and services) | 72,492 | 82,666 |
| Total Creditors | 127,879 | 152,732 |

a) Central Government bodies

See table below for an analysis of Central Government bodies creditors:

| | 31/03/25 £000 | 31/03/24 £000 |
|---|------------------|------------------|
| MHCLG - Collection Fund NDR Creditor | 4,237 | 5,374 |
| Teachers Pensions | 2,555 | 1,834 |
| NDR Transitional payments received on account | 442 | 1,016 |
| MHCLG - Business Rate Relief Section 31 grant | 0 | 4,062 |
| Other | 31 | 1,067 |
| Total Central Government Creditors | 7,265 | 13,353 |

17. RECEIPTS IN ADVANCE

| | 31/03/25 £000 | 31/03/24 £000 |
|----------------------------------|------------------|------------------|
| Revenue Grants and Contributions | 25,861 | 29,857 |
| PFI Schemes | 23,576 | 24,311 |
| Capital Contributions Unapplied | 15,828 | 15,206 (a) |
| Rents in Advance | 12,393 | 10,858 |
| Council Tax | 2,537 | 1,953 |
| NDR | 361 | 20 |
| Other Receipts in Advance | 15,086 | 10,745 |
| Total Receipts in Advance | 95,642 | 92,950 |

(a) Capital Contributions Unapplied

Capital Contributions Unapplied includes a balance of £14.5m Section 106 Contributions, where the conditions have not yet been met, in 2024/25 (2023/24 was £15.2m).

Notes to the Core Financial Statements

18. PROVISIONS

Provisions are recognised where the Council has a legal or constructive obligation arising from a past event that will probably require settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are determined to be short- or long-term dependent on when settlement is expected.

| | Balance 31/03/24 £000 | 2024/25 Transfers | | Balance 31/03/25 £000 |
|-------------------------------------|-----------------------------|-------------------|--------------|-----------------------------|
| | | Out £000 | In £000 | |
| Current (less than 1 year) | | | | |
| Insurance Provision (a) | 2,088 | (2,280) | 2,484 | 2,292 |
| Term Time Only Claims Provision (b) | 567 | (567) | 0 | 0 |
| NDR Appeals Provision | 2,561 | (2,177) | 1,679 | 2,063 |
| Other Provisions (c) | 992 | (300) | 29 | 721 |
| | 6,208 | (5,324) | 4,192 | 5,076 |
| Non Current (Over 1 year) | | | | |
| Insurance Provision (a) | 5,804 | (152) | 0 | 5,652 |
| Other Provisions (c) | 1,300 | 0 | 300 | 1,600 |
| | 7,104 | (152) | 300 | 7,252 |
| Total - Provisions | 13,312 | (5,476) | 4,492 | 12,328 |

(a) Insurance Provisions

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

(b) Term Time Only Claims Provision

There were errors with the formula used by some Councils to calculate holiday pay for term-time only support staff in schools dating back several years. A provision was set up for this in 2020/21 with most payments being made in 2021/22 and 2022/23, the remainder of the provision was transferred to school reserves used in 2024/25.

(c) Other Provisions

Other Provisions includes a provision for the potential liability in respect of savings accounts for Children Leaving Care, which extends back a number of years (£1.7m). Work is ongoing to identify where payments related to these need to be made in future years.

Notes to the Core Financial Statements

19. USABLE CAPITAL RECEIPTS

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

| | 2024/25 £000 | 2023/24 £000 |
|--|-------------------------|-------------------------|
| Balance brought forward at start of year | 74,538 | 67,138 |
| Amounts Received | 8,418 | 13,257 |
| Poolable to Central Government | 0 | 0 |
| Receipts returned to Central Government | 0 | 0 |
| Amounts applied to finance new capital investment | (2,255) | (5,857) |
| Total increase/(decrease) in capital receipts in year | 6,163 | 7,400 |
| Balance carried forward at end of year | 80,701 | 74,538 |

Notes to the Core Financial Statements

20. PENSION RESERVE

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

| | 2024/25 £000 | 2023/24 £000 |
|--|-------------------------|-------------------------|
| Balance brought forward at start of year | (59,494) | (139,579) |
| Adj to opening bal (RE: Lewisham Homes) | 0 | 49,118 |
| Actuarial gains or (losses) on pensions assets and liabilities | 268,150 | 30,298 |
| Return on Assets excluding amounts included in Net Interest | (29,165) | 122,821 |
| Effect of Asset Ceiling | (245,898) | (125,708) |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES | (25,833) | (36,894) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 42,301 | 40,450 |
| Balance carried forward at end of year | (49,939) | (59,494) |

Notes to the Core Financial Statements

21. REVALUATION RESERVE

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

| | 2024/25 £000 | 2023/24 £000 |
|--|-------------------------|-------------------------|
| Balance brought forward at start of year | 1,328,807 | 1,382,592 |
| Opening Balance Adjustment | (1) | 1,302 |
| Revaluation of Assets | 167,047 | (24,004) |
| Impairment Losses | (2,007) | (4,258) |
| Loss of Control of Assets | 0 | 0 |
| Surplus or (Deficit) on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services | 165,040 | (28,262) |
| Difference between fair value and historic cost depreciation | (23,112) | (24,054) |
| Accumulated gains on assets sold or scrapped | (9,635) | (2,771) |
| Amount written off to the Capital Adjustment Account | (32,747) | (26,825) |
| Balance carried forward at end of year | 1,461,099 | 1,328,807 |

Notes to the Core Financial Statements

22. CAPITAL ADJUSTMENT ACCOUNT

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

| | 2025/25 £000 | 2023/24 £000 |
|---|------------------|------------------|
| Balance brought forward at start of year | 1,012,609 | 1,077,605 |
| Opening Balance Adjustment | 0 | (2,059) |
| <u>Reversal of capital expenditure items debited or credited to the CIES</u> | | |
| Charges for depreciation and impairment of non-current assets | (119,633) | (158,017) |
| Revenue expenditure funded from capital under statute | (28,194) | (3,201) |
| Non-current assets written off on disposal and de-recognition - gain/loss to the CIES | (17,762) | (7,480) |
| | (165,589) | (168,698) |
| Adjusting amounts written out of the Revaluation Reserve | 32,747 | 26,825 |
| Net amount written out of the cost of non-current assets consumed in the year | (132,842) | (141,873) |
| <u>Capital Financing applied in the year:</u> | | |
| Use of Capital Receipts to finance new capital expenditure | 2,255 | 5,857 |
| Use of Major Repairs Reserve to finance new capital expenditure | 25,359 | 26,311 |
| Capital grants and contributions credited to the CIES | 42,588 | 23,045 |
| Statutory Provision for the financing of capital investment | 5,480 | 4,343 |
| Repayment of Principal on PFI schemes | 11,739 | 10,852 |
| Repayment of Principal on Leases | 4,334 | 0 |
| Capital expenditure charged to General Fund and HRA | 6,689 | 8,528 |
| | 98,444 | 78,936 |
| Balance carried forward at end of year | 978,211 | 1,012,609 |

Notes to the Core Financial Statements

23. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

| | 2024/25 £000 | 2023/24 £000 |
|---|--------------------|--------------------|
| Employee expenses - LBL | 365,159 | 344,716 |
| Employee expenses - Schools Non-LBL | 44,625 | 67,191 |
| Other Expenditure | 859,713 | 787,079 |
| Revaluation, Depreciation, Amortisation and Impairment | 119,697 | 158,885 |
| Interest payments | 29,316 | 29,406 |
| Precepts and levies | 1,712 | 1,699 |
| De-Recognition of Leased Assets | 12,368 | 0 |
| Loss on disposal of non-current assets | 0 | 0 |
| Net interest on the net defined benefit liability | 0 | 3,827 |
| Total Expenditure | 1,432,590 | 1,392,803 |
| Government grants and contributions | (728,950) | (707,893) |
| Fees, Charges and Other service income | (369,950) | (315,795) |
| Interest and Investment income | (20,938) | (15,187) |
| Income from council tax, non-domestic rates, district rate income | (243,231) | (229,706) |
| Recognised Capital Grants and Contributions | (45,920) | (36,356) |
| Gain on disposal of non-current assets | (6,481) | (6,208) |
| Net interest on the net defined benefit liability | (4,917) | 0 |
| Other Income | 0 | 0 |
| Total Income | (1,420,387) | (1,311,145) |
| (Surplus) or Deficit on the Provision of Services | 12,203 | 81,658 |

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

| | 2024/25 £000 | Restated 2023/24 £000 |
|---|------------------|-----------------------------|
| Fees, Charges and Other Service Income | | |
| Rent & Service Charges | (161,164) | (149,250) |
| Contributions from Health | (44,837) | (36,302) |
| Schools Income | (19,282) | (15,757) |
| Parking Income | (18,192) | (16,438) |
| Fees & Charges Income | (12,278) | (15,175) |
| PFI Credits Income | (10,104) | (13,984) |
| Licenses & Permits | (8,521) | (2,322) |
| Fairer Care Charges Income | (7,553) | (6,807) |
| Other Care Charges Income | (3,567) | (6,826) |
| Income from Capital | (3,343) | 0 |
| Cemeteries & Crematoria Income | (2,624) | (2,669) |
| Contributions from Other Local Authorities | (2,507) | (2,008) |
| Court Costs Income | (2,320) | (2,250) |
| Housing Benefits - Other Income | (2,210) | (2,309) |
| Bailiff Fees | (1,996) | (1,226) |
| Planning Fees | (1,747) | (1,562) |
| Professional Fees Income | (982) | (811) |
| HRA Other Income | (34,875) | (15,017) |
| Other Income | (31,848) | (25,082) |
| Total Income | (369,950) | (315,795) |

Notes to the Core Financial Statements

24. AGENCY SERVICES AND POOLED BUDGETS

In 2024/25 the Council operated a pooled budget as defined by the terms of a Section 75 Agreement (National Health Service Act 2006).

There is one Pooled fund called Lewisham Better Care Fund (BCF). The Host Partner for the pooled fund is the Council (LBL) and the Pooled Fund Manager, is an officer of the council, the Strategic Finance Business partner, Adult Social Care and Health.

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

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

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

The total Lewisham Better Care Fund for 2024/25 was £46.4m, the split of which can be seen in the table below.

| | 2024/25 £000 | 2023/24 £000 |
|--|-------------------------|-------------------------|
| <u>Funding provided to the pooled budget:</u> | | |
| Lewisham Borough Council | (17,373) | (17,373) |
| Lewisham ICB (Previously NHS Lewisham CCG) | (28,995) | (27,442) |
| | (46,368) | (44,815) |
| <u>Expenditure met from the pooled budget:</u> | | |
| Lewisham Borough Council | 29,470 | 28,962 |
| Lewisham ICB (Previously NHS Lewisham CCG) | 16,897 | 15,853 |
| | 46,368 | 44,815 |
| | | |
| Net surplus arising in year | 0 | 0 |

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

The Council is sole owner of two companies:

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

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

Notes to the Core Financial Statements

b) Companies of which the Council is a joint owner or shareholder.**i) Lewisham Schools for the Future LEP Limited and Lewisham Schools for the Future SPV Limited**

The Council has a stake of 10% in Lewisham Schools for the Future LEP Limited which is the Local Education Partnership company, with the remaining 90% held by Building Schools for the Future Investments LLP. It was established under the Council's Building Schools for the Future (BSF) programme to rebuild and refurbish the secondary schools within the Borough. No payments were made to this company in 24/25 or 23/24.

The Council also has an effective 10% stake in three of the four Special Purpose Vehicles which were set up in relation to the schools which were built within this BSF Programme. The companies concerned are Lewisham Schools for The Future SPV Limited (payments made in 24/25 was £10.0m, 23/24 £10.5m), Lewisham Schools for The Future SPV2 Limited (payments made in 24/25 was £3.3m, 23/24 £3.5m), Lewisham Schools for The Future SPV3 Limited (payments made in 24/25 was £4.9m, 23/24 £5.1m) and a 19% shareholding in Lewisham Schools for The Future SPV4 Limited (payments made in 24/25 was £9.1m, 23/24 £9.5m). The Acting Director of Financial is the Council's Director on all of these companies' boards. The corporate structure is standard to BSF schemes.

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

The Council has a minority share of less than 1% in South-East London Combined Heat and Power Limited (SELCHP) which is a joint venture with the London Borough of Greenwich for the provision of waste disposal and waste to energy services. The Council's interest does not provide it with joint control, and it is not a party to the joint venture. Payments of £7.7m were made in 2024/25 to the company £7.1m in 2023/24) and are included in the Place directorate line of the CIES.

iii) Lewisham Grainger Holdings LLP

During 2018/19 the Council formed a Limited Liability Partnership with Grainger Developments Ltd. The Council and Grainger are each 50:50 shareholders in the holding company and this (and its subsidiaries) are all registered at Companies House. Therefore, this is not a subsidiary of the Council as LBL do not have the majority shareholding. There is joint control between the Council and Grainger Developments Ltd., and this meets the definition of a joint venture under IFRS11. The partnership will build housing for rent in Besson Street, New Cross. No payments were made to the company by the Council in 2024/25 or 2023/24.

iv) London Collective Investment Vehicle (LCIV)

The LCIV was established as the London LGPS pension pool as mandated by Government. There are 32 shareholders, and the Council agreed to make the initial subscription of £150k. Following the more recent Government reform to the LGPS, and as a response to the increase in scale of the LCIV, it has been necessary for all shareholders to increase their contribution and a further £70.3k of investment has been made to ensure that the LCIV has the necessary minimum equity requirements under its FCA regulation.

v) UK Municipal Bond Agency (UKMBA)

The Local Government Association ("LGA") established the UK Municipal Bonds Agency in June 2014 and subsequently 56 local authorities became shareholders, and the Council is one such shareholder, with a contribution of £200k. The UKMBA was established to borrow money, primarily in the capital markets, to lend to local authorities. The UK Municipal Bonds Agency is not a bank and will only borrow to fund loans it has already agreed to provide. The lack of new issuances by the UKMBA has meant that it has moved into a reduced trading position and has effectively winding up its operations.

Notes to the Core Financial Statements

26. MEMBERS' ALLOWANCES

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

| | 2024/25 £000 | 2023/24 £000 |
|----------------------------------|-----------------|-----------------|
| Allowances (incl. NI) | 1,322 | 1,074 |
| Other Expenses | (37) | 5 |
| Total Expenditure in Year | 1,284 | 1,079 |

27. OFFICERS' REMUNERATION

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

| Remuneration Band | Non-Schools | | Schools | | Totals | |
|----------------------|-------------|------------|------------|------------|--------------|--------------|
| | 2024/25 | 2023/24 | 2024/25 | 2023/24 | 2024/25 | 2023/24 |
| £50,000 to £54,999 | 191 | 204 | 183 | 207 | 374 | 411 |
| £55,000 to £59,999 | 189 | 188 | 245 | 397 | 434 | 585 |
| £60,000 to £64,999 | 142 | 86 | 249 | 34 | 391 | 120 |
| £65,000 to £69,999 | 42 | 30 | 25 | 42 | 67 | 72 |
| £70,000 to £74,999 | 13 | 15 | 39 | 46 | 52 | 61 |
| £75,000 to £79,999 | 22 | 26 | 40 | 47 | 62 | 73 |
| £80,000 to £84,999 | 28 | 31 | 24 | 21 | 52 | 52 |
| £85,000 to £89,999 | 9 | 5 | 19 | 32 | 28 | 37 |
| £90,000 to £94,999 | 6 | 5 | 30 | 18 | 36 | 23 |
| £95,000 to £99,999 | 2 | 1 | 18 | 16 | 20 | 17 |
| £100,000 to £104,999 | 1 | 1 | 11 | 4 | 12 | 5 |
| £105,000 to £109,999 | 1 | 2 | 3 | 5 | 4 | 7 |
| £110,000 to £114,999 | 3 | 6 | 2 | 2 | 5 | 8 |
| £115,000 to £119,999 | 6 | 1 | 4 | 1 | 10 | 2 |
| £120,000 to £124,999 | 1 | 2 | 1 | 2 | 2 | 4 |
| £125,000 and over | 5 | 3 | 8 | 7 | 13 | 10 |
| Total | 661 | 606 | 901 | 881 | 1,562 | 1,487 |

* Non- School Employees who appear on the Senior Employees remuneration note number 27b have not been included in this table

Notes to the Core Financial Statements

b) Disclosure of Senior Employees' Remuneration

Disclosure of Senior Employees Remuneration for financial year 2024/25

| Financial Year 2024/25 | Salary (inc fees and allowances) | Employer's Pension Contributions | Total (inc. Pension Contributions) |
|---|----------------------------------|----------------------------------|------------------------------------|
| | £ | £ | £ |
| Senior Employees | | | |
| Chief Executive (Jennifer Daothong) | 198,288 | 43,623 | 241,911 |
| Executive Director for Corporate Resources (David Austin) | 164,065 | 36,094 | 200,160 |
| Executive Director for Children and Young People (Pinaki Ghoshal) | 160,307 | 35,268 | 195,574 |
| Executive Director for Adult Social Care and Health | 218,585 | 21,530 | 240,114 |
| 01-Apr-24 to 31-Oct-24 (Tom Brown) | 105,795 | 21,530 | 127,324 |
| 06-Jun-24 to 31-Mar-25 (Denise Radley) a) | 112,790 | | 112,790 |
| Executive Director for Housing (Gillian Douglas) | 167,763 | 36,908 | 204,671 |
| Executive Director for Place | 166,348 | 13,824 | 180,173 |
| 01-Apr-24 to 08-Nov-24 (Nazeya Hussain) (b) | 103,511 | | 103,511 |
| 11-Nov-24 to 31-Mar-25 (Steve Evison) | 62,838 | 13,824 | 76,662 |
| Director of Public Health | 117,880 | 25,442 | 143,322 |
| Director of Law & Corporate Governance (Jeremy Chambers) | 164,436 | 36,176 | 200,611 |
| Totals | 1,357,673 | 248,865 | 1,606,537 |

a) Executive Director for Adult Social Care and Health currently by an interim staff member.

b) Executive Director for Place filled by an interim staff member between 01-Apr-24 to 08-Nov-24

Disclosure of Senior Employees Remuneration for financial year 2023/24

| Financial Year 2023/24 | Salary (inc fees and allowances) | Employer's Pension Contributions | Total (inc. Pension Contributions) |
|---|----------------------------------|----------------------------------|------------------------------------|
| | £ | £ | £ |
| Senior Employees | | | |
| Chief Executive (Jennifer Daothong) (a) | 199,198 | 43,824 | 243,022 |
| Executive Director for Corporate Resources | 172,788 | 38,014 | 210,802 |
| 01-Apr-23 to 31-Jul-23 (Kathy Freeman) | 54,557 | 12,003 | 66,560 |
| 01-Jul-23 to 31-Mar-24 (David Austin) | 118,231 | 26,011 | 144,242 |
| Executive Director for Children and Young People (Pinaki Ghoshal) | 163,671 | 36,008 | 199,679 |
| Executive Director for Community Services (Tom Brown) | 171,437 | 36,008 | 207,445 |
| Executive Director for Housing (Gillian Douglas) (b) | 90,928 | 20,004 | 110,932 |
| Executive Director for Place (Nazeya Hussain) (c) | 193,983 | 0 | 193,983 |
| Director of Public Health | 112,821 | 24,821 | 137,642 |
| Director of Law & Corporate Governance (Jeremy Chambers) | 160,425 | 8,823 | 169,248 |
| Totals | 1,265,251 | 207,502 | 1,472,753 |

a) Jennifer Daothong: Acting Chief Executive 01-Apr-23 - 03-Mar-24. Chief Executive 04-Mar-24 - 31-Mar-24.

b) For period 11-Sep-23 - 31-Mar-24

c) Executive Director for Place is filled by an interim staff member.

The definition of a "Senior Employee" is set out in Regulation 7 of the Accounts and Audit (England) Regulations 2011 (SI 2011/817). In summary, they are either a statutory chief officer or have the power to direct or control the major activities of the Council or report direct to the Head of the Council's paid service. They are not the same group of senior staff whose salaries are published on the Council's website. After a review in 2020/21 it was decided to only include the current members of the Executive Management Team (EMT) and the statutory post holders.

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 | |
|--|-------------------------------|----------------|-----------------------------|-----------------|
| | 2024/25 No. | 2023/24 No. | 2024/25 £000 | 2023/24 £000 |
| £0 to £20,000 | 47 | 38 | 364 | 311 |
| £20,001 to £40,000 | 10 | 13 | 368 | 381 |
| £40,001 to £60,000 | 3 | 8 | 121 | 372 |
| £60,001 to £80,000 | 2 | 1 | 134 | 67 |
| £80,001 to £100,000 | 0 | 1 | 0 | 99 |
| £100,001 and over | 1 | 1 | 117 | 179 |
| Total | 63 | 62 | 1,104 | 1,409 |

28. EXTERNAL AUDIT COSTS

| | 2024/25 £000 | 2023/24 £000 |
|---|-----------------|-----------------|
| External Audit Services | 565 | 481 |
| Certification of Grant Claims and Returns | 59 | 60 |
| Other services provided by the appointed auditor | 0 | 0 |
| Services provided by the previous appointed auditor | 0 | 28 |
| | 624 | 569 |

The Council's appointed auditor in 2024/25 is KPMG (in 2023/24 it was also KPMG).

2024/25 audit fee scale – set by PSAA

The 2024/25 audits are the second in the second five-year appointing period specified by PSAA, covering 2023/24 to 2027/28. PSAA awarded new contracts for this period in 2022 to six audit firms. The procurement outcome was an increase of 151% on total fees for local audit work.

PSAA is very much aware of the significant financial pressures on all local government bodies and understands that any further cost pressure is unwelcome. The level at which the 2024/25 fee scale is set is largely determined by two factors which PSAA does not control: the volume of audit work required to deliver audits compliant with the requirements of the Code of Audit Practice, and audit supply market rates.

Notes to the Core Financial Statements

29. DEDICATED SCHOOLS' GRANT

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

The table below shows the position for the DSG at 2024/25. The table notes a cumulative deficit of £18.6m relating to the High Needs Block, reflecting an increase of £3.1m in 2024/25. The increase is lower than in previous years reflecting actions being undertaken by Children and Young People's directorate in partnership with Schools forum to action a mitigation plan.

| | 2024/25 | | | 2023/24 | | |
|--|-----------------------------|---|---------------|-----------------------------|---|---------------|
| | Central Expenditure £000 | Individual Schools Budget (ISB) £000 | Total £000 | Central Expenditure £000 | Individual Schools Budget (ISB) £000 | Total £000 |
| Final DSG before academy & high needs recoupment | | | 362,454 | | | 336,035 |
| Academy & high needs figure recouped | | | (88,571) | | | (49,367) |
| Total DSG after academy & high needs recoupment | | | 273,883 | | | 286,668 |
| 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 | 70,713 | 203,170 | 273,883 | 69,586 | 217,082 | 286,668 |
| In year adjustments | 0 | (1,185) | (1,185) | 0 | 19 | 19 |
| Final Budget Distribution | 70,713 | 201,985 | 272,698 | 69,586 | 217,101 | 286,687 |
| Actual Central Expenditure | 73,807 | | 73,807 | 72,017 | | 72,017 |
| Actual ISB deployed to schools | | 201,985 | 201,985 | | 217,101 | 217,101 |
| Local authority contribution | 0 | | 0 | 0 | | 0 |
| Total In-Year (Deficit)/ Surplus | (3,094) | 0 | (3,094) | (2,431) | 0 | (2,431) |
| DSG unusable reserve (cumulative deficit) b/f | | | (15,522) | | | (13,091) |
| Addition to DSG unusable reserve (in-year deficit) | | | (3,094) | | | (2,431) |
| Total of DSG unusable reserve (cumulative deficit) at the end of year | | | (18,616) | | | (15,522) |

Notes to the Core Financial Statements

30. GRANT INCOME

The following grants were credited to services during the year:

| | 2024/25 £000 | 2023/24 £000 |
|---|------------------|------------------|
| Dedicated Schools Grant | (278,082) | (290,222) |
| Housing Benefit Grant | (155,082) | (159,715) |
| Public Health Grant | (28,209) | (26,914) |
| BSF/ Grouped Schools PFI Unitary Charge Grant | (26,848) | (26,472) |
| Improved Better Care Fund | (20,926) | (14,942) |
| Pupil Premium Grant | (10,699) | (12,026) |
| Housing Subsidy/ Decent Homes Backlog Grant | (10,353) | (10,353) |
| Household Support Grant & Covid-19 Grants | 0 | (5,337) |
| Social Care Grants | 0 | (5,298) |
| Energy Support Grant | 0 | (397) |
| Other Grants | (88,632) | (75,663) |
| Total | (618,831) | (627,339) |

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

| | 2024/25 £000 | 2023/24 £000 |
|---------------------------------------|------------------|-----------------|
| Revenue Support Grant (RSG) | (34,537) | (32,392) |
| Social Care Grants | (30,790) | (23,402) |
| S31 Business rate relief grant | (25,230) | (17,184) |
| S31 Business rate grants - Other | (15,000) | 0 |
| New Homes Bonus | (1,993) | (114) |
| Services & Lower Tier Services Grants | (664) | (3,848) |
| Other | (1,905) | (3,614) |
| Total | (110,119) | (80,554) |

31. RELATED PARTY TRANSACTIONS

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

(a) Central Government and Other Local Authorities

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

(b) Subsidiaries, Associated Companies and Joint Ventures

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

Notes to the Core Financial Statements

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

| 2024/25 | | | | | |
|--------------------------------------|---------------|-------------|--------|--|--|
| Name | Loan with LBL | Expenditure | Income | Income outstanding to LBL (LBL debtor balance) | Balance outstanding (LBL creditor balance) |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Lewisham Homes Ltd | 40,000 | 0 | 2,682 | 2,169 | 2,878 |
| Catford Regeneration Partnership Ltd | 17,327 | 0 | 949 | 17 | 35 |

| 2023/24 | | | | | |
|--------------------------------------|---------------|-------------|--------|--|--|
| Name | Loan with LBL | Expenditure | Income | Income outstanding to LBL (LBL debtor balance) | Balance outstanding (LBL creditor balance) |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Lewisham Homes Ltd | 40,000 | 29,701 | 1,352 | 2,699 | 3,014 |
| Catford Regeneration Partnership Ltd | 16,934 | 21 | 943 | 0 | 199 |

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

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

Payments made by the Council to these companies in 2024/25 are shown below:

- i) Lewisham Grainger Holdings LLP – no payments were made.

(d) Elected Members (Councillors) and Chief Officers

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

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

(e) Lewisham Pension Fund

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

Notes to the Core Financial Statements

32. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

| | 2024/25 £000 | 2023/24 £000 |
|--|-----------------|-----------------|
| Opening Capital Financing Requirement | 578,349 | 551,105 |
| Capital Investment | | |
| Property, Plant and Equipment | 106,612 | 102,979 |
| Revenue Expenditure Funded from Capital under Statute | 28,194 | 3,201 |
| Right of Use Assets Recognised in Year (Leases) | 24,472 | 0 |
| | 159,278 | 106,180 |
| Resources Used for Financing | | |
| Capital Receipts | (2,255) | (5,857) |
| Government Grants and Other Contributions | (42,588) | (23,045) |
| Major Repairs Reserve | (25,359) | (26,311) |
| Sums set aside from Revenue: | (6,689) | (8,528) |
| | (76,891) | (63,741) |
| Increase in the underlying need to borrowing | 82,387 | 42,439 |
| Debt Redeemed | | |
| Minimum Revenue Provision | (5,480) | (4,343) |
| Repayment of Principal on PFI schemes | (11,739) | (10,852) |
| Repayment of Principal on Leases | (4,334) | 0 |
| | (21,553) | (15,195) |
| Increase/ (decrease) in Capital Financing Requirement | 60,834 | 27,244 |
| Closing Capital Financing Requirement | 639,183 | 578,349 |

Notes to the Core Financial Statements

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

The authority's lease contracts comprise leases of assets used for Council Dwellings and operational land and buildings.

Right-of-use assets

This table shows the change in the value of right-of-use assets held under leases by the authority:

| | 2024/25 £000 |
|-----------------------------------|-----------------|
| Value at 01 April 2024 | 12,368 |
| De-Recognised from Asset Register | (12,368) |
| Adjustment of Right of Use Assets | 24,472 |
| Additions | 0 |
| Depreciation Charge | (1,695) |
| Revaluations | 581 |
| Disposals | 0 |
| Value at 31 March 2025 | 23,358 |
| Council Dwellings | 4,010 |
| Land & Buildings | 19,348 |
| Value at 31 March 2025 | 23,358 |

Transactions under leases

The authority incurred the following expenses and cash flows in relation to leases:

| | 2024/25 £000 |
|---|-----------------|
| Comprehensive income and expenditure statement | |
| Interest expense on lease liabilities | 160 |
| Cash flow statement | |
| Minimum lease payments | 4,334 |

Notes to the Core Financial Statements

Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments):

| | 31/03/25 £000 | 31/03/24 £000 |
|---|------------------|------------------|
| Not later than one year | 7,328 | 1,207 |
| Later than one year and not later than five years | 11,972 | 3,276 |
| Later than five years | 21,819 | 15,396 |
| | 41,119 | 19,879 |

b) Council as a Lessori) Finance Leases

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

ii) Operating Leases

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

| | 31/03/25 £000 | 31/03/24 £000 |
|---|------------------|------------------|
| Not later than one year | 2,403 | 3,846 |
| Later than one year and not later than five years | 4,748 | 6,220 |
| Later than five years | 5,196 | 5,151 |
| | 12,347 | 15,217 |

Notes to the Core Financial Statements

34. PRIVATE FINANCE INITIATIVES (PFI) CONTRACTS

a) Summary of PFI Schemes

| PFI Scheme | Brockley HRA | Downham Lifestyles | Grouped Schools | BSF 1 | BSF 2 | BSF 3 | BSF 4 | Street Lighting |
|-----------------------------|-----------------|-----------------------|--------------------|--------------|-------------|--------------|--------------|--------------------|
| Start of Contract | 2007 | 2007 | 2007 | 2009 | 2011 | 2012 | 2012 | 2011 |
| End of Contract | 2027 | 2039 | 2036 | 2035 | 2037 | 2037 | 2038 | 2036 |
| Total Estimated Cost | £296m | £90m | £239m | £252m | £89m | £124m | £234m | £95m |
| Total PFI Credits | £207m | £30m | £674m | | | | | £54m |
| Net PFI Cost | £89m | £60m | £264m | | | | | £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 |
| 2024/25 | | | | | | | | | |
| Service Charges | 12,023 | 669 | 5,013 | 5,541 | 1,350 | 1,666 | 3,089 | 926 | 30,277 |
| Interest | 2,541 | 2,146 | 2,692 | 3,047 | 1,499 | 2,281 | 4,589 | 2,061 | 20,856 |
| Liability Repayment | 4,641 | 256 | 1,204 | 1,811 | 525 | 889 | 1,451 | 962 | 11,739 |
| Unitary Charge | 19,205 | 3,071 | 8,909 | 10,399 | 3,374 | 4,836 | 9,129 | 3,949 | 62,872 |

| | | | | | | | | | |
|-----------------------|---------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|---------------|
| 2023/24 | | | | | | | | | |
| Service Charges | 11,764 | 650 | 5,035 | 5,347 | 1,330 | 1,601 | 2,819 | 903 | 29,449 |
| Interest | 2,956 | 2,127 | 2,793 | 3,231 | 1,550 | 2,392 | 4,785 | 2,125 | 21,959 |
| Liability Repayment | 4,210 | 225 | 1,027 | 1,688 | 478 | 888 | 1,450 | 886 | 10,852 |
| Unitary Charge | 18,930 | 3,002 | 8,855 | 10,266 | 3,358 | 4,881 | 9,054 | 3,914 | 62,260 |

Notes to the Core Financial Statements

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.

| | 2024/25 | | 2023/24 | |
|---|---------------|-----------------|----------|-----------------|
| | £000 | £000 | £000 | £000 |
| Gross Book Value b/fwd | | 404,336 | | 409,635 |
| Additions | | 15 | | 391 |
| Revaluations (recognised in Revaluation Reserve) | 16,295 | | (1,936) | |
| Revaluations (recognised in Surplus/ Deficit on the Provision of Services) | 994 | 17,289 | (2,650) | (4,586) |
| Impairments (recognised in Revaluation Reserve) | (14) | | (391) | |
| Impairments (recognised in Surplus/ Deficit on the Provision of Services) | 0 | (14) | 0 | (391) |
| Loss of Control of Assets (recognised in Revaluation Reserve) | 0 | | 0 | |
| Loss of Control of Assets (recognised in Financing and Investment Income and Expenditure) | 0 | 0 | 0 | 0 |
| Disposals | | (897) | | (713) |
| Transfers | | 0 | | 0 |
| Assets reclassified (to)/ from Held for Sale | | 0 | | 0 |
| Gross Book Value c/fwd | | 420,729 | | 404,336 |
| Depreciation b/fwd | | (10,838) | | (9,672) |
| Depreciation for year | | (7,839) | | (7,897) |
| <u>Depreciation written back on:</u> | | | | |
| Transfers | | 0 | | 0 |
| Revaluations (recognised in Revaluation Reserve) | 6,483 | | 4,463 | |
| Revaluations (recognised in Surplus/ Deficit on the Provision of Services) | 190 | 6,673 | 2,268 | 6,731 |
| Impairments (recognised in Revaluation Reserve) | 0 | | 0 | |
| Impairments (recognised in Surplus/ Deficit on the Provision of Services) | 0 | | 0 | |
| Assets sold | | 0 | | 0 |
| Depreciation c/fwd | | (12,004) | | (10,838) |
| Net Book Value at End of Year | | 408,725 | | 393,498 |

Notes to the Core Financial Statements

d) PFI Liabilities

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

| | Current Liabilities (Due within 1 Year) | | Deferred (Future) Liabilities | |
|---|--|-------------------------|--|-------------------------|
| | 2024/25 £000 | 2023/24 £000 | 2024/25 £000 | 2023/24 £000 |
| Balance outstanding at start of year | 11,739 | 10,852 | 170,655 | 182,394 |
| Balance outstanding at end of year | 13,378 | 11,739 | 157,277 | 170,655 |

e) Payments due under PFI contracts in future years

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

Notes to the Core Financial Statements

| In 2025/26 £000s | 2 to 5 years £000s | 6 to 10 years £000s | 11 to 15 years £000s | 16 to 20 years £000s | Total £000s |
|------------------------|--------------------------|---------------------------|----------------------------|----------------------------|----------------|
|------------------------|--------------------------|---------------------------|----------------------------|----------------------------|----------------|

Brockley HRA

| | | | | | |
|-------------------------------|--------|--------|--|--|---------------|
| Service charges | 11,651 | 12,644 | | | 24,295 |
| Interest | 2,094 | 1,915 | | | 4,009 |
| Repayment of liability | 5,119 | 6,334 | | | 11,452 |
| Planned lifecycle replacement | 703 | 706 | | | 1,409 |

Downham Lifestyles

| | | | | | |
|-------------------------------|-------|-------|--------|-------|---------------|
| Service charges | 334 | 1,422 | 1,987 | 1,776 | 5,520 |
| Interest | 2,161 | 8,608 | 10,275 | 7,396 | 28,439 |
| Repayment of liability | 291 | 1,530 | 2,974 | 4,216 | 9,012 |
| Planned lifecycle replacement | 353 | 1,515 | 2,122 | 1,897 | 5,888 |

Grouped Schools

| | | | | | |
|-------------------------------|-------|--------|--------|-------|---------------|
| Service charges | 3,836 | 16,467 | 23,369 | 5,706 | 49,377 |
| Interest | 2,577 | 9,603 | 7,833 | 756 | 20,768 |
| Repayment of liability | 1,309 | 7,421 | 14,760 | 4,353 | 27,843 |
| Planned lifecycle replacement | 1,336 | 4,165 | 4,578 | 1,103 | 11,183 |

BSF 1

| | | | | | |
|-------------------------------|-------|--------|--------|---|---------------|
| Service charges | 3,655 | 15,763 | 22,520 | 0 | 41,938 |
| Interest | 3,047 | 10,151 | 5,677 | 0 | 18,876 |
| Repayment of liability | 2,181 | 11,288 | 19,900 | 0 | 33,370 |
| Planned lifecycle replacement | 1,597 | 6,228 | 6,893 | 0 | 14,718 |

BSF 2

| | | | | | |
|-------------------------------|-------|-------|-------|-------|---------------|
| Service charges | 1,040 | 4,425 | 6,183 | 3,277 | 14,925 |
| Interest | 1,432 | 5,161 | 4,357 | 805 | 11,756 |
| Repayment of liability | 559 | 3,008 | 5,916 | 4,064 | 13,547 |
| Planned lifecycle replacement | 391 | 1,486 | 2,105 | 1,267 | 5,249 |

BSF 3

| | | | | | |
|-------------------------------|-------|-------|--------|-------|---------------|
| Service charges | 1,437 | 6,725 | 10,319 | 5,444 | 23,925 |
| Interest | 2,282 | 7,850 | 6,670 | 2,071 | 18,872 |
| Repayment of liability | 1,088 | 4,707 | 7,735 | 5,608 | 19,138 |
| Planned lifecycle replacement | 237 | 1,564 | 2,980 | 1,495 | 6,276 |

BSF 4

| | | | | | |
|-------------------------------|-------|--------|--------|--------|---------------|
| Service charges | 2,529 | 11,403 | 17,016 | 12,143 | 43,091 |
| Interest | 4,577 | 16,215 | 14,745 | 4,350 | 39,887 |
| Repayment of liability | 1,786 | 8,458 | 14,993 | 12,249 | 37,486 |
| Planned lifecycle replacement | 424 | 2,352 | 4,127 | 3,463 | 10,366 |

Streetlighting

| | | | | | |
|-------------------------------|-------|-------|-------|-------|---------------|
| Service charges | 949 | 4,038 | 5,642 | 1,659 | 12,287 |
| Interest | 1,991 | 7,106 | 6,197 | 957 | 16,251 |
| Repayment of liability | 1,045 | 5,157 | 9,376 | 3,228 | 18,806 |
| Planned lifecycle replacement | 0 | 0 | 0 | 0 | 0 |

| | | | | | | |
|---------------|---------------|----------------|----------------|---------------|----------|----------------|
| Totals | 64,010 | 205,415 | 241,252 | 89,284 | 0 | 599,961 |
|---------------|---------------|----------------|----------------|---------------|----------|----------------|

Notes to the Core Financial Statements

| | In 2024/25 £000s | 2 to 5 years £000s | 6 to 10 years £000s | 11 to 15 years £000s | 16 to 20 years £000s | Total £000s |
|-------------------------------|------------------------|--------------------------|---------------------------|----------------------------|----------------------------|----------------|
| Brockley HRA | | | | | | |
| Service charges | 11,411 | 24,445 | | | | 35,856 |
| Interest | 2,556 | 4,042 | | | | 6,597 |
| Repayment of liability | 4,641 | 11,452 | | | | 16,094 |
| Planned lifecycle replacement | 690 | 1,418 | | | | 2,108 |
| Downham Lifestyles | | | | | | |
| Service charges | 325 | 1,385 | 1,935 | 2,190 | | 5,835 |
| Interest | 2,145 | 8,658 | 10,350 | 9,375 | | 30,528 |
| Repayment of liability | 256 | 1,423 | 2,615 | 4,973 | | 9,268 |
| Planned lifecycle replacement | 344 | 1,472 | 2,067 | 2,338 | | 6,221 |
| Grouped Schools | | | | | | |
| Service charges | 3,745 | 16,076 | 22,813 | 10,690 | | 53,325 |
| Interest | 2,692 | 9,991 | 9,093 | 1,723 | | 23,498 |
| Repayment of liability | 1,204 | 6,552 | 13,448 | 7,844 | | 29,047 |
| Planned lifecycle replacement | 1,289 | 4,551 | 4,517 | 2,161 | | 12,518 |
| BSF 1 | | | | | | |
| Service charges | 3,568 | 15,381 | 21,985 | 4,801 | | 45,736 |
| Interest | 3,048 | 11,133 | 8,027 | -243 | | 21,965 |
| Repayment of liability | 1,811 | 10,357 | 19,629 | 3,385 | | 35,181 |
| Planned lifecycle replacement | 1,942 | 6,083 | 7,663 | 1,052 | | 16,741 |
| BSF 2 | | | | | | |
| Service charges | 1,024 | 4,357 | 6,088 | 4,618 | | 16,087 |
| Interest | 1,501 | 5,412 | 4,912 | 1,449 | | 13,273 |
| Repayment of liability | 525 | 2,688 | 5,350 | 5,509 | | 14,071 |
| Planned lifecycle replacement | 349 | 1,523 | 2,071 | 1,703 | | 5,647 |
| BSF 3 | | | | | | |
| Service charges | 1,496 | 6,446 | 10,037 | 7,602 | | 25,581 |
| Interest | 2,290 | 8,339 | 7,368 | 3,218 | | 21,215 |
| Repayment of liability | 889 | 4,465 | 7,163 | 7,510 | | 20,027 |
| Planned lifecycle replacement | 321 | 1,397 | 2,857 | 2,064 | | 6,639 |
| BSF 4 | | | | | | |
| Service charges | 2,622 | 10,909 | 16,616 | 15,904 | | 46,051 |
| Interest | 4,606 | 17,159 | 16,119 | 6,731 | | 44,614 |
| Repayment of liability | 1,451 | 7,991 | 13,698 | 15,796 | | 38,937 |
| Planned lifecycle replacement | 561 | 2,046 | 3,996 | 4,406 | | 11,009 |
| Streetlighting | | | | | | |
| Service charges | 926 | 3,939 | 5,504 | 2,844 | | 13,213 |
| Interest | 2,061 | 7,467 | 6,892 | 1,892 | | 18,312 |
| Repayment of liability | 962 | 4,749 | 8,630 | 5,427 | | 19,768 |
| Planned lifecycle replacement | 0 | 0 | 0 | 0 | | 0 |
| Totals | 63,251 | 223,305 | 241,446 | 136,961 | 0 | 664,963 |

Notes to the Core Financial Statements

35. CAPITAL CONTRACTUAL COMMITMENTS

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

| | Contractual commitments as at 31/03/25 |
|--|---|
| | £'000 |
| General Fund | |
| LUF P1 - Market Regeneration | 749 |
| LUF P3 - High Street Regeneration | 1,167 |
| Catford Constitution Club (CCC) | 1,705 |
| Housing Revenue Account | |
| Algernon/Embleton Road | 5,352 |
| Bampton | 650 |
| Eliot Bank (Forest Estate) | 321 |
| Creekside Acquisition | 692 |
| New Cross Road Acquisition 52-54 | 6,268 |
| Total Capital Programme contractual commitments | 16,904 |

| | Contractual commitments as at 31/03/24 |
|--|---|
| | £'000 |
| General Fund | |
| Lewisham Gateway (Phase 2) | 3,441 |
| Thomas Lane Yard & the CCC | 1,300 |
| Amersham & Northover Residential Conversion | 1,200 |
| Riverside Youth Club Development Project | 1,000 |
| Corporate Estate Maintenance Programme 2021-2023 | 300 |
| Mayow Road | 300 |
| Housing Revenue Account | |
| New Cross Road Acquisition 52-54 | 6,800 |
| New Homes, Better Places- Bampton & Shifford Est.Dev | 1,100 |
| Elderton Road Garages (Pack 5) SE26 4EY | 800 |
| Creekside Acquisition | 500 |
| Sommerville (PHASE 3) | 500 |
| Algernon/Embleton Road (Phase 3) | 458 |
| Walsham House Garages | 450 |
| Creekside Acquisition | 400 |
| Eliot Bank (Forest Estate) | 300 |
| Ladywell Leisure Centre Development Site | 300 |
| Total Capital Programme contractual commitments | 19,149 |

36. DEFINED CONTRIBUTION PENSION SCHEMES

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

Teachers employed by the Council are members of the Teachers' Pension Scheme, which is run by the Department for Education (DfE). The scheme provides benefits upon retirement with both the Council and the employee making contributions to the scheme. The scheme is "unfunded" and the DfE use a notional fund to set a national employers contribution rate based on a percentage of members' pensionable pay – in 2024/25 this rate was 28.68% (in 2023/24 23.68%). In 2024/25, the Council paid £30.52m to the DfE in respect of teachers' pension costs (£30.54m in 2023/24).

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 23.78% for 2024/25 (14.38% paid by employers and 9.4% paid centrally (in 2023/24 this was also 20.68%). In 2024/25 the Council paid £0.020m to the DoH in respect of employees' pension costs (£0.042m in 2023/24).

Notes to the Core Financial Statements

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

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

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

These are assessed on an actuarial basis using the projected unit method and an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. They have been prepared by independent firms of actuaries (the LGPS by Hymans Robertson and the LPFA by Barnett Waddingham), and are based on IAS19 assumptions and calculations for the year and the latest triennial valuations as at 31 March 2022. In 2023/24 the as part of the in-sourcing of the functions carried out by Lewisham Homes on behalf of the Council the staff of Lewisham Homes transferred to the Council. The pension liability that was previously guaranteed by the Council transferred back to the Council and is now included in the Council's single entity accounts. An adjustment has been made to the valuation of the assets and liabilities within the Council's single entity accounts to reflect this.

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:

Notes to the Core Financial Statements

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

Current Service Cost

Past Service Cost (inc.settlements and curtailments)

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

Interest Income on Scheme Assets

Interest Cost on Defined Benefit Obligation (Liabilities)

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

Employer contributions

Contributions in respect of unfunded benefits paid

Effect of business combinations and disposals

Total CashflowsRemeasurements of the Net Defined Benefit Liability

Return on Assets excluding amounts included in Net Interest

Actuarial Losses from changes in Demographic Assumptions

Actuarial Losses from changes in Financial Assumptions

Other Remeasurements & Gains and Losses

Total Remeasurements recognised in CIES**Effect of Asset Ceiling****Total Post Employment Benefits Charged to the CIES**

| 2024/25 £000 | 2023/24 £000 |
|-----------------|-----------------|
| 32,581 | 34,135 |
| (1,831) | (1,068) |
| 30,750 | 33,067 |
| (86,308) | (73,176) |
| 81,391 | 77,003 |
| (4,917) | 3,827 |
| 25,833 | 36,894 |
| (37,698) | (36,029) |
| (4,603) | (4,421) |
| 0 | (49,118) |
| (42,301) | (89,568) |
| 29,165 | (122,821) |
| (3,030) | (11,623) |
| (247,472) | (72,084) |
| (17,648) | 53,409 |
| (238,985) | (153,119) |
| 245,898 | 125,708 |
| (9,555) | (80,085) |

Movement in Reserves Statement

Pensions Reserve - Adj to opening bal (RE Lewisham Homes)

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

Employers' Contributions Payable to the Scheme

Return on Assets excluding amounts included in Net Interest

Actuarial Gains and Losses

Net Movement in Pensions Reserve

| 2024/25 £000 | 2023/24 £000 |
|-----------------|-----------------|
| 0 | 49,118 |
| (25,833) | (36,894) |
| 42,301 | 40,450 |
| (29,165) | 122,821 |
| 268,150 | 30,298 |
| 255,453 | 205,793 |

Notes to the Core Financial Statements

d) Pensions Assets and Liabilities Recognised in the Balance Sheet

| | 31/03/25 £000 | 31/03/24 £000 |
|---|------------------|------------------|
| Fair Value of Plan Assets | 1,845,495 | 1,814,181 |
| Present Value of Defined Benefit Liability (Obligation) | (1,451,091) | (1,670,371) |
| | 394,404 | 143,810 |
| Present Value of Unfunded Liabilities | (40,452) | (45,311) |
| Pensions Reserve - Year End Balance (Before effect of Asset Ceiling) | 353,952 | 98,499 |
| Effect of Asset Ceiling | (403,891) | (157,993) |
| Pensions Reserve - Year End Balance | (49,939) | (59,494) |

e) Reconciliation of the Movements in the Asset Ceiling

Accounting Policy 13 (iv) restricts (by way of an 'asset ceiling') the amount of accounting surplus that the Employer may be able to disclose at its accounting year end, therefore as LBL is not eligible to recognise the surplus an asset restriction has been applied.

For the funded part of the LGPS scheme this has had the effect of reducing the surplus of £350,024k to a deficit of £9,519k.

For the LPFA scheme this has had the effect of reducing the surplus of £44,370k to £32k.

| | 31/03/25 £000 | 31/03/24 £000 |
|--|------------------|------------------|
| Opening impact of asset ceiling | 157,993 | 32,285 |
| Interest on impact of asset ceiling | 7,604 | 1,550 |
| Actuarial losses / (gains) | 238,294 | 124,158 |
| Closing impact of asset ceiling | 403,891 | 157,993 |

Notes to the Core Financial Statements

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

| | 31/03/25 £000 | 31/03/24 £000 |
|---|------------------|------------------|
| Opening Fair Value of Scheme Assets | 1,814,181 | 1,459,367 |
| Interest Income on Scheme Assets | 86,336 | 73,203 |
| Administration | (28) | (27) |
| <u>Remeasurement Gains / Losses</u> | | |
| Return on Assets excluding amounts included in Net Interest | (29,165) | 122,821 |
| Employer Contributions | 37,698 | 36,029 |
| Contributions in respect of Unfunded Benefits | 4,603 | 4,421 |
| Contributions from Scheme Participants | 11,470 | 11,031 |
| Assets distributed on settlements | (6,514) | (5,201) |
| Benefits Paid | (68,483) | (70,986) |
| Unfunded Benefits Paid | (4,603) | (4,421) |
| Effect of business combinations and disposals | 0 | 187,944 |
| Other Remeasurements | 0 | 0 |
| Closing Fair Value of Scheme Assets | 1,845,495 | 1,814,181 |

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

| | 31/04/25 £000 | 31/03/24 £000 |
|--|--------------------|--------------------|
| Opening Present Value of Scheme Liabilities (Obligations) | (1,715,682) | (1,566,661) |
| Current Service Cost | (32,581) | (34,135) |
| Interest Cost on Defined Benefit Obligation (Liabilities) | (81,391) | (77,003) |
| Contributions from Scheme Participants | (11,470) | (11,031) |
| <u>Remeasurement Gains / Losses</u> | | |
| Benefits Paid | 68,483 | 70,986 |
| Unfunded Benefits Paid | 4,603 | 4,421 |
| Actuarial Losses from changes in Demographic Assumptions | 3,030 | 11,623 |
| Actuarial Losses from changes in Financial Assumptions | 247,472 | 72,084 |
| Other Gains and Losses | 17,648 | (53,409) |
| Effect of business combinations and disposals | 0 | (138,826) |
| Past Service Costs / Curtailments / Settlements | 8,345 | 6,269 |
| Closing Present Value of Scheme Liabilities (Obligations) | (1,491,543) | (1,715,682) |

Notes to the Core Financial Statements

h) Pension Scheme Assets

| | 31/03/25 | | | 31/03/24 | | |
|--------------------------------|-----------------------|----------------------------------|------------------|-----------------------|----------------------------------|------------------|
| | Active Market £000 | Not in Active Markets £000 | Total £000 | Active Market £000 | Not in Active Markets £000 | Total £000 |
| LGPS (LBL) | | | | | | |
| Debt Securities | 218,521 | 0 | 218,521 | 156,106 | 0 | 156,106 |
| Private Equity | 0 | 179,751 | 179,751 | 0 | 132,025 | 132,025 |
| Real Estate | 0 | 157,151 | 157,151 | 0 | 154,798 | 154,798 |
| Investment Funds / Unit Trusts | 959,021 | 163,132 | 1,122,153 | 1,062,280 | 163,011 | 1,225,291 |
| Cash and Cash Equivalents | 0 | 76,475 | 76,475 | 0 | 52,787 | 52,787 |
| Total LGPS Assets | 1,177,542 | 576,509 | 1,754,051 | 1,218,386 | 502,621 | 1,721,007 |

| | 31/03/25 | | | 31/03/24 | | |
|--------------------------|-----------------------|----------------------------------|---------------|-----------------------|----------------------------------|---------------|
| | Active Market £000 | Not in Active Markets £000 | Total £000 | Active Market £000 | Not in Active Markets £000 | Total £000 |
| LPFA | | | | | | |
| Equities | 48,694 | 5,240 | 53,934 | 49,845 | 6,568 | 56,413 |
| Target Return Portfolio | 3,484 | 13,123 | 16,607 | 4,985 | 11,089 | 16,074 |
| Infrastructure | 0 | 10,430 | 10,430 | 0 | 10,704 | 10,704 |
| Real Estate | 0 | 8,334 | 8,334 | 0 | 8,523 | 8,523 |
| Cash | 2,101 | 37 | 2,138 | 1,432 | 28 | 1,460 |
| Total LPFA Assets | 54,280 | 37,163 | 91,443 | 56,262 | 36,912 | 93,174 |

i) Basis for Estimating Assets and Liabilities

| | Local Government Pension Scheme | | LPFA | |
|--|------------------------------------|---------|---------|---------|
| | 2024/25 | 2023/24 | 2024/25 | 2023/24 |
| Rate of Inflation – CPI | 2.80% | 2.80% | 2.90% | 2.95% |
| Salary Increase Rate | 3.80% | 3.80% | 3.90% | 3.95% |
| Pensions Increases | 2.80% | 2.80% | 2.90% | 2.95% |
| Rate for discounting scheme liabilities | 5.80% | 4.80% | 5.65% | 4.85% |
| Mortality assumptions | | | | |
| Longevity at 65 for current pensioners - Men | 20.8 | 20.9 | 19.9 | 19.9 |
| Longevity at 65 for current pensioners - Women | 23.8 | 23.9 | 23.7 | 23.6 |
| Longevity at 65 for future pensioners - Men | 21.8 | 21.9 | 21.1 | 21.1 |
| Longevity at 65 for future pensioners - Women | 25.2 | 25.2 | 24.8 | 24.7 |

Notes to the Core Financial Statements

j) Sensitivity Analysis

| Change in Assumption at 31st March 2025 | Approximate % Increase in Employer Liability | Approximate Monetary Amount (£000) |
|--|--|------------------------------------|
| LGPS - LB Lewisham | | |
| 0.1% Decrease in Real Discount Rate | 2% | 22,762 |
| 1 Year Increase in Member Life Expectancy | 4% | 57,779 |
| 0.1% Increase in the Salary Increase Rate | 0% | 833 |
| 0.1% Increase in the Pension Increase Rate | 2% | 22,554 |
| LPFA | | |
| 0.1% Decrease in Real Discount Rate | n/a | 414 |
| 1 Year Increase in Member Life Expectancy | n/a | 2,793 |
| 0.1% Increase in the Salary Increase Rate | n/a | 1 |
| 0.1% Increase in the Pension Increase Rate | n/a | 424 |

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.

k) Future Contributions

The objectives of the scheme are to keep the employer's contributions at as constant a rate as possible. The Council anticipates paying £35.1m in contributions to the scheme in 2024/25.

l) Additional Disclosure RequiredVirgin Media Ltd vs NTL Trustees

No additional allowance has been made within the accounting balance sheet for this June 2023 legal judgement for the following reasons:

- the ruling only applies to the above-named private sector pension scheme
- the legal judgement was subject to appeal (however the Court of Appeal dismissed in July 2024 and the original ruling stands)
- it is unknown whether Section 37 certificates exist for prior LGPS scheme amendments
- it is unknown whether there would be any potential remedy required to public service schemes (including the LGPS)
- it is unknown what the impact of any potential remedy would be
- DWP are being asked by pension bodies to look at pragmatic solutions where schemes are unable to evidence historic section 37 confirmation (eg introduce legislation that would allow retrospective section 37 certificates to be produced now to validate historic changes).

GMP equalisation / indexation treatment (Lloyds' ruling)

The actuaries have allowed for the impact of full GMP indexation in the calculation of the latest funding valuation results. The Employer's funding valuation results are used as the starting point for the accounting roll forward calculations and therefore an allowance for full GMP indexation has already been included in the accounting disclosure.

GMP equalisation – historical transfers (Further Lloyd's ruling)

This further ruling is unlikely to have a significant impact on the pension obligations of a typical employer, and the historic individual member data we would need to assess the impact is not readily available. As a result, no allowance has been made for this within the calculations.

Notes to the Core Financial Statements

McCloud/Sargeant treatment

The actuaries have allowed for the McCloud judgement in the calculation of the latest funding valuation results. The Employer's funding valuation results are used as the starting point for the accounting roll forward calculations and therefore an allowance is included in the accounting disclosure.

Goodwin treatment

The actuaries have previously carried out some approximate analysis across their LGPS clients to understand the potential impact of implementing a solution to correct the past underpayment of spouses' benefits. The remedy is still uncertain, but it is estimated that the potential impact of this is likely to be very small for a typical Fund (c0.1% of obligations). Therefore, it is not thought necessary or appropriate to make an adjustment to account for this at the moment, given the level of additional work and fees that would be involved for the Employer (and indeed the highly approximate nature of applying an unknown remedy).

38. CONTINGENT LIABILITIES

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

- There were 25 schools with licensed deficit budgets at the year-end (2 nursery schools, 2 special schools, and 21 primary schools), totalling £18.6m. Because of the complexities and future uncertainties over the arrangements for dealing with school deficits/loans, some or all of this total of £18.6m may ultimately fail to be met from the Council's General Fund, either in 2025/26 or a later year.

39. CONTINGENT ASSETS

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

40. TRUST FUNDS

The Council acts as a trustee for other funds which are not included in the Balance Sheet. Interest on these funds is credited annually at the average rate earned on the Council's revenue balances. The total amount held as at 31 March 2025 was £0.1m (£0.1m as at 31 March 2024).

41. HERITAGE ASSETS

These assets comprise Lewisham Clock Tower (£706k) and the Civic Regalia (£249k). Their values in the accounts are insurance values which are assessed internally and based on current market values. The value of the assets at 31 March 2025 is £0.96m (£0.96m as at 31 March 2024).

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

42. CAPITAL GRANTS UNAPPLIED

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

| | 2024/25 £000 | 2023/24 £000 |
|---|-------------------------|-------------------------|
| Community Infrastructure Levy - LB Lewisham | (23,502) | (23,791) |
| Adults PSS Grant (DoH) | (2,566) | (2,566) |
| Disabled Facilities Grant | (1,422) | (2,199) |
| Other Housing Grant (GLA) | (14,244) | (15,728) |
| Other Grants | (11,924) | (2,474) |
| Total | (53,658) | (46,758) |

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

| | 2024/25 £000 | 2023/24 £000 |
|---|-------------------------|-------------------------|
| Depreciation, Impairment and Downward Valuations | 119,633 | 158,017 |
| Increase/ (decrease) in creditors | (17,486) | 25,400 |
| (Increase)/ decrease in debtors | (14,203) | (9,537) |
| (Increase)/ decrease in inventories (stock) | (63) | (40) |
| Movement in pension liability | (16,468) | (3,556) |
| Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 17,762 | 7,480 |
| Other non-cash items charged to the net surplus or deficit on the provision of services | (12,162) | (2,648) |
| Total Adjustment to net surplus or deficit on the provision of services for non-cash movements | 77,013 | 175,116 |

Notes to the Core Financial Statements

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

| | 2024/25 £000 | 2023/24 £000 |
|--|-----------------|-----------------|
| Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries) | 60 | 48 |
| Proceeds from the sale of property plant and equipment, investment property and intangible assets | (8,418) | (13,257) |
| Capital Grants credited to surplus or deficit on the provision of services | (49,488) | (42,042) |
| Total Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (57,846) | (55,251) |

45. CASH FLOW STATEMENT - OPERATING ACTIVITIES

| | 2024/25 £000 | 2023/24 £000 |
|--------------------------|-----------------|-----------------|
| Interest Received | 30,271 | 6,575 |
| Interest Paid | (29,445) | (29,529) |
| Net Interest Paid | 826 | (22,954) |

Notes to the Core Financial Statements

46. CASH FLOW STATEMENT - INVESTING ACTIVITIES

| | 2024/25 £000 | 2023/24 £000 |
|---|-----------------|-----------------|
| Purchase of Property, Plant and Equipment, investment property and intangible assets | (106,955) | (99,344) |
| Purchase of short and long term investments | (245,000) | (335,000) |
| Other payments for Investing Activities | (454) | 3,356 |
| Proceeds from the sale of property plant and equipment, investment property and intangible assets | 8,418 | 13,257 |
| Proceeds from short-term and long-term investments | 315,000 | 335,000 |
| Capital Grants received in year | 46,134 | 42,547 |
| Net Cash Flows from Investing Activities | 17,143 | (40,184) |

47. CASH FLOW STATEMENT - FINANCING ACTIVITIES

| | 2024/25 £000 | 2023/24 £000 |
|--|-----------------|-----------------|
| Cash receipts of short and long term borrowing | 0 | 0 |
| Other receipts from financing activities | 0 | 0 |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | (16,073) | (10,852) |
| Repayment of Short-Term and Long-Term Borrowing | (5,111) | (26,345) |
| Council Tax and NNDR adjustments | (5,939) | (4,561) |
| Net Cash Flows from Financing Activities | (27,123) | (41,758) |

Notes to the Core Financial Statements

48. PRIOR YEAR ADJUSTMENTS/ RESTATEMENTSRestructure of Management Hierarchy

In 2024/25 the Community Services Directorate became the Adult Social Care directorate and most of the non-Adult Social Care teams and functions moved to the Place Directorate. This was a material change, so the 2023/24 CIES and related notes have been restated to reflect the changes made.

Comprehensive Income & Expenditure Statement (CIES)

This re-organisation required the 2023/24 CIES to be re-stated by mapping the cost centres used in 2023/24 to the new 2024/25 hierarchy as follows:

| From | | To | |
|-------------------------------------|---------------------------|-------------------------------------|---------------------------|
| Service | Net Expenditure £'000s | Service | Net Expenditure £'000s |
| Children & Young People Directorate | 103,804 | Children & Young People Directorate | 103,463 |
| Community Services Directorate | 98,676 | Adult Social Care Directorate | 81,538 |
| Place Directorate | 31,932 | Place Directorate | 49,069 |
| Corporate Services Directorate | 36,162 | Corporate Services Directorate | 34,938 |
| Chief Executive Directorate | 13,408 | Chief Executive Directorate | 14,974 |
| Housing Directorate | 25,522 | Housing Directorate | 25,522 |
| Housing Revenue Account | 88,092 | Housing Revenue Account | 88,092 |
| Corporate Provisions | 17,141 | Corporate Provisions | 17,141 |
| Cost of Services | 414,737 | Cost of Services | 414,737 |

Expenditure & Funding Analysis (Note 1)

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

Group Accounts - Group CIES

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

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.

HRA INCOME AND EXPENDITURE STATEMENT

| | 2024/25 £000 | 2023/24 £000 | Note |
|---|------------------|------------------|------|
| INCOME | | | |
| Gross Rent - Dwellings | (87,284) | (79,017) | 1 |
| Gross Rent - Other Housing Properties | (3,598) | (3,683) | 1 |
| Charges for Services and Facilities | (14,950) | (14,519) | 1 |
| Housing Subsidy and Government Grants | (10,353) | (10,353) | 2 |
| Contribution towards Expenditure | (8,215) | (9,852) | 4 |
| Total Income | (124,400) | (117,424) | |
| EXPENDITURE | | | |
| Supervision and Management - General Expenses | 40,123 | 43,216 | 5 |
| Supervision and Management - Special Expenses | 7,194 | 10,215 | 5 |
| Repairs and Maintenance | 26,660 | 29,807 | 6 |
| Rent, Rates and Other Charges | 715 | 497 | 8 |
| Rent Rebate Subsidy Shortfall | 0 | 0 | 3 |
| Contribution to Doubtful Debts & Other Provisions | 1,311 | 1,267 | 7 |
| Depreciation - Dwellings | 24,352 | 25,214 | 10 |
| Depreciation - Other Housing Assets | 1,103 | 1,094 | 10 |
| Impairment of Non Current Assets | 59,250 | 93,964 | 10 |
| Debt Management Expenses | 56 | 42 | |
| Total Expenditure | 160,764 | 205,316 | |
| Net Cost of Services included in the Council's Income and Expenditure Account | 36,364 | 87,892 | |
| HRA Services share of Corporate and Democratic Core Costs | 361 | 198 | |
| Net Cost of HRA Services | 36,725 | 88,090 | |
| HRA share of the Operating Income and Expenditure incl.in the Comprehensive Income and Expenditure Statement | | | |
| (Gain) / Loss on Sale and de-recognition of HRA Non Current Assets | 1,929 | (6,269) | |
| Interest Payable and Similar Charges | 9,518 | 8,216 | 11 |
| Interest and Investment Income | (1,708) | (1,776) | |
| Pension Interest Cost and Expected Return on Pension Assets | (194) | 88 | 12 |
| (Surplus) / Deficit for the Year on HRA Services | 46,270 | 88,349 | |

Housing Revenue Account

HOUSING REVENUE ACCOUNT - MOVEMENT IN RESERVES STATEMENT

| | 2024/25 £000 | 2023/24 £000 |
|---|-----------------|-----------------|
| Balance on the HRA at the End of the Previous Year | 9,186 | 14,068 |
| <u>Movement in Year</u> | | |
| Surplus or (Deficit) for the year on the HRA Income and Expenditure Statement | (46,270) | (88,349) |
| Adjustments between Accounting Basis and Funding Basis under Statute | 55,716 | 83,467 |
| Net Increase or (Decrease) before Transfers (To) / From Reserves | 9,446 | (4,882) |
| Transfers (To) / From Reserves | 0 | 0 |
| Increase or (Decrease) in Year on the HRA | 9,446 | (4,882) |
| Balance on the HRA at the End of the Year | 18,632 | 9,186 |

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

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

Housing Revenue Account

NOTES TO THE HOUSING REVENUE ACCOUNT

1. GROSS RENT OF DWELLINGS

This is the total rent collectable for the year after allowance is made for empty property. At 31 March 2025, 0.71% of lettable property was empty (1.15% at 31 March 2024). These figures for empty property exclude accommodation for the homeless and dwellings designated for sale, major works and improvements. Average rents were £119.91 in 2024/25 and £111.33 per week in 2023/24.

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

(a) Housing stock

The Council was responsible for managing 13,826 dwellings as at 31 March 2025 (13,839 as at 31 March 2024).

There have been no stock transfers undertaken in 2024/25.

The stock was made up as follows:

Stock Numbers at year end

Houses and Bungalows

Flats and Maisonettes

Stock at End of Year

| 31/03/25 | 31/03/24 |
|---------------|---------------|
| 2,291 | 2,298 |
| 11,535 | 11,541 |
| 13,826 | 13,839 |

Change in Stock Numbers during the year

Stock at 1 April

Less Sales, Demolitions, etc.

Add Re-purchases, Conversions etc.

Stock at End of Year

| 2024/25 | 2023/24 |
|---------------|---------------|
| 13,839 | 13,772 |
| (52) | (56) |
| 39 | 123 |
| 13,826 | 13,839 |

b) Rent Arrears

Rent Arrears due from Current Tenants

Rent Arrears due from Former Tenants

Total Arrears**Total Arrears as % of Gross Rent of Dwellings Due**

| 2024/25 £000 | 2023/24 £000 |
|-----------------|-----------------|
| 8,214 | 6,997 |
| 1,985 | 1,511 |
| 10,199 | 8,508 |
| 8.9% | 8.4% |

The arrears shown in this note exclude water charges, heating charges and all other charges collected as part of tenants' rent. Housing rent represents 97.9% of the total collectable from tenants.

Housing Revenue Account

c) Rent – Other Housing Property

| | 2024/25 £000 | 2023/24 £000 |
|--------------------------------------|-----------------|-----------------|
| Aerial Sites | 329 | 307 |
| Garages | 169 | 174 |
| Reception Hostels | 2,737 | 2,832 |
| Commercial Property | 303 | 313 |
| Ground Rents | 60 | 57 |
| Total Other Rents and Charges | 3,598 | 3,683 |

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

Service charges include caretaking, grounds maintenance, communal lighting, bulk household waste removal and disposal, window cleaning, pest control and the Lewisham Tenants Levy. The average tenants' service charge was £10.50 in 2024/25 (£9.75 in 2023/24).

| | 2024/25 £000 | 2023/24 £000 |
|--|-----------------|-----------------|
| Heating Charges | 806 | 768 |
| Leasehold Service Charges | 6,915 | 6,589 |
| Tenants Service Charges | 7,229 | 7,162 |
| Total Charges for Services and Facilities | 14,950 | 14,519 |

2. GOVERNMENT HOUSING EXCHEQUER 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.

| | 2024/25 £000 | 2023/24 £000 |
|---------------------------------|-----------------|-----------------|
| Other Reckonable Expenditure | 0 | 0 |
| PFI Credit | 10,353 | 10,353 |
| Decent Homes Grant | 0 | 0 |
| Total Grants and Subsidy | 10,353 | 10,353 |

Housing Revenue Account

3. REBATES

Assistance with rents is available under the Housing benefits scheme for those on low income. The scheme is administered by the Council and approximately 22% of tenants received help in 2024/25 (24% in 2023/24). 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:

| | 2024/25 £000 | 2023/24 £000 |
|----------------------------------|-----------------|-----------------|
| Rent Rebates Given (GF) | 23,686 | 22,822 |
| Subsidy Received on Rebates (GF) | (23,686) | (22,822) |
| Net cost to the HRA | 0 | 0 |

4. CONTRIBUTIONS TOWARDS EXPENDITURE

| | 2024/25 £000 | 2023/24 £000 |
|---|-----------------|-----------------|
| Court Costs | 16 | 65 |
| Recharges of repairs | 2,624 | 4,929 |
| Recharge to Capital Receipts | 397 | 763 |
| Hostels: Heat, Light and Water Charges | 134 | 119 |
| Reimbursement of overpaid Capital Charges | 0 | 0 |
| Professional fees | 254 | 115 |
| Other miscellaneous income | 4,790 | 3,861 |
| Total Other Income | 8,215 | 9,852 |

5. SUPERVISION AND MANAGEMENTGeneral expenses

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

Special expenses

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

Housing Revenue Account

6. REPAIRS AND MAINTENANCE

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

| | 2024/25 £000 | 2023/24 £000 |
|--------------------------------------|-----------------|-----------------|
| Revenue R&M works | 26,660 | 29,807 |
| Total Repairs and Maintenance | 26,660 | 29,807 |

7. CONTRIBUTIONS TO IMPAIRMENT ALLOWANCE**a) Contributions to Impairment Allowance**

A contribution of £1.311m (2023/24 £1.267m) was transferred from the HRA to an impairment allowance to meet doubtful debts. Details of the accumulated provisions are as follows:

| | 2024/25 £000 | 2023/24 £000 |
|--|-----------------|-----------------|
| Housing Tenants | 5,549 | 4,412 |
| Leaseholders | 3,692 | 3,328 |
| Commercial Properties, Miscellaneous Debts | 243 | 912 |
| Total Impairment Allowance | 9,484 | 8,652 |

b) Contributions to Provisions

A contribution of £0.00m (2023/24 £0.00m) was transferred from the HRA to provisions as an additional contribution to the Water Charges Provision.

The provision relates to the issue of whether the local authority was acting as an agent for Thames Water or was a water re-seller for the purposes of the Resale Order, which limited the maximum charge that could be applied to individual tenancies.

The value in question is not the Water Charge itself, but the income the authority received from Thames Water and whether this should have been passed onto the relevant tenancies.

Following a Court of Appeal ruling in October 2020 a provision was created to cover the liability for London Borough of Lewisham and to start the refund process to tenant's accounts. This was calculated with the data currently available at the time as £8.673m.

An additional contribution of £0.120m was transferred from the HRA to provisions in 2022/23 after further analysis showed that the total potential liability was £10.456m including additional administration costs. No additional contributions have been made in 2023/24 or 2024/25.

Rent accounts have been refunded and the provision now stands at a zero balance with no further liability anticipated.

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 2025 was £180.3m.

Housing Revenue Account

9. NON CURRENT ASSET VALUATION

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

| | 31/03/25 £000 | 31/03/24 £000 |
|---|------------------|------------------|
| Operational Assets: | | |
| Dwellings (Existing Use Value - Social Housing) | 1,477,629 | 1,385,917 |
| Other Land and Buildings | 18,738 | 19,217 |
| Infrastructure | 72 | 77 |
| Vehicles, Plant and Equipment | 5,734 | 6,353 |
| | 1,502,173 | 1,411,564 |
| Investment Properties | 0 | 0 |
| Surplus Assets | 9,521 | 8,903 |
| Assets Under Construction | 32,679 | 34,332 |
| | | |
| Total Housing Assets | 1,544,373 | 1,454,799 |
| | | |
| Full Valuation of Council Dwellings | 5,910,516 | 5,543,668 |

10. DEPRECIATION AND REVALUATION CHARGES

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

| | 2024/25 £000 | 2023/24 £000 |
|---|-----------------|-----------------|
| Operational Assets | | |
| Dwellings | 24,352 | 25,214 |
| Other Land and Buildings | 479 | 471 |
| Infrastructure | 5 | 5 |
| Vehicles, Plant and Equipment | 619 | 618 |
| Total Depreciation | 25,455 | 26,308 |
| Revaluation losses on non-current assets | 59,250 | 93,964 |
| Total Depreciation & Revaluation Charges | 84,705 | 120,272 |

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

11. INTEREST PAYABLE AND SIMILAR CHARGES

This line includes the charge of £6.97m for capital assets calculated in accordance with the DCLG's Item 8 Debit Determination for 2024/25 (£5.26m in 2023/24). It no longer includes any costs for the net cost of amortised loan redemption premiums and discounts as the final payment was made in 2017/18.

12. PENSIONS COSTS – IAS 19

In accordance with IAS 19, Lewisham recognises the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as

Housing Revenue Account

pensions. However, the cost to the HRA is based on the amounts payable in the year, so the accrued cost of retirement benefits is reversed out of the HRA.

13. HOUSING CAPITAL EXPENDITURE

There was a no contribution to Capital from HRA revenue to fund the new development and investment programme for 2024/25.

| | 2024/25 £000 | 2023/24 £000 |
|---|-----------------|-----------------|
| Expenditure: | | |
| Dwellings | 69,156 | 77,694 |
| Revenue Expenditure Funded from Capital under Statute | 0 | 0 |
| | 69,156 | 77,694 |
| Financed by: | | |
| Capital Receipts | 9,191 | 9,091 |
| HRA Contribution to Capital | 0 | 0 |
| Major Repairs Reserve | 25,359 | 26,311 |
| Borrowing | 34,606 | 42,292 |
| Total Capital Expenditure Financed | 69,156 | 77,694 |

14. MAJOR REPAIRS RESERVE

The movements on the major repairs reserve are as follows:

| | 2024/25 £000 | 2023/24 £000 |
|--|-----------------|-----------------|
| Balance brought forward at start of year | 0 | 0 |
| Transferred in (depreciation dwellings) | 25,455 | 26,311 |
| Financing of capital expenditure on housing assets | (25,359) | (26,311) |
| Balance carried forward at end of year | 96 | 0 |

15. HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

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

| | Balance at 31/03/24 £000 | Transfers In £000 | Transfers Out £000 | Balance at 31/03/25 £000 |
|-------------------------------------|--------------------------------|-------------------------|--------------------------|--------------------------------|
| Property and Stock Related Reserves | 4,000 | 2,906 | 0 | 6,906 |
| Staff Related Reserves | 404 | 0 | 0 | 404 |
| Other Earmarked Reserves | 4,782 | 6,540 | 0 | 11,322 |
| Total Reserves and Balances | 9,186 | 9,446 | 0 | 18,632 |

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.

| | 2024/25 | | | 2023/24 | | | |
|---|----------------|----------------|----------------|----------------|---------------|----------------|------|
| | Council Tax | NDR | Total | Council Tax | NDR | Total | Note |
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| INCOME | | | | | | | |
| Income from Council Tax (net) | 194,465 | | 194,465 | 180,907 | | 180,907 | 4 |
| Income from Non-Domestic Rates (net) | | 57,504 | 57,504 | | 52,408 | 52,408 | 5 |
| Income from Non-Domestic Rates (net) - BRS | | 1,396 | 1,396 | | 1,066 | 1,066 | 5 |
| TOTAL INCOME | 194,465 | 58,900 | 253,365 | 180,907 | 53,474 | 234,381 | |
| EXPENDITURE | | | | | | | |
| Precepts and Demands upon Fund (C.Tax) | | | | | | | |
| - London Borough of Lew ish am | 141,641 | | 141,641 | 132,574 | | 132,574 | |
| - Greater London Authority | 42,621 | | 42,621 | 38,668 | | 38,668 | |
| Precepts and Demands upon Fund (NDR) | | | | | | | |
| - London Borough of Lew ish am | | 17,479 | 17,479 | | 16,821 | 16,821 | |
| - Greater London Authority | | 21,557 | 21,557 | | 20,746 | 20,746 | |
| - Central Government | | 19,227 | 19,227 | | 18,503 | 18,503 | |
| - Cost of Collection Allow ance | | 293 | 293 | | 294 | 294 | |
| Business Rate Supplement (BRS) | | | | | | | |
| - Paid to Greater London Authority | | 1,192 | 1,192 | | 963 | 963 | |
| - Administrative Costs | | 6 | 6 | | 6 | 6 | |
| Bad and Doubtful Debts | | | | | | | |
| - Net adj to Impairment Allow ance | 9,705 | | 9,705 | 3,181 | | 3,181 | 6a |
| - Net adj to Impairment Allow ance | | (318) | (318) | | (344) | (344) | 6b |
| - Amounts Written Off | 412 | | 412 | 6,515 | | 6,515 | |
| - Amounts Written Off | | 985 | 985 | | 843 | 843 | |
| Contributions from previous year | | | | | | | |
| - London Borough of Lew ish am | 2,043 | (869) | 1,174 | 303 | 670 | 973 | |
| - Greater London Authority | 595 | (1,072) | (477) | 0 | 826 | 826 | |
| - Central Government | | (956) | (956) | | 737 | 737 | |
| Provision for Appeals | | | | | | | |
| - Net contribution | | (1,660) | (1,660) | | (4,237) | (4,237) | |
| TOTAL EXPENDITURE | 197,017 | 55,864 | 252,881 | 181,241 | 55,828 | 237,069 | |
| Deficit / (Surplus) for the year | 2,552 | (3,036) | (484) | 334 | 2,354 | 2,688 | 3 |
| Deficit / (Surplus) at start of year | 16 | 3,100 | 3,116 | (318) | 746 | 428 | 3 |
| Opening Balance Adjustment | 0 | 20 | 20 | 0 | 0 | 0 | 3 |
| Deficit / (Surplus) at end of year | 2,568 | 84 | 2,652 | 16 | 3,100 | 3,116 | |

Collection Fund

NOTES TO THE COLLECTION FUND

1. THE COUNCIL TAX BASE AND THE “BAND D” EQUIVALENT

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

The tax base used in setting the Council Tax is set by the end of January for the following financial year. It is based on the actual number of dwellings on the Valuation List that fall within each valuation band. The total in each band is adjusted for exemptions, single person occupancy discounts, discounts for second homes and long-term empty properties, disabled band relief and new properties. The total for each band is then expressed as a “Band D” equivalent number by multiplying the resulting total by the relevant band proportion. The tax base for 2024/25 assumed a collection rate of 95.0% (94.0% for 2023/24).

The table below sets out the original tax base calculation for 2024/25 and has been prepared in accordance with The Welfare Reform Act that abolished the system of Council Tax benefits and replaced it with the Council Tax Reduction Scheme (CTRS) with effect from 01 April 2013.

| | | 2024/25 | | | 2024/25 | | 2023/24 | |
|----------------------------|---------------------------|------------------|--------------------|--------------------|--|-------------------------------|--|-------------------------------|
| Council Tax Band | Property Value £000 | No.of Properties | | Band D Ratio | Band D Equivalents as per Ratio No. | Council Tax Charge £ | Band D Equivalents as per Ratio No. | Council Tax Charge £ |
| | | Actual Number | Adjusted Number | | | | | |
| | | (1) | (2) | | | | | |
| A | up to 40 | 8,308 | 5,480 | 6/9 | 3,653.0 | 1,358.66 | 3,666.2 | 1,284.19 |
| B | 40 - 52 | 34,567 | 25,514 | 7/9 | 19,844.6 | 1,585.09 | 19,670.5 | 1,498.20 |
| C | 52 - 68 | 46,090 | 37,699 | 8/9 | 33,510.0 | 1,811.54 | 33,174.0 | 1,712.24 |
| D | 68 - 88 | 26,828 | 23,394 | 1 | 23,393.7 | 2,037.98 | 23,291.0 | 1,926.27 |
| E | 88 - 120 | 7,816 | 7,010 | 11/9 | 8,568.1 | 2,490.87 | 8,536.1 | 2,354.34 |
| F | 120 - 160 | 2,761 | 2,595 | 13/9 | 3,748.5 | 2,943.75 | 3,731.7 | 2,782.39 |
| G | 160 - 320 | 1,337 | 1,275 | 15/9 | 2,125.7 | 3,396.64 | 2,113.7 | 3,210.46 |
| H | over 320 | 173 | 165 | 18/9 | 329.0 | 4,075.96 | 336.5 | 3,852.54 |
| Totals | | 127,880 | 103,132 | | 95,172.6 | | 94,519.7 | |
| Add: Contributions in lieu | | | | | 0.0 | | 0.0 | |
| Total Band D Equivalents | | | | | 95,172.6 | | 94,519.7 | |
| Estimated Collection Rate | | | | | 95.0% | | 94.0% | |
| NET COUNCIL TAX BASE | | | | | 90,414.0 | | 88,848.5 | |

(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 31/03/24 £000 | Movement in 2024/25 £000 | Balance at 31/03/25 £000 | Balance at 31/03/23 £000 | Movement in 2023/24 £000 | Balance at 31/03/24 £000 |
| Council Tax | | | | | | |
| London Borough of Lewisham | (3) | 1,977 | 1,974 | (228) | 225 | (3) |
| Greater London Authority | 19 | 575 | 594 | (90) | 109 | 19 |
| | 16 | 2,552 | 2,568 | (318) | 334 | 16 |
| Non-Domestic Rates | | | | | | |
| London Borough of Lewisham | 930 | (905) | 25 | 224 | 706 | 930 |
| Greater London Authority | 1,147 | (1,116) | 31 | 276 | 871 | 1,147 |
| Central Government | 1,023 | (995) | 28 | 246 | 777 | 1,023 |
| | 3,100 | (3,016) | 84 | 746 | 2,354 | 3,100 |
| Collection Fund Balances | 3,116 | (464) | 2,652 | 428 | 2,688 | 3,116 |

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 Taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

4. COUNCIL TAX INCOME

| | 2024/25 | | 2023/24 |
|---|----------|----------|----------|
| | £000 | £000 | £000 |
| Gross Council Tax Income Due | | 245,268 | 229,192 |
| Less: Exemptions | (8,692) | | (9,787) |
| Disabled Relief | (140) | | (134) |
| Discounts | (22,362) | | (21,463) |
| Adjustment for Council Tax Reduction Scheme | (20,997) | | (20,933) |
| Plus: Adjustments to charge | 1,388 | | 4,032 |
| | | (50,803) | (48,285) |
| Total Due from Council Tax payers | | 194,465 | 180,907 |

Collection Fund

5. NON-DOMESTIC RATES

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

| | 2024/25 | | 2023/24 |
|---|----------|----------|----------|
| | £000 | £000 | £000 |
| Gross NDR Collectable (after voids and exemptions) | | 88,388 | 79,298 |
| Reductions and Relief: | | | |
| Mandatory Relief | (20,503) | | (17,648) |
| Discretionary Relief | (8,985) | | (8,176) |
| | | (29,488) | (25,824) |
| Total Receivable from Business Rates | | 58,900 | 53,474 |

| | 2024/25 | 2023/24 |
|------------------------------------|---------|---------|
| | £m | £m |
| Non-Domestic Rateable Value | 171.7 | 173.0 |

| | 2024/25 | 2023/24 |
|--|---------|---------|
| | pence | pence |
| Non-Domestic Rate Multiplier | 54.6 | 51.2 |
| Non-Domestic Rate Multiplier (Small Business) | 49.9 | 49.9 |

6. COLLECTION FUND ARREARS AND IMPAIRMENT ALLOWANCES

| | 31/03/2025 | 31/03/2024 |
|----------------------------|------------|------------|
| | £000 | £000 |
| Council Tax Arrears | 61,861 | 50,911 |
| Impairment Allowance | (55,250) | (45,133) |
| As a Percentage of Arrears | 89.3% | 88.7% |

| | 2024/25 | | 2023/24 | |
|-----------------------|----------------|-----------------|----------------|-----------------|
| | Amount £000 | Percentage % | Amount £000 | Percentage % |
| Age of Arrears | | | | |
| Year of Accounts | 16,028 | 26 | 14,062 | 28 |
| Under 2 Years old | 11,528 | 19 | 10,153 | 20 |
| Under 3 Years old | 9,337 | 15 | 8,704 | 17 |
| Under 5 Years old | 13,871 | 22 | 10,920 | 21 |
| Over 5 Years old | 11,097 | 18 | 7,072 | 14 |
| Total | 61,861 | 100 | 50,911 | 100 |

Collection Fund

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

b) Non-Domestic Rates

| | 31/03/2025 £000 | 31/03/2024 £000 |
|----------------------------|--------------------|--------------------|
| NDR Arrears | 6,877 | 7,208 |
| Impairment Allowance | (6,109) | (6,427) |
| As a Percentage of Arrears | 88.8% | 89.2% |

| | 2024/25 | | 2023/24 | |
|-------------------|----------------|-----------------|----------------|-----------------|
| Age of Arrears | Amount £000 | Percentage % | Amount £000 | Percentage % |
| Year of Accounts | 1,781 | 26 | 2,130 | 30 |
| Under 2 Years old | 1,204 | 17 | 1,547 | 21 |
| Under 3 Years old | 873 | 13 | 1,152 | 16 |
| Under 5 Years old | 1,811 | 26 | 1,477 | 20 |
| Over 5 Years old | 1,208 | 18 | 902 | 13 |
| Total | 6,877 | 100 | 7,208 | 100 |

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

Group Accounts

SECTION 6 – GROUP ACCOUNTS

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

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

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

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

Group Accounts

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDING 31 MARCH 2025

| Restated | | | SERVICE | 2024/25 | | |
|----------------------------|-----------------------|--------------------------|---|----------------------------|-----------------------|--------------------------|
| 2023/24 | | | | Gross Expenditure £000s | Gross Income £000s | Net Expenditure £000s |
| Gross Expenditure £000s | Gross Income £000s | Net Expenditure £000s | | | | |
| 507,540 | (404,077) | 103,463 | Children & Young People Directorate | 490,859 | (391,091) | 99,768 |
| 181,709 | (100,171) | 81,538 | Adult Social Care & Health Directorate | 203,359 | (114,417) | 88,942 |
| 119,520 | (70,451) | 49,069 | Place Directorate | 149,264 | (73,482) | 75,782 |
| 214,178 | (179,807) | 34,371 | Corporate Services Directorate | 210,985 | (171,002) | 39,983 |
| 15,270 | (296) | 14,974 | Chief Executive Directorate | 18,056 | (2,099) | 15,957 |
| 82,728 | (57,206) | 25,522 | Housing Directorate | 107,740 | (73,802) | 33,938 |
| 226,049 | (137,678) | 88,371 | Housing Revenue Account | 194,307 | (159,712) | 34,595 |
| 13,980 | 3,161 | 17,141 | Corporate Provisions | 16,296 | (7,137) | 9,159 |
| 1,360,974 | (946,525) | 414,449 | Cost of Services | 1,390,866 | (992,742) | 398,124 |
| | | | Other Operating Expenditure | | | |
| 0 | (6,208) | (6,208) | (Gain) / Loss on the disposal of non-current assets | 0 | (6,501) | (6,501) |
| 1,699 | 0 | 1,699 | Levies | 1,712 | 0 | 1,712 |
| 0 | 0 | 0 | De-recognition of Leased assets | 12,368 | 0 | 12,368 |
| 1,699 | (6,208) | (4,509) | | 14,080 | (6,501) | 7,579 |
| | | | Financing and Investment Income and Expenditure | | | |
| 29,463 | 0 | 29,463 | Interest payable and similar charges | 29,389 | 0 | 29,389 |
| 0 | (13,156) | (13,156) | Interest and Investment Income | 0 | (18,898) | (18,898) |
| 77,003 | (73,176) | 3,827 | Net interest on the net defined benefit liability | 81,391 | (86,308) | (4,917) |
| 106,466 | (86,332) | 20,134 | | 110,780 | (105,206) | 5,574 |
| | | | Taxation and non-specific Grant Income | | | |
| 0 | (132,574) | (132,574) | Income from Council Tax | 0 | (143,684) | (143,684) |
| 0 | (80,554) | (80,554) | General Government Grants | 0 | (110,119) | (110,119) |
| 0 | (36,356) | (36,356) | | 0 | (45,920) | (45,920) |
| 0 | (97,132) | (97,132) | Recognised Capital Grants and Contributions | 0 | (99,547) | (99,547) |
| 378 | 0 | 378 | Non-Domestic Rates income and expenditure | (85) | 0 | (85) |
| 378 | (346,616) | (346,238) | Corporation Tax Payable | (85) | (399,270) | (399,355) |
| | | | | | | |
| | | 83,836 | Deficit/(Surplus) on provision of services | | | 11,922 |
| | | 26,327 | Surplus or deficit on revaluation of non-current assets | | | (166,374) |
| | | (47,404) | Remeasurement of the net defined benefit liability | | | 6,913 |
| | | (21,077) | Other Comprehensive Income and | | | (159,461) |
| | | | | | | |
| | | 62,759 | Total Comprehensive Income and Expenditure | | | (147,539) |

LEWISHAM STATEMENT OF ACCOUNTS 2024/25
Group Accounts

| GROUP MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31 MARCH 2025 | | | | | | | | | | | |
|--|------------------------------------|---|---------------------------------------|-------------------------------------|--|---------------------------|-------------------------------------|------------------------------|--|---|------------------------------------|
| YEAR ENDING 31ST MARCH 2025 | General Fund Balance £000 | Earmarked Gen Fund Reserves £000 | Housing Revenue Account £000 | Major Repairs Reserve £000 | Capital Receipts Reserve £000 | Capital Grants £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Authority Reserves £000 | Authority share of subsidiaries £000 | Total Group Reserves £000 |
| Balance at 31 March 2024 | | | | | | | | | | | |
| Brought Forward | 20,000 | 215,572 | 9,186 | 0 | 74,538 | 46,758 | 366,054 | 2,211,474 | 2,577,528 | 10,717 | 2,588,245 |
| Opening Balance | | | | | | | | | | | |
| Adjustment | 1 | | 0 | 0 | 0 | 0 | 1 | (1) | 0 | 0 | 0 |
| Adjusted Balance at 31 March 2024 | | | | | | | | | | | |
| Brought Forward | 20,001 | 215,572 | 9,186 | 0 | 74,538 | 46,758 | 366,055 | 2,211,473 | 2,577,528 | 10,717 | 2,588,245 |
| Movement in Reserves during 2024/25 | | | | | | | | | | | |
| Surplus or (Deficit) on the provision of services | 30,435 | 0 | (46,269) | 0 | 0 | 0 | (15,834) | 0 | (15,834) | 3,912 | (11,922) |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 158,127 | 158,127 | 1,334 | 159,461 |
| Total Comprehensive Income and Expenditure | 30,435 | 0 | (46,269) | 0 | 0 | 0 | (15,834) | 158,127 | 142,293 | 5,246 | 147,539 |
| Adjustments between group accounts and authority accounts | 3,631 | 0 | 0 | 0 | 0 | 0 | 3,631 | 0 | 3,631 | (3,631) | 0 |
| Net increase before transfers | 34,066 | 0 | (46,269) | 0 | 0 | 0 | (12,203) | 158,127 | 145,924 | 1,615 | 147,539 |
| Adjustments between accounting basis and funding basis under regulations | (25,073) | 0 | 55,715 | 96 | 6,163 | 6,900 | 43,801 | (43,801) | 0 | 0 | 0 |
| Net Increase / Decrease before Transfers to Earmarked Reserves | 8,993 | 0 | 9,446 | 96 | 6,163 | 6,900 | 31,598 | 114,326 | 145,924 | 1,615 | 147,539 |
| Transfers to / from Earmarked Reserves | 1,006 | (1,006) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Increase / (Decrease) in 2024/25 | 9,999 | (1,006) | 9,446 | 96 | 6,163 | 6,900 | 31,598 | 114,326 | 145,924 | 1,615 | 147,539 |
| Balance at 31 March 2025 | | | | | | | | | | | |
| Carried Forward | 30,000 | 214,566 | 18,632 | 96 | 80,701 | 53,658 | 397,653 | 2,325,799 | 2,723,452 | 12,332 | 2,735,784 |

LEWISHAM STATEMENT OF ACCOUNTS 2024/25
Group Accounts

| GROUP MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31 MARCH 2024 | | | | | | | | | | | |
|--|----------------------|-----------------------------|-------------------------|-----------------------|--------------------------|----------------|-----------------------|-------------------|--------------------------|---------------------------------|----------------------|
| YEAR ENDING | General Fund Balance | Earmarked Gen Fund Reserves | Housing Revenue Account | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants | Total Usable Reserves | Unusable Reserves | Total Authority Reserves | Authority share of subsidiaries | Total Group Reserves |
| 31ST MARCH 2024 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 31 March 2023 | | | | | | | | | | | |
| Brought Forward | 20,000 | 227,169 | 14,068 | 0 | 67,138 | 27,761 | 356,136 | 2,254,783 | 2,610,919 | 40,085 | 2,651,004 |
| Opening Balance Adjustment | 0 | 757 | 0 | 0 | 0 | 0 | 757 | (757) | 0 | 0 | 0 |
| Adjusted Balance at 31 March 2023 | | | | | | | | | | | |
| Brought Forward | 20,000 | 227,926 | 14,068 | 0 | 67,138 | 27,761 | 356,893 | 2,254,026 | 2,610,919 | 40,085 | 2,651,004 |
| Movement in Reserves during 2023/24 | | | | | | | | | | | |
| Surplus or (Deficit) on the provision of services | 34,118 | 0 | (88,349) | 0 | 0 | 0 | (54,231) | 0 | (54,231) | (29,605) | (83,836) |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 48,267 | 48,267 | (27,190) | 21,077 |
| Total Comprehensive Income and Expenditure | 34,118 | 0 | (88,349) | 0 | 0 | 0 | (54,231) | 48,267 | (5,964) | (56,795) | (62,759) |
| Adjustments between group accounts and authority accounts | (27,427) | 0 | 0 | 0 | 0 | 0 | (27,427) | 0 | (27,427) | 27,427 | 0 |
| Net increase before transfers | 6,691 | 0 | (88,349) | 0 | 0 | 0 | (81,658) | 48,267 | (33,391) | (29,368) | (62,759) |
| Adjustments between accounting basis and funding basis under regulations | (19,045) | 0 | 83,467 | 0 | 7,400 | 18,997 | 90,819 | (90,819) | 0 | 0 | 0 |
| Net Increase / Decrease before Transfers to Earmarked Reserves | (12,354) | 0 | (4,882) | 0 | 7,400 | 18,997 | 9,161 | (42,552) | (33,391) | (29,368) | (62,759) |
| Transfers to / from Earmarked Reserves | 12,354 | (12,354) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Increase / (Decrease) in 2023/24 | 0 | (12,354) | (4,882) | 0 | 7,400 | 18,997 | 9,161 | (42,552) | (33,391) | (29,368) | (62,759) |
| Balance at 31 March 2024 | | | | | | | | | | | |
| Carried Forward | 20,000 | 215,572 | 9,186 | 0 | 74,538 | 46,758 | 366,054 | 2,211,474 | 2,577,528 | 10,717 | 2,588,245 |

Group Accounts

GROUP BALANCE SHEET AS AT 31 MARCH 2025

| 31/03/2024 £000 | | 31/03/2025 £000 |
|--------------------|---|--------------------|
| | Property, Plant & Equipment | |
| 1,432,407 | Council dwellings | 1,524,343 |
| 1,211,712 | Other land and buildings | 1,282,523 |
| 24,708 | Vehicles, plant, furniture and equipment | 23,581 |
| 90,536 | Infrastructure | 85,429 |
| 5,075 | Community | 5,091 |
| 60,347 | Surplus Assets not held for Sale | 61,080 |
| 87,713 | Assets under Construction | 89,425 |
| 2,912,498 | | 3,071,472 |
| 955 | Heritage Assets | 955 |
| 17,402 | Investment Property | 17,460 |
| 1,781 | Long term investments | 1,721 |
| 4,614 | Long term debtors | 4,642 |
| 0 | Asset related to defined benefit pension scheme | 0 |
| 2,937,250 | Total Long Term Assets | 3,096,250 |
| 222,683 | Short Term Investments | 148,178 |
| 376 | Inventories | 300 |
| 74,132 | Debtors | 99,519 |
| 52,360 | Cash and Cash Equivalents | 51,786 |
| 5,080 | Prepayments | 6,135 |
| 354,631 | Current Assets | 305,918 |
| 0 | Bank Overdraft | 0 |
| (1,960) | Short term borrowing | (13,830) |
| (6,428) | Provisions | (5,076) |
| (150,015) | Creditors | (126,806) |
| (92,950) | Receipts in advance | (95,642) |
| 0 | Lease Liabilities due within one year | (7,067) |
| (11,739) | PFI Liabilities due within one year | (13,378) |
| (263,092) | Current Liabilities | (261,799) |
| 3,028,789 | Total Assets less Current Liabilities | 3,140,369 |
| (195,221) | Long term borrowing | (168,272) |
| (7,768) | Provisions (More than 1 year) | (7,916) |
| (170,655) | Deferred PFI Liabilities | (157,277) |
| 0 | Long Term Lease Liabilities | (13,071) |
| (5,083) | Capital Grants Receipts in Advance | (8,110) |
| (2,323) | Other Long Term Liabilities | 0 |
| (59,494) | Liability related to defined benefit pension scheme | (49,939) |
| (440,544) | Long Term Liabilities | (404,585) |
| 2,588,245 | NET ASSETS | 2,735,784 |

Group Accounts

| 31/03/2024 £000 | | 31/03/2025 £000 |
|--------------------|--|--------------------|
| | Usable Reserves | |
| 20,000 | General Fund Balance | 30,000 |
| 215,572 | Earmarked Revenue Reserves | 214,566 |
| (11,453) | Lewisham Homes Profit & Loss Reserve | (10,660) |
| (2,313) | Catford Regeneration Partnership Profit & Loss Reserve | (2,825) |
| 9,186 | Housing Revenue Account | 18,632 |
| 0 | Major Repairs Reserve | 96 |
| 74,538 | Usable Capital Receipts Reserve | 80,701 |
| 46,758 | Capital Grants Unapplied | 53,658 |
| 352,288 | | 384,168 |
| | Unusable Reserves | |
| 1,353,290 | Revaluation Reserve | 1,486,916 |
| 1,012,609 | Capital Adjustment Account | 978,211 |
| 93 | Deferred Capital Receipts | 93 |
| (31,352) | Financial Instruments Adjustment Account | (20,581) |
| (59,494) | LBL Pensions Reserve | (49,939) |
| (934) | Collection Fund Adjustment Account | (2,000) |
| (15,522) | DSG Unusable Reserve | (18,616) |
| (22,733) | Short Term Compensated Absences Account | (22,468) |
| 2,235,957 | | 2,351,616 |
| 2,588,245 | TOTAL RESERVES | 2,735,784 |

Group Accounts

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDING 31 MARCH 2025

| 2023/24 £000s | | 2024/25 £000s |
|------------------|--|------------------|
| (83,836) | Net surplus or (deficit) on the provision of services | (11,922) |
| 180,508 | Adjustment to surplus or deficit on the provision of services for noncash movements | 80,902 |
| (55,251) | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (57,846) |
| 41,421 | Net Cash flows from operating activities | 11,134 |
| (40,820) | Net Cash flows from Investing Activities | 17,528 |
| (42,458) | Net Cash flows from Financing Activities | (29,236) |
| (41,857) | Net increase or (decrease) in cash and cash equivalents | (574) |
| 94,217 | Cash and cash equivalents at the beginning of the reporting period | 52,360 |
| 52,360 | Cash and cash equivalents at the end of the reporting period | 51,786 |

Group Accounts

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

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

2. Group Boundary

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

| Company | Business | Risks |
|---|---|---|
| Lewisham Homes Limited | Lewisham Homes Limited: This was an arms-length management organisation (ALMO) set up in 2007. The company previously managed approximately 18,000 homes for the Council. In 2023/24 the staff of, and services delivered by, Lewisham Homes were in-sourced back into the Council. Lewisham Homes Limited retained ownership of assets it had purchased and continues to manage 203 homes. | The risk is related to the loan from Lewisham Council to Lewisham Homes Limited of £40m and the likelihood of repayment. |
| Catford Regeneration Partnership Limited (CRPL) | The company owns the Catford Shopping Centre and this investment property owned by the company is held solely for rentals and capital accumulation in line with the accounting standards. | As a property investment company, CRPL is exposed to risk in market movements in terms of the capital value of properties and in the level of income that can be generated through rental charges |

3. Accounting Policies

- (i) In preparing the Group Accounts the Council has aligned the accounting policies of its companies with those of the Council and made consolidation adjustments where necessary.
- (ii) In 2024/25 Lewisham Homes "Council Dwellings" assets were re-valued using the same accounting standards as LBL to consolidate Lewisham Homes assets into the Group balance sheet. This resulted in a credit to the Group CIES of £639k due to an upward valuation of the assets compared to the 2024/24 valuation (2023/24 was a credit of £639k to the Group CIES due to the upward valuation of the assets).
- (iii) Lewisham Homes account for their assets in their single entity balance sheet as cost based. Within the Lewisham Homes accounts the assets are valued at NBV £40.312m (£40.922m in 2023/24). To be included in the Group Accounts these were valued at Fair Value of NBV £46.714m (£46.655m in 2023/24).
- (iv) The Council has consolidated the companies' financial statements with those of the Council on a line-by-line basis and has eliminated in full balances, transactions, income and expenses between the Council and its subsidiaries.

Group Accounts

4. Movements in Non-Current Assets

The movements in non-current assets during 2024/25 and 2023/24 were as follows:

| 2024/25 | Council Dwellings £000 | Other Land & Bldgs £000 | Vehicles, Plant & Equip't £000 | Comm. Assets £000 | Surplus Assets £000 | Assets under Construction £000 | TOTAL £000 |
|--|------------------------------|-------------------------------|--------------------------------------|----------------------|------------------------|--------------------------------------|------------------|
| Gross Book Value b/fwd at 01 April 2024 | 1,432,406 | 1,211,908 | 53,729 | 5,462 | 60,401 | 87,713 | 2,851,619 |
| Additions | 67,685 | 48,241 | 1,563 | 72 | 0 | 11,009 | 128,570 |
| Revaluations (recognised in Revaluation Reserve) | 93,553 | 32,829 | (8) | 0 | 3,131 | 0 | 129,505 |
| Revaluations (recognised in Surplus/ Deficit on the Provision of Services) | 1,525 | (6,789) | (20) | 0 | (953) | 0 | (6,237) |
| Impairments (recognised in Revaluation Reserve) | 0 | (2,007) | 0 | 0 | 0 | 0 | (2,007) |
| Impairments (recognised in Surplus/ Deficit on the Provision of Services) | (62,054) | (2,091) | 0 | 0 | 0 | 0 | (64,145) |
| De-recognition of Assets (recognised in Other Operating Expenditure) | (8,193) | (3,960) | 0 | 0 | (215) | 0 | (12,368) |
| Disposals | (5,255) | 0 | (3,325) | 0 | (140) | 0 | (8,720) |
| Transfers | 4,675 | 5,498 | 226 | 2 | (1,144) | (9,297) | (40) |
| Gross Book Value c/fwd at 31 March 2025 | 1,524,342 | 1,283,629 | 52,165 | 5,536 | 61,080 | 89,425 | 3,016,177 |
| Depreciation b/fwd at 01 April 2024 | 1 | (196) | (29,021) | (387) | (54) | 0 | (29,657) |
| Depreciation for year | (25,514) | (18,657) | (2,995) | (58) | (287) | 0 | (47,511) |
| <u>Depreciation written back on:</u> | | | | | | | |
| Transfers | 0 | (10) | 0 | 0 | 10 | 0 | 0 |
| Revaluations (recognised in Revaluation Reserve) | 24,303 | 13,771 | 270 | 0 | 306 | 0 | 38,650 |
| Revaluations (recognised in Surplus/ Deficit on the Provision of Services) | 1,211 | 3,987 | 2 | 0 | 25 | 0 | 5,225 |
| Impairments (recognised in Revaluation Reserve) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments (recognised in Surplus/ Deficit on the Provision of Services) | 0 | (1) | 0 | 0 | 0 | 0 | (1) |
| Assets Sold | 0 | 0 | 3,160 | 0 | 0 | 0 | 3,160 |
| Depreciation c/fwd at 31 March 2025 | 1 | (1,106) | (28,584) | (445) | 0 | 0 | (30,134) |
| Net Book Value at 31 March 2025 | 1,524,343 | 1,282,523 | 23,581 | 5,091 | 61,080 | 89,425 | 2,986,043 |

LEWISHAM STATEMENT OF ACCOUNTS 2024/25
Group Accounts

| 2023/24 | Council Dwellings £000 | Other Land & Bldgs £000 | Vehicles, Plant & Equip't £000 | Comm. Assets £000 | Surplus Assets £000 | Assets under Construction £000 | TOTAL £000 |
|--|------------------------------|-------------------------------|--------------------------------------|----------------------|------------------------|--------------------------------------|------------------|
| Gross Book Value b/fwd at 01 April 2023 | 1,486,174 | 1,212,764 | 52,452 | 5,462 | 63,661 | 114,035 | 2,934,548 |
| Additions | 66,202 | 7,482 | 1,419 | 0 | 0 | 25,684 | 100,787 |
| Revaluations (recognised in Revaluation Reserve) | (34,418) | (2,219) | 0 | 0 | (2,542) | 0 | (39,179) |
| Revaluations (recognised in Surplus/ Deficit on the Provision of Services) | (51,932) | (12,330) | (17) | 0 | (833) | 0 | (65,112) |
| Impairments (recognised in Revaluation Reserve) | 491 | (3,884) | 0 | 0 | 0 | 0 | (3,393) |
| Impairments (recognised in Surplus/ Deficit on the Provision of Services) | (66,140) | (2,287) | 0 | 0 | 0 | 0 | (68,427) |
| Disposals | (6,817) | 0 | (125) | 0 | (663) | 0 | (7,605) |
| Transfers | 38,846 | 12,382 | 0 | 0 | 778 | (52,006) | 0 |
| Gross Book Value c/fwd at 31 March 2024 | 1,432,406 | 1,211,908 | 53,729 | 5,462 | 60,401 | 87,713 | 2,851,619 |
| Depreciation b/fwd at 01 April 2023 | (514) | (70) | (26,267) | (325) | (2) | 0 | (27,178) |
| Depreciation for year | (26,354) | (17,203) | (2,863) | (62) | (372) | 0 | (46,854) |
| <u>Depreciation written back on:</u> | | | | | | | |
| Transfers | 14 | 0 | 0 | 0 | (14) | 0 | 0 |
| Revaluations (recognised in Revaluation Reserve) | 2,516 | 13,580 | 66 | 0 | 151 | 0 | 16,313 |
| Revaluations (recognised in Surplus/ Deficit on the Provision of Services) | 24,339 | 3,497 | 17 | 0 | 183 | 0 | 28,036 |
| Impairments (recognised in Revaluation Reserve) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments (recognised in Surplus/ Deficit on the Provision of Services) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Assets Sold | 0 | 0 | 26 | 0 | 0 | 0 | 26 |
| Depreciation c/fwd at 31 March 2024 | 1 | (196) | (29,021) | (387) | (54) | 0 | (29,657) |
| Net Book Value at 31 March 2024 | 1,432,407 | 1,211,712 | 24,708 | 5,075 | 60,347 | 87,713 | 2,821,962 |

Group Accounts

5. Investment Properties

Whilst the Council has no investment properties, CRPL owns Catford shopping centre and several surrounding properties. As these properties were solely being used to generate income from rentals and from capital accumulation at 31 March 2025, under the code of practice they are classed as investment properties.

Valuation

The yearly movement in the fair value of the properties owned by CRPL is as follows:

| | 2024/25 £000 | 2023/24 £000 |
|---|-----------------|-----------------|
| Balance brought forward at start of year | 17,402 | 16,920 |
| Additions | 0 | 0 |
| Net Gains or (Losses) from fair value adjustments | 695 | 482 |
| Disposals | (637) | 0 |
| Balance carried forward at end of year | 17,460 | 17,402 |

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

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

An analysis of the adjustments between group accounts and authority accounts row within the Group MIRS in 2024/25 is as follows:

| Adjustment for: | £'000 |
|---|--------------|
| London Borough of Lewisham Payments to Lewisham Homes | 0 |
| Lewisham Homes Payments to London Borough of Lewisham | 2,682 |
| London Borough of Lewisham Payments to CRPL | 0 |
| CRPL Payments to London Borough of Lewisham | 949 |
| Total Adjustments to GF Net Expenditure | 3,631 |

2023/24 Comparator:

| Adjustment for: | £'000 |
|---|-----------------|
| London Borough of Lewisham Payments to Lewisham Homes | (29,701) |
| Lewisham Homes Payments to London Borough of Lewisham | 1,352 |
| London Borough of Lewisham Payments to CRPL | (21) |
| CRPL Payments to London Borough of Lewisham | 943 |
| Total Adjustments to GF Net Expenditure | (27,427) |

Group Accounts

7. Long Term Debtors

The value of Long-Term debtors has reduced from the Single entity accounts balance to the Group Accounts balance because of the removal of loans to the subsidiaries (Lewisham Homes £40,000k and CRPL £17,327k).

8. Group Revaluation Reserve

The Group Revaluation Reserve records the accumulated gains on non-current assets held by the Group 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.

| | 2024/25 £000 | 2023/24 £000 |
|--|------------------|------------------|
| Balance brought forward at start of year | 1,353,290 | 1,405,140 |
| Opening Balance Adjustment | (1) | 1,302 |
| Revaluation of Assets | 168,381 | (22,069) |
| Impairment Losses | (2,007) | (4,258) |
| Loss of Control of Assets | 0 | 0 |
| Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | 166,374 | (26,327) |
| Difference between fair value and historic cost depreciation | (23,112) | (24,054) |
| Accumulated gains on assets sold or scrapped | (9,635) | (2,771) |
| Amount written off to the Capital Adjustment Account | (32,747) | (26,825) |
| Balance carried forward at end of year | 1,486,916 | 1,353,290 |

9. Group Accounts Prior Period Adjustments/ Restatements

The Group CIES has been restated in-line with the restatement of the Council's single entity CIES. No group accounts specific restatements were carried out in 2024/25.

Glossary

SECTION 7 – GLOSSARY OF TERMS USED IN THE ACCOUNTS

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

Glossary

| | |
|---|--|
| 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 a scheme whereby contracts for specified services are let to private sector suppliers by the Council which may include capital investment as well as the provision of the service. Payments are made to the supplier in return, which are reduced if performance targets are not met. |
| 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

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

SECTION 8 – PENSION FUND ACCOUNTS

FOREWORD

This Pension Fund Statement of Accounts details the financial position and performance of the London Borough of Lewisham Pension Fund for the year ending 31 March 2025.

The Pension Fund's value increased over the year by £40m (2.1%), from £1.842bn to £1.882bn. The value of the pension fund increased due to the changes in global markets mainly caused by the lowering of inflation and better global trading forecasts. The Bank of England policy on interest rates is expected to cut rates in 2025 and forecasts an increase in consumer spending.

INTRODUCTION

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

ORGANISATION

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

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

Formal responsibility for investment management of the Pension Fund is delegated to the Council's Pensions Investment Committee (PIC), which appoints and monitors external investment managers. Each investment manager has an individual performance target and benchmark tailored to balance the risk and return appropriate to the element of the Fund they manage. The investment managers also consider the PIC's views on environmental, social and governance (ESG) factors. Details of the ESG factors are contained in the Investment Strategy Statement and the Transition to Net Zero Policy published online (see web address below).

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

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

The pension fund's governance compliance statement (part of the Annual Report), funding strategy and investment strategy can be found on the authority's Pension Fund website at the following address:

www.lewishampensions.org/resources/

Pension Fund Accounts

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2025

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

| | 2024/25 | 2023/24 | See note |
|---|------------------|------------------|-------------|
| | £000 | £000 | |
| <u>DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS</u> | | | |
| <u>DIRECTLY INVOLVED WITH THE SCHEME</u> | | | |
| Contributions Receivable: | | | |
| - from Employers | 43,198 | 42,136 | 5 |
| - from Employees | 13,082 | 12,724 | 5 |
| Transfer Values In | 9,126 | 7,547 | |
| Other Income | 47 | 96 | |
| Sub-Total: Income | 65,454 | 62,503 | |
| Benefits Payable: | | | |
| - Pensions | 59,425 | 54,801 | 6 |
| - Lump Sums: Retirement allowances | 10,896 | 8,998 | 6 |
| - Lump Sums: Death grants | 1,086 | 1,011 | 6 |
| Payments to and on account of leavers: | | | |
| - Refunds of Contributions | 38 | 176 | |
| - Transfer Values Out | 9,377 | 11,593 | |
| Sub-Total: Expenses | 80,822 | 76,579 | |
| Sub-Total: Net Additions/ (Withdrawals) from dealings with members | (15,368) | (14,076) | |
| Management Expenses | (3,870) | (3,514) | 7 |
| Sub-Total: Net (Additions)/ Withdrawals including fund management expenses | (19,238) | (17,590) | |
| <u>RETURNS ON INVESTMENTS</u> | | | |
| Investment Income | 31,218 | 23,879 | 9 |
| Change in market value of investments (Realised & Unrealised) | 28,236 | 183,661 | 14b |
| Taxes on Income | (85) | (381) | |
| Total Net Returns on Investments | 59,369 | 207,159 | |
| NET INCREASE / (DECREASE) IN THE FUND DURING YEAR | 40,131 | 189,569 | |
| OPENING NET ASSETS OF THE FUND | 1,841,546 | 1,651,977 | |
| CLOSING NET ASSETS OF THE FUND | 1,881,677 | 1,841,546 | |

Pension Fund Accounts

NET ASSETS STATEMENT AS AT 31 MARCH 2025

The Net Assets Statement shows the market value of the investments and other assets held by the Pension Fund as at 31 March 2025.

| | 31/03/25 | 31/03/24 | See note |
|---------------------------------|------------------|------------------|-------------|
| | £000 | £000 | |
| INVESTMENT ASSETS | | | |
| Managed Funds | | | |
| Equity Unit Trust Fund | 910,483 | 1,056,775 | 10 - 14 |
| Fixed Income Unit Trust Fund | 351,844 | 246,072 | 10 - 14 |
| Pooled Property Investments | 126,939 | 122,344 | 10 - 14 |
| Venture capital | 334,909 | 282,975 | 10 - 14 |
| Hedge Funds | 77,264 | 76,923 | 10 - 14 |
| Total Investment Funds | 1,801,439 | 1,758,089 | |
| Cash Held with Custodian | 81,882 | 56,029 | 18 |
| Other Investment Debtors | 241 | 247 | 17a |
| Other Investment Liabilities | (142) | - | |
| TOTAL INVESTMENTS | 1,883,420 | 1,841,365 | |
| Current Assets | 2,290 | 2,685 | 17b |
| Current Liabilities | (4,033) | (2,504) | 17b |
| TOTAL NET ASSETS | 1,881,677 | 1,841,546 | |

The financial statements of the Fund do not take account of the liability to pay pensions or benefits after 31 March 2025. This liability is included within the Authority's balance sheet.

NOTES TO THE PENSION FUND ACCOUNTS

Note 1: Basis of Preparation of Financial Statements

The Statement of Accounts summarise the Fund's transactions for 2024/25 and its position at year end and as at 31st March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

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

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

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

Note 2: Summary of Significant Accounting Policies and Practices

The Pension Fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ('the Code') which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

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

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

Accounting Policies

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

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

Pension Fund Accounts

policies in a document entitled “Asset pricing guidelines” which details its pricing process and sets out preferred pricing sources and price types.

- (b) The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on the sale of investments during the year.
- (c) **Equities:** Equities are valued at published market prices.
- (d) **Bonds:** Bonds are valued at the published bid market price on the final day of the accounting period.
- (e) **Pooled Investments - Equity Unit Trusts and market quoted investments;** are valued at published bid market prices on the final day of the accounting period.
- (f) **Pooled Investments - UK Fixed Income Managed Funds;** are valued at the average of broker prices.
- (g) **Pooled Investments – Hedge Funds;** are valued by the investing managers on a fair value basis each year using PRAG guidance.
- (h) **Pooled Property Investments:** The Property Funds do not have any direct investments in property but use property Fund managers to invest in pooled property/unit trust funds. They are valued in accordance with the Royal Institute of Chartered Surveyors' (RICS) Valuation Standards at Fair Value based on their Open Market Value (OMV).
- (i) **Venture Capital: Private Equity and Private Debt;** 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.
- (j) **Hedge Funds:** Hedge Funds are valued by investing managers on a fair value basis using PRAG guidance.
- (k) **Fixed Income Unit Trust:** Fixed income earned from fixed income unit trusts. Interest income is recognised in the Fund as it accrues.
- (l) **Contributions –** Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate. Employer's augmentation and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset.

Contribution rates will differ between bodies in the scheme; from 01 April 2023 the employee contribution bands (revised annually in line with inflation) for the administering authority are as follows:

| Pensionable Pay for the Post | Contribution Rates 2024/25 | |
|------------------------------|----------------------------|---------------|
| | Main Section | 50/50 Section |
| Up to £17,600 | 5.50% | 2.75% |
| £17,601 to £27,600 | 5.80% | 2.90% |
| £27,601 to £44,900 | 6.50% | 3.25% |
| £44,901 to £56,800 | 6.80% | 3.40% |
| £56,801 to £79,700 | 8.50% | 4.25% |
| £79,701 to £112,900 | 9.90% | 4.95% |
| £112,901 to £133,100 | 10.50% | 5.25% |

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| | | |
|----------------------|--------|-------|
| £133,101 to £199,700 | 11.40% | 5.70% |
| More than £199,701 | 12.50% | 6.25% |

The employer's contribution is reviewed every three years and is determined by the Fund's Actuary as the rate necessary to ensure that the Fund is able to meet its long-term liabilities. This is assessed at each triennial actuarial revaluation. The employer's contribution rate for the administering authority in 2024/25 is 22.0%.

- (m) **Benefits** – Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.
- (n) **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.
- (o) **Taxation** – The Fund is a registered public service scheme under section (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as an expense as it arises.
- (p) **VAT** – By virtue of Lewisham Council being the administering authority, VAT input tax is recoverable on Fund activities. Any irrecoverable VAT is accounted for as an expense.
- (q) **Actuarial Present Value of Promised Retirement Benefits** – The actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS 19 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, the Pension Fund financial statements include a note disclosing the actuarial present value of retirement benefits (see Note 19).

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund. Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2022 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. The assumptions used are based on the average future life expectancies at age 65.

- (r) **Management Expenses** - Pension fund management expenses are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs 2016. All administrative expenses are accounted for on an accruals basis. All staff costs of the pension administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. Oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. The cost of obtaining investment advice from the external advisor is included in oversight and governance costs. All investment management expenses are accounted for on an accruals basis. The Investment Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee based on the market value of the investments they manage and/or a fee based on performance. Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the fund account.
- (s) **Cash and Cash Equivalents**: Cash and cash equivalents comprise cash in hand and deposits with financial institutions which are repayable on demand without penalty.

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- (t) **Foreign currency:** 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.
- (u) **Commitments** - Where capital committed to investments is not fully drawn down at the end of the financial year the outstanding commitment is not included in the Net Asset Statement but is referred to in the notes to the accounts; please see note 21.
- (v) **Financial Instruments**
- (i) Financial Liabilities are recognised at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.
 - (ii) Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the value of the asset are recognised in the Fund account.
- The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13
- (w) **Additional Voluntary Contributions (“AVCs”)**
- Members of the Fund are able to make AVCs in addition to their normal contributions. The related assets are invested separately from the main Fund, and in accordance with the Regulations, are not accounted for within the financial statements. If on retirement members opt to enhance their Scheme benefits using their AVC funds, the amounts returned to the Scheme by the AVC providers are disclosed as transfers-in. Further details about the AVC arrangements are disclosed in note 23.

Practices

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

The most recent triennial valuation carried out by the actuaries was as at 31 March 2022. Some of the financial assumptions made, with comparison to the previous valuation, are presented in the table below:

| Financial Assumption | March 2022 (%) | March 2019 (%) |
|------------------------|----------------|----------------|
| Discount Rate | 3.6 | 3.5 |
| Price Inflation (CPI*) | 2.7 | 2.3 |
| Pay Increases | 3.7 | 3.0 |
| Benefit Increase | 2.7 | 2.3 |
| CARE Revaluation | 2.7 | 2.3 |
| Expenses | 0.9 | 0.7 |

* Consumer Price Index

Pension Fund Accounts

With effect from 1 April 2023 to 31 March 2026, the actuarial review carried out for 31 March 2022 resulted in the Council's employer contribution rate being set at 17.6% however, effective rate for the Lewisham Council pool is considered as 22.0%.

The most recent triennial valuation as at the 31 March 2022 revealed that the Fund's assets, which at 31 March 2022 were valued at £1.748bn, were sufficient to meet 97% (90% in 2019) of the past service liabilities valued at £1.804bn (£1.541bn in 2019) accrued up to that date. The resulting deficit as at the 2022 valuation was £56m (£154m in 2019).

The next triennial valuation will be carried out on 31 March 2025 but the results will not be available until after the pension fund accounts have been published.

Note 3: Critical Judgements in Applying Accounting Policies

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

There were no such critical judgements made during 2024/25.

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

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

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---|--|--|
| Actuarial present value of promised retirement benefits (Note 19) | The figure of net liability to pay pensions is based on a significant number of complex assumptions including the discount rate, salary increases, mortality rates and expected returns on Fund assets. The Pension Fund's qualified actuary calculates this figure to ensure the risk of misstatement is minimised. Further sensitivity analysis is included in note 19, below. | The effects on the net pension liability of changes in assumptions can be measured. For instance, a 0.1% increase or decrease in the discount rate assumption is estimated to increase or reduce the present value of the pension liability by £23m. |
| Property valuations | Valuation techniques are used to determine the carrying values of freehold and leasehold property directly held by some fund managers. Where possible these valuation techniques are based on observable data, otherwise the best available data is used. | Following an analysis of historical volatility of asset class returns and expected investment returns, in consultation with the Fund's advisors, the Council has determined that the percentage of volatility that can be applied to the Fund's Pooled property assets in 2024/25, assuming all other variables such as foreign exchange rates and interest rates remain the same, is estimated to be 6.8% (see table in note 15a(ii)). This would be an increase or decrease in the value of property investments by £8.6m, on a fair value of £127m. |

Pension Fund Accounts

| | | |
|---|---|---|
| Venture Capital - private equity / infrastructure | Private equity investments are valued at fair value in accordance with British Private Equity and Venture Capital Association guidelines. These investments are not publicly listed and as such, there is a degree of estimation involved in the valuation. | The venture capital investment in the financial statements is £335m. There is a risk that this investment may be under or overstated in the accounts and the Council has determined that the percentage of volatility that can be applied to the Fund's Venture Capital is estimated to be 7.0% (see table in note 15a(ii)). This would be an increase or decrease in the value of venture capital investments by £23.4m, on a fair value of £335m. |
|---|---|---|

Pension Fund Accounts

Note 5: Contributions Receivable

| | 2024/25 £000 | 2023/24 £000 |
|-------------------------------|-----------------|-----------------|
| Employer Contributions | | |
| Administering Authority | (38,494) | (36,512) |
| Scheduled Bodies | (4,265) | (5,018) |
| Admitted Bodies | (439) | (606) |
| | (43,198) | (42,136) |
| Employee Contributions | | |
| Administering Authority | (11,544) | (11,030) |
| Scheduled Bodies | (1,391) | (1,506) |
| Admitted Bodies | (147) | (188) |
| | (13,082) | (12,724) |

Contributions receivable from employers are shown below:

| | 2024/25 £000 | 2023/24 £000 |
|-------------------------------|-----------------|-----------------|
| Employer Contributions | | |
| Normal | (42,038) | (40,456) |
| Early Retirement Strain | (1,160) | (1,680) |
| Deficit Funding | (0) | (0) |
| | (43,198) | (42,136) |

Note 6: Benefits Payable

By Category

| | 2024/25 £000 | 2022/23 £000 |
|--|-----------------|-----------------|
| Pensions | 59,425 | 54,801 |
| Commutation and Lump Sum Retirement Benefits | 10,896 | 8,998 |
| Lump Sum Death Grants | 1,086 | 1,011 |
| | 71,407 | 64,810 |

By Authority

| | 2023/24 £000 | 2023/24 £000 |
|-------------------------|-----------------|-----------------|
| Administering Authority | 62,383 | 56,513 |
| Scheduled Bodies | 5,292 | 4,845 |
| Admitted Bodies | 3,732 | 3,451 |
| | 71,407 | 64,810 |

Pension Fund Accounts

Note 7: Management Expenses

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

| | 2024/25 £000 | 2023/24 £000 |
|--|-----------------|-----------------|
| Administration Expenses | 1,387 | 1,134 |
| Oversight and Governance Expenses | 574 | 446 |
| <u>Investment Management Expenses:</u> | | |
| - Transaction Costs | 395 | 505 |
| - Management Fees | 1,452 | 1,392 |
| - Custody Fees | 62 | 37 |
| | 3,870 | 3,514 |

Note 8: External Audit Costs

| | 2024/25 £000 | 2023/24 £000 |
|-------------------------|-----------------|-----------------|
| External Audit Services | 95 | 85 |
| Total | 95 | 85 |

The Pension Fund's external auditors are KPMG.

Note 9: Investment Income

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

| | 2024/25 £000 | 2023/24 £000 |
|--|-----------------|-----------------|
| Cash | 1,934 | 2,114 |
| Equities | 0 | 1 |
| Pooled property investments, | 4,724 | 4,705 |
| Pooled investments (fixed income and equity unit trusts and hedge funds) | 19,904 | 12,664 |
| Venture Capital | 4,656 | 4,395 |
| | 31,218 | 23,879 |

Pension Fund Accounts

Note 10: Fund Assets

The table below outlines the fund managers, asset classes, and values of those assets held by the Fund as at 31 March 2025.

| Fund Manager | Investment Asset | Asset Value 31 March 2025 £000 | Proportion of the Fund 31 March 2025 % | Asset Value 31 March 2024 £000 |
|--|-------------------------------------|---|--|---|
| LCIV - PEPPA | Equity Unit Trust | 667,845 | 35.5 | 637,223 |
| Blackrock | Fixed Income Unit Trust | 351,843 | 18.7 | 246,072 |
| AMX Storebrand Global Plus | Equity Unit Trust | 138,108 | 7.3 | 321,224 |
| Schroders Property | Property & cash | 129,912 | 6.9 | 132,665 |
| HarbourVest | Venture Capital & cash | 102,149 | 5.4 | 99,730 |
| AMX Storebrand Emerging Markets | Equity Unit Trust | 80,065 | 4.3 | 76,312 |
| J.P. Morgan | Hedge Funds | 77,266 | 4.1 | 76,929 |
| LCIV – Private Debt | Venture Capital | 68,404 | 3.6 | 67,732 |
| LCIV – Renewable Infrastructure | Venture Capital | 64,784 | 3.4 | 50,222 |
| LGIM | Venture Capital | 41,527 | 2.2 | 42,321 |
| Pemberton | Venture Capital | 30,056 | 1.6 | 37,567 |
| LCIV – Private Debt | Venture Capital | 29,152 | 1.5 | 0 |
| LCIV – Nature Based Solutions | Venture Capital | 20,449 | 1.1 | 0 |
| Partners Group | Venture Capital | 4,752 | 0.3 | 9,222 |
| Various Managers | Cash & other investment accruals | 77,105 | 4.1 | 44,146 |
| Lewisham | Net Current Assets/(Liabilities) | (1,741) | (0.1) | 181 |
| Total Fund Assets | | 1,881,677 | 100.0% | 1,841,546 |

Note 11: Investment Analysis

Individual Investment assets with a market value exceeding 5% of the total fund value as at 31 March 2025 are as follows:

| | | £000 | % |
|---|------------|---------|------|
| Passive Equity Progressive Paris Aligned Fund | LCIV | 667,845 | 35.5 |
| AMX UCITS CCF – Storebrand – Global Plus | Storebrand | 138,108 | 7.3 |
| Blackrock Fixed Income | Blackrock | 117,588 | 6.2 |
| Aquila over 15 years UK | Blackrock | 117,228 | 6.2 |
| Aquila over 5 years Indexed Linked | Blackrock | 117,027 | 6.2 |

Pension Fund Accounts

Individual Investment assets with a market value exceeding 5% of the total fund value as at 31 March 2024 are as follows:

| Asset | Manager | 31 March 2024 | |
|---|------------|---------------|------|
| | | £000 | % |
| Passive Equity Progressive Paris Aligned Fund | LCIV | 637,220 | 34.7 |
| Storebrand Global ESG Plus | Storebrand | 321,224 | 17.5 |

Note 12: Reconciliation in Movement in Investments

An analysis of investment movements in 2024/25 (includes cash, debtors and creditors) is set out below:

| | Market Value as at 31/03/2024 | Purchases and derivative payments | Sales and capital receipts | Change in Market Value during the year | Market Value as at 31/03/2025 |
|--|-------------------------------|-----------------------------------|----------------------------|--|-------------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Equity Unit Trust Fund | 1,056,775 | 220 | (190,002) | 43,490 | 910,483 |
| Fixed Income Unit Trust Fund | 246,072 | 120,000 | (21) | (14,207) | 351,844 |
| Pooled property Investments | 122,344 | 10,179 | (3,615) | (947) | 126,939 |
| Venture capital | 282,975 | 71,143 | (5,363) | (221) | 334,909 |
| Hedge fund | 76,923 | 0 | 0 | 341 | 77,264 |
| Sub-total | 1,785,089 | 201,542 | (213,272) | 28,080 | 1,801,439 |
| Cash deposits | 56,029 | | | 178 | 81,882 |
| Amount receivable for sales of investments | 0 | | | 0 | 0 |
| Investment income due | 247 | | | 0 | 241 |
| Spot FX contracts | 0 | | | (22) | 0 |
| Other investment liabilities | 0 | | | 0 | (142) |
| Debtors/creditors | 181 | | | | (1,743) |
| Total | 1,841,546 | | | 28,236 | 1,881,677 |

Pension Fund Accounts

| | Market Value as at 31/03/2023 | Purchases and derivative payments | Sales and capital receipts | Change in Market Value during the year | Market Value as at 31/03/2024 |
|--|-------------------------------------|--|----------------------------------|---|-------------------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Fixed Income Unit Trust | 249,576 | 21,126 | (21,126) | (3,504) | 246,072 |
| Equity Unit Trust | 870,530 | 225 | (1) | 186,021 | 1,056,775 |
| Hedge fund | 76,617 | 0 | 0 | 306 | 76,923 |
| Pooled property Investments | 117,436 | 9,470 | (3,615) | (947) | 122,344 |
| Venture capital | 276,999 | 58,773 | (55,073) | 2,276 | 282,975 |
| Sub-total | 1,591,158 | 89,594 | (79,815) | 184,152 | 1,785,089 |
| Cash deposits | 58,448 | | | (490) | 56,029 |
| Amount receivable for sales of investments | 0 | | | 0 | 0 |
| Investment income due | 240 | | | 0 | 247 |
| Spot FX contracts | 0 | | | 0 | 0 |
| Amounts payable for purchases of Invs | 0 | | | 0 | 0 |
| Other investment balances | 2,131 | | | | 181 |
| Total | 1,651,977 | | | 183,662 | 1,841,546 |

Pension Fund Accounts

Note 13a: Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

| Description of asset | Valuation Hierarchy | Basis of Valuation | Observable and Unobservable Inputs | Key sensitivities affecting the valuations provided |
|---|---------------------|---|--|--|
| Equities | Level 1 | Published market prices | Evaluated price of feeds | Not required |
| Bonds | Level 2 | The published bid market price on the final day of the accounting period | Not required | Not required |
| Pooled investment – equity unit trust and market quoted investments | Level 2 | Published bid market price on the final day of the accounting period | Not required | Not required |
| Pooled investments - UK Fixed Income Managed Funds | Level 3 | Average of broker prices | Not required | Not required |
| Pooled investments - Hedge Funds | Level 3 | Valued by investing managers on a fair value basis each year using PRAG guidance | NAV - based pricing set on a forward basis | Valuations are affected by a change to the value of the financial instrument it is being hedged against |
| Cash, Debtors and Creditors | Level 1 | Carrying value is deemed to be fair value because of the short-term nature of these financial instruments | Not required | Not required |
| Venture Capital - private equity and private debt | Level 3 | Comparable valuation of similar companies in accordance with International Private Equity guidelines | - EBITDA multiple - Revenue Multiplier'- Discount for lack of marketability - Control Premium | Valuations could be affected by changes to expected cashflow or by differences between audited and unaudited accounts |
| Hedge Funds | Level 3 | Valued by investing managers on a fair value basis each year using PRAG guidance | NAV - based pricing set on a forward basis | Valuations are affected by a change to the value of the financial instrument it is being hedged against |
| Pooled Property Investments | Level 2/3 | The published bid market price for level 2 or latest available fair value provided by the manager for level 3 | Published prices or manager valuation statements prepared in under ECVA guidelines | Upward valuations are only considered when there is validation of the investment objectives, and such progress can be demonstrated |

Pension Fund Accounts

Note 13b: Sensitivity of Assets Valued at Level 3

The fund has determined that the valuation methods described above for level 3 investments are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2025.

| | Assessed valuation range (+/-) | Value at 31 March 2025 | Value on Increase | Value on Decrease |
|-----------------------------|--------------------------------|------------------------|-------------------|-------------------|
| | % | £000 | £000 | £000 |
| Pooled Property Investments | 6.8 | 102,442 | 109,408 | 95,476 |
| Overseas Venture Capital | 7.0 | 75,792 | 81,097 | 70,486 |
| UK Venture Capital | 7.0 | 259,117 | 277,256 | 240,979 |
| Overseas Hedge Fund | 7.0 | 77,264 | 82,673 | 71,856 |
| Total | | 514,615 | 550,434 | 478,797 |

Note 13c: Valuation of Financial Instruments carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 – where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Listed investments are shown at bid prices. The bid value is based on the market quotation of the relevant stock exchange.

Level 2 – where market prices are not available, for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3 – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include infrastructure, which the Fund holds assets in, unquoted equity investments and hedge fund of funds, neither of which the Fund currently invests in.

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

| Market Value as at 31/03/2025 | Quoted market price | Using observable inputs | With significant observable inputs | |
|--|---------------------|-------------------------|------------------------------------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | £000 | £000 | £000 | £000 |
| Financial assets at fair value through profit and loss | | | | |
| Fixed Income Unit trust | 0 | 351,844 | 0 | 351,844 |
| Equity Unit Trust | | 910,483 | | 910,483 |
| Hedge Funds | | | 77,264 | 77,264 |
| Pooled Property Investments | 0 | 24,497 | 102,442 | 126,939 |
| Venture Capital | 0 | 0 | 334,909 | 334,909 |
| Cash deposits | 81,882 | 0 | 0 | 81,882 |
| Other investment assets | 683 | 242 | 0 | 2,531 |
| Financial liabilities at fair value through profit and loss | | | | |
| Other investment liabilities | (3,502) | (142) | 0 | (4,175) |
| Net financial assets | 79,063 | 1,286,923 | 514,615 | 1,881,677 |

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| Market Value as at 31/03/2023 | Quoted market price | Using observable inputs | With significant observable inputs | |
|---|---------------------|-------------------------|------------------------------------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| | £000 | £000 | £000 | £000 |
| Financial assets at fair value through profit and loss | | | | |
| Pooled investments | 0 | 1,302,847 | 76,923 | 1,379,770 |
| Pooled Property Investments* | 0 | 27,314 | 95,030 | 122,344 |
| Venture Capital | 0 | 0 | 282,975 | 282,975 |
| Cash deposits | 56,029 | 0 | 0 | 56,029 |
| Other investment assets | 2,627 | 0 | 0 | 2,685 |
| Investment income due | 222 | 25 | | 247 |
| Financial liabilities at fair value through profit and loss | | | | |
| Other investment liabilities | (2,670) | 0 | 0 | (2,504) |
| | | | | |
| Net financial assets | 56,432 | 1,330,186 | 454,928 | 1,841,546 |

- Includes equity unit trusts, fixed income unit trusts and hedge funds

Note 13d: Transfers between Levels 1 and 2

There have not been any transfers between Level 1 and Level 2 assets in 2023/24.

Note 13e: Reconciliation of Fair Value Measurements within Level 3

| | Market Value as at 31/03/2024 | Transfers in/out of level 3 | Purchases | Sales | Unrealised gains (losses) | Realised gains (losses) | Market Value as at 31/03/2025 |
|-----------------------------|-------------------------------|-----------------------------|----------------|------------------|---------------------------|-------------------------|-------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Pooled Property Investments | 95,030 | 0 | 10,179 | (3,059) | 14,288 | (13,996) | 102,442 |
| Overseas Venture Capital | 75,919 | 0 | 3,730 | (4,743) | 2,765 | (1,879) | 75,792 |
| UK Venture Capital | 207,056 | 0 | 172,244 | (119,974) | (2,209) | 0 | 259,117 |
| Overseas Hedge Fund | 76,923 | 0 | 0 | 0 | 341 | 0 | 77,264 |
| | | | | | | | |
| Total | 454,928 | 0 | 188,153 | (127,776) | 15,185 | (15,875) | 514,615 |

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Note 14a: Classification of Financial Instruments

The accounting policies describe how the different asset classes of financial instruments are measured, and how income and expenses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category.

| Market Value as at 31/03/2024 Designated as fair value through profit and loss | Loans and receivables | Financial liabilities | | Market Value as at 31/03/2025 Designated as fair value through profit and loss | Loans and receivables | Financial liabilities |
|---|-----------------------|-----------------------|------------------------------|---|-----------------------|-----------------------|
| £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| | | | Financial assets | | | |
| 1,056,775 | | | Equity Unit Trust Funds | 910,483 | | |
| 246,072 | | | Fixed Income Funds | 351,844 | | |
| 122,344 | | | Pooled property Investments | 126,939 | | |
| 282,975 | | | Venture Capital | 334,909 | | |
| 76,923 | | | Hedge Funds | 77,264 | | |
| 0 | 56,029 | | Cash deposits | 0 | 81,882 | |
| 0 | 247 | | Other investment balances | 0 | 241 | |
| 0 | 2,685 | | Debtors | 0 | 2,290 | |
| 1,785,089 | 58,961 | 0 | | 1,801,439 | 84,413 | 0 |
| | | | Financial liabilities | | | |
| | | (2,504) | Creditors | | | (4,033) |
| | | | Other Current Liabilities | | | (142) |
| 0 | 0 | (2,504) | | 0 | 0 | (4,175) |
| 1,785,089 | 58,961 | (2,504) | Total | 1,801,439 | 84,413 | (4,175) |
| | 1,841,546 | | Grand Total | | 1,881,677 | |

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Note 14b: Net Gains and Losses on Financial Instruments

The following table shows net gains on financial instruments:

| | 31/03/25 £000 | 31/03/24 £000 |
|------------------------------------|------------------|------------------|
| Financial Assets | | |
| Fair Value through Profit and Loss | 28,080 | 184,152 |
| Loans and receivables | 178 | (490) |
| Assets at Amortised Cost | | |
| Financial Liabilities | | |
| Fair value through profit and loss | 0 | 0 |
| Liabilities at Amortised Cost | (22) | 0 |
| | 28,236 | 183,661 |

Note 15: Nature and Extent of Risks Arising from Financial Instruments

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

Responsibility for the Fund's risk management strategy rests with the Council's Pension Investment Committee (PIC). Risk management policies are established to identify and analyse the risks faced by the Council's pension operations. The main risks from the Fund's holding of financial instruments are market risk, credit risk, and liquidity risk. These policies are reviewed regularly to reflect change in activity and in market conditions.

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

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

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

a) Market Risk

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

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i) Other Price Risk – Market

The risk that the value of a financial instrument will fluctuate as a result of factors other than interest rate or foreign currency movements, whether those changes are caused by factors specific to the individual instrument, its issuer or factors affecting the market in general. Market price risk arises from uncertainty about the future value of the financial instruments that the Fund holds. All investments present a risk of loss of capital, the maximum risk being determined by the fair value of the financial instruments. The investment managers mitigate this risk through diversification in line with their own investment strategies and mandate guidelines.

ii) Other Price Risk – Sensitivity analysis

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

Following an analysis of historical volatility of asset class returns and expected investment returns, in consultation with the Fund's advisors, the Council has determined that the following asset level percentages of volatility can be applied to the Fund's assets in 2024/25, assuming all other variables such as foreign exchange rates and interest rates remain the same:

| Asset Type | Potential Market Movement +/- (% p.a.) |
|-----------------------------|---|
| Fixed Income Unit Trust | 13.3 |
| Equity Unit Trust | 11.9 |
| Hedge Funds | 7.0 |
| Venture Capital | 7.0 |
| Pooled property Investments | 6.8 |
| Cash | 0 |
| Average | 9.2 |

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Applied to the period end asset mix, the potential impact on the Fund's market value in the next financial year is as follows:

| Asset type | Market Value as at 31/03/2025 | Percentage change | Value on increase | Value on decrease |
|-------------------------------------|-------------------------------|-------------------|-------------------|-------------------|
| | £000 | % | £000 | £000 |
| Cash and cash equivalents | 81,882 | 0.0 | 81,882 | 81,882 |
| Investment portfolio assets: | | | | |
| Equity unit trusts | 910,483 | 11.9 | 1,018,831 | 802,136 |
| Fixed Income unit trusts | 351,843 | 13.3 | 398,638 | 305,048 |
| Pooled property Investments | 126,939 | 6.8 | 135,571 | 118,307 |
| Venture Capital | 334,909 | 7.0 | 358,353 | 311,466 |
| Hedge funds | 77,264 | 7.0 | 82,673 | 71,856 |
| Other funds | (1,644) | 0.0 | (1,644) | (1,644) |
| Total assets * ** | 1,881,677 | | 2,074,304 | 1,689,051 |

* This figure includes derivatives and other investment balances.

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

The 2023/24 comparator table is as follows:

| Asset type | Market Value as at 31/03/2024 | Percentage change | Value on increase | Value on decrease |
|-------------------------------------|-------------------------------|-------------------|-------------------|-------------------|
| | £000 | % | £000 | £000 |
| Cash and cash equivalents | 56,029 | 0.0 | 56,029 | 56,029 |
| Investment portfolio assets: | | | | |
| Fixed Income unit trusts | 246,072 | 14.1 | 280,768 | 211,376 |
| Equity unit trusts | 1,056,775 | 11.5 | 1,178,304 | 935,246 |
| Hedge funds | 76,923 | 6.1 | 81,615 | 72,231 |
| Pooled property Investments | 122,344 | 7.7 | 131,764 | 112,923 |
| Venture Capital | 282,976 | 4.3 | 295,144 | 270,808 |
| Other funds | 427 | 0.0 | 427 | 427 |
| Total assets | 1,841,546 | | 2,024,051 | 1,659,040 |

iii) Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fixed interest securities, cash and cash equivalents are exposed to interest rate risk.

iv) Interest Rate Risk – Sensitivity Analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

The analysis demonstrates that a 1% increase in interest rates will reduce the fair value on fixed interest assets (obviously the interest received will not change), and vice versa.

Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

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| Asset type | Market Value as at 31/03/2025 | Change in year in the net assets available to pay benefits | |
|---|-------------------------------|--|-----------------|
| | | +100 BPS | -100 BPS |
| | £000 | £000 | £000 |
| Cash and cash equivalents | | | |
| Cash | 81,882 | 0 | 0 |
| Fixed Interest Investments | | | |
| UK Fixed Income Funds | 234,255 | 23,426 | (23,426) |
| Overseas Fixed Income Funds | 117,588 | 11,759 | (11,759) |
| Total change in assets available | 433,725 | 35,185 | (35,185) |

| Asset type | Market Value as at 31/03/2024 | Change in year in the net assets available to pay benefits | |
|---|-------------------------------|--|-----------------|
| | | +100 BPS | -100 BPS |
| | £000 | £000 | £000 |
| Cash and cash equivalents | | | |
| Cash | 56,029 | 0 | 0 |
| Fixed Interest Investments | | | |
| UK Fixed Income Funds | 166,516 | 1,665 | (1,665) |
| Overseas Fixed Income Funds | 79,556 | 796 | (796) |
| Total change in assets available | 302,101 | 2,461 | (2,461) |

v) Currency Risk is the risk to which the Pension Fund is exposed to fluctuations in foreign currency exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£GBP). The Fund was exposed to the following significant foreign currency levels at the 31 March 2024:

| | | |
|------------|--------|-----------------|
| Euro | €1.6m | (€9.0m 23/24) |
| US Dollars | \$5.9m | (\$25.9m 23/24) |

There are no other currencies held by the fund.

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vi) Currency risk – sensitivity analysis.

The Fund's currency rate risk is routinely monitored by the Council and its investment advisors. Overseas equities, fixed interest securities and cash in foreign currencies are exposed to currency risk. Following analysis of historical data in consultation with the Fund's advisors, the Council considers the likely volatility associated with foreign exchange rate movements in 2024/25 to be 5.4% (5.6% in 2023/24). This volatility is applied to the Fund's overseas assets at period end as follows:

| Asset Type | Asset Value at 31 March 2025 £000 | Change % | Value on Increase £000 | Value on Decrease £000 |
|--------------------------|---|-------------|------------------------------|------------------------------|
| Overseas Fixed Income | 117,588 | 5.4 | 123,938 | 111,238 |
| Overseas Equity Funds | 242,643 | 5.4 | 255,745 | 229,540 |
| Overseas Hedge Funds | 77,264 | 5.4 | 81,436 | 73,092 |
| Overseas Venture Capital | 75,792 | 5.4 | 79,885 | 71,699 |
| Total | 513,287 | 5.4 | 541,004 | 485,569 |

| Asset Type | Asset Value at 31 March 2024 £000 | Change % | Value on Increase £000 | Value on Decrease £000 |
|--------------------------|---|-------------|------------------------------|------------------------------|
| Overseas Fixed Income | 79,556 | 5.6 | 84,011 | 75,101 |
| Overseas Equity Funds | 419,555 | 5.6 | 443,050 | 396,059 |
| Overseas Hedge Funds | 76,923 | 5.6 | 81,231 | 72,615 |
| Overseas Venture Capital | 75,919 | 5.6 | 80,170 | 71,667 |
| Total | 651,953 | 5.6 | 688,462 | 615,442 |

b) Credit Risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to meet an obligation and cause the Fund to incur a financial loss. This is often referred to as counterparty risk. The market values of investments generally reflect an assessment of credit risk in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The Fund is exposed to credit risk through its underlying investments (including cash balances) and the transactions it undertakes to manage its investments. The careful selection and monitoring of counterparties, including; brokers, custodian and investment managers, seeks to minimise the credit risk that may occur through the failure to settle transactions in a timely manner.

| | Rating | Balances at 31 March 2025 £000 | Balances at 31 March 2024 £000 |
|----------------|--------|--|--|
| Barclays | A + | 1,419 | 1,872 |
| Northern Trust | AA - | 81,882 | 56,029 |
| Total | | 83,301 | 57,901 |

Pension Fund Accounts

c) Liquidity Risk

Liquidity risk is the risk that the Pension Fund will have difficulties in paying its financial obligations as they fall due. For example; the benefits payable costs and capital commitments. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The Fund holds proportion of assets as cash to allow for short notice payments and capital calls. As at the 31 March 2025 these assets totalled £81.9m held in cash by the custodian on behalf of the Fund and fund managers.

Note 16: Derivative Contracts

As at 31 March 2025 there were no pending foreign exchange purchases or sales. The net gain related to foreign exchange forward contracts was nil in 2024/25 (net gain nil in 2023/24).

Note 17a: Other Investment Balances

These comprise the following amounts:

| | 31/03/25 £000 | 31/03/24 £000 |
|--|------------------|------------------|
| Debtors | | |
| Equity Dividends / Income from Managed Funds | 208 | 205 |
| Recovered Taxes | 33 | 42 |
| Interest and Other Income | 0 | 0 |
| Creditors | | |
| Pending trade purchases | (142) | 0 |
| Net | 99 | 247 |

Note 17b: Net Current Assets

These comprise the following amounts:

Current Assets

| | 31/03/25 £000 | 31/03/24 £000 |
|---|------------------|------------------|
| Contributions Due from Admitted/ Scheduled Employers/ Employees | 871 | 655 |
| Other Current Assets | 0 | 0 |
| Prepayments | 0 | 158 |
| Cash in Hand | 1,419 | 1,872 |
| | 2,290 | 2,685 |

Pension Fund Accounts

Current Liabilities

| | 31/03/25 £000 | 31/03/24 £000 |
|------------------------------|------------------|------------------|
| Trade Creditors | (24) | (301) |
| Fund Manager / Advisory Fees | (530) | (866) |
| Other Current Liabilities | (3,479) | (1,337) |
| | (4,033) | (2,504) |

Note 18: Cash and Bank

Cash Held With Custodian

The Northern Trust Company is the Fund's global custodian and cash is held to meet the cash flow requirements of the Fund and its managers. The total cash held as at 31 March 2025 was £81.9m (£56.0m as at 31 March 2024). The table below shows how this was split between the Fund Managers.

Fund Manager

| | 31/03/2025 £'000 | 31/03/2024 £'000 |
|--------------|---------------------|---------------------|
| Cash Account | 76,974 | 44,006 |
| Schroders | 3,031 | 10,237 |
| HarbourVest | 1,877 | 1,786 |
| | 81,882 | 56,029 |

Pension Fund Bank Account

The Lewisham cash in hand balance of £1.4m represents uninvested cash held in the Pension Fund bank accounts as at 31 March 2024. The Fund's accounts are held with Barclays Bank.

Note 19: Actuarial Present Value of Promised Retirement Benefits

The table below shows the total net liability of the Fund as at 31 March 2025. The figures have been prepared by Hymans Robertson LLP, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pension's legislation. In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

| | 31/03/2025 £'000 | 31/03/2024 £'000 |
|---|---------------------|---------------------|
| Present value of promised retirement benefits | (1,444,470) | (1,695,000) |
| Fair Value of Scheme Assets | 1,749,124 | 1,840,155 |
| Net Assets / (Liability) | 304,654 | 145,155 |

Pension Fund Accounts

Longevity assumptions

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2022 model, with a 15% weighting of 2023 (and 2022) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| Longevity Assumptions for year ended 31 March 2025 | Males | Females |
|--|-------|---------|
| Current Pensioners | 20.8 | 23.9 |
| Future Pensioners | 21.8 | 25.2 |

Financial assumptions

| | 31/03/2025 (%) | 31/03/2024 (%) |
|-------------------|----------------|----------------|
| Pension Increases | 2.8 | 2.8 |
| Salary Increases | 3.8 | 3.8 |
| Discount Rate | 5.8 | 4.8 |

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

| Sensitivity to the assumptions at 31 March 2025 | Approximate increase to liabilities (%) | Approximate monetary amount (£m) |
|---|---|----------------------------------|
| 0.1% p.a. decrease in the Real Discount Rate | 2 | 23 |
| 1 year increase in member life expectancy | 4 | 58 |
| 0.1% p.a. increase in the Salary Increase Rate | 0 | 1 |
| 0.1% p.a. increase in the Pension Increase Rate | 2 | 23 |

Pension Fund Accounts

Note 20: Events after the Reporting Period

The audited Pension Fund Statement of Accounts was authorised for issue by the Executive Director of Corporate Resources on 13 June 2025. Events taking place after this date are not reflected in the accounts. Where events took place before this date which materially altered the conditions existing at 31 March 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect these altered conditions.

Note 21: Contractual Commitments

The Pension Fund was committed to the following capital contributions as at the 31 March 2025:

| Fund Manager | Fund | Contractual Commitment £000 | Undrawn Capital £000 |
|---------------------|--|--|-------------------------------------|
| Harbourvest | Harbourvest Closed Ended Funds | 125,302 | 19,390 |
| London CIV | LCIV Renewable Infrastructure | 90,000 | 31,179 |
| London CIV | LCIV Private Debt | 85,000 | 27,868 |
| London CIV | LCIV Private Debt II | 95,000 | 65,848 |
| London CIV | LCIV Nature Based Solutions | 85,000 | 73,554 |
| Pemberton | Pemberton European Mid-Market Debt Fund II | 40,000 | 5,610 |
| Schroders | Schroders Property Funds | 12,254 | 949 |
| Total | | 532,557 | 224,398 |

Note 22: Related Party Transactions

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

Eight Councillors sit on the Pensions Investment Committee which oversees the Fund. At each meeting of the Pensions Investment Committee, Councillors are required to make declarations of interest which are recorded. The members were Cllr Sian Eiles (Chair), Cllr Mark Ingleby (Vice-Chair), Cllr Chris Best, Cllr Louise Krupski, Cllr John Muldoon, Cllr James Royston, Cllr Liam Shrivastava, Cllr Mark Jackson.

During the year no declarations were made.

Four members and an independent chair make up the membership of the Pensions Board, which assists the administering authority in adhering to the Regulations with regards to its administration and governance of the scheme. At each meeting of the Board, members are required to make declarations of interest which are recorded. The members were Stephen Warren (Independent Chair), Employer Representatives, Sherene Russell-Alexander (Director of People and Organisational Development) and Mark Booker (Pension administrator Change Live Grow) and Employee representatives, Gary Cummins (Union representative) and Mark Adu-Brobbey (Programme Manager - Together Lewisham).

During the year no declarations of interest were made apart from some of the members being participants in the scheme, although this is a requirement of their Board membership.

No other trustees or Council chief officers with direct responsibility for Pension Fund issues made any declarable transactions with the Pension Fund in the period to 31 March 2025.

Pension Fund Accounts

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

- Recharges from the Council for the in-house administration costs borne by the scheme were transacted (included in Administration Expenses in Note 7). Some cash transactions relating to pension activities are currently effected through the Council's bank account and consequently Pension Fund cash balances are held by the Council from time to time and vice versa.
- Pension payments to retired members are paid from the Council's bank account and charged to the pension fund. The pension contributions from the Council employees are collected by the Council and paid to the pension fund. The net of the pension payments made and the contributions collected are reconciled each month and a payment is made on a regular basis to or from the pension fund's bank account.

London LGPS CIV Ltd (London CIV), established in 2015 by London Local Authorities manages London Local Government Pension Scheme ('LGPS') assets. London CIV is one of eight U.K. LGPS asset pooling companies. The London Boroughs and City of London who are the 32 Shareholders, are also our clients ('Client Funds'). London CIV is authorised and regulated by the Financial Conduct Authority ('FCA').

Key Management Personnel Remuneration

The key management personnel of the Fund are the Executive Director of Corporate Resources and the Director of Finance.

There were no costs apportioned to the Pension Fund in respect of the Executive Director of Corporate Resources post for 2023/24 and 2024/25.

Total remuneration payable to key management personnel from the Pension Fund is set out below:

| | 2024/25 | 2023/24 |
|--------------------------|----------------|----------------|
| | £'000 | £'000 |
| Short Term Benefits | 19 | 18 |
| Post-Employment Benefits | 4 | 4 |
| Total | 23 | 22 |

Note 23: Additional Voluntary Contributions (AVC's)

Contributing members have the right to make AVCs to enhance their pension. There are currently 45 'open' AVC contracts for LGPS members (i.e. excluding members with AVC contracts who have left Lewisham and now have preserved benefits). Some of these 'open contracts' will be for members who have paid AVCs in the past but who have suspended payments to the scheme for the time being.

The Fund has two AVC providers: Clerical Medical and Utmost (formerly Equitable Life). The value of AVC investments is shown below. The contributions are held by the providers and do not form part of the Lewisham Fund's assets in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Pension Fund Accounts

| | 2024/25 | | | 2023/24 | | |
|--|----------------|-----------------------------|---------------|---------------------------|-----------------------------|---------------|
| | Utmost £000 | Clerical Medical £000 | Total £000 | Equitable Life £000 | Clerical Medical £000 | Total £000 |
| Value at the Beginning of Year | 291 | 732 | 1,023 | 289 | 874 | 1,163 |
| Contributions and Transfers Received | 0 | 150 | 150 | 24 | 152 | 176 |
| Investment Return / change in market value | 14 | 20 | 34 | 0 | 22 | 22 |
| Paid Out | (2) | (100) | (102) | (22) | (316) | (338) |
| Value at the End of the Year | 303 | 802 | 1,105 | 291 | 732 | 1,023 |

Annual Governance Statement

Year ended 31 March 2025

Executive Summary

Governance Assessment for 2024/25

After years of reduced central government funding, local authorities and their governance have come under increasing strain. Many have pursued additional commercialisation and partnership ventures using novel or untested governance arrangements and so increasing risk. The number of councils requiring government intervention has increased and a wave of public interest reports has acted as a reminder that things can go wrong anywhere, and the risks are significant.

At Lewisham, while we have not ignored commercial incentives, we have remained cautious. We are not complacent; our governance arrangements remain robust. We enjoy very strong relationships between senior officers and politicians, with officers able to properly perform their duties and speak truth to power, knowing their advice will be appreciated with respect. We know we have areas to review and improve, but they are known, and work is ongoing to develop our governance.

This Annual Governance Statement provides an opportunity to reflect on our governance arrangements, consider their effectiveness and look forward to how we can continue to meet the challenge of providing effective services to our residents. In completing that assessment, we have had regard to the CIPFA/SOLACE Framework that sets out key principles of good governance. Our summary assessment is below and detailed further throughout the document.

| Principle | Assurance |
|---|--------------|
| A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting rule of law | Satisfactory |
| B. Ensuring openness and comprehensive stakeholder engagement | Satisfactory |
| C. Defining outcomes in terms of sustainable economic, social, and environmental benefits. | Satisfactory |
| D. Determining the interventions necessary to optimise the achievement of the intended outcomes | Satisfactory |
| E. Developing the Council's capacity, including the capability of its leadership and the individuals within it | Satisfactory |
| F. Managing risks and performance through robust internal control and strong public financial management | Satisfactory |

Annual Governance Statement

| Principle | Assurance |
|---|--------------|
| G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability | Satisfactory |

Governance Priorities for 2025/26

While we are satisfied our current governance arrangements are robust, that position needs constant review in a local government environment presenting varied and growing challenges. We perform ongoing review and reflection on our processes to ensure they are simple, clear and understood. We continue our drive to improve corporate compliance and the positive shift in mindset. Beyond that ongoing improvement activity, we have identified various specific areas of Governance priority to address through the year ahead:

- Continue to improve our performance monitoring arrangements and publish an annual performance report, setting out how well we met our ambitions in 2024/25, key areas of focus for 2025/26, risks to meeting objectives plus information on budget and financial performance.
- Continue to embed our Corporate values and behaviours across the organisation to ensure they are consistently reflected in our culture, decision-making, and everyday practices.
- Improve consistency and quality of record keeping as the Council increasingly uses more shared document spaces such as MS Teams and SharePoint.
- Improve compliance with centralised governance processes, especially staff performance appraisal completion rates. Strengthen compliance with centralised governance processes, especially staff appraisal completion rates building on the Council's overall return of 82% and addressing variation in underperforming directorates.
- Continue to embed risk management information in Council governance and decision-making processes, including extending the corporate risk registers to include more specific ones - e.g. IT and projects etc. and to look at possible cross-cutting risks
- Senior officers including the Chief Executive and Executive Director of Housing continue to meet with the Regulator of Social Housing on a monthly basis to update them on the progress with our Housing Improvement Plan..
- Implement our Housing Improvement Programme, including a stock condition survey, addressing non-decency, monitoring fire risk assessment remedial actions and transforming repairs and complaints.

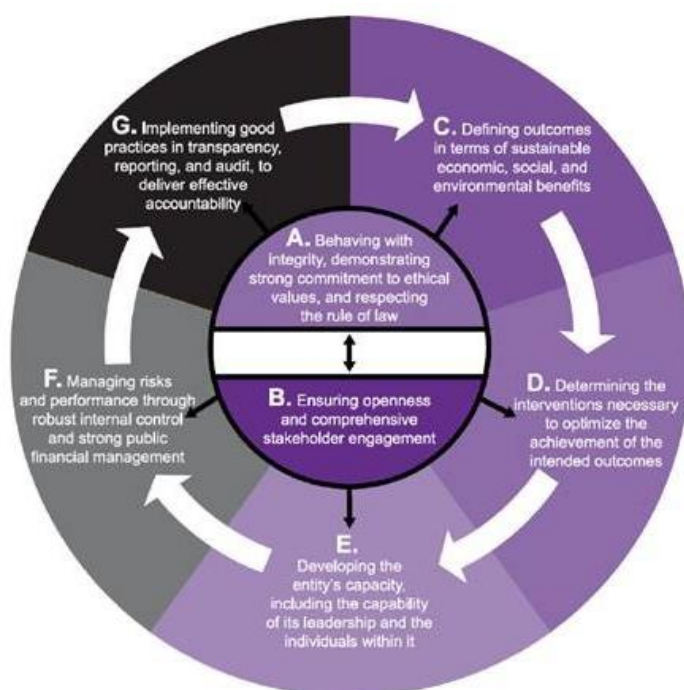
Annual Governance Statement 2024/25

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 how it meets the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement on internal control.



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

How Has This Statement Been Prepared?

Every year a review of the effectiveness of the Council's governance framework is conducted by senior officers from policy, legal and audit with expertise in governance and internal control.

Officers monitor and evaluate governance evidence and identify areas requiring action; and are responsible for analysing CIPFA/SOLACE guidance in relation to the development of this statement for the financial statements.

The governance review process includes:

- Oversight of the Annual Governance Statement Action Plan rests with the Council's Executive Management Team.
- Consideration of the Accounts by the Executive Director for Finance, Digital and Corporate Resources (as the Council's s151 Officer).
- Reviewing results of work conducted by the Council's assurance services, including the Annual Opinion of the Head of Internal Audit.
- Review of the Annual Governance Statement by the Council's Audit Panel as part of the financial statements.
- A review of the Council's Local Code of Corporate Governance by the Standards Committee, with reference to CIPFA/Solace Guidance.
- Referral of the Annual Governance Statement to Full Council with the Statement of Accounts and sign off by the Speaker of the Council and Chief Executive, once approved.

Lewisham Council's Governance Processes

Governance Arrangements

The Council's governance arrangements are strong overall and aim to foster effective leadership and high standards of behaviour; a culture based on openness and honesty; and an external focus on the needs of service users and the public. The diagram below shows the 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 Governance Committee, 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 five statutory partnership boards:

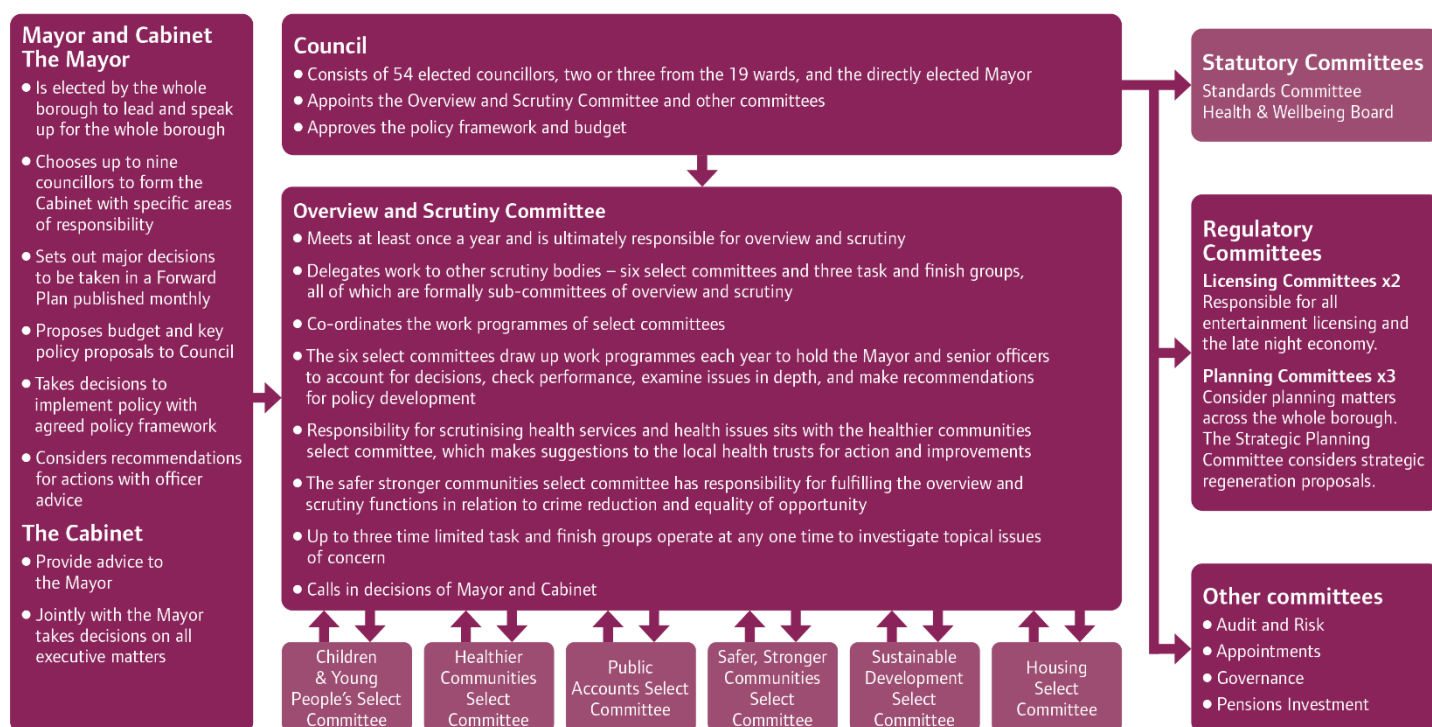
- The Safer Lewisham Partnership is the statutory crime and disorder partnership for Lewisham.

Annual Governance Statement

- The Youth Justice Board which is a statutory partnership board that oversees the work of the youth offending service in Lewisham.
- The Health and Wellbeing Board, Chaired by the Cabinet Member for Health & Adult Social Care, works to promote greater partnership engagement that contribute to health and social care outcomes locally.
- Local Adult Safeguarding Board responsible for helping oversee and safeguard adults with care and support needs through effective preventative measures.
- Lewisham Children's Safeguarding Partnership aims to ensure that member agencies work together to keep children and young people safe, hold one another to account and ensure that safeguarding remains a priority.

Council Composition

The Council is comprised of 54 Councillors and a Directly Elected Mayor, Brenda Dacres. We have 53 councillors from the Labour and the Labour & Co-operative party and 1 Green Party councillor.



A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

Councils are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Assurance Level: Satisfactory

The Council has strong ethical values, set out in a clear Member Code of Conduct. All Members receive training on that Code and can access support and advice through the Monitoring Officer and his team on compliance, including for example on declarable interests.

The Member code is mirrored in a clear and comprehensive Employee Code of Conduct which draws on the Nolan Principles of good governance in setting out ethical expectations of officers across the authority.

The Member Code of Conduct and the Employee Code of Conduct have both recently been reviewed as part a holistic review of the Council's Constitution to ensure they are lawful, up-to-date and fit for purpose.

The overall sentiment of our 2024 staff survey was positive, with 66% of staff taking part. Of the 34 benchmarkable indicators, 26 showed improvement, and overall staff engagement reached 80%. Additionally, 84% of staff said there is a clear and consistent set of values guiding the way we work, and 89% said they understand what those values mean for their team and how they work. 86% of staff said they are proud to tell people they work for the Council.

Roles and Responsibilities

The Council's Constitution has been through a significant review.

Following the recommendations of the Governance Committee at its meeting on 18th December 2024, Council, at its meeting of 22nd January 2025, approved the holistic review of the Constitution and the following timeline for the review:

December 2024 – February 2025

Officers carry out a detailed analysis of other London mayoral authority constitutions.

Annual Governance Statement

March 2025 – April 2025

Several workshops and Governance Committee meetings to consider potential revisions.

7th May 2025

Council AGM to consider and approve the revised Constitution.

Workshops to which all members were invited and Governance Committees took place as follows:

| | |
|--------------------------------|--|
| Workshop 1: | 4.30pm & 7pm 20 th February |
| Governance Committee 1: | 7pm 4 th March |
| Workshop 2: | 4.30pm & 7pm 27 th February |
| Governance Committee 2: | 7pm 13 th March |
| Workshop 3: | 4.30pm & 7pm 2 nd April |
| Governance Committee 3: | 7pm 23 rd April |

At the Annual General Meeting of the Council on 7th May 2025, consideration was given to each element of the Constitution and the decisions made by the three Governance Committee meetings of 4th March, 13th March and 23rd April 2025.

It is important that the Constitution is fit for purpose for a modern council, reflects best practice and statutory guidance, and is future-proofed as far as possible. In general terms, the Constituion has been split into parts, tidied up and structured for ease of navigation by all audiences. Throughout the review, officers compared elements of the Constitution with the constitutions of Newham, Tower Hamlets and Hackney London boroughs.

The new Constitution is structured as follows:

Part 1 Summary & Explanation**Part 2 Articles**

1. Aims and Purpose
2. Councillors and Elections
3. Citizens and the Council
4. The Council
5. Chairing the Council
6. Overview and Scrutiny
7. The Executive
8. Conflict Resolution
9. Committees
10. Local Choice
11. Ethics
12. Positive Ageing Council and Public Transport Liaison Forum
13. Joint Arrangements
14. Staff
15. Delegating Decision Making
16. Principles of Decision Making

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17. Finance, Contract and Legal Matters
18. Representation and Appeals Panels
19. Standing Advisory Council on Religious Education
20. Schools Forum
21. Young Mayor
22. Review of the Constitution
23. Publication, Interpretation and Suspension

Part 3 Responsibility for Functions (inc. the Scheme of Delegation)**Part 4 Rules of Procedure**

- Council Procedure Rules
- Committee Procedure Rules
- Executive Procedure Rules
- Scrutiny Procedure Rules
- The Budget & Policy Framework
- Access to Information Rules
- Financial Procedure Rules
- Contract Procedure Rules
- Employment Procedure Rules

Part 5 Codes of Conduct

- Member Code of Conduct
- Protocol for Member & Officer Relations
- Employee Code of Conduct
- Protocol on Member Use of IT
- Protocol on Planning & Lobbying
- Local Authority Code on Publicity
- Guidance for Members on Outside Bodies
- Licensing Remote Hearing Protocol

Part 6 Scheme of Members' Allowances**Appendices**

- | | |
|-------------------|---|
| Appendix 1 | Petition Scheme |
| Appendix 2 | Protocol for Recording Council Meetings |
| Appendix 3 | Pension Board Terms of Reference |
| Appendix 4 | Joint Health Overview & Scrutiny Terms of Reference |
| Appendix 5 | SACRE Terms of Reference |
| Appendix 6 | Schools' Forum Terms of Reference |
| Appendix 7 | Scrutiny/Executive Protocol |
| Appendix 8 | Senior Management Structure Chart |

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

Annual Governance Statement

The tone from the top in terms of establishing effective governance arrangements and culture rests with the Council and the Mayor. The Council approve the Constitution and confirm the appointments and delegations annually at their Annual General Meeting.

The Constitution requires councillors to follow formal procedures when taking decisions to make sure that decisions are made transparently and openly. The Local Code of Corporate Governance and the Codes of Conduct for Members and Officers, set out in the constitution, demand the highest standards of ethical behaviour. These are reviewed regularly and are communicated widely.

Ethics and Governance Training

Training on ethics, governance and the Member Code of Conduct is delivered to all Councillors in the first year of an administration (most recently in 2022) as part of a comprehensive induction programme to enable Members to understand and access all appropriate support and development to undertake their role. This training is repeated after by-elections. Training on specific governance issues is provided as required throughout the course of the administration.

In Spring 2024 the Council introduced a revitalised approach to Scrutiny at its “Scrutiny Summit”. The event featured training for Members on risk management, the role of scrutiny, ethical values and issues pertinent to individual committees. The event also provided a platform for committee chairs to initiate ongoing dialogue to continue through the year, aiming to co-ordinate and support effective governance through collaborative scrutiny.

Since Spring 2024, all Scrutiny Councillors and Chairs have had opportunities for regular discussions with the Council’s Scrutiny Team. This has provided an opportunity for any concerns regarding training needs to be raised and resolved. Furthermore, all Councillors are regularly emailed opportunities for learning and development, including training which related to governance. A new Member induction programme which includes training on Governance, ethical values and any other issue relevant to a specific committee, will be developed for May 2026.

Detailed training on the Constitution is being developed for members, senior officers and any officers involved in decision-making and/or report writing.

B. Ensuring openness and comprehensive stakeholder engagement

Local government is run for the public good. Organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Assurance Level: Satisfactory

The Council takes a proactive approach on transparency and stakeholder engagement. We have also continued to make wide use of our online consultation hub to support hearing stakeholder views on local projects such as Deptford High Street to broader initiatives such as suicide prevention interventions and training.

The Council promotes participation through a variety of methods, to make sure residents can share their views. It has an online engagement platform to allow residents to respond to consultation and feedback on ideas and proposals across a range of issues and services. Services also consider the access needs of those it needs to engage, to ensure physical and face-to-face options are available, as required.

A review is currently being undertaken to develop an engagement framework, to enable consistent consultation and engagement across the organisation.

The Young Mayor and Young Advisors programme 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; media requests and Council decisions.

The Council's social media channels and the printed Lewisham Life magazine share opportunities to get involved, consultation results and decisions made by the Council. As well as statutory strategic partnership working, extensive partnership working arrangements are in place which support the delivery of the Council's objectives. We continue to develop our Local Strategic Partnership (LSP). The work of the LSP is shaped by our Community Action Plan (launched in July 2024), which was informed by extensive engagement exercise with residents, involving more than 1,200 people. The Council also has borough-based arrangements in place with the local Clinical Commissioning Group to align with the work of the National Health Service and is working with the South East London Clinical Care Group (SEL CCG) to develop the incoming Integrated Care System (ICS). Responding to global events in Syria and Afghanistan and consistent with our Sanctuary Borough commitments, the Council

has continued to work alongside the Lewisham Migration Forum to meet the needs of our refugee and migrant community.

C. Defining outcomes in terms of sustainable economic, social and environmental benefits

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable and reflect the Council's 2019 declaration of a climate emergency. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. The Council seeks to show leadership in terms of its own operations in delivering sustainable economic, social and environmental outcomes, and, as the focus of democratic representation locally the Council is also in a unique position to influence strategic partners, local businesses and residents. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

Assurance Level: Satisfactory

The Council's revised Corporate Strategy 2022-26 sets out our key priorities including their sustainable economic, social and environmental benefits. Moreover, the Strategy emphasises the role of strong and effective governance as a core requirement to achieving those priorities.

Communicating and reviewing the Council's vision

We launched our revised Corporate Strategy 2022-26 in November 2022 following extensive consultation. Our next Corporate Strategy will be developed and launched in 2026.

Cleaner and greener: Tackling the climate crisis, supporting tree planting, maintaining London's best parks, enabling active travel and keeping streets clean.

A strong local economy: Supporting apprentices, investing in high streets, promoting Shop Local, attracting businesses to Lewisham and working with business to become London Living Wage employers.

Quality housing: Delivering more social homes for Lewisham, improving housing stock condition, supporting renters and safeguarding our heritage landmarks.

Annual Governance Statement

Children and young people: Continue supporting school improvement, relentless focus on inclusive pupil achievement, protecting the most vulnerable children and lobbying government to expand free school meal provision.

Safer communities: Implementing our Violence Against Women and Girls strategy, supporting the 'Have A Word' campaign, reducing young people's entry into the criminal justice system.

Open Lewisham: Celebrating Lewisham's diversity, preserving our Borough of Sanctuary status, building on our Borough of Culture legacy, strengthening the Lewisham Way of working with partners and actively listening to residents.

Health and Wellbeing: Working with partners to deliver the Lewisham Food Action Plan, mitigating health inequalities, progressing towards a fairer social care system, working with NHS on the Lewisham Health Care and Wellbeing Charter and empowering residents to live a physically active lifestyle.

Our **Corporate Strategy** also emphasises key components of our approach and governance that will be vital to successful delivering of these priorities:

Effective Management of finance: Sound financial management in maintaining a balanced budget, developing our financial monitoring, enhancing consideration of social value and managing spending within budget.

A flexible workforce we invest in: Recruiting, retaining and developing talented and committed staff to provide the best services for residents, including an emphasis of hybrid working while staying connected and engaged.

Collaborative working, including in partnerships: Convening a Local Strategic Partnership focused on tackling the issues that matter most to our residents plus creating a culture of working collaboratively and as a facilitator for organisations and people to support one another.

Evidence-based decision making: Expanding our Knowledge Observatory using Ward Profiles to assess and understand need across the Borough.

Strong and effective governance: Enhancing our approach to managing risk, alongside effective controls, to support and empower staff to deliver big ideas.

Staying on track and measuring success: Revamping how to measure and manage performance, identifying key results with regular monitoring integrated into service planning and made publicly available. In 2020 Lewisham Council published its Climate Emergency Action Plan, updated in 2024 which sets out a range of actions supporting the declaration of a Climate Emergency and the ambition for the borough to be net zero carbon. This Action Plan includes a range of measures supporting long-term sustainability of decision-making across the Council.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government must make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the several types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

Assurance Level: Satisfactory

We have clear decision-making procedures that draw in a wide range of considerations to support selected interventions. In 2023/24 we expanded our use of social value to support procurement decisions, building on the evidence provided in the annual Social Value Report published.

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 so report authors address all significant implications of decisions. These considerations have been expanded to include environment, wellbeing, and (for contracts) social value implications. The minutes of every formal meeting are published on the Council website.

The Constitution requires Executive decisions to be published within two working days of being taken and they may be called-in (referred to the Mayor for reconsideration) by the Overview and Scrutiny Committee. For 2024/25, two Mayor & Cabinet decisions were called-in by the Overview and Scrutiny Committee to be reconsidered. The Council's call-in arrangements have been amended as part of the Review of the Constitution and are robust and aligned to guidance produced by the Centre for Governance & Scrutiny.

The Council has a Governance Committee, to advise on constitutional arrangements but in practice, the procedure rules set out in the constitution are under constant review by the Monitoring Officer to reflect changing needs.

E. Developing the Council's capacity, including the capability of its leadership and the individuals within it

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

Assurance Level: Satisfactory

We have comprehensive training and development programmes supporting both Members and Officers showing our clear commitment to developing capacity and capability. We have experienced permanent officers in key positions, including Chief Executive, Monitoring Officer and Section 151 Officer and a settled Executive Management Team.

Training and Development

The Council runs a comprehensive Member Development Programme, with an intensive induction programme in the period following local elections. The programme 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. Training and development are available for councillors every year, inclusive of regular all member briefings; training sessions for all councillors or specific cohorts of councillors; and tailored learning for individuals provided based on assessed needs. The Council assigns a Member Development budget which is used throughout the year to support any Member who has specific training needs and frequently promotes Learning and Development opportunities to all Councillors through a regular newsletter.

The development needs of senior officers are the responsibility of the Director of People & Organisational 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, as the Head of Paid Service, defines objectives for each member of the Executive Management Team which are then

cascaded to officers throughout the organisation through the objective setting arrangements set out in the People Management Framework. During the year this has also involved partnership with an external consultancy on an extensive Leadership Development Programme supporting our Senior Leadership Team and Executive Management Team.

We also have a Corporate Equalities Board to provide strategic direction for equalities across the Council. This includes oversight of our equality and diversity learning and development offer plus identifying and promoting opportunities for our range of staff networks to support employee engagement and development.

F. Managing risks and performance through robust internal control and strong public financial management

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision-making activities.

A robust system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.

It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it needs repeated public commitment from those in authority.

Assurance Level: Satisfactory

During 2022/23 we extensively refreshed our approach to both risk and performance management. We published a new risk framework in March 2023, and revised Corporate Performance Report in early 2023/24. Both built on existing and developing internal practices.

Work has continued to embed that Risk Management Framework across the council, leading to improved assessment of risk, allowing for better identification evaluation of mitigating controls. Work to further develop the risk maturity of the Council is ongoing.

We have an existing strong financial management system managed by the Executive Director of Finance, Digital and Corporate Resources, including a revised Whistleblowing Policy launched in Autumn 2022.

Monitoring Performance

The Council's performance is monitored via a suite of monthly Directorate (Children and Young People Services, Adult Social Care & Health, Housing, Place, Finance, Digital and Corporate Resources, and Chief Executive) management reports and quarterly at the Executive Management Team. These reports, which include key indicators, metrics, and contextual commentary are reviewed monthly by Directorate Management Teams. Performance data is used to highlight underperformance or high-risk areas, helping to guide decision-making and prompt targeted interventions where needed. The reports use targets to focus attention on underperforming or high-risk areas, and both performance measures and targets are reviewed annually to ensure their relevance.

In 2022/23 we launched a refreshed, publicly available [Corporate Performance Dashboard](#) using Power BI. This interactive tool enables residents and stakeholders to better interact with and scrutinise our performance data. It also supports strategic oversight by Council Directors, EMT, and Cabinet, and is updated and published quarterly.

These reports are shared with Cabinet Leads, giving them direct line of sight to current and emerging performance issues. There is quarterly reporting into scrutiny and Mayor and Cabinet of the financial performance of the Council. The quality of services for

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users is also measured through satisfaction surveys and information from the complaints management resolution processes.

During the year the following elections were successfully undertaken, while also sustaining continuity of service and decision-making:

| | |
|--------------------------------------|---|
| 2nd May 2024: | Deptford By-Election Mayor of London and London Assembly Elections |
| 4th July 2024: | Parliamentary Elections for 3 constituencies |
| 5th February 2025: | Lewisham Young Mayor Election |

Compliance

The Monitoring Officer is central to ensuring compliance with the rules and procedures set out in the constitution. The Monitoring Officer attends Mayor & Cabinet, Full Council meetings and is a member of the Executive Management Team (EMT). The Monitoring Officer regularly briefs 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 Procedure Rules set out in the Constitution and the Council has designated the Executive Director for Finance, Digital and Corporate Resources as its Section 151 Officer, who advises on the proper administration of the Council's financial affairs, keeping proper financial records and maintaining effective systems of financial control. The Council has a whistleblowing and speaking up policy in place which is publicised on the Council's website and were refreshed and updated during 2022/23.

G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed but also ensuring that stakeholders are able to understand and respond as the organisation plans and conducts its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Assurance Level: TBC

Head of Internal Audit Opinion 2024/25

The Council's Head of Assurance is the officer who serves as Chief Audit Executive as defined in the Public Sector Internal Audit Standards.

TBC

External Audit and Inspection

Our external auditors for 2024/25 are KPMG and they have completed their work on the 2023/24 financial statements by issuing unqualified opinions on the Council and Pension Fund in February 2024.

The 2023/24 audit by KPMG on the value for money arrangements within the Council identified two significant weaknesses, both in relation to the Housing Revenue Account (HRA). These are in relation to the financial sustainability and governance arrangements associated with the HRA. Given the decision taken to bring the responsibility for housing management back into the Council, and the ensuing self-referral to the housing regulator in relation to the condition of the council dwellings, these findings are not surprising. The Council has HRA recovery plans which it is confident will be delivered as planned and will be able to satisfy the auditors that the arrangements in 2024/25 demonstrate this. In addition to the annual independent review of the Council's governance, risk and control management arrangements, Children and Young People's Services is subject to regular inspection through one of the following four inspection frameworks (in addition to the inspection of schools):

- Inspection of Local Authority Children's Services (Ofsted)
- Joint Targeted Area Inspection (Ofsted, CQC and HMICFRS) – the latter is the police inspectorate

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- Special Educational Needs and disability Inspection (Ofsted and CQC)
- Youth Offending Inspection (HMIP) – Probation inspectorate

During December 2023 the Council's Children's Services were subject to inspection by Ofsted. Ofsted published its report in January 2024 and rated the services as "Good" across all judgements: the impact of leaders on social work practice with children and families, the experiences and progress of children who need help and protection, the experiences and progress of children in care, the experiences and progress of care leavers and overall effectiveness.

Ofsted concluded: "A determined focus by the experienced Executive Director for Children & Young People (DCS) and his highly effective leadership team has driven widespread improvements in services since the last inspection in 2019. Children and young people now benefit from good, high-quality help and support. The pace of change has been purposeful, and the areas identified for improvement at previous inspections have been priorities, leading to better outcomes for children.

Political and corporate leaders are committed corporate parents and ambitious for children and young people. Additional investment has been provided to strengthen services and stabilise the workforce. This includes a targeted early help service which has been fully developed and embedded since the last inspection, so that children and families receive timely and appropriate support. Partnerships with key stakeholders are well developed, supporting continued improvements for vulnerable children."

Ofsted identified four key areas for improvement. Each area is being tracked by the Council and monitored to check improvements are developing and sustained.

Since that inspection there have been two further inspections of Children's Services:

- HMIP Inspection of Youth Justice Services in June 2024, which judged services to be 'Good' and amongst other things noted that "there is an embedded culture of openness, constructive challenge and innovation."
- Area inspection of Special Needs (Ofsted and CQC) in September 2024, which led to a narrative report, noting some inconsistency in practice, but, "Leaders work well to support vulnerable children and young people," and, "Leaders are reflective, and they understand what is working well, as well as what can be improved."

Self-Referral to the Regulator of Social Housing

In December 2023, we took the decision to refer ourselves to the government's Regulator of Social Housing for a potential breach of its consumer standards. We specifically asked the Regulator to examine whether we are providing decent homes, running an efficient repairs service, and completing fire safety actions within acceptable timescales.

The Regulator [published a Regulatory Notice](#) in March 2024 which detailed its findings, along with recommendations for which areas are most urgent to address.

To gain a clearer understanding of performance across the three self-referral areas, Decent Homes, repairs Works in Progress and overdue fire risk actions, the Council

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undertook a root cause analysis in August 2024 and subsequently developed a Housing Improvement Plan to address the underlying issues. The plan outlines strategic priorities, desired outcomes, and the approach to achieving them. A set of specific, detailed action plans underpin the overarching Housing Improvement Plan. Governance is provided through several internal boards, with quarterly reviews by the Housing Transformation Board. The plan serves as a central framework for delivering transformation and sustained improvement across Lewisham's Housing Service.

Progress:Decent Homes

In 2024/25, the council commissioned a comprehensive stock condition survey, which was carried out by Savills and completed in early 2025. The survey achieved 83% coverage of the council's directly-managed housing stock. The service has designed a follow-up programme to survey as many of the remaining 17% of homes as possible, where there was no access.

The survey found that 26% of council-managed homes were non-decent and during the year, work was undertaken informed by the survey which led to non-decency in the council-managed stock reducing from 26% to 17.8%.

Works in progress

For a housing stock the size of Lewisham's, a manageable level of work in progress (WIP) is estimated to be between 3,000 and 3,500 jobs, with a preference for remaining at the lower end of this range. A target has been set to reduce WIP to 4,500 jobs by April 2026. As of 31 March 2025, the WIP stood at 8,359 jobs. While this reflects a notable improvement compared to the previous year, the rate of reduction has not been consistent over time.

Overdue fire risk actions

Since the self-referral, the number of overdue fire remedial actions has been reduced from over 5,000 to 2,248 by the end of 2024/25. A comprehensive Fire Safety Action Plan has also been developed to support continued progress.

Audit and Risk Committee

The Council's Audit & Risk Committee meets quarterly and is made up of a mixture of Councillors and independent advisors. The key roles of the Committee 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 Committee 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.

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During 2024/25 the Audit & Risk Committee worked to a terms of reference modelled on the CIPFA model. A full Committee of the Council, it attracts a Special Responsibility Allowance for its Chair and includes a focus on risk running alongside the Council's broader refresh of its risk management arrangements. The Committee has also emphasised its position as a source of independent expert challenge by appointing three co-opted independent members. These independent members, with backgrounds in Local and Central Government, health and voluntary sectors, as well as private business bring a wide range of experience and expertise to the Committee's function. The independent co-opted members attended all Audit & Risk Committee meetings following their appointment in summer 2023.

The Committee was scheduled to meet five times during 2024/25, but its first meeting (in June 2024) was cancelled in the wake of the GLA pre-election period. The October 2024 meeting was cancelled as the committee had met in both September and December 2024 and the meetings were aligned to more closely follow the progress of the external audit. The Council has taken steps to keep the Committee abreast of governance developments outside the formal meetings.

Governance Action Plan

Update on 2024/25 Governance Priorities

Our 2024/25 Annual Governance Statement described a range of priorities. We have monitored these through the year and provide below an update on progress.

| Priority | Progress |
|--|--|
| Compile Annual Performance Report setting out how well we met our ambitions in 2023/24, key areas of focus for 2024/25, risks to meeting objectives plus information on budget and financial performance. | The Council's current Corporate Strategy expires in line with the May 2026 election. A new Strategy will place fresh emphasis on various priorities, and we will adapt the focus of our performance reporting accordingly. |
| Embedding the revised Corporate Values Statement launched in September 2023. | <p>The Council's staff appraisal process clearly links the demonstration of the values to individual roles and responsibilities.</p> <p>The corporate report template ensures that each report considers how the subject matter supports the evidencing of these values in action.</p> |
| Improve consistency and quality of record keeping as the Council increasingly uses more shared document spaces such as MS Teams and SharePoint. | There are various projects underway that look to improve the quality and consistency of record keeping. |
| Improve compliance with centralised governance processes, especially staff performance appraisal completion rates. | The regular reporting to EMT of compliance rates for core and mandatory governance items has improved the overall compliance rates across the Council. |
| Respond to the Regulator of Social Housing's Regulatory Notice. | |

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| Priority | Progress |
|--|----------|
| Implement our Housing Improvement Programme, including a stock condition survey, addressing non-decency, monitoring fire risk assessment remedial actions and transforming repairs and complaints. | |

2025/26 Governance Priorities Monitoring

We will continue to track ongoing priorities alongside the 2024/25 set highlighted below. This monitoring will take place in various places in our Governance structure, most notably:

- At the **Corporate Assurance Board**. An officer-led group including the Chief Executive, Executive Director of Finance, Digital and Corporate Resources (s151 Officer), Director of Law & Corporate Governance (Monitoring Officer) and Head of Assurance (Chief Audit Executive). This Board meets up to ten times per year to consider a broad range of governance challenges and track progress on key actions to address defects and mitigate risk.
- Through the **Audit & Risk Committee**. This public, Member Committee will receive periodic updates as part of its governance monitoring.

| Priority | Executive Management Team Owner |
|---|---------------------------------|
| Continue to improve our performance monitoring arrangements and publish an annual performance report, setting out how well we met our ambitions in 2024/25, key areas of focus for 2025/26, risks to meeting objectives plus information on budget and financial performance. | Chief Executive |
| Continue to embed our Corporate values and behaviours across the organisation to ensure they are consistently reflected in our culture, decision-making, and everyday practices. | Chief Executive |

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| Priority | Executive Management Team Owner |
|---|--|
| <p>Improve consistency and quality of record keeping as the Council increasingly uses more shared document spaces such as MS Teams and SharePoint.</p> | <p>Executive Director for Finance, Digital and Corporate Resources</p> <p>Director of Law and Corporate Governance</p> |
| <p>Improve compliance with centralised governance processes, especially staff performance appraisal completion rates. Strengthen compliance with centralised governance processes, especially staff appraisal completion rates building on the Council's overall return of 82% and addressing variation in underperforming directorates.</p> | <p>Chief Executive</p> |
| <p>Continue to embed risk management information in Council governance and decision-making processes, including extending the corporate risk registers to include more specific ones - e.g. IT and projects etc. and to look at possible cross-cutting risks.</p> | <p>Executive Director for Finance, Digital and Corporate Resources</p> <p>Director of Law and Corporate Governance</p> |
| <p>Following the issuance of a regulatory notice in March 2024, the Council has maintained regular and transparent engagement with the Regulator of Social Housing, sharing its Improvement Plan and providing ongoing updates on progress to ensure accountability and alignment with regulatory expectations.</p> | <p>Executive Director for Housing</p> |
| <p>Implement our Housing Improvement Programme, including a stock condition survey, addressing non-decency, monitoring fire risk assessment remedial actions and transforming repairs and complaints.</p> | <p>Executive Director for Housing</p> |

Signatures

Jennifer Daothong
Chief Executive

Councillor Jacq Paschoud
Speaker of the Council