



# **LONDON BOROUGH OF LEWISHAM**

## **DRAFT STATEMENT OF ACCOUNTS 2020/ 2021**

**LONDON BOROUGH OF LEWISHAM  
2020/ 2021 DRAFT STATEMENT OF ACCOUNTS  
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## **NARRATIVE STATEMENT BY THE EXECUTIVE DIRECTOR OF CORPORATE RESOURCES**

This Narrative Report 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 Mayor, elected by the whole borough, and 54 ward councillors, three elected by each of the 18 wards within the borough. The Mayor is Labour and there were 49 Labour councillors, 1 Independent and 4 vacancies as at 31 March 2021. 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 Community Services
- Executive Director Housing, Regeneration and Public Realm
- Executive Director Corporate Resources
- Assistant Chief Executive
- Director of Law, Governance and Human Resources

#### **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

#### **c) Service delivery**

Including teachers, Lewisham employs some 5,900 full-time equivalent staff to deliver services. The demographic composition of the workforce as at 31 March 2020 was:

- 62.3% female
- 45.0% BAME
- 5.5% disabled
- an average age of 48 years

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

The Council also provides services through two wholly-owned subsidiary companies:

- Lewisham Homes Limited: An arms-length management organisation (ALMO) set up in 2007 as part of the Council's initiative to deliver better housing services and sustain the Decent Homes Standard. The company manages approximately 19,000 homes.
- Catford Regeneration Partnership Limited: The Company owns the Catford shopping centre and aims to drive forward a regeneration programme for the town centre and the surrounding area.

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**Narrative Statement**

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

**d) Future Lewisham**

There are four core themes run through the heart of the Council's plans for Future Lewisham:

**A greener future**

**A healthy and well future**

**An economically sound future**

**A future we all have a part in**

As a Council we will do everything in our power to support those who need us most and build on the amazing community spirit and local activism. We will continue to make Lewisham's voice heard nationally, and will never lose focus on supporting those who need us most, and making sure that the values that make Lewisham a special place are at the forefront of our recovery.

The key strategic document for Lewisham is "Lewisham's Corporate Strategy 2018-2022", which can be viewed on the Council's website.

**e) Corporate priorities in achieving Future Lewisham**

The Council has seven corporate priorities within its corporate strategy as follows:

- Open Lewisham – Lewisham will be a place where diversity and cultural heritage are recognised as a strength and are celebrated.
- Tackling the housing crisis – Everyone has a decent home that is secure and affordable.
- Giving children and young people the best start in life – Every child has access to an outstanding and inspiring education and is given the support they need to keep them safe, well and able to achieve their full potential.
- Building an inclusive local economy – Everyone can access high-quality job opportunities, with decent pay and security in our thriving and inclusive local economy.
- Delivering and defending health, social care and support – Ensuring everyone receives the health, mental health, social care and support services they need.
- Making Lewisham greener – Everyone enjoys our green spaces, and benefits from a healthy environment as we work to protect and improve our local environment.
- Building safer communities – Every resident feels safe and secure living here, as we work together towards a borough free from the fear of crime.

**f) Core values**

The Council also has the following four core values:

- We put service to the public first.
- We respect all people and all communities.
- We invest in employees.
- We are open, honest, and fair in all we do.

**g) Performance management**

In 2020/21 reports from the five directorates have been periodically presented at the directorate Executive Management Team (EMT) meetings, each of which was circulated to the relevant lead Cabinet member.

The Council continues to publish performance information on our website. This includes various reports and progress updates, which are presented on a cyclical basis at Committee. The Council is continuing to explore ways to increase transparency and accountability of performance information to the public. This work will be informed by the recovery and transition following Covid-19.

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**Narrative Statement**

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**2. THE IMPACTS OF COVID-19**

**a) The Council's response to the pandemic**

The Covid-19 pandemic has had an unprecedented impact on the Council's operations since lockdown was introduced in late March 2020. The Council has adapted to new ways of working, such as remote working for the majority of employees, and a reliance on redeployment and volunteering to support those services where the need is greatest.

Throughout the various lockdown periods over the course of the last 18 months, the Council has continued to deliver its critical services - keeping schools open for children of key workers and vulnerable families, working with care homes, allowing parks and public spaces to remain open and ensuring bin collections and recycling continue as usual.

From the start of the pandemic, the Council agreed a broad package of support to businesses and residents, such as: holding back on reminders due on bills raised; inviting all customers, businesses or residents, to contact the Council early to discuss any financial difficulties they may be facing as a result of Covid-19; deferring commercial rents and annual waste charges for defined periods; cessation of fees and charges for market traders for the same period; and establishing a 'Lewisham backs Business' Task Force, comprising lead Members, representatives from the local business community, industry, and officers to develop and coordinate a whole Council response to supporting business and jobs recovery quickly and inclusively from the disruption of Covid-19. These measures support the delivery of the Council's corporate priorities, in particular the 'building an inclusive local economy' priority.

Now that the easing of lockdown has begun, Council meetings have resumed in a hybrid setting, but demand for critical services and the new responsibilities that Covid-19 has brought will not ease off for some time.

The Council's continued focus will be on:

- protecting critical services;
- managing increased demand as a result of the various lockdowns;
- promoting good public health and minimising the spread of infection;
- responding and preparing for the ongoing demands for future waves of Covid-19.

Staff who are working remotely will continue to do so until at least the end of August 2021. Significant work has been undertaken to make the important and necessary physical changes to office environments so they comply with the new Working Safely during Coronavirus guidelines.

The volunteering effort through the Covid Action Team has transformed the Council's ability to manage through this crisis and there is a need to continue and build on this successful effort via ongoing support for the volunteer programme.

**b) Government funding**

The Council has received some specific funding from the Government regarding Covid-19 – these schemes are focused on support for businesses with a view to future employment. The main elements include:

- Measures included extended business rates relief for 2020/21, grants to small businesses and those in the retail, hospitality, and leisure sectors, and a grant to support Small and Medium Enterprises (SMEs) – those with less than 50 employees – not covered by the initial grant arrangements

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**Narrative Statement**

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- The Council has received a cash advance of £47m to distribute in grants of £10k or £25k to small business within certain rateable values and/or in the retail, hospitality, and leisure sectors. There have been a number of other government backed financial packages provided to support local businesses during the course of the second and third national lockdown periods, with circa 20 different schemes being in operation at one time or another during the course of the pandemic.

In addition, the Council has received £3.2m for residents to be distributed as £150 credits to households of working age in receipt of the council tax reduction scheme and to supplement the Council's hardship support scheme.

In respect of the burden on Council services, the Government has provided some funding to meet the financial impacts. This is via additional funding and early payment of some grants to support cash flow. Lewisham has received £29.4m to cover the costs of the Covid-19 response and a further £6.1m to support the shortfalls in the Council's sales, fees and charges income. A further £21.1m has been received in grant income for targeted and specific Covid-19 related activity, providing an overall allocation for the year of £56.6m. Some £40.8m of these sums have been spent in 2020/21, with the balance being carried forward to help alleviate the on-going pressures of the coronavirus pandemic. Monthly monitoring to the Ministry of Housing, Communities and Local Government (MHCLG) has been in place throughout the year.

**c) Financial impacts, risks and uncertainties, going concern considerations**

The current situation has given rise to a number of risks and uncertainties. There is significant uncertainty in the potential loss of council tax and business rates income. The full impact will be unknown until we are deep into the recovery phase and the impact on the local economy and employment implications are identified. The impact of Covid-19 on the Council's financial plans, if further Government funding support is not available will fall on reserve balances; firstly from the general unallocated reserves and then, the earmarked reserves.

The Council has borne the cost of additional unplanned work to sustain critical services, including supporting the social care market, distributing Personal Protective Equipment, and providing shielding as critical services. As well as the extra work to run and support services including housing, waste, benefits, and bereavement services with higher levels of activity whilst also maintaining social distancing and safe working practices.

Other uncertainties include:

- Contracts – Some providers may withdraw from the market or adjust their cost base and put prices up leaving the Council, or unable to recover the services due.
- Property – The outcome of the recovery phase in the short and longer term for development, asset valuations, and future commercial and residential occupancy and rents is currently unknown. The Council has a balance sheet with over £2.7bn of assets which will be affected by these uncertainties as the viability of sustaining the Council's asset base impacts future financial plans.
- Service demand – Changes have been made as part of the Covid-19 response in respect of a range of services but particularly social care, housing, education, and community support with Council providing more support during the pandemic - as the full social, health and economic impact of this pandemic is realised. We are expecting further increases in demand in these, and other areas. The Council will have to assess what to continue and what to stop.

The Council has sufficient reserves to meet these financial commitments at present, including the estimated costs and lost income considerations of the Covid-19 response (taking into account additional support from the Government); while the impact of the Covid-19 response may reduce the Council's financial resilience to face future crises. This requires the Council to be mindful of its financial sustainability to ensure it does not need to consider issuing a section 114 notice (the effect of which would be to prevent any further expenditure by the authority save with the approval of the s151 officer, to help control the financial position). The Council is not in this position at this time, but is likely to have to make significant changes to the range and scale of services it offers or further put the burden of these

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**Narrative Statement**

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costs on local tax payers as a consequence of the financial impact of Covid-19. This situation has been kept under constant review throughout the year and will continue to be kept under review. Furthermore, it will be commented on through the external audit process and their value for money conclusion, in the regular 2021/22 monitoring, and as the Medium Term Financial Strategy (MTFS) is refreshed and the budget for 2022/23 prepared.

The 2021/22 budget was set without the use of reserves and after the funding of growth and pressures of £19.7m to reset 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 £28m of agreed cuts. Some of these plans are now at risk of delay or not being delivered due to the Covid-19 response taking priority. These are the revenue budget impacts and the risks also extend to the expanded capital programme which remain under constant review as part of the recovery planning phase.

Nevertheless, in light of the above considerations, the current situation does not alter the Council's position as a going concern.

**d) Impact on 20/21 final accounts**

There are two important implications worth noting for the 20/21 final accounts:

- The statutory deadlines for the production of the draft accounts and audited accounts have been changed from 31 August to 30 June for the draft, and from 30 November to 30 September 2021 for the audited accounts. It is expected that the Council will meet these deadlines.
- The review of property asset values in the accounts (and any valuations completed during 2020/21) will continue to be reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the review/valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, it will be necessary for the Council to keep the valuation of the portfolio under frequent review.

**e) Recovery plans, strategy and objectives**

The Council has been preparing its recovery response which will be underpinned by the following principles:

- Tackling widening social, economic and health inequalities;
- Protecting the most vulnerable;
- Ensuring the Council's continued resilience, stability and sustainability; and
- Enabling residents to make the most of Lewisham the place.

The Council's strategy in this regard is:

- We will work together with our partner agencies to respond to and recover from Covid-19 for our communities, businesses and staff.

The Council's objectives related to this are:

- To provide support to the vulnerable.
- Managing resourcing to meet the needs of emergency and maintain essential public services.
- To provide support to our responding partner agencies who are protecting and preserving life.
- To provide support to Lewisham businesses and communities.
- To inform and reassure through communication and engagement.
- To provide community leadership/reassurance.
- Minimize disruption to infrastructure and business.
- To facilitating recovery and the return to normality.



## Narrative Statement

## 3. FINANCIAL PERFORMANCE

## a) 2020/21 Revenue Budget Setting and Funding

The Council set a net budget requirement of £248.7m for 2020/21 at its meeting on 05 February 2020. This was an increase of £5.7m or 2.3% on the previous year's net budget requirement of £243.0m. The main sources of income were Revenue Support Grant (RSG), Business Rates and Council Tax. With central RSG and Business rates similar to the previous year, Council Tax funds a higher proportion of the budget than it did last year, with bills increasing by 3.99% (4.99% last year). A year on year comparison of revenue budget funding is shown in the following table.

## 2020/21 Revenue Budget Funding

	2020/21 £m	2019/20 £m
Revenue Support Grant	28.0	27.5
Business Rates	102.6	102.1
Council Tax	116.2	109.5
Social Care Precept	2.3	2.2
Surplus/ (deficit) on Collection Fund	-0.4	1.7
<b>Budget Requirement</b>	<b>248.7</b>	<b>243.0</b>

## b) Council Tax

In 2017/18, in addition to an increase in Council Tax for general purposes, Councils were given the ability to raise Council Tax by a further 6% over the years 2017/18 to 2019/20 as a precept to fund Adult Social Care expenditure without the need for a referendum. This was in response to concerns about the growing funding gap for Adult Social Care caused by an increase in demand and the introduction of the National Living Wage, which impacted directly on the cost of care provision. In 2017/18, the Council increased the precept by the maximum allowed, 3%, in 2018/19 by 1%, in 2019/20 by 2% and 2% in 2020/21.

For 2020/21, the Council increased the general rate of Council Tax by 1.99% and agreed to levy the 2% Adult Social Care precept resulting in an overall increase of 3.99%. The actual Council Tax charge is determined by dividing the net amount to be met from Council Tax by the tax base, which for Lewisham is 90,099 equivalent Band D properties for 2020/21 (88,405 for 2019/20).

The comparison of Council Tax Band D levels from 2019/20 to 2020/21 for Lewisham is shown in the following table, together with the Greater London Authority precept.

## Band D Council Tax by Tax Raising Body

	2020/21 £	2019/20 £	Variation £	Variation %
Lewisham Council	1,314.37	1,263.94	50.43	3.99
Greater London Authority	326.92	320.51	6.41	2.00
<b>Council Tax for Band D</b>	<b>1,641.29</b>	<b>1,584.45</b>	<b>56.84</b>	<b>3.59</b>

## Narrative Statement

## c) 2020/21 Revenue Budget Outturn

The Council's 2020/21 revenue outturn position is shown in the following table. Further detail can be found in the Expenditure and Funding Analysis in section 3 of this document.

Directorate	Net Budget	Outturn	Outturn Variance	Covid-19 Related Variance	General Fund Services Variance	General Fund Outturn Variance
	£m	£m	£m	£m	£m	%
Children & Young People	60.3	69.1	8.8	4.7	4.1	5.9%
Community Services	89.2	98.3	9.1	17.3	(8.2)	-8.3%
Housing, Regeneration & Public Realm	23.2	30.7	7.5	9.7	(2.2)	-7.2%
Corporate Services	35.3	40.2	4.9	4.3	0.6	1.5%
Chief Executive	12.2	11.6	(0.6)	1.0	(1.6)	-13.8%
<b>Directorate Totals</b>	<b>220.2</b>	<b>249.9</b>	<b>29.7</b>	<b>37.0</b>	<b>(7.3)</b>	<b>-2.9%</b>
Covid Grant Income	0.0	(40.8)	(40.8)	(40.8)	0.0	0.0%
Corporate Items – incl. Contributions to Provisions and Reserves	28.5	39.8	11.3	3.8	7.5	18.8%
<b>Net Revenue Budget</b>	<b>248.7</b>	<b>248.9</b>	<b>0.2</b>	<b>0.0</b>	<b>0.2</b>	<b>0.1%</b>

During 2020/21, the overspend against the directorates' net controllable budgets was £0.2m. This consists of Covid related spend of £40.8m for the year which is met by Covid-19 government grant income and a general fund 'business as usual' overspend of £0.2m. The final overspend of £0.2m comes after contributions to reserves and provisions. Detailed reasons for budget variances have been reported to Mayor & Cabinet on 9 June 2021. For the fourth successive year, the main element of the overspend has been expenditure on children's social care. Officers are continually seeking to identify ways to manage down overspending budgets, but this has not been sufficient to balance the budget in this financial year.

The outturn includes the outcome of delivered agreed savings for 2020/21, and the identified in-year cash reductions totalling £5.2m. The overall pressures were alleviated in part by additional government grant income received to provide some financial support to councils to undertake additional activities in recognition of the unplanned costs which have been incurred in responding to Covid-19. The amount received by Lewisham in 2020/21 for such purposes, totals £56.6m. More detail on these grants have been set out in the final outturn report presented to Mayor & Cabinet on 9 June 2021. Of the £56.6m government grant income, some £40.8m has been applied to Covid-19 related spend during the year, thereby leaving £15.8m to be carried forward into 2021/22.

Throughout the year, Mayor & Cabinet and Executive Directors have received regular financial monitoring reports. The financial position demonstrates the impact of the very severe financial constraints which have been imposed on Council services with the cuts made year on year, alongside the increasing demand due to the growing number of the borough's residents and the impact the coronavirus pandemic has had on the Council's finances.

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. It is clear that the short and medium-term outlook will remain difficult and challenging. However, the Executive Director for Corporate Resources, as the council's section 151 officer, will continue to work with directorate management teams to effect the necessary continued actions to manage their services and intervene early where necessary to avoid a budgetary situation becoming unmanageable.

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**Narrative Statement**


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**Dedicated Schools Grant**

The final budget distribution of the Dedicated Schools Grant (DSG) for 2020/21 was a net of £262.9m (net of academy recoupment). Overall there is an increase in the overall surplus position for schools balances of £4.9m (net). This is some 13% of the value of the schools block, but it should be noted that within this, there are £1.6m of loans supporting deficits. There are 15 schools which are within the correct tolerance of 8% surplus. All other schools are in surplus positions, many with significant levels relative to their budget position. Some 28 schools have balances in excess of 20% of their annual schools budget. All schools with deficits have a budget recovery plan and work will continue this year to ensure that plans are delivered and the future position is sustainable.

**d) Balances and Reserves**

After transfers to and from reserves the General Fund balance has remained at £20m. This is an adequate level of cover and represents approximately 8.2% of Lewisham's Net Budget Requirement for 2021/22. 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 2021. It continues to build reserves up on an annual basis, mainly to ensure that there are sufficient resources available to fund the current 30 year business plan. This aims to continue to invest in decent homes and to significantly increase the supply of housing in the borough over the medium to long term. The business plan is reviewed each year to ensure that the resources available from HRA reserves can be profiled appropriately to meet the business needs. After transfers to and from reserves the HRA balance at the end of the year, including earmarked reserves, now stands at £76.9m (£100.7m as at 31 March 2020). These reserves include the Major Repairs Reserve and are for specific on-going projects as outlined in the notes to the HRA in Section 4 of the Accounts.

**e) Cashflow**

Cash and Cash equivalents held by the Council reduced from £112.8m to £77.6m in 2020/21.

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:

	<b>2020/21</b>
	<b>£000s</b>
Net Cash flows from Operating Activities	67,022
Purchases of PPE	(67,520)
Sales of PPE	11,267
Net Purchases of Short & Long-term investments	(45,000)
Net Receipts from Investing activities	36,817
Cash receipts of short and Long-Term Borrowing	0
Repayment of Short and Long-Term Borrowing	(12,952)
Net payments for Other Financing activities	(24,839)
<b>Net Increase or (Decrease) in Cash and Cash Equivalents</b>	<b>(35,205)</b>

## Narrative Statement

## f) 2020/21 Capital Budget Outturn

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

	2020/21 Final Outturn £m	2020/21 Original Budget Report £m	2020/21 Revised Budget Report £m	2019/20 Final Outturn £m
<b>CAPITAL PROGRAMME EXPENDITURE</b>				
General Fund	58.0	58.1	70.4	76.6
Housing Revenue Account	62.1	136.3	101.2	44.6
<b>Total Spent</b>	<b>120.1</b>	<b>194.4</b>	<b>171.6</b>	<b>121.2</b>
<b>CAPITAL PROGRAMME FINANCING</b>				
Borrowing	10.5	107.2		44.8
Capital Grants	43.6	39.9		20.9
Capital Receipts	12.4	3.4		10.0
Use of reserves and revenue financing	53.6	43.9		45.5
<b>Total Financed</b>	<b>120.1</b>	<b>194.4</b>	<b>171.6</b>	<b>121.2</b>

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 70% (2019/20 72%).

Spend on the major projects, where in year spend exceeded £1m, is shown in the table below.

## Major Projects of over £1m

	2020/21 Expenditure £m
<b>General Fund</b>	
Lewisham Gateway (Phase 2)	14.8
Fleet Replacement Programme	6.3
Highways & Bridges (incl. TFL programme)	5.8
Edward Street Development	5.7
Temporary Accommodation Conversion - Morton House	4.2
Schools minor works	4.2
Deptford Southern Sites Regeneration	2.6
Residential Portfolio Acquisition – Hyde Housing Association	2.1
School Places Programme	1.9
Private Sector Grants and Loans (inc. DFG)	1.5
<b>Housing Revenue Account</b>	
Building for Lewisham Programme	15.8
HRA Capital Programme	38.1
Creekside Acquisition	6.7

**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 Covid-19 pandemic has increased the pressure on costs. This has driven significant changes to services that in turn bring additional risks and uncertainties. The consequences of Brexit have added to the uncertainty.

The Council set a net budget requirement of £243.1m for 2021/22 at its meeting on 03 February 2021, which is £5.6m lower than the equivalent figure for 2020/21. The Council has made reductions of £28.0m to its budget, and added £22.4m to provide for risks and pressures. This is sufficient to set a balanced budget for the year, without the need to use reserves, but action is also being taken to ensure that expenditure is affordable in future years. Reserves may be used at the start of the financial year to underpin selected service budgets, pending actions being taken to bring these budgets back in line on an ongoing basis.

The Medium Term Financial Strategy (MTFS) is being reported to Mayor & Cabinet in July 2021. This sets out that an estimated £26m of cuts would be required from 2022/23 to 2025/26 to meet the remaining budget gap. This position has now been revised following the cuts proposals submitted to Mayor and Cabinet early in the year, the final local government finance settlement announced in January 2021 and the annual review of the statutory calculation for the Collection Fund. The revised profile for cuts required is now broadly:

- £28m to be implemented in 2021/22;
- sufficient to set a balanced budget for the year, without the need to use reserves;
- Current base case assumptions for 2022/23 to 2025/26 produce an assumed budget gap of £26m, with a profile of £2m, £9m, £7m and £8m, respectively

Looking further ahead, the Government is due to carry out a Comprehensive Spending Review in 2022/23 and has consulted on two potential changes that will contribute to shaping the future of Local Government Finance:

- A Fair Funding Review of local authorities' relative needs and resources which sought views on the approach to measuring the relative needs and resources of local authorities. This will determine new baseline funding allocations for all local authorities in England.
- Business Rates Retention Reform – Views were sought on proposals for sharing risk and reward, managing volatility in income and setting up the reformed business rates retention system, whereby local authorities will retain 75% of business rates.

## Narrative Statement

**b) Capital Budget Outlook**

The Council set its capital programme budget at its meeting on 03 February 2021. This outlined the Council's programme of £517.5m for the years 2021/22 to 2023/24. The most significant parts of the programme are school expansion to provide additional pupil places, highways and bridges, fleet replacement programme, major regeneration schemes including Catford town centre, plus the Building for Lewisham programme.

The budgeted amount to be invested in 2021/22 is shown in the table below.

<b>2021/22 Capital Programme</b>	<b>2021/22 Budget £m</b>
<b>General Fund</b>	
Schools – Pupil Places Programme & other capital works	12.1
Asset Management programme	8.5
Edward St. Development	8.4
Mayow Rd. Development	6.6
Acquisition of Sydney Arms	3.8
Traveller's Site Relocation	3.6
Lewisham Gateway (Pahse 2)	3.5
Highways, footways and bridges	3.3
Lewisham Homes - Property Acquisition	3.0
Ladywell Leisure Centre Development site	2.7
Disabled Facilities Grant	2.1
Private Sector Grants and Loans	2.1
Beckenham Place Park	1.7
Canonbie Rd. Development	1.4
Town Centres & High Street improvements	1.2
Achilles St. Development	1.0
Fleet Replacement Programme	0.8
Other schemes	4.5
	<b>70.3</b>
<b>Housing Revenue Account</b>	
Building for Lewisham Programme	48.3
HRA Capital Programme	31.6
Ladywell Leisure Centre Development site	15.4
Creekside Acquisition	13.9
Mayow Rd. Development	0.8
Other Schemes	4.0
	<b>114.0</b>
<b>Total Capital Programme</b>	<b>184.3</b>

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**Narrative Statement**


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The budgeted capital programme expenditure and how this is forecast to be resourced is shown below:

**2021/22 Capital Programme**

	<b>2021/22 Budget £m</b>
<b>CAPITAL PROGRAMME EXPENDITURE</b>	
General Fund	<b>70.3</b>
Housing Revenue Account	<b>114.0</b>
<b>Total Forecast Spend</b>	<b>184.3</b>
<b>CAPITAL PROGRAMME FINANCING</b>	
Borrowing	<b>63.5</b>
Capital Grants	<b>39.3</b>
General (Capital receipts, Reserves, Revenue)	<b>81.5</b>
<b>Total Financing Budget</b>	<b>184.3</b>

**c) Corporate Risks**

The Council has an embedded process to manage risks and assist the achievement of its objectives. The Risk Management Strategy is compliant with the statutory requirements as defined in the Accounts & Audit Regulations 2015 and is summarised as part of the Annual Governance Statement in section 9 of this document.

The Risk Management Objectives of the London Borough of Lewisham are as follows:

- Ensure the health, safety & security of service users, citizens and staff
- Safeguard vulnerable children and adults to help prevent injury and damage
- Help to achieve corporate priorities
- Integrate risk management into the culture of the Authority
- Identify, evaluate and manage risk in accordance with good practice
- Ensure legal and regulatory compliance as a minimum standard
- Anticipate and respond to changing social, environmental and legislative requirements
- Raise awareness of the need for risk management in all service areas
- Mitigate risks
- Enhance corporate governance of risk
- Optimise opportunities
- Reduce the cost of risk
- Safeguarding Council assets

Risks are scored in terms of likelihood and impact, with a range from 1 to 5 (with 5 being the highest) and the result is plotted on a matrix to produce a Red/Amber/Green rating. The risk register contains action plans to manage the risks to target and these are subject to regular review by Directorate Management Teams. The risk registers are reported to the Executive Management Team (previously the now disbanded Internal Control Board) on a quarterly basis, and to every Audit Panel meeting.

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**Narrative Statement**

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**5. PENSION FUND VALUATION**

The actuarial valuation of the Council's pension scheme liabilities and pension reserve shown on the Balance Sheet has increased by £252.6m during the year, mainly as a result of changes to the financial assumptions used by the pension fund Actuary (Hymans-Robertson). This offsets the reduction of £233.9m during 2019/20. 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.

**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:

**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



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**Narrative Statement**

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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.

**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.

## **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 of Corporate Resources**

The Executive Director of 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 of Practice').

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

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

#### **I certify that I have also:**

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

**The Statement of Accounts gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2021.**

**The Statement of Accounts is unaudited and may be subject to change.**

**Kathy Freeman CPFA**

Executive Director of Corporate Resources (S151)  
30 June 2021

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

To Follow

## Core Financial Statements

## SECTION 1 - CORE FINANCIAL STATEMENTS

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 31 MARCH 2021

2019/20 Restated			SERVICE	2020/21			Note
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	
389,628	(341,681)	47,947	Children & Young People Directorate	450,432	(353,007)	97,425	1
185,662	(92,833)	92,829	Community Services Directorate	205,675	(122,472)	83,203	
109,577	(75,864)	33,713	Housing, Regeneration & Public Realm Directorate	149,101	(85,162)	63,939	
234,259	(191,127)	43,132	Corporate Services Directorate	223,240	(183,646)	39,594	
13,212	(1,813)	11,399	Chief Executive Directorate	12,489	(576)	11,913	
130,301	(105,641)	24,660	HRA	148,056	(97,210)	50,846	
10,431	(2,334)	8,097	Corporate Provisions	22,132	(2,538)	19,594	
1,073,070	(811,293)	261,777	<b>Cost of Services</b>	1,211,125	(844,611)	366,514	
0	(19,860)	(19,860)	<b>Other Operating Expenditure</b>	0	(6,832)	(6,832)	
1,700	0	1,700	(Gain) / Loss on the disposal of non-current assets	1,706	0	1,706	7
20,121	0	20,121	Levies	1,939	0	1,939	19
			Contribution of housing capital receipts to Government Pool				
21,821	(19,860)	1,961		3,645	(6,832)	(3,187)	
35,651	0	35,651	<b>Financing and Investment Income and Expenditure</b>	31,713	0	31,713	37
0	(4,623)	(4,623)	Interest payable and similar charges	0	(3,164)	(3,164)	
47,656	(29,199)	18,457	Interest and Investment Income	39,190	(27,088)	12,102	
			Net interest on the net defined benefit liability				
83,307	(33,822)	49,485		70,903	(30,252)	40,651	
0	(113,437)	(113,437)	<b>Taxation and non-specific Grant Income</b>	0	(118,065)	(118,065)	30
0	(55,224)	(55,224)	Income from Council Tax	0	(118,372)	(118,372)	
0	(18,568)	(18,568)	General Government Grants	0	(36,508)	(36,508)	
0	(102,075)	(102,075)	Recognised Capital Grants and Contributions	0	(102,653)	(102,653)	
0			Non-Domestic Rates income and expenditure	0			
0	(289,304)	(289,304)		0	(375,598)	(375,598)	
		23,919	<b>Deficit/ (Surplus) on provision of services</b>			28,380	1
		(123,566)	Surplus on revaluation of non-current assets			(106,015)	21
		(273,410)	Remeasurement of the net defined benefit liability			232,272	20, 37
		(396,976)	<b>Other Comprehensive Income and Expenditure</b>			126,257	
		(373,057)	<b>Total Comprehensive Income and Expenditure</b>			154,637	

**LEWISHAM STATEMENT OF ACCOUNTS 2020/21**
**Core Financial Statements**
**MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31 MARCH 2021**

YEAR ENDING 31 MARCH 2021	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 2020 Brought Forward	20,000	151,122	171,122	84,281	16,463	61,368	23,626	356,860	1,637,703	1,994,563	
<b>Movement in Reserves during 2020/21</b>											
Surplus or (Deficit) on the provision of services	8,760	0	8,760	(37,140)	0	0	0	(28,380)	0	(28,380)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(126,257)	(126,257)	21, 22
<b>Total Comprehensive Income and Expenditure</b>	<b>8,760</b>	<b>0</b>	<b>8,760</b>	<b>(37,140)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(28,380)</b>	<b>(126,257)</b>	<b>(154,637)</b>	
Adjustments between accounting basis and funding basis under regulations	83,543	0	83,543	28,486	(15,228)	(3,072)	2,979	96,708	(96,708)	0	8
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>92,303</b>	<b>0</b>	<b>92,303</b>	<b>(8,654)</b>	<b>(15,228)</b>	<b>(3,072)</b>	<b>2,979</b>	<b>68,328</b>	<b>(222,965)</b>	<b>(154,637)</b>	
Transfers to / (from) Reserves	(92,303)	94,678	2,375	(649)	649	0	0	2,375	(2,375)	0	
<b>Increase / (Decrease) in 2020/21</b>	<b>0</b>	<b>94,678</b>	<b>94,678</b>	<b>(9,303)</b>	<b>(14,579)</b>	<b>(3,072)</b>	<b>2,979</b>	<b>70,703</b>	<b>(225,340)</b>	<b>(154,637)</b>	
Balance at 31 March 2021 Carried Forward	20,000	245,800	265,800	74,978	1,884	58,296	26,605	427,563	1,412,363	1,839,926	
Note	9 HRA 15 HRA 14 19										

## Core Financial Statements

## MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31 MARCH 2020

YEAR ENDING 31 MARCH 2020	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 2019 Brought Forward	20,000	147,145	167,145	76,708	36,919	62,101	16,998	359,871	1,261,635	1,621,506	
<b>Movement in Reserves during 2019/20</b>											
Surplus or (Deficit) on the provision of services	3,192	0	3,192	(27,111)	0	0	0	(23,919)	0	(23,919)	21, 22
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	396,976	396,976	
<b>Total Comprehensive Income and Expenditure</b>	<b>3,192</b>	<b>0</b>	<b>3,192</b>	<b>(27,111)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(23,919)</b>	<b>396,976</b>	<b>373,057</b>	
Adjustments between accounting basis and funding basis under regulations	785	0	785	16,970	(2,742)	(733)	6,628	20,908	(20,908)	0	8
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>3,977</b>	<b>0</b>	<b>3,977</b>	<b>(10,141)</b>	<b>(2,742)</b>	<b>(733)</b>	<b>6,628</b>	<b>(3,011)</b>	<b>376,068</b>	<b>373,057</b>	
Transfers to / (from) Earmarked Reserves	(3,977)	3,977	0	17,714	(17,714)	0	0	0	0	0	
<b>Increase / (Decrease) in 2019/20</b>	<b>0</b>	<b>3,977</b>	<b>3,977</b>	<b>7,573</b>	<b>(20,456)</b>	<b>(733)</b>	<b>6,628</b>	<b>(3,011)</b>	<b>376,068</b>	<b>373,057</b>	
Balance at 31 March 2020 Carried Forward	20,000	151,122	171,122	84,281	16,463	61,368	23,626	356,860	1,637,703	1,994,563	
Note	9 HRA 15 HRA 14 19										

## Core Financial Statements

## BALANCE SHEET AS AT 31 MARCH 2021

31/03/2020 £000		31/03/2021 £000	Note
	<b>Property, Plant &amp; Equipment</b>		
1,283,064	Council Dwellings	1,393,428	10b, HRA 1a, 9
1,074,576	Other Land and Buildings	1,065,267	10b
24,159	Vehicles, Plant, Furniture and Equipment	27,720	10b
113,902	Infrastructure	109,064	10b
5,424	Community Assets	5,329	10b
94,699	Surplus Assets not Held for Sale	58,983	10b
80,532	Assets under Construction	62,049	10b
<b>2,676,356</b>		<b>2,721,840</b>	
257	Heritage Assets	928	41
1,975	Long Term Investments	1,924	
56,645	Long Term Debtors	56,021	14a
<b>2,735,233</b>	<b>Total Long Term Assets</b>	<b>2,780,713</b>	
268,595	Short Term Investments	313,327	12
171	Inventories	188	
63,655	Debtors	86,205	14b
115,967	Cash and Cash Equivalents	78,676	15
7,397	Prepayments	3,786	
<b>455,785</b>	<b>Current Assets</b>	<b>482,182</b>	
3,125	Bank Overdraft	1,039	15
5,968	Short Term Borrowing	2,073	12
11,863	Provisions (Less than 1 year)	19,944	18
102,269	Creditors	81,149	16
103,902	Receipts in Advance	102,168	17
8,797	PFI Liabilities due within one year	9,302	34d
<b>235,924</b>	<b>Current Liabilities</b>	<b>215,675</b>	
<b>2,955,094</b>	<b>Total Assets less Current Liabilities</b>	<b>3,047,220</b>	
222,987	Long Term Borrowing	222,784	12
5,005	Provisions (More than 1 year)	8,052	18
211,567	Deferred PFI Liabilities	202,138	34d
2,506	Capital Grants Receipts in Advance	2,989	
0	Other Long Term Liabilities	290	
518,466	Liability related to defined benefit pension scheme	771,041	20, 37
<b>960,531</b>	<b>Long Term Liabilities</b>	<b>1,207,294</b>	
<b>1,994,563</b>	<b>NET ASSETS</b>	<b>1,839,926</b>	
	<b>Usable Reserves</b>		
20,000	General Fund Balance	20,000	
151,122	Earmarked Revenue Reserves	245,800	9
84,281	Housing Revenue Account	74,978	HRA 15
16,463	Major Repairs Reserve	1,884	HRA 14
61,368	Usable Capital Receipts Reserve	58,296	19
23,626	Capital Grants Unapplied	26,605	42
<b>356,860</b>		<b>427,563</b>	
	<b>Unusable Reserves</b>		
1,130,110	Revaluation Reserve	1,214,230	21
1,070,983	Capital Adjustment Account	1,035,534	22
93	Deferred Capital Receipts	93	
(34,694)	Financial Instruments Adjustment Account	(33,834)	12e
(518,466)	Pensions Reserve	(771,041)	20, 37
(3,570)	Collection Fund Adjustment Account	(21,672)	Coll Fd 3
0	DSG Unusable Reserve	(2,375)	29
(6,753)	Short Term Compensated Absences Account	(8,572)	
<b>1,637,703</b>		<b>1,412,363</b>	
<b>1,994,563</b>	<b>TOTAL RESERVES</b>	<b>1,839,926</b>	

## Certification by the Executive Director of Corporate Resources

	Kathy Freeman CPFA - Executive Director of Corporate Resources (S151) 30 June 2021
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## CASH FLOW STATEMENT FOR THE YEAR ENDING 31 MARCH 2021

2019/20 £000s		2020/21 £000s	Note
(23,919)	Net surplus or (deficit) on the provision of services	(28,380)	
60,547	Adjustment to surplus or deficit on the provision of services for non-cash movements	145,805	43
(51,677)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(50,403)	44
(15,049)	<b>Net Cash flows from Operating Activities</b>	67,022	
56,027	Net Cash flows from Investing Activities	(64,436)	46
(3,626)	Net Cash flows from Financing Activities	(37,791)	47
37,352	<b>Net Increase or (decrease) in Cash and Cash Equivalents</b>	(35,205)	
75,490	<b>Cash and Cash Equivalents at the beginning of the reporting period</b>	112,842	15
112,842	<b>Cash and Cash Equivalents at the end of the reporting period</b>	77,637	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 2020/21 and the SERCOP 2020/21, 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:

- Income from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that the economic benefits or service potential associated with the transaction will be received by the Council.
- Income from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will be received by the Council.
- Income from Council Tax, Non-Domestic Rates and rents is accounted for in the year it is due.
- 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.
- Expenditure on supplies is accounted for when they are used. When there is a significant gap between the date on which supplies are received and the date of their use, and the value is material, they are carried as inventories on the Balance Sheet.
- Expenditure on services received (including those provided by employees) is accounted for when the services are received rather than when payments are made.
- Revenue for the provision of contracts and services is recognised in line with IFRS15.

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 the Corporate Accrual for invoices paid in the first week of April with March dates or where similar transactions below £5k add up to a total above £5k.

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

#### **4. EXCEPTIONAL ITEMS**

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

#### **5. FOREIGN CURRENCY TRANSLATION**

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

#### **6. VALUE ADDED TAX (VAT)**

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

#### **7. EVENTS AFTER THE BALANCE SHEET DATE**

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

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

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

#### **8. OVERHEADS AND SUPPORT SERVICES**

The costs of overheads and support services are charged to the services 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.

#### **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**

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

### **a) The Council as Lessee**

#### **i) Finance Leases**

The Council as lessee does not have any finance leases.

#### **ii) Operating Leases**

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

### **b) The Council as Lessor**

#### **i) Finance Leases**

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

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

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.

There will be significant changes to accounting for leases in 2022/23 - for further information see Note 2 of Section 3 in these Accounts.

**11. INVENTORIES (STOCK)**

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

**12. LONG TERM CONTRACTS**

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

**13. EMPLOYEE BENEFITS****a) Benefits Payable during Employment**

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

**b) Termination and Discretionary Benefits**

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

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

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

### 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 and the costs of administration.

#### (iii) Local Government Pension Scheme

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

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

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

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

- Service Costs comprising  
The current service cost which is the increase in liabilities as a result of years of service earned this year. These are allocated in the CIES to the services for which the employees worked.  
The past service cost which is the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. These are debited to 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

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**Statement of Accounting Policies**

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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.

**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 and has a minority interest (significantly lower than 50%) in a number of other companies. The transactions between the Council and all of these companies are included in the Council's accounts. An annual review of the necessity of preparing Group Accounts is undertaken, and for 2020/21 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.

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

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

**b) Impairment Allowances**

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

**16. RESERVES**

The Council has set aside specific amounts as reserves to cover future expenditure for contingencies or policy purposes, which fall outside the definition of provisions, and are shown in Note 8 of Section 3.

The reserves are created by appropriating amounts out of the General Fund Balance in the MiRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then credited back to the General Fund Balance in the MiRS so that there is no net charge against Council Tax. Statutory reserves are kept to manage the accounting processes for non-current assets, financial instruments, 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 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 previous year's Code (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.

### **b) Financial Assets**

Following the adoption of accounting standard IFRS 9 from 01 April 2018, which replaced IAS 39 Financial Instruments, the Available for Sale Financial Asset category is no longer available. Assets previously held as available for sale have now been reclassified in line with IFRS 9 code. In order to comply with the new requirements of the Code, financial assets are now classified into three categories:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

**b (i) Financial assets measured at amortised cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value, then subsequently at amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES

**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.

**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.



## Statement of Accounting Policies

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:

- infrastructure, 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.

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.

### **c) Charges to Revenue for Non-Current Assets**

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

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

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

### **d) Impairment**

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

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

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

**e) Depreciation**

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

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

The Council's policy is to charge depreciation on the assets value at 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.

**23. HERITAGE ASSETS**

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

**24. 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.

**25. 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 2021

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	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	50,254	47,171	97,425
Community Services Directorate	72,094	11,109	83,203
Housing, Regeneration & Public Realm Directorate	5,166	58,773	63,939
Corporate Services Directorate	37,713	1,881	39,594
Chief Executive Directorate	11,540	373	11,913
HRA	25,542	25,304	50,846
Corporate Provisions	50,451	(30,857)	19,594
<b>Cost of Services</b>	<b>252,760</b>	<b>113,754</b>	<b>366,514</b>
Other Income and Expenditure	(338,134)	0	(338,134)
<b>(Surplus) or Deficit</b>	<b>(85,374)</b>	<b>113,754</b>	<b>28,380</b>

Opening General Fund and HRA Balance at 01 April 2020	(255,403)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	(85,374)
<b>Closing General Fund and HRA Balance at 31 March 2021</b>	<b>(340,777)</b>

Analysed between General Fund and HRA Balances			
	General Fund	HRA	Total
Opening General Fund and HRA Balance at 01 April 2020	(171,122)	(84,281)	(255,403)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	(94,678)	9,303	(85,375)
<b>Closing General Fund and HRA Balance at 31 March 2021</b>	<b>(265,800)</b>	<b>(74,978)</b>	<b>(340,778)</b>

## Notes to the Core Financial Statements

## EXPENDITURE AND FUNDING ANALYSIS – YEAR ENDING 31 MARCH 2020

SERVICE	Restated		
	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis (see Notes to EFA (i))	Net Expenditure in the CIES
	£'000	£'000	£'000
Children & Young People Directorate	59,021	(11,074)	47,947
Community Services Directorate	86,435	6,394	92,829
Housing, Regeneration & Public Realm Directorate	18,738	14,976	33,714
Corporate Services Directorate	38,790	4,343	43,133
Chief Executive Directorate	11,399	0	11,399
HRA	(27,917)	52,577	24,660
Corporate Provisions	39,843	(31,747)	8,096
<b>Cost of Services</b>	<b>226,309</b>	<b>35,469</b>	<b>261,778</b>
Other Income and Expenditure	(237,859)	0	(237,859)
<b>(Surplus) or Deficit</b>	<b>(11,550)</b>	<b>35,469</b>	<b>23,919</b>

Opening General Fund and HRA Balance at 01 April 2019	(243,853)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	(11,550)
<b>Closing General Fund and HRA Balance at 31 March 2020</b>	<b>(255,403)</b>

Analysed between General Fund and HRA Balances			
	General Fund	HRA	Total
Opening General Fund and HRA Balance at 01 April 2019	(167,145)	(76,708)	(243,853)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	(3,977)	(7,573)	(11,550)
<b>Closing General Fund and HRA Balance at 31 March 2020</b>	<b>(171,122)</b>	<b>(84,281)</b>	<b>(255,403)</b>

## 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	2020/21			
	Adjustment for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
<b>SERVICE</b>				
Children & Young People Directorate	33,577	9,460	4,134	47,171
Community Services Directorate	9,715	1,359	35	11,109
Housing, Regeneration & Public Realm Directorate	43,569	1,172	14,032	58,773
Corporate Services Directorate	716	1,112	53	1,881
Chief Executive Directorate	0	373	0	373
HRA	25,848	105	(649)	25,304
Corporate Provisions	(40,761)	6,722	3,182	(30,857)
<b>Cost of Services</b>	<b>72,664</b>	<b>20,303</b>	<b>20,787</b>	<b>113,754</b>
Other Income and Expenditure	0	0	0	0
<b>Difference between General Fund surplus or deficit and CIES surplus or deficit</b>	<b>72,664</b>	<b>20,303</b>	<b>20,787</b>	<b>113,754</b>

Adjustments from General Fund to arrive at the CIES amounts	Restated 2019/20			
	Adjustment for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
<b>SERVICE</b>				
Children & Young People Directorate	(27,992)	16,806	112	(11,074)
Community Services Directorate	3,624	2,764	6	6,394
Housing, Regeneration & Public Realm Directorate	9,546	3,273	2,157	14,976
Corporate Services Directorate	2,024	2,243	76	4,343
Chief Executive Directorate	0	0	0	0
HRA	34,718	146	17,713	52,577
Corporate Provisions	(44,538)	14,234	(1,443)	(31,747)
<b>Cost of Services</b>	<b>(22,618)</b>	<b>39,466</b>	<b>18,621</b>	<b>35,469</b>
Other Income and Expenditure	0	0	0	0
<b>Difference between General Fund surplus or deficit and CIES surplus or deficit</b>	<b>(22,618)</b>	<b>39,466</b>	<b>18,621</b>	<b>35,469</b>

## Notes to the Core Financial Statements

## (ii) Segmental Income and Expenditure

	2020/21
	£'000
Revenues from external customers	(239,364)
Revenues from transactions with other operating segments of the authority	0
Interest revenue	(3,164)
Interest expense	31,713
Depreciation and amortisation	120,246
Material items of income and expense (related to disposals of PPE and investments and reversals of provisions)	(6,832)
The authority's interest in the profit or loss of associates and joint ventures accounted for by the equity method	0
Income tax expense or income	0
Material non-cash items other than depreciation and amortisation	0

	2019/20
	£'000
Revenues from external customers	(237,625)
Revenues from transactions with other operating segments of the authority	0
Interest revenue	(4,623)
Interest expense	35,651
Depreciation and amortisation	9,351
Material items of income and expense (related to disposals of PPE and investments and reversals of provisions)	(19,860)
The authority's interest in the profit or loss of associates and joint ventures accounted for by the equity method	0
Income tax expense or income	0
Material non-cash items other than depreciation and amortisation	0

## 2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED IN THE 2020/21 ACCOUNTS

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

- Leases: IFRS 16 will require lessees to recognise most leases on their balance sheet – this is a significant change from current practice. Lessees will have a single accounting model for all leases, with two exemptions (low value assets and short term leases). Lessor accounting will be substantially unchanged. The new standard will come into effect in financial year 2022/23; therefore there is no impact on the 2020/21 Accounts.



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**Notes to the Core Financial Statements**


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**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:-
  - Included are 40 Community Primary Schools, 4 Community Secondary Schools, 3 Community Special Schools, 2 Foundation Schools and 2 Nursery Schools (51 schools).
  - Excluded are 22 Voluntary-aided Schools, 2 Foundation Schools, 8 Academies and 3 Other Schools (35 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 2020/21, 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.
- d. Lewisham Homes Ltd is a scheduled body to the Lewisham Council Pension Fund. The Council has agreed that it will indemnify all pension costs relating to Lewisham Homes Ltd staff, enabling the company to continue as a going concern. The Council's Single Entity Accounts include the deficit applicable to Lewisham Council, whilst the Group Accounts include, in addition, the deficit attributable to Lewisham Homes. It should be noted that if Lewisham Homes Ltd was in any way unable to deliver a satisfactory housing management service, the Council would have to provide such a service itself, together with the consequent pension liability of the staff involved.

**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 2021 for which there is a significant possibility of material adjustment in the forthcoming financial year are as follows:

**a) Property, Plant and Equipment**

Non-Current Assets are depreciated over their useful lives which are partially dependent on assumed levels of repairs and maintenance that will be achieved. However the current economic climate makes it uncertain that the Council will be able to sustain its current level. If the useful life of assets is reduced, the depreciation will increase and the carrying amount of the assets will decrease. The annual depreciation charge for buildings could increase by approximately £1m for every year that useful lives are reduced. For further information on Non-Current Assets, see Note 10.

## Notes to the Core Financial Statements

**b) Arrears of Significant Debtors**

The Council had debtors balances of Council Tax, Non Domestic Rates, Housing Rents and sundry others of £183.3m as at 31 March 2021. All of the significant balances have been reviewed and impairment allowances for doubtful debts have been set at appropriate levels, with an overall impairment allowance of £97.3m. Although the current economic climate, including the Government's welfare benefits reform initiative, has been taken into account, it is not certain that these allowances will be sufficient, as the judgements made are mainly based on historical trends. If collection rates were to deteriorate, an increase of 10% in the amount of the impairment allowance would require an additional sum of £9.7m to be set aside.

**c) Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net Pensions liability of changes in individual assumptions can be measured and are outlined in the Defined Benefits note to these Accounts (Note 37).

**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 pre-audit Statement of Accounts was authorised for issue by the Executive Director for Corporate Resources on 30 June 2021. 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 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect these altered conditions. There are no events after the balance sheet date to report for 2020/21.

**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.

	2020/21 £000	2019/20 £000
London Pension Fund Authority	1,289	1,289
Lee Valley Regional Park Authority	211	210
Environment Agency	206	201
<b>Total Levies Paid</b>	<b>1,706</b>	<b>1,700</b>

## Notes to the Core Financial Statements

**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.

2020/21	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	
<b>Adjustments to Revenue Resources</b>						
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:						
<b>Pensions costs</b> (transferred to/ from the Pensions Reserve)	20,199	104				(20,303)
<b>Financial instruments</b> (transferred to the Financial Instruments Adjustment Account)	(860)	0				860
<b>Council Tax and NDR</b> (transfers to/ from Collection Fund Adjustment Account)	18,102					(18,102)
<b>Holiday Pay</b> (transferred to the Accumulated Absences Account)	1,819					(1,819)
<b>Reversal of entries included in the Surplus/ Deficit on the Provision of Services in relation to capital expenditure</b> (these items are charged to the Capital Adjustment Account (CAA))	84,998	40,023				(125,021)
<b>Total Adjustments to Revenue Resources</b>	<b>124,258</b>	<b>40,127</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(164,385)</b>
<b>Adjustments between Revenue and Capital Resources</b>						
<b>Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve</b>	(2,791)	(8,476)		11,267		0
<b>Payments to the Government housing receipts pool</b> (funded by a contribution from the Capital Receipts Reserve)	1,939			(1,939)		0
<b>Statutory provision for the repayment of debt</b> (transfer from the CAA)	(9,894)	(3,165)				13,059
<b>Revenue Expenditure Funded from Capital under Statute</b>	9,218					(9,218)
<b>Capital expenditure funded from revenue balances</b> (transfer to the CAA)	0	0				0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(1,528)</b>	<b>(11,641)</b>	<b>0</b>	<b>9,328</b>	<b>0</b>	<b>3,841</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure				(12,400)		12,400
Use of the Major Repairs Reserve to finance capital expenditure			(15,228)			15,228
Application of capital grants to finance capital expenditure	(39,187)				2,979	36,208
<b>Total Adjustments to Capital Resources</b>	<b>(39,187)</b>	<b>0</b>	<b>(15,228)</b>	<b>(12,400)</b>	<b>2,979</b>	<b>63,836</b>
<b>Total Adjustments</b>	<b>83,543</b>	<b>28,486</b>	<b>(15,228)</b>	<b>(3,072)</b>	<b>2,979</b>	<b>(96,708)</b>

## Notes to the Core Financial Statements

2019/20	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	
<b><u>Adjustments to Revenue Resources</u></b>						
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:						
<b>Pensions costs</b> (transferred to/ from the Pensions Reserve)	39,320	146				(39,466)
<b>Financial instruments</b> (transferred to the Financial Instruments Adjustment Account)	(1,430)	0				1,430
<b>Council Tax and NDR</b> (transfers to/ from Collection Fund Adjustment Account)	2,196					(2,196)
<b>Holiday Pay</b> (transferred to the Accumulated Absences Account)	155					(155)
<b>Reversal of entries included in the Surplus/ Deficit on the Provision of Services in relation to capital expenditure</b> (these items are charged to the Capital Adjustment Account (CAA))	(8,203)	27,084				(18,881)
<b>Total Adjustments to Revenue Resources</b>	<b>32,038</b>	<b>27,230</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(59,268)</b>
<b><u>Adjustments between Revenue and Capital Resources</u></b>						
<b>Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve</b>	(21,964)	(7,402)		29,366		0
<b>Payments to the Government housing receipts pool</b> (funded by a contribution from the Capital Receipts Reserve)	20,121			(20,121)		0
<b>Statutory provision for the repayment of debt</b> (transfer from the CAA)	(8,732)	(2,858)				11,590
<b>Revenue Expenditure Funded from Capital under Statute</b>	1,687					(1,687)
<b>Capital expenditure funded from revenue balances</b> (transfer to the CAA)	0	0				0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(8,888)</b>	<b>(10,260)</b>	<b>0</b>	<b>9,245</b>	<b>0</b>	<b>9,903</b>
<b><u>Adjustments to Capital Resources</u></b>						
Use of the Capital Receipts Reserve to finance capital expenditure				(9,978)		9,978
Use of the Major Repairs Reserve to finance capital expenditure			(2,742)			2,742
Application of capital grants to finance capital expenditure	(22,365)				6,628	15,737
<b>Total Adjustments to Capital Resources</b>	<b>(22,365)</b>	<b>0</b>	<b>(2,742)</b>	<b>(9,978)</b>	<b>6,628</b>	<b>28,457</b>
<b>Total Adjustments</b>	<b>785</b>	<b>16,970</b>	<b>(2,742)</b>	<b>(733)</b>	<b>6,628</b>	<b>(20,908)</b>

## 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 2020/21 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 31/03/20 £000	2020/21 Transfers		Balance 31/03/21 £000	
		Out £000	In £000		
Specific Revenue Earmarked	56,707	(9,145)	22,168	<b>69,730</b>	(a (i))
S31 Business Rates Grant	0	0	30,416	<b>30,416</b>	(a (ii))
Other Covid-19 Grants	9,598	(4,255)	45,576	<b>50,919</b>	(a (iii))
PFI and BSF Schemes	27,893	(135)	1,559	<b>29,317</b>	(b)
New Homes Bonus Reserve	16,470	(2,147)	5,880	<b>20,203</b>	(c)
Insurance	16,030	(725)	870	<b>16,175</b>	(d)
Capital Programme Expenditure	940	(1,764)	3,674	<b>2,850</b>	(e)
	<b>127,638</b>	<b>(18,171)</b>	<b>110,143</b>	<b>219,610</b>	
Schools Reserves and External Funds	23,484	(31,243)	33,949	<b>26,190</b>	(f)
	<b>23,484</b>	<b>(31,243)</b>	<b>33,949</b>	<b>26,190</b>	
<b>Total</b>	<b>151,122</b>	<b>(49,414)</b>	<b>144,092</b>	<b>245,800</b>	

**a) Specific Earmarked Reserves**

- (i) These comprise a number of specific reserves which are earmarked for particular purposes.
- (ii) The Earmarked Revenue reserve contains the S31 Business rates relief grant for £30.4m received in 2020/21. This will be applied against the Collection Fund Deficit in 2021/22.
- (iii) Revenue reserves balances also includes £50.9m of Other Covid-19 grants. These will either be used against revenue spend in 2021/22, used to support the Collection Fund, or returned to Central Government.

**b) PFI and BSF Schemes Reserves**

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

**c) New Homes Bonus Reserve**

The reserve is made up of unused 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.

**d) Insurance Reserve**

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

**e) Capital Programme Expenditure Reserve**

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 2020/21, their exact effective date was 31 March 2021 for council dwellings and 31 March 2021 for other assets.

	<b>Council Dwellings £000</b>	<b>Other Land &amp; Buildings £000</b>	<b>Surplus Assets £000</b>	<b>Total £000</b>
<b>Valued at Historic Cost</b>	<b>0</b>	<b>23</b>	<b>5,458</b>	<b>5,481</b>
<b>Valued at Current Value</b>				
2020-21	1,393,428	1,064,564	51,953	<b>2,509,945</b>
2019-20	0	0	1,572	<b>1,572</b>
2018-19	0	639	0	<b>639</b>
2017-18	0	41	0	<b>41</b>
<b>Total Net Book Value</b>	<b>1,393,428</b>	<b>1,065,267</b>	<b>58,983</b>	<b>2,517,678</b>

**b) Movements in Non-Current Assets**

The movements in non-current assets during 2020/21 were as follows:

## Notes to the Core Financial Statements

<b>2020/21</b>	<b>Council Dwellings £000</b>	<b>Other Land &amp; Bldgs £000</b>	<b>Vehicles, Plant &amp; Equip't £000</b>	<b>Infra-structure Assets £000</b>	<b>Comm. Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets under Construction £000</b>	<b>TOTAL £000</b>
<b>Gross Book Value b/fwd at 01 April 2020</b>	<b>1,284,065</b>	<b>1,077,934</b>	<b>59,003</b>	<b>191,981</b>	<b>5,596</b>	<b>94,858</b>	<b>80,532</b>	<b>2,793,969</b>
Additions	1,754	3,436	7,781	3,805	0	2,405	45,981	<b>65,162</b>
Revaluations (recognised in Revaluation Reserve)	112,685	41,100	0	0	0	(31,884)	0	<b>121,901</b>
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	(9,333)	(34,323)	0	0	0	(2,846)	0	<b>(46,502)</b>
Impairments (recognised in Revaluation Reserve)	0	(306)	0	0	0	(49,787)		<b>(50,093)</b>
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	(229)	0	(4,204)	0	(28,346)	0	<b>(32,779)</b>
Disposals	(4,273)	0	(2,728)	0	0	(205)	0	<b>(7,206)</b>
Transfers	8,530	(22,069)	(1,869)	3,175	0	76,697	(64,464)	<b>0</b>
<b>Gross Book Value c/fwd at 31 March 2021</b>	<b>1,393,428</b>	<b>1,065,543</b>	<b>62,187</b>	<b>194,757</b>	<b>5,596</b>	<b>60,892</b>	<b>62,049</b>	<b>2,844,452</b>
<b>Depreciation b/fwd at 01 April 2020</b>	<b>(1,001)</b>	<b>(3,358)</b>	<b>(34,844)</b>	<b>(78,079)</b>	<b>(172)</b>	<b>(159)</b>	<b>0</b>	<b>(117,613)</b>
<b>Depreciation for year</b>	<b>(22,564)</b>	<b>(14,950)</b>	<b>(3,596)</b>	<b>(7,614)</b>	<b>(95)</b>	<b>(1,043)</b>	<b>0</b>	<b>(49,862)</b>
<b>Depreciation written back on:</b>								
Transfers	232	1,105	1,578	0	0	(2,916)	0	<b>(1)</b>
Revaluations (recognised in Revaluation Reserve)	21,039	11,208	0	0	0	1,289	0	<b>33,536</b>
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	2,294	5,719	0	0	0	668	0	<b>8,681</b>
Impairments (recognised in Revaluation Reserve)	0	0	0	0	0	0	0	<b>0</b>
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	0	0	0	0	216	0	<b>216</b>
Assets Sold	0	0	2,395	0	0	36	0	<b>2,431</b>
<b>Depreciation c/fwd at 31 March 2021</b>	<b>0</b>	<b>(276)</b>	<b>(34,467)</b>	<b>(85,693)</b>	<b>(267)</b>	<b>(1,909)</b>	<b>0</b>	<b>(122,612)</b>
<b>Net Book Value at 31 March 2021</b>	<b>1,393,428</b>	<b>1,065,267</b>	<b>27,720</b>	<b>109,064</b>	<b>5,329</b>	<b>58,983</b>	<b>62,049</b>	<b>2,721,840</b>

## Notes to the Core Financial Statements

The movements in non-current assets during 2019/20 were as follows:

<b>2019/20</b>	<b>Council Dwellings £000</b>	<b>Other Land &amp; Bldgs £000</b>	<b>Vehicles, Plant &amp; Equip't £000</b>	<b>Infra-structure Assets £000</b>	<b>Comm. Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets under Construction £000</b>	<b>TOTAL £000</b>
<b>Gross Book Value b/fwd at 01 April 2019</b>	<b>1,254,663</b>	<b>976,188</b>	<b>57,395</b>	<b>186,395</b>	<b>5,587</b>	<b>91,758</b>	<b>31,095</b>	<b>2,603,081</b>
Additions	1,864	5,325	2,008	6,194	361	895	54,965	71,612
Revaluations (recognised in Revaluation Reserve)	30,522	64,256	0	0	0	13,888	0	108,666
Revaluations (recognised in Surplus/Deficit on the Provision of Services)	579	37,405	0	0	0	4,989	0	42,973
Impairments (recognised in Revaluation Reserve)	(7)	(7,953)	0	0	0	(5,033)	0	(12,993)
Impairments (recognised in Surplus/Deficit on the Provision of Services)	(278)	(1,484)	0	(608)	(352)	(5,037)	(1,416)	(9,175)
Disposals	(3,732)	0	(400)	0	0	(6,063)	0	(10,195)
Transfers	454	4,197	0	0	0	(539)	(4,112)	0
<b>Gross Book Value c/fwd at 31 March 2020</b>	<b>1,284,065</b>	<b>1,077,934</b>	<b>59,003</b>	<b>191,981</b>	<b>5,596</b>	<b>94,858</b>	<b>80,532</b>	<b>2,793,969</b>
<b>Depreciation b/fwd at 01 April 2019</b>	<b>(211)</b>	<b>(1,638)</b>	<b>(30,524)</b>	<b>(70,321)</b>	<b>(77)</b>	<b>(257)</b>	<b>0</b>	<b>(103,028)</b>
Depreciation for year	(22,071)	(14,328)	(4,720)	(7,758)	(95)	(1,015)	0	(49,987)
<b>Depreciation written back on:</b>								
Transfers	(33)	(1)	0	0	0	34	0	0
Revaluations (recognised in Revaluation Reserve)	20,482	6,898	0	0	0	513	0	27,893
Revaluations (recognised in Surplus/Deficit on the Provision of Services)	832	5,711	0	0	0	253	0	6,796
Impairments (recognised in Revaluation Reserve)	0	0	0	0	0	0	0	0
Impairments (recognised in Surplus/Deficit on the Provision of Services)	0	0	0	0	0	49	0	49
Assets Sold	0	0	400	0	0	264	0	664
<b>Depreciation c/fwd at 31 March 2020</b>	<b>(1,001)</b>	<b>(3,358)</b>	<b>(34,844)</b>	<b>(78,079)</b>	<b>(172)</b>	<b>(159)</b>	<b>0</b>	<b>(117,613)</b>
<b>Net Book Value at 31 March 2020</b>	<b>1,283,064</b>	<b>1,074,576</b>	<b>24,159</b>	<b>113,902</b>	<b>5,424</b>	<b>94,699</b>	<b>80,532</b>	<b>2,676,356</b>



## Notes to the Core Financial Statements

**11. INVESTMENT PROPERTIES**

Investment Properties were all reclassified to Property, Plant & Equipment in a previous year (2015/16), hence the nil balance.

**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**Financial Assets

Financial Assets										
	Long Term				Current				Total	
	Investments		Debtors		Investments		Debtors			
	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	0	0	56,021	56,645	390,964	381,437	48,817	36,126	495,802	474,207
Total financial assets	0	0	56,021	56,645	390,964	381,437	48,817	36,126	495,802	474,207

Financial Liabilities

Financial Liabilities										
Amortised cost	Long Term				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors			
	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20	31/03/20	31/03/19
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
	425,346	434,867	0	0	11,375	14,765	65,390	81,592	502,111	531,224
Total financial liabilities	425,346	434,867	0	0	11,375	14,765	65,390	81,592	502,111	531,224

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 £313m includes short term fixed deposits of £223m and notice accounts of £90m, including accrued interest.

**b) Non-Financial Instruments**

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:

## Notes to the Core Financial Statements

**Debtors:**

Debtors:

	Long Term		Current			
	Debtors		Debtors		Total	
	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20
	£000	£000	£000	£000	£000	£000
Financial instruments	56,021	56,645	48,817	36,126	104,838	92,770
Non-financial instruments	0	0	37,388	27,529	37,388	27,529
<b>Total Debtors</b>	<b>56.021</b>	<b>56.645</b>	<b>86.205</b>	<b>63.655</b>	<b>142.226</b>	<b>120.300</b>

**Creditors**

Creditors

	Long Term		Current		Total	
	Creditors		Creditors			
	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20
	£000	£000	£000	£000	£000	£000
Financial instruments	0	0	65,390	81,592	65,390	81,592
Non-financial instruments	0	0	15,759	20,677	15,759	20,677
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>81,149</b>	<b>102,269</b>	<b>81,149</b>	<b>102,269</b>

**Other Required Declarations**

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

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

The Council provided no financial guarantees in the year and has none outstanding from previous years. The Council has made no loans to voluntary organisations at less than market rates (soft loans), nor has it received any such loans.

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

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

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 2020/21 this gain is set out in the following section as £0.277m (£2.9m loss in 2019/20). 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.

**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 2020/21 or 2019/20):

## Notes to the Core Financial Statements

	2020/21		2019/20	
	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
<b>Interest revenue:</b>				
Financial assets measured at amortised cost	(1,872)	0	(3,836)	0
<b>Total Income</b>	<b>(1,872)</b>	<b>0</b>	<b>(3,836)</b>	<b>0</b>
<b>Interest expense</b>	<b>8,339</b>	<b>0</b>	<b>8,287</b>	<b>0</b>
<b>Expected Credit Loss:</b>				
Financial assets measured at amortised cost	(277)	0	2,912	0
<b>Total Expense</b>	<b>8,062</b>	<b>0</b>	<b>11,199</b>	<b>0</b>

**d) The Fair Values of Financial Assets and Financial Liabilities that Are Not Measured at Fair Value (but for which Fair Value Disclosures Are Required)**

All financial liabilities and assets, as well as long term debtors and creditors, are carried on the balance sheet at amortised cost (in long term assets / liabilities with accrued interest in current assets / liabilities). Their fair value has been assessed by calculating the net present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- Borrowing rates from the PWLB have been applied to PWLB loans 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.

Financial Liabilities	31/03/21		31/03/20	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities held at amortised cost:				
PWLB loans - maturity	93,844	129,299	97,741	125,751
Lender Option Borrower Option (LOBO) loans	131,013	177,897	131,214	164,315
PFI and finance lease liabilities	211,863	211,863	220,677	220,677
<b>Total</b>	<b>436,720</b>	<b>519,059</b>	<b>449,632</b>	<b>510,743</b>

## Notes to the Core Financial Statements

The fair value of borrowings is greater than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

Financial Assets	31/03/21		31/03/20	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial assets held at amortised cost:				
Cash and cash equivalents	74,164	74,164	114,770	114,770
Short term investments	313,327	313,327	268,595	268,595
Certificates of deposit	0	0	0	0
Long term debtors	56,021	56,021	56,645	56,645
<b>Total</b>	<b>443,512</b>	<b>443,512</b>	<b>440,010</b>	<b>440,010</b>

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.

### 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 31/03/20 £000	20/21 Transfers Net £000	Balance 31/03/21 £000
LOBO Premium (created in Nov-17 following LOBO restructure)	(21,892)	569	(21,323)
FV recognition adjustment following LOBO restructure	(9,967)	0	(9,967)
Other Premiums and Discounts	(2,834)	291	(2,543)
<b>Total</b>	<b>(34,694)</b>	<b>860</b>	<b>(33,834)</b>

## 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.

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**Notes to the Core Financial Statements**

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**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 February 2020 and is available on the Council website. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These are a requirement of the Code of Practice and are reviewed periodically.

**c) Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & 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 2021 there was no evidence that this was likely to happen.

**d) Amounts Arising from Expected Credit Losses**

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. All of the Council's financial instrument assets are held at amortised cost.

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 2021 the Council's investment

## Notes to the Core Financial Statements

assets with a value of £377.2m had a calculated ECL of £0.041m; the Council has deemed this immaterial for adjusting the carrying values of those assets.

### 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:

31/03/21				Maturity Period	31/03/20			
PWLB	LOBO	PFI and Finance Leases	Total		PWLB	LOBO	PFI and Finance Leases	Total
£000	£000	£000	£000		£000	£000	£000	£000
0	203	9,302	9,505	Less than 1 year	3,825	203	8,797	12,825
935	203	10,147	11,285	Between 1 and 2 years	0	203	9,303	9,506
3,367	608	35,922	39,897	Between 2 and 5 years	2,432	608	32,713	35,753
10,662	1,014	60,565	72,241	Between 5 and 10 years	11,597	1,014	61,160	73,771
17,431	17,028	95,927	130,386	Between 10 and 20 years	18,366	17,028	108,705	144,099
8,581	22,028		30,609	Between 20 and 30 years	8,581	22,028	0	30,609
51,939	35,101		87,040	Between 30 and 40 years	51,939	35,101	0	87,040
0	43,919		43,919	Above 40 years	0	44,122	0	44,122
92,915	120,104	211,863	424,882	Total	96,740	120,307	220,677	437,724

The LOBO maturity profile assumes that the lenders will not exercise any options embedded in the loans until maturity. As at 31 March 2021, LOBO loans with nominal value £83m have fixed interest rates ranging from 3.98% to 4.67%, whilst a loan with nominal value £38m has a stepped rate ranging from 2.19% at 31 March 2021 to 6.30% at maturity. Of the total amount of LOBO loans, £35m have a break clause at every biannual interest payment date, £5m have a break clause every three years, and £80m every five years. In the current low interest rate environment, it is unlikely that the lenders will exercise their options to request early repayment of these LOBOs.

### 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

## Notes to the Core Financial Statements

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 £0.3m. The impact of a 0.1% fall in interest rates would be a net decrease in income of £0.3m.

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

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

	31/03/21 £000	31/03/20 £000	
Lewisham Homes Limited - Loan	37,000	37,000	(a)
Catford Regeneration Partnership Limited (CRPL) - Loan	14,801	13,361	(b)
Street Lighting PFI Sinking Fund	2,950	2,950	(c)
Lewisham Gateway Development - Loan	0	2,000	(d)
Land Charges Debts	257	277	
Other Long Term Debtors	1,013	1,057	(e)
<b>Total Long Term Debtors</b>	<b>56,021</b>	<b>56,645</b>	

**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 and a further £11m in 2018/19. (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 and £1.2m in 2020/21. (See Section 6 – Group Accounts.)

**c) Street Lighting PFI Sinking Fund**

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

**d) Lewisham Gateway Development**

A loan of £2m was advanced to the consortium which is undertaking the Lewisham Gateway development. After a review this was impaired to nil in 2020/21.

**e) Other Long Term Debtors**

Other long term debtors includes a social investment business loan to Wide Horizons for £0.5m (£0.7m made 2017/18) which, after a review, was impaired by £0.2m in 2020/21.

## 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.

	31/03/21 £000	31/03/20 £000
Government and Other Public Bodies:		
HM Revenue & Customs - VAT	6,516	6,030
Central Government bodies	11,816	6,937 (a)
Other Local Authorities	14,378	3,261 (b)
NHS bodies	5,784	1,186
Other Public bodies	219	545
Council Tax Payers	45,112	39,807
NDR Payers	2,351	2,219
Council Tax Court Costs	9,136	9,764
Housing Benefit Overpayments	24,153	25,168
Housing Rents (inc PSL, B & B, Hostels, Commercial)	11,209	11,680
Leaseholders Services Charges	5,655	6,204
Parking	0	0
LBL Pension Fund	3,191	5,036
General Debtors due for Supplies and Services	44,343	40,108
<b>Total Current Debtors</b>	<b>183,863</b>	<b>157,945</b>
<b>Impairment Allowances</b>	<b>(97,658)</b>	<b>(94,290)</b>
<b>Total Net Current Debtors</b>	<b>86,205</b>	<b>63,655</b>

a) Central Government bodies

The 2020/21 balance of £11.8m contains an amount for MHCLG's element of the NDR deficit of £7.7m, in 2019/20 this was a Creditor of £3.7m.

b) Other Local Authorities

The 2020/21 balance of £14.4m contains an amount for GLA's element of the NDR deficit of £8.6m, in 2019/20 this was a Creditor of £3.4m.

**c) Impairment Allowances**

	Balance at 31/03/20 £000	Movement in 2020/21 £000	Balance at 31/03/21 £000
Council Tax Payers	(36,477)	(3,263)	<b>(39,740)</b>
Council Tax Court Costs	(8,955)	328	<b>(8,627)</b>
NDR Payers	(1,025)	(1,115)	<b>(2,140)</b>
Housing Benefit Overpayments	(20,243)	405	<b>(19,838)</b>
Housing Rents (inc PSL, B & B, Hostels, Commercial)	(4,646)	42	<b>(4,604)</b>
Leaseholders Services Charges	(1,980)	96	<b>(1,884)</b>
General Debtors due for Supplies and Services	(20,964)	139	<b>(20,825)</b>
<b>Total Impairment Allowances</b>	<b>(94,290)</b>	<b>(3,368)</b>	<b>(97,658)</b>

The above 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 31/03/19 £000	Movement in 2019/20 £000	Balance 31/03/20 £000
<b>Cash Equivalents</b>			
Short Term Deposits	0	0	0
<b>Cash</b>			
Money Market Funds	114,769	(40,605)	74,164
Call Accounts with Banks	0	0	0
	<b>114,769</b>	<b>(40,605)</b>	<b>74,164</b>
<b>Other Cash and Bank Balances</b>			
Main Bank Accounts	0	3,177	3,177
Other Cash and Bank Accounts	1,198	137	1,335
	<b>1,198</b>	<b>3,314</b>	<b>4,512</b>
<b>Total Cash and Cash Equivalents</b>	<b>115,967</b>	<b>(37,291)</b>	<b>78,676</b>
<b>Bank Accounts Overdrawn</b>			
Main Bank Accounts	(3,397)	3,397	0
Schools Bank Accounts	272	(1,311)	(1,039)
	<b>(3,125)</b>	<b>2,086</b>	<b>(1,039)</b>
<b>Net Cash and Cash Equivalents</b>	<b>112,842</b>	<b>(35,205)</b>	<b>77,637</b>

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 £8.5m (2019/20 £12.0m) and overdrawn £9.5m (2019/20 overdrawn £11.7m) 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.

	<b>31/03/21 £000</b>	<b>31/03/20 £000</b>
Government and other public bodies:		
HM Revenue & Customs	7,188	5,869
Central Government bodies	16,042	35,835
Other Local Authorities	3,173	6,232
NHS bodies	1,511	3,399
Other Public bodies	964	598
	<b>28,878</b>	<b>51,933</b>
Short Term Compensated Absences	8,572	6,753
General Creditors (amounts owed for supplies and services)	43,699	43,583
<b>Total Creditors</b>	<b>81,149</b>	<b>102,269</b>

**17. REVENUE RECEIPTS IN ADVANCE**

	<b>31/03/21 £000</b>	<b>31/03/20 £000</b>
Capital Contributions Unapplied (*)	41,278	45,483
PFI Schemes	24,431	23,769
Council Tax	9,254	8,932
Revenue Grants and Contributions	6,772	7,285
Rents in Advance	6,037	5,734
NDR	2,983	6,953
Other Receipts in Advance	11,413	5,746
<b>Total Receipts in Advance</b>	<b>102,168</b>	<b>103,902</b>

(\*) Capital Contributions Unapplied includes a balance of £39.9m Section 106 Contributions, where the conditions have not yet been met, in 2020/21 (2019/20 was £43.7m).

## Notes to the Core Financial Statements

**18. PROVISIONS**

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

	Balance 31/03/20 £000	2020/21 Transfers		Balance 31/03/21 £000
		Out £000	In £000	
<b>Current (less than 1 year)</b>				
Insurance Provision (a)	2,370	(1,589)	1,867	<b>2,647</b>
Water Charges Provision (b)	7,062	(2,119)	0	<b>4,943</b>
Term Time Only Claims Provision (c)	0	0	3,000	<b>3,000</b>
NDR Appeals Provision	2,187	(633)	4,445	<b>5,999</b>
Other Provisions (d)	244	0	3,111	<b>3,355</b>
	<b>11,863</b>	<b>(4,341)</b>	<b>12,423</b>	<b>19,944</b>
<b>Non Current (Over 1 year)</b>				
Insurance Provision (a)	4,027	(434)	0	<b>3,593</b>
Water Charges Provision (b)	0	0	2,119	<b>2,119</b>
Other Provisions (d)	978	0	1,362	<b>2,340</b>
	<b>5,005</b>	<b>(434)</b>	<b>3,481</b>	<b>8,052</b>
<b>Total - Provisions</b>	<b>16,868</b>	<b>(4,775)</b>	<b>15,904</b>	<b>27,996</b>

(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) Water Charges Provision

This is a provision to refund tenants their water charge discounts going back to 2001. This follows a Court of Appeal ruling in October 2020 regarding Kingston Council. A potential liability has been calculated with the current available data and a provision was set up in 2019/20. It was forecast that refunds would start in 2020/21, however there have been delays and it is now forecast a report will go to Mayor and Cabinet in the first half of 2021/22.

(c) Term Time Only Claims Provision

There is currently uncertainty over the formula used by some Councils to calculate holiday pay for term-time only support staff in schools dating back several years. It has been decided to create a provision of £3m within the accounts for potential back payments to those staff.

(d) Other Provisions

Other Provisions includes two new provisions set up in 2020/21, a provision for the potential liability in respect of savings accounts for Children Leaving Care, which extends back a number of years (£1.7m) and a provision for a potential liability for London Borough of Lewisham for claims that may follow after the high court ruled that Norfolk County Council discriminated against disabled people with high support needs in its charging policy (known as the Norfolk Judgement) (£1.0m).

## 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.

	2020/21 £000	2019/20 £000
<b>Balance brought forward at start of year</b>	<b>61,368</b>	<b>62,101</b>
Amounts Received	11,267	29,366
Poolable to Central Government	(1,939)	(1,926)
Receipts returned to Central Government	0	(18,195)
Amounts applied to finance new capital investment	(12,400)	(9,978)
<b>Total increase/(decrease) in capital receipts in year</b>	<b>(3,072)</b>	<b>(733)</b>
<b>Balance carried forward at end of year</b>	<b>58,296</b>	<b>61,368</b>

**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.

	2020/21 £000	2019/20 £000
<b>Balance brought forward at start of year</b>	<b>(518,466)</b>	<b>(752,410)</b>
Actuarial gains or losses on pensions assets and liabilities	(422,364)	322,424
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	138,936	(121,605)
Employer's pensions contributions and direct payments to pensioners payable in the year	30,853	33,125
<b>Balance carried forward at end of year</b>	<b>(771,041)</b>	<b>(518,466)</b>

## 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.

	2020/21 £000	2019/20 £000
<b>Balance brought forward at start of year</b>	<b>1,130,110</b>	<b>1,026,623</b>
Balance brought forward adjustment	0	13
<b>Restated Balance brought forward at start of year</b>	<b>1,130,110</b>	<b>1,026,636</b>
Revaluation of Assets	156,108	136,558
Impairment Losses	(50,093)	(12,992)
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>106,015</b>	<b>123,566</b>
Difference between fair value and historic cost depreciation	(19,372)	(18,058)
Accumulated gains on assets sold or scrapped	(2,523)	(2,034)
<b>Amount written off to the Capital Adjustment Account</b>	<b>(21,895)</b>	<b>(20,092)</b>
<b>Balance carried forward at end of year</b>	<b>1,214,230</b>	<b>1,130,110</b>

## 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.

	2020/21 £000	2019/20 £000
<b>Balance brought forward at start of year</b>	<b>1,070,983</b>	<b>1,031,425</b>
<u>Reversal of capital expenditure items debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	(120,246)	(9,351)
Revenue expenditure funded from capital under statute	(9,218)	(1,687)
Non-current assets written off on disposal - gain/loss to the CIES	(2,252)	(7,510)
	<b>(131,716)</b>	<b>(18,548)</b>
Adjusting amounts written out of the Revaluation Reserve	19,372	18,058
<b>Net amount written out of the cost of non-current assets consumed in the year</b>	<b>(112,344)</b>	<b>(490)</b>
<u>Capital Financing applied in the year:</u>		
Use of Capital Receipts to finance new capital expenditure	12,400	9,978
Use of Major Repairs Reserve to finance new capital expenditure	15,228	2,742
Capital grants and contributions credited to the CIES	36,208	15,738
Statutory Provision for the financing of capital investment	4,134	3,958
Repayment of Principal on PFI schemes	8,925	7,632
Capital expenditure charged to General Fund and HRA	0	0
	<b>76,895</b>	<b>40,048</b>
<b>Balance carried forward at end of year</b>	<b>1,035,534</b>	<b>1,070,983</b>

## Notes to the Core Financial Statements

## 23. EXPENDITURE AND INCOME ANALYSED BY NATURE

	2020/21 £000	2019/20 £000
Employee expenses - LBL	288,558	282,180
Employee expenses - Schools Non-LBL	61,678	60,171
Other Expenditure	733,711	721,368
Revaluation, Depreciation, Amortisation and Impairment	127,179	9,351
Interest payments	31,713	35,651
Precepts and levies	1,706	1,700
Payments to Housing Capital Receipts Pool	1,939	20,121
Gain or loss on disposal of non-current assets	0	0
Net interest on the net defined benefit liability	12,102	18,457
<b>Total Expenditure</b>	<b>1,258,586</b>	<b>1,148,999</b>
Government grants and contributions	(723,618)	(628,892)
Fees, Charges and Other service income	(239,366)	(237,625)
Interest and Investment income	(3,164)	(4,623)
Income from council tax, non-domestic rates, district rate income	(220,718)	(215,512)
Recognised Capital Grants and Contributions	(36,508)	(18,568)
Gain or loss on disposal of non-current assets	(6,832)	(19,860)
Other Income	0	0
<b>Total Income</b>	<b>(1,230,206)</b>	<b>(1,125,080)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>28,380</b>	<b>23,919</b>

## 24. AGENCY SERVICES AND POOLED BUDGETS

The Council did not carry out any agency services, construction work or any other work for any other Local Authorities, public bodies or entities in 2020/21 (nor 2019/20).

In 2020/21 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 the officer of the council the Group Finance Manager, Community Services.

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

Before the start of the financial year the Partners agree an expenditure plan and the financial contribution of each party. For each element 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. 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 CCG monthly for 1/12th of the agreed annual contribution less all planned payments made by the CCG in relation to CCG let contracts delivering the Schemes.

The total Lewisham Better Care Fund for 2020/21 was £40.1m, the split of which can be seen in the table below:

## Notes to the Core Financial Statements

	2020/21 £000	2019/20 £000
<u>Funding provided to the pooled budget:</u>		
Lewisham Borough Council	(16,795)	(16,615)
NHS Lewisham CCG	(23,287)	(22,056)
	(40,082)	(38,671)
<u>Expenditure met from the pooled budget:</u>		
Lewisham Borough Council	26,467	25,927
NHS Lewisham CCG	13,615	12,744
	40,082	38,671
<b>Net surplus arising in year</b>	<b>0</b>	<b>0</b>
<b><i>LBL share being 9.6% of the net surplus in year</i></b>	<b><i>0</i></b>	<b><i>0</i></b>

Note:

- (i) The LBL share of any in-year net surplus would be 9.6%. This was nil in 2020/21 (and 2019/20) due to there not being a surplus.

## 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.

### 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 also comprising Costain Engineering & Construction Limited, Babcock Project Investments Limited and Building Schools for the Future Limited as well. It was established under the Council's Building Schools for the Future (BSF) programme to rebuild and refurbish the secondary schools within the Borough. Payments of £8.5k were made to this company in 20/21 (none in 2019/20).

The Council also has a 10% stake in four Special Purpose Vehicles which were set up in relation to the schools which were built within this BSF Programme. The companies concerned are Lewisham Schools For The Future SPV Limited (20/21 £9.1m, 19/20 £9.3m), Lewisham Schools For The Future SPV2 Limited (20/21 £3.1m, 19/20 £3.2m), Lewisham Schools For The Future SPV3 Limited (20/21 £4.6m, 19/20 £4.6m) and Lewisham Schools For The Future SPV4 Limited (20/21 £8.6m, 19/20 £8.5m). The Director of Financial Services is the Council's Director on all of these companies' boards. The corporate structure is standard to BSF schemes.



## Notes to the Core Financial Statements

## 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. Payments of £5.3m were made in 2020/21 to the company (£5.2m in 2019/20) and are included in the Housing, Regeneration & Environment 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. The partnership will build housing for rent in Besson Street, New Cross. No payments were made to the company by the Council in 2020/21 or 2019/20.

## 26. MEMBERS' ALLOWANCES

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

	2020/21 £000	2019/20 £000
Allowances (incl. NI)	971	965
Other Expenses	1	71
<b>Total Expenditure in Year</b>	<b>972</b>	<b>1,036</b>

## 27. OFFICERS' REMUNERATION

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

Remuneration Band	Non-Schools		Schools		Totals	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
£50,000 to £54,999	138	92	290	188	428	280
£55,000 to £59,999	58	46	73	113	131	159
£60,000 to £64,999	7	19	84	79	91	98
£65,000 to £69,999	18	15	34	51	52	66
£70,000 to £74,999	25	14	39	21	64	35
£75,000 to £79,999	2	7	30	21	32	28
£80,000 to £84,999	2	3	24	17	26	20
£85,000 to £89,999	2	2	10	12	12	14
£90,000 to £94,999	0	0	5	3	5	3
£95,000 to £99,999	1	3	3	6	4	9
£100,000 to £104,999	1	4	3	6	4	10
£105,000 to £109,999	9	4	3	2	12	6
£110,000 to £114,999	1	1	1	4	2	5
£115,000 to £119,999	0	2	1	1	1	3
£120,000 to £124,999	0	0	2	1	2	1
£125,000 and over	0	0	2	0	2	0
<b>Total</b>	<b>264</b>	<b>212</b>	<b>604</b>	<b>525</b>	<b>868</b>	<b>737</b>

Note (i) These figures do not include the senior employees disclosed separately in note b) below.

## Notes to the Core Financial Statements

**b) Disclosure of Senior Employees' Remuneration**

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

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. Therefore the posts included in the note have changed from the 2019/20 published note (shown for comparison) and the 2020/21 note.

**Disclosure of Senior Employees Remuneration for financial year 2020/21****Financial Year 2020/21****Senior Employees**

Chief Executive (Kim Wright)	
Assistant Chief Executive	
Executive Director for Corporate Resources (a)	
01-Apr-20 to 14-Sep-20 (Acting)	
14-Sep-20 to 31-Mar-21	
Executive Director for Children and Young People (b)	
01-Apr-20 to 12-Jun-20 (Interim - Agency)	
01-Jun-20 to 31-Mar-21	
Executive Director for Community Services (Tom Brown)	
Executive Director for Housing, Regeneration and Public Realm (Kevin Sheehan)	
Director of Public Health	
Director of Law, Governance & HR (c)	
13-Jul-20 to 31-Mar-21	
Head of Law and Monitoring Officer (part-time) (c)	
01-Apr-20 to 16-Jul-20 (Kath Nicholson)	

Salary (inc fees and allowances)	Employer's Pension Contributions	Total (inc. Pension Contributions)
£	£	£
184,950	41,614	226,564
111,200	25,020	136,220
141,825	31,911	173,736
60,748	13,668	74,416
81,077	18,243	99,320
172,348	28,856	201,204
44,100	0	44,100
128,248	28,856	157,104
151,029	33,982	185,011
153,897	34,627	188,524
102,789	23,128	125,917
94,546	21,273	115,819
94,546	21,273	115,819
172,906	4,515	177,421
172,906	4,515	177,421
<b>1,285,490</b>	<b>244,926</b>	<b>1,530,416</b>

**Totals**

(a) Executive Director for Corporate Resources - This was an interim appointment for 01-Apr-20 to 14-Sep-20. The postholder then returned to their position of Director of Corporate Services.

(b) Executive Director for Children and Young People - The post was covered by an interim (agency) from 01-Apr-20 to 12-Jun-20. Agency costs of £7,938 (not included above) were also incurred for the interim employee. There was a brief overlap between agency and permanent postholders.

(c) Head of Law - The part-time head of Law retired in Jul-20. The figure in the table above consists of their salary plus exit package; their exit package is also included in Note 27c below (band £100,001 and over). There was a brief overlap in employment with the newly appointed Director of Law, Governance & HR.

## Notes to the Core Financial Statements

## Disclosure of Senior Employees Remuneration for financial year 2019/20

Financial Year 2019/20	Salary (inc fees and allowances) £	Employer's Pension Contributions £	Total (inc. Pension Contributions) £
<b>Senior Employees</b>			
Chief Executive (a)	180,525	40,619	221,144
01-Apr-19 to 27-Oct-19	100,202	22,546	122,748
21-Oct-19 to 31-Mar-20	80,323	18,073	98,396
Executive Director for Resources and Regeneration (b)	111,807	25,157	136,964
Executive Director for Children and Young People (c)	163,634	25,276	188,910
01-Apr-19 to 31-Dec-19	112,334	25,276	137,610
09-Dec-19 to 31-Mar-20	51,300	0	51,300
Executive Director for Community Services (d)	59,891	13,476	73,367
Executive Director for Housing, Regeneration and Environment (previously Customer Services)	149,778	33,700	183,478
Director of Children's Social Care and Health	111,552	25,099	136,651
Director of Public Health	97,407	22,357	119,764
Acting Chief Finance Officer (b)	22,361	5,032	27,393
Head of Law and Monitoring Officer (part-time)	68,479	15,408	83,887
<b>Totals</b>	<b>965,434</b>	<b>206,124</b>	<b>1,171,558</b>

(a) Chief Executive - post was covered by an interim from 01-Apr-19 to 27-Oct-19. Salary is the total of both postholders in place during the year. There was a brief overlap between postholders.

(b) Executive Director for Resources and Regeneration - this was an interim appointment for period 01-Apr-19 to 31-Jan-20. The postholder then returned to their position of Acting Chief Finance Officer for period 01-Feb-20 to 31-Mar-20.

(c) Director for Children and Young People - post was covered by an interim from 09-Dec-19 to 31-Mar-20 (however only 2 days were worked in Dec-19). Salary is the total of both postholders in place during the year. Agency costs of £9,234 (not included above) were also incurred for the interim employee.

(d) Executive Director for Community Services - part-time 01-Apr-19 to 29-Feb-20.

## 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	
	2020/21 No.	2019/20 No.	2020/21 £000	2019/20 £000
£0 to £20,000	34	90	272	716
£20,001 to £40,000	10	20	276	520
£40,001 to £60,000	1	4	47	204
£60,001 to £80,000	0	3	0	214
£80,001 to £100,000	1	1	94	86
£100,001 and over	3	1	424	493
<b>Total</b>	<b>49</b>	<b>119</b>	<b>1,113</b>	<b>2,233</b>

## Notes to the Core Financial Statements

## 28. EXTERNAL AUDIT COSTS

	2020/21 £000	2019/20 £000
External Audit Services	233	183
Certification of Grant Claims and Returns	37	42
Other services provided by the appointed auditor	24	0
	294	225

The Council's External Auditors are Grant Thornton.

## 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.

	2020/21			Restated 2019/20		
	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000
<b>Final DSG before academy &amp; high needs recoupment</b>	49,065	247,214	296,279	46,175	244,917	291,093
Academy & high needs figure recouped	(601)	(35,748)	(36,349)	(787)	(31,473)	(32,260)
<b>Total DSG after academy &amp; high needs recoupment</b>	48,464	211,466	259,930	45,388	213,444	258,833
Brought forward from previous year	(629)	1,180	551	730	485	1,215
Carry forward to next year agreed in advance	0	0	0	0	0	0
<b>Agreed initial budgeted distribution</b>	47,835	212,646	260,481	46,118	213,930	260,048
In year adjustments		(547)	(547)	0	173	173
<b>Final Budget Distribution</b>	47,835	212,099	259,934	46,118	214,103	260,221
<b>Actual Central Expenditure</b>	52,658		52,658	46,747		46,747
<b>Actual ISB deployed to schools</b>		209,650	209,650		212,923	212,923
<b>Carry Forward</b>	(4,824)	2,449	(2,375)	(629)	1,180	551

The comparative figures for 2019/20 have been restated in accordance with advice contained in 'CIPFA BULLETIN 09 - Closure of the 2020/21 Financial Statements', which was issued further to the requirements of the 'School and Early Years Finance (England) Regulations 2020'.

## Notes to the Core Financial Statements

**30. GRANT INCOME**

The following grants were credited to services during the year:

	2020/21 £000	2019/20 £000
Dedicated Schools Grant	(259,383)	(259,006)
Housing Benefit Grant	(169,277)	(180,332)
Covid-19 Grants	(38,529)	0
BSF/ Grouped Schools PFI Unitary Charge Grant	(26,329)	(26,267)
Public Health Grant	(24,776)	(23,683)
Improved Better Care Fund	(13,134)	(13,134)
Pupil Premium Grant	(12,035)	(12,939)
Housing Subsidy/ Decent Homes Backlog Grant	(10,353)	(17,553)
Other Grants	(51,430)	(40,754)
<b>Total</b>	<b>(605,246)</b>	<b>(573,668)</b>

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

	2020/21 £000	2019/20 £000
Revenue Support Grant (RSG)	(27,996)	(27,500)
Covid-19 Grants	(53,083)	(9,598)
S31 Business rate relief	(30,416)	(6,532)
New Homes Bonus	(6,176)	(6,501)
Other	(701)	(5,093)
<b>Total</b>	<b>(118,372)</b>	<b>(55,224)</b>

**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.

## Notes to the Core Financial Statements

(b) Subsidiaries, Associated Companies and Joint Ventures

The companies that are related to the Council are detailed in Note 25 to the Core Financial Statements.

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

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	37,000	44,678	4,037	4,587	1,297
Catford Regeneration Partnership Ltd	14,801	1,158	456	6	8

(c) Elected Members (Councillors) and Chief Officers

Councillors have direct control over the Council's financial and operating policies, and their total cost is shown in Note 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 material instances (over £100,000) where a Councillor has declared a related party transaction are as follows (amounts in brackets show how much the Council paid the organisations named in 2020/21):

- Councillor Liz Johnston-Franklin is a non-executive director of Youth First (£2.044m)
- Councillor Mark Ingleby is a director of Lewisham Homes (£53.234m)
- Councillor Caroline Kalu is a member of Lewisham Homes (£53.234m)
- Councillor Jim Mallory is a trustee of the Deptford Challenge Trust (£0.314m)
- Councillor Hilary Moore is a governor of Lewisham Southwark College (£0.796m)
- Councillor Brenda Dacres is a trustee of the Albany 2011 Company (£0.492m)
- Councillor John Paschoud is a cooperative governor (and charity trustee) of the Parkwood Hall Cooperative Academy Trust (£0.116m)
- Councillor Liam Curran SELCHP Representative (£5.3m)
- Councillor Eva Stamirowski is a non-executive director of Catford Regeneration Partnership Ltd (£1.158m)

(d) Lewisham Pension Fund

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

**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.

## Notes to the Core Financial Statements

	2020/21 £000	2019/20 £000
<b>Opening Capital Financing Requirement</b>	<b>519,801</b>	<b>486,552</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	65,160	71,612
Revenue Expenditure Funded from Capital under Statute	9,200	1,687
	<b>74,360</b>	<b>73,299</b>
<b>Resources Used for Financing</b>		
Capital Receipts	(12,400)	(9,978)
Government Grants and Other Contributions	(36,208)	(15,740)
Sums set aside from Revenue:	(15,228)	(2,742)
	<b>(63,836)</b>	<b>(28,460)</b>
<b>Increase in the underlying need to borrowing</b>	<b>10,524</b>	<b>44,839</b>
<b>Adjustment (**)</b>		
Bring in PFI Schemes Liability	(7,578)	0
	<b>(7,578)</b>	<b>0</b>
<b>Debt Redeemed</b>		
Minimum Revenue Provision	(4,134)	(3,958)
Repayment of Principal on PFI schemes	(8,925)	(7,632)
	<b>(13,059)</b>	<b>(11,590)</b>
<b>Increase/ (decrease) in Capital Financing Requirement</b>	<b>(10,113)</b>	<b>33,249</b>
<b>Closing Capital Financing Requirement</b>	<b>509,688</b>	<b>519,801</b>

\*\* It was found that the PFI Liability was not included into the CFR Calculation from 2018/19 when the PFI Debt repayment was added. This was corrected by restating the 2018/19 figures in 2019/20. A further adjustment to correct the figure was needed in 2020/21.

### 33. LEASES

#### a) Council as a Lessee

##### i) Finance Leases

The council does not have any assets held under Finance Leases.

## Notes to the Core Financial Statements

ii) Operating Leases

The Council has operating leases in the areas of Council Dwellings, School Plant and Equipment and Refuse Vehicles. The expenditure charged to services in the CIES during the year in relation to these leases was £1.6m (£1.6m in 2019/20). The future minimum lease payments due under non-cancellable leases in futures are:

	31/03/21 £000	31/03/20 £000
Not later than one year	1,241	1,329
Later than one year and not later than five years	3,328	3,279
Later than five years	14,866	15,431
	<b>19,435</b>	<b>20,039</b>

**b) Council as a Lessor**i) 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:

	31/03/21 £000	31/03/20 £000
Not later than one year	3,414	3,614
Later than one year and not later than five years	5,389	6,610
Later than five years	5,858	5,751
	<b>14,661</b>	<b>15,975</b>

**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
<b>Total Estimated Cost</b>	<b>£285m</b>	<b>£77m</b>	<b>£226m</b>	<b>£240m</b>	<b>£85m</b>	<b>£118m</b>	<b>£223m</b>	<b>£95m</b>
Total PFI Credits	£207m	£30m	£674m					£54m
<b>Net PFI Cost</b>	<b>£78m</b>	<b>£47m</b>	<b>£222m</b>					<b>£41m</b>



## Notes to the Core Financial Statements

## b) Payments made under PFI contracts

	<b>Brockley HRA</b>	<b>Downham Lifestyles</b>	<b>Grouped Schools</b>	<b>BSF 1</b>	<b>BSF 2</b>	<b>BSF 3</b>	<b>BSF 4</b>	<b>Street Lighting</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>2020/21</b>									
Service Charges	9,213	497	3,833	3,732	1,025	1,075	2,076	838	22,289
Interest	3,474	1,652	3,055	3,780	1,660	2,504	4,967	2,280	23,372
Liability Repayment	3,165	275	844	1,537	382	835	1,196	692	8,926
<b>Unitary Charge</b>	<b>15,852</b>	<b>2,424</b>	<b>7,732</b>	<b>9,049</b>	<b>3,067</b>	<b>4,414</b>	<b>8,239</b>	<b>3,810</b>	<b>54,587</b>

<b>2019/20</b>									
Service Charges	9,023	492	3,733	3,933	975	1,109	2,454	818	22,537
Interest	3,757	1,653	3,138	3,825	1,707	2,559	4,970	2,322	23,931
Liability Repayment	2,858	258	800	1,227	372	723	756	636	7,630
<b>Unitary Charge</b>	<b>15,458</b>	<b>2,356</b>	<b>7,569</b>	<b>8,889</b>	<b>3,025</b>	<b>4,342</b>	<b>8,119</b>	<b>3,742</b>	<b>53,500</b>

## 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.

	2020/21		2019/20	
	£000	£000	£000	£000
<b>Gross Book Value b/fwd</b>		415,835		422,963
<b>Additions</b>		0		0
Revaluations (recognised in Revaluation Reserve)	23,949		(5,012)	
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	462	24,411	(1,913)	(6,925)
Impairments (recognised in Revaluation Reserve)	0		0	
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	(66,737)	(66,737) *	0	0
<b>Disposals</b>		(608)		(203)
<b>Transfers</b>		0		0
<b>Assets reclassified (to)/ from Held for Sale</b>		0		0
<b>Gross Book Value c/fwd</b>		372,901		415,835
<b>Depreciation b/fwd</b>		(6,653)		(5,007)
Depreciation for year		(7,784)		(7,826)
<u>Depreciation written back on:</u>				
Transfers		0		0
Revaluations (recognised in Revaluation Reserve)	6,686		2,009	
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	412	7,098	4,171	6,180
Impairments (recognised in Revaluation Reserve)	0		0	
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0		0	
Assets sold		0		0
<b>Depreciation c/fwd</b>		(7,339)		(6,653)
<b>Net Book Value at End of Year</b>		<b>365,562</b>		<b>409,182</b>

\* The £67.7m impairments recognised in the surplus/ deficit on the provision of services relates to the de-recognition of the asset value of Sedgely secondary school held on the balance sheet when it transferred to an academy.

## 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	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
<b>Balance outstanding at start of year</b>	<b>8,797</b>	<b>7,504</b>	<b>211,880</b>	<b>220,696</b>
<b>Balance outstanding at end of year</b>	<b>9,302</b>	<b>8,797</b>	<b>202,561</b>	<b>211,880</b>

## Notes to the Core Financial Statements

**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 1.9% RPI increase per annum compounded until the end of the contract. The amounts are broken down into the different elements of the payments reflecting how they will be accounted for.

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

	In 2021/22 £000s	2 to 5 years £000s	6 to 10 years £000s	11 to 15 years £000s	16 to 20 years £000s	Total £000s
<b>Brockley HRA</b>						
Service charges	9,407	38,282	10,684			58,373
Interest	3,015	9,279	1,457			13,751
Repayment of liability	3,025	17,425	6,334			26,784
Planned lifecycle replacement	680	2,402	597			3,679
<b>Downham Lifestyles</b>						
Service charges	249	1,061	1,483	1,677	1,111	5,581
Interest	1,585	6,398	7,797	7,070	3,537	26,387
Repayment of liability	166	913	1,836	3,072	3,026	9,015
Planned lifecycle replacement	261	1,122	1,580	1,791	1,186	5,940
<b>Grouped Schools</b>						
Service charges	2,918	12,525	17,767	20,430	553	54,194
Interest	2,967	10,944	10,948	5,825	29	30,714
Repayment of liability	900	4,496	9,816	16,244	475	31,931
Planned lifecycle replacement	1,056	4,538	4,369	3,869	136	13,968
<b>BSF 1</b>						
Service charges	2,781	11,987	17,128	15,655		47,551
Interest	3,670	12,589	11,568	3,266		31,094
Repayment of liability	1,743	7,427	14,892	16,297		40,360
Planned lifecycle replacement	965	5,805	6,526	4,701		17,997
<b>BSF 2</b>						
Service charges	819	3,488	4,873	5,513	1,694	16,387
Interest	1,613	6,008	6,128	3,632	334	17,715
Repayment of liability	390	1,999	3,939	6,545	2,504	15,377
Planned lifecycle replacement	274	1,201	1,688	1,883	655	5,701
<b>BSF 3</b>						
Service charges	1,040	4,799	7,441	9,087	2,827	25,194
Interest	2,437	8,961	8,981	5,684	960	27,022
Repayment of liability	869	3,785	6,030	8,502	3,519	22,705
Planned lifecycle replacement	117	835	1,807	2,585	804	6,149
<b>BSF 4</b>						
Service charges	1,797	8,370	12,594	15,385	7,119	45,266
Interest	4,906	18,168	18,798	12,341	2,300	56,512
Repayment of liability	1,456	6,315	10,985	16,188	8,528	43,471
Planned lifecycle replacement	173	1,389	2,657	3,902	2,039	10,161
<b>Streetlighting</b>						
Service charges	859	3,658	5,111	5,775	452	15,856
Interest	2,234	8,360	8,622	5,438	200	24,853
Repayment of liability	751	3,709	6,735	10,193	833	22,222
Planned lifecycle replacement	0	0	0	0	0	0
<b>Totals</b>	<b>55,128</b>	<b>228,238</b>	<b>231,171</b>	<b>212,552</b>	<b>44,820</b>	<b>771,909</b>

## 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 31/03/21 £m	Contractual commitments as at 31/03/20 £m
<b>General Fund</b>		
Greenvale School Expansion	8.5	0.0
Ashmead School Expansion	3.9	0.0
CCTV Modernisation Plan 2017	1.0	0.0
Good Growth Scheme	0.4	0.0
School Places Programme	0.0	1.0
Fleet Vehicle Replacement	0.0	6.3
<b>Housing Revenue Account</b>	29.4	13.6
<b>Total Capital Programme contractual commitments</b>	<b>43.2</b>	<b>20.9</b>

**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 2020/21 this rate was 23.68% (in 2019/20 16.48% to 31-Aug-19 and 23.68% from 01-Sep-19). In 2020/21, the Council paid £23.8m to the DfE in respect of teachers' pension costs (£17.8m in 2019/20).

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 20.68% for 2020/21 (20.68% in 2019/20). In 2020/21 the Council paid £0.079m to the DoH in respect of employees' pension costs (£0.052m in 2019/20).

**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.

## Notes to the Core Financial Statements

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

These are assessed on an actuarial basis using the projected unit method and an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. They have been prepared by independent firms of actuaries (the LGPS by Hymans Robertson and the LPFA by Barnett Waddingham), and are based on IAS19 assumptions and calculations for the year and the latest triennial valuations as at 31 March 2019. It should be noted the Council has guaranteed any pension liability that may arise for its wholly owned subsidiary, Lewisham Homes Limited – this figure is excluded from the Council's single entity accounts but is included in the Group Accounts (see Section 6).

**c) Transactions relating to Retirement Benefits**

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

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

Current Service Cost

Past Service Cost (inc.settlements and curtailments)

**Financing and Investment Income and Expenditure**Net 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 Services**Remeasurements 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 Gains and Losses

**Total Remeasurements recognised in CIES****Total Post Employment Benefits Charged to the CIES**

2020/21 £000	2019/20 £000
39,968	53,619
(914)	515
39,054	54,134
(27,088)	(29,199)
39,190	47,656
12,102	18,457
51,156	72,591
(190,092)	49,014
27,775	(46,956)
413,441	(151,328)
(18,852)	(124,140)
232,272	(273,410)
283,428	(200,819)

**Movement in Reserves Statement**

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**

2020/21 £000	2019/20 £000
(51,156)	(72,591)
30,853	33,125
190,092	(49,014)
(422,364)	322,424
(252,575)	233,944

## Notes to the Core Financial Statements

## d) Pensions Assets and Liabilities Recognised in the Balance Sheet

	31/03/21 £000	31/03/20 £000
Fair Value of Plan Assets	1,390,628	1,191,887
Present Value of Defined Benefit Liability (Obligation)	(2,100,702)	(1,650,206)
	(710,074)	(458,319)
Present Value of Unfunded Liabilities	(60,967)	(60,147)
<b>Pensions Reserve - Year End Balance</b>	<b>(771,041)</b>	<b>(518,466)</b>

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

	31/03/21 £000	31/03/20 £000
<b>Opening Fair Value of Scheme Assets</b>	<b>1,191,887</b>	<b>1,233,006</b>
Interest Income on Scheme Assets	27,184	29,307
Administration	(96)	(108)
<u>Remeasurement Gains / Losses</u>		
Return on Assets excluding amounts included in Net Interest	190,092	(49,014)
Employer Contributions	26,447	28,455
Contributions in respect of Unfunded Benefits	4,406	4,670
Contributions from Scheme Participants	7,968	8,120
Assets distributed on settlements	(838)	0
Benefits Paid	(52,016)	(55,169)
Unfunded Benefits Paid	(4,406)	(4,670)
Other Gains and Losses	0	(2,710)
<b>Closing Fair Value of Scheme Assets</b>	<b>1,390,628</b>	<b>1,191,887</b>

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

	31/03/21 £000	31/03/20 £000
<b>Opening Present Value of Scheme Liabilities (Obligations)</b>	<b>(1,710,353)</b>	<b>(1,985,416)</b>
Current Service Cost	(39,968)	(53,619)
Interest Cost on Defined Benefit Obligation (Liabilities)	(39,190)	(47,656)
Contributions from Scheme Participants	(7,968)	(8,120)
<u>Remeasurement Gains / Losses</u>		
Benefits Paid	52,016	55,169
Unfunded Benefits Paid	4,406	4,670
Actuarial Losses from changes in Demographic Assumptions	(27,775)	46,956
Actuarial Losses from changes in Financial Assumptions	(413,441)	151,328
Other Gains and Losses	18,852	126,850
Past Service Costs / Curtailments / Settlements	1,752	(515)
<b>Closing Present Value of Scheme Liabilities (Obligations)</b>	<b>(2,161,669)</b>	<b>(1,710,353)</b>

## Notes to the Core Financial Statements

## g) Pension Scheme Assets

	31/03/21			31/03/20		
	Active Market £000	Not in Active Markets £000	Total £000	Active Market £000	Not in Active Markets £000	Total £000
<b>LGPS (LBL)</b>						
Equities	0	0	0	0	0	0
Debt Securities	170,700	0	170,700	145,671	0	145,671
Real Estate	0	91,627	91,627	0	87,640	87,640
Investment Funds / Unit Trusts	800,696	118,579	919,275	628,740	194,737	823,477
Private Equity	0	39,113	39,113	0	37,816	37,816
Cash and Cash Equivalents	0	86,311	86,311	0	23,378	23,378
<b>Total LGPS Assets</b>	<b>971,396</b>	<b>335,630</b>	<b>1,307,026</b>	<b>774,411</b>	<b>343,571</b>	<b>1,117,982</b>

	31/03/21			31/03/20		
	Active Market £000	Not in Active Markets £000	Total £000	Active Market £000	Not in Active Markets £000	Total £000
<b>LPFA</b>						
Equities	38,605	7,813	46,418	33,425	6,606	40,031
Target Return Portfolio	11,091	8,093	19,184	11,177	6,836	18,013
Infrastructure	0	7,139	7,139	0	5,187	5,187
Real Estate	0	7,370	7,370	0	6,749	6,749
Cash	3,090	401	3,491	2,707	1,218	3,925
<b>Total LPFA Assets</b>	<b>52,786</b>	<b>30,816</b>	<b>83,602</b>	<b>47,310</b>	<b>26,595</b>	<b>73,905</b>

## h) Basis for Estimating Assets and Liabilities

	Local Government Pension Scheme		LPFA	
	2020/21	2019/20	2020/21	2019/20
Rate of Inflation – CPI	2.9%	1.9%	2.9%	2.0%
Salary Increase Rate	3.6%	2.6%	3.9%	3.0%
Pensions Increases	2.9%	1.9%	2.9%	2.0%
Rate for discounting scheme liabilities	2.0%	2.3%	1.9%	2.3%
<b>Mortality assumptions</b>				
Longevity at 65 for current pensioners - Men	21.4	20.9	20.9	21.2
Longevity at 65 for current pensioners - Women	24.0	23.5	24.1	24.2
Longevity at 65 for future pensioners - Men	22.8	22.2	22.1	22.4
Longevity at 65 for future pensioners - Women	25.8	24.8	25.6	25.7

## i) Sensitivity Analysis

Change in Assumption at 31st March 2021	Approximate % Increase in Employer Liability	Approximate Monetary Amount (£000)
<b>LGPS - LB Lewisham</b>		
0.5% Decrease in Real Discount Rate	9%	195,981
1 Year Increase in Member Life Expectancy	4%	78,392
0.5% Increase in the Salary Increase Rate	1%	12,133
0.5% Increase in the Pension Increase Rate	9%	180,248
<b>LPFA</b>		
0.1% Decrease in Real Discount Rate	n/a	173
1 Year Increase in Member Life Expectancy	n/a	179
0.1% Increase in the Salary Increase Rate	n/a	171
0.1% Increase in the Pension Increase Rate	n/a	174

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**Notes to the Core Financial Statements**

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

**j) Future Contributions**

The objectives of the scheme are to keep the employer's contributions at as constant a rate as possible. The Council anticipates paying £27.0m in contributions to the scheme in 2021/22.

**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 11 schools with licensed deficit budgets at the year end, totalling £2.7m. There were also eight schools with local authority loans with a total balance of £1.6m, six of which had licensed deficit budgets. Because of the complexities and future uncertainties over the arrangements for dealing with school deficits/loans, some or all of this total of £4.3m may ultimately fall to be met from the Council's General Fund, either in 2021/22 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 2021 was £0.2m (£0.2m as at 31 March 2020).

**41. HERITAGE ASSETS**

These assets comprise Lewisham Clock Tower (£679k) 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 2021 is £0.93m (£0.26m as at 31 March 2020).

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:

	2020/21 £000	2019/20 £000
Community Infrastructure Levy - LB Lewisham	(17,046)	(14,363)
Adults PSS Grant (DoH)	(2,895)	(2,895)
Disabled Facilities Grant	(1,863)	(1,452)
Social Care Single Capital Pot (DoH)	(681)	(712)
NHS Capital Grant	(642)	(900)
Other Housing Grants (GLA)	(3,219)	(2,845)
Other Grants	(259)	(459)
<b>Total</b>	<b>(26,605)</b>	<b>(23,626)</b>

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

	2020/21 £000	2019/20 £000
Depreciation, Impairment and Downward Valuations	120,246	9,351
Increase/ (decrease) in creditors	(12,841)	7,491
(Increase)/ decrease in debtors	0	(12,479)
(Increase)/ decrease in inventories (stock)	(17)	(6)
Movement in pension liability	20,303	39,466
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	4,775	9,544
Other non-cash items charged to the net surplus or deficit on the provision of services	13,339	7,180
<b>Total Adjustment to net surplus or deficit on the provision of services for non-cash movements</b>	<b>145,805</b>	<b>60,547</b>

## 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**

	2020/21 £000	2019/20 £000
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	51	55
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(11,267)	(29,366)
Any other items for which the cash effects are investing or financing cash flows.	(39,187)	(22,366)
<b>Total Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	<b>(50,403)</b>	<b>(51,677)</b>

**45. CASH FLOW STATEMENT - OPERATING ACTIVITIES**

	2020/21 £000	2019/20 £000
Interest Received	3,406	5,516
Interest Paid	(31,853)	(36,257)
<b>Net Interest Paid</b>	<b>(28,447)</b>	<b>(30,741)</b>

**46. CASH FLOW STATEMENT - INVESTING ACTIVITY**

	2020/21 £000	2019/20 £000
Purchase of Property, Plant and Equipment, investment property and intangible assets	(67,520)	(67,120)
Purchase of short and long term investments	(378,000)	(308,000)
Other payments for Investing Activities	(988)	(1,944)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	11,267	29,366
Proceeds from short-term and long-term investments	333,000	380,000
Other Receipts from Investing Activities	37,805	23,725
<b>Net Cash Flows from Investing Activities</b>	<b>(64,436)</b>	<b>56,027</b>

## Notes to the Core Financial Statements

## 47. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2020/21 £000	2019/20 £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	(8,924)	(7,632)
Repayment of Short-Term and Long-Term Borrowing	(4,028)	(203)
Other payments for financing activities	(24,839)	4,209
<b>Net Cash Flows from Financing Activities</b>	<b>(37,791)</b>	<b>(3,626)</b>

## Housing Revenue Account

## SECTION 4 - HOUSING REVENUE ACCOUNT

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

## COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

	2020/21 £000	2019/20 £000	Note
<b>INCOME</b>			
Gross Rent - Dwellings	(69,396)	(68,223)	1
Gross Rent - Other Housing Properties	(3,365)	(3,480)	1
Charges for Services and Facilities	(12,588)	(12,545)	1
Housing Subsidy and Government Grants	(10,353)	(17,553)	2
Contribution towards Expenditure	(1,055)	(3,439)	4
<b>Total Income</b>	<b>(96,757)</b>	<b>(105,240)</b>	
<b>EXPENDITURE</b>			
Supervision and Management - General Expenses	37,472	36,881	5
Supervision and Management - Special Expenses	5,263	5,303	5
Repairs and Maintenance	54,241	54,621	6
Rent, Rates and Other Charges	513	346	8
Rent Rebate Subsidy Shortfall	0	0	3
Contribution to Doubtful Debts & Other Provisions	479	7,698	7
Depreciation - Dwellings	22,564	22,071	10
Depreciation - Other Housing Assets	816	832	10
Impairment of Non Current Assets	12,170	4,182	9
Debt Management Expenses	19	20	
<b>Total Expenditure</b>	<b>133,537</b>	<b>131,954</b>	
<b>Net Cost of Services included in the Council's Income and Expenditure Account</b>	<b>36,780</b>	<b>26,714</b>	
HRA Services share of Corporate and Democratic Core Costs	177	173	
<b>Net Cost of HRA Services</b>	<b>36,957</b>	<b>26,887</b>	
<b>HRA share of the Operating Income and Expenditure incl.in the Comprehensive Income and Expenditure Statement</b>			
(Gain) / Loss on Sale of HRA Non Current Assets	(4,542)	(7,402)	
Interest Payable and Similar Charges	5,237	8,767	11
Interest and Investment Income	(571)	(1,210)	
Pension Interest Cost and Expected Return on Pension Assets	59	69	12
<b>(Surplus) / Deficit for the Year on HRA Services</b>	<b>37,140</b>	<b>27,111</b>	

## Housing Revenue Account

## HOUSING REVENUE ACCOUNT - MOVEMENT IN RESERVES STATEMENT

	2020/21 £000	2019/20 £000
<b>Balance on the HRA at the End of the Previous Year</b>	<b>84,281</b>	<b>76,707</b>
<u>Movement in Year</u> Surplus or (Deficit) for the year on the HRA Income and Expenditure Statement	<b>(37,140)</b>	<b>(27,111)</b>
Adjustments between Accounting Basis and Funding Basis under Statute	<b>14,070</b>	<b>16,971</b>
<b>Net Increase or (Decrease) before Transfers (To) / From Reserves</b>	<b>(23,070)</b>	<b>(10,140) *</b>
<b>Transfers (To) / From Reserves</b>	<b>13,826</b>	<b>17,714</b>
<b>Increase or (Decrease) in Year on the HRA</b>	<b>(9,244)</b>	<b>7,574</b>
<b>Balance on the HRA at the End of the Year</b>	<b>75,037</b>	<b>84,281</b>

\* Note - MRA only, others are not technically defined as transfers to from reserves, they are movements in the HRA Balance.

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 2021, 0.52% of lettable property was empty (0.48% at 31 March 2020). These figures for empty property exclude accommodation for the homeless and dwellings designated for sale, major works and improvements. Average rents were £97.72 In 2020/21 and £94.98 per week In 2019/20.

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 13,762 dwellings as at 31 March 2021 (13,796 as at 31 March 2020).

There have been no stock transfers undertaken in 2020/21.

The stock was made up as follows:

	31/03/21	31/03/20
<u>Stock Numbers at year end</u>		
Houses and Bungalows	2,309	2,307
Flats and Maisonettes	11,453	11,489
<b>Stock at End of Year</b>	<b>13,762</b>	<b>13,796</b>

	2020/21	2019/20
<u>Change in Stock Numbers during the year</u>		
Stock at 1 April	13,796	13,957
Less Sales, Demolitions, etc.	(46)	(219)
Add Re-purchases, Conversions etc.	12	58
<b>Stock at End of Year</b>	<b>13,762</b>	<b>13,796</b>

## b) Rent Arrears

	2020/21 £000	2019/20 £000
Rent Arrears due from Current Tenants	4,420	3,833
Rent Arrears due from Former Tenants	2,034	2,133
<b>Total Arrears</b>	<b>6,454</b>	<b>5,966</b>
<b>Total Arrears as % of Gross Rent of Dwellings Due</b>	<b>7.1%</b>	<b>6.6%</b>

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

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Housing Revenue Account

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**c) Rent – Other Housing Property**

	2020/21 £000	2019/20 £000
Aerial Sites	337	415
Garages	154	164
Reception Hostels	2,547	2,563
Commercial Property	268	280
Ground Rents	59	58
<b>Total Other Rents and Charges</b>	<b>3,365</b>	<b>3,480</b>

**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 £9.26 in 2020/21 (£8.66 in 2019/20).

	2020/21 £000	2019/20 £000
Heating Charges	653	662
Leasehold Service Charges	5,511	5,587
Tenants Service Charges	6,424	6,296
<b>Total Charges for Services and Facilities</b>	<b>12,588</b>	<b>12,545</b>

**2. GOVERNMENT HOUSING EXCHEQUER SUBSIDY**

From 01 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.

The council also received £7.2m in 2019/20 in funding towards the removal and recladding of 3 tower blocks within the borough.

	2020/21 £000	2019/20 £000
Other Reckonable Expenditure	0	7,200
PFI Credit	10,353	10,353
Decent Homes Grant	0	0
<b>Total Grants and Subsidy</b>	<b>10,353</b>	<b>17,553</b>

**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 36% of tenants received help in 2020/21

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**Housing Revenue Account**


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(40% in 2019/20). 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:

	2020/21 £000	2019/20 £000
Rent Rebates Given (GF)	28,412	30,964
Subsidy Received on Rebates (GF)	(28,412)	(30,964)
<b>Net cost to the HRA</b>	<b>0</b>	<b>0</b>

#### 4. CONTRIBUTIONS TOWARDS EXPENDITURE

	2020/21 £000	2019/20 £000
Court Costs	21	68
Recharges of repairs	415	2,711
Recharge to Capital Receipts	413	401
Hostels: Heat, Light and Water Charges	100	102
Other miscellaneous income	106	157
<b>Total Other Income</b>	<b>1,055</b>	<b>3,439</b>

#### 5. SUPERVISION AND MANAGEMENT

##### General expenses

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

##### Special expenses

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

#### 6. REPAIRS AND MAINTENANCE

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



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**Housing Revenue Account**


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	2020/21 £000	2019/20 £000
Revenue R&M works	17,035	14,004
R&M works charged to MRR	37,206	40,617
<b>Total Repairs and Maintenance</b>	<b>54,241</b>	<b>54,621</b>

**7. CONTRIBUTIONS TO IMPAIRMENT ALLOWANCE**

A contribution of £0.479m (2019/20 £0.636m) was transferred from the HRA to an impairment allowance to meet doubtful debts. Details of the accumulated provisions are as follows:

	2020/21 £000	2019/20 £000
Housing Tenants	4,519	4,517
Leaseholders	1,969	2,109
Commercial Properties, Miscellaneous Debts	878	704
<b>Total Impairment Allowance</b>	<b>7,366</b>	<b>7,330</b>

**8. HRA OUTSTANDING DEBT (CAPITAL FINANCING REQUIREMENT)**

Under the current HRA self-financing system, which began on 01 April 2012, there is no requirement to repay principal on housing debt. The total housing debt at 31 March 2021 was £55.5m (31 March 2020 was £55.5m).

**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.

	31/03/21 £000	31/03/20 £000
<b>Operational Assets:</b>		
Dwellings (Existing Use Value - Social Housing)	1,393,428	1,283,064
Other Land and Buildings	18,994	16,386
Infrastructure	91	96
Vehicles, Plant and Equipment	7,211	6,985
	<b>1,419,724</b>	<b>1,306,531</b>
Investment Properties	0	0
Surplus Assets	9,650	45,679
<b>Total Housing Assets</b>	<b>1,429,374</b>	<b>1,352,210</b>
<b>Full Valuation of Council Dwellings</b>	<b>5,573,712</b>	<b>5,132,256</b>

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Housing Revenue Account

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**10. DEPRECIATION**

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

	2020/21 £000	2019/20 £000
<b>Operational Assets</b>		
Dwellings	22,564	22,071
Other Land and Buildings	286	275
Infrastructure	5	5
Vehicles, Plant and Equipment	525	552
<b>Total Depreciation</b>	<b>23,380</b>	<b>22,903</b>

**11. INTEREST PAYABLE AND SIMILAR CHARGES**

This line includes the charge of £3.5m for capital assets calculated in accordance with the DCLG's Item 8 Debit Determination for 2019/20 (£3.8m in 2019/20). 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 pensions. However, the cost to the HRA is based on the amounts payable in the year, so the accrued cost of retirement benefits is reversed out of the HRA.

**13. HOUSING CAPITAL EXPENDITURE**

Any expenditure on the Capital Programme which can not be capitalised as a component or did not add value to an existing asset has been charged to revenue. These amounts have been mainly funded from the Major Repairs Reserve, which can be used for both revenue and capital expenditure. There was a contribution to Capital from HRA revenue of £13.9m to fund the new development and investment programme for 2020/21.

	2020/21 £000	2019/20 £000
<b>Expenditure:</b>		
Dwellings	22,406	3,279
Revenue Expenditure Funded from Capital under Statute	0	0
	<b>22,406</b>	<b>3,279</b>
<b>Financed by:</b>		
Capital Receipts	8,777	537
HRA Contribution to Capital	13,877	0
Major Repairs Reserve	752	2,742
<b>Total Capital Expenditure Financed</b>	<b>23,406</b>	<b>3,279</b>

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Housing Revenue Account

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**14. MAJOR REPAIRS RESERVE**

The movements on the major repairs reserve are as follows:

	2020/21 £000	2019/20 £000
<b>Balance brought forward at start of year</b>	<b>16,463</b>	<b>36,919</b>
Transferred in (depreciation dwellings)	23,380	22,903
Financing of capital expenditure on housing assets	(752)	(2,742)
Financing Major Revenue Repairs	(37,206)	(40,617)
<b>Balance carried forward at end of year</b>	<b>1,885</b>	<b>16,463</b>

**15. HOUSING REVENUE ACCOUNT RESERVES AND BALANCES**

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

	Balance at 31/03/20 £000	Transfers In £000	Transfers Out £000	Balance at 31/03/21 £000
Property and Stock Related Reserves	5,260	165	0	5,425
Staff Related Reserves	750	0	0	750
Other Earmarked Reserves	78,271	0	(9,409)	68,862
<b>Total Reserves and Balances</b>	<b>84,281</b>	<b>165</b>	<b>(9,409)</b>	<b>75,037</b>

## 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.

## COLLECTION FUND REVENUE ACCOUNT

	2020/21			2019/20			Note
	Council Tax	NDR	Total	Council Tax	NDR	Total	
	£000	£000	£000	£000	£000	£000	
<b>INCOME</b>							
Income from Council Tax (net)	147,919		147,919	144,911		144,911	4
Income from Non-Domestic Rates (net)		33,958	33,958		65,919	65,919	5
Income from Non-Domestic Rates (net) - BRS		937	937		1,710	1,710	5
<b>TOTAL INCOME</b>	<b>147,919</b>	<b>34,895</b>	<b>182,814</b>	<b>144,911</b>	<b>67,629</b>	<b>212,540</b>	
<b>EXPENDITURE</b>							
<b>Precepts and Demands upon Fund (C. Tax)</b>							
- London Borough of Lewisham	118,424		118,424	111,739		111,739	
- Greater London Authority	29,828		29,828	28,335		28,335	
<b>Precepts and Demands upon Fund (NDR)</b>							
- London Borough of Lewisham		19,344	19,344		30,571	30,571	
- Greater London Authority		23,858	23,858		17,196	17,196	
- Central Government		21,278	21,278		15,923	15,923	
- Cost of Collection Allowance		303	303		300	300	
<b>Business Rate Supplement (BRS)</b>							
- Paid to Greater London Authority		751	751		1,660	1,660	
- Administrative Costs		6	6		6	6	
<b>Bad and Doubtful Debts</b>							
- Net adj to Impairment Allowance	4,519		4,519	4,734		4,734	6a
- Net adj to Impairment Allowance		5,000	5,000		528	528	6b
- Amounts Written Off	664		664	403		403	
- Amounts Written Off		72	72		281	281	
<b>Contributions from previous year</b>							
- London Borough of Lewisham	(359)	(1,355)	(1,714)	1,698	108	1,806	
- Central Government	0	(762)	(762)	0	512	512	
- Greater London Authority	0	(179)	(179)	415	740	1,155	
<b>Provision for Appeals</b>							
- Net contribution		15,442	15,442		3,050	3,050	
<b>TOTAL EXPENDITURE</b>	<b>153,076</b>	<b>83,758</b>	<b>236,834</b>	<b>147,324</b>	<b>70,875</b>	<b>218,199</b>	
<b>Deficit / (Surplus) for the year</b>	<b>5,157</b>	<b>48,863</b>	<b>54,020</b>	<b>2,413</b>	<b>3,246</b>	<b>5,659</b>	3
<b>Deficit / (Surplus) at start of year</b>	<b>2,070</b>	<b>3,467</b>	<b>5,537</b>	<b>(343)</b>	<b>2,742</b>	<b>2,399</b>	3
<b>Opening Balance Adjustment</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,521)</b>	<b>(2,521)</b>	3
<b>Deficit / (Surplus) at end of year</b>	<b>7,227</b>	<b>52,330</b>	<b>59,557</b>	<b>2,070</b>	<b>3,467</b>	<b>5,537</b>	

(\*)

\* See note 2 below regarding NDR deficit.

## 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 2020/21 assumed a collection rate of 97.0% (97.0% for 2019/20).

The table below sets out the original tax base calculation for 2020/21 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.

		2020/21			2020/21		2019/20	
Council Tax Band	Property Value	No.of Properties		Band D Ratio	Band D Equivalents as per Ratio	Council Tax Charge	Band D Equivalents as per Ratio	Council Tax Charge
		Actual	Adjusted					
		Number	Number					
	£000	(1)	(2)		No.	£	No.	£
A	up to 40	7,923	5,188	6/9	3,458.4	1,097.62	3,306.0	1,056.30
B	40 - 52	34,175	24,987	7/9	19,434.3	1,280.57	19,232.8	1,232.35
C	52 - 68	45,497	36,753	8/9	32,668.9	1,463.50	31,849.7	1,408.40
D	68 - 88	26,426	22,853	1	22,853.3	1,646.44	22,456.8	1,584.45
E	88 - 120	7,669	6,849	11/9	8,370.9	2,012.44	8,230.5	1,936.55
F	120 - 160	2,739	2,566	13/9	3,705.8	2,378.19	3,680.2	2,288.65
G	160 - 320	1,305	1,243	15/9	2,071.8	2,744.06	2,060.3	2,640.75
H	over 320	171	161	18/9	322.5	3,292.88	323.0	3,168.90
Totals		125,905	100,600		92,885.9		91,139.3	
Add: Contributions in lieu					0.0		0.0	
Total Band D Equivalents					92,885.9		91,139.3	
Estimated Collection Rate					97.0%		97.0%	
NET COUNCIL TAX BASE					90,099.3		88,405.1	

(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.

Note on NDR deficit (£52,330k at year-end)

The deficit has increased significantly during 2020/21 because of Covid reliefs for businesses covered by Section 31 grant from Central Government, which is being held in General Fund earmarked reserves at year-end. In addition, provisions for bad debts and appeals have been greatly increased following a review.

## 3. COLLECTION FUND BALANCE SPLIT INTO ITS ATTRIBUTABLE PARTS

	(Surplus)/ Deficit		(Surplus)/ Deficit		
	Balance at 31/03/19 £000	Movement in 2019/20 £000	Balance at 31/03/20 £000	Movement in 2020/21 £000	Balance at 31/03/21 £000
<b>Council Tax</b>					
London Borough of Lewisham	(286)	1,938	1,652	4,110	5,762
Greater London Authority	(57)	475	418	1,047	1,465
	<b>(343)</b>	<b>2,413</b>	<b>2,070</b>	<b>5,157</b>	<b>7,227</b>
<b>Non-Domestic Rates</b>					
London Borough of Lewisham	1,660	257	1,917	13,993	15,910
Greater London Authority	990	88	1,078	18,167	19,245
Central Government	92	380	472	16,703	17,175
	<b>2,742</b>	<b>725</b>	<b>3,467</b>	<b>48,863</b>	<b>52,330</b>
<b>Collection Fund Balances</b>	<b>2,399</b>	<b>3,138</b>	<b>5,537</b>	<b>54,020</b>	<b>59,557</b>

Collection Fund Adjustment Account

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

## 4. COUNCIL TAX INCOME

	2020/21		2019/20
	£000	£000	£000
<b>Gross Council Tax Income Due</b>		<b>194,195</b>	<b>185,318</b>
Less: Adjustments to charge	647		1,036
Exemptions	(5,913)		(6,194)
Disabled Relief	(97)		(102)
Discounts	(17,659)		(16,745)
Adjustment for Council Tax Reduction Scheme	(23,254)		(18,402)
		<b>(46,276)</b>	<b>(40,407)</b>
<b>Total Due from Council Tax payers</b>		<b>147,919</b>	<b>144,911</b>

## 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%).

	2020/21		2019/20
	£000	£000	£000
<b>Gross NDR Collectable (after voids and exemptions)</b>		86,675	87,312
<b>Reductions and Relief:</b>			
Mandatory Relief	(17,406)		
Discretionary Relief	(34,374)		
		(51,780)	(19,683)
<b>Total Receivable from Business Rates</b>		34,895	67,629

	2020/21	2019/20
	£m	£m
<b>Non-Domestic Rateable Value</b>	178.2	177.4

	2020/21	2019/20
	pence	pence
<b>Non-Domestic Rate Multiplier</b>	51.2	50.4
<b>Non-Domestic Rate Multiplier (Small Business)</b>	49.9	49.1

## 6. COLLECTION FUND ARREARS AND IMPAIRMENT ALLOWANCES

	31/03/21 £000	31/03/20 £000
Council Tax Arrears	57,000	49,864
Impairment Allowance	(50,213)	(45,694)
<b>As a Percentage of Arrears</b>	88.1%	91.6%

	2020/21		2019/20	
	Amount £000	Percentage %	Amount £000	Percentage %
<b>Age of Arrears</b>				
Year of Accounts	10,598	19	9,104	18
Under 2 Years old	7,396	13	6,224	12
Under 3 Years old	5,786	10	5,191	10
Under 5 Years old	8,592	15	7,193	14
Over 5 Years old	24,628	43	22,152	44
<b>Total</b>	57,000	100	49,864	100

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

## Collection Fund

## b) Non-Domestic Rates

	31/03/2021 £000	31/03/2020 £000
NDR Arrears	7,939	4,753
Impairment Allowance	(7,135)	(2,135)
As a Percentage of Arrears	89.9%	44.9%

	2020/21		2019/20	
	Amount £000	Percentage %	Amount £000	Percentage %
<b>Age of Arrears</b>				
Year of Accounts	3,289	41	2,173	46
Under 2 Years old	2,034	26	1,056	22
Under 3 Years old	1,087	14	480	10
Under 5 Years old	802	10	473	10
Over 5 Years old	727	9	571	12
<b>Total</b>	<b>7,939</b>	<b>100</b>	<b>4,753</b>	<b>100</b>

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



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**Group Accounts**

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**SECTION 6 – GROUP ACCOUNTS**

To Follow

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**Glossary of Terms Used in the Accounts**


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**SECTION 7 – GLOSSARY OF TERMS USED IN THE ACCOUNTS**

<b>ACCRUALS</b>	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.
<b>ACTUARY</b>	An independent professional who advises on the financial position of the Pension Fund and carries out a full valuation every three years.
<b>CAPITAL EXPENDITURE</b>	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.
<b>CAPITAL ADJUSTMENT ACCOUNT</b>	This represents the capital resources which have been set aside to meet past capital expenditure.
<b>CAPITAL RECEIPTS</b>	Income received from the sale of land, buildings and plant.
<b>COLLECTION FUND</b>	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).
<b>CONTINGENT LIABILITY</b>	A possible liability to incur future expenditure at the balance sheet date dependent upon the outcome of uncertain events.
<b>CREDITORS</b>	This is an amount of money owed by the Council for goods, works or services received.
<b>DEBTORS</b>	This is an amount of money owed to the Council by individuals and organisations.
<b>DEPRECIATION</b>	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.
<b>EARMARKED RESERVES</b>	These are amounts set aside for specific purposes to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.
<b>FAIR VALUE</b>	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.
<b>GENERAL FUND</b>	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.
<b>IMPAIRMENT ALLOWANCE</b>	This is an amount set aside from revenue to cover irrecoverable debts.
<b>INFRASTRUCTURE</b>	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.

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**Glossary of Terms Used in the Accounts**

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<b>LEASES</b>	<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>
<b>MEMORANDUM ACCOUNT</b>	These Accounts are not part of the Council's formal statutory Accounts and are included in the Statement for added information.
<b>MINIMUM REVENUE PROVISION (MRP)</b>	The prudent amount which must be charged to the Council's revenue account each year for the principal repayment of debt.
<b>NON-DOMESTIC RATES (NDR)</b>	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.
<b>PRIVATE FINANCE INITIATIVE (PFI)</b>	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.
<b>PRECEPTS</b>	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.
<b>PROVISIONS</b>	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.
<b>REVALUATION RESERVE</b>	This represents the gains on the revaluation of non-current assets which have not yet been realised through sales.
<b>REVENUE SUPPORT GRANT (RSG)</b>	This is the main general grant which is paid to the Council by Central Government to fund local services.
<b>REVENUE EXPENDITURE</b>	Day-to-day expenditure incurred in the running of Council services, e.g. salaries, wages, supplies and services.
<b>SPECIAL PURPOSE VEHICLE</b>	This is a legal entity (usually a limited company) created to fulfil narrow, specific or temporary objectives.
<b>SUPPORT SERVICES</b>	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.

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**Glossary of Terms Used in the Accounts**

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**COMMON ACRONYMS USED IN THE ACCOUNTS**

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
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

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**Pension Fund Accounts**

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**SECTION 8 – PENSION FUND ACCOUNTS**

To Follow

## SECTION 9 - ANNUAL GOVERNANCE STATEMENT

### What is corporate governance?

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

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

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

Officers monitor and evaluate governance evidence and identify areas requiring action; and is responsible for analysing CIPFA/SOLACE guidance in relation to the development of this statement 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 Corporate Resources (as s151).
- Receipt of the Annual Internal Audit Assurance Report by the Director for Corporate Services
- 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 Chair of the Council and Chief Executive, once approved.

This year, the Council’s governance arrangements have operated as designed. There were some changes in statutory post holders with a change of Monitoring Officer in July 2020 and s151 officer in September 2020.

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**Annual Governance Statement**

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**The Council's governance arrangements in 2020/21**

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

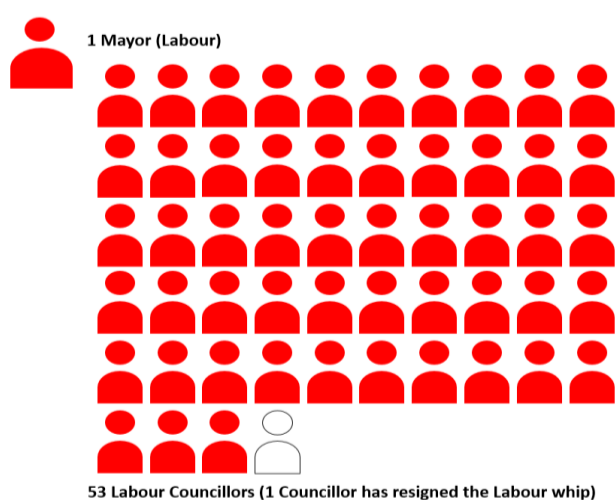
Lewisham's directly elected Mayor provides the Council with clear strategic direction and effective leadership but the Council also benefits from the perspectives and contributions of its 54 Councillors. The Council's constitution clearly defines the roles of councillors and officers, and this clarity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

The Council has worked closely with its partners, both strategic and operational. The Council has two statutory partnership boards:

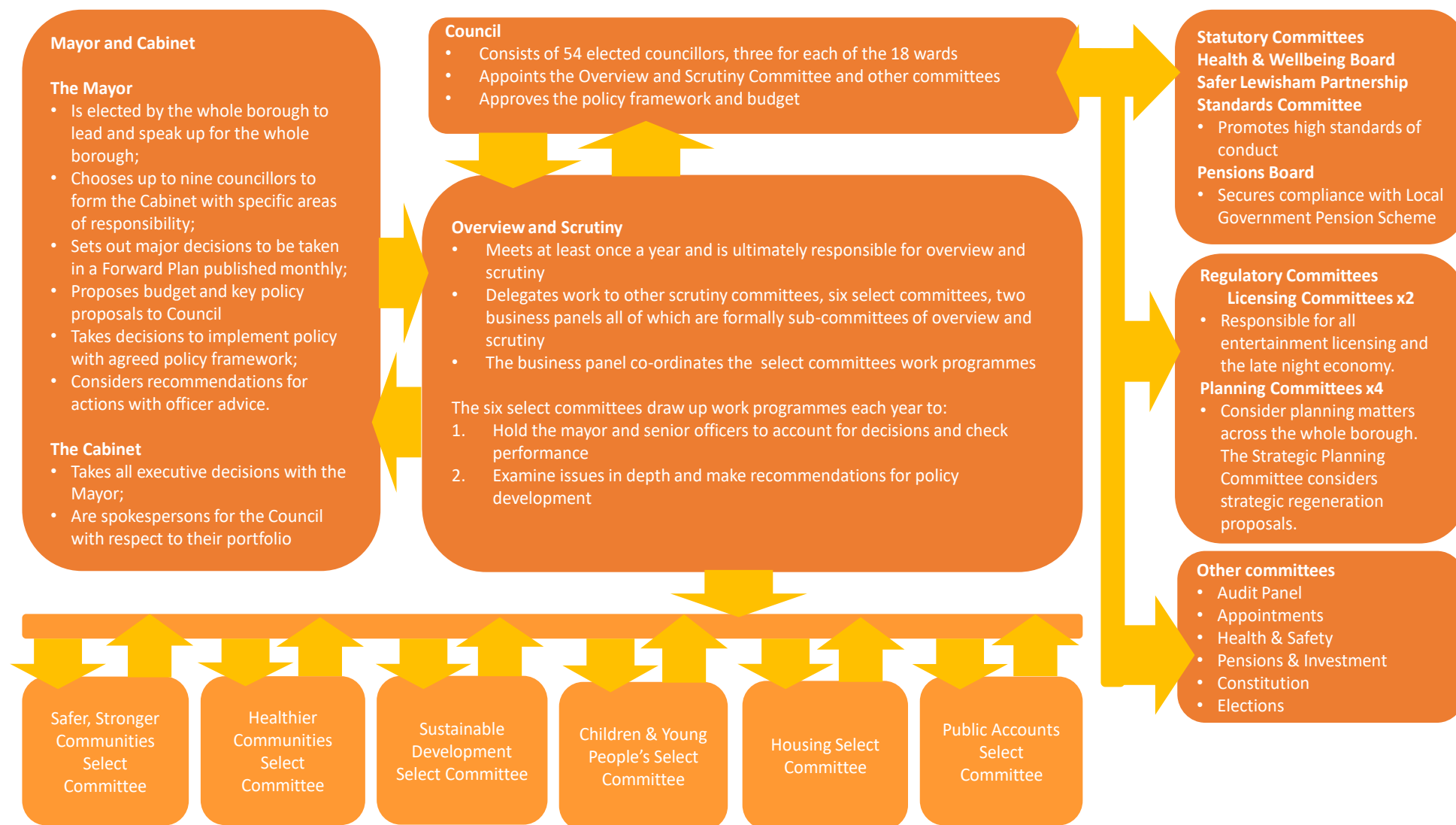
- The Safer Lewisham Partnership is the statutory crime and disorder partnership for Lewisham. The Partnership has a duty to conduct an audit of crime, disorder, anti-social behavior and drug misuse in Lewisham, to consult widely on the findings and set strategies to tackle the issues identified. The Partnership meets quarterly and is chaired by the Mayor of Lewisham.
- The Health and Wellbeing Board works to promote greater partnership engagement that contribute to health and social care outcomes locally. It carries out statutory functions of the Health and Wellbeing Board under the Health and Social Care Act 2012.

**Council composition**

The Council is comprised of 54 Councillors, including the Mayor. Through the year there were some changes but Elections in 2020/21 were deferred so no new Councillors joined in this period. Four by-elections were subsequently held in May 2021 with four Labour Councillors elected. This returned the Council to the following:



## Annual Governance Statement





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Annual Governance Statement

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### Communicating and reviewing the Council's vision

The Council adopted a new Corporate Strategy 2018-2022 in February 2019. The Council's new Corporate Strategy sets out how Lewisham Council plans to deliver for our residents over the next four years. There are seven corporate priorities:

**Open Lewisham** – Lewisham is a welcoming place of safety for all where we celebrate the diversity that strengthens us.

**Tackling the housing crisis** – Everyone has a decent home that is secure and affordable.

**Giving children and young people the best start in life** – Every child has access to an outstanding and inspiring education and is given the support they need to keep them safe, well and able to achieve their full potential.

**Building an inclusive local economy** – Everyone can access high-quality job opportunities, with decent pay and security in our thriving and inclusive local economy.

**Delivering and defending: health, social care and support** – Ensuring everyone receives the health, mental health social care and support services they need.

**Making Lewisham greener** – Everyone enjoys our green spaces and benefits from a healthy environment as we work to protect and improve our local environment.

**Building safer communities** – Every resident feels safe and secure living here as we work together towards a borough free from the fear of crime.

### Monitoring Performance

The Council's performance is monitored via monthly Directorate (Children and Young People Services, Community Services, Housing Regeneration and Public Realm, Corporate Resources, and Chief Executive) management reports and quarterly at the Executive Management Team. The reports use 'red' exception reporting to focus attention on underperforming or high risk areas and is a critical tool for supporting decisions across the organisation.

These reports are shared with Cabinet Leads, giving them direct line of sight to current and emerging performance issues. The appropriateness of Directorate performance measures is reviewed annually. The quality of services for users is also measured through satisfaction surveys and information from the complaints and management resolution processes.

In addition, where areas for improvement are identified, the Council acts swiftly to address them. The overriding priority through 2020/21 has been the Council's response to the Covid-19 pandemic and the focus on protecting critical services in support of residents, the community, and business. This was done, alongside the usual decision making processes moving on-line but otherwise unchanged, using the Council's emergency response arrangements and establishing a GOLD command to oversee planning and activities on the objectives agreed by Council in May 2020.

### Roles and responsibilities

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

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**Annual Governance Statement**

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**Embedding Roles and Responsibilities**

The tone from the top in terms of establishing an 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. This is usually in May although for 2020/21 it was held in July due to Covid-19 disruption of meetings at the start of the municipal year.

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

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

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

The Local Code of Corporate Governance and the Codes of Conduct for Members and Officers, set out in the constitution, demand the highest standards of ethical behaviour. These are reviewed regularly and are communicated widely. The Standards Committee received its annual report on Member compliance with the Code of Conduct in January 2020 concluded that the Member Code of Conduct was well embedded and the evidence suggested a high level of compliance.

Training on the Member Code of Conduct was delivered to all Councillors in June 2018, following the local elections that year, as part of a comprehensive induction programme to enable Members to understand and access all appropriate support and development to undertake their role. Training is updated periodically with a focus for 2020/21 on supporting Members exercise their functions through the changing Covid-19 environment. This involved moving all meetings on-line and Members scaling back their work plans to focus on essential meetings only and decisions in support of the priorities of the response.

**Decision making**

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

For 2020/21, no Mayor & Cabinet decisions were called-in by the Overview and Scrutiny Business Panel to be reconsidered.

The Council has a Constitution Working Party (CWP) to advise it on the operation of its constitutional arrangements but in practice, the procedure rules set out in the constitution are under constant review to reflect changing needs.

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Annual Governance Statement

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### Internal Audit

The role of internal audit is to provide an objective opinion on the internal control environment within the Council. Its work is set out in an annual internal audit plan that covers the activities where internal audit and management perceive there are risks to achieving objectives. This work is conducted in compliance with the Public Sector Internal Audit Standards (PSIAS), as adopted by the Council in its Internal Audit Charter.

The annual self-assessment of the compliance to the PSIAS, confirms that the service continues to meet the standards. For the first quarter of 2020/21 the Head of Internal Audit post was covered by the Council's interim s151 officer. No internal audit work was completed in this quarter due to the disruption from and priority given to the Covid-19 response. From July 2020 the post was covered by a dedicated person.

The internal audit plan for the year concludes with reporting to the Audit Panel in June/July with an annual assurance opinion. For 2020/21, 40 (32 assurance and 8 advisory and grant certification) reviews were undertaken and the annual opinion of the Head of Internal Audit, reported to the Audit Panel, was:

*“Satisfactory assurance can be placed on the adequacy and effectiveness of the Council’s corporate system of internal control.”*

Subject to the following qualifications to the opinion;

On 23 March 2020 the UK was put into lockdown in response to the Covid-19 pandemic. The impact of the pandemic on all organisations has been significant and Internal Audit resources were reduced because the team was redeployed across the Council until August 2020. Therefore, the Audit Plan for the year was reduced in agreement with the Audit Panel. This included not undertaking any schools audits for 2020/21 given the specific challenges they were facing. As such, our opinion is based on a reduced scope and is subject to the identification of issues that could arise as a result of the emergency response to the pandemic.

### External audit

The Council's governance, risk and control management arrangements are subject to an annual independent review by Grant Thornton, the Council's external auditors. In their last Annual Audit Letter on the 2019/20 accounts Grant Thornton gave an unqualified opinion for the financial statements and unqualified conclusion for the Council's value for money arrangements. Grant Thornton reported:

*“In our opinion, the financial statements:*

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2020 and of the group’s expenditure and income and the Authority’s expenditure and income for the year then ended;*
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and*
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.”*

and

*“we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.”*

The audit certificates for the years 2016/17 to 2019/20 were issued following the auditors finalising their work into two objections received to the accounts in 2016/17 by a number of authorities. Both of these concluded investigations concluded with no action required.

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The audit will conclude and report to the Audit Panel and Council in the usual way, the 2020/21 inspection period will be in July with the audit deadlines for completion of audits now set for September.

**Audit Panel**

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

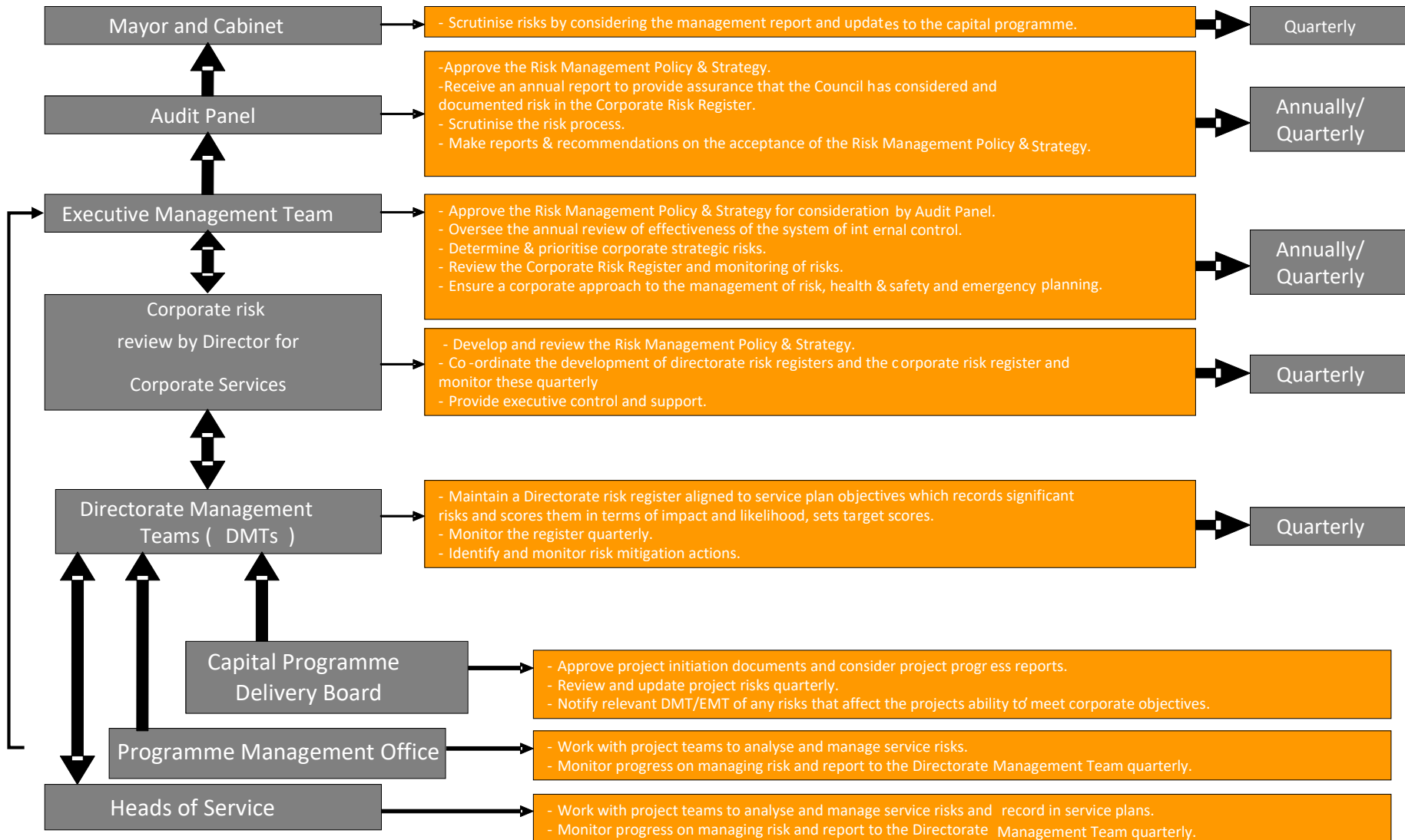
- Review and comment on the strategy, plans and resources of Internal Audit. Internal Audit update reports, summarising the audit reports issued, management's progress on implementing any recommendations and the performance of the Internal Audit function, are received by the Panel on a quarterly basis.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

**Compliance**

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

## Annual Governance Statement

## Risk and Strategy Framework



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**Training and development**

The Council runs a Member Development Programme, focussed heavily initially on the period following local elections, which ensures that all Councillors have access to the training and development opportunities they need to fulfil their responsibilities to the local community and provide clear leadership and effective scrutiny of local Council functions. There is an ongoing programme of learning development available for councillors every year, inclusive of regular all member briefings.

The development needs of senior officers are the responsibility of the Head of Human Resources 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 of the Executive Directors which are then cascaded to officers throughout the organisation through the objective setting arrangements set out in the People Management Framework.

**Engaging the community and partners**

The Council promotes e-Participation through its online engagement system which provides a platform through which citizens can respond to online consultations as well as set up and respond to e-Petitions. Ward-level Local Assemblies are an opportunity for residents to work with their ward councillors to shape the future of their neighbourhood; and the Young Citizens Panel gives young people aged 11–18 the chance to feed into council policy and spending decisions, including the use of the Young Mayor's budget. Significant community and partner work was undertaken through 2020/21 but through the arrangements put in place as part of the Covid-19 response rather than these usual assembly structures.

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

The arrangements for statutory strategic partnership working are set out earlier in this statement. In addition, extensive partnership working arrangements are in place which support the delivery of the Council's objectives. For example; in 2020/21 the Member led Jobs and Business Taskforce was established to better support and engage with local employers. The Council has borough based arrangements in place with the local Clinical Commissioning Group to align with the work of the National Health Service. The Council, through its wholly owned company Lewisham Homes, and working with local Registered Providers has extensive engagement with residents on housing matters. The Council has also deepened its links with local voluntary and community service organisations through the Covid-19 response who have helped immeasurably in reaching out to support local residents and communities. Periodically the Council also engages in wide consultation and communication activities.

**How do we know our arrangements are working?**

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

- Consideration of governance issues by EMT – including financial management, risk registers, counter-fraud updates, and internal audit reports.
- Preparation of a rolling plan of audit coverage to be achieved in the forthcoming year by the Head of Audit and Risk, primarily based on an assessment of the Council's risk profile, and review of the plan by EMT.
- Receipt of the Internal Audit Strategy by the Audit panel and approval of the annual audit plan.
- Preparation of the annual assurance report by the Head of Internal Audit, setting out their opinion on the Council's overall control environment and approval of the report by the Audit Panel.
- Annual updates to the Public Accounts Select Committee on the work of the Audit Panel.

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**Annual Governance Statement**

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- Consideration by EMT of a full range of governance and performance issues throughout the year, including issues relating to the improvement of the Internal Audit Service and scrutiny of performance indicators and risk (ensuring management action is taken where necessary).
- Consideration of the following reports by the Standards Committee:
  - Review of Compliance with the Council's Code of Corporate Governance;
  - Review of Whistle-blowing and Referrals Policy;
  - Review of Compliance with the Member Code of Conduct; and
  - Annual Complaints Report.
- Consideration of external inspection reports by Mayor and Cabinet, Audit Panel and relevant Select Committees.

**What are our governance priorities going forward?**

Our priorities continue to include:

- Progressing delivery of the Mayor's policy programme, as set out in the Corporate Strategy to 2022 adopted by Council in 2018/19;
- Plan and prepare to implement further cuts and adjust the allocation of resources across Council services in light of the anticipated further budget reductions the Council faces;
- Continue the work begun in 2020/21 to progress the Chief Executive's priorities for improvement, as agreed by Council in February 2020, in the following areas:
  - Financial management;
  - Organisation culture and our people;
  - Our resident's experience;
  - Evidence based decision making;
  - Governance and attitudes to risk;
  - Project and people management;
  - Communications;
- Catching up on the delayed annual reviews of the schemes of delegation and financial regulations and procedures to align them with the new Directorate structures implemented in September 2020/21;
- Update the payroll and HR procedures to ensure resilience and capture the operational changes from the move to a new system (Oracle Cloud) in support of the People Management Framework introduced in 2020/21 and Organisation Development Strategy for 2021/22;
- Address the external and internal audit findings reported to the Audit Panel to maintain and, where necessary, improve the Council's financial controls and risk mitigations for the growing cyber security risk;
- Continue to address areas for improvement overseen by a discrete Improvement Board on the findings and recommendations of the Children Services review (August 2019); and
- Continue the work with our local and regional health partners to best deliver the 'integrated health and social care agenda' for the benefit of the borough's citizens, and in responding to the impact of Covid 19.

In addition to the above the Council is responding to the impact of Covid 19 on the Borough and the Council. On the 23 March 2020 the UK was put on 'lockdown' as a result of Covid-19. The impact of the pandemic has been considerable both in terms of loss of life as well as disruption to the economy. In response, the Council activated its emergency response procedures, which remain in effect at the time of preparing this statement. The impact of the pandemic has also placed significant pressure on the Council's finances.

The exceptional measures implemented for the 2020/21 municipal year, including revised governance arrangements for responding to the Covid-19 pandemic which reduced Member meetings concentrating on Council, Mayor & Cabinet, and Overview and Scrutiny for decision making in line with the Constitution and the introduction of virtual meetings for participants and the public. The Council was able to hold its Annual General Meeting on the 15 July to start the 2020/21 municipal year. As the

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**Annual Governance Statement**

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exceptional measures introduced following Covid-19 are eased, the Council is gradually moving from a response to transition and recovery phases.

The Council's Covid-19 response is guided by a set of agreed overarching priorities, they are:

- Tackling widening social, economic and health inequalities;
- Protecting and empowering our most vulnerable residents;
- Ensuring the Council's continued resilience, stability and sustainability;
- Enabling residents to make the most of Lewisham the place; and
- Collaborating and working together with our communities and partnership across the borough.

**Signed on behalf of the Council**

***Tauseef Anwar***

Councillor Tauseef Anwar

Chair of Council

September 2021

***Kim Wright***

Kim Wright

Chief Executive

September 2021