

LONDON BOROUGH OF LEWISHAM
2018/ 2019 PRE-AUDIT STATEMENT OF ACCOUNTS
CONTENTS

NARRATIVE STATEMENT BY THE EXECUTIVE DIRECTOR FOR RESOURCES AND REGENERATION	3
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS	13
INDEPENDENT AUDITOR'S REPORTS TO THE MEMBERS OF LONDON BOROUGH OF LEWISHAM – to follow	14
SECTION 1 – CORE FINANCIAL STATEMENTS	
a) COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	20
b) MOVEMENT IN RESERVES STATEMENT	21
c) BALANCE SHEET	23
d) CASH FLOW STATEMENT	24
SECTION 2 – STATEMENT OF ACCOUNTING POLICIES	25
SECTION 3 – NOTES TO THE CORE FINANCIAL STATEMENTS (See Index on following page)	36
SECTION 4 – HOUSING REVENUE ACCOUNT	78
SECTION 5 – COLLECTION FUND	86
SECTION 6 – GROUP ACCOUNTS	91
SECTION 7 – GLOSSARY OF TERMS AND ACRONYMS	98
SECTION 8 – PENSION FUND ACCOUNTS	101
SECTION 9 – ANNUAL GOVERNANCE STATEMENT (AGS)	125

 Contents

INDEX OF SECTION 3 – NOTES TO THE CORE FINANCIAL STATEMENTS

Note 1	Expenditure and Funding Analysis	36
Note 2	Accounting Standards Issued, Not Adopted in the 2017/18 Accounts	39
Note 3	Critical Judgements in Applying Accounting Policies	40
Note 4	Assumptions made about the Future and other Major Sources of Estimation Uncertainty	40
Note 5	Material Items of Income and Expenditure	41
Note 6	Events after the Balance Sheet Date	42
Note 7	Other Operating Expenditure – Levies	42
Note 8	Technical Note: An Analysis of the Movement in Reserves Statement Adjustments Between the Accounting Basis and Funding Basis	42
Note 9	Earmarked Reserves	45
Note 10	Non-Current Assets	46
Note 11	Investment Properties	49
Note 12	Financial Instruments	49
Note 13	Nature and Extent of Risks arising from Financial Instruments	51
Note 14	Debtors	53
Note 15	Cash and Cash Equivalents	55
Note 16	Creditors	56
Note 17	Revenue Receipts in Advance	56
Note 18	Provisions	57
Note 19	Usable Capital Receipts	57
Note 20	Pension Reserve	57
Note 21	Revaluation Reserve	58
Note 22	Capital Adjustment Account	59
Note 23	Expenditure and Income Analysed by Nature	60
Note 24	Agency Services and Pooled Budgets	60
Note 25	Investment in Companies	61
Note 26	Members' Allowances	62
Note 27	Officers' Remuneration	62
Note 28	External Audit Costs	64
Note 29	Dedicated Schools' Grant	64
Note 30	Grant Income	65
Note 31	Related Party Transactions	65
Note 32	Capital Expenditure and Capital Financing	66
Note 33	Leases	66
Note 34	Private Finance Initiatives (PFI) Contracts	67
Note 35	Long Term Contracts	70
Note 36	Defined Contribution Pension Schemes	70
Note 37	Defined Benefit Pension Schemes	70
Note 38	Contingent Liabilities	74
Note 39	Contingent Assets	75
Note 40	Trust Funds	75
Note 41	Heritage Assets	75
Note 42	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	76
Note 43	Adjustment for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	76
Note 44	Cash Flow Statement – Operating Activities	76
Note 45	Cash Flow Statement – Investing Activities	77
Note 46	Cash Flow Statement – Financing Activities	77

NARRATIVE STATEMENT BY THE EXECUTIVE DIRECTOR FOR RESOURCES AND REGENERATION

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 are 54 Labour councillors. 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. EMT Members are:

- Chief Executive
- Executive Director Children and Young People
- Executive Director Community Services
- Executive Director Customer Services
- Executive Director Resources and Regeneration

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 approximately 5,700 full time equivalent staff to deliver services. The workforce generally reflects the diversity of Lewisham's population and a full staffing profile can be found on the Council's website.

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 achieve 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.

More detail concerning these companies is shown in the Group Accounts in section 8 of this document.

Narrative Statement

d) The Council's vision

Lewisham's vision is: 'Together, we will make Lewisham the best place in London to live, work and learn'. Our vision was developed following consultation with Lewisham residents, public sector agencies, local business, voluntary and community sector organisations. This vision is not just for the Council, it has been adopted by the Lewisham Strategic Partnership and continues to be a bold aspiration that stretches and motivates the Council and its partners to set priorities and deliver services that will achieve the vision.

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

e) Corporate priorities in achieving the vision

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) Performance management

Following on from the new corporate strategy, as part of our commitment to openness and accountability, we will publish a new performance report on our website. This new report will enable residents and services users to monitor how we are performing against our new priorities. It is a fundamental part of all managers' responsibilities to:

- review the performance of their services
- drive improvements
- achieve the outcomes our residents need.

All services and all staff have clear responsibilities in the delivery of our priorities; all of our teams have aligned their plans with the commitments in the corporate strategy, and the ongoing delivery of this strategy will be embedded into all of our service planning and monitoring mechanisms from now on.

2. FINANCIAL PERFORMANCE

a) 2018/19 Revenue Budget Setting and Funding

The Council set a net budget requirement of £241.3m for 2018/19 at its meeting on 21 February 2018. This was an increase of £8.6m or 3.7% on the previous year's net budget requirement of £232.7m. The main sources of income were Revenue Support Grant (RSG), Business Rates and Council Tax. With central RSG diminishing, Council Tax funds a higher proportion of the budget than it did last year, with bills increasing by 3.99%. A year on year comparison of revenue budget funding is shown in the following table.

Narrative Statement

2018/19 Revenue Budget Funding

	2018/19 £m	2017/18 £m
Revenue Support Grant	36.9	46.1
Business Rates	91.6	88.9
Council Tax	103.1	91.1
Social Care Precept	1.0	2.7
Surplus on Collection Fund	8.7	3.9
Budget Requirement	241.3	232.7

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% and a 2% increase will be levied in 2019/20.

For 2018/19 the Council increased the general rate of Council Tax by 2.99% and agreed to levy the 1% 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 86,457 equivalent Band D properties for 2018/19 (81,088 for 2017/18).

The comparison of Council Tax Band D levels from 2017/18 to 2018/19 for Lewisham is shown in the following table, together with the Greater London Authority precept.

Band D Council Tax by Tax Raising Body

	2018/19 £	2017/18 £	Variation £	Variation %
Lewisham Council	1,203.87	1,157.68	46.19	3.99
Greater London Authority	294.23	280.02	14.21	5.07
Council Tax for Band D	1,498.10	1,437.70	60.40	4.20

c) 2018/19 Revenue Budget Outturn

The Council's 2018/19 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	Gross budgeted expenditure	Gross budgeted income	Net budget	Outturn Variance	Outturn Variance
	£m	£m	£m	£m	%
Children & Young People	474.1	(419.5)	54.6	9.7	17.8%
Community Services	173.7	(82.8)	90.9	(2.7)	-3.0%
Customer Services	312.8	(270.4)	42.4	3.5	8.3%
Resources & Regeneration	76.6	(51.1)	25.5	(0.9)	-3.5%
Directorate totals	1,037.2	(823.8)	213.4	9.6	4.5%
Corporate items	40.4	(12.5)	27.9	0.0	0.0%
Net Revenue Budget	1,077.6	(836.3)	241.3	9.6	4.0%

Narrative Statement

During 2018/19, the overspend against the directorates' net controllable budgets was £9.4m. Detailed reasons for budget variances are being reported to the Mayor and Cabinet on 26 June 2019. For the second 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.

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.

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 Acting Chief Finance Officer, 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. Value for Money recommendations from 2017/18 around budget planning and management will also be implemented.

Budget overspends

The main element of the overspend was the £9.6m overspend in the Children and Young People (CYP) directorate. This comes after an agreed injection of £6m to the Children's Social Care base budget approved by Mayor & Cabinet.

The most significant cost pressures for the CYP directorate fell within the Children's Social Care division, amounting to £6.9m. The main element of the overspend was in the residential care placements budget. This is the most expensive form of care and as at March 2019 there were 45 placements at an average cost of £3,940 per week. Smaller overspends were incurred in both local authority and agency fostering budgets.

The Targeted Services and Joint Commissioning budget within CYP overspent by £2.8m. This was mainly caused by an overspend in the transport budget for pupils with special educational needs. The overspend remains similar to the 2017/18 outturn, with work being done to reduce demand and costs yet to realise any benefit.

An underspend of £2.8m was achieved by the Community Services directorate. Within adult social care, budgets have been supplemented by increases in the Improved Better Care Fund (a grant received directly from central government) and by a 1% precept on council tax. Most of the additional funding has been used to fund increases in home care and residential/nursing budgets to reflect, respectively, increases in London Living Wage and National Living Wage. Another factor contributing to the overall underspend was budgets for fees and charges being fully achieved, a significant improvement on 2017/18 following an exercise to bring financial assessments and charges up to date.

Customer Services directorate overspent by £3.5m, with the main overspend coming in the environment division. There were overspends on vehicle costs for refuse services, which are not expected to occur at the same level in future years following the purchase of a number new vehicles. However, there are still nine hired in vehicles in use, contributing to the 18/19 overspend. There is also a shortfall of income projected for trade refuse and in addition, recycling staff costs have exceeded budget.

Dedicated Schools Grant

The final budget distribution of the Dedicated Schools Grant (DSG) for 2018/19 was a net of £260m (net of academy recoupment). The cumulative revenue balances for schools at year-end, including external funds, amounted to £29.2m. However, it should be noted that there were 14 schools with

Narrative Statement

licensed deficit budgets at the year end, totalling £3.7m. There are also nine schools with local authority loans with a total balance of £3m. Of these, seven are secondary schools and two are primary schools. 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 been increased to £20.0m. This is an adequate level of cover and represents approximately 8.3% of Lewisham's Net Budget Requirement. 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 2019. 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 £113.6m (£108.7m as at 31 March 2018). 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) 2018/19 Capital Budget Outturn

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

	2018/19 Final Outturn £m	2018/19 Original Budget Report £m	2018/19 Revised Budget Report £m	2017/18 Final Outturn £m
CAPITAL PROGRAMME EXPENDITURE				
General Fund	43.5	63.2	52.1	54.9
Housing Revenue Account	27.6	72.7	35.2	32.1
Total Spent	71.1	135.9	87.3	87.0
CAPITAL PROGRAMME FINANCING				
Borrowing	12.4	17.7		14.9
Capital Grants	16.2	28.7		18.5
Capital Receipts	5.0	2.5		18.8
Use of reserves and revenue financing	37.5	87.0		34.8
Total Financed	71.1	135.9	87.3	87.0

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 82% (17/18 86%). Where programme slippage has occurred, the scheme budgets have been carried forward to 2019/20.

Narrative Statement

Actual Expenditure on Major Projects of over £1m

Major Projects of over £1m

General Fund

Lewisham Homes – Property Acquisition
 Highways & Bridges (incl. TFL programme)
 Schools minor works
 Beckenham Place Park
 School Places Programme

Housing Revenue Account

Decent Homes Programme

2018/19 Expenditure £m
11.0
7.3
3.7
3.3
2.8
22.9

3. 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. This has driven significant changes to services that in turn bring additional risks and uncertainties.

The Council set a net budget requirement of £243.0m for 2019/20 at its meeting on 27 February 2019, which is £1.7m higher than the equivalent figure for 2018/19. The Council has made reductions of £9.3m to its budget, removed a one-off £5.0m budget from 2018/19 for provisions, added £14.9m to provide for significant spending pressures and £8.6m to make up for one-off reserves used in 2018/19. An amount of £7.5m is being taken from reserves to fund the budget, 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) was reported to Mayor & Cabinet in July 2018. This set out that an estimated £53m of cuts required from 2019/20 to 2022/23. This position has now been revised following the cuts proposals submitted to Mayor and Cabinet in November 2018, the provisional local government finance settlement announced in December 2018 and the annual review of the statutory calculation for the Collection Fund. The revised profile for cuts required is now broadly:

- £9.3m to be implemented in 2019/20;
- £7.5m gap remaining for 2019/20 to be met from New Homes Bonus and general reserves;
- £8.9m cuts pre-approved for 2020/21

The expected additional cuts required are circa £11.8m by 2020/21 (after applying the previously approved cuts of £8.9m).

Looking further ahead, the Government is due to complete a Comprehensive Spending Review 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 in 2020-21.

- In 2019/20, officers will update the MTFs and look to extend the planning horizon to 2023/24 to include the impact of moving to the 75% retention of business rates. However, forecasting this remains difficult pending the detail of the Comprehensive Spending Review and Fair Funding Review mentioned above.

The Council set its capital programme budget at its meeting on 27 February 2019. This outlined the Council's programme of £344.7m for the years 2019/20 to 2021/22. The most significant parts of the programme are school expansion to provide additional pupil places, major regeneration schemes, including Catford town centre, improvement and restoration of Beckenham Place Park, plus acquiring additional housing stock under the Housing Matters programme, to be delivered by the Council's ALMO, Lewisham Homes Limited.

2019/20 Capital Programme	
General Fund	
Schools – Pupil Places Programme & other capital works	12.4
Regeneration schemes	13.5
Lewisham Homes – Property acquisition	6.0
Beckenham Place Park	2.5
Town Centres & High Street improvements	2.1
Highways, footways and bridges	3.5
Asset Management programme	2.5
Other schemes	4.5
	47.0
Housing Revenue Account	
Decent Homes Programme	57.1
Housing Matters Programme	38.1
	95.2
Total Capital Programme	142.2

The Council has an embedded process to manage risks and assist the achievement of its objectives. The Risk Management Strategy 2017-2020 was approved by EMT in July 2017 and updated and noted by Audit Panel in March 2018. It 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.

- 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

Narrative Statement

- 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 Internal Control Board on a quarterly basis.

4. PENSION FUND VALUATION

The actuarial valuation of the Council's pension scheme liabilities and pension reserve shown on the Balance Sheet has increased by £101.7m during the year, mainly as a result of changes to the financial assumptions used by the pension fund Actuary (Hymans-Robertson). 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.

5. 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. For 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 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.

Narrative Statement

Section 1b - Movement in Reserves Statement (MiRS)

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

Section 1c - Balance Sheet

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

Section 1d - Cash Flow Statement

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

Section 2 – Statement of Accounting Policies

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

Section 3 – Notes to the Core Financial Statements

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

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.

Narrative Statement

Section 6 – Group Accounts

The Group Accounts combine the financial results of Lewisham Council with that 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 Resources and Regeneration;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

Responsibility of the Executive Director for Resources and Regeneration

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

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

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

I certify that I have also:

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

The Statement of Accounts gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2019.

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



David Austin CPFA
Acting Chief Finance Officer (S151)
31 May 2019

**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 2019

2017/18			SERVICE	2018/19			Note
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s	
251,594	(310,848)	(59,254)	Children & Young People Directorate	410,280	(311,719)	98,561	1
171,781	(92,334)	79,447	Community Services Directorate	178,040	(85,688)	92,352	
330,008	(271,004)	59,004	Customer Services Directorate	322,796	(261,401)	61,395	
59,280	(46,343)	12,937	Resources & Regeneration Directorate	63,676	(46,941)	16,735	
105,107	(100,748)	4,359	HRA	112,663	(97,283)	15,380	
7,305	(5,553)	1,752	Corporate Services	8,827	(894)	7,933	
925,075	(826,830)	98,245	Cost of Services	1,096,282	(803,926)	292,356	
0	(8,182)	(8,182)	Other Operating Expenditure (Gain) / Loss on the disposal of non-current assets	0	(14,748)	(14,748)	
1,638	0	1,638	Levies	1,691	0	1,691	
1,927	0	1,927	Contribution of housing capital receipts to Government Pool	1,926	0	1,926	
3,565	(8,182)	(4,617)		3,617	(14,748)	(11,131)	19
34,169	0	34,169	Financing and Investment Income and Expenditure Interest payable and similar charges	33,526	0	33,526	37
33,282	0	33,282	Loan Restructuring	0	0	0	
0	(3,050)	(3,050)	Interest and Investment Income	0	(4,150)	(4,150)	
49,554	(32,512)	17,042	Net interest on the net defined benefit liability	52,006	(34,434)	17,572	
117,005	(35,562)	81,443		85,532	(38,584)	46,948	
0	(97,726)	(97,726)	Taxation and non-specific Grant Income Income from Council Tax	0	(112,811)	(112,811)	
0	(58,390)	(58,390)	General Government Grants	0	(73,868)	(73,868)	
0	(18,474)	(18,474)	Recognised Capital Grants and Contributions	0	(9,859)	(9,859)	
0	(92,188)	(92,188)	Non-Domestic Rates income and expenditure	0	(62,674)	(62,674)	
0	(266,778)	(266,778)		0	(259,212)	(259,212)	
	(91,707)		Deficit/(Surplus) on provision of services			68,961	1
	(154,972)		Surplus on revaluation of non-current assets			(40,842)	21
	(38,950)		Remeasurement of the net defined benefit liability			67,885	20, 37
	(193,922)		Other Comprehensive Income and Expenditure			27,043	
	(285,629)		Total Comprehensive Income and Expenditure			96,004	

Core Financial Statements

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31 MARCH 2019

YEAR ENDING 31 MARCH 2019	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 2018 Brought Forward	13,000	160,123	173,123	70,209	38,471	48,350	17,299	347,452	1,400,609	1,748,061	
Movement in Reserves during 2018/19											
Surplus or (Deficit) on the provision of services	(54,715)	0	(54,715)	(14,246)	0	0	0	(68,961)	0	(68,961)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(27,043)	(27,043)	
Total Comprehensive Income and Expenditure	(54,715)	0	(54,715)	(14,246)	0	0	0	(68,961)	(27,043)	(96,004)	
Adjustments between accounting basis and funding basis under regulations	50,292	0	50,292	20,745	(1,552)	13,751	(301)	82,935	(82,935)	0	8
Net Increase / (Decrease) before Transfers to Earmarked Reserves	(4,423)	0	(4,423)	6,499	(1,552)	13,751	(301)	13,974	(109,978)	(96,004)	
Transfers to / (from) Earmarked Reserves	11,423	(11,423)	0	0	0	0	0	0	0	0	9, HRA 14, HRA 15
Increase / (Decrease) in 2018/19	7,000	(11,423)	(4,423)	6,499	(1,552)	13,751	(301)	13,974	(109,978)	(96,004)	
Balance at 31 March 2019 Carried Forward	20,000	148,700	168,700	76,708	36,919	62,101	16,998	361,426	1,290,631	1,652,057	
Note	9 HRA 15 HRA 14 19 20, 21, 22 Coll Fd 3										

Core Financial Statements

MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31 MARCH 2018

YEAR ENDING 31 MARCH 2018	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 31 March 2017 Brought Forward	13,000	149,577	162,577	57,123	39,907	55,495	14,132	329,234	1,133,198	1,462,432	
Movement in Reserves during 2017/18											
Surplus or (Deficit) on the provision of services	96,354	0	96,354	(4,647)	0	0	0	91,707	0	91,707	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	193,922	193,922	
Total Comprehensive Income and Expenditure	96,354	0	96,354	(4,647)	0	0	0	91,707	193,922	285,629	
Adjustments between accounting basis and funding basis under regulations	(85,808)	0	(85,808)	17,733	(1,436)	(7,145)	3,167	(73,489)	73,489	0	8
Net Increase / (Decrease) before Transfers to Earmarked Reserves	10,546	0	10,546	13,086	(1,436)	(7,145)	3,167	18,218	267,411	285,629	
Transfers to / (from) Earmarked Reserves	(10,546)	10,546	0	0	0	0	0	0	0	0	9, HRA 14, HRA 15
Increase / (Decrease) in 2017/18	0	10,546	10,546	13,086	(1,436)	(7,145)	3,167	18,218	267,411	285,629	
Balance at 31 March 2018 Carried Forward	13,000	160,123	173,123	70,209	38,471	48,350	17,299	347,452	1,400,609	1,748,061	
Note	9 HRA 15 HRA 14 19 20, 21, 22 Coll Fd 3										

Core Financial Statements

BALANCE SHEET AS AT 31 MARCH 2019

31/03/2018 £000		31/03/2019 £000	Note
	<u>Property, Plant & Equipment</u>		
1,255,843	Council Dwellings	1,272,284	10b, HRA 1a, 9
1,011,061	Other Land and Buildings	976,471	10b
25,170	Vehicles, Plant, Furniture and Equipment	26,869	10b
117,424	Infrastructure	116,064	10b
4,975	Community Assets	5,510	10b
94,623	Surplus Assets not Held for Sale	89,829	10b
23,690	Assets under Construction	31,094	10b
2,532,786		2,518,121	
257	Heritage Assets	257	41
0	Investment Property	0	11
2,076	Long Term Investments	2,030	
44,948	Long Term Debtors	56,442	14a
2,580,067	Total Long Term Assets	2,576,850	
310,648	Short Term Investments	341,046	12
0	Assets Held for Sale	0	
152	Inventories	165	
45,541	Debtors	54,844	14b
104,213	Cash and Cash Equivalents	84,377	15
3,941	Prepayments	4,178	
464,495	Current Assets	484,610	
9,493	Bank Overdraft	8,887	15
42,468	Short Term Borrowing	27,446	12
3,378	Provisions (Less than 1 year)	3,918	18
78,193	Creditors	85,442	16
90,493	Receipts in Advance	104,215	17
7,945	PFI Liabilities due within one year	7,504	34d
231,970	Current Liabilities	237,412	
2,812,592	Total Assets less Current Liabilities	2,824,048	
189,421	Long Term Borrowing	202,015	12
5,393	Provisions (More than 1 year)	5,756	18
228,124	Deferred PFI Liabilities	220,492	34d
1,858	Capital Grants Receipts in Advance	2,252	
639,735	Liability related to defined benefit pension scheme	741,476	20, 37
1,064,531	Long Term Liabilities	1,171,991	
1,748,061	NET ASSETS	1,652,057	
	Usable Reserves		
13,000	General Fund Balance	20,000	
160,123	Earmarked Revenue Reserves	148,700	9
70,209	Housing Revenue Account	76,708	HRA 15
38,471	Major Repairs Reserve	36,919	HRA 14
48,350	Usable Capital Receipts Reserve	62,101	19
17,299	Capital Grants Unapplied	16,998	
347,452		361,426	
	Unusable Reserves		
1,025,482	Revaluation Reserve	1,044,450	21
1,052,696	Capital Adjustment Account	1,031,660	22
93	Deferred Capital Receipts	93	
(36,418)	Financial Instruments Adjustment Account	(36,124)	
(639,735)	Pensions Reserve	(741,476)	20, 37
5,547	Collection Fund Adjustment Account	(1,374)	Coll Fd 3
(7,056)	Short Term Compensated Absences Account	(6,598)	
1,400,609		1,290,631	
1,748,061	TOTAL RESERVES	1,652,057	

Core Financial Statements

CASH FLOW STATEMENT FOR THE YEAR ENDING 31 MARCH 2019

2017/18 £000s		2018/19 £000s	Note
91,707	Net surplus or (deficit) on the provision of services	(68,961)	
(50,276)	Adjustment to surplus or deficit on the provision of services for non-cash movements	127,430	42
(33,185)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(31,388)	43
8,246	Net Cash flows from Operating Activities	27,081	
(38,838)	Net Cash flows from Investing Activities	(29,092)	45
36,796	Net Cash flows from Financing Activities	(17,219)	46
6,204	Net Increase or (decrease) in Cash and Cash Equivalents	(19,230)	
88,516	Cash and Cash Equivalents at the beginning of the reporting period	94,720	15
94,720	Cash and Cash Equivalents at the end of the reporting period	75,490	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, 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 2018/19 and the SERCOP 2018/19, 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.

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

Statement of Accounting Policies

4. EXCEPTIONAL ITEMS

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

5. FOREIGN CURRENCY TRANSLATION

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

6. VALUE ADDED TAX (VAT)

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

7. EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

8. OVERHEADS AND SUPPORT SERVICES

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

Statement of Accounting Policies

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).

Statement of Accounting Policies

ii) Operating Leases

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

11. INVENTORIES (STOCK)

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

12. LONG TERM CONTRACTS

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

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

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

b) Termination and Discretionary Benefits

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

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

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

Statement of Accounting Policies

c) Post-Employment Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers Pensions for the DfE;
- The NHS Pension Scheme, administered by EA Finance NHS Pensions;
- The London Pension Fund administered by the 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
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.

Statement of Accounting Policies

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. It also has a minority interest (significantly lower than 50%) in a number of other companies. The transactions between the Council and all of these companies are included in the Council's accounts. An annual review of the necessity of preparing Group Accounts is undertaken, and for 2018/19 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

Statement of Accounting Policies

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. Where market loans are defined as Lender Option Borrower Option (LOBO's), these are accounted for as short term loans if they have options occurring within the next financial year.

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

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

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

Statement of Accounting Policies

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.

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

Statement of Accounting Policies

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

b) Measurement and Valuation

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – 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;

Statement of Accounting Policies

- 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.

Statement of Accounting Policies

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 2019

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	62,032	36,529	98,561
Community Services Directorate	87,318	5,034	92,352
Customer Services Directorate	46,992	14,403	61,395
Resources & Regeneration Directorate	7,185	9,550	16,735
HRA	(9,438)	24,818	15,380
Corporate Services	28,782	(20,849)	7,933
Cost of Services	222,871	69,485	292,356
Other Income and Expenditure	(223,395)	0	(223,395)
(Surplus) or Deficit	(524)	69,485	68,961

Opening General Fund and HRA Balance at 01 April 2018	(281,803)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	(524)
Closing General Fund and HRA Balance at 31 March 2019	(282,327)

Analysed between General Fund and HRA Balances			
	General Fund	HRA	Total
Opening General Fund and HRA Balance at 01 April 2018	(173,123)	(108,680)	(281,803)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	4,423	(4,947)	(524)
Closing General Fund and HRA Balance at 31 March 2019	(168,700)	(113,627)	(282,327)

Notes to the Core Financial Statements

EXPENDITURE AND FUNDING ANALYSIS – YEAR ENDING 31 MARCH 2018

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	57,538	(116,792)	(59,254)
Community Services Directorate	74,594	4,853	79,447
Customer Services Directorate	55,170	3,834	59,004
Resources & Regeneration Directorate	4,314	8,623	12,937
HRA	(13,865)	18,224	4,359
Corporate Services	(9,995)	11,747	1,752
Cost of Services	167,756	(69,511)	98,245
Other Income and Expenditure	(189,952)	0	(189,952)
(Surplus) or Deficit	(22,196)	(69,511)	(91,707)

Opening General Fund and HRA Balance at 01 April 2017	(259,607)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	(22,196)
Closing General Fund and HRA Balance at 31 March 2018	(281,803)

Analysed between General Fund and HRA Balances			
	General Fund	HRA	Total
Opening General Fund and HRA Balance at 01 April 2017	(162,577)	(97,030)	(259,607)
Add (Surplus)/ Deficit on General fund and HRA Balance in Year	(10,546)	(11,650)	(22,196)
Closing General Fund and HRA Balance at 31 March 2018	(173,123)	(108,680)	(281,803)

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	2018/19			
	Adjustment for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
SERVICE				
Children & Young People Directorate	24,997	12,007	(475)	36,529
Community Services Directorate	2,816	2,199	19	5,034
Customer Services Directorate	4,937	2,552	6,914	14,403
Resources & Regeneration Directorate	7,871	1,674	5	9,550
HRA	10,925	13,893	0	24,818
Corporate Services	(22,020)	1,531	(360)	(20,849)
Cost of Services	29,526	33,856	6,103	69,485
Other Income and Expenditure	0	0	0	0
Difference between General Fund surplus or deficit and CIES surplus or deficit	29,526	33,856	6,103	69,485

Adjustments from General Fund to arrive at the CIES amounts	2017/18			
	Adjustment for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
SERVICE				
Children & Young People Directorate	(128,863)	12,798	(727)	(116,792)
Community Services Directorate	2,855	1,998	0	4,853
Customer Services Directorate	3,709	2,555	(2,430)	3,834
Resources & Regeneration Directorate	7,088	1,521	14	8,623
HRA	15,335	3,011	(122)	18,224
Corporate Services	(33,490)	12,538	32,699	11,747
Cost of Services	(133,366)	34,421	29,434	(69,511)
Other Income and Expenditure	0	0	0	0
Difference between General Fund surplus or deficit and CIES surplus or deficit	(133,366)	34,421	29,434	(69,511)

Notes to the Core Financial Statements

(ii) Segmental Income and Expenditure

	2018/19
	£'000
Revenues from external customers	(219,636)
Revenues from transactions with other operating segments of the authority	0
Interest revenue	(4,150)
Interest expense	17,572
Depreciation and amortisation	71,525
Material items of income and expense (related to disposals of PPE and investments and reversals of provisions)	(14,748)
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

	2017/18
	£'000
Revenues from external customers	(236,465)
Revenues from transactions with other operating segments of the authority	0
Interest revenue	(3,050)
Interest expense	34,169
Depreciation and amortisation	(98,431)
Material items of income and expense (related to disposals of PPE and investments and reversals of provisions)	(8,182)
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 2018/19 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 2020/21; therefore there is no impact on the 2018/19 Accounts. In 2018/19, as regards the Council as lessee, an initial assessment indicates that the current annual charge to the CIES of £1.5m will increase slightly to £1.6m, and the Existing Use Value of the leases would add approximately £16.3m to the balance sheet.

Notes to the Core Financial Statements

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. There is uncertainty about future levels of funding for local government. However, the Council has concluded that it is unlikely that the assets of the Council will be impaired as a result of the actions required to achieve the necessary savings, including closing facilities and reducing services.

b. A number of judgements have been made under IFRS concerning the classification of and the accounting for Non-Current Assets, Investment Properties, Leases, PFI and other major contracts, Capital and Revenue Grants and other miscellaneous items. The adoption of IFRS 13 Fair Value Measurement back in 2015/16 led to an assessment of the Council's Investment Properties and their reclassification to Property, Plant & Equipment. In summary, there are no material changes to these judgements for the 2018/19 Accounts compared to those for last year.

c. 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, 5 Community Secondary Schools, 3 Community Special Schools, 2 Foundation Schools and 2 Nursery Schools (52 schools).

- Excluded are 22 Voluntary-aided Schools, 2 Foundation Schools, 7 Academies and 3 Other Schools (34 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.

d. A judgement has been made by the Council that it is proper practice to prepare Group Accounts for 2018/19, 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.

e. The Council has previously agreed that it will indemnify all the pension costs of Lewisham Homes Limited staff. The Council's judgement is that this indemnity is most accurately represented by accounting for the liability under IAS 19, rather than as an accrual, provision, reserve or contingent liability. The Council's 2018/19 Single Entity Accounts therefore include the full costs of the Lewisham Homes Limited IAS 19 liability and are consistent with the Council's 2017/18 Accounts and Lewisham Homes Limited Accounts for both years.

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 2019 for which there is a significant possibility of material adjustment in the forthcoming financial year are as follows:

Notes to the Core Financial Statements

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.

b) Insurance Provisions

The insurance provision is made up of contributions to cover liabilities arising over a number of years. It is split between less than and greater than one year, estimating what proportion of the monies held relate to each of the years, what has been paid in each of those years and what remains outstanding. An annual review is commissioned from insurance advisors to inform this split. The balance on the provision < 1 year at 31 March 2019 is £2.7m, and so an increase over the forthcoming year of 10% in the total number of claims or in the average settlement could add £0.27m to the provision needed.

c) Non-Domestic Rates - Appeals

Since the introduction of the Business Rates Retention Scheme from 1st April 2013, Councils are liable for successful appeals against NDR charged to businesses in 2018/19 and earlier financial years in their proportionate share. Therefore, a provision has been raised for the estimate of the amount that businesses have been overcharged up to 31 March 2019, using the Valuation Office (VOA) ratings list of appeals and the analysis of successful appeals to date. The balance on this provision at 31 March 2019 is £1.5m.

d) Arrears of Significant Debtors

The Council had debtors balances of Council Tax, Non Domestic Rates, Housing Rents and sundry others of £140.1m as at 31 March 2019. 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 £86.8m. 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 £8.7m to be set aside.

e) Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net Pensions liability of changes in individual assumptions can be measured and are outlined in the Defined Benefits note to these Accounts (Note 36). (See also Note 37 – Contingent Liabilities – 'McCloud Judgement'.)

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

Notes to the Core Financial Statements

6. EVENTS AFTER THE BALANCE SHEET DATE

The pre-audit Statement of Accounts was authorised for issue by the Executive Director for Resources and Regeneration at the end of May 2019. There are no events after the balance sheet date to report, since the figures in the financial statements and notes at 31 March 2019 already reflect the known financial position of the authority at that date.

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.

	2018/19 £000	2017/18 £000
London Pension Fund Authority	1,286	1,241
Lee Valley Regional Park Authority	209	213
Environment Agency	196	184
Total Levies Paid	1,691	1,638

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

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

Notes to the Core Financial Statements

2018/19	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	
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to/ from the Pensions Reserve)	30,710	3,146				(33,856)
Financial instruments (transferred to the Financial Instruments Adjustment Account)	(294)					294
Council Tax and NDR (transfers to/ from Collection Fund Adjustment Account)	6,921					(6,921)
Holiday Pay (transferred to the Accumulated Absences Account)	(458)					458
Reversal of entries included in the Surplus/ Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account (CAA))	39,064	40,427	(1,091)			(78,400)
Total Adjustments to Revenue Resources	75,943	43,573	(1,091)	0	0	(118,425)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,564)	(19,874)		21,438		0
Payments to the Government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	1,926			(1,926)		0
Statutory provision for the repayment of debt (transfer from the CAA)	(10,966)	(2,954)				13,920
Revenue Expenditure Funded from Capital under Statute	2,200					(2,200)
Capital expenditure funded from revenue balances (transfer to the CAA)	(7,251)					7,251
Total Adjustments between Revenue and Capital Resources	(15,655)	(22,828)	0	19,512	0	18,971
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure				(5,761)		5,761
Use of the Major Repairs Reserve to finance capital expenditure			(461)			461
Application of capital grants to finance capital expenditure	(9,996)				(301)	10,297
Total Adjustments to Capital Resources	(9,996)	0	(461)	(5,761)	(301)	16,519
Total Adjustments	50,292	20,745	(1,552)	13,751	(301)	(82,935)

Notes to the Core Financial Statements

2017/18	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	
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to/ from the Pensions Reserve)	31,410	3,011				(34,421)
Financial instruments (transferred to the Financial Instruments Adjustment Account)	32,699	(122)				(32,577)
Council Tax and NDR (transfers to/ from Collection Fund Adjustment Account)	(2,451)					2,451
Holiday Pay (transferred to the Accumulated Absences Account)	(692)					692
Reversal of entries included in the Surplus/ Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account (CAA))	(121,042)	29,267	(951)			92,726
Total Adjustments to Revenue Resources	(60,076)	32,156	(951)	0	0	28,871
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,986)	(11,608)		13,596		(2)
Payments to the Government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	1,927			(1,927)		0
Posting of HRA resources from revenue to the Major Repairs Reserve						0
Statutory provision for the repayment of debt (transfer from the CAA)	(10,580)	(2,662)				13,242
Revenue Expenditure Funded from Capital under Statute	10,925					(10,925)
Capital expenditure funded from revenue balances (transfer to the CAA)	(6,428)	(153)				6,581
Total Adjustments between Revenue and Capital Resources	(6,142)	(14,423)	0	11,669	0	8,896
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure				(18,814)		18,814
Use of the Major Repairs Reserve to finance capital expenditure			(485)			485
Application of capital grants to finance capital expenditure	(19,590)				3,167	16,423
Total Adjustments to Capital Resources	(19,590)	0	(485)	(18,814)	3,167	35,722
Total Adjustments	(85,808)	17,733	(1,436)	(7,145)	3,167	73,489

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 2018/19 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 31/03/18 £000	2018/19 Transfers		Balance 31/03/19 £000	
		Out £000	In £000		
Specific Revenue Earmarked	69,152	(31,864)	19,539	56,827	(a)
PFI and BSF Schemes	26,064	(416)	1,337	26,985	(b)
New Homes Bonus Reserve	24,410	(10,879)	6,677	20,208	(c)
Insurance	16,424	(979)	0	15,445	(d)
Capital Programme Expenditure	877	(12,719)	11,842	0	(e)
	136,927	(56,857)	39,395	119,465	
Schools Reserves and External Funds	23,196	(23,880)	29,919	29,235	(f)
	23,196	(23,880)	29,919	29,235	
Total	160,123	(80,737)	69,314	148,700	

a) Specific Earmarked Reserves

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

b) PFI and BSF Schemes Reserves

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

c) 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. The balance is currently nil due to this reserve having to be used to fund capital spend being written off to revenue.

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 2018/19, their exact effective date was 28 February 2019 for council dwellings and 31 January 2019 for other assets.

	Council Dwellings £000	Other Land & Buildings £000	Surplus Assets £000	Total £000
Valued at Historic Cost	0	1,818	8,624	10,442
Valued at Current Value				
2018-19	1,271,153	891,077	73,635	2,235,865
2017-18	1,071	54,967	5,757	61,795
2016-17	125	28,319	0	28,444
2015-16	0	57	1,869	1,926
2014-15	0	0	0	0
Total Net Book Value	1,272,349	976,238	89,885	2,338,472

b) Movements in Non-Current Assets

The movements in non-current assets during 2018/19 were as follows:

Notes to the Core Financial Statements

2018/19	Council Dwellings £000	Other Land & Bldgs £000	Vehicles, Plant & Equip't £000	Infra-structure Assets £000	Comm. Assets £000	Surplus Assets £000	Assets under Construction £000	TOTAL £000
Gross Book Value b/fwd at 01 April 2018	1,256,670	1,014,477	53,264	180,370	5,029	94,821	23,690	2,628,321
Additions	36	113	6,069	5,952	214	1,944	8,605	22,933
Revaluations (recognised in Revaluation Reserve)	26,651	(6,395)	0	0	0	(64)	0	20,192
Revaluations (recognised in Surplus/Deficit on the Provision of Services)	(2,367)	(17,678)	0	0	0	(684)	0	(20,729)
Impairments (recognised in Revaluation Reserve)	(11)	0	0	0	0	(9,788)	0	(9,799)
Impairments (recognised in Surplus/Deficit on the Provision of Services)	(23)	(347)	0	0	0	(10,346)	0	(10,716)
Disposals	(6,907)	0	(1,937)	0	0	0	0	(8,844)
Transfers	(1,488)	(12,296)	0	72	344	14,568	(1,200)	0
Gross Book Value c/fwd at 31 March 2019	1,272,561	977,874	57,396	186,394	5,587	90,451	31,095	2,621,358
Depreciation b/fwd at 01 April 2018	(827)	(3,416)	(28,094)	(62,946)	(54)	(198)	0	(95,535)
Depreciation for year	(21,993)	(15,396)	(4,341)	(7,375)	(23)	(1,027)	0	(50,155)
Depreciation written back on:								
Transfers	26	189	0	0	0	(215)	0	0
Revaluations (recognised in Revaluation Reserve)	21,703	8,046	0	0	0	701	0	30,450
Revaluations (recognised in Surplus/Deficit on the Provision of Services)	879	8,941	0	0	0	173	0	9,993
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	0	0	0
Assets Sold	0	0	1,795	0	0	0	0	1,795
Depreciation c/fwd at 31 March 2019	(212)	(1,636)	(30,640)	(70,321)	(77)	(566)	0	(103,452)
Net Book Value at 31 March 2019	1,272,349	976,238	26,756	116,073	5,510	89,885	31,095	2,517,906

Notes to the Core Financial Statements

The movements in non-current assets during 2017/18 were as follows:

2017/18	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Comm. Assets £000	Surplus Assets £000	Assets under Construction £000	TOTAL £000
Gross Book Value b/fwd at 01 April 2017	1,229,227	775,614	53,750	170,686	5,013	77,693	23,115	2,335,098
Additions	1,734	1,836	1,901	9,264	16	7,939	10,908	33,598
Revaluations (recognised in Revaluation Reserve)	46,151	84,706	0	0	0	(1,554)	0	129,303
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	(52)	147,847	0	0	0	(3,215)	0	144,580
Impairments (recognised in Revaluation Reserve)	0	(2,991)	0	0	0	(311)	0	(3,302)
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	(1,371)	0	0	0	(1,508)	0	(2,879)
Disposals	(5,410)	(278)	(2,387)	0	0	0	0	(8,075)
Transfers	(14,979)	9,114	0	421	0	15,777	(10,333)	0
Gross Book Value c/fwd at 31 March 2018	1,256,670	1,014,477	53,264	180,370	5,029	94,821	23,690	2,628,321
Depreciation b/fwd at 01 April 2017	(159)	(942)	(25,885)	(55,793)	(31)	(800)	0	(83,610)
Depreciation for year	(22,059)	(14,797)	(4,584)	(7,153)	(23)	(604)	0	(49,220)
<u>Depreciation written back on:</u>								
Transfers	7	0	0	0	0	(7)	0	0
Revaluations (recognised in Revaluation Reserve)	20,367	8,061	0	0	0	542	0	28,970
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	1,017	4,262	0	0	0	447	0	5,726
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	224	0	224
Assets Sold	0	0	2,375	0	0	0	0	2,375
Depreciation c/fwd at 31 March 2018	(827)	(3,416)	(28,094)	(62,946)	(54)	(198)	0	(95,535)
Net Book Value at 31 March 2018	1,255,843	1,011,061	25,170	117,424	4,975	94,623	23,690	2,532,786

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

a) Financial Instruments Balances

	Long-Term		Current		
	31/03/19 £000	31/03/18 £000	31/03/19 £000	31/03/18 £000	
Financial Liabilities (Principal)	202,015	189,421	25,203	40,000	1
Accrued Interest	-	-	2,243	2,431	1
Total Borrowings	202,015	189,421	27,446	42,431	
PFI and Finance Lease liabilities	220,696	228,224	7,504	7,945	
Total Other Liabilities	220,696	228,224	7,504	7,945	
Financial Liabilities at contract amount	-	-	68,984	58,186	2
Total Creditors	-	-	68,984	58,186	

	Long-Term		Current		
	31/03/19 £000	31/03/18 £000	31/03/19 £000	31/03/18 £000	
Loans and Receivables (Principal)	-	-	415,449	404,688	1
Accrued Interest	-	-	1,087	680	1
Total Investments	-	-	416,536	405,368	
Loans and Receivables	56,442	44,948	-	-	2
Financial Assets at contract amounts	-	-	33,108	27,525	2
Total Debtors	56,442	44,948	33,108	27,525	

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

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

Other Required Declarations

Following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting, there have been no reclassifications of financial instruments in the year or in regards to the previous year.

Notes to the Core Financial Statements

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

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

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

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

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

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

b) Financial Instruments Gains / (Losses)

The gains and losses recognised in the CIES in relation to financial instruments are as follows (there were no revaluations on financial instruments in 2018/19 or 2017/18, or assets classified as Available for Sale):

	2018/19			2017/18
	Liabilities - Amortised Cost £000	Assets - Loans and Receivables £000	Totals £000	Totals £000
Interest Expense	8,375	-	8,375	8,810
Total Expense in Surplus or Deficit on Provision of Services	8,375	-	8,375	8,810
Interest Income	-	(3,452)	(3,452)	(2,142)
Total Income in Surplus or Deficit on Provision of Services	-	(3,452)	(3,452)	(2,142)
Net (Gain) / Loss for the Year	8,375	(3,452)	4,923	6,668

c) Fair Values of Assets and Liabilities

Financial liabilities and assets represented by amortised cost and 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 can be 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, termed the New Loan and Premature Repayment Rates;
- For non-PWLB loans, PWLB discount rates as above have been used as a reasonable proxy for market rates;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

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

Notes to the Core Financial Statements

The following tables show the carrying amount of assets and liabilities on the balance sheet compared to the fair value amounts (undisclosed on the balance sheet). The fair value of Public Works Loan Board (PWLB) loans of £132m at the New Loan Rate compares the terms of existing PWLB commitments with the new borrowing rates available from the PWLB, given that the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets (the Certainty rate).

A supplementary measure of the fair value of PWLB commitments is to compare the terms of these loans with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB Premature Repayment Rate. If the authority were to seek to repay the loans to the PWLB, the PWLB would raise a penalty charge for early redemption, based on the repayment interest rates, for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £156m.

	Premature Repayment Rate 31/03/19		New Loan Rate 31/03/19		Premature Repayment Rate 31/03/18		New Loan Rate 31/03/18	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt	98,039	155,970	98,039	132,267	89,945	143,512	89,945	121,980
Non-PWLB Debt *	131,422	213,197	131,422	172,181	141,907	220,451	141,907	179,443
Total Debt / Liabilities	229,461	369,167	229,461	304,448	231,852	363,963	231,852	301,423
Money Market Investments	423,498	423,574	423,498	423,574	411,550	411,702	411,550	411,702
Long Term Debtors	56,442	56,442	56,442	56,442	44,948	44,948	44,948	44,948
Total Assets	479,940	480,016	479,940	480,016	456,498	456,650	456,498	456,650

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

13. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Key Risks

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

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

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

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

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

b) Overall Procedures for Managing Risk

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

- formally adopt the requirements of the CIPFA Treasury Management Code of Practice;
- adopt a Treasury Policy Statement and include treasury management clauses within its financial regulations/standing orders/constitution;
- approve annually in advance prudential and treasury indicators for the following three years which includes limiting the Council's overall borrowing, managing interest rate exposure, and managing the maturity structure of debt.

Notes to the Core Financial Statements

- 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 2019 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 2019 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 2019 the Council's investment assets with a value of £422.4m had a calculated ECL of £0.068m; 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. All sums invested are either due to be paid in less than one year or can be easily realised.

Notes to the Core Financial Statements

f) Refinancing and Maturity Risk

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

g) Market Risk – Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments and these impact the Council according to how variable and fixed interest rates move across differing financial instrument periods. The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy includes expected interest rate movements. A treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure, and this is monitored regularly. If variable interest rates had been 0.1% higher (with all other variables held constant) the financial effect would be a net increase in income of £0.3m. 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.

	31/03/19 £000	31/03/18 £000
Lewisham Homes Limited - Loan	37,000	26,000 (a)
Catford Regeneration Partnership Limited (CRPL) - Loan	12,861	12,034 (b)
Street Lighting PFI Sinking Fund	2,950	3,245 (c)
Lewisham Gateway Development - Loan	2,000	2,000 (d)
Land Charges Debts	277	278
Mortgages	117	155
Other Long Term Debtors	1,237	1,236 (e)
Total Long Term Debtors	56,442	32,566

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 and £1m in 2016/17. (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.

Notes to the Core Financial Statements

d) Lewisham Gateway Development

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

e) Other Long Term Debtors

Other long term debtors includes a social investment business loan to Wide Horizons for £0.7m in 2017/18. This totals £1.3m shared between Lewisham and Greenwich.

b) Current Debtors

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

	31/03/19 £000	31/03/18 £000
Government and Other Public Bodies:		
HM Revenue & Customs - VAT	6,002	4,240
Central Government bodies	3,927	4,720
Other Local Authorities	3,638	962
NHS bodies	1,177	16
Other Public bodies	2,138	80
Council Tax Payers	35,655	32,307
NDR Payers	2,115	984
Council Tax Court Costs	9,117	8,290
Housing Benefit Overpayments	25,911	25,776
Housing Rents (inc PSL, B & B, Hostels, Commercial)	9,539	8,576
Leaseholders Services Charges	5,819	6,153
Parking	399	270
LBL Pension Fund	1,458	1,315
General Debtors due for Supplies and Services	34,715	27,316
Total Current Debtors	141,610	121,005
Impairment Allowances	(86,766)	(75,464)
Total Net Current Debtors	54,844	45,541

c) Impairment Allowances

	Balance at 31/03/18 £000	Movement in 2018/19 £000	Balance at 31/03/19 £000
Council Tax Payers	(29,859)	(2,814)	(32,673)
Council Tax Court Costs	(7,501)	(795)	(8,296)
NDR Payers	(547)	(482)	(1,029)
Housing Benefit Overpayments	(18,914)	(1,185)	(20,099)
Housing Rents (inc PSL, B & B, Hostels, Commercial)	(4,014)	(519)	(4,533)
Leaseholders Services Charges	(2,002)	106	(1,896)
General Debtors due for Supplies and Services	(12,627)	(5,613)	(18,240)
Total Impairment Allowances	(75,464)	(11,302)	(86,766)

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 31/03/18 £000	Movement in 2018/19 £000	Balance 31/03/19 £000
Cash Equivalents			
Short Term Deposits	0	0	0
Cash			
Money Market Funds	100,901	(18,450)	82,451
Call Accounts with Banks	0	0	0
	100,901	(18,450)	82,451
Other Cash and Bank Balances			
Main Bank Accounts	0	0	0
Other Cash and Bank Accounts	3,312	(1,386)	1,926
	3,312	(1,386)	1,926
Total Cash and Cash Equivalents	104,213	(19,836)	84,377
Bank Accounts Overdrawn			
Main Bank Accounts	(9,761)	1,787	(7,974)
Schools Bank Accounts	268	(1,181)	(913)
	(9,493)	606	(8,887)
Net Cash and Cash Equivalents	94,720	(19,230)	75,490

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 £20.8m (2017/18 £24.7m) and overdrawn £21.7m (2017/18 overdrawn £24.4m) respectively.

Notes to the Core Financial Statements

16. CREDITORS

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

	31/03/19 £000	31/03/18 £000
Government and other public bodies:		
HM Revenue & Customs	5,365	5,619
Central Government bodies	19,455	13,670
Other Local Authorities	10,815	7,118
NHS bodies	1,865	3,722
Other Public bodies	462	403
	37,962	30,532
Short Term Compensated Absences	6,598	7,056
General Creditors (amounts owed for supplies and services)	40,882	40,605
Total Creditors	85,442	78,193

17. REVENUE RECEIPTS IN ADVANCE

	31/03/19 £000	31/03/18 £000
Capital Contributions Unapplied	48,989	40,423
PFI Schemes	23,324	23,142
Revenue Grants and Contributions	8,328	5,681
Council Tax	8,125	7,929
NDR	6,462	3,470
Rents in Advance	5,207	5,165
Other Receipts in Advance	3,780	4,683
Total Receipts in Advance	104,215	90,493

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 31/03/18 £000	2018/19 Transfers		Balance 31/03/19 £000
		Out £000	In £000	
Current (less than 1 year)				
Insurance Provision	2,532	(3,114)	3,294	2,712
Other Provisions	846	(508)	868	1,206
	3,378	(3,622)	4,162	3,918
Non Current (Over 1 year)				
Insurance Provision	4,428	0	357	4,785
Other Provisions	965	0	6	971
	5,393	0	363	5,756
Total - Provisions	8,771	(3,622)	4,525	9,674

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.

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.

	2018/19 £000	2017/18 £000
Balance brought forward at start of year	48,350	55,495
Amounts Received	21,438	13,596
Poolable to Central Government	(1,926)	(1,927)
Amounts applied to finance new capital investment	(5,761)	(18,814)
Total increase/(decrease) in capital receipts in year	13,751	(7,145)
Balance carried forward at end of year	62,101	48,350

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

Notes to the Core Financial Statements

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.

	2018/19 £000	2017/18 £000
Balance brought forward at start of year	(639,735)	(644,264)
Actuarial gains or losses on pensions assets and liabilities	(146,606)	38,950
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	10,890	(67,129)
Employer's pensions contributions and direct payments to pensioners payable in the year	33,975	32,708
Balance carried forward at end of year	(741,476)	(639,735)

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.

	2018/19 £000	2017/18 £000
Balance brought forward at start of year	1,025,482	890,273
Revaluation of Assets	50,641	158,273
Impairment Losses	(9,799)	(3,302)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	40,842	154,971
Difference between fair value and historic cost depreciation	(18,256)	(17,086)
Accumulated gains on assets sold or scrapped	(3,619)	(2,676)
Amount written off to the Capital Adjustment Account	(21,875)	(19,762)
Balance carried forward at end of year	1,044,449	1,025,482

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.

	2018/19 £000	2017/18 £000
Balance brought forward at start of year	1,052,696	895,587
<u>Reversal of capital expenditure items debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	(71,525)	98,431
Revenue expenditure funded from capital under statute	(2,200)	(10,925)
Non-current assets written off on disposal - gain/loss to the CIES	(3,322)	(3,029)
	(77,047)	84,477
Adjusting amounts written out of the Revaluation Reserve	18,267	17,086
Net amount written out of the cost of non-current assets consumed in the year	(58,780)	101,563
<u>Capital Financing applied in the year:</u>		
Use of Capital Receipts to finance new capital expenditure	5,815	18,814
Use of Major Repairs Reserve to finance new capital expenditure	461	485
Capital grants and contributions credited to the CIES	10,298	16,423
Statutory Provision for the financing of capital investment	5,848	5,534
Repayment of Principal on PFI schemes	8,072	7,708
Capital expenditure charged to General Fund and HRA	7,251	6,582
	37,745	55,546
Balance carried forward at end of year	1,031,661	1,052,696

Notes to the Core Financial Statements

23. EXPENDITURE AND INCOME ANALYSIED BY NATURE

	2018/19 £000	2017/18 £000
Employee expenses - LBL	271,133	266,309
Employee expenses - Schools Non-LBL	57,638	58,363
Other Expenditure	697,629	698,834
Revaluation, Depreciation, Amortisation and Impairment	69,881	(98,431)
Interest payments	33,526	34,169
Loan Restructuring	0	33,282
Precepts and levies	1,691	1,638
Payments to Housing Capital Receipts Pool	1,926	1,927
Gain or loss on disposal of non-current assets	0	0
Net interest on the net defined benefit liability	17,572	17,042
Total Expenditure	1,150,996	1,013,133
Government grants and contributions	(658,157)	(648,754)
Fees, Charges and Other service income	(219,636)	(236,465)
Interest and Investment income	(4,150)	(3,050)
Income from council tax, non-domestic rates, district rate income	(175,485)	(189,915)
Recognised Capital Grants and Contributions	(9,859)	(18,474)
Gain or loss on disposal of non-current assets	(14,748)	(8,182)
Other Income	0	0
Total Income	(1,082,035)	(1,104,840)
(Surplus) or Deficit on the Provision of Services	68,961	(91,707)

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 2018/19 (nor 2017/18).

In 2018/19 the Council operated a pooled budget as defined by the terms of a Section 75 Agreement (National Health Service Act 2006). The pooled budget is hosted by Lewisham Borough Council ("LBL") on behalf of LBL and NHS Lewisham CCG being the two partners to the agreement.

	2018/19 £000	2017/18 £000
Funding provided to the pooled budget:		
Lewisham Borough Council	(12,466)	(9,583)
NHS Lewisham CCG	(20,915)	(20,525)
	(33,381)	(30,108)
Expenditure met from the pooled budget:		
Lewisham Borough Council	21,241	18,194
NHS Lewisham CCG	12,140	11,914
	33,381	30,108
Net surplus arising in year	0	0
LBL share being 9.6% of the net surplus in year	0	0

Notes to the Core Financial Statements

Note:

- (i) The LBL share of any in-year net surplus would be 9.6%. This was nil in 2018/19 (and 2017/18) 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. No payments were made to this company in 18/19.

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. Amounts paid to these companies in 2018/19 are shown in brackets and are included in the Resources & Regeneration line of the CIES.

The companies concerned are Lewisham Schools For The Future SPV Limited (18/19 £8.7m, 17/18 £9.0m), Lewisham Schools For The Future SPV2 Limited (18/19 £2.7m, 17/18 £3.1m), Lewisham Schools For The Future SPV3 Limited (18/19 £3.9m, 17/18 £4.4m) and Lewisham Schools For The Future SPV4 Limited (18/19 £7.5m, 17/18 £8.3m). The Head of Financial Services is the Council's Director on all of these companies' boards. The corporate structure is standard to BSF schemes.

ii) South-East London Combined Heat and Power 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 2018/19 to the company (£4.6m in 2017/18) and are included in the Customer Services line of the CIES.

iii) Newable Limited

The Council has a minority share in Newable Limited (formerly Greater London Enterprise Limited) which is a company limited by guarantee and provides property management & consultancy services. No payments were made by the Council in 2018/19 or 2017/18.

iv) Lewisham Grainger Holdings LLP

During 2018/19 the Council formed a Limited Liability Partnership with Grainger Developments Ltd. The partnership will build housing for rent in Besson Street, New Cross. No payments were made to the company by the Council in 2018/19.

Notes to the Core Financial Statements

26. MEMBERS' ALLOWANCES

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

	2018/19 £000	2017/18 £000
Allowances (incl. NI)	938	939
Other Expenses	85	86
Total Expenditure in Year	1,023	1,025

27. OFFICERS' REMUNERATION**a) The number of Employees whose Remuneration was £50,000 or more:-**

Remuneration Band	Non-Schools		Schools		Totals	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
£50,000 to £54,999	84	68	192	162	276	230
£55,000 to £59,999	31	26	98	86	129	112
£60,000 to £64,999	23	18	45	55	68	73
£65,000 to £69,999	16	14	29	26	45	40
£70,000 to £74,999	12	10	20	28	32	38
£75,000 to £79,999	5	3	20	18	25	21
£80,000 to £84,999	4	2	15	8	19	10
£85,000 to £89,999	2	2	5	8	7	10
£90,000 to £94,999	1	0	5	7	6	7
£95,000 to £99,999	0	8	4	2	4	10
£100,000 to £104,999	6	4	3	2	9	6
£105,000 to £109,999	0	1	0	3	0	4
£110,000 to £114,999	2	0	2	0	4	0
£115,000 to £119,999	0	2	0	1	0	3
£120,000 to £124,999	0	0	2	2	2	2
£125,000 to £129,999	1	0	0	0	1	0
£130,000 to £134,999	0	0	0	0	0	0
£135,000 to £139,999	0	0	0	0	0	0
£140,000 to £144,999	0	3	0	0	0	3
£145,000 to £149,999	3	0	0	0	3	0
£150,000 to £154,999	0	1	0	0	0	1
£155,000 to £159,999	1	0	0	0	1	0
£180,000 to £185,999	1	0	0	0	1	0
Total	192	162	440	408	632	570

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

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.

Notes to the Core Financial Statements

Financial Year 2018/19

Senior Employees

Chief Executive - Mr Ian Thomas (a)
Executive Director for Resources and Regeneration - Ms J Senior (b)
Executive Director for Children and Young People
Executive Director for Community Services
Executive Director for Customer Services
Director of Children's Social Care and Health (c)
Director of Public Health (d)
Head of Law and Monitoring Officer (Part time)

Salary (inc fees and allowances)	Employer's Pension Contributions	Total (inc. Pension Contributions)
£	£	£
132,285	26,296	158,581
157,135	35,355	192,490
146,841	33,039	179,880
146,841	33,039	179,880
146,841	33,039	179,880
89,546	19,751	109,297
129,206	18,579	147,785
67,192	15,118	82,310
1,015,887	214,216	1,230,103

Totals

(a) Chief Executive started in May 2018 and was paid to 31 January 2019. Exit payment of £185,000 is included in Note 27c below

(b) Executive Director for Resources and Regeneration - salary includes an allowance for acting as Chief Executive prior to arrival of and following departure of the previous postholder

(c) Director of Children's Social Care and Health - post was vacant from July to September 2018. Salary is the total of both postholders in place during the year

(d) Director of Public Health - left 15th March 2019. Employer's pension contributions are NHS

Financial Year 2017/18

Senior Employees

Executive Director for Children and Young People
Executive Director for Resources and Regeneration - Ms J Senior (a)
Executive Director for Community Services
Executive Director for Customer Services
Chief Executive (Part time) (b)
Director of Children's Social Care and Health
Director of Public Health
Head of Law and Monitoring Officer (Part time)

Salary (inc fees and allowances)	Employer's Pension Contributions	Total (inc. Pension Contributions)
£	£	£
143,961	32,391	176,352
155,083	34,894	189,977
143,961	32,391	176,352
143,961	32,391	176,352
116,552	0	116,552
117,060	26,339	143,399
123,240	16,683	139,923
65,819	14,809	80,628
1,009,637	189,898	1,199,535

Totals

(a) Salary includes an allowance for acting as Chief Executive following the resignation of the previous postholder

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.

Notes to the Core Financial Statements

Cost Band (inc Pension Fund Contributions)

£0 to £20,000
 £20,001 to £40,000
 £40,001 to £60,000
 £60,001 to £80,000
 £80,001 to £100,000
 £100,001 and over

Total Number of Exit Packages	
2018/19 No.	2017/18 No.
38	78
14	14
1	3
0	2
0	2
1	0

Total Cost of Exit Packages	
2018/19 £000	2017/18 £000
265	609
379	380
50	135
0	130
0	180
185	0

28. EXTERNAL AUDIT COSTS

External Audit Services
 Certification of Grant Claims and Returns
 Other services provided by the appointed auditor

2018/19 £000	2017/18 £000
149	193
37	41
0	11
186	245

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.

	2018/19			2017/18		
	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000
Final DSG before academy recoupment			289,744			289,626
Academy figure recouped			(26,183)			(29,441)
Total DSG after academy recoupment			263,561			260,185
Brought forward from previous year			0			0
Carry forward to next year agreed in advance			0			0
Agreed initial budgeted distribution	89,455	174,106	263,561	71,632	188,553	260,185
In year adjustments	(181)	(3,615)	(3,796)	(801)		(801)
Final Budget Distribution	89,274	170,491	259,765	70,831	188,553	259,384
Actual Central Expenditure	89,274		89,274	70,831		70,831
Actual ISB deployed to schools		170,491	170,491		188,553	188,553
Carry Forward	0	0	0	0	0	0

Notes to the Core Financial Statements

30. GRANT INCOME

The following grants were credited to services during the year:

	2018/19 £000	2017/18 £000
Dedicated Schools Grant	(258,972)	(259,656)
Housing Benefit Grant	(205,073)	(217,325)
Housing Subsidy/ Decent Homes Backlog Grant	(10,353)	(10,353)
BSF/ Grouped Schools PFI Unitary Charge Grant	(26,730)	(26,290)
Public Health Grant	(24,325)	(24,967)
Pupil Premium Grant	(14,172)	(15,125)
Social Care Grant	(13,302)	(7,759)
Other Grants	(31,362)	(28,778)

31. RELATED PARTY TRANSACTIONS

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

(a) Central Government and Other Local Authorities

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

(b) Subsidiaries, Associated Companies and Joint Ventures

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

(c) Elected Members (Councillors) and Chief Officers

Councillors have direct control over the Council's financial and operating policies, and their total cost is shown in Note 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 2018/19):

- Councillor Tom Copley is an assembly member of the GLA (£1.293m)
- Councillor Liz Johnston-Franklin is a non-executive director of Youth First (£3.455m)
- Councillor Mark Ingleby is a director of Lewisham Homes (£33.160m)
- Councillor Jim Mallory is a trustee of the Deptford Challenge Trust (£0.372m)
- Councillor Hilary Moore is a governor of Lewisham Southwark College (£0.774m)
- Councillor Brenda Dacres is a board member of The Albany Trust (£0.113m)

(d) Lewisham Pension Fund

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

Notes to the Core Financial Statements

32. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2018/19 £000	2017/18 £000
Opening Capital Financing Requirement	252,021	242,638
Capital Investment		
Property, Plant and Equipment	25,829	46,297
Revenue Expenditure Funded from Capital under Statute	2,200	10,925
	28,029	57,222
Resources Used for Financing		
Capital Receipts	(4,986)	(18,814)
Government Grants and Other Contributions	(10,308)	(18,479)
Sums set aside from Revenue:	(11,317)	(5,012)
	(26,611)	(42,305)
Increase in the underlying need to borrowing	1,418	14,917
Debt Redeemed - Minimum Revenue Provision	(5,417)	(5,534)
Increase/ (decrease) in Capital Financing Requirement	(3,999)	9,383
Closing Capital Financing Requirement	248,022	252,021

33. LEASES**a) Council as a Lessee**i) Finance Leases

The council does not have 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:

	31/03/19 £000	31/03/18 £000
Not later than one year	1,602	1,427
Later than one year and not later than five years	3,131	3,017
Later than five years	16,391	18,824
	21,124	23,268

Notes to the Core Financial Statements

b) Council as a Lessor

i) Finance Leases

The council does not have 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:

Not later than one year
Later than one year and not later than five years
Later than five years

31/03/19 £000	31/03/18 £000
3,441	1,842
7,152	3,206
5,129	1,258
15,722	6,306

34. PRIVATE FINANCE INITIATIVES (PFI) CONTRACTS

a) Summary of PFI Schemes

PFI Scheme	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF 1	BSF 2	BSF 3	BSF 4	Street Lighting
Start of Contract	2007	2007	2007	2009	2011	2012	2012	2011
End of Contract	2027	2039	2036	2035	2037	2037	2038	2036
Total Estimated Cost	£287m	£77m	£227m	£241m	£86m	£118m	£224m	£95m
Total PFI Credits	£207m	£30m	£674m					£54m
Net PFI Cost	£80m	£47m	£222m					£41m

b) Payments made under PFI contracts

	Brockley HRA	Downham Lifestyles	Grouped Schools	BSF 1	BSF 2	BSF 3	BSF 4	Street Lighting	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
2018/19									
Service Charges	8,366	480	3,571	3,719	873	1,056	1,729	798	20,592
Interest	4,138	1,633	3,229	3,958	1,759	2,603	5,158	2,359	24,837
Liability Repayment	2,954	243	769	1,212	393	683	1,232	585	8,071
Unitary Charge	15,458	2,356	7,569	8,889	3,025	4,342	8,119	3,742	53,500

2017/18									
Service Charges	8,156	456	3,402	3,204	860	933	1,702	779	19,492
Interest	4,369	1,604	3,313	4,178	1,788	2,660	5,232	2,392	25,536
Liability Repayment	2,662	231	737	1,392	348	698	1,101	538	7,707
Unitary Charge	15,187	2,291	7,452	8,774	2,996	4,291	8,035	3,709	52,735

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.

	2018/19		2017/18	
	£000	£000	£000	£000
Gross Book Value b/fwd		407,587		336,938
Additions		0		355
Revaluations (recognised in Revaluation Reserve)	16,926		48,076	
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	1	16,927	22,945	71,021
Impairments (recognised in Revaluation Reserve)	0		0	
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	0	(355)	(355)
Disposals		(221)		(372)
Transfers		0		0
Assets reclassified (to)/ from Held for Sale		0		0
Gross Book Value c/fwd		424,293		407,587
Depreciation b/fwd		(4,303)		(2,675)
Depreciation for year		(7,561)		(7,215)
<u>Depreciation written back on:</u>				
Transfers		0		0
Revaluations (recognised in Revaluation Reserve)	5,772		4,215	
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	1,085	6,857	1,372	5,587
Impairments (recognised in Revaluation Reserve)	0		0	
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0		0	
Assets sold		0		0
Depreciation c/fwd		(5,007)		(4,303)
Net Book Value at End of Year		419,285		403,283

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	
	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000
Balance outstanding at start of year	7,945	7,580	228,224	236,196
Balance outstanding at end of year	7,504	7,945	220,492	228,124

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 2019/20 £000s	2 to 5 years £000s	6 to 10 years £000s	11 to 15 years £000s	16 to 20 years £000s	Total £000s
Brockley HRA						
Service charges	8,567	37,402	30,497			76,467
Interest	7,894	11,924	5,460			25,279
Repayment of liability	2,858	13,855	16,094			32,807
Planned lifecycle replacement	540	2,482	1,793			4,815
Downham Lifestyles						
Service charges	240	1,023	1,429	1,617	1,829	6,137
Interest	3,208	6,407	8,057	7,466	6,339	31,477
Repayment of liability	131	719	1,583	2,397	4,499	9,328
Planned lifecycle replacement	252	1,076	1,517	1,726	1,953	6,524
Grouped Schools						
Service charges	2,795	11,993	17,011	19,578	9,175	60,551
Interest	6,368	11,702	12,279	8,448	1,449	40,246
Repayment of liability	800	3,728	7,755	13,448	7,844	33,576
Planned lifecycle replacement	935	4,416	5,009	3,875	1,854	16,088
BSF 1						
Service charges	2,655	11,447	16,343	18,962	4,141	53,548
Interest	7,782	14,108	13,711	7,374	-203	42,773
Repayment of liability	1,227	6,715	12,168	19,629	3,385	43,124
Planned lifecycle replacement	1,289	4,840	6,917	6,605	907	20,558
BSF 2						
Service charges	790	3,362	4,697	5,315	4,032	18,195
Interest	3,465	6,388	6,825	4,807	1,385	22,870
Repayment of liability	372	1,688	3,212	5,350	5,509	16,132
Planned lifecycle replacement	184	1,073	1,635	1,808	1,487	6,187
BSF 3						
Service charges	995	4,363	6,876	8,690	6,583	27,508
Interest	5,162	9,619	10,101	7,035	2,909	34,826
Repayment of liability	723	3,512	5,355	7,163	7,510	24,263
Planned lifecycle replacement	113	571	1,487	2,473	1,786	6,430
BSF 4						
Service charges	2,012	7,651	11,762	14,443	13,824	49,693
Interest	10,132	19,334	20,795	15,332	6,274	71,867
Repayment of liability	756	5,729	9,442	13,698	15,796	45,422
Planned lifecycle replacement	460	978	2,265	3,472	3,828	11,003
Streetlighting						
Service charges	818	3,482	4,865	5,504	2,844	17,513
Interest	4,681	8,821	9,529	6,892	1,892	31,814
Repayment of liability	636	3,145	5,711	8,630	5,427	23,549
Planned lifecycle replacement	0	0	0	0	0	0
Totals	78,844	223,552	262,179	221,738	124,256	910,569

Notes to the Core Financial Statements

35. LONG TERM CONTRACTS

Contract Name	Contractor	Start/ End Date	Total Contract Value
School Meals Catering Contract	Chartwells	May-15/ Apr-20	£40m
Parks and Grounds Maintenance	Glendale Managed Services	Mar-10/ Feb-20	£3.5m
Leisure Centre Management	Fusion Lifestyles	Oct-11/ Oct-26	£12.7m
Downham Life (Leisure Management)	Lintern Leisure Management	Mar-07/ Mar-39	£77.9m
Parking Contract	NSL	Aug-13/ Jul-19	£11.1m
Highway Maintenance Contract	FM Conway	Apr-14/ Mar-21	£7.5m
Data Centre Provision	Logicalis	Apr-11/ Mar-21	£4.0m
Refuse Recycling Agreement*	SELCHP	May-1991/ ongoing	Approx. £5.0m p.a.

* See also Note 25(b)(ii)

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 2018/19 this rate was 16.48% (16.48% in 2017/18). In 2018/19, the Council paid £14.0m to the DfE in respect of teachers' pension costs (£12.9m in 2017/18).

Public Health staff employed by the Council are members of the NHS Pension Scheme, which is run by the Department of Health (DoH). The scheme provides benefits upon retirement with both the Council and the employee making contributions to the scheme. The scheme is "unfunded" and the DoH use a notional fund to set a national employers contribution rate based on a percentage of members' pensionable pay – this rate was 14.4% for 2018/19 (14.4% in 2017/18). In 2018/19 the Council paid £0.073m to the DoH in respect of employees' pension costs (£0.079m in 2017/18).

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 final salary schemes, meaning that both the Council and the employees pay contributions into a fund, calculated at a level which is intended to balance the pensions liabilities with investment assets.

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

Notes to the Core Financial Statements

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 2016. It should be noted the Council has guaranteed any pension liability that may arise for its wholly owned subsidiary, Lewisham Homes Limited and as such the figures shown in the balance sheet incorporate the figures for Lewisham Homes Limited.

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 ExpenditureNet Interest on the Net Defined Benefit Liability

Interest Income on Scheme Assets

Interest Cost on Defined Benefit Obligation (Liabilities)

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

2018/19 £000	2017/18 £000
50,561	49,734
(302)	456
50,259	50,190
(34,434)	(32,615)
52,006	49,554
17,572	16,939
67,831	67,129
(78,721)	(816)
(2,338)	0
149,933	(35,883)
(989)	(2,251)
67,885	(38,950)
135,716	28,179
(67,831)	(67,129)
33,975	32,708
78,721	816
(146,606)	38,134
(101,741)	4,529

Notes to the Core Financial Statements

d) Pensions Assets and Liabilities Recognised in the Balance Sheet

	31/03/19 £000	31/03/18 £000
Fair Value of Plan Assets	1,393,716	1,293,992
Present Value of Defined Benefit Liability (Obligation)	(2,068,870)	(1,864,574)
	(675,154)	(570,582)
Present Value of Unfunded Liabilities	(66,322)	(69,153)
Pensions Reserve - Year End Balance	(741,476)	(639,735)

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

	31/03/19 £000	31/03/18 £000
Opening Fair Value of Scheme Assets	1,293,992	1,273,563
Interest Income on Scheme Assets	34,538	32,615
Administration	(104)	(103)
<u>Remeasurement Gains / Losses</u>		
Return on Assets excluding amounts included in Net Interest	78,721	816
Employer Contributions	29,358	28,109
Contributions in respect of Unfunded Benefits	4,617	4,599
Contributions from Scheme Participants	8,887	8,409
Benefits Paid	(51,445)	(49,417)
Unfunded Benefits Paid	(4,617)	(4,599)
Other Gains and Losses	(231)	0
Closing Fair Value of Scheme Assets	1,393,716	1,293,992

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

	31/03/19 £000	31/03/18 £000
Opening Present Value of Scheme Liabilities (Obligations)	(1,933,727)	(1,917,827)
Current Service Cost	(50,561)	(49,631)
Interest Cost on Defined Benefit Obligation (Liabilities)	(52,006)	(49,554)
Contributions from Scheme Participants	(8,887)	(8,409)
<u>Remeasurement Gains / Losses</u>		
Benefits Paid	51,445	49,417
Unfunded Benefits Paid	4,617	4,599
Actuarial Losses from changes in Demographic Assumptions	2,338	0
Actuarial Losses from changes in Financial Assumptions	(149,933)	35,883
Other Gains and Losses	989	2,251
Past Service Costs / Curtailments / Settlements	533	(456)
Closing Present Value of Scheme Liabilities (Obligations)	(2,135,192)	(1,933,727)

Notes to the Core Financial Statements

g) Pension Scheme Assets

	31/03/19			31/03/18		
	Active Market £000	Not in Active Markets £000	Total £000	Active Market £000	Not in Active Markets £000	Total £000
LGPS (LBL and LH)						
Equities	0	0	0	0	0	0
Debt Securities	177,708	0	177,708	115,056	0	115,056
Real Estate	0	116,067	116,067	0	96,429	96,429
Investment Funds / Unit Trusts	730,130	137,859	867,990	802,824	70,846	873,670
Private Equity	0	38,903	38,903	0	27,278	27,278
Cash and Cash Equivalents	0	110,318	110,318	0	101,709	101,709
Total LGPS Assets	907,838	403,147	1,310,985	917,880	296,262	1,214,142

	31/03/19			31/03/18		
	Active Market £000	Not in Active Markets £000	Total £000	Active Market £000	Not in Active Markets £000	Total £000
LPFA						
Equities	35,953	9,056	45,009	39,746	9,080	48,826
LDI Cashflow matching	0	0	0	0	0	0
Target Return Portfolio	14,104	7,958	22,062	9,737	8,158	17,895
Infrastructure	0	4,985	4,985	0	3,493	3,493
Fixed income	0	0	0	0	0	0
Properties	0	7,779	7,779	0	5,746	5,746
Cash	2,655	241	2,896	3,890	0	3,890
Total LPFA Assets	52,712	30,019	82,731	53,373	26,477	79,850

h) Basis for Estimating Assets and Liabilities

	Local Government Pension Scheme		LPFA	
	2018/19	2017/18	2018/19	2017/18
Rate of Inflation – CPI	2.5%	2.4%	2.5%	2.4%
Salary Increase Rate	3.2%	3.1%	4.0%	3.9%
Pensions Increases	2.5%	2.4%	2.5%	2.4%
Rate for discounting scheme liabilities	2.4%	2.7%	2.3%	2.5%
Mortality assumptions				
Longevity at 65 for current pensioners - Men	22.2	22.2yrs	20	21.0yrs
Longevity at 65 for current pensioners - Women	24.6	24.6yrs	23	24.0yrs
Longevity at 65 for future pensioners - Men	24	24.0yrs	21.8	23.4yrs
Longevity at 65 for future pensioners - Women	26.5	26.5yrs	24.9	26.3yrs

Notes to the Core Financial Statements

i) Sensitivity Analysis

Change in Assumption at 31st March 2019	Approximate % Increase in Employer Liability	Approximate Monetary Amount (£000)
LGPS - LB Lewisham		
0.5% Decrease in Real Discount Rate	10%	183,098
1 Year Increase in Member Life Expectancy	4%	73,239
0.5% Increase in the Salary Increase Rate	1%	17,002
0.5% Increase in the Pension Increase Rate	9%	163,682
LGPS - Lewisham Homes		
0.5% Decrease in Real Discount Rate	12%	18,894
1 Year Increase in Member Life Expectancy	0%	157,450
0.5% Increase in the Salary Increase Rate	2%	2,586
0.5% Increase in the Pension Increase Rate	10%	15,993
LPFA		
0.5% Decrease in Real Discount Rate	n/a	224
1 Year Increase in Member Life Expectancy	n/a	229
0.5% Increase in the Salary Increase Rate	n/a	221
0.5% Increase in the Pension Increase Rate	n/a	224

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 has agreed a strategy with the scheme's actuary to achieve an increased funding level over the next 3 years. Funding levels are monitored on an annual basis and the next triennial valuation is due at 31 March 2019. The Council anticipates paying £26.5m in contributions to the scheme in 2019/20.

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

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 liabilities:

- As indicated in the Narrative Statement, there are 14 schools with licensed deficit budgets at the year-end, totalling £3.7m. There are also 9 schools with local authority loans with a total balance of £3.0m. Because of the complexities and future uncertainties over the arrangements for dealing with school deficits / loans, some or all of this total of £6.7m may ultimately fall to be met from the Council's General Fund, either in 2019/20 or a later year.
- The NHS has a current application for charitable status. If accepted this would require a backdated payment of around £9.2m by the Council and an ongoing annual loss of business rates of £0.127m.

Notes to the Core Financial Statements

- 'McCloud Judgement': a legal ruling has been made regarding age discrimination arising from pension scheme transition arrangements. The Government Actuary Department is preparing an assessment of the potential impact on the liability of local authority pension schemes, but the increased liability is likely to be in the region of ½% to 1% of total liabilities. However, the Government Actuary Department may appeal against the judgement.

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 2019 was £0.2m (£0.2m as at 31 March 2018).

41. HERITAGE ASSETS

These assets comprise Lewisham Clock Tower and the Civic Regalia. Their values in the accounts are insurance values which are assessed internally and based on current market values. The value of the assets at 31 March 2019 is £0.26m (£0.26m as at 31 March 2018).

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

	2018/19 £000	2017/18 £000
Depreciation, Impairment and Downward Valuations	71,525	(98,431)
Increase/ (decrease) in creditors	21,621	8,056
(Increase)/ decrease in debtors	(7,672)	(224)
(Increase)/ decrease in inventories (stock)	(13)	29
Movement in pension liability	33,856	34,421
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	6,929	5,705
Other non-cash items charged to the net surplus or deficit on the provision of services	1,184	168
Total Adjustment to net surplus or deficit on the provision of services for non-cash movements	127,430	(50,276)

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

	2018/19 £000	2017/18 £000
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	46	0
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(21,438)	(13,594)
Any other items for which the cash effects are investing or financing cash flows.	(9,996)	(19,591)
Total Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(31,388)	(33,185)

44. CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2018/19 £000	2017/18 £000
Interest Received	3,063	3,156
Interest Paid	(33,902)	(33,231)
Net Interest Paid	(30,839)	(30,075)

Notes to the Core Financial Statements

45. CASH FLOW STATEMENT - INVESTING ACTIVITY

	2018/19 £000	2017/18 £000
Purchase of Property, Plant and Equipment, investment property and intangible assets	(24,349)	(35,240)
Purchase of short and long term investments	(1,096,556)	(1,178,554)
Other payments for Investing Activities	(4,435)	(9,264)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	21,438	13,596
Proceeds from short-term and long-term investments	1,066,839	1,148,557
Other Receipts from Investing Activities	7,971	22,067
Net Cash Flows from Investing Activities	(29,092)	(38,838)

46. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2018/19 £000	2017/18 £000
Cash receipts of short and long term borrowing	8,000	38,548
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	(8,073)	(7,707)
Repayment of Short-Term and Long-Term Borrowing	(10,240)	0
Other payments for financing activities	(6,906)	5,955
Net Cash Flows from Financing Activities	(17,219)	36,796

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

	2018/19 £000	2017/18 £000	Note
INCOME			
Gross Rent - Dwellings	(69,232)	(70,320)	1
Gross Rent - Other Housing Properties	(3,448)	(3,409)	1
Charges for Services and Facilities	(11,936)	(11,133)	1
Housing Subsidy and Government Grants	(10,353)	(10,353)	2
Contribution towards Expenditure	(2,094)	(5,293)	4
Total Income	(97,063)	(100,508)	
EXPENDITURE			
Supervision and Management - General Expenses	36,927	35,583	5
Supervision and Management - Special Expenses	5,224	5,333	5
Repairs and Maintenance	42,670	39,196	6
Rent, Rates and Other Charges	762	663	8
Rent Rebate Subsidy Shortfall	0	18	3
Contribution to Doubtful Debts Provision	601	984	9
Depreciation - Dwellings	21,993	22,059	10
Depreciation - Other Housing Assets	794	761	10
Impairment of Non Current Assets	3,278	73	
Debt Management Expenses	20	24	
Total Expenditure	112,269	104,694	
Net Cost of Services included in the Council's Income and Expenditure Account	15,206	4,186	
HRA Services share of Corporate and Democratic Core Costs	173	173	
Net Cost of HRA Services	15,379	4,359	
HRA share of the Operating Income and Expenditure incl.in the Comprehensive Income and Expenditure Statement			
(Gain) / Loss on Sale of HRA Non Current Assets	(13,651)	(6,338)	
Interest Payable and Similar Charges	6,173	6,903	11
Interest and Investment Income	(1,078)	(638)	
Net Pension Interest Cost	374	361	12
(Surplus) / Deficit for the Year on HRA Services	7,197	4,647	

Housing Revenue Account

HOUSING REVENUE ACCOUNT - MOVEMENT IN RESERVES STATEMENT

	2018/19 £000	2017/18 £000
Balance on the HRA at the End of the Previous Year	70,208	57,122
<u>Movement in Year</u>		
Surplus or (Deficit) for the year on the HRA Income and Expenditure Statement	(7,197)	(4,647)
Adjustments between Accounting Basis and Funding Basis under Statute	12,605	16,782
Net Increase or (Decrease) before Transfers (To) / From Reserves	5,408	12,135 *
Transfers (To) / From Reserves	1,091	951
Increase or (Decrease) in Year on the HRA	6,499	13,086
Balance on the HRA at the End of the Year	76,707	70,208

* 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 2019, 0.34% of lettable property was empty (0.32% at 31 March 2018). These figures for empty property exclude accommodation for the homeless and dwellings designated for sale, major works and improvements. Average rents were £95.72 In 2018/19 and £96.69 per week In 2017/18.

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 13,957 dwellings as at 31 March 2019 (14,158 as at 31 March 2018).

There have been no stock transfers undertaken in 2018/19.

The stock was made up as follows:

	31/03/19	31/03/18
<u>Stock Numbers at year end</u>		
Houses and Bungalows	2,324	2,377
Flats and Maisonettes	11,633	11,781
Stock at End of Year	13,957	14,158

	2018/19	2017/18
<u>Change in Stock Numbers during the year</u>		
Stock at 1 April	14,158	14,256
Less Sales, Demolitions, etc.	(203)	(147)
Add Re-purchases, Conversions etc.	2	49
Stock at End of Year	13,957	14,158

b) Rent Arrears

	2018/19 £000	2017/18 £000
Rent Arrears due from Current Tenants	3,595	3,408
Rent Arrears due from Former Tenants	1,863	1,549
Total Arrears	5,458	4,957
Total Arrears as % of Gross Rent of Dwellings Due	6.3%	5.7%

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

Housing Revenue Account

c) Rent – Other Housing Property

	2018/19 £000	2017/18 £000
Aerial Sites	260	205
Garages	125	128
Reception Hostels	2,573	2,626
Commercial Property	432	393
Ground Rents	58	57
Total Other Rents and Charges	3,448	3,409

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 £8.58 in 2018/19 (£8.27 in 2017/18).

	2018/19 £000	2017/18 £000
Heating Charges	659	583
Leasehold Service Charges	5,155	4,549
Tenants Service Charges	6,122	6,001
Total Charges for Services and Facilities	11,936	11,133

2. GOVERNMENT HOUSING GRANTS AND 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.

	2018/19 £000	2017/18 £000
Charges for Capital	0	0
PFI Credit	10,353	10,353
Decent Homes Grant	0	0
Total Grants and Subsidy	10,353	10,353

3. REBATES

Assistance with rents is available under the Housing benefits scheme for those on low income. The scheme is administered by the Council and approximately 46% of tenants received help in 2018/19 (50% in 2017/18). 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.

Housing Revenue Account

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

	2018/19 £000	2017/18 £000
Rent Rebates Given (GF)	37,707	39,840
Subsidy Received on Rebates (GF)	(37,707)	(39,840)
Net cost to the HRA	0	0

4. CONTRIBUTIONS TOWARDS EXPENDITURE

	2018/19 £000	2017/18 £000
Court Costs	121	95
Recharges of repairs	1,173	4,539
Recharge to Capital Receipts	515	455
Hostels: Heat, Light and Water Charges	113	102
Other miscellaneous income	172	102
Total Other Income	2,094	5,293

5. SUPERVISION AND MANAGEMENTGeneral expenses

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

Special expenses

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

6. REPAIRS AND MAINTENANCE

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

	2018/19 £000	2017/18 £000
Revenue R&M works	18,792	15,425
R&M works charged to MRR	23,878	23,771
Total Repairs and Maintenance	42,670	39,196

Housing Revenue Account

7. CONTRIBUTIONS TO IMPAIRMENT ALLOWANCE

A contribution of £0.601m (2017/18 £0.984m) was transferred from the HRA to an impairment allowance to meet doubtful debts. Details of the accumulated provisions are as follows:

	2018/19 £000	2017/18 £000
Housing Tenants	4,444	3,939
Leaseholders	1,985	2,077
Commercial Properties, Miscellaneous Debts	641	534
Total Impairment Allowance	7,070	6,550

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 2019 was £57.5m.

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.

	31/03/19 £000	31/03/18 £000
Operational Assets:		
Dwellings (Existing Use Value - Social Housing)	1,278,885	1,255,843
Other Land and Buildings	16,014	15,580
Infrastructure	101	105
Vehicles, Plant and Equipment	7,308	7,386
	1,302,308	1,278,914
Investment Properties	0	0
Surplus Assets	27,286	32,386
Total Housing Assets	1,329,594	1,311,300
Full Valuation of Council Dwellings	5,115,540	5,023,372

10. DEPRECIATION

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

	2018/19 £000	2017/18 £000
Operational Assets		
Dwellings	21,993	22,059
Other Land and Buildings	274	253
Infrastructure	5	4
Vehicles, Plant and Equipment	515	504
Total Depreciation	22,787	22,820

Housing Revenue Account

11. INTEREST PAYABLE AND SIMILAR CHARGES

This line includes the charge of £4.1m for capital assets calculated in accordance with the DCLG's Item 8 Debit Determination for 2018/19 (£4.7m in 2017/18). 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 (£0.122 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 cannot be capitalised as a component or did not add value to an existing asset has been charged to revenue. These amounts have been mainly funded from the Major Repairs Reserve, which can be used for both revenue and capital expenditure.

	2018/19 £000	2018/19 £000
Expenditure:		
Dwellings	3,705	8,397
Revenue Expenditure Funded from Capital under Statute	0	0
	3,705	8,397
Financed by:		
Capital Receipts	3,244	7,912
Major Repairs Reserve	461	485
Total Capital Expenditure Financed	3,705	8,397

14. MAJOR REPAIRS RESERVE

The movements on the major repairs reserve are as follows:

	2018/19 £000	2017/18 £000
Balance brought forward at start of year	38,471	39,907
Transferred in (depreciation dwellings)	22,787	22,820
Financing of capital expenditure on housing assets	(461)	(485)
Financing Major Revenue Repairs	(23,878)	(23,771)
Contributions from Revenue (Capital)		
Balance carried forward at end of year	36,919	38,471

Housing Revenue Account

15. HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

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

	Balance at 31/03/18 £000	Transfers In £000	Transfers Out £000	Balance at 31/03/19 £000
Property and Stock Related Reserves	4,882	166	0	5,048
Staff Related Reserves	750	0	0	750
Other Earmarked Reserves	64,576	6,333	0	70,909
Total Reserves and Balances	70,208	6,499	0	76,707

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

	2018/19			2017/18			Note
	Council Tax	NDR	Total	Council Tax	NDR	Total	
	£000	£000	£000	£000	£000	£000	
INCOME							
Income from Council Tax (net)	135,251		135,251	129,500		129,500	4
Income from Non-Domestic Rates (net)		65,354	65,354		66,046	66,046	5
Income from Non-Domestic Rates (net) - BRS		1,445	1,445		1,742	1,742	5
TOTAL INCOME	135,251	66,799	202,050	129,500	67,788	197,288	
EXPENDITURE							
Precepts and Demands upon Fund (C. Tax)							
- London Borough of Lewisham	104,083		104,083	93,874		93,874	
- Greater London Authority	25,438		25,438	22,706		22,706	
Precepts and Demands upon Fund (NDR)							
- London Borough of Lewisham		41,141	41,141		20,285	20,285	
- Greater London Authority		22,087	22,087		25,667	25,667	
- Central Government		(2,629)	(2,629)		21,665	21,665	
- Cost of Collection Allowance		305	305		332	332	
Business Rate Supplement (BRS)							
- Paid to Greater London Authority		1,384	1,384		1,914	1,914	
- Administrative Costs		6	6		8	8	
Bad and Doubtful Debts							
- Net adj to Impairment Allowance	3,802		3,802	3,728		3,728	6a
- Net adj to Impairment Allowance		(215)	(215)		(517)	(517)	6b
- Amounts Written Off	318		318	816		816	
- Amounts Written Off		759	759		884	884	
Contributions from previous year							
- London Borough of Lewisham	8,728		8,728	3,853		3,853	
- Greater London Authority	2,111		2,111	964		964	
Provision for Appeals							
- Net contribution		(509)	(509)		(1,058)	(1,058)	
TOTAL EXPENDITURE	144,480	62,329	206,809	125,941	69,180	195,121	
Deficit / (Surplus) for the year	9,229	(4,470)	4,759	(3,559)	1,392	(2,167)	3
Deficit / (Surplus) at start of year	(9,572)	7,212	(2,360)	(6,013)	5,820	(193)	3
Deficit / (Surplus) at end of year	(343)	2,742	2,399	(9,572)	7,212	(2,360)	

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 2018/19 assumed a collection rate of 96.0% (96.0% for 2017/18).

The table below sets out the original tax base calculation for 2018/19 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.

		2018/19			2018/19		2017/18	
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	7,789	4,876	6/9	3,250.5	998.74	2,830.2	£958.47
B	40 - 52	34,000	24,555	7/9	19,098.0	1,165.19	17,359.6	£1,118.21
C	52 - 68	44,357	35,287	8/9	31,366.5	1,331.65	29,138.1	£1,277.95
D	68 - 88	25,955	22,206	1	22,205.5	1,498.10	21,256.1	£1,437.70
E	88 - 120	7,463	6,626	11/9	8,099.0	1,831.01	7,887.1	£1,757.19
F	120 - 160	2,722	2,534	13/9	3,660.7	2,163.92	3,639.0	£2,076.68
G	160 - 320	1,300	1,233	15/9	2,055.8	2,496.84	2,036.7	£2,396.16
H	over 320	171	162	18/9	323.0	2,996.20	319.5	£2,875.41
Totals		123,757	97,479		90,059.0		84,466.3	
Add: Contributions in lieu					0.0		0.0	
Total Band D Equivalents					90,059.0		84,466.3	
Estimated Collection Rate					96.0%		96.0%	
NET COUNCIL TAX BASE					86,456.6		81,087.6	

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

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

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.

Collection Fund

3. COLLECTION FUND BALANCE SPLIT INTO ITS ATTRIBUTABLE PARTS

	Restated				
	(Surplus)/ Deficit			(Surplus)/ Deficit	
	Balance at 31/03/17 £000	Movement in 2017/18 £000	Balance at 31/03/18 £000	Movement in 2018/19 £000	Balance at 31/03/19 £000
Council Tax					
London Borough of Lewisham	(4,754)	(2,954)	(7,708)	7,422	(286)
Greater London Authority	(1,260)	(605)	(1,865)	1,808	(57)
	(6,013)	(3,559)	(9,573)	9,230	(343)
Non-Domestic Rates					
London Borough of Lewisham	1,747	418	2,165	(504)	1,661
Greater London Authority	1,164	278	1,442	(453)	989
Central Government	2,909	696	3,605	(3,513)	92
	5,820	1,392	7,212	(4,470)	2,742
Collection Fund Balances	(193)	(2,167)	(2,361)	4,760	2,399

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

	2018/19		2017/18
	£000	£000	£000
Gross Council Tax Income Due		173,279	164,523
Less: Adjustments to charge			
Exemptions	1,647		2,276
Disabled Relief	(5,573)		(5,290)
Discounts	(112)		(99)
	(16,013)		(15,012)
Adjustment for Council Tax Reduction Scheme	(17,977)		(16,898)
		(38,028)	(35,023)
Total Due from Council Tax payers		135,251	129,500

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 (64%), Greater London Authority (36%) and Central Government (0%).

	2018/19		2017/18
	£000	£000	£000
Gross NDR Collectable (after voids and exemptions)		83,882	84,538
Reductions and Relief:			
Mandatory Relief	(14,658)		
Discretionary Relief	(2,425)		
		(17,083)	(16,750)
Total Receivable from Business Rates		66,799	67,788

	2018/19 £m	2017/18 £m
Non-Domestic Rateable Value	180.8	181.4

	2018/19 pence	2017/18 pence
Non-Domestic Rate Multiplier	49.3	47.9
Non-Domestic Rate Multiplier (Small Business)	48.0	46.6

6. COLLECTION FUND ARREARS AND IMPAIRMENT ALLOWANCES

	31/03/19 £000	31/03/18 £000
Council Tax Arrears	44,696	40,203
Impairment Allowance	(40,959)	(37,157)
As a Percentage of Arrears	91.6%	92.4%

	2018/19		2017/18	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Arrears				
Year of Accounts	8,278	19	8,018	20
Under 2 Years old	5,832	13	4,533	11
Under 3 Years old	4,077	9	3,855	10
Under 5 Years old	6,772	15	6,661	16
Over 5 Years old	19,737	44	17,136	43
Total	44,696	100	40,203	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

	31/03/2019 £000	31/03/18 £000
NDR Arrears	3,424	3,272
Impairment Allowance	(1,607)	(1,822)
As a Percentage of Arrears	46.9%	55.7%

	2018/19		2017/18	
	Amount £000	Percentage %	Amount £000	Percentage %
Age of Arrears				
Year of Accounts	1,588	46	1,250	38
Under 2 Years old	569	17	634	19
Under 3 Years old	372	11	312	10
Under 5 Years old	334	10	378	12
Over 5 Years old	561	16	698	21
Total	3,424	100	3,272	100

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

SECTION 6 – GROUP ACCOUNTS

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

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

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

These statements (the purposes of which are explained on pages 3 and 4), together with those explanatory notes that are considered necessary in addition to those accompanying the "single entity" accounts and accounting policies are set out in the following pages.

Group Accounts

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDING 31 MARCH 2019

2017/18			SERVICE	2018/19		
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
251,594	(310,848)	(59,254)	Children & Young People	410,280	(311,719)	98,561
171,781	(92,334)	79,447	Community Services	178,040	(85,688)	92,352
346,305	(289,579)	56,726	Customer Services	343,734	(282,937)	60,797
60,011	(47,598)	12,413	Resources & Regeneration	65,056	(47,923)	17,133
105,107	(100,748)	4,359	HRA	112,663	(97,283)	15,380
7,305	(5,553)	1,752	Corporate Services	8,827	(894)	7,933
942,103	(846,660)	95,443	Cost of Services	1,118,600	(826,444)	292,156
0	(8,182)	(8,182)	Other Operating Expenditure	0	(14,748)	(14,748)
1,638	0	1,638	(Gain) / Loss on the disposal of non-current assets	1,691	0	1,691
1,927	0	1,927	Levies	1,926	0	1,926
			Contribution of housing capital receipts to Government Pool			
3,565	(8,182)	(4,617)		3,617	(14,748)	(11,131)
33,332	0	33,332	Financing and Investment Income and Expenditure	32,414	0	32,414
33,282	0	33,282	Interest payable and similar charges	0	0	0
837	(2,981)	(2,144)	Loan Restructuring	1,112	(4,236)	(3,124)
49,554	(32,512)	17,042	Interest and Investment Income	52,006	(34,434)	17,572
117,005	(35,493)	81,512	Net interest on the net defined benefit liability	85,532	(38,670)	46,862
0	(97,726)	(97,726)	Taxation and non-specific Grant Income	0	(112,811)	(112,811)
0	(58,390)	(58,390)	Income from Council Tax	0	(73,868)	(73,868)
0	(18,474)	(18,474)	General Government Grants	0	(9,859)	(9,859)
0	(92,188)	(92,188)	Recognised Capital Grants and Contributions	0	(62,674)	(62,674)
56	0	56	Non-Domestic Rates income and expenditure	115	0	115
56	(266,778)	(266,722)	Corporation Tax Payable	115	(259,212)	(259,097)
		(94,384)	Deficit/(Surplus) on provision of services			68,790
		(154,020)	Surplus or deficit on revaluation of non-current assets			(41,048)
		(38,950)	Remeasurement of the net defined benefit liability			67,885
		(192,970)	Other Comprehensive Income and Expenditure			26,837
		(287,354)	Total Comprehensive Income and Expenditure			95,627

Group Accounts

GROUP MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31 MARCH 2019

YEAR ENDING 31 MARCH 2019	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2018 Brought Forward	13,000	161,305	79,050	38,471	48,350	17,299	357,475	1,401,512	1,758,987
Movement in Reserves during 2018/19									
Surplus or (Deficit) on the provision of services	(54,715)	(398)	(13,677)	0	0	0	(68,790)	0	(68,790)
Other Comprehensive Income and Expenditure	0	206	0	0	0	0	206	(27,043)	(26,837)
Total Comprehensive Income and Expenditure	(54,715)	(192)	(13,677)	0	0	0	(68,584)	(27,043)	(95,627)
Adjustments between accounting basis and funding basis under regulations	50,292	(88)	19,738	13,751	(1,552)	(301)	81,840	(81,840)	0
Net Increase / Decrease before Transfers to Earmarked Reserves	(4,423)	(280)	6,061	13,751	(1,552)	(301)	13,256	(108,883)	(95,627)
Transfers to / from Earmarked Reserves	11,423	(11,423)	0	0	0	0	0	0	0
Increase / (Decrease) in 2018/19	7,000	(11,703)	6,061	13,751	(1,552)	(301)	13,256	(108,883)	(95,627)
Balance at 31 March 2019 Carried Forward	20,000	149,602	85,111	52,222	46,798	16,998	370,731	1,292,629	1,663,360

Group Accounts

GROUP MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31 MARCH 2018

YEAR ENDING 31 MARCH 2018	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2017 Brought Forward	13,000	150,491	63,686	39,907	55,495	14,132	336,711	1,134,922	1,471,633
Movement in Reserves during 2017/18									
Surplus or (Deficit) on the provision of services	96,354	630	(2,369)	0	0	0	94,615	0	94,615
Other Comprehensive Income and Expenditure	0	(1,058)	(820)	0	0	0	(1,878)	193,922	192,044
Total Comprehensive Income and Expenditure	96,354	(428)	(3,189)	0	0	0	92,737	193,922	286,659
Adjustments between accounting basis and funding basis under regulations	(85,808)	696	18,553	(1,436)	(7,145)	3,167	(71,973)	72,668	695
Net Increase / Decrease before Transfers to Earmarked Reserves	10,546	268	15,364	(1,436)	(7,145)	3,167	20,764	266,590	287,354
Transfers to / from Earmarked Reserves	(10,546)	10,546	0	0	0	0	0	0	0
Increase / (Decrease) in 2017/18	0	10,814	15,364	(1,436)	(7,145)	3,167	20,764	266,590	287,354
Balance at 31 March 2018 Carried Forward	13,000	161,305	79,050	38,471	48,350	17,299	357,475	1,401,512	1,758,987

Group Accounts

GROUP BALANCE SHEET AS AT 31 MARCH 2019

31/03/2018 £000		31/03/2019 £000
	Property, Plant & Equipment	
1,285,145	Council dwellings	1,315,169
1,011,061	Other land and buildings	976,471
26,787	Vehicles, plant, furniture and equipment	28,012
117,424	Infrastructure	116,064
4,975	Community	5,510
94,623	Surplus Assets not held for Sale	89,829
26,726	Assets under Construction	31,094
2,566,741		2,562,149
257	Heritage Assets	257
14,672	Investment Property	15,767
2,076	Long term investments	2,030
6,684	Long term debtors	6,581
2,590,430	Total Long Term Assets	2,586,784
310,648	Short Term Investments	341,046
189	Inventories	207
46,551	Debtors	54,403
107,569	Cash and Cash Equivalents	91,992
3,941	Prepayments	4,178
468,898	Current Assets	491,826
9,516	Bank Overdraft	8,887
42,468	Short term borrowing	27,483
3,936	Provisions	3,177
81,052	Creditors	90,728
90,493	Receipts in advance	104,215
7,945	PFI Liabilities due within one year	7,504
235,410	Current Liabilities	241,994
2,823,918	Total Assets less Current Liabilities	2,836,616
189,421	Long term borrowing	202,015
5,793	Provisions	7,021
228,124	Deferred PFI Liabilities	220,492
1,858	Capital Grants Receipts in Advance	2,252
639,735	Liability related to defined benefit pension scheme	741,476
1,064,931	Long Term Liabilities	1,173,256
1,758,987	NET ASSETS	1,663,360
	Usable Reserves	
13,000	General Fund Balance	20,000
160,123	Earmarked Revenue Reserves	148,700
8,841	Lewisham Homes Reserves	8,403
1,182	Catford Regeneration Partnership Reserves	902
70,209	Housing Revenue Account	76,708
38,471	Major Repairs Reserve	36,919
48,350	Usable Capital Receipts Reserve	62,101
17,299	Capital Grants Unapplied	16,998
357,475		370,731
	Unusable Reserves	
1,026,385	Revaluation Reserve	1,046,448
1,052,696	Capital Adjustment Account	1,031,660
93	Deferred capital receipts	93
(36,418)	Financial Instruments Adjustment Account	(36,124)
(639,735)	Pensions Reserve	(741,476)
5,547	Collection Fund Adjustment Account	(1,374)
(7,056)	Short Term Compensated Absences Account	(6,598)
1,401,512		1,292,629
1,758,987	TOTAL RESERVES	1,663,360

Group Accounts

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDING 31 MARCH 2019

2017/18 £000s		2018/19 £000s
94,615	Net surplus or (deficit) on the provision of services	(68,065)
(48,774)	Adjustment to surplus or deficit on the provision of services for noncash movements	131,795
(33,185)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(31,388)
12,656	Net Cash flows from operating activities	32,342
(54,033)	Net Cash flows from Investing Activities	(41,761)
48,871	Net Cash flows from Financing Activities	(5,869)
7,494	Net increase or (decrease) in cash and cash equivalents	(15,288)
90,559	Cash and cash equivalents at the beginning of the reporting period	98,393
98,053	Cash and cash equivalents at the end of the reporting period	83,105

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

The Group Accounts should be read in conjunction with the Lewisham Council single entity accounts on pages 3 to 90. Only notes to the accounts that are materially different from the single entity accounts are produced for the group accounts.

2. Group Boundary

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

Company	Business	Risks
Lewisham Homes Limited	An arms-length management organisation (ALMO) set up in 2007 as part of the Council's initiative to deliver better housing services and achieve the Decent Homes Standard. The company manages approximately 18,000 homes.	If Lewisham Homes Limited was in any way unable to deliver a satisfactory housing management service, the Council would have to provide such a service itself
Catford Regeneration Partnership Limited (CRPL)	The company owns the Catford Shopping Centre and aims to drive forward a regeneration programme for the town centre and the surrounding area.	As a property investment company, CRPL is exposed to risk in market movements in terms of the capital value of properties and in the level of income that can be generated through rental charges

3. Accounting Policies

In preparing the Group Accounts the Council has aligned the accounting policies of its companies with those of the Council and made consolidation adjustments where necessary. It has consolidated the companies' financial statements with those of the Council on a line by line basis and has eliminated in full balances, transactions, income and expenses between the Council and its subsidiaries.

4. Investment Properties

Whilst the Council has no investment properties, CRPL owns Catford shopping centre and several surrounding properties. As these properties were solely being used to generate income at 31 March 2019, under the code of practice they are classed as investment properties.

The fair value of the properties owned by CRPL as at 31 March 2019 was £14.672m.

5. Pensions

Lewisham Homes Limited is a scheduled body in the London Borough of Lewisham Pension Fund. The Council has indemnified Lewisham Homes Limited against any liability that may arise on its notional share of the Pension Fund's assets and obligations.

SECTION 7 – GLOSSARY OF TERMS USED IN THE ACCOUNTS

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

Glossary of Terms Used in the Accounts

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

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

Pension Fund

PENSION FUND ACCOUNTS

FOREWORD

This Pension Fund Statement of Accounts details the financial position and performance of the Lewisham Pension Fund for the year 2018/19.

The Pension Fund's value increased over the year by £82m (6.3%), a year which saw the Fund complete its rebalancing strategy by divesting from equities and investing in alternative asset classes in line with the Fund's Investment and Funding Strategies.

INTRODUCTION

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

ORGANISATION

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

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

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

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

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

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

www.lewishampensions.org

Pension Fund

ACCOUNTING POLICIES

The Pension Fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

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

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

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

- (a) Fund Assets at 31 March 2019 – the below table outlines the fund managers, asset classes, and values of those assets held by the fund as at 31 March 2019.

Fund Manager	Asset	Asset Value 31 March 2019 £000	Proportion of the Fund 31 March 2019 %	Asset Value 31 March 2018 £000
Blackrock	Passive Equity and Bonds	526,667	38.0	484,194
UBS	Passive Equity and Bonds	446,038	32.2	478,594
Schroders Property	Property	112,281	8.1	108,397
J.P. Morgan	Infrastructure	80,580	5.8	0
Invesco	Diversified Growth/Targeted Returns	76,231	5.5	77,240
HarbourVest	Private Equity	51,321	3.7	40,905
Partners Group	Multi-Asset Credit	40,307	2.9	0
Pemberton	Multi-Asset Credit	22,937	1.7	27,717
M&G	Credit	656	0.0	851
Various Managers	Cash and Net Current Assets	28,678	2.1	86,188
Lewisham	Cash and Net Current	(438)	0.0	(560)
Total Fund Assets		1,385,258	100.0	1,303,526

- (b) Basis of Preparation - The accounts have been prepared on an accruals basis (i.e. income and expenditure attributable to the financial year have been included) even where payment has not actually been made or received, except Transfer Values which are prepared on a cash basis. The financial statements do not take account of liabilities to pay pensions and other benefits due after the period end; these are reported upon separately in the Actuary's report and reflected in the Council's income and expenditure account. The accounts are prepared on a going concern basis for accounting purposes.
- (c) Investments - Investments in the Net Assets Statement are shown at Fair Value, the basis of measurement being market value based on bid prices, as required by IAS 26 Retirement Benefit Plans outlined in the 2018/19 Local Authority Code of Practice and in accordance with the provisions of IAS 39 Financial Instruments: Recognition and Measurement. The market value of equity investments is based on the official closing data, in the main, with last trade data being used in a small number of countries. Unitised equities are quoted based on last trade or

Pension Fund

official closing price. Northern Trust, the Fund's custodian, sets out its pricing policies in a document entitled "Asset pricing guidelines" which details its pricing process and sets out preferred pricing sources and price types.

- (d) The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on the sale of investments during the year.
- (e) Income - Dividend income earned from equity and bonds with BlackRock is reinvested and not repaid directly to the fund as cash, but from UBS is repaid to the Fund. Interest income is recognised in the Fund as it accrues. Any amount not received by the end of the accounting period will be disclosed in the note on Debtors and Creditors.
- (f) Private equity investments are valued in accordance with United States generally accepted accounting principles, including FAS 157, which is consistent with the International Private Equity and Venture Capital Valuation Guidelines. These guidelines set out that all investments are carried at fair value and they recommend methodologies for measurement. Due to timing differences in the valuation of this investment, the value carried in the accounts as at 31 March 2019 is the actual fair value using the latest available valuation on or after 31 December 2018, plus an estimated valuation for the period up to 31 March 2019.
- (g) Property – The Fund does not have any direct investments in property, but does use a property Fund of Funds manager, Schroders, to invest in pooled property/unit trust funds. The Schroders funds are all currently valued at least quarterly. The majority of property assets to which the fund has exposure are located in the UK. They are valued in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards at Fair Value based on their Open Market Value (OMV).

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

- (h) Financing Fund - The fair value of the M&G fund is based on different pricing policies depending on the instrument being valued. The fund is close to maturity with debt instruments being repaid; at this stage of its life fund valuations are based on the manager's own internal valuation model which makes use of discounted cash flows. Due to timing differences in the valuation of this investment, the value carried in the accounts as at 31 March 2019 is the actual fair value using the latest available valuation on or after 31 December 2018, plus an estimated valuation for the period up to 31 March 2019.
- (i) Diversified Growth/Targeted Returns Fund – The pension fund is allocated notional units in the Invesco fund based on its overall contribution. Units will be valued on every business day in which units are created and realised. The value given to the fund's assets will be the recognised market quotation; if this is not available, the latest independent valuation will be used. Where no independent valuation can be used, the value will be determined by the manager in such manner as it deems appropriate.
- (j) Multi-Asset Credit Funds – the Pemberton private debt fund is valued at Fair Value using external benchmarks such as the equity values of comparable companies to borrowers, Credit Default Swap or commodity price movements and macro-economic data. Partners Group values its instruments using private credit estimates or public ratings for the issuer if available and above a rating of B- from Standard & Poor's. Below that, broker quotes are used where available, or Fair Values are derived based on widely recognised market and income valuation methods.

Pension Fund

- (k) Infrastructure Fund – Being illiquid and not publicly traded assets, J.P. Morgan appoint external valuers at least annually to determine the Fair Value of fund assets, whilst J.P. Morgan itself calculates the Net Asset Value (NAV) of each investment quarterly in accordance with their internal valuation policies which align with market best practice.
- (l) Contributions – These represent the total amounts received from the employers and employees within the scheme. From 1 April 2018 the employee contribution bands (revised annually in line with inflation) are as follows:

Pensionable Pay for the Post	Contribution Rates 2018/19	
	Main Section	50/50 Section
Up to £14,100	5.50%	2.75%
£14,101 to £22,000	5.80%	2.90%
£22,001 to £35,700	6.50%	3.25%
£35,701 to £45,200	6.80%	3.40%
£45,201 to £63,100	8.50%	4.25%
£63,101 to £89,400	9.90%	4.95%
£89,401 to £105,200	10.50%	5.25%
£105,201 to £157,800	11.40%	5.70%
More than £157,801	12.50%	6.25%

The employer's contribution is reviewed every three years and is determined by the fund's Actuary as the rate necessary to ensure that the Fund is able to meet its long-term liabilities. This is assessed at each triennial actuarial revaluation. The employer's contribution rate for 2018/19 is 22.5% and for 2019/20 it will remain unchanged.

- (m) Benefits – Benefits payable are made up of pension payments and lump sums payable to members of the Fund upon retirement and death. These have been brought into the accounts on the basis of all valid claims approved during the year.
- (n) Transfer Values – Transfer values are those sums paid to, or received from, other pension schemes relating to periods of previous pensionable employment. Transfer values are calculated in accordance with the Local Government Pension Scheme Regulations and have been brought into the accounts on a cash basis.
- (o) Taxation – The fund is a registered public service scheme under section (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as an expense as it arises.
- (p) VAT – By virtue of Lewisham Council being the administering authority, VAT input tax is recoverable on fund activities. Any irrecoverable VAT is accounted for as an expense.
- (q) Actuarial – The adequacy of the Fund's investments and contributions in relation to its overall and future obligations is reviewed every three years by an Actuary appointed by the Council. The Council's Actuary, Hymans Robertson, assesses the Fund's assets and liabilities in accordance with Regulation 77 of the Local Government Scheme Regulations 1997. The contribution rate required for benefits accruing in future is assessed by considering the benefits which accrue over the course of the three years to the next valuation.

The most recent triennial valuation carried out under Regulation 36 of the LGPS (Administration) Regulations 2008 was as at 31 March 2016.

Pension Fund

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

Financial Assumption	March 2016 (%)	March 2013 (%)
Discount Rate	4.0	4.6
Price Inflation (CPI*)	2.1	2.5
Pay Increases	2.9	4.3
Pension Increase:		
Pension in excess of GMP**	2.1	2.5
Post - 88 GMP	2.1	2.5
Pre - 88 GMP	0.0	0.0
Revaluation of Deferred Pension	2.1	2.5
Expenses	0.6	0.7

* Consumer Price Index

** Guaranteed Minimum Pension

With effect from the 1 April 2017, the actuarial review carried out for 31 March 2016 resulted in the Council's contribution rate being set at 22.5%.

The next actuarial valuation of the Fund is underway and will be carried out as at 31 March 2019, with new employer contribution rates taking effect from 1 April 2020 for the 2020/21 financial year. The results of this valuation will be published in autumn 2019.

The triennial valuation on the 31 March 2016 revealed that the Fund's assets, which at 31 March 2016 were valued at £1,041 million, were sufficient to meet 78% (71% in 2013) of the past service liabilities valued at £1,328 million (£1,215 million in 2013) accrued up to that date. The resulting deficit as at the 2016 valuation was £288 million (£348 million in 2013).

- (r) Actuarial Present Value of Promised Retirement Benefits – The Actuary has calculated the actuarial present value of future retirement benefits (on an IAS 26 basis) to be £2,084m as at 31 March 2019 (£1,871m as at 31 March 2018).
- (s) Investment Management and Administration - paragraph 42 of the Local Government Pension Scheme (Administration) Regulations 2008, permit the Council to charge the scheme's administration costs to the Fund. A proportion of relevant Council officers' salaries, including related on-costs, have been charged to the Fund on the basis of actual time spent on scheme administration and investment-related business. The fees of the Fund's general investment managers are charged on a quarterly basis and are generally calculated as a set percentage of the market value of funds under management as at the end of those quarters. Some managers invoice fees, others deduct fees from asset holdings; in the latter instance, the fees are added back to the accounts via a manual adjustment to accurately reflect the management expense.
- (t) Foreign currency transactions are made using the WM/Reuters exchange rate in the following circumstances:
 - Purchase and sales: the foreign exchange rate applicable on the day prior to the trade date is used.
 - Stock holdings: all holdings valuations are made using the WM/Reuters close of previous business day.
 - Dividend receipts: the rate applicable on the day prior to the date the dividend received is used.
- (u) Commitments - Where capital committed to investments is not fully drawn down at the end of the financial year the outstanding commitment is not included in the net asset statement but is referred to in the notes to the accounts; please see note 11.

Pension Fund

- (v) Financial Instruments –
- (i) Financial Liabilities are recognised on the Net Asset Statement when the Fund becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.
- (ii) Financial Assets are recognised on the Net Asset Statement when the Fund becomes a party to the contractual provisions of a financial instrument. Financial Assets are classified into two types:
- Assets at amortised cost – assets that have fixed or determinable payments but are not quoted in an active market; and
 - Fair value through profit or loss – assets that are held for trading.
- (w) Critical judgements in applying accounting policies and assumptions made about the future and other major sources of estimation uncertainty – The statement of accounts contain critical judgements in applying accounting policies and estimated figures based on assumptions made by the authority about the future or that are otherwise uncertain. There are two areas in the accounts where critical judgements are applied which are materially significant to the accounts:
- Actuarial present value of promised retirement benefits – the figure of net liability to pay pensions is based on a significant number of assumptions including the discount rate, mortality rates and expected returns on fund assets. The Pension Fund's qualified actuary calculates this figure to ensure the risk of misstatement is minimised.
 - Private Equity valuations – the value of the Fund's private equity holdings is calculated by the General Partners of the fund on the basis of their Valuation Policy, which follows best practice in the industry. However this is based upon a 31 December audited accounts valuation adjusted for estimated distributions and capital calls up to 31 March. Other mandates including the diversified growth, infrastructure and multi-asset credit funds also adopt their own valuation policies when other quoted or comparable inputs are unavailable.
- (x) Additional Voluntary Contributions ("AVCs")
- Members of the Fund are able to make AVCs in addition to their normal contributions. The related assets are invested separately from the main fund, and in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, are not accounted for within the financial statements. If on retirement members opt to enhance their Scheme benefits using their AVC funds, the amounts returned to the Scheme by the AVC providers are disclosed as transfers-in. Further details about the AVC arrangements are disclosed in note 13 to the financial statements.

Pension Fund

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2019

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

	2018/19 £000	2017/18 £000	See note
<u>DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED WITH THE SCHEME</u>			
Contributions Receivable:			
- from Employers	(31,990)	(30,417)	1
- from Employees	(9,712)	(9,211)	1
- Reimbursement for Early Retirement	(133)	(609)	
Transfer Values In	(4,453)	(6,136)	
Other Income	(68)	(30)	
Sub-Total: Income	(46,356)	(46,403)	
Benefits Payable:			
- Pensions	42,220	40,420	2
- Lump Sums: Retirement allowances	8,261	6,779	2
- Lump Sums: Death grants	843	1,039	2
Payments to and on account of leavers:			
- Refunds of Contributions	118	140	
- Transfer Values Out	4,133	4,438	
Sub-Total: Expenses	55,575	52,816	
Sub-Total: Net (Additions)/ Withdrawals from dealings with members	9,219	6,413	
Management Expenses	2,830	1,929	3
Sub-Total: Net (Additions)/ Withdrawals including fund management expenses	12,049	8,342	
<u>RETURNS ON INVESTMENTS</u>			
Investment Income	(6,168)	(6,594)	4
Change in market value of investments (Realised & Unrealised)	(88,005)	(30,897)	5a
Taxes on Income	392	192	
Total Net Returns on Investments	(93,781)	(37,299)	
NET (INCREASE) / DECREASE IN THE FUND DURING YEAR	(81,732)	(28,957)	
OPENING NET ASSETS OF THE FUND	(1,303,526)	(1,274,569)	
CLOSING NET ASSETS OF THE FUND	(1,385,258)	(1,303,526)	

Pension Fund

NET ASSETS STATEMENT AS AT 31 MARCH 2019

The Net Assets Statement shows the market value of the investments and other assets held by the Pension Fund as at 31 March 2019.

	31/03/19 £000	31/03/18 £000	See note
INVESTMENT ASSETS			
Equities			
United Kingdom	13,747	11,487	5
Global	0	0	5
	13,747	11,487	
Managed Funds			
Property	112,285	108,401	5
Equities	695,931	710,103	5
Fixed Interest	183,854	210,101	5
Index Linked	92,934	42,600	5
Other Assets	258,282	135,223	5
	1,343,286	1,206,428	
Cash Held with Custodian	28,593	86,154	9
Derivative Contracts			
Assets	0	1,069	7
Liabilities	0	(1,069)	7
Other Investment Balances			
Debtors - Investment Transactions	70	3,101	8
Creditors - Investment Transactions	0	(3,085)	8
TOTAL INVESTMENTS	1,385,696	1,304,085	
NET CURRENT ASSETS AND LIABILITIES			
Debtors	276	287	8
Creditors	(1,763)	(1,689)	8
Cash in Hand	1,049	843	9
TOTAL NET ASSETS	1,385,258	1,303,526	

The financial statements of the Fund do not take account of the liability to pay pensions or benefits after 31 March 2019. This liability is included within the Authority's balance sheet.

Pension Fund

NOTES TO THE PENSION FUND ACCOUNTS

1. CONTRIBUTIONS RECEIVED

	2018/19 £000	2017/18 £000
Employer Contributions		
Administering Authority	(25,790)	(24,771)
Scheduled Bodies	(5,518)	(4,913)
Admitted Bodies	(682)	(733)
	(31,990)	(30,417)
Employee Contributions		
Administering Authority	(7,719)	(7,281)
Scheduled Bodies	(1,765)	(1,687)
Admitted Bodies	(228)	(243)
	(9,712)	(9,211)

2. BENEFITS PAID

<u>By Category</u>	2018/19 £000	2017/18 £000
Pensions	42,220	40,420
Commutation and Lump Sum Retirement Benefits	8,261	6,779
Lump Sum Death Grants	843	1,039
	51,324	48,238

<u>By Authority</u>	2018/19 £000	2017/18 £000
Administering Authority	46,924	44,572
Scheduled Bodies	3,005	2,748
Admitted Bodies	1,395	918
	51,324	48,238

3. MANAGEMENT EXPENSES

	2018/19 £000	2017/18 £000
Administration Expenses	626	696
Oversight and Governance Expenses	235	257
<u>Investment Management Expenses:</u>		
- Transaction Costs	24	12
- Management Fees	1,911	917
- Performance Fees	0	0
- Custody Fees	34	47
	2,830	1,929

The increase in management fees reflects the change in Fund structure and the transition of assets into more actively managed alternative asset classes from passive equity mandates, undertaken during the year.

Pension Fund

4. INVESTMENT INCOME

	2018/19 £000	2017/18 £000
Cash	(258)	(90)
Equities	0	(216)
Fixed Interest	0	(430)
Index Linked	0	(88)
Managed Funds (incl Property)	(5,079)	(5,416)
Securities Lending	(1)	(5)
Other	(831)	(349)
	(6,169)	(6,594)

5 INVESTMENT ANALYSIS

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

Asset	Manager	31 March 2019	
		£000	%
UBS Asset Management Life World Equity Tracker	UBS	199,997	14.4
Aquila Life US Equity Index Fund	Blackrock	164,509	11.9
Blackrock Pensions Aquila Life UK Equity Index Fund	Blackrock	96,565	7.0
UBS Asset Management Life UK Equity Tracker A Nav	UBS	81,108	5.9
IIF UK I LP	JP Morgan	80,580	5.8
Invesco Fund Managers Perpetual Targeted Returns	Invesco	76,231	5.5

Pension Fund

Investments exceeding 5% within each class of security are as follows:

UK Equities			
Harbourvest GE PE Shares	Harbourvest	13,809	100.0
Property			
Schroder Unit TST UK Real Estate	Schroders	16,262	14.3
IPIF Feeder Unit Trust Fund	Schroders	13,116	11.5
Real Income Fund	Schroders	11,774	10.4
Hermes Property Unit	Schroders	11,117	9.8
Blackrock UK FD	Schroders	10,265	9.0
Metro Ppty Unit Trust	Schroders	9,737	8.6
Mayfair Cap Ppty (MCPUT)	Schroders	9,037	8.0
Multi-Let INDL Property Unit Trust	Schroders	7,926	7.0
Legal and General Managed Property Fund	Schroders	6,803	6.0
Managed Equities			
UBS Asset Management Life World Equity Tracker	UBS	199,997	29.0
Aquila Life US Equity Index Fund	Blackrock	164,509	23.8
BlackRock Pensions Aquila Life UK Equity Index	Blackrock	95,565	13.9
UBS Asset Management Life UK Equity Tracker A Nav	UBS	81,108	11.8
Aquila Life European Equity Index Fund	Blackrock	40,832	5.9
BlackRock AM (IE) ISHS Emerging Markets Index	Blackrock	35,995	5.2
Fixed Interest			
Blackrock Pensions Aquila Over 15 Years UK	Blackrock	47,839	26.0
Blackrock AM (IE) UK Credit	Blackrock	47,100	25.6
UBS GBL Asset Life UK Over 15 Year Gilt	UBS	44,859	24.4
UBS Asset Mgmnt STG Corp	UBS	44,332	24.1
Index Linked			
Aquila Life Over 5 yrs Index Fund	Blackrock	48,803	52.3
UBS Asset Mgmnt Life Over 5 Year Index Linked Gilt Tracker	UBS	44,589	47.7
Alternatives			
JP Morgan IIF UK I LP	JP Morgan	80,580	31.2
Invesco Fund Managers Perpetual Targeted Returns	Invesco	76,231	29.5
Partners Group Comp MAC 2017 IV	Partners Group	40,307	15.6
Pemberton Euro Debt Investments Jersey II	Pemberton	22,937	8.9
HIPEP VII (AIF) Partnership Fund LP	Harbourvest	17,119	6.6

Pension Fund

An analysis of investment movements is set out below:

5. INVESTMENT ANALYSIS

INVESTMENT MOVEMENTS 2018/19	Value at 31 March 2018 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Capital Value £000	Change in Market Value £000	Value at 31 March 2019 £000
UK Equities	11,487	0	0	0	2,260	13,747
Global Equities	0	0	0	0	0	0
Managed Equities	710,103	8,087	(83,101)	(2,777)	63,619	695,931
Property	108,401	9,207	(8,231)	0	2,908	112,285
Fixed Interest Securities	210,101	15,875	(5,013)	1,867	(38,976)	183,854
Index Linked Securities	42,600	2,100	(3,900)	910	51,224	92,934
Other Assets*	135,223	142,214	(26,634)	(13)	7,492	258,282
Derivatives	0	0	0	0	0	0
	1,217,915	177,483	(126,879)	(13)	88,527	1,357,033
Cash Deposits	86,154				(513)	28,593
Other Investment Balances	16				(9)	70
Total Investments	1,304,085				88,005	1,385,696

* Includes Infrastructure, Multi-Asset Credit, Private Equity and Diversified Growth funds.

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

Apart from global equities, overseas managed equities and bonds, the other overseas investments held by the Fund fall under the 'Other Assets' category comprising of private equity with a value of £37.5m, multi-asset credit/private debt with a value of £22.9m, and infrastructure with a value of £80.6m.

The total value of unquoted securities held by the fund as at 31 March 2019 was £1,022m, this includes equities, bonds, private equity, diversified growth, infrastructure and multi-asset credit funds.

The total value of quoted securities held by the fund as at 31 March 2019 was £218m, this includes equities and bonds.

The Fund has investment assets that are classed as pooled investment vehicles. The Fund holds unitised/unit-linked insurance policies valued at £887m and unit trusts valued at £197m, of which £114m relates to pooled property investments. The Fund also holds assets with value £63m as a Limited Partner in the compartments of multi asset credit limited partnerships, and £81m in a perpetual life infrastructure fund.

Pension Fund

As at 31 March 2018:

INVESTMENT MOVEMENTS 2017/18	Value at 31 March 2017 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Capital Value £000	Change in Market Value £000	Value at 31 March 2018 £000
UK Equities	11,777	0	0	0	(290)	11,487
Global Equities	13,805	4	(13,411)	8	(406)	0
Managed Equities	830,606	243,467	(385,544)	0	21,574	710,103
Property	98,174	9,723	(5,488)	(8)	6,000	108,401
Fixed Interest Securities	206,232	6,451	(4,409)	279	1,548	210,101
Index Linked Securities	41,599	1,600	(910)	73	238	42,600
Other *	32,862	111,208	(11,362)	(74)	2,589	135,223
Derivatives	0	0	0	0	0	0
Sub-total	1,235,055	372,453	(421,124)	278	31,253	1,217,915
Cash Deposits	36,517				(365)	86,154
Other Investment Balances	(336)				9	16
Total Investments	1,271,236				30,897	1,304,085

* Includes Multi-Asset Credit, Private Equity and Diversified Growth funds.

5A. FINANCIAL INSTRUMENTS

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

Pension Fund

	31-Mar-19			31-Mar-18		
	Fair Value through Profit & Loss	Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost	Fair Value through Profit & Loss	Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost
	£000	£000	£000	£000	£000	£000
Financial Assets						
Equities	13,747			11,487		
Managed Funds:						
Property	112,285			108,401		
Managed Equity	695,931			710,103		
Fixed Interest	183,854			210,101		
Index Linked	92,934			42,600		
Other Alternative Assets	258,282			135,223		
Derivative contracts	0			1,069		
Cash deposits		28,593			86,154	
Pending Trades		0			361	
Dividends & Income		70			2,740	
Contributions Due		189			189	
Cash Balances		1,049			843	
Other Current Assets		87			98	
Total Financial Assets	1,357,033	29,988	0	1,218,984	90,385	0
Financial Liabilities						
Derivative Contracts			0			(1,069)
Pending Trades			0			(3,085)
Unpaid benefits			0			0
Other Current Liabilities			(1,763)			(1,689)
Total Financial Liabilities	0	0	(1,763)	0	0	(5,843)
Net Financial Assets	1,357,033	29,988	(1,763)	1,218,984	90,385	(5,843)

Net Gains and Losses on Financial Instruments

The following table shows net gains on financial instruments:

	31/03/19 £000	31/03/18 £000
Financial Assets		
Fair Value through Profit and Loss	88,005	30,897
Assets at Amortised Cost	0	0
Financial Liabilities		
Fair Value through Profit and Loss	0	0
	88,005	30,897

Valuation of Financial Instruments carried at Fair Value

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into three levels, according to the quality and reliability of information used to determine fair values.

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

Pension Fund

Level 2 - consists of assets where quoted market prices are not available (e.g. where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value).

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

Values as at 31 March 2019	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total at 31/03/19 £000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	13,747	1,224,479	118,807	1,357,033
Financial Assets at Amortised Cost	29,988	0	0	29,988
	43,735	1,224,479	118,807	1,387,021
Financial Liabilities				
Fair Value through Profit and Loss	0	0	0	0
Financial Liabilities at Amortised Cost	(1,763)	0	0	(1,763)
	(1,763)	0	0	(1,763)
Net Financial Assets	41,972	1,224,479	118,807	1,385,258

Values as at 31 March 2018	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total at 31/03/18 £000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	11,487	1,176,161	30,267	1,217,915
Loans and Receivables	90,384	0	0	90,384
	101,872	1,176,161	30,267	1,308,300
Financial Liabilities				
Fair Value through Profit and Loss	0	0	0	0
Financial Liabilities at Amortised Cost	(4,774)	0	0	(4,774)
	(4,774)	0	0	(4,774)
Net Financial Assets	97,098	1,176,161	30,267	1,303,526

5B. FINANCIAL RISK MANAGEMENT

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

Pension Fund

operations. The value of these financial instruments is reflected in the financial statements at their fair value.

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

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

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

The Committee has determined that the current largely passive investment management structure is appropriate and is in accordance with its latest investment strategy. In 2018/19 the Fund completed its onboarding with the Partners Group Multi Asset Credit 2017 (IV) GBP fund, investing its commitment of £40m in full, and also reduced equity holdings by an additional 6% of the Fund's total value, committing the sales proceeds to a \$105m investment in J.P. Morgan's Infrastructure Investment Fund. These actions were in line with the Funding Strategy and Investment Strategy Statements approved by PIC towards the end of 2016/17.

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

i) Market Risk

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

a) Other Price Risk – Market

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

b) Other Price Risk – Sensitivity analysis

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

Pension Fund

Following an analysis of historical volatility of asset class returns and expected investment returns, in consultation with the Fund's advisors, the Council has determined that the following movements in market price risk are reasonably possible for the 2019/20 reporting period, assuming all other variables such as foreign exchange rates and interest rates remain the same:

Asset Type	Potential Market Movement +/- (% p.a.)
UK Equities	9.4
Global Equities	10.3
Bonds and Index Linked	9.3
Alternatives	4.2
Property	1.9
Cash	0.5

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

Asset Type	Final Market Value as at 31 March 2019 £000	Percentage Change	Value on Increase £000	Value on Decrease £000
UK Equities	380,911	9.4	416,838	344,984
Global Equities	328,767	10.3	362,583	294,951
Bonds and Index Linked	276,789	9.3	302,630	250,948
Other Assets	258,282	4.2	269,158	247,406
Property	112,285	1.9	114,382	110,188
Cash	28,592	0.5	28,735	28,449
Total Assets*	1,385,626	6.5	1,475,392	1,295,860

* This figure excludes derivatives and other investment balances.

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

c) Interest Rate Risk is the risk the Pension Fund is exposed to changes in interest rates and relates to its holdings in bonds and cash. The risk is mitigated by the Fund holding minimum cash balances and a diversified portfolio.

d) Currency Risk is the risk to which the Pension Fund is exposed to fluctuations in foreign currency exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£GBP). The fund was exposed to the following significant foreign currency levels (i.e. £2m and over) as at the 31 March 2019 with the previous year in brackets:

Euro	€15.9m	(€16.9m)
US Dollars	\$190.6m	(\$88.4m)

The remaining exposures arise from much smaller investments relating to other currencies.

e) Currency risk – sensitivity analysis

The Fund's currency rate risk is routinely monitored by the Council and its investment advisors. In practice, this is achieved by the use of futures and forward foreign exchange contracts, which entitle and oblige the seller and holder to exchange assets or currency on a future date at a predetermined price or rate. The former are tradable on exchanges and the latter are "over the counter" agreements, which neither the purchaser nor the seller may transfer. There is no cost on entering into these contracts but the market value is established as the gain or loss that would arise at the settlement date from

Pension Fund

entering into an equal and opposite contract at the reporting date. As at 31 March 2019 there were no pending foreign exchange purchases or sales. Following analysis of historical data in consultation with the Fund's advisors, the Council considers the likely volatility associated with foreign exchange rate movements in 2019/20 to be 9.1%. This volatility is applied to the Fund's overseas assets at period end as follows:

Asset Type	Asset Value at 31 March 19 £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas Equities	328,767	9.1	358,691	298,843
Overseas Fixed Income	91,352	9.1	99,667	83,037
Other Alternatives	141,051	9.1	153,889	128,213
Total	561,170	9.1	612,248	510,092

ii) Credit Risk

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

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

iii) Liquidity Risk

Liquidity risk is the risk that the Pension Fund will have difficulties in paying its financial obligations as they fall due. For example; the benefits payable costs and capital commitments. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The Fund holds a large proportion of assets in instruments which can be liquidated at short notice, normally three working days. As at the 31 March 2019 these assets totalled approximately £986m, comprising of bonds and equities, with a further £28.6m held in cash by the custodian on behalf of the Fund and fund managers.

6. PRIOR YEAR ADJUSTMENT

No prior year accounting adjustments have been made to these accounts. The membership numbers in note 17 have been restated for 2017/18 due to an error in member allocation between the administering authority and scheduled bodies; the total number of members in 2017/18 remains unchanged from that previously reported.

Pension Fund

7. DERIVATIVE CONTRACTS

As at 31 March 2019 there were no pending foreign exchange purchases or sales. The net gains and losses in the table below relate to foreign exchange forward contracts.

	2018/19 £000	2017/18 £000
Foreign Exchange Gains	21	2
Foreign Exchange Losses	0	(4)
Total Unrealised Gains / (Losses)	21	(2)

8. DEBTORS & CREDITORS

These comprise the following amounts:

Investment Transactions**Debtors**

	31/03/19 £000	31/03/18 £000
Equity Dividends / Income from Managed Funds	38	0
Interest and Other Income	32	2,740
Pending Trades	0	361
	70	3,101

Creditors

	31/03/19 £000	31/03/18 £000
Pending Trades	0	(3,085)
	0	(3,085)

Pension Fund

Non-Investment Transactions**Debtors**

	31/03/19 £000	31/03/18 £000
Contributions Due from Admitted/ Scheduled Employers/ Employees	189	189
Interest and Other Income	0	0
LB Lewisham	64	64
Tax Refunds	23	34
	276	287

Creditors

	31/03/19 £000	31/03/18 £000
Fund Manager and Custody Fees	(274)	(283)
Consultancy/ Advisory Fees	(8)	(56)
LB Lewisham	(1,481)	(1,350)
	(1,763)	(1,689)

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

The Northern Trust Company is the Fund's global custodian and cash is held to meet the cash flow requirements of the Fund and its managers. The total cash held as at 31 March 2019 was £28.6m (£86.2m as at 31 March 2018). Approximately £10.2m of this was from HarbourVest, £8.5m from Pemberton, £5.7m with Schroders and £4.1 was being held on behalf of the other managers.

Pension Fund Bank Account

The Lewisham cash in hand balance of £1,049m represents uninvested cash held in the Pension Fund bank accounts as at 31 March 2019.

10. POST YEAR END EVENTS

There are no post year events to report. However, the results of the 2019 triennial valuation are expected in the autumn and the Fund's strategy will be revisited and reviewed in light of the results of that valuation. This review will take account of the updated view on the performance required from the Fund and therefore the level of risk to be adopted.

The Council is in the process of having the Fund's equity funds analysed for their carbon footprint, and it is expected that the Fund will transition a proportion of these assets into low-carbon equivalents where possible.

The Council also plans to undertake a retender of its actuarial and investment advisory services later in 2019 using the National LGPS frameworks.

Pension Fund

11. COMMITMENTS

The Pension Fund was committed to the following capital contributions as at the 31 March 2019:

Fund Manager	Fund	Amount ('000)	Translated (£'000)
HarbourVest	Harbourvest Partners VIII - Cayman Venture Fund L.P	\$190	146
HarbourVest	Harbourvest Partners VIII - Cayman Buyout Fund L.P	\$833	639
HarbourVest	HarbourVest Partners X AIF L.P.	\$19,343	14,845
HarbourVest	HarbourVest Partners XI AIF L.P.	\$25,000	19,186
HarbourVest	HIPEP VII (AIF) Partnership Fund L.P.	€ 9,000	6,907
HarbourVest	Harbourvest International Private Equity Partners V - Cayman Partnership Fund L.P	€ 700	603
HarbourVest	Harbourvest International Private Equity Partners V - Cayman Direct Fund L.P	£180	155
Pemberton	European Debt Investments Jersey II LP	£18,748	18,748
	Total		61,229

12. RELATED PARTY TRANSACTIONS

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

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

During the year the following declarations were made:

- Councillors Chris Best and John Muldoon declared their interests as members of Lewisham's Pension Fund.
- The Chair of the Investment Committee Cllr Mark Ingleby sits on the Board of Lewisham Homes, the Council's housing subsidiary.

Four members and an independent chair make up the membership of the Pensions Board, which assists the administering authority in adhering to the Regulations with regards to its administration and governance of the scheme. At each meeting of the Board, members are required to make declarations of interest which are recorded.

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

No other trustees or Council chief officers with direct responsibility for pension fund issues made any declarable transactions with the Pension Fund in the period to 31 March 2019.

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

- Recharges from the Council for the in-house administration costs borne by the scheme were transacted for £652k (included in Administration Expenses in Note 3). Some cash transactions relating to pension activities are currently effected through the Council's bank account and consequently pension fund cash balances are held by the Council from time to time and vice versa.

Pension Fund

- The salary of the Executive Director for Resources and Regeneration for 2018/19 was £192,492, which includes employer's pension contributions of £35,356. This total also includes an allowance for acting as Chief Executive following the departure of the previous post holders.

13. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

Contributing members have the right to make AVCs to enhance their pension. There are currently 49 'open' AVC contracts for LGPS members (i.e. excluding members with AVC contracts who have left Lewisham and now have preserved benefits). Some of these 'open contracts' will be for members who have paid AVCs in the past but who have suspended payments to the scheme for the time being.

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

	2018/19				2017/18		
	Equitable Life £000	Clerical Medical £000	Total £000		Equitable Life £000	Clerical Medical £000	Total £000
Value at the Beginning of Year	434	876	1,310		461	848	1,309
Contributions and Transfers Received	3	172	175		4	173	177
Investment Return	13	93	106		17	10	27
Paid Out	(22)	(177)	(199)		(48)	(155)	(203)
Value at the End of the Year	428	964	1,392		434	876	1,310

14. SCHEDULED BODIES

The following are scheduled bodies to the Fund as at 31 March 2019, arranged in descending order by the value of their contributions in 2018/19:

Lewisham Homes Limited
Haberdashers' Aske's Knights Academy
Christ The King Sixth Form College
Tidemill Academy
St Matthews Academy
Childeric

Pension Fund

15. ADMITTED BODIES

The following are admitted bodies to the Fund as at 31 March 2019, arranged in descending order by the value of their contributions in 2018/19:

Youth First LTD
Phoenix
Phoenix Agency Services
Chartwells Compass
Lewisham Music
Skanska
One Housing
3 C's Support
NSL (formerly known as National Car Parks Ltd)
Change Grow Live
Nviro
Fusions Leisure Management
Quality Heating
Pre-School Learning Alliance
Housing 21
Wide Horizons
Tower Services
Chequers Contract Services – Lee Manor

16. STOCK LENDING

The Statement of Investment Principles and Investment Strategy Statement permit the Fund to enter into stock lending whereby the Fund lends other bodies stocks in return for a fee and collateral whilst on loan. Equities and fixed income assets held in segregated accounts in custody may be lent.

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

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

As at the 31 March 2019 the value of aggregate stock on loan was £0m (£0m as at 31 March 2018); the Fund does not currently hold any segregated assets for participation in the securities lending programme.

Collateral

The collateral held as security on loans cannot be sold or re-pledged in the absence of default by the borrower. The Fund did not enter into any stock lending transactions during the financial year, and the value of collateral held as at 31 March 2019 was £0m (£0m as at 31 March 2018).

Pension Fund

17. MEMBERSHIP

	Active Members			Deferred Beneficiaries			Retired Members		
	2018/19	2017/18 (RESTATED)	2017/18	2018/19	2017/18 (RESTATED)	2017/18	2018/19	2017/18 (RESTATED)	2017/18
Administering Authority	5,656	5,761	5,513	10,295	9,892	9,531	7,360	7,248	7,184
Scheduled Bodies	951	933	1,181	1,051	931	1,292	298	275	339
Admitted Bodies	119	127	127	123	127	127	111	99	99
	6,726	6,821	6,821	11,469	10,950	10,950	7,769	7,622	7,622

The membership totals for 2017/18 in relation to the administering authority and scheduled bodies have been restated due to a reporting error in which certain members categorised under the administering authority were inadvertently reported under scheduled bodies.

18. AUTHORISATION

These accounts were approved by Council on XXXXXX.

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 the Annual Governance Statement working party, which comprises policy, legal and audit officers with expertise in governance and internal control matters.

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

The governance review process includes:

- The consideration of the Annual Governance Statement Action Plan by the Council's Internal Control Board (ICB).
- The consideration of the Accounts, the Head of Corporate Resources (as Head of Internal Audit) Annual Report and the Annual Governance Statement by the Council's Audit Panel.
- A review of the Council's Local Code of Corporate Governance by the Standards Committee, with reference to CIPFA/Solace Guidance.
- Referral of the Annual Governance Statement to full Council with the Statement of Accounts.
- Sign off by the Chair of the Council and Chief Executive, once approved.

Annual Governance Statement

- This year, the Council's governance arrangements have operated as designed, with some acting up arrangements (principally in respect of the Head of Paid Service and Section 151 Officer roles) from November 2017 to May 2018 pending the recruitment and start of a new Chief Executive. The Chief Executive started in May 2018 but left the Authority as an employee in December 2018. The acting up arrangement were then reintroduced and remain in place pending the start of a newly appointed Chief Executive in October 2019.

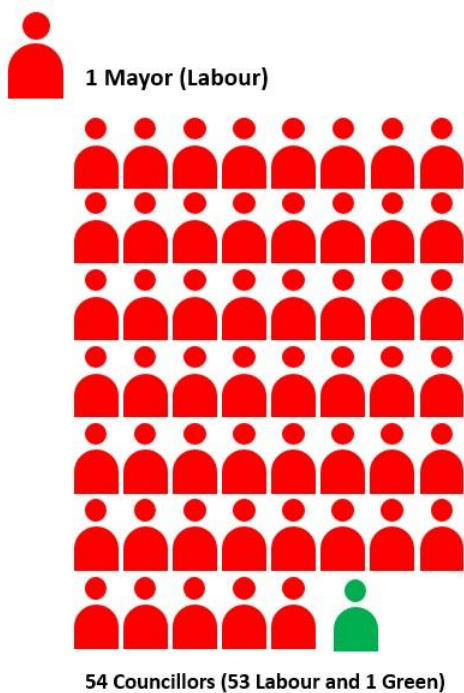
The Council's governance arrangements in 2018/19

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

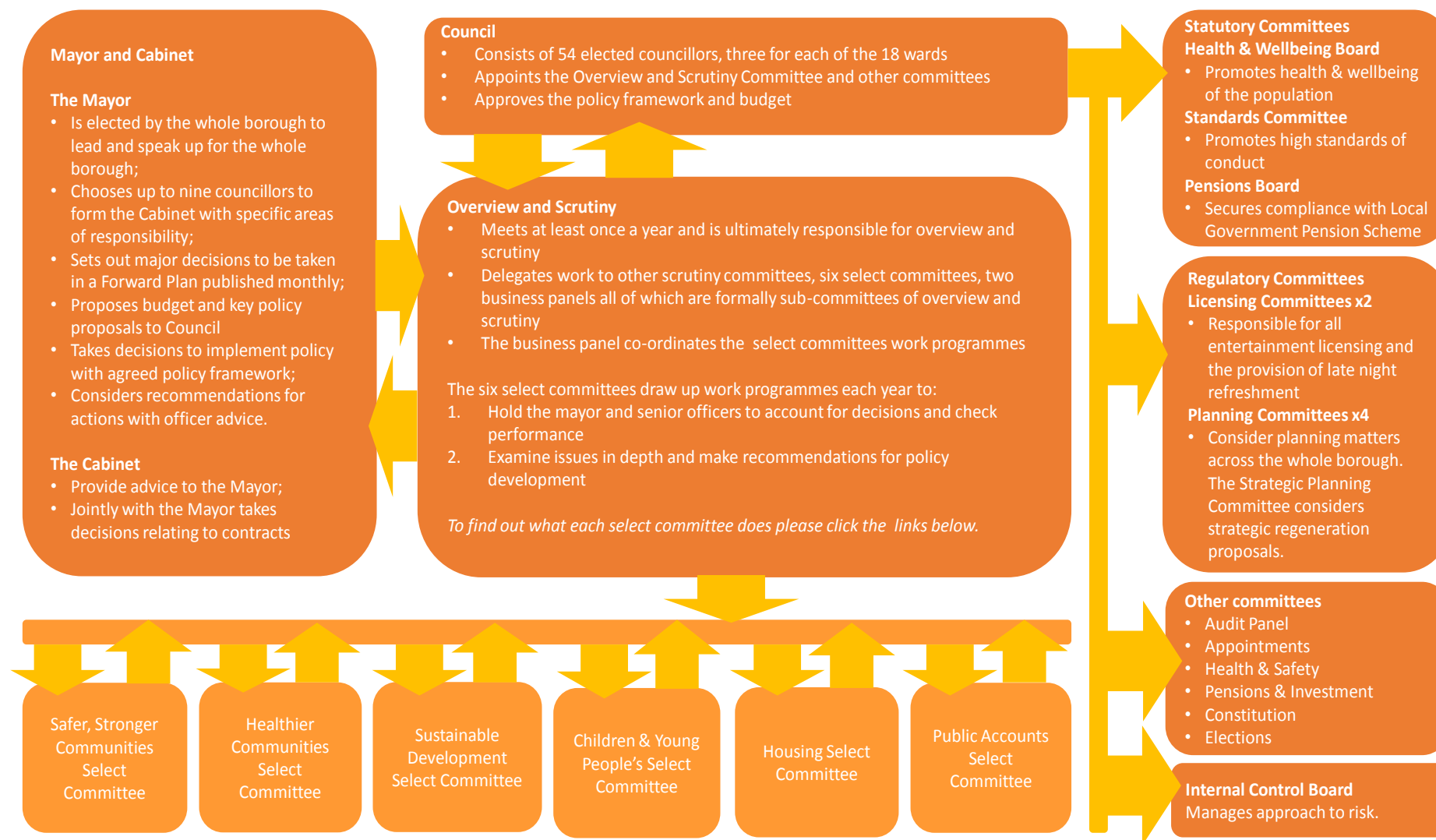
Administration to May 2018:



Administration from May 2018 to June 2019:



Annual Governance Statement



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.

Deliver 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.

In their 2017/18 Annual Audit Letter Grant Thornton, the Council's external auditors, gave a qualified 'except for' conclusion on the Council's arrangements. This was due to matters identified in respect of the Council's transformation governance arrangements. Except for this matter, Grant Thornton were satisfied that the Council had put in place proper arrangements to ensure economy, efficiency and effectiveness in the use of resources. Grant Thornton's Value for Money report (February 2019) was considered by the Audit Panel at their meeting in March 2019.

The Council's performance is monitored via monthly Directorate Management Team (DMT) reports for Children and Young People Services; Community Services; Customer Services; and Resources and Regeneration). 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. The DMT report are reviewed by the Executive Management Team (EMT) and Cabinet leads monthly, giving them direct line of sight to current and emerging performance issues. The new reporting approach, introduced in 2018/19, avoids duplication and ensures that all parties see the same information within the same time period. The appropriateness of the DMT reports is reviewed annually. The quality of services for users is also measured periodically 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. For example, following the Focused Visit of Children's Social Care by Ofsted in September 2018, the Council took active steps to address areas for improvement identified by the regulator.

Roles and responsibilities

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

Embedding Roles and Responsibilities

The Local Code of Corporate Governance and the Codes of Conduct for Members and Officers, set out in the constitution, demand the highest standards of ethical behaviour. These are reviewed regularly and are communicated widely. The Standards Committee received its annual report on Member compliance with the Code of Conduct in November 2018 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.

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

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

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

Decision making

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

Annual Governance Statement

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.

In 2018/19 no-matters were called in either by the Overview and Scrutiny Business Panel or the Education Business Panel. 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.

The constitution sets out which decisions are referred to Full Council. In November 2018 Full Council agreed a report recommending the latest changes to the Mayor and Cabinet scheme of delegation for this administration following the elections in May. These include the new Cabinet portfolios, Cabinet job share arrangements, and related collective Cabinet voting arrangements for decisions.

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 period November 2017 to May 2018 and then again from November 2018 the Head of Internal Audit was also acting as the Council's s151 officer. This was discussed with the external auditors and the Audit Panel and compensating controls implemented. The Council has agreed to change this arrangement going forward by making the Head of Internal Audit post separate to the Deputy s151 role.

In 2017/18 80 (53 corporate and 27 schools) assurance reviews were undertaken and the annual opinion of the Head of Internal Audit was:

*'I have considered all of the work undertaken and reported on by the Internal Audit Service, Anti-Fraud and Corruption Team and other sources of assurance available to the Council for the audit year 2017/18. In my opinion, **Satisfactory** assurance can be placed on the adequacy and effectiveness of Council's corporate internal controls framework in place. In addition, **Satisfactory** assurance can be placed on the Schools internal controls framework'*

External audit

The Council's governance, risk and control management arrangements are subject to an annual independent review by Grant Thornton, the Council's external auditors. The last review, which was published in March 2019; confirmed the unqualified opinion on the 2017/18 financial statements indicated in September 2018, and included a qualification with recommendations in the value for money conclusion in respect of the governance of change in the Council. The value for money conclusion noted:

"...Our review of the Authority's arrangements to support effective governance of the transformation programme identified weaknesses in the Authority's arrangements in two key aspects:

- The overall arrangements were insufficient..., with many of the expected elements of effective programme management missing...; and

Annual Governance Statement

- Assurance and oversight arrangements were insufficient to identify risks and issues in the delivery of this programme, to escalate them appropriately and to ensure action was taken to mitigate them."

The 2016/17 and 2017/18 final audit certificates have not been issued pending ongoing work by the external auditors into two objections received to the 2016/17 accounts. These were standard objections received by a number of authorities in respect of loan contracts and private finance initiatives and the Council is working with auditors to respond.

The Council was aiming for the 2018/19 audit to conclude in July rather than September. However, and as reported to the Audit Panel, this deadline has not been achieved and officers and auditors will now update the Audit Panel on progress with both the internal and external audit work at their September meeting before taking the final accounts to Full Council at their next meeting.

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:

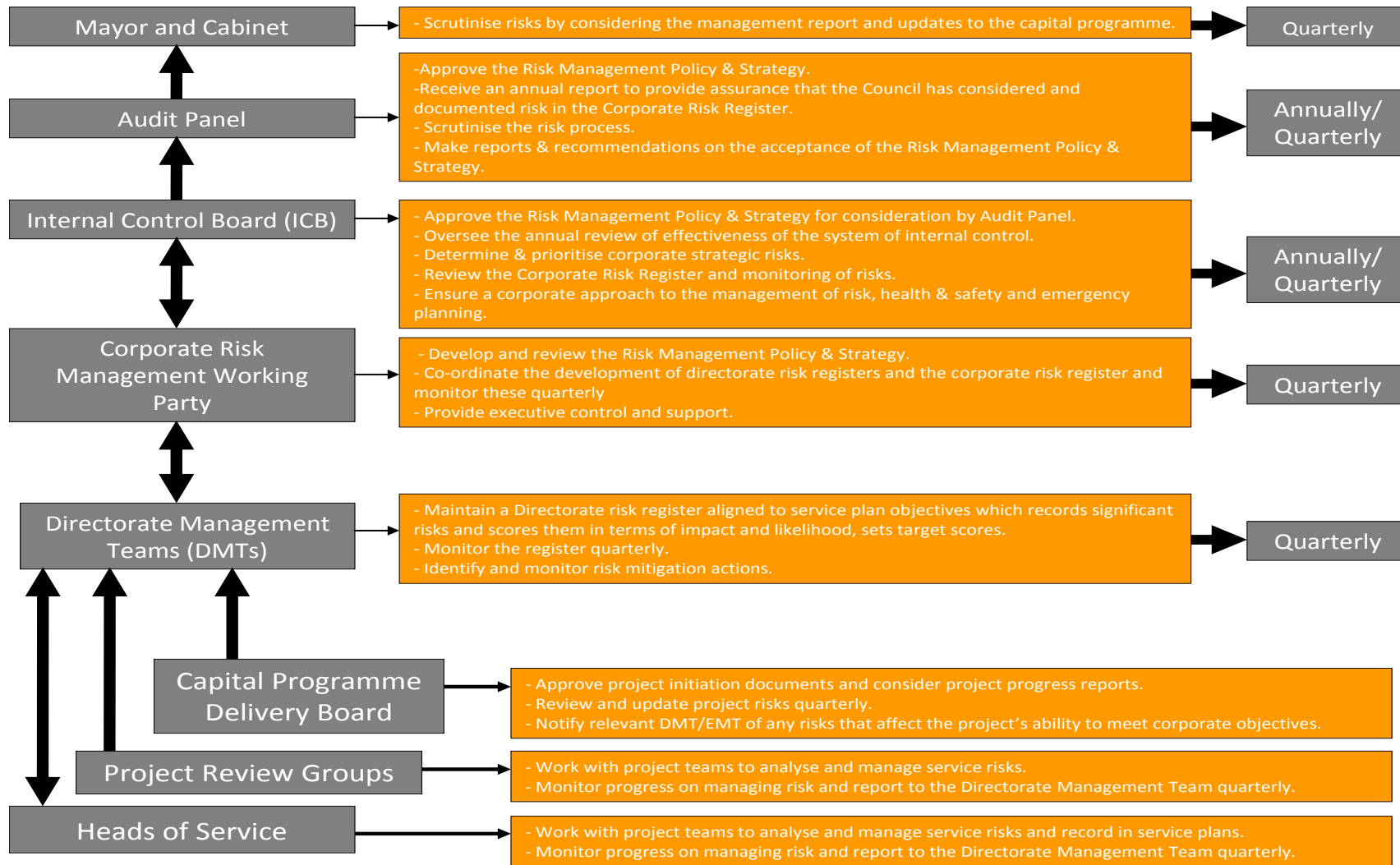
- Review and comment on the strategy, plans and resources of Internal Audit. Internal Audit update reports, summarising the audit reports issued, management's progress on implementing any recommendations and the performance of the Internal Audit function, are received by the Panel on a quarterly basis.
- 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 EMT, councillors and relevant staff on corporate legislative developments; and legal advice is incorporated in every council report. Where gaps or non-compliance are identified, appropriate action is taken. The financial management of the authority is conducted in accordance with financial regulations set out in the constitution and the Council has designated the Executive Director of Resources and Regeneration as its Chief Finance Officer, who advises on the proper administration of the Council's financial affairs, keeping proper financial records and maintaining effective systems of financial control. The Council has a whistle-blowing policy in place which is publicised on the Council's website. Complaints made under this policy are handled by the Monitoring Officer and an annual review is considered by the Standards Committee.

Annual Governance Statement

Risk and Strategy Framework



Training and development

The Council runs a Member Development Programme, focussed on the period following local elections, which ensures that all Councillors have access to the training and development opportunities they need to fulfil their responsibilities to the local community and provide clear leadership and effective scrutiny of local Council functions. The development needs of senior officers are the responsibility of the Head of Personnel and Development and the Monitoring Officer who are aware of their statutory duties and stay abreast any changes in relevant legislation. At the start of the financial year the Chief Executive defines objectives for each of the Executive Directors which are then cascaded to officers throughout the organisation through the Performance Evaluation Scheme.

Engaging the community and partners

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

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

The Council's website includes a page on open data and transparency, which gives information on spending; wages of senior managers; Freedom of Information requests; the annual audit of accounts; the pay policy; and Council decisions. The arrangements for strategic partnership working are set out earlier in this statement. Periodically the Council also engages in wide consultation and communication activities.

How do we know our arrangements are working?

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

- Consideration of governance issues by the ICB – including risk registers, counter-fraud updates and internal audit reports.
- Preparation of a rolling plan of audit coverage to be achieved in the forthcoming year by the Head of Audit and Risk, primarily based on an assessment of the Council's risk profile, and review of the plan by ICB.
- Receipt of the Internal Audit Strategy by the Audit panel and approval of the annual audit plan.
- Preparation of the annual assurance report by the Head of Corporate Resources, setting out his opinion on the Council's overall control environment and approval of the report by the Audit Panel.
- Annual updates to the Public Accounts Select Committee on the work of the Audit Panel
- Consideration by EMT of a full range of governance and performance issues throughout the year, including issues relating to the improvement of the Internal Audit Service and scrutiny of performance and risk (ensuring management action is taken where necessary).
- Consideration of the following reports by the Standards Committee:
 - Compliance with the Member Code of Conduct (November 2018)
 - Review of Whistle-blowing Policy (November 2018)
 - Review of Compliance with the Council's Code of Corporate Governance (July and November 2018)

Annual Governance Statement

- Consideration of external audit reports by Mayor and Cabinet, Audit Panel and relevant Select Committees.

What are our governance priorities going forward?

Our priorities include:

- Continue to progress delivery of the Mayor's policy programme, as set out in the Corporate Strategy adopted by Council;
- Implement the actions agreed following the local Democracy Review and updating the Constitution as necessary;
- Continue to operate and strengthen the governance of change arrangements implemented in 2018/19 to respond to the issues and mitigate the risks identified in the 2017/18 value for money conclusion;
- 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;
- Respond to the leadership priorities, within the established governance arrangements, following the appointment of a new Chief Executive and recruit to the posts of s151 Officer and Head of Internal Audit;
- Deliver the revised management development programme to support more agile and consistent ways of working across the organisation to manage risk and support an effective control environment;
- Complete the annual reviews of the schemes of delegation and performance report to align to the new Directorate structures to be implemented in 2019/20;
- Update the financial control framework and procedures to capture the operational changes from the move to a new system (Oracle Cloud);
- Address the external and internal audit findings reported to the Audit Panel to maintain and, where necessary, improve the Council's financial controls;
- Agree and implement the actions to respond to the findings and recommendations of the Children Services Ofsted review in July 2019; and
- Work with our local and regional health partners to align working arrangements to best deliver the 'integrated health and social care agenda' for the benefit of the borough's citizens.

Signed on behalf of the Council

Jacq Paschoud

Councillor Jacq Paschoud

Chair of Council

July 2019

Janet Senior

Janet Senior

Acting Chief Executive

July 2019