

Statement of accounts 2003-2004



STATEMENT OF ACCOUNTS

2003-2004

This Statement of Accounts is produced in accordance with the current legislation and in particular with the Accounts and Audit Regulations 2003 where applicable.

I confirm that the Statement of Accounts presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year then ended.



R A Coomber CPFA
Chief Executive

Dated *8th October 2004*



Councillor Anne Yates
Mayor of the Council

Dated: 27th October 2004



TABLE OF CONTENTS

	Page
Independent Auditor's Report to Southwark Council	1
Statement of Responsibilities for the Statement of Accounts	3
Statement on Internal Control	4
Foreword	9
Statement of Accounting Policies	
General Principles	13
Compliance with Accounting Standards	13
Capital Accounting	14
Related Party Transactions	16
Grant Claims	16
Consolidated Revenue Account	17
Housing Revenue Account	29
Consolidated Balance Sheet	36
Miscellaneous Trust Funds	54
Summary of Capital Expenditure and Financing	56
Collection Fund Accounts	57
Cash Flow Statement	60
Pension Fund	63
Glossary	68



INDEPENDENT AUDITOR'S REPORT TO SOUTHWARK COUNCIL

I have audited the statement of accounts on pages 4 to 62 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 13 to 16 and the Pension Fund accounts on pages 63 to 67, which have been prepared in accordance with the accounting policies applicable to pension funds set out on pages 64 to 67.

This report is made solely to Southwark Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Chief Financial Officer and Auditor

As described on page 3 the Chief Financial Officer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2003. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts present fairly:

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

I review whether the statement on internal control on pages 4 to 8 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003'

published on 2 April 2004. I report if it does not meet the requirements specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the statement on internal control covers all risks and controls or to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the statement of accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In my opinion the statement of accounts present fairly the financial position of Southwark Council as at 31 March 2004 and its income and expenditure for the year then ended.

Opinion on the pension fund accounts

In my opinion the financial statements present fairly the financial transactions of Southwark Council Pension Fund during the year ended 31 March 2004, and the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Certificate

I have carried out the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission. The audit cannot be concluded and an audit certificate issued until I have completed my consideration of matters brought to my attention by local authority electors. I am satisfied that these matters do not have a material effect on the statement of accounts.



Derek Elliott
District Auditor

1st Floor
Millbank Tower
Millbank
London SW1P 4HQ

16 November 2004

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's responsibilities

The Council 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 Southwark that officer is the Chief Finance Officer.
- To manage its affairs to secure economic, efficient and effective use of resources, and safeguard its assets.

The Chief Finance Officer's responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present fairly the financial position of the Authority at the accounting date, and its income and expenditure for the year ended 31st March 2004.

In preparing the statement of accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the statement of accounts
- Complied with the Code
- Kept proper accounting records which were up to date, and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT ON INTERNAL CONTROL

1. BACKGROUND

The Council is required to publish an annual statement of internal control under the provisions of Regulation 4 of the Accounts and Audit Regulations (England) 2003 and also the CIPFA Code of Practice on UK Local Authority Accounting 2003: A Statement of Recommended Practice (SORP). The following statement is the first under these regulations and follows on from the statement of internal financial control which was included in the 2002/03 annual accounts.

2. THE COUNCIL'S RESPONSIBILITY

The Council has to make sure it carries out all its functions in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its services are delivered, having regard to obtaining best value.

In discharging this overall responsibility, the Council has to make sure that there is a sound system of internal control which facilitates the effective exercise of Southwark Council's functions and which includes arrangements for the management of risk.

3. WHAT THE SYSTEM OF INTERNAL CONTROL DOES

The system of internal control manages the business risks the Council incurs in delivering its activities. Not all these risks can be eliminated but they can be reduced and mitigated by implementing effective systems of control. The control systems can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is an ongoing process designed to identify and prioritise the risks the Council faces in achieving its policies, aims and objectives. It evaluates the likelihood of those risks being realised and the impact should they occur, and manages them. The system of internal control has been in place in the Council for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts and, except for the details of significant internal control issues at section 6, accords with proper practice.

4. THE COUNCIL'S FRAMEWORK OF INTERNAL CONTROL

The following section describes the internal control framework that was in place during the year.

- ***Establishing and monitoring the achievement of the authority's objectives***

The Council's objectives are set and reviewed within the Policy and Resourcing Strategy (P&RS), the formal process for performance management through its business and budget planning. The P&RS and performance management framework are integrated and delivery of the agreed objectives are monitored corporately and departmentally.

STATEMENT ON INTERNAL CONTROL

- ***The facilitation of policy and decision-making***

There is robust corporate and departmental support to members in policy and decision making. Report templates also ensure that members are presented with the appropriate information to make informed decisions – including the key issues for consideration and advice on financial and legal implications.

The main policy documents of the Council are approved either by the Council Assembly or by the Executive as is more fully set out in the Constitution. Action to facilitate the implementation of policies are generally delegated to Chief Officers and sub-delegated as is more fully set out in the Scheme of Delegation and local Schemes of Delegations. All Member level decision decisions are made on the basis of reports and recorded.

The Council maintains its Forward Plan in accordance with statutory provisions and it is published both in hard copy and on the Intranet. Decision making on the basis of reports and recording decisions will be extended to individual Members from 1 July 2004.

Responsibility for the accuracy of the contents of the report lies with the report writer and/or their Chief Officer. Under the Council's report writing protocol report writers should use a standard form of report and should include concurrent reports of the Chief Finance Officer and the Borough Solicitor where appropriate. (In 2004/5 this will be extended to include comments on appropriate reports by the Head of Procurement.)

Reports which do not contain the relevant concurrent reports or comply with the Council's procedures are rejected by Constitutional Support Officers acting on behalf of the Chief Executive and Borough Solicitor.

- ***Ensuring compliance with established policies, procedures, laws and regulations***

Compliance with established policies and the Council's own procedures – breach of which could give rise to legal challenge and loss lies primarily with the Chief Officer responsible for the service area, taking advice as appropriate. They are required to set up procedures to ensure compliance. These procedures are audited from time-to-time by Internal Audit. Some areas are subject to external inspection.

Compliance with new procedures introduced rests with the relevant Chief Officer who provides appropriate training and information. This is provided jointly with representatives of the Legal Services where the new policy procedures, laws and regulations reflect new legislation. The Borough Solicitor is responsible for certain statutory functions e.g. acting with the Standards Committee to maintain legal standards and for the Council's Whistle-Blowing policy.

Individual responsibilities for compliance are embodied in the Performance Management Scheme and monitored as described elsewhere in this statement. Legality and compliance at the point of decision making is monitored as described above.

- ***Identifying, assessing and managing the risks to the authority's objectives***

The Executive agreed a Risk Management Strategy in March 2003 and the Council has been working towards its full implementation. The Council's risks are mapped at Corporate,

STATEMENT ON INTERNAL CONTROL

Departmental and Business Unit level and recorded in the comprehensive risk register. A Governance Body representing the Executive and senior officers was constituted in December 2003. It meets quarterly to consider risk audit and control issues. Representatives of the Audit Commission and PricewaterhouseCoopers (the Council's Internal Audit Provider) attend.

During the year a start has been made to integrate risk management with the Council's Business Planning and Budgeting processes. The transparent identification and consideration of relevant risks is now subsumed into these processes. A risk management training course has recently been developed as part of the Council's Sound Financial Management @ Southwark programme and this is now being regularly run to provide the necessary training in risk management to Council staff. Executive and other members have also attended training courses during the year.

- ***Ensuring the economical, effective and efficient use of resources, and for securing continuous improvement***

An annual programme of Best Value (BV) reviews for 2003/04 was agreed by members in July 2003. These reviews include efficiency reviews and also more fundamental Business Process reviews delivered as part of the Transformation @ Southwark programme.

- ***The financial management of the authority and the reporting of financial management***

The need to achieve the highest standards in financial management has been recognized by the Forward@Southwark agenda and has been addressed by the Forward to Sound Financial Management initiative, the aim of which is to make 'Sound Financial Management' real across the Council. By focusing on systems rigour, resources, and responsibility and accountability, it is helping to ensure that there are effective financial control processes underpinning all activities.

- ***The performance management of the authority and the reporting of performance management***

Performance is monitored at all levels on a regular basis. The Corporate Plan includes key performance indicators and project milestones. Performance is monitored on an exception basis quarterly at meetings of the Executive, Scrutiny Committees and Chief Officer Team. At the departmental level performance is monitored at the Senior Management Team meetings, and there are regular meetings between the Chief Officer and Executive member.

Departmental Business Plans form the basis of departmental monitoring. This ensures that performance, budget, risk and project delivery issues are all covered. An officer and member protocol is being drafted which formally sets out these arrangements. An external review of the Performance Management Framework (PMF) took place last summer. In addition the corporate centre and departments continually work together to ensure the PMF is 'fit for purpose' e.g. Corporate Strategy and the Council is integrating its P&RS, PMF and Risk Management arrangements.

STATEMENT ON INTERNAL CONTROL

5. REVIEW OF THE EFFECTIVENESS OF INTERNAL CONTROL SYSTEMS

The Council is responsible for carrying-out, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the authority who have responsibility for the development and maintenance of the internal control environment. It is also informed by comments made by the external auditors and other review agencies and inspectorates in their annual audit letter and other reports.

The effectiveness of the system of internal control has been reviewed throughout the year as part of the Council's internal audit coverage. The outcome of that audit work is reported to and reviewed by the Council's Governance Body. In addition, as part of the Council's monitoring arrangements, the internal auditors meet monthly with Council staff to report the outcomes of reviews and internal control issues.

The Council has also been advised on the implications of the result of the review of the effectiveness of the system of internal control and a plan to address weaknesses and ensure continuous improvement of the system is in place.

6. SIGNIFICANT INTERNAL CONTROL ISSUES

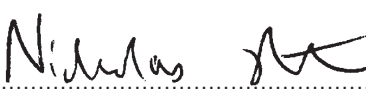
The table below identifies those issues that represent the most significant exceptions to the generally sound system of internal control operating within the Council during the year ended 31 March 2004. For each exception identified the Council's action to resolve the problem is recorded alongside.

Control Exception	Council Response
<p>The Council's arrangements for Disaster Recovery, Emergency Planning and Business Continuity need further development to ensure they are sufficiently robust to ensure continued service provision in all circumstances.</p>	<p>The Council is currently working to develop and improve its ability to respond to such events through a further programme of work to create business continuity plans at all levels throughout the organisation.</p>
<p>The Council's risk management strategy was still in the process of being fully implemented during the year to 31 March 2004 (the strategy having been agreed by members in March 2003).</p>	<p>Further work to fully embed risk management will continue during 2004/05 including high level involvement from members, Strategic Directors and other senior officers. To ensure this is adequately resourced a dedicated risk manager has now been appointed (due to start on 1 July 2004) to lead on this process.</p>

STATEMENT ON INTERNAL CONTROL

Control Exception	Council Response
<p>Full compliance with all purchasing and procurement protocols has not always operated during the year. In particular the purchasing system is not always correctly used with purchase orders not always being raised prior to placing orders or receiving the invoice. Other areas where further action is required are the clearing of unallocated items reconciliation procedures, delegation protocols and levels of user access.</p>	<p>The Council is currently considering a range of possible measures to enforce compliance including the application of sanctions to officers who do not comply with this requirement and a technical solution that would prevent this happening. The new Head of Procurement has been tasked with addressing this. Plans are at an early stage but will cover replacing Contract Standing Orders (being ratified shortly), and issuing a new set of Procurement Guidelines (inc making use of Corporate contracts). Also there will be a process of splitting the "procurement function" away from "paying the Invoice" thereby dealing with segregation of duties problems. There will also be a programme of reducing the number of users with access to procurement and invoice payments and introducing E-procurement and E-payments.</p>
<p>Control deficiencies were identified in the Council's Cash and Cashiers income system through audit work undertaken in 2002/03. These control weaknesses concern inputting accounting entries, corporate understanding/co-ordination of the wider system for processing and accounting for receipts, reconciliations between SAP control accounts and related databases and also the SAP cash and bank balances.</p>	<p>To address this issue a project board has been set up to look at improving the use of E-payments and rationalising the number of payment methods. Part of the Board's brief includes the adequacy of the existing Income Management system and will likely reduce the number of bank accounts.</p>
<p>Audit work has identified problems in the Housing Department I-World (Hsg IT system) -SAP interface. These problems may require manual input of significant amounts of Housing income data to SAP with the potential for incorrect data transfer.</p>	<p>To address this problem the Income Management team are consulting with the Housing Information Systems Management Section (ISMS) to determine the most effective and efficient way of producing the detailed information required and are developing additional reporting functionality to facilitate that.</p>
<p>Recent investigations carried out by the Audit Commission on the process leading to the award of planning permission on a site in Camberwell identified failures in the consultation process and resulted in the issue of a Public Interest Report by the District Auditor. In addition, the same issue was also investigated by the Ombudsman who concluded there had been "maladministration".</p>	<p>The recommendations made by the Audit Commission in their formal "report in the public interest" on this matter are being implemented as a matter of urgency.</p>

Signature of Chief Executive..........Date 21/6/04.....

Signature of Lead Member..........Date 23/6/04.....

FOREWORD

1. THE STATEMENT OF ACCOUNTS

- 1.1 This foreword provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main features of the Council's financial position at 31st March 2004.
- 1.2 The Council's Accounts for the year 2003/04 are set out in the following pages. They consist of:
- The Consolidated Revenue Account - the Council's main revenue account, covering income and expenditure on all services
 - The Housing Revenue Account - which shows income and expenditure on Council Housing
 - The Consolidated Balance Sheet - which sets out the financial position of the Council as at 31st March 2004. It incorporates the balances on the Council's revenue and capital accounts, consolidated advances and borrowing pool and the Collection Fund. The assets and liabilities of the Superannuation Fund and Trust Funds are excluded and are shown separately
 - The Cash Flow Statement - which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes
 - The Trust Fund balances - which show the movements and the final balances on the various trusts and bequests administered by the Council
 - The Collection Fund - which shows transactions of the charging authority relating to Non Domestic Rates and Council Tax and the way these have been distributed to preceptors and the General Fund. It also shows residual transactions relating to Community Charge
 - The Pension Fund - which sets out the financial position of the Council's Pension Fund.
- 1.3 The attached Statements of Accounting Policies and various notes support these Accounts.

FOREWORD

2. THE REVENUE BUDGET

- 2.1 The table below shows how the actual expenditure for the year, excluding the Housing Revenue Account, differs from that budgeted.

	Budget £000	Actual £000	Difference £000
Net Expenditure on Services	378,109	374,218	(3,891)
Collection Fund Deficit	2,358	2,358	0
	<u>380,467</u>	<u>376,576</u>	<u>(3,891)</u>
Less Income: -			
Revenue Support Grant	(240,677)	(240,677)	0
Business Rates	(71,851)	(71,851)	0
Council Tax	(69,239)	(69,239)	0
	<u>(1,300)</u>	<u>(5,191)</u>	<u>(3,891)</u>
Net deficit/(surplus) for the year			
Balance at 1 st April 2003	(6,773)	(6,773)	0
Balance at 31st March 2004	<u>(8,073)</u>	<u>(11,964)</u>	<u>(3,891)</u>

- 2.2 In 2003/04 on a budget of £378.109 million there was an overall surplus on the General Fund of £5.191 million compared with a planned surplus of £1.3 million. The General Fund balance has been increased as budgeted, to £8.073 million, the remainder of £3.891 million taken to earmarked reserves. This is mainly derived from income through Housing Benefit Subsidy and the recovery of benefit overpayments.
- 2.3 The above table shows the Council's position excluding income raised and paid to precepting authorities. The Consolidated Revenue Account, page 17, includes those amounts.

3. CAPITAL FINANCING

- 3.1 The Council has set a de minimis of £10,000 for the valuation of fixed assets (£1,000 for DSO assets).
- 3.2 In 2003/04 the Council spent £112 million on capital projects, including £76 million on Council dwellings and other housing.
- 3.3 This expenditure was financed from the use of credit approvals (21%), with the permitted proportion from the sale of assets (22%), grants and other contributions (15%), and contributions from revenue meeting the remainder.
- 3.4 Capital expenditure under credit approvals was financed from the permitted use of capital receipts and the requirement to make the Minimum Revenue Provision. There was no new long term borrowing in the year, and long term debt reduced in the year by £68 million, from £720 million to £652 million. This was as a result of existing debt maturing and from making additional repayments under a debt reduction strategy.

FOREWORD

4. ARREARS

4.1 Detailed below are the levels of arrears on recurring debt as at 31st March 2004.

	Gross arrears £m	Payments in advance £m	31/3/04 Net arrears £m	31/3/03 Net arrears £m
Housing rents	19.4	(3.8)	15.6	17.5
Homelessness	2.0	(0.2)	1.8	2.3
Non domestic rates	7.5	(9.3)	(1.8)	(1.5)
Council Tax	14.9	(1.4)	13.5	20.0
Other debtors	15.4	(2.0)	13.4	15.9
	<u>59.2</u>	<u>(16.7)</u>	<u>42.5</u>	<u>54.2</u>

4.2 The Council's level of provisions for the write off of arrears on recurring debt has reduced by £6.1 million in 2003/04.

	31/3/04 £m	31/3/03 £m
Housing rents	12.0	12.3
Homelessness	1.6	2.3
Council Tax	13.9	20.1
Other debtors	8.1	7.0
	<u>35.6</u>	<u>41.7</u>

4.3 No provision is made for write off of non-domestic rate arrears, as the liability falls on the Government rather than the Council.

FOREWORD

5. FUTURE COMMITMENTS

CAPITAL PROGRAMME

- 5.1 The Council plans its capital programme on a 5-year cycle, i.e. current year plus four further years. Future commitments to the programme can be analysed over the Council's services as follows:

Service	Contractually Committed Expenditure £m
Housing	93.0
Regeneration	30.2
Education	31.5
Leisure	19.3
Social Services	2.2
Strategic Services	6.8
Total committed programme	<u>183.0</u>

6. PARTNERSHIPS

- 6.1 From 1st April 2001 the Council entered into a contract with Atkins Education for the delivery of the great majority of the Council's responsibilities as a Local Education Authority (LEA). The contract period was to run until 31st March 2006 with the option of extending it for a further period of three years ending on 31st March 2009 and thereafter for a further period of two years ending on 31st March 2011. The Council and Atkins remained as separate legal entities with no formal Partnership agreement or vehicle being established as a result of the contract.
- 6.2 The Council was informed in March 2003 of Atkins Education's wish to terminate its contract with the Council. A settlement was concluded that allowed Atkins Education's contract to be terminated from 31st July 2003. The Statement of Accounts reflects all material sums properly due to Atkins Education or the Council under the terms of the contract up to 31st March 2004.

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

- 1.1 The general principles adopted in compiling and presenting these accounts are those contained in The Code of Practice on Local Government Accounting in Great Britain: Statement of Recommended Practice (SORP) 2003, the Best Value Accounting Code of Practice 2003, and all other relevant legislation and statements of good practice.

2. COMPLIANCE WITH ACCOUNTING STANDARDS

- 2.1 These statements comply with all relevant accounting standards with the exception of the following:
- SSAP 6: Extraordinary items and prior year adjustments. Legislation does not empower local authorities to credit capital receipts to the General Fund. Capital receipts are applied to repay outstanding loan debt, finance new capital expenditure or remain unapplied at the end of the financial year. A statement is included at Note 15.4 to the Consolidated Balance Sheet (page 47).
 - SSAP 24: Accounting for pension costs. Law inhibits the Council from complying with this standard. However, in 2003/04 the Council paid a contribution of £19.27 million into the Pension Fund. In addition it contributed £10.09 million into other pension schemes. Considerably increased contributions have been required since 1992/93 and will continue to be required in future years. Accounting for pensions under FRS 17 has now been fully implemented, with the total liability due to the Fund now represented in the Consolidated Balance Sheet (page 36). Further details are given under the Pension Fund accounts on page 63 and Note 15 on page 24.
 - Treatment of long term loans due to be repaid. The Council has not complied with the requirement to transfer long term loans due to be repaid in the next 12 months to current liabilities since this would distort the balance sheet and comparisons between the financial years.

DEBTORS AND CREDITORS

- 2.2 The accounts are compiled on a system of recognising income and expenditure attributable to the year. Therefore, if goods or services have been received in year 2003/04 they are accounted for accordingly. Likewise, income due in for goods and services relating to 2003/04 is accounted for in 2003/04.
- 2.3 Where the amount due is unknown then an estimated amount has been allowed for.
- 2.4 All interest payable on external borrowing and interest receivable on investments are accounted for in the period to which they relate.

RESERVES AND PROVISIONS

- 2.5 The Consolidated Balance Sheet contains a number of reserves and provisions. Provisions are sums set aside for liabilities that are likely to arise but the exact timing and amounts are unknown. Reserves are for moneys set aside for meeting future expenditure that is non-specific at this moment in time.

STATEMENT OF ACCOUNTING POLICIES

REPAYMENT OF DEBT

- 2.6 The Council administers a Consolidated Advances and Borrowing Pool as allowed under the Local Government and Housing Act 1989. All loans raised under these powers are paid into the pool and are advanced to meet capital expenditure on the various Council services.
- 2.7 Each year the Council is required to charge to revenue a minimum amount for debt redemption, as specified in the Local Government and Housing Act 1989.

ALLOCATION OF CENTRAL ADMINISTRATION EXPENSES OVER SERVICES

- 2.8 There has been an allocation of Central Administrative Expenses over all services, based on Service Level Agreements. Any surpluses or deficits on these internal trading accounts are taken to the General Fund.

BASIS OF VALUATION OF INVESTMENTS

- 2.9 General Fund investments are shown at their cost price including brokerage and fees. Pension Fund investments are shown at market value.

WORKS IN PROGRESS, STOCKS AND STORES

- 2.10 Works in progress are generally valued at cost (except for the stores element, which is valued at average price). However, works carried out by a DSO are shown at the lower of valuation or cost.
- 2.11 Stocks and stores are recorded and charged in the accounts at average price.

3. CAPITAL ACCOUNTING

FIXED ASSETS

- 3.1 All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts, provided that the fixed asset yields benefits to the Council and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets that are charged direct to service revenue accounts.
- 3.2 Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the 2003 Code of Practice on Local Authority Accounting:
- Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value.
 - Non operational assets, investment properties and assets that are surplus to requirements are included in the balance sheet at the lower of net current replacement cost and net realisable value.

STATEMENT OF ACCOUNTING POLICIES

- Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation.
- 3.3 Revaluations of fixed assets are undertaken on the basis of a five-year rolling programme, although material changes to asset valuations will be adjusted in the interim period should they occur. Any surpluses or deficits from revaluation are taken to the Fixed Asset Restatement Reserve.
- 3.4 The Council has no finance leases at this time. If the Council entered into finance leases, the assets acquired would be capitalised in the Council's accounts, together with the liability to pay future rentals. Rental payments under finance leases would be apportioned between the finance charge and the principal element, i.e. the reduction of the liability to pay future rentals. The finance element of rentals would then be charged to the Asset Management Revenue Account.
- 3.5 Rentals payable under operating leases are charged to revenue on an accruals basis.
- 3.6 Income from the disposal of fixed assets is accounted for on an accrual basis. The portions of the receipts that are required to be set aside for the repayment of external loans are taken to the Capital Finance Reserve. The remaining receipts are used to meet the cost of capital expenditure or additional repayments of debt, with the balance of unused receipts being shown in the balance sheet as the usable capital receipts reserve.

DEPRECIATION

- 3.7 Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:
- All assets are charged with depreciation, unless the amount of depreciation is immaterial;
 - Newly acquired assets are depreciated from the year following acquisition, although assets in the course of construction are not depreciated until they are brought into use; and
 - Depreciation is calculated on a straight-line basis.

CHARGES TO REVENUE

- 3.8 All Council accounts are charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values. The charge made to the Housing Revenue Account is an amount equivalent to the statutory capital financing charges.
- 3.9 The Asset Management Revenue Account contains the reversing entry for these transactions, thereby ensuring there is no overall net effect on the accounts.

DEFERRED CHARGES

- 3.10 Deferred charges are fully amortised in the year they arise.

STATEMENT OF ACCOUNTING POLICIES

GOVERNMENT GRANTS AND CONTRIBUTIONS

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

4. RELATED PARTY TRANSACTIONS

- 4.1 The Council is required to disclose details of its financial relationship with related third parties. This has been defined as where the related party has, or is perceived to have, real influence over any transaction between the parties.
- 4.2 In addition to maintaining the register of Members' interests, the Council has obtained specific declarations from Councillors and chief officers for the financial year 2003/04. Of the 74 declarations requested, 15 declared interests with voluntary bodies or charitable organisations which have received funding totalling £1,439,828; or businesses that have contracted for goods and services with the Council to the value of £471,299 in 2003/04.
- 4.3 Two Councillors declared an interest in Fusion Leisure Service (Southwark Community Leisure Limited).
- 4.4 Deutsche Bank employs one Councillor, and part of the Council's pension fund is invested with the group company Deutsche Asset Management.
- 4.5 The Council register of Members' interests is available for inspection together with their declarations of any related party transactions at Peckham Town Hall.
- 4.6 The Government is a related party for the Council, by virtue of the influence it can exert through the level of grant funding it supplies. The Council received £605m grant funding in 2003/04 (£595m 2002/03), as shown in Note 2 to the cashflow statement, page 61.

5. GRANT CLAIMS

- 5.1 The Accounts are prepared on the basis of accruals for claims of grants from the Government. At the time of signing the Accounts a number of end of year grant claims had not been finalised, including material claims such as Housing Subsidy, Housing Benefits Subsidy, Asylum Seekers and others. The Accounts are therefore presented using the best estimates available. Any audit amendments to these claims may have a material effect on the Accounts presented.

CONSOLIDATED REVENUE ACCOUNT

	Note	Expenditure	Income	2003/04 Net Expenditure	2002/03 Net Expenditure
		£000	£000	£000	£000
Education		230,552	(54,969)	175,583	161,662
Social Services	2	167,382	(61,112)	106,270	98,455
Housing Services - Housing Revenue Account	3	372,428	(369,185)	3,243	72,294
Housing Services - General Fund		99,050	(77,864)	21,186	22,152
Highways and Transportation	4	26,505	(12,982)	13,523	14,175
Cultural, Environmental and Planning	5,6	94,445	(35,122)	59,323	51,576
Coroners		947	(781)	166	179
Central Services	7,8,9	78,255	(75,096)	3,159	(7,017)
Corporate and Democratic Core		17,488	(2,273)	15,215	12,719
Non distributed costs	10	6,120	0	6,120	1,516
Net Cost of Services	11-16	1,093,172	(689,384)	403,788	427,711
Net (surplus)/loss on internal trading accounts	11			(1,165)	174
Interest Receivable				(5,711)	(5,108)
Transfers to/(from) AMRA	17			(74,701)	(130,593)
Deferred Credits				(572)	(814)
Deferred Debits				4,536	2,148
Levies				1,944	1,918
Amounts due to precepting authorities				19,187	14,644
Pensions interest cost and expected return on pensions assets	1			8,800	(1,000)
Net Operating Expenditure				356,106	309,080
Appropriations -					
Transfers to/(from) HRA Fund				15,167	13,461
Contributions to/(from) earmarked reserves				6,487	13,675
Contributions to/(from) capital reserves					
- Financing capital expenditure				27,974	13,882
- Deferred Charges				(7,810)	(6,876)
- Deferred Grants				1,470	479
MRP/Depreciation adjustment	18			2,131	7,804
Contribution from the pension reserve	1			(4,229)	5,102
Amounts to be met from Government Grants & Taxation				397,296	356,607
Sources of Finance:					
Council Tax payers				(88,426)	(80,011)
Deficit from previous years Collection fund				2,358	4,239
General Government Grant				(240,677)	(212,811)
Contributions from non domestic pool				(71,851)	(70,712)
Net General Fund (surplus)/deficit				(1,300)	(2,688)
Balance brought forward				(6,773)	(4,085)
Balance carried forward				(8,073)	(6,773)
Schools' balances at 31 st March				(5,965)	(5,845)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. FRS 17 – ACCOUNTING FOR RETIREMENT BENEFITS

- 1.1 With effect from 2003/04, the Consolidated Revenue Account is presented in accordance with the revised Accounting Code of Practice which requires the Accounts to be prepared in accordance with FRS 17, Accounting for Retirement Benefits. For comparison, the figures for 2002/03 have been restated on an FRS 17 basis. The revised accounting under FRS 17 does not affect the amounts to be met from Government Grants and Taxation, as the accounting entries are reversed in the line “Contribution from the pension reserve”.
- 1.2 Further information on accounting for FRS 17 is given in Note 17 on page 51.

2. POOLED FUNDS

- 2.1 Section 31 of the Health Act 1999 enables joint working arrangements between NHS bodies and local authorities. In 2003/04 the Council (LBS) and Southwark Primary Care Trust (PCT) operated a pooled fund arrangement for the Learning Disabilities Service. LBS was the host body and the Consolidated Revenue Account includes the following contributions from the PCT and grants relating to this combined service:

	2003/04 £000	2002/03 £000
Income		
Surplus brought forward	(355)	0
LBS	(15,158)	(15,660)
PCT	(8,065)	(7,775)
LBS grants	(2,008)	(2,182)
	(25,586)	(25,617)
Expenditure	24,989	25,262
Net underspend carried forward	(597)	(355)

- 2.2 For the first year in 2003/04, LBS and the PCT operated a lead commissioning arrangement for Mental Health Services, with the PCT as the lead body. This is not a pooled fund arrangement, but is reported here to reflect all arrangements between the Council and the PCT. The Consolidated Revenue Account includes the following transactions for the services provided:

	2003/04 £000
Income	
LBS	(7,253)
PCT	(36,199)
LBS grants	(1,653)
	(45,105)
Expenditure	45,475
Net overspend carried forward	370

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

3. RECONCILIATION OF THE HRA TO THE CONSOLIDATED REVENUE ACCOUNT

- 3.1 The net cost of services for the HRA, as shown in the HRA statement on page 29, is £3.993 million. Under Best Value Accounting the disclosure of the net cost of the HRA is required to be included in the Consolidated Revenue Account as:

	2003/04 £000	2002/03 £000
Cost of Services	3,243	72,294
Corporate and Democratic Core	750	250
Net Cost of Services	3,993	72,544

- 3.2 The value of HRA dwellings for 2002/03 has been restated, see Note 2 to the HRA page 30 and Note 1.2 to the Consolidated Balance Sheet page 37. The HRA statement on page 29 has been restated in 2002/03 for a revised cost of capital charge. The net cost of services for 2002/03 was previously shown as £92.7 million.

4. AGENCY GOODS AND SERVICES

- 4.1 From 1st April 2001 the Council has had an agency agreement with Transport for London (TfL), for works to roads in the borough under the control of TfL. TfL reimburses the cost of works by the Council, including a contribution towards administrative costs. TfL now commissions work directly itself, and no income was generated in this way by the Council in 2003/04.

5. COMMERCIAL INCOME

- 5.1 The Council undertook commercial refuse collection in addition to its statutory refuse collection. In 2003/04 a profit of £296,000 (£90,000 in 2002/03) occurred on a turnover of £2,768,000 (£2,532,000 in 2002/03).
- 5.2 The Council operates a number of industrial estates in the area. These produced an income of £1,385,000 (£1,565,000 in 2002/03) against expenditure of £1,065,000 (£2,984,000 in 2002/03).
- 5.3 The Council also rents out commercial properties. These produced an income of £1,436,000 (£2,076,000 in 2002/03) against expenditure of £1,604,000 (£963,000 in 2002/03). The reduction in income is due largely to a correction for future years income invoiced in advance being booked into the current year.
- 5.4 The Council operates a Parking Trading Account. In 2003/04 parking generated a surplus of £3,272,000 (£2,231,000 in 2002/03). The surplus has been fully applied to meet other transport costs of road maintenance £992,000, street lighting £1,362,000 and other highways expenditure of £918,000 (£859,000, £1,196,000 and £176,000 in 2002/03, respectively). There is no residual balance brought forward nor carried forward, as any surplus on the account is fully applied to appropriate purposes in the year it arises.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

6. BUILDING CONTROL FEE EARNING ACCOUNT (BCFE Account)

6.1 The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities carried out by the building control service cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of the BCFE account divided between the chargeable and non-chargeable activities.

			2003/04	2002/03
	Chargeable	Non Chargeable	Total	Total
	£000	£000	£000	£000
Expenditure				
Employees	652	307	959	824
Premises	26	12	38	40
Transport	11	6	17	24
Supplies & Services	156	73	229	275
Support Services	195	91	286	242
Total Expenditure	1,040	489	1,529	1,405
Income				
Building Regulation Charges	(1,044)	0	(1,044)	(963)
Deferred Charges	(119)	0	(119)	0
Miscellaneous Income	0	(65)	(65)	(83)
Dangerous Structures Income	0	(91)	(91)	(177)
Deferred Income	(140)	0	(140)	(22)
Total Income	(1,303)	(156)	(1,459)	(1,245)
(Surplus)/Deficit for the year	(263)	333	70	160

7. CENTRAL SERVICES

7.1 The net outturn in 2003/04 was £3.159 million expenditure over income, compared with a net surplus of £7.017 million in 02/03. The movement is attributable to £11.802 million of provisions being released into Central Services in 02/03 before being appropriated to reserves.

8. MEMBERS' ALLOWANCES

8.1 The amount of members' allowances paid in 2003/04 was £959,483 (£853,957 in 2002/03).

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

9. AUDIT REMUNERATION

9.1 In 2003/04 the Council incurred the following fees relating to external audit and inspection:

	2003/04 £000	2002/03 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor (audit of the Accounts and related work)	719	485
Fees payable to the Audit Commission in respect of statutory inspection (Best Value inspections and related work)	206	182
Fees payable to the Audit Commission for the certification of grant claims and returns	305	519
Fees payable in respect of other services provided by the appointed auditor (see Note 9.2)	162	25
	1,392	1,211

9.2 The £162,000 fees for other services payable in 2003/04 related to:

	£000
Public interest report, Imperial Gardens	123
National Fraud Initiative	20
Charter School	17
Social Services	2
	162

10. NON-DISTRIBUTED COSTS

10.1 The Best Value Accounting Code of Practice requires the disclosure of Unallocated Central Overheads. The costs are:

	2003/04 £000	2002/03 £000
London Pension Fund Authority levy	1,520	1,516
Pension contributions, past service costs	4,600	0
Total	6,120	1,516

10.2 Under accounting for FRS 17, Non Distributed Costs includes the actuarially assessed contribution to the pension fund for past service costs rather than the actual payments made.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

11. TRADING ACTIVITIES

11.1 Best Value Accounting requires the disclosure of turnover and net profit for all internal trading accounts. The list below includes operations of the Council run on a trading account basis as well as DSO trading activities. The profit or loss figures are presented on an FRS 17 basis. 2002/03 figures have also been restated for FRS 17.

	Note	Turnover 2003/04 £000	(Profit)/Loss 2003/04 £000	Turnover 2002/03 £000	(Profit)/Loss 2002/03 £000
Building	11.2	(12,928)	290	(12,577)	1,108
Street & Metal Work Services		(3,614)	(384)	(3,247)	(183)
Refuse		(5,439)	(156)	(5,439)	17
Cleanteam/Greenteam	11.3	-	-	(4,014)	(85)
Vehicle Management (Fleet)		(4,699)	(467)	(3,300)	(119)
Building Design Services		(4,659)	(57)	(5,330)	60
Integrated Cleaning Contract		(19,510)	(121)	(296)	2
Passenger Services		(3,409)	(67)	(3,605)	(50)
DSO SLA overhang costs	11.4	0	308	0	283
Translation Unit		(125)	154	(125)	154
Social Services – Orchard Lodge	11.5	(7,406)	(21)	(7,559)	73
Parking Services		(9,502)	(3,273)	(7,035)	(1,759)

11.2 The losses in Building in 2002/03 were due to exceptional costs incurred in the closure of the Major Voids contract and redundancy costs following major reorganisation and outsourcing of management of the unit to the private sector.

11.3 Cleanteam/Greenteam is now included in Integrated Cleaning Contract.

11.4 SLA overhang costs are associated with trading accounts that no longer exist, but to which recharges continue to be charged.

11.5 Orchard Lodge is currently being externalised. It is expected that this will be completed in 2004/05. The facility should cease to be the responsibility of the Council. The ongoing business (until externalisation) is expected to breakeven, apart from any notional FRS 17 costs.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

12. LIABILITY IN RESPECT OF LEASED ASSETS

12.1 The Council has a number of assets that have been provided through hire agreements. The value of the rental payments are shown below:

	2003/04 £000	2002/03 £000
Cost of repayments in 2003/04		
Operating leases - Council vehicles	2,977	2,352
Operating leases - staff vehicles	806	637
Hire purchase – fixed plant	116	38
Property leases	4,528	3,200
	8,427	6,227

12.2 Council vehicles are provided on both short term and long term contract hire. The rentals remaining to be paid on the longer term contracts as at 31st March totalled £6.1 million.

12.3 The rentals remaining on staff vehicles at 31st March totalled £1.4 million. Approximately 77% of the cost of employee vehicles is borne by the Council, the remainder falling to the employees.

12.4 The increase in property rentals is due largely to the take on of leases with housing associations for rental accommodation. Future rentals on property leases are estimated at £5.2 million per annum.

12.5 The Council has rental liabilities for office and other equipment, of £2.1 million per annum, which is not include in the table above.

13. PUBLICITY

13.1 The Council's spending on publicity is set out below, under the requirements of section 5(1) of the Local Government Act 1986.

	2003/04 £	2002/03 £
Recruitment advertising	1,381,733	871,540
Council newspapers and other publications	187,585	217,311
Consultations and other publicity	2,321,034	1,800,051
	3,890,352	2,888,902

13.2 In addition to the above, Atkins, the Council's Education PPP partner between 1st April 2001 and 31st July 2003, incurred publicity costs on behalf of the Council. These costs were part of the contract price of the PPP and are not identifiable separately.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

14. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

- 14.1 Between 1st April 2001 and 31st July 2003, Atkins provided Education services on behalf of the Council. Atkins were classed as a relevant body for the purpose of the Local Authority (Goods and Services) Act 1970. The Council is empowered to provide goods and services to relevant bodies under the Act. The Council provided Atkins with IT services, legal services and transport to school services.
- 14.2 In 2001/02 the London Borough of Hackney commissioned the Council's Building Design Service to assist in the development of a planned maintenance programme. The Council continued to receive commission for this work in 2003/04.
- 14.3 In 2003/04 the Council assisted the London Borough of Bromley with IT technical support for broadband installations.

	2003/04 £000	2002/03 £000
Income received		
Atkins: Information Technology	95	286
Atkins: Legal	0	25
Atkins: Transport	856	2,415
Hackney: Building Design Commission	86	5
Bromley: Broadband IT support	17	0
	1,054	2,731

15. EMPLOYEES PENSION COSTS

- 15.1 *Teachers' pension costs.* Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teacher's Pensions Agency (TPA). It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2003/04 the Council paid £9.42 million to the TPA in respect of teachers' pension costs, which represents 13.5% of teachers' pensionable pay. In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2003/04 these amounted to £433,858.
- 15.2 *Employees who were transferred from the GLC or ILEA.* In 2003/04 the Council paid £0.674 million to the London Pension Fund Authority in respect of the pension costs for former employees of the GLC or ILEA. This represents 19.3% of pensionable pay. In addition the Council is responsible for all pension payments relating to added years benefits it has awarded, together with related increases. In 2003/04 these amounted to £74,622.
- 15.3 *Other employees' pension costs.* In 2003/04 the Council paid an employer contribution of £15.14 million into the Pension Fund, representing 14.3% of pensionable pay. The proportion of this contribution, which was estimated by the actuary to be attributable to current employees' liabilities (8.7%), has been charged to the relevant service and the remainder in respect of past employees has been charged as a corporate cost. In addition the Council made a one off additional lump sum contribution of £4.15 million. The contribution rate is determined by the Fund's actuary, based on triennial valuations,

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

the last full review on which these rates were based being at 31/3/01. Under Pension Fund regulations contribution rates are set to meet the overall liabilities of the Fund. In addition the Council is responsible for all pension payments relating to added years benefits it has awarded, together with related increases. In 2003/04 these amounted to £2.427 million, representing 2.0% of pensionable pay.

15.4 The last triennial revaluation of the Fund took place as at 31/3/01. Based on this valuation, to meet the requirements of SSAP 24 Accounting for pension costs, the Council would have been required to make a contribution of £14.64 million, representing 14.4% of pensionable pay.

15.5 The Council may make discretionary increases to pension entitlements, funded either by the Council or the Pension Fund. The capital costs of the increases made in the year, and arising from earlier years against which payments are still being made, are identified as:

	£000	% of total pensionable pay
Capital cost of discretionary added years awarded in 2003/04, funded by the Pension Fund	809	0.7
Capital cost of discretionary added years awarded in years before 2003/04, funded by the Pension Fund	35,174	
Capital cost of discretionary added years awarded in 2003/04, funded by the Council	0	0.0
Capital cost of discretionary added years awarded in years before 2003/04, funded by the Council	28,513	

16. REMUNERATION OF EMPLOYEES

16.1 During 2003/04 the Council employed staff whose taxable remuneration exceeded £50,000 in the year. A breakdown of these employees in bands of £10,000 is as follows:

Band (£)	Schools	Non schools	Number of employees	Number of employees
			2003/04	
50,000 - 59,999	101	40	141	83
60,000 - 69,999	31	15	46	37
70,000 - 79,999	8	10	18	19
80,000 - 89,999	7	2	9	2
90,000 - 99,999	2	4	6	2
100,000 - 109,999	0	2	2	1
110,000 - 119,999	0	0	0	1
120,000 - 129,999	0	2	2	0
130,000 - 139,999	0	0	0	0
140,000 - 149,999	0	0	0	1
150,000 - 159,999	0	1	1	0
	149	76	225	146

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

17. ASSET MANAGEMENT REVENUE ACCOUNT (AMRA)

	2003/04 £000	2002/03 £000
Income		
Capital charges - General Fund	(27,629)	(32,999)
Capital charges - Housing Revenue Account	(155,824)	(211,872)
Transfer from Grants Deferred Account	(1,470)	(479)
	(184,923)	(245,350)
Expenditure		
Provision for depreciation - General Fund	9,169	7,105
Provision for depreciation - Housing Revenue Account	40,858	40,376
External interest charges	60,195	67,276
	110,222	114,757
Balance to the Consolidated Revenue Account	(74,701)	(130,593)
Analysed as:		
General Fund	(17,435)	(20,741)
Housing Revenue Account	(57,266)	(109,852)
Balance to the Consolidated Revenue Account	(74,701)	(130,593)

- 17.1 Under the requirements of resource accounting for the Housing Revenue Account (HRA), from 2001/02 capital charges to the HRA are shown at full cost. Previously, capital charges were set only at the level of Housing Subsidy receivable to meet debt-financing costs.
- 17.2 The value of HRA dwellings for 2002/03 has been restated, see Note 2 to the HRA page 30 and Note 1.2 to the Consolidated Balance Sheet page 37. The HRA statement on page 29 has been restated in 2002/03 for a revised cost of capital charge. Total capital charges for the HRA in 2002/03 were previously shown as £232.028 million.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

18. MINIMUM REVENUE PROVISION (MRP)

	2003/04 £000	2002/03 £000
Non housing amount - 4% of credit ceiling	1,172	1,382
Housing amount - 2% of credit ceiling	12,643	13,527
Minimum Revenue Provision	13,815	14,909
Non housing amount	1,172	1,382
Less General Fund depreciation	(9,169)	(7,105)
	(7,997)	(5,723)
Housing amount	12,643	13,527
Less HRA depreciation	(40,858)	(40,376)
Receipt of Major Repairs Allowance	38,823	38,468
Transfer to the Major Repairs Reserve	2,035	1,908
	12,643	13,527
Balance to the Consolidated Revenue Account	4,646	7,804
Technical adjustments for earlier years (Note 18.4)	(2,515)	0
Balance to the Consolidated Revenue Account	2,131	7,804

- 18.1 Under the requirements of resource accounting for the Housing Revenue Account (HRA), the charge for depreciation to the HRA is matched by the receipt of the Major Repairs Allowance (for depreciation on dwellings) or by a transfer from the Major Repairs Reserve (for depreciation on all other HRA assets). HRA MRP is now a direct charge to the HRA, as shown on the face of the Housing Revenue Account, page 29.
- 18.2 The MRP/Depreciation adjustments are accounting and presentational adjustments only and there is no net cost or benefit to either the HRA or the General Fund accounts. The movements in AMRA and MRP introduced by resource accounting can be analysed as follows, to show that the net movement on the Consolidated Revenue Account is consistent from year to year:

	2003/04 £000	2002/03 £000
Asset Management Revenue Account	(74,701)	(130,593)
MRP balancing adjustment	4,646	7,804
	(70,055)	(122,789)
Less		
HRA AMRA adjustment	57,266	109,852
HRA MRP now charged direct to HRA	(12,643)	(13,527)
	(25,432)	(26,464)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

- 18.3 The value of HRA dwellings for 2002/03 has been restated, see Note 2 to the HRA page 30 and Note 1.2 to the Consolidated Balance Sheet page 37. The HRA statement on page 29 has been restated in 2002/03 for a revised cost of capital charge. The balance on the AMRA in 02/03 includes the revised cost of capital charge, and was previously shown in 2002/03 as £150.749 million.
- 18.4 Following analysis of the technical adjustments made to MRP between 1992/93 and 2002/03, which arose from the Government having repaid an element of Council debt in 1992/93, it has been determined that the Council has overstated the General Fund MRP in each of those years. The overstatement arose from errors in the Government's guidance on how to calculate the technical adjustment, and is an issue for all local authorities that the Government repaid debt for in 1992/93. The total overstatement for the 11 year period is £1.708 million. Subsequently a further £0.807 million has been identified, giving a total adjustment for previous years of £2.515 million. As a result, an adjustment has been made to the Accounts showing a credit for this value to the General Fund in 2003/04, releasing funds from the Capital Finance Reserve (Note 15.2 page 46).

HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) reflects the statutory requirement under schedule 4 of the Local Government and Housing Act 1989 to account separately for local authority housing provision. It shows the major elements of cost in providing and managing the Council's housing stock and how this expenditure is met from rents, subsidy and other income.

HOUSING REVENUE ACCOUNT

	2003/04 £000	2002/03 £000
INCOME		
Dwelling rents (gross)	(139,186)	(146,974)
Non dwelling rents (gross)	(7,690)	(7,171)
Charges for services and facilities	(35,320)	(22,059)
Contributions towards expenditure	(7,147)	(9,625)
HRA subsidy receivable (including MRA)	(161,334)	(155,542)
Reductions in provisions	(18,508)	(10,164)
TOTAL INCOME	(369,185)	(351,535)
EXPENDITURE		
Repairs and maintenance	47,500	46,057
Supervision and management	83,024	81,252
Rents, rates, taxes and other charges	2,839	2,832
Rent rebates	79,000	77,681
Increases in provisions	4,420	3,862
Cost of capital charge	114,928	171,497
Depreciation and impairment of fixed assets	40,858	40,376
Amortisation of deferred charges	335	329
Leasing charges	38	38
Debt management expenses	236	155
TOTAL EXPENDITURE	373,178	424,079
Net Cost of Services	3,993	72,544
Asset Management Revenue Account balance	(62,039)	(111,877)
Amortised premiums and discounts	4,772	2,025
HRA Investment Income	(1,337)	(1,596)
Net Operating Expenditure	(54,611)	(38,904)
Revenue Contribution to Capital Expenditure	26,910	12,346
HRA Contribution to MRP	12,643	13,527
Transfer to/(from) Major Repairs Reserve	(2,035)	(1,908)
Contribution to the pension reserve	1,926	1,478
Total (Surplus)/Deficit for the year	(15,167)	(13,461)
Balance brought forward	(22,679)	(9,218)
Balance carried forward	(37,846)	(22,679)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. ANALYSIS OF HOUSING STOCK BY TYPE OF DWELLING

Type of dwelling		Number of bedrooms				Total	
		1	2	3+	Other	31/3/04	31/3/03
Houses and bungalows	31/3/04	409	772	3,069	0	4,250	
	31/3/03	412	784	3,081	0		4,277
Low rise flats	31/3/04	3,276	756	417	0	4,449	
	31/3/03	3,343	788	435	0		4,566
Medium rise flats	31/3/04	7,662	8,259	7,234	0	23,155	
	31/3/03	7,955	8,676	7,522	0		24,153
High rise flats	31/3/04	4,216	6,077	2,156	0	12,449	
	31/3/03	4,335	6,251	2,224	0		12,810
Non permanent	31/3/04	0	0	0	56	56	
	31/3/03	0	0	0	56		56
Multi occupied	31/3/04	0	0	0	196	196	
	31/3/03	0	0	0	196		196
TOTALS	31/3/04	15,563	15,864	12,876	252	44,555	
	31/3/03	16,045	16,499	13,262	252		46,058

2. ASSET VALUATIONS

2.1 The values of HRA operational assets, as included in Note 1 to the balance sheet on page 37, are shown in the table below. There are no non-operational HRA assets.

	31/3/04	31/03/03
	£000	£000
Dwellings	2,739,201	2,747,136
Other land and buildings	63,151	59,804
	2,802,352	2,806,940

2.2 The value of Council dwellings in 2002/03 was overstated by £335.931 million, and the Accounts for 2002/03 have been restated accordingly. The value of Council dwellings for 2002/03 shown here and in Note 1 to the balance sheet on page 37 was previously £3,083.067 million.

2.3 The vacant possession value of dwellings within the HRA at 1st April 2003 was £7,750 million. The balance sheet value is lower because nearly all the dwellings are occupied, and because the rents for secure tenancies are below market value.

NOTES TO THE HOUSING REVENUE ACCOUNT

3. MAJOR REPAIRS RESERVE

	2003/04 £000	2002/03 £000
Balance at 1 st April 2003	(5,205)	0
Transfers from the Capital Financing Reserve	(40,858)	(40,376)
Transfer to the HRA	2,035	1,908
Interest received	(528)	0
Financing of capital expenditure	19,157	33,263
Balance at 31st March 2004	(25,399)	(5,205)

- 3.1 The balance on the Major Repairs Reserve arises as a result of delays in the Stock Condition Survey and the introduction of the Leasehold and Commonhold Reform Act 2002. This is carried forward to 2004/05 to meet Decent Homes and investment needs generally.

4. HRA BALANCE

- 4.1 HRA reserves at 31st March 2004 are £37.8 million. The increase in the reserves from £22.7 million arises from the release of bad debts provisions, housing subsidy provisions and improved income collection. The reserves are allocated as follows:

	2003/04 £m	2002/03 £m
Earmarked reserves	11.7	7.9
Decent Homes reserve	12.2	5.6
General one-off balances	13.9	9.2
Balance at 31st March 2004	37.8	22.7

- 4.2 Earmarked reserves comprise:

- Contingency Fund, £6 million - reserve held similar to that in the General Fund, representing 3% of gross HRA.
- Insurance reserve, £2 million - self-insurance fund against risk of subsidence in housing owned stock.
- Stockloss reserve, £3.3 million - provision against income losses arising in 2004/05 from possible Right To Buy activity levels of 4,000 disposals.
- Office accommodation, £0.4 million - planned maintenance and office refurbishment programme.

- 4.3 Decent Homes reserve, £12.2 million - one-off windfall resource to fund Decent Homes programme in 2004/05.

NOTES TO THE HOUSING REVENUE ACCOUNT

4.4 General one-off balances comprise:

- Non-base budget funded service improvements, £7 million - primarily to repair and maintain the housing stock and improvements and new initiatives to enhance service provision to tenants and leaseholders.
- Best Value reviews, £1.6 million - one-off costs associated with implementation of service reviews, primarily Housing Management.
- IT, £1.2 million - investment in infrastructure, e-government and customer access.
- Corporate initiatives, £4.1 million - HRA contribution towards costs of corporate priorities, i.e. Customer Service Centre, modernisation agenda, stock options appraisal, estate signage and redevelopment of the Elephant & Castle.

5. CAPITAL

CAPITAL EXPENDITURE	2003/04	2002/03
	£000	£000
Funding Source:		
Borrowing	13,213	13,719
Usable capital receipts	9,217	14,122
Grants and contributions	231	2,054
Revenue contributions	26,910	12,346
Major Repairs Reserve	19,157	33,263
Total HRA capital expenditure	68,728	75,504
RECEIPTS FROM ASSET DISPOSALS	2003/04	2002/03
	£000	£000
Land	494	447
Buildings	121,757	73,027
Other receipts	0	372
Total HRA capital receipts	122,251	73,846

6. COST OF CAPITAL CHARGES

6.1 The cost of capital charges represents a notional interest charge to the HRA for the use of its operational assets, calculated as 3.5% of the value of HRA operational assets (6% in 2002/03).

6.2 The value of Council dwellings in 2002/03 was overstated by £335.931 million, and the Accounts for 2002/03 have been restated accordingly. The cost of capital charge in 2002/03 has been reduced by £20.156 million, previously shown as £171.497 million. There is no net effect on HRA Net Operating Expenditure as there is a corresponding reduction in the Asset Management Revenue Account balance.

NOTES TO THE HOUSING REVENUE ACCOUNT

7. DEPRECIATION CHARGE

	2003/04 £000	2002/03 £000
Dwellings	38,823	38,468
Other property	2,035	1,908
	40,858	40,376

8. ASSET MANAGEMENT REVENUE ACCOUNT BALANCE

- 8.1 The balance is a capital asset charge accounting adjustment, representing the difference between the cost of capital charge and the HRA interest costs, as statutorily calculated in accordance with the Item 8 Debit (General) Determination.
- 8.2 The value of Council dwellings in 2002/03 was overstated by £335.931 million, and the Accounts for 2002/03 have been restated accordingly. The Asset Management Revenue Account balance in 2002/03 has been reduced by £20.156 million, previously shown as £132.033 million. There is no net effect on HRA Net Operating Expenditure as there is a corresponding reduction in the cost of capital charge.

9. DEFERRED CHARGES

- 9.1 Deferred charges represent expenditure which has been capitalised but which does not result in the acquisition or increased value of a tangible fixed asset. HRA deferred charges are cash incentive payments (grants to tenants as an incentive to vacate their properties and purchase private accommodation), and statutory home loss payments where the Council necessarily relocates tenants to other accommodation.
- 9.2 HRA deferred charges are included in the figures presented at Note 2 to the balance sheet (page 39):

	2003/04 £000	2002/03 £000
Balance at 1 st April 2003	0	0
Expenditure in the year	335	329
Amortisation	(335)	(329)
Balance as at 31st March 2004	0	0

10. FRS 17 – ACCOUNTING FOR RETIREMENT BENEFITS

- 10.1 The HRA figures for 2002/03 have been restated, to be consistent with the requirement in 2003/04 to account for retirement benefits under the principles of FRS 17. Further information on accounting for FRS 17 is given in Note 17 on page 51.

NOTES TO THE HOUSING REVENUE ACCOUNT

11. HRA SUBSIDY

11.1 Subsidy is receivable from the Government on the basis of assumptions made for the major income and expenditure headings within the Housing Revenue Account (HRA). These assumptions form a notional account (see below); the balance of which forms the 'Housing Element' of subsidy. The remaining subsidy is a reimbursement of the majority of the cost of rent rebates granted by Southwark for their Council tenancies.

	2003/04 £000	2002/03 £000
Management & Maintenance allowances	(102,686)	(96,794)
Major Repairs Allowance	(38,823)	(38,468)
Capital Charges subsidy	(79,269)	(81,681)
Other Expenditure (leased assets) subsidy	(1,608)	(1,594)
Interest on Receipts deduction	133	150
Guideline rent income deduction	136,207	134,674
Housing Element subsidy	(86,046)	(83,713)
Housing Benefit subsidy	(75,288)	(71,829)
Total Housing Subsidy	(161,334)	(155,542)

12. HOUSING TENANTS ACCOUNTS

	2003/04 £000	2002/03 £000
Arrears at 1 st April 2003	17,470	25,587
Charges due in the year	152,629	151,159
Rent Rebates	(72,230)	(72,360)
Write offs and adjustments	(2,955)	(6,192)
Cash collected	(78,595)	(80,724)
Arrears at 31 st March 2004	16,319	17,470

12.1 The arrears position as at 31st March 2004 includes Neighbourhoods, Browning EMB, hostels and miscellaneous properties. It excludes Tenant Management Organisations, Bed & Breakfast and Travellers Sites.

NOTES TO THE HOUSING REVENUE ACCOUNT

13. HOUSING MANAGEMENT TRADING ACCOUNT

13.1 Under delegated powers the Council has discontinued its Housing Management Trading Account (previously shown in Note 11 page 22). The expenditure and income previously identified separately is now merged into the overall HRA. For comparative purposes with 2003/04, the 2002/03 HRA accounts have been recast to show the merged position for that year.

13.2 In 2002/03 the relevant entries that made up the Housing Management Trading Account were as follows:

	2002/03 £000
Repairs and maintenance	39
Supervision and management	19,066
Cost of capital charge	176
Reduced provision for bad or doubtful debts	(636)
Turnover	18,645
Charges for services and facilities	(1,016)
Contributions towards expenditure	(866)
Charges to the HRA	(16,763)
Net profit	0

CONSOLIDATED BALANCE SHEET

BALANCES AT	Note	31/3/04 £000	31/3/04 £000	31/3/03 £000	31/3/03 £000
Fixed Assets	1				
Operational assets					
- Council dwellings		2,739,201		2,747,136	
- other land and buildings		506,534		489,807	
- vehicles, plant and equipment		2,230		4,720	
- infrastructure assets		54,779		55,426	
- community assets		10,154		10,154	
- work in progress		21,742		13,442	
Non operational assets					
- investment properties		1,254		636	
			3,335,894		3,321,321
Deferred charges	2	0		0	
Deferred debtors	3	1,263		1,546	
Long term debtors	4	1,619		447	
			2,882		1,993
Total long term assets			3,338,776		3,323,314
Current Assets					
- stocks and work in progress		1,930		735	
- debtors	5	110,515		117,999	
- less provision for bad debts	6	(44,984)		(50,939)	
- investments	7	211,035		140,789	
			278,496		208,584
Current Liabilities					
- creditors		(97,874)		(75,869)	
- cash and bank		(8,962)		(9,401)	
			(106,836)		(85,270)
Total assets less current liabilities			3,510,436		3,446,628
Long term borrowing	8		(652,119)		(720,034)
Deferred receipts	9		(977)		(1,230)
Provisions	10		(35,508)		(50,310)
Pension scheme liability	11		(126,329)		(184,300)
Total assets less liabilities	14		2,695,503		2,490,754
Represented by :					
Fixed asset restatement reserve	15		(1,984,133)		(2,024,881)
Capital financing reserve	15		(676,936)		(495,288)
Deferred debits	15		22,158		9,086
Deferred credits	15		(6,094)		(6,666)
Grants deferred account	15		(42,547)		(88,100)
Usable capital receipts reserve	15		(21,174)		(4,334)
Pensions reserve	15		126,329		184,300
Major Repairs Reserve			(25,399)		(5,205)
Earmarked reserves	15		(41,881)		(33,359)
Balances					
- General Fund			(8,073)		(6,773)
- Housing Revenue A/c			(37,846)		(22,679)
- Collection Fund			93		3,145
Total Equity			2,695,503		(2,490,754)

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. FIXED ASSETS

1.1 Movement of Fixed Assets 2003/04

	Council Housing £000	Other Land & Building £000	Vehicles Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Investment Properties £000	Work in Progress £000	TOTAL £000
Gross Book Value @ 01/4/03	2,784,794	501,938	17,488	66,700	10,154	636	13,442	3,395,152
Restatements	0	3,363	0	0	0	0	0	3,363
Revaluations	91,117	40,594	0	0	0	0	0	131,711
Additions	68,956	3,920	0	1,167	0	618	8,300	82,961
Disposals	(168,073)	(26,258)	(18)	0	0	0	0	(194,349)
Gross Book Value @ 31/3/04	2,776,794	523,557	17,470	67,867	10,154	1,254	21,742	3,418,838
Accumulated Depreciation b/f	37,658	12,131	12,768	11,274	0	0	0	73,831
Depreciation for Restatements	0	(40)	0	0	0	0	0	(40)
Depreciation for Revaluations	(37,658)	(945)	0	0	0	0	0	(38,603)
Depreciation for the year	38,823	6,916	2,490	1,814	0	0	0	50,043
Depreciation on assets sold	(1,230)	(1,039)	(18)	0	0	0	0	(2,287)
Depreciation Balance @ 31/3/04	37,593	17,023	15,240	13,088	0	0	0	82,944
Net Book Value @ 31/3/04	2,739,201	506,534	2,230	54,779	10,154	1,254	21,742	3,335,894

- 1.2 The value of Council dwellings in 2002/03 was overstated by £335.931million, and the Accounts for 2002/03 have been restated accordingly. The gross book value of Council dwellings for 2002/03 was previously shown as £3,120.725million.
- 1.3 Capital expenditure on the acquisition of land, buildings and other tangible assets is shown in additions. Expenditure on the construction of new assets is shown in work in progress while under construction, and shown as additions to fixed assets on completion. Enhancements and improvements to existing assets are shown as work in progress whilst being carried out, and on completion will result in a change in valuation rather than being classed as an addition. Differences between the change in valuation and the cost of these works are transferred to the Fixed Asset Restatement Reserve.
- 1.4 The valuation of Council dwellings, including the restated valuation for 2002/03, has been carried out by Andrew Smith BSc MRICS IRRV of FPD Savills. The valuation of all other fixed assets has been carried out by the Council's internal valuation service, led by Matthew Jackson MRICS BSc.
- 1.5 The following table shows the effects of the rolling programme for revaluing fixed assets. The amounts shown in each year for Council housing and Other land & buildings are changed in value at April each year, adjusted for depreciation. The value also includes the sum of the restatements, revaluations, additions and disposals less the depreciation on revaluations and restatements, the depreciation for the year and the depreciation on assets sold. The amount at April 1999 includes prior years.

NOTES TO THE CONSOLIDATED BALANCE SHEET

	Council Housing £000	Other Land & Building £000	Vehicles Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Investment Properties £000	Work in Progress £000	TOTAL £000
Assets valued at Historic Cost	0	0	2,230	54,779	10,154	1,254	21,742	90,159
Assets valued at Current Value								
As at 01/04/99	1,121,681	333,974						1,455,655
As at 01/04/00	715,018	564						715,582
As at 01/04/01	177,825	63,092						240,917
As at 01/04/02	732,612	92,177						824,789
As at 01/04/03	(7,935)	16,727						8,792
	2,739,201	506,534	2,230	54,779	10,154	1,254	21,742	3,335,894

- 1.6 There have been no impairment losses on fixed assets that were caused by physical damage or deterioration in the condition of specific assets. The whole housing stock is valued on an annual basis, and any impairment not otherwise identified has been absorbed as part of that revaluation. Impairments reflecting movements in the general price of properties other than the housing stock have been credited to the Fixed Asset Restatement Reserve.

1.7 Summary of assets

	2003/04 Quantity in Numbers	2002/03 Quantity in Numbers
Council Dwellings	44,555	46,058
Operation Assets Town & Public Halls	1	1
Office Buildings	47	47
Coroners Courts	1	1
Depots	2	2
Social Services - Residential Care	3	3
Social Services - Day Care Facilities	10	10
Social Services - Other/Offices	12	12
Cemeteries and Crematoria	4	4
Sports and Recreation Centres	11	11
Swimming Pools	4	4
Nurseries & Early Years	14	14
Schools - Primary	72	72
Schools - Secondary	13	13
Schools - Special	7	7
Libraries	12	12
Museums & Galleries	3	3
Waste Sites & Facilities	1	1
Shops	586	589
Industrial Sites	7	7
Car Parks	4	4
Infrastructure Assets		
Roads	337	337 (in km)
Community Assets		
Parks	131	131

NOTES TO THE CONSOLIDATED BALANCE SHEET

- 1.7.1 The above listing shows assets owned by the Council and included in the Consolidated Balance Sheet, and excludes services provided in properties that are rented. An exception is the schools, 92 in total, which include 24 voluntary primary and 7 voluntary secondary schools.

2. DEFERRED CHARGES

- 2.1 Deferred charges represent expenditure which has been capitalised but which does not result in the acquisition or increased value of a tangible fixed asset.

	2003/04 £000	2002/03 £000
Deferred charges as at 1 st April 2003	0	0
Expenditure in the year	7,810	6,876
Amortisation	(7,810)	(6,876)
Balance as at 31st March 2004	0	0

- 2.2 All deferred charges are fully amortised in the year they arise.

3. DEFERRED DEBTORS

- 3.1 Deferred debtors are mortgages given to permit purchases of homes under Right to Buy and similar initiatives, or advances made to housing associations repayable on a mortgage like basis.

	2003/04 £000	2002/03 £000
Balance as at 1 st April 2003	1,546	1,895
New advances in the year	0	1,663
Repayments in the year	(283)	(2,012)
Balance as at 31st March 2004	1,263	1,546
Represented by :		
Housing Associations	200	217
Other	1,063	1,329
Balance as at 31st March 2004	1,263	1,546

NOTES TO THE CONSOLIDATED BALANCE SHEET

4. LONG TERM DEBTORS

	2003/04 £000	2002/03 £000
Deferred payment schemes for Section 20 works	1,388	0
Housing association partnership schemes	212	428
Works in default	19	19
	1,619	447

4.1 Until 2002/03 these items were included within debtors.

4.2 Deferred payment for Section 20 works is a recent initiative. At 31st March 2003 there were no agreed deferred payment terms. Repayments of moneys due under Section 20 that are not in an agreed deferred payment plan are included in debtors under current assets.

4.3 Housing association partnership schemes are part of Peckham Partnership, where costs have been deferred on behalf of housing associations until such time as assets are sold to the associations.

5. DEBTORS

5.1 Included in debtors is £0.458 million relating to the outstanding part of the £3 million investments held in the Bank of Credit and Commerce International when its deposits were frozen by the Bank of England. This reduced from £0.921 million in 2002/03 after receiving a further partial settlement in 2003/04 of £0.463 million. Full provision has been made for the non-recovery of the remaining sum (see Note 6 below).

6. PROVISIONS FOR BAD DEBTS

	Balance 31/3/03 £000	Movement in 03/04 £000	Balance 31/3/04 £000
Housing Benefits overpayments	(5,603)	759	(4,844)
Rent arrears	(11,356)	(481)	(11,837)
Hostels	(982)	98	(884)
Housing court costs	(947)	742	(205)
RTB Leaseholders	(1,022)	(526)	(1,548)
RTB Section 20	(2,429)	(1,079)	(3,508)
Commercial rent arrears	(711)	358	(353)
Bed & breakfast	(1,195)	573	(622)
Travellers	(112)	0	(112)
Private Sector Leasing	0	(111)	(111)
On street parking	(802)	(1,718)	(2,520)
Section 74	(2,023)	1,877	(146)
Highways	(82)	(34)	(116)
Trade waste	(132)	30	(102)
Council Tax	(20,117)	6,177	(13,940)
Council Tax summons costs	(1,000)	(150)	(1,150)
BCCI loss	(921)	463	(458)
Education services	(543)	(95)	(638)
Social Services	(342)	(910)	(1,252)
Other provisions less than £100,000	(620)	(18)	(638)
	(50,939)	5,955	(44,984)

NOTES TO THE CONSOLIDATED BALANCE SHEET

7. INVESTMENTS

	2003/04 £000	2002/03 £000
Temporary investments	213,061	143,066
Less: Sums invested on behalf of Trust Funds	(2,026)	(2,277)
	211,035	140,789

- 7.1 Temporary investments include funds externally on behalf of the Council. The book cost at 31st March of investments managed externally was £23.325 million (£22.769 million 2002/03), with market value of £23.592 million (£22.819 million 2002/03).

8. LONG-TERM BORROWING

- 8.1 Sources of loans:

	Range of Interest rates payable (%)	Total outstanding	
		31/3/04 £000	31/3/03 £000
Stock		54	54
Mortgages	3.25 to 5.06	156	166
PWLB loans	4.25 to 11.5	651,909	719,814
		652,119	720,034

- 8.2 Maturity dates of loans:

	31/3/04 £000	31/3/03 £000
within 1 year	65	64
from 1 year to 2 years	11	10
from 2 years to 5 years	24,598	16,439
from 5 years to 10 years	212,650	248,355
after 10 years	414,795	455,166
	652,119	720,034

NOTES TO THE CONSOLIDATED BALANCE SHEET

9. DEFERRED RECEIPTS

9.1 The balance is made up as follows :

	31/3/04	31/3/03
	£000	£000
Where the Council has granted a mortgage but no cash advance:		
Houses for sale	0	(1)
Sale of Council houses	(974)	(1,223)
Miscellaneous	(3)	(6)
	(977)	(1,230)

10. PROVISIONS

	Balance	Movement	Balance
	31/3/03	in 03/04	31/3/04
	£000	£000	£000
Insurance claims	(6,496)	(127)	(6,623)
Legal computer development fund	(143)	64	(79)
Taxation	(190)	99	(91)
ICT contracts	0	(137)	(137)
Education severance costs	0	(1,085)	(1,085)
Education grants	(110)	0	(110)
Recoupment	(199)	0	(199)
HRA	(210)	(40)	(250)
Subsidy loss rebates	(8,769)	5,963	(2,806)
Commercial property dilapidations	(700)	700	0
Tax on leasing agreements	(12,094)	9,217	(2,877)
Tax on leasing subsidy	(17,721)	0	(17,721)
Housing Benefits subsidy loss	(1,382)	219	(1,163)
NDC grant	(131)	93	(38)
s117 Social Services claims	(1,266)	(346)	(1,612)
DSO redundancies	(351)	278	(73)
DSO sub-contractors	0	(130)	(130)
Other provisions less than £100,000	(548)	34	(514)
	(50,310)	14,802	(35,508)

10.1 Between 1983 and 1985 the Council entered into tax variable leases to finance the cost of major improvements in its housing stock. Lessors' entitlement to capital allowances was the subject of a House of Lords ruling in a test case not involving the Council. The Council considers it may still have an outstanding liability, and a provision has been set aside for such a case, as Tax on leasing agreements, and will be kept under review in future years.

10.2 Southwark has also claimed and received housing subsidy on the additional lease rentals in respect of the years 1996/97 to 1998/99, against which a further provision of £17.721 million was made, shown as Tax on leasing subsidy. The future treatment of this provision is dependent on the review of the issue by the Office of the Deputy Prime Minister.

NOTES TO THE CONSOLIDATED BALANCE SHEET

11. PENSION SCHEME LIABILITY

- 11.1 The Pension Scheme Liability is a new account arising from the full implementation of FRS 17 in 2003/04. The balance on the account represents the actuarially assessed liability of the Council to meet the outstanding costs of its defined benefit pension scheme. The movements on the account reflect the change in the value of the assets of the pension fund and the changes in the outstanding liabilities, offset by the payments the Council has made into the pension fund during the year.
- 11.2 The movements in the provision are determined by the Council's actuary, the details included in Note 17 on FRS 17 below.
- 11.3 The outstanding liability £126.329 million has a substantial impact on the net worth of the Council. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, as the deficit on the Pension Fund will be made good by increased employer's contributions over the remaining working life of the employees, as assessed by the Council's actuary. Details of these additional contributions are set out in Note 2 to the Pension Fund on page 64.
- 11.4 With regard to the Teachers' Pensions Scheme, there were no contributions remaining payable at the year end. The Scheme is a defined benefit scheme, administered by the Teachers Pensions Agency (TPA). Although the scheme is unfunded, the TPA uses a notional fund as a basis for calculating the employers' contribution rate paid by Local Education Authorities. However, it is not possible for the TPA to identify to the Council a share of the underlying liabilities in the scheme attributable to the Council's employees. For the purposes of the Accounts the scheme is therefore accounted for on the basis as a defined contribution scheme, and the liabilities are not included within the Council's balances, though any benefits awarded upon early retirement outside of the Teachers' scheme are fully accrued within the Council's liabilities.

12. CONTINGENT LIABILITIES

- 12.1 The Department of Work and Pensions (DWP) and more recently, the Office of the Deputy Prime Minister (ODPM), have raised the specific issue of agency staff employed by the authority in the determination of housing benefit claims going back as far as 1997/98. They contend that determinations by agency staff are not eligible for subsidy purposes and have indicated they would seek to reclaim relevant amounts. The Council has contested the matter with both government departments, but no final decision has been reached and the potential liability remains to be determined.
- 12.2 The Court of Appeal has ruled that patients held under section 117 of the Mental Health Act 1983 are entitled to receive certain services from local authorities free of charge. The Council has stopped charging for these services with effect from October 2000. There is, however, a liability for repayment of income received back to the date the Mental Health Act came into force in 1983. The Council has made specific provision of £1.612 million for such claims going back to 1993, see Note 10 above, which represents 100% of the identified potential total liability for this period, and is seen as a sensible and prudent provision. The provision does not include potential claims for people sectioned and discharged in the period 1983 to 1992, as records are not complete enough for that period to determine the extent of claims, if any.

NOTES TO THE CONSOLIDATED BALANCE SHEET

13. INSURANCE

13. From 1992 the Council has been meeting the following types of insurance from within its own resources. Stop loss and excess cover is continuing, subject to the indicated excesses:

Type of Insurance	Excess £	Effective from
Property - general	250,000	1 st July 2002
- housing fire	100,000	1 st May 2002
All risks	100,000	1 st May 2002
Motor	118,800	1 st May 2002
Liability	50,000	1 st May 2002
Fidelity guarantee	10,000	1 st May 2002

- 13.2 Provisions of £6.623 million (£6.496 million 2002/03) have been made for outstanding claims and £4.038 million (£4.890 million 2002/03) have been reserved out of General Fund balances to meet other potential losses.

14. ANALYSIS OF NET ASSETS

	31/3/04 £000	31/3/03 £000
Housing Revenue Account	2,390,339	2,271,860
General Fund	305,164	218,894
Net assets shown in the balance sheet	2,695,503	2,490,754

- 14.1 The value of Council dwellings in 2002/03 was overstated by £335.931 million, and the Accounts for 2002/03 have been restated accordingly. HRA net assets for 2002/03 were previously shown as £2,826.685 million.
- 14.2 Net assets for 2002/03 have also been restated for the inclusion of FRS 17, and the relocation of deferred debits, deferred credits and the grants deferred account within the balance sheet (see Notes 15.5, 15.7 and 15.8 below).

NOTES TO THE CONSOLIDATED BALANCE SHEET

15. STATEMENT OF TOTAL MOVEMENT IN RESERVES

	Capital Reserves £000	Revenue Reserves £000	Total £000	Total 2002/03 £000
Balance at 1 st April 2003	(2,612,603)	121,849	(2,490,754)	(1,937,515)
Net (deficit) / surplus for year	0	(92,562)	(92,562)	74,150
Unrealised (loss)/gains from revaluation of fixed assets	(151,314)		(151,314)	(599,004)
Effects of disposals of fixed assets:				
Cost or value of assets disposed of	192,062		192,062	92,132
Proceeds of disposals	(225,677)		(225,677)	(144,994)
Net surplus/(deficit)	(33,615)		(33,615)	(52,862)
Grant funding received	(20,857)		(20,857)	(21,549)
Financing of fixed assets and debt	93,599		93,599	46,026
Balance at 31 st March 2004	<u>(2,724,790)</u>	<u>29,287</u>	<u>(2,695,503)</u>	<u>(2,490,754)</u>

The value of Council dwellings in 2002/03 was overstated by £335.931 million, and the Accounts for 2002/03 have been restated accordingly. The unrealised (loss)/gain from revaluation of fixed assets in 2002/03 was previously shown as £934.935 million giving closing reserves of £2,826.685 million.

Capital reserves

	Fixed Asset Restatement Reserve £000	Capital Financing Reserve £000	Usable Capital Receipts £000	Grants deferred account £000	TOTAL £000	Total 2002/03 £000
Balance at 1 st April 2003	(2,024,881)	(495,288)	(4,334)	(88,100)	(2,612,603)	(1,985,214)
Unrealised loss/(gains) from revaluation of fixed assets	(151,314)				(151,314)	(599,004)
Effects of disposals of fixed assets:						
Cost or value of assets disposed of	192,062				192,062	92,132
Proceeds of disposals		(92,126)	(133,551)		(225,677)	(144,994)
Net (surplus)/deficit	192,062	(92,126)	(133,551)		(33,615)	(52,862)
Grant funding received				(20,857)	(20,857)	(21,549)
Financing of fixed assets and debt		(89,522)	116,711	66,410	93,599	46,026
Balance at 31 st March 2004	<u>(1,984,133)</u>	<u>(676,936)</u>	<u>(21,174)</u>	<u>(42,547)</u>	<u>(2,724,790)</u>	<u>(2,612,603)</u>

Revenue reserves

	General Fund £000	Specific Reserves £000	HRA £000	Major Repairs Reserve £000	Deferred Debits £000	Deferred Credits £000	Pensions Reserve £000	TOTAL £000	Total 2002/03 £000
Balance 1 st April 2003	(6,773)	(30,214)	(22,679)	(5,205)	9,086	(6,666)	184,300	121,849	47,699
Net (deficit) / surplus	(1,300)	(11,574)	(15,167)	(20,194)	13,072	572	(57,971)	(92,562)	74,150
Balance 31 st March 2004	<u>(8,073)</u>	<u>(41,788)</u>	<u>(37,846)</u>	<u>(25,399)</u>	<u>22,158</u>	<u>(6,094)</u>	<u>126,329</u>	<u>29,287</u>	<u>121,849</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

15.1 FIXED ASSET RESTATEMENT RESERVE

	HRA £000	General Fund £000	2003/04 Total £000	2002/03 Total £000
Balance as at 1 st April 2003	(1,929,116)	(95,765)	(2,024,881)	(1,518,009)
Adjustments for previous years	0	(3,403)	(3,403)	(28,511)
Unrealised losses and gains from the revaluation of fixed assets	(134,841)	(13,070)	(147,911)	(570,493)
Value of assets disposed of	167,262	24,800	192,062	92,132
Balance at 31st March 2004	(1,896,695)	(87,438)	(1,984,133)	(2,024,881)

15.1.1 The value of Council dwellings in 2002/03 was overstated by £335.931 million, and the Accounts for 2002/03 have been restated accordingly. The unrealised (loss)/gain from revaluation of fixed assets in 2002/03 was previously shown as £906.424 million giving a closing balance of £2,024.881 million.

15.1.2 Adjustments for previous years have occurred in 2003/04 to restate in the accounts the revaluation of certain properties, other than HRA dwellings, that took place in an earlier financial period.

15.2 CAPITAL FINANCING RESERVE

	HRA £000	General Fund £000	2003/04 Total £000	2002/03 £000
Balance as at 1 st April 2003	(335,381)	(159,907)	(495,288)	(300,959)
Capital receipts set aside				
- cash capital receipts	(82,126)	0	(82,126)	(44,384)
- additional debt redemption	0	(10,000)	(10,000)	(10,000)
Capital financing				
- capital receipts	(9,217)	(15,368)	(24,585)	(32,686)
- revenue	(26,910)	(1,064)	(27,974)	(13,882)
- Section 106	(293)	(3,195)	(3,488)	(2,931)
- capital grants applied	0	(12,421)	(12,421)	(13,039)
- MRA applied	(19,157)	0	(19,157)	(33,263)
Amortisation of deferred charges	335	7,476	7,811	6,876
Excess of depreciation over MRP				
- 2003/04	28,215	7,998	36,213	32,572
- adjustment for previous years	0	2,515	2,515	0
Other accounting entries				
- grants amortisation	(128)	(1,342)	(1,470)	(479)
- write down premiums for debt redemption	0	2,107	2,107	0
- grants write down for changes to work in progress	(22,271)	(26,760)	(49,031)	(83,113)
- other adjustments	0	(42)	(42)	0
Balance as at 31st March 2004	(466,933)	(210,003)	(676,936)	(495,288)

NOTES TO THE CONSOLIDATED BALANCE SHEET

15.2.1 The opening balance analysed between HRA and General Fund has been adjusted to reflect a review of the allocation of costs with the CFR arising in 02/03. The opening balance remains the same in total.

15.2.2 In 2002/03 £10 million was voluntarily set aside from capital receipts to repay debt incurred for capital financing. In 2003/04 £10 million was also set aside from capital receipts, of which £7.893 million was used to repay debt and £2.107 million used to meet the cost of premiums arising.

15.2.3 Grants have been written down from the Grants Deferred Account to reflect the book value status of the assets the grants financed. In 2003/04 the adjustment was £49.031 million (£83.133 million in 2002/03).

15.3 PROVISION FOR CREDIT LIABILITIES (memorandum account)

15.3.1 This memorandum account shows the sums which the Government requires the authority to set aside each year from revenue and new capital receipts in order to meet credit liabilities.

	2003/04 £000	2002/03 £000
Balance as at 1 st April 2003	(38,057)	(23,147)
Amounts set aside for MRP	(13,835)	(14,910)
Reserved capital receipts	(82,126)	(44,384)
Capital receipts additionally set aside	(10,000)	(10,000)
Adjustment for previous years' overprovision of MRP	2,515	0
Amounts used to repay loans	90,418	54,384
Balance as at 31st March 2004	(51,085)	(38,057)

15.4 USABLE CAPITAL RECEIPT RESERVE

	2003/04 £000	2002/03 £000
Balance as at 1 st April 2003	(4,334)	(794)
Gross capital receipts from sale of assets	(133,551)	(90,610)
Less: Capital receipts set aside for debt redemption ("reserved receipts")	82,126	44,384
Capital receipts additionally set aside for debt redemption	10,000	10,000
Capital receipts used for financing capital expenditure	24,585	32,686
Balance as at 31st March 2004	(21,174)	(4,334)

NOTES TO THE CONSOLIDATED BALANCE SHEET

15.5 GRANTS DEFERRED ACCOUNT

	2003/04 £000	2002/03 £000
Balance as at 1 st April 2003	(88,100)	(165,452)
Capital grants received in the year	(20,857)	(21,549)
Movement in capital creditors for receipt of grants in advance of planned expenditure	0	(661)
Amortisation	1,470	479
Transfers to Capital Finance Reserve		
- Capital grant funding	12,421	13,039
- Section 106 funding	3,488	2,931
- Grants written down	49,031	83,113
Balance as at 31st March 2004	(42,547)	(88,100)
Represented by : Grants "applied" to be amortised to revenue accounts over the life of the completed scheme	(36,445)	(84,752)
Grants unapplied, with no planned expenditure commitments	(6,102)	(3,348)
Balance as at 31st March 2004	(42,547)	(88,100)

15.51 Included in the above totals is £12.525 million in respect of planning gains at 31st March 2004 (£13.330 million at 31st March 2003).

15.52 In 2003/04 £49.031 million of grants were written down to the Capital Financing Reserve (see Note 15.2 page 46).

15.53 Previously the grants deferred account had been shown in long term liabilities, but is now included in reserves in accordance with the Code of Practice.

NOTES TO THE CONSOLIDATED BALANCE SHEET

15.6 DETAILS OF SPECIFIC RESERVES

	Balance 31/3/03 £000	Movement in 03/04 £000	Balance 31/3/04 £000
Funds held by schools	(5,845)	(113)	(5,958)
SAP hardware refresh	(1,023)	816	(207)
Audit Commission fee	(280)	280	0
PWC Systems mapping and consultancy	0	(190)	(190)
Housing Benefits system replacement	0	(1,000)	(1,000)
Interest equalisation	0	(2,000)	(2,000)
Commutation adjustment	0	(1,708)	(1,708)
Customer Service Centre	0	(400)	(400)
Legal ICT enhancements	0	(159)	(159)
Town Hall building enhancements	0	(100)	(100)
South House building enhancements	0	(141)	(141)
E-procurement	(115)	0	(115)
Financial Risk Reserve	(11,632)	1,453	(10,179)
Elephant & Castle	(900)	900	0
Community Development	(100)	27	(73)
Corporate IT hardware	(100)	0	(100)
Sheltered wardens	0	(483)	(483)
GIS	(130)	0	(130)
CareFirst	0	(519)	(519)
Modernisation, Service and Operational Improvement Reserve	(4,392)	(7,274)	(11,666)
Planned Maintenance Fund	(3,038)	1,351	(1,687)
Insurance	(4,890)	852	(4,038)
Asylum seekers	(193)	0	(193)
DSO	(209)	(517)	(726)
Services over/(under)spends	36	393	429
Other Reserves less than £100,000	(548)	10	(538)
	(33,359)	(8,522)	(41,881)
Collection Fund deficit	3,145	(3,052)	93
	(30,214)	(11,574)	(41,788)

15.6.1 The Modernisation, Service and Operational Improvement Reserve was previously named the Capital Expenditure Reserve.

NOTES TO THE CONSOLIDATED BALANCE SHEET

15.7 DEFERRED DEBITS

15.7.1 Deferred debits arise from premiums paid on restructuring the Council's external loan debt. Premiums generated before 1996/97 are amortised to revenue in line with the periods remaining on the loans redeemed early. Premiums generated since 1996/97 are either amortised fully in the year that they arise (for debt redemption) or over the life of the new loans taken out (for debt refinancing), in accordance with the revised code of practice in effect from 1996/97.

	2003/04 £000	2002/03 £000
Balance brought forward	9,086	7,263
New premiums in year	19,715	3,971
Amounts written off to revenue	(6,643)	(2,148)
Balance as at 31st March 2004	22,158	9,086

15.7.2 Previously deferred debits had been shown in long term assets, but are now included against reserves in accordance with the Code of Practice.

15.8 DEFERRED CREDITS

15.8.1 Deferred credits arise from discounts received on restructuring the Council's external loan debt, either from Council internal policy to refinance or from the Government's "grant commutation". In accordance with the revised code of practice the discounts are now written to revenue account in line with the period of the loans redeemed.

	2003/04 £000	2002/03 £000
Balance as at 1 st April 2003	(6,666)	(6,541)
New discounts in the year	0	(939)
Less: Amounts written to revenue	572	814
Balance as at 31st March 2004	(6,094)	(6,666)

15.8.2 Previously deferred credits had been shown in long term liabilities, but are now included in reserves in accordance with the Code of Practice.

NOTES TO THE CONSOLIDATED BALANCE SHEET

15.9 PENSIONS RESERVE

15.9.1 The Pensions Reserve is a new non-distributable reserve required in 03/04 under the full implementation of the accounting for pensions under FRS 17. The 2002/03 Accounts have been restated for comparison on FRS 17 basis. The movement on the reserve can be shown as follows:

	2003/04 £000	2002/03 £000
Balance at 1 st April 2003	184,300	71,200
Actuarial (gain)/loss	(62,200)	115,200
Settlement of actual pensions' contributions against liabilities due, to the Consolidated Revenue Account	4,229	(2,100)
Balance at 31st March 2004	126,329	184,300

15.9.2 The movement in the actuarial gain for the year is shown in more detail in Note 17.8.

15.9.3 The difference between the 2002/03 settlement and that shown in the Consolidated Revenue Account is due the fact that the actuary has not fully restated the opening 2002/03 balance and movements in the year for actual contributions paid in that year.

16. EURO DISCLOSURE

16.1 The Council's main financial system was replaced in 1998 and is fully compliant with the Euro. To date no significant work has been carried out to ensure that the Authority's other systems are compliant, but they will be fully tested at a future date.

17. FRS 17 - PENSIONS DISCLOSURE

17.1 In accordance with Financial Reporting Standard 17 - Retirement Benefits (FRS 17), the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

17.2 London Borough of Southwark participates in the Local Government Pension Scheme, and acts as an Administering Authority. The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary. The most recent valuation was carried out as at 31st March 2001, and has been updated by independent actuaries to the London Borough of Southwark Pension Fund to take account of the requirements of FRS 17 in order to assess the liabilities of the Fund as at 31st March 2004. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value.

NOTES TO THE CONSOLIDATED BALANCE SHEET

17.3 London Borough of Southwark's contribution rate over the accounting period was 240% of members' contributions. The contribution rates certified for London Borough of Southwark at the 31 March 2001 valuation are as follows:

April 2002 to March 2003	240% of members' contributions
April 2003 to March 2004	240% of members' contributions
April 2004 to March 2005	240% of members' contributions

These figures include the past service element of the contribution rate.

17.4 The main assumptions used for the purposes of FRS 17 are:

	31/3/04 % p.a.	31/3/03 % p.a.
Discount rate	6.4	6.1
Rate of increase in salaries	4.4	4.1
Rate of increase in pensions in payment	2.9	2.6
Rate of increase in deferred pensions	2.9	2.6
Rate of inflation	2.9	2.6
Rate of return on Equities	7.7	7.6
Rate of return on Bonds	4.7	4.6
Rate of return on Property	6.7	6.6
Rate of return on Other assets	4.2	3.1
Average long term expected rate of return	7.0	6.7

17.5 Assets are valued at fair value, principally market value for investments. The proportions of total assets held in each asset type by the Fund as a whole at 31st March 2004 and 31st March 2003 are as follows:

	31/3/04 %	31/3/03 %
Equities	66	63
Bonds	21	21
Property	12	14
Other	1	2

17.6 The following amounts were measured in accordance with the requirements of FRS 17:

	31/3/04 £000	31/3/03 £000
Share of assets in London Borough of Southwark Pension Fund	479,700	392,800
Estimated liabilities in London Borough of Southwark Pension Fund	606,000	577,100
London Borough of Southwark's deficit in the scheme	126,300	184,300

NOTES TO THE CONSOLIDATED BALANCE SHEET

17.7 The deficit above should be borne in mind when considering the amount of overall reserves held (see Note 15 page 45). The movement in the net deficit in 2003/04 can be shown as follows:

	£000	£000
Net deficit at 31 st March 2003		184,300
Movement in the year:		
Current service cost	10,100	
Past service costs	4,600	
Gain/loss on any settlements or curtailments	0	
Contributions	(19,300)	
Finance Income:		
Expected return on Pension Fund assets	(26,300)	
Interest cost	35,100	
Actuarial (gain)/loss	(62,200)	
Total movement in the year		(58,000)
Net deficit at 31st March 2004		<u>126,300</u>

17.8 The actuarial gain can be analysed further as follows:

	£000	Representing
Actual return less expected return on assets	(61,500)	12.8% of scheme assets
Experience gains and losses on pension liabilities	600	0.1% of scheme liabilities
Changes in assumptions underlying the present value of pension liabilities	(1,300)	0.2% of scheme liabilities
Total actuarial gain	<u>(62,200)</u>	

17.9 The actuary to the London Borough of Southwark Pension Fund estimates the charge to the Consolidated Revenue Account in 2004/05 will be:

	2004/05 £000
Current service cost	10,600
Past service costs	0
Total operating charge	<u>10,600</u>
Expected return on Pension Fund assets	(33,300)
Interest on Pension Fund liabilities	38,500
	5,200
Total charge 2003/04	<u>15,800</u>

MISCELLANEOUS TRUST FUNDS

The Council maintains numerous miscellaneous funds and also acts as trustee for a number of Trust Funds which may be utilised for limited purposes as set out in the various trust deeds. All funds are either invested in external market securities or internally. These funds are not consolidated within the Council's accounts.

1. Trusts Funds where the Council is the sole trustee

	Balance at 31/3/03	Increase in fund balance	(Decrease) in fund balance	Balance at 31/3/04
	£	£	£	£
Social Service Funds				
Individual bequests	35,309	2,454	0	37,763
Comforts Funds/residents savings	562,424	432,036	(303,411)	691,049
Helping hands	350	0	(350)	0
Education & Culture Trusts				
Blackfriars Road	128,320	0	0	128,320
Miscellaneous	11,849	2,986	0	14,835
St Mary Newington clock	1,635	0	0	1,635
South London Art Gallery	8,853	311	(9,164)	0
Hogarth painting fund	250,000	8,785	(258,785)	0
Arts Donations	1,129	0	(1,129)	0
Potters Field	260,096	9,140	(9,140)	260,096
Environment & Leisure Trusts				
Health and fitness show	110,870	0	(110,870)	0
Pullens Gardens maintenance fund	95,000	0	0	95,000
Maintenance of Graves	21,695	333	0	22,028
Miscellaneous Trusts (see note 1)	2,877	0	0	2,877
	1,490,407	456,045	(692,849)	1,253,603

The purposes of the trust funds are listed below:

Individual Bequests

Joseph Taylor	Ex LCC bequest
Frank Bezer	To provide Christmas extras to children in the Hollies or any replacement accommodation
George Baker	For the benefit of persons living in residential accommodation in Southwark
Daniel Steele	To provide extras for residents of Nye Bevan Lodge
Comfort Funds/Residents' Savings	This comprises numerous separate funds to provide "comforts" to residents of the various Social Services establishments, and savings accounts administered on behalf of the residents of those establishments
Helping Hands	To provide for printing costs for the Mayor's Common Good Charity

MISCELLANEOUS TRUST FUNDS

Blackfriars Road	To provide education and health services for Bermondsey children
Miscellaneous	Bequests set up to provide prizes or financial assistance to students at relevant schools in the Borough
St Mary Newington Clock	To provide for the maintenance of the clock at St Mary Newington
South London Art Gallery	Balance transferred to South London Art Gallery in 2003/04
Hogarth Painting Fund	Balance transferred to South London Art Gallery in 2003/04
Arts Donations	Sums donated to the Council to be used for specific arts purposes
Potters Field	To maintain open space adjoining London Bridge City
Health & Fitness Show	To go towards funding of GP referral scheme and Peckham Pulse
Pullens Gardens maintenance fund	To meet the maintenance cost of Pullens Gardens
Maintenance of graves	Moneys received for the maintenance of graves

2. Trust Funds where the Council is not the sole trustee

	Balance at 31/3/03	Increase in fund balance	(Decrease) in fund balance	Balance at 31/3/04
	£	£	£	£
Funds for the relief of Council Tax				
Walworth Common Estate	885,759	31,061	(1,500)	915,320
Borough Market Trustees	5,440	2,191	(3,000)	4,631
Leisure Trusts				
Cuming Bequest	7,808	0	0	7,808
Miscellaneous Trusts (see note 1)	716	0	(348)	368
	899,723	33,252	(4,848)	928,127

Any cash not required for immediate use is invested externally either directly in approved investments or as part of the Council's short term investments.

The purposes of the trust funds are listed below:

Walworth Estate Common	To provide rate relief in the former parish of St Mary Newington
Borough Market Trustees	To reduce parochial rates for the parish of St Saviour
Cuming Bequest	To provide for display of furniture and coins at Cuming Museum

Note 1: Miscellaneous trusts comprise old trusts that are in the process of being closed.

SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

HOW THE MONEY WAS SPENT

	2003/04 £000	2002/03 £000
Education	16,054	20,750
Environment and Leisure	5,222	2,081
Housing	75,944	83,714
Regeneration	12,115	12,777
Strategic Services	1,008	3,193
Social Services	1,519	2,308
	111,862	124,823

HOW THE EXPENDITURE WAS FINANCED

Revenue contributions	27,974	13,882
Using credit approvals	23,154	26,087
Using capital receipts received from the sale of assets	24,585	32,686
Specific grants and other contributions	16,992	18,905
Major Repairs Allowance	19,157	33,263
	111,862	124,823

DETAIL

Fixed assets	72,698	87,165
Deferred charges	7,811	6,876
Deferred debtors	0	1,663
Enhancements and work in progress	31,353	29,119
	111,862	124,823

RECONCILIATION OF EXPENDITURE FOR CAPITAL ACCOUNTING TO STATUTORY CAPITAL EXPENDITURE FOR 2003/04

	£000
Expenditure capitalised as fixed assets	113,124
Decrease (increase) in capital creditors	(1,262)
Expenditure for capital control purposes	111,862
Less	
Expenditure to be financed by application of capital receipts or capital grants and contributions	(41,577)
Expenditure to be financed by supplementary credit approval	(3,279)
Expenditure to be financed by basic credit approval	(19,875)
Capital expenditure to be financed direct from revenue	47,131
Revenue contributions applied from the Housing Revenue Account including the application of the Major Repairs Allowance	46,067
Capital expenditure met from Revenue	1,064
	47,131

COLLECTION FUND

This statement represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax and Non domestic rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. The costs of administering collection are accounted for in the General Fund.

INCOME AND EXPENDITURE ACCOUNT

	Note	2003/04 £000	2003/04 £000	2002/03 £000
Income				
Council Tax	1			
Income from Council Tax		(68,954)		(63,059)
Council Tax benefits		(22,342)		(20,022)
			(91,296)	
Non-domestic rates	2		(80,721)	(80,917)
Receipts from preceptors re previous year's Collection Fund balance	3		(2,839)	(4,961)
Total Income			(174,856)	(168,959)
Expenditure				
Precepts and Demands				
GLA		19,187		14,644
London Borough of Southwark		69,234		65,315
			88,421	
Non-domestic rates				
Payment to National Pool		80,112		80,303
Cost of collection allowance		609		614
			80,721	
Provision for uncollectable amounts				
Council Tax		(6,176)		628
Council Tax write offs		8,838		3,742
			2,662	
Total Expenditure			171,804	165,246
Net Deficit/(surplus) for the year			(3,052)	(3,713)
Deficit/(surplus) at 1 st April			3,145	6,858
Deficit/(surplus) at 31 st March			93	3,145

NOTES TO THE ACCOUNTS

1. COUNCIL TAX

1.1 Council Tax derives from charges raised according to the value of residential properties that have been classified into 8 valuation bands using estimated 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council and preceptors for the forthcoming year and dividing this by the Council Tax base (the total number of properties liable to tax, expressed as a band D equivalent). This basic amount of Council Tax for a band D property (£1,034.18 in 2003/04 and £949.98 in 2002/03) is multiplied by the proportion specified for the particular band to give an individual amount due.

1.2 Council Tax bills were based on the following:

Band	Estimated number of properties after effect of discounts		Ratio	Equivalent number of Band D properties	
	2003/04	2002/03		2003/04	2002/03
A	9,402.75	9,606.25	6/9	6,268.0	6,403.7
B	29,156.00	29,084.00	7/9	22,676.9	22,620.9
C	24,003.25	24,061.50	8/9	21,336.2	21,388.0
D	14,420.00	14,235.00	1	14,420.0	14,235.0
E	9,408.75	9,045.00	11/9	11,499.6	11,055.0
F	4,322.50	4,044.25	13/9	6,243.6	5,841.7
G	3,240.50	3,138.75	15/9	5,400.8	5,231.2
H	377.00	361.25	18/9	754.0	722.5
Total				88,599.1	87,498.0
Add adjustment for contribution paid in lieu				5.3	5.3
Less adjustment for collection rate				(3,101.1)	(3,281.3)
Council Tax Base for year				85,503.3	84,222.0
Band D tax rate multiplier				£1,034.18	£949.98
Estimated Council Tax due in the year (Council Tax base x Council Tax)				£88,425,803	£80,009,216

1.3 The difference between these estimated sums and those shown below and included in the revenue accounts is due to revaluations occurring during the year.

NOTES TO THE ACCOUNTS

2. NATIONAL NON-DOMESTIC RATES

- 21 National non-domestic rates (NNDR) are organised on a national basis. The Government specifies an amount (44.4p in 2003/04 and 43.7p in 2002/03) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a national NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities general funds on the basis of a fixed amount per head of the population.

	£
Rateable value at 31 st March 2003	244,870,587
Rateable value at 31 st March 2004	252,259,087

- 2.2 The NNDR income after relief for voids etc. of **£80.721 million** (£80.917 million for 2002/03) was based on the average rateable value for the Council area for the year. The actual rateable value fluctuates considerably throughout the year due to revaluations, voids etc.

3. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

- 3.1 The Income and Expenditure Account includes the deficit brought forward on the fund at the start of the year and the accumulated (net) balance. The surplus for the year 2003/04 is applied to the balance brought forward to reduce the net deficit on the account.

CASH FLOW STATEMENT FOR THE YEAR

	2003/04 £000	2002/03 £000
REVENUE ACTIVITIES		
Cash outflows		
Cash paid to and on behalf of employees	303,331	259,423
Other operating costs	464,705	506,553
Housing benefit (excluding rent rebates)	48,086	50,763
Payments into NNDR pool	80,112	80,303
Payment to preceptors	18,706	13,923
	914,940	910,965
Cash inflows		
Rents (net of rebates)	(146,966)	(154,266)
NNDR receipts	(81,172)	(78,523)
Contribution from Collection Fund	(74,963)	(65,105)
Government Grants	(604,707)	(595,259)
Sales and charges for services	(174,792)	(158,507)
	(1,082,600)	(1,051,660)
Net cash flow from revenue activities	(167,660)	(140,695)
SERVICING OF FINANCE		
Cash outflows		
Interest paid	74,487	74,879
Interest element of leasing payments	38	38
	74,525	74,917
Cash inflows		
Interest received	(5,585)	(1,708)
	(5,585)	(1,708)
CAPITAL ACTIVITIES		
Cash outflows		
Purchase of fixed assets	104,052	116,284
Deferred charges and deferred debtors	7,810	8,539
	111,862	124,823
Cash inflows		
Sale of fixed assets	(133,551)	(90,610)
Capital grants	(18,161)	(23,593)
Other capital cash receipts	(30)	(13)
	(151,742)	(114,216)
NET CASH FLOW BEFORE FINANCING	(138,600)	(56,879)
FINANCING		
Cash outflows		
Repayment of long term loans	67,915	46,628
Repayment of short term loans	0	0
	67,915	46,628
Cash inflows		
New long term loans	0	0
New short term loans	0	0
	0	0
MANAGEMENT OF LIQUID RESOURCES		
Increase in liquid resources	45,206	10,999
(INCREASE)/DECREASE IN CASH AND EQUIVALENTS	(25,479)	748
CASH AND CASH EQUIVALENTS		
Net (decrease) in bank balance overdrawn	(439)	(7,684)
Net (increase)/decrease in realisable investments	(25,040)	8,432
(INCREASE)/DECREASE IN CASH AND EQUIVALENTS	(25,479)	748

NOTES TO THE CASH FLOW STATEMENT

1. RECONCILIATION OF NET REVENUE DEFICIT/(SURPLUS) FOR THE YEAR

	2003/04		2002/03	
	£000	£000	£000	£000
Net expenditure/(income) on General Fund		(1,300)		(2,688)
Net expenditure/(income) on HRA		(35,362)		(13,461)
Net expenditure/(income) on Collection Fund		(3,052)		(3,713)
Total		(39,714)		(19,862)
Net revenue income as per cash flow statement		(167,660)		(140,695)
Net interest paid as per cash flow statement		68,940		73,206
Add:				
Decrease in stocks and works in progress		0		608
Decrease in debtors		6,312		949
Increase in creditors		22,004		0
Depreciation and capital payments		79,487		61,880
Increase in deferred credits		0		125
Less:				
Increase in deferred debits		(13,072)		(1,823)
Decrease in deferred credits		(572)		0
Increase in stocks and works in progress		(1,195)		0
Decrease in creditors		0		(4,852)
Decrease in Provisions and Reserves		(33,958)		(9,260)
Total		(39,714)		(19,862)

2. ANALYSIS OF GRANTS SHOWN IN CASH FLOW STATEMENT

	2003/04	2002/03
	£000	£000
Revenue support grant and pool contribution	316,354	277,629
Housing subsidy	79,178	85,222
Students awards	769	2,159
Other Education grants	33,606	32,307
Housing benefits (excluding rent rebates)	75,888	69,446
Other grants	98,912	128,496
Total	604,707	595,259

NOTES TO THE CASH FLOW STATEMENT

3. RECONCILIATION OF FINANCING CASH MOVEMENTS SHOWN IN THE CASH FLOW STATEMENT WITH THE BALANCE SHEET

	2003/04 £000	2002/03 £000
Long term loans		
Balance as at 1 st April	720,034	766,662
Repayments of amounts borrowed	(67,915)	(46,628)
New borrowings	0	0
Balance as at 31 st March	652,119	720,034
Short term borrowing		
Balance as at 1 st April	0	0
Repayments of amounts borrowed	0	0
New borrowings	0	0
Balance as at 31 st March	0	0

4. LIQUID RESOURCES

4.1 Until 2002/03 the cashflow statement showed all money on deposit as being cash or cash equivalents. The Council only holds money in investments for the purposes of cashflow management, not for speculative investment purposes. Accounting practice requires that only those investments which can be realised at immediate notice without penalty should be treated as cash, with all other investments being treated as liquid resources, irrespective of whether the deposits are held for cashflow or other investment purposes. The cashflow statement is now presented on this basis, and the 2002/03 cashflow figures have been restated accordingly.

4.2 The reconciliation of the movement in liquid resources to the Consolidated Balance Sheet (page 36) is as follows:

	Balance 31/3/03 £000	Movement in 03/04 £000	Balance 31/3/04 £000
Investments, liquid resources	111,042	45,206	156,248
Investments, realisable investments	29,747	25,040	54,787
Investments, Consolidated Balance Sheet	140,789	70,246	211,035

PENSION FUND 2003/04

	Note	2003/04 £000	2002/03 £000
Contributions and Benefits			
Contributions receivable	5.1		
-from employers (including admitted bodies)		(19,322)	(17,633)
-from employees (including admitted bodies)		(7,324)	(6,410)
-from employees for AVCs		(166)	(129)
Transfers in		(3,539)	(4,434)
Other income		(0)	(647)
Total income		(30,351)	(29,253)
Benefits payable	5.2		
-Pensions		20,826	20,284
-Lump sums (incl. retirement and death grants)		3,189	1,896
Payments to and on account of leavers			
-Refunds of contributions		329	113
-Transfers out		5,104	5,984
Administrative expenses borne by the scheme		840	1,579
Total Expenditure		30,288	29,856
Net (addition)/reduction from dealing with members of the fund		(63)	603
Returns on Investment			
Investment Income		(12,576)	(10,571)
Change in Market value of Investments		(77,725)	96,426
Investment Management Expenses		1,433	1,765
Net decrease in Fund for the year		(88,931)	88,223
Opening Net assets of the scheme		(403,854)	(492,077)
Closing Net assets of the scheme		(492,785)	(403,854)
NET ASSETS STATEMENT 2002/03			
Investment Assets			
Fixed Interest Securities – UK public sector		19,480	17,246
Fixed Interest Securities – UK quoted		23,273	0
Equities		244,373	208,469
Index linked securities		62,975	67,250
Managed Funds - Property (Freehold)		34,400	31,460
Managed Funds - Property (Leasehold)		7,450	7,625
Unit Trusts - Property		15,866	19,014
Unit Trusts - Other		83,096	43,961
Total Investment Assets		490,913	395,025
Net Current assets and liabilities			
Cash held at managers		3,147	8,287
Interest and dividends accrued		2,308	2,456
Creditors		(957)	(997)
Cash at Council		(2,626)	(917)
Total net current assets and liabilities		1,872	8,829
Closing net assets of the Scheme		492,785	403,854

PENSION FUND 2003/04

1. INTRODUCTION

1.1 The Pension Fund is used to provide benefits for former employees of the Council and other admitted organisations, and dependent on the circumstances provides retirement pensions, widows’ pensions, death grants and lump sum payments.

2. OPERATION AND MEMBERSHIP OF THE FUND

2.1 In 2003/04 contributions to the Fund were made by employees at 6% of salaries and wages. The Council contributed 240% of the employees’ contribution plus additional contribution of £6.57 million. Of this, £2.43 million is a special contribution for early and ill health retirements. In addition, external bodies admitted to the Southwark Fund contributed £1.11 million.

2.2 Prior to 31/3/90 the Council paid for the annual inflation updating existing pensions, which was charged directly to the General Fund. Since that date the cost of annual inflation has been charged to the Pension Fund, apart from that on compensation, gratuities and injury allowances. From 1/4/90 to 31/3/93 the Council’s contribution was set to meet 75% of the potential liabilities of the Fund, on the basis of a triennial actuarial valuation. Since that date, as a result of the change in the legislation, the Council’s contribution is expected to meet 100% of the liabilities.

2.3 The Council is required to ensure that any surplus on the Pension Fund is invested. To ensure that the investment of the Fund is carried out to the best possible advantage investment managers deal with the day to day investment of the Fund. Barclays Global Investors Ltd manage an “indexed” portfolio containing UK equities and ‘in house’ unit trusts of overseas equities, and fixed and index linked gilts. During 2003/04 the other investment managers were Deutsche Asset Management Limited (UK Equities and Corporate Bonds), Putnam Investments (Overseas Equities) and Henderson Global Investors (Property). The overall investment strategy is the responsibility of the Council. During the year this was delegated to the Officer Pension Board.

2.4 At 31st March membership of the Fund was as follows:

	2003/04	2002/03
Number of contributors to the Fund	5,813	5,764
Number of contributors and dependants receiving allowances	5,579	5,576
Number of contributors who have deferred their pensions	4,555	4,087

3. ACCOUNTING POLICIES

3.1 The Accounts have been prepared in accordance with the recommendations of SORP 1 on Pension Scheme Accounts, the CIPFA Code of Practice on Local Authority Accounting and SSAP 2. The Fund’s financial statements do not take account of liabilities to pay pensions and other benefits after the period end (31st March 2004).

3.2 In order to comply with these recommendations the accounts have been prepared using the market value of equity investments and unit trusts. Foreign transactions are brought into account at the exchange rate when the transaction took place. End of year balances are calculated at the exchange rate for 31st March. Property assets have been included at market value as at 31st March. The cost of acquisition of assets, including property, is treated as a revenue cost. Income and expenditure, including management expenses, are accrued.

PENSION FUND 2003/04

3.3 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 deal with the choice of investment managers, terms of their appointment, review of their performance and use and investment of pension fund money together with restrictions on such investments. In managing the Fund the investment manager must take into account:

- That Fund money must be invested in a wide variety of investments
- The suitability of those types of investment for the Fund
- The suitability of any particular investment of that type.

The Authority has to keep the investment manager's performance under review and at least once every three months review the investments made, and periodically consider whether or not to retain the manager.

3.4 In addition the administering Authority is under a duty to invest any Fund money not needed immediately to make payments, with power to vary those investments and a duty to formulate an investment policy with a view to:

- The advisability of investing Fund money in a wide variety of investments
- The suitability of particular investments and types of investments.

In carrying out all the above functions, the Authority must obtain proper advice, at reasonable intervals, which is defined as the advice of a person who is reasonably believed by them to be qualified by his ability in and practical experience of financial matters (including any suitable officer of theirs).

4. ACTUARIAL POSITION OF THE FUND

4.1 The last full revaluation of the Fund was carried out as at 31st March 2001. This revealed that the Fund showed an actuarial deficit of £31.6 million, a level of funding of 94%. The market value of investments as at 31st March 2001 was £504.7 million.

4.2 In order to eliminate the past service deficit the actuary has recommended that the Employers contribute at the rate of 240% of members' contributions with effect from 1st April 2002. They advise that, if their assumptions are borne out in practice, this rate is likely to be required for about 10 years before reverting to the long term rate of 175% of members' contributions. Special contributions should be paid for early retirements and ill health retirements since the assessment does not make any allowance for the extra liabilities arising from such retirements.

4.3 The contribution rates have been calculated using the smoothed market related valuation of assets and the projected unit method of valuing liabilities. The following financial assumptions have been used:

Rate of return on assets - after retirement, 5.3% p.a.
- before retirement, 6.3% p.a.
- long term, 6.55% p.a.

Rate of pay increases, 3.8% p.a.

Rate of pensions increases, 2.3% p.a.

PENSION FUND 2003/04

5. CONTRIBUTIONS RECEIVABLE AND BENEFITS PAYABLE

5.1 The total contributions receivable for 2003/04 are analysed as follows:

	Employees £000	Employers £000	2003/04 Total £000	2002/03 Total £000
Southwark Council	7,153	18,614	25,767	22,908
Admitted bodies	337	708	1,045	1,264
Total	7,490	19,322	26,812	24,172

This includes contributions from employees for AVCs (Additional Voluntary Contributions) of £166,393. These additional contributions are treated as apart of the main scheme and are invested in the same way once paid in.

5.2 The total benefits payable for 2003/04 are analysed as follows:

	Pensions £000	Lump sums £000	2003/04 Total £000	2002/03 Total £000
Southwark Council	20,670	3,139	23,809	21,936
Admitted bodies	156	50	206	244
Total	20,826	3,189	24,015	22,180

6. RELATED PARTY TRANSACTIONS

6.1 The Council is required to disclose details of its financial relationship with related third parties. This has been defined as where the related party has, or is perceived to have, real influence over any transaction between the parties.

6.2 In respect of the Pension Fund, the Council recognises that the following bodies have a related party relationship with the Pension Fund -

- The Council
- The Fund Managers
 - Barclays Global Investors Limited
 - Deutsche Asset Management Limited
 - Henderson Global Investors
 - Putnam Investments Limited

PENSION FUND 2003/04

- The following admitted bodies
 - Southwark Home Care Trust
 - St Mary Newington
 - Christchurch United Charities
 - Borough Market
 - Southwark Law Centre
 - Fusion
 - Botes
 - Gristwood & Toms
 - PricewaterhouseCoopers
 - Centre for Literacy in Primary Education
 - Cambridge Education Associates
 - South London Gallery
 - Shaftesbury Homes

7. OTHER INFORMATION

7.1 The market value of assets (including cash and accruals) managed by the investment managers at the balance sheet date was:

● Deutsche Asset Management Limited	£125.67 million	25.33%
● Putnam Investments Limited	£67.53 million	13.61%
● Henderson Global Investors	£59.52 million	12.00%
● Barclays Global Investors Limited	£243.43 million	49.06%

7.2 Investments include £177.71 million UK Equities and £66.66 million Overseas Equities, which are the only foreign investments of the fund. The Fund's total investment in unlisted companies is in the form of unquoted equity unit trusts. The holding, valued at £187,970, is included in "Unit Trusts - Other". Sales and purchases by the investment managers were £153.04 million and £134.79 million respectively.

7.3 In relation to the valuation of direct property managed by Henderson Global Investors, the employing firm is Knight Frank LLP, the valuer is RICS qualified and the valuation took place on 31 March 2004. All properties have been valued at market value.

7.4 Contributions receivable include a contribution from admitted bodies of £1.05 million for employers' and employees' contributions from contractors and charities.

7.5 No stock-lending is allowed under investment agreements.

7.6 A Statement of Investment Principles has been prepared and is available from the Chief Finance Officer, Southwark Town Hall.

GLOSSARY OF ACCOUNTING TERMS

ACCRUAL

The recognition of income and expenditure as it is earned or spent rather than as cash is received or paid. An amount charged to the Accounts for goods or services received or given during the year for which payments have not yet been made or income is due but not yet received.

AGGREGATE CREDIT LIMIT (ACL)

The limit on the Council's debt specified in Section 62 of the Local Government & Housing Act 1989.

AGENCY SERVICES

Services which are performed by or for another public body where the principal (the organisation responsible for the service) reimburses the agent (the organisation carrying out the work) for the cost of the work carried out.

ASSET MANAGEMENT REVENUE ACCOUNT (AMRA)

An account required under capital accounting arrangements so that the asset rent transactions are reversed out to leave just the historic debt charges impacting on Council Tax levels.

BALANCES

- (1) The amounts remaining at the year-end, on the various funds and accounts of the Council.
- (2) Unallocated reserves held to meet future unpredictable expenditure demands.

BUDGET

Statement of the spending plans for the year.

BUSINESS RATES

See Non Domestic Rate.

CAPITAL EXPENDITURE

Spending on assets that have a lasting value. For example land, buildings and large items of equipment such as computers or vehicles.

CAPITAL EXPENDITURE MET FROM REVENUE ACCOUNTS (CERA)

This is revenue contributions towards capital expenditure. However, accounting requirements now require these to be shown as one figure in the consolidated revenue account rather than shown against individual services' expenditure.

CAPITAL FINANCING RESERVE (CFR)

A reserve required as a result of the introduction of asset rents. It is not a reserve that can be used, but contains the balance of depreciation against the MRP, additional debt repayments over the MRP, reserved capital receipts and usable capital receipts/grants/planning gains applied to meet capital expenditure.

CAPITAL CHARGES

Charges made to service department revenue accounts, based on the value of the assets used by the service, and consisting of interest and depreciation (where appropriate).

GLOSSARY OF ACCOUNTING TERMS

CAPITAL RECEIPTS

Income received from the sale of land, buildings and other capital assets. These can be used to finance new capital expenditure within rules and limits set by the government, but they cannot be used to finance day to day spending.

CENTRAL SUPPORT SERVICES

The cost of the central administration of the Council.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

This institute produces standards and codes of practice that must be followed in preparing the Council's financial statements.

CODE OF PRACTICE

Generally taken to refer to the Accounting Code of Practice issued by CIPFA. This is a code of proper accounting practice which local authorities in England and Wales must comply with in preparing their financial statements.

COLLECTION FUND

This is a statutory "ring fenced" account. It records income and expenditure on Council Tax, Non Domestic Rates, payments to the precepting authorities and transfers to the Council's General Fund.

COMMUNITY ASSETS

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples include parks and historic buildings.

COMPULSORY COMPETITIVE TENDERING (CCT)

The statutory procedure by which local authorities must invite tenders from private sector providers for carrying out certain functions and activities defined by the Secretary of State.

CONSOLIDATED BALANCE SHEET

A statement of the Council's assets and liabilities at the balance sheet date.

CONTINGENCIES

Money set aside from a budget to meet the cost of unforeseen items of expenditure, or shortfalls in income.

CONTINGENT LIABILITY

A loss which is likely to be incurred in the future.

COUNCIL TAX

The main source of local taxation to local authorities. It is levied on households within the authority's area and the proceeds are paid into the Collection Fund for distribution to precepting authorities and to the authority's own General Fund.

COUNCIL TAX BENEFIT

Assistance provided by the Council to adults on low incomes to help them pay their Council Tax bill. The cost to the Council of Council Tax benefit is largely met by government grant.

GLOSSARY OF ACCOUNTING TERMS

CREDIT APPROVAL

This covers both Basic Credit Approvals (BCA) and Supplementary Credit Approvals (SCA). These are government limits on the level of capital expenditure an authority can finance by raising new long-term loans.

CREDITORS

Organisations and individuals to whom the Council owes money.

CURRENT LIABILITIES

Those amounts which will become payable or could be called upon in the next accounting period e.g. creditors, debtors and cash overdrawn.

DEBTORS

Organisations and individuals who owe money to the Council

DEFERRED CHARGE

Expenditure that may properly be capitalised but which does not represent a tangible fixed asset, e.g. improvement grants.

DEPRECIATION

- (1) A charge to the revenue account to reflect the reduction in the expected useful economic life of a fixed asset.
- (2) The writing down of the value of a fixed asset in the balance sheet in line with the expected useful life.

DIRECT SERVICE ORGANISATION

A term used to cover both Direct Labour Organisations (DLO) established under the Local Government and Planning Act 1980 and DSOs set up under the Local Government Act 1988.

EARMARKED RESERVES

Amounts set aside for specific purposes falling outside the definition of provisions.

FINANCE LEASES

A lease that transfers substantially all of the risks and rewards of ownership to the lessee. It is often of land or buildings and is treated under the government's capital control system as a credit arrangement as if it were similar to borrowing. (see operating leases)

FIXED ASSET RESTATEMENT RESERVE (FARR)

An unusable reserve required on the implementation of asset rents. It contains the balance on the revaluation of fixed assets from the net historic cost previously shown in the accounts to the current asset rent basis and any subsequent movement arising from revaluations or disposals of those assets.

FRS 17

FRS 17 is Financial Reporting Standard 17, Accounting for Retirement Benefits. The Standard requires the Council to show its outstanding liability to the Pension Fund in its accounts rather than just the payments made into the Pension Fund in the year. The Accounts have been prepared on this basis for the first time in 2003/04.

GLOSSARY OF ACCOUNTING TERMS

GENERAL FUND

This is the main revenue account of the Council and includes the net cost of all services (except Council housing) financed by local taxpayers and government grants.

HOUSING REVENUE ACCOUNT (HRA)

This is a statutory account that shows all income and expenditure relating to the provision, management and maintenance of the Council's housing stock. The government defines the items of income and expenditure that must be included in the account. This account is ring fenced under the Local Government and Housing Act 1989, thereby preventing any cross subsidy with the General Fund.

HOUSING SUBSIDY

A government grant paid towards the cost of providing, managing and maintaining the Council's housing stock.

INFRASTRUCTURE ASSETS

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use, e.g. highways and footpaths.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year and set aside as provision for credit liabilities, as required by the Local Government & Housing Act 1989.

NATIONAL NON DOMESTIC RATES (NNDR)

Another name for non-domestic rates.

NET EXPENDITURE

Gross expenditure less specific service income but before deduction of revenue support grants and local taxation.

NON DOMESTIC RATE (NDR)

A levy on businesses based on national "rateable value" of the premises occupied. NDR is collected by the Council in line with national criteria, paid into a national pool and then redistributed to all local and police authorities on the basis of population.

NON OPERATIONAL ASSETS

Fixed assets held by the Council but not directly used in the delivery of its services, e.g. investment and surplus properties.

OPERATIONAL ASSETS

Fixed assets held, occupied used or consumed by the Council in the direct delivery of its services.

OPERATIONAL LEASE

A type of lease often of office or computer equipment which is similar to renting and which does not come within the government's capital control system. Ownership of the asset must remain with the lessor.

GLOSSARY OF ACCOUNTING TERMS

PRECEPT

A levy made by those authorities that do not administer the local taxation on those that do requiring them to collect the required income from local taxpayers on their behalf.

PROVISIONS

Amounts set aside for liabilities and losses which are likely to occur but where the exact amount or timing are uncertain. Payments or contributions to provisions are counted as service expenditure when made. The provision is released into the service revenue account as income to meet the expenditure liability when it arises.

PROVISION FOR CREDIT LIABILITIES

The sums which the government require the authority to set aside each year from revenue and new capital receipts in order to meet credit liabilities. The accumulation of these provisions and their application to debt redemption are reflected in a memorandum account.

RECHARGES

The transfer of costs from one account to another.

RECEIPTS TAKEN INTO ACCOUNT (RTIA)

The amount that the Government deducts from an authority's Annual Capital Guidelines in calculating the authority's Basic Credit Approval. It is intended to take into account receipts produced from sales of assets such as land and buildings.

RESERVES

Amounts set aside to cover potential liabilities. Payments or contributions to reserves are not counted as service expenditure when the reserve is created. Expenditure met from reserves is passed through the service accounts when incurred.

REVENUE EXPENDITURE

Day to day payments on the running of Council services such as salaries and wages, operating costs and charges for the use of assets.

REVENUE SUPPORT GRANT (RSG)

A grant paid by central government in aid of local authority services in general as opposed to specific grants that may only be used for specific purposes.

SPECIFIC GRANTS

A term used to describe all government grants to local authorities apart from Revenue Support Grant.