

STATEMENT  
of  
ACCOUNTS

*2001 - 2002*



**STATEMENT  
OF ACCOUNTS  
2001 - 2002**

**This Statement of Accounts is produced in accordance with  
the current legislation and in particular with the  
Accounts and Audit Regulations 1996.**

**The District Auditor's opinion on the Accounts is  
included within the statement.**

**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.**

A handwritten signature in black ink, appearing to read "K R Brown".

K R BROWN CPFA

Chief Finance Officer

Date: 20th December 2002

## AUDITOR'S REPORT TO SOUTHWARK BOROUGH COUNCIL

We have audited the statement of accounts on page 2 and pages 9 to 53 which has been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 9 to 12 and 50 to 53.

### Respective responsibilities of Responsible Finance Officer and Auditors

As described on page 2, the Responsible Finance Officer is responsible for the preparation of the statement of accounts. Our responsibilities as independent auditors are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance. We report to you our opinion as to whether the statement of accounts presents fairly the financial position and results of operations of the Council.

### Basis of Opinion

We carried out our 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.

Our audit included an examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also included an assessment of the significant estimates and judgements made by the Council in the preparation of the statement of accounts and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

### Opinion on the Authority's accounts

In our opinion the statement of accounts presents fairly the financial position of Southwark Borough Council at 31 March 2002 and its income and expenditure for the year then ended.

### Opinion on the Pension Fund accounts

In our opinion the statement of accounts presents fairly the financial transactions of Southwark Borough Council's Pension Fund during the year ended 31 March 2002, and of 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

We certify that we completed 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.



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Derek Elliott  
District Auditor

District Audit  
Millbank Tower  
Millbank  
London SW1P 4QP

23 December 2002

LONDON BOROUGH OF SOUTHWARK 2001/02 ACCOUNTS

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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

**The Council's responsibilities**

The Authority is required:

- ◆ To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In 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 2002.

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 THE SYSTEM OF INTERNAL FINANCIAL CONTROL

1. This statement is given in respect of the Statement of Accounts for the London Borough of Southwark. I acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.
2. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
3. The system of internal financial control is based on a framework of regular management information, financial regulation, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. In particular, the system includes:
  - ◆ comprehensive budgeting systems
  - ◆ regular review of periodic and annual financial reports which indicate financial performance against the budget
  - ◆ setting targets to measure financial and other performance
  - ◆ the preparation of regular financial reports which indicate forecast expenditure against the budget
  - ◆ clearly defined capital expenditure guidelines, and
  - ◆ as appropriate, formal project management disciplines.
4. For the financial year 2001/02 Southwark Council operated devolved internal audit arrangements, with each of the Council's six departments being responsible for arranging their own internal audit cover in line with Council's Scheme of Delegation.
5. For two departments (Strategic Services and Social Services) internal audit was delivered via an external provider - Deloitte and Touche. The four remaining departments provided internal audit cover either via their own directly employed staff, by use of directly managed agency workers/consultants or through a combination of these two methods. In addition a compliance regime operated across the Council to test compliance by each Business Unit against the Council's corporate standards as defined by the Handbook for Business Managers. Delivery of devolved audit and compliance arrangements was monitored during the year by a central team (Compliance Section) based in the Strategic Services Department.

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

6. A risk based approach was used in the development of each department's audit plan and each department's audit manager (in effect the departmental equivalent of the Chief Internal Auditor) was responsible for reporting to his or her Chief Officer on the outcomes of the Internal Audit and Compliance work undertaken.
7. Internal Audit was provided in each department to defined standards. In cases where external contractors carried out the service their terms of engagement required them to operate in accordance with CIPFA guidelines.
8. There is no overall chief internal auditor as a designated position in Southwark. However, the reporting arrangements on audit matters are devolved to departmental chief officers who reported any audit issues to the Chief Executive, including their view on the adequacy and effectiveness of the system of financial control.
9. My review of the effectiveness of the system of internal financial control is informed by:
  - ◆ the work of managers within the council
  - ◆ the work of the internal auditors as described above
  - ◆ the external auditors in their annual audit letter and other reports
10. In order to ensure that a better, more consistent and more effective Internal Audit service is provided in future, a single Council wide Internal Audit contractor was appointed to undertake audit and compliance work for a three (possibly five) year period starting from financial year 2002/03. Following a competitive tendering exercise PricewaterhouseCoopers were appointed to deliver this service. The Council is of the opinion that this arrangement should significantly increase the quality of audit cover provided and address those areas of concern highlighted by the District Auditor in past years' Management Letters and the most recent Annual Audit Letter.



K R Brown CPFA  
Chief Finance Officer

Date: 20th December 2002



## 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 2002.

1.2 The Council's Accounts for the year 2001/02 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 2002. 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.

	<b>Budget £000</b>	<b>Actual £000</b>	<b>Difference £000</b>
Net Expenditure on Services	328,278	332,193	3,915
Collection Fund Deficit	4,202	4,302	100
	<hr/> 332,480	<hr/> 336,495	<hr/> 4,015
Less Income: -			
Revenue Support Grant	(205,566)	(205,565)	1
Business Rates	(63,936)	(63,936)	0
Council Tax	(62,978)	(63,079)	(101)
	<hr/> 0	<hr/> 3,915	<hr/> 3,915
Net deficit/(surplus) for the year			
Balance at 1st April 2001	(8,000)	(8,000)	0
	<hr/> <b>(8,000)</b>	<hr/> <b>(4,085)</b>	<hr/> <b>3,915</b>

- 2.2 In 2001/02 on a budget of £328.278 million there was an overall deficit on the General Fund of £3.915 million. The deficit reduces the balances at 31st March 2002 to £4.085 million.
- 2.3 The above table shows the Council's position excluding income raised and paid to precepting authorities. The Consolidated Revenue Account, page 13, 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 2001/02 the Council spent £129 million on capital projects, including £90 million on Council dwellings and other housing.
- 3.3 This expenditure was financed from the use of credit approvals (11%), with the permitted proportion from the sale of assets (21%), grants and other contributions (22%), 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 £25 million, from £792 million to £767 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 2002.

	Gross Arrears £m	Payments in advance £m	<b>31/3/02 Net Arrears £m</b>	31/3/01 Net Arrears £m
Housing rents	27.8	(2.8)	<b>25.0</b>	30.3
Homelessness	3.5	0.0	<b>3.5</b>	3.1
Community charge	0.0	0.0	<b>0.0</b>	0.3
Non domestic rates	7.4	(9.9)	<b>(2.5)</b>	(1.6)
Council Tax	22.6	(0.9)	<b>21.7</b>	21.2
Other debtors	15.4	(1.9)	<b>13.5</b>	27.5
	76.7	(15.5)	<b>61.2</b>	80.8

4.2 The Council's level of provisions for the write off of arrears on recurring debt has reduced by £16.7 million in 2001/02.

	<b>31/3/02 £m</b>	31/3/01 £m
Housing rents	<b>18.2</b>	24.9
Homelessness	<b>3.5</b>	3.2
Council Tax	<b>20.5</b>	18.0
Community charge	<b>0.0</b>	0.3
Other	<b>15.4</b>	27.9
	<b>57.6</b>	74.3

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.

**5. FUTURE COMMITMENTS**

**CAPITAL PROGRAMME**

5.1 The Council plans its capital programme on a five 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	<b>Contractually Committed Expenditure £m</b>
Housing	<b>86.1</b>
Regeneration and Environment Management	<b>7.1</b>
Education	<b>22.3</b>
Leisure	<b>1.7</b>
Total committed programme	<b>117.2</b>

## FOREWORD

**6. PARTNERSHIPS**

6.1 With effect from 1st April 2001 the Council has 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 runs until 31st March 2006 and may be extended 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.

6.2 The service specification incorporated within the LEA Services contract defines the Council's requirements primarily in output and performance terms: it does not seek to specify the working practices and processes or the level of resources deployed by the Contractor (i.e. Atkins) to meet the Council's requirements. The aim of the service specification is to impose the minimum number of constraints on the manner in which the Contractor meets the specified requirements. Atkins are therefore presented with the maximum possible freedom to develop new and innovative business practices that reflect best practice. In certain circumstances, however, this may mean that it is not possible to disaggregate financial information to the same level of detail as would be possible in a traditional LEA.

6.3 The Council and Atkins have also recognised that there are benefits to be gained by both parties in working together in a spirit of partnership to ensure that the provision of services under the contract promotes the raising of educational standards in the Council's area through the delivery to schools and pupils of improved services. The contract is, therefore, underpinned by a set of partnership principles:

- ◆ Shared vision - both parties have a mutual understanding of each other's objectives and a shared commitment to achieving them
- ◆ Mutual trust - both parties must orientate their organisations to develop an attitude of mutual trust
- ◆ Commitment - both parties must commit to making the relationship work
- ◆ Communication - both parties must ensure effective communication between the parties and present a consistent public face across the partnership
- ◆ Flexibility - shared recognition of the likelihood of unforeseen change and a joint commitment to flexibility and responsiveness in such circumstances.

6.4 These principles inform the operation of the contract and are most clearly expressed in the Partnership Board established to jointly progress improvement in the Education service. The Council and Atkins, however, remain as separate legal entities and no formal Partnership agreement or vehicle has been established as a result of this contract.

## 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) 2000 (as revised), the Best Value Accounting Code of Practice, and all other relevant legislation and statements of good practice.
- 1.2 With effect from 1st April 2001 the Code of Practice introduces "resource accounting" for the Housing Revenue Account. This has introduced a number of new transactions and accounts, and requires different disclosures in the Statement of Accounts. As a result, the comparisons with 2000/01 figures are not fully consistent. This affects the Housing Revenue Account statements on pages 22 to 26, and the Consolidated Revenue Account on page 13.

**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 16.3 to the Consolidated Balance Sheet (page 35)
  - ◆ SSAP 1 & 14: Accounting for associated companies and group accounts. It has not been possible to comply with this standard completely, in respect of the many smaller companies and trusts in which the Council has a minority interest.
  - ◆ SSAP 24: Accounting for pension costs. The Council is inhibited by law from complying with this standard. However, in 2001/02 the Council paid a contribution of £16.76 million into the Pension Fund. In addition it contributed £4.31 million into other pension schemes. Considerably increased contributions have been required since 1992/93 and will continue to be required in future years. The disclosure under FRS 17 indicates the total liability due to the Fund (page 36). Further details are given under the Pension Fund accounts on page 48 and Note 13 to the Consolidated Revenue Account on page 18.
  - ◆ SSAP 9: Stocks and long term contracts. Stock held is not currently valued at the lower of cost or net realisable value, but is valued in the accounts at the latest invoiced price.
  - ◆ 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 2001/02 they are accounted for accordingly. Likewise, income due in for goods and services relating to 2001/02 is accounted for in 2001/02.
- 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.

## STATEMENT OF ACCOUNTING POLICIES

### 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.

### 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 All investments are shown at their cost price including brokerage and fees.

### 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.

## STATEMENT OF ACCOUNTING POLICIES

- 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 2000 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.
  - ◆ 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 Assets acquired under finance leases are also capitalised in the Council's accounts, together with the liability to pay future rentals. Rental payments under finance leases are 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 is charged to the Asset Management Revenue Account. The Council has no finance leases at this time.
- 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. Such income that is not reserved for the repayment of external loans and forms part of the capital financing reserve, and has not been used, is included in the balance sheet as usable capital receipts.

## 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.

## STATEMENT OF ACCOUNTING POLICIES

- 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 represent expenditure that may properly be capitalised, but does not result in the acquisition or increased value of a tangible fixed asset. In years up to and including 2001/02, Deferred charges have been written back to revenue over a period not exceeding five years. At 31st March 2002 the balance of deferred charges was written out to the Capital Finance Reserve. From 1st April 2003 deferred charges will be fully amortised in the year they arise.

## 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, ex councillors and chief officers for the financial year 2001/02. Of the 82 declarations requested 7 councillors were members of various local voluntary organisations receiving grant aid totalling £824,952 from the Council in 2001/02. All of these transactions are with the Council. There were no transactions involving central government, joint ventures, joint venture parties, nor other bodies precepting on the Council Tax. A summary of the transactions is available separately.
- 4.3 7 former councillors have not returned declarations.
- 4.4 The Council register of members' interests is available for inspection together with their declarations of any related party transactions at Peckham Town Hall.

**5. GRANT CLAIMS**

- 5.1 The Accounts are prepared on the basis of accruals for claims of grants from central 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

	Notes	Expenditure	Income	2001/02 Net Expenditure £000	2000/01 Net Expenditure £000
	1	£000	£000		
Education	2	207,863	(58,135)	149,728	133,894
Social Services	2	156,397	(59,387)	97,010	107,516
Housing Services - Housing Revenue Account	3	383,994	(336,256)	47,738	(10,108)
Housing Services - General Fund		67,576	(47,497)	20,079	19,685
Highways and Transportation	4,5	25,793	(11,648)	14,145	9,280
Cultural, Environmental and Planning	4,6	82,693	(29,950)	52,743	46,418
Central Services		42,784	(28,047)	14,737	14,953
Corporate and Democratic Core	7	14,674	(7,464)	7,210	4,742
Unallocated central overheads	8	9,478	0	9,478	9,379
<b>Net Cost of Services</b>	<b>9-14</b>	991,252	(578,384)	<b>412,868</b>	335,759
Net (surplus)/loss on internal trading accounts	9			27	1,284
Interest Receivable				(4,893)	(6,319)
Transfers to/(from) AMRA	15			(84,573)	3,733
MRP/Depreciation adjustment	16			9,351	(24,532)
Deferred Credit				(723)	(803)
Levies				1,938	2,740
Amounts due to precepting authorities				12,793	11,720
<b>Net Operating Expenditure</b>				<b>346,788</b>	323,582
Appropriations					
Transfers to/(from) HRA Fund				(10,899)	6,587
Contributions to/(from) Earmarked Reserves				(8,221)	(10,967)
Contributions to/(from) Capital Reserves					
– Financing capital expenditure				21,309	5,174
– Deferred Charges				(7,962)	(8,061)
– Deferred Grants				3,972	5,065
<b>Amounts to be met from Government Grants &amp; Taxation</b>				<b>344,987</b>	321,380
Sources of Finance					
Council Tax payers				(75,872)	(70,864)
Deficit from previous years Collection Fund				4,302	4,006
General Government Grant				(205,566)	(193,467)
Contributions from non domestic pool				(63,936)	(64,389)
<b>Net General Fund (surplus)/deficit</b>				<b>3,915</b>	(3,334)
Balance brought forward				(8,000)	(4,666)
<b>Balance carried forward</b>				<b>(4,085)</b>	(8,000)
Schools balances at 31st March				(7,186)	(7,140)

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

**1. FORMAT OF THE ACCOUNTS**

- 1.1 The Consolidated Revenue Account has been prepared in accordance with the Best Value Accounting Code of Practice and Resource Accounting for the Housing Revenue Account. As a result in the change of format, direct comparison of the Account between 2001/02 and 2000/01 is difficult although every effort has been made to restate 2000/01 costs and revenues in the new format.

**2. EARLY YEARS EXPENDITURE**

- 2.1 In 2001/02 expenditure of £6.317 million was incurred under Social Service powers (£6.570 million in 2000/01) and £2.528 million was incurred under Education powers (£2.453 million in 2000/01).

**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 statements on page 22, is £48.047 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:

	2001/02 £000
Cost of Services	47,738
Corporate and Democratic Core	250
Unallocated central overheads	59
<b>Net Cost of Services</b>	<b><u>48,047</u></b>

- 3.2 The movement in the cost of services for the HRA is from (£10.108) million in 2000/01 to £47.738 million in 2001/02. The movement is due largely to the introduction of new accounting items in 2001/02 under resource accounting, in particular the AMRA adjustment of £67.580 million, see Note 15 below. For further comparisons on movements between years, see the Housing Revenue Account statements on pages 22 - 26.

**4. COMMERCIAL INCOME**

- 4.1 The Council undertook commercial refuse collection in addition to its statutory refuse collection. In 2001/02 a profit of £315,000 (£395,000 in 2000/01) occurred on a turnover of £2,302,000 (£2,252,000 in 2000/01).
- 4.2 The Council operates a number of industrial estates in the area. These produced an income of £1,945,000 (£2,054,000 in 2000/01) against expenditure of £2,568,000 (£2,802,000 in 2000/01).
- 4.3 The Council also rents out commercial properties. These produced an income of £2,052,000 (£2,200,000 in 2000/01) against expenditure of £5,259,000 (£4,253,000 in 2000/01).
- 4.4 The Council operates a Parking Trading Account. In 2001/02 parking generated a surplus of £1,734,000 (£1,803,000 in 2000/01). The surplus has been fully applied to meet other transport costs, of road maintenance £718,000 and street lighting £1,016,000 (respectively £960,000 and £652,000, plus £1,916,000 for off street parking in 2000/01). There is no residual balance brought forward or 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

**5. AGENCY GOODS AND SERVICES**

- 5.1 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.
- 5.2 The expenditure and reimbursement is included within the gross expenditure and income of the Consolidated Revenue Account. A summary of the expenditure is shown as:

	<b>2001/02</b>
	<b>£000</b>
Major projects	<b>2,555</b>
Reactive maintenance	<b>396</b>
Administrative costs	<b>201</b>
	<hr/> <b>3,152</b> <hr/>

**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.

	<b>Chargeable</b>	<b>Non Chargeable</b>	<b>Total Building Control</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>			
Employees	456	317	<b>773</b>
Premises	49	26	<b>75</b>
Transport	12	8	<b>20</b>
Supplies & Services	99	256	<b>355</b>
Support Services	56	38	<b>94</b>
<b>Total Expenditure</b>	<hr/> 672	<hr/> 645	<hr/> <b>1,317</b> <hr/>
<b>Income</b>			
Building Control Fees	(994)		<b>(994)</b>
Other Income		(269)	<b>(269)</b>
Deferred Income transfers	(412)		<b>(412)</b>
<b>Total Income</b>	<hr/> (1,406)	<hr/> (269)	<hr/> <b>(1,675)</b> <hr/>
<b>Net Expenditure/(Income) for 2001/02</b>	(734)	376	<b>(358)</b>
<b>Balance from 2000/01</b>	(293)	444	<b>151</b>
<b>Transfer to Deferred Income</b>	445	0	<b>445</b>
<b>(SURPLUS)/DEFICIT</b>	<hr/> (582)	<hr/> 820	<hr/> <b>238</b> <hr/>

**7. MEMBERS' ALLOWANCES**

- 7.1 The amount of members' allowances paid in the financial year 2001/02 was £837,152 (£905,320 in 2000/01).

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

**8. UNALLOCATED CENTRAL OVERHEADS**

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

	<b>2001/02 £000</b>	2000/01 £000
London Pension Fund Authority levy	<b>1,631</b>	1,571
Contribution to Pension Fund deficit	<b>6,199</b>	6,499
Added years pension costs	<b>1,648</b>	154
Unused shares of IT facilities	<b>0</b>	1,155
<b>Total</b>	<b>9,478</b>	9,379

**9. TRADING ACTIVITIES**

9.1 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.

	<b>Turnover 2001/02 £000</b>	<b>(Profit)/Loss 2001/02 £000</b>	Turnover 2000/01 £000	(Profit)/Loss 2000/01 £000
Building	<b>(13,653)</b>	<b>45</b>	(12,700)	246
Highways	<b>(2,921)</b>	<b>(121)</b>	(3,091)	(130)
Refuse	<b>(4,630)</b>	<b>(111)</b>	(4,386)	(34)
Catering	<b>0</b>	<b>0</b>	(9,146)	0
Cleanteam	<b>(3,009)</b>	<b>(181)</b>	(2,958)	(125)
Greenteam	<b>(845)</b>	<b>78</b>	(1,049)	(10)
Vehicle Management (Fleet)	<b>(3,457)</b>	<b>(263)</b>	(3,402)	(236)
Building Design services	<b>(6,678)</b>	<b>24</b>	(4,771)	(227)
Legal services	<b>(3,604)</b>	<b>(137)</b>	(3,228)	(149)
Payroll & Pensions	<b>(3)</b>	<b>0</b>	(4)	0
Passenger Services	<b>(3,208)</b>	<b>(50)</b>	(3,191)	(80)
Recruitment	<b>(14)</b>	<b>0</b>	(3,100)	(295)
Community Services	<b>0</b>	<b>0</b>	(336)	0
Direct Image	<b>(43)</b>	<b>0</b>	(153)	0
Construction	<b>(27)</b>	<b>0</b>	123	579
DSO departmental overheads	<b>(291)</b>	<b>507</b>	(13)	407
Housing Management	<b>(17,639)</b>	<b>(24)</b>	(16,484)	(20)
Translation Unit	<b>(188)</b>	<b>129</b>	(157)	194
Law & Administration	<b>(1,460)</b>	<b>106</b>	(1,612)	19
Social Services - Orchard Lodge	<b>(6,739)</b>	<b>0</b>	(6,052)	359
Parking Services	<b>(6,580)</b>	<b>(1,734)</b>	(5,991)	(1,803)
<b>Total All Trading Accounts</b>	<b>(74,989)</b>	<b>(1,732)</b>	(81,701)	(1,305)

9.2 The disclosure has been prepared in accordance with Best Value Accounting. The table in the 2000/01 Accounts included services which are not trading services for Best Value Accounting purposes: Financial Management Services, Personnel Management Services and Information Technology. These items are no longer included. The Translation Unit has been identified as a trading service for Best Value Accounting purposes, and has been included for the first time in 2001/02. In addition, not all the costs previously reported for Law & Administration are trading activities, and the table includes only the relevant services. In 2000/01 Law & Administration was shown as £7.717 million turnover, with £0.015 million loss.

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

**10. LIABILITY IN RESPECT OF LEASED ASSETS**

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

	<b>2001/02</b>	2000/01
	<b>£000</b>	Restated £000
Cost of repayments in 2001/02		
Operating leases - Council vehicles	<b>1,830</b>	1,850
Operating leases - staff vehicles	<b>549</b>	529
Hire purchase - fixed plant	<b>38</b>	38
Property leases	<b>1,514</b>	1,525
	<b>3,931</b>	3,942

10.2 The figures for 2000/01 have been restated as a result of a review and identification of leases operated by the Council, and additionally to include the Council's property leases, which were not previously disclosed. The total for operating leases in 2000/01 Accounts was previously given as £1.509 million, compared with £2.379 million now shown above.

10.3 Council vehicles are provided under contract hire at annual rentals expected to total £1.879 million in 2002/03. Rentals remaining on staff vehicle leases, up to the expiry of the fixed terms, are estimated at £1.02 million, the Council's share being approximately 76%. Annual hire purchase rentals amount to £38,000 per annum, and are the residual cost from finance leases in previous years; the Council has no new finance leases. Annual property rentals are estimated at £1.51 million in 2002/03.

10.4 The Council also has a rental liability in respect of office equipment such as photocopiers, estimated at £1.3 million per annum. This is not included in the above table.

**11. PUBLICITY**

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

	<b>2001/02</b>	2000/01
	<b>£</b>	£
Recruitment advertising	<b>727,114</b>	849,742
Council newspapers and other publications	<b>197,490</b>	223,939
Consultations and other publicity	<b>1,535,289</b>	1,656,525
	<b>2,459,893</b>	2,730,206

11.2 In addition to the above, Atkins, the Council's Education PPP partner from 1st April 2001, incurs publicity costs on behalf of the Council. These costs are part of the contract price of the PPP and are not identifiable separately.

**12. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970**

12.1 Before 2001/02 there were no services provided to other authorities under this Act.

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

- 12.2 From 1st April 2001, Atkins have been providing Education services on behalf of the Council. Atkins have been 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. In 2001/02 income from such services totalled £311,183, for the provision of IT services (£285,915) and legal services (£25,268).
- 12.3 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. For 2001/02 the income from the commission totalled £4,911. The commission continues into 2002/03.

**13. EMPLOYEES PENSION COSTS**

- 13.1 Teachers' pension costs. In 2001/02 the Council paid £3.88 million to the Teachers Pensions Agency in respect of teachers' pension costs, which represents 7.4% 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 2001/02 these amounted to £16,910.
- 13.2 Employees who were transferred from the GLC or ILEA. In 2001/02 the Council paid £0.434 million to the London Pension Fund Authority in respect of the pension costs for former employees of the GLC or ILEA. This represents 15.7% of pensionable pay. In addition the Council is responsible for pension payments relating to added years it has awarded, together with the related increases. In 2001/02 these amounted to £1,040.
- 13.3 Other employees' pension costs. In 2001/02 the Council paid an employer contribution of £14.34 million into the Pension Fund, representing 16.1% 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 £2.4 million. The contribution rate is determined by the Fund's actuary, based on triennial valuations, 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 2001/02 these amounted to £1.4 million, representing 1.6% of pensionable pay.
- 13.4 The 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 £14.3 million, representing 16% of pensionable pay.
- 13.5 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 2001/02, funded by the Pension Fund	625	0.7%
Capital cost of discretionary added years awarded in years before 2001/02, funded by the Pension Fund	32,555	
Capital cost of discretionary added years awarded in 2001/02, funded by the Council	68	0.08%
Capital cost of discretionary added years awarded in years before 2001/02, funded by the Council	28,353	

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

**14. REMUNERATION OF EMPLOYEES**

14.1 During 2001/02 the Council employed staff whose taxable remuneration exceeded £40,000 in the year. A breakdown of these employees in bands of £10,000 is as follows:

Band (£)	Schools	Non schools	Number of employees 2001/02	Number of employees (non schools) 2000/01
40,000 - 49,999	147	76	223	75
50,000 - 59,999	32	26	58	25
60,000 - 69,999	12	13	25	7
70,000 - 79,999	7	3	10	2
80,000 - 89,999	0	1	1	3
90,000 - 99,999	0	1	1	0
100,000 - 109,999	0	0	0	0
110,000 - 119,999	0	1	1	1
	198	121	319	113

14.2 In recent years schools' remuneration has been made through independent providers rather than through the Council's payroll system. Information was not previously available on schools' remuneration but has been collected from 2001/02, and is now included in the above table. The schools' and non schools' figures are shown separately, to allow comparison with the 2000/01 non schools' figures.

**15. ASSET MANAGEMENT REVENUE ACCOUNT**

	2001/02 £000	2000/01 £000
Income		
Capital charges – General Fund	(30,389)	(29,286)
Capital charges – Housing Revenue Account		
Pre implementation of Resource Accounting	0	(76,002)
On implementation of Resource Accounting	(168,470)	0
Transfer from Grants Deferred Account	(3,972)	(5,065)
	(202,831)	(110,353)
Expenditure		
Provision for depreciation – General Fund	6,698	7,674
Provision for depreciation – Housing Revenue Account	40,244	33,093
External interest charges	71,278	72,614
Finance lease charges	38	38
	118,258	113,419
<b>Balance to Consolidated Revenue Account</b>	<b>(84,573)</b>	3,056
Analysed as:		
General Fund	(16,930)	3,056
Housing Revenue Account	(67,643)	0
<b>Balance to the Consolidated Revenue Account</b>	<b>(84,573)</b>	3,056

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

15.1 Under the requirements of resource accounting for the Housing Revenue Account, 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.

15.2 The increase in the AMRA is due to a change in the way the HRA is now consolidated in the Accounts. The difference between the higher level of capital charges and debt financing costs is now shown as an accounting adjustment to the AMRA:

	2001/02 £000	2000/01 £000
AMRA accounting adjustment	(68,872)	0
HRA Premiums	1,229	0
	<b>(67,643)</b>	0

15.3 The above items are also shown separately on the face of the Housing Revenue Account on page 22. The changes to the AMRA are accounting and presentational adjustments only, and there is no net cost or benefit to either the HRA or the General Fund accounts.

**16. MINIMUM REVENUE PROVISION**

	2001/02 £000	2000/01 £000
Non housing amount – 4% of credit ceiling	1,689	1,755
Housing amount – 2% of credit ceiling	14,360	14,480
<b>Minimum Revenue Provision</b>	<b>16,049</b>	16,235
Non housing amount	1,689	1,755
Less General Fund depreciation	(6,698)	(7,674)
	<b>(5,009)</b>	(5,919)
Housing amount	14,360	14,480
Less HRA depreciation	(40,244)	(33,093)
Receipt of Major Repairs Allowance	38,459	0
Transfer to the Major Repairs Reserve	1,785	0
<b>Minimum Revenue Provision</b>	<b>14,360</b>	(18,613)
<b>Balance to the Consolidated Revenue Account</b>	<b>9,351</b>	(24,532)

16.1 Under the requirements of resource accounting for the Housing Revenue Account, from 2001/02 the charge for depreciation to the HRA is now 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 22.



## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

16.2 The changes to the MRP/Depreciation adjustment are accounting and presentational adjustments only, and there is no net cost or benefit to either the HRA or the General Fund accounts. The distortions 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:

	<b>2001/02</b> <b>£000</b>	2000/01 £000
Asset Management Revenue Account	<b>(84,573)</b>	3,056
MRP balancing adjustment	<b>9,351</b>	(24,532)
	<b>(75,222)</b>	(21,476)
Less		
HRA AMRA adjustment	<b>67,643</b>	0
HRA MRP now charged direct to HRA	<b>(14,360)</b>	0
	<b>(21,939)</b>	(21,476)

## 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	Note	2001/02 £000	2000/01 Restated £000
<b>INCOME</b>			
Dwelling rents (gross)		<b>(143,844)</b>	(142,536)
Non dwelling rents (gross)		<b>(6,552)</b>	(5,595)
Charges for services and facilities		<b>(21,971)</b>	(19,603)
Contributions towards expenditure		<b>(9,913)</b>	(6,931)
HRA subsidy receivable (including MRA)		<b>(151,459)</b>	(112,596)
Reduced provision for bad or doubtful debts		<b>(2,517)</b>	0
<b>TOTAL INCOME</b>		<b>(336,256)</b>	(287,261)
<b>EXPENDITURE</b>			
Repairs and maintenance		<b>50,036</b>	43,188
Supervision and management		<b>76,655</b>	66,886
Rents, rates, taxes and other charges		<b>2,562</b>	2,628
Rent rebates		<b>74,277</b>	74,710
Increased provision for bad or doubtful debts		<b>8,071</b>	10,172
Cost of capital charge		<b>129,259</b>	61,064
Depreciation and impairment of fixed assets		<b>40,244</b>	0
Amortisation of deferred charges		<b>3,020</b>	3,884
Debt management expenses		<b>179</b>	141
<b>TOTAL EXPENDITURE</b>		<b>384,303</b>	262,673
<b>Net Cost of Services</b>	<b>1.</b>	<b>48,047</b>	(24,588)
Asset Management Revenue Account balance		<b>(68,872)</b>	0
Amortised premiums and discounts		<b>1,229</b>	677
HRA Investment Income		<b>(2,329)</b>	(2,248)
<b>Net Operating Expenditure</b>		<b>(21,925)</b>	(26,159)
Revenue Contribution to Capital Expenditure		<b>20,249</b>	5,092
HRA Contribution to MRP		<b>14,360</b>	14,480
Transfer to/(from) Major Repairs Reserve		<b>(1,785)</b>	0
<b>Total (Surplus)/Deficit for the year</b>		<b>10,899</b>	(6,587)
Balance brought forward		<b>(20,117)</b>	(13,530)
Balance carried forward		<b>(9,218)</b>	(20,117)

NOTES TO THE HOUSING REVENUE ACCOUNT

**1. RESOURCE ACCOUNTING**

1.1 With effect from 1st April 2001 the Code of Practice introduces "Resource Accounting" for the Housing Revenue Account. This has introduced a number of new transactions and accounts, and requires different disclosures in the Statement of Accounts. As a result, the comparisons with 2000/01 figures are not fully consistent.

1.2 See also Note 3 to the Consolidated Revenue Account, page 14.

**2. ANALYSIS OF HOUSING STOCK BY TYPE OF DWELLING**

Type of dwelling		Number of bedrooms				Total	
		1	2	3+	Other	31/3/02	31/3/01
Houses and bungalows	<b>31/3/02</b>	<b>414</b>	<b>789</b>	<b>3,117</b>	<b>0</b>	<b>4,320</b>	
	31/3/01	422	875	3,123	0		4,420
Low rise flats	<b>31/3/02</b>	<b>3,427</b>	<b>815</b>	<b>451</b>	<b>0</b>	<b>4,693</b>	
	31/3/01	3,540	842	458	0		4,840
Medium rise flats	<b>31/3/02</b>	<b>8,224</b>	<b>8,932</b>	<b>7,743</b>	<b>0</b>	<b>24,899</b>	
	31/3/01	8,411	9,259	8,238	0		25,908
High rise flats	<b>31/3/02</b>	<b>4,431</b>	<b>6,377</b>	<b>2,261</b>	<b>0</b>	<b>13,069</b>	
	31/3/01	4,502	6,556	2,517	0		13,575
Non permanent	<b>31/3/02</b>				<b>57</b>	<b>57</b>	
	31/3/01	0	0	0	57		57
Multi occupied	<b>31/3/02</b>				<b>153</b>	<b>153</b>	
	31/3/01	0	0	0	194		194
Totals	<b>31/3/02</b>	<b>16,496</b>	<b>16,913</b>	<b>13,572</b>	<b>210</b>	<b>47,191</b>	
	31/3/01	16,875	17,532	14,336	251		48,994

**3. ASSET VALUATIONS**

3.1 The values of HRA operational assets, as included in Note 1.1 to the balance sheet on page 28, are shown in the table below. There are no non operational HRA assets.

	<b>31/3/02</b>	1/4/01
	<b>£000</b>	£000
Dwellings	<b>2,014,524</b>	1,868,521
Other land and buildings	<b>53,614</b>	43,310
	<b>2,068,138</b>	1,911,831

3.2 The vacant possession value of dwellings within the HRA at 1st April 2001 is £4,864 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

**4. MAJOR REPAIRS RESERVE**

	£000
Balance at 1st April 2001	0
Transfers from the Capital Financing Reserve	(40,244)
Transfer to the HRA	1,785
Financing of capital expenditure	38,459
<b>Balance at 31st March 2002</b>	<b>0</b>

**5. CAPITAL**

CAPITAL EXPENDITURE	2001/02 £000	2000/01 £000
Funding Source:		
Borrowing	8,661	36,217
Usable capital receipts	5,748	1,725
Grants and contributions	7,169	4,589
Revenue contributions	20,249	217
Major Repairs Reserve	38,459	0
<b>Total HRA capital expenditure</b>	<b>80,286</b>	<b>42,748</b>
RECEIPTS FROM ASSET DISPOSALS	2001/02 £000	2000/01 £000
Land	160	922
Buildings	60,588	37,980
Other receipts	522	728
<b>Total HRA capital expenditure</b>	<b>61,270</b>	<b>39,630</b>

**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 6% of the value of HRA operational assets.

**7. DEPRECIATION CHARGE**

	2001/02 £000	2000/01 £000
Dwellings	38,459	0
Other property	1,785	0
<b>Total</b>	<b>40,244</b>	<b>0</b>

7.1 The introduction of Resource Accounting from 1st April 2001 requires the depreciation of HRA assets to be shown on the face of the Housing Revenue Account. In previous years the depreciation of fixed assets was replaced by the Item 8 Debit charge to the HRA.

NOTES TO THE HOUSING REVENUE ACCOUNT

**8. ASSET MANAGEMENT REVENUE ACCOUNT BALANCE**

8.1 The balance is a capital asset charges 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.

**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 2.1 to the balance sheet (page 29).

	£000
Balance at 1st April 2001	7,839
Amortisation	(3,020)
Amounts written off to Capital Financing Reserve	(4,819)
<b>Balance at 31st March 2002</b>	<b>0</b>

9.3 At 31st March 2002 the balance of deferred charges was written out to the Capital Finance Reserve. From 1st April 2003 deferred charges will be fully amortised in the year they arise.

**10. HRA SUBSIDY**

10.1 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.

	2001/02 £000	2000/01 £000
Management & Maintenance allowances	<b>(89,686)</b>	(87,992)
Major Repairs Allowance (shadow amount)		(38,156)
Major Repairs Allowance	<b>(38,459)</b>	
Capital Charges subsidy	<b>(83,874)</b>	(83,684)
Other Expenditure (leased assets) subsidy	<b>(1,545)</b>	(1,644)
Tenant Participation Compacts allowance	<b>(70)</b>	(64)
Resource Accounting allowance	<b>(236)</b>	(222)
Interest on Receipts deduction	<b>187</b>	240
Guideline rent income deduction	<b>130,516</b>	127,609
	<b>(83,167)</b>	(83,913)
Exclude shadow major repairs allowance	<b>0</b>	38,156
Housing Element subsidy	<b>(83,167)</b>	(45,757)
Housing Benefit subsidy	<b>(68,292)</b>	(66,839)
<b>Total Housing Subsidy</b>	<b>(151,459)</b>	(112,596)

NOTES TO THE HOUSING REVENUE ACCOUNT

- 10.2 Inclusion of the Major Repairs Allowance (MRA) in the subsidy payment is one of a number of changes to the HRA relating to the new Resource Accounting regime. The annual MRA payment is intended to enable Councils to maintain their housing stock over the long term and is a good example of the thinking behind Resource Accounting which is intended to reflect the true cost of assets more accurately within the HRA.
- 10.3 The introduction of Resource Accounting does however mean that direct comparison between the HRA for 2000/01 and 2001/02 is difficult although every effort has been made to restate 2000/01 costs and revenues in the new format.

**11. HOUSING TENANTS ACCOUNTS**

	<b>2001/02</b>	2000/01
	<b>£000</b>	£000
Arrears at 1st April	<b>30,514</b>	30,784
Charges due in the year	<b>148,195</b>	148,715
Rent Rebates	<b>(68,727)</b>	(68,145)
Write offs and adjustments	<b>(5,517)</b>	(5,112)
Cash collected	<b>(78,878)</b>	(75,728)
<b>Arrears at 31st March</b>	<b>25,587</b>	30,514

- 11.1 The arrears position as at 31st March 2002 includes Neighbourhoods, Browning EMB, hostels and miscellaneous properties. It excludes Tenant Management Organisations, Bed & Breakfast and Travellers Sites.

CONSOLIDATED BALANCE SHEET

<b>BALANCES AT</b>	Notes	31/3/02 £000	31/3/02 £000	31/3/01 £000	31/3/01 £000
Fixed Assets	<b>1</b>				
Operational Assets					
– Council dwellings		<b>2,014,524</b>		1,836,699	
– other land and buildings		<b>397,630</b>		334,538	
– vehicles, plant and equipment		<b>4,228</b>		6,235	
– infrastructure assets		<b>54,092</b>		55,092	
– community assets		<b>6,783</b>		6,532	
– work in progress		<b>269,927</b>		187,807	
Non operational Assets					
– investment properties		<b>636</b>		636	
			<b>2,747,820</b>		2,427,539
Deferred charges	2	<b>0</b>		23,617	
Deferred debtors	3	<b>1,895</b>		2,452	
Deferred debits	4	<b>7,263</b>		6,689	
			<b>9,158</b>		32,758
<b>Total long-term assets</b>			<b>2,756,978</b>		2,460,297
Current Assets					
– stocks and work in progress		<b>1,343</b>		1,875	
– debtors	5	<b>119,395</b>		145,550	
– less provision for bad debts		<b>(78,002)</b>		(80,641)	
– investments	6	<b>138,223</b>		118,070	
			<b>180,959</b>		184,854
Current Liabilities					
– creditors		<b>(80,721)</b>		(102,075)	
– cash and bank		<b>(17,085)</b>		(6,664)	
			<b>(97,806)</b>		(108,739)
<b>Total assets less current liabilities</b>			<b>2,840,131</b>		2,536,412
Long term borrowing	7		<b>(766,662)</b>		(791,849)
Deferred receipts	8		<b>(1,566)</b>		(2,098)
Deferred credits	9		<b>(6,541)</b>		(7,264)
Grants deferred account	10		<b>(165,453)</b>		(155,351)
Provisions	11		<b>(55,924)</b>		(49,063)
<b>Total assets less liabilities</b>	15		<b>1,843,985</b>		1,530,787
<b>Represented by :</b>					
Fixed asset restatement reserve	16		<b>1,518,009</b>		1,268,044
Capital financing reserve	16		<b>300,959</b>		217,252
Usable capital receipts reserve	16		<b>794</b>		1,807
Earmarked reserves	16		<b>17,778</b>		24,214
Balances – General Fund			<b>4,085</b>		8,000
– Housing Revenue A/c			<b>9,218</b>		20,117
– Collection Fund			<b>(6,858)</b>		(8,647)
<b>Total Equity</b>			<b>1,843,985</b>		1,530,787

## NOTES TO THE CONSOLIDATED BALANCE SHEET

**1. FIXED ASSETS**

## 1.1 Movement of Fixed Assets 2001/02

	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
<b>Gross Book Value @ 01/4/01</b>	1,868,521	340,348	15,014	62,928	6,532	636	187,807	2,481,786
Restatements		35,116	10					35,126
Revaluations	254,310	51,656						305,966
Additions	337	1,211		698	251		82,120	84,617
Disposals	(40,253)	(22,295)						(62,548)
<b>Gross Book Value @ 31/3/02</b>	<b>2,082,915</b>	<b>406,036</b>	<b>15,024</b>	<b>63,626</b>	<b>6,783</b>	<b>636</b>	<b>269,927</b>	<b>2,844,947</b>
Accumulated Depreciation b/f	31,822	5,810	8,779	7,836	0	0	0	54,247
Depreciation for Revaluations and Restatements	(537)	(2,125)						(2,662)
Depreciation for the year	38,459	4,770	2,017	1,698				46,944
Depreciation on assets sold	(1,353)	(49)						(1,402)
<b>Depreciation Balance @ 31/3/02</b>	<b>68,391</b>	<b>8,406</b>	<b>10,796</b>	<b>9,534</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>97,127</b>
<b>Net Book Value @ 31/3/02</b>	<b>2,014,524</b>	<b>397,630</b>	<b>4,228</b>	<b>54,092</b>	<b>6,783</b>	<b>636</b>	<b>269,927</b>	<b>2,747,820</b>

- 1.2 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.
- 1.3 In introducing Housing resource accounting in 2001/02, an external survey of the stock has resulted in a partial revaluation of the stock. This has seen an increase in value of £254.310 million. The main reason for the increase is the improvement in the domestic market. A strong market also discounts the effect of repair liabilities on the assets, which compounds the increase in the stock valuation.
- 1.4 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.
- 1.5 Assets relating to former grant maintained schools, now foundation schools, are not vested in the Council. However, in accordance with the principles of Financial Reporting Standard 5, it is considered that the assets should be recognised in the Council's accounts. There are four GM schools in the authority. These assets have now been valued and included in the balance sheet as other land and buildings, at £12.995 million.



NOTES TO THE CONSOLIDATED BALANCE SHEET

**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.

	2001/02 £000	2000/01 £000
Deferred charges as at 1st April	23,617	21,971
Restatements	0	2,148
Expenditure in the year	8,250	7,559
Amortisation	(7,962)	(8,061)
Amounts written off to Capital Financing Reserve	(23,905)	0
<b>Balance as at 31st March</b>	<b>0</b>	<b>23,617</b>

2.1 At 31st March 2002 the balance of deferred charges was written out to the Capital Finance Reserve. From 1st April 2003 deferred charges will be fully amortised in the year they arise.

**3. DEFERRED DEBTORS**

	2001/02 £000	2000/01 £000
Balance as at 1st April	2,452	3,105
New advances in the year	2,559	4,776
Repayments in the year	(3,116)	(5,429)
<b>Balance as at 31st March</b>	<b>1,895</b>	<b>2,452</b>
Represented by:		
Housing Associations	226	401
Other	1,669	2,051
<b>Balance as at 31st March</b>	<b>1,895</b>	<b>2,452</b>

**4. DEFERRED DEBITS**

4.1 These 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.

	2001/02 £000	2000/01 £000
Balance brought forward	6,689	7,045
New premiums in year	1,659	0
Amounts written off to revenue	(1,085)	(356)
<b>Balance as at 31st March</b>	<b>7,263</b>	<b>6,689</b>

NOTES TO THE CONSOLIDATED BALANCE SHEET

**5. DEBTORS**

5.1 Included in debtors is £0.9 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. Full provision has been made for its non recovery.

**6. INVESTMENTS**

	<b>2001/02</b>	2000/01
	<b>£000</b>	£000
Temporary investments	<b>140,356</b>	119,724
Less: Sums invested on behalf of Trust Funds	<b>(2,133)</b>	(1,654)
	<b>138,223</b>	118,070

6.1 The temporary investments shown above include £74.4 million (book cost) which is managed by two external managers on behalf of the authority. The market value of these investments was £75.2 million at 31st March 2002.

**7. LONG TERM BORROWING**

7.1	Sources of loans –			
		Range of Interest rates payable (%)	<b>Total outstanding</b>	
			<b>31/3/02</b>	31/3/01
			<b>£000</b>	£000
	Stock		<b>54</b>	54
	Mortgages	3.25 to 5.06	<b>175</b>	184
	PWLB loans	4.25 to 11.5	<b>766,433</b>	791,611
			<b>766,662</b>	791,849
7.2	Maturity dates of loans –			
			<b>31/3/02</b>	31/3/01
			<b>£000</b>	£000
	within 1 year		<b>4,683</b>	1,336
	from 1 year to 2 years		<b>10</b>	20,629
	from 2 years to 5 years		<b>18,033</b>	15,436
	from 5 years to 10 years		<b>251,514</b>	233,331
	after 10 years		<b>492,422</b>	521,117
			<b>766,662</b>	791,849

NOTES TO THE CONSOLIDATED BALANCE SHEET

**8. DEFERRED RECEIPTS**

8.1 The balance is made up as follows :

	31/3/02 £000	31/3/01 £000
Where the Council has granted a mortgage but no cash advance:		
Houses for sale	(7)	(21)
Sale of Council houses	(1,549)	(1,831)
Miscellaneous	(10)	(10)
Other capital receipts deferred arising from the sale of assets	0	(236)
<b>Balance as at 31st March</b>	<b>(1,566)</b>	<b>(2,098)</b>

**9. DEFERRED CREDITS**

9.1 These 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.

	2001/02 £000	2000/01 £000
Balance as at 1st April	(7,264)	(8,067)
Less: Amounts written to revenue	723	803
<b>Balance as at 31st March</b>	<b>(6,541)</b>	<b>(7,264)</b>

**10. GRANTS DEFERRED ACCOUNT**

	2001/02 £000	2000/01 £000
Balance as at 1st April	(155,351)	(133,504)
Capital grants received in the year	(28,038)	(22,846)
Movement in capital creditors for receipt of grants in advance of planned expenditure	4,609	(4,066)
Amortisation	3,972	5,065
Transfer to Capital Finance Reserve	9,355	0
<b>Balance as at 31st March</b>	<b>(165,453)</b>	<b>(155,351)</b>
Represented by :		
Grants "applied" to be amortised to revenue accounts over the life of the completed scheme	(156,052)	(144,159)
Grants unapplied, with no planned expenditure commitments	(9,401)	(11,192)
<b>Balance as at 31st March</b>	<b>(165,453)</b>	<b>(155,351)</b>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

- 10.1 Included in the above totals is £13.176 million in respect of planning gains at 31st March 2002 (£13.133 million at 31st March 2001).
- 10.2 At 31st March 2002 the balance of deferred charges was written out to the Capital Finance Reserve, including grant support in the Grants Deferred Account of £9.355 million. From 1st April 2003 deferred charges and any grant support will be fully amortised in the year they arise.

**11. PROVISIONS**

	Balance 31/3/01 £000	Movement in 01/02 £000	Balance 31/3/02 £000
Provision for Bad Debts			
Housing rents	24,911	(6,715)	<b>18,196</b>
BCCI loss	921	0	<b>921</b>
Homelessness	3,249	256	<b>3,505</b>
Commercial rents and other debtors	23,639	3,668	<b>27,307</b>
Community charge	292	(292)	<b>0</b>
Council Tax	17,978	2,487	<b>20,465</b>
Housing and other benefits overpaid	9,651	(2,043)	<b>7,608</b>
	<b>80,641</b>	<b>(2,639)</b>	<b>78,002</b>
Other Provisions			
Housing, HB and other grants	21,107	5,020	<b>26,127</b>
Tax on leasing agreements	17,721	0	<b>17,721</b>
RTB capital, heating costs etc	100	0	<b>100</b>
Other Housing	715	457	<b>1,172</b>
Insurance claims	6,866	2	<b>6,868</b>
s117 Social Services claims	0	1,175	<b>1,175</b>
Swaps	31	0	<b>31</b>
Other	2,523	207	<b>2,730</b>
	<b>49,063</b>	<b>6,861</b>	<b>55,924</b>
<b>TOTAL PROVISIONS</b>	<b>129,704</b>	<b>4,222</b>	<b>133,926</b>

- 11.1 Between 1983 and 1985 the Council entered into tax variable leases to finance the cost of major improvements in its housing stock. The original cost of assets financed under these leases was £10.2 million. Lessors' entitlement to capital allowances was the subject of a House of Lords ruling in a test case not involving the Council. A provision of £17.7 million was made to cover any potential liability including interest. The Council considers that only part of the liability (£2.9 million) now remains, and that it is reasonable to release the remainder (£14.8 million) in 2002/03 in a staged way to support the Housing Investment Programme. 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 £17.7 million was made, included as part of the £26.127 million for Housing, HB and other grants shown above. The release of the second provision is dependant on the final agreement and settlement with the Office of the Deputy Prime Minister.

**12. CONTINGENT LIABILITIES**

- 12.1 In 1997/98 the Council employed staff on an agency basis to complete housing benefit determinations. The view of the Department of Work and Pensions (DWP) has been that determinations by agency staff are not eligible for subsidy and sought to reclaim relevant amounts. However, DWP is currently reviewing nationally its position on claims recovery and the use of agency staff. The Council remains in correspondence with DWP and is awaiting further guidance in this regard. The Council's liability, if any, remains to be agreed.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

- 12.2 Under Compulsory Competitive Tendering arrangements in 1991/92, the Council terminated cleaning contracts, offering new contracts on less favourable terms. Employment Tribunal claims for unfair dismissal were settled, but did not include gratuity payments. The case for gratuities has continued to be pursued, and is likely to be settled in 2002/03. The gratuities have been calculated at £80,000, for which specific provision has been made. However, this excludes any contingency for interest, costs or other compensation if awarded.
- 12.3 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 before that date, though the Court of Appeal has not indicated how far back the liability extends. The Council has made specific provision of £1.175 million for such claims, see Note 11 above, for potential claims back to 1996. The provision does not include potential claims for people sectioned and discharged in the period 1983 to 1995, as records are not complete for that period to determine the extent of claims, if any.
- 12.4 A new inquest is to be held into the deaths of 13 people in a housefire in New Cross in 1981. The Council meets some 25% of the costs of the local Coroner. The expected cost of the enquiry and the timing of those costs are unknown at this time, but the Council's share of the cost has been estimated at between £250,000 and £500,000.

**13. INSURANCE**

- 13.1 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 £
Property – general	100,000
– housing fire	50,000
All risks	100,000
Motor	109,000
Liability	50,000
Fidelity guarantee	10,000

- 13.2 Provisions of £6.868 million (£6.866 million at 31st March 2001) have been made for outstanding claims and £4.725 million (£8.760 million at 31st March 2001) have been reserved out of General Fund balances to meet unidentified losses.

**14. PROVISION FOR CREDIT LIABILITIES (MEMORANDUM ACCOUNT)**

- 14.1 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.

	2000/02 £000	2000/01 £000
Balance as at 1st April	7,098	0
Amounts set aside for MRP	16,049	16,235
Reserved capital receipts	35,947	27,161
Capital receipts additionally set aside	10,000	7,098
Amounts used to repay loans	(45,947)	(43,396)
<b>Balance as at 31st March</b>	<b>23,147</b>	<b>7,098</b>

NOTES TO THE CONSOLIDATED BALANCE SHEET

15. ANALYSIS OF NET ASSETS

	31/3/02 £000	31/3/01 £000
Housing Revenue Account	1,593,400	1,329,013
General Fund	250,585	201,774
<b>Net assets shown in the balance sheet</b>	<b>1,843,985</b>	<b>1,530,787</b>

16. STATEMENT OF TOTAL MOVEMENT IN RESERVES

	CAPITAL RESERVES			GENERAL RESERVES			2001/02 TOTAL £000	2000/01 Total £000
	Fixed Asset Restatement Reserve £000	Capital Financing Reserve £000	Usable Capital Receipts £000	General Fund £000	Specific Reserves £000	HRA £000		
	Balance at 1st April	1,268,044	217,252	1,807	8,000	15,567		
Net (deficit)/surplus for year		10,366		(3,915)	(50,594)	(10,899)	(55,042)	(60,786)
Unrealised (loss)/gains from revaluation of fixed assets	311,111						311,111	764,985
Effects of disposals of fixed assets								
Cost or value of assets disposed of	(61,146)						(61,146)	(45,214)
Proceeds of disposals		45,947	72,328				118,275	80,024
Net surplus/(deficit)	(61,146)	45,947	72,328				57,129	34,810
Financing of fixed assets and debt		27,394	(73,341)		45,947		0	0
Balance as at 31st March	1,518,009	300,959	794	4,085	10,920	9,218	1,843,985	1,530,787

16.1 DETAILS OF SPECIFIC RESERVES

	Balance 31/3/01 £000	Movement in 01/02 £000	Balance 31/3/02 £000
Funds held by LMS schools	7,140	46	7,186
Planned Maintenance Fund	2,890	(618)	2,272
Capital Expenditure Reserve	2,974	(2,332)	642
Voluntary severance	757	(720)	37
Insurance	8,760	(4,035)	4,725
Asylum seekers	278	0	278
Debt redemption	324	(324)	0
Other	1,091	1,547	2,638
	24,214	(6,436)	17,778
Collection Fund	(8,647)	1,789	(6,858)
	15,567	(4,647)	10,920

NOTES TO THE CONSOLIDATED BALANCE SHEET

**16.2 FIXED ASSET RESTATEMENT RESERVE**

	HRA £000	2001/02 General Fund £000	Total £000	2000/01 Total £000
Balance as at 1st April	1,182,828	85,216	<b>1,268,044</b>	548,273
Adjustments for previous years	0	35,116	<b>35,116</b>	4,490
Unrealised losses and gains from the revaluation of fixed assets	235,131	40,864	<b>275,995</b>	760,495
Value of assets disposed of	(38,899)	(22,247)	<b>(61,146)</b>	(45,214)
<b>Balance as at 31st March</b>	<b>1,379,060</b>	<b>138,949</b>	<b>1,518,009</b>	<b>1,268,044</b>

**16.3 USABLE CAPITAL RECEIPT RESERVE**

	2001/02 £000	2000/01 £000
Balance as at 1st April	<b>1,807</b>	3,404
Gross capital receipts from sale of assets	<b>72,328</b>	45,765
Less:		
Capital receipts set aside for debt redemption ("reserved receipts")	<b>(35,947)</b>	(34,259)
Capital receipts additionally set aside for debt redemption	<b>(10,000)</b>	0
Capital receipts used for financing capital expenditure	<b>(27,394)</b>	(13,103)
<b>Balance as at 31st March</b>	<b>794</b>	<b>1,807</b>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

**16.4 CAPITAL FINANCING RESERVE**

	HRA	2001/02 General Fund £000	TOTAL £000	2000/01 £000
Balance as at 1st April	126,068	91,184	<b>217,252</b>	188,952
Capital receipts set aside				
- cash capital receipts	35,947	0	<b>35,947</b>	27,161
- additional debt redemption	0	10,000	<b>10,000</b>	7,098
Capital financing				
- capital receipts	16,443	10,951	<b>27,394</b>	13,103
- revenue	20,249	1,060	<b>21,309</b>	8,458
Amortisation of deferred charges	(3,020)	(4,942)	<b>(7,962)</b>	(8,061)
Write down of deferred charges balances	(4,819)	(19,086)	<b>(23,905)</b>	0
Excess of depreciation over MRP	(25,885)	(5,009)	<b>(30,894)</b>	(24,532)
Other accounting entries				
- MRA applied	38,459	0	<b>38,459</b>	0
- grants amortisation	0	3,972	<b>3,972</b>	5,073
- grants write down for deferred charges	1,680	7,675	<b>9,355</b>	0
- other adjustments	0	32	<b>32</b>	0
<b>Balance as at 31st March</b>	<b>205,122</b>	<b>95,837</b>	<b>300,959</b>	<b>217,252</b>

**17. EURO DISCLOSURE**

17.1 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.

**18. FRS 17 – PENSIONS DISCLOSURE**

18.1 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.

18.2 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.

18.3 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 2002. 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

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

	% p.a.
Discount rate	6.3
Rate of increase in salaries	4.3
Rate of increase in pensions in payment	2.8
Rate of increase in deferred pensions	2.8
Rate of inflation	2.8
Rate of return on Equities	8.25
Rate of return on Bonds	5.25
Rate of return on Property	7.25
Rate of return on Other assets	3.75

18.5 Assets are valued at fair value, principally market value for investments, and comprise:

	£000
Equities	326,400
Bonds	94,500
Property	48,700
Other	12,500
Total	482,100

The proportions of total assets held in each asset type, shown above, reflect the proportions held by the Fund as a whole at 31st March 2002.

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

	£000
Share of assets in London Borough of Southwark Pension Fund	482,100
Estimated liabilities in London Borough of Southwark Pension Fund	553,300
London Borough of Southwark's deficit in the scheme	71,200

18.7 In accordance with actuarial advice, the deficit in the scheme is being addressed by making employer's contribution at 240% of members' contributions for 10 years from 1st April 2002, and at 175% thereafter. See the Pension Fund accounts at page 48 for further information.

## 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. TRUST FUNDS WHERE THE COUNCIL IS THE SOLE TRUSTEE

	Balance at 31/3/01	Increase/ (decrease) in fund balance	Balance at 31/3/02
	£	£	£
Social Service Funds			
Individual bequests	38,877	1,692	<b>40,569</b>
Comforts Funds/residents savings	492,698	(32,206)	<b>460,492</b>
Southwark/Bermondsey chest clinic	2,546	0	<b>2,546</b>
Helping hands	350	0	<b>350</b>
Education Trusts			
Blackfriars Road	118,721	5,078	<b>123,799</b>
Miscellaneous	11,900	(398)	<b>11,502</b>
Leisure Trusts			
St Mary Newington clock	1,635	0	<b>1,635</b>
South London Art Gallery	8,853	0	<b>8,853</b>
Hogarth painting fund	250,000	0	<b>250,000</b>
Honor Oak Training centre	14,502	(14,502)	<b>0</b>
Arts Donation	1,129	0	<b>1,129</b>
Health and fitness show	110,870	0	<b>110,870</b>
Spa Road Playground	34,301	0	<b>34,301</b>
Potters Field	260,096	0	<b>260,096</b>
Rubbish show	11,083	0	<b>11,083</b>
Miscellaneous Trusts (see note 1)	2,878	(1)	<b>2,877</b>
Regeneration and Environment			
Pullen Gardens maintenance fund	95,000	0	<b>95,000</b>
Maintenance of Graves	21,250	0	<b>21,250</b>
	<b>1,476,689</b>	<b>(40,337)</b>	<b>1,436,352</b>

In addition to the above sums, the Council opened a separate account to receive moneys on behalf of the Damilola Taylor trust. At 31st March 2001 the account held £4,091.22. The account was closed on 29th June 2001, with the balance of £7,897.24 being transferred to the family's solicitors.

## MISCELLANEOUS TRUST FUNDS

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
Southwark/Bermondsey Chest Clinic	Fund set up for the benefit of people using the chest clinic/day centre in Bermondsey
Helping Hands	To provide for printing costs for the Mayor's Common Good Charity
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	Interest to be used for the running of the Gallery
Hogarth Painting Fund	Interest to be used for the arts in Southwark
Honor Oak Training Centre	For winding up costs of the Centre
Arts Donations	Sums donated to the Council to be used for specific arts purposes
Health & Fitness Show	To go towards funding of GP referral scheme and Peckham Pulse
Spa Road Playground	Sums donated by Bermondsey Adventure Playground to fund projects
Potters Field	To maintain open space adjoining London Bridge City
Rubbish Show	To go towards an exhibition at Livesey Museum
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 31/3/01	Increase/ (decrease) in fund balance	Balance at 31/3/02
	£	£	£
Funds for the relief of Council Tax			
Walworth Common Estate	908,821	(6,374)	<b>902,447</b>
Borough Market Trustees	5,502	(765)	<b>4,737</b>
Leisure Trusts			
Cuming Bequest	7,808	0	<b>7,808</b>
Miscellaneous Trusts (see note 1)	716	0	<b>716</b>
	<b>922,847</b>	<b>(7,139)</b>	<b>915,708</b>

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.

MISCELLANEOUS TRUST FUNDS

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

	2001/02 £000	2000/01 £000
Education	17,252	15,009
Leisure	3,625	3,367
Housing	90,406	54,323
Regeneration and Environmental Management	16,656	17,422
Strategic Services	264	1,127
Social Services	867	45
	<b>129,070</b>	91,293

HOW THE EXPENDITURE WAS FINANCED

Revenue contributions	21,308	10,028
Using credit approvals	13,872	45,510
Using capital receipts received from the sale of assets	27,394	13,103
Specific grants and other contributions	28,037	22,652
Major Repairs Allowance	38,459	0
	<b>129,070</b>	91,293

DETAIL

Fixed assets	988	1,171
Deferred charges	8,250	7,559
Deferred debtors	2,559	4,776
Enhancements and work in progress	117,273	77,787
	<b>129,070</b>	91,293

RECONCILIATION OF EXPENDITURE FOR CAPITAL ACCOUNTING TO STATUTORY CAPITAL EXPENDITURE FOR 2001/02

	£000
Expenditure capitalised as fixed assets 2001/02	128,037
Decrease (increase) in capital creditors	1,033
Expenditure for capital control purposes	129,070
Less	
Expenditure to be financed by application of capital receipts or capital grants and contributions	(55,431)
Expenditure to be financed by supplementary credit approval	(3,303)
Expenditure to be financed by basic credit approval	(10,569)
Capital expenditure to be financed direct from revenue	59,767
Revenue contributions applied from the Housing Revenue Account including the application of the Major Repairs Allowance	58,707
Capital expenditure met from Revenue	1,060
	<b>59,767</b>

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

	Notes	2001/02 £000	2001/02 £000	2000/01 £000
<b>Income</b>				
Council Tax	1			
Income from Council Tax		(59,385)		(54,343)
Council Tax benefits		(19,032)		(18,054)
			(78,417)	
Non-domestic rates	2		(83,099)	(78,267)
Adjustment re prior years community charges				
Receipts from preceptors re previous years				
Collection Fund balance	3		(5,034)	(4,707)
Total Income			<b>(166,550)</b>	<b>(155,371)</b>
<b>Expenditure</b>				
Precepts and Demands				
GLA		12,693		10,308
Residual Receiver		100		1,412
London Borough of Southwark		62,930		59,079
			75,723	
Non-domestic rates				
Payment to National Pool		82,475		77,643
Cost of collection allowance		624		624
			83,099	
Provision for uncollectable amounts				
Council Tax			5,939	4,290
Total Expenditure			<b>164,761</b>	<b>153,356</b>
Net Deficit/(surplus) for the year			<b>(1,789)</b>	<b>(2,015)</b>
Adjustment for Community Charge surplus at 1st April 2001	4		(2)	0
Deficit/(surplus) at 1st April			<b>8,649</b>	10,664
Deficit/(surplus) at 31st March			<b>6,858</b>	8,649

COLLECTION FUND

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 (£899.50 in 2001/02 and £845.44 in 2000/01) 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	
	2001/02	2000/01		2001/02	2000/01
A	<b>9,645.25</b>	9,408.00	6/9	<b>6,429.8</b>	6,272.0
B	<b>29,234.00</b>	29,583.00	7/9	<b>22,737.6</b>	23,009.0
C	<b>25,350.50</b>	25,171.00	8/9	<b>22,533.8</b>	22,374.2
D	<b>14,405.25</b>	14,009.00	1	<b>14,405.3</b>	14,009.0
E	<b>8,941.50</b>	8,693.00	11/9	<b>10,928.5</b>	10,624.8
F	<b>3,764.50</b>	3,566.25	13/9	<b>5,437.6</b>	5,151.2
G	<b>2,959.00</b>	2,845.25	15/9	<b>4,931.7</b>	4,742.1
H	<b>340.50</b>	336.25	18/9	<b>681.0</b>	672.5
Total				<b>88,085.3</b>	86,854.8
Add adjustment for contribution paid in lieu				<b>5.3</b>	5.3
Less adjustment for collection rate				<b>(3,964.2)</b>	(3,040.1)
Council Tax Base for year				<b>84,126.4</b>	83,820.0
Band D tax rate multiplier				<b>£899.50</b>	£845.44
Estimated Council Tax due in the year (Council Tax base x Council Tax)				<b>£75,671,697</b>	£70,864,781

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.

## COLLECTION FUND

**2. NATIONAL NON-DOMESTIC RATES**

- 2.1 National non domestic rates (NNDR) are organised on a national basis. The Government specifies an amount (43.0p in 2001/02 and 41.6p in 2000/01) 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 31st March 2001 (restated)	259,002,145
Rateable value at 31st March 2002	249,843,975

- 2.2 The rateable value at 31st March 2001 in the 2000/01 was given as £258,499,800. The figure has been restated to £259,002,145 due to late changes by the District Valuer.
- 2.3 The NNDR income after relief for voids etc. of **£83.099 million** (£78.267 million for 2000/01) 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 2001/02 is applied to the balance brought forward to reduce the net deficit on the account.

**4. ADJUSTMENTS FOR PREVIOUS YEARS' COMMUNITY CHARGES**

- 4.1 Although Council Tax replaced the Community Charge from 1st April 1993, the Council continued to account for residual adjustments relating to Community Charges raised in earlier years in the Collection Fund. The outstanding Community Charge arrears of £292,262 were written off in 2001/02.



CASH FLOW STATEMENT FOR THE YEAR

	2001/02 £000	2001/02 £000	2000/01 £000
<b>REVENUE ACTIVITIES</b>			
Cash outflows			
Cash paid to and on behalf of employees	241,328		244,690
Other operating costs	508,097		446,615
Housing benefit (excluding rent rebates)	42,683		42,584
Payments into NNDR pool	82,475		77,773
Payment to preceptors	12,061		11,012
		<b>886,644</b>	822,674
Cash inflows			
Rents (net of rebates)	(150,496)		(156,830)
NNDR receipts	(86,310)		(79,396)
Contribution from Collection Fund	(58,794)		(59,664)
Government Grants	(529,459)		(458,944)
Sales and charges for services	(189,658)		(169,391)
		<b>(1,014,717)</b>	(924,225)
<b>Net cash flow from revenue activities</b>		<b>(128,073)</b>	(101,551)
<b>SERVICING OF FINANCE</b>			
Cash outflows			
Interest paid	70,840		67,407
Interest element of leasing payments	38		38
		<b>70,878</b>	67,445
Cash inflows			
Interest received	(4,392)		(7,101)
		<b>(4,392)</b>	(7,101)
<b>CAPITAL ACTIVITIES</b>			
Cash outflows			
Purchase of fixed assets	118,261		78,958
Deferred charges and deferred debtors	10,809		12,335
		<b>129,070</b>	91,293
Cash inflows			
Sale of fixed assets	(72,328)		(45,765)
Capital grants	(29,170)		(27,372)
Other capital cash receipts	(25)		(184)
		<b>(101,523)</b>	(73,321)
<b>NET CASH FLOW BEFORE FINANCING</b>		<b>(34,039)</b>	(23,235)
<b>FINANCING</b>			
Cash outflows			
Repayment of long term loans	25,187		8,984
Repayment of short term loans	16,100		31,000
		<b>41,287</b>	39,984
Cash inflows			
New long term loans	0		0
New short term loans	(16,100)		(31,000)
		<b>(16,100)</b>	(31,000)
<b>DECREASE (INCREASE) IN CASH AND EQUIVALENTS</b>		<b>(16,100)</b>	(31,000)
		<b>(8,853)</b>	(14,251)
<b>CASH AND CASH EQUIVALENTS</b>			
Net increase/(decrease) in bank balance overdrawn		<b>10,421</b>	(9,665)
Net (increase)/decrease in money on deposit		<b>(19,274)</b>	(4,586)
<b>DECREASE (INCREASE) IN CASH AND EQUIVALENTS</b>		<b>(8,853)</b>	(14,251)

NOTES TO THE CASH FLOW STATEMENT

1. RECONCILIATION OF NET REVENUE DEFICIT FOR THE YEAR

	2001/02		2000/01	
	£000	£000	£000	£000
Net expenditure/(income) on General Fund		3,915		(3,334)
Net expenditure/(income) on HRA		10,899		(6,587)
Net expenditure/(income) on Collection Fund		(1,790)		(2,015)
<b>Total</b>		<b>13,024</b>		<b>(11,936)</b>
Net revenue income as per cash flow statement		(128,073)		(101,551)
Net interest as per cash flow statement		66,486		60,344
Add :				
Decrease in deferred debits	0		356	
Decrease in stocks and works in progress	532		0	
Increase in Provisions and Reserves	956		0	
Decrease in debtors	23,516		27,554	
Depreciation and capital payments	72,262	97,266	45,952	73,862
Less :				
Increase in deferred debits	(578)		0	
Increase in debtors	0		0	
Decrease in creditors	(21,354)		(5,172)	
Increase in stocks and work in progress	0		(583)	
Decrease in Provisions and Reserves	0		(38,033)	
Decrease in deferred credits	(723)	(22,655)	(803)	(44,591)
<b>Total</b>		<b>13,024</b>		<b>(11,936)</b>

2. ANALYSIS OF GRANTS SHOWN IN CASH FLOW STATEMENT

	2001/02	2000/01
	£'000	£'000
Revenue support grant and pool contribution	268,042	252,463
Housing subsidy	80,347	47,886
Students awards	1,080	3,192
Other Education grants	20,927	16,722
Housing benefits (excluding rent rebates)	68,353	56,643
Other grants	90,710	82,038
	<b>529,459</b>	<b>458,944</b>

## NOTES TO THE CASH FLOW STATEMENT

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

	<b>2001/02</b> <b>£'000</b>	2000/01 £'000
Long term loans		
Balance as at 1st April	<b>791,849</b>	800,833
Repayments of amounts borrowed	<b>(25,187)</b>	(8,984)
New borrowings	<b>0</b>	0
Balance as at 31st March	<b>766,662</b>	791,849
Short term borrowing		
Balance as at 1st April	<b>0</b>	0
Repayments of amounts borrowed	<b>(16,100)</b>	(31,000)
New borrowings	<b>16,100</b>	31,000
Balance as at 31st March	<b>0</b>	0

PENSION FUND 2001/2002  
FUND ACCOUNT

	Note	2001/02 £000	2000/01 £000
<b>CONTRIBUTIONS AND BENEFITS</b>			
Contributions receivable			
– from employers (including admitted bodies)	5.2	(17,433)	(16,890)
– from employees (including admitted bodies)	5.2	(5,847)	(5,622)
– from employees for AVCs		(110)	(99)
Transfers in		(3,338)	(3,050)
Other income - re-instatement following mis-selling		(659)	(740)
<b>Total income</b>		<b>(27,387)</b>	<b>(26,401)</b>
Benefits payable			
– Pensions		20,033	19,376
– Lump sums (incl. retirement and death grants)		2,151	2,455
Payments to and on account of leavers			
– Refunds of contributions		112	73
– Transfers out		4,602	3,047
Administrative expenses borne by the scheme		632	599
<b>Total expenditure</b>		<b>27,530</b>	<b>25,550</b>
<b>Net (addition)/reduction from dealing with members of the fund</b>		<b>143</b>	<b>(851)</b>
<b>RETURNS ON INVESTMENT</b>			
Investment Income		(10,711)	(9,433)
Change in Market value of Investments		18,367	52,287
Investment Management Expenses		2,351	2,541
<b>Net decrease in Fund for the year</b>		<b>10,150</b>	<b>44,544</b>
<b>Opening Net assets of the scheme</b>		<b>(502,227)</b>	<b>(546,771)</b>
<b>Closing Net assets of the scheme</b>		<b>(492,077)</b>	<b>(502,227)</b>

PENSION FUND 2001/2002  
FUND ACCOUNT

NET ASSETS STATEMENT

	<b>2001/02</b> <b>£000</b>	2000/01 £000
<b>INVESTMENT ASSETS</b>		
Fixed Interest public sector securities	<b>19,411</b>	21,733
Equities	<b>264,920</b>	264,281
Index linked securities	<b>76,953</b>	79,157
Managed Funds - Property (Freehold)	<b>29,110</b>	19,170
Managed Funds - Property (Leasehold)	<b>5,740</b>	0
Unit Trusts - Property	<b>14,725</b>	19,426
Unit Trusts - Other	<b>67,972</b>	71,867
<b>Total investment assets</b>	<b>478,831</b>	475,634
<b>NET CURRENT ASSETS AND LIABILITIES</b>		
Cash held at managers	<b>11,510</b>	23,713
Interest and dividends accrued	<b>2,103</b>	2,099
Creditors	<b>(1,094)</b>	(1,189)
Cash at Council	<b>727</b>	1,970
<b>Total net current assets and liabilities</b>	<b>13,246</b>	26,593
<b>Closing net assets of the Scheme</b>	<b>492,077</b>	502,227

PENSION FUND 2001/2002

**1. INTRODUCTION**

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

**2. OPERATION AND MEMBERSHIP OF THE FUND**

2.1 In 2001/02 contributions to the Fund were made by employees at 6% of salaries and wages. The Council contributed 255% of the employees' contribution plus additional contribution of £2.4 million. Of this, £1.4 million is a special contribution for early and ill health retirements. In addition, external bodies admitted to the Southwark Fund contributed £1.0 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 2001/02 the other investment managers were Deutsche Asset Management (UK Equities), 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:

	<b>2001/02</b>	2000/01
Number of contributors to the Fund	<b>5,421</b>	5,678
Number of contributors and dependants receiving allowances	<b>5,581</b>	5,603
Number of contributors who have deferred their pensions	<b>4,075</b>	3,875

**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 (31/3/02).

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 2001/2002

- 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 2001/2002

**5. CONTRIBUTIONS RECEIVABLE AND BENEFITS PAYABLE**

5.1 The total contributions receivable for 2001/02 are analysed as follows:

	Employees £000	Employers £000	<b>Total £000</b>
Southwark Council	5,622	16,766	22,388
Admitted bodies	335	667	1,002
<b>Total</b>	<b>5,957</b>	<b>17,433</b>	<b>23,390</b>

This includes contributions from employees for AVCs (Additional Voluntary Contributions) of £109,544. These additional contributions are treated as apart of the main scheme and are invested in the same way once paid in.

5.2 In 2000/01 the contributions receivable from admitted bodies were not analysed between employees and employers, being included in total under employers' contributions in the main account above. The figures for 2000/01 have now been restated to reflect the correct analysis. Previously they were included as:

Contributions receivable from employers and admitted bodies	£(17,006,000)
Contributions receivable from employees	£ (5,605,000)

5.3 The total benefits payable for 2001/02 are analysed as follows:

	Pensions £000	Lump sums £000	<b>Total £000</b>
Southwark Council	19,967	2,130	22,097
Admitted bodies	66	21	87
<b>Total</b>	<b>20,033</b>	<b>2,151</b>	<b>22,184</b>

**6. POST BALANCE SHEET EVENTS**

6.1 As a result of falls in equity prices since 31st March 2002, the market value of the funds invested in equities will be lower than the valuations given by the investment managers at the balance sheet date. The market had reduced in value by 21% at 29th November 2002 although the actual impact on the scheme assets will largely depend on the portfolio of equities held on behalf of the pension fund.

**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	£116.23 million	23.6%
◆ Putnam Investments	£66.43 million	13.6%
◆ Henderson Global Investments	£59.23 million	12.0%
◆ Barclays Global Investors	£249.88 million	50.8%

7.2 Investments include £199.9 million UK Equities and £65.0 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 £392,400, is included in "Unit Trusts - Other". Sales and purchases by the investment managers were £107.6 million and £117.3 million respectively, plus the purchase of direct property of £11.9 million.



PENSION FUND 2001/2002

- 7.3 Contributions receivable include a contribution from admitted bodies of £1.0 million for employers' and employees' contributions from contractors and charities.
- 7.4 No stock-lending is allowed under investment agreements.
- 7.5 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).

### 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.

## GLOSSARY OF ACCOUNTING TERMS

### 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.

### 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 and cash overdrawn.

### DEBTORS

Organisations and individuals who owe money to the Council.

## GLOSSARY OF ACCOUNTING TERMS

### 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.

### 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.

## GLOSSARY OF ACCOUNTING TERMS

### 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.

### 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 which 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.

LONDON BOROUGH OF SOUTHWARK 2001/02 ACCOUNTS

