

STATEMENT
of
ACCOUNTS

2000 - 2001



STATEMENT OF ACCOUNTS 2000 - 2001

**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 "R. A. Coomber", is written in a cursive style.

R. A. COOMBER CPFA

Chief Executive and Director of Finance

Date: 20th December 2001

AUDITOR'S REPORT TO SOUTHWARK BOROUGH COUNCIL

We have audited the statement of accounts on page 2 and pages 7 to 48 which has been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 7 to 10 and 45 to 46.

Respective responsibilities of Chief 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

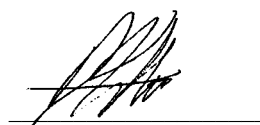
In our opinion the statement of accounts presents fairly the financial position of Southwark Borough Council at 31 March 2001 and its income and expenditure for the year then ended.

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 2001, 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.



Derek Elliott
District Auditor

District Audit
Millbank Tower
Millbank
London SW1P 4QP

21 December 2001

TABLE OF CONTENTS

	Page
Statement of Responsibilities for the Statement of Accounts	2
Foreword	3
Statement of Accounting Policies	
General Principles	7
Compliance with Accounting Standards	7
Capital Accounting	8
Related Party Transactions	10
Consolidated Revenue Account	11
Best Value Accounting Statement	13
Local Government Act 1986, Section 5: Publicity Account	15
Housing Revenue Account	19
Consolidated Balance Sheet	22
Statement of Total Movement in Reserves	30
Miscellaneous Trust Funds	33
Collection Fund Accounts	37
Cash Flow Statement	40
Pension Fund	43
Glossary	49

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 Executive and Director of Finance.

- ◆ 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 Executive and Director of Finance is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA/LASACC 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 2001.

In preparing the statement of accounts, the Chief Executive and Director of Finance 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.

FOREWORD

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 2001.
2. The Council's Accounts for the year 2000/01 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 Best Value Accounting Statement – an alternative presentation of the Council's Total Cost of Services in accordance with Best Value principles, and allowing consistent comparison between local authorities.
 - ◆ 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 2001.
 - ◆ 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 Direct Service Organisations Accounts.
 - ◆ 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.
3. The attached Statements of Accounting Policies and various notes support these Accounts.

FOREWORD

4. THE REVENUE BUDGET

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

	Budget £000	Actual £000	Difference £000
Net Expenditure on Services	309,091	309,660	569
Collection Fund Deficit	4,005	4,006	1
	<hr/> 313,096	<hr/> 313,666	<hr/> 570
Less Income: -			
Revenue Support Grant	(193,463)	(193,467)	(4)
Business Rates	(64,389)	(64,389)	0
Council Tax	(59,144)	(59,144)	0
	<hr/> (3,900)	<hr/> (3,334)	<hr/> 566
Net deficit/(surplus) for the year			
Balance at 1st April 2000	(4,666)	(4,666)	0
	<hr/> (8,566)	<hr/> (8,000)	<hr/> 566
Balance at 31st March 2001			

- 4.2 In 2000/01 on a budget of £309.091 million there was an overall surplus on the General Fund of £3.334 million compared to an estimated surplus of £3.900 million. The surplus increases the balances at 31st March 2001 to £8.000 million.

5. CAPITAL

- 5.1 The Council has set a de minimis of £10,000 for the valuation of fixed assets (£1,000 for DSO assets).
- 5.2 In 2000/01 the Council spent £91.293 million on capital projects, including £54.323 million on Council dwellings and other housing.
- 5.3 This expenditure was financed from borrowing (50%), with the permitted proportion from the sale of assets (14%), grants and other contributions (25%), and contributions from revenue meeting the remainder.

FOREWORD

6. ARREARS

6.1 Detailed below are the levels of arrears on recurring debt as at 31st March 2001.

	Gross arrears £m	Payments in advance £m	31/3/01 Net Arrears £m	31/3/00 Net Arrears £m
Housing rents	33.2	(2.9)	30.3	29.8
Homelessness	3.1	0.0	3.1	2.2
Community charge	0.3	0.0	0.3	0.3
Non domestic rates	8.3	(9.9)	(1.6)	1.6
Council Tax	24.6	(3.4)	21.2	22.4
Other debtors	29.6	(2.1)	27.5	30.5
	99.1	(18.3)	80.8	86.8

6.2 The figures for arrears on hostel rents in 2000/01 are now included in homelessness rather than housing rents. 1999/00 has now been restated for this change. The figures were previously shown as housing rents £30.7 million and homelessness £1.3 million.

6.3 The Council's level of provisions for the write-off of arrears has increased by £12.2 million in 2000/01.

	31/3/01 £m	31/3/00 £m
Housing rents	24.9	24.4
Homelessness	3.2	2.3
Council Tax	18.0	17.6
Community charge	0.3	0.3
Other	27.9	17.5
	74.3	62.1

6.4 No provision is made for NNDR arrears since no cost of NNDR should fall on the Council.

FOREWORD

7. FUTURE COMMITMENTS**CAPITAL PROGRAMME**

7.1 The Council plans its capital programme on a five-year cycle, i.e. current year plus four further years. The authorised capital programme for the next four years amounts to £352.8 million, of which £155.6 million has been committed. The remainder of the authorised programme is made up of £116.7 million on identified schemes due to start in 2001/02 or later years, £9.2 million on grants and advances and £71.3 million allocated to approved blocks of schemes against which individual schemes will be progressed during those four years.

7.2 This future commitment can be analysed over the Council's services as follows:

Service	Contractually Committed Expenditure £m
Housing	90.1
Regeneration and Environment, excluding Leisure	26.3
Education	32.4
Social Services	0.1
Leisure	6.7
Total committed programme	155.6

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, the Best Value Accounting Code of Practice, and all other relevant legislation and statements of good practice.

2. COMPLIANCE WITH ACCOUNTING STANDARDS

- 2.1 These statements comply with all relevant accounting standards with the exception of the following:
- ◆ SSAP 6: Extraordinary items and prior year adjustments. Legislation does not empower local authorities to credit capital receipts to the General Fund. Capital receipts are applied to repay outstanding loan debt, finance new capital expenditure or remain unapplied at the end of the financial year. A statement is included at Note 17.3 to the Consolidated Balance Sheet (page 31).
 - ◆ 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 2000/01 the Council paid a contribution of £16.73 million into the Pension Fund. In addition it contributed £3.06 million into other pension schemes. Considerably increased contributions have been required since 1992/93 and will continue to be required in future years. Further details are given under the Pension Fund accounts on page 45 and the notes to the Consolidated Revenue Account on page 16.
 - ◆ 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 the old financial year, they are accounted for accordingly. Likewise, income that is due in for goods and services relating to the old financial year is accounted for in 2000/01. If any government grants are due then they are accounted for in the period to which they relate.
- 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 monies 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 if a DSO has carried out works then they 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 5-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. Deferred charges are written back to revenue over a period not exceeding five years.
- 3.11 Where the deferred charge forms part of a phased project or part of a bid for external or joint finance, amortisation to revenue will not commence until completion of the project.

GOVERNMENT GRANTS AND CONTRIBUTIONS

- 3.12 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 2000/01. Of the 79 declarations requested 9 councillors were members of various local voluntary organisations receiving grant aid totalling £566,000 from the Council in 2000/01. 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 2 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

This account shows the net spending on the Council's services. It shows how this revenue was financed and transfers to/from reserves.

	Notes	Expenditure £'000	2000/01 Income £'000	Net Expenditure £'000	1999/00 Net Expenditure £'000
Education		217,919	(79,784)	138,135	127,451
Early years	1	11,368	(2,345)	9,023	8,977
Social Services		154,289	(60,037)	94,252	91,657
Housing Services		65,183	(45,498)	19,685	19,129
Highways and Transportation		10,666	(1,386)	9,280	12,406
Other services					
– Leisure services		28,346	(3,155)	25,191	26,932
– Waste Management		9,717	(3,861)	5,856	5,501
– Environmental Health		4,267	(652)	3,615	4,374
– Street Cleansing		4,151	(22)	4,129	3,725
– Planning & Regeneration	2	19,343	(11,591)	7,752	9,390
– Other	3	41,783	(24,215)	17,568	15,973
Corporate Management		4,742	0	4,742	4,027
Unallocated central overheads	4	9,379	0	9,379	8,806
Net Cost of General Fund Services	5	581,153	(232,546)	348,607	338,348
Housing Revenue Account		283,089	(289,509)	(6,420)	7,171
Net Cost of Services	6-12	864,242	(522,055)	342,187	345,519
Net (surplus)/loss on internal trading accounts				1,284	(580)
Interest Receivable				(4,071)	(2,814)
Transfers to/(from) AMRA	13			3,056	(11,476)
Excess of depreciation over MRP	14			(24,532)	(8,000)
Deferred Credit				(803)	(3,484)
Amounts due to precepting authorities				11,720	10,131
Net Operating Expenditure				328,841	329,296
Appropriations					
HRA deficit transferred from the HRA Fund				6,420	(7,171)
Contributions to/(from) earmarked reserves				(10,967)	(3,857)
Contributions to/(from) capital reserves					
– Financing capital expenditure				82	1,686
– Deferred Charges				(8,061)	(7,385)
– Deferred Grants				5,065	3,686
– Leasing Adjustment				0	1,624
Amounts to be met from Government Grants & Taxation				321,380	317,879
Sources of Finance					
Council Tax payers				(70,864)	(68,157)
Deficit from previous years Collection fund				4,006	2,089
General Government Grant				(193,467)	(192,011)
Contributions from non domestic pool				(64,389)	(56,859)
Other				0	0
Net General Fund (Surplus)/Deficit				(3,334)	2,941
Balance Brought Forward				(4,666)	(7,607)
Balance Carried Forward				(8,000)	(4,666)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. EARLY YEARS EXPENDITURE

1.1 Expenditure on Early Years is controlled by a joint committee. Expenditure of £6,570k (£6,527k in 1999/00) was incurred under Social Service powers and £2,453k (£2,450k in 1999/00) was incurred under Education powers.

2. BUILDING CONTROL FEE EARNING ACCOUNT (BCFE ACCOUNT)

2.1 The Local Authority Building Control Charging Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function, namely income, expenditure and net surplus or deficit. These regulations require local authorities to break even on their building control account over a three-year period.

2.2 Certain activities carried out by the building control service is either non-chargeable or outside the remit of the regulations. The statement below therefore splits the BCFE account into chargeable and non-chargeable activities.

	Chargeable £	Non Chargeable £	Total Building Control £
Expenditure			
Employees	532,383	171,864	704,247
Premises	85,511	17,998	103,509
Transport	16,830	6,473	23,303
Supplies & Services	56,344	111,231	167,575
Support Services	71,400	17,850	89,250
Total Expenditure	762,468	325,416	1,087,884
Income			
Building Control Fees	(1,058,141)		(1,058,141)
Other Income	(455)	(97,132)	(97,587)
Deferred Income transfers	(393,896)		(393,896)
Total Income	(1,452,492)	(97,132)	(1,549,624)
Net Expenditure/(Income) for 2000/01	(690,024)	228,284	(461,740)
Balance from 1999/00	(14,917)	215,653	200,736
Transfer To Deferred Income	412,228		412,228
(SURPLUS)/DEFICIT	(292,713)	443,937	151,224

3. MEMBERS' ALLOWANCES

3.1 The amount of members' allowances paid in the financial year 2000/01 was £905,320 (£434,306 in 1999/00).

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

4. UNALLOCATED CENTRAL OVERHEADS

4.1 The Best Value Accounting Code of Practice requires the disclosure of Unallocated Central Overheads. The relevant costs can be identified as:

	£'000
London Pension Fund Authority levy	1,571
Contribution to Pension Fund deficit	6,499
Added years pension costs	154
Unused shares of IT facilities	1,155
Total	9,379

5. BEST VALUE ACCOUNTING

5.1 The Best Value Accounting Code of Practice has introduced a new reporting requirement for the first time in 2000/01. This presents an alternative analysis of the cost of General Fund services, to be consistent with the principles of the Best Value regime. At the detailed level it permits improved comparisons between local authorities as well as with other providers. The implementation of Best Value Accounting in the Council's Accounts is not yet fully compliant with the Code of Practice, partly due to the late issue of the detailed disclosure requirements under the Code of Practice.

	Gross Expenditure £'000	2000/01 Income £'000	Net Expenditure £'000	1999/00 Net Expenditure £'000
Education	210,455	(79,014)	131,441	120,803
Early years	11,368	(2,345)	9,023	8,977
Social Services	161,763	(60,817)	100,946	98,305
Housing Services	65,183	(45,498)	19,685	19,129
Highways, Roads and Transportation	10,666	(1,386)	9,280	12,406
Cultural, Environmental and Planning	68,450	(22,032)	46,418	49,922
Central Services	53,268	(21,454)	31,814	28,806
Net cost of General Fund Services	581,153	(232,546)	348,607	338,348

5.2 Central Services includes a number of extraordinary items and accounting transactions as well as service costs not allocated to specific services under BVACOP. These extraordinary items include £6.343M as a corporate provision for bad debt write-off.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

5.3 Best Value Accounting requires the disclosure of turnover and net profit for all internal trading accounts. These are listed below:

	Turnover 2000/01 £'000	(Profit)/Loss 2000/01 £'000	Turnover 1999/00 £'000	(Profit)/Loss 1999/00 £'000
Building	(12,700)	246	(18,719)	478
Highways	(3,091)	(130)	(1,989)	(66)
Refuse	(4,386)	(34)	(4,029)	(134)
Catering	(9,146)	0	(2,096)	82
Cleanteam	(2,958)	(125)	(3,026)	(135)
Greenteam	(1,049)	(10)	(1,010)	(28)
Vehicle Management (Fleet)	(3,402)	(236)	(6,143)	(237)
Building Design services	(4,771)	(227)	(5,491)	(150)
Legal services	(3,228)	(149)	(3,061)	(215)
Payroll & Pensions	(4)	0	(1,004)	295
Passenger Services	(3,191)	(80)	0	0
Recruitment	(3,100)	(295)	(5,764)	(305)
Community Services	(336)	0	(840)	(37)
Direct Image	(153)	0	(1,553)	42
Construction	123	579	(1,922)	(37)
DSO departmental overheads	(13)	407	0	0
Housing Management	(16,484)	(20)	(15,164)	(42)
Financial Management Service	(11,054)	1,320	(16,121)	3
Personnel Management Service	(2,264)	3	(2,054)	290
Information Technology	(5,225)	0	(6,145)	60
Law & Administration	(7,717)	15	(7,660)	112
Social Services – Orchard Lodge	(6,052)	359	(6,597)	39
Parking Services	(5,991)	(1,803)	(6,055)	(1,449)
Total All Trading Accounts	(106,192)	(180)	(116,443)	(1,434)

6. COMMERCIAL INCOME

- 6.1 The Council undertook commercial refuse collection in addition to its statutory refuse collection. In 2000/01 a profit of £395k (£129k 1999/00) occurred on a turnover of £2,252k (£2,026k 1999/00).
- 6.2 The Council operates a number of industrial estates in the area. These produced an income of £2,054k (£2,267k in 1999/00) and expenditure of £2,802k (£2,879k in 1999/00).
- 6.3 The Council also rents out commercial properties. These produced an income of £2,200k (£1,568k in 1999/00) and expenditure of £4,253k (£3,662k in 1999/00).
- 6.4 The Council operates a Parking Trading Account. In 2000/01 parking generated a surplus of £1,803k (£1,449k in 1999/00). The surplus has been fully applied to meet other transport costs of off-street parking £1,961k, road maintenance £960k and street lighting £652k (respectively £218k, £500k and £731k in 1999/00). 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

7. LIABILITY IN RESPECT OF LEASED ASSETS

7.1 The Council has a number of assets that have been provided through lease agreements. The values of these payments in 2000/01 along with the future payments due are shown in the table below.

	2000/01 £000	1999/00 £000
Cost of repayments in 2000/01:		
Operating leases	1,509	1,816
Hire purchase and other leases	38	2,341
	1,547	4,157
Future liability to payments on agreements entered into as at 31st March 2001:		
Operating leases	421	493
Hire purchase and other leases	38	38
	459	531

8. PUBLICITY

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

	2000/01 £	1999/00 £
Recruitment advertising	849,742	814,426
Council newspapers and other publications	223,939	217,589
Consultations and other publicity	1,656,525	1,502,268
	2,730,206	2,534,283

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

9. SECTION 137, LOCAL GOVERNMENT ACT 1972

- 9.1 Section 137 of the Local Government Act 1972 empowers local authorities, subject to various conditions and limits, to incur expenditure, which in their opinion is in the interest of their area or any part of it, or all or some of its inhabitants. Under this Section local authorities are required to account separately for such expenditure.
- 9.2 Section 137 was repealed by the Local Government Act 2000 Section 8, with effect from October 2000. The statutory disclosure requirement therefore only applies for expenditure incurred in the period to September 2000. However, for completeness, the table below shows expenditure incurred on Section 137 activities for the whole of 2000/01. This information will not be disclosed from 2001/02.

	2000/01	1999/00
	£	£
Strategic Services	35,040	40,435
Social Services	152,807	150,697
Administration costs	10,900	10,634
TOTAL EXPENDITURE	198,747	201,766
SECTION 137 LIMIT	837,445	818,275

The majority of this expenditure was incurred on grants to various organisations.

10. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

- 10.1 There were no services provided to other authorities under this Act in 2000/01.

11. EMPLOYEES PENSION COSTS

- 11.1 Teachers' pension costs. In 2000/01 the Council paid £1.382 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 2000/01 these amounted to £3.4k.
- 11.2 Employees who were transferred from the GLC or ILEA. In 2000/01 the Council paid £0.408 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 2000/01 these amounted to £3.8k.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

- 11.3 Other employees' pension costs. In 2000/01 the Council paid an employer contribution of £16.73 million into the Pension Fund, representing 16.4% 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 31/3/98. 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 2000/01 these amounted to £1.0 million, representing 1.0% of pensionable pay.
- 11.4 The triennial revaluation of the Fund took place as at 31/3/98. Based on this valuation and advice from the actuary, the pension costs it would have been necessary to provide for in the year in accordance with SSAP 24 'Accounting for pension costs' are £14 million, representing 13.7% of pensionable pay.
- 11.5 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 2000/01, funded by the Pension Fund	600	0.6%
Capital cost of discretionary added years awarded years before 2000/01, funded by the Pension Fund	32,000	
Capital cost of discretionary added years awarded in 2000/01, funded by the Council	400	0.4%
Capital cost of discretionary added years awarded years before 2000/01, funded by the Council	28,000	

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

12. REMUNERATION OF EMPLOYEES

12.1 During 2000/01 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 £	Number of employees 2000/01	Number of employees 1999/00
40,000 – 49,999	75	81
50,000 – 59,999	25	25
60,000 – 69,999	7	7
70,000 – 79,999	2	1
80,000 – 89,999	3	4
90,000 – 99,999	0	0
100,000 – 109,999	0	1
110,000 – 119,999	1	0
	113	119

13. ASSET MANAGEMENT REVENUE ACCOUNT

	2000/01 £000	1999/00 £000
Income		
Capital charges – General Fund	(29,286)	(23,694)
– Housing Revenue Account	(76,002)	(80,938)
Transfer from grants deferred	(5,065)	(3,561)
	(110,353)	(108,193)
Expenditure		
Provision for depreciation	40,767	24,357
External interest charges	72,614	72,109
Finance lease charges	38	251
	113,419	96,717
Balance to Consolidated Revenue account	3,056	(11,476)

14. MINIMUM REVENUE PROVISION

	2000/01 £000	1999/00 £000
Non-housing amount – 4% of credit ceiling	1,755	1,657
Housing amount – 2% of credit ceiling	14,480	14,700
Minimum Revenue Provision	16,235	16,357
Amount charged as depreciation	40,767	24,357
Excess of depreciation over MRP	(24,532)	(8,000)
	16,235	16,357

HOUSING REVENUE ACCOUNT

The Housing Revenue Account 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	2000/01 £000	1999/00 £000
INCOME		
Rents – dwellings	(142,536)	(142,649)
– non-dwellings	(5,595)	(6,158)
Charges to tenants	(13,461)	(14,374)
Housing subsidy	(112,596)	(115,936)
Interest on balances	(2,048)	(2,431)
Interest on mortgage advances	(200)	(258)
Other income	(13,073)	(10,953)
TOTAL INCOME	(289,509)	(292,759)
EXPENDITURE		
Repairs and maintenance	43,188	46,740
Supervision and management	66,886	70,543
Rents, rates, taxes and other charges	2,628	2,306
Capital financing costs	80,246	83,955
Provision for bad or doubtful debts	7,780	9,102
Contributions to/(from) provisions	2,392	(409)
Rent rebate payments	74,710	74,146
Capital expenditure charged to revenue	5,092	14,141
TOTAL EXPENDITURE	282,922	300,524
Movement in reserves	(6,587)	7,765
Balance of reserves at the beginning of year	(13,530)	(21,295)
Balance of reserves at the end of year	(20,117)	(13,530)
Less Earmarked reserves	12,626	12,459
General working balances	(7,491)	(1,071)
HOUSING TENANTS ACCOUNTS		
Arrears at 1st April	30,784	28,534
Charges due in the year	148,715	149,088
Rent Rebates	(68,145)	(68,424)
Write off and adjustments	(5,112)	(5,665)
Cash collected	(75,728)	(72,749)
Arrears at 31st March	30,514	30,784

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING SUBSIDY

- 1.1 Subsidy is payable by the Government towards the provision of local housing in accordance with determinations made under section 20 of the Local Government and Housing Act 1989. It is calculated by reference to a notional account broadly comprising management and maintenance costs (formula based), capital charges and the cost of rent rebates on one hand and income from rents (based on Department of Transport, Local Government and the Regions (DTLR) assumed rent levels) and charges for services on the other, with subsidy supporting the difference.
- 1.2 1st April 1996 saw the introduction of a 'pre-set' regime, a process whereby the data used to calculate virtually all subsidy elements are pre-determined by reference to previous years' data. For example, dwelling numbers at 31st March 1999 are used to calculate subsidy elements such as management and maintenance allowance and notional rent income for the financial year 2000/01. Once estimated they cannot be changed except in exceptional circumstances where a major change has occurred in dwelling numbers (i.e. a change of more than 3,000 properties or 10% of total stock).

2. ANALYSIS OF HOUSING STOCK BY TYPE OF DWELLING

Type of dwelling		Number of bedrooms				Total	
		1	2	3+	other	31/3/01	31/3/00
Houses and bungalows	31/3/01	422	875	3,123	0	4,420	
	31/3/00	424	804	3,224	0		4,452
Low rise flats	31/3/01	3,540	842	458	0	4,840	
	31/3/00	3,607	881	478	0		4,966
Medium rise flats	31/3/01	8,411	9,259	8,238	0	25,908	
	31/3/00	8,547	9,479	8,501	0		26,527
High rise flats	31/3/01	4,502	6,556	2,517	0	13,575	
	31/3/00	4,735	6,657	2,563	0		13,955
Non permanent	31/3/01	0	0	0	57	57	
	31/3/00	0	0	0	61		61
Multi-occupied	31/3/01	0	0	0	194	194	
	31/3/00	0	0	0	194		194
Totals	31/3/01	16,875	17,532	14,336	251	48,994	
	31/3/00	17,513	17,821	14,766	255		50,155

NOTES TO THE HOUSING REVENUE ACCOUNT

3. HOUSING TENANTS ACCOUNTS

- 5.1 The arrears position as at 31st March 2001 includes Neighbourhoods, Browning EMB, hostels and miscellaneous properties. It excludes Tenant Management Organisations, Bed & Breakfast and Travellers Sites.

4. RECONCILIATION TO THE CONSOLIDATED REVENUE ACCOUNT

	£'000	£'000
Gross Expenditure, HRA statement		282,922
Earmarked reserves, 31/3/00	12,459	
Earmarked reserves, 31/3/01	12,626	
Movement in earmarked reserves 2000/01	<u> </u>	167
Gross Expenditure, Consolidated Revenue Account		283,089
Gross Income		(289,509)
HRA surplus transferred to the HRA Fund		(6,420)

5. Further information relating to the Housing Revenue Account can be obtained from the Council's Performance Indicators, which are published separately.

CONSOLIDATED BALANCE SHEET

The Consolidated Balance sheet summarises the state of the Council's affairs as at 31st March 2001 and 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 where the Council is not the sole trustee have been excluded.

BALANCES AT	Notes	31/3/01	31/3/01	31/3/00	31/3/00
		£000	£000	£000	£000
Fixed assets					
Operational assets					
– Council dwellings		1,836,699		1,121,681	
– other land and buildings		334,538		333,974	
– vehicles, plant and equipment		6,235		7,797	
– infrastructure assets		55,092		47,758	
– community assets		6,532		6,453	
– Work in progress		187,807		152,283	
Non operational assets					
– investment properties		636		636	
	1		2,427,539		1,670,582
Deferred charges	2	23,617		21,971	
Deferred debtors	3	2,452		3,105	
Deferred debits	4	6,689		7,045	
			32,758		32,121
Total long-term assets			2,460,297		1,704,703
Current Assets					
– stocks and work in progress		1,875		1,292	
– debtors	5	145,550		158,613	
– less provision for bad debts		(80,641)		(66,150)	
– investments	6	118,070		114,361	
			184,854		208,116
Current Liabilities					
– creditors		(102,075)		(107,247)	
– cash and bank		(6,664)		(16,329)	
			(108,739)		(123,576)
Total assets less current liabilities			2,536,412		1,787,243
Long term borrowing	7		(791,849)		(800,833)
Deferred liabilities	8		0		0
Deferred receipts	9		(2,098)		(2,567)
Deferred credits	10		(7,264)		(8,067)
Grants deferred account	11		(155,351)		(133,504)
Provisions	12-15		(49,063)		(50,494)
Total assets less liabilities	16		1,530,787		791,778
Represented by :					
Fixed asset restatement reserve	17		1,268,044		548,273
Capital financing reserve	17		217,252		188,952
Usable capital receipts reserve	17		1,807		3,404
Earmarked reserves	17		24,214		43,615
Balances – General Fund			8,000		4,666
– Housing Revenue A/C			20,117		13,530
– Collection Fund			(8,647)		(10,662)
Total Equity			1,530,787		791,778

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. FIXED ASSETS

1.1 Movement of Fixed Assets 2000/01

	Council Housing £000	Other Land & Building £000	Vehicles Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Investment Properties £000	Work in Progress £000	TOTAL £000
Gross Book Value @ 01/4/00	1,140,709	335,057	15,651	54,095	6,453	636	152,283	1,704,884
Restatements		2,982	(843)		(1,054)			1,085
Revaluations	768,480	6,573						775,053
Additions	58	761	206	8,833	1,133		35,524	46,515
Disposals	(40,726)	(5,025)						(45,751)
Gross Book Value @ 31/3/01	1,868,521	340,348	15,014	62,928	6,532	636	187,807	2,481,786
Accumulated Depreciation b/f	19,028	1,083	7,854	6,337				34,302
Depreciation for Revaluations and Restatements	(19,028)		(1,257)					(19,028)
Depreciation for the year	32,359	4,727	2,182	1,499				40,767
Depreciation on assets sold	(537)							(537)
Depreciation Balance @ 31/3/01	31,822	5,810	8,779	7,836	0	0	0	54,247
Net Book Value @ 31/3/01	1,836,699	334,538	6,235	55,092	6,532	636	187,807	2,427,539

- 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 change in valuation rather than 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 preparing for the implementation of Housing Resource Accounting in 2001/02, an external survey of the stock has revalued Council housing by £768.48 million. The main reason for the increase is the improvement in the domestic property market. A strong market also discounts the effects of repair liabilities on the assets, which compounds the increase in the stock valuation. This revaluation will be subject to further review in 2001/02.
- 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, but these have not yet been valued and incorporated into the balance sheet.

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.

	2000/01 £000	1999/00 £000
Deferred charges as at 1st April	21,971	23,335
Restatements	2,148	499
Expenditure in the year	7,559	5,522
Amounts written off to capital financing reserve	(8,061)	(7,385)
Balance as at 31st March	23,617	21,971
Represented by:		
Improvement grants	15,342	12,695
Other grants	8,275	9,276
Other expenditure capitalised under Section 40(6) of the Local Government & Housing Act 1989	0	0
Balance as at 31st March	23,617	21,971

3. DEFERRED DEBTORS

	2000/01 £000	1999/00 £000
Balance as at 1st April	3,105	4,291
New advances in the year	4,776	1,465
Repayments in the year	(5,429)	(2,651)
Balance as at 31st March	2,452	3,105
Represented by:		
Housing Associations	401	654
Other	2,051	2,451
Balance as at 31st March	2,452	3,105

NOTES TO THE CONSOLIDATED BALANCE SHEET

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.

	2000/01 £000	1999/00 £000
Balance brought forward	7,045	7,404
Amounts written off to revenue	(356)	(359)
Balance as at 31st March	6,689	7,045

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

Period	Terms	2000/01 £000	1999/00 £000
Temporary investments	fixed interest	119,724	116,015
Less: Monies invested on behalf of Trust Funds		(1,654)	(1,654)
		118,070	114,361

- 6.1 The temporary investments shown above include £89.7 million (book cost) which is managed by two external managers on behalf of the authority. The market value of these investments was £91.8 million at 31st March 2001.

NOTES TO THE CONSOLIDATED BALANCE SHEET

7. LONG TERM BORROWING

7.1 Source of loan

	Range of Interest rates payable (%)	Total outstanding	
		31/3/01 £000	31/3/00 £000
Stock		54	54
Mortgages	3.44 to 5.06	184	193
PWLB loans	4.25 to 11.5	791,611	800,586
		791,849	800,833

7.2 Maturity date of loan

within 1 year	1,336	9,038
from 1 year to 2 years	20,629	1,282
from 2 years to 5 years	15,436	28,554
from 5 years to 10 years	233,331	170,550
after 10 years	521,117	591,409
	791,849	800,833

8. DEFERRED LIABILITIES

8.1 Deferred liabilities are the Council's commitments to meeting payments for assets acquired under finance leases or other arrangements such as hire purchase. The Council currently has no finance leases.

	2000/01 £000	1999/00 £000
Outstanding Balance as at 1st April	0	(2,090)
Lease payments made in the year	0	2,090
Balance as at 31st March	0	(2,090)

9. DEFERRED RECEIPTS

9.1 The balance is made up as follows :

	31/3/01 £000	31/3/00 £000
Where the Council has granted a mortgage but no cash advance:		
Houses for sale	(21)	(24)
Sale of Council houses	(1,831)	(2,296)
Miscellaneous	(10)	(11)
Other capital receipts deferred arising from the sale of assets	(236)	(236)
	(2,098)	(2,567)

NOTES TO THE CONSOLIDATED BALANCE SHEET

10. DEFERRED CREDITS

10.1 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.

	2000/01 £000	1999/00 £000
Balance as at 1st April	(8,067)	(11,552)
Less: Amounts written to revenue	803	3,485
Balance as at 31st March	(7,264)	(8,067)

11. GRANTS DEFERRED ACCOUNT

	2000/01 £000	1999/00 £000
Balance as at 1st April	(133,504)	(108,409)
Capital Grants received in the year	(22,846)	(29,692)
Movement in capital creditors for receipt of grants in advance of planned expenditure	(4,066)	982
Amounts used to finance revenue expenditure	0	54
Amortisation	5,065	3,561
Balance as at 31st March	(155,351)	(133,504)
Represented by:		
Grants "applied" to be amortised to revenue accounts over the life of the completed scheme	(144,159)	(123,792)
Grants unapplied, with no planned expenditure commitments	(11,192)	(9,712)
Balance as at 31st March	(155,351)	(133,504)

11.1 Included in the above totals is £13.133 million in respect of planning gains at 31st March 2001, (£11.162 million at 31st March 2000).

NOTES TO THE CONSOLIDATED BALANCE SHEET

12. PROVISIONS

	Balance 31/3/00 £000	Movement in 00/01 £000	Balance 31/3/01 £000
Provision for Bad Debts			
Housing rents	24,445	466	24,911
BCCI loss	1,443	(522)	921
Homelessness	2,332	917	3,249
Commercial rents and other debtors	14,596	9,043	23,639
Community charge	292	0	292
Council Tax	17,559	419	17,978
Housing and other benefits overpaid	5,483	4,168	9,651
	66,150	14,491	80,641
Other Provisions			
Housing, HB and other grants	19,292	1,815	21,107
Swaps	31	0	31
Insurance claims	5,738	1,128	6,866
Tax on leasing agreements	17,721	0	17,721
RTB capital, heating costs etc	1,786	(1,686)	100
Other	5,926	(2,688)	3,238
	50,494	(1,431)	49,063
TOTAL PROVISIONS	116,644	13,060	129,704

13. CONTINGENT LIABILITIES

- 13.1 Between 1983 and 1985 the Council entered into tax variable leases to finance the cost of central heating, lifts and lighting installations. 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. The Council's liability to the lessors remains to be agreed. A provision of £17.7 million has been made to cover any potential liability including interest. Southwark continued to claim housing subsidy on the additional lease rentals, and has received £17.7 million in respect of the years 1996/97 to 1998/99. However the position remains unresolved pending DTLR notice of intent.
- 13.2 In 1997/98 the Council employed staff on an agency basis to complete housing benefit determinations. The DSS view is that determinations by agency staff are not eligible for receipt of grant, and is therefore seeking to reclaim relevant amounts. The Council refutes the DSS position and is currently in correspondence with the DSS, and may seek counsel's opinion in the regard. The Council's liability, if any, remains to be agreed.
- 13.3 The Pension Fund Accounts (pages 43 to 48) show a reduction in net assets of £45 million at the end of 2000/01. The triennial revaluation with effect from 1st April 2001 will take into account the reduction in net assets, and could lead to a greater contribution from the Council to meet pension liabilities. The Council's increased liability, if any, will not be known until the completion of the revaluation, during 2001/02.

NOTES TO THE CONSOLIDATED BALANCE SHEET

13.4 The Court of Appeal has ruled that patients held under 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 decision has since been referred to the House of Lords. The liability back to the Court of Appeal's decision in July 1999 has been estimated at £585,000. However, no specific provision has been made in the Accounts, due to the uncertainty of the liability period and because the decision is under further review by the House of Lords.

14. INSURANCE

14.1 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

14.2 Provisions of £6.866 million (£5.738 million at 31st March 2000) have been made for outstanding claims and £8.760 million (£12.067 million at 31st March 2000) has been reserved out of the General Fund balance to meet unidentified losses.

15. PROVISION FOR CREDIT LIABILITIES (MEMORANDUM ACCOUNT)

15.1 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.

	2000/01 £000	1999/00 £000
Balance as at 1st April	0	0
Amounts set aside for MRP (page 18 Note 14)	16,235	16,357
Reserved capital receipts	27,161	20,347
Capital receipts additionally set aside	7,098	
Amounts used to repay loans	(43,396)	(36,704)
Balance as at 31st March	7,098	0

16. ANALYSIS OF NET ASSETS

	31/3/01 £000	31/3/00 £000
Housing Revenue Account	1,329,013	586,726
General Fund	201,774	205,052
Net assets shown in the balance sheet	1,530,787	791,778

NOTES TO THE CONSOLIDATED BALANCE SHEET

17. STATEMENT OF TOTAL MOVEMENT IN RESERVES

	CAPITAL RESERVES			GENERAL RESERVES			2000/01 TOTAL	1999/00 Total
	Fixed Asset Restatement Reserve	Capital Financing Reserve	Usable Capital Receipts	General Fund	Specific Reserves	HRA		
	£000	£000	£000	£000	£000	£000		
Balance at 1st April	(548,273)	(188,952)	(3,404)	(4,666)	(32,953)	(13,530)	(791,778)	(654,921)
Net deficit / (surplus) for year		19,062		(3,334)	51,645	(6,587)	60,786	33,754
Unrealised loss/(gains) from revaluation of fixed assets	(764,985)						(764,985)	(139,895)
Effects of disposals of fixed assets								
Cost or value of assets disposed of	45,214						45,214	22,409
Proceeds of disposals		(34,259)	(45,765)				(80,024)	(53,125)
Net (surplus)/ deficit	45,214	(34,259)	(45,765)				(34,810)	(30,716)
Financing of fixed assets		(13,103)	47,362		(34,259)		0	0
Balance as at 31st March	(1,268,044)	(217,252)	(1,807)	(8,000)	(15,567)	(20,117)	(1,530,787)	(791,778)

17.1 DETAILS OF SPECIFIC RESERVES

	Balance 31/3/00 £000	Movement in 00/01 £000	Balance 31/3/01 £000
Funds held by LMS schools	(2,971)	(4,169)	(7,140)
Planned Maintenance Fund	(4,304)	1,414	(2,890)
Computer Development Fund	(905)	905	0
Capital Expenditure Reserve	(15,864)	12,890	(2,974)
Voluntary severance	(1,298)	541	(757)
Insurance	(12,067)	3,307	(8,760)
Asylum seekers	(278)	0	(278)
Sums set aside to fund future revenue expenditure	(1,050)	1,050	0
Debt Redemption	(4,826)	4,502	(324)
Other	(52)	(1,039)	(1,091)
	(43,615)	19,401	(24,214)
Collection Fund	10,662	(2,015)	8,647
	(32,953)	17,386	(15,567)

NOTES TO THE CONSOLIDATED BALANCE SHEET

17.2 FIXED ASSET RESTATEMENT RESERVE

	HRA £000	2000/01 General Fund £000	Total £000	1999/00 Total £000
Balance as at 1st April	(458,856)	(89,417)	(548,273)	(430,787)
Adjustments Previous Years		(4,490)	(4,490)	1,044
Unrealised losses and gains from the revaluation of fixed assets	(764,161)	3,666	(760,495)	(140,939)
Value of assets disposed of	40,189	5,025	45,214	22,409
Balance as at 31st March	(1,182,828)	(85,216)	(1,268,044)	(548,273)

17.3 USABLE CAPITAL RECEIPT RESERVE

	2000/01 £000	1999/00 £000
Balance as at 1st April	(3,404)	(1,261)
Gross capital receipts from sale of assets	(45,765)	(34,668)
Less:		
Capital receipts set aside for debt redemption ("reserved receipts")	34,259	18,457
Capital receipts used for financing capital expenditure	13,103	14,068
Balance as at 31st March	(1,807)	(3,404)

NOTES TO THE CONSOLIDATED BALANCE SHEET

17.4 CAPITAL FINANCING RESERVE

	HRA	2000/01 General Fund	TOTAL	1999/00
	£000	£000	£000	£000
Balance as at 1st April	(114,340)	(74,612)	(188,952)	(150,931)
Capital receipts set aside				
– cash capital receipts	(27,161)	0	(27,161)	(18,457)
– Notional capital receipts	0	0	0	0
– additional debt redemption	0	(7,098)	(7,098)	0
Capital financing				
– capital receipts	(5,893)	(7,210)	(13,103)	(14,068)
– revenue	(217)	(8,241)	(8,458)	(15,566)
Write down of deferred charges	3,884	4,177	8,061	7,386
Excess of depreciation over MRP	18,613	5,919	24,532	8,000
Other accounting entries				
– leasing transactions	0	0	0	(1,748)
– grants and other	(954)	(4,119)	(5,073)	(3,568)
Balance as at 31st March	(126,068)	(91,184)	(217,252)	(188,952)

18. YEAR 2000 DISCLOSURE

- 18.1 The main area of risk from the Year 2000 was the Authority's main accounting system. This was replaced in 1998 in order to ensure Year 2000 compliance. No significant disruption occurred over the critical period and any residual risk is very small.
- 18.2 No additional budget provision was made for the Year 2000 problems and all costs incurred were absorbed within departmental budgets.

19. EURO DISCLOSURE

- 19.1 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.

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 1/4/00	Increase/ (decrease) in fund balance	Balance at 31/3/01
	£	£	£
Social Service Funds			
Individual bequests	36,680	2,197	38,877
Comforts Funds/residents savings	547,087	(54,389)	492,698
Southwark/Bermondsey chest clinic	2,546		2,546
Helping hands	350		350
Education Trusts			
Blackfriars Road	112,353	6,368	118,721
Miscellaneous	10,685	1,215	11,900
Leisure Trusts			
St Mary Newington clock	1,635		1,635
South London Art Gallery	8,853		8,853
Hogarth painting fund	250,000		250,000
Honor Oak Training centre	14,502		14,502
Arts Donation	1,129		1,129
Health and fitness show	110,870		110,870
Spa Road Playground	34,301		34,301
Potters Field	275,000	(14,904)	260,096
Rubbish show	11,083		11,083
Miscellaneous Trusts (see note 1)	2,878		2,878
Regeneration and Environment			
Pullen Gardens maintenance fund	95,000		95,000
Maintenance of Graves	21,250		21,250
	1,536,202	(59,513)	1,476,689

In addition to the above sums, the Council opened a separate account to receive monies 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
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 1/4/00	Increase/ (decrease) in fund balance	Balance at 31/3/01
	£	£	£
Funds for the relief of Council Tax			
Walworth Common Estate	917,798	(8,977)	908,821
Borough Market Trustees	6,816	(1,314)	5,502
Leisure Trusts			
Cuming Bequest	7,808		7,808
Miscellaneous Trusts (see note 1)	716		716
	933,138	(10,291)	922,847

MISCELLANEOUS TRUST FUNDS

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

The purposes of the trust funds are listed below:

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

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

SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

HOW THE MONEY WAS SPENT

	2000/01 £000	1999/00 £000
Southwark Direct	0	39
Education	15,009	8,604
Leisure	3,367	3,408
Housing	54,323	50,946
Regeneration and Environment	17,422	27,780
Strategic Services	1,127	8
Social Services	45	601
	91,293	91,386

HOW THE EXPENDITURE WAS FINANCED

Revenue contributions	10,028	15,598
Using credit approvals	45,510	30,239
Using capital receipts received from the sale of assets	13,103	14,068
Specific grants and other contributions	22,652	31,481
	91,293	91,386

DETAIL

Fixed assets	1,171	3,008
Deferred charges	7,559	5,501
Deferred debtors	4,776	1,465
Enhancements and work in progress	77,787	81,412
	91,293	91,386

RECONCILIATION OF EXPENDITURE FOR CAPITAL ACCOUNTING TO STATUTORY CAPITAL EXPENDITURE FOR 2000/01

	£
Expenditure capitalised as fixed assets 2000/01	92,435,032
Decrease (increase) in capital creditors	(1,141,545)
Expenditure for capital control purposes	91,293,487
Less	
Expenditure to be financed by application of capital receipts or capital grants and contributions	(35,753,234)
Expenditure to be financed by supplementary credit approval	(4,623,547)
Expenditure to be financed by basic credit approval	(40,886,841)
Capital expenditure to be financed direct from revenue	10,029,865
Revenue contributions applied from the Housing Revenue Account	216,681
Capital expenditure met from Revenue	9,813,184
	10,029,865

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	2000/01 £000	2000/01 £000	1999/00 £000
Income				
Council Tax	1			
Income from Council Tax		(54,343)		(50,434)
Council Tax benefits		(18,054)	(72,397)	(16,326)
Non-domestic rates	2		(78,267)	(63,127)
Adjustment re prior years community charges	3		0	
Receipts from preceptors re previous years			(4,707)	(2,509)
Collection Fund balance	4			
Total Income			(155,371)	(132,396)
Expenditure				
Precepts and Demands				
GLA		10,308		7,807
Residual Receiver		1,412		2,324
London Borough of Southwark		59,079	70,799	57,979
Non-domestic rates				
Payment to National Pool		77,643		62,505
Cost of collection allowance		624	78,267	622
Provision for uncollectable amounts				
Council Tax			4,290	8,762
Total Expenditure			153,356	139,999
Net Deficit/(surplus) for the year			(2,015)	7,603
Deficit/(surplus) at 1st April			10,664	3,061
Deficit/(surplus) at 31st March			8,649	10,664

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 (£845.44 in 2000/01 and £808.60 for 1999/00) 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	
	2000/01	1999/00		2000/01	1999/00
A	9,408.00	10,025.00	6/9	6,272.0	6,683.3
B	29,583.00	30,585.00	7/9	23,009.0	23,788.3
C	25,171.00	25,439.75	8/9	22,374.2	22,613.1
D	14,009.00	13,847.50	1	14,009.0	13,847.5
E	8,693.00	8,326.00	11/9	10,624.8	10,176.2
F	3,566.25	3,416.50	13/9	5,151.2	4,934.9
G	2,845.25	2,775.00	15/9	4,742.1	4,625.0
H	336.25	335.50	18/9	672.5	671.0
Total				86,854.8	87,339.3
Add adjustment for contribution paid in lieu				5.3	7.0
Less adjustment for collection rate				(3,040.1)	(3,057.1)
Council Tax Base for year				83,820.0	84,289.2
Band D tax rate multiplier				£845.44	£808.60
Estimated Council Tax due in the year (Council Tax base x Council Tax)				£70,864,781	£68,156,247

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 (41.6p in 2000/01 and 48.9p in 1999/00) 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 2000	183,690,613
Rateable value at 31st March 2001	258,499,800

- 2.2 The NNDR income after relief for voids etc. of **£78.267 million** (£63.127 million for 1999/00) was based on the average rateable value for the Council area for the year. In 2000/01, for the first time, the Crown Properties are included in the Rateable value. The actual rateable value fluctuates considerably throughout the year due to revaluations, voids etc.

3. ADJUSTMENTS FOR PREVIOUS YEARS COMMUNITY CHARGES

- 3.1 Although Council tax replaced community charges from 1st April 1993, the Council continues to account for residual adjustments relating to community charges raised in earlier years in the Collection Fund.

4. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

- 4.1 The surplus or deficit on the Collection Fund for the year is distributed between the Council and the preceptors.

CASH FLOW STATEMENT FOR THE YEAR

	2000/01 £000	2000/01 £000	1999/00 £000
REVENUE ACTIVITIES			
Cash outflows			
Cash paid to and on behalf of employees	244,690		220,636
Other operating costs	446,615		346,265
Housing benefit (excluding rent rebates)	42,584		44,016
Payments into NNDR pool	77,773		62,505
Payment to preceptors	11,012		10,131
		822,674	683,553
Cash inflows			
Rents (net of rebates)	(156,830)		(159,061)
NNDR receipts	(79,396)		(63,127)
Contribution from Collection Fund	(59,664)		(63,680)
Government Grants	(458,944)		(399,338)
Sales and charges for services	(169,391)		(59,889)
		(924,225)	(745,095)
Net cash flow from revenue activities		(101,551)	(61,542)
SERVICING OF FINANCE			
Cash outflows			
Interest paid	67,407		74,473
Interest element of leasing payments	38		251
		67,445	74,724
Cash inflows			
Interest received	(7,101)		(6,859)
		(7,101)	(6,859)
CAPITAL ACTIVITIES			
Cash outflows			
Purchase of fixed assets	78,958		85,731
Deferred charges and deferred debtors	12,335		6,955
		91,293	92,686
Cash inflows			
Sale of fixed assets	(45,765)		(34,668)
Capital grants	(27,372)		(24,553)
Other capital cash receipts	(184)		0
		(73,321)	(59,221)
NET CASH FLOW BEFORE FINANCING		(23,235)	39,788
FINANCING			
Cash outflows			
Capital element of leasing charges	0		2,090
Repayment of long term loans	8,984		2,498
Repayment of short term loans	31,000		91,110
		39,984	95,698
Cash inflows			
New long term loans	0		(40,000)
New short term loans	(31,000)		(91,110)
		(31,000)	(131,110)
DECREASE (INCREASE) IN CASH AND EQUIVALENTS		(14,251)	4,376
CASH AND CASH EQUIVALENTS			
Net increase/(decrease) in bank balance overdrawn		(9,665)	(4,128)
Net (increase)/decrease in money on deposit		(4,586)	8,504
DECREASE (INCREASE) IN CASH AND EQUIVALENTS		(14,251)	4,376

NOTES TO THE CASH FLOW STATEMENT

1. RECONCILIATION OF NET REVENUE SURPLUS FOR THE YEAR

	2000/01 £000	2000/01 £000	1999/00 £000	1999/00 £000
Net expenditure/(income) on General Fund		(3,334)		2,941
Net expenditure/(income) on HRA		(6,587)		7,765
Net expenditure/(income) on Collection Fund		(2,015)		7,603
Total		(11,936)		18,309
Net revenue income as per cash flow statement		(101,551)		(61,542)
Net interest as per cash flow statement		60,344		67,865
Add: Decrease in deferred debits	356		359	
Decrease in stocks and works in progress	0		307	
Increase in Provisions and Reserves	0		8,660	
Decrease in debtors	27,554		0	
Increase in creditors	0		5,887	
Depreciation and capital payments	45,952	73,862	33,170	48,383
Less: Increase in debtors	0		(32,912)	
Decrease in creditors	(5,172)		0	
Increase in stocks and work in progress	(583)		0	
Decrease in Provisions and Reserves	(38,033)		0	
Decrease in deferred creditors	(803)	(44,591)	(3,485)	(36,397)
Total		(11,936)		18,309

2. ANALYSIS OF GRANTS SHOWN IN CASH FLOW STATEMENT

	2000/01 £'000	1999/00 £'000
Revenue support grant and pool contribution	252,463	248,879
Housing subsidy	47,886	50,846
Students awards	3,192	4,409
Housing benefits (excluding rent rebates)	56,643	33,495
Other grants	98,760	61,709
Total	458,944	399,338

NOTES TO THE CASH FLOW STATEMENT

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

	2000/01 £'000	1999/00 £'000
Long term loans		
Balance as at 1st April	(800,833)	(763,331)
Repayments of amounts borrowed	8,984	2,498
New borrowings	0	(40,000)
Balance as at 31st March	(791,849)	(800,833)
Short term borrowing		
Balance as at 1st April	0	0
Repayments of amounts borrowed	31,000	91,110
New borrowings	(31,000)	(91,110)
Balance as at 31st March	0	0

PENSION FUND 2000/2001
FUND ACCOUNT

	2000/01 £000	1999/00 £000
CONTRIBUTIONS AND BENEFITS		
Contributions receivable		
– from employers and admitted bodies	(17,006)	(18,868)
– from employees	(5,605)	(5,605)
Transfers in	(3,050)	(960)
Other income – re-instatement following mis-selling	(740)	(880)
Total income	(26,401)	(26,313)
Benefits payable		
– Pensions	19,376	19,176
– Lump sums (incl. retirement and death grants)	2,455	1,586
Payments to and on account of leavers		
– Refunds of contributions	73	135
– Transfers out	3,047	1,518
Administrative expenses borne by the scheme	599	544
Total expenditure	25,550	22,959
Net addition from dealing with members of the fund	(851)	(3,354)
RETURNS ON INVESTMENT		
Investment Income	(9,433)	(12,121)
Change in Market value of Investments	52,287	(59,390)
Investment Management Expenses	2,541	1,058
Net (increase)/decrease in fund for the year	44,544	(73,807)
Opening net assets of the scheme	(546,771)	(472,964)
Closing net assets of the scheme	(502,227)	(546,771)

PENSION FUND 2000/2001
NET ASSETS STATEMENT

	Note	2000/01 £000	1999/00 £000
INVESTMENT ASSETS			
Fixed Interest public sector securities		21,733	20,514
Equities		264,281	264,677
Index-linked securities		79,157	82,909
Unit Trusts – Property		19,426	50,428
– Other		71,867	116,703
Property (Freehold)		19,170	0
Total investment assets		475,634	535,231
NET CURRENT ASSETS AND LIABILITIES			
Cash held by managers		23,713	4,548
Interest and dividends accrued		2,099	1,884
Creditors		(1,189)	(353)
Cash at Council		1,970	5,461
Total net current assets and liabilities		26,593	11,540
Closing net assets of the scheme	5	502,227	546,771

PENSION FUND 2000/2001

1. INTRODUCTION

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

2. OPERATION AND MEMBERSHIP OF THE FUND

- 2.1 In 2000/01 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, £1.0 million is a special contribution for early and ill health retirements.
- 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 2000/01 active management of the other half of the portfolio was transferred from Mercury Asset Management and Schroder Investment Management to 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:

	2000/01	1999/00
Number of contributors to the Fund	5,678	6,053
Number of contributors and dependants receiving allowances	5,603	5,549
Number of contributors who have deferred their pensions	3,875	3,253

3. ACCOUNTING POLICIES

- 3.1 The Accounts have been prepared in accordance with the recommendations of SORP1 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 (31/3/01).
- 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, which have just been purchased, are included at cost. The cost of acquisition of assets, including property, is treated as a revenue cost. Income and expenditure, including management expenses, are accrued.

PENSION FUND 2000/2001

3.3 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 deals with 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 those 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 he has made and periodically consider whether or not to retain him.

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 at 31st March 1998. This revealed that the Fund showed an actuarial deficit of £58.6 million, a level of funding of 84%. The valuation as at 31st March 2001 is currently in progress.

4.2 In order to eliminate the past service deficit the actuary has recommended that the Employers contribute at the rate of 255% of members' contributions with effect from 1st April 1999. They advise that, if their assumptions are borne out in practice, this rate is likely to be required for about 11 years before reverting to the long-term rate of 135% of members' contributions. Special contributions should be paid for early retirements and ill-health retirements since this does not make any allowance for the extra liabilities arising from such retirements. The market value of investments as at 31st March 1998 was £422 million. An Interim Valuation, carried out as at 31st March 2000 reported an increase in the funding level but did not lead to the actuary recommending a change in this policy.

4.3 The contribution rates have been calculated using the projected actuarial method using the following actuarial assumptions:

- | | |
|---------------------|-------|
| ◆ Investment return | 8.75% |
| ◆ Pensions increase | 4.50% |
| ◆ Earnings growth | 6.50% |
| ◆ Dividend growth | 4.75% |

PENSION FUND 2000/2001

5. NET ASSETS

5.1 The value of the closing net assets of the Pension Fund fell by £45 million to £502 million at the end of 2000/01, from £547 million at the end of the previous year. The main factors affecting this were:

- ◆ General investment market conditions
- ◆ Volatility, particularly in technology stocks
- ◆ Performance of investment managers

5.2 These factors were monitored quarterly by the Officer Pension Board. A performance measurement firm, the WM Company reports to the Board on the returns each manager has achieved for each asset class, compared to the quarterly average for each asset class. The main factors and issues are as follows.

Passive Management of Equities and Gilts

5.3 Half the fund is held by an investment manager with the objective to match the relevant average returns for the asset classes held. This objective was achieved in 2000/01, but, as there was a general fall in value, this resulted in the total value of funds invested by them falling in value by about 7%, or £20 million.

Active Management of UK Equities

5.4 The value of the total fund held by the UK Equities manager dropped by about 11% or £15 million between the start and end of the year. General investment conditions were poor, there was an unusually high degree of volatility in stock prices, technology stocks fell sharply and the investment managers did not perform well.

Overseas Equities

5.5 £10 million was transferred from the Overseas Equities portfolio during the year to passive management to maintain the asset allocation between active and passive management. After allowing for that, overseas equities dropped by 15%, or £10 million. This was largely due to poor general investment conditions.

5.6 Despite this drop, the total value of the fund invested in Equities has increased. This apparent contradiction is because the overseas unit trusts were sold when the portfolio was transferred to a new manager. The new manager invested the funds directly in equities.

Property

5.7 A large part of the fund's holding in Property unit trusts was sold during the year. By the end of the year, the proceeds had been either re-invested by a new property manager or were held in cash. There was no significant change in the value of the property portfolio overall.

PENSION FUND 2000/2001

6. OTHER INFORMATION

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

◆ Deutsche Asset Management	£119.3 million	23.8%
◆ Putnam Investments	£71.0 million	14.2%
◆ Henderson Global Investments	£57.8 million	11.5%
◆ Barclays Global Investors	£253.0 million	50.5%

6.2 Investments include £196.0 million UK Equities and £68.2 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 £567,200, is included in 'Unit Trusts – other'. Sales and purchases by the investment managers were £229.1 million and £221.8 million respectively.

6.3 Contributions receivable include a contribution from admitted bodies of £272,400 for employers' and employees' contributions from admitted bodies.

6.4 No stock-lending is allowed under investment agreements.

6.5 A Statement of Investment Principles has been prepared and is available from the Head of Financial Management Services, 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.

ACCRUALS

Amounts charged to the accounts for goods or services received during the year for which payments have not yet been made and income due but not received.

AGGREGATE CREDIT LIMIT (ACL)

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

ADVANCED PURCHASE

A capital scheme which has been paid for in advance to be completed in future years.

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.

GLOSSARY OF ACCOUNTING TERMS

CENTRAL SUPPORT SERVICES

The cost of the central administration of the Council.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

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

CODE OF PRACTICE

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

COLLECTION FUND

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

COMMUNITY ASSETS

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

COMPULSORY COMPETITIVE TENDERING (CCT)

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

CONSOLIDATED BALANCE SHEET

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

CONTINGENCIES

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

CONTINGENT LIABILITY

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

COUNCIL TAX

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

COUNCIL TAX BENEFIT

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

CREDIT APPROVAL

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

CREDITORS

Organisations and individuals to whom the Council owes money.

CURRENT LIABILITIES

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

GLOSSARY OF ACCOUNTING TERMS

DEBTORS

Organisations and individuals who owe money to the Council.

DEFERRED CHARGE

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

DEPRECIATION

- (1) A charge to 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 revenue account each year and set aside as provision for credit liabilities, as required by the Local Government Act 1989.

NATIONAL NON-DOMESTIC RATES (NNDR)

Another name for non-domestic rates.

GLOSSARY OF ACCOUNTING TERMS

NET EXPENDITURE

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

NON-DOMESTIC RATE (NDR)

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

NON-OPERATIONAL ASSETS

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

OPERATIONAL ASSETS

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

OPERATIONAL LEASE

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

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.

GLOSSARY OF ACCOUNTING TERMS

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.

