

STATEMENT  
of  
ACCOUNTS

*1999 - 2000*



# STATEMENT OF ACCOUNTS 1999 - 2000

**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 present 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". The signature is fluid and cursive, with a large initial "R" and "C".

R. A. COOMBER CPFA

Chief Executive and Director of Finance

Date: 22nd December 2000



## AUDITORS' REPORT TO THE LONDON BOROUGH OF SOUTHWARK

We have audited the statement of accounts on page 2 and pages 7 to 44 which has been prepared in accordance with the accounting policies applicable to local authorities. The statement of accounts comprises the Authority's accounts, on pages 11 to 39, which have been prepared in accordance with the accounting policies set out on pages 7 to 10, and the Pension Funds accounts, on pages 40 to 44, which have been prepared in accordance with the accounting policies set out on page 42.

### Respective responsibilities of Chief Finance Officer and Auditors

As described on page 2, the Chief Executive and Director of Finance 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 Authority in the preparation of the statement of accounts and of whether the accounting policies are appropriate to the Authority'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 the London Borough of Southwark at 31 March 2000 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 position of the London Borough of Southwark Pension Fund during the year ended 31 March 2000, 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 have carried out the audit of accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission. The audit cannot be formally concluded and an audit certificate issued until matters raised by local government electors have been resolved. We are satisfied that the amount which is the subject of these matters will not have a material effect on the statement of accounts.

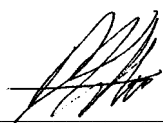
22 December 2000

  
\_\_\_\_\_  
D J Elliott  
District Auditor

TO SOUTHWARK LONDON BOROUGH COUNCIL

**Auditor's Certificate**

I certify that we have completed the audit of the accounts for the year ended 31 March 2000 in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission. An unqualified opinion on the accounts was issued on 22 December 2000. I have not had to issue a report in the public interest under Section 8 of the Audit Commission Act 1998.



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D J Elliott  
District Auditor  
10 April 2001

TABLE OF CONTENTS

	<b>Page</b>
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
Local Government Act 1972, Section 137 Account	13
Local Government Act 1986, Section 5: Publicity Account	14
Housing Revenue Account	17
Consolidated Balance Sheet	20
Statement of Total Movement in Reserves	28
Miscellaneous Trust Funds	31
Collection Fund Accounts	33
Cash Flow Statement	36
Direct Service Organisations	39
Pension Fund	42
Glossary	45

## 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 2000.

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 2000.
  
2. The Council's Accounts for the year 1999/00 are set out in the following pages. They consist of:
  - ◆ The Consolidated Revenue Account - the Council's main revenue account, covering income and expenditure on all services.
  
  - ◆ The Housing Revenue Account - which shows income and expenditure on Council Housing.
  
  - ◆ The Consolidated Balance Sheet - which sets out the financial position of the Council as at 31st March 2000.
  
  - ◆ 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 - which summarises the accounts for the DSOs established under the Local Government Planning and Land Act 1980 and the Local Government Act 1988.
  
  - ◆ The Collection Fund - which shows transactions of the charging authority relating to Non-Domestic Rates, General Government Grant 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.

	<b>Budget £000</b>	<b>Actual £000</b>	<b>Difference £000</b>
Net Expenditure on Services	305,000	307,748	2,748
Collection Fund Deficit	2,089	2,089	0
	<hr/> 307,089	<hr/> 309,837	<hr/> 2,748
Less Income: -			
Revenue Support Grant	(192,011)	(192,011)	0
Business Rates	(56,862)	(56,859)	3
Council Tax	(58,026)	(58,026)	0
	<hr/> 190	<hr/> 2,941	<hr/> 2,751
Net deficit/(surplus) for the year			
Balance at 1st April 1999	(7,607)	(7,607)	0
	<hr/> <b>(7,417)</b>	<hr/> <b>(4,666)</b>	<hr/> <b>2,751</b>
<b>Balance at 31st March 2000</b>			

- 4.2 In 1999/00 on a budget of £305 million there was an overall deficit on the General Fund of £2.941 million compared to an estimated deficit of £0.190 million. This deficit reduces the balances at 31st March 2000 to £4.666 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 1999/00 the Council spent £91.386 million on capital projects, including £50.946 million on Council dwellings.
- 5.3 This expenditure was financed from borrowing (33%), with the permitted proportion from the sale of assets (15%), grants and other contributions (34%), 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 2000.

	Gross arrears £m	Payments in advance £m	31/3/00 <b>Net Arrears £m</b>	31/3/99 Net Arrears £m
Housing rents	33.2	(2.5)	<b>30.7</b>	28.1
Homelessness	1.4	(0.1)	<b>1.3</b>	0.6
Community charge	0.3	0.0	<b>0.3</b>	0.3
Non domestic rates	13.1	(11.5)	<b>1.6</b>	6.7
Council Tax	24.4	(2.0)	<b>22.4</b>	19.3
Other debtors	32.6	(2.1)	<b>30.5</b>	22.2
	<b>105.0</b>	<b>(18.2)</b>	<b>86.8</b>	<b>77.2</b>

6.2 The Council's level of provisions for the write-off of arrears has increased by £13.9 million in 1999/00.

	<b>31st March 2000 £m</b>	31st March 1999 £m
Housing rents	<b>24.4</b>	21.8
Homelessness	<b>2.3</b>	0.6
Council Tax	<b>17.6</b>	11.3
Community charge	<b>0.3</b>	0.3
Other	<b>17.5</b>	14.2
	<b>62.1</b>	<b>48.2</b>

6.3 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 £232.8 million. This includes significant programmes of works under the Peckham Partnership Single Regeneration Budget (£22.4 million), Capital Challenge roads scheme (£3.5 million) and Cross River Single Regeneration Budget (£9.5 million). More resources are expected for major programmes as they proceed, but the amounts have not yet been quantified.
- 7.3 Of the £232.8 million, £94 million has been committed. The remainder of the authorised programme is made up of £100.6 million on identified schemes due to start in 2000/01 or later years, £13.8 million on grants and advances and £24.4 million allocated to approved blocks of schemes against which individual schemes will be progressed during those four years.
- 7.3 This future commitment can be analysed over the Council's services as follows:

Service	Contractually Committed Expenditure £m
Housing	50.3
Regeneration and Environment	17.8
Education	19.1
Social Services	0.6
Leisure	6.2
Total committed programme	<u>94.0</u>

## 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) 1999 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 18.3 to the Consolidated Balance Sheet (page 29).
- ◆ 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 1999/00 the Council paid a contribution of £18.7 million into the Pension Fund. In addition it contributed £2.93 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 40 and the notes to the Consolidated Revenue Account on page 14.
- ◆ 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 1999/00. 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.

### PROVISION FOR THE REDEMPTION 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 1999 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. All existing finance leases expire at the end of 1999/00.
- 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:
- ◆ certain classes of buildings are not depreciated on the grounds that the Council's repairs and maintenance policy has resulted in the useful life of the assets being extended, so that any provision for depreciation would not be material,
  - ◆ 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 member's interests, the Council has obtained specific declarations from councillors, ex councillors, chief officers and ex chief officers for the financial year 1999/00. Of the 79 declarations requested 12 councillors and ex chief officers were members of various local voluntary organisations receiving grant aid totalling £696k from the Council in 1999/00. 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 the audit of a number of material grants claims had not completed, for Housing Subsidy, Housing Benefits Subsidy and Asylum Seekers. 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	1999/00 Income £'000	Net Expenditure £'000	1998/99 Net Expenditure £'000	
1	Education	211,079	(83,628)	127,451	123,660
	Early years	11,000	(2,023)	8,977	8,287
	Social Services	162,270	(70,613)	91,657	84,575
	Housing Services	64,747	(45,618)	19,129	14,203
	Highways and Transportation	13,338	(932)	12,406	11,540
	Other services				
	– Leisure services	32,018	(5,086)	26,932	19,734
	– Waste Management	8,909	(3,408)	5,501	2,050
	– Environmental Health	5,013	(639)	4,374	4,399
	– Street Cleansing	3,801	(76)	3,725	3,595
2	– Planning & Regeneration	19,013	(9,623)	9,390	7,979
3	– Other	49,112	(33,139)	15,973	18,226
	Corporate Management	4,027	0	4,027	3,516
	Unallocated central overheads	11,082	(2,276)	8,806	16,557
	<b>Net cost of General Fund Services</b>	<b>595,409</b>	<b>(257,061)</b>	<b>338,348</b>	<b>318,321</b>
	Housing Revenue Account	299,930	(292,759)	7,171	11,626
4-10	<b>Net Cost of Services</b>	<b>895,339</b>	<b>(549,820)</b>	<b>345,519</b>	<b>329,947</b>
11	Net (surplus)/loss from DSOs			(138)	(1,398)
	Net (surplus)/loss on internal trading accounts			(442)	(325)
	Interest Receivable			(2,814)	(6,122)
12	Transfers to/(from) AMRA			(11,476)	(11,418)
13	Excess of depreciation over MRP			(8,000)	(6,515)
	Deferred Credit			(3,484)	(3,429)
	Amounts due to precepting authorities			10,131	9,456
	<b>Net Operating Expenditure</b>			<b>329,296</b>	<b>310,196</b>
	Appropriations				
	HRA deficit transferred from the HRA Fund			(7,171)	(11,626)
	Contributions to/(from) earmarked reserves			(3,857)	2,460
	Contributions to/(from) capital reserves				
	– Financing capital expenditure			1,686	3,015
	– Deferred Charges			(7,385)	(7,603)
	– Deferred Grants			3,686	2,106
	– Leasing Adjustment			1,624	3,752
	<b>Amounts to be met from Government Grants &amp; Taxation</b>			<b>317,879</b>	<b>302,300</b>
	Sources of Finance				
	Council Tax payers			(68,157)	(65,469)
	Deficit from previous years Collection fund			2,089	(512)
	General Government Grant			(192,011)	(181,475)
	Contributions from non domestic pool			(56,859)	(52,327)
	Other			0	(821)
	<b>Net General Fund (Surplus)/deficit</b>			<b>2,941</b>	<b>1,696</b>
	Balance brought Forward			(7,607)	(9,303)
	<b>Balance Carried Forward</b>			<b>(4,666)</b>	<b>(7,607)</b>



## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

**1. EARLY YEARS EXPENDITURE**

- 1.1 Expenditure on Early Years is controlled by a joint committee. Expenditure of £6,527k (£6,528k in 1998/99) was incurred under Social Service powers and £2,450k (£1,758k in 1998/99) 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 £
<b>Expenditure</b>			
Employees	485,252	139,808	<b>625,060</b>
Premises	77,789	14,870	<b>92,659</b>
Transport	24,237	1,009	<b>25,246</b>
Supplies & Services	75,427	103,761	<b>179,188</b>
Support Services	68,000	17,000	<b>85,000</b>
<b>TOTAL EXPENDITURE</b>	<b>730,705</b>	<b>276,448</b>	<b>1,007,153</b>
<b>Income</b>			
Building Control Fees	(977,504)		<b>(977,504)</b>
Other Income		(60,795)	<b>(60,795)</b>
Deferred Income transfers	231,882		<b>231,882</b>
<b>TOTAL INCOME</b>	<b>(745,622)</b>	<b>(60,795)</b>	<b>(806,417)</b>
<b>(SURPLUS)/DEFICIT</b>	<b>(14,917)</b>	<b>215,653</b>	<b>200,736</b>

**3. MEMBERS' ALLOWANCES**

- 3.1 The amount of members' allowances paid in the financial year 1999/00 was £434,306 (£284,924 in 1998/99).

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

**4. COMMERCIAL INCOME**

- 4.1 The Council undertook commercial refuse collection in addition to its statutory refuse collection. In 1999/00 a profit of £129k (£550k 1998/99) occurred on a turnover of £2,026k (£2,110k 1998/99).
- 4.2 The Council operates a number of industrial estates in the area. These produced an income of £2,267k (£2,028k in 1998/99) and expenditure of £2,879k (£2,523k in 1998/99).
- 4.3 The Council also rents out commercial properties. These produced an income of £1,568k (£1,651k in 1998/99) and expenditure of £3,662k (£3,043k in 1998/99).

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

- 5.1 The Council has a number of assets that have been provided through lease agreements. The values of these payments in 1999/00 along with the future payments due are shown in the table below.

	<b>1999/00</b> £000	1998/99 £000
Cost of repayments in 1999/00:		
Operating leases	<b>1,816</b>	1,331
Hire purchase and other leases	<b>2,341</b>	4,304
	<b>4,157</b>	5,635
Future liability to payments on agreements entered into as at 31st March 2000:		
Operating leases	<b>493</b>	1,401
Hire purchase and other leases	<b>38</b>	38
	<b>531</b>	1,439

**6. SECTION 137, LOCAL GOVERNMENT ACT 1972**

- 6.1 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.

	<b>1999/00</b> £	1998/99 £
Strategic Services	<b>40,435</b>	39,438
Social Services	<b>150,697</b>	146,593
Administration costs	<b>10,634</b>	10,400
<b>TOTAL EXPENDITURE</b>	<b>201,766</b>	196,431
<b>SECTION 137 LIMIT</b>	<b>818,275</b>	818,275

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

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

**7. PUBLICITY**

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

	<b>1999/00</b> £	1998/99 £
Recruitment advertising	<b>814,426</b>	477,007
Council newspapers and other publications	<b>217,589</b>	182,320
Consultations and other publicity	<b>1,502,268</b>	879,563
	<b>2,534,283</b>	1,538,890

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

- 8.1 There were no services provided to other authorities under this Act in 1999/00.

**9. EMPLOYEES PENSION COSTS**

- 9.1 Teachers' pension costs. In 1999/00 the Council paid £2.34 million to the Teachers Pensions Agency in respect of teachers' pension costs, which represents 7.2% 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 1999/00 these amounted to £15.2k.
- 9.2 Employees who were transferred from the GLC or ILEA. In 1999/00 the Council paid £0.59 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 1999/00 these amounted to £8.5k.
- 9.3 Other employees' pension costs. In 1999/00 the Council paid an employer contribution of £18.70 million into the Pension Fund, representing 14.9% of pensionable pay. The proportion of this contribution, which was estimated by the actuary to be attributable to current employee's liabilities (8.7%), has been charged to the relevant service and the remainder in respect of past employees has been charged as a corporate cost. In addition the Council made a one off additional lump sum contribution of £4.72 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 1999/00 these amounted to £0.99 million, representing 0.8% of pensionable pay.
- 9.4 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 11.2% of pensionable pay.

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

**10. REMUNERATION OF EMPLOYEES**

10.1 During 1999/00 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 1999/00	Number of employees 1998/99
40,000 – 49,999	81	68
50,000 – 59,999	25	15
60,000 – 69,999	7	3
70,000 – 79,999	1	5
80,000 – 89,999	4	0
90,000 – 99,999	0	0
100,000 – 109,999	1	1
	<b>119</b>	<b>92</b>

**11. DSO PROFITS**

11.1 The Council's DSO carries out work that is functional (required by legislation to be tendered for) and non-functional (can be carried out by right). The DSO accounts detailed on page 39 show the total profit for the DSO. The table below analyses this between functional and non-functional activities.

	1999/00 £000	1998/99 £000
Loss/(profit) on DSOs	(230)	(1,161)
Non functional activities	74	237
Contribution to Reserve	18	0
<b>Loss (profit) on defined activities</b>	<b>(138)</b>	<b>(1,398)</b>

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

**12. ASSET MANAGEMENT REVENUE ACCOUNT**

	<b>1999/00</b> <b>£000</b>	1998/99 £000
Income		
Capital charges – General Fund	<b>(23,694)</b>	(17,306)
– Housing Revenue Account	<b>(80,938)</b>	(87,181)
Transfer from grants deferred	<b>(3,561)</b>	(2,106)
	<b>(108,193)</b>	(106,593)
Expenditure		
Provision for depreciation	<b>24,357</b>	22,875
External interest charges	<b>72,109</b>	71,833
Finance lease charges	<b>251</b>	467
	<b>96,717</b>	95,175
<b>Balance to Consolidated Revenue account</b>	<b>(11,476)</b>	(11,418)

**13. MINIMUM REVENUE PROVISION**

	<b>1999/00</b> <b>£000</b>	1998/99 £000
Non-housing amount – 4% of credit ceiling	<b>1,657</b>	1,471
Housing amount – 2% of credit ceiling	<b>14,700</b>	14,889
Minimum Revenue Provision	<b>16,357</b>	16,360
Amount charged as depreciation	<b>24,357</b>	22,875
<b>Excess of depreciation over MRP</b>	<b>(8,000)</b>	(6,515)
	<b>16,357</b>	16,360

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	1999/00 £000	1998/99 £000
<b>INCOME</b>		
Rents – dwellings	<b>(142,649)</b>	(136,644)
– non-dwellings	<b>(6,158)</b>	(5,511)
Charges to tenants	<b>(14,374)</b>	(14,334)
Housing subsidy	<b>(115,936)</b>	(119,547)
Interest on balances	<b>(2,431)</b>	(3,575)
Interest on mortgage advances	<b>(258)</b>	(315)
Other income	<b>(10,953)</b>	(8,848)
<b>TOTAL INCOME</b>	<b>(292,759)</b>	(286,774)
<b>EXPENDITURE</b>		
Repairs and maintenance	<b>46,740</b>	48,809
Supervision and management	<b>70,543</b>	68,638
Rents, rates, taxes and other charges	<b>2,306</b>	2,266
Capital financing costs	<b>83,955</b>	87,186
Provision for bad or doubtful debts	<b>9,102</b>	4,797
Contributions to/(from) provisions	<b>(409)</b>	6,122
Rent rebate payments	<b>74,146</b>	69,560
Capital expenditure charged to revenue	<b>14,141</b>	11,022
<b>TOTAL EXPENDITURE</b>	<b>300,524</b>	298,400
Movement in reserves	<b>7,765</b>	11,626
Balance of reserves at the beginning of year	<b>(21,295)</b>	(32,921)
Balance of reserves at the end of year	<b>(13,530)</b>	(21,295)
Less Earmarked reserves	<b>12,459</b>	13,053
<b>General working balances</b>	<b>(1,071)</b>	(8,242)
<b>HOUSING TENANTS ACCOUNTS</b>		
Arrears at 1st April	<b>28,534</b>	28,052
Charges due in the year	<b>149,088</b>	142,191
Rent Rebates	<b>(68,424)</b>	(66,620)
Write off and adjustments	<b>(5,665)</b>	(5,008)
Cash collected	<b>(72,749)</b>	(70,081)
<b>Arrears at 31st March</b>	<b>30,784</b>	28,534

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 the Environment Transport and the Regions (DETR) assumed rent levels) and charges for services on the other, with subsidy supporting the difference.
- 1.2 With effect from 1st April 1996 the basis by which subsidy was calculated was subject to a radical review which 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 1998 are used to calculate subsidy elements such as management and maintenance allowance and notional rent income for the financial year 1999/00. 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	31/3/00	31/3/99
Houses and bungalows	<b>31/3/00</b>	<b>424</b>	<b>804</b>	<b>3,224</b>	<b>0</b>	<b>4,452</b>	
	31/3/99	427	792	3,295	0		4,514
Low rise flats	<b>31/3/00</b>	<b>3,607</b>	<b>881</b>	<b>478</b>	<b>0</b>	<b>4,966</b>	
	31/3/99	3,679	921	504	0		5,104
Medium rise flats	<b>31/3/00</b>	<b>8,547</b>	<b>9,479</b>	<b>8,501</b>	<b>0</b>	<b>26,527</b>	
	31/3/99	8,744	9,674	8,646	0		27,064
High rise flats	<b>31/3/00</b>	<b>4,735</b>	<b>6,657</b>	<b>2,563</b>	<b>0</b>	<b>13,955</b>	
	31/3/99	4,804	6,730	2,627	0		14,161
Non permanent	<b>31/3/00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>61</b>	<b>61</b>	
	31/3/99	0	0	0	61		61
Multi-occupied	<b>31/3/00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>194</b>	<b>194</b>	
	31/3/99	0	0	0	213		213
Totals	<b>31/3/00</b>	<b>17,313</b>	<b>17,821</b>	<b>14,766</b>	<b>255</b>	<b>50,155</b>	
	31/3/99	17,654	18,117	15,072	274		51,117

NOTES TO THE HOUSING REVENUE ACCOUNT

**3. LIABILITY IN RESPECT OF CAPITAL ALLOWANCES ON FIXED PLANT**

- 3.1 Between 1983 and 1985 the Council entered into tax variable leases to finance the cost of central heating and lift installations. The original cost of the 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.
- 3.2 Southwark has continued to apply to DETR for housing subsidy on the additional lease rentals. The DETR has made interim payment of £17.7 million in respect of the years 1996/97 to 1998/99. However the position remains unresolved pending DETR notice of intent.

**4. LOSSES ON NON-FUNCTIONAL WORK**

- 4.1 Losses of £0.4 million arising on 'non-functional' work undertaken by Southwark Direct on major voids and the new construction have been charged to the Housing Revenue Account in 1999/00. Under the provisions of the Planning & Land Act 1980 and the Local Government Act 1988 which govern the CCT regime, work which is wholly or partly sub-let falls outside the CCT 'defined activity' and ceases to be direct labour work. Losses sustained on works of this nature must be recharged to the client department in full (see Note 4 of the Direct Service Organisations Accounts, page 39).

**5. HOUSING TENANTS ACCOUNTS**

- 5.1 The arrears position as at 31st March 2000 includes Neighbourhoods, Browning EMB, hostels and miscellaneous properties. It excludes Tenant Management Organisations, Bed & Breakfast and Travellers.

**6. RECONCILIATION TO THE CONSOLIDATED REVENUE ACCOUNT**

	£'000	£'000
Gross Expenditure, HRA statement		<b>300,524</b>
Earmarked reserves, 31/3/99	(13,053)	
Earmarked reserves, 31/3/00	(12,459)	
Movement in earmarked reserves 1999/00		<b>(594)</b>
Gross Expenditure, Consolidated Revenue Account		<b>299,930</b>
Gross Income		<b>(292,759)</b>
<b>HRA deficit transferred from the HRA Fund</b>		<b>7,171</b>

7. 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 2000 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.

Notes	31/3/00 £000	31/3/00 £000	31/3/99 £000	31/3/99 £000
Fixed assets				
Operational assets				
– Council dwellings	1,121,681		969,122	
– other land and buildings	333,974		290,712	
– vehicles, plant and equipment	7,797		26,162	
– infrastructure assets	47,758		28,941	
– community assets	6,453		5,773	
– Work in progress	152,283		170,599	
Non operational assets				
– investment properties	636		537	
1		1,670,582		1,491,846
2	21,971		23,335	
3	3,105		4,291	
4	7,045		7,404	
		32,121		35,030
<b>Total long-term assets</b>		<b>1,702,703</b>		<b>1,526,876</b>
Current Assets				
– stocks and work in progress	1,292		1,599	
5	158,613		114,632	
– less provision for bad debts	(66,150)		(52,035)	
6	114,361		122,865	
		208,116		187,061
Current Liabilities				
7	(107,247)		(93,997)	
– cash and bank	(16,329)		(20,457)	
		(123,576)		(114,454)
<b>Total assets less current liabilities</b>		<b>1,787,243</b>		<b>1,599,483</b>
8		(800,833)		(763,331)
9		0		(2,090)
10		(2,567)		(3,214)
11		(8,067)		(11,552)
12		(133,504)		(108,409)
13-16		(50,494)		(55,966)
17		<b>791,778</b>		<b>654,921</b>
<b>Represented by :</b>				
18		548,273		430,787
18		188,952		150,931
18		3,404		1,261
18		43,615		46,101
Balances – General Fund		4,666		7,607
– Housing Revenue A/C		13,530		21,295
– Collection Fund		(10,662)		(3,061)
<b>Total Equity</b>		<b>791,778</b>		<b>654,921</b>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

**1. FIXED ASSETS**

## 1.1 Movement of Fixed Assets 1999/00

	Council Housing £000	Other Land & Building £000	Vehicles Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Investment Properties £000	Work in Progress £000	TOTAL £000
<b>Gross Book Value @ 01/4/99</b>	985,304	291,688	62,661	31,895	5,773	537	170,599	1,548,457
Restatements		5,594	(47,816)	16,384	183	99		(25,556)
Revaluations	171,908	47,825					(18,316)	201,417
Additions	192	1,572	806	5,816	497			8,883
Disposals	(16,695)	(11,622)						(28,317)
<b>Gross Book Value @ 31/3/00</b>	<b>1,140,709</b>	<b>335,057</b>	<b>15,651</b>	<b>54,095</b>	<b>6,453</b>	<b>636</b>	<b>152,283</b>	<b>1,704,884</b>
Accumulated Depreciation b/f	16,182	976	36,499	2,954				56,611
Depreciation for Revaluations and Restatements	(16,182)	(556)	(30,075)	2,030				(44,783)
Depreciation for the year	19,287	663	1,430	1,353				22,733
Depreciation on assets sold	(259)							(259)
<b>Depreciation Balance @ 31/3/00</b>	<b>19,028</b>	<b>1,083</b>	<b>7,854</b>	<b>6,337</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34,302</b>
<b>Net Book Value @ 31/3/00</b>	<b>1,121,681</b>	<b>333,974</b>	<b>7,797</b>	<b>47,758</b>	<b>6,453</b>	<b>636</b>	<b>152,283</b>	<b>1,670,582</b>

1.2 Capital expenditure on the acquisition of land, buildings and other tangible assets is shown in additions. Expenditure on the construction of new assets is shown in work in progress while under construction, and shown as additions to fixed assets on completion. Enhancements and improvements to existing assets are shown as work in progress whilst being carried out, and on completion will result in 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 During 1999/00 an exercise was undertaken to review the value of assets shown on the Balance Sheet compared with the Authority's asset register. Fixed assets have now been reduced by £1.044 million, offset against the Fixed Asset Restatement Reserve.

1.4 In addition, certain assets that had been shown as vehicles, plant and other equipment, i.e. short-term assets, have been reclassified in 1999/00 as infrastructure assets (net value £16.4 million).

1.5 There have been no impairment losses on fixed assets that were caused by physical damage or deterioration in the condition of specific assets. Impairments reflecting movements in the general price of properties have been credited to the Fixed Asset Restatement Reserve.

1.6 Assets held under finance leases included above:

	Valuation at 31/3/99 £000	Depreciation £000	Valuation at 31/3/00 £000
Central heating in dwellings	1,590	(1,590)	0
Street lighting	31	(31)	0
Play equipment	3	(3)	0
Totals	1,624	(1,624)	0

## NOTES TO THE CONSOLIDATED BALANCE SHEET

- 1.7 The School Standard and Framework Act 1998 changed the status of Grant Maintained Schools to Foundation Schools maintained by the local education authority. The change for funding purposes took effect from 1st April 1999. This change has resulted in the inclusion of opening and closing balances for current assets and liabilities controlled by Foundation schools in this consolidated balance sheet. Fixed assets and long term liabilities remain vested in the Governing Bodies of individual Foundation schools and therefore values and amounts have not been consolidated in this balance sheet. In this authority there are 4 Foundation schools.

**2. DEFERRED CHARGES**

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

	<b>1999/00</b> <b>£000</b>	1998/99 £000
Deferred charges as at 1st April	<b>23,335</b>	23,287
Restatements	<b>499</b>	0
Expenditure in the year	<b>5,522</b>	7,651
Amounts written off to capital financing reserve	<b>(7,385)</b>	(7,603)
<b>Balance as at 31st March</b>	<b>21,971</b>	23,335
Represented by:		
Improvement grants	<b>12,695</b>	11,432
Other grants	<b>9,276</b>	11,539
Other expenditure capitalised under Section 40(6) of the Local Government & Housing Act 1989	<b>0</b>	364
<b>Balance as at 31st March</b>	<b>21,971</b>	23,335

**3. DEFERRED DEBTORS**

	<b>1999/00</b> <b>£000</b>	1998/99 £000
Balance as at 1st April	<b>4,291</b>	5,461
New advances in the year	<b>1,465</b>	824
Repayments in the year	<b>(2,651)</b>	(1,994)
<b>Balance as at 31st March</b>	<b>3,105</b>	4,291
Represented by :		
Housing Associations	<b>654</b>	1,179
Other	<b>2,451</b>	3,112
<b>Balance as at 31st March</b>	<b>3,105</b>	4,291

## 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.

	<b>1999/00</b> <b>£000</b>	1998/99 £000
Balance brought forward	<b>7,404</b>	7,756
Amounts written off to revenue	<b>(359)</b>	(352)
<b>Balance as at 31st March</b>	<b>7,045</b>	7,404

**5. DEBTORS**

- 5.1 Included in debtors is £1.4 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.
- 5.2 A debtor for £13.361 million is included relating to government grant due for the costs of asylum seekers. This was a new item in 1999/00. The debtor was resolved in April 2000.
- 5.3 Manual debtors were understated by £2.347 million in 1998/99. The 1998/99 figure of £110.972 million has been amended to reflect this understatement. Combined with the £1.313 million understatement in creditors (see Note 7), the total for debtors in 1998/99 has been increased by £3.660 million to £114.632 million.

**6. INVESTMENTS**

Period	Terms	<b>1999/00</b> <b>£000</b>	1998/99 £000
Temporary investments	fixed interest	<b>116,015</b>	124,519
Less: Monies invested on behalf of Trust Funds		<b>(1,654)</b>	(1,654)
		<b>114,361</b>	122,865

- 6.1 The temporary investments shown above include £45.7 million (book cost) which is managed by two external managers on behalf of the authority. The market value of these investments was £46.4 million at 31st March 2000.

**7. CREDITORS**

- 7.1 Manual creditors were understated by £1.313 million in 1998/99. The 1998/99 figure of £90.337 million has been amended to reflect this understatement. Combined with the £2.347 million understatement in debtors (see Note 5), the total for creditors in 1998/99 has been increased by £3.660 million to £93.997 million.

NOTES TO THE CONSOLIDATED BALANCE SHEET

**8. LONG TERM BORROWING**

8.1 Source of loan

	Range of Interest rates payable (%)	Total outstanding	
		31/3/00 £000	31/3/99 £000
Stock		54	54
Mortgages	3.44 to 5.06	193	202
PWLB loans	4.25 to 11.5	800,586	763,075
		<b>800,833</b>	763,331

8.2 Maturity date of loan

within 1 year	9,038	2,552
from 1 year to 2 years	1,282	8,984
from 2 years to 5 years	28,554	22,325
from 5 years to 10 years	170,550	125,051
after 10 years	591,409	604,419
	<b>800,833</b>	763,331

**9. DEFERRED LIABILITIES**

9.1 Deferred liabilities are the Council's commitments to meeting payments for assets acquired under finance leases or other arrangements such as hire purchase.

	1999/00 £000	1998/99 £000
Outstanding Balance as at 1st April	(2,090)	(5,853)
Lease payments made in the year	2,090	3,763
<b>Balance as at 31st March</b>	<b>0</b>	(2,090)

**10. DEFERRED RECEIPTS**

10.1 The balance is made up as follows :

	31/3/00 £000	31/3/99 £000
Where the Council has granted a mortgage but no cash advance:		
Houses for sale	(24)	(29)
Sale of Council houses	(2,296)	(2,937)
Miscellaneous	(11)	(12)
Other capital receipts deferred arising from the sale of assets	(236)	(236)
	<b>(2,567)</b>	(3,214)

NOTES TO THE CONSOLIDATED BALANCE SHEET

**11. DEFERRED CREDITS**

11.1 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 the revenue account in line with the period of the loans redeemed.

	<b>1999/00</b> £000	1998/99 £000
Balance as at 1st April	<b>(11,552)</b>	(14,981)
Less: Amounts written to revenue	<b>3,485</b>	3,429
<b>Balance as at 31st March</b>	<b>(8,067)</b>	(11,552)

**12. GRANTS DEFERRED ACCOUNT**

	<b>1999/00</b> £000	1998/99 £000
Balance as at 1st April	<b>(108,409)</b>	(83,967)
Capital Grants received in the year	<b>(29,692)</b>	(24,571)
Movement in capital creditors for receipt of grants in advance of planned expenditure	<b>982</b>	(2,321)
Amounts used to finance revenue expenditure	<b>54</b>	0
Amortisation	<b>3,561</b>	2,450
<b>Balance as at 31st March</b>	<b>(133,504)</b>	(108,409)
Represented by:		
Grants "applied" to be amortised to revenue accounts over the life of the completed scheme	<b>(123,792)</b>	(95,911)
Grants unapplied, with no planned expenditure commitments	<b>(9,712)</b>	(12,498)
<b>Balance as at 31st March</b>	<b>(133,504)</b>	(108,409)

12.1 Included in the above totals is £11.162 million in respect of planning gains at 31st March 2000 (£8.875 million at 31st March 1999).

## NOTES TO THE CONSOLIDATED BALANCE SHEET

**13. PROVISIONS**

	<b>Balance 31/3/00 £000</b>	Balance 31/3/99 £000
Provision for Bad Debts		
Housing rents	<b>24,445</b>	21,773
BCCI loss	<b>1,443</b>	1,443
Homelessness	<b>2,332</b>	637
Commercial rents and other debtors	<b>14,596</b>	12,004
Community charge	<b>292</b>	293
Council Tax	<b>17,559</b>	11,264
Housing and other benefits overpaid	<b>5,483</b>	4,621
	<b>66,150</b>	52,035
Other Provisions		
Housing, HB and other grants	<b>19,292</b>	20,623
Swaps	<b>31</b>	407
Insurance claims	<b>5,738</b>	7,524
Tax on leasing agreements	<b>17,721</b>	17,721
RTB capital, heating costs etc	<b>1,786</b>	3,055
Social Services joint finance	<b>0</b>	245
Other	<b>5,926</b>	6,391
	<b>50,494</b>	55,966
<b>TOTAL PROVISIONS</b>	<b>116,644</b>	108,001

**14. CONTINGENT LIABILITIES**

- 14.1 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.
- 14.2 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.

NOTES TO THE CONSOLIDATED BALANCE SHEET

**15. INSURANCE**

15.1 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	£100,000
Liability	£50,000
Fidelity Guarantee	£10,000

15.2 Provisions of £5.738 million (£7.5 million at 31st March 1999) have been made for outstanding claims and £12.067 million (£11.5 million at 31st March 1999) has been reserved out of the General Fund balance to meet unidentified losses.

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

16.1 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.

	<b>1999/00</b> <b>£000</b>	1998/99 £000
Balance as at 1st April	<b>0</b>	0
Amounts set aside for MRP (page 16 Note 13)	<b>16,357</b>	16,360
Reserved capital receipts	<b>20,347</b>	14,706
Amounts used to repay loans	<b>(36,704)</b>	(31,066)
<b>Balance as at 31st March</b>	<b>0</b>	0

**17. ANALYSIS OF NET ASSETS**

	<b>31/3/00</b> <b>£000</b>	31/3/99 £000
Housing Revenue Account	<b>586,726</b>	461,159
General Fund	<b>205,052</b>	193,762
<b>Net assets shown in the balance sheet</b>	<b>791,778</b>	654,921



NOTES TO THE CONSOLIDATED BALANCE SHEET

18. STATEMENT OF TOTAL MOVEMENT IN RESERVES

	CAPITAL RESERVES			GENERAL RESERVES			1999/00 TOTAL £000	1998/99 Total £000
	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	(430,787)	(150,931)	(1,261)	(7,607)	(43,040)	(21,295)	<b>(654,921)</b>	(625,243)
Net deficit / (surplus) for year		(5,496)		2,941	28,544	7,765	<b>33,754</b>	20,547
Unrealised loss/(gains) from revaluation of fixed assets	(139,895)						<b>(139,895)</b>	(25,745)
Effects of disposals of fixed assets								
Cost or value of assets disposed of	22,409						<b>22,409</b>	14,483
Proceeds of disposals		(18,457)	(34,668)				<b>(53,125)</b>	(38,963)
Net (surplus)/ deficit	22,409	(18,457)	(34,668)				<b>(30,716)</b>	(24,480)
Financing of fixed assets		(14,068)	32,525		(18,457)		<b>0</b>	0
Balance as at 31st March	(548,273)	(188,952)	(3,404)	(4,666)	(32,953)	(13,530)	<b>(791,778)</b>	(654,921)

18.1 DETAILS OF SPECIFIC RESERVES

	Balance 31/3/00 £000	Balance 31/3/99 £000
Funds held by LMS schools	2,971	3,214
Planned Maintenance Fund	4,304	3,744
Computer Development Fund	905	1,509
Capital Expenditure Reserve	15,864	17,182
Voluntary severance	1,298	2,911
Insurance	12,067	11,499
Asylum seekers	278	1,370
Sums set aside to fund future revenue expenditure	1,050	1,868
Tax	0	252
Debt Redemption	4,826	2,500
Other	52	52
	<b>43,615</b>	46,101
Collection Fund	<b>(10,662)</b>	(3,061)
	<b>32,953</b>	43,040

## NOTES TO THE CONSOLIDATED BALANCE SHEET

**18.2 FIXED ASSET RESTATEMENT RESERVE**

	HRA £000	1999/00 General Fund £000	Total £000	1998/99 Total £000
Balance as at 1st April	(359,934)	(70,853)	<b>(430,787)</b>	(419,525)
Adjustments Previous Years		1,044	<b>1,044</b>	0
Unrealised losses and gains from the revaluation of fixed assets	(120,743)	(20,196)	<b>(140,939)</b>	(25,745)
Value of assets disposed of	21,821	588	<b>22,409</b>	14,483
<b>Balance as at 31st March</b>	<b>(458,856)</b>	<b>(89,417)</b>	<b>(548,273)</b>	<b>(430,787)</b>

**18.3 USABLE CAPITAL RECEIPT RESERVE**

	1999/00 £000	1998/99 £000
Balance as at 1st April	<b>(1,261)</b>	(75)
Gross capital receipts from sale of assets	<b>(34,668)</b>	(25,648)
Less:		
Capital receipts set aside for debt redemption ("reserved receipts")	<b>18,457</b>	13,315
Capital receipts used for financing capital expenditure	<b>14,068</b>	11,147
<b>Balance as at 31st March</b>	<b>(3,404)</b>	<b>(1,261)</b>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

**18.4 CAPITAL FINANCING RESERVE**

	HRA	1999/00 General Fund £000	TOTAL £000	1998/99 £000
Balance as at 1st April	(79,930)	(71,001)	<b>(150,931)</b>	(118,649)
Capital receipts set aside				
– cash capital receipts	(18,457)	0	<b>(18,457)</b>	(13,250)
– Notional capital receipts	0	0	<b>0</b>	(65)
Capital financing				
– capital receipts	(7,913)	(6,155)	<b>(14,068)</b>	(11,147)
– revenue	(15,566)	0	<b>(15,566)</b>	(15,694)
Write down of deferred charges	2,852	4,534	<b>7,386</b>	7,603
Excess of depreciation over MRP	6,839	1,161	<b>8,000</b>	6,515
Other accounting entries				
– leasing transactions	(1,711)	(37)	<b>(1,748)</b>	(3,751)
– grants and other	(454)	(3,114)	<b>(3,568)</b>	(2,493)
<b>Balance as at 31st March</b>	<b>(114,340)</b>	<b>(74,612)</b>	<b>(188,952)</b>	<b>(150,931)</b>

**19. YEAR 2000 DISCLOSURE**

- 19.1 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.
- 19.2 No additional budget provision was made for the Year 2000 problems and all costs incurred were absorbed within departmental budgets.

**20. EURO DISCLOSURE**

- 20.1 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 1/4/99	Increase/ (decrease) in fund balance	Balance at 31/3/00
	£	£	£
Social Service Funds			
Individual bequests	35,362	1,318	<b>36,680</b>
Comforts Funds/residents savings	493,207	53,880	<b>547,087</b>
Southwark/Bermondsey chest clinic	2,546		<b>2,546</b>
Helping hands	350		<b>350</b>
Education Trusts			
Blackfriars Road	107,594	4,759	<b>112,353</b>
Miscellaneous	10,814	(129)	<b>10,685</b>
Leisure Trusts			
St Mary Newington clock	1,635		<b>1,635</b>
South London Art Gallery	8,853		<b>8,853</b>
Hogarth painting fund	250,000		<b>250,000</b>
Honor Oak Training centre	14,502		<b>14,502</b>
Arts Donation	1,129		<b>1,129</b>
Health and fitness show	110,870		<b>110,870</b>
Spa Road Playground	34,301		<b>34,301</b>
Potters Field	275,000		<b>275,000</b>
Rubbish show	11,083		<b>11,083</b>
Miscellaneous Trusts (see note 1)	2,761	117	<b>2,878</b>
Regeneration and Environment			
Pullen Gardens maintenance fund	90,976	4,024	<b>95,000</b>
Maintenance of Graves	21,250		<b>21,250</b>
	<b>1,472,233</b>	<b>63,969</b>	<b>1,536,202</b>

## 2. TRUST FUNDS WHERE THE COUNCIL IS NOT THE SOLE TRUSTEE

Funds for the relief of Council Tax			
Walworth Common Estate	917,915	(117)	<b>917,798</b>
Borough Market Trustees	5,536	1,280	<b>6,816</b>
Leisure Trusts			
Cuming Bequest	7,808		<b>7,808</b>
Miscellaneous Trusts (see note 1)	694	22	<b>716</b>
	<b>931,953</b>	<b>1,185</b>	<b>933,138</b>

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

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

	<b>1999/00</b>	1998/99
	<b>£000</b>	£000
Southwark Direct	<b>39</b>	166
Education and Leisure	<b>0</b>	11,005
Education	<b>8,604</b>	0
Leisure	<b>3,408</b>	0
Housing	<b>50,946</b>	55,480
Regeneration and Environment	<b>27,780</b>	15,848
Strategic Services	<b>8</b>	20
Social Services	<b>601</b>	620
	<b>91,386</b>	83,139

HOW THE EXPENDITURE WAS FINANCED

Revenue contributions	<b>15,598</b>	17,038
Using credit approvals	<b>30,239</b>	32,394
Using capital receipts received from the sale of assets	<b>14,068</b>	11,147
Specific grants and other contributions	<b>31,481</b>	22,560
	<b>91,386</b>	83,139

DETAIL

Fixed assets	<b>3,008</b>	16,386
Deferred charges	<b>5,501</b>	7,651
Deferred debtors	<b>1,465</b>	824
Enhancements and work in progress	<b>81,412</b>	58,278
	<b>91,386</b>	83,139

RECONCILIATION OF EXPENDITURE FOR CAPITAL ACCOUNTING TO STATUTORY CAPITAL EXPENDITURE FOR 1999/00

	£
Expenditure capitalised as fixed assets 1999/00	<b>91,386,273</b>
Decrease (increase) in capital creditors	<b>(525,016)</b>
Expenditure for capital control purposes	<b>90,861,257</b>
Less	
Expenditure to be financed by application of capital receipts or capital grants and contributions	<b>(45,024,610)</b>
Expenditure to be financed by supplementary credit approval	<b>(13,737,793)</b>
Expenditure to be financed by basic credit approval	<b>(16,501,348)</b>
Capital expenditure to be financed direct from revenue	<b>15,597,506</b>
Revenue contributions applied from the Housing Revenue Account	<b>15,566,175</b>
Capital expenditure met from Revenue	<b>31,331</b>
	<b>15,597,506</b>

## COLLECTION FUND

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

## INCOME AND EXPENDITURE ACCOUNT

Notes	1999/00 £000	1999/00 £000	1998/99 £000
<b>Income</b>			
1 Council Tax			
Income from Council Tax	<b>(50,434)</b>		(47,544)
Council Tax benefits	<b>(16,326)</b>	<b>(66,760)</b>	(16,612)
2 Non-domestic rates		<b>(63,127)</b>	(72,980)
3 Adjustment re prior years community charges		<b>0</b>	(12)
4 Receipts from preceptors re previous years Collection Fund balance		<b>(2,509)</b>	0
Total Income		<b>(132,396)</b>	(137,148)
<b>Expenditure</b>			
Precepts and Demands			
Metropolitan Police	<b>7,807</b>		7,326
London Fire and Civil Defence Authority	<b>2,324</b>		2,130
London Borough of Southwark	<b>57,979</b>	<b>68,110</b>	55,932
Non-domestic rates			
Payment to National Pool	<b>62,505</b>		72,368
Cost of collection allowance	<b>622</b>	<b>63,127</b>	612
Provision for uncollectable amounts Council Tax		<b>8,762</b>	2,440
4 Payments to preceptors re previous years Collection Fund balance		<b>0</b>	529
Total Expenditure		<b>139,999</b>	141,337
Net Deficit/(surplus) for the year		<b>7,603</b>	4,189
Deficit/(surplus) at 1st April		<b>3,061</b>	(1,128)
Deficit/(surplus) at 31st March		<b>10,664</b>	3,061

## 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 (£808.60 in 1999/00 and £786.58 for 1998/99) 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	
	1999/00	1998/99		1999/00	1998/99
A	<b>10,025.00</b>	10,744.3	6/9	<b>6,683.3</b>	7,162.8
B	<b>30,585.00</b>	30,536.5	7/9	<b>23,788.3</b>	23,750.6
C	<b>25,439.75</b>	25,443.8	8/9	<b>22,613.1</b>	22,616.7
D	<b>13,847.50</b>	14,141.8	1	<b>13,847.5</b>	14,141.8
E	<b>8,326.00</b>	8,089.5	11/9	<b>10,176.2</b>	9,887.2
F	<b>3,416.50</b>	3,262.5	13/9	<b>4,934.9</b>	4,712.5
G	<b>2,775.00</b>	2,583.0	15/9	<b>4,625.0</b>	4,305.0
H	<b>335.50</b>	285.5	18/9	<b>671.0</b>	571.0
Total				<b>87,339.3</b>	87,147.6
Add adjustment for contribution paid in lieu				<b>7.0</b>	8.0
Less adjustment for collection rate				<b>(3,057.1)</b>	(3,922.0)
Council Tax Base for year				<b>84,289.2</b>	83,233.6
Band D tax rate multiplier				£808.60	£786.58
Estimated Council Tax due in the year (Council Tax base x Council Tax)				£68,156,247	£65,469,885

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 (48.9p in 1999/00 and 47.3p in 1998/99) 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 1999	194,496,598
Rateable value at 31st March 2000	183,690,613

- 2.2 The NNDR income after relief for voids etc. of £63.127 million (£72.980 million for 1998/99) was based on the average rateable value for the Council area for the year. The actual rateable value fluctuates considerably throughout the year due to revaluations, voids etc.

**3. 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

	1999/00 £000	1998/99 £000
<b>REVENUE ACTIVITIES</b>		
Cash outflows		
Cash paid to and on behalf of employees	220,636	213,930
Other operating costs	346,265	332,881
Housing benefit (excluding rent rebates)	44,016	46,104
Payments into NNDR pool	62,505	72,368
Payment to preceptors	10,131	9,456
	<b>683,553</b>	674,739
Cash inflows		
Rents (net of rebates)	(159,061)	(148,398)
NNDR receipts	(63,127)	(72,980)
Contribution from Collection Fund	(63,680)	(58,904)
Government Grants	(399,338)	(395,301)
Sales and charges for services	(59,889)	(73,811)
<b>Net cash flow from revenue activities</b>	<b>(745,095)</b>	(749,394)
<b>SERVICING OF FINANCE</b>		
Cash outflows		
Interest paid	74,473	75,424
Interest element of leasing payments	251	467
	<b>74,724</b>	75,891
Cash inflows		
Interest received	(6,859)	(10,940)
	<b>(6,859)</b>	(10,940)
<b>CAPITAL ACTIVITIES</b>		
Cash outflows		
Purchase of fixed assets	85,731	75,712
Deferred charges and deferred debtors	6,955	8,475
	<b>92,686</b>	84,187
Cash inflows		
Sale of fixed assets	(34,668)	(25,648)
Capital grants	(24,553)	(22,345)
Other capital cash receipts	0	(3,807)
	<b>(59,221)</b>	(51,800)
<b>NET CASH FLOW BEFORE FINANCING</b>	<b>39,788</b>	22,683
<b>FINANCING</b>		
Cash outflows		
Capital element of leasing charges	2,090	3,752
Repayment of long term loans	2,498	5,598
Repayment of short term loans	91,110	184,975
	<b>95,698</b>	194,325
Cash inflows		
New short term loans	(91,110)	(184,975)
<b>DECREASE (INCREASE) IN CASH AND EQUIVALENTS</b>	<b>4,376</b>	32,033
<b>CASH AND CASH EQUIVALENTS</b>		
Net increase/(decrease) in bank balance overdrawn	(4,128)	12,005
Net decrease in money on temporary deposit	8,504	20,028
<b>DECREASE ( INCREASE) IN CASH AND EQUIVALENTS</b>	<b>4,376</b>	32,033

NOTES TO THE CASH FLOW STATEMENT

1. RECONCILIATION OF NET REVENUE DEFICIT FOR THE YEAR

	1999/00		1998/99	
	£000	£000	£000	£000
Net expenditure on General Fund		2,941		1,696
Net expenditure on HRA		7,765		11,626
Net expenditure on Collection Fund		7,603		4,189
Total		<b>18,309</b>		17,511
Net revenue income as per cash flow statement		<b>(61,542)</b>		(74,655)
Net interest as per cash flow statement		<b>67,865</b>		64,951
Add: Decrease in deferred debits		359		352
Decrease in stocks and works in progress		307		0
Increased contribution to Provisions		8,660		1,261
Increase in creditors		5,887		11,744
Depreciation and capital payments		33,170	48,383	36,434
Less: Increase in debtors		(32,912)		(18,613)
Increase in stocks and work in progress		0		(534)
Decrease in deferred creditors		(3,485)	(36,397)	(3,429)
Total		<b>18,309</b>		17,511

1.1 The movements in debtors and creditors in 98/99 have been restated to take account of the understatements in debtors and creditors as reported in Notes 5 and 7 to the Balance Sheet.

2. ANALYSIS OF GRANTS SHOWN IN CASH FLOW STATEMENT

	1999/00	1998/99
	£'000	£'000
Revenue support grant and pool contribution	248,879	233,802
Housing subsidy	50,846	49,370
Students awards	4,409	15,838
Housing benefits (excluding rent rebates)	33,495	57,573
Other grants	61,709	38,718
Total	<b>399,338</b>	395,301

## NOTES TO THE CASH FLOW STATEMENT

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

	<b>1999/00</b> <b>£'000</b>	1998/99 £'000
Long term loans		
Balance as at 1st April	<b>(763,331)</b>	(768,929)
Repayments of amounts borrowed	<b>2,498</b>	5,598
New borrowings	<b>(40,000)</b>	0
Balance as at 31st March	<b>(800,833)</b>	(763,331)
Short term borrowing		
Balance as at 1st April	<b>0</b>	0
Repayments of amounts borrowed	<b>91,110</b>	184,975
New borrowings	<b>(91,110)</b>	(184,975)
Balance as at 31st March	<b>0</b>	0

DIRECT SERVICE ORGANISATIONS

SUMMARISED REVENUE ACCOUNTS FOR THE YEAR

NOTES	Expenditure £000	Income £000	1999/00 Trading (Profit)/loss £000	1998/99 Trading (Profit)/loss £000
4 Building maintenance	21,082	(20,641)	441	218
Highways maintenance	2,726	(2,829)	(103)	(20)
Building cleaning	2,891	(3,026)	(135)	(203)
Refuse collection	3,895	(4,029)	(134)	(50)
Catering	2,178	(2,096)	82	(116)
Grounds maintenance	982	(1,010)	(28)	(120)
Vehicle management	5,906	(6,144)	(238)	(271)
Leisure management	2,744	(2,747)	(3)	(57)
Housing management	16,230	(16,272)	(42)	(80)
Legal services	2,846	(3,061)	(215)	(190)
Building design services	5,341	(5,491)	(150)	(152)
Financial services	1,299	(1,004)	295	(120)
Total for all DSOs	68,120	(68,350)	(230)	(1,161)

The accounts above show income and expenditure on both functional and non-functional activities.

NOTES TO THE REVENUE ACCOUNTS

1. Currently any deficit or surplus on the revenue accounts is transferred to the General Fund at the end of the financial year.
2. Legislation previously required that all DSOs break even after taking into account capital charges. The Secretary of State could direct that the DSO cease to provide the service if this target was not met. However, the legislation was replaced by Best Value from 2nd January 2000, and this requirement now only covers the period to 31st December 1999.
3. This change also means that councils only have to produce statutory DSO accounts to 31st December 1999. However, current CIPFA guidance is that DSO accounts should be produced for the whole financial year, and the figures above reflect this.
4. Under the Local Government Planning and Land Act 1980, DLOs are not permitted to include in their trading account subcontract work falling within the CCT defined activity unless it is "functional" work that is dependent upon or incidental or preparatory to, other construction or maintenance work undertaken or to be undertaken by the persons in the employment of the local authority.

In 1998/99 the Construction Business Unit tendered for major works contracts which were entirely subcontracted. Total expenditure on this non-functional work was £5.640 million whilst income received from client departments amounted to £5.128 million, resulting in a loss of £0.512 million.

5. A detailed report for each DSO is produced separately and is available from :

Director of Housing	Housing management
Director of Education and Leisure	Leisure management
Director of Southwark Direct and Internal Services	All other DSOs

PENSION FUND 1999/2000

	1999/00 £000	1998/99 £000
<b>CONTRIBUTIONS AND BENEFITS</b>		
Contributions receivable		
– from employers and admitted bodies	(18,868)	(18,917)
– from employees	(5,605)	(5,456)
Transfers in	(960)	(2,130)
Other income – re-instatement following mis-selling	(880)	(1,115)
<b>Total income</b>	<b>(26,313)</b>	<b>(27,618)</b>
Benefits payable		
– Pensions	19,176	18,504
– Lump sums (incl. retirement and death grants)	1,586	1,762
Payments to and on account of leavers		
– Refunds of contributions	135	130
– Transfers out	1,518	3,331
Administrative expenses borne by the scheme	544	675
<b>Total Expenditure</b>	<b>22,959</b>	<b>24,402</b>
<b>Net addition from dealing with members of the fund</b>	<b>(3,354)</b>	<b>(3,216)</b>
<b>RETURNS ON INVESTMENT</b>		
Investment Income	(12,121)	(12,647)
Change in Market value of Investments	(59,390)	(29,114)
Investment Management Expenses	1,058	1,362
<b>Net increase in Fund for the year</b>	<b>(73,807)</b>	<b>(43,615)</b>
<b>Opening Net assets of the scheme</b>	<b>(472,964)</b>	<b>(429,349)</b>
<b>Closing Net assets of the scheme</b>	<b>(546,771)</b>	<b>(472,964)</b>

## NET ASSETS STATEMENT 1999/2000

	1999/00 £000	1998/99 £000
<b>INVESTMENT ASSETS</b>		
Fixed Interest public sector securities	<b>20,514</b>	13,596
Equities –		
Foreign	<b>54,457</b>	14,037
UK	<b>210,210</b>	249,028
UK Unlisted	<b>10</b>	900
Index-linked securities	<b>82,909</b>	52,442
Unit Trusts – Property	<b>50,428</b>	45,099
– Other	<b>116,703</b>	91,934
<b>Total Investment Assets</b>	<b>535,231</b>	467,036
<b>NET CURRENT ASSETS AND LIABILITIES</b>		
Cash held at managers	<b>4,548</b>	2,616
Interest and dividends accrued	<b>1,884</b>	2,185
Creditors	<b>(353)</b>	(1,695)
Cash at Council	<b>5,461</b>	2,822
<b>Total net current assets and liabilities</b>	<b>11,540</b>	5,928
<b>Closing net assets of the Scheme</b>	<b>546,771</b>	472,964

PENSION FUND 1999/2000

**1. INTRODUCTION**

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

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

2.1 In 1999/00 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 £4.72 million. Of this, £1 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 and overseas equities and index linked gilts. During 1999/00, Mercury Asset Management Ltd managed UK equities, property and gilts on an active basis and Schroder Investment Management managed overseas equities on an active basis. The overall investment strategy is the responsibility of the Council. During the year, this was delegated to the Strategic (Resources) Sub-Committee and the Officers Pension Board.

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

	<b>1999/00</b>	1998/99
Number of contributors to the Fund	<b>6,053</b>	6,013
Number of contributors and dependants receiving allowances	<b>5,549</b>	5,533
Number of contributors who have deferred their pensions	<b>3,253</b>	3,203

**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 (31/3/00).

3.2 In order to comply with these recommendations the accounts have been prepared using the market value of investments. 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.

PENSION FUND 1999/2000

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%.

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 1999/2000

**5. OTHER INFORMATION**

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

◆	Mercury Asset Management	£183.59 million	34%
◆	Schroder Investment Management	£ 95.10 million	17%
◆	Barclays Global Investors	£262.97 million	49%

5.2 Sales and purchases by the investment managers were £271.80 million and £280.62 million respectively.

5.3 Contributions receivable include a contribution from admitted bodies of £35,564 for employers' and employees' contributions from admitted bodies.

5.4 No stock-lending is allowed under investment agreements.

## GLOSSARY OF ACCOUNTING TERMS

### ACCRUAL

The recognition of income and expenditure as it 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 opposes to specific grants that may only be used for specific purposes.

### SECTION 137 EXPENDITURE

Expenditure incurred by a local authority under section 137 of the Local Government and Housing Act 1972, under which local authorities are allowed to spend a limited amount to do things which they are not otherwise empowered to do, but which they consider to be in the interests of their area or its inhabitants and which will produce a benefit commensurate with the expenditure involved.

### SPECIFIC GRANTS

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