



DRAFT
STATEMENT OF ACCOUNTS
2022/23

DRAFT VERSION SUBJECT TO AUDIT

Clive Palfreyman
Strategic Director of Finance
30 June 2023

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

TABLE OF CONTENTS

| | Page |
|--|------|
| Narrative Report | 3 |
| Statement of Responsibilities | 18 |
| Independent Auditor's Report - Council's Financial Statements | 20 |
| Independent Auditor's Report - Pension Fund Financial Statements | 24 |
| <u>Core Financial Statements</u> | |
| Comprehensive Income and Expenditure Statement | 26 |
| Movement in Reserves | 27 |
| Balance Sheet | 28 |
| Cash Flow Statement | 29 |
| Notes to the Core Financial Statements | 30 |
| Expenditure and Funding Analysis (Note 1) | 31 |
| <u>Supplementary Financial Statements</u> | |
| Housing Revenue Account | 102 |
| Collection Fund | 111 |
| Pension Fund Accounts | 116 |
| Notes to the Pension Fund Accounts | 117 |
| Glossary | 141 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

DISCLOSURE NOTES TO THE ACCOUNTS

Page

| | | |
|----------------|---|----|
| Note 1 | Expenditure and funding analysis | 31 |
| Note 2 | Accounting policies | 32 |
| Note 3 | Accounting standards issued but not yet adopted | 43 |
| Note 4 | Critical judgements in applying accounting policies | 44 |
| Note 5 | Assumptions made about the future and other major sources of estimation uncertainty | 45 |
| Note 6 | Events after the balance sheet date | 46 |
| Note 7 | Note to the expenditure and funding analysis | 47 |
| Note 8 | Other operating income and expenditure | 49 |
| Note 9 | Financing and investment income and expenditure | 49 |
| Note 10 | Taxation and non-specific grant income | 49 |
| Note 11 | Adjustments between accounting basis and funding basis under regulations | 50 |
| Note 12 | Usable reserves | 55 |
| Note 13 | Property, plant and equipment (PPE) | 56 |
| Note 14 | Investment properties | 61 |
| Note 15 | Assets held for sale | 61 |
| Note 16 | Cash and cash equivalents | 62 |
| Note 17 | Debtors | 63 |
| Note 18 | Creditors | 64 |
| Note 19 | Provisions | 65 |
| Note 20 | Dedicated Schools Grant | 66 |
| Note 21 | Grant income | 67 |
| Note 22 | Pooled budgets | 69 |
| Note 23 | Unusable reserves | 70 |
| Note 24 | Cash flow from operating activities | 76 |
| Note 25 | Cash flow from investing activities | 76 |
| Note 26 | Cash flow from financing activities | 77 |
| Note 27 | Reconciliation of liabilities arising from financing activities | 77 |
| Note 28 | External audit costs | 78 |
| Note 29 | Members' allowances | 78 |
| Note 30 | Officer remuneration | 79 |
| Note 31 | Termination benefits | 81 |
| Note 32 | Related party transactions | 82 |
| Note 33 | Capital expenditure and capital financing | 83 |
| Note 34 | Leases | 84 |
| Note 35 | Private finance initiatives (PFI) and similar contracts | 85 |
| Note 36 | Other long-term liabilities | 87 |
| Note 37 | Pension schemes accounted for as defined contribution schemes (NHS and teachers) | 88 |
| Note 38 | Defined benefit pension schemes | 88 |
| Note 39 | Financial instruments | 93 |
| Note 40 | Nature and extent of risks arising from financial instruments | 96 |
| Note 41 | Fair value – assets and liabilities | 98 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

NARRATIVE REPORT

**From Clive Palfreyman
Director of Finance**

Introduction

This narrative statement provides information about Southwark council, including the key issues affecting the council and its accounts for the period 2022-23. It complies with Regulation 8 of the Accounts and Audit Regulations 2015 which requires that the statement includes a comment on its financial performance and economy, efficiency and effectiveness in its use of resources in 2022-23.

The CIPFA code of practice (the 'Code') states that the narrative report provides information on the authority, its main objectives and strategies and the principal risks that it faces, as well as providing a commentary on how the authority has used its resources to achieve its desired outcomes in line with its objectives and strategies.

An Introduction to Southwark- Organisational Overview and External Environment

Southwark is a dynamic borough in the centre of London, a truly global city. This brings change, challenges and opportunity to all those who work here, pass through here and most of all call Southwark their home. Our ability to develop, transform and renew the borough landscape helps to drive local growth.

There is a vibrant cultural and arts scene with numerous top theatres including Shakespeare's Globe, the Bridge, and Unicorn as well as the historical Borough market nestled in Dickensian cobbled streets. Art galleries along bankside include the Tate Modern and one of the world's leading contemporary art galleries, White Cube, is located in Bermondsey. Educational establishments include Camberwell College of Arts, a constituent college of the University of the Arts London, regarded as one of the UK's foremost art and design institutions.

In economic terms, Southwark has been a net importer of labour in London, powering the jobs market across the city. The borough has a rich mix of employers, across construction, health and social care, retail, catering, hospitality, public sector and administration, and finance and legal. However, as across London, there lies a skills challenge in getting more people into the jobs of the future and ensuring all benefit from growth and development in years to come, including the impact of leaving the European Union.

Southwark has the 7th highest population density in England and Wales, with a population count in 2021 of 307,700, up from 288,300 in 2011. It is ethnically diverse with over 120 languages are spoken in local schools, 66% of the under-20 population and 75% of reception-age children are from black and minority ethnic groups.

The median age of Southwark residents in 2021 was 34 years, over two years younger than the London average and almost seven years younger than the national average. Whilst the borough's population is comparatively young, this is not driven by a large number of children and young people. It is primarily a result of the large number of young adults in their 20s and 30s. And although Southwark has seen a 16% increase in over 65s, this is lower than the England average of a 20% increase.

• Economic climate

In 2021/22, the Covid-19 pandemic was still prevalent and the council continued to tailor service provision and resources to vulnerable residents, support local businesses and communities and ensure staff well-being, as well as maintaining essential services and accommodating new ways of working. In 2022/23, the pandemic restrictions have been lifted and ways of living and working have returned to a new normal.

The council budget for 2022/23 was based on assumptions that had been subjected to intense budget challenge from council members. And throughout the year, we paid close attention to the impact on the council of a materially deteriorating economic climate and a new emergency – the cost of living crisis - with rising interest rates and very high levels of inflation.

The strength of the council's response during the pandemic has facilitated an effective financial and operational response to the cost of living crisis. The council has created a cost of living fund bringing together resources from government grant and contributions from the council. This has provided a vital support network for the most vulnerable in the borough.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

• **Community engagement and partnerships**

The council continues to commit to a shared long term vision of the future, despite this uncertain economic climate.

We have launched the 'Southwark 2030' initiative through consultation with residents, community organisations and businesses to ensure the council's vision is a shared one. This builds on a legacy of good community relationships and partnerships already in place across the borough.

The council is part of the new South East London Integrated Care System, a partnership between with the NHS, the community and voluntary sector and provider partners to ensure health provision reaches individual residents and families wherever and how they need it.

• **Workforce**

The council employed a total of 4,639 staff on 31 March 2023 (including permanent, fixed-term and casual staff), a slight increase compared to the 4,458 employed on 31 March 2022. The number of employees is expected to increase further during the course of 2023/24 as a result of decisions to insource services – including leisure centres – and a drive to reduce the use of agency workers.

The council is committed to exemplary employment practice. We are an accredited Living Wage employer and we participate in a number of schemes designed to promote an inclusive working environment, including Disability Confident and Stonewall's Diversity Champions.

Our Southwark Stands Together programme is focused on tackling racial disparities within our workforce and promoting anti-racist practice. Since we began delivering this programme, we have seen a reduction in the size of our ethnicity pay gap and an increase in the proportion of senior management roles that are filled by colleagues from Black, Asian and minority ethnic backgrounds. However, we know there is much more to do to achieve our ambition of eradicating racism and this programme continues to be of the highest priority. We have recently formed a consortium with Islington, Richmond, Wandsworth and Westminster councils to commission places on the "Black on Board" programme, which is designed to help ethnically diverse employees to develop the skills and confidence to take on board-level roles. We are also working with London Councils to pilot their new Tackling Race Inequality Standard before it is rolled out across the capital.

The council makes use of the apprenticeship levy to create apprenticeship opportunities for local people and existing employees. In the last year, we created apprenticeships across a diverse range of professions, including accountancy, social care, and skilled trades in our repairs and maintenance service. We also launched a new internship programme, which provides young people with the opportunity to access 12 weeks of paid work experience at the council.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

Council Priorities and Resource allocation

The Council Delivery Plan (CDP) 2022-26 was agreed in September 2022 and is the council's business plan setting out the programme of work for the period. This plan replaced the previous Borough Plan. The CDP is a clear statement to our residents, businesses, local voluntary/community organisations and other stakeholders of how the council will deliver a fairer, greener and safer borough for all in Southwark.

The CDP is structured around seven priority themes, reflecting the topics that the people of Southwark said were most important to them. The themes are:

- Transforming our borough
- A thriving and inclusive economy
- A healthy environment
- Quality, affordable homes
- Keeping you safe
- Investing in communities
- Supporting families.

Council performance is measured against detailed performance schedules, which sit beneath this council plan. Responsibility is apportioned by lead cabinet member and chief officer for each commitment ensuring the whole organisation is working towards the delivery of the plan and that outcomes are measured and assessed.

To ensure that this plan has real impact, the measures and milestones that underpin it, are monitored on a quarterly basis through the year by the Corporate Management Team (CMT). An annual performance report is published each year.

The CDP is the strategic view of what the council wants to achieve and over the short, medium and long term. The financing of these plans is met through the medium term financial plan and annual budgets.

At the beginning of each financial year the council plans ahead over a three year period through the Medium Term Financial Strategy (MTFS). As a starting point, estimated changes in income streams from government grants, council tax and business rates and other income are assessed together with expected pay awards, inflationary costs, debt charges and demand pressures, recognising that the external economic environment will impact on the council's financial plans.

In 2022/23, the economic backdrop has shown an unusually high level of volatility from government policy changes, the war in Ukraine impacting on energy prices and an emerging cost of living crisis. Within these parameters, the council has continued to work hard to deliver the commitments by successfully maximising resources and making efficiency savings wherever possible.

The gap between the overall resources and expected net expenditure to deliver service plans is then assessed and both capital and revenue budgets are integrated to create a coherent plan of action.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

Council Performance and Achievements in 2022/23

The annual performance report focuses on outcomes around the CDP priorities, with the commitment to Southwark's communities put at the centre of these initiatives. The council's website is the primary channel of communication for performance with updates also provided through regular e-newsletters, social media channels and through Southwark Life magazine.

Examples of the outcomes achieved in 2022/23 against these commitments are listed in the table below.

| Commitments | Outcomes |
|----------------------------------|--|
| Transforming our borough | <p>Southwark 2030 launched to empower communities to shape the places they live in and support local people to deliver for their communities.</p> <p>Council focus on closing the gap in life chances through the delivery of the Council's Equality Framework.</p> <p>Ensuring the council is a great place to live- review of neighbourhood policy plans to clarify gaps in provision for what's on offer.</p> |
| A thriving and inclusive economy | <p>Cost of Living Fund has supported 45,000 households and provided 15,000 children with school meals during school holidays.</p> <p>1,800 children attended summer and winter holiday programmes</p> <p>Launched a Thriving High Streets fund</p> <p>Major improvements in town centre, including Peckham, Canada Water, Old Kent Road</p> <p>Creation of 1240 green jobs in Southwark</p> <p>Southwark Pioneers Fund Grow your Enterprise fully operational to support sustainable business that have lasting impact on community</p> <p>600 apprenticeships and 6,400 training opportunities created.</p> |
| A healthy environment | <p>Over 8,000 trees planted</p> <p>214 new gardens/growing plots and 16 new nature sites established</p> <p>Council homes greener- insulation and heat pumps,</p> <p>More and better parks- including developments at Burgess Park and Pelier Park.</p> <p>Work to end carbon emissions in council operations and vehicles and the pension fund</p> <p>Better pavements for those with mobility issues. Increased disabled parking</p> <p>Working in partnership with the NHS, TfL, and local organisations to free up more land</p> <p>126 cycle hangers providing 756 cycle spaces</p> <p>1000 more electric charging points</p> |
| Quality, affordable homes | <p>1,500 council homes, built, in construction or gained planning permission</p> <p>99.7% of council estate inspections rated good or excellent</p> <p>100% of rough sleepers receive support within 48hrs of a referral</p> <p>Increased protections and support for private renters</p> |
| Keeping you safe | <p>£2m anti – social behaviour task force created with visible presence and more community safety wardens</p> <p>1,895 street and estate lights upgraded to LED</p> <p>Launch of initiatives to make Southwark safe for young people</p> <p>Major campaign to tackle misogyny and violence against women and girls</p> |
| Investing in communities | <p>Southwark 2030- neighbourhood funding of local projects</p> <p>Expansion of services provided through the libraries (wifi printing/warm hubs/cashless payments)</p> <p>Events to celebrate diversity - 59 community events and festivals held/ 64 street parties.</p> <p>27,000 people attended community events in 2022/23</p> |
| Supporting families | <p>Launched a new sure start for teenagers services</p> <p>Mental health support for children and young people through Nest walk-in service</p> <p>97% of schools achieved good or outstanding Ofsted rating</p> <p>Launch of Southwark Standard webpage under Southwark Stands Together to support teaching and careers advice.</p> <p>Access to good quality residential and care homes- new nursing home opened and more extra care housing</p> |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

Financial Performance - Revenue

For 2022/23, a net budget of £293m was approved by council assembly in February 2022. Council assembly also agreed a 2.99% increase in council tax and a contribution of £1m from reserves to support a balanced budget.

The revenue outturn position is summarised below:

| General Fund | Original budget £000 | Budget movement £000 | Revised budget £000 | Spend in Year £000 | Reserve transfers £000 | Total use of resources £000 | Variance after using reserves £000 |
|--|-------------------------|-------------------------|------------------------|-----------------------|---------------------------|--------------------------------|---------------------------------------|
| Children & Families | 67,317 | (1,967) | 65,350 | 64,714 | 1,742 | 66,456 | 1,106 |
| Adult Social Care | 77,709 | 2,416 | 80,125 | 77,808 | (171) | 77,637 | (2,488) |
| Commissioning & Central | 5,017 | (333) | 4,684 | 4,920 | (41) | 4,879 | 195 |
| Education | 19,526 | (1,100) | 18,426 | 21,772 | (2,217) | 19,555 | 1,129 |
| Public Health | - | - | - | (1,276) | 1,276 | - | - |
| Children & Adults total (excl. DSG) | 169,569 | (984) | 168,585 | 167,938 | 589 | 168,527 | (58) |
| Dedicated Schools Grant (DSG) In-Year | - | - | - | 2,037 | - | 2,037 | 2,037 |
| DSG Safety Valve Grant Receipt | - | - | - | (9,221) | - | (9,221) | (9,221) |
| DSG Total | - | - | - | (7,184) | - | (7,184) | (7,184) |
| Environment, Neighbourhoods and Housing | 86,027 | 2,973 | 89,000 | 90,508 | 976 | 91,484 | 2,484 |
| Finance | 19,330 | 1,412 | 20,742 | 21,030 | 240 | 21,270 | 528 |
| Governance and Assurance | 35,593 | 2,038 | 37,631 | 41,292 | (1,555) | 39,737 | 2,106 |
| Strategy and Communities | 22,036 | 1,542 | 23,578 | 25,589 | (780) | 24,809 | 1,231 |
| Strategic Finance | 4,013 | 1,706 | 5,719 | 4,889 | 903 | 5,792 | 73 |
| Support Cost Reallocations | (2,914) | (8,604) | (11,518) | (31,190) | 15,230 | (15,960) | (4,442) |
| Contribution from Reserves | (42,340) | (83) | (42,423) | (42,423) | - | (42,423) | - |
| General Contingency | (2,078) | - | (2,078) | - | - | - | 2,078 |
| DSG balance to adjustment account | 4,000 | - | 4,000 | - | - | - | (4,000) |
| | - | - | - | 7,184 | - | 7,184 | 7,184 |
| Net revenue budget | 293,236 | - | 293,236 | 277,633 | 15,603 | 293,236 | - |

Despite a highly volatile macro-economic environment, high rates of inflation, energy costs and regular increases in interest rates, a balanced revenue outturn was reported for 2022/23.

This is a good outcome for the council. For a further year, the council has managed to swiftly implement schemes to support residents most in need, and critically, ensuring the resources are available to support these schemes. Budgetary discipline has ensured value for money across the council enabling it to fulfil the promises made in the council delivery plan whilst ensuring financial stability.

Across adults and children's social care a balanced position has been achieved. While the shortage in the supply of children's social workers is still a key financial pressure within the department, the recruitment and retention initiatives that has been introduced started to improve the position on the previous year's outturn. Higher demand and cost pressures in home to school transport within the education service created additional financial pressures.

There continues to be ongoing pressure on the homelessness budget exacerbated by the cost of living crisis which has resulted in significant additional cost. The finance overspends are the result of significant additional administrative burdens on back office services to accommodate the increase in the number of welfare claimants and the greatly expanded programme to support those most vulnerable with the cost of living.

Strategic Finance includes a number of budgets that are not allocated directly to departments and which are managed centrally. These include treasury management, insurance, corporate provisions, levies and a number of technical accounting budgets, such as the reversal of depreciation. Movements to and from this budget area is expected, but do not impact on the net budget requirement or level of council tax that the council sets each year.

Pay and inflationary costs that have impacted on the budgets in 'Environment, Neighbourhoods and Growth' and 'Governance and Assurance' departments (and elsewhere) have been mitigated by the use of the contingency and planned use of reserves.

The £2m overspend for the Dedicated Schools Grant (DSG), is driven by increased demand. The DSG deficit account is unchanged due to regulation but we have a credit balance in the DSG due to having received £9.2m in 'safety valve' government funding in 2022/23. This reduces the overall DFG deficit to £14.5m.

Despite the external economic factors impacting on council budgets, the outturn position continues to demonstrate strong financial management and sound governance arrangements across the Council.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

Housing Revenue Account (HRA) outturn 2022/23

The Housing Revenue Account (HRA) is the means by which the council meets its statutory requirement to account separately for local authority housing provision. The revenue outturn for 2022/23 shows income from tenants and homeowners of £275.6m and spending of £282.3m. The underlying financial position for 2022/23 was impacted substantially by the inflationary energy costs, primarily gas and electricity in the district heating account. However, the position was ameliorated through better than expected rental income performance, one-off service underspends elsewhere across the HRA, and a combination of financing measures, including a reduction in the level of revenue contribution to the capital programme and the use of £6.7m of reserves.

The repair and maintenance of the housing stock consumes the largest proportion of operating resources, with the volume of work and cost of repairs, rising far in excess of budget expectations. In addition, there are a number of other significant underlying budget pressures in the HRA. New commitments have arisen from the management and maintenance of housing stock and new requirements arising from the Building Safety and Fire Safety Acts which will serve to exacerbate the pressure on both revenue and capital resources.

Overall, HRA reserves are at their lowest ever point and in the context of the size of the council's HRA and Housing Investment Programme (HIP), with combined annual turnover of over £600m, reserve levels are considered to be below the optimal level necessary, requiring the council to establish a more prudent and sustainable level of reserves going forward.

The council needs to borrow to fund the HIP, which is set to increase significantly, at the same time as meeting investment in current stock, building and fire safety works, investment in heat networks together with the council's commitments to carbon reduction. The continued growth in the council's debt, to finance the new homes programme has increased the revenue financing requirement by £3.1m more than last year. These costs will continue to accelerate rapidly over the short-term and with interest rates currently at over 5%, some 3% higher than two years ago, the servicing of the council's housing debt, will consume a much greater share of HRA resources to the detriment of other service priorities.

Collection Fund

The collection fund shows the transactions of the council as a billing authority in relation to council tax and business rates. Both taxation schemes are designed to be self-balancing; an estimate of any accumulated surplus or deficit is made each year and factored into the following year's tax requirement. Any difference between estimated and actual outturn will be received or borne by taxpayers in the following year.

Income raised from Council Tax is the single largest source of general funding for the council's revenue budget. In 2022/23, the Council collected £171m in Council Tax, of which £42m was collected on behalf of the GLA. The Council Tax for a Band D property (including the GLA precept) was £1,594.54 in 2022/23.

The financial downturn, during the pandemic and cost of living crisis, caused collection rates to be substantially lower than those that were predicted.

The Statement of Accounts provides further detail on the Collection Fund account for 2022/23.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

Capital

Southwark has one of the largest capital investment programmes in London, with current committed plans to spend over £3.6 billion by 2032/33, with a further £1 billion planned for new homes and major works. Financing for these projects has yet to be established.

The capital programme delivers tangible benefits to the borough's residents. For example, to improvements in care homes, children's homes, parks and leisure centres. Capital budgets have added strength to the council's commitment to tackling the impact of climate change. As well as creating a £25m capital fund, the council has made significant progress across the individual capital programme projects to achieve energy efficiencies and reduce carbon emissions. There are projects to improve air quality, the completion of the programme of changing street lighting to LED lights, the delivery of 1000 EV charge points ahead of plan, an additional 646 cycle hangers.

Capital spending and financing in 2022/23 is shown in the following table.

| | 2022/23 £000 | 2021/22 £000 |
|---|------------------|------------------|
| Service: | | |
| Children's and adults' services (including schools) | 14,297 | 21,784 |
| Environment, Neighbourhoods and Growth (formerly Environment and Leisure) | 58,465 | 16,880 |
| Housing (formerly Housing and Modernisation) | 1,572 | 13,804 |
| Finance, Governance and Assurance (formerly Chief Executives) | 13,570 | 48,537 |
| Housing investment programme (HIP) | 316,959 | 210,850 |
| Total spending | 404,863 | 311,855 |
| Financed by: | | |
| Capital receipts | (36,582) | (13,708) |
| Government grants and other contributions | (145,370) | (68,031) |
| Direct revenue contributions | (18,915) | (16,315) |
| Major repairs reserve | (51,708) | (55,046) |
| Prudential borrowing and credit arrangements | (152,288) | (158,755) |
| Total financing | (404,863) | (311,855) |

The scale of the capital programme is immense, representing a major element of the council's financial activities. The housing investment programme (HIP) is forecasting total expenditure of £2.7 billion over a 10 year period to 2031/32.

The council is under increasing pressure to address housing investment needs, driven by the need for new homes as well as dealing with its existing stock, in responding to new building and fire safety legislation, the need to maintain decency standards and the climate emergency. The council is facing these challenges during a period of sustained economic downturn and increasing financial uncertainty.

In particular, the HIP has been impacted by high levels of construction inflation and significant increases in the cost of borrowing, on which the new homes programme in particular is heavily reliant. These increases in costs reduce the amount that can be done within existing budgets.

Over recent months, the council has taken steps to limit new commitments to the new homes scheme beyond those already contractual committed, as the current commitment will exhaust the council's borrowing capability. In addition, the council will review closely the programme on existing stock not least in relation to the Building Safety Act 2022 which will incur significant additional costs both to complete surveys and to fund the costs of works emerging as a result.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

Balance Sheet

Reserves

The following table shows the opening and closing balances on usable reserves:

| | 1 April 2022 £000 | Movement £000 | 31 March 2023 £000 |
|---|----------------------|------------------|--------------------------|
| General Fund Balance | (22,445) | 2 | (22,443) |
| Earmarked Reserves | | | |
| Corporate projects and priorities | (18,876) | (20,703) | (39,579) |
| Service reviews and improvement | (34,554) | 580 | (33,974) |
| Capital programme and capital investment | (36,723) | 964 | (35,759) |
| Strategic financial risk | (58,097) | (1,081) | (59,178) |
| Technical liabilities and smoothing reserves | (34,118) | (4,792) | (38,910) |
| Covid-19 reserves | (25,872) | 23,399 | (2,473) |
| Grant reserves | 0 | (2,617) | (2,617) |
| Subtotal | (208,240) | (4,250) | (212,490) |
| School reserves | | | |
| Schools - dedicated schools grant (DSG) reserve | - | (7,184) | (7,184) |
| School balances | (14,391) | 723 | (13,668) |
| Subtotal | (14,391) | (6,461) | (20,852) |
| Housing Revenue Account (HRA) | | | |
| HRA balance | (26,130) | 6,672 | (19,458) |
| Major repairs reserve | 0 | 0 | 0 |
| Subtotal | (26,130) | 6,672 | (19,458) |
| Total revenue usable reserves | (271,206) | (4,037) | (275,243) |
| Capital reserves | (100,419) | (307) | (100,726) |
| Total usable reserves | (371,625) | (4,344) | (375,969) |

The Council maintains reserves to help smooth the impact of government funding reductions and to mitigate anticipated funding shocks arising from funding reforms or changes in government direction.

The general fund balance represents reserves set aside to mitigate and manage financial shocks and is a key financial resilience indicator. The unallocated reserve remains at £22.4m which is approximately 2% of gross general fund revenue expenditure.

Overall the general fund earmarked reserves have remained stable in 2022/23. Whilst Covid-19 reserves have been exhausted as planned, further funds have been set aside or re-purposed for a range of priorities. These include the bringing together of a number of funding sources to create a £15.5m Southwark Cost of Living Fund, £3m for the Southwark 2030 Fund, £2m for Streets for People and £11.6m set aside to mitigate pay inflation in 2023/24 and 2024/25.

In accordance with regulations, the deficit on the schools DSG reserve has been transferred to the dedicated schools grant adjustment account, an unusable reserve.

The ring-fenced nature of the HRA requires that surpluses/deficits are carried forward between years. At 31 March 2023 the HRA balance stood at £19.5m (£26.1m at 31 March 2022). The HRA holds reserves for specific purposes and as contingency against operational deficits, unforeseen events and to mitigate future risks in line with the council's medium-term financial strategy (MTFS), in the same manner as the council's General Fund. During 2022/23 it has been necessary to drawdown £6.7m of reserves to balance the HRA mainly due to the district heating account (£4.1m), which has been exposed to unprecedented price volatility and now carries forward a minor deficit for the first time since it was first established in 1985.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

Borrowing and Lending

The council borrows money to support its ambitious capital programme, refinance maturing loans and to maintain target cash balances. As at 31 March 2023, actual total borrowings held by the council was £991m (£896m at 31 March 2022), of which £921m was long-term PWLB loans (£721m at 31 March 2022) and £70m short-term loans from other local authorities (£175m at 31 March 2022).

In accordance with IFRS 9 financial reporting requirements, long-term loans at amortised cost amounted to £894m at 31 March 2023 (£702m at 31 March 2022). This reflects accounting adjustments for accrued interest of £7m (£6m in 2021-22) and loans due for repayment within one year after the reporting period of £33m (£24m in 2021-22), which are included in the Notes to the accounts (Note 38) as short-term borrowings.

The timing of long-term borrowing needs to be weighed against the risk that interest rates will increase in the future with a view to keeping future interest rate costs low. During 2022/23, in accordance with the approved treasury management strategy, the council increased its overall borrowings by £95m (Long-term PWLB loans: £220m raised with £20m repaid and short-term loans: £70m raised from other local authorities with £175m repaid). The weighted average rate of long-term borrowings was 3.72%.

The council invests its surplus cash in bonds, bills and money market instruments. The bonds and bills are issued by the UK government or supranational entities. The money market investments are in short-term call accounts, money market funds, term deposits and certificates of deposits issued by major UK and international banks or building societies. As at 31 March 2023, total investments stood at £220m (£161m at 31 March 2022). The overall rate of return on investments during 2022/23 was 2.07% (-0.04% in 2021/22). This increase in rate is reflective of the 8 increases in the Bank of England base rate from 0.75% in March 2022 to 4.25% in March 2023.

Pension Fund

The Pension Fund is underpinned by an investment strategy which was updated in December 2022. A revaluation is required every three years to set future contribution rates. The latest valuation, as at 31 March 2022, showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2022 covering 109% of the liabilities. Contribution rates certified in the 2022 valuation will apply from 1 April 2023.

The council has committed to reduce carbon exposure in the Fund's investment and become net zero carbon by 2030, whilst still maintaining investment performance. Progress has been made during 2022/23 to implement this.

Following a strong recovery from the impact of the outbreak of the Covid-19 pandemic three years ago, the Fund faces a challenging market environment, with a number of risks and uncertainties in both the short and long term which will need to be managed. Persistently high inflation, tight monetary policy and lingering pessimism over the outlook for global GDP, as well as the impact of geopolitical tensions, will require careful ongoing monitoring of the investment strategy to ensure the Fund is not impacted negatively from market volatility.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

Principal Risks and Uncertainties

There continues to be great uncertainty, both with respect to central government funding and in terms of the economy as a whole as the growing cost of living crisis materialises. An update on the council's medium term financial strategy for 2024/25 and 2026/27 will be regularly submitted to cabinet over 2023/24.

The council has an embedded process to manage risk and assist in the achievement of its objectives. The corporate risk register captures the key departmental and corporate risks to the council. Key risks are held on the council-wide risk management system and accompanied by mitigations, setting out the controls in place to manage each risk. This has proved effective in managing the unexpected risks over the last few years and enabled the council to boost its financial resilience.

The council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The council's governance arrangements are reviewed annually and within the annual governance statement (AGS), assurance is given on the effectiveness of the council's system of internal control.

The council's 2022/23 annual governance statement highlighted the significant risks and issues that arose and referenced those that might potentially impact on future years. In addition to the cost of living crisis, the issues that arose were:

- i) The management of the council's housing delivery programmes as a key area of financial risk. The council is the largest council landlord in London and one of the biggest in the country. The cost of living and inflationary pressures over the past 6 months have negatively impacted on the Housing Revenue Account (HRA). The government have imposed restrictions on the rent rise for social housing at 7%. This has meant that rent rises have not risen in line with inflation, which will result in a cut to the overall HRA programme, given other costs have significantly increased.
- ii) Capital resources under extreme pressure with additional borrowing required to support the new homes programmes with a consequent revenue financing impact on the HRA. The council has to consider the key housing priorities going forward within a climate of limited financial resources.
- iii) The climate emergency is a major focus for the council, working in partnership with stakeholders, partners, staff and residents to tackle the effects of climate change. The council has published a Climate Emergency Strategy and Action Plan setting out how the council will become carbon neutral by 2030 and work to ensure the borough is also carbon neutral by 2030.
- iv) The council is aware that recruitment and retention of staff is critical to service delivery. Shortage of workers due to people retiring earlier and the continuing impact of Brexit, have created further competition with private sector companies who have already adapted to this challenge by higher wages and enhanced benefits.
- v) The council entered into a formal Safety Valve Agreement with the Department for Education (DfE) at the end of the 2022/23 financial year. The programme focuses on improving SEND services in line with Southwark's SEND Strategy 2022-2025 and commits to reach an in-year balance on the DSG by 2024/25 and eliminating that deficit by 2026/27 with the support of £23m Safety Valve funding as set out in the DSG Management Plan.
- vi) The council continued to prioritise the health and wellbeing of Southwark residents. In September 2021, Cabinet approved the in-sourcing of the council's leisure facilities which will take place on 21 June 2023.
- vii) Cyber security and IT network security continues to require careful management, particularly in the context of the IT shared service arrangements.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

Explanation of Accounting Statements

This Statement of Accounts is produced in accordance with legislation and in particular with the Accounts and Audit Regulations 2015. These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code). Under the Code, local authorities produce accounts that are compliant with International Financial Reporting Standards (IFRS).

Core financial statements

Comprehensive Income and Expenditure Statement

This records all the council's income and expenditure for the year in accordance with International Financial Reporting Standards. The top half of the statement provides an analysis by service area, the bottom half deals with the corporate transactions and funding.

Movement in Reserves Statement

A summary of the changes to the council's reserves over the course of the year. Reserves are divided into 'usable', which can be invested in capital projects or service improvements, and 'unusable' which must be set aside for specific purposes.

Balance Sheet

A snapshot of the council's assets, liabilities, cash balances and reserves at the year-end date.

Cash Flow Statement

Shows the reason for changes in the council's cash balances during the year, and whether that change is due to operating activities, new investment or financing activities (such as repayment of borrowing and other long-term liabilities).

In addition to the primary statements, the accounts contain disclosure notes explaining or analysing further the figures in the primary statements.

Expenditure and Funding Analysis

This analysis reports annual council expenditure and how this is funded from resources - in two ways - management accounting and financial accounting in accordance with generally accepted accounting practices.

Supplementary financial statements

Housing Revenue Account (HRA)

Shows the income and expenditure at the year-end date for the ring-fenced Housing Revenue Account which identifies the council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989. The HRA figures are included in the primary core statements.

Collection Fund

The Collection Fund reports the amounts raised and collected through local taxation for council tax and business rates. Only the council's entitlement to taxation income and expenditure is included in the primary statements. The amounts collected on behalf of the government and the Greater London Authority are not included apart from amounts owing to or from those organisations.

Pension Fund

These are the funds the council manages to provide future retirement benefits for its employees. The funds are not included within the primary statements.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

TABLE 1 - EARMARKED RESERVES

| COVID-19 RESERVES | | | |
|---|---------------------|---------------------|----------------------|
| | 1 April 2022 | Net movement | 31 March 2023 |
| | £000 | £000 | £000 |
| Covid-19 - Contain outbreak management | 2,058 | (763) | 1,295 |
| Covid-19 - Clinically extremely vulnerable | 678 | - | 678 |
| Covid-19 - Town centres and high streets | 500 | - | 500 |
| Covid-19 - Business rate retail relief section 31 Grant | 14,977 | (14,977) | - |
| Covid-19 - Council tax & NDR collection fund deficit | 7,659 | (7,659) | - |
| Total | 25,872 | (23,399) | 2,473 |

| CORPORATE PROJECTS AND PRIORITIES RESERVES | | | |
|--|---------------------|---------------------|----------------------|
| | 1 April 2022 | Net movement | 31 March 2023 |
| | £000 | £000 | £000 |
| Southwark emergency support scheme | 7,110 | 8,411 | 15,521 |
| Corporate Software Application Development | - | 4,500 | 4,500 |
| Southwark 2030 Fund | - | 3,000 | 3,000 |
| Modernisation, service and operational improvement | 2,199 | 800 | 2,999 |
| Corporate Capacity Building | - | 2,200 | 2,200 |
| Southwark pioneers fund | 1,950 | (140) | 1,810 |
| Southwark scholarship scheme | 1,998 | (288) | 1,710 |
| Climate change emergency | 1,385 | - | 1,385 |
| NNDR One-Off Levy Grant | - | 972 | 972 |
| Health Transition and Integration | - | 880 | 880 |
| Rationalisation of Administrative Buildings | - | 750 | 750 |
| Food poverty | 795 | (277) | 518 |
| Neighbourhood fund | 603 | (112) | 491 |
| Voluntary sector small grant support scheme | 391 | - | 391 |
| Data strategy | 343 | - | 343 |
| Internal audit and anti-fraud plan | 300 | - | 300 |
| Anti-fraud projects | 250 | - | 250 |
| Southwark Living Wage Unit | - | 250 | 250 |
| Positive futures fund | 229 | - | 229 |
| Thriving Neighbourhood Model | - | 200 | 200 |
| Artefacts replacement and security | 181 | - | 181 |
| Cautionary Contact System | - | 150 | 150 |
| Community engagement and links development | 118 | - | 118 |
| Community hub - voluntary sector | 100 | - | 100 |
| Older People's Food Security Pilot | - | 100 | 100 |
| Windrush Commemoration Fund | - | 75 | 75 |
| Southwark stands together | 182 | (118) | 64 |
| Workers' Rights | - | 50 | 50 |
| London devolution reserve | 736 | (700) | 36 |
| Laptops for Southwark Schoolchildren | 6 | - | 6 |
| Total | 18,876 | 20,703 | 39,579 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

| CAPITAL PROGRAMME AND OTHER CAPITAL INVESTMENT RESERVES | | | |
|---|--|----------------------------------|--|
| | Balances as at 31 March 2022 £000 | Net movement £000 | Balances as at 31 March 2023 £000 |
| Aylesbury development | 6,000 | - | 6,000 |
| Highways and parking climate emergency projects | 7,698 | (2,300) | 5,398 |
| Regeneration & development | 5,288 | (509) | 4,779 |
| Planned preventative maintenance and building compliance | 4,088 | - | 4,088 |
| Information technology and customer services development | 2,195 | - | 2,195 |
| Streets For People | - | 2,000 | 2,000 |
| Building schools for the future private finance initiative transition | 1,623 | - | 1,623 |
| Schools capital programme contribution | 1,293 | - | 1,293 |
| Highways winter maintenance | 1,250 | (50) | 1,200 |
| Modernisation, service and operational improvement | 2,156 | (1,000) | 1,156 |
| Cycling safety | 1,000 | - | 1,000 |
| Digital innovation fund | 808 | 98 | 906 |
| Recycling fund | 477 | 418 | 895 |
| Capital contingency | 1,287 | (600) | 687 |
| Canada Water Highway | - | 600 | 600 |
| Law and Democracy business change management | 596 | - | 596 |
| Cycling Initiatives 2023-27 | - | 300 | 300 |
| Public realm | 500 | (210) | 290 |
| Cladding Remediation New Burdens Funding | - | 239 | 239 |
| Canada Water regeneration | 214 | - | 214 |
| Gym and fitness facilities | 150 | - | 150 |
| Black cultural centre | 100 | - | 100 |
| Highways Maintenance (Council Plan) | - | 50 | 50 |
| Total | 36,723 | (964) | 35,759 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

| SERVICE REVIEWS AND IMPROVEMENTS RESERVES | | | |
|---|--|----------------------------------|--|
| | Balances as at 31 March 2022 £000 | Net movement £000 | Balances as at 31 March 2023 £000 |
| Adult social care resilience plan | 9,430 | (474) | 8,956 |
| Public health | 2,010 | 1,335 | 3,345 |
| Children and Adults transformation | 2,362 | 566 | 2,928 |
| Rough sleeping initiative | 2,462 | - | 2,462 |
| HR strategy review plan | 1,994 | - | 1,994 |
| Post-Covid social care demand | 4,099 | (2,426) | 1,673 |
| Adult social care residential homes | 1,500 | - | 1,500 |
| Leisure services insourcing | 2,400 | (1,177) | 1,223 |
| Children and Families Future Risks | - | 1,200 | 1,200 |
| HR service transformation | 1,300 | (288) | 1,012 |
| Temporary accommodation strategy | 915 | - | 915 |
| Leisure mobilisation | 800 | - | 800 |
| Health and wellbeing commitment to mental health | 973 | (235) | 738 |
| New homes bonus GLA funded programme | 721 | (101) | 620 |
| Highways transformation | 195 | 405 | 600 |
| Local economy | 621 | (44) | 577 |
| Remand Future Pressures | - | 417 | 417 |
| Children and Adults Innovation Development | - | 400 | 400 |
| Environment and Leisure change programme | 372 | - | 372 |
| Adoption Support Fund | - | 295 | 295 |
| Workforce and member development | 271 | (7) | 264 |
| Adopt London south hosting reserve | 90 | 160 | 250 |
| Schools improvement traded service | 200 | - | 200 |
| Adult services workforce development | 157 | - | 157 |
| Blackfriars trust allocation | 138 | - | 138 |
| Youth service review | 170 | (40) | 130 |
| Playground Provision Review | - | 110 | 110 |
| Southwark renters union | 100 | - | 100 |
| Youth parliament | 100 | - | 100 |
| Greenland Dock Berth Viability | - | 100 | 100 |
| Local flood risk | 728 | (629) | 99 |
| Local Audit Fees (Redmond Review) | - | 97 | 97 |
| Prevention of illegal tobacco distribution | 91 | - | 91 |
| Special educational needs and disability internships coordination | 57 | - | 57 |
| Youth Provision Review 2023-24 | - | 40 | 40 |
| Local education authority music service | 14 | - | 14 |
| Troubled families | 284 | (284) | - |
| Total | 34,554 | (580) | 33,974 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

| TECHNICAL LIABILITIES AND SMOOTHING RESERVES | | | |
|---|--|----------------------------------|--|
| | Balances as at 31 March 2022 £000 | Net movement £000 | Balances as at 31 March 2023 £000 |
| Insurance reserve | 7,999 | 1,712 | 9,711 |
| Interest and debt equalisation | 5,500 | - | 5,500 |
| Schools de-delegated balances | 2,892 | 835 | 3,727 |
| Waste PFI equalisation | 2,921 | - | 2,921 |
| Freedom Pass Smoothing Reserve | - | 2,784 | 2,784 |
| Council tax and housing benefits subsidy equalisation | 3,124 | (480) | 2,644 |
| Planned Contribution to Support General Fund 2023-24 | - | 2,500 | 2,500 |
| Planned Contribution to Support General Fund 2025-26 | - | 2,500 | 2,500 |
| Planned contribution to support general fund 2024-25* | 5,000 | (2,500) | 2,500 |
| Contractual risk | 2,450 | - | 2,450 |
| Universal credit implementation | 964 | - | 964 |
| Election reserve | 768 | (59) | 709 |
| Planned contribution to support general fund 2022-23* | 2,500 | (2,500) | - |
| Total | 34,118 | 4,792 | 38,910 |
| * These two reserves have been reclassified from Strategic Financial Risk Reserves to Technical Liabilities and Smoothing Reserves. | | | |
| STRATEGIC FINANCIAL RISK RESERVES | | | |
| | Balances as at 31 March 2022 £000 | Net movement £000 | Balances as at 31 March 2023 £000 |
| Financial risk and future liabilities | 15,893 | (6,570) | 9,323 |
| Business rate retention risk | 13,244 | 4,040 | 17,284 |
| Fair funding review and levelling up | 7,680 | (5,000) | 2,680 |
| Spending review risk | 7,080 | - | 7,080 |
| Economic risk | 6,157 | (250) | 5,907 |
| Pension liability risk | 2,684 | - | 2,684 |
| Leaving European Union risk | 2,459 | (2,459) | - |
| Fuel inflation across council estate | 2,000 | (824) | 1,176 |
| Schools in financial difficulties and school closures | 900 | 542 | 1,442 |
| Future Pay Award Smoothing | - | 11,602 | 11,602 |
| Total | 58,097 | 1,081 | 59,178 |

| | | | |
|---------------------------|----------------|--------------|----------------|
| Earmarked Reserves | 208,240 | 1,633 | 209,873 |
|---------------------------|----------------|--------------|----------------|

It should be noted that council reserves are subject to a number of pre-existing commitments and key pressures including:

- Capital reserves are required to fund existing capital commitments
- A number of the strategic financial risk reserves are earmarked for potential pressures relating to local government reform including the Fair Funding Review, Business Rates retention and revaluation; as well as economic risks including inflation and the financial effects from the downturn in the economy
- There are no reserves set aside to finance the accumulated deficit on the Dedicated Schools Grant of £14.5m if this is not funded by the Department of Education

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

STATEMENT OF RESPONSIBILITIES

The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council that officer is the Strategic Director of Finance;
- manage its affairs to secure economic, efficient and effective use of resources, and safeguard its assets; and
- approve the Statement of Accounts.

The Strategic Director of Finance responsibilities

The Strategic Director of Finance is responsible for the preparation of the council's Statement of Accounts and of its Pension Fund Statement of Accounts in accordance with proper practices as set out in the Chartered Institute for Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing these Statements of Accounts, the Strategic Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code

The Strategic Director of Finance has also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of Southwark Council as at 31 March 2023 and its income and expenditure for the financial year ended 31 March 2023.

Signature:

Signature:

Clive Palfreyman
Strategic Director of Finance

Councillor Barrie Hargrove
Chair of the Audit, Governance and Standards
Committee

Date: 30 June 2023

Date: __ September 2023

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

Independent auditor's report to the members of Southwark Council

To be added following completion of the Audit.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

To be added following completion of the Audit.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

To be added following completion of the Audit.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

To be added following completion of the Audit.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

To be added following completion of the Audit.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

To be added following completion of the Audit.

**CORE FINANCIAL STATEMENTS
2022/23**

Comprehensive Income and Expenditure Statement

Movement in Reserves Statement

Balance Sheet

Cash Flow Statement

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). The council raises taxation (and rents) to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and in the Movement in Reserves Statement.

| | Notes | | | 2022/23 | | *Restated | 2021/22 |
|---|-------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | Gross | Gross | Net | Gross | Gross | Net |
| | | Expend | Income | Expend | Expend | Income | Expend |
| | | £000 | £000 | £000 | £000 | £000 | £000 |
| Children and Adults | | 564,947 | (390,215) | 174,732 | 580,303 | (356,622) | 223,681 |
| Environment Neighbourhoods and Growth | | 162,790 | (65,303) | 97,487 | 154,981 | (54,304) | 100,677 |
| Finance | | 212,617 | (168,754) | 43,863 | 203,959 | (163,163) | 40,796 |
| Governance and Assurance | | 59,678 | (2,077) | 57,601 | 29,582 | (2,179) | 27,403 |
| Strategy and Communities | | 6,911 | (1,748) | 5,163 | 14,040 | (5,129) | 8,911 |
| Housing GF | | 48,925 | (35,715) | 13,210 | 32,069 | (34,036) | (1,967) |
| Housing Revenue Account (HRA) | | 283,781 | (285,378) | (1,597) | 306,500 | (264,520) | 41,980 |
| Net cost of services | | 1,339,649 | (949,190) | 390,459 | 1,321,434 | (879,953) | 441,481 |
| Other Operating Income and Expenditure | 8 | | | (17,461) | | | (7,276) |
| Financing and Investment Income and Expenditure | 9 | | | 53,155 | | | 12,457 |
| Taxation and Non-Specific Grant Income and Expenditure | 10 | | | (475,108) | | | (386,657) |
| (Surplus)/Deficit on Provision of Services | | | | (48,955) | | | 60,005 |
| (Surplus)/deficit on revaluation of non current assets | 23 | | | (101,506) | | | (87,540) |
| (Surplus) / deficit on financial assets measured at fair value through other comprehensive income | 39 | | | (606) | | | 452 |
| Remeasurement of the net defined benefit liability | 23 | | | (442,890) | | | (373,028) |
| Other Comprehensive Income and Expenditure | | | | (545,002) | | | (460,116) |
| Total Comprehensive Income and Expenditure | | | | (593,957) | | | (400,111) |

*2021/22 has been restated to reflect changes in departmental structure.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The net increase/decrease before the transfers to earmarked reserves line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves have been undertaken by the council.

MOVEMENT IN RESERVES 2022/23

| | General Fund Balances | | | | | | | | | | |
|--|-----------------------|---------------------------------|---------------------------|----------------------------------|---------------------------------|---------------------------------------|-----------------------|--------------------------|-----------------------|-----------------------------|--------------------|
| | General Fund Balance | Earmarked General Fund Reserves | Schools Balances Reserves | Dedicated Schools Grant Reserves | Total General Fund (GF) Balance | Housing Revenue Account (HRA) Balance | Major Repairs Reserve | Capital Receipts Reserve | Total Usable Reserves | Unusable Reserves (Note 23) | Total Reserves |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance as at 1 April 2021 | (21,002) | (204,613) | (13,813) | - | (239,428) | (28,346) | (3,500) | (71,771) | (343,045) | (3,678,262) | (4,021,307) |
| <u>Movement in reserves during 2021/22</u> | | | | | | | | | | | |
| Surplus/(deficit) on the provision of services | 71,121 | - | - | - | 71,121 | (11,116) | - | - | 60,005 | - | 60,005 |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | - | - | - | (460,116) | (460,116) |
| Total Comprehensive Income and Expenditure | 71,121 | - | - | - | 71,121 | (11,116) | - | - | 60,005 | (460,116) | (400,111) |
| Adjustments between accounting basis & funding basis under regulations (Note 11) | (76,769) | - | - | - | (76,769) | 13,332 | 3,500 | (28,648) | (88,585) | 88,585 | - |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | (5,648) | - | - | - | (5,648) | 2,216 | 3,500 | (28,648) | (28,580) | (371,531) | (400,111) |
| Transfers to/(from) earmarked reserves | 4,205 | (3,627) | (578) | - | - | - | - | - | - | - | - |
| Increase/(Decrease) in Year | (1,443) | (3,627) | (578) | - | (5,648) | 2,216 | 3,500 | (28,648) | (28,580) | (371,531) | (400,111) |
| Balance as at 31 March 2022 | (22,445) | (208,240) | (14,391) | - | (245,076) | (26,130) | - | (100,419) | (371,625) | (4,049,793) | (4,421,418) |
| Balance as at 1 April 2022 | (22,445) | (208,240) | (14,391) | - | (245,076) | (26,130) | - | (100,419) | (371,625) | (4,049,793) | (4,421,418) |
| <u>Movement in reserves during 2022/23</u> | | | | | | | | | | | |
| Surplus/(deficit) on the provision of services | 74,886 | - | - | - | 74,886 | (123,841) | - | - | (48,955) | - | (48,955) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | - | - | - | (545,002) | (545,002) |
| Total Comprehensive Income and Expenditure | 74,886 | - | - | - | 74,886 | (123,841) | - | - | (48,955) | (545,002) | (593,957) |
| Adjustments between accounting basis & funding basis under regulations (Note 11) | (85,595) | - | - | - | (85,595) | 130,513 | - | (307) | 44,611 | (44,611) | - |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | (10,709) | - | - | - | (10,709) | 6,672 | - | (307) | (4,344) | (589,613) | (593,957) |
| Transfers to/(from) earmarked reserves | 10,711 | (4,250) | 723 | (7,184) | - | - | - | - | - | - | - |
| Increase/(Decrease) in Year | 2 | (4,250) | 723 | (7,184) | (10,709) | 6,672 | - | (307) | (4,344) | (589,613) | (593,957) |
| Balance as at 31 March 2023 | (22,443) | (212,490) | (13,668) | (7,184) | (255,785) | (19,458) | - | (100,726) | (375,969) | (4,639,406) | (5,015,375) |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date 31 March of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt).

The second category is unusable reserves which the council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations.'

| | Notes | 31 March 2023 £000 | 31 March 2022 £000 |
|-------------------------------|-------|-----------------------|-----------------------|
| Property, plant and equipment | 13 | 5,816,997 | 5,500,643 |
| Heritage assets | | 1,223 | 1,223 |
| Investment property | 14 | 313,232 | 338,164 |
| Long-term investments | 39 | 13,822 | 19,994 |
| Long-term debtors | 17 | 29,235 | 24,896 |
| Long Term Assets | | 6,174,509 | 5,884,920 |
| Short-term investments | 39 | 125,320 | 87,141 |
| Inventories | | 520 | 480 |
| Short-term debtors | 17 | 153,174 | 193,009 |
| Assets held for sale | 15 | 14,576 | 14,531 |
| Cash and cash equivalents | 16 | 80,878 | 54,420 |
| Current Assets | | 374,468 | 349,581 |
| Short-term borrowing | 39 | (103,138) | (199,180) |
| Short-term creditors | 18 | (247,380) | (305,399) |
| Short-term provisions | 19 | (510) | (769) |
| Grants receipts in advance | 21 | (207,812) | (121,931) |
| Bank overdraft | 16 | (6,225) | (6,968) |
| Current Liabilities | | (565,065) | (634,247) |
| Long-term creditors | 18 | (6,703) | (7,648) |
| Long-term provisions | 19 | (22,470) | (23,275) |
| Long-term borrowing | 39 | (894,821) | (702,471) |
| Pension liabilities | 38 | 26,783 | (371,352) |
| Other long-term liabilities | 36 | (71,326) | (74,090) |
| Long Term Liabilities | | (968,537) | (1,178,836) |
| Net Assets | | 5,015,375 | 4,421,418 |
| Usable reserves | 12 | (375,969) | (371,625) |
| Unusable reserves | 23 | (4,639,406) | (4,049,793) |
| Total Reserves | | (5,015,375) | (4,421,418) |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

CASH FLOW STATEMENT

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

| | Notes | 2022/23 £000 | 2021/22 £000 |
|---|-------|-----------------|-----------------|
| Net surplus or (deficit) on the provision of services | | 48,955 | (60,005) |
| Adjustment to surplus or (deficit) on the provision of services for non cash movements | 24 | 223,787 | 335,243 |
| Adjust for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities | 24 | (182,259) | (115,243) |
| Net cash flows from operating activities | | 90,483 | 159,995 |
| Net cash flows from investing activities | 25 | (152,209) | (138,426) |
| Net cash flows from financing activities | 26 | 88,927 | 3,511 |
| Net increase or (decrease) in cash and cash equivalents | | 27,201 | 25,080 |
| Cash and cash equivalents at the beginning of the reporting period | 16 | 47,452 | 22,372 |
| Cash and cash equivalents at the end of the reporting period | | 74,653 | 47,452 |

**DISCLOSURE NOTES TO THE ACCOUNTS
2022/23**

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

Note 1. EXPENDITURE AND FUNDING ANALYSIS

The analysis shows how annual expenditure is used and funded from resources by the Council in comparison to those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services departments, as stated in the narrative report. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

| Expenditure and Funding Analysis | 2022/23 | | | | | *Restated 2021/22 | | | | |
|--|--|--|---|---|---|--|--|---|---|---|
| | As reported for resource management (Narrative report) | Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances | Net expenditure chargeable to the General Fund and HRA balances | Adjustments between funding and accounting basis (Note 7) | Net expenditure in the Comprehensive Income and Expenditure Statement | As reported for resource management (Narrative report) | Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances | Net expenditure chargeable to the General Fund and HRA balances | Adjustments between funding and accounting basis (Note 7) | Net expenditure in the Comprehensive Income and Expenditure Statement |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Children and Adults (including dedicated schools grant) | 168,527 | (21,883) | 146,644 | 28,088 | 174,732 | 175,496 | (9,375) | 166,121 | 57,560 | 223,681 |
| Environment Neighbourhoods and Growth | 91,484 | (16,551) | 74,933 | 22,554 | 97,487 | 85,562 | (8,666) | 76,896 | 23,781 | 100,677 |
| Finance | 23,777 | (17,150) | 6,627 | 37,236 | 43,863 | 24,469 | (45,413) | (20,944) | 61,740 | 40,796 |
| Governance and Assurance | 24,809 | (141) | 24,668 | 32,933 | 57,601 | 25,060 | 297 | 25,357 | 2,046 | 27,403 |
| Strategy and Communities | 5,792 | (1,163) | 4,629 | 534 | 5,163 | 3,981 | 4,396 | 8,377 | 534 | 8,911 |
| Housing GF | 21,270 | (11,050) | 10,220 | 2,990 | 13,210 | 22,585 | (26,892) | (4,307) | 2,340 | (1,967) |
| Housing Revenue Account (HRA) | - | 6,672 | 6,672 | (8,269) | (1,597) | - | 2,216 | 2,216 | 39,764 | 41,980 |
| Support cost reallocations | (42,423) | 42,423 | - | - | - | (42,976) | 42,976 | - | - | - |
| Net cost of services | 293,236 | (18,843) | 274,393 | 116,066 | 390,459 | 294,177 | (40,461) | 253,716 | 187,765 | 441,481 |
| Other income and expenditure | (293,235) | 14,805 | (278,430) | (160,984) | (439,414) | (293,121) | 35,973 | (257,148) | (124,328) | (381,476) |
| (Surplus)/Deficit | 1 | (4,038) | (4,037) | (44,918) | (48,955) | 1,056 | (4,488) | (3,432) | 63,437 | 60,005 |
| Opening General Fund and HRA Balance at 1 April | | | (271,206) | | | | | (267,774) | | |
| (Surplus)/Deficit on General Fund and HRA Balance in year | | | (4,037) | | | | | (3,432) | | |
| Closing General Fund HRA Balance at 31 March | | | (275,243) | | | | | (271,206) | | |

*2021/22 has been restated to reflect changes in departmental structure.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The Statement of Accounts summarises the council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices, under section 21 of the 2003 Act, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts has been prepared using the going concern and accruals bases. The historical cost convention has been applied, modified by the valuation of the following material categories of non-current assets and financial instruments:

| Class of assets | Valuation basis |
|--|--|
| Property, plant and equipment - dwellings | Current value, comprising existing use value for social housing; dwellings are valued using market prices for comparable properties, adjusted to reflect occupancy under secured tenancies. |
| Property, plant and equipment - land and buildings | Current value, comprising existing use value; where prices for comparable properties are available in an active market, properties are valued at market value taking into account the existing use. Where no market exists or the property is specialised, current value is measured at depreciated replacement cost |
| Property, plant and equipment - surplus assets | Fair value |
| Investment properties | Fair value |
| Financial instruments - fair value through profit and loss | Fair value |
| Pensions assets | Fair value |

2.1.1 Highways Network Infrastructure Assets

Highways network infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

2.1.2 Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accruals basis, provided that it is probable that the future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably.

2.1.3 Measurement

Highways network infrastructure assets are generally measured at depreciated historical costs. However, this is a modified form of historical costs – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost. Where impairment losses are identified they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

2.1.4 Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systemic allocation of their depreciable amounts over their useful lives. Annual depreciation is the depreciation amount allocated each year. Depreciation is first charged the year after capitalisation. Useful lives of the highways network are assessed using industry standards where applicable as follows and the useful lives typically used are:

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

| Category of Infrastructure Asset | Useful Economic Life (yrs) |
|----------------------------------|----------------------------|
| Build & Architecture | 15 |
| Carriageways | 25 |
| Footways | 30 |
| Hard Landscaping | 25 |
| Highways Structure | 50 |
| Soft Landscaping | 5 |
| Street Lighting | 25 |
| Street Furniture | 15 |
| Highway Drainage | 25 |
| Parks Infrastructure | 10 |

2.1.5 Disposals and Derecognitions

When a significant component of the Network is disposed of or decommissioned, the carrying amount of the component in the balance sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Where a part of the network is replaced, an adaptation provided in a separate update to the Code assumes that from the introduction of the IFRS based Code when parts of the asset are replaced or restored the carrying amount of the derecognised part will be zero because parts of infrastructure assets are rarely replaced before the part has been fully consumed.

In accordance with the temporary relief offered by the update to the Accounting Code on infrastructure assets this note does not include a disclosure of gross costs and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position (as rather than manually derecognising infrastructure components as they are replaced we assume (as per adoption of the Statutory Instrument issued by central government (DLUHC) in December 2022) that the assets being replaced have a gross book value of nil). The council is assured that this is the case following a review of the useful lives reported and assert that overall assets are being replaced in line with the useful lives proposed in the accounting policy.

2.2 Adjustments between accounting basis and funding basis

The resources available to the council in any financial year and the expenses that are charged against those resources are specified by statute (the Local Government Act 2003 and the 2003 Regulations).

Where the statutory provisions are different from the accruals basis used in the Comprehensive Income and Expenditure Statement, adjustments to the accounting treatment are made in the Movement in Reserves Statement (MiRS) so that usable reserves reflect the funding available at the year end. Unusable reserves are created to manage the timing differences between the accounting and funding bases.

The material adjustments are:

| Category | Accounting basis in | Funding basis in MiRS | Adjustment account |
|---|---|---|----------------------------|
| Property, plant and equipment | Depreciation and revaluation/ impairment losses | Revenue provision to cover historical cost determined in accordance with 2003 regulations | Capital adjustment account |
| Intangible assets | Amortisation and impairment | | |
| Investment properties | Movement in fair value | | |
| Revenue expenditure funded from capital under statute | Expenditure incurred in year | | |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

| Category | Accounting basis in | Funding basis in MiRS | Adjustment account |
|----------------------------------|---|---|--|
| Capital grants and contributions | Grants that became unconditional in year or were received in year without conditions | No credit | Capital grants unapplied reserve (unapplied at 31 March) Capital adjustment account (other amounts) |
| Non-current asset disposals | Gain or loss based on sale proceeds less carrying amount of asset (net of costs of disposal) | No charge or credit | Capital adjustment account (carrying amount) Capital receipts reserve (sale proceed and cost of disposal) Deferred capital receipts reserve (sale proceeds not yet received) |
| Financial instruments | Premiums payable and discounts receivable on early repayment of borrowing in 2022/23 Losses on soft loans and interest receivable on an amortised cost basis Movements in the fair value of money market fund investments | Deferred debits/credits of premiums/discounts from earlier years Interest due to be received on soft loans in year Historical cost gains/losses for money market fund investments disposed of in year | Financial instruments adjustment account |
| Pension costs | Movements in pensions assets and liabilities | Employers pension contributions payable and direct payments made by the council to pensioners | Pensions reserve |
| Council tax | Accrued income from 2022/23 bills | Demand on the Collection Fund for 2022/23 plus share of estimated surplus/deficit for 2021/22 | Collection Fund adjustment account |
| Business rates | Accrued income from 2022/23 bills | Budgeted income receivable from the Collection Fund for 2022/23 plus share of estimated surplus/deficit 2021/22 | Collection Fund adjustment account |
| Holiday pay | Projected cost of untaken leave entitlements at 31 March 2023 | No charge | Accumulated absence adjustment account |
| Dedicated schools grant (DSG) | Expenditure incurred in 2022/23 to be met from dedicated schools grant | Expenditure incurred up to the amount of the grant receivable for 2022/23 | Dedicated schools grant adjustment account |

**SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23**

2.3 Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

- 2.3.1 Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- 2.3.2 Revenue from contracts with service recipients is recognised when it satisfies a performance obligation by transferring promised goods or services to a recipient, measured as the amount of the overall transaction price allocated to that obligation.
- 2.3.3 Other revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- 2.3.4 Revenue from housing rents is recognised in the year the billing amount falls due.
- 2.3.5 Revenue relating to council tax and business rates is measured at the full amount receivable (net of any impairment losses) as it is a non-contractual, non-exchange transaction with no difference between the delivery and payment dates. It is recognised in the financial statements when it is probable that the economic benefits associated with the transaction will flow to the authority, and the amount of the revenue can be measured reliably.
- 2.3.6 Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories in the Balance Sheet.
- 2.3.7 Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- 2.3.8 Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- 2.3.9 Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

2.4 Business improvement districts

A business improvement district (BID) scheme may apply across the whole of the council, or to specific areas of the council. Schemes are funded by a BID levy paid by non-domestic ratepayers. The council acts as principal under these schemes, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement. Southwark has five BIDs in operation; Better Bankside, Blue Bermondsey, Southbank, Team London Bridge and We Are Waterloo.

2.5 Employee benefits

Termination benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the finance and governance line in the Comprehensive Income and Expenditure Statement at the earliest of when the council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructure.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

Post employment benefits

Employees of the council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' pensions on behalf of the Department for Education
- The Local Government Pensions Scheme, administered by Southwark council and the London Pension Fund Authority
- The NHS Pension Scheme, administered by NHS pensions

All the schemes provide defined benefits to members, i.e. retirement lump sums and pensions, earned as employees worked for the council.

However, the arrangements for the teachers' scheme and the NHS scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the council. These schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. Within the Comprehensive Income and Expenditure Statement the Children's and adults' and Environment and leisure service lines are respectively charged with employer's contributions payable to Teachers' Pensions and NHS Pensions in the year.

Employment benefits - the Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme. The council contributes to two pension funds – its own, the London Borough of Southwark Pension Fund, and that of the London Pension Fund Authority Pension Fund.

The council's shares of its liabilities in both funds are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices, the disclosures in note 37 to the Statement of Accounts set out the discount rates and assumptions applied by each fund.

The assets of funds attributable to the council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The change in the net pensions liability is analysed into the following components:

- Service cost comprising
 - current service cost – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of finance and governance
 - net interest on the net defined benefit liability (asset) - charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement
- Remeasurements comprising
 - the return on plan assets excluding amounts included in net interest on the net defined benefit liability (asset); charged to the pensions reserve, as other comprehensive income and expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions; charged to the pensions reserve as other comprehensive income and expenditure
- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

Discretionary benefits

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

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

2.6 Financial instruments

Financial instruments are recognised on the Balance Sheet when the council becomes a party to the contractual provisions and are initially measured at fair value.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost. For most of the council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest. Annual charges to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The authority holds financial assets measured at:

- amortised cost – assets whose contractual terms are basic lending arrangements where cash flows are solely payments of principal and interest and the council's business model is to collect these cash flows
- fair value through other comprehensive income (FVOCI) – where cash flows are solely payments of principal and interest and the council's business model is to both collect these cash flows and sell the instruments
- fair value through profit or loss (FVPL) – all other financial assets

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances are debited/credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

Changes in the value of assets carried at fair value (described as fair value through profit and loss) are debited/credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement as they arise.

2.7 Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the council when there is reasonable assurance that:

- the council will comply with the conditions attached to the payments, and
- the grants or contributions will be received

Amounts recognised as due to the council are carried on the Balance Sheet as grants received in advance and only credited to the Comprehensive Income and Expenditure Statement when conditions attached to the grant or contribution have been satisfied.

The grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non specific grant income and expenditure (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

2.8 Investment property

Investment properties are those that are held solely to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value, based on the highest or best price that can be obtained in the most advantageous market, in an arms-length transaction between knowledgeable participants at the measurement date. Investment properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

2.9 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The council as lessee - finance leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Premiums paid on entry into a lease are applied to writing down the lease liability. Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement)

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the council at the end of the lease period).

The council as lessee - operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The council as lessor - operating leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the financing and investment income line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

2.10 Overheads and support services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the absorption costing principle. The full cost of overheads and support services is shared between users.

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principle. The full cost of overheads and support services is shared between users in proportion to the benefits received, with the exception of:

- The chief executive's, finance and governance, housing and modernisation and HRA services contain costs relating to the council's status as a multi-functional, democratic organisation
- The finance and governance directorate contains the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

2.11 Private finance initiative (PFI) and similar contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the council at the end of the contracts for no additional charge, the council carries the assets used under the contracts on its Balance Sheet as part of property, plant and equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

2.12 Property, plant and equipment (PPE)

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. If the amount of expenditure on an individual asset within other land and buildings is above £0.4m, details of the works are provided to the valuer with a request to revalue the asset.

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

Certain categories of property, plant and equipment are measured subsequently at current value – see 2.1 for details. Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

Assets are assessed at each year-end as to whether there is any indication that items have been impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for in the same way as revaluation losses.

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and community assets) and assets that are not yet available for use (i.e. assets under construction).

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

Useful lives are assessed on the following bases:

- Council dwellings – weighted average life based on major components – typically 50-60 years
- Other operational buildings – as valuation – 10-60 years
- Surplus assets – as valuation – 9-40 years
- Vehicles, furniture and IT hardware – 5-8 years
- Plant, fittings and play equipment – 7-15 years
- Infrastructure assets – 5-50 years
- Intangible assets – 3-5 years

Where an item of property has major components whose cost or value is 20% or more of the total cost or value of the non-land element of the property and whose useful economic life differs by 10 years or more from the life of the main asset, the components are depreciated separately. In principle the policy for componentisation applies to all items of Property, Plant and Equipment (PPE), however typically PPE items other than property assets are not of a nature that would require the policy to be applied, such that only property assets are considered for componentisation.

Depreciation is not provided for on newly acquired assets or construction or enhancement expenditure in the year of acquisition, construction or enhancement. A full year's depreciation is provided for in the year in which an asset is derecognised.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

Sites under development

Where the council is holding land for the purpose of constructing dwellings the land is held in surplus assets until the construction work commences. Once construction work commences and is anticipated to last longer than 12 months, the asset is transferred to assets under construction. Once substantially complete the valuer is asked to value the site as a completed development, including land value and the construction costs incurred to date, and the asset is transferred to operational assets.

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the surplus or deficit on provision of services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to right to buy disposals (net of statutory deductions and allowances) is payable to the government based on an agreed schedule. The balance of receipts is required to be credited to the capital receipts reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the general fund balance in the Movement in Reserves Statement.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

2.13 Provisions, contingent liabilities and contingent assets

Provisions

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

Contingent assets

A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent assets are not recognised in the balance sheet but disclosed in a note to the accounts.

2.14 Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement.

The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits, and do not represent usable resources for the council – these reserves are explained in the relevant policies above.

2.15 Schools

The Code specifies that all schools maintained by the council are deemed to be under the council's control. The transactions and balances attributable to the governing bodies of the maintained schools have been consolidated into the council's financial statements, applying accounting policies for recognition and measurement consistent with those applied by the council to its own income, expenditure, cash flows, assets and liabilities. Transactions and balances between the council and schools have been eliminated.

2.16 Value added tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

2.17 Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

2.18 Accounting for schools non-current assets

The council has undertaken a school by school assessment across the different types of school it controls. Judgements have been made to determine the arrangements in place and the accounting treatment of the non-current assets. The council has concluded that the assets of most foundation and voluntary aided schools in the borough should not be brought onto the balance sheet as these assets are not controlled by the council but rather by whichever trust or religious body is associated with each individual school.

| | Number of schools | Value of land and buildings recognised £000 |
|--|-------------------|--|
| Community schools, nursery schools and special schools | 46 | 405,919 |
| Voluntary aided faith schools and foundation schools | 25 | - |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

| | |
|----------------|---|
| IFRS 16 Leases | <p>These provisions would not be mandatory until 2024/25. The council is not planning to implement IFRS16 until this becomes mandatory.</p> <p>The main impact of IFRS16 will relate to property that the council holds under operating leases, for which assets and liabilities are not recognised and rents are generally charged as revenue expenditure when they are payable.</p> <p>Under IFRS16, the accounting treatment for all leases (except those with a term of less than 12 months and those involving low value items) will be to recognise a right-of-use asset in the Balance Sheet, measuring the value of the council's right to use the property over the remaining term of the lease. The Balance Sheet will also include a liability for the rents payable before the lease expires.</p> <p>When rents are paid, they will be applied partly to write down the liability and partly charged as interest on the outstanding liability. The cost of the right-of-use asset will be reflected in depreciation charges in the Comprehensive Income and Expenditure Statement. However, statutory arrangements are in place that will allow the impact on the General Fund Balance to be unchanged – i.e. that the overall charge for each year will be the rents payable in that year.</p> |
|----------------|---|

There are no changes in accounting requirements for 2023/24 that are anticipated to have a material impact on the council's financial performance or financial position.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in note 2, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

4.1 Accounting for Canada Water development

In May 2018 the council entered the Master Development Agreement (MDA) at Canada Water with British Land (BL). The primary purpose in entering into the MDA was to bring about the comprehensive regeneration of the area for the benefit of the local community. The MDA will underpin the delivery of around 3,000 new homes, up to 20,000 new jobs, significant improvements to the public realm and a new council leisure centre. A secondary consideration was to generate income to support service delivery. To that end, the agreement gives the council an option to invest on commercial terms in the project.

Planning consent for the Canada Water Masterplan was granted in May 2020 and, with all pre-conditions being met, a 500 year headlease was granted to British Land by the council on 16 December 2020. The headlease is the ownership basis that allows BL to deliver the regeneration project.

The MDA is structured as a land transaction that credits the council with a 20% ownership stake in project land, as well as the right to invest up to 20% of the cost of developing each plot; in return for a commensurate share of the development value created. As each plot comes forward for development, the council will have the option to either invest in that plot to maintain the council's ownership, sell out its interest or retain the land interest and not invest into that plot.

The substance of the overall agreement is that the council will retain the freehold of its land holding so that it can have some control over the development and future operation of the site through the headlease, but without having sufficient control over the use of the property that it would remain as an asset for the council. The council's remuneration for the leasehold will be resolved as a result of future developments. British Land substantially has the right to use the project land over the 500 year term of the lease as well as the risks and rewards of ownership from future development thereby substantially controls the use of the asset. Key factors such as the long length of the lease term, its indeterminable residual value and the fact that BL has independently commenced the development of new plots have led the council to make the critical judgement is that this arrangement is deemed to be a finance lease.

Future rental streams are dependent on future investment decisions, it is not possible to reliably estimate these at this stage. Accordingly the amounts received under the lease will be contingent rents, to be credited to the Comprehensive Income and Expenditure Statement as received.

The council has previously decided to investment in a new leisure centre which will be housed on the development. The council will make a payment towards the cost of construction, capped at £35m. Affordable housing units are also to be provided under the agreement and the council has an option to buy these units. In January 2021 the council decided to buy the 79 affordable homes to be built in the first phase of the development. These will be operated and managed as council homes. Both of these investments are budgeted for and included in existing council programmes. There are no critical judgements necessary for the Canada Water leisure centre at this point, as is not material at this stage of the project. Capital expenditure will be reflected on balance sheet as an asset under construction until completion of the build which will be in a future financial year. Contractual capital commitments are stated within the PPE note 13.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, since balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the council's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

5.1 Valuation of property, plant and equipment (PPE)

In compliance with the Code assets held at current value are revalued on a rolling basis such that assets are revalued every five years as a minimum. Assets are revalued more frequently where there is indication that a material change has taken place (see accounting policies for how this assessment is made).

The estimated remaining useful life of all operational assets is reviewed annually based on advice from valuers.

A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.

5.2 Valuation of HRA Dwellings (part of PPE)

The HRA residential portfolio is valued based on a beacon methodology. In order to value the whole portfolio, it was necessary to research a number of information sources. These include sales of directly comparable property, changes of income flow for non-residential property, information available at a local level showing house price movement plus regional and national indices.

5.3 Movement in property valuations analysis

A sensitivity analysis detailing movement in valuations is as follows:

| Asset category | Assets valued at 31 March 2023 £000 | Increase in valuation | | Decrease in valuation | |
|--------------------------|--|-----------------------|----------------|-----------------------|------------------|
| | | 1% £000 | 5% £000 | 1% £000 | 5% £000 |
| Council dwellings | 3,687,539 | 36,875 | 184,377 | (36,875) | (184,377) |
| Other land and buildings | 934,063 | 9,341 | 46,703 | (9,341) | (46,703) |
| Surplus assets | 113,070 | 1,131 | 5,654 | (1,131) | (5,654) |
| Investment property | 313,232 | 3,132 | 15,662 | (3,132) | (15,662) |
| Assets held for sale | 14,576 | 146 | 729 | (146) | (729) |
| Total | 5,062,480 | 50,625 | 253,125 | (50,625) | (253,125) |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

5.4 Defined benefit pension liability

The council recognises its outstanding liabilities to meet future pensions costs, and accounts for those liabilities in accordance with IAS 19. At 31 March 2023 the outstanding net pensions liability was assessed at £-26.8m (£371.4m at 31 March 2022). For two of the pension funds the council contributes to, its own and that of the London Pension Fund Authority, the council's outstanding liability is assessed by consulting actuaries to each fund.

Estimation by the actuaries of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The effects on the net pension's liability of changes in individual assumptions can be measured. The estimates, assumptions and sensitivity of changes in assumptions are provided in note 38.

5.5 Impairment allowance for doubtful debt

As at 31 March 2023, the council had an outstanding balance of short-term debtors totalling £245.1m. Against this debtors' balance, there is an impairment allowance of £92m. It is not certain that this impairment allowance would be sufficient as the council cannot assess with certainty which debts will be collected or not. The economic impact of the Covid-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts were authorised for issue by the Strategic Director of Finance on 30 June 2023. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no non-adjusting events after the balance sheet date.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS: ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS

| | 2022/23 | | | | *Restated 2021/22 | | | |
|--|----------------------------------|---|-------------------|-------------------|----------------------------------|---|-------------------|-------------------|
| Adjustments from General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts | Adjustments for Capital Purposes | Net change for the Pensions Adjustments | Other Differences | Total Adjustments | Adjustments for Capital Purposes | Net change for the Pensions Adjustments | Other Differences | Total Adjustments |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Children and Adults | 18,840 | 19,759 | (10,511) | 28,088 | 45,283 | 20,836 | (8,559) | 57,560 |
| Environment Neighbourhoods and Growth | 26,871 | 11,569 | (15,886) | 22,554 | 23,749 | 13,909 | (13,877) | 23,781 |
| Finance | (12,161) | (6,298) | 55,695 | 37,236 | (6,096) | (4,566) | 72,402 | 61,740 |
| Governance and Assurance | 34,272 | 1,795 | (3,134) | 32,933 | 2,679 | 2,280 | (2,913) | 2,046 |
| Strategy and Communities | - | 551 | (17) | 534 | - | 552 | (18) | 534 |
| Housing GF | 1,708 | 941 | 341 | 2,990 | 1,326 | 1,144 | (130) | 2,340 |
| Housing Revenue Account (HRA) | 4,554 | 7,027 | (19,850) | (8,269) | 46,537 | 8,675 | (15,448) | 39,764 |
| | | | | | | | | |
| Net cost of services | 74,084 | 35,344 | 6,638 | 116,066 | 113,478 | 42,830 | 31,457 | 187,765 |
| | | | | | | | | |
| Other income and expenditure from the funding analysis | (130,637) | 9,411 | (39,758) | (160,984) | (88,956) | 13,982 | (49,354) | (124,328) |
| | | | | | | | | |
| Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit | (56,553) | 44,755 | (33,120) | (44,918) | 24,522 | 56,812 | (17,897) | 63,437 |

*2021/22 has been restated to reflect changes in departmental structure.

Adjustments for Capital purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service line. For other operating expenditure it adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets. For financing and investment income and expenditure it adjusts for the statutory charges for capital financing and investment i.e. minimum revenue provision (MRP) and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

For taxation and non-specific grant income and expenditure, capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied through out the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

**7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS: ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS
continued**

Net change for the pensions adjustments

This column adjusts for the net change for the renewal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income. For services, this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs. For financing and investment income and expenditure, this adjusts for the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Other differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute. For net cost of services other differences, this represents removal of the annual leave accrual adjustment, dedicated schools grant deficit adjustment, finance costs, premiums and financial instruments adjustments. For financing and investment income and expenditure the other differences column recognises adjustments to General Fund for the timing differences for premiums and discounts and financial instruments. The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and non-domestic rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the CIPFA Code of Accounting Practice for Local Authorities 2022/23. This is a timing difference as any difference will be brought forward in future surpluses or deficits in the Collection Fund.

An analysis of the nature of Income and Expenditure:

| | 2022/23 | 2021/22 |
|---|--------------------|--------------------|
| | £000 | £000 |
| Expenditure | | |
| Employee expenses | 438,328 | 424,430 |
| Other services expenses | 749,103 | 748,400 |
| Depreciation, amortisation and impairment | 154,176 | 116,256 |
| Interest payments | 50,033 | 37,207 |
| Precepts and levies | 2,030 | 2,029 |
| Net losses on the disposal of assets | 17,398 | 33,058 |
| Subtotal | 1,411,068 | 1,361,380 |
| Income | | |
| Fees, charges and other service income | (423,652) | (348,972) |
| Interest and investment income | 1,164 | (24,830) |
| Income from council tax and business rates (NDR) | (215,038) | (196,499) |
| Government grants and contributions | (785,608) | (684,445) |
| Net (gains) on disposal of assets | (36,889) | (46,629) |
| Subtotal | (1,460,023) | (1,301,375) |
| (Surplus) / deficit on the provision of services | (48,955) | 60,005 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

8. OTHER OPERATING INCOME AND EXPENDITURE

| | 2022/23 | 2021/22 |
|---|-----------------|----------------|
| | £000 | £000 |
| Levies | 2,030 | 2,029 |
| Payment to the government's housing capital receipts pool | - | 4,266 |
| (Gain)/loss on the disposal of non-current assets | (19,491) | (13,571) |
| Total Other Operating Expenditure | (17,461) | (7,276) |

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| | 2022/23 | 2021/22 |
|--|---------------|---------------|
| | £000 | £000 |
| Interest payable and similar charges | 40,621 | 37,208 |
| Grant contributions towards interest costs on PFI schemes | - | (9,935) |
| Net interest on the net defined benefit liability | 9,412 | 13,982 |
| Interest receivable and similar income | (8,214) | (3,918) |
| Income, expenditure and changes in the fair value of investment properties | 11,336 | (24,880) |
| Total Financing and Investment Income and Expenditure | 53,155 | 12,457 |

10. TAXATION AND NON-SPECIFIC GRANT INCOME

| | 2022/23 | 2021/22 |
|---|------------------|------------------|
| | £000 | £000 |
| Council Tax Income | (130,184) | (122,332) |
| Non-domestic rates income and expenditure | (84,853) | (74,167) |
| Un-ringfenced government grants | (114,700) | (122,127) |
| Capital Grants and contributions | (145,371) | (68,031) |
| Total Taxation and Non-Specific Grant Income | (475,108) | (386,657) |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments made to the total comprehensive income and expenditure recognised by the council in the year and to the resources that are specified by statutory provisions as being available to the council to meet future capital and revenue expenditure. This is in accordance with proper accounting practice. The following sets out a description of the reserves that the adjustments are made against.

General Fund balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year. The balance is not available to be applied to fund HRA services.

Housing Revenue Account balance

The Housing Revenue Account balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the council's landlord function. The balance is not available to be applied to fund General Fund services.

Major repairs reserve

The Major Repairs Reserve controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure for the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land and other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied account holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the income but which has yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and or the financial year in which this can take place.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS
continued

| 2022/23 | Usable Reserves | | | | | Movement in Unusable Reserves |
|--|----------------------|-------------------------|-----------------------|--------------------------|--------------------------|-------------------------------|
| | General Fund Balance | Housing Revenue Account | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Adjustments primarily involving the capital adjustment account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Charges for depreciation and impairment of non-current assets | (41,261) | (51,708) | - | - | - | 92,969 |
| Revaluation losses on Property, Plant and Equipment | (40,142) | (21,065) | - | - | - | 61,207 |
| Movements in the fair value of Investment Properties | (25,744) | (1,061) | - | - | - | 26,805 |
| Capital grants and contributions applied | 27,219 | 118,151 | - | - | - | (145,370) |
| Revenue expenditure funded from capital under statute | (16,099) | (423) | - | - | - | 16,522 |
| Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement | (4,867) | (12,531) | - | - | - | 17,398 |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Provision to reduce the capital financing requirement (minimum revenue provision MRP) | 11,193 | - | - | - | - | (11,193) |
| Lease and PFI repayment | 7,084 | 295 | - | - | - | (7,379) |
| Capital expenditure charged against the General Fund and HRA balances | 2,926 | 15,989 | - | - | - | (18,915) |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | - | - | - | - | - | - |
| Application of grants to capital financing transferred to the Capital Adjustment Account | - | - | - | - | - | - |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 2,865 | 34,024 | | (36,889) | - | - |
| Transfer from deferred debtors to usable capital receipts | | | | | - | - |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | | | 36,582 | - | (36,582) |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals | | | | | - | - |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | | | | | - | - |
| Adjustments primarily involving the deferred capital receipts reserve | | | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | - | - | - | - | - | - |
| Transfer to the Capital Receipts Reserve upon receipt of cash | - | - | - | - | - | - |
| Adjustments primarily involving the Major Repairs Reserve (MRR): | | | | | | |
| MRR credited with an amount equal to the depreciation charged to the HRA | | 51,708 | (51,708) | - | - | - |
| Posting of HRA resources from revenue to the Major Repairs Reserve | | | | - | - | - |
| Use of the Major Repairs Reserve to finance new capital expenditure | | | 51,708 | - | - | (51,708) |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS
continued

| 2022/23 Continued | General Fund Balance | Housing Revenue Account | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|---|---------------------------------|--|--------------------------------------|---|---|--|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Adjustments primarily involving the Financial Instruments Adjustment Account: | | | | | | |
| Repayment of premiums | 241 | 824 | - | - | - | (1,065) |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | (1,029) | 4,635 | - | - | - | (3,606) |
| Adjustments primarily involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (71,690) | (15,094) | - | - | - | 86,784 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 35,608 | 6,421 | - | - | - | (42,029) |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 1,326 | - | - | - | - | (1,326) |
| Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements | 25,953 | - | - | - | - | (25,953) |
| Adjustment primarily involving the Accumulated Absences Account: | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 823 | 347 | - | - | - | (1,170) |
| Adjustments primarily involving the Dedicated schools grant adjustment account: | | | | | | |
| Movement of negative Dedicated Schools grant reserve to the DSG adjustment account | | | - | - | - | - |
| Total adjustments | (85,594) | 130,512 | - | (307) | - | (44,611) |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS
continued

| 2021/22 | Usable Reserves | | | | | Movement in Unusable Reserves |
|--|----------------------|-------------------------|-----------------------|--------------------------|--------------------------|-------------------------------|
| | General Fund Balance | Housing Revenue Account | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Adjustments primarily involving the capital adjustment account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Charges for depreciation and impairment of non-current assets | (39,346) | (54,951) | - | - | - | 94,297 |
| Revaluation losses on Property, Plant and Equipment | (29,807) | (58,655) | - | - | - | 88,462 |
| Movements in the fair value of Investment Properties | 5,360 | 4,047 | - | - | - | (9,407) |
| Capital grants and contributions applied | 25,001 | 43,030 | - | - | - | (68,031) |
| Revenue expenditure funded from capital under statute | (12,057) | - | - | - | - | 12,057 |
| Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement | (12,819) | (20,239) | - | - | - | 33,058 |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Provision to reduce the capital financing requirement (minimum revenue provision MRP) | 9,106 | - | - | - | - | (9,106) |
| Lease and PFI repayment | 6,310 | 273 | - | - | - | (6,583) |
| Capital expenditure charged against the General Fund and HRA balances | 1,713 | 14,602 | - | - | - | (16,315) |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | - | - | - | - | - | - |
| Application of grants to capital financing transferred to the Capital Adjustment Account | - | - | - | - | - | - |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 3,118 | 44,094 | | (47,212) | - | - |
| Transfer from deferred debtors to usable capital receipts | - | - | | | - | - |
| Use of the Capital Receipts Reserve to finance new capital expenditure | - | - | | 13,709 | - | (13,709) |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals | - | (589) | | 589 | - | - |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | (4,266) | - | | 4,266 | - | - |
| Adjustments primarily involving the deferred capital receipts reserve | | | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | - | - | - | - | - | - |
| Transfer to the Capital Receipts Reserve upon receipt of cash | - | - | - | - | - | - |
| Adjustments primarily involving the Major Repairs Reserve (MRR): | | | | | | |
| MRR credited with an amount equal to the depreciation charged to the HRA | | 51,546 | (51,546) | - | - | - |
| Posting of HRA resources from revenue to the Major Repairs Reserve | | - | | - | - | - |
| Use of the Major Repairs Reserve to finance new capital expenditure | | - | 55,046 | - | - | (55,046) |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS
continued

| 2021/22 Continued | General Fund Balance £000 | Housing Revenue Account £000 | Major Repairs Reserve £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Unusable Reserves £000 |
|---|--|---|---|--|--|---|
| Adjustments primarily involving the Financial Instruments Adjustment Account: | | | | | | |
| Repayment of premiums | 242 | 824 | - | - | - | (1,066) |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 1,109 | 467 | - | - | - | (1,576) |
| Adjustments primarily involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (82,492) | (17,554) | - | - | - | 100,046 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 36,787 | 6,447 | - | - | - | (43,234) |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 3,027 | - | - | - | - | (3,027) |
| Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements | 11,914 | - | - | - | - | (11,914) |
| Adjustment primarily involving the Accumulated Absences Account: | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 1,387 | (10) | - | - | - | (1,377) |
| Adjustments primarily involving the Dedicated schools grant adjustment account: | | | | | | |
| Movement of negative Dedicated Schools grant reserve to the DSG adjustment account | (1,056) | | - | - | - | 1,056 |
| Total adjustments | (76,769) | 13,332 | 3,500 | (28,648) | - | 88,585 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

12. USABLE RESERVES

Reserves represent the authority's net worth and show its spending power. Usable reserves result from the authority's activities and can be spent in the future. This note sets out the amounts set aside and posted back to Usable Reserves in 2022/23, they include:

- **General Fund Reserve** – to cushion the impact of unexpected events or emergencies
- **Earmarked Reserves** – to provide financing to meet known or predicted future General Fund expenditure plans, and to carryforward revenue grants to meet grant funded revenue projects and commitments
- **School Balances** – amounts set aside for future expenditure in schools
- **HRA Reserves** - amounts specifically required by statute to be set aside and ringfenced for future investment in HRA
- **Capital Reserves** – includes capital receipts and capital grants set aside to finance future capital spending plans

| | 1 April 2021 | Transfer out 2021 | Transfer in 2021 | 31 March 2022 | 1 April 2022 | Transfer out 2022 | Transfer in 2022 | 31 March 2023 |
|---|------------------|----------------------|---------------------|------------------|------------------|----------------------|---------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| General Fund Reserve | (21,002) | - | (1,443) | (22,445) | (22,445) | 2 | - | (22,443) |
| Earmarked Reserves: | | | | | | | | |
| Corporate projects and priorities reserves | (22,803) | 3,927 | - | (18,876) | (18,876) | - | (20,703) | (39,579) |
| Service reviews and improvement reserves | (30,144) | - | (4,410) | (34,554) | (34,554) | 580 | - | (33,974) |
| Capital programme and other capital investment reserves | (24,497) | - | (12,226) | (36,723) | (36,723) | 964 | - | (35,759) |
| Strategic financial risk reserves | (54,324) | - | (11,273) | (65,597) | (65,597) | 6,419 | - | (59,178) |
| Technical liabilities and smoothing reserves | (19,420) | - | (7,198) | (26,618) | (26,618) | - | (12,292) | (38,910) |
| Covid-19 reserves | (53,425) | 27,553 | - | (25,872) | (25,872) | 23,399 | - | (2,473) |
| Revenue grants reserve | - | - | - | - | - | - | (2,617) | (2,617) |
| Total Earmarked Reserves | (204,613) | 31,480 | (35,107) | (208,240) | (208,240) | 31,362 | (35,612) | (212,490) |
| Schools Reserves | | | | | | | | |
| Schools DSG Reserve | - | - | - | - | - | - | (7,184) | (7,184) |
| Schools balances | (13,813) | - | (578) | (14,391) | (14,391) | 723 | - | (13,668) |
| Total Schools Reserves | (13,813) | - | (578) | (14,391) | (14,391) | 723 | (7,184) | (20,852) |
| HRA Reserves | | | | | | | | |
| HRA General Reserve | (28,346) | 2,216 | - | (26,130) | (26,130) | 6,672 | - | (19,458) |
| Major Repairs Reserve | (3,500) | 55,046 | (51,546) | - | - | 51,708 | (51,708) | - |
| Total HRA Reserves | (31,846) | 57,262 | (51,546) | (26,130) | (26,130) | 58,380 | (51,708) | (19,458) |
| Capital Reserves | | | | | | | | |
| Capital Receipts Reserve | (71,771) | 18,564 | (47,212) | (100,419) | (100,419) | 36,582 | (36,889) | (100,726) |
| Capital Grants Unapplied Reserve | - | - | - | - | - | - | - | - |
| Total Capital Reserves | (71,771) | 18,564 | (47,212) | (100,419) | (100,419) | 36,582 | (36,889) | (100,726) |
| Total Usable Reserves | (343,045) | 107,306 | (135,886) | (371,625) | (371,625) | 127,049 | (131,393) | (375,969) |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

13. PROPERTY, PLANT AND EQUIPMENT (PP&E)

This note summarises the changes that have taken place during the year to the carrying amounts of the council's net book value of property, plant and equipment.

| 2022/23 | Council Dwellings | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | *Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | TOTAL PP&E | PFI Assets Included in Property, Plant and Equipment |
|---|-------------------|--------------------------|--|------------------------|------------------|----------------|---------------------------|------------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Gross Book Value | | | | | | | | | |
| Opening balance | 3,538,920 | 964,605 | 115,698 | 329,983 | 18,382 | 125,976 | 497,945 | 5,591,509 | 89,261 |
| Additions | 104,961 | 15,371 | 15,313 | 18,767 | 599 | 44 | 232,586 | 387,641 | 2,353 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 64,296 | (23,305) | - | - | - | (12,593) | - | 28,398 | (446) |
| Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (61,303) | | | | | | | (61,303) | |
| Derecognition – Disposals | (10,874) | (1,727) | | | | | (3,575) | (16,176) | - |
| Derecognition – Other | | | | | | | | - | - |
| Assets reclassified | 51,539 | (20,881) | | | | (357) | (33,507) | (3,206) | - |
| Balance as at 31 March 2023 | 3,687,539 | 934,063 | 131,011 | 348,750 | 18,981 | 113,070 | 693,449 | 5,926,863 | 91,168 |
| Depreciation and Impairment | | | | | | | | | |
| Opening balance | (286) | (9,056) | (80,308) | - | (901) | (119) | (196) | (90,866) | (10,359) |
| Depreciation charge | (50,209) | (16,185) | (6,882) | (19,577) | - | (21) | | (92,874) | (2,152) |
| Depreciation written out on revaluations recognised in the Revaluation Reserve | 57,917 | 15,102 | | | | 89 | | 73,108 | 223 |
| Depreciation written out on revaluations recognised in the Surplus/Deficit on the Provision of Services | - | | | | | | | - | |
| Derecognition – Disposals | 155 | 238 | | | | | - | 393 | - |
| Derecognition – Other | | | | | | | | - | - |
| Assets reclassified | | 325 | | | | 48 | | 373 | - |
| Balance as at 31 March 2023 | 7,577 | (9,576) | (87,190) | (19,577) | (901) | (3) | (196) | (109,866) | (12,288) |
| Net Book Value at 31 March 2023 | 3,695,116 | 924,487 | 43,821 | 329,173 | 18,080 | 113,067 | 693,253 | 5,816,997 | 78,880 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

13. PROPERTY, PLANT AND EQUIPMENT (PP&E) continued

| 2021/22 | Council Dwellings £000 | Other Land and Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | *Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | TOTAL PP&E £000 | PP&E Assets Included in Property, Plant and Equipment £000 |
|---|------------------------------|-------------------------------------|---|-----------------------------------|-----------------------------|---------------------------|--------------------------------------|--------------------|---|
| Gross Book Value | | | | | | | | | |
| Opening balance | 3,548,128 | 979,664 | 107,031 | 322,848 | 18,151 | 125,436 | 311,510 | 5,412,768 | 86,672 |
| Additions | 83,237 | 18,691 | 8,667 | 25,465 | 231 | 10,290 | 152,222 | 298,803 | 1,569 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 4,525 | 11,540 | - | - | - | 18,013 | - | 34,078 | 1,020 |
| Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (69,061) | (33,707) | - | - | - | (1,029) | - | (103,797) | - |
| Derecognition – Disposals | (6,185) | - | - | - | - | - | (1) | (6,186) | - |
| Derecognition – Other | (11,054) | (12,863) | - | - | - | (490) | - | (24,407) | - |
| Assets reclassified | (10,670) | 1,280 | - | - | - | (26,244) | 34,214 | (1,420) | - |
| Balance as at 31 March 2022 | 3,538,920 | 964,605 | 115,698 | 348,313 | 18,382 | 125,976 | 497,945 | 5,609,839 | 89,261 |
| Depreciation and Impairment | | | | | | | | | |
| Opening balance | (13) | (8,784) | (74,339) | - | (901) | (94) | (36) | (84,167) | (9,184) |
| Depreciation charge | (49,978) | (16,589) | (5,969) | (18,330) | - | (25) | - | (90,891) | (2,028) |
| Depreciation written out on revaluations recognised in the Revaluation Reserve | 40,000 | 13,462 | - | - | - | - | - | 53,462 | 853 |
| Depreciation written out on revaluations recognised in the Surplus/Deficit on the Provision of Services | 9,391 | 2,565 | - | - | - | - | - | 11,956 | - |
| Derecognition – Disposals | 154 | - | - | - | - | - | - | 154 | - |
| Derecognition – Other | - | 290 | - | - | - | - | - | 290 | - |
| Assets reclassified | 160 | - | - | - | - | - | (160) | - | - |
| Balance as at 31 March 2022 | (286) | (9,056) | (80,308) | (18,330) | (901) | (119) | (196) | (109,196) | (10,359) |
| Net Book Value at 31 March 2022 | 3,538,634 | 955,549 | 35,390 | 329,983 | 17,481 | 125,857 | 497,749 | 5,500,643 | 78,902 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

13. PROPERTY, PLANT AND EQUIPMENT (PP&E) continued

*Infrastructure assets

In accordance with the temporary relief offered by the update to the Accounting Code on infrastructure assets this note does not include a disclosure of gross costs and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position (as rather than manually derecognising infrastructure components as they are replaced we assume (as per adoption of the Statutory Instrument issued by central government (DLUHC) in December 2022) that the assets being replaced have a gross book value of nil). The council is assured that this is the case following a review of the useful lives reported and assert that overall assets are being replaced in line with the useful lives proposed in the accounting policy.

The valuation of assets has been carried out by the council's internal valuation service, led by Matthew Jackson MRICS BSc. The effective date of annual revaluation of council dwellings is 31 December of the relevant accounting period. Other Land and Buildings (OLB) and Surplus Assets are valued at 31 December on a 20% rolling basis to ensure valuation of all assets in this category within five years. Assets Held for Sale and Investment Properties (General Fund and Housing Revenue Account) are valued at 31 March of the relevant accounting period. The entire housing stock, Assets Held for Sale and Investment Properties are valued on an annual basis. Review of assets under construction as well as general impairments to assets are also carried out on an annual basis.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

13. PROPERTY, PLANT AND EQUIPMENT (PP&E) continued

At 31 March 2023, the council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2022/23 and future years budgeted to cost £423.0 million. Similar commitments at 31 March 2022 were £399.1 million.

The commitments are as below:

| | £m |
|-------------------------|--------------|
| General Fund | 42.1 |
| Housing Revenue Account | 380.9 |
| Total | 423.0 |

The highest value contractual commitments are:

General Fund

| | £m |
|---|-------------|
| Canada Water Leisure Centre | 20.2 |
| Elephant and Castle, Transport for London works | 13.0 |
| Total | 33.2 |

Housing Revenue Account

| | £m |
|---------------------------------|--------------|
| Tustin Low Rise Works Phase 1 | 90.2 |
| Aylesbury FDS PK B New Build | 62.7 |
| Kingswood Flat Roof Blocks QHIP | 22.9 |
| Albion New Homes-Construction | 19.6 |
| Cator Street 2 | 17.1 |
| Total | 212.5 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

14. INVESTMENT PROPERTIES

The income and expenditure on investment assets was as follows:

| | 2022/23 | 2021/22 |
|--|---------------|-----------------|
| | £000 | £000 |
| Rental income from investment property | (20,589) | (20,913) |
| Fair value adjustments - (upwards)/downwards revaluation | 26,806 | (9,407) |
| Direct operating expenses arising from investment property | 5,119 | 5,440 |
| Net (gain)/loss included in Financing and Investment Income in CIES | 11,336 | (24,880) |

The movement in the fair value of investment properties held was as follows:

| | 2022/23 | 2021/22 |
|---|----------------|----------------|
| | £000 | £000 |
| Balance as at 1 April | 338,164 | 328,544 |
| Additions | 655 | 473 |
| Disposals | (1,616) | - |
| Net gains/(losses) from fair value adjustments | (26,806) | 9,407 |
| Transfers (to)/from property, plant and equipment (PPE) | 2,835 | (260) |
| Balance as at 31 March | 313,232 | 338,164 |

As at 31 March 2023 there were a number of downward valuations of investment properties with the most significant adjustment being due to legislative changes aimed at facilitating electronic connectivity reducing future income potential.

The council owns a valuable commercial estate of over 700 properties, including shops, business premises and other miscellaneous properties. The vast majority of these assets have been in the council's ownership for many years having originally been acquired as part of major house building programmes from the 1950s onwards, as part of jobs and industry initiatives in the 1980s or statutorily vested with the council from strategic bodies. The assets are now managed to generate income and market rents are charged.

15. ASSETS HELD FOR SALE

| | Current | | Non-Current | |
|---|---------------|---------------|-------------|--------------|
| | 2022/23 | 2021/22 | 2022/23 | 2021/22 |
| | £000 | £000 | £000 | £000 |
| Balance at 1 April | 14,531 | 11,344 | - | 3,920 |
| Additions | 45 | 523 | - | - |
| Transfers (to)/from property, plant and equipment (PPE) | - | 5,600 | - | (3,920) |
| Revaluation gains/(losses) taken to Surplus or Deficit on the Provision of Services | - | (25) | - | - |
| Assets sold | - | (2,911) | - | - |
| Balance at 31 March | 14,576 | 14,531 | - | - |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

16. CASH AND CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The balance of cash and cash equivalents is made up of the elements set out below. The bank overdraft is a function of the council's utilisation of multiple pooled bank accounts and is integral to the day-to-day cash management of the council. The bank overdraft includes all outstanding and unrepresented items.

| | 31 March 2023 £000 | 31 March 2022 £000 |
|--|-----------------------------------|-----------------------------------|
| Cash held by the council | - | - |
| Short-term funds in money markets | 80,878 | 54,420 |
| Subtotal | 80,878 | 54,420 |
| Bank current accounts (bank overdraft) | (6,225) | (6,968) |
| Total cash and cash equivalents | 74,653 | 47,452 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

17. DEBTORS

| | 31 March 2023 | | | | *Restated 31 March 2022 | | | |
|--|--------------------------------|-------------------------|------------------------------|----------------------|--------------------------------|-------------------------|------------------------------|----------------------|
| | GROSS Short-term Debtors | Impairment Allowance | NET Short-term Debtors | Long-term Debtors | GROSS Short-term Debtors | Impairment Allowance | NET Short-term Debtors | Long-term Debtors |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Trade receivables | 129,838 | (55,791) | 74,047 | 29,235 | 120,988 | (51,930) | 69,058 | 24,896 |
| Central government bodies | 34,351 | - | 34,351 | - | 59,924 | - | 59,924 | - |
| Council Tax receivable from taxpayers | 38,289 | (20,255) | 18,034 | - | 39,161 | (17,977) | 21,184 | - |
| Housing benefit debtors | 18,694 | (9,657) | 9,037 | - | 19,160 | (9,938) | 9,222 | - |
| Non domestic rates receivable from taxpayers | 10,387 | (6,247) | 4,140 | - | 9,207 | (5,874) | 3,333 | - |
| Payments in advance | 6,220 | - | 6,220 | - | 9,116 | - | 9,116 | - |
| Public bodies | 7,345 | - | 7,345 | - | 21,172 | - | 21,172 | - |
| Total | 245,124 | (91,950) | 153,174 | 29,235 | 278,728 | (85,719) | 193,009 | 24,896 |

*2021/22 comparative has been restated to reflect the presentational changes in debtor categories.

Debtors with central government bodies, council tax, housing benefit, non-domestic rates and payments in advance are included as a non-financial asset under note 39 Financial Instruments, because they do not meet the definition of a financial asset.

The amount due from central government bodies and other local authorities includes the GLA's share and central government's share of the Collection Fund deficit.

DEBTORS FOR LOCAL TAXATION

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

| | 31 March 2023 £000 | 31 March 2022 £000 |
|------------------------------|--------------------------|--------------------------|
| Age of debt | | |
| Less than 1 year | 14,147 | 14,989 |
| Between 1 and 2 years | 9,037 | 8,096 |
| Between 2 and 3 years | 6,123 | 6,556 |
| More than 3 years | 19,369 | 18,727 |
| Total Council's share | 48,676 | 48,368 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

18. CREDITORS

| | 31 March 2023 | | *Restated 31 March 2022 | |
|--|------------------|----------------|-------------------------|----------------|
| | Short-term | Long-term | Short-term | Long-term |
| | Creditors | Creditors | Creditors | Creditors |
| | £000 | £000 | £000 | £000 |
| Trade payables | (109,639) | (6,703) | (89,545) | (7,648) |
| Central government bodies | (38,680) | - | (114,893) | - |
| Council Tax refundable to taxpayers | (6,318) | - | (8,753) | - |
| Non domestic rates refundable to taxpayers | (11,360) | - | (11,093) | - |
| Employee Benefits | (6,942) | - | (8,112) | - |
| PFI finance lease liability | (5,118) | - | (7,380) | - |
| Public bodies | (24,367) | - | (8,465) | - |
| Receipts in advance | (44,956) | - | (57,158) | - |
| Total | (247,380) | (6,703) | (305,399) | (7,648) |

*2021/22 comparative has been restated to reflect the presentational changes in creditor categories.

Creditors with central government bodies, council tax, non-domestic rates and receipts in advance are included as a non-financial liability in note 39 Financial Instruments, because they do not meet the definition of a financial liability.

The reduction in Central government bodies balance is mainly due to returning of the GLA and central government's share (£38.9m) of the section 31 grants which was provided in 2021/22 to help with cash flow related to business rates reliefs. Additionally, £17.6m of Energy Rebate Grant and £18.6m Covid-19 additional relief fund (CARF) was received in 2021/22 and utilised in 2022/23.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

19. PROVISIONS

The Insurance provision represents amounts set aside to meet known liabilities but where settlements have not been agreed. Payment for these claims will be made over a number of years. The provision includes an amount in respect of Municipal Mutual Insurance (MMI). The council is responsible for its share of any claims where the incident occurred prior to 31 March 1996.

| 2022/23 | 1 April 2022 | Increase during year | Utilised during year | 31 March 2023 |
|--|-----------------|-------------------------|-------------------------|------------------|
| | £000 | £000 | £000 | £000 |
| Long-term provisions | | | | |
| Insurance provision | (9,030) | (1) | - | (9,031) |
| Water refund provision | (1,098) | - | 145 | (953) |
| Business rates appeals | (10,095) | - | 689 | (9,406) |
| Employee remuneration related | (15) | - | 15 | - |
| Southwark Business Services employment terms | (828) | - | 69 | (759) |
| Public Health | (1,476) | - | - | (1,476) |
| Housing & Modernisation provisions | (377) | - | - | (377) |
| Civil refunds | (356) | - | - | (356) |
| Other | - | (112) | - | (112) |
| Total Long-term provisions | (23,275) | (113) | 918 | (22,470) |
| Short-term provisions | | | | |
| Business rates appeals | (769) | - | 259 | (510) |
| Southwark Business Services employment terms | - | - | - | - |
| Total Short-term provisions | (769) | - | 259 | (510) |

| 2021/22 | 1 April 2021 | Increase during year | Utilised during year | 31 March 2022 |
|--|-----------------|-------------------------|-------------------------|------------------|
| | £000 | £000 | £000 | £000 |
| Long-term provisions | | | | |
| Insurance provision | (9,030) | - | - | (9,030) |
| Water refund provision | (1,636) | - | 538 | (1,098) |
| Business rates appeals | (11,213) | - | 1,118 | (10,095) |
| Employee remuneration related | (878) | - | 863 | (15) |
| Southwark Business Services employment terms | (828) | - | - | (828) |
| Public Health | - | (1,476) | - | (1,476) |
| Housing & Modernisation provisions | - | (377) | - | (377) |
| Civil refunds | - | (356) | - | (356) |
| Other | - | - | - | - |
| Total Long-term provisions | (23,585) | (2,209) | 2,519 | (23,275) |
| Short-term provisions | | | | |
| Business rates appeals | (867) | - | 98 | (769) |
| Southwark Business Services employment terms | (354) | - | 354 | - |
| Total Short-term provisions | (1,221) | - | 452 | (769) |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

20. DEDICATED SCHOOLS GRANT

The council's expenditure on schools is funded primarily by grant provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department for Education to fund academy schools in the council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2013. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2022/23 are as follows:

| | Central Expenditure | Individual Schools Budgets | Total | Total |
|---|------------------------|----------------------------------|------------------|------------------|
| | £000 | £000 | 2022/23 £000 | 2021/22 £000 |
| Final DSG before academy and high needs figure recoupment | | | (360,251) | (350,214) |
| Academy and High needs figure recouped | | | 157,695 | 151,158 |
| Total DSG after academy and high needs figure recoupment | | | (202,556) | (199,056) |
| Plus: Brought forward from previous year | | | - | - |
| Less: Carry-forward agreed in advance | | | - | - |
| Agreed initial budgeted distribution for the year | (67,998) | (134,558) | (202,556) | (199,056) |
| In year adjustments | (9,072) | - | (9,072) | 573 |
| Final budget distribution for the year | (77,070) | (134,558) | (211,628) | (198,483) |
| Less: Actual central expenditure | 69,886 | - | 69,886 | 50,489 |
| Less: Actual ISB deployed to schools | - | 134,558 | 134,558 | 149,050 |
| Plus: Local authority contribution | - | - | - | - |
| Carry-forward Deficit | (7,184) | - | (7,184) | 1,056 |

The final DSG before academy recoupment figure includes a provision for the early years block. Final DSG allocations are announced in June following the end of each financial year based on census figures at the preceding January.

The in-year surplus of £7.184m has been transferred to the usable reserve account per accounting regulation, although, the unusable reserve balance total remains at £21.651m. The usable and unusable reserve balances is tabled below:

| Per Note 12 Usable Reserve and Note 23 Unusable Reserves | 2022/23 | 2021/22 |
|---|----------------|---------------|
| Dedicated Schools Grant balances | £000 | £000 |
| DSG unusable reserve as at 1 April | 21,651 | 20,595 |
| Addition to DSG unusable reserve during the year | - | 1,056 |
| Total of DSG unusable reserve as at 31 March (Note 23) | 21,651 | 21,651 |
| DSG usable reserve as at 1 April | - | - |
| Addition to DSG unusable reserve during the year | (7,184) | - |
| Total of DSG usable reserve as at 31 March (Note 12) | (7,184) | - |
| Dedicated Schools Grant net accumulated balance | 14,467 | 21,651 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

21. GRANT INCOME

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

| | 2022/23 | 2021/22 |
|--|------------------|------------------|
| | £000 | £000 |
| Credited to Taxation and Non Specific Grant Income | | |
| Capital grants and contributions | (145,371) | (68,031) |
| Revenue support grant | (37,776) | (36,649) |
| Business rates top up | (39,518) | (35,854) |
| Business rates relief/section 31 grants | (22,948) | (23,798) |
| Covid-19 general funding | - | (16,481) |
| New homes bonus | (5,113) | (8,202) |
| Lower tier support grant | (9,345) | (1,264) |
| Covid-19 tax income guarantee | - | 121 |
| Sub total | (260,071) | (190,158) |
| Credited to Provision of Services | | |
| Dedicated Schools grant | (209,005) | (199,327) |
| Housing Benefits Subsidy - rent rebates granted to housing revenue account tenants | (63,482) | (63,233) |
| Housing Benefits Subsidy - rent allowances | (52,575) | (55,874) |
| Public Health | (29,504) | (28,698) |
| Housing Benefits Subsidy - non-housing revenue account rent rebates | (20,825) | (19,757) |
| Better Care Fund | (19,170) | (18,143) |
| Improved Better Care Fund | (17,847) | (17,323) |
| Social Care Support grant | (17,776) | (13,199) |
| The Private Finance Initiative (PFI) | (9,935) | (9,935) |
| Pupil Premium grant | (10,336) | (9,198) |
| Homelessness prevention grant | (6,413) | (6,792) |
| Covid-19 Infection control grant | - | (5,176) |
| Other grants individually less than £5 million | (68,669) | (47,632) |
| Sub total | (525,537) | (494,287) |
| Total | (785,608) | (684,445) |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

21. GRANT INCOME continued

Capital grants received in advance and applied towards capital expenditure were:

| | 2022/23 | 2021/22 |
|---|------------------|------------------|
| | £000 | £000 |
| Balance as at 1 April | (121,931) | (75,473) |
| New capital grants received in advance | (231,252) | (114,489) |
| Amounts released to the CIES (conditions met) | 145,371 | 68,031 |
| Balance as at 31 March | (207,812) | (121,931) |

The balance of capital grants unapplied remaining as receipts in advance were:

| | 2022/23 | 2021/22 |
|-----------------------------------|------------------|------------------|
| | £000 | £000 |
| Planning Gains | (108,887) | (69,955) |
| New homes | (1,821) | (1,497) |
| Schools | (1,198) | (1,198) |
| Education | (12,538) | (7,431) |
| Disabled facilities grant (DLUHC) | (73,132) | (33,843) |
| Transport for London (TFL) | (2,279) | (2,131) |
| Other grants | (7,957) | (5,876) |
| Balance as at 31 March | (207,812) | (121,931) |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

22. POOLED BUDGETS

Better Care Fund (BCF)

Southwark Council and NHS South East London Clinical Commissioning Group (CCG) are partners in the provision of services to support reduced hospital admissions and length of stay. Joint arrangements of this type are permitted under Section 75 of the National Health Service Act 2006. The BCF provides various services to residents of Southwark who benefit from specific targeted interventions, as well as supporting hospitals to treat people closer to their homes and communities. The council is the lead authority for the arrangement.

The arrangement is made in accordance with Section 75 (S75) of the National Health Service Act 2006 and any surplus or deficit generated will be the responsibility of the respective partner to whom it is attributed as per the BCF planning group. The pooled budget includes all income and expenditure relating to the Better Care Fund (BCF), whether funded by the local authority or the NHS. It is hosted by Southwark council; however not all transactions pass through the council's accounting system.

| | 2022/23 | | 2021/22 | |
|---|----------|-----------------|----------|-----------------|
| | £000 | £000 | £000 | £000 |
| Funding Provided to the Pooled Budget: | | | | |
| · Council | (19,533) | | (19,009) | |
| · Clinical Commissioning Group | (26,592) | | (25,168) | |
| | | (46,125) | | (44,177) |
| Expenditure met from the pooled budget: | | | | |
| · Council | 38,703 | | 37,151 | |
| · Clinical Commissioning Group | 7,422 | | 7,026 | |
| | | 46,125 | | 44,177 |
| Net (surplus)/deficit arising on the pooled budget | | - | | - |

Integrated Community Equipment Store (ICES)

Southwark council and the NHS SEL ICB also operate pooled fund arrangements for an integrated community equipment service. The council is the lead authority for the arrangement. Expenditure met from the pooled budget was £2.41m in 2022/23 (£2.57m in 2021/22).

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

23. UNUSABLE RESERVES

Unusable reserves are those that the council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve) and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'. The Unusable Reserves comprise:

| | 2022/23 | 2021/22 |
|--|--------------------|--------------------|
| | £000 | £000 |
| Capital Adjustment Account | (2,617,012) | (2,522,356) |
| Revaluation Reserve | (2,054,567) | (1,991,470) |
| Pensions Reserve | (26,783) | 371,352 |
| Collection Fund Adjustment Account | 7,230 | 34,509 |
| Financial Instruments Adjustment Account | 23,368 | 28,039 |
| Dedicated Schools Grant Adjustment Account | 21,651 | 21,651 |
| Accumulating Absences Adjustment Account | 6,942 | 8,112 |
| Financial Instruments Revaluation Reserve | (235) | 370 |
| Total unusable reserves | (4,639,406) | (4,049,793) |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

23. UNUSABLE RESERVES continued

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 11, adjustments between accounting basis and funding basis under regulations, provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

| | 2022/23 | | 2021/22 | |
|--|-----------|--------------------|----------|--------------------|
| | £000 | £000 | £000 | £000 |
| Balance at 1 April | | (2,522,356) | | (2,527,048) |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | | | |
| Charges for depreciation and impairment of non current assets | 92,969 | | 94,297 | |
| Revaluation losses on Property Plant & Equipment and AHFS | 61,207 | | 88,462 | |
| Revenue expenditure funded from capital under statute | 16,522 | | 12,057 | |
| Movements in the market value of Investment Properties | 26,805 | | (9,407) | |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 17,398 | | 33,058 | |
| | | 214,901 | | 218,467 |
| Adjusting amounts written out of the revaluation reserve for disposals and restatements | (9,013) | | (16,325) | |
| Adjusting amounts written out of the Revaluation Reserve for the difference between fair value depreciation and historical cost depreciation | (29,396) | | (28,660) | |
| Net written out amount of the cost of non current assets consumed in the year | | (38,409) | | (44,985) |
| Capital financing applied in the year: | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | (36,582) | | (13,709) | |
| Use of the Major Repairs Reserve to finance new capital expenditure | (51,708) | | (55,046) | |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (145,370) | | (68,031) | |
| Provision for the financing of capital investment charged against the General Fund and HRA balances | (18,572) | | (15,689) | |
| Capital expenditure charged against the General Fund and HRA balances | (18,915) | | (16,315) | |
| | | (271,147) | | (168,790) |
| Balance at 31 March | | (2,617,011) | | (2,522,356) |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

23. UNUSABLE RESERVES continued

Revaluation reserve

The Revaluation Reserve contains the gains made by the council arising from increases in the value of its property, plant and equipment and intangible assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The revaluation reserve contains only revaluation gains accumulated since 1 April 2007, the date that the revaluation reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

| | 2022/23 | | 2021/22 | |
|---|-----------|--------------------|-----------|--------------------|
| | £000 | £000 | £000 | £000 |
| Balance at 1 April | | (1,991,470) | | (1,948,914) |
| Upward revaluation of assets | (179,402) | | (154,699) | |
| Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of Services | 77,896 | | 67,159 | |
| Total of surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of Services | | (101,506) | | (87,540) |
| Adjusting amounts written to the Capital Adjustment Account for disposals and restatements | | 9,013 | | 16,325 |
| Difference between fair value depreciation and historical cost depreciation | | 29,396 | | 28,659 |
| Balance at 31 March | | (2,054,567) | | (1,991,470) |

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| | 2022/23 | 2021/22 |
|--|-----------------|----------------|
| | £000 | £000 |
| Balance at 1 April | 371,352 | 687,568 |
| Remeasurements of the net defined benefit liability | (442,890) | (373,028) |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 86,784 | 100,046 |
| Employer's pension contributions and direct payments payable to pensioners in the year | (42,029) | (43,234) |
| Balance at 31 March | (26,783) | 371,352 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

23. UNUSABLE RESERVES continued

Collection Fund Adjustment Account

| | 2022/23 | 2021/22 |
|--|---------------|---------------|
| | £000 | £000 |
| Balance at 1 April | 34,509 | 49,450 |
| Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements | (27,279) | (14,941) |
| Balance at 31 March | 7,230 | 34,509 |

The Collection Fund adjustment account is analysed into council tax and business rates:

| Collection Fund Adjustment Account - Council Tax | 2022/23 | 2021/22 |
|--|--------------|--------------|
| | £000 | £000 |
| Balance at 1 April | 2,321 | 5,348 |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | (1,326) | (3,027) |
| Balance at 31 March | 995 | 2,321 |

| Collection Fund Adjustment Account - Business Rates | 2022/23 | 2021/22 |
|--|---------------|---------------|
| | £000 | £000 |
| Balance at 1 April | 32,188 | 44,102 |
| Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements | (25,953) | (11,914) |
| Balance at 31 March | 6,235 | 32,188 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

23. UNUSABLE RESERVES continued

Financial instruments adjustment account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

Amongst the transactions on this account are premiums paid on the early redemption of loans; premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out to the Movement in Reserves Statement. Over time the expense is posted back to the Movement in Reserves Statement in accordance with statutory arrangements for spreading the burden on council tax. As a result, the balance on the Account at 31 March 2023 includes £12.5 million premiums (£13.6 million at 31 March 2022) to be discharged in future.

| | 2022/23 | 2021/22 |
|---|---------------|---------------|
| | £000 | £000 |
| Balance at 1 April | 28,039 | 30,681 |
| Proportion of premiums to be charged against the General Fund Balance in accordance with statutory requirements | (1,065) | (1,065) |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | (3,606) | (1,577) |
| Balance at 31 March | 23,368 | 28,039 |

Dedicated Schools Grant Adjustment Account

| | 2022/23 | 2021/22 |
|--|---------------|---------------|
| | £000 | £000 |
| Balance at 1 April | 21,651 | 20,595 |
| Transfer of the opening dedicated schools grant deficit from the DSG reserve (earmarked usable reserve) to the DSG adjustment account. | - | - |
| In year dedicated schools grant deficit | - | 1,056 |
| Balance at 31 March | 21,651 | 21,651 |

The Local Authorities (Capital Finance and Accounting) regulations were amended on 29 November 2020. New accounting treatment is required for local authorities' schools budget deficits relating to its accounts for a financial year beginning 1 April 2020, 1 April 2021 and 1 April 2022. Local authorities are not permitted to charge the value of the deficit to the general fund. Any historical deficit and in year deficit is to be recorded in a dedicated schools grant adjustment account, an unusable reserve.

Southwark council entered into a Department for Education Basic Safety Value agreement in 2023 for the period 2022/23 to 2026/27. Additional DSG funding from government in 2023 and future financial years is subject to compliance with the conditions in the DfE Basic Safety Value agreement approved by Southwark council which is intended to eliminate the cumulative DSG deficit by 2026/27 at the latest.

The DSG deficit account is unchanged due to regulation but we have a credit balance in the DSG (note 20) due to having received £9.2m in 'safety valve' government funding in 2022/23. This reduces the overall deficit to £14.5m, please see note 20.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

23. UNUSABLE RESERVES continued

Accumulating Absences Adjustment Account

The Accumulated Absences Account absorbs the timing differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March 2023. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

| | 2022/23 | 2021/22 |
|---|--------------|--------------|
| | £000 | £000 |
| Balance at 1 April | 8,112 | 9,489 |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (1,170) | (1,377) |
| Balance at 31 March | 6,942 | 8,112 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

24. CASH FLOW FROM OPERATING ACTIVITIES

| | 2022/23 | 2021/22 |
|---|----------------|----------------|
| | £000 | £000 |
| Adjustment to surplus or deficit on the provision of services for non cash movement: | | |
| Depreciation and impairment of non-current assets | 92,969 | 94,297 |
| Upward/(downward) revaluations | 88,012 | 79,055 |
| Increase/(decrease) in impairment for credit losses (bad debts) | 6,231 | 6,818 |
| Increase/(decrease) in creditors | (53,846) | 33,465 |
| (Increase)/decrease in debtors | 29,265 | 31,071 |
| (Increase)/decrease in inventories | (40) | 552 |
| Movement in pension liability | 44,755 | 56,812 |
| Increase/(decrease) in provisions | (1,064) | 880 |
| Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised | 17,398 | 33,058 |
| Other non-cash items charged to the net surplus or deficit on the provision of services | 107 | (765) |
| | 223,787 | 335,243 |

| | 2022/23 | 2021/22 |
|--|------------------|------------------|
| | £000 | £000 |
| Adjustment for items included in the net surplus or deficit on the provision of services that | | |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (36,889) | (47,212) |
| Capital grants included in Taxation and non-specific grant income | (145,370) | (68,031) |
| Total | (182,259) | (115,243) |

The cash flows from operating activities include the following amounts:

| | 2022/23 | 2021/22 |
|---------------------|---------------|---------------|
| | £000 | £000 |
| Interest received | (8,214) | (3,109) |
| Interest paid | 40,621 | 37,471 |
| Net interest | 32,407 | 34,362 |

25. CASH FLOW FROM INVESTING ACTIVITIES

| | 2022/23 | 2021/22 |
|--|------------------|------------------|
| | £000 | £000 |
| Purchase of PP&E, Investment Property and Intangible Assets | (388,341) | (298,748) |
| Proceeds from the sale of Property, Plant and equipment, investment property and intangible assets | 36,889 | 47,212 |
| Proceeds from sale of short-term investments (not considered to be cash equivalents) | (32,008) | (1,378) |
| Capital grants and contributions received | 231,251 | 114,488 |
| Net cash flows from Investing Activities | (152,209) | (138,426) |

Short and long-term investments are instruments held as part of the cash management activities of the council, not as an investment activity in its own right. The figures above are the net movements in investments held, not gross purchases and sales.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

26. CASH FLOW FROM FINANCING ACTIVITIES

| | 2022/23 | 2021/22 |
|---|---------------|--------------|
| | £000 | £000 |
| Cash payments for the reduction of the outstanding liability relating to a finance lease and on-balance-sheet PFI contracts | (7,380) | (6,781) |
| Cash receipts of short and long-term borrowing | 192,349 | 225,199 |
| Repayments of short and long term borrowing | (96,042) | (214,907) |
| Net Cash flows from Financing Activities | 88,927 | 3,511 |

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (IAS 7)

| | Long-term borrowings | Short-term borrowings | Lease liabilities | Total |
|--|----------------------|-----------------------|-------------------|--------------------|
| | £000 | £000 | £000 | £000 |
| Opening balance as at 1 April 2021 | (683,989) | (207,370) | (86,484) | (977,843) |
| Financing cash flows | (32,093) | 22,000 | 6,582 | (3,511) |
| Non-financing cash flows | 13,611 | (13,810) | (1,569) | (1,768) |
| Closing balance as at 31 March 2022 | (702,471) | (199,180) | (81,471) | (983,122) |
| Opening balance as at 1 April 2022 | (702,471) | (199,180) | (81,471) | (983,122) |
| Financing cash flows: | | | | |
| Repayment | - | 96,042 | 7,380 | 103,422 |
| Proceeds | (192,349) | - | - | (192,349) |
| Subtotal | (192,349) | 96,042 | 7,380 | (88,927) |
| Non-financing cash flows: | | | | |
| Acquisition | | | (2,353) | (2,353) |
| Fair value | | | | - |
| Reclassification | | | | - |
| Subtotal | - | - | (2,353) | (2,353) |
| Closing balance as at 31 March 2023 | (894,820) | (103,138) | (76,444) | (1,074,402) |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

28. EXTERNAL AUDIT COSTS

| | 2022/23 | 2021/22 |
|--|------------|------------|
| | £000 | £000 |
| Fees payable with regard to external audit services carried out by the appointed auditor for the year | 329 | 253 |
| Fees payable to the appointed auditor for the certification of grant claims and returns for the year | | 45 |
| Additional fees payable to the appointed auditor for the certification of grant claims and returns for 2020/21 | | 14 |
| Fees payable in respect of other services provided by the appointed auditor during the year | | 10 |
| Total | 329 | 322 |

29. MEMBERS' ALLOWANCES

The amount of members' allowances and expenses paid in 2022/23 was £1,383,827 (£1,350,800 in 2021/22).

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

30. OFFICERS' REMUNERATION

In accordance with regulation, it is necessary to report on the remuneration of senior employees. Senior employees are defined as those who are members of the Chief Officer Team or those whose remuneration is £150,000 or more per year.

The following table sets out this information for both 2022/23 and 2021/22.

| Postholder | 2022/23 | | *Restated 2021/22 | |
|---|--------------|---|-------------------|---|
| | Remuneration | Council's contributions to the Pension Fund | Remuneration | Council's contributions to the Pension Fund |
| | £000 | £000 | £000 | £000 |
| Chief Executive - A Loderick | 191,046 | 35,152 | - | - |
| Chief Executive - E Kelly | 60,743 | 11,177 | 210,277 | 30,490 |
| Strategic Director of Environment & Leisure - C Bruce | 199,320 | 36,675 | 185,733 | 26,931 |
| Strategic Director of Housing and Modernisation – M Scorer | 199,413 | 36,692 | 191,901 | 27,826 |
| Strategic Director of Finance - D Whitfield | 199,320 | 36,675 | 185,733 | 26,931 |
| Strategic Director of Children's & Adult Services - D Quirke-Thornton | 186,840 | 34,379 | 174,033 | 25,235 |
| Director of Public Health | 129,677 | 23,861 | 121,218 | 22,304 |
| Director of Children and Families - A Smith | 158,281 | 29,124 | - | - |
| Assistant Chief Executive - Governance and Assurance | 143,870 | 26,472 | 136,886 | 25,187 |
| Assistant Chief Executive - Strategy and Communities | 120,718 | 22,212 | 109,187 | 22,304 |

*2021/22 figures has been restated to include 2022/23 comparatives.

Remuneration reflects actual payments made to the postholders in the financial years and the related pension fund contributions made in respect of the Local Government Pension Scheme (LGPS) during that same year.

Remuneration figures represent gross pay for the postholder before that individual's personal contributions to the Southwark Pension Fund. They include basic salary plus any contracted additions paid during the financial year.

Notes on related 2021/22 figures:

- The Chief Executive - A Loderick commenced the role in May 2022.
- The previous Chief Executive E Kelly left the council in May 2022.
- The Director of Children and Families took up the statutory role for Children's Services on 1 April 2022, the role was previously undertaken by the Strategic Director of Children and Families.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

30. OFFICERS' REMUNERATION continued

During 2022/23 the council employed staff whose taxable remuneration, including payment on termination of employment was £50,000 or more for the year. The numbers of these employees, excluding the senior officers in the table above, is shown below in bands of £5,000:

| | | | Number of employees | Number of employees |
|-------------------|------------|-------------|------------------------|------------------------|
| Band (£) | Schools | Non schools | 2022/23 | 2021/22 |
| 50,000 - 54,999 | 147 | 308 | 455 | 406 |
| 55,000 - 59,999 | 84 | 243 | 327 | 176 |
| 60,000 - 64,999 | 66 | 54 | 120 | 99 |
| 65,000 - 69,999 | 39 | 52 | 91 | 101 |
| 70,000 - 74,999 | 32 | 64 | 96 | 62 |
| 75,000 - 79,999 | 23 | 8 | 31 | 42 |
| 80,000 - 84,999 | 12 | 28 | 40 | 34 |
| 85,000 - 89,999 | 19 | 15 | 34 | 16 |
| 90,000 - 94,999 | 7 | 12 | 19 | 16 |
| 95,000 - 99,999 | 11 | 2 | 13 | 22 |
| 100,000 – 104,999 | 4 | 19 | 23 | 4 |
| 105,000 - 109,999 | 2 | 1 | 3 | 5 |
| 110,000 - 114,999 | 1 | 4 | 5 | 1 |
| 115,000 – 119,999 | 1 | - | 1 | 2 |
| 120,000 – 124,999 | - | - | - | 5 |
| 125,000 – 129,999 | 1 | 3 | 4 | 5 |
| 130,000 – 134,999 | 1 | 3 | 4 | 3 |
| 135,000 – 139,999 | - | 1 | 1 | 6 |
| 140,000 – 144,999 | - | 3 | 3 | - |
| 150,000 – 154,999 | - | 2 | 2 | - |
| 160,000 – 164,999 | - | 1 | 1 | - |
| Total | 450 | 823 | 1,273 | 1,005 |

For the financial year 2022/23, the total number of non-school employees whose earnings exceeded £100,000 per annum (excluding payments on termination of employments) was 37 (for 2021/22 was 23).

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

31. TERMINATION BENEFITS

| Exit package cost band | Number of exit packages | | Number of exit packages | | Total number of exit packages | | Total cost of exit packages by band | |
|------------------------|-------------------------|-----------|-------------------------|-----------|-------------------------------|------------|-------------------------------------|--------------|
| | Schools | | Non-schools | | | | | |
| | 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 |
| | No. staff | No. staff | No. staff | No. staff | No. staff | No. staff | £000 | £000 |
| £0 - £20,000 | 21 | 59 | 26 | 27 | 47 | 86 | 249 | 514 |
| £20,001 - £40,000 | 1 | 5 | 9 | 10 | 10 | 15 | 276 | 416 |
| £40,001 - £60,000 | 1 | - | 1 | 4 | 2 | 4 | 96 | 196 |
| £60,001 - £80,000 | | - | 2 | 3 | 2 | 3 | 138 | 215 |
| £80,001 - £100,000 | | - | 1 | - | 1 | - | 90 | - |
| Total | 23 | 64 | 39 | 44 | 62 | 108 | 849 | 1,341 |

Five compulsory redundancies were made by schools in 2022/23 totalling £66,045 with 4 within the £0 to £20,000 exit package band and 1 in the £20,001 to £40,000 exit package cost band (2021/22 forty-one compulsory redundancies totalling £268,934).

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

32. RELATED PARTY TRANSACTIONS

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council.

Central government

Central government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates and provides the majority of its funding. Grants received from government departments during the year and receipts outstanding at 31 March 2023 are set out in note 21 to the accounts.

Members and chief officers

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in note 29. Information regarding reportable transactions has been collated by requiring all members and chief officers to declare any related party transactions. A review of the register of members' interests has been conducted, including the register of declarations at committee meetings.

Related party interests for which transactions exist for financial outflows in 2022/23 were declared by 9 councillors and no submission from chief officers (13 and 1 respectively in 2021/22):

- with voluntary bodies or charitable organisations that received funding totalling an estimated value of £0.1 million (£0.2 million in 2021/22):
- with businesses or other organisations that have contracted for goods and services with the council to the estimated value of £4.0 million (£0.6 million in 2021/22):

Related party interests for which transactions exist for financial inflows in 2022/23 were declared by 9 councillors and no submission from chief officers (9 and 0 respectively in 2021/22):

- from businesses or other organisations that the council have contracted for goods and services to the estimated value of £0.0 million (£0.8 million in 2021/22):

In addition to the above, many members have relationships or hold positions with other public bodies and voluntary organisations, e.g. schools, with which the council does not have a financially material relationship, but with which the council has a non-financial or influential relationship.

Pensions

The council is the administering authority of the Pension Fund. The council charged the fund £0.9 million (£0.9 million in 2021/22) for expenses incurred in administering the Pension Fund which is included within the Statement of Accounts.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

33. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and private finance initiatives (PFI) / public private partnership (PPP) contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed.

| | 2022/23 | 2021/22 |
|--|------------------|------------------|
| | £000 | £000 |
| Opening Capital Financing Requirement | 1,362,956 | 1,219,890 |
| Capital Investment | | |
| Property, Plant & Equipment (including assets held for sale) | 387,686 | 299,325 |
| Revenue expenditure funded from capital under statute (REFCUS) | 16,522 | 12,057 |
| Long-term debtors | - | - |
| Investment property | 655 | 473 |
| Total capital investment | 404,863 | 311,855 |
| Sources of capital finance | | |
| Capital receipts | (36,582) | (13,708) |
| Government grants and other contributions | (145,370) | (68,031) |
| Direct revenue contributions | (18,915) | (16,315) |
| Major Repairs Reserve | (51,708) | (55,046) |
| Minimum revenue provision (MRP) / loans fund principal | (18,572) | (15,689) |
| Total capital investment financed | (271,147) | (168,789) |
| Closing Capital Financing Requirement | 1,496,672 | 1,362,956 |
| Explanation of movement | | |
| Increase in underlying need to borrow | 131,363 | 141,498 |
| Assets acquired under private finance initiative (PFI) contracts | 2,353 | 1,568 |
| Net movement in year | 133,716 | 143,066 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

34. LEASES

The council as Lessee – operating leases

The council pays rent on property leases, of which some are sublet.

Expenditure charged to services in the Comprehensive Income and Expenditure Statement (CIES) during the year in the use of operating leases:

| | 2022/23 | 2021/22 |
|-------------------------|--------------|--------------|
| | £000 | £000 |
| Minimum lease payments | 2,267 | 2,722 |
| Less sub-lease payments | (460) | (490) |
| Total | 1,807 | 2,232 |

The council has obligations to make minimum lease payments in future periods of:

| | 2022/23 | 2021/22 |
|---------------------|--------------|---------------|
| | £000 | £000 |
| Within 1 year | 1,399 | 2,603 |
| Within 2 to 5 years | 1,949 | 5,365 |
| After 5 years | 6,488 | 8,703 |
| Total | 9,836 | 16,671 |

The council as Lessor – operating leases

The council has industrial and commercial units which it lets out. It also lets out workshops and property for shops, community, and commercial use.

The future minimum rentals receivable under these leases are set out below:

| | 31/03/2023 | 31/03/2022 |
|---------------------|----------------|----------------|
| Period due | £000 | £000 |
| Within 1 year | 17,420 | 17,586 |
| Within 2 to 5 years | 55,242 | 56,308 |
| After 5 years | 65,887 | 69,471 |
| Total due | 138,549 | 143,365 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

Private Finance Initiatives (PFI) and similar contracts typically involve a private sector entity (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time, in return for a series of payments over the period of the arrangement.

A contract is determined to meet the definition of a service concession arrangement where the following two tests are met:

- the council controls or regulates what services the operator must provide with the property, to whom it must provide them, and at what price
- the council controls any significant residual interest in the property at the end of the term of the arrangement (typically through ownership or beneficial entitlement)

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to interest payable and similar charges in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to interest payable and similar charges in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator, and
- lifecycle replacement costs – debited to the relevant service in the Comprehensive Income and Expenditure Statement

The following schemes have been accounted for as PFI or similar contracts:

- St Michael's is a new build secondary (academy) school, which became operational in January 2011. The school has been built and is operated over a 25 year contract by 4 Futures Ltd, the majority shareholder of which is Amber Infrastructure Limited.
- St Thomas is a new build secondary (voluntary aided) school, which became operational in February 2012. The school has been built and is operated over a 25 year contract by 4 Futures Ltd, the majority shareholder of which is Amber Infrastructure Limited.
- Sacred Heart Catholic School is a new build secondary (academy) school, which became operational in September 2014. The school has been built and is operated over a 25 year contract by 4 Futures Ltd, the majority shareholder of which is Amber Infrastructure Limited.
- In February 2008 the council entered into a 25-year PFI contract with Veolia Environmental Services for the collection and disposal of waste in the borough. Veolia are to provide high specification facilities to receive transfer and treat waste under the PFI contract from a facility at Old Kent Road, a site the council has leased to the company since September 2008. The integrated waste management facility at the Old Kent Road became operational in February 2012. The £682 million contract has enabled the council to deliver government targets for waste minimisation, landfill diversion and recycling.
- In July 2013 the council entered into the Heat Supply PFI Arrangement with Veolia, which involved the contractor putting in place piping and associated facilities to deliver heating to council residents and related services in order to fulfil the council's mandate of delivering services to the public. The heat supply arrangement became operational in November 2013.

Even though the council has the obligation to make payments under PFI arrangements to 4 Futures Ltd for operating the three above schools and reimbursement of the capital expense incurred, the council does not have an interest in the assets.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS continued

The movements in liabilities resulting from PFI (or similar) contracts were as follows:

| | St Michael's Catholic College | St Thomas the Apostle College | Sacred Heart Catholic School | Integrated Waste Management Facility | Heating Supply Arrangement | Total |
|--|----------------------------------|----------------------------------|---------------------------------|--|-------------------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Opening balance as at 1 April 2021 | 13,320 | 17,320 | 16,633 | 35,080 | 4,131 | 86,484 |
| New liability incurred | - | - | - | 1,469 | 100 | 1,569 |
| Repayments made in year | (471) | (551) | (526) | (4,762) | (272) | (6,582) |
| Closing balance as at 31 March 2022 | 12,849 | 16,769 | 16,107 | 31,787 | 3,959 | 81,471 |
| Opening balance as at 1 April 2022 | 12,849 | 16,769 | 16,107 | 31,787 | 3,959 | 81,471 |
| New liability incurred | - | - | - | 2,252 | 101 | 2,353 |
| Repayments made in year | (243) | (701) | (649) | (5,493) | (294) | (7,380) |
| Closing balance as at 31 March 2023 | 12,606 | 16,068 | 15,458 | 28,546 | 3,766 | 76,444 |

The following has been recognised in the Balance Sheet in respect of PFI (or similar) arrangements:

| | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Total |
|---------------------------------------|-----------------------------|---|--------------------------|----------------|
| | £000 | £000 | £000 | £000 |
| Net Book Value at 1 April 2021 | 58,752 | 14,402 | 4,334 | 77,488 |
| Additions | - | 1,469 | 100 | 1,569 |
| Depreciation & Impairment | (853) | (978) | (197) | (2,028) |
| Revaluation | 1,873 | - | - | 1,873 |
| Net Book Value at 1 April 2022 | 59,772 | 14,893 | 4,237 | 78,902 |
| Net Book Value at 1 April 2023 | 59,772 | 14,893 | 4,237 | 78,902 |
| Additions | - | 2,252 | 101 | 2,353 |
| Depreciation & Impairment | (899) | (1,051) | (202) | (2,152) |
| Revaluations | (223) | - | - | (223) |
| Net Book Value at 1 April 2023 | 58,650 | 16,094 | 4,136 | 78,880 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS continued

The projected payments under the agreements are as follows:

| | 1 year | 2-5 years | 6-10 years | 11-15 years | 16-20 years | Total |
|---|--------|-----------|------------|-------------|-------------|---------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| St Michael's Catholic College | | | | | | |
| Liability | 640 | 2,098 | 5,390 | 4,478 | | 12,606 |
| Interest | 1,593 | 5,748 | 4,827 | 1,018 | | 13,186 |
| Service Charges | 630 | 3,371 | 32,725 | 2,883 | | 39,609 |
| St Thomas the Apostle College | | | | | | |
| Liability | 594 | 3,136 | 6,206 | 6,132 | | 16,068 |
| Interest | 1,691 | 6,025 | 5,267 | 1,337 | | 14,320 |
| Service Charges | 313 | 1,338 | 1,934 | 1,087 | | 4,672 |
| Lifecycle Payments | 114 | 614 | 1,145 | 902 | | 2,775 |
| Sacred Heart Catholic School | | | | | | |
| Liability | 453 | 2,646 | 5,555 | 6,804 | | 15,458 |
| Interest | 1,556 | 5,612 | 5,064 | 1,684 | | 13,916 |
| Service Charges | 495 | 2,152 | 3,079 | 3,358 | | 9,084 |
| Lifecycle Payments | 209 | 703 | 855 | 1,351 | | 3,118 |
| Integrated Waste Management Facility | | | | | | |
| Liability | 3,215 | 12,120 | 13,211 | | | 28,546 |
| Interest | 1,589 | 4,904 | 2,952 | | | 9,445 |
| Service Charges | 22,221 | 95,170 | 134,726 | | | 252,117 |
| Lifecycle Payments | 2,251 | 12,375 | 17,690 | | | 32,316 |
| Heat Supply Arrangement | | | | | | |
| Liability | 216 | 1,153 | 2,397 | | | 3,766 |
| Interest | 462 | 1,560 | 996 | | | 3,018 |
| Service Charges | 1,378 | 5,865 | 8,195 | | | 15,438 |
| Lifecycle Payments | 104 | 444 | 621 | | | 1,169 |

36. OTHER LONG-TERM LIABILITIES

| | 31 March 2023 | 31 March 2022 |
|---|------------------|------------------|
| | £000 | £000 |
| Payments due under PFI schemes and similar arrangements: | | |
| St Michaels Catholic college | (11,966) | (12,606) |
| St Thomas the Apostle College | (15,474) | (16,069) |
| Sacred Heart Catholic school | (15,005) | (15,457) |
| Integrated waste Management Facility | (25,331) | (26,295) |
| Heat Supply Arrangement | (3,550) | (3,663) |
| Total cash and cash equivalents | (71,326) | (74,090) |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

37. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES (NHS AND TEACHERS)

Teachers employed by the council are members of the Teachers' Pension Scheme, administered by the Education and Skills Funding Agency. The scheme provides teachers with specified benefits upon their retirement, and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. As part of its public health responsibilities the council employs staff who are members of the NHS Pension Scheme.

The schemes are technically defined benefit schemes. However, both schemes are unfunded and use notional funds as the basis for calculating the employers' contribution rate paid by local authorities. The council is not able to identify its share of underlying financial position and performance of the schemes with sufficient reliability for accounting purposes. For the purposes of the council's statement of accounts, they are therefore accounted for on the same basis as a defined contribution scheme.

In 2022/23 the council paid £13.1m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 23.6% of pensionable pay (£13.3m and 23.6% respectively in 2021/22). It also paid £0.033m to the NHS Pension Scheme representing 14.4% of pensionable pay (£0.032m 2021/22, representing 14.4% of pensionable pay). In 2022/23 the employer contribution rate was 20.7% of pensionable pay (including levy). Employers are responsible for paying 14.4% of contributions, with the remaining 6.3% being funded by government. There were no contributions remaining payable at the year-end.

The council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 38.

38. DEFINED BENEFIT PENSION SCHEMES

Participation in the Local Authority Pension Scheme

As part of the terms and conditions of employment of its officers and other employees, the council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The council participates in two pension fund schemes, the London Borough of Southwark Pension Fund (council) and the London Pension Fund Authority Pension Fund (LPFA). Both are funded schemes, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension fund's liabilities with investment assets.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

38. DEFINED BENEFIT PENSION SCHEMES continued

Transactions relating to post employment benefits

The council recognises the cost of retirement benefits in the Comprehensive Income and Expenditure Statement (CIES) when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the CIES and the General Fund balance via the Movement in Reserves Statement during the year:

| | 2022/23 | | | 2021/22 | | |
|---|------------------|-----------------|------------------|------------------|----------------|------------------|
| | Council £000 | LPFA £000 | Total £000 | Council £000 | LPFA £000 | Total £000 |
| Comprehensive Income and Expenditure Statement | | | | | | |
| Cost of services: | | | | | | |
| - Current service cost | 76,500 | 272 | 76,772 | 82,900 | 364 | 83,264 |
| - Past service costs | 600 | - | 600 | 2,800 | - | 2,800 |
| Financing and investment income and expenditure: | | | | | | |
| - Net interest expense/(income) | 9,800 | (388) | 9,412 | 14,100 | (118) | 13,982 |
| Total post employment benefit charged to the surplus or deficit on the provision of services | 86,900 | (116) | 86,784 | 99,800 | 246 | 100,046 |
| Other comprehensive income and expenditure: | | | | | | |
| Remeasurement of the net defined benefit liability comprising | | | | | | |
| - Return on plan assets (excluding amount included in the net interest expense) | 147,700 | (280) | 147,420 | (104,200) | (7,619) | (111,819) |
| - Actuarial gains and losses arising on changes in demographic assumptions | - | (1,655) | (1,655) | (30,600) | - | (30,600) |
| - Actuarial gains and losses arising on changes in financial assumptions | (885,400) | (14,341) | (899,741) | (159,200) | (1,325) | (160,525) |
| - Actuarial gains and losses arising on changes in liability experience | 206,700 | 4,690 | 211,390 | (70,200) | 116 | (70,084) |
| - Other actuarial gains and losses on assets | 99,800 | (104) | 99,696 | - | - | - |
| Total remeasurements in other comprehensive income and expenditure | (431,200) | (11,690) | (442,890) | (364,200) | (8,828) | (373,028) |
| Total post employment benefit charged to the comprehensive income and expenditure statement | (344,300) | (11,806) | (356,106) | (264,400) | (8,582) | (272,982) |

| | 2022/23 | | | 2021/22 | | |
|---|-----------------|--------------|-----------------|-----------------|--------------|------------------|
| | Council £000 | LPFA £000 | Total £000 | Council £000 | LPFA £000 | Total £000 |
| Movement in reserves statement | | | | | | |
| - Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code | (86,900) | 116 | (86,784) | (99,800) | (246) | (100,046) |
| Actual amount charged against the General Fund Balance for pensions in the year: | | | | | | |
| - Employers' contributions payable to the scheme | 41,900 | 129 | 42,029 | 43,100 | 134 | 43,234 |
| Net adjustment between accounting basis and funding basis under regulations | (45,000) | 245 | (44,755) | (56,700) | (112) | (56,812) |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

38. DEFINED BENEFIT PENSION SCHEMES continued

Pensions assets and liabilities recognised in the balance sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

| | 2022/23 | | | 2021/22 | | |
|--|-------------|---------------|--------------------|------------------|---------------|--------------------|
| | Council | LPFA | Total | Council | LPFA | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Fair value of plan assets | 1,831,200 | 66,884 | 1,898,084 | 2,038,000 | 67,328 | 2,105,328 |
| Less Present value of defined benefit obligation | (1,831,200) | (40,101) | (1,871,301) | (2,424,200) | (52,480) | (2,476,680) |
| | | | | | | |
| Net (liability) arising from defined benefit obligation | - | 26,783 | 26,783 | (386,200) | 14,848 | (371,352) |

Reconciliation of movement in the fair value of the scheme assets:

| | 2022/23 | | | 2021/22 | | |
|--|------------------|---------------|------------------|------------------|---------------|------------------|
| | Council | LPFA | Total | Council | LPFA | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Opening balance at 1 April | 2,038,000 | 67,328 | 2,105,328 | 1,901,000 | 61,349 | 1,962,349 |
| | | | | | | |
| Interest income on assets | 54,900 | 1,718 | 56,618 | 39,900 | 1,140 | 41,040 |
| Remeasurement gains/(losses) on assets | (147,700) | 280 | (147,420) | 104,200 | 7,619 | 111,819 |
| Other actuarial gains/(losses) | (99,800) | 104 | (99,696) | - | - | - |
| Administration expenses | - | (20) | (20) | - | (80) | (80) |
| Employer contributions | 41,900 | 129 | 42,029 | 43,100 | 134 | 43,234 |
| Contribution by participants | 14,100 | 43 | 14,143 | 13,000 | 44 | 13,044 |
| Contribution by admitted bodies | 700 | - | 700 | 800 | - | 800 |
| Net benefits paid out | (70,900) | (2,698) | (73,598) | (64,000) | (2,878) | (66,878) |
| | | | | | | |
| Closing balance at 31 March | 1,831,200 | 66,884 | 1,898,084 | 2,038,000 | 67,328 | 2,105,328 |

Reconciliation of movement in the present value of defined benefit obligation (liabilities):

| | 2022/23 | | | 2021/22 | | |
|--|--------------------|-----------------|--------------------|--------------------|-----------------|--------------------|
| | Council | LPFA | Total | Council | LPFA | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Opening balance at 1 April | (2,424,200) | (52,480) | (2,476,680) | (2,594,700) | (55,217) | (2,649,917) |
| | | | | | | |
| Current service cost | (76,500) | (252) | (76,752) | (82,900) | (284) | (83,184) |
| Interest cost | (64,700) | (1,330) | (66,030) | (54,000) | (1,022) | (55,022) |
| Contribution by admitted bodies | (700) | - | (700) | (800) | - | (800) |
| Contributions by scheme participants | (14,100) | (43) | (14,143) | (13,000) | (44) | (13,044) |
| Change in financial assumptions | 885,400 | 14,341 | 899,741 | 159,200 | 1,325 | 160,525 |
| Change in demographic assumptions | - | 1,655 | 1,655 | 30,600 | - | 30,600 |
| Experience loss/(gain) on defined benefit obligation | (206,700) | (4,690) | (211,390) | 70,200 | (116) | 70,084 |
| Benefits paid | 70,900 | 2,698 | 73,598 | 64,000 | 2,878 | 66,878 |
| Past service costs | (600) | - | (600) | (2,800) | - | (2,800) |
| | | | | | | |
| Closing balance at 31 March | (1,831,200) | (40,101) | (1,871,301) | (2,424,200) | (52,480) | (2,476,680) |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

38. DEFINED BENEFIT PENSION SCHEMES continued

Scheme assets comprised:

| | 2022/23 | | | 2021/22 | | |
|---------------------------|------------------|---------------|------------------|------------------|---------------|------------------|
| | Council | LPFA | Total | Council | LPFA | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Quoted | | | | | | |
| - Equities | 937,574 | 39,332 | 976,906 | 1,112,748 | 37,785 | 1,150,533 |
| - Government bonds | 135,509 | - | 135,509 | 173,230 | - | 173,230 |
| - Corporate bonds | 168,470 | - | 168,470 | 185,458 | - | 185,458 |
| - Target return portfolio | - | 12,436 | 12,436 | - | 14,307 | 14,307 |
| - Other | 29,299 | - | 29,299 | 34,646 | - | 34,646 |
| Subtotal | 1,270,853 | 51,768 | 1,322,621 | 1,506,082 | 52,092 | 1,558,174 |
| Unquoted | | | | | | |
| - Equities | 43,949 | - | 43,949 | 26,494 | - | 26,494 |
| - Infrastructure | - | 8,463 | 8,463 | - | 6,725 | 6,725 |
| - Property | 278,342 | 6,568 | 284,910 | 311,814 | 5,880 | 317,694 |
| - Cash | 71,417 | 85 | 71,502 | 71,330 | 2,631 | 73,961 |
| - Other | 166,639 | - | 166,639 | 122,280 | - | 122,280 |
| Subtotal | 560,347 | 15,116 | 575,463 | 531,918 | 15,236 | 547,154 |
| Total | 1,831,200 | 66,884 | 1,898,084 | 2,038,000 | 67,328 | 2,105,328 |

Basis for estimating assets and liabilities

The scheme assets, as shown above, are those attributable to the council from its membership of the Local Government Pension Scheme (LGPS) for both the London borough of Southwark Pension Fund and the London Pension Fund Authority (LPFA). The value of the assets is provided by fund actuaries. The LGPS valuation is based on asset values at 31 March 2023. The LPFA actuary uses market values at 31 January 2023, then indexed for market movements to arrive at a valuation for 31 March 2023.

Liabilities for the council and LPFA schemes have been assessed by Aon Hewitt and Barnett Waddingham respectively. Both have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. The estimates are based on data relating to the latest full valuations as at 31 March 2022 and rolled forward.

Principal assumptions used by the actuaries

| | Council | | LPFA | |
|---|---------|---------|---------|---------|
| | 2022/23 | 2021/22 | 2022/23 | 2021/22 |
| Mortality assumptions | | | | |
| Longevity at 65 for current pensioners | | | | |
| - Men (years) | 21.6 | 21.5 | 20.2 | 20.9 |
| - Women (years) | 24.2 | 24.1 | 23.4 | 23.7 |
| Longevity at 45 for future pensioners | | | | |
| - Men (years) | 22.9 | 22.8 | 21.7 | 22.4 |
| - Women (years) | 25.7 | 25.6 | 25.2 | 25.6 |
| Principal financial assumptions | | | | |
| - Rate of inflation CPI | 2.7% | 3.0% | 2.9% | 3.4% |
| - Rate of increase in salaries | 4.2% | 4.5% | 3.9% | 4.4% |
| - Rate of increase in pensions | 2.7% | 3.0% | 2.9% | 3.4% |
| - Rate of pension accounts revaluation | 2.7% | 3.0% | 0.0% | 0.0% |
| - Rate for discounting scheme liabilities | 4.7% | 2.7% | 4.8% | 2.6% |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

38. DEFINED BENEFIT PENSION SCHEMES continued

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table below. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant.

| Assumption | Impact of increase | | | Impact of decrease | | |
|--|--------------------|--------|------------------|--------------------|--------|------------------|
| | Council | LPFA | Total | Council | LPFA | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Present value of total obligation | | | | | | |
| Longevity (+/- 1 Year) | 1,878,800 | 42,398 | 1,921,198 | 1,783,600 | 37,940 | 1,821,540 |
| Rate of increase in salaries (+/- 0.1%) | 1,833,000 | 40,111 | 1,873,111 | 1,829,400 | 40,091 | 1,869,491 |
| Rate of increase in pensions (+/- 0.1%) | 1,858,700 | 40,490 | 1,899,190 | 1,803,700 | 39,718 | 1,843,418 |
| Rate for discounting scheme liabilities (+/- 0.1%) | 1,801,900 | 39,715 | 1,841,615 | 1,860,500 | 40,493 | 1,900,993 |
| Projected service cost | | | | | | |
| Longevity (+/- 1 Year) | 38,300 | 157 | 38,457 | 35,500 | 146 | 35,646 |
| Rate of increase in salaries (+/- 0.1%) | 36,900 | 152 | 37,052 | 36,900 | 151 | 37,051 |
| Rate of increase in pensions (+/- 0.1%) | 38,400 | 155 | 38,555 | 35,500 | 149 | 35,649 |
| Rate for discounting scheme liabilities (+/- 0.1%) | 35,500 | 149 | 35,649 | 38,400 | 154 | 38,554 |

Impact on the council's cash flows

The objective of the schemes are to achieve a funding level of 100%, with funding levels monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2022. The liabilities show the underlying commitments that the council has in the long run to pay post employment (retirement) benefits. The total obligation of £1,871m (£2,477m at 31 March 2022) has a substantial impact on the net worth of the council as recorded in the Balance Sheet, resulting in a net asset of £27m (liability of £371m at 31 March 2022).

As members of the Local Government Pension Scheme, both the council and LPFA schemes have taken account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the act, the Local Government's Pension Scheme may not provide benefits in relation to service after 31 March 2014. The act provides for scheme regulations to be made within common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. The anticipated service cost in 2023/24 is £36.90m for the council scheme and £0.15m for the LPFA scheme. The weighted average duration of the defined benefit obligation for the council scheme members is 15.9 years (19.5 years 2021/22) and 10 years for LPFA scheme members (13 years 2021/22).

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

39. FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes (business rates and council tax) and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the council and can be represented by a contractual obligation to deliver cash or financial assets. The following categories of financial instrument liabilities are carried in the Balance Sheet.

All of the council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and the Mayors Energy Efficiency Fund
- short-term loans from other local authorities
- overdraft with the National Westminster Bank
- Private Finance Initiative contracts
- trade payables for goods and services received

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

| | Long Term | | Short Term | | Total | |
|------------------------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|
| | 31 March 2023 | 31 March 2022 | 31 March 2023 | 31 March 2022 | 31 March 2023 | 31 March 2022 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Borrowings | | | | | | |
| At amortised cost | (894,821) | (702,471) | (103,138) | (199,180) | (997,959) | (901,651) |
| Cash and Cash Equivalents | | | | | | |
| Bank overdraft at amortised cost | | - | (6,225) | (6,967) | (6,225) | (6,967) |
| PFI and Other liabilities | | | | | | |
| At amortised cost | (71,326) | (74,090) | (5,118) | (6,582) | (76,444) | (80,672) |
| Creditors | | | | | | |
| At amortised cost | (6,703) | (7,648) | (109,639) | (266,943) | (116,342) | (274,591) |
| Total Financial Liabilities | (972,850) | (784,209) | (224,120) | (479,672) | (1,196,970) | (1,263,881) |
| Non-Financial Liabilities | | | (132,623) | (31,874) | (132,623) | (31,874) |
| Total | (972,850) | (784,209) | (356,743) | (511,546) | (1,329,593) | (1,295,755) |

The total short-term borrowing includes £33.1m (£24.2m at 31 March 2022) representing accrued interest and principal payments due within 12 months on long-term borrowing.

The creditors lines in the balance sheet include £132.6m (£31.9m at 31 March 2022) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

39. FINANCIAL INSTRUMENTS continued

Financial Assets

A financial asset is a right to future economic benefits controlled by the council that is represented by cash or other instruments. The financial assets held by the council during the year are accounted for under the following classifications:

Amortised cost (where cash flows are solely payments of principal and interest and the council's business model is to collect those cash flows) comprising:

- cash in hand and at bank
- certificates of deposit and covered bonds issued by banks and building societies
- treasury bills and gilts issued by the UK Government
- loans made for service purposes
- lease receivables
- trade receivables for goods and services provided

Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the council's business model is to collect those cash flows and sell the instrument) comprising:

- bonds issued by banks, building societies, the UK Government, multilateral development banks and large companies that the council holds to sell if cash flow needs demand

Fair value through profit and loss (all other financial assets) comprising:

- money market funds managed by three fund managers.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

| | Long Term | | Short Term | | Total | |
|--|---------------|---------------|----------------|----------------|----------------|----------------|
| | 31 March | 31 March | 31 March | 31 March | 31 March | 31 March |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Investments | | | | | | |
| At fair value through other comprehensive income | 13,822 | 19,994 | 95,047 | 86,156 | 108,869 | 106,150 |
| At amortised cost | - | - | 30,273 | 985 | 30,273 | 985 |
| Total Investments | 13,822 | 19,994 | 125,320 | 87,141 | 139,142 | 107,135 |
| Cash and Cash Equivalents | | | | | | |
| At fair value through profit and loss | - | - | 80,878 | 54,419 | 80,878 | 54,419 |
| Debtors | | | | | | |
| Trade receivables at amortised cost | 29,235 | 24,896 | 74,047 | 137,664 | 103,282 | 162,560 |
| Total Financial Assets | 43,057 | 44,890 | 280,245 | 279,224 | 323,302 | 324,114 |
| Non-Financial Assets | - | - | 79,127 | 55,345 | 79,127 | 55,345 |
| Total | 43,057 | 44,890 | 359,372 | 334,569 | 402,429 | 379,459 |

The short-term debtors line on the balance sheet include £115.3m (£55.3m at 31 March 2022) debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

39. FINANCIAL INSTRUMENTS continued

Financial Instruments – Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consists of the following items:

| | 2022/23 | | | | | 2021/22 | | | | |
|--|--|---------------------------------------|--|---|----------------|--|---------------------------------------|--|---|----------------|
| | Financial Liabilities at amortised cost | Financial Assets at amortised cost | fair value through other comprehensive income | Financial Assets at fair value through profit or loss | Total | Financial Liabilities at amortised cost | Financial Assets at amortised cost | fair value through other comprehensive income | Financial Assets at fair value through profit or loss | Total |
| | £000 | | £000 | £000 | £000 | £000 | £000 | | £000 | £000 |
| Interest expense | 40,327 | | | | 40,327 | 29,812 | - | | - | 29,812 |
| Other charges | 294 | | | | 294 | 7,395 | - | | - | 7,395 |
| Total expenses in surplus or deficit on the provision of services | 40,621 | | - | - | 40,621 | 37,207 | - | | - | 37,207 |
| Interest Income | | (4,344) | (1,376) | (2,494) | (8,214) | - | (3,507) | (356) | (55) | (3,918) |
| Total income in surplus or deficit on the provision of services | - | (4,344) | (1,376) | (2,494) | (8,214) | - | (3,507) | (356) | (55) | (3,918) |
| Surplus/(deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure | - | | (606) | - | (606) | - | - | 452 | - | 452 |
| Net (gain)/loss for the year | 40,621 | | (1,982) | (2,494) | 31,801 | 37,207 | (3,507) | 96 | (55) | 33,741 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

40. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the council approves a treasury management strategy before the commencement of each financial year. The strategy sets out the parameters for the management of risks associated with financial instruments. The council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The treasury management strategy includes an annual investment strategy in compliance with the Department of Levelling Up, Housing and Communities guidance on local government investments. The strategy emphasises that priority is given to security and liquidity, rather than yield. The council's treasury management strategy and its treasury management practices seek to achieve a suitable balance between risk and return on cost.

The council's treasury investments are primarily delegated to two external fund managers with an internal operation to manage short-term liquidity.

The main risks covered are:

- Credit risk: the possibility that the counterparty to a financial asset will fail to meet its contractual obligations causing a loss to the council
- Liquidity risk: the possibility that the council might not have the liquid assets available to make contracted payments on time
- Market risk: the possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or asset prices

Credit risk - investments

The council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the treasury management strategy. These include commercial entities with a minimum long-term credit rating of A, the UK government, other local authorities, and organisations without credit ratings upon which the council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

The council is able to utilise the expertise of external fund managers to seek to mitigate credit risk in the construction of a well diversified treasury portfolio. Limits are set on the amount of money that can be invested with a single counterparty (other than the UK government) and no more than 50% of total investments can be for a period longer than one year.

The council's exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally, as the risk of any institution failing to make interest repayments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence at 31 March 2023 that this was likely to crystallise.

The maximum exposure to credit risk is represented by the sums held in investments. The maturity and ratings of investments held at 31 March 2023 is set out below:

| | £000 | | | | % | | | |
|--------------------------|---------------|---------------|----------------|----------------|--------------|--------------|--------------|---------------|
| | A | AA | AAA | Total | A | AA | AAA | Total |
| | £000 | £000 | £000 | £000 | % | % | % | % |
| Up to 1 year | 26,373 | 63,222 | 116,603 | 206,198 | 11.9% | 28.5% | 53.4% | 93.8% |
| 1 - 2 years | 2,134 | 279 | 4,170 | 6,583 | 1.0% | 0.1% | 1.9% | 3.0% |
| 2 - 5 years | 535 | 1,776 | 4,928 | 7,239 | 0.2% | 0.8% | 2.2% | 3.2% |
| Total investments | 29,042 | 65,277 | 125,701 | 220,020 | 13.1% | 29.4% | 57.5% | 100.0% |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

40. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS continued

Credit risk - receivables

Trade receivables arise from the provision of goods and services and the carrying out of the council's functions. The credit quality of debtors is reflected in the level of the impairment allowance for trade debtors shown in note 17.

In the normal course of carrying out its operations, the council is exposed to the potential risk of default from individuals, firms and organisations that it deals with. Credit is assessed prior to being granted in commercial transactions, for example commercial rents. Debts arising are actively managed and collection targets are used to raise receipts. Debt outstanding is pursued and in appropriate cases further credit is suspended. A charge may be placed on property for debt, but the bulk of the exposure is unsecured and subject to credit risk and notably concentrated within the council's geographical boundary.

Liquidity risk

The council has access to long-term loan facilities from the Public Works Loans Board to fund maturing debt and capital financing requirements. Investment may also be realised for working capital requirements.

The council is exposed to the risk that refinancing of maturing debt may occur at times of unfavourable external borrowing rates. To mitigate this risk the council has a diversified debt maturity profile limiting the amount of debt required to be refinanced in the course of any one financial year.

The maturity analysis of principal sums borrowed is as follows:

| | 2022/23 | 2021/22 |
|-------------------------|----------------|----------------|
| | £000 | £000 |
| Less than 1 year | 85,565 | 193,279 |
| Between 1 and 5 years | 122,736 | 85,855 |
| Between 5 and 10 years | 101,853 | 79,029 |
| Between 10 and 20 years | 75,354 | 42,558 |
| Over 20 years | 605,361 | 495,361 |
| Total | 990,869 | 896,082 |

Market risk

The council has exposure to interest rate movements in its borrowing and investments.

Outstanding long-term council debt at 31 March 2023 is primarily from the PWLB with short-term borrowing from other local authorities. The debt is at fixed rates, with an average maturity of 23.0 years (29.5 years at 31 March 2022). The maturity profile of the debt is shown in the table above. The council may draw further loans from the PWLB if needed. A 1% rise in discount rates at Balance Sheet date would lower the fair value by £81m. As the debt is held at amortised cost there would be no impact on the Comprehensive Income and Expenditure Statement from such a change, unless the debt was extinguished. Legislation would then require a charge to be taken to the financial instruments adjustment account.

Investments are held in short-term deposits or certificate of deposits with major banks and building societies. Money is also held in money market funds, treasury bills and bonds, and investments of more than one year are usually held in UK government gilts or supranational banks.

The overall weighted average life of council's investments is 2.56 years. Within that, the weighted average life of investments measured at fair value through other comprehensive income is 1.87 years. A 1% change in discount rates on these investments would change the fair value by £0.8m and would be reflected in other comprehensive income or the surplus or deficit on the provision of services as appropriate.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

41. FAIR VALUE - ASSETS AND LIABILITIES

Fair value - basis of valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

| Description of asset or liability | Held on balance sheet as | Valuation hierarchy | Basis of Valuation | Observable and unobservable inputs |
|---|--------------------------|---------------------|---|--|
| Market quoted investments (money market funds, equity funds, corporate, covered government bonds) | Fair value | 1 | Published bid market price ruling on the final day of the accounting period | Not required |
| Long term loans from PWLB / MEEF | Amortised cost | 2 | Discounting of contractual cash flows over the remaining life of the instrument at an appropriate market rate | The attributable market derived discount rate for each individual loan |
| Lease Payable and PFI Liabilities | Amortised cost | 2 | Projected discounted future Unitary contractual payments | Payments determined by contractual agreement, discounted at an appropriate market derived corporate bond yield. |
| Investment Property | Fair value | 2 | Valued at Fair Value at year end by Head of Property, taking into account the characteristics of the assets, nature of the relevant market for those assets and behaviours of those participating in these markets, assuming the highest and best use for the asset. The valuations employ a market approach technique. | Quoted rents, yields etc. for comparable assets transacted in active markets, subject to adjustment as necessary in valuer's judgement to equate the evidence with the subject of the valuation. |
| Assets held for sale | Fair value | 2 | | |
| Surplus Assets | Fair value | 2 | | |

The fair value of certain financial assets and liabilities including debtors and creditors is assumed to be approximate to the carrying amount.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

41. FAIR VALUE - ASSETS AND LIABILITIES continued

Financial and non-financial assets and liabilities measured at fair value are classified in accordance with three levels as shown below:

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the council can access at the measurement date

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly

Level 3 inputs – Fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

The following table provides an analysis of the financial liabilities grouped into the level at which fair value is observable:

| | Fair value level | 31 March 2023 | | 31 March 2022 | |
|--|------------------|--------------------|------------------|--------------------|------------------|
| | | Balance Sheet | Fair value | Balance Sheet | Fair value |
| | | £000 | £000 | £000 | £000 |
| Financial liabilities held at amortised cost: | | | | | |
| Long term loans from PWLB | 2 | (914,689) | (720,088) | (709,570) | (763,323) |
| Other long-term loans | 2 | (6,179) | (3,969) | (6,511) | (5,684) |
| Private finance initiative liabilities | 2 | (76,444) | (97,383) | (74,090) | (150,809) |
| Subtotal | | (997,312) | (821,440) | (790,171) | (919,816) |
| Liabilities for which fair value is not disclosed | | (332,281) | | (505,585) | |
| Total financial liabilities | | (1,329,593) | | (1,295,756) | |
| | | | | | |
| Recorded on balance sheet as: | | | | | |
| Short-term creditors | | (242,262) | | (305,399) | |
| Short-term borrowing | | (103,138) | | (199,180) | |
| Short-term PFI liabilities | | (5,118) | | - | |
| Bank overdraft | | (6,225) | | (6,968) | |
| Long-term creditors | | (6,703) | | (7,648) | |
| Long-term borrowing | | (894,821) | | (702,471) | |
| Other long-term liabilities | | (71,326) | | (74,090) | |
| Total financial liabilities | | (1,329,593) | | (1,295,756) | |

The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to be approximate to the carrying amount.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

41. FAIR VALUE - ASSETS AND LIABILITIES continued

The following table provides an analysis of the financial assets grouped into the level at which fair value is observable:

| | Fair value level | 31 March 2023 | | 31 March 2022 | |
|--|------------------|----------------|----------------|----------------|----------------|
| | | Balance Sheet | Fair value | Balance Sheet | Fair value |
| | | £000 | £000 | £000 | £000 |
| Financial assets held at fair value: | | | | | |
| Money market funds | 1 | 80,878 | 80,878 | 54,420 | 54,420 |
| Corporate, covered and government bonds | 1 | 139,142 | 139,142 | 107,135 | 107,135 |
| Subtotal | | 220,020 | 220,020 | 161,555 | 161,555 |
| Assets for which fair value is not disclosed | | 182,409 | | 217,905 | |
| Total financial liabilities | | 402,429 | | 379,460 | |
| | | | | | |
| Recorded on balance sheet as: | | | | | |
| Short-term debtors | | 153,174 | | 193,009 | |
| Short-term investments | | 125,320 | | 87,141 | |
| Long-term debtors | | 29,235 | | 24,896 | |
| Long-term investments | | 13,822 | | 19,994 | |
| Cash and cash equivalents | | 80,878 | | 54,420 | |
| Total financial assets | | 402,429 | | 379,460 | |

The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to be approximate to the carrying amount.

SUPPLEMENTARY FINANCIAL STATEMENTS 2022/23

Housing Revenue Accounts

Collection Fund Account

Pension Fund Account

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

**HOUSING REVENUE ACCOUNT
2022/23**

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT

The Housing Revenue Account is a record of expenditure on, and income from, the provision of local authority housing, and the form and content of the Account is prescribed by statute. The Housing Revenue Account is "ring-fenced" and must be self-supporting. Contributions both to and from the Housing Revenue Account (e.g. from the General Fund) are limited to special circumstances.

| | | 2022/23 | 2021/22 |
|--|------|------------------|------------------|
| | Note | £000 | £000 |
| Income | | | |
| Dwelling Rents | | (207,652) | (199,038) |
| Non-dwelling rents | | (6,233) | (5,817) |
| Charges for services and facilities | | (68,981) | (56,702) |
| Contributions towards expenditure | | (2,512) | (2,963) |
| Total Income | | (285,378) | (264,520) |
| Expenditure | | | |
| Repairs and maintenance | | 62,429 | 56,452 |
| Supervision and management | | 135,352 | 123,269 |
| Rents, rates, taxes and other charges | | 9,375 | 10,743 |
| Depreciation, impairment and revaluation losses of non-current assets | 3 | 72,772 | 113,606 |
| Debt management costs | | 323 | 264 |
| Increase in provisions for bad debts | | 2,001 | 1,060 |
| Revenue expenditure funded from capital under statute | 4 | 423 | - |
| Total expenditure | | 282,675 | 305,394 |
| Net cost of HRA Services included in the Comprehensive Income and Expenditure Statement | | (2,703) | 40,874 |
| HRA share of Corporate and Democratic Core | | 1,106 | 1,106 |
| Net Cost of HRA Services | | (1,597) | 41,980 |
| Gains and losses on the sales of HRA non-current assets | | (21,493) | (23,265) |
| Interest payable and similar charges | | 27,538 | 23,303 |
| Interest and investment income | | (6,721) | (2,472) |
| Income, expenditure and changes in the fair value of investment properties | 14 | (5,064) | (10,064) |
| Pensions interest cost and expected return on pensions assets | | 1,647 | 2,432 |
| Capital grants and contributions receivable | | (118,151) | (43,030) |
| Total (surplus)/deficit for the year | | (123,841) | (11,116) |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

This is a reconciliation statement summarising the differences between the outturn on the HRA Income and Expenditure Statement and the HRA Balance.

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources generated and used in the last twelve months. However, a number of items have to be included or removed from the HRA Income and Expenditure Statement to comply with the statutory requirements of accounting for the HRA.

| | Note | 2022/23 | 2021/22 |
|--|------|-----------------|-----------------|
| | | £000 | £000 |
| (Surplus)/deficit for the year on HRA services | | (123,841) | (11,116) |
| Adjustments between accounting basis and funding basis under regulations | 5 | 130,513 | 13,332 |
| (Increase)/decrease in the HRA Balance | | 6,672 | 2,216 |
| HRA Balance brought forward | | (26,130) | (28,346) |
| Balance carried forward | 6 | (19,458) | (26,130) |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

NOTES TO THE HOUSING REVENUE ACCOUNT STATEMENTS

1. THE HOUSING REVENUE ACCOUNT (HRA)

The Housing Revenue Account is a record of expenditure on, and income from, the provision of local authority housing, and the form and content of the Account is prescribed by statute. The Housing Revenue Account is "ring-fenced" and must be self-supporting. Contributions both to and from the Housing Revenue Account (e.g. from the General Fund) are limited to special circumstances.

2. ANALYSIS OF HOUSING STOCK BY TYPE OF DWELLING

| Type of Dwelling | | Number of bedrooms | | | | Total | Total |
|----------------------|----------------------|--------------------|---------------|---------------|-----------|---------------|---------------|
| | | 1 | 2 | 3+ | Other | 31 March 2023 | 31 March 2022 |
| Houses and bungalows | 31 March 2023 | 367 | 719 | 2,884 | - | 3,970 | |
| | 31 March 2022 | 370 | 719 | 2,847 | - | | 3,936 |
| Low rise flats | 31 March 2023 | 2,753 | 618 | 374 | - | 3,745 | |
| | 31 March 2022 | 2,781 | 614 | 365 | - | | 3,760 |
| Medium rise flats | 31 March 2023 | 6,604 | 7,148 | 6,168 | - | 19,920 | |
| | 31 March 2022 | 6,559 | 7,125 | 6,142 | - | | 19,826 |
| High rise flats | 31 March 2023 | 2,715 | 4,709 | 1,727 | - | 9,151 | |
| | 31 March 2022 | 2,673 | 4,653 | 1,712 | - | | 9,038 |
| Non-permanent | 31 March 2023 | - | - | - | - | - | |
| | 31 March 2022 | - | - | - | - | | - |
| Multi-occupied | 31 March 2023 | - | - | - | 96 | 96 | |
| | 31 March 2022 | - | - | - | 96 | | 96 |
| TOTALS | 31 March 2023 | 12,439 | 13,194 | 11,153 | 96 | 36,882 | |
| TOTALS | 31 March 2022 | 12,383 | 13,111 | 11,066 | 96 | | 36,656 |

In addition to the numbers shown in the table above, as at 31 March 2023 there were also 881 void properties (803 at 31 March 2022). These are mostly decanted properties within the major redevelopment projects currently underway; but whilst having been made secure, they have not yet been demolished.

The vacant possession value of buildings as at 31 March 2023 was £14.0bn (£14.0bn as at 31 March 2022). The difference between the vacant possession value and Balance Sheet value of dwellings within the HRA shows the economic cost to the government of providing council housing at less than market rents.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

3. DEPRECIATION AND REVALUATION CHARGES

| | £000 | £000 |
|--|---------------|----------------|
| Dwellings depreciation | 50,210 | 49,980 |
| Other property depreciation | 1,498 | 1,567 |
| Revaluation losses on non-current assets | 21,065 | 62,059 |
| Total | 72,773 | 113,606 |

4. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

REFCUS is a class of expenditure that may meet statutory definitions of capital expenditure, but is of a nature that is not consistent with the accounting standards definitions of additions to Property Plant and Equipment. Examples include expenditure incurred on assets that are not owned by the council, often referred to as a capital grant. Expenditure is charged to the Income and Expenditure Account as it arises, but is then charged to the Capital Adjustment Account to be financed from capital resources. For the HRA this expenditure would include cash incentive payments (grants to tenants as an incentive to vacate their properties and purchase private accommodation), and statutory home loss payments where the council necessarily relocates tenants to other accommodation

In 2022/23 £0.423 million was incurred in the HRA as REFCUS (£0.00 million in 2021/22).

5. MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE, NET ADDITIONAL AMOUNTS REQUIRED BY STATUTE

The following table shows Items included in the HRA Income and Expenditure Account but which are excluded from the movement on HRA Balance for the year:

| | 2022/23 | 2021/22 |
|---|----------------|---------------|
| | £000 | £000 |
| Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute | 5,459 | 1,292 |
| Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements | 347 | (10) |
| Gain or loss on the sale of HRA non current assets | 21,493 | 23,265 |
| HRA share of contributions to or from the Pensions Reserve | (8,673) | (11,107) |
| Capital expenditure funded by the HRA | 15,989 | 14,602 |
| Transfer to/from the Major Repairs Reserve | 51,708 | 51,546 |
| Transfer to/from the Capital Adjustment Account | 44,189 | (66,256) |
| Net additional amount required by statute to be charged to the HRA | 130,512 | 13,332 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

6. HRA BALANCE

HRA reserves as at 31 March 2023 of £19.458 million (£26.130 million as at 31 March 2022) are allocated as follows:

| | 31 March 2023 | 31 March 2022 |
|--|------------------|------------------|
| | £000 | £000 |
| Modernisation, Service and Operational Improvement Reserve | (350) | (3,655) |
| Financial Risk Reserve | (19,108) | (22,475) |
| Total | (19,458) | (26,130) |

The modernisation, service and operational improvement reserve of £3.6m comprises £0.6m for IT transformation, and £3.0m for investment in energy infrastructure.

The Financial Risk reserve, £19.2 million, includes £7.5 million Contingency reserve, broadly representing 2.3% of gross HRA revenue spend and Housing Investment Programme spend. The Reserve also provides £1.3 million to self-insure against the risks of subsidence and significant fire damage to the council's housing stock, £1.0 million Heating Account Reserve, which represents the cumulative balance available to mitigate energy cost pressures and smooth heating charge volatility, £0.6 million for estate parking and £5.6 million relating to debt financing. There is also a residents participation reserve of £0.4 million. The repairs and maintenance transition is £2.2 million and the great estates reserve remains at £1.1 million. In 2020/21 new reserves were created relating to service charges which has remained at £1.9 million and a HRA operational reserve which has been reduced slightly to £0.1 million.

7. MAJOR REPAIRS RESERVE

| | 2022/23 | 2021/22 |
|---|----------|----------|
| | £000 | £000 |
| Balance 1 April | - | (3,500) |
| Transfers from the Capital Adjustment Account | (51,708) | (51,546) |
| Transfer to (from) the HRA | - | - |
| Financing of capital expenditure | 51,708 | 55,046 |
| Balance 31 March | - | - |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

8. CAPITAL EXPENDITURE AND FINANCING

| | 2022/23 | 2021/22 |
|---|------------------|------------------|
| | £000 | £000 |
| Capital Investment | | |
| Non-current assets | 316,537 | 210,751 |
| REFCUS | 423 | - |
| Total | 316,960 | 210,751 |
| Funding Source: | | |
| Revenue contributions | (15,989) | (14,602) |
| Capital receipts from the sales of assets | (33,716) | (10,590) |
| Grants and other contributions | (118,151) | (43,030) |
| Major Repairs Reserve | (51,708) | (55,046) |
| Borrowing | (97,396) | (87,483) |
| Total | (316,960) | (210,751) |

9. CAPITAL RECEIPTS FROM DISPOSAL OF LAND, HOUSES AND OTHER PROPERTY WITHIN THE HOUSING REVENUE ACCOUNT

| | 2022/23 | 2021/22 |
|---|-----------------|-----------------|
| | £000 | £000 |
| Council dwellings | | |
| Right to Buy | (23,834) | (25,027) |
| Non Right to Buy | (10,061) | (5,703) |
| Other receipts | | |
| Land sales | (124) | (12,770) |
| Mortgages | (4) | (5) |
| Sub total | (34,024) | (43,505) |
| Less: Pooled (paid to central Government) | - | 4,266 |
| Total | (34,024) | (39,239) |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

10. HOUSING TENANTS ACCOUNTS

| | 2022/23 | 2021/22 |
|-------------------------------------|---------------|---------------|
| | £000 | £000 |
| Gross arrears as at 1 April | 29,633 | 27,578 |
| Prior year payments | (14,322) | (14,038) |
| Arrears as at 1 April | 15,311 | 13,540 |
| Charges due in the year | 240,148 | 229,935 |
| Rent rebates | (63,590) | (63,374) |
| Write-offs | (609) | (477) |
| Adjustments | (8,243) | (6,046) |
| Cash collected | (165,583) | (158,267) |
| Net arrears as at 31 March | 17,434 | 15,311 |
| Payments in advance | 13,845 | 14,322 |
| Gross arrears as at 31 March | 31,279 | 29,633 |

The arrears position comprises all dwelling stock and non-residential properties, hostels and Browning Estate Management Board. It excludes temporary accommodation, i.e. bed and breakfast, private sector leasing, and travellers' sites, as these are General Fund services.

11. IMPAIRMENT OF DEBTORS

| | 2022/23 | 2021/22 |
|---|-----------------|-----------------|
| | £000 | £000 |
| Rents | (15,799) | (14,096) |
| Income from hostels | (1,550) | (1,423) |
| Court costs | (882) | (879) |
| Commercial rents | (3,495) | (3,665) |
| Penalty Charge Notices and parking warrants | (4,532) | (4,219) |
| Total | (26,258) | (24,282) |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

12. PENSIONS COSTS

The HRA is charged with the costs of pensions for its employees in accordance with IAS 19. The costs are then reversed out of the HRA to the Pensions Reserve. The values have no net effect on rents or other HRA income.

The apportionment of charges to the HRA under IAS 19 is based on the ratio of employer payroll costs incurred by the council for staff charged to the HRA against those employed for the council as a whole. This apportionment is also applied to actuarially assessed items such as pensions interest cost, the expected return on pension assets, and actuarial gains and losses.

| | 2022/23 | 2021/22 |
|---|-----------------|-----------------|
| | £000 | £000 |
| | | |
| | | |
| Current service cost less contributions | 7,027 | 8,675 |
| Interest on pension scheme liabilities | 1,647 | 2,432 |
| Actuarial (gains)/losses | (77,140) | (63,660) |
| | | |
| Movement on the Pensions Reserve | (68,466) | (52,553) |
| | | |
| Add Pension contributions attributable to the HRA | 6,421 | 6,447 |
| | | |
| Total IAS 19 charges | (62,045) | (46,106) |

13. WATER CHARGES

In March 2016, the High Court (Chancery Division) found that the council had been overcharging a tenant for water supplies via Thames Water, contrary to the Water Resale Order 2006. Refunds to current and former tenants commenced in 2016-17, and the council made appropriate provision in its accounts for this purpose. This process has continued during subsequent years, with the amount provided for reduced accordingly. The balance on the water refund provision as at 31 March 2023 was £0.953m (31 March 2022 was £1.098m).

Under the terms of the Water Resale Order 2006, the refunds are net of a daily administrative charge, but inclusive of interest at a rate determined by the regulations.

14. INCOME, EXPENDITURE AND CHANGES IN THE FAIR VALUE OF INVESTMENT PROPERTIES

This disclosure identifies expenditure, rental/investment income and changes in the fair value of HRA shops and other HRA assets classified on the balance sheet as investment properties.

The net gain included in the HRA Income and Expenditure Statement in 2022/23 is £5.064m (net gain of £10.064m in 2021/22).

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

**COLLECTION FUND ACCOUNT
2022/23**

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

COLLECTION FUND

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund account. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates (NDR).

INCOME AND EXPENDITURE ACCOUNT

| | Notes | Council Tax £000 | Business Rates £000 | Business Rates Supplement £000 | 2022/23 £000 | 2021/22 £000 |
|---|-------|---------------------|------------------------|-----------------------------------|------------------|------------------|
| Income | | | | | | |
| Income from Council Tax | 1 | (173,028) | | | (173,028) | (164,664) |
| Transfer from the General Fund | | (267) | | | (267) | (245) |
| Income from Business Rates | 2 | | (286,044) | | (286,044) | (249,280) |
| Transitional protection payments from DLUHC | | | - | | - | (214) |
| Income from Business Rate Supplement (BRS) | 3 | | | (9,953) | (9,953) | (7,040) |
| Contribution from preceptors towards previous years Collection Fund deficit | 4 | - | (83,022) | | (83,022) | (112,641) |
| Total Income | | (173,295) | (369,066) | (9,953) | (552,314) | (534,084) |
| Expenditure | | | | | | |
| Precepts and Demands | | | | | | |
| Greater London Authority (GLA) | | 42,434 | | | 42,434 | 38,431 |
| London Borough of Southwark | | 128,608 | | | 128,608 | 123,024 |
| Share of Business Rates | | | | | | |
| Greater London Authority (GLA) | | | 103,363 | | 103,363 | 119,163 |
| London Borough of Southwark | | | 83,807 | | 83,807 | 96,619 |
| Department of Levelling Up, Housing and Communities (DLUHC) | | | 92,188 | | 92,188 | 106,280 |
| Transitional protection payment to DLUHC | | | 1,299 | | 1,299 | - |
| Cost of Collection allowance (NNDR) | | | 752 | | 752 | 773 |
| Business Rate Supplement (BRS): | 3 | | | | | |
| Payment to GLA | | | | 9,938 | 9,938 | 7,025 |
| Administrative costs | | | | 15 | 15 | 15 |
| Council Tax impairment of debts: | | | | | | |
| Increase/(decrease) allowance for non-collection | | 3,330 | | | 3,330 | 2,079 |
| Write Offs | | (3,155) | | | (3,155) | 2,311 |
| NDR Impairment of debts & appeals: | | | | | | |
| Increase/(decrease) allowance for non-collection | | | 1,243 | | 1,243 | 999 |
| Write Offs | | | 3,061 | | 3,061 | 318 |
| Provision for appeals | 5 | | (3,157) | | (3,157) | (4,053) |
| Contribution to preceptors towards previous years Collection Fund surplus | 4 | 342 | | | 342 | - |
| Total Expenditure | | 171,559 | 282,556 | 9,953 | 464,068 | 492,984 |
| Net deficit/(surplus) for the year | | (1,736) | (86,510) | - | (88,246) | (41,100) |
| Deficit/(surplus) at 1 April | | 3,047 | 107,294 | | 110,341 | 151,440 |
| Deficit/(Surplus) at 31 March | | 1,311 | 20,784 | - | 22,095 | 110,340 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

Council tax is a property-based tax, which is assessed on the value of residential property. For this purpose, the Valuation Office Agency (VoA) has set residential properties into eight valuation bands (A to H) using estimated market value at 1 April 1991. The council tax charges are calculated by estimating the amount of income required from the Collection Fund by the council and preceptors for the forthcoming year, and dividing this by the council tax base, which is the estimated total number of properties liable to tax, expressed as a band D equivalent.

In 2022/23 the estimated income required from all preceptors for the Collection Fund was £171.0m (2021/22 £161.5m). The amount of council tax for a band D property was £1,594.54 in 2022/23 inclusive of the GLA precept (2021/22 £1,527.80) and is multiplied by the ratio specified for the particular band to give the council tax due from properties in those bands. The 2022/23 council tax base after allowing for adjustments for non-collection (97.2% collection rate) was 107,267.

The table below shows how the council tax base was set and the resulting band D council tax:

| Band | Estimated number of properties after discounts | | Ratio | Equivalent number of band D properties | |
|--|---|----------------|-------|---|----------------|
| | 2022/23 | 2021/22 | | 2022/23 | 2021/22 |
| A | 7,736 | 7,469 | 6/9 | 5,157 | 4,979 |
| B | 26,690 | 26,361 | 7/9 | 20,759 | 20,503 |
| C | 27,230 | 27,223 | 8/9 | 24,204 | 24,198 |
| D | 22,085 | 21,629 | 1 | 22,085 | 21,629 |
| E | 16,558 | 16,032 | 11/9 | 20,237 | 19,594 |
| F | 6,511 | 6,378 | 13/9 | 9,405 | 9,212 |
| G | 4,177 | 4,225 | 15/9 | 6,962 | 7,041 |
| H | 774 | 783 | 18/9 | 1,548 | 1,566 |
| Total | 111,760 | 110,100 | | 110,357 | 108,722 |
| Less adjustment for collection rate | | | | (3,090) | (3,044) |
| Council Tax Base for year | | | | 107,267 | 105,678 |
| Estimated Income Required from Collection Fund | | | | £ 171,041,523 | £ 161,454,848 |
| Band D Council Tax | | | | £ 1,594.54 | £ 1,527.80 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

2. NON-DOMESTIC RATES

Non-domestic rates (NDR), known as business rates are collected from local businesses by the council. From 1 April 2013 the business rates retention scheme was introduced nationally.

For 2022/23, the regulations meant the council could retain 30% business rates income, with the remainder allocated to the Greater London Authority at 37% and the Department of Levelling Up, Housing and Communities (DLUHC) 33%.

Business rates are based on local rateable values set by the Valuation Office Agency (VoA) and a multiplier set by central government (DLUHC). The non-domestic rating multiplier and the small business non-domestic rating multiplier for England in 2022/23 were:

- i) the standard multiplier was 51.2p (2021/22 51.2p)
- ii) the small business multiplier was 49.9p (2021/22 49.9p)

Local businesses pay NDR calculated by multiplying their rateable value (RV) by the appropriate multiplier and subtracting any relevant reliefs. The total VoA rateable value in Southwark at 31 March 2023 was £755.2m (at 31 March 2022 £757.2m).

3. BUSINESS RATE SUPPLEMENT

Business rate supplements (BRS) are collected from local businesses by the council, on behalf of the GLA for the Crossrail project in London. For 2022/23, the levy remains set at 2p per pound of rateable value (RV), (unchanged since its inception in 2010) on non-domestic properties with a rateable value greater than £70,000. The last rateable value change from £55,000 to £70,000 occurred in 2016-17.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

4. CONTRIBUTION TO/FROM PRECEPTORS OF THE PREVIOUS YEAR'S ESTIMATED COLLECTION FUND SURPLUS/DEFICIT

As a billing authority, the council is required to make an estimate of the surplus or deficit for the Collection Fund; for council tax by the 15 January and for non-domestic rates by 31 January each year. The estimated surplus or deficit is used in setting the council tax for the following year, by reducing council tax if there is a surplus or increasing council tax if there is a deficit. In January 2022, the Council estimated a council tax surplus of £0.342m and NDR deficit of £83.022m for 2021/22, as follows:

| | Council Tax | Business Rates | Total |
|--|--------------------|-----------------------|---------------|
| | £000 | £000 | £000 |
| (Surplus) / Deficit as at 31 March 2021 | 4,833 | 107,808 | 112,641 |
| Estimated in-year (surplus)/deficit for 2021/22 | (5,175) | (24,786) | (29,961) |
| Estimated (surplus) / deficit as at 31 March 2022 | (342) | 83,022 | 82,680 |

The estimated surplus for council tax was apportioned between the council and the GLA based on their respective demands and precepts on the Collection Fund, and the estimated deficit for business rates was apportioned between the council, the GLA and DLUHC as follows:

| Authority | Council Tax | | Business Rates | | Total |
|---|--------------------|--------------|-----------------------|---------------|---------------|
| | % | £000 | % | £000 | £000 |
| Southwark Council | 75 | (251) | 30 | 27,397 | 27,146 |
| Greater London Authority | 25 | (91) | 37 | 24,907 | 24,816 |
| Central Government | | | 33 | 30,718 | 30,718 |
| Estimated (surplus) / deficit for 2021/22 redistributed in 2022/23 | | (342) | | 83,022 | 82,680 |

5. PROVISION FOR BUSINESS RATE APPEALS

The introduction of the business rates retention scheme in 2013 allows the council to retain a share of any growth in non-domestic rates (NDR) income, but also transfers some of the risks of losses.

As at 31 March 2023, 1253 appeals cases remain unsettled and outstanding with the VoA. Following the 2017 revaluation, a check, challenge, and appeals policy was introduced by central government to reform the business rates appeals system applicable to the new rating list effective on 1 April 2017. The check and challenge system is designed to make the business rates appeals assessment and application process more stringent to reduce the level of unsubstantiated appeals lodged with the VoA.

The provision for alteration of lists and appeals as at 31 March 2023 is £33m (£36.2m as at 31 March 2022), a decrease of £3.1m based on consideration of recent case law, potential unlodged appeals cases and other factors including check and challenge cases information from the VoA - Southwark council's share being £9.9m.

| Share of provision | Southwark Council | GLA | DLUHC | Total |
|---------------------------|--------------------------|------------|--------------|--------------|
| | 30% | 37% | 33% | 100% |
| | £m | £m | £m | £m |
| 2022/23 | 9.9 | 12.2 | 11 | 33.0 |
| 2021/22 | 10.9 | 13.4 | 11.9 | 36.2 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

**PENSION FUND ACCOUNT
2022/23**

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

LONDON BOROUGH OF SOUTHWARK PENSION FUND STATEMENT OF ACCOUNTS

FUND ACCOUNT

| | Note | 2022/23 | | 2021/22 | |
|---|------|----------|--------------------|-----------|--------------------|
| | | £000 | £000 | £000 | £000 |
| Dealings with members, employers and others directly involved in the fund | | | | | |
| Contributions | 7 | (61,745) | | (62,851) | |
| Transfers in from other pension funds | 8 | (3,257) | | (8,419) | |
| Subtotal | | | (65,002) | | (71,270) |
| Benefits | 9 | 69,588 | | 65,135 | |
| Payments to and on account of leavers | 10 | 4,322 | | 6,915 | |
| Subtotal | | | 73,910 | | 72,050 |
| Net reduction/(addition) from dealing with members of the fund | | | 8,908 | | 780 |
| Management expenses | 11 | | 12,859 | | 8,973 |
| Net additions including fund management expenses | | | 21,767 | | 9,753 |
| Returns on investments | | | | | |
| Investment income | 12 | (7,392) | | (7,425) | |
| Taxes on income | 12 | 1 | | 2,058 | |
| Profit and losses on disposal of investments and changes in market value of investments | 14a | 89,338 | | (181,118) | |
| Net return on investments | | | 81,947 | | (186,485) |
| Net (increase)/decrease in the net assets available for benefits during the year | | | 103,714 | | (176,732) |
| Opening net assets of the scheme | | | (2,125,356) | | (1,948,624) |
| Net assets of the scheme available to fund benefits as at 31 March | | | (2,021,642) | | (2,125,356) |

NET ASSETS STATEMENT

| | Note | | 31 March 2023 £000 | | 31 March 2022 £000 |
|---|------|--|--------------------------|--|--------------------------|
| Long Term Investments | | | 150 | | 150 |
| Investment assets | 14 | | 2,012,803 | | 2,102,141 |
| Total Net Investments | | | 2,012,953 | | 2,102,291 |
| Current assets | 13 | | 12,199 | | 28,223 |
| Current liabilities | 13 | | (3,510) | | (5,158) |
| Net assets of the scheme available to fund benefits as at 31 March | | | 2,021,642 | | 2,125,356 |

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The estimated actuarial present value of promised retirement benefits is disclosed at note 19.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

NOTES TO THE PENSION FUND STATEMENTS

1. DESCRIPTION OF THE FUND

The Pension Fund (the fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Southwark Council (the council).

The following description of the fund is a summary only. For more detail, reference should be made to the pension fund annual report and the underlying statutory powers underpinning the scheme, namely the Public Service Pension Act 2013 and the LGPS Regulations.

a) General

The scheme is governed by the Public Service Pension Act 2013. The fund is administered in accordance with the following secondary legislation:

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

It is a contributory defined benefit scheme that provides pensions and other benefits for former employees of the council and other admitted organisations.

The overall investment strategy is the responsibility of the council as the administering authority of the fund. This responsibility is delegated to the Strategic Director of Finance, taking account of the advice of the Pensions Advisory Panel. In line with the provisions of the Public Services Pensions Act 2013, the council has set up a Local Pension Board to assist the council in its role as scheme manager of the Pension Fund. The board meets on a quarterly basis and has its own terms of reference. Board members are independent of the Pensions Advisory Panel.

A list of participating organisations and their contributions for the financial year is included within the pension fund annual report. This is available from the council website.

b) Membership

Membership of LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside of the scheme.

Organisations participating in the fund include:

- Scheduled bodies, which are largely academies and similar bodies whose staff are automatically entitled to be members of the fund
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

A list of participating organisations and their contributions for the financial year is included within the pension fund annual report. This is available from the council website.

Membership details for the fund are set out below:

| | 31 March 2023 | 31 March 2022 |
|--|------------------|------------------|
| Number of contributors to the fund | 7,647 | 6,995 |
| Number of contributors and dependants receiving allowances | 8,512 | 8,167 |
| Number of contributors who have deferred their pensions | 9,032 | 10,067 |
| Total contributors | 25,191 | 25,229 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023. Employee contributions are matched by employers' contributions, which are set in accordance with the triennial actuarial funding valuations, the last being at 31 March 2022. For the 2022-23 financial year primary employer contribution rates ranged from 15.5% to 20.7% of pensionable pay, plus additional deficit payments where appropriate.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014 the scheme became a career average scheme.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website.

| | Service pre 1 April 2008 | Service post 31 March 2008 | From 1 April 2014 |
|----------|---|---|---|
| Pension | Each year worked is worth 1/80 x final pensionable salary | Each year worked is worth 1/60 x final pensionable salary | Each year worked is accrued at 1/49 of pensionable pay for the year |
| Lump sum | Automatic lump sum of 3 x pension. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up. | No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up. | |

In August 2022, the pension fund made a self-declaration to the Pensions Regulator with regard to the late processing and issuance of member Annual Benefit Statements, due to issues with data migration to the new Pensions Administration system. The Pensions Regulator was informed of the plans to rectify and agreed no further action past these plans were required. These statements were then issued in tranches, with the final statements going out in December 2022.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

2. BASIS OF PREPARATION

The Statement of Accounts summarises the fund's transactions for the 2022-23 financial year and its position at year-end as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2024. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees. Implementation of IFRS 16 is not expected to have a material impact on the pension fund because it does not hold any assets as a lessee.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in **Note 20**.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue Recognition

a) Contributions income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.
- ☐ Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Scheme Regulations. Individual transfers in or out are accounted for when received or paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their **additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in employee contributions**. Bulk group transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

c) Investment income

- i) Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.
- ii) Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current investment asset.
- iii) Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current investment asset.
- iv) Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the fund is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.
- v) Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits and or losses during the year.

d) Fund account – benefits payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the council discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

| | |
|---------------------------------------|---|
| Administrative Expenses | All administrative expenses are accounted for on an accruals basis. All staff costs of pensions administration are charged direct to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with council policy. |
| Oversight and Governance | All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with council policy. |
| Investment Management Expenses | All investment management expenses are accounted for on an accruals basis. Fees for the fund managers and custodian are agreed in the respective mandates governing their appointments and are based broadly on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. |

f) Fund account – taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

Net Asset Statement

g) Financial assets

Investment assets are included in the net assets statement on a fair value or amortised cost basis as at the reporting date. Cash held by fund managers and the funds own cash are at amortised cost.

A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the fund. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13. Details of the basis of valuation and disclosure levels within the fair value hierarchy are provided at note 13. Foreign currency transactions have been brought into the accounts at the exchange rate that was in force when the transaction took place.

h) Freehold and leasehold property

Property assets have been included in the accounts at fair value as at 31 March each year. The valuation of direct property managed by Nuveen is carried out annually by an independent valuer.

i) Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes. The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

l) Loans and Receivables

Financial assets classed as amortised cost are carried in the net asset statement at the value of outstanding principal receivable at the year-end date plus accrued interest.

m) Financial liabilities

The fund recognises financial liabilities at fair value or amortised cost as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

n) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under IAS 26, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the accounts (note 19).

o) Additional voluntary contributions

The fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. AVC assets are not included in the accounts but are disclosed as a note (note 6).

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

p) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events. A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise when it is not possible at the Balance Sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies in note 3 the council has had to make critical judgements about complex transactions and those involving uncertainty about future events. There were no such critical judgements made during 2022-23.

Directly Held Property

The fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants with rental periods between six months and five years. The fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by the Code, therefore the properties are retained on the net asset statement at fair value. Rental income is recognised in the fund account on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg if there is a premium paid at the inception of the lease).

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The statements contain estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, as balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in **Note 19**. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations, as indicated in the table below.

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---|---|---|
| Actuarial present value of retirement benefits | This applies to the estimation of the net liability to pay pensions, which depends upon a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. | The approximate impact of changing the key assumptions on the present value of retirement benefits are: - an 0.1% change in the discount rate would be +/- £51m - an 0.1% change in the rate at which salaries are projected to increase would be +/- £5m - an 0.1% change in the rate of pension increase would be +/- £47m - a one year change in mortality assumptions would be +/- £94m |
| Freehold and leasehold property and pooled property | Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, but where this is not possible, management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property. | The effect of variations in the factors supporting the valuation, estimated to be 3.6% would be an increase or decrease in the value of property of £12m, on a fair value of £323m. |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

6. EVENTS AFTER THE REPORTING DATE

There have been no material adjusting events after the reporting date.

7. CONTRIBUTIONS RECEIVABLE

By category

| | 2022-23 | 2021-22 |
|------------------------------------|-----------------|-----------------|
| | £000 | £000 |
| Employee's Contributions | (15,394) | (15,030) |
| Employer's Contributions | | |
| Normal | (39,841) | (33,732) |
| Deficit funding | (5,964) | (10,667) |
| Early retirement strain | (547) | (3,422) |
| Total contributions from employers | (46,351) | (47,821) |
| Total | (61,745) | (62,851) |

By type of employer

| | 2022-23 | 2021-22 |
|-------------------|-----------------|-----------------|
| | £000 | £000 |
| Southwark council | (55,025) | (56,857) |
| Admitted bodies | (1,050) | (979) |
| Scheduled bodies | (5,670) | (5,015) |
| Total | (61,745) | (62,851) |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

8. TRANSFERS IN FROM OTHER PENSION FUNDS

Transfers in from other pension funds were as follows:

| | 2022-23 £000 | 2021-22 £000 |
|----------------------|-----------------|-----------------|
| Individual transfers | (3,257) | (8,419) |
| Total | (3,257) | (8,419) |

9. BENEFITS PAYABLE

The table below shows the types of benefit payable by category:

| | 2022-23 £000 | 2021-22 £000 |
|--|-----------------|-----------------|
| Pensions | 55,415 | 53,130 |
| Commutation of pensions and lump sum retirement benefits | 12,127 | 9,588 |
| Lump sums - death benefits | 2,046 | 2,417 |
| Total | 69,588 | 65,135 |

The table below shows the total benefits payable grouped by entities:

| | 2022-23 £000 | 2021-22 £000 |
|-------------------|-----------------|-----------------|
| Southwark Council | 65,489 | 61,941 |
| Admitted bodies | 2,686 | 2,316 |
| Scheduled bodies | 1,413 | 878 |
| Total | 69,588 | 65,135 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

| | 2022-23 £000 | 2021-22 £000 |
|---|-----------------|-----------------|
| Refund of contributions | 132 | 263 |
| Individual transfers out to other schemes | 4,190 | 6,652 |
| Total | 4,322 | 6,915 |

11. MANAGEMENT EXPENSES

| | 2022-23 £000 | 2021-22 £000 |
|------------------------------------|-----------------|-----------------|
| Administrative costs | 3,479 | 1,891 |
| Investment and management expenses | 8,915 | 6,531 |
| Oversight and governance costs | 465 | 551 |
| Total | 12,859 | 8,973 |

The 2022-23 fee for external audit services for the pension fund is £21K (£21k in 2021-22). The increase in administration costs are due to 21-22 failing to include the recharge related to council services as it was stated elsewhere in the accounts and additional costs in 22-23 for Civica/UPM software implementation.

The Pension Fund incurred expenses of £0.9m in relation to services provided by the council during 2022-23 (£0.9m during 2021-22).

The table below provides an analysis of investment and management expenses by asset class.

| | 2022-23 | | | 2021-22 | | |
|------------------|--------------|------------------------------|---------------|--------------|------------------------------|---------------|
| | Fees £000 | Transaction costs £000 | Total £000 | Fees £000 | Transaction costs £000 | Total £000 |
| Fixed Income | | | - | 303 | - | 303 |
| Equity | | | - | 2,228 | 16 | 2,244 |
| Private Equity | | | - | 1,701 | 534 | 2,235 |
| Property | | | - | 1,114 | - | 1,114 |
| Infrastructure | | | - | 152 | - | 152 |
| Other | | | - | 125 | 258 | 383 |
| Sub-Total | - | - | - | 5,623 | 808 | 6,431 |
| Custody costs | | | | | | 100 |
| Total | | | - | | | 6,531 |

Performance fees in 2021-22 were nil (nil in 2020-21).

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

12. INVESTMENT INCOME

| | 2022-23 £000 | 2021-22 £000 |
|---------------------------------------|-----------------|-----------------|
| Dividends from equities | 1,196 | (4,171) |
| Pooled funds | (6) | (849) |
| Pooled property funds | (1) | (650) |
| Net rent from properties | (8,582) | (6,072) |
| Interest on cash deposits | - | - |
| Clearance of historic debtor balances | - | 4,317 |
| Total before taxes | (7,393) | (7,425) |
| Taxes on income | 1 | 2,058 |
| Total after taxes | (7,392) | (5,367) |

12a. PROPERTY INCOME

| | 2022-23 £000 | 2021-22 £000 |
|---------------------------------|-----------------|-----------------|
| Rental Income | (10,144) | (7,950) |
| Direct operating expenses | 1,562 | 1,878 |
| Net rent from properties | (8,582) | (6,072) |

13a. EXTERNAL AUDIT COSTS

| | 2022-23 £000 | <i>Restated</i> 2021-22 £000 |
|--------------------------------------|-----------------|------------------------------------|
| Payable in respect of external audit | 25 | 39 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

14. INVESTMENT ASSETS

| | 31 March 2023 £000 | 31 March 2022 £000 |
|----------------------------------|-----------------------------------|-----------------------------------|
| Long Term Investments | | |
| Equities | 150 | 150 |
| Total | 150 | 150 |
| Investment Assets | | |
| Equities | 268,150 | 256,900 |
| Pooled Funds | | |
| Fixed Income | 133,397 | 132,310 |
| Equities | 489,195 | 480,221 |
| Diversified Growth | 141,523 | 191,389 |
| Property | 93,636 | 92,879 |
| Infrastructure | 150,605 | 96,403 |
| Private Equity | 48,179 | 28,123 |
| Other | 67,147 | 73,407 |
| Unitised Insurance Policy | | |
| Fixed Income | - | 180,108 |
| Equities | 425,119 | 335,240 |
| Property | 194,310 | 230,600 |
| Other investment balances | 1,541 | 4,561 |
| Total Investment Assets | 2,012,803 | 2,102,141 |
| Net Investments | 2,012,953 | 2,102,291 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

14a. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on the sale of investments during the year. The table below shows the movement in investment assets and the change in market value for the year:

| | Opening balance | Purchases | Sales | Change in market value | 31 March 2023 |
|---------------------------|--------------------|----------------|------------------|------------------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Equities | 256,900 | 32,886 | (26,233) | 11,250 | 268,150 |
| Pooled funds | 1,001,853 | 295,032 | (124,486) | 28,193 | 1,030,046 |
| Pooled property funds | 92,879 | 1,897 | (205) | 757 | 93,636 |
| Unitised insurance policy | 515,348 | 359,520 | (524,849) | (90,229) | 425,119 |
| Property | 230,600 | 7,511 | (9,605) | (36,290) | 194,310 |
| | 2,097,580 | 696,846 | (685,378) | (86,318) | 2,011,262 |
| Other investment balances | 4,561 | | | (3,020) | 1,541 |
| Total | 2,102,141 | | | (89,338) | 2,012,803 |

| | Opening balance | Purchase | Sales | Change in market value | 31 March 2022 |
|---------------------------|--------------------|----------------|------------------|------------------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Equities | 233,525 | 144,070 | (145,490) | 24,795 | 256,900 |
| Pooled funds | 625,731 | 618,057 | (286,529) | 44,594 | 1,001,853 |
| Pooled property funds | 67,784 | 21,802 | (857) | 4,150 | 92,879 |
| Unitised insurance policy | 810,917 | 12,119 | (381,343) | 73,655 | 515,348 |
| Property | 187,470 | 9,226 | - | 33,904 | 230,600 |
| | 1,925,427 | 805,274 | (814,219) | 181,098 | 2,097,580 |
| Other investment balances | 5,393 | | | 20 | 4,561 |
| Total | 1,930,820 | | | 181,118 | 2,102,141 |

The Pension Fund does not hold derivatives as a main asset class, but they are used by Newton Investment Management, the council's active equity fund manager, to hedge the currency risk of holding global equities. The currency forward contracts are traded over the counter.

The valuation of direct property managed by Nuveen is carried out by Knight Frank LLP. The valuer is RICS qualified and the valuation took place on 31 March 2023. All properties have been valued at market value.

The investment strategy statement can be accessed on the council's website.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

14b. INVESTMENTS ANALYSED BY FUND MANAGER

The market value of assets (excluding cash and other investment balances) managed by the investment managers at the balance sheet date 31 March 2023 is set out in the table below. The fund has no investment assets managed by the regional asset pool, the London Collective Investment Vehicle (LCIV).

| | 31 March 2023 | | 31 March 2022 | |
|---------------------------------------|------------------|-------------|------------------|-------------|
| | £000 | % | £000 | % |
| BlackRock | 747,381 | 38% | 843,247 | 40% |
| Legal and General Investment Managers | 395,764 | 20% | 427,128 | 20% |
| Newton Investment Management | 268,133 | 13% | 256,898 | 12% |
| Nuveen | 198,009 | 10% | 234,299 | 11% |
| Comgest | 93,431 | 5% | 97,913 | 5% |
| Temporis | 86,627 | 4% | 50,054 | 2% |
| M&G | 43,231 | 2% | 42,927 | 2% |
| Invesco | 33,068 | 2% | 31,432 | 1% |
| BTG Pactual | 35,743 | 2% | 30,380 | 1% |
| Blackstone | 48,179 | 2% | 28,123 | 1% |
| Darwin | 21,620 | 1% | 20,428 | 1% |
| Glennmont | 26,437 | 1% | 19,930 | 1% |
| Frogmore | 6,799 | 0% | 8,011 | 0% |
| Brockton Capital | 6,839 | 0% | 6,810 | 0% |
| Total | 2,011,262 | 100% | 2,097,580 | 100% |

The following investments represent more than 5% of investment assets at 31 March 2023.

| Name of investment | Fund manager | 31 March 2023 | % of investment assets | 31 March 2022 | % of investment assets |
|---------------------------|-------------------|---------------|------------------------|---------------|------------------------|
| | | £000 | % | £000 | % |
| Low Carbon Target | BlackRock | 336,298 | 17% | 382,308 | 18% |
| Global Equities | Newton | 268,133 | 13% | 256,898 | 12% |
| Direct Property | Nuveen | 201,762 | 10% | 234,299 | 11% |
| Low Carbon Transition | Legal and General | 166,572 | 8% | - | 0% |
| Low Carbon Target | Legal and General | 165,357 | 8% | 335,240 | 16% |
| Diversified Growth Fund | BlackRock | 141,523 | 7% | 191,389 | 9% |
| Absolute Return Bond Fund | BlackRock | 133,397 | 7% | 132,310 | 6% |

14c. PROPERTY HOLDINGS

| | | 31 March 2023 | 31 March 2022 |
|------------------------------|------------------------|----------------|----------------|
| | | £000 | £000 |
| Opening balance | | 230,600 | 187,470 |
| Additions: | | | |
| | Purchases | 7,734 | 7,130 |
| | Subsequent expenditure | 2,661 | 2,096 |
| Disposals | | (19,513) | - |
| Net increase in market value | | (27,172) | 33,904 |
| Closing Balance | | 194,310 | 230,600 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

15. ANALYSIS OF DERIVATIVES

The fund does not currently have exposure to derivatives

16. FAIR VALUE HIERARCHY

The valuation of financial instruments has been classified into three levels in accordance with IFRS 13, according to the quality and reliability of information used to determine fair values.

| Description of asset | Valuation hierarchy | Basis of valuation | Observable and unobservable inputs | Key sensitivities affecting the valuations provided |
|--------------------------------------|---------------------|---|---|---|
| Market quoted investments | Level 1 | Published bid market price ruling on the final day of the accounting period | Not required | Not required |
| Forward foreign exchange derivatives | Level 2 | Market forward exchange rates at the year-end | Exchange rate risk | Not required |
| Pooled investments – unit trusts | Level 2 | Closing bid price where bid and offer prices are published Closing single price where single price published | Net assets value (NAV) based pricing set on a forward pricing basis | Not required |

| Description of asset | Valuation hierarchy | Basis of valuation | Observable and unobservable inputs | Key sensitivities affecting the valuations provided |
|--|---------------------|---|--|--|
| Pooled Investments - property unit trusts and limited partnerships | Level 3 | Valued at fair value as provided by the fund manager. | Purchase price at acquisition for newer or non-operational assets, estimated cash flows, government price support | Market prices and cash yields, government policies on energy subsidies, pace of shift to renewable and clean energy, discount rates |
| Unitised Insurance Policies | Level 2 | Closing bid price where bid and offer prices are published Closing single price where single price published | Net assets value (NAV) based pricing set on a forward pricing basis | Not required |
| Freehold, leasehold properties | Level 3 | Valued at fair value at the year-end by independent valuers | Existing lease terms and rentals; Independent market research; Nature of tenancies; Covenant strength for existing tenants; Assumed vacancy levels; Estimated rental growth; Discount rate | Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

The following table shows the fair value valuation hierarchy of fund assets and liabilities.

| Value as at 31 March 2023 | Level 1 £000 | Level 2 £000 | Level 3 £000 | Total £000 |
|---|-----------------|------------------|-----------------|------------------|
| Financial assets at fair value through profit and loss | | | | |
| Equities | 268,149 | 150 | - | 268,299 |
| | | | | |
| Pooled Funds | | | | |
| Fixed Income | - | 133,397 | - | 133,397 |
| Equities | - | 596,109 | - | 596,109 |
| Diversified Growth | - | 141,523 | - | 141,523 |
| Property | - | - | 93,636 | 93,636 |
| Infrastructure | - | 21,620 | 128,986 | 150,606 |
| Private Equity | - | - | 48,179 | 48,179 |
| Other | - | 31,404 | 35,743 | 67,147 |
| | | | | |
| Unitised Insurance Policy | | | | |
| Fixed Income | - | 152,894 | - | 152,894 |
| Equities | - | 165,311 | - | 165,311 |
| | | | | |
| Total Financial Assets | 268,149 | 1,242,408 | 306,544 | 1,817,101 |
| | | | | |
| Non-financial assets at fair value through profit and loss | | | | |
| Property | - | - | 194,310 | 194,310 |
| | | | | |
| Grand Total | 268,149 | 1,242,408 | 500,854 | 2,011,411 |

| Value as at 31 March 2022 | Level 1 £000 | Level 2 £000 | Level 3 £000 | Total £000 |
|---|-----------------|------------------|-----------------|------------------|
| | | | | |
| Financial assets at fair value through profit and loss | | | | |
| Equities | 256,900 | 150 | - | 257,050 |
| | | | | - |
| Pooled Funds | | | | - |
| Fixed Income | - | 132,310 | - | 132,310 |
| Equities | - | 480,221 | - | 480,221 |
| Diversified Growth | - | 191,389 | - | 191,389 |
| Property | - | - | 92,879 | 92,879 |
| Infrastructure | - | 20,428 | 75,975 | 96,403 |
| Private Equity | - | - | 28,123 | 28,123 |
| Other | - | 43,027 | 30,380 | 73,407 |
| | | | | - |
| Unitised Insurance Policy | | | | - |
| Fixed Income | - | 180,108 | - | 180,108 |
| Equities | - | 335,240 | - | 335,240 |
| | | | | |
| Total Financial Assets | 256,900 | 1,382,873 | 227,357 | 1,867,130 |
| | | | | |
| Non-financial assets at fair value through profit and loss | | | | |
| Property | - | - | 230,600 | 230,600 |
| | | | | |
| Total | 256,900 | 1,382,873 | 457,957 | 2,097,730 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

The following table shows the reconciliation of fair value measurements within level 3.

| | Opening balance | Purchase | Sales | Realised gain/(loss) | Unrealised gain/(loss) | 31 March 2023 |
|---|--------------------|---------------|-----------------|-------------------------|---------------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Financial assets at fair value through profit and loss | | | | | | |
| Pooled Funds | | | | | | |
| Property | 92,879 | 1,897 | (205) | (194) | (741) | 93,636 |
| Infrastructure | 75,975 | 42,648 | (1,995) | 455 | 11,903 | 128,986 |
| Private Equity | 28,123 | 23,884 | (6,431) | 87 | 2,516 | 48,179 |
| Other | 30,380 | - | (689) | 65 | 5,987 | 35,743 |
| Non-financial assets at fair value through profit and loss | | | | | | |
| Property | 234,299 | 7,511 | (9,605) | (11,910) | (25,985) | 194,310 |
| Total | 461,656 | 75,940 | (18,925) | (11,497) | (6,320) | 500,854 |

| | Opening balance | Purchase | Sales | Realised gain/(loss) | Unrealised gain/(loss) | 31 March 2022 |
|---|--------------------|----------------|-----------------|-------------------------|---------------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Financial assets at fair value through profit and loss | | | | | | |
| Pooled Funds | | | | | | |
| Property | 67,784 | 21,801 | (857) | 184 | 3,966 | 92,878 |
| Infrastructure | 41,248 | 42,360 | (11,498) | 225 | 3,641 | 75,976 |
| Private Equity | - | 29,078 | (1,283) | (146) | 474 | 28,123 |
| Other | - | 29,532 | - | - | 848 | 30,380 |
| Non-financial assets at fair value through profit and loss | | | | | | |
| Property | 187,470 | 9,226 | - | - | 33,904 | 230,600 |
| Total | 296,502 | 131,997 | (13,638) | 263 | 42,833 | 457,957 |

Sensitivity of assets valued at level 3

Having analysed historical data, information received from valuers and the valuation techniques of fund managers, the fund has

| Value as at 31 March 2023 | Assessed valuation range | Valuation as at 31 March 2023 | Value on increase | Value on decrease |
|---------------------------|--------------------------------|-------------------------------------|----------------------|----------------------|
| | | £000 | £000 | £000 |
| Pooled Funds | | | | |
| Property | 5.9% | 93,636 | 99,179 | 88,093 |
| Infrastructure | 4.6% | 128,986 | 134,952 | 123,020 |
| Private Equity | 4.6% | 48,179 | 50,407 | 45,951 |
| Other | 4.6% | 35,743 | 37,396 | 34,090 |
| Property | 5.9% | 194,310 | 205,813 | 182,807 |
| Total | | 500,854 | 527,747 | 473,961 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

17. FINANCIAL INSTRUMENTS

The following table shows the classification of the Pension Fund's financial instruments:

| | 31 March 2023 £000 | 31 March 2022 £000 |
|---|-----------------------------------|-----------------------------------|
| Financial assets | | |
| Fair value through profit and loss | | |
| Equities | 268,300 | 257,050 |
| Pooled Investments | 1,030,046 | 1,001,853 |
| Pooled Property Investments | 93,636 | 92,879 |
| Unitised Insurance Policy | 425,119 | 515,348 |
| Amortised cost | | |
| Cash | 6,872 | 24,255 |
| Other Investment Balances | 1,541 | 4,561 |
| Debtors | 5,327 | 300 |
| Total | 1,830,842 | 1,896,246 |
| Financial liabilities | | |
| Amortised cost | | |
| Creditors | (3,510) | (4,522) |
| Net Total | 1,827,332 | 1,891,724 |

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The Pension Fund's primary long-term risk is that the fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the Strategic Director of Finance advised by the Pensions Advisory Panel. Risk management policies are established to identify and analyse the risks faced by the council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share price risk. This arises from investments held by the fund for which the future price is uncertain. All security investments present a risk of a loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the fund investment strategy.

Potential price changes are determined based on historical data and volatility of asset class returns. For example, 'riskier' assets such as equities will display greater potential volatility than bonds. The following table demonstrates the change in the net assets available to pay benefits, if the market price had increased or decreased. In consultation with the fund's investment advisers, the council has determined that the following movements in market price risk are reasonably possible:

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

| 2022-23 - asset type | 31 March 2023 £000 | Change % | Value on increase £000 | Value on decrease £000 |
|----------------------|--------------------------|-------------|------------------------------|------------------------------|
| Fixed Income | 133,397 | 5.1% | 140,202 | 126,591 |
| Equities | 1,182,615 | 12.9% | 1,335,372 | 1,029,857 |
| Diversified Growth | 141,523 | 6.1% | 150,140 | 132,906 |
| Property | 287,946 | 5.9% | 304,993 | 270,900 |
| Infrastructure | 150,605 | 4.6% | 157,571 | 143,639 |
| Private Equity | 48,179 | 4.6% | 50,407 | 45,951 |
| Other | 67,147 | 4.6% | 70,253 | 64,042 |
| Total | 2,011,412 | | 2,208,938 | 1,813,885 |

| 2021-22 - asset type | 31 March 2022 £000 | Change % | Value on increase £000 | Value on decrease £000 |
|----------------------|--------------------------|-------------|------------------------------|------------------------------|
| Fixed Income | 312,418 | 5.4% | 329,289 | 295,547 |
| Equities | 1,072,511 | 13.0% | 1,211,937 | 933,085 |
| Diversified Growth | 191,389 | 6.3% | 203,447 | 179,331 |
| Property | 92,879 | 3.6% | 96,223 | 89,535 |
| Infrastructure | 96,403 | 3.2% | 99,488 | 93,318 |
| Private Equity | 28,123 | 3.2% | 29,023 | 27,223 |
| Other | 73,407 | 3.2% | 75,756 | 71,058 |
| Total | 1,867,130 | | 2,045,162 | 1,689,098 |

The potential changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisers' most recent review. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the fund's investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as shown in the table above.

Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. Fixed interest securities and cash are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The fund's interest rate risk is routinely monitored by the council and its investment advisers in accordance with the fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

Fixed interest securities are exposed to interest rate risk. The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%:

| Assets exposed to interest rate risks | Market value £000 | Value on 1% rate increase £000 | Value on 1% rate decrease £000 |
|---------------------------------------|-------------------------|--------------------------------------|--------------------------------------|
| As at 31 March 2023 | 133,397 | 134,731 | 132,063 |
| As at 31 March 2022 | 312,418 | 315,542 | 309,294 |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. A strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

The fund's currency risk is routinely monitored by the council and its investment advisers in accordance with the fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Overseas equities, fixed interest securities and futures, cash in foreign currencies and some elements of pooled investment vehicles are exposed to currency risk. The following table demonstrates the change in value of assets exposed to currency risk had there been a 6.3% strengthening or weakening of the pound against foreign currencies.

| Assets exposed to currency risk | Value | Change | Value on foreign exchange rate increase | Value on foreign exchange rate decrease |
|--|--------------|---------------|--|--|
| | £000 | % | £000 | £000 |
| As at 31 March 2023 | 363,500 | 6.3% | 386,401 | 340,600 |
| As at 31 March 2022 | 638,721 | 7.3% | 685,348 | 592,094 |

Credit risk

This is the risk the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. For example a stock may lose value or a dividend due may not be paid. The fund's entire investment portfolio is therefore exposed to some form of credit risk. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

The Fund has set out a series of restrictions in each investment manager's agreement. These restrictions are intended to limit the risks from each individual investment and prevent unsuitable investment activity. The Fund also employs a global custodian to ensure that all transactions are settled in a timely manner.

Liquidity risk

This is the risk that the Pension Fund may not have the funds available to meet payments as they fall due. Historically the Fund has been cash positive (i.e. contributions received have been greater than benefits paid out). However, in recent years this has reversed with benefits paid now surpassing contributions received. The reduction in active members and a resulting change in the membership profile have increased the liquidity risk of the Fund going forward.

The Fund currently has two bank accounts. One is held by the global custodian and holds cash relating to investment activities, the other is the Pension Fund bank account, which holds the cash relating to member activities.

There is a strategy in place to forecast all income and expenditure for the Fund to ensure that sufficient funds will be made available to meet short-term commitments. In the event that there are insufficient available assets to meet liabilities when they fall due, the Fund would be able to redeem investment assets and recall cash resources from investment managers at short notice to meet this requirement.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

19. FUNDING ARRANGEMENTS

Statement of the Actuary for the year ended 31 March 2023

Introduction

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013 (the 'LGPS Regulations').

The LGPS Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Southwark Pension Fund (the 'Fund') is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2022 by Aon, in accordance with Regulation 62 of the LGPS Regulations.

Actuarial Position

1. The valuation as at 31 March 2022 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2022 (of £2,125.4M) covering 109% of the liabilities.
2. The valuation also assessed each individual employer's (or group of employers') position separately. Contribution requirements were determined based on the principles in the Fund's Funding Strategy Statement and are set out in Aon's report dated 31 March 2023 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (including ill-health early retirements) will be made to the Fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2026 are estimated to be:

| Year from 1 April | % of pensionable pay | Plus total contribution amount (£m) |
|-------------------|----------------------|-------------------------------------|
| 2023 | 21.1 | - |
| 2024 | 21.2 | - |
| 2025 | 21.2 | - |

- 3 The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution changes and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances. This included an agreement that where employers are in surplus, this has only led to an adjustment in contributions to the extent that this surplus is in excess of 10% of the value of that employer's liabilities (i.e. to the extent that the employer's funding level is greater than 110%).
- 4 The valuation was carried out using the projected unit actuarial method for most employers, allowing for future increases in pensionable pay. The main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

| | |
|--|------------|
| Discount Rate | 4.05% p.a. |
| Rate of pay increases | 3.8% p.a. |
| Rate of increase to pension accounts* | 2.3% p.a. |
| Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)* | 2.3% p.a. |

* In addition, a 10% uplift was applied to the past service liabilities to make allowance for short-term inflation above the long-term assumption.

The assets were valued at market value.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

- 5 The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S3 'Heavy' mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic HorizonsTM longevity model, and included an allowance for future improvements based on the 2021 Continuous Mortality Investigation Projections Model, with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

| | Men | Women |
|--|------|-------|
| Current pensioners aged 65 at the valuation date | 21.5 | 24.1 |
| Future pensioners aged 45 at the valuation date | 22.8 | 25.6 |

- 6 The valuation results summarised in paragraph 1 above are based on the financial position and market levels at the valuation date, 31 March 2022. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Actuary, in conjunction with the Administering Authority, monitors the funding position on a regular basis.
- 7 The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2023 to 31 March 2026 were signed on 31 March 2023. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2025 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
- 8 This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2022. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, the London Borough of Southwark, the Administering Authority of the Fund, in respect of this Statement.

- 9 The report on the actuarial valuation as at 31 March 2022 is available on request from the London Borough of Southwark, the Administering Authority of the Fund.

Aon Hewitt Limited
May 2023

20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

IAS 26 (retirement benefit plans) requires the 'actuarial present value of promised retirement benefits' to be disclosed in the

| | 31 March 2022 | 31 March 2019 |
|---|------------------|------------------|
| | £m | £m |
| Fair value of net assets | 2,125 | 1,642 |
| Actuarial present value of promised retirement benefits | (2,597) | (2,192) |
| Surplus/(deficit) in the fund as measured for IAS 26 | (471) | (550) |

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

21. CURRENT ASSETS

The current assets of the fund are analysed as follows:

| | 31 March 2023 £000 | 31 March 2022 £000 |
|-------------------------------|--------------------------|--------------------------|
| Contributions due - employees | 191 | - |
| Contributions due - employers | 1,517 | 3,642 |
| Sundry debtors | 2,072 | 300 |
| Prepayments | 6 | - |
| Tax | - | 26 |
| Cash balances | 6,872 | 24,255 |
| Other investment balances | 1,541 | |
| Total | 12,199 | 28,223 |

22. CURRENT LIABILITIES

The current liabilities of the fund are analysed as follows:

| | 31 March 2022 £000 | 31 March 2022 £000 |
|-------------------|--------------------------|--------------------------|
| Benefits | (216) | (6) |
| Professional fees | (73) | (131) |
| Investment fees | (1,996) | (4,391) |
| Taxes | (311) | (558) |
| Other | (914) | (72) |
| Total | (3,510) | (5,158) |

23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

| Fund Manager | Contributions Paid 2022-23 £000 | Market Value 31 March 2023 £000 | Contributions Paid 2021-22 £000 | Market Value 31 March 2022 £000 |
|--------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Aegon UK | 249 | 3,644 | 249 | 3,605 |
| Total | 249 | 3,644 | 249 | 3,605 |

24. AGENCY SERVICES

The council has not acted as an agent for any employers of the fund in 2022-23.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

25. RELATED PARTY TRANSACTIONS

Through its administration of the fund, the fund has a related party interest with the council. The council charged the fund £0.9m in 2022-23 (£0.9m in 2021-22). Management of the Pension Fund is the responsibility of the council's Strategic Director of Finance and Governance and a small proportion of the costs of this post were apportioned to the fund in 2022-23 and 2021-22.

No officers' remuneration is paid directly by the fund; costs are instead recovered as part of the costs disclosed in note 11.

The Pension Advisory Panel (PAP) offers advice to the Strategic Director of Finance and Governance. Five members of the PAP are currently active members of the pension fund whilst one member is in receipt of pension benefits. Members of the PAP are required to make a declaration each meeting which is recorded in the minutes and are available on the council website. In 2022-23 there was one declaration for some elected members and officers of the council regarding the decisions around the actuarial valuation of the pension fund and the annual budget setting process of the council.

The council is also the single largest employer of members of the Pension Fund and contributed £41.4m to the fund in 2022-23 (£43.4m in 2021-22).

25A. KEY MANAGEMENT PERSONNEL

The valuation of Key Personnel post employment remuneration is not available at the time of publishing and will need to be obtained from the pension fund's actuary. This information will be added when the final accounts are published.

26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2023 totalled £105.8m (31 March 2022: £101.6m).

These commitments relate to outstanding call payments due on property and infrastructure funds. The amounts 'called' by these funds are irregular in both size and timing over a number of years from the date of each original commitment.

SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23

GLOSSARY

ACCOUNTING STANDARDS

These are the 'proper accounting practices' that the council must follow. They comprise laws and regulations, which are set out in Acts of Parliament and in codes of practice recommended by professional bodies.

ACCRUAL

An accounting principle where income and expenditure is recognised as it is earned or spent rather than when money is received or paid. This concept is reflected in the accounts by the inclusion of debtors and creditors.

ACTUARIAL GAINS AND LOSSES

These arise where actual events have not coincided with the actuarial assumptions made for the last valuations or the actuarial assumptions have changed.

AMORTISED COST

A way of measuring financial instruments that ignores changes in fair value. Defined as the amount at which a financial instrument is measured when it is first brought onto the Balance Sheet, adjusted for:

- repayments of principal (minus), and
- cumulative amortisation of any difference between the initial amount and the maturity amount (using the effective interest method) (plus or minus).

These differences might arise (e.g.) from transaction costs being set off against the principal amount of a loan or interest being payable at less than market rates.

ASSET

An item having value to the council in monetary terms. Assets are categorised as either current or non-current:

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A non-current asset provides benefits to the council and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

BALANCES (OR RESERVES)

These represent accumulated funds available to the council. Some balances (reserves) may be earmarked for specific purposes for funding future initiatives or meeting identified risks or liabilities. There are a number of unusable reserves which are established for technical purposes, it is not possible to utilise these to provide services.

BUDGET

A forecast of the council's planned expenditure and income, either over a set period or for a specific project.

CAPITAL ADJUSTMENT ACCOUNT

An account recording financing and disposals transactions relating to capital expenditure. This account is not available for general use to fund capital expenditure.

CARRYING AMOUNT

Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CAPITAL EXPENDITURE

Expenditure on the purchase, construction and enhancement of council assets such as houses, offices, schools and roads. Expenditure can only be treated as 'capital' if it meets the statutory definitions and is in accordance with accounting practice and regulations.

CAPITAL FINANCING

Capital financing is the process which occurs after capital expenditure has been incurred. There are a number of different sources of capital funding such as government capital / revenue grants, non-government grants, contributions from private developers, capital receipts and unsupported borrowing. Various funding sources are applied to capital spend to ensure that a project is fully financed from approved finance sources.

**SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23**

CAPITAL FINANCING REQUIREMENT (CFR)

The authority's total liabilities in respect of capital expenditure financed by credit less the provision made to meet these liabilities.

CAPITALISATION

Costs are capitalised to the extent that they create or improve any fixed asset with a useful economic life greater than one year.

CIPFA

The Chartered Institute of Public Finance and Accountancy is the accountancy body which represents at national level the interests of local government and public service finance. The Institute produces advice, codes of practice and guidance to local authorities on best practice.

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.

COLLECTION FUND

This is a statutory account, which records income and expenditure on council tax, National Non Domestic Rates and the sums paid to precepting authorities.

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.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the council's control.

CONTINGENT LIABILITY

A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the council's control; or

A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CONTRACT ASSET

An asset arising from a contract for the purchase of goods and/or services from the council, where the council has met some of its performance obligations but is not yet entitled unconditionally to receive payment.

CONTRACT LIABILITY

A liability arising from a contract for the purchase of goods and/or services from the council, where the council has received payment but has yet to meet the performance obligations relating to that payment.

COUNCIL TAX

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

CREDIT LOSSES

A measure of how much the council would lose if the amounts owed to it by debtors and borrowers are not repaid. Defined as the shortfall between all the cash flows that are due contractually to the council under a financial asset and those that it actually expects to receive (discounted using the investment's effective interest rate).

CREDITORS

Amounts owed by the council for goods and services received but not paid for as at 31 March.

CURRENT SERVICE COST

An estimate of the true economic cost of employing people in a financial year.

DEBTORS

Amounts owed to the council for goods and services provided but where the associated income was not received as at 31 March.

DEFERRED CAPITAL RECEIPTS

These represent capital income still to be received after disposals have taken place and wholly consist of principal outstanding from the sale of council houses.

**SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23**

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

DEFINED CONTRIBUTION SCHEME

A pension or other retirement benefit scheme into which an employer pays regular fixed contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to the employee service in the current and prior periods.

DEPRECIATION

A measure of the cost of the economic benefits of the tangible non-current assets consumed during the period.

EARMARKED RESERVES

These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

EXPECTED CREDIT LOSSES

Weighted average of credit losses with the respective risks of a default occurring as the weights.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable.

FAIR VALUE

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME FINANCIAL ASSETS

Investments for which gains and losses in fair value are recognised on the Balance Sheet but do not impact on the council's income as they arise but only when the investment matures or is sold. Defined as financial assets:

- held within a business model whose objective is achieved by both collecting contractual cash flows and selling investments, and
- which have the form of a basic lending arrangement (ie, contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding).

FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

Defined as financial assets that do not qualify for measurement at amortised cost or fair value through other comprehensive income.

FINANCE AND OPERATING LEASES

A finance lease is one that transfers a substantial proportion of the risks and rewards of a fixed asset to the lessee. With a finance lease the present value of the lease payments equates to substantially all of the value placed on the leased asset. For an operating lease a rental payment is payable to the lessor for the use of the asset and the ownership reverts to the owner when the lease is terminated.

FINANCIAL ASSET

A financial asset is any asset that is:

- a) cash
- b) an equity instrument of another entity
- c) a contractual right:
 - i) to receive cash or another financial asset from another entity, or
 - ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the authority
- d) a contract that will or may be settled in the entity's own equity instruments and is:
 - i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments, or
 - ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Note: in practice d) is not applicable to local authorities as they do not issue equity instruments. However, it may apply to an

FINANCIAL INSTRUMENT

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The adjustment account is used to equalise the impact of financial reporting standards for financial instruments on council tax over the life of financial instruments concerned.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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. Under the Local Government and Housing Act 1989, this account is kept separate from the General Fund and the account must balance. The council is not allowed to make up any deficit in the HRA from the General Fund.

IAS19 EMPLOYEE BENEFITS

International Accounting Standard 19 is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

IMPAIRMENT

A reduction in the value of a non-current asset, greater than normal depreciation, through economic consumption or through a fall in price.

INFRASTRUCTURE ASSETS

A classification of non-current assets, whose life is of indefinite length and which are not usually capable of being sold, e.g. highways, street lighting and footpaths.

INTANGIBLE ASSETS

Non-financial assets that do not have physical substance but are identifiable and are controlled by the council, for example, purchased software licences, patents and trademarks.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The accounting standards adopted by the International Accounting Standards Board (IASB). Local Authorities are required to produce full accounts using IFRS.

INVESTMENT PROPERTIES

Interest in land and/or buildings in respect of which construction work and development have been completed and which is held for its investment potential, with any rental income being negotiated at arm's length.

LEVIES

Payments to levying bodies such as the London Pension Fund Authority, Lee Valley Park Authority and Environment agency. The cost of these bodies is borne by local authorities in the area concerned, based on their council tax base and is met from the General Fund.

LOSS ALLOWANCE

An allowance made by setting funds aside to cover the expected credit losses calculated for a financial asset.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year and set aside as provision for credit liabilities, as required by the Local Government Act 2003.

NON DOMESTIC RATES (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the council on behalf of itself, the greater London Authority (GLA) and central government.

NET BOOK VALUE

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation.

NET REALISABLE VALUE

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NON OPERATIONAL ASSETS

Non-current assets held by the council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

OPERATING LEASES

Refer to finance and operating leases.

**SOUTHWARK COUNCIL
STATEMENT OF ACCOUNTS 2022/23**

OPERATIONAL ASSETS

Non-current assets held, occupied, used or consumed by the council in the direct delivery of its services.

PERFORMANCE OBLIGATION

A promise in a contract with a service recipient for the council to deliver goods and/or services.

PRIVATE FINANCE INITIATIVE (PFI)

A government initiative that enables authorities to carry out capital projects through partnership with the private sector.

PRECEPT

These are demands made upon the Collection Fund, by the Greater London Authority (GLA), for monies which it requires to finance the services it provides.

PROVISIONS

Amounts set aside for liabilities and losses which are likely to occur but where the exact amount or timing is uncertain.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure that is not related to the council's non-current assets but statutory regulations allow the cost to be funded from capital resources. The expenditure is recorded in the Comprehensive Income and Expenditure Statement as it arises.

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.
- the parties, or any member of a group of which it is a part, provides key management personnel services to the other, or to the parent of the other, reporting entity.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made.

REVENUE EXPENDITURE

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

REVENUE SUPPORT GRANT (RSG)

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

SERVICE RECIPIENT

A person or an organisation that has contracted with the council (as part of the council's normal business) to obtain goods and/or services in return for payment (or in exchange of goods/services to the council).

TRANSACTION PRICE

The amount the council expects to be entitled to under contract in exchange for transferring promised goods and/or services to a service recipient.

USEFUL LIFE

The period over which the council will derive benefits from the use of a fixed asset.

WRITE-OFFS

Income is recorded in the council's accounts on the basis of amounts due. When money owing to the council cannot be collected the income is already showing in the accounts and has to be reduced or written off.