

STATEMENT
of
ACCOUNTS

2002 - 2003



STATEMENT OF ACCOUNTS 2002 - 2003

This Statement of Accounts is produced in accordance with the current legislation and in particular with the Accounts and Audit Regulations 1996 and 2003 where applicable.

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

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

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

K R BROWN CPFA

Chief Finance Officer

Date: 11th September 2003

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INDEPENDENT AUDITOR'S REPORT TO SOUTHWARK COUNCIL

I have audited the financial statements on pages 11 to 53 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 11 to 14 [and the Pension Fund accounts, on pages 54 to 58, which have been prepared in accordance with the accounting policies applicable to pension funds set out on pages 55 to 58].

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

Respective Responsibilities of the Chief Financial Officer and Auditor

As described on page 4 the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the financial statements present fairly:

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

I review whether the statement on page 11 reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. I report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not

required to consider whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal financial control. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

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

Basis of audit opinion

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

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

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

Opinion

In my opinion the financial statements present fairly the financial position of London Borough of Southwark as at 31st March 2003 and its income and expenditure for the year then ended.

INDEPENDENT AUDITOR'S REPORT TO SOUTHWARK COUNCIL

Opinion on the pension fund accounts

In my opinion the financial statements present fairly the financial transactions of London Borough of Southwark Pension Fund during the year ended 31st March 2003, and the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



Derek Elliott
District Auditor

Millbank Tower
Millbank
London SW1P 4QP

26 September 2003

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's responsibilities

The Authority is required:

- ◆ To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In Southwark that officer is the Chief Finance Officer
- ◆ To manage its affairs to secure economic, efficient and effective use of resources, and safeguard its assets.

The Chief Finance Officer's responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present fairly the financial position of the Authority at the accounting date, and its income and expenditure for the year ended 31st March 2003.

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

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

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

1. This statement is given in respect of the 2002/03 Statement of Accounts for the London Borough of Southwark. I acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.
2. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
3. The system of internal financial control is based on a framework of regular management information, financial regulation, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. In particular, the system includes:
 - ◆ Comprehensive budgeting systems
 - ◆ Regular review of periodic and annual financial reports which indicate financial performance against the budget
 - ◆ Setting targets to measure financial and other performance
 - ◆ The preparation of regular financial reports which indicate forecast expenditure against the budget
 - ◆ Clearly defined capital expenditure guidelines, and
 - ◆ As appropriate, formal project management disciplines.
4. For the first four months of financial year 2002/03 Southwark Council operated devolved internal audit arrangements, with each of the Council's six departments being responsible for arranging their own internal audit cover in line with the Council's Scheme of Delegation. For two departments (Strategic Services and Social Services) internal audit was delivered via an external provider – Deloitte and Touche. The four remaining departments provided internal audit cover either via their own directly employed staff, by use of directly managed agency workers/consultants or through a combination of these two methods. In addition a compliance regime operated across the Council to test compliance by each Business Unit against the Council's corporate standards as defined by the Handbook for Business Managers. Delivery of devolved audit and compliance arrangements was monitored during the period by a central team (Compliance Section) based in the Strategic Services Department.
5. From August 2002 the devolved audit arrangements were replaced with a single external provider across the whole Council, PricewaterhouseCoopers. The contract for audit and compliance work is for a three (possibly five) year period. A risk based approach was used to develop an audit plan for each department and corporate level audits. There is no overall chief internal auditor as a designated position in Southwark. However, the reporting arrangements on audit matters are devolved to departmental chief officers who reported any audit issues to the Chief Finance Officer, including their view on the adequacy and effectiveness of the system of financial control.
6. Internal audit was provided in each department to defined standards. In cases where external contractors carried out the service, their terms of engagement required them to operate in accordance with CIPFA guidelines.

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

7. My review of the effectiveness of the system of internal financial control is informed by:
- ◆ Assurances from Chief Officers and their senior finance managers
 - ◆ The work of managers within the Council
 - ◆ The work of the internal auditors and audit contractors as described above, and
 - ◆ The District Auditor, in the annual audit letter and other reports.
8. My review has highlighted a number of weaknesses that are now being addressed:
- ◆ Some shortcomings in staff skills are being addressed through training. This will be delivered through the "Forward to Sound Financial Management @ Southwark" programme, and will specifically cover budget setting and budgetary control, purchasing procedures, and the use of systems and their interface with SAP. In addition the programme will update schemes of financial delegation across the Council
 - ◆ The internal audit of cash and cashiers systems by PricewaterhouseCoopers highlighted changes needed to an otherwise robust reconciliation process. These, and procedures for the safekeeping of cash and the timeliness of its banking, are to be reviewed during 2003/04
 - ◆ The education services managed and funded through the Education PPP contract with WS Atkins plc on behalf of Southwark Council, are covered by the contractor's internal financial controls
 - ◆ Debt recovery and write-off procedures for parking debt and Section 74 debts are currently under review
 - ◆ As a result of investigation in the building business unit into the use of subcontractors and non-compliance with financial regulations in the awarding of contracts, an action plan has been agreed and is currently being implemented.
9. All the weaknesses identified above are being addressed. The continuing work with PricewaterhouseCoopers, and the Forward to Sound Financial Management @ Southwark initiative in conjunction with the wider Forward @ Southwark programme, will add further assurances on the quality of internal financial controls in future years.



K R Brown CPFA
Chief Finance Officer

Date: 11th September 2003

FOREWORD

1. THE STATEMENT OF ACCOUNTS

- 1.1 This foreword provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main features of the Council's financial position at 31st March 2003.
- 1.2 The Council's Accounts for the year 2002/03 are set out in the following pages. They consist of:
- ◆ The Consolidated Revenue Account – the Council's main revenue account, covering income and expenditure on all services
 - ◆ The Housing Revenue Account – which shows income and expenditure on Council housing
 - ◆ The Consolidated Balance Sheet – which sets out the financial position of the Council as at 31st March 2003. It incorporates the balances on the Council's revenue and capital accounts, consolidated advances and borrowing pool and the Collection Fund. The assets and liabilities of the Superannuation Fund and Trust Funds are excluded and are shown separately
 - ◆ The Cash Flow Statement – which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes
 - ◆ The Trust Fund balances – which show the movements and the final balances on the various trusts and bequests administered by the Council
 - ◆ The Collection Fund – which shows transactions of the charging authority relating to Non Domestic Rates and Council Tax and the way these have been distributed to preceptors and the General Fund. It also shows residual transactions relating to Community Charge
 - ◆ The Pension Fund – which sets out the financial position of the Council's Pension Fund.

The attached Statements of Accounting Policies and various notes support these Accounts.

FOREWORD

2. THE REVENUE BUDGET

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

	Budget £000	Actual £000	Difference £000
Net Expenditure on Services	341,833	341,961	128
Collection Fund Deficit	4,238	4,239	1
	<hr/> 346,071	<hr/> 346,200	<hr/> 129
Less Income: -			
Revenue Support Grant	(212,811)	(212,811)	0
Business Rates	(70,712)	(70,712)	0
Council Tax	(65,365)	(65,365)	0
	<hr/> (2,817)	<hr/> (2,688)	<hr/> 129
Net deficit/(surplus) for the year			
Balance at 1st April 2002	(4,085)	(4,085)	0
	<hr/> (6,902)	<hr/> (6,773)	<hr/> 129
Balance at 31st March 2003			

- 2.2 In 2002/03 on a budget of £341.833 million there was an overall surplus on the General Fund of £2.688 million, compared with an estimated surplus of £2.817 million. The surplus increases the balances at 31st March 2003 to £6.773 million.
- 2.3 The above table shows the Council's position excluding income raised and paid to precepting authorities. The Consolidated Revenue Account, page 15, includes those amounts.

3. CAPITAL FINANCING

- 3.1 The Council has set a de minimis of £10,000 for the valuation of fixed assets (£1,000 for DSO assets).
- 3.2 In 2002/03 the Council spent £125 million on capital projects, including £74 million on Council dwellings and other housing.
- 3.3 This expenditure was financed from the use of credit approvals (21%), with the permitted proportion from the sale of assets (26%), grants and other contributions (15%), and contributions from revenue meeting the remainder.
- 3.4 Capital expenditure under credit approvals was financed from the permitted use of capital receipts and the requirement to make the Minimum Revenue Provision. There was no new long term borrowing in the year, and long term debt reduced in the year by £47 million, from £767 million to £720 million. This was as a result of existing debt maturing and from making additional repayments under a debt reduction strategy.

FOREWORD

4. ARREARS

4.1 Detailed below are the levels of arrears on recurring debt as at 31st March 2003.

	Gross Arrears £m	Payments In advance £m	31/3/03 Net Arrears £m	31/3/02 Net Arrears £m
Housing rents	21.1	(3.6)	17.5	25.0
Homelessness	2.4	(0.1)	2.3	3.5
Non domestic rates	6.2	(7.7)	(1.5)	(2.5)
Council Tax	21.3	(1.3)	20.0	21.7
Other debtors	17.9	(2.0)	15.9	13.5
	68.9	(14.7)	54.2	61.2

4.2 The Council's level of provisions for the write off of arrears on recurring debt has reduced by £15.9 million in 2002/03.

	31/3/03 £m	31/3/02 £m
Housing rents	12.3	18.2
Homelessness	2.3	3.5
Council Tax	20.1	20.5
Other	7.0	15.4
	41.7	57.6

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

4.4 The provision for Council Tax write-offs previously included an element for courts and summons costs, of approximately £1 million. The provision still exists, see Note 13 to the Balance Sheet, page 36, but has been excluded from the above table. The table now shows only those provisions against debt raised on a recurring basis.

5. FUTURE COMMITMENTS

CAPITAL PROGRAMME

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

Service	Contractually Committed Expenditure £m
Housing	194.2
Regeneration	4.8
Education	21.0
Leisure	3.1
Total committed programme	223.1

FOREWORD

6. PARTNERSHIPS

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

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

- 1.1 The general principles adopted in compiling and presenting these accounts are those contained in The Code of Practice on Local Government Accounting in Great Britain: Statement of Recommended Practice (SORP) 2002, the Best Value Accounting Code of Practice, and all other relevant legislation and statements of good practice.

2. COMPLIANCE WITH ACCOUNTING STANDARDS

- 2.1 These statements comply with all relevant accounting standards with the exception of the following:
- ◆ SSAP 6: Extraordinary items and prior year adjustments. Legislation does not empower local authorities to credit capital receipts to the General Fund. Capital receipts are applied to repay outstanding loan debt, finance new capital expenditure or remain unapplied at the end of the financial year. A statement is included at Note 18.3 to the Consolidated Balance Sheet (page 40)
 - ◆ SSAP 1 & 14: Accounting for associated companies and group accounts. It has not been possible to comply with this standard completely, in respect of the many smaller companies and trusts in which the Council has a minority interest
 - ◆ SSAP 24: Accounting for pension costs. The Council is inhibited by law from complying with this standard. However, in 2002/03 the Council paid a contribution of £16.101 million into the Pension Fund. In addition it contributed £5.189 million into other pension schemes. Considerably increased contributions have been required since 1992/93 and will continue to be required in future years. The disclosure under FRS 17 indicates the total liability due to the Fund (page 42). Further details are given under the Pension Fund accounts on page 54 and Note 14 to the Consolidated Revenue Account on page 21
 - ◆ Treatment of long term loans due to be repaid. The Council has not complied with the requirement to transfer long term loans due to be repaid in the next 12 months to current liabilities since this would distort the balance sheet and comparisons between the financial years.

DEBTORS AND CREDITORS

- 2.2 The accounts are compiled on a system of recognising income and expenditure attributable to the year. Therefore, if goods or services have been received in year 2002/03 they are accounted for accordingly. Likewise, income due in for goods and services relating to 2002/03 is accounted for in 2002/03.
- 2.3 Where the amount due is unknown then an estimated amount has been allowed for.
- 2.4 All interest payable on external borrowing and interest receivable on investments are accounted for in the period to which they relate.

STATEMENT OF ACCOUNTING POLICIES

RESERVES AND PROVISIONS

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

REPAYMENT OF DEBT

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

ALLOCATION OF CENTRAL ADMINISTRATION EXPENSES OVER SERVICES

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

BASIS OF VALUATION OF INVESTMENTS

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

WORKS IN PROGRESS, STOCKS AND STORES

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

3. CAPITAL ACCOUNTING

FIXED ASSETS

- 3.1 All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts, provided that the fixed asset yields benefits to the Council and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets that are charged direct to service revenue accounts.

STATEMENT OF ACCOUNTING POLICIES

- 3.2 Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the 2002 Code of Practice on Local Authority Accounting:
- ◆ Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value
 - ◆ Non operational assets, investment properties and assets that are surplus to requirements are included in the balance sheet at the lower of net current replacement cost and net realisable value
 - ◆ Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation.
- 3.3 Revaluations of fixed assets are undertaken on the basis of a five year rolling programme, although material changes to asset valuations will be adjusted in the interim period should they occur. Any surpluses or deficits from revaluation are taken to the Fixed Asset Restatement Reserve.
- 3.4 The Council has no finance leases at this time. If the Council entered into finance leases, the assets acquired would be capitalised in the Council's accounts, together with the liability to pay future rentals. Rental payments under finance leases would be apportioned between the finance charge and the principal element, i.e. the reduction of the liability to pay future rentals. The finance element of rentals would then be charged to the Asset Management Revenue Account.
- 3.5 Rentals payable under operating leases are charged to revenue on an accruals basis.
- 3.6 Income from the disposal of fixed assets is accounted for on an accruals basis. The portions of the receipts that are required to be set aside for the repayment of external loans are taken to the Capital Finance Reserve. The remaining receipts are used to meet the cost of capital expenditure or additional repayments of debt, with the balance of unused receipts being shown in the balance sheet as the usable capital receipts reserve.

DEPRECIATION

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

CHARGES TO REVENUE

- 3.8 All Council accounts are charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values. The charge made to the Housing Revenue Account is an amount equivalent to the statutory capital financing charges.

STATEMENT OF ACCOUNTING POLICIES

- 3.9 The Asset Management Revenue Account contains the reversing entry for these transactions, thereby ensuring there is no overall net effect on the Accounts.

DEFERRED CHARGES

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

GOVERNMENT GRANTS AND CONTRIBUTIONS

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

4. RELATED PARTY TRANSACTIONS

- 4.1 The Council is required to disclose details of its financial relationship with related third parties. This has been defined as where the related party has, or is perceived to have, real influence over any transaction between the parties.
- 4.2 In addition to maintaining the register of members' interests, the Council has obtained specific declarations from councillors, ex councillors and chief officers for the financial year 2002/03. Of the 109 declarations requested, 15 councillors were members of various local voluntary organisations receiving grant aid totalling £1,218,231 from the Council in 2002/03. There were no related party transactions involving central government, joint ventures, joint venture parties, nor other bodies precepting on the Council Tax.
- 4.3 A councillor declared an interest in Fusion Leisure Service: London Youth Care.
- 4.4 Nine former councillors have not returned declarations.
- 4.5 The Council register of members' interests is available for inspection together with their declarations of any related party transactions at Peckham Town Hall.

5. GRANT CLAIMS

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

CONSOLIDATED REVENUE ACCOUNT

	Note	Expenditure £000	Income £000	2002/03 Net Expenditure £000	2001/02 Net Expenditure £000
Education	1	229,303	(67,659)	161,644	149,728
Social Services	2	193,537	(95,434)	98,103	97,010
Housing Services – Housing Revenue Account	3	445,402	(351,535)	93,867	47,738
Housing Services – General Fund		82,755	(60,651)	22,104	20,079
Highways and Transportation	4	24,526	(10,085)	14,441	14,145
Cultural, Environmental and Planning	5, 6	83,297	(31,879)	51,418	52,601
Coroners Court Services		699	(543)	156	142
Central Services	7	53,787	(61,535)	(7,748)	14,737
Corporate and Democratic Core	8	14,397	(1,678)	12,719	7,210
Unallocated central overheads	9	5,722	0	5,722	9,478
Net Cost of Services	10-15	1,133,425	(680,999)	452,426	412,868
Net (surplus)/loss on internal trading accounts	10			(283)	27
Interest Receivable				(2,960)	(4,893)
Transfers to/(from) AMRA	16			(150,749)	(84,573)
MRP/Depreciation adjustment	17			7,804	9,351
Deferred Credit				(814)	(723)
Levies				1,918	1,938
Amounts due to precepting authorities				14,644	12,793
Net Operating Expenditure				321,986	346,788
Appropriations:					
Transfers to/(from) HRA Fund				13,461	(10,899)
Contributions to/(from) earmarked reserves				13,675	(8,221)
Contributions to/(from) capital reserves					
– Financing capital expenditure				13,882	21,309
– Deferred Charges				(6,876)	(7,962)
– Deferred Grants				479	3,972
Amounts to be met from Government Grants & Taxation				356,607	344,987
Sources of Finance:					
Council Tax payers				(80,011)	(75,872)
Deficit from previous years Collection fund				4,239	4,302
General Government Grant				(212,811)	(205,566)
Contributions from non domestic pool				(70,712)	(63,936)
Net General Fund (surplus)/deficit				(2,688)	3,915
Balance brought forward				(4,085)	(8,000)
Balance carried forward				(6,773)	(4,085)
Schools' balances at 31st March				(5,845)	(7,186)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. EARLY YEARS EXPENDITURE

- 1.1 In 2002/03 expenditure of £6.186 million was incurred under Social Service powers (£6.317 million in 2001/02) and £3.187 million was incurred under Education powers (£2.528 million in 2001/02).

2. POOLED FUNDS

- 2.1 Section 31 of the Health Act 1999 enables joint working arrangements between NHS bodies and local authorities. For the first year in 2002/03 the Council and Southwark Primary Care Trust (PCT) operated a pooled fund arrangement for the Learning Disabilities Service. LBS was the host body and the Consolidated Revenue Account includes the following contributions from the PCT and grants relating to this combined service:

	LBS £000	PCT £000	Grant £000	Total £000
Gross Funding	15,660	7,775	2,182	25,617
Expenditure	15,579	7,478	2,205	25,262
Net Underspend/(Overspend)	81	297	(23)	355

3. RECONCILIATION OF THE HRA TO THE CONSOLIDATED REVENUE ACCOUNT

- 3.1 The net cost of services for the HRA, as shown in the HRA statements on page 25, is £94.178 million. Under Best Value Accounting the disclosure of the net cost of the HRA is required to be included in the Consolidated Revenue Account as:

	2002/03 £000	2001/02 £000
Cost of Services	93,867	47,738
Corporate and Democratic Core	250	250
Unallocated central overheads	61	59
Net Cost of Services	94,178	48,047

4. AGENCY GOODS AND SERVICES

- 4.1 From 1st April 2001 the Council has had an agency agreement with Transport for London (TfL), for works to roads in the borough under the control of TfL. TfL reimburses the cost of works by the Council, including a contribution towards administrative costs.

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

	2002/03 £000	2001/02 £000
Major projects	331	2,555
Reactive maintenance	0	396
Administrative costs	214	201
	545	3,152

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

5. COMMERCIAL INCOME

- 5.1 The Council undertook commercial refuse collection in addition to its statutory refuse collection. In 2002/03 a profit of £90,000 (£315,000 in 2001/02) occurred on a turnover of £2,532,000 (£2,302,000 in 2001/02).
- 5.2 The Council operates a number of industrial estates in the area. These produced an income of £1,565,000 (£1,945,000 in 2001/02) against expenditure of £2,984,000 (£2,568,000 in 2001/02).
- 5.3 The Council also rents out commercial properties. These produced an income of £2,076,000 (£939,000 in 2001/02, restated) against expenditure of £963,000 (£923,000 in 2001/02, restated). The income for 2002/03 includes one-off items totalling £1,157,000 relating to the settlement of backdated rent and rent reviews. The figures for 2001/02 have been restated since they previously included costs relating to properties pending disposal and Council office refurbishment prior to reallocation. These costs have now been disaggregated.
- 5.4 The Council operates a Parking Trading Account. In 2002/03 parking generated a surplus of £2,231,000 (£1,734,000 in 2001/02). The surplus has been fully applied to meet other transport costs of road maintenance £859,000, street lighting £1,196,000 (£718,000 and £1,016,000 in 2001/02, respectively) and £176,000 other transport expenditure. There is no residual balance brought forward nor carried forward, as any surplus on the account is fully applied to appropriate purposes in the year it arises.

6. BUILDING CONTROL FEE EARNING ACCOUNT (BCFE Account)

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

	Chargeable	Non Chargeable	Total Building Control
	£000	£000	£000
Expenditure			
Employees	580	244	824
Premises	28	12	40
Transport	17	7	24
Supplies & Services	194	81	275
Support Services	170	72	242
Total Expenditure	989	416	1,405
Income			
Transferred from Deferred Income	445	0	445
Building Regulation Charges	963	0	963
Miscellaneous Income	0	83	83
Dangerous Structures Income	0	177	177
Transferred to Deferred Income	(423)	0	(423)
Total Income	985	260	1,245
(Surplus)/Deficit for 2002/03	4	156	160

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

7. CENTRAL SERVICES

- 7.1 The net outturn for 2002/03 is £7.748 million surplus against £14.737 million deficit in 2001/02. The main reason for this is the release of the corporate provision for bad debt, to be appropriated to the Financial Risk Reserve (see Note 13.1 page 37 and Note 18.1.1 page 39). Provisions totalling £11.602 million were released through Central Services.
- 7.2 Gross expenditure was £53.787 million and gross income was £61.535 million, compared with £42.784 million and £28.047 million in 2001/02 respectively. The main reasons for the difference are that Housing Benefits expenditure and grant support were included net in 2001/02 (£19 million). In addition there has been new expenditure and income for Neighbourhood Renewal Fund purposes of £6 million in 2002/03.

8. MEMBERS' ALLOWANCES

- 8.1 The amount of Members' allowances paid in 2002/03 was £853,957 (£837,152 in 2001/02).

9. UNALLOCATED CENTRAL OVERHEADS

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

	2002/03	2001/02
	£000	£000
London Pension Fund Authority levy	1,516	1,631
Contribution to Pension Fund deficit	2,530	6,199
Added years pension costs	1,676	1,648
Total	5,722	9,478

- 9.2 The reduction in the contribution to the Pension Fund deficit is as a result of the triennial valuation as at 1st April 2001. There has been a corresponding increase in the continuing employer's contribution rate.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

10. TRADING ACTIVITIES

10.1 Best Value Accounting requires the disclosure of turnover and net profit for all internal trading accounts. The list below includes operations of the Council run on a trading account basis as well as DSO trading activities:

	Note	Turnover (Profit)/Loss 2002/03 £000		Turnover (Profit)/Loss 2001/02 £000
Building	10.2	(12,577)	959	(13,653) 45
Highways		(3,247)	(213)	(2,921) (121)
Refuse		(5,439)	(21)	(4,630) (111)
Cleanteam/Greenteam		(4,014)	(101)	(3,854) (103)
Vehicle Management (Fleet)		(3,300)	(120)	(3,457) (263)
Building Design Services		(5,330)	(27)	(6,678) 24
Integrated Cleaning Contract		(296)	0	0 0
Legal Services		(3,619)	(75)	(3,604) (137)
Payroll & Pensions		0	0	(3) 0
Passenger Services		(3,605)	(76)	(3,208) (50)
Recruitment		0	0	(14) 0
Direct Image		0	0	(43) 0
Construction		0	0	(27) 0
DSO SLA overhang costs	10.3	0	296	(291) 507
Housing Management		(18,645)	0	(17,639) (24)
Translation Unit		(125)	154	(188) 129
Law & Administration		(185)	(280)	(1,460) 106
Social Services – Orchard Lodge		(7,559)	0	(6,739) 0
Parking Services		(7,035)	(1,765)	(6,580) (1,734)

10.2 The losses in Building were mainly as a result of an alleged fraud and mismanagement of the Major Voids contract. Emergency actions taken include closing down the Building Special Services and disciplining relevant officers. The senior managers are being replaced. An improvement plan to turn the business around is in place and will be monitored closely by the Strategic Director.

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

11. LIABILITY IN RESPECT OF LEASED ASSETS

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

	2002/03 £000	2001/02 Restated £000
Cost of repayments in 2002/03		
Operating leases – Council vehicles	2,352	1,863
Operating leases – staff vehicles	637	548
Hire purchase – fixed plant	38	38
Property leases	3,200	3,048
	6,227	5,497

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

- 11.2 The total for 2001/02 was shown in the 2001/02 Accounts as £3.931 million, against £5.497 million above. The revision is due to the identification of additional leases, mainly property, which were originally shown as £1.514 million against £3.048 million, an increase of £1.534 million. Future annual property rentals are expected to be around current levels.
- 11.3 The 2002/03 Council hired vehicles rental can be divided between rentals on short term contracts under a year, £0.735 million, and rentals on longer contracts, £1.617 million. Future annual longer contract rentals are expected to be around current levels.
- 11.4 Employee vehicle rentals are shared between the Council and the employees with the leased vehicles. The Council share is approximately 78%. Future rentals remaining on employee vehicles are approximately £1.3 million.
- 11.5 The Council also has a rental liability in respect of office equipment such as photocopiers, estimated at £1.2 million per annum. This is not included in the above table.

12. PUBLICITY

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

	2002/03	2001/02
	£	£
Recruitment advertising	871,540	727,114
Council newspapers and other publications	217,311	197,490
Consultations and other publicity	1,800,051	1,535,289
	2,888,902	2,459,893

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

13. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

- 13.1 Between 1st April 2001 and 31st July 2003, Atkins have been providing Education services on behalf of the Council. Atkins have been classed as a relevant body for the purpose of the Local Authority (Goods and Services) Act 1970. The Council is empowered to provide goods and services to relevant bodies under the Act. The Council has provided Atkins with IT services, legal services and transport to school services.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

- 13.2 In 2001/02 the London Borough of Hackney commissioned the Council's Building Design Service to assist in the development of a planned maintenance programme. The Council continued to receive commission for this work in 2002/03.

	2002/03	2001/02
	£000	£000
Atkins: Information Technology	286	286
Atkins: Legal	25	56
Atkins: Transport	2,415	2,549
Hackney: Building Design Commission	5	62
	2,731	2,953

14. EMPLOYEES PENSION COSTS

- 14.1 Teachers' pension costs. In 2002/03 the Council paid £4.38 million to the Teachers Pensions Agency in respect of teachers' pension costs, which represents 8.35% of teachers' pensionable pay. In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2002/03 these amounted to £28,911.
- 14.2 Employees who were transferred from the GLC or ILEA. In 2002/03 the Council paid £0.636 million to the London Pension Fund Authority in respect of the pension costs for former employees of the GLC or ILEA. This represents 17.2% of pensionable pay. In addition the Council is responsible for all pension payments relating to added years benefits it has awarded, together with related increases. In 2002/03 these amounted to £1,278.
- 14.3 Other employees' pension costs. In 2002/03 the Council paid an employer contribution of £14.51 million into the Pension Fund, representing 14.3% of pensionable pay. The proportion of this contribution, which was estimated by the actuary to be attributable to current employees' liabilities (8.7%), has been charged to the relevant service and the remainder in respect of past employees has been charged as a corporate cost. In addition the Council made a one off additional lump sum contribution of £2.53 million. The contribution rate is determined by the Fund's actuary, based on triennial valuations, the last full review on which these rates were based being at 31/3/01. Under Pension Fund regulations contribution rates are set to meet the overall liabilities of the Fund. In addition the Council is responsible for all pension payments relating to added years benefits it has awarded, together with related increases. In 2002/03 these amounted to £1.573 million, representing 1.6% of pensionable pay.
- 14.4 The triennial revaluation of the Fund took place as at 31/3/01. Based on this valuation, to meet the requirements of SSAP 24, Accounting for Pension Costs, the Council would have been required to make a contribution of £14.64 million, representing 14.4% of pensionable pay.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

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

	£000	% of total pensionable pay
Capital cost of discretionary added years awarded in 2002/03, funded by the Pension Fund	444	0.4%
Capital cost of discretionary added years awarded in years before 2002/03, funded by the Pension Fund	34,023	
Capital cost of discretionary added years awarded in 2002/03, funded by the Council	0	0.0%
Capital cost of discretionary added years awarded in years before 2002/03, funded by the Council	28,513	

15. REMUNERATION OF EMPLOYEES

15.1 During 2002/03 the Council employed staff whose taxable remuneration exceeded £40,000 in the year. A breakdown of these employees in bands of £10,000 is as follows:

Band (£)	Schools	Non schools	Number of employees	Number of employees
			2002/03	2001/02
40,000 – 49,999	203	101	304	223
50,000 – 59,999	52	31	83	58
60,000 – 69,999	24	13	37	25
70,000 – 79,999	13	6	19	10
80,000 – 89,999	0	2	2	1
90,000 – 99,999	0	2	2	1
100,000 – 109,999	0	1	1	0
110,000 – 119,999	0	1	1	1
120,000 – 129,999	0	0	0	0
130,000 – 139,999	0	0	0	0
140,000 – 149,999	0	1	1	0
	292	158	450	319

15.2 During 2002/03 additional remuneration exceeding £120,000 was made to an individual whose salary costs appear in the £60,000 – £69,999 banding.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

16. ASSET MANAGEMENT REVENUE ACCOUNT

	2002/03 £000	2001/02 £000
Income		
Capital charges – General Fund	(32,999)	(30,389)
Capital charges – Housing Revenue Account	(232,028)	(168,470)
Transfer from Grants Deferred Account	(479)	(3,972)
	(265,506)	(202,831)
Expenditure		
Provision for depreciation – General Fund	7,105	6,698
Provision for depreciation – Housing Revenue Account	40,376	40,244
External interest charges	67,276	71,278
Finance lease charges	0	38
	114,757	118,258
Balance to the Consolidated Revenue Account	(150,749)	(84,573)
Analysed as: General Fund	(20,741)	(16,930)
Housing Revenue Account	(130,008)	(67,643)
Balance to the Consolidated Revenue Account	(150,749)	(84,573)

16.1 Under the requirements of resource accounting for the Housing Revenue Account, from 2001/02 capital charges to the HRA are shown at full cost. Previously, capital charges were set only at the level of Housing Subsidy receivable to meet debt financing costs.

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

	2002/03 £000	2001/02 £000
AMRA accounting adjustment	(132,033)	(68,872)
HRA Premiums	2,025	1,229
	(130,008)	(67,643)

16.3 The above items are also shown separately on the face of the Housing Revenue Account on page 25. The changes to the AMRA are accounting and presentational adjustments only, and there is no net cost or benefit to either the HRA or the General Fund accounts.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

17. MINIMUM REVENUE PROVISION

	2002/03	2001/02
	£000	£000
Non housing amount – 4% of credit ceiling	1,382	1,689
Housing amount – 2% of credit ceiling	13,527	14,360
Minimum Revenue Provision	14,909	16,049
Non housing amount	1,382	1,689
Less General Fund depreciation	(7,105)	(6,698)
	(5,723)	(5,009)
Housing amount	13,527	14,360
Less HRA depreciation	(40,376)	(40,244)
Receipt of Major Repairs Allowance	38,468	38,459
Transfer to the Major Repairs Reserve	1,908	1,785
	13,527	14,360
Balance to the Consolidated Revenue Account	7,804	9,351

17.1 Under the requirements of resource accounting for the Housing Revenue Account, the charge for depreciation to the HRA is matched by the receipt of the Major Repairs Allowance (for depreciation on dwellings) or by a transfer from the Major Repairs Reserve (for depreciation on all other HRA assets). HRA MRP is now a direct charge to the HRA, as shown on the face of the Housing Revenue Account, page 25.

17.2 The MRP/Depreciation adjustment are accounting and presentational adjustments only, and there is no net cost or benefit to either the HRA or the General Fund accounts. The movements in AMRA and MRP introduced by resource accounting can be analysed as follows, to show that the net movement on the Consolidated Revenue Account is consistent from year to year:

	2002/03	2001/02
	£000	£000
Asset Management Revenue Account	(150,749)	(84,573)
MRP balancing adjustment	7,804	9,351
	(142,945)	(75,222)
Less		
HRA AMRA adjustment	130,008	67,643
HRA MRP now charged direct to HRA	(13,527)	(14,360)
	(26,464)	(21,939)

HOUSING REVENUE ACCOUNT

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

HOUSING REVENUE ACCOUNT	2002/03 £000	2001/02 £000
INCOME		
Dwelling rents (gross)	(146,974)	(143,844)
Non dwelling rents (gross)	(7,171)	(6,552)
Charges for services and facilities	(22,059)	(21,971)
Contributions towards expenditure	(9,625)	(9,913)
HRA subsidy receivable (including MRA)	(155,542)	(151,459)
Reduced provision for bad or doubtful debts	(10,164)	(2,517)
TOTAL INCOME	(351,535)	(336,256)
EXPENDITURE		
Repairs and maintenance	46,057	50,036
Supervision and management	82,730	76,655
Rents, rates, taxes and other charges	2,832	2,562
Rent rebates	77,681	74,277
Increased provision for bad or doubtful debts	3,862	8,071
Cost of capital charge	191,653	129,259
Depreciation and impairment of fixed assets	40,376	40,244
Amortisation of deferred charges	329	3,020
Leasing charges	38	0
Debt management expenses	155	179
TOTAL EXPENDITURE	445,713	384,303
Net Cost of Services	94,178	48,047
Asset Management Revenue Account balance	(132,033)	(68,872)
Amortised premiums and discounts	2,025	1,229
HRA Investment Income	(1,596)	(2,329)
Net Operating Expenditure	(37,426)	(21,925)
Revenue Contribution to Capital Expenditure	12,346	20,249
HRA Contribution to MRP	13,527	14,360
Transfer to/(from) Major Repairs Reserve	(1,908)	(1,785)
Total (Surplus)/Deficit for the year	(13,461)	10,899
Balance brought forward	(9,218)	(20,117)
Balance carried forward	(22,679)	(9,218)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. ANALYSIS OF HOUSING STOCK BY TYPE OF DWELLING

Type of dwelling		Number of bedrooms				Total	
		1	2	3+	Other	31/3/03	31/3/02
Houses and bungalows	31/3/03	412	784	3,081	0	4,277	
	31/3/02	414	789	3,117	0		4,320
Low rise flats	31/3/03	3,343	788	435	0	4,566	
	31/3/02	3,427	815	451	0		4,693
Medium rise flats	31/3/03	7,955	8,676	7,522	0	24,153	
	31/3/02	8,224	8,932	7,743	0		24,899
High rise flats	31/3/03	4,335	6,251	2,224	0	12,810	
	31/3/02	4,431	6,377	2,261	0		13,069
Non permanent	31/3/03	0	0	0	56	56	
	31/3/02	0	0	0	57		57
Multi occupied	31/3/03	0	0	0	196	196	
	31/3/02	0	0	0	153		153
TOTALS	31/3/03	16,045	16,499	13,262	252	46,058	
	31/3/02	16,496	16,913	13,572	210		47,191

2. ASSET VALUATIONS

2.1 The values of HRA operational assets, as included in Note 1.1 to the balance sheet on page 31, are shown in the table below. There are no non operational HRA assets.

	31/3/03	31/3/02
	£000	£000
Dwellings	3,083,067	2,014,524
Other land and buildings	59,804	53,614
	3,142,871	2,068,138

2.2 The vacant possession value of dwellings within the HRA at 1st April 2002 is £4,940 million. The balance sheet value is lower because nearly all the dwellings are occupied, and because the rents for secure tenancies are below market value.

NOTES TO THE HOUSING REVENUE ACCOUNT

3. MAJOR REPAIRS RESERVE

CAPITAL EXPENDITURE	2002/03 £000	2001/02 £000
Balance at 1st April	0	0
Transfers from the Capital Financing Reserve	(40,376)	(40,244)
Transfer to the HRA	1,908	1,785
Financing of capital expenditure	33,263	38,459
Balance at 31st March	(5,205)	0

4. CAPITAL

CAPITAL EXPENDITURE	2002/03 £000	2001/02 £000
Funding Source:		
Borrowing	13,719	8,661
Usable capital receipts	14,122	5,748
Grants and contributions	2,054	7,169
Revenue contributions	12,346	20,249
Major Repairs Reserve	33,263	38,459
Total HRA capital expenditure	75,504	80,286
RECEIPTS FROM ASSET DISPOSALS	2002/03 £000	2001/02 £000
Land	447	160
Buildings	73,027	60,588
Other receipts	372	522
Total HRA capital receipts	73,846	61,270

5. COST OF CAPITAL CHARGES

5.1 The cost of capital charges represents a notional interest charge to the HRA for the use of its operational assets, calculated as 6% of the value of HRA operational assets.

6. DEPRECIATION CHARGE

	2002/03 £000	2001/02 £000
Dwellings	38,468	38,459
Other property	1,908	1,785
	40,376	40,244

NOTES TO THE HOUSING REVENUE ACCOUNT

7. ASSET MANAGEMENT REVENUE ACCOUNT BALANCE

7.1 The balance is a capital asset charges accounting adjustment, representing the difference between the cost of capital charge and the HRA interest costs, as statutorily calculated in accordance with the Item 8 Debit (General) Determination.

8. DEFERRED CHARGES

8.1 Deferred charges represent expenditure which has been capitalised but which does not result in the acquisition or increased value of a tangible fixed asset. HRA deferred charges are cash incentive payments (grants to tenants as an incentive to vacate their properties and purchase private accommodation), and statutory home loss payments where the Council necessarily relocates tenants to other accommodation.

8.2 HRA deferred charges are included in the figures presented at Note 2.1 to the consolidated balance sheet (page 32):

	2002/03	2001/02
	£000	£000
Balance at 1st April	0	7,839
Expenditure in the year	329	0
Amortisation	(329)	(3,020)
Amounts written off to the Capital Financing Reserve	0	(4,819)
Balance at 31st March 2003	0	0

9. HRA SUBSIDY

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

	2002/03	2001/02
	£000	£000
Management & Maintenance allowances	(96,794)	(89,686)
Major Repairs allowance	(38,468)	(38,459)
Capital Charges subsidy	(81,681)	(83,874)
Other Expenditure (leased assets) subsidy	(1,594)	(1,545)
Tenant Participation Compacts allowance	0	(70)
Resource Accounting allowance	0	(236)
Interest on Receipts deduction	150	187
Guideline rent income deduction	134,674	130,516
Housing Element subsidy	(83,713)	(83,167)
Housing Benefit subsidy	(71,829)	(68,292)
Total Housing Subsidy	(155,542)	(151,459)

NOTES TO THE HOUSING REVENUE ACCOUNT

10. HOUSING TENANTS ACCOUNTS

	2002/03	2001/02
	£000	£000
Arrears at 1st April	25,587	30,514
Charges due in the year	151,159	148,195
Rent Rebates	(72,360)	(68,727)
Write offs and adjustments	(6,192)	(5,517)
Cash collected	(80,724)	(78,878)
	<hr/>	
Arrears at 31st March	17,470	25,587

- 10.1 The arrears position as at 31st March 2003 includes Neighbourhoods, Browning EMB, hostels and miscellaneous properties. It excludes Tenant Management Organisations, Bed & Breakfast and Travellers Sites.

CONSOLIDATED BALANCE SHEET

BALANCES AT	Note	31/3/03	31/3/03	31/3/02	31/3/02
		£000	£000	£000	£000
Fixed Assets	1				
Operational assets					
– Council dwellings		3,083,067		2,014,524	
– other land and buildings		489,807		397,630	
– vehicles, plant and equipment		4,720		4,228	
– infrastructure assets		55,426		54,092	
– community assets		10,154		6,783	
– work in progress		13,442		269,927	
Non operational assets					
– investment properties		636		636	
			3,657,252		2,747,820
Deferred charges	2	0		0	
Deferred debtors	3	1,546		1,895	
Deferred debits	4	9,086		7,263	
			10,632		9,158
Total long term assets			3,667,884		2,756,978
Current Assets					
– stocks and work in progress		735		1,343	
– debtors	5	118,446		119,395	
– less provision for bad debts	13	(50,939)		(78,002)	
– investments	6	140,789		138,223	
			209,031		180,959
Current Liabilities					
– creditors	7	(75,869)		(80,721)	
– cash and bank	8	(9,401)		(17,085)	
			(85,270)		(97,806)
Total assets less current liabilities			3,791,645		2,840,131
Long term borrowing	9		(720,034)		(766,662)
Deferred receipts	10		(1,230)		(1,566)
Deferred credits	11		(6,666)		(6,541)
Grants deferred account	12		(88,100)		(165,453)
Provisions	13		(50,310)		(55,924)
Total assets less liabilities	17		2,925,305		1,843,985
Represented by:					
Fixed asset restatement reserve	18		2,360,812		1,518,009
Capital financing reserve	18		495,288		300,959
Usable capital receipts reserve	18		4,334		794
Major Repairs Reserve	18		5,205		0
Earmarked reserves	18		33,359		17,778
Balances – General Fund			6,773		4,085
– Housing Revenue A/c			22,679		9,218
– Collection Fund			(3,145)		(6,858)
Total Equity			2,925,305		1,843,985

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. FIXED ASSETS

1.1 Movement of Fixed Assets 2002/03

	Council Housing £000	Other Land & Building £000	Vehicles Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Investment Properties £000	Work in Progress £000	TOTAL £000
Gross Book Value @ 01/4/02	2,082,915	406,036	15,024	63,626	6,783	636	269,927	2,844,947
Restatements		28,717	(24)	74	(256)			28,511
Revaluations	1,044,084	34,116						1,078,200
Additions	74,076	45,661	2,488	3,000	3,627		(256,485)	(127,633)
Disposals	(80,350)	(12,592)						(92,942)
Gross Book Value @ 31/3/03	3,120,725	501,938	17,488	66,700	10,154	636	13,442	3,731,083
Accumulated Depreciation b/f	68,391	8,406	10,796	9,534	0	0	0	97,127
Depreciation for Revaluations and Restatements	(68,391)	(1,576)						(69,967)
Depreciation for the year	38,468	5,301	1,972	1,740				47,481
Depreciation on assets sold	(810)							(810)
Depreciation Balance @ 31/3/03	37,658	12,131	12,768	11,274	0	0	0	73,831
Net Book Value @ 31/3/03	3,083,067	489,807	4,720	55,426	10,154	636	13,442	3,657,252

- 1.2 Capital expenditure on the acquisition of land, buildings and other tangible assets is shown in additions. Expenditure on the construction of new assets is shown in work in progress while under construction, and shown as additions to fixed assets on completion. Enhancements and improvements to existing assets are shown as work in progress whilst being carried out, and on completion will result in a change in valuation rather than being classed as an addition. Differences between the change in valuation and the cost of these works are transferred to the Fixed Asset Restatement Reserve.
- 1.3 In 2002/03 a revaluation of council housing and other land and buildings took place. The value of the housing stock increased by £1,044 million. The reason for the increase is the improvement in the domestic market and a change in the adjustment applied for the volume of future sales.
- 1.4 There have been no impairment losses on fixed assets that were caused by physical damage or deterioration in the condition of specific assets. The whole housing stock is valued on an annual basis, and any impairment not otherwise identified has been absorbed as part of that revaluation. Impairments reflecting movements in the general price of properties other than the housing stock have been credited to the Fixed Asset Restatement Reserve.
- 1.5 During 2002/03 a review of the outstanding work in progress balance was completed. This reduced the opening balance of £269.927 million to £13.442 million, with new assets being added to the appropriate categories in the balance sheet. A significant proportion of work in progress has also been written off, to the Fixed Asset Restatement Reserve (Note 18.2 page 40).

NOTES TO THE CONSOLIDATED BALANCE SHEET

2. DEFERRED CHARGES

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

	2002/03 £000	2001/02 £000
Deferred charges as at 1st April	0	23,617
Expenditure in the year	6,876	8,250
Amortisation	(6,876)	(7,962)
Amounts written off to Capital Financing Reserve	0	(23,905)
Balance as at 31st March	0	0

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

3. DEFERRED DEBTORS

	2002/03 £000	2001/02 £000
Balance as at 1st April	1,895	2,452
New advances in the year	1,663	2,559
Repayments in the year	(2,012)	(3,116)
Balance as at 31st March	1,546	1,895
Represented by:		
Housing Associations	217	226
Other	1,329	1,669
Balance as at 31st March	1,546	1,895

4. DEFERRED DEBITS

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

	2002/03 £000	2001/02 £000
Balance brought forward	7,263	6,689
New premiums in year	3,971	1,659
Amounts written off to revenue	(2,148)	(1,085)
Balance as at 31st March	9,086	7,263

NOTES TO THE CONSOLIDATED BALANCE SHEET

5. DEBTORS

- 5.1 Included in debtors is £0.9 million relating to the outstanding part of the £3 million investments held in the Bank of Credit and Commerce International when its deposits were frozen by the Bank of England. Full provision has been made for its non recovery.
- 5.2 Funds advanced to schools to ensure payment on 1st April in the following year have previously been recorded as cash and bank. These are now recorded as prepayments. At 31st March 2003 the advances totalled £3.472 million.

6. INVESTMENTS

	2002/03 £000	2001/02 £000
Temporary investments	143,066	140,356
Less: Sums invested on behalf of Trust Funds	(2,277)	(2,133)
	140,789	138,223

- 6.1 Temporary investments include funds managed by external managers on behalf of the Council. During 2002/03 the Council reduced the number of external managers from two to one, with the relinquished funds brought in-house. The temporary investments shown above include £22.7 million (book cost) managed by the remaining external manager at 31st March 2003. The market value of these investments at 31st March 2003 was £22.8 million.

7. CREDITORS

- 7.1 Schools' creditors are now included in creditors, previously shown in cash and bank. At 31st March 2003 the amount that would previously have been included in cash and bank, and is now included in creditors, is £3.654 million.

8. CASH AND BANK

- 8.1 Cash and bank previously included some schools' transactions as net, that are now shown gross in debtors and creditors, see Notes 5.2 and 7.1 above.

NOTES TO THE CONSOLIDATED BALANCE SHEET

9. LONG TERM BORROWING

9.1 Sources of loans –

	Range of Interest rates payable (%)	Total outstanding	
		31/3/03 £000	31/3/02 £000
Stock		54	54
Mortgages	3.25 to 5.06	166	175
PWLB loans	4.25 to 11.5	719,814	766,433
		720,034	766,662

9.2 Maturity dates of loans –

		31/3/03 £000	31/3/02 £000
within 1 year		64	4,683
from 1 year to 2 years		10	10
from 2 years to 5 years		16,439	18,033
from 5 years to 10 years		248,355	251,514
after 10 years		455,166	492,422
		720,034	766,662

10. DEFERRED RECEIPTS

10.1 The balance is made up as follows :

	31/3/03 £000	31/3/02 £000
Where the Council has granted a mortgage but no cash advance:		
Houses for sale	(1)	(7)
Sale of Council houses	(1,223)	(1,549)
Miscellaneous	(6)	(10)
	(1,230)	(1,566)

NOTES TO THE CONSOLIDATED BALANCE SHEET

11. DEFERRED CREDITS

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

	2002/03 £000	2001/02 £000
Balance as at 1st April	(6,541)	(7,264)
New discounts in the year	(939)	0
Less: Amounts written to revenue	814	723
Balance as at 31st March	(6,666)	(6,541)

12. GRANTS DEFERRED ACCOUNT

	2002/03 £000	2001/02 £000
Balance as at 1st April	(165,452)	(155,351)
Capital grants received in the year	(21,549)	(28,038)
Movement in capital creditors for receipt of grants in advance of planned expenditure	(661)	4,609
Amortisation	479	3,972
Transfer to Capital Finance Reserve		9,355
– Capital grant funding	13,039	
– Section 106 funding	2,931	
– Grants written down	83,113	
Balance as at 31st March	(88,100)	(165,453)
Represented by:		
Grants "applied" to be amortised to revenue accounts over the life of the completed scheme	(84,752)	(156,052)
Grants unapplied, with no planned expenditure commitments	(3,348)	(9,401)
Balance as at 31st March	(88,100)	(165,453)

- 12.1 Included in the above totals is £13.330 million in respect of planning gains at 31st March 2003 (£13.176 million at 31st March 2002).

- 12.2 In 2002/03 £83.113 million of grants were written down to the Capital Financing Reserve (see Note 18.4 page 41). This was linked to the writing out of work in progress schemes from fixed assets (see Note 1.5 page 31). These schemes were funded, in previous years, from grants held within the grants deferred account.

NOTES TO THE CONSOLIDATED BALANCE SHEET

13. PROVISIONS

	Balance 31/3/02 £000	Movement in 02/03 £000	Balance 31/3/03 £000
Provision for Bad Debts			
Corporate provision for bad debts	12,531	(12,531)	0
Housing Benefits overpayments	8,470	(2,867)	5,603
Rent arrears	18,196	(6,840)	11,356
Hostels	1,343	(361)	982
Housing court costs	0	947	947
RTB Leaseholders	2,440	(1,418)	1,022
RTB Section 20	5,970	(3,541)	2,429
Commercial rent arrears	1,794	(1,083)	711
Other Property	348	(260)	88
Bed & breakfast	2,051	(856)	1,195
Travellers	111	1	112
On street parking	390	412	802
Section 74	0	2,023	2,023
Environmental Management	966	(953)	13
Trade waste	0	132	132
Council Tax	19,489	628	20,117
Council Tax summons costs	977	23	1,000
BCCI loss	921	0	921
Education services	732	(189)	543
Social Services	312	0	312
Legal services	276	(276)	0
Other provisions less than £100,000	685	(54)	631
	78,002	(27,063)	50,939
Other Provisions			
Audit Commission fees	150	(150)	0
Insurance claims	6,868	(372)	6,496
Legal computer development fund	476	(333)	143
Taxation	58	132	190
Education grants	110	0	110
Recoupment	199	0	199
HRA	900	(690)	210
Subsidy loss rebates	7,765	1,004	8,769
RTB heating refunds	100	(100)	0
Commercial property dilapidations	0	700	700
Tax on leasing agreements	17,721	(5,627)	12,094
Tax on leasing subsidy	17,721	0	17,721
Rent allowance	590	(590)	0
Housing Benefits subsidy loss	402	980	1,382
Leisure provisions	225	(225)	0
NDC grant	0	131	131
s117 Social Services claims	1,175	91	1,266
Building DSO	129	(129)	0
DSO redundancies	23	328	351
Other provisions less than £100,000	1,312	(764)	548
	55,924	(5,614)	50,310
TOTAL PROVISIONS	133,926	(32,677)	101,249

NOTES TO THE CONSOLIDATED BALANCE SHEET

- 13.1 In previous years the Bad Debt Provision included a corporate provision for the non-collection of debts such as grant income and end of year manual debtors. Following advice and review, this provision has now been moved to earmarked reserves (Financial Risk Reserve).
- 13.2 Between 1983 and 1985 the Council entered into tax variable leases to finance the cost of major improvements in its housing stock. The original cost of assets financed under these leases was £10.2 million. Lessors' entitlement to capital allowances was the subject of a House of Lords ruling in a test case not involving the Council. A provision of £17.7 million was made to cover any potential liability including interest. Following a review of the position and Counsel opinion, £5.6 million has been released in 2002/03 and a further £9.2 million will be released in 2003/04 following a negotiated settlement with the Bank concerned. The Council considers that a liability still exists for the remainder (£2.9 million), but will review the case again in early 2004. The funds released in this way have been directed to support the Housing Investment Programme.
- 13.3 Southwark has also claimed and received housing subsidy on the additional lease rentals in respect of the years 1996/97 to 1998/99, against which a further provision of £17.7 million was made, shown as Tax on leasing subsidy. The future treatment of this provision is dependent on the review of the issue by the Office of the Deputy Prime Minister.

14. CONTINGENT LIABILITIES

- 14.1 In 1997/98 the Council employed staff on an agency basis to complete housing benefit determinations. The view of the Department of Work and Pensions (DWP) has been that determinations by agency staff are not eligible for subsidy, and the DWP has sought to reclaim relevant amounts. The DWP has been undertaking a national review with regards to its position on claims recovery and the use of agency staff, but no final decision has yet been reached. The Council's potential liability remains to be determined.
- 14.2 The Court of Appeal has ruled that patients held under section 117 of the Mental Health Act 1983 are entitled to receive certain services from local authorities free of charge. The Council has stopped charging for these services with effect from October 2000. There is, however, a liability for repayment of income received back to the date the Mental Health Act came into force in 1983. The Council has made specific provision of £1.266 million for such claims going back to 1993, see Note 13 above, which represents approximately 80% of identified potential total liability for this period and is seen as a sensible and prudent provision. The provision does not include potential claims for people sectioned and discharged in the period 1983 to 1992, as records are not complete enough for that period to determine the extent of claims, if any.
- 14.3 A new inquest is to be held into the deaths of 13 people in a housefire in New Cross in 1981. The Council meets some 25% of the costs of the local Coroner. The inquest is scheduled to start in January 2004, but the expected cost of the enquiry is unknown at this time. However, the Council's share of the cost has been estimated to be in excess of £125,000.

NOTES TO THE CONSOLIDATED BALANCE SHEET

15. INSURANCE

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

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

15.2 Provisions of £6.496 million (£6.868 million at 31st March 2002) have been made for outstanding claims and £4.890 million (£4.725 million at 31st March 2002) have been reserved out of General Fund balances to meet unidentified losses.

16. PROVISION FOR CREDIT LIABILITIES (MEMORANDUM ACCOUNT)

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

	2002/03 £000	2001/02 £000
Balance as at 1st April	23,147	7,098
Amounts set aside for MRP	14,910	16,049
Reserved capital receipts	44,384	35,947
Capital receipts additionally set aside	10,000	10,000
Amounts used to repay loans	(54,384)	(45,947)
Balance as at 31st March	38,057	23,147

17. ANALYSIS OF NET ASSETS

	31/3/03 £000	31/3/02 £000
Housing Revenue Account	2,576,156	1,593,400
General Fund	349,149	250,585
Net assets shown in the balance sheet	2,925,305	1,843,985

NOTES TO THE CONSOLIDATED BALANCE SHEET

18. STATEMENT OF TOTAL MOVEMENT IN RESERVES

	CAPITAL RESERVES			GENERAL RESERVES			2002/03	2001/02	
	Fixed Asset Restatement Reserve	Capital Financing Reserve	Usable Capital Receipts	General Fund	Specific Reserves	Major Repairs Reserve	HRA TOTAL	Total	
	£000	£000	£000	£000	£000	£000	£000	£000	
Balance at 1st April	1,518,009	300,959	794	4,085	10,920	0	9,218	1,843,985	1,530,787
Net (deficit) / surplus for year		107,259		2,688	(35,090)	5,205	13,461	93,523	(55,042)
Unrealised (loss)/gains from revaluation of fixed assets	934,935							934,935	311,111
Effects of disposals of fixed assets:									
Cost or value of assets disposed of	(92,132)							(92,132)	(61,146)
Proceeds of disposals		54,384	90,610					144,994	118,275
Net surplus/(deficit)	(92,132)	54,384	90,610					52,862	57,129
Financing of fixed assets and debt		32,686	(87,070)		54,384			0	0
Balance as at 31st March	2,360,812	495,288	4,334	6,773	30,214	5,205	22,679	2,925,305	1,843,985

18.1 DETAILS OF SPECIFIC RESERVES

	Balance 31/3/02	Movement in 02/03	Balance 31/3/03
	£000	£000	£000
Funds held by schools	7,186	(1,341)	5,845
SAP hardware refresh	0	1,023	1,023
Audit Commission fee	0	280	280
E-procurement	0	115	115
Financial Risk Reserve	0	11,632	11,632
Elephant & Castle	900	0	900
Switchboard replacement	623	(623)	0
Concessionary fares	585	(585)	0
Community Development	0	100	100
Corporate IT hardware	0	100	100
GIS	0	130	130
Capital Expenditure Reserve	641	3,751	4,392
Planned Maintenance Fund	2,272	766	3,038
Insurance	4,725	165	4,890
Asylum seekers	278	(85)	193
DSO	388	(179)	209
Services (over)/underspends	(141)	105	(36)
Other Reserves less than £100,000	321	227	548
	17,778	15,581	33,359
Collection Fund deficit	(6,858)	3,713	(3,145)
	10,920	19,294	30,214

18.1.1 In previous years the Bad Debt Provision included a corporate provision for the non-collection of debts such as grant income and end of year manual debtors. Following advice and review, this provision has now been moved to earmarked reserves, as the Financial Risk Reserve.

NOTES TO THE CONSOLIDATED BALANCE SHEET

18.2 FIXED ASSET RESTATEMENT RESERVE

	HRA	General Fund	2002/03 Total	2001/02 Total
	£000	£000	£000	£000
Balance as at 1st April	1,379,060	138,949	1,518,009	1,268,044
Adjustments for previous years	0	28,511	28,511	35,116
Unrealised losses and gains from the revaluation of fixed assets	966,251	(59,827)	906,424	275,995
Value of assets disposed of	(80,264)	(11,868)	(92,132)	(61,146)
Balance as at 31st March	2,265,047	95,765	2,360,812	1,518,009

18.2.1 Adjustments for previous years have occurred in 2002/03 to restate in the accounts the revaluation of certain properties that took place in an earlier financial period.

18.3 USABLE CAPITAL RECEIPT RESERVE

	2002/03 £000	2001/02 £000
Balance as at 1st April	794	1,807
Gross capital receipts from sale of assets	90,610	72,328
Less:		
Capital receipts set aside for debt redemption ("reserved receipts")	(44,384)	(35,947)
Capital receipts additionally set aside for debt redemption	(10,000)	(10,000)
Capital receipts used for financing capital expenditure	(32,686)	(27,394)
Balance as at 31st March	4,334	794

NOTES TO THE CONSOLIDATED BALANCE SHEET

18.4 CAPITAL FINANCING RESERVE

	HRA	General Fund	2002/03 Total	2001/02
	£000	£000	£000	£000
Balance as at 1st April	205,122	95,837	300,959	217,252
Capital receipts set aside				
– cash capital receipts	44,384	0	44,384	35,947
– additional debt redemption	0	10,000	10,000	10,000
Capital financing				
– capital receipts	15,288	17,398	32,686	27,394
– revenue	12,346	1,536	13,882	21,309
– Section 106	0	2,931	2,931	0
– capital grants applied	0	13,039	13,039	0
Amortisation of deferred charges	(329)	(6,547)	(6,876)	(7,962)
Write down of deferred charges balances (Note 18.4.1)	0	0	0	(23,905)
Excess of depreciation over MRP	(26,849)	(5,723)	(32,572)	(30,894)
Other accounting entries				
– MRA applied	33,263	0	33,263	38,459
– grants amortisation	0	479	479	3,972
– grants write down for deferred charges	0	0	0	9,355
– grants write down for changes to work in progress	0	83,113	83,113	0
– other adjustments	0	0	0	32
Balance as at 31st March	283,225	212,063	495,288	300,959

18.4.1 Until 2001/02 deferred charges had been amortised over periods up to 5 years. Following advice and review in 2001/02, accounting practice was changed to fully amortising deferred charges in the year they arise. The balance not amortised at 31st March 2002 of £23.905 million, and the matching grant funding not amortised of £9.355 million, were written down to the Capital Financing Reserve. There are no similar transactions in 2002/03.

19. EURO DISCLOSURE

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

20. FRS 17 – PENSIONS DISCLOSURE

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

20.2 London Borough of Southwark participates in the Local Government Pension Scheme, and acts as an Administering Authority. The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary. The most recent valuation was carried out as at 31st March 2001, and has been updated by independent actuaries to the London Borough of Southwark Pension Fund to take account of the requirements of FRS 17 in order to assess the liabilities of the Fund as at 31st March 2003. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

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

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

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

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

	31/3/03	31/3/02
	% p.a.	% p.a.
Discount rate	6.1	6.3
Rate of increase in salaries	4.1	4.3
Rate of increase in pensions in payment	2.6	2.8
Rate of increase in deferred pensions	2.6	2.8
Rate of inflation	2.6	2.8
Rate of return on Equities	7.6	8.25
Rate of return on Bonds	4.6	5.25
Rate of return on Property	6.6	7.25
Rate of return on Other assets	3.1	3.75
Average long term expected rate of return	6.7	7.4

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

	31/3/03	31/3/02
	£000	£000
Equities	245,700	326,400
Bonds	82,000	94,500
Property	56,300	48,700
Other	8,800	12,500
Total	392,800	482,100

The proportions of total assets held in each asset type, shown above, reflect the proportions held by the Fund as a whole at 31st March 2003 and 31st March 2002.

NOTES TO THE CONSOLIDATED BALANCE SHEET

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

	31/3/03	31/3/02
	£000	£000
Share of assets in London Borough of Southwark Pension Fund	392,800	482,100
Estimated liabilities in London Borough of Southwark Pension Fund	577,100	553,300
London Borough of Southwark's deficit in the scheme	184,300	71,200

20.7 The deficit above should be borne in mind when considering the amount of overall reserves held (see Note 18 page 39). The movement in the net deficit in 2002/03 can be shown as follows:

	£000	£000
Net deficit at 31st March 2002		71,200
Movement in the year:		
Current service cost	11,900	
Past service costs	0	
Gain/loss on any settlements or curtailments	0	
Contributions	(13,000)	
Finance Income:		
Expected return on Pension Fund assets	(35,800)	
Interest cost	34,800	
Actuarial (gain)/loss	115,200	
Total movement in the year		113,100
Net deficit at 31st March 2003		184,300

20.8 The actuarial loss can be analysed further as follows:

	£000	Representing
Actual return less expected return on assets	120,700	30.7% of scheme assets
Experience gains and losses on pension liabilities	0	0.0% of scheme liabilities
Changes in assumptions underlying the present value of pension liabilities	(5,500)	1.0% of scheme liabilities
Total actuarial loss	115,200	

NOTES TO THE CONSOLIDATED BALANCE SHEET

- 20.9 The actuary to the London Borough of Southwark Pension Fund estimates the charge to the Consolidated Revenue Account in 2003/04 will be:

	2003/04 £000
Current service cost	12,400
Past service costs	0
Total operating charge	12,400
Expected return on Pension Fund assets	(26,300)
Interest on Pension Fund liabilities	35,100
	8,800
Total charge 2003/04	21,200

21. POST BALANCE SHEET EVENTS

- 21.1 The Council was informed in March 2003 of Atkins Education's wish to terminate its contract with the Council. A settlement was concluded that allowed Atkins Education's contract to be terminated from 31st July 2003. The Statement of Accounts reflects all material sums properly due to Atkins Education or the Council under the terms of the contract up to 31st March 2003.

MISCELLANEOUS TRUST FUNDS

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

1. TRUSTS FUNDS WHERE THE COUNCIL IS THE SOLE TRUSTEE

	Balance at 31/3/02 £	Increase in fund balance £	(Decrease) in fund balance £	Balance at 31/3/03 £
Social Service Funds				
Individual bequests	40,569	85	(5,345)	35,309
Comforts Funds/Residents Savings	460,492	318,458	(216,526)	562,424
Southwark/Bermondsey Chest Clinic	2,546	0	(2,546)	0
Helping Hands	350	0	0	350
Education Trusts				
Blackfriars Road	123,799	4,521	0	128,320
Miscellaneous	11,502	347	0	11,849
Leisure Trusts				
St Mary Newington Clock	1,635	0	0	1,635
South London Art Gallery	8,853	323	(323)	8,853
Hogarth painting fund	250,000	9,130	(9,130)	250,000
Arts Donation	1,129	0	0	1,129
Health and Fitness Show	110,870	0	0	110,870
Spa Road Playground	34,301	0	(34,301)	0
Potters Field	260,096	10,043	(10,043)	260,096
Rubbish Show	11,083	0	(11,083)	0
Miscellaneous Trusts (see note 1)	2,877	0	0	2,877
Regeneration and Environment				
Pullen Gardens Maintenance Fund	95,000	0	0	95,000
Maintenance of Graves	21,250	445	0	21,695
	1,436,352	343,352	(289,297)	1,490,407

The purposes of the trust funds are listed below:

Individual Bequests

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

MISCELLANEOUS TRUST FUNDS

Helping Hands	To provide for printing costs for the Mayor's Common Good Charity
Blackfriars Road	To provide education and health services for Bermondsey children
Miscellaneous	Bequests set up to provide prizes or financial assistance to students at relevant schools in the Borough
St Mary Newington Clock	To provide for the maintenance of the clock at St Mary Newington
South London Art Gallery	Interest to be used for the running of the Gallery
Hogarth Painting Fund	Interest to be used for the arts in Southwark
Honor Oak Training Centre	For winding up costs of the Centre
Arts Donations	Sums donated to the Council to be used for specific arts purposes
Health & Fitness Show	To go towards funding of GP referral scheme and Peckham Pulse
Potters Field	To maintain open space adjoining London Bridge City
Pullens Gardens maintenance fund	To meet the maintenance cost of Pullens Gardens
Maintenance of graves	Moneys received for the maintenance of graves

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

	Balance at 31/3/02 £	Increase in fund balance £	(Decrease) in fund balance £	Balance at 31/3/03 £
Funds for the relief of Council Tax				
Walworth Common Estate	902,447	33,312	(50,000)	885,759
Borough Market Trustees	4,737	2,203	(1,500)	5,440
Leisure Trusts				
Cuming Bequest	7,808	0	0	7,808
Miscellaneous Trusts (see note 1)	716	0	0	716
	915,708	35,515	(51,500)	899,723

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

The purposes of the trust funds are listed below:

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

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

SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

HOW THE MONEY WAS SPENT

	2002/03	2001/02
	£000	£000
Education	20,750	17,252
Environment and Leisure	2,081	3,625
Housing	83,714	90,406
Regeneration	12,777	16,656
Strategic Services	3,193	264
Social Services	2,308	867
	124,823	129,070

HOW THE EXPENDITURE WAS FINANCED

Revenue contributions	13,882	21,308
Using credit approvals	26,087	13,872
Using capital receipts received from the sale of assets	32,686	27,394
Specific grants and other contributions	18,905	28,037
Major Repairs Allowance	33,263	38,459
	124,823	129,070

DETAIL

Fixed assets	87,165	988
Deferred charges	6,876	8,250
Deferred debtors	1,663	2,559
Enhancements and work in progress	29,119	117,273
	124,823	129,070

RECONCILIATION OF EXPENDITURE FOR CAPITAL ACCOUNTING TO STATUTORY CAPITAL EXPENDITURE FOR 2002/03

	£000
Expenditure capitalised as fixed assets	122,650
Decrease (increase) in capital creditors	2,173
Expenditure for capital control purposes	124,823
Less	
Expenditure to be financed by application of capital receipts or capital grants and contributions	(51,591)
Expenditure to be financed by supplementary credit approval	(6,101)
Expenditure to be financed by basic credit approval	(19,986)
Capital expenditure to be financed direct from revenue	47,145
Revenue contributions applied from the Housing Revenue Account including the application of the Major Repairs Allowance	45,609
Capital expenditure met from Revenue	1,536
	47,145

COLLECTION FUND

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

INCOME AND EXPENDITURE ACCOUNT

	Notes	2002/03 £000	2002/03 £000	2001/02 £000
Income				
Council Tax	1			
Income from Council Tax		(63,059)		(59,385)
Council Tax benefits		(20,022)		(19,032)
			(83,081)	
Non-domestic rates	2		(80,917)	(83,099)
Receipts from preceptors re previous years				
Collection Fund balance	3		(4,961)	(5,034)
Total Income			(168,959)	(166,550)
Expenditure				
Precepts and Demands				
GLA		14,644		12,693
Residual Receiver		0		100
London Borough of Southwark		65,315		62,930
			79,959	
Non-domestic rates				
Payment to National Pool		80,303		82,475
Cost of collection allowance		614		624
			80,917	
Provision for uncollectable amounts				
Council Tax			4,370	5,939
Total Expenditure			165,246	164,761
Net deficit/(surplus) for the year			(3,713)	(1,789)
Adjustment for Community Charge surplus as at 1st April			0	(2)
Deficit/(surplus) at 1st April			6,858	8,649
Deficit/(surplus) at 31st March			3,145	6,858

COLLECTION FUND

NOTES TO THE ACCOUNTS

1. COUNCIL TAX

1.1 Council Tax derives from charges raised according to the value of residential properties that have been classified into 8 valuation bands using estimated 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council and preceptors for the forthcoming year and dividing this by the Council Tax base (the total number of properties liable to tax, expressed as a band D equivalent). This basic amount of Council Tax for a band D property (£949.98 on 2002/03 and £899.50 in 2001/02) is multiplied by the proportion specified for the particular band to give an individual amount due.

1.2 Council Tax bills were based on the following:

Band	Estimated number of properties after effect of discounts		Ratio	Equivalent number of Band D properties	
	2002/03	2001/02		2002/03	2001/02
A	9,606.25	9,645.25	6/9	6,403.7	6,429.8
B	29,084.00	29,234.00	7/9	22,620.9	22,737.6
C	24,061.50	25,350.50	8/9	21,388.0	22,533.8
D	14,235.00	14,405.25	1	14,235.0	14,405.3
E	9,045.00	8,941.50	11/9	11,055.0	10,928.5
F	4,044.25	3,764.50	13/9	5,841.7	5,437.6
G	3,138.75	2,959.00	15/9	5,231.2	4,931.7
H	361.25	340.50	18/9	722.5	681.0
Total				87,498.0	88,085.3
Add adjustment for contribution paid in lieu				5.3	5.3
Less adjustment for collection rate				(3,281.3)	(3,964.2)
Council Tax Base for year				84,222.0	84,126.4
Band D tax rate multiplier				£949.98	£899.50
Estimated Council Tax due in the year (Council Tax base x Council Tax)				£80,009,216	£75,671,697

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

COLLECTION FUND

2. NATIONAL NON DOMESTIC RATES

- 2.1 National non domestic rates (NNDR) are organised on a national basis. The Government specifies an amount (43.7p in 2002/03 and 43.0p in 2001/02) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a national NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities general funds on the basis of a fixed amount per head of the population.

	£
Rateable value at 31st March 2002	249,843,975
Rateable value at 31st March 2003	244,870,587

- 2.2 The NNDR income after relief for voids etc. of **£80.917 million** (£83.099 million for 2001/02) was based on the average rateable value for the Council area for the year. The actual rateable value fluctuates considerably throughout the year due to revaluations, voids etc.

3. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

- 3.1 The Income and Expenditure Account includes the deficit brought forward on the fund at the start of the year and the accumulated (net) balance. The surplus for the year 2002/03 is applied to the balance brought forward to reduce the net deficit on the account.

CASH FLOW STATEMENT FOR THE YEAR

	2002/03		2001/02
	£000	£000	£000
REVENUE ACTIVITIES			
Cash outflows			
Cash paid to and on behalf of employees	259,423		241,328
Other operating costs	506,553		508,097
Housing benefit (excluding rent rebates)	50,763		42,683
Payments into NNDR pool	80,303		82,475
Payment to preceptors	13,923		12,061
		910,965	886,644
Cash inflows			
Rents (net of rebates)	(154,266)		(150,496)
NNDR receipts	(78,523)		(86,310)
Contribution from Collection Fund	(64,477)		(58,794)
Government Grants	(595,259)		(529,459)
Sales and charges for services	(159,135)		(189,658)
		(1,051,660)	(1,014,717)
Net cash flow from revenue activities		(140,695)	(128,073)
SERVICING OF FINANCE			
Cash outflows			
Interest paid	74,879		70,840
Interest element of leasing payments	38		38
		74,917	70,878
Cash inflows			
Interest received	(2,130)		(4,392)
		(2,130)	(4,392)
CAPITAL ACTIVITIES			
Cash outflows			
Purchase of fixed assets	116,284		118,261
Deferred charges and deferred debtors	8,539		10,809
		124,823	129,070
Cash inflows			
Sale of fixed assets	(90,610)		(72,328)
Capital grants	(23,593)		(29,170)
Other capital cash receipts	(13)		(25)
		(114,216)	(101,523)
NET CASH FLOW BEFORE FINANCING		(57,301)	(34,039)
FINANCING			
Cash outflows			
Repayment of long term loans	46,628		25,187
Repayment of short term loans	0		16,100
		46,628	41,287
Cash inflows			
New long term loans	0		0
New short term loans	0		(16,100)
		0	(16,100)
DECREASE (INCREASE) IN CASH AND EQUIVALENTS		(10,673)	(8,853)
CASH AND CASH EQUIVALENTS			
Net increase/(decrease) in bank balance overdrawn		(7,684)	10,421
Net (increase)/decrease in money on deposit		(2,989)	(19,274)
DECREASE (INCREASE) IN CASH AND EQUIVALENTS		(10,673)	(8,853)

NOTES TO THE CASH FLOW STATEMENT

1. RECONCILIATION OF NET REVENUE DEFICIT FOR THE YEAR

	2002/03		2001/02	
	£000	£000	£000	£000
Net expenditure/(income) on General Fund		(2,688)		3,915
Net expenditure/(income) on HRA		(13,461)		10,899
Net expenditure/(income) on Collection Fund		(3,713)		(1,790)
		<hr/>		<hr/>
Total		(19,862)		13,024
Net revenue income as per cash flow statement		(140,695)		(128,073)
Net interest as per cash flow statement	72,787		66,486	
Add:				
Decrease in deferred debits	0		0	
Decrease in stocks and works in progress	608		532	
Increase in Provisions and Reserves	0		956	
Decrease in debtors	949		23,516	
Depreciation and capital payments	61,880		72,262	
Increase in deferred credits	125		0	
		<hr/>	<hr/>	
		63,562		97,266
Less:				
Increase in deferred debits	(1,823)		(578)	
Decrease in creditors	(4,852)		(21,354)	
Decrease in Provisions and Reserves	(8,841)		0	
Decrease in deferred credits	0		(723)	
		<hr/>	<hr/>	
		(15,516)		(22,655)
		<hr/>	<hr/>	
Total		(19,862)		13,024

2. ANALYSIS OF GRANTS SHOWN IN CASH FLOW STATEMENT

	2002/03 £000	2001/02 £000
Revenue support grant and pool contribution	277,629	268,042
Housing subsidy	85,222	80,347
Students awards	2,159	1,080
Other Education grants	32,307	20,927
Housing benefits (excluding rent rebates)	69,446	68,353
Other grants	128,496	90,710
	<hr/>	<hr/>
	595,259	529,459

NOTES TO THE CASH FLOW STATEMENT

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

	2002/03 £000	2001/02 £000
Long term loans		
Balance as at 1st April	766,662	791,849
Repayments of amounts borrowed	(46,628)	(25,187)
New borrowings	0	0
Balance as at 31st March	720,034	766,662
Short term borrowing		
Balance as at 1st April	0	0
Repayments of amounts borrowed	0	(16,100)
New borrowings	0	16,100
Balance as at 31st March	0	0

PENSION FUND 2002/03

	Note	2002/03 £000	2001/02 £000
Contributions and Benefits			
Contributions receivable	5.1		
– from employers (including admitted bodies)		(17,633)	(17,433)
– from employees (including admitted bodies)		(6,410)	(5,847)
– from employees for AVCs		(129)	(110)
Transfers in		(4,434)	(3,338)
Other income – re-instatement following mis-selling		(647)	(659)
Total income		(29,253)	(27,387)
Benefits payable			
Benefits payable	5.2		
– Pensions		20,284	20,033
– Lump sums (incl. retirement and death grants)		1,896	2,151
Payments to and on account of leavers			
– Refunds of contributions		113	112
– Transfers out		5,984	4,602
Administrative expenses borne by the scheme		1,579	632
Total Expenditure		29,856	27,530
Net (addition)/reduction from dealing with members of the fund		603	143
Returns on Investment			
Investment Income		(10,571)	(10,711)
Change in Market value of Investments		96,426	18,367
Investment Management Expenses		1,765	2,351
Net decrease in Fund for the year		88,223	10,150
Opening Net assets of the scheme		(492,077)	(502,227)
Closing Net assets of the scheme		(403,854)	(492,077)
NET ASSETS STATEMENT 2002/03			
Investment Assets			
Fixed Interest public sector securities		17,246	19,411
Equities		208,469	264,920
Index linked securities		67,250	76,953
Managed Funds – Property (Freehold)		31,460	29,110
Managed Funds – Property (Leasehold)		7,625	5,740
Unit Trusts – Property		19,014	14,725
Unit Trusts – Other		43,961	67,972
Total Investment Assets		395,025	478,831
Net Current assets and liabilities			
Cash held at managers		8,287	11,510
Interest and dividends accrued		2,456	2,103
Creditors		(997)	(1,094)
Cash at Council		(917)	727
Total net current assets and liabilities		8,829	13,246
Closing net assets of the Scheme		403,854	492,077

PENSION FUND 2002/03

1. INTRODUCTION

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

2. OPERATION AND MEMBERSHIP OF THE FUND

- 2.1 In 2002/03 contributions to the Fund were made by employees at 6% of salaries and wages. The Council contributed 240% of the employees' contribution plus additional contribution of £2.53 million. Of this, £1.59 million is a special contribution for early and ill health retirements. In addition, external bodies admitted to the Southwark Fund contributed £1.28 million.
- 2.2 Prior to 31/3/90 the Council paid for the annual inflation updating existing pensions, which was charged directly to the General Fund. Since that date the cost of annual inflation has been charged to the Pension Fund, apart from that on compensation, gratuities and injury allowances. From 1/4/90 to 31/3/93 the Council's contribution was set to meet 75% of the potential liabilities of the Fund, on the basis of a triennial actuarial valuation. Since that date, as a result of the change in the legislation, the Council's contribution is expected to meet 100% of the liabilities.
- 2.3 The Council is required to ensure that any surplus on the Pension Fund is invested. To ensure that the investment of the Fund is carried out to the best possible advantage investment managers deal with the day to day investment of the Fund. Barclays Global Investors Ltd manage an "indexed" portfolio containing UK equities and 'in house' unit trusts of overseas equities, and fixed and index linked gilts. During 2002/03 the other investment managers were Deutsche Asset Management (UK Equities), Putnam Investments (Overseas Equities) and Henderson Global Investors (Property). The overall investment strategy is the responsibility of the Council. During the year this was delegated to the Officer Pension Board.
- 2.4 At 31st March membership of the Fund was as follows:

	2002/03	2001/02
Number of contributors to the Fund	5,764	5,421
Number of contributors and dependants receiving allowances	5,576	5,581
Number of contributors who have deferred their pensions	4,087	4,075

3. ACCOUNTING POLICIES

- 3.1 The Accounts have been prepared in accordance with the recommendations of SORP 1 on Pension Scheme Accounts, the CIPFA Code of Practice on Local Authority Accounting and FRS 18. The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end (31st March 2003).
- 3.2 In order to comply with these recommendations the accounts have been prepared using the market value of equity investments and unit trusts. Foreign transactions are brought into account at the exchange rate when the transaction took place. End of year balances are calculated at the exchange rate for 31st March. Property assets have been included at market value as at 31st March. The cost of acquisition of assets, including property, is treated as a revenue cost. Income and expenditure, including management expenses, are accrued.

PENSION FUND 2002/03

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

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

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

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

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

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

4. ACTUARIAL POSITION OF THE FUND

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

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

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

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

Rate of pay increases, 3.8% p.a.

Rate of pensions increases, 2.3% p.a.

PENSION FUND 2002/03

5. CONTRIBUTIONS RECEIVABLE AND BENEFITS PAYABLE

5.1 The total contributions receivable for 2002/03 are analysed as follows:

	Employees £000	Employers £000	Total £000
Southwark Council	6,101	16,807	22,908
Admitted bodies	438	826	1,264
Total	6,539	17,633	24,172

This includes contributions from employees for AVCs (Additional Voluntary Contributions) of £129,000. These additional contributions are treated as apart of the main scheme and are invested in the same way once paid in.

5.2 The total benefits payable for 2002/03 are analysed as follows:

	Pensions £000	Lump sums £000	Total £000
Southwark Council	20,202	1,734	21,936
Admitted bodies	82	162	244
Total	20,284	1,896	22,180

6. RELATED PARTY TRANSACTIONS

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

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

- ◆ The Council
- ◆ The Fund Managers
- ◆ The following admitted bodies:
 - Fusion
 - Botes
 - WS Atkins
 - Gristwood & Toms
 - Southwark EAZ
 - Home Care Trust
 - PricewaterhouseCoopers
 - Borough Market
 - St Mary Newington
 - Christchurch United Charities
 - Southwark Law Centre.

PENSION FUND 2002/03

7. OTHER INFORMATION

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

◆ Deutsche Asset Management	£80.96 million	19.9%
◆ Putnam Investments	£46.56 million	11.5%
◆ Henderson Global Investments	£64.70 million	16.3%
◆ Barclays Global Investors	£212.68 million	52.3%

7.2 Investments include £162.9 million UK Equities and £45.6 million Overseas equities, which are the only foreign investments of the fund. The Fund's total investment in unlisted companies is in the form of unquoted equity unit trusts. The holding, valued at £244,000, is included in "Unit Trusts – Other". Sales and purchases by the investment managers were £97.3 million and £111.1 million respectively, plus the purchase of direct property of £3.6 million.

7.3 Contributions receivable include a contribution from admitted bodies of £1.26 million for employers' and employees' contributions from contractors and charities.

7.4 No stock-lending is allowed under investment agreements.

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

GLOSSARY OF ACCOUNTING TERMS

ACCRUAL

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

AGGREGATE CREDIT LIMIT (ACL)

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

AGENCY SERVICES

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

ASSET MANAGEMENT REVENUE ACCOUNT (AMRA)

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

BALANCES

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

BUDGET

Statement of the spending plans for the year.

BUSINESS RATES

See Non Domestic Rate.

CAPITAL EXPENDITURE

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

CAPITAL EXPENDITURE MET FROM REVENUE ACCOUNTS (CERA)

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

CAPITAL FINANCING RESERVE (CFR)

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

CAPITAL CHARGES

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

CAPITAL RECEIPTS

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

CENTRAL SUPPORT SERVICES

The cost of the central administration of the Council.

GLOSSARY OF ACCOUNTING TERMS

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

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

CODE OF PRACTICE

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

COLLECTION FUND

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

COMMUNITY ASSETS

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

COMPULSORY COMPETITIVE TENDERING (CCT)

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

CONSOLIDATED BALANCE SHEET

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

CONTINGENCIES

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

CONTINGENT LIABILITY

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

COUNCIL TAX

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

COUNCIL TAX BENEFIT

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

CREDIT APPROVAL

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

CREDITORS

Organisations and individuals to whom the Council owes money.

CURRENT LIABILITIES

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

DEBTORS

Organisations and individuals who owe money to the Council

GLOSSARY OF ACCOUNTING TERMS

DEFERRED CHARGE

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

DEPRECIATION

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

DIRECT SERVICE ORGANISATION (DSO)

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

EARMARKED RESERVES

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

FINANCE LEASES

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

FIXED ASSET RESTATEMENT RESERVE (FARR)

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

GENERAL FUND

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

HOUSING REVENUE ACCOUNT (HRA)

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

HOUSING SUBSIDY

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

INFRASTRUCTURE ASSETS

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

MINIMUM REVENUE PROVISION (MRP)

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

NATIONAL NON DOMESTIC RATES (NNDR)

Another name for non domestic rates.

NET EXPENDITURE

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

GLOSSARY OF ACCOUNTING TERMS

NON DOMESTIC RATE (NDR)

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

NON OPERATIONAL ASSETS

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

OPERATIONAL ASSETS

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

OPERATIONAL LEASE

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

PRECEPT

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

PROVISIONS

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

PROVISION FOR CREDIT LIABILITIES

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

RECHARGES

The transfer of costs from one account to another.

RECEIPTS TAKEN INTO ACCOUNT (RTIA)

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

RESERVES

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

REVENUE EXPENDITURE

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

REVENUE SUPPORT GRANT (RSG)

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

SPECIFIC GRANTS

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

